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For most of the quarter, like a phoenix rising from the ashes, the US equity market continued its rise from the certain doom of January/February and the Brexit chaos of mid-June. Encouraged by a Fed that seems content to sit on the sidelines and wait for a perfect data set to embark on the normalization of interest rates, we have seen a "melt up" in equity markets especially in areas where "yield" is equated with "safety" such as REITs, Utilities and Consumer Staples. Meanwhile, partly due to the Fed's reluctance to act and partly due to relative low yields in other countries, US fixed income markets have been trading as if we are in a global deflationary environment, with yields moving to near-historical lows during the quarter – approximately 1.44% yield on the 10-year Treasury at its low point.

However, in stretched sectors such as junk bonds, utilities and consumer staples, we are seeing spreads that have narrowed and fundamental valuations that are unprecedented even while the pundits explain that "things are different now" and "historical valuations are no longer relevant" – when have we heard this before? And yet, despite markets in general being at or near all-time highs, there remain many sectors that are still facing bear market-like conditions – Biotech, Semiconductors, and Financials, for instance. In short, for those willing to be specific, there are still great opportunities. There is no need to reflexively jump into very crowded trades. In our view, success in the equity markets over the next six months will not come from simply "being in the markets."

We remain optimistic about the intermediate-term, but cautious on the short-term. We were reminded by the Brexit "shock" that this market has the uncanny potential on any day to overreact dramatically to an external event – in essence, assuming a "black swan" around every corner and waiting for even the smallest sign to confirm its conclusion. At the time, the possibility of a Brexit was largely dismissed by most "experts." Then, being caught off sides, everyone assumed the worst and we saw two days of orderly, yet significant selling of equities and a flight to safety. Since those first two days, markets are actually significantly higher!

Finally, it appears that many investors have remained on the sidelines and that many professional investors are bearish, or short the market – and maybe so, after the volatile experience the summer of 2015 and the first quarter of 2016. This could provide some fuel for equity markets if these hard-line bears finally capitulate.

So where do we go from here? In our view:

- **It's hard to see how the US Dollar doesn't strengthen from here.** The US economy seems the strongest and the US central bank (Fed) is the only major global entity that is leaning towards a tightening stance. Other competing commodities have serious flaws. The Japanese Yen (¥)

has seemingly defied gravity (presumably as some kind of safety trade) even as the Japanese government embarks on a new round of fiscal and monetary stimulus in the face of a Japanese economy that continues its 20+ year struggle to grow. With one of the Developed World's weakest balance sheets, we don't believe this can continue. Finally, Europe remains demographically and economically challenged and the Euro (€) has the potential to take the biggest hit as we work through the Brexit. All of this cannot be good for commodities or large multi-nationals that have benefitted from the reach for yield and the US$ relative weakness so far this year.

- **Expect more sector rotation, especially out of the best performing sectors year-to-date that have benefitted by the reach for yield**. As of this writing, the Consumer Staples sector is trading at a 22.3x Forward P/E, a 29.8% premium to its 15-year average and a 15-year high. The Utilities sector is trading at a 19.0 x Forward P/E, a 32.8% premium to its 15-year average and a 15-year high.

S&P 500 Consumer Staples Sector Index (S5CONS)

S&P 500 Utilities Sector Index (S5UTIL)

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Valuations are even worse when expected growth is taken into account. Because expected growth data is not available for these indices, we've selected the two largest holdings in the Consumer Staples index to demonstrate this point -- Coca Cola and Proctor & Gamble account for over 20% of the Consumer Staples index.

As of this writing, KO is trading at a 4.45 PEG (P/E ÷ Long-Term Growth * 100), 187% of its 10-year average and nearly a 10-year high. Proctor & Gamble is trading at a 4.64 PEG, 234% of its 10-year average and a 10-year high. In our estimation, absent significant earnings growth (which would require a significant structural shift in these industries), these valuations cannot persist – expect a reversion to the mean over the short-to-intermediate term.

