The Private Shares Fund

Quarterly Commentary
Q2 2023

PIIVX - PRIVX - PRLVX

TOP 10 HOLDINGS

(as of 6/30/2023) and current holdings here.

Space Exploration Technologies

Represents 29.74% of Fund holdings as of June 30, 2023. The Fund's website updates top holdings and total holdings frequently. Please visit the Fund's website for the most current information here: top holdings; total holdings.

PORTFOLIO MANAGER Q2 2023 COMMENTARY

The Private Shares Fund (the "Fund") can report that for the second quarter of 2023, the Fund generated a total return of -2.41% as measured by the Fund's Institutional Class (PIIVX) and exhibited a significantly lower level of volatility than the broader market. As a reminder, the Fund generated a total return of 0.70% in 2022 compared to the NASDAQ Composite down ~33%, Russell 2000 down ~20%, and the S&P 500 down ~18%.

While the Fund's slightly negative year-to-date performance may seem surprising given how the public markets have rallied, there are a few important factors to note. First, the recent public market rally primarily rests on a small subset of the overall market comprised by companies with some of the largest market capitalizations. Second, as an example of valuation multiples for high-growth technology companies, one can look at high-growth public software companies (which exhibit similar growth rates we see in our portfolio) and note they are still only valued at roughly half of where they were pre-Covid and about 40% below of the 5-year average (Guggenheim Securities as of 6/30/2023). Third, the pricing of secondary transaction activity for securities of private companies has fallen significantly to a median discount of 52% to the most recent funding round (Forge Data as of 6/30/23). When combining these factors with both the lag effect that often exists between public and private markets and the Fund's mark to market valuation requirements, the Fund's recent performance should be less surprising.

More importantly, the Fund's underlying portfolio continues exhibiting its resilience, and in parallel we have been taking advantage of dislocations in private markets by buying what we believe are best of breed assets at dislocated prices, while continuing to maintain a healthy cash balance in the Fund for both defense and continued offense. We believe the high caliber assets that this Fund continues investing in will ultimately reward our investors through both capital appreciation and exit events as the environment improves, which we are beginning to see signs of. We have seen this in prior cycles where investments made during dislocated periods typically generate strong outperformance in subsequent years due mostly to pricing, but investors must be patient, disciplined and share our longer-term perspective to potentially benefit.

The National Venture Capital Association (NVCA) reported approximately 3,011 U.S. Venture Capital (VC)-backed deals closed in the second quarter of 2023 with an aggregate deal value of $39.8 billion, an eleven-quarter low. Despite the slowdown, VC deal activity remains comparable to pre-2021 levels. Late-stage investment activity was down slightly in the second quarter of 2023, with 887 deals closed compared to 1,043 deals in the first quarter of 2023. Second quarter deal activity represented $13.9 billion in total value, in line with the $14 billion total realized in Q4 2022 but below the Q1 2023 figure of $24.2 billion. Mega-deals (late-stage VC deals over $100 million), which saw a drastic decline from 82 in Q4 2022 to 60 in Q1 2023, came in essentially flat at 62 in Q2 2023. That said, it is believed that many late-stage VC and venture-growth companies continue sitting on substantial cash balances following the surge in capital raising over the past couple years, which combined with a more challenging valuation environment provides rationale for the decline in deal value.

During the fourth quarter of 2022, the NVCA created a new category called venture-growth stage deals, which they define as any financing that is Series E or later or any VC financing of a company that is at least seven years old and has raised at least six VC rounds. The purpose is to better distinguish the mitigated risk/reward profile of these more mature companies compared to all VC deals. In the second quarter of 2023, the number of venture-growth deals increased from 199 to 210, while total quarterly deal value increased from $7.5 billion to $13.0 billion, signaling that investors are doubling down on their highest-conviction companies.

