

March 17, 2026

Dear Stakeholder,

Longtime followers of our direct lending business, including our business development companies (“BDCs”) Sixth Street Specialty Lending, Inc. (“TSLX”) and Sixth Street Lending Partners (“SSLP”), will be familiar with our practice of writing letters to you, our capital partners and stakeholders, during periods of heightened uncertainty<sup>1</sup>. These communications are intended to share our real-time perspectives on market dynamics, the state of the BDC sector, and how our business is positioned.

Writing these letters requires an investment of time and energy from our team, and we always benefit from the exercise. Writing down our collective observations and memorializing our thinking provides our team with the opportunity to reaffirm the consistency of our framework while questioning our assumptions as market conditions evolve. These snapshots in time also keep us honest as we have a record to look back on – a record that reminds us that we, of course, do not always get everything right.

A major theme of our historical commentary has been the equal weight we place on applying a robust operating framework to *both* sides of our balance sheet: liquidity and capital (our liabilities), as well as underwriting and portfolio positioning (our assets).

Across the broader direct lending industry, both sides of the balance sheet are facing major questions motivated by a combination of facts and “animal spirits”:

- For liabilities: declining dividend coverage and increasing redemptions (the latter applicable to perpetual non-traded vehicles, which make up approximately 54% of total BDC assets<sup>2</sup>); and
- For assets: structural shortfalls in earnings power and the effect AI adoption will have on portfolios.

During periods of elevated volatility, it can sometimes be difficult to separate factual conclusions from emotions like exuberance and fear. But as investors, our job is to be aware of and discern the differences between the two. From redemptions in the perpetual non-traded sector to the AI hype cycle to whatever comes next, our focus remains on the fundamentals.

AI is a world-changing technology, but sentiment is leaving little room for nuance. The current market discourse is, in our view, conflating equity valuation volatility with fundamental credit risk. We believe the devil is in the details (e.g., underwriting expertise) and later in this letter (see below for “Part II: The AI Adoption Cycle and its Effect on Software and Technology Investing”) we provide our detailed views.

Beneath what is grabbing today’s fearful headlines is the fact that over the past few years exuberance outran facts regarding BDC unit economics.

The lack of disciplined risk management on the liability side of the business, specifically the shift towards gathering client funds intended to be *immediately deployed* rather than *patiently invested*, has led to structural underearning and looser protections on assets across the sector.

The result is what we see today: a BDC sector going through an intense yet warranted reset.

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<sup>1</sup> Please see previous [TSLX Stakeholder Letters](#) for letters published during COVID, the rising interest rate environment, the regional banking crisis, the imposition of tariffs and the topic of capital imbalance in the direct lending sector.

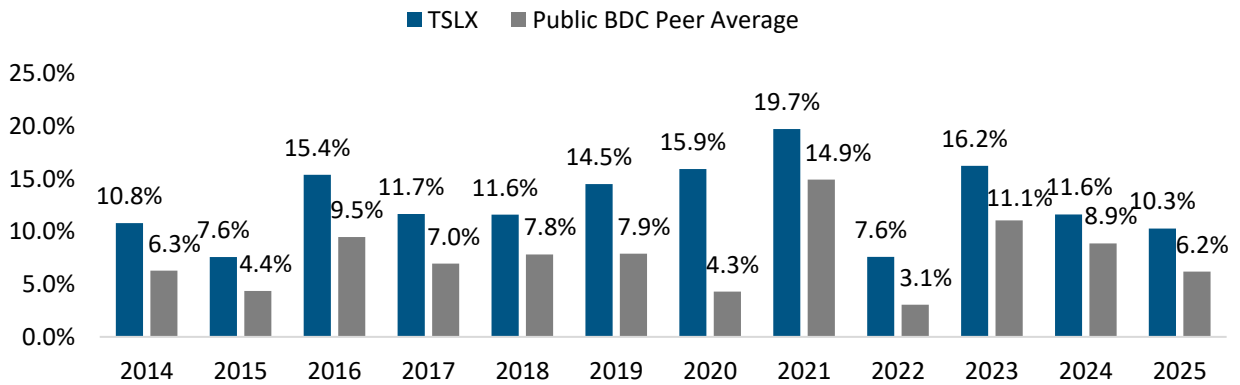
<sup>2</sup> Source: Cliffwater Direct Lending Index. AUM as of 9/30/2025.