- **Real, quality yield will take the place of "big company" yield**. Have we learned nothing? Does anyone remember how attractive Energy MLP yields once appeared? "Real" means more than scale or market capitalization or sentiment-based sector rotation – it means considering payout ratios (earnings and free cash flow), earnings/cash flow consistency, margin stability, etc. To be clear, it's more than "buy Exxon" because it's the "safest" big oil – based upon 2Q results this company is paying out in dividends a whopping 183% of its earnings!

- **Growth will stage a comeback.** Since the beginning of the year, we've seen value stocks (as measured by the Russell 1000 Value Index) substantially outperform growth stocks (as measured by the Russell 1000 Growth Index) on a total return basis (6.30% vs. 1.35%). This move has largely been the result of a flight to (perceived) safety as volatility has increased during the first half of the year. In a slow growth world in which many of these names have traded up to historical all-time highs, we expect many of the unloved growth names to stage a significant comeback over the next twelve months.

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Validus Global Growth Strategies

On the long side (approximately 96% of Classic Global and 85% of Disciplined Global), despite a challenging six months, the fundamental strength of Validus' portfolio companies, as identified by the characteristics described above, remains intact. According to Bloomberg, as a group on a weighted basis relative to the benchmark, the holdings in our portfolio have higher expected earnings growth rates and cheaper valuations relative to expected growth.

Portfolio Characteristics *(June 2016)*

Classic Global Growth

S.C.O.R.E.	Expected Growth	Forward P/E	Forward PEG	Current Div. Yield	Market Cap	BETA
25.1	17%	17x	1.04	0.9%	$41 B	1.11

Based on Classic Global Growth model strategy as of June 30, 2016.
All statistics are calculated on a portfolio-weighted basis. BETA is relative to MSCI ACWI Index.
Cash excluded in calculating fundamental statistics.
S.C.O.R.E. (Systematic Cumulative Opportunity and Risk Evaluation) is a quantitative proprietary measure used to evaluate potential investments. See Disclosure Pages for further definitions.

Disciplined Global Growth

S.C.O.R.E.	Expected Growth	Forward P/E	Forward PEG	Current Div. Yield	Market Cap	BETA
21.6	14%	18x	1.24	0.8%	$35 B	0.77

Based on Disciplined Global Growth model strategy as of June 30, 2015.
All statistics are calculated on a portfolio-weighted basis. BETA is relative to MSCI ACWI Index.
Holdings used for Market Risk Mitigation Overlay have no contribution to fundamental ratios.
Cash excluded in calculating fundamental statistics.
S.C.O.R.E. (Systematic Cumulative Opportunity and Risk Evaluation) is a quantitative proprietary measure used to evaluate potential investments. See Disclosure Pages for further definitions.

However, we certainly recognize that sometimes the market ignores company fundamentals in favor of short-term sentiment and sector-oriented rotation. For example, most of this time, Validus' Global Growth strategies have been overweight Technology, Healthcare, Financial Services and Consumer Discretionary stocks relative to broader market indexes.

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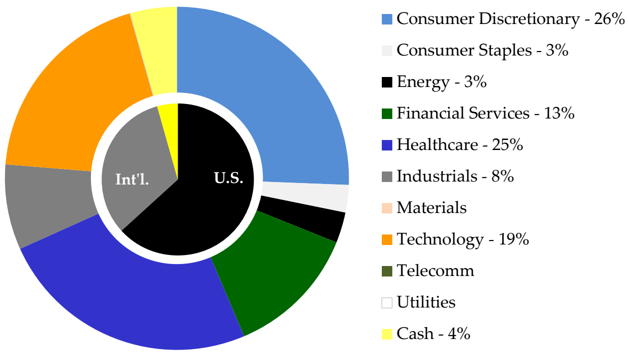
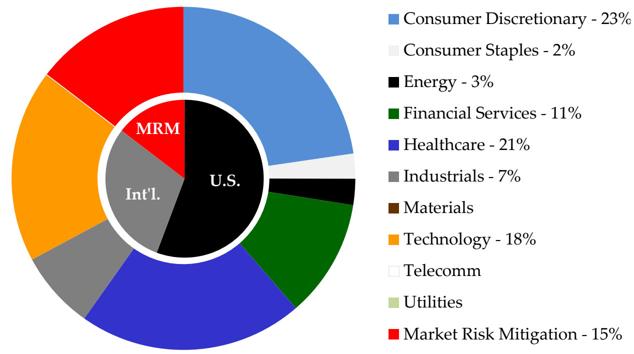
<u>Sector / Country Weightings</u> *(June 2016)*

