



Sector Focus: Space

Once a government sector-driven endeavor, the global space industry has rapidly transformed over the past decade into a private sector driven ecosystem led by exponential advances in technology, groundbreaking applications of innovation and significant private investment. According to McKinsey & Company, the global space industry has grown 60% in totality since 2010 to \$447 billion and is projected to reach upwards of \$1.1 trillion by 2030.¹ Although rocket launches and astronauts spacewalking immediately come to mind when thinking about this industry, the global space economy is continuously evolving and expanding to pursue commercially focused endeavors to solve for market-driven needs. Such endeavors have been strongly supported in the private markets, which have invested \$284 billion in 1,796 space companies since 2014² and include ventures such as building reusable and 3D-printed rockets, next-generation communication networks, microgravity for manufacturing and research and development (R&D), new defense and security systems, and the collection of new data streams for a variety of applications.³

Although the global space industry is complex and continuously developing, there are three major subsectors that are outlined below.

Upstream = Key Inputs	Mainstream = Operations	Downstream = Applications
Overview		
Includes the design and manufacturing of space-related hardware and associated technologies that will be used both to reach and travel within space	Includes the operation, maintenance and servicing of space systems, including the launch and operation of vehicles and satellites	Includes the collection, aggregation and application of any information, data or other uses from space
Use Cases		
<ul style="list-style-type: none"> - Design & manufacturing of launch vehicles - Satellite hardware - Orbital vehicles & lunar assets 	<ul style="list-style-type: none"> - Launch vehicle operations - In-orbit operations - Space station operations - Ground products and services - Space waste removal 	<ul style="list-style-type: none"> - Satellite communication and navigation - Microgravity manufacturing and R&D - Geospatial data & analytics - Defense and security applications
Selected Space Economy Holdings in The Private Shares Fund as of 9/30/23		

¹ <https://www.mckinsey.com/featured-insights/sustainable-inclusive-growth/chart-of-the-day/a-giant-leap-for-the-space-industry>

² Space Capital, Space investment quarterly: Q3 2023 (<https://www.spacecapital.com/quarterly>)

³ <https://www2.deloitte.com/us/en/insights/industry/aerospace-defense/future-of-space-economy.html>

Participants in the global space industry include a wide range of companies from large incumbents, like SpaceX, to promising companies, such as Xplore. Historically, large incumbents tend to focus on more traditional space industry ventures, such as launch capabilities and satellite communications, while small-to-medium sized start-ups have the versatility to pursue new advancements, such as space data-as-a-service. Many companies are pursuing different, but often related endeavors across multiple subsectors. Whereas smaller companies typically focus on more niche areas of innovation, medium-to-large companies often capitalize on developed industry relationships and advanced technological expertise to pursue multiple ventures concurrently, achieving economies of scale and business revenue diversification.

PRIVATE MARKET ACTIVITY DRIVERS OF FUTURE GROWTH

Despite growing enthusiasm for the space economy which has led to significant investments over the past decade, the space economy has seen a notable decrease in available financing money over the past couple years, with private investment decreasing by 57% in 2022 to \$20 billion compared to \$47 billion record high reached in 2021.⁴ This financing pressure is also evident in other sectors and has been driven by global economic and geopolitical headwinds impacting both the private and public markets. That said, 103 rounds of financing have closed in Q3 2023, representing the highest levels of investment of the previous 5 quarters.⁵

Year-to-date, over \$11.5 billion has been raised by private space companies across 289 rounds.⁶ Selected highlights include Axiom Space (recently raised \$350m) which has diverse revenue streams and over \$2.2 billion in customer contracts⁷ and SpaceX (recently raised \$750m), which has successfully hit new milestones, including 2 million Starlink subscribers⁸ and 60 reusable rocket launches.⁹

Though total annual investment activity has decreased due to various macro pressures, future capital raising and growth prospects remain promising for companies that can prove their value through robust business models, including a focus on cost and unit economics, effective leadership teams, and overall product vitality. In parallel, increased competition will likely force the industry into consolidating technological innovation with practical business strategies to create successful companies that are innovative in a market-proven and economically viable way.

While innovative launch leaders like SpaceX and Relativity Space are making it more cost-effective and sustainable to reach space, innovation within the “downstream” subsector of the space economy are becoming particularly viable. Some key space-related applications with the potential to drive future growth within the industry include space data-as-a-service, microgravity-driven manufacturing and R&D and geospatial intelligence.

Another key driver of growth for the space economy involves the increasingly challenging geopolitical landscape which is creating a rivalry amongst the world’s leading economic powers. As a result, space superiority is expected to become a growing area of focus in relation to the militarization and commercialization of research, development, and intelligence.

