

Why We Own Mastercard

On 26 August, an internationally issued Mastercard crossed a counter in Damascus and completed [Syria's first international card payment in more than fifteen years](#). QNB Syria processed the point-of-sale transaction at an eligible approved merchant after the country's payments infrastructure had been reconnected to Mastercard's network. It was one payment, not yet broad acceptance. But it made an invisible piece of economic infrastructure tangible: a consumer, a merchant, a bank and a global network were able to trust the same transaction.

That moment captures why we own Mastercard. The company does not lend the money behind most card purchases and it does not generally issue the cards. It provides the rails, rules and intelligence that allow banks, merchants, consumers and governments to exchange value across institutions and borders. When those rails work, they recede into the background. Their importance becomes clearest where they are missing.

A structural shift from cash to connected commerce

The long-term demand is larger than cards. Commerce is becoming digital, mobile and increasingly embedded in software. More people have formal financial accounts, yet participation remains incomplete. The [World Bank's Global Findex 2025](#) reports that 79% of adults worldwide had an account in 2024, up from 74% in 2021, while gaps remain for women, poorer adults and people who lack safe, reliable ways to use digital finance.

Mastercard sits where several needs meet: acceptance, identity, fraud prevention, cross-border interoperability and the ability to move money in a form that both sides recognise. The company connects more than 200 countries and territories and had approximately 3.7 billion Mastercard and Maestro cards in circulation at the end of June 2026. Every additional trusted participant can make the network more useful to the others.

New forms of commerce widen the opportunity. On 7 September, [Mastercard announced a collaboration with Flowcart](#) to embed card payments inside social and conversational commerce in East Africa, beginning in Kenya. The idea is simple: a small seller can move a customer from a conversation to a secure payment without building a conventional website. It is an agreement and an intended rollout, not yet evidence of adoption or better merchant economics. That distinction matters.

The advantage is trust at scale

A payment network must do several things at once. It has to authorise transactions quickly, route them accurately, settle them across institutions and manage fraud without making legitimate commerce intolerably difficult. It must also keep working as channels, regulations and threats change.

Scale gives Mastercard a durable advantage. Banks and merchants want access to consumers; consumers want cards and digital credentials accepted in many places. The resulting network effect is hard to reproduce country by country. Mastercard then builds services around the core network: cybersecurity, identity, analytics, loyalty, consulting and

open-banking capabilities. These can deepen customer relationships and help the company participate in value created beyond the traditional card swipe.

The economics show that this is more than a persuasive story. In the quarter ended 30 June 2026, [Mastercard reported](#) net revenue of \$9.3 billion, up 14% as reported, and adjusted operating income of \$5.6 billion, up 17%. Gross dollar volume rose 8%, purchase volume 10%, cross-border volume 12% and switched transactions 9%. Value-added services and solutions revenue grew 20%, faster than the payment-network business. The combination suggests that network activity and adjacent services are reinforcing one another.

But scale is not free. Customer rebates and incentives were almost \$6.0 billion in the quarter and rose 22% as reported. They are part of the cost of winning and retaining volume. A strong network can still overpay for growth, and reported transaction momentum can conceal weaker incremental economics.

A financially strong business, not just a good story

A compelling theme only matters if the company behind it can actually keep funding the rails it promises, year after year. A network that cannot fund its own security, resilience and expansion will struggle to extend trust to more of the world's transactions, however important the mission sounds. So before we get carried away with the story, we ask a simpler question: is this a genuinely well-run, profitable company? On the numbers, the answer is clearly yes – with one important qualification on how that quality has recently shown up in the share price.

Profitability. Mastercard converts network activity into profit at a rate few companies in any industry can match. On a net-revenue basis – after deducting the rebates and incentives it pays banks and merchants to win and keep their business – adjusted operating margin reached 61.1% in the second quarter of 2026, up 120 basis points on the same quarter a year earlier, placing Mastercard among the most profitable large companies in payments. Return on invested capital – essentially, how much profit the business generates for every dollar of capital tied up in it – has run at 71–80% over the past three years and has risen every year over that period, several multiples of what it costs the company to raise that capital. Few asset-light networks sustain returns at this level, let alone keep improving them.