Classic Global Growth



Disciplined Global Growth



As the table below demonstrates, these Global Industry Sectors (widely considered to be growth-oriented) have largely been the worst sectors to have been invested from a sentiment perspective:

Winners	% Return	Losers	% Return
Telecomm	24.9%	Financial Services	-3.05%
Utilities	23.4%	Information Technology	-0.32%
Energy	16.1%	Healthcare	0.42%
Consumer Staples	10.5%	Consumer Discretionary	0.68%
Materials	7.5%		
Industrials	6.5%		

Performance of Global Industry Sectors as measured by S&P Sectors Indices.

We must remind our investors that these overweight decisions are the result of our bottom-up decision- making and not top-down sector calls. In addition, there are industry groups within these "unloved" sectors that are actually in bear market territory – Biotech, is the most glaring example of this in our view, down 22.9% year-to-date. We have significant exposure to some large-cap biotech names in the portfolio – namely, Gilead Sciences and Celgene Corporation. Certainly, the "uproar" about drug pricing and the political "hay" being made from casting all pharmaceutical companies as heartless "bad actors" (even as people are cured of chronic diseases) hasn't helped. The real concerns surrounding the activities of Martine Shkreli, Valeant Pharmaceuticals, and now Mylan, has made it worse.

Nonetheless, our process has demonstrated its ability to add value over time on a risk-adjusted basis and we will not sacrifice our long-term success for short-term gains, especially if that requires us to take more risk in chasing momentum for clients.

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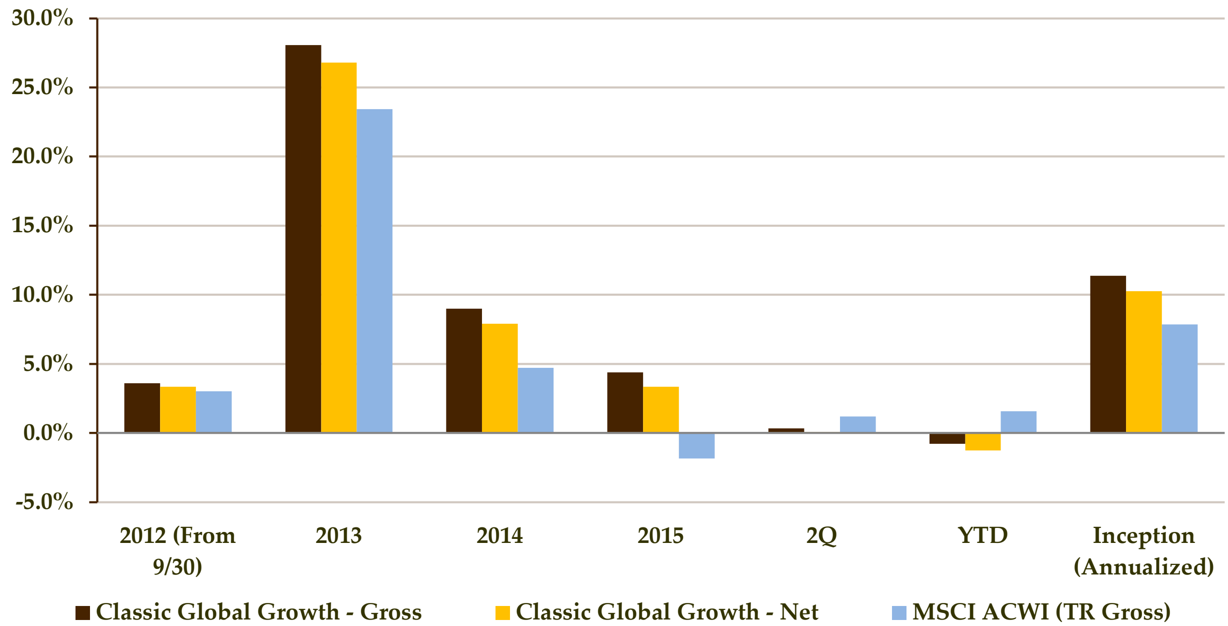
Investment Performance – Classic Global Growth