ABOUT THE PRIVATE SHARES FUND

The Private Shares Fund (“the Fund”) is structured as an SEC-regulated, closed end interval fund that falls under 40’ Act regulations. The original fund was incepted in 2014 with the intention to democratize venture capital. The Fund has always strived to make the asset class more accessible to a wider range of investors. The Fund focuses on investing in high-growth, later-stage private companies, that have the potential to generate attractive upside typically over a two to four-year period. This has been done by offering a structure that addresses some of the key challenges of investing in venture capital, such as high investment minimums, performance fees, capital calls and illiquidity. For example, the Fund has a minimum investment of USD \$2,500 and eliminated performance fees in favor of a flat management fee.¹⁰ This makes the Fund more accessible for investors of all types, both accredited and non-accredited, thereby expanding the audience that can benefit from the potential returns of venture capital and growth equity. Furthermore, investors can gain immediate exposure to a broad portfolio of holdings without the need for capital calls, and the Fund has a quarterly repurchase program of up to 5% of the net asset value (“NAV”), giving investors more flexibility than a typical private equity fund.¹¹

⁴ <https://spacenews.com/skeptical-investors-are-placing-new-demands-on-space-startups/>

⁵ Space Capital, Space investment quarterly: Q3 2023 (<https://www.spacecapital.com/quarterly>)

⁶ Space Capital, Space investment quarterly: Q3 2023 (<https://www.spacecapital.com/quarterly>)

⁷ <https://www.axiomspace.com/news/series-c>

⁸ Twitter post by Starlink on September 23, 2023.

⁹ <https://www.cnbc.com/2023/01/02/spacex-raising-750-million-at-137-billion-valuation-a16z-investing.html>

¹⁰ Other fees and expenses are applicable to investors in the Fund. Please refer to the fee table in the Fund’s prospectus for more detailed information.

¹¹ Shares in the Fund are highly illiquid, and can be sold by shareholders only in the quarterly repurchase program of the Fund. 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 PRIVATE SHARES FUND – SPACE RELATED PORTFOLIO HIGHLIGHTS

SpaceX

SpaceX was founded to design, manufacture, and launch advanced rockets and spacecrafts with the ultimate goal of enabling people to live on other planets. SpaceX's Falcon 9, the world's first orbital class reusable rocket, is the market leader in the medium-lift launch market, with over 265 total launches since 2018.¹² SpaceX also created the Falcon Heavy, one of the world's most powerful rockets, and the Dragon spacecraft, which is the only operational spacecraft capable of returning heavy cargo to Earth as well as the only private spacecraft to bring humans to the space station.¹³ In addition, SpaceX's next generation communication network called Starlink, which consists of more than 2,000 satellites in low earth orbit, aspires to become the largest network provider on Earth and in space. Starlink's service is currently available in 25 countries and has more than 2 million subscribers.¹⁴

Axiom Space

Axiom Space is an operator of a human spaceflight services company, providing countries, companies and individuals access to the International Space Station (ISS). Axiom earned the exclusive right to attach its infrastructure to the ISS and extend itself through on-orbit engineering. It aims to eventually build and operate the world's first commercial space station. The company's commercial space station manufacturing plant offers various services including national human spaceflight, space tourism, on-orbit research, and space exploration support, enabling space travelers to have access to various space initiatives.

Relativity Space

Relativity Space is an aerospace company that designs, develops, and builds 3D-printed rockets. As a vertically integrated technology platform, Relativity is at the forefront of an inevitable shift toward software-defined manufacturing by fusing 3D printing, artificial intelligence, and autonomous robotics.

Radian Aerospace

Radian Aerospace is a developer of space systems designed to simplify interplanetary transportation. The company's space systems carry passengers to low Earth orbit and back easily, enabling commercial and government customers to have access to orbital space planes.

Voyager Space

Voyager Space operates a space-focused holding company intended to increase vertical integration and mission capability. Voyager's long-term mission is to create a vertically integrated "NewSpace" company capable of delivering any space mission humans can conceive. The company centralizes core shared services and offers an alternative solution to traditional private capital models and replaces them with a longer-term approach as a provider of permanent capital, enabling commercial space companies to focus more on the development of innovative products and solutions.

Xplore

Xplore is a provider of commercial space services intended to facilitate the flight of instruments out of earth's orbit. The company's services provide hosting of mission-critical payloads, communication relay services and delivery of datasets via its multi-mission spacecraft, serving national space agencies, national security agencies, sovereign space agencies and universities.

THE PRIVATE SHARES FUND - TOP TEN HOLDINGS* AS OF 9/30/23

The Private Shares Fund, a closed-end interval fund, provides investors with access to the private growth asset class. [READ MORE](#)



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SPACE



motive
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*Represents 29.73% of Fund holdings as of September 30, 2023. Holdings are subject to change. Not a recommendation to buy, sell, or hold any particular security. Current and future holdings are subject to risk. The Fund's website updates top holdings and total holdings frequently. For a list of the Fund's current holdings, please visit the Fund's website: <https://privatesharesfund.com/portfolio/>

¹² <https://www.spacex.com/vehicles/falcon-9/>

¹³ <https://www.spacex.com/vehicles/dragon/>

¹⁴ Twitter post by Starlink on September 23, 2023.

RISKS AND 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. The Fund's investment thesis has not changed.

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.

The investment minimums are \$2,500 for the Class A Share and Class L Share, and \$1,000,000 for the Institutional Share.

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. The Fund has no history of public trading and investors should not expect to sell shares other than through the Fund's repurchase policy regardless of how the Fund performs. The Fund does not intend to list its shares on any exchange and does not expect a secondary market to develop.

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 procedures and methodologies adopted by the Board of Trustees. While the Fund and the Investment Adviser will use good faith efforts to determine the fair value of the Fund's securities, value will be based on the parameters set forth by 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 capitol 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 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 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. Investors are encouraged to consult with appropriate financial professionals before considering an investment in the Fund.

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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The Private Shares Fund

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