Earnings growth. The profit Mastercard generates for shareholders has been growing faster than the business itself: over the past three years, adjusted earnings per share have compounded at close to 17% a year, comfortably ahead of the roughly 15% growth in revenue over the same period. In plain terms, the network isn't just processing more transactions – each transaction is becoming more profitable. That pattern continued into the most recent quarter, when adjusted earnings per share grew 21% year on year, beating consensus expectations for the sixth consecutive quarter.

Shareholder returns – the case ahead. None of this matters to an investor unless it shows up in the share price, and here the recent record is more mixed than the profitability figures above, so we say so plainly rather than dress it up. Mastercard's total shareholder return – share price growth plus dividends – was strongly positive in three of the past four years (23% in 2023, 24% in 2024 and 9% in 2025), but the shares fell in 2022 and have given back a little ground so far in 2026. That pause looks more like a valuation pause than a deterioration in the underlying business: the median analyst price target currently sits close to \$665, meaningfully above the recent share price around \$563, and current analyst forecasts still point to earnings

continuing to compound at a mid-to-high-teens annual rate through the rest of the decade, alongside a materially higher dividend, backed by a buyback programme with \$7.8 billion of remaining authorisation as of the second quarter of 2026. If that growth is realised, and the shares re-rate to reflect it, the total-return record should look considerably stronger from here than it has over the past year – though this is a forecast, not a fact, and it is exactly the kind of expectation we are obliged to test rather than assume.

Taken together, this gives us real confidence that Mastercard has the profitability and financial discipline to keep funding the network's growth – though, unlike some of the more spectacular compounders we hold, this is a case where recent share-price performance has not fully kept pace with the underlying business, and that gap between quality and return is itself something we watch closely.

Leadership we can trust

A payment network handles other people's money and other people's data at enormous scale, so we need to trust the people overseeing it as much as we trust its economics. On several important measures, Mastercard's governance is solid. The roles of Chief Executive and Chair are held by separate people, giving proper checks and balances at the top rather than concentrating power in one individual. Every director stands for re-election each year, so shareholders get a regular say over who governs the company. Executive pay is substantially performance-linked, weighted toward multi-year equity awards with a relative shareholder-return modifier, subject to a post-vesting holding period and robust clawback provisions, and free of the more common red flags such as repricing, tax gross-ups or hedging of company stock – a structure shareholders endorsed with 96% support at the most recent annual meeting.

Set against this, a small number of structural questions remain open, and we treat them as areas to keep watching rather than settled concerns. Under the tenure standard we apply to our own holdings, the Chair's length of board service means the company currently has no independent lead director in place to provide a check at the very top of the board; the board conducts a formal annual evaluation of its own effectiveness, but does not yet publish the findings; and Mastercard's two-class share structure means voting rights are not spread evenly across all shareholders. None of these are disqualifying on their own, and they sit alongside a genuinely strong record of capital allocation: return on invested capital has run far above the company's cost of capital in every one of the past three years and has continued to improve, funding both the network's growth and a consistent, expanding programme of dividends and buybacks. Together, this gives us reasonable confidence that Mastercard is overseen by leadership that acts in shareholders' and stakeholders' long-term interests, while leaving genuine room for the governance structure at the top of the board to keep strengthening as the business scales.

Human advancement needs a harder test

Access to digital payments can help a small business reach customers, build a transaction history and participate in formal commerce. Mastercard's Center for Inclusive Growth says its [Strive initiative in India](#) has reached more than 1.5 million small businesses and individuals since 2021. The company reports that more than 800,000 microenterprises accessed digital

tools and financial services, that 60% were women-led or owned, and that related programmes facilitated more than \$150 million of credit.