For Sixth Street, our approach to direct lending over the past few years has been characterized by disciplined restraint. We under-deployed during a spread environment we viewed as economically sub-optimal and positioned ourselves to be able to play offense when things changed.

This is where we believe we are now, and the prospect of widening performance dispersion among BDC managers is the lens through which we continue to see the opportunity for TSLX stakeholders.

As shown in the chart below, the dispersion between the minimum and maximum return on equity (“ROE”) for our peer set in 2025 was the widest range we have seen across the twelve years that TSLX has been a public company.

**TSLX vs Public BDC Peer Net Income Return on Equity (“ROE”) Dispersion<sup>3</sup>**



	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Minimum Peer ROE	0.9%	-3.7%	-2.2%	-15.0%	-2.7%	3.1%	-10.6%	6.4%	-18.5%	0.1%	-6.2%	-11.4%
Maximum Peer ROE	11.7%	12.3%	22.1%	15.3%	29.7%	17.6%	13.5%	28.8%	10.8%	27.6%	14.6%	23.1%
Min/Max Dispersion	10.8%	16.0%	24.3%	30.4%	32.5%	14.5%	24.1%	22.4%	29.3%	27.5%	20.9%	34.5%
Standard Deviation	3.3%	4.8%	5.4%	5.7%	6.1%	3.4%	5.9%	6.0%	6.5%	4.5%	4.4%	6.1%
Number of Peers	18	18	20	20	23	26	27	29	30	30	30	30

**Part I. BDC Liabilities and a Historic Case of Expectations Mismanagement**

We are now going to cover industry observations relating to capital and liquidity. Let’s start with where TSLX stands today.

The Sixth Street direct lending business is operating from a position of strength from a capital perspective: ample dry powder at TSLX and SSLP (with relatively small vehicle sizes), leverage levels towards the bottom of our target ranges, and, structurally and intentionally, no obligations regarding future redemptions in our BDCs.

<sup>3</sup> Calculated as reported net income per share over each time period, divided by beginning NAV per share. TSLX net income is adjusted to exclude the capital gains incentive fee expense that was accrued, but not paid, related to cumulative unrealized capital gains in excess of cumulative net realized capital gains less any cumulative unrealized losses and capital gains incentive fees paid inception to date. BDC Peers consist of 30 externally managed BDCs in the S&P BDC Index with total assets greater than \$1.0 billion as of 6/30/2025.

As tighter spreads became structurally embedded across the BDC sector over the past few years, we doubled down on maintaining our capital and liquidity discipline (e.g., new deployment was less than repayment activity resulting in lower gross assets over the past two years).

Under our framework, liquidity includes the ability to satisfy all unfunded commitments on the assumption that, in an extreme downside scenario, all of a BDC’s borrowers exercise the liquidity option they own at the same moment in time. This is despite the fact that even at the peak of COVID, that drawdown figure only reached 20% of unfunded commitments in TSLX.

Our liquidity assessment includes a clear understanding of how much capital we have available to us through committed debt facilities, as well as the ability to use leverage within our target range as a way to drive shareholder value. For TSLX, we ended the year at 1.08x debt to equity, positioning us with \$246 million of investment capacity before we reach the top of end of our target leverage range. This compares to ending leverage for our peers in Q4 2025 of 1.27x, above the upper end of the target range for BDCs.

Historically, the relatively short duration of our investments provided a source of liquidity through natural repayments. We are anticipating that the repayment cycle extends as the industry goes through a broader rebalancing of supply and demand. From a planning perspective, absent known repayment activity, this component is excluded.

	Q4'25 TSLX	Q4'25 Public BDC Peers <sup>1</sup>
Liquidity as % of Total Assets <sup>2</sup>	33%	23%
Liquidity as a Multiple of Unfunded Commitments <sup>3</sup>	5.7x	2.0x
Regulatory Leverage (Net) <sup>4</sup>	1.08x	1.27x

Note: As of 12/31/2025, or latest available.