The VALIDUS Classic Global Growth model portfolio underperformed the benchmark in the second quarter and year-to-date largely due to sector allocation (discussed above). The year-to-date performance was also impacted by currency exposure, especially the weakening US dollar, which was down almost 4% over the period (keep in mind that Validus implements its non-US positions using US listed securities, mostly ADRs).



	4Q12	2013	2014	2015	2Q	YTD	Incept.
Classic Global Growth - Gross	3.6%	28.1%	9.0%	4.4%	0.3%	-0.8%	11.4%
Classic Global Growth - Net	3.3%	26.8%	7.9%	3.3%	0.1%	-1.3%	10.3%
MSCI ACWI (TR Gross)	3.0%	23.4%	4.7%	-1.8%	1.2%	1.6%	7.8%

Reflects performance of Classic Global Growth model investment strategy.
Results since inception are annualized. See full disclosures on following pages.

Performance Statistics – Classic Global Growth

Risk-adjusted performance statistics since inception continue to be solid. Note that the correlation measures (Correlation, R2) and Active Share (measure of portfolio overlap with the benchmark) further demonstrate our high-conviction, active approach.

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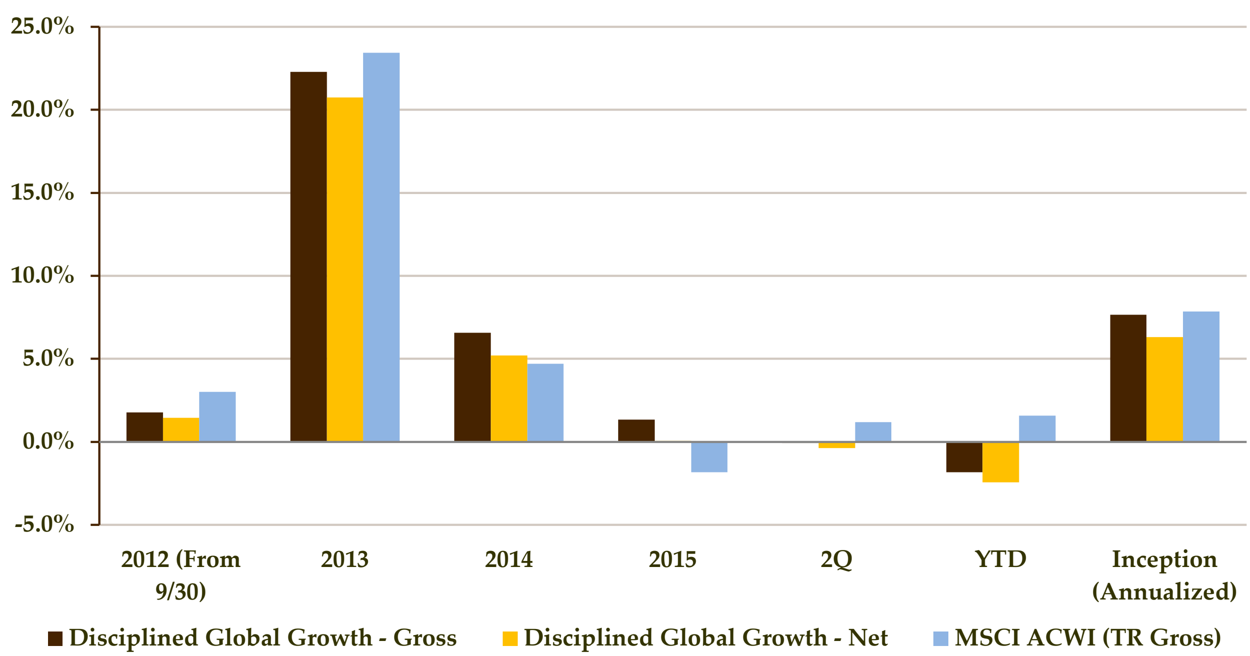
	Stand. Dev.	Alpha	Beta	Correlation	R2	Sharpe Ratio	Sortino Ratio	Active Share
Classic Global Growth - Gross	**12.11**	**4.06**	**0.92**	**0.84**	**70.05**	**0.95**	**1.53**	**96.51**
Classic Global Growth - Net	**12.12**	**3.02**	**0.92**	**0.84**	**70.48**	**0.86**	**1.37**	**-**
MSCI ACWI (TR Gross)	*11.07*	*-*	*1.00*	*1.00*	*100.00*	*0.73*	*1.26*	*-*