Those are encouraging company-reported outputs. They are not, by themselves, proof of durable financial health. Reaching a business is different from changing its behaviour; access to credit is different from productive use; digital acceptance is different from higher income after fees and fraud losses. The impact case becomes stronger when Mastercard and its partners report longitudinal outcomes such as sustained usage, revenue resilience, business survival and the distribution of benefits.

The same discipline applies to Syria. One functioning international transaction proves technical readiness at one approved merchant. It does not establish national coverage, affordability, consumer protection or sanctions-compliant participation at scale. Broader acceptance remains a phased programme subject to regulatory, operational and risk-management requirements.

Value, decision, and tension

We own Mastercard because three things line up: a durable, structural shift toward digital, connected commerce that plays directly to Mastercard's network; a genuinely high-quality, well-run business behind it, with best-in-class profitability, earnings growing faster than revenue, and a credible path back to stronger shareholder returns; and a board and management team we trust to act in shareholders' and stakeholders' long-term interests.

We do not own it on the assumption that every new market opens smoothly, that today's margins are permanent, or that scale alone protects pricing power indefinitely. The central tension is that Mastercard's success is precisely what invites the sharpest challenge to it: the same scale that lets it win trusted transaction volume also draws the heaviest regulatory scrutiny, the strongest push toward account-to-account and stablecoin alternatives, and rising rebates and incentives as banks and merchants extract more of the value the network creates. A good network becomes a poor investment when its price already assumes that none of these pressures will bite. Valuation discipline, not enthusiasm for the theme, is what ultimately governs position sizing.

What could break the chain

A number of things could weaken this thesis, and we watch for all of them:

- Account-to-account systems such as India's UPI can route payments outside card networks altogether, and domestic schemes, real-time payment rails and merchant pressure can erode pricing power over time.
- Stablecoins may create new settlement paths; Mastercard's acquisition of BVNK expands its capabilities here, but it also confirms that the underlying payments architecture is evolving, and the integration carries its own execution and regulatory-timing risk.
- Regulators continue to scrutinise interchange, merchant rules, surcharging, competition, privacy, sanctions and anti-money-laundering controls, and a serious cyber or data failure could damage the trust on which the entire network depends.

- Cross-border volume is particularly valuable and can reverse when travel, trade or geopolitics weaken; rebates and incentives have already been rising faster than network revenue, and if that continues without an offsetting shift in revenue mix, the margin gains described above could partly reverse.
- The governance areas flagged above – board independence at the very top of the board, disclosure of evaluation outcomes, and the two-class share structure – would need to keep improving for our confidence in oversight to strengthen as the business grows, rather than simply holding steady.
- The impact case can also fail on its own terms: reaching more merchants and consumers is not the same as proving sustained, safe and useful participation, particularly for smaller businesses and underserved consumers.
- Even an exceptional business can be a poor investment if the price already assumes decades of frictionless growth.

The thesis would weaken materially if account-to-account or stablecoin displacement accelerated faster than Mastercard's own participation in those rails, if rebates and incentives permanently outpaced network revenue growth, if the governance gaps above widened rather than closed, or if verified outcomes contradicted the company's own claims about financial inclusion. It would also weaken if the shares moved to a valuation that left no margin of safety for any of these risks.

Our ownership test

We should continue to own Mastercard only while four things remain true: the network keeps winning trusted transaction volume; value-added services strengthen rather than subsidise the core; growth converts into attractive incremental cash economics after incentives; and governance protects the durability of the franchise.

On impact, we want evidence that wider acceptance leads to sustained, safe and useful participation – especially for small businesses and underserved consumers – rather than counting connections alone. On risk, we will watch account-to-account displacement, stablecoin adoption, regulatory remedies, cyber resilience and the economics of cross-border growth.

The first international card payment in Syria was a small event. Its meaning lies in what had to be true for it to happen: institutions, technology and rules had to work together well enough for strangers to trust the result. Mastercard's enduring opportunity is to make that trust available more widely. Our responsibility is to test whether the company can do so profitably, responsibly and at a price that still rewards patient owners.

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