1. BDC peers are consistent with previously defined peer set.
  2. Calculated as (total undrawn commitments under revolving credit facility + unrestricted cash) / total assets.
  3. Calculated as (total undrawn commitments under revolving credit facility + unrestricted cash) / unfunded commitments. Since funded commitments may be subject to limitations on borrowings set forth in the agreements between the Company and the applicable portfolio company, when data is available, we use the lessor of i) eligible unfunded commitments to be drawn as of 12/31/2025, or latest available and ii) total unfunded commitments.
  4. Debt figure includes SBA debentures (GAAP Leverage).
- Source: S&P Capital IQ, Company filings.

We also benefit from the broader Sixth Street platform with its more than \$125 billion in assets under management, over 700 global team members, and deep capabilities across sectors, asset classes, and geographies. Sixth Street’s proven ability to bring scale, expertise, and resources to bear with speed and certainty enables us to lean in on investment opportunities requiring new and/or incremental capital commitments during periods of dislocation.

Zooming out across the broader BDC sector, we believe most of the issues the industry is facing today result from structural risk management failures pertaining to liquidity and capital frameworks.

Over the past several years, new vehicles designed with incentives that sacrificed robust capital and liquidity guardrails in favor of short-term asset gathering were introduced and proliferated, targeted at a largely retail client base with which the industry has shallower relationships compared to the institutional investors that initially funded the sector (and that still predominantly make up Sixth Street’s capital base).

These “dollar in, dollar deployed” structures for BDC investors fundamentally changed how BDC assets were originated. The need to scale deployment and the constant search to put dollars to work became the paramount driver of new origination.

In the process, direct lending began to move away from the core attributes that made it successful in the first place: deep operational diligence, prudent loan structuring and covenant documentation, an awareness of the forward rate curve, and how to finance durable earnings and therefore distributions. Deployment trumped investment discipline.

As we wrote almost one year ago in our [letter dated April 30, 2025](#):

*Investors in our industry have two choices, the “what” and the “when”. Vehicles built on perpetual retail flows are vastly limited in both choices as retail capital ebbs and flows. You are limited on the “when”, because dollars that come in need to be put to work right away, and the “what” is therefore determined in large part by what is on the menu at that time. In addition, there is wrong way risk as it relates to flows. Flow levels tend to be the largest when risk premiums are at all time tights. You only have to look at 2024 and the Q1 2025 collapse in private market spreads. During “risk off” periods, when risk premiums are attractive, both capital and liquidity leave the system. This is wrong-way risk for both the capital and manager (as there is a promise and an expectation of liquidity, even if the fine print includes redemption gating provisions). These risks are borne by all shareholders.*

Over the last three years, beginning when the rate hike cycle and temporary spread widening pushed return prospects (in marketing brochures, anyway) to mid-teens levels, the BDC sector has done a poor job of appropriately setting and managing expectations as it relates to both performance and liquidity for what has become a much broader investor base.

When you combine base rates of approximately 350 basis points today with new investment spreads that have dipped below 500 basis points, the resulting ROEs, even before accounting for credit losses, fall below both the industry’s current estimated cost of capital and the returns that were promised to investors. This is illustrated by our forward unit economics table below, which incorporates the 3-year SOFR swap rate and new issue investment spreads. Before credit losses, the illustrative forward ROE for the sector is 7.6%. Assuming historical credit losses based on the Cliffwater Direct Lending Index of approximately 100 basis points on assets (~210 bps on equity), this implies forward ROEs of 5.4%, falling well below the industry’s current estimated cost of equity capital of 8-9%<sup>4</sup>.

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<sup>4</sup> Source: Bloomberg.