Reflects performance of Classic Global Growth model investment strategy. Performance Statistics from inception through 6.30.16.
See full disclosures on following pages.

__Investment Performance__ – Disciplined Global Growth

As with Classic Global, the VALIDUS Disciplined Global Growth model portfolio also underperformed the benchmark in the second quarter and year-to-date largely due to sector allocation (largely discussed above). As a hedge, the Global Market Risk Mitigation overlay detracts from performance in flat or up markets in favor of reduced volatility and greater downside protection, and the second quarter reflects this reality. Specifically, lower market volatility and the strengthening Yen (¥) had the largest negative impact while rising commodity prices (natural gas, silver) had the greatest positive impact. Further, as mentioned above with Classic Global, the year-to-date performance was also impacted by the weakening of the US dollar.



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	4Q12	2013	2014	2015	2Q	YTD	Incept.
Disciplined Global Growth - Gross	1.8%	22.3%	6.6%	1.3%	-0.1%	-1.8%	7.7%
Disciplined Global Growth - Net	1.4%	20.7%	5.2%	0.0%	-0.4%	-2.4%	6.3%
MSCI ACWI (TR Gross)	3.0%	23.4%	4.7%	-1.8%	1.2%	1.6%	7.8%

Reflects performance of Disciplined Global Growth model investment strategy.
Results since inception are annualized. See full disclosures on following pages.

Performance Statistics – *Disciplined Global Growth*

As with Classic Global, risk-adjusted performance statistics since inception continue to be solid. We should note that relative to Classic Global, Disciplined Global has significantly lower standard deviations as it seeks to swap some upside return for downside protection. Further, we again point to the correlation measures and Active Share for further demonstration our high-conviction, active approach.

	Stand. Dev.	Alpha	Beta	Correlation	R2	Sharpe Ratio	Sortino Ratio	Active Share
Disciplined Global Growth - Gross	9.07	2.81	0.61	0.74	54.87	0.85	1.42	96.51
Disciplined Global Growth - Net	9.08	1.51	0.61	0.75	55.54	0.71	1.15	-
MSCI ACWI (TR Gross)	*11.07*	-	*1.00*	*1.00*	*100.00*	*0.73*	*1.26*	-

Reflects performance of Disciplined Global Growth model investment strategy. Performance Statistics from inception through 6.30.16.
See full disclosures on following pages.

Global Growth Strategies' Top Performers – 2Q16 [(a)]

Ticker	Name	% YTD	Comments
TASR	***Taser International***	43.9%	With the rise of terrorism and policing challenges around the globe, Taser has very little competition in non-lethal enforcement arena and its camera technology and video management system is top of class, providing a recurring revenue stream. International opportunity is largely untapped. Sacrificing short-term margins for dominant long-term market share.
ULTA	***Ulta Salon***	31.7%	Leading US beauty retailer. Strong customer loyalty and favorable demographic and cultural trends (i.e. "selfies") have resulted in a powerful combination of new store openings (100 net new in 2015), double-digit same store comparable sales growth and growing ecommerce business.
CCI	***Crown Castle Int'l.***	19.7%	Benefitted from reach for yield in REIT space. Yet, a strong growing, specialty REIT that owns cell towers around the world. Likely to benefit from rising need for spectrum and bandwidth to fuel data downloads over mobile devices, especially video streaming.

