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How Sixth Street became a haven for Goldman Sachs refugees—and a $27 billion force in sports investing

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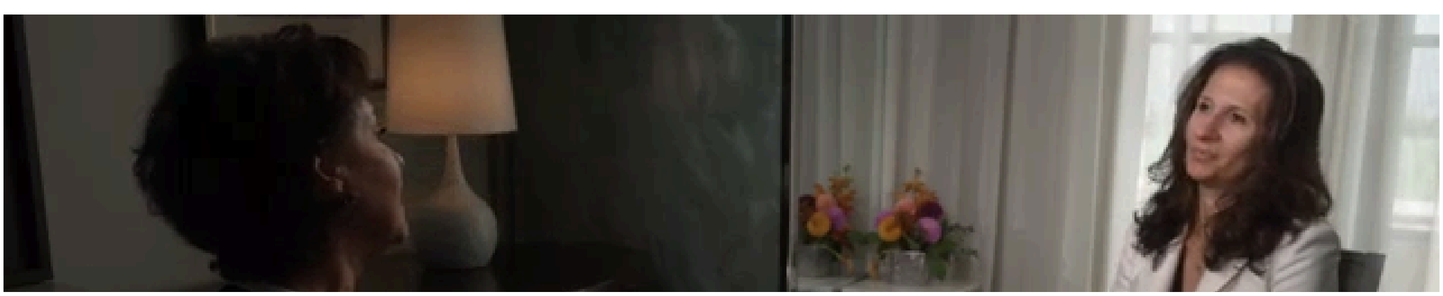
Alan Waxman, cofounder, co-CIO, and CEO of Sixth Street with Florentino Pérez, president of Real Madrid, announcing the investment in the football club in May 2022.

COURTESY OF SIXTH STREET

Alan Waxman, cofounder and CEO, wants everyone to know that Sixth Street is more than just a private equity firm.



"We are literally the most flexible private capital investing platform in the world," said Waxman, a youthful-looking 49, dressed in a dark gray hoodie and jeans, evoking more of a venture capital than Wall Street vibe—which is probably the point.

In an exclusive interview with *Fortune*, Waxman, who lives in the Bay Area with his family, discussed a number of things, including how everyone around him is obsessed with tech and AI, which he likes. "No one around me does anything related to what I do," he says. "It gives me just a different sort of viewpoint of the markets than if I was in New York, where it's all finance people."

Since its founding in 2009, Sixth Street has largely remained under the radar except for among those who make a living on Wall Street. The San Francisco-based firm is known for its growth unit, which has raised two funds. In 2019, the firm's debut growth pool, which takes minority stakes in companies, collected $2.2 billion. That doubled to $4.4 billion with the second growth fund in 2022. Growth investments include Airbnb, Keyfactor, MasterControl, and MDLIVE.

Sixth Street is also known for a massive, multi-strategy $27 billion evergreen pool of private capital called TAO, which is larger than most PE funds. It eclipsed the $24 billion raised by EQT's 10th flagship fund in February and the $26.2 billion collected by Blackstone's eighth flagship in 2020. (CVC's ninth Europe/Americas PE fund that raised $28 billion in July 2023 is currently the largest PE fund.)

TAO is open-ended, which means it's perpetual and flexible—it can do short-term or long-term investments—allowing Sixth Street to invest in basically anything. TAO has played a role in one of the biggest areas of investment on Wall Street: sports franchises. Alternative asset investors, including those in private equity, have emerged as one of the most active buyers of sports teams, mainly due to their skyrocketing valuations, *Fortune* has reported. Sixth Street owns stakes in the NWSL's Bay FC and the NBA's San Antonio Spurs. (Sixth Street also owns a piece of FC Barcelona's TV rights and the stadium of Real Madrid in Spain's top soccer league.)

With $75 billion in assets under management, Sixth Street is bigger than many private equity firms, and it's younger, more tech savvy, and more nimble than many competitors, which is exactly what Waxman wants. Some think Sixth Street will take advantage of a warming IPO market and list shares soon. Waxman says otherwise.

"It's not on the radar," he told *Fortune*. "Our future plans are just continuing to do what we do. We're trying to deliver for our LPs."

The origin story

Before cofounding Sixth Street nearly 15 years ago, Waxman spent a decade at Goldman Sachs, where he ran and became CIO of the Americas special situations group, or AmSSG. In 2006, at the age of 30, Waxman became one of the youngest partners in the firm's history.