TSLX Illustrative Forward Unit Economics / Return on Equity	TSLX	BDC Peers
<b>Return on Assets:</b>		
Weighted Average Interest Rate of Portfolio <sup>1</sup>	10.3%	8.9%
Amortization of upfront fees <sup>2</sup>	0.5%	0.5%
<b>Total Yield on Debt and Income Producing Securities</b>	<b>10.8%</b>	<b>9.4%</b>
<b>Impact of Additional fees<sup>3</sup></b>	<b>0.7%</b>	<b>0.0%</b>
<b>All-in Yield (on Assets)</b>	<b>11.4%</b>	<b>9.4%</b>
Cost of funds <sup>4</sup>	(6.5%)	(5.9%)
Assumed Debt/Equity	1.10x	1.10x
<b>Net Interest Income Return (on Equity)<sup>5</sup></b>	<b>16.9%</b>	<b>13.2%</b>
Management Fees <sup>6</sup>	(3.1%)	(3.2%)
Operating Expenses	(0.9%)	(0.9%)
<b>ROE Before Incentive Fee</b>	<b>12.9%</b>	<b>9.2%</b>
Incentive Fee <sup>6</sup>	(2.3%)	(1.6%)
<b>ROE on NI (Before Credit Losses)</b>	<b>10.6%</b>	<b>7.6%</b>

1. Incorporates the 3-year SOFR swap rate as of 3/5/2026.

2. Assumes 1.5% OID over a 3 year average life.

3. Based on TSLX 3-year historical average.

4. Estimate based on current cost of funds adjusted for 3-year SOFR swap rate.

5. Calculated as All-in-Yield (on Assets) x (1 + Assumed Debt/Equity) – Cost of Funds x Assumed Debt/Equity.

6. TSLX fee structure reflects management fees of 1.48% on average quarterly assets and incentive fees of 17.50% on pre-incentive fee income. BDC Peers fee structure reflects management fees of 1.50% on assets and incentive fees of 17.50% on pre-incentive fee income.

The forward interest rate curve indicates that the BDC sector is approaching trough earnings. Since the Fed began cutting rates in September 2025, nearly 40% of TSLX's public peers have cut base dividends, by an average of 20%. We anticipate further downward adjustments across the sector as managers continue to align distributions with lower net investment income levels.

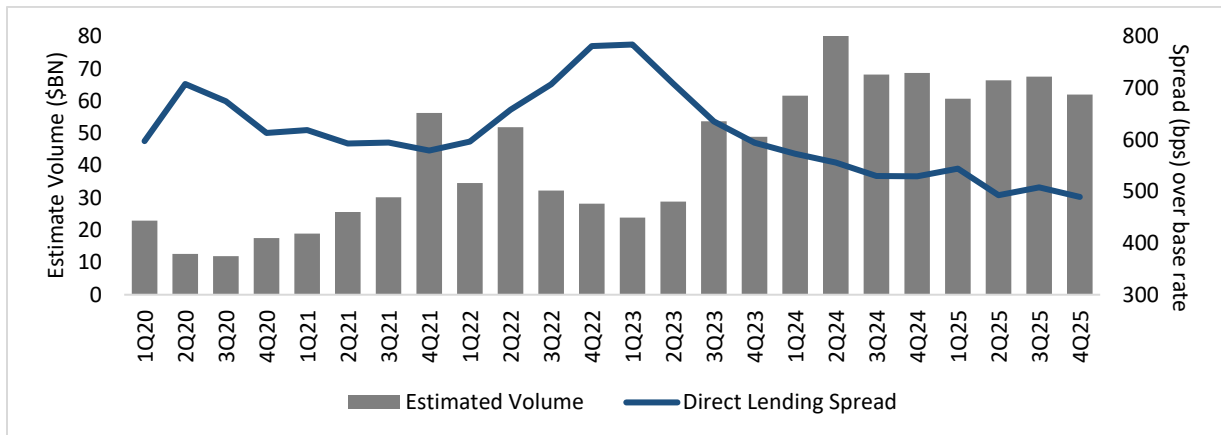
To be clear, the dividend cuts that have started to proliferate across the BDC sector over the past few quarters have nothing to do with credit losses. The loss rates for private credit have been relatively stable. But the math will tell you the sector cannot fund current dividends at the spreads at which it has been deploying capital.