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Ticker	Name	% YTD	Comments
AON	***Aon Plc***	19.3%	Large, UK-based professional services company focused on providing risk, reinsurance and HR solutions. Well-positioned to provide complex risk management solutions in an increasingly complex and uncertain world. Has become a dominant player in private healthcare exchange marketplace. Originally hit hard by Brexit fears, but quickly recovered on assumption that weaker Pound would make its services more competitive on a global basis.
FISV	***Fiserv Inc.***	18.9%	Focused on providing out-sourced technology solutions to financial services companies. As banks continue to be challenged by narrow spreads in a low interest rate environment, they have and will continue to focus on implementing solutions to reduce operating costs including outsourcing substantial business operations to Fiserv. Further, Fiserv has substantial operating leverage and can invest in technology solutions like mobile banking on a scale that takes advantage of its entire client base benefitting all of its customers.

Global Growth Strategies' Bottom Performers – 2Q16 [(a)]

ILMN	***Illumina Inc.***	-26.9%	Dominant player in gene sequencing equipment market. Moving from the research institutions to local clinics which has had an impact on short-term margins. Market uncertainty also moved potential orders into subsequent quarters. At forefront of and best positioned to take advantage of development of individualized treatment therapies based upon one's own DNA (cost of sequencing a genome has decreased from over $100 million in 2002 to less than $1,000 today). Also, leading in "liquid biopsy" race through majority ownership of Grail. Core business is a razor and razor blade model for generating recurring revenue that few understand or appreciate.
LUX	***Luxottica Group***	-23.3%	European-based market share leading retailer of eyewear globally which owns major brands like Ray-Ban and Oakley, operates retail locations under the LensCrafters and SunGlass Hut brands, and distributes for the likes of Dolce & Gabbana, Armani and Tory Burch. Caught up in concerns that Brexit will slow growth throughout Europe and create a strong dollar environment which will hurt results after translation. Only 21% of revenues come from Europe – 58% of revenues come from North America.
RYAAY	***Ryanair Holdings***	-19.6%	Europe's lowest fare / lowest cost carrier. #1 in traffic, #1 in coverage. Much like Luxottica, despite strong results, hit by Brexit fallout fears (Ryanair is UK-based) and concerns that terrorism and Zika will impact consumer travel. Refused to lower 2016 forecasts despite recent industry actual and perceived headwinds. Near-term challenges provide perfect opportunity for market share gains. Well capitalized and buying back significant % of outstanding shares.

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Ticker	Name	% YTD	Comments
CELG	***Celgene Corp.***	-17.6%	Large, growing biopharmaceutical company with substantial expertise in hematology, oncology, and immunology. Has been securing approvals around the globe for extending indications for its best-selling multiple myeloma treatment, Revlimid. In addition, over 50 potential new product approvals possible through 2025. Successful parallel strategy of investing in a myriad of specific therapies and companies on a modified private equity basis. Hurt by obvious negative sentiment surrounding drug prices. Very cheap relative to growth -- trades at 19x Forward P/E with 23% expected earnings growth, or 0.84 PEG
SWKS	***Skyworks Solutions***	-16.9%	Semiconductor manufacturer that specializes in providing secure connectivity for wireless devices. Well positioned to benefit from tens of billions of internet connected devices (internet of things). Caught up in massive negative sentiment related to Apple iPhone momentum and slowing mobile phone sales in general. Skyworks' revenues exposure to Apple is estimated to range from 25-45% of total revenues. Continue to post strong results against this extremely negative backdrop. Another example of fundamental cheapness relative to growth -- trades at 12x Forward P/E with 18% expected earnings growth, or 0.67 PEG.