Early-stage VC activity was mixed in the second quarter, with 938 deals closed representing $10.0 billion compared to 1,004 deals representing $10.3 billion in the prior quarter. While down relative to the frenzied pace of 2021 and 2022, this level of activity is commensurate with early-stage fundraising prior to 2021. Although early-stage companies typically require less capital and have longer holding periods, shielding them somewhat from the full impact of current market conditions, this data illustrates that investors are becoming increasingly selective with the ideas they choose to fund.

As previously reported, 2022 was easily the second most active year for all VC-related activity on record despite sustained macroeconomic and geopolitical headwinds, but as reported this activity slowed during the first half of 2023. While groups like crossover investors that have been heavily involved in late-stage VC activity over the past few years further reduced their participation in deals during the first half of 2023, several reportedly became more active in secondary opportunities due to significant price dislocations across the market. That said, the significant levels of VC fundraising in recent years should serve as a backstop for the entire ecosystem.

In terms of liquidity, VC exit activity for the second quarter of 2023 continued to moderate with respect to both count and value. NVCA estimates 207 exits occurred in Q2 2023 representing $5.5 billion in estimated exit value, slightly lower than the $6.5 billion estimated for Q1 2023. On a year-over-year basis, the $5.5 billion in total exit value in Q2 was down roughly 69% compared to the $18.0 billion generated in Q2 2022. Roughly 72% of the exits generated in Q2 involved acquisitions as the IPO market remains relatively frozen. While it's possible to see an increase in Mergers and Acquisitions (M&A) activity as strategic and private equity buyers look to take advantage of dislocations without much competition from public offerings, increased regulatory scrutiny and rising rates which increase acquisition financing may create more obstacles.

However, it is important to note that these exit trends are common during periods of increased market volatility and macroeconomic uncertainty. Furthermore, there is a growing sentiment that IPO activity is likely to pick up over the next couple quarters given the improving public market environment, deep pipeline of high-caliber IPO candidates and increasing demand from public market investors for new opportunities.

As previously reported, 2022 was a challenging year for the markets and economy largely driven by a combination of rising inflation, aggressive Fed rate hikes and balance sheet tightening, ongoing labor market and supply chain challenges, increased geopolitical risks stemming from the Russia-Ukraine conflict, ongoing Covid-19 variants, and general concerns around a recession and the impacts these measures may have on corporate growth rates and earnings. The broader markets shrugged off many of these challenges during the first half of 2023, even with the failures of Silicon Valley Bank, Signature Bank and increased liquidity risks throughout the banking industry. However, public and private market investors remain cautious and selective in their capital allocation decisions. While it remains unclear whether there will be a soft or hard economic landing, we anticipate these challenges to persist throughout the remainder of the year, but with challenge comes opportunity.

While our portfolio of late-stage VC and growth companies is not immune to what may happen if these challenges persist over a longer time period, we have been pleased by their overall performance and resiliency thus far and will continue to monitor developments. In our view, we believe the bigger implication will be that companies planning to raise capital may face greater pressure on valuation and terms, and it may take companies longer to exit. We prefer to see our companies remain disciplined, strengthen their balance sheets and continue executing their strategies in the private market rather than forcing exits, and instead pursue liquidity options at a more optimal time.

As long-term investors in private market technology innovation and disruption, we believe the Fund could potentially continue to benefit from value creation across sectors including fintech, artificial intelligence, cyber-security, cloud, data storage and analytics, online education, supply chain optimization, e-commerce, digital health, and the space economy. It is important to acknowledge the record high levels of dry-powder available to support the VC ecosystem and increased maturity of market participants relative to prior cyclical rotations. Furthermore, we are encouraged to see companies reducing their headcount and burn levels and believe this will lead to better efficiency and profitability as they learn to do more with less. To that end, the Fund continued deploying capital during the second quarter of 2023, albeit at a slowed pace, across existing holdings and new positions in a market environment where dislocations are creating more attractive entry points. We believe that many of our companies have differentiated business models, are operated by seasoned management teams, backed by strong VCs, and have healthy balance sheets to help manage through market cycles.