We believe it is important to avoid conflating dividend reductions based on a lower interest rate environment with the broader concept that return on investments within a BDC should drive the ability to meet or exceed its cost of equity.

Given the overwhelming bulk of BDC assets are floating rate in nature, movement in dividend levels over time – both up and down – should not be surprising on its own. Post-COVID, as we moved into a pronounced rate rise cycle, asset level returns increased, leading to higher payout levels through increased dividends. Similarly, as we have seen reference rates decline from the peak last seen in mid-2023, the notion of lowering dividend levels should be in part a logical and expected outcome.

But it has been the combination of lower reference rates (largely a non-controllable factor for BDC managers absent negotiating for high floors), together with a deployment objective that prioritized capital out the door rather than return on equity, that has led to returns across the sector falling below the equity cost of capital threshold.

### Direct Lending Deal Volume vs. Spread<sup>5</sup>



### Today’s Dynamic

Due to a combination of headline-driven fear and weaker performance math, investor trust in direct lending has been damaged. Liquidity is being taken wherever it can be found, leading public BDCs to trade down and perpetual non-traded BDCs to wrestle with whether to exercise gating provisions.

History tells us that once trust cracks and liquidity is impaired, that cycle is difficult to quickly reverse. As Sixth Street’s co-founder and CEO Alan Waxman said at a recent industry conference: “Crises don’t happen because of credit issues, they happen because of liquidity issues.”<sup>6</sup>

If you believe in efficient markets, public BDCs trading at significant discounts versus similar private counterparts is an arbitrage that will resolve over time. Capital will be reallocated, and the public BDC sector should benefit as the liquidity-taking abates and discounts normalize.

Sixteen of the managers of our public BDC peers also manage \$250 billion in non-traded BDC assets. The weighted average price-to-book (“P/B”) ratio of these sixteen public BDCs is 0.83x<sup>7</sup>, while equity in their non-traded BDCs can be redeemed at 1.00x P/B.

The rebalancing of the ecosystem will take time to fully materialize, but it should ultimately result in the widening of new origination spreads and a healthy recalibration of the supply-demand dynamic for private capital. As a reminder, redemptions from non-traded perpetual BDCs directly impact that vehicle’s capital and liquidity (leverage increases, liquidity shrinks). By contrast, selling shares in a publicly traded BDC allows investors to express a view on value, but it does not change the capital structure.

<sup>5</sup> Source: Pitchbook | LCD. Data as of 12/31/25. Estimated direct lending volume includes transactions to sponsor backed borrowers covered by LCD. Direct lending spread data reflects senior secured first-lien loans and unitranche facilities.

<sup>6</sup> Source: Bloomberg Live, “Bloomberg Invest | Day 1 | Mainstage PM Sessions,” March 2026.

<sup>7</sup> Source: S&P Capital IQ, Company filings. Public BDC peers are consistent with previously defined peer set. Price to book value multiple is as of 03/06/2026. Private BDC assets as of 12/31/2025, or latest available.

As we witnessed during the redemption cycle that impacted non-traded REITs in 2022, flows are typically correlated in the sense that in periods of significant redemptions, inflows tend to decline significantly. That is what we are now seeing in the non-traded BDC market.

Utilizing liquidity for redemption activity (e.g., holding a liquidity sleeve in broadly syndicated loans) will, by definition, drive lower returns for non-traded vehicles; lower returns will result in increased capital flows to better relative return opportunities in other sectors of the market. We do not believe this environment will reverse in one quarter. If the non-traded REIT segment is any guide, this capital flow dynamic will last multiple years.

While some may believe today's volatility is only a minor episode to be weathered, we believe there is going to be an honest reckoning for the sector resulting in a healthier and more resilient direct lending industry.

## **Part II: The AI Adoption Cycle and its Effect on Software and Technology Investing**

Let's turn to underwriting and portfolio positioning.

The major conversation topic on the asset side of the portfolio is of course AI and its potential impacts on businesses that produce software tools and services. Before expanding on what we said on this subject during our most recent earnings call, we first want to make a note on the macro investing environment.

