



The Private Shares Fund

Quarterly Commentary Q2 2024

PIIVX - PRIVX - PRLVX













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Q2 2024 COMMENTARY

TOP 10 HOLDINGS

(as of 6/30/24) and current holdings [here](#).

Represents 34.28% of Fund holdings as of June 30, 2024. 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 2024 COMMENTARY

The Private Shares Fund (the "Fund") can report that for the second quarter of 2024 and first half of 2024, the Fund generated a total return of 0.30% and 4.36%, respectively, as measured by the Fund's Institutional Class (PIIVX) and exhibited a significantly lower level of volatility than the broader market.

While the underlying portfolio remains resilient in the face of various macroeconomic and geopolitical headwinds, the Fund's Net Asset Value (NAV) continues to be pressured largely due to compressed valuation multiples of public market comparables (i.e., listed technology companies with similar market caps akin to the Russell 2000, as opposed to larger market cap companies in the S&P 500 or Nasdaq) and heavily discounted pricing in the secondary market. Related, it is worth noting that performance in the larger market cap indices continues to be driven by a mere handful of companies rather than a broader market rally. For example, while the S&P 500 was up 15.29% for the first half of 2024, if one were to exclude the Magnificent Seven (Microsoft, Apple, Tesla, Amazon, Meta, Alphabet and Nvidia), the S&P 500 is only up ~7% in the first half of 2024.

The Portfolio Managers ("PMs") continue to believe there is significant upside potential to current NAV across what we view as a best-in-class portfolio of late-stage, growth-oriented private innovation companies with multiple signals pointing to a positive shift in sentiment that should bode well for the Fund in this next cycle. At the portfolio level, we are pleased to report that valuations have started rising during the second quarter and another company filed for an IPO, both trends that we anticipate continuing.

VC MARKET UPDATE

The National Venture Capital Association (NVCA) reported approximately 4,226 U.S. Venture Capital (VC)-backed deals closed in the second quarter of 2024 with an aggregate deal value of \$55.6 billion. This pace of deal activity far exceeds all pre-Covid levels. Although VC dry powder now sits at roughly \$300 billion, there continues to be a significant supply/demand ratio imbalance as investors exhibit greater discipline. As a result, this creates greater negotiating leverage for active investors willing to commit capital in both secondary transactions and new financing rounds. That said, high-performing companies demonstrating strong operating metrics should continue to be rewarded with more attractive valuations.

Late-stage investment activity was relatively flat in the second quarter of 2024 as measured by deal count, but deal value jumped meaningfully from \$19.1 billion in the first quarter to \$23.5 billion, the largest in 8 quarters. While it is believed that

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many late-stage VCs continue sitting on substantial cash balances following the surge in capital raising over the prior couple years while in parallel implementing business efficiency measures, we believe these figures signal improving investor sentiment.

As previously reported, 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. Similar to late-stage investment activity, the number of venture-growth deals remained relatively flat in the second quarter of 2024, while total quarterly deal value jumped from \$6.5 billion in the first quarter to \$10.7 billion, which implies larger financing rounds.

Early-stage VC activity saw a notable improvement in the second quarter, with an increase in deal count from 1,388 to 1,685 and a significant increase in overall deal value from \$10.3 billion to \$18.0 billion. While down relative to the frenzied pace of 2021 and 2022, this level of activity represents the largest single quarter since the second quarter of 2022. 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 further illustrates that investors are becoming increasingly optimistic.

We have been observing and discussing improving capital deployment and valuation trends for the past few quarters, but it is encouraging to see this reflected in data across the venture capital and growth ecosystem. Although we anticipate and encourage investors to remain highly selective and disciplined, we expect these trends to continue improving over the coming quarters, particularly as there is greater visibility around the U.S. Presidential election and likelihood of interest rate cuts.

In terms of liquidity, VC exit activity for the second quarter of 2024 was effectively flat with respect to both count and value. NVCA estimates 326 exits occurred in Q2 2024 representing \$23.6 billion in estimated exit value, compared to the \$25.4 billion estimated for Q1 2024. On a year-over-year basis, the \$23.6 billion in total exit value in Q2 was up significantly from \$6.9 billion in Q2 2023. Roughly 54% of the exits generated in Q2 involved acquisitions as the IPO market continues to remain subdued, but showing clear signs of improvement. While it's possible to see an increase in 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 high interest rates (which increases the cost of acquisition financing) may continue to create obstacles for the time being. That said, we are looking at one of the largest and most compelling IPO backlogs in recent history, with many high-performing technology and innovation companies that are generating a healthy balance of strong growth rates and profitability. As recently reported, 18 of the Fund's holdings were cited by CB Insights as being amongst the highest profile IPO candidates for 2024. Based on our continued conversations with the Fund's portfolio holdings, investment bankers and public market investors, we expect to see a pickup in public market offerings in the second half of 2024 and throughout 2025.

As always, we are grateful for your continued support and welcome the opportunity to share further insights around our optimism for the Fund in 2024.

NEW PORTFOLIO COMPANIES (Q2 2024)

- xAI Corp.

PERFORMANCE AS OF 6/30/2024

	Q2 2024	YTD	1 Year	3 Year	5 Year	10 Year	Ann ITD*
PRIVX	0.25%	4.22%	-1.05%	0.09%	8.41%	6.85%	7.99%
PRIVX (w/Load)	-5.50%	-1.77%	-6.75%	-1.86%	7.14%	6.22%	7.37%
PIIVX	0.30%	4.36%	-0.81%	0.35%	8.69%	-	8.32%
PRLVX	0.18%	4.10%	-1.32%	-0.15%	8.15%	-	7.14%
PRLVX (w/Load)	-4.07%	-0.33%	-5.52%	-1.58%	7.21%	-	6.39%
Russell 2000	-3.28%	1.73%	10.06%	-2.58%	6.94%	7.00%	6.99%

*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 2.57%, 2.52%, and 2.79% 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 higher net expense ratio occurs as a result of a recoupment of expenses. The agreement with the Advisor is in place through May 2, 2025. 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 procedures 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. The Standard and Poor's 500, or simply the **S&P 500**, is a stock market index tracking the stock performance of 500 of the largest companies listed on stock exchanges in the United States. 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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