Historically, the Fund's Net Asset Value (NAV) has been relatively stable during periods of public market stress like those in 2016 and 2018, during which we were able to invest in some very strong names at attractive prices. Similarly, the Fund's NAV has remained relatively stable over the last 12-18 months, and we have continued investing throughout this cycle. It is the experience of the PMs that periods of increased volatility and uncertainty in the public equity markets and overall macro environment are often good catalysts for increasing the supply of opportunities in the private markets. In other words, these catalysts may improve supply and demand imbalances in favor of buyers and investors as owners of illiquid assets tend to become more risk averse and prefer liquidity. These types of environments often result in more attractive risk adjusted entry points. As a result, vintages involving periods of increased public market activity and macro uncertainty have also generated outperformance. So, while this may appear a bit counter intuitive, these environments could create great buying and investing opportunities in the private markets while simultaneously maintaining discipline, relying upon our comprehensive diligence process, and leveraging our relationships across the private market ecosystem.

EXISTING PORTFOLIO ADD-ONS (Q2 2023)

- Tradeshift
- Epic Games
- Rubrik
- Nanotronics
- Accel Partners Leaders Fund IV
- Exabeam
- Snyk

PERFORMANCE AS OF 6/30/23

	Q2 2023	YTD	1 Year	3 Year	5 Year	Ann ITD*
PRIVX	-2.47%	-3.50%	-6.21%	12.55%	8.99%	9.01%
PRIVX (w/Load)	-8.08%	-9.04%	-11.60%	10.36%	7.71%	8.32%
PIIVX	-2.41%	-3.36%	-5.98%	12.83%	9.27%	10.03%
PRLVX	-2.53%	-3.58%	-6.43%	12.28%	8.73%	8.87%
PRLVX (w/Load)	-6.66%	-7.67%	-10.40%	10.66%	7.79%	7.96%
Russell 2000	5.21%	8.09%	12.31%	10.82%	4.21%	6.66%

*Class A inception date 3/25/14, Class I inception date 11/17/17 Class L inception date 5/11/18. Russell 2000 ITD based on A Share inception of 3/25/14.

Returns vary per share class. ***Performance data quoted represents past performance and is no guarantee of future results. Investment return and principal value will fluctuate so that an investor's shares, when redeemed, may be worth more or less than original cost. Current performance may be lower or higher than the performance data quoted. For performance as of the most recent month-end, please call 1-855-551-5510.*** *Some of the Fund's fees were waived or expenses paid by the Advisor; otherwise, returns would have been lower. The Fund's total gross expenses are 2.49%, 2.44%, and 2.72%, and for the Class A, I, and L shares respectively. The Fund's total net expenses are 2.68%, 2.43%, and 2.93% for the Class A, I, and L Shares respectively. The Fund's advisor has contractually agreed to waive fees and/or pay operating expenses, excluding taxes, interest, brokerage commissions, acquired fund fees and expenses, and extraordinary expenses, such that total expenses do not exceed 2.65%, 2.40%, and 2.90% for the Class A, I, and L shares respectively. The agreement with the Advisor is in place through May 2, 2024. Net expenses are applicable to investors. Performance results with load reflect the deduction of the 5.75% maximum front end sales charge for Class A Shares and 4.25% for the Class L Shares.*

DISCLOSURES

As of December 9, 2020, Liberty Street Advisors, Inc. became the adviser to the Fund. The Fund's portfolio managers did not change. Effective April 30, 2021, the Fund changed its name from the "SharesPost 100 Fund" to "The Private Shares Fund." Effective July 7, 2021, the Fund made changes to its investment strategy. In addition to directly investing in private companies, the Fund may also invest in private investments in public equity ("PIPEs") where the issuer is a special purpose acquisition company ("SPAC"), and profit sharing agreements.

Investors should consider the investment objectives, risks, charges and expenses carefully before investing. For a prospectus with this and other information about The Private Shares Fund (the "Fund"), please download here***, visit the Fund's website at*** PrivateSharesFund.com ***or call 1-855-551-5510. Read the prospectus carefully before investing.***

Investment in the Fund involves substantial risk. The Fund is not suitable for investors who cannot bear the risk of loss of all or part of their investment. The Fund is appropriate only for investors who can tolerate a high degree of risk and do not require a liquid investment.