We believe it is worth reminding ourselves that the current dislocation across the BDC sector is taking place in the context of a relatively constructive economic backdrop. Consumer balance sheets remain healthy, corporate earnings growth has been solid, and unemployment is still near historic lows despite the most recent jobs report. The economy broadly speaking is in decent shape.

Armed conflict, global trade disputes, and advancing technology changes are adding elements of fear and uncertainty, but the bigger economic fundamental picture is, in our view, solid.

If the current structural shakeout in BDCs were to occur during a more challenging economic backdrop, it would result in even uglier outcomes.

Now back to AI.

We believe the current AI fear in the market is largely an equity valuation problem. While equity owners may be the first to absorb downward pressure as multiples re-rate, TSLX remains positioned at the top of the capital structure.

To provide clarity on how we are navigating this cycle, we believe it is important to share the framework we use to separate "hype" from durable earnings power.

### **1. Our "base case" on AI**

The evidence points to AI as an era defining technology, most comparable in our investing careers to the emergence of the commercial internet in the 1990s. Technological revolutions of this type have wide ranging impacts across all sectors of the economy and ripple outwards in derivative waves of innovation (e.g., the internet facilitating the proliferation of smartphones beginning in the late 2000s and the deployment of cloud hosted software throughout the 2010s). Our view reflects the impressive capabilities of current models, the pace at which improvements continue to be realized (measured in months, not quarters or years), and the broadening range of AI use cases.

What makes AI such a departure from the way things were? Boiled down, it is that models, with a highly useful degree of accuracy, recognize patterns from large amounts of data and predict (infer) the most-likely-to-be-correct next token in a sequence, rather than operating strictly on hardcoded rules. And that the models continually improve through the process of doing this work. This makes AI groundbreaking for applications such as content generation and software code production. In other words, it decouples software “doing” something from the requirement that it has already been told “how it must do it” through explicitly coded logic.

We are intentional in calling our view a base case. The future is probabilistic and good decisions are made by considering scenarios that overshoot or undershoot your centering expectation and by updating your lens as new facts appear.

Despite our enthusiasm, we see excess hype (and inversely, excess fear) in the market discourse. Both sides of this coin lack nuance, brushing very different businesses with a broad stroke and conflating credit risk with equity valuation problems.

## 2. Getting to nuance

What will happen to incumbent software and technology companies? In our view, there is not a single answer. We are clear-eyed in our assessment that every major technology shift – from the birth of the internet to the on-prem to cloud migration – has resulted in a widening dispersion of outcomes. Our expectation is that:

- a. **Total addressable market for software and technology (on net) will increase** to reflect higher value delivered to customers
- b. **Impacts will be unevenly distributed.** There will be winners and losers, determined by whether a company:
  - i. Serves an end market in growth or decline;
  - ii. Benefits from structural advantages such as complying with complex regulatory requirements, operating with unique datasets, or managing “can’t fail” workstreams;
  - iii. Incorporates AI capabilities into its product technology stacks and its internal cost centers; and/or
  - iv. Adapts to changing pricing models.

We elaborate on several of these success / risk factors below.

- c. **Distinctions will blur** as AI interacts with and is incorporated into existing products, making the bifurcation that seems clear today much less stark. We are already seeing this within our portfolio organically and through acquisition.

When we encounter topics in our own investment process that are too big to be addressed as a whole, our approach is to break them down and consider more specific questions before reconstructing those units of analysis into an ultimate mosaic.

Three of the specific questions that we’ve spent the most time thinking about over the past two years are:

- a. **Copy machine: Does the automation of code writing pose replicability risk to incumbents?**

AI is making software creation vastly more efficient, pushing down the cost curve of product development. With less available pricing power, revenue and earnings growth rates will be lower. This re-rating of growth

expectations has been visibly discounted into enterprise values (through equity valuation compression) in public markets over the course of this year.

For credit investors with margin of safety that can absorb the expectation of decelerating growth, the risk question is: does AI-powered code generation cause company values to collapse to the replacement cost of their code base (pure commodification)? Stepping back, we have never thought of a company's code base as a barrier to competitive disruption or what the customer is actually buying.