(a) Excludes Market Risk Mitigation Holdings in Disciplined Global, which are held to hedge portfolio.

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Disclosures. The views contained in this commentary are those of VALIDUS Growth Investors, LLC and are provided for general information. The information contained herein is current as of the date listed in the header and is based on the economic and market conditions as of that date. Future changes in economic and market conditions may result in changes to our investment strategy and implementation of such strategy, including our firm taking different or even contrary positions to those described in this commentary.

This commentary should not be construed as personalized investment advice. All economic and performance information is historical and not indicative of future results. Different types of investments involve varying degrees of risk, **and there can be no assurance that the future performance of any specific investment, investment strategy, or product made reference to directly or indirectly in this commentary, will be profitable, equal any corresponding indicated historical performance level(s), or be suitable for your portfolio**. Moreover, you should not assume that any discussion or information provided here serves as the receipt of, or as a substitute for, personalized investment advice from VALIDUS Growth Investors or from any other investment professional. To the extent that you have any questions regarding the applicability of any specific issue discussed to your individual situation, you are encouraged to consult with VALIDUS Growth Investors or the professional advisor of your choosing.

Model Portfolio Performance Methodology/Calculation. VALIDUS Growth Investors is an SEC-registered investment advisor that manages client account portfolios based on model portfolio strategies. These model portfolios contain equities that are managed with a view towards growth and capital appreciation. The investment track record for the model portfolios began on October 1, 2012. Models started by depositing $10,000,000 on October 1, 2012 into a hypothetical account, to which no outside funds have been added (all dividends, interest and any other earnings have been reinvested) and from which no withdrawals (other than monthly advisory fees) have been taken. Our portfolio management software tracks all the changes in the portfolio models as they occur and calculates current values and time-weighted rates of return as of the inception date (10/01/12). **Therefore, the model portfolios results represent real-time investment decisions that reflect current market economic conditions**. The objectives and investment strategies of the portfolio models have not changed since their inception.

Portfolio Characteristics Definitions. For the purposes of the portfolio characteristics calculations, the following definitions apply: S.C.O.R.E. – VALIDUS' proprietary Systematic Customized Opportunity and Risk Evaluation. Expected Growth – VALIDUS' estimate of long-term (3 year) EPS (earnings per share) growth rate. Forward P/E – Current stock price divided by next year's EPS. Forward PEG – Forward P/E divided by Expected Growth multiplied by 100. Current Div. Yield – Expected next-twelve months' dividend divided by stock price. Market Cap – Current stock price multiplied by the number of shares outstanding. BETA – Estimated measure of the volatility of a security in comparison to the market as a whole.

Portfolio Statistics Definitions. Standard Deviation (Std. Dev.) is a measure of volatility. The greater the number the more volatile the portfolio or index has been during the given time period. Beta is a measure of volatility relative to a given index. A beta above 1.0 is more volatile than the index, while a beta below 1.0 is less volatile. For example, a beta of 0.5 denotes 50% of the index volatility, while a beta of 1.5 denotes volatility 150% that of the index. Alpha is a measure of risk-adjusted performance. A positive Alpha indicates performance better than would be expected given the Beta (volatility) of the investment. R-Squared (R2) is a measure that reflects the percentage of a portfolio's movements that can be explained by movements in its benchmark. Sharpe Ratio is a risk-adjusted measure that is calculated by using standard deviation and excess return to determine reward per unit of risk. The higher the Sharpe Ratio, the better the investment's historical risk-adjusted performance. The Sharpe Ratio is calculated for the past 36-month period by dividing an investment's annualized excess returns by the standard deviation of an investment's annualized excess returns. Since this ratio uses standard deviation as its risk measure, it is most appropriately applied when analyzing an investment that is an investor's sole holding. The Sharpe Ratio can be used to compare two investments directly on how much risk an investment had to bear to earn excess return over the risk-free rate. Sortino Ratio is a risk-adjusted measure that is calculated by using the standard deviation of negative asset returns and excess return to determine reward per unit of downside risk. The higher the Sortino Ratio, the better the investment's historical risk-adjusted performance. The Sortino Ratio does not penalize assets for volatility caused by positive returns and is calculated by dividing an investment's annualized excess returns by the standard deviation of its negative returns. Since this ratio uses standard deviation as its risk measure, it is most appropriately applied when analyzing an investment that is an investor's sole holding. The Sortino Ratio can be used to compare two investments directly on how much downside risk an investment had to bear to earn excess return over the risk-free rate. Active Share is a measure of the percentage of holdings that differ from the benchmark index and is found by analyzing the holdings of a portfolio and then comparing to the holdings of the portfolio's benchmark index. Active share allows investors to understand exactly what a manager is doing to drive alpha and is calculated by taking the sum of the absolute value of the differences of the weight of each holding in the benchmark index and dividing by two. For example, take a benchmark index that includes only one stock. If a manager decides that he likes the stock, but wants to invest only half the portfolio in that stock and half in another stock, then the Active Share would be 50% meaning that 50% of the manager's portfolio differs from the benchmark index.