All investing involves risk including the possible loss of principal. Shares in the Fund are highly illiquid, and can be sold by shareholders only in the quarterly repurchase program of the Fund which allows for up to 5% of the Fund's outstanding shares at NAV to be redeemed each quarter. Due to transfer restrictions and the illiquid nature of the Fund's investments, you may not be able to sell your shares when, or in the amount that, you desire. The Fund intends to primarily invest in securities of private, late-stage, venture-backed growth companies. There are significant potential risks relating to investing in such securities. Because most of the securities in which the Fund invests are not publicly traded, the Fund's investments will be valued by Liberty Street Advisors, Inc. (the "Investment Adviser") pursuant to fair valuation proce- dures and methodologies adopted by the Board of Trustees, as set forth in the prospectus. As a consequence, the value of the securities, and therefore the Fund's Net Asset Value (NAV), may vary.

There are significant potential risks associated with investing in venture capital and private equity-backed companies with complex capital structures. The Fund focuses its investments in a limited number of securities, which could subject it to greater risk than that of a larger, more varied portfolio. There is a greater focus in technology securities that could adversely affect the Fund's performance. The Fund's quarterly repurchase policy may require the Fund to liquidate portfolio holdings earlier than the Investment Adviser would otherwise do so and may also result in an increase in the Fund's expense ratio. Portfolio holdings of private companies that become publicly traded likely will be subject to more volatile market fluctuations than when private, and the Fund may not be able to sell shares at favorable prices. Such companies frequently impose lock-ups that would prohibit the Fund from selling shares for a period of time after an initial public offering (IPO). Market prices of public securities held by the Fund may decline substantially before the Investment Adviser is able to sell the securities.

The Fund may invest in private securities utilizing special purpose vehicles ("SPV"s), private investment funds ("Private Funds"), private investments in public equity ("PIPE") transactions where the issuer is a special purpose acquisition company ("SPAC"), and profit sharing agreements. The Fund will bear its pro rata portion of expenses on investments in SPVs, Private Funds, or similar investment structures and will have no direct claim against underlying portfolio companies. PIPE transactions involve price risk, market risk, expense risk, and the Fund may not be able to sell the securities due to lock-ups or restrictions. Profit sharing agreements may expose the Fund to certain risks, including that the agreements could reduce the gain the Fund otherwise would have achieved on its investment, may be difficult to value and may result in contractual disputes. Certain conflicts of interest involving the Fund and its affiliates could impact the Fund's investment returns and limit the flexibility of its investment policies. This is not a complete enumeration of the Fund's risks. Please read the Fund prospectus for other risk factors related to the Fund.
The Fund may not be suitable for all investors. We encourage you to consult with appropriate financial professionals before considering an investment in the Fund.

The Russell 2000 is an index measuring the performance of approximately 2,000 smallest-cap American companies in the Russell 3000 Index, which is made up of 3,000 of the largest U.S. stocks. It is a market-cap weighted index. **NASDAQ Composite** is an index of more than 3,000 common equities listed on the NASDAQ stock market. **S&P 500 Index** consists of 500 large cap common stocks which together represent approximately 80% of the total U.S. stock market. It is a float-adjusted market-weighted index (stock price times float-adjusted shares outstanding), with each stock affecting the index in proportion to its market value. One cannot invest in an index.

A Special Purpose Acquisition Company (**SPAC**) is a company that has no commercial operations and is formed strictly to raise capital through an initial public offering (**IPO**) for the purpose of acquiring or merging with an existing company.

The views expressed in this material reflect those of the Fund's Investment Advisor as of the date this is written and may not reflect its views on the date this material is first published or anytime thereafter. These views are intended to assist in understanding the Fund's investment methodology and do not constitute investment advice. This material may contain discussions about investments that may or may not be held by the Fund. All current and future holdings are subject to risk and to change.

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