Rather, the value of software and technology companies (at least those that we have targeted for our portfolio) lies in their **customer base / relationships** (which are far more expensive and time consuming to build than products), their deep **domain expertise** (that make them essential and embedded parts of their customers' ability to operate), their role as **systems of record** that organize unique data, the **network effects** they create, and their **reliability** when cost of failure is far higher than cost of product. High quality franchises do not just offer a tool, they are the transferee of responsibility for aspects of their customers' businesses that are (i) mission critical but (ii) are not a core competency (e.g., for maintaining compliance with regulations and policies, for guaranteeing system uptime and managing backup / recovery, for vulnerability monitoring and remediation, for availability of expert support, for being fully accurate and auditable, etc.). The vast majority of our software and technology portfolio provides such critical services and is well positioned to build or deploy agentic capabilities directly into existing products.

**b. Art or science: What use cases are best suited for inferential versus deterministic architecture?**

As noted in the lead-in to this section, we think that AI is remarkably capable at certain tasks (especially those that require interpretation or synthesis) but are skeptical of the premise that AI is strictly better for all use cases served by current products (especially those that require repeatability or auditability).

AI responses are always the most probable within a distribution of outputs, but are not certain to be true. Therefore, we believe incumbent products are advantaged when being 99% correct has similar consequences to being 100% wrong and where repeatable accuracy is more valuable than providing leverage. Over time, we see AI-powered agents interacting (in an orchestrated way) with deterministic systems of record as a more likely paradigm than completely probabilistic technology stacks.

**c. Sea(t) change: How will pricing models evolve and what does that mean for the size of the prize?**

There is a growing concern that AI-driven efficiency will reduce headcount in various corporate functions and, by extension, revenue for businesses that sell on a per-user ("seat") model. The software and technology market has undergone major pricing evolutions in the past and we believe that prices ultimately adjust to reflect value delivered. Most recently, the transition from on-premise to cloud deployments coincided with a transition from license / maintenance models (where annual recurring maintenance was typically ~20% of the customer's upfront license payment) to subscription models where the license fees were amortized into larger recurring payments. While there were certainly losers (companies that didn't transition their on-premise architecture quickly enough to compete with cloud-native new entrants and faster moving peers), subscription pricing was an uplift to software and technology companies within our portfolio in aggregate as value delivered increased (products could be updated more frequently and customers could reduce internal IT costs).

### **3. TSLX's portfolio positioning and performance**

Our software and broader technology portfolio today is performing well, with solid revenue and earnings growth, conservative loan-to-value (after incorporating recent value re-rating), and strong customer retention. These positions are supported by material equity cushions as we remain positioned at the top of the capital structure (95% first lien exposure as of year-end).

As discussed on our recent earnings call, we do not view software as a standalone industry. Instead, we view it as a mission-critical tool that enables a broad range of end-user markets. For that reason, our underwriting is grounded in the health and demand of the end-market being served rather than the specific delivery mechanism. Our portfolio is highly diversified, serving over 35 distinct end markets and more than 250,000 end customers.

We expect the pace of AI adoption to vary significantly across these segments. Regulated industries with stringent security and compliance mandates, such as those requiring HIPAA or FedRAMP certifications, will likely follow a more measured adoption curve than the broader consumer tech sector. We have favored established providers with deep domain expertise and trusted integration into customer workflows, and our diversification insulates our capital from correlated shocks.

#### 4. Maintaining our discipline

While we believe the vast majority of our portfolio is well-positioned, we do not expect every company we finance to emerge as a winner in the AI era. Our job as investors is to focus on durability, structure investments with margin of safety, and actively manage risk.