Relationship of Actual Client Accounts to Portfolio Models. Each client account is invested following a designated portfolio model; however, client accounts are not exact replicas of the portfolio models. For reasons including variances in portfolio account holdings, variances in the investment management fee incurred, market fluctuation, the date on which a client engaged VALIDUS Growth Investors' investment management services, and any account contributions or withdrawals, the performance of a specific client's account may vary substantially from the indicated VALIDUS Growth Investors model strategy results.

Limitations. There are limitations inherent in model results, particularly that model returns do not reflect actual trading. As with any investment strategy, there is potential for profit as well as the possibility of loss. VALIDUS does not guarantee any minimum level of investment performance or the success of any model portfolio or investment strategy. All investments involve risk and investment recommendations will not always be profitable. ***Past performance is no guarantee of future results and current performance may be higher or lower than the performance shown.*** We cannot guarantee that the stated investment goals for each portfolio will be met.

Model Performance Results are Gross and Net of Fees. Model performance is presented gross and net of investment management fees, both of which include transaction costs, based on VALIDUS' current actual trading costs. Account maintenance charges are not considered in either case. *Gross-of-fees* model performance does not reflect any deductions for advisory fees. The *Net of Fees* model performance is calculated by deducting standard advisory fees quarterly in arrears, based on assets under management computed on the last day of the quarter. Clients with larger accounts will experience higher returns and lower costs than model portfolios due to VALIDUS' tiered advisory fee schedule (see ADV Part 2A). The standard advisory fee percentage used in calculating *Net of Fees* performance for the VALIDUS *Classic Global Growth* and VALIDUS *Disciplined Global Growth* model strategies are 1.00% and 1.25%, respectively.

Comparison to Indices. For the VALIDUS *Classic Global Growth* and VALIDUS *Disciplined Global Growth* strategies, performance results are compared to the *MSCI All Country World Index (ACWI) (Total Return – Gross)* from data gathered from MSCI's public website. The *MSCI ACWI Index* is a free float-adjusted market capitalization weighted index that is designed to measure the equity market performance of developed and emerging markets. The *MSCI ACWI* consists of 45 country indices comprising 24 developed and 21 emerging market country indices. The index was selected because it is widely used by many investment advisers and investors as representative of global equity strategies. There is no assurance that the characteristics of VALIDUS' model portfolios will mirror this index nor should there be any assumption that any of the securities represented in the index were or will be held in VALIDUS' model portfolios. No widely recognized benchmark is likely to be representative of the performance of any managed account. Widely known indices and/or market indices are shown simply as representative of past or expected managed account performance. When used for comparison purposes, it should be noted that the composition and variability for the *MSCI ACWI Index* and the composition and volatility of the portfolio models managed by VALIDUS are materially different. Results have not been audited or reviewed by any third party.

Please contact VALIDUS Growth Investors for additional information on portfolio performance results, data sources, and fees.