Goldman, in the early 2000s, was one of the biggest non-bank lenders, Waxman said. "We were the 10,000-pound gorilla," he said. At Goldman, AmSSG used the investment bank's balance sheet to do deals, which allowed it to do different types of investments, including private equity, direct lending, and growth equity. "We did it all," he said.

Unlike a PE fund, which has lots of investors, AmSSG had just one LP: Goldman. Waxman and his AmSSG coworkers learned to think of themselves as investors first. "We grew up with complete flexibility in terms of where to invest," he said.

Waxman left Goldman in 2008 and launched Sixth Street a year later. He wanted the same flexibility that he had at Goldman but sought to avoid the investing silos and fiefdoms of PE firms. Such structures "don't create the best judgments over time," Waxman said.

Sixth Street began as an affiliate of TPG, as its dedicated global credit and credit-related investing platform. TPG had a minority stake and allocated $2 billion to Sixth Street to invest. Sixth Street operated as a "firm within a firm," Waxman explained, autonomously controlling and managing its business as a TPG affiliate, according to documents from the Commonwealth of Pennsylvania Public School Employees Retirement System, or PSERS, which is an investor.

Sixth Street soon grew too big and feared it might begin competing with TPG directly for deals. Both firms realized there was potential for overlap and mutually agreed to separate. In May 2020, Sixth Street, which then had about $34 billion in AUM, announced its independence. "We grew exponentially after that," Waxman said.

Nearly two years later, TPG went public in January 2022. A legacy private entity of TPG still owns a stake in Sixth Street, but the holding has come down from its original investment, a spokesman said. TPG declined to comment.

Birds of a feather

Sixth Street is a haven for former Goldman executives who've worked with Waxman, an all-star roster that includes: R. Martin Chavez, partner and vice chairman, who, as CIO and CFO, helped lead Goldman's transformation into a technology-focused financial services company (Chavez is on the board of Alphabet); Adam Korn, partner and chief information officer, who as managing director at Goldman helped drive the investment bank's push into tech; and, most recently, Julian Salisbury, who spent more than 25 years at Goldman and whose roles included global head of special situations, merchant banking, and asset management. Salisbury joined Sixth Street as a partner and co-CIO in January. (Waxman and Joshua Easterly, a Sixth Street cofounder and copresident, are also co-CIOs.) Sixth Street currently numbers about 600 people.

Many investors and executives interviewed by *Fortune* said that they'd heard of Sixth Street but knew little of its strategies. "Sixth Street is a collection of former Goldman people who are creative and smart," said a placement agent, who wondered whether Goldman owned a stake in the firm. (It doesn't.)

Sixth Street is hard to pin down. Is it a private equity firm or a private lender or an infrastructure investor or perhaps a real estate investor? "Yes," Waxman said simply. "From the first day we set up our firm, we knew we were going to be lots of different businesses."

Another well-known Sixth Street unit is its direct lending business, which provides loans ranging from $50 million to $2.5 billion to large-cap and middle-market companies, the firm's website said. Sixth Street's direct lending business is overseen by Easterly, who also worked with Waxman at Goldman. (Easterly is a former MD of Goldman's AmSSG, according to his bio.)

An executive with a rival lender noted how Sixth Street "is very, very quick to take action…very tough business people, very commercial." And although a big firm overall, Sixth Street really picks its spots when it comes to direct lending, the executive added. "They can lend a lot of money when they like a deal, but are not one of the most active direct lenders."

Returns for private equity funds are usually available on pension fund websites like CalPERs or CalSTRS, but there is little information available for TAO. A Sixth Street equity investor presentation from March 2024 provides some information on the performance of the firm's U.S. direct lending unit. Sixth Street Speciality Lending, a business development company that lends to midsized companies, went public in 2014 and currently has a market cap of $1.9 billion. Since its IPO, the Sixth Street BDC has generated a total historical return of 276.2% compared to a 206.1% return for the S&P 500 over the same time period, according to the investor presentation. And when the BDC was compared to other business development companies, the Sixth Street fund produced annualized returns of 13.5%, outpacing top quartile BDC peers that posted 8.8% annualized returns and the 6.9% average annualized return of all BDCs.

In the future, Sixth Street expects to do more sports deals, although current NFL league rules prevent institutions from directly investing. But where there's a will—and the $27 billion TAO—there's a way.

"We never say never to anything," Waxman said. "Everything's on the table."

About the Author

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Luisa Beltran is a former finance reporter at *Fortune* where she covers private equity, Wall Street, and fintech M&A.

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