This philosophy allows us to underwrite through uncertainty. Our investment decisions are not a bet on a fixed future but are designed to mitigate downside from what we cannot know. For the “non-winners,” the rigor of our initial underwriting, the quality of our documentation, and the energy of our asset management become the ultimate backstop. These are the areas in which our discipline as credit investors is most visible:

- a. **LTV discipline:** maintaining meaningful margin of safety intended to absorb valuation volatility and protect principal.
- b. **Documentation standards:** 90%+ of our software and technology portfolio contains financial covenants and we have effective voting control on 75%+ of our debt investments. These terms give us a seat at the table to manage risk if fundamentals begin to fray. We also focus on limiting the borrower’s ability to layer in debt and/or dilute collateral.
- c. **Duration management:** our software and technology portfolio has a weighted-average remaining life of approximately three years, which allows us to continually recycle capital out of legacy models and into the next generation of durable businesses as markets evolve.
- d. **Asset management:** Sixth Street generates unique insights driven by the breadth of our technology investing teams (across Public Markets, Direct Lending, Global Opportunities and Growth), our extensive internal technology Engineering platform, and our More-than-Capital operations capabilities. Our culture of cross-platform collaboration ensures that learnings are shared and resources are deployed where needed to preserve (and create) value.

A well-documented deal with strong credit protections is designed to mitigate losses and protect capital even in cases where a company is not an AI beneficiary. We have navigated multiple eras of innovation over the last two decades and our track record of cumulative net realized gains reflects that underwriting orientation through cycles. While others may pull back due to categorical fear, we view periods of peak uncertainty as the optimal time to lean into high-quality, mission-critical businesses where we can apply deep sub-sector expertise and structure investments appropriately.

#### 5. Conclusions

We remain humble in recognizing that the future never unfolds linearly and challenge ourselves to have strong convictions (founded on analytical rigor) that are loosely held (are not rigid in the face of evolving circumstances).

The future comes one day at a time, allowing us to move our chips as we see the flop (enabled by liquidity and access to capital on the liability side of our balance sheet and structural guardrails on the asset side of our balance sheet).

In our view, software and technology was overbought by creditors and equity alike for much of the post-COVID period. We purposely avoided many deals as we saw leverage running up, spreads tightening, documentation terms loosening, and business quality (particularly with respect to technological debt) being overestimated. Increased volatility going forward, unlike the past period of complacency, will reward managers with the resources and underwriting rigor to distinguish durable assets from fragile ones. The combination of the end markets that we've chosen to finance, the structures of our deals, and how we manage our exposures now positions us to play offense.

### **Part III: How TSLX is Positioned for What's Next**

As covered above, we have maintained a strong balance sheet and significant liquidity through the tighter spread environment of the last two years, in part by simply not being as active as our peers from an origination standpoint.

TSLX gross assets have contracted over the past two years not because of redemptions or deleverage pressure, but because we wanted to remain sized to the opportunity set. While we entered the upper middle market segment in a more intentional way through the creation of Sixth Street Lending Partners, we capped that fundraise at a disciplined level compared to peer fund size and have been measured in its investing pace, consistent with our longstanding framework of sizing capital to the opportunity set.

We may be entering an environment where others are forced to play defense to protect NAV or manage leverage. If the more favorable investment environment we anticipate comes to fruition, TSLX is positioned to take advantage and drive long-term value for our stakeholders. As said above, our frameworks on both sides of the balance sheet allows us to operate from a position of strength and gives us the ability to step in and invest where we see opportunities to create shareholder value.

We and many others in the direct lending sector built our businesses around deep understanding of ecosystems and end markets, structuring deals with high margins of safety, and demanding documentation standards that provide protection if things change. While segments of the industry have strayed from those key principles, we believe that managers that are appropriately focused on the left and right sides of their balance sheet can deliver a compelling value proposition to investors. This discipline is what will drive manager dispersion and, in the long run, the reallocation of capital to the highest quality performers.

The current volatile environment, including the complexity created by advancing AI technology, is what we as a platform and as a team are built for. We have historically outperformed during periods of dislocation as Sixth Street's stable architecture and relative value investment lens allows us to migrate across themes and create partnership solutions with speed and certainty.

While noise, fear, and unanswered questions may persist across the private credit landscape, we are facing it in Sixth Street's characteristic head-on attitude. We remain investors first.

As always, we seek out dialogue and look forward to continuing to discuss the themes covered here. On behalf of our entire direct lending team, thank you for your partnership.

Sixth Street Specialty Lending, Inc.