



Virginia  
Retirement  
System®

# Investments Report

FOR THE QUARTER ENDING  
JUNE 30, 2024





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Chief Investment Officer

The VRS investment portfolio’s 9.9% fiscal year return was well above the assumed actuarial rate of return taking the Trust Fund to a record high of \$113.9 billion in market value.

Over the long-term, the VRS portfolio outperformed benchmarks for the 3-, 5- and 10-year periods ending June 30, 2024. The fiscal year was marked by notable strength in the global stock market (up 19.4%) led by U.S. stocks. However, the return lagged behind its custom benchmark for the year.

As of 06/30/24	FYTD	1 Year	3 Years	5 Years	10 Years
<b>VRS Total Fund</b>	9.9%	9.9%	5.5%	8.7%	7.6%
<b>Benchmark</b>	11.6%	11.6%	3.9%	7.2%	6.8%
<b>Excess Return</b>	-1.7%	-1.7%	1.6%	1.5%	0.8%

VRS is a long-term investor and remains keenly focused on risk management and diversification. The VRS portfolio spans seven major strategies: public equity, private equity, real assets, credit strategies, diversifying strategies, private investment partnerships and fixed income. Each strategy plays a specific and vital role in the diversification of the overall portfolio. Impressively, all seven VRS investment strategies met or exceeded their benchmarks over the 3-, 5- and 10-year periods.

During fiscal year 2024, all strategies outperformed their respective benchmarks except for private equity and private investment partnerships, both of which require a long-term perspective as underlying investments are less liquid. This lack of liquidity creates additional opportunities for generating returns, and private equity has generated higher returns for VRS than any other strategy over the 3-, 5- and 10-year periods, handily outpacing its benchmarks.

With inflation considerably lower now than a couple of years ago, many global central banks are pivoting from raising rates to decreasing rates. The Federal Reserve has yet to begin this process as it continues to balance a largely strong economy with modest increases in unemployment. We expect the Federal Reserve to gradually cut rates in an attempt to prevent a “hard landing” scenario, and generally minimize outsized negative impacts on the United States economy and financial markets.

As always, there is plenty going on in current events: conflicts in the Middle East and Ukraine, tension between the United States and China, presidential elections at home and abroad. Our long-standing strategy of diversification has served VRS well and generated solid returns. We remain focused on our mission of supporting the more than 825,000 members, retirees, and beneficiaries into the future.

### TOTAL FUND PERFORMANCE

(Expressed in Percentages, Net of Fees)

	10 Yr.	5 Yr.	3 Yr.	1 Yr.	Qtr.	Month	Fiscal YTD	Cal YTD
<b>Total Public Equity</b>	<b>8.5</b>	<b>10.6</b>	<b>5.8</b>	<b>20.1</b>	<b>1.5</b>	<b>0.8</b>	<b>20.1</b>	<b>11.3</b>
<i>Benchmark <sup>1</sup></i>	8.5	10.6	4.9	18.0	2.0	1.7	18.0	9.7
<b>Total Private Equity</b>	<b>14.3</b>	<b>15.8</b>	<b>10.2</b>	<b>5.8</b>	<b>1.1</b>	<b>1.1</b>	<b>5.8</b>	<b>3.8</b>
<i>Benchmark <sup>2</sup></i>	11.5	12.3	7.1	24.3	8.5	3.4	24.3	21.2
<b>Total Real Assets</b>	<b>8.2</b>	<b>6.1</b>	<b>6.2</b>	<b>-3.2</b>	<b>-0.5</b>	<b>-0.5</b>	<b>-3.2</b>	<b>-2.5</b>
<i>Benchmark <sup>3</sup></i>	6.1	3.8	3.4	-5.8	-0.8	-0.2	-5.8	-3.8
<b>Total Credit Strategies</b>	<b>6.1</b>	<b>7.3</b>	<b>6.2</b>	<b>11.7</b>	<b>2.3</b>	<b>1.8</b>	<b>11.7</b>	<b>5.1</b>
<i>Benchmark <sup>4</sup></i>	4.8	5.0	4.2	10.8	1.6	0.7	10.8	3.5
<b>Total Diversifying Strategies</b>	<b>n/a</b>	<b>5.6</b>	<b>4.0</b>	<b>9.7</b>	<b>0.5</b>	<b>-0.8</b>	<b>9.7</b>	<b>5.5</b>
<i>Benchmark <sup>5</sup></i>	n/a	5.4	2.5	9.1	1.9	0.6	9.1	3.9
<b>Total Private Investment Partnerships</b>	<b>n/a</b>	<b>9.6</b>	<b>8.9</b>	<b>8.2</b>	<b>2.1</b>	<b>2.1</b>	<b>8.2</b>	<b>4.4</b>
<i>Benchmark <sup>6</sup></i>	n/a	7.6	5.5	8.7	2.8	1.2	8.7	6.2
<b>Total Fixed Income</b>	<b>2.2</b>	<b>1.1</b>	<b>-2.3</b>	<b>3.8</b>	<b>0.4</b>	<b>1.1</b>	<b>3.8</b>	<b>0.0</b>
<i>Benchmark <sup>7</sup></i>	1.5	0.0	-2.8	3.3	0.1	0.9	3.3	-0.4
<b>Total Fund</b>	<b>7.6</b>	<b>8.7</b>	<b>5.5</b>	<b>9.9</b>	<b>1.0</b>	<b>0.8</b>	<b>9.9</b>	<b>5.0</b>
<i>VRS Custom Benchmark <sup>8</sup></i>	6.8	7.2	3.9	11.6	2.3	1.3	11.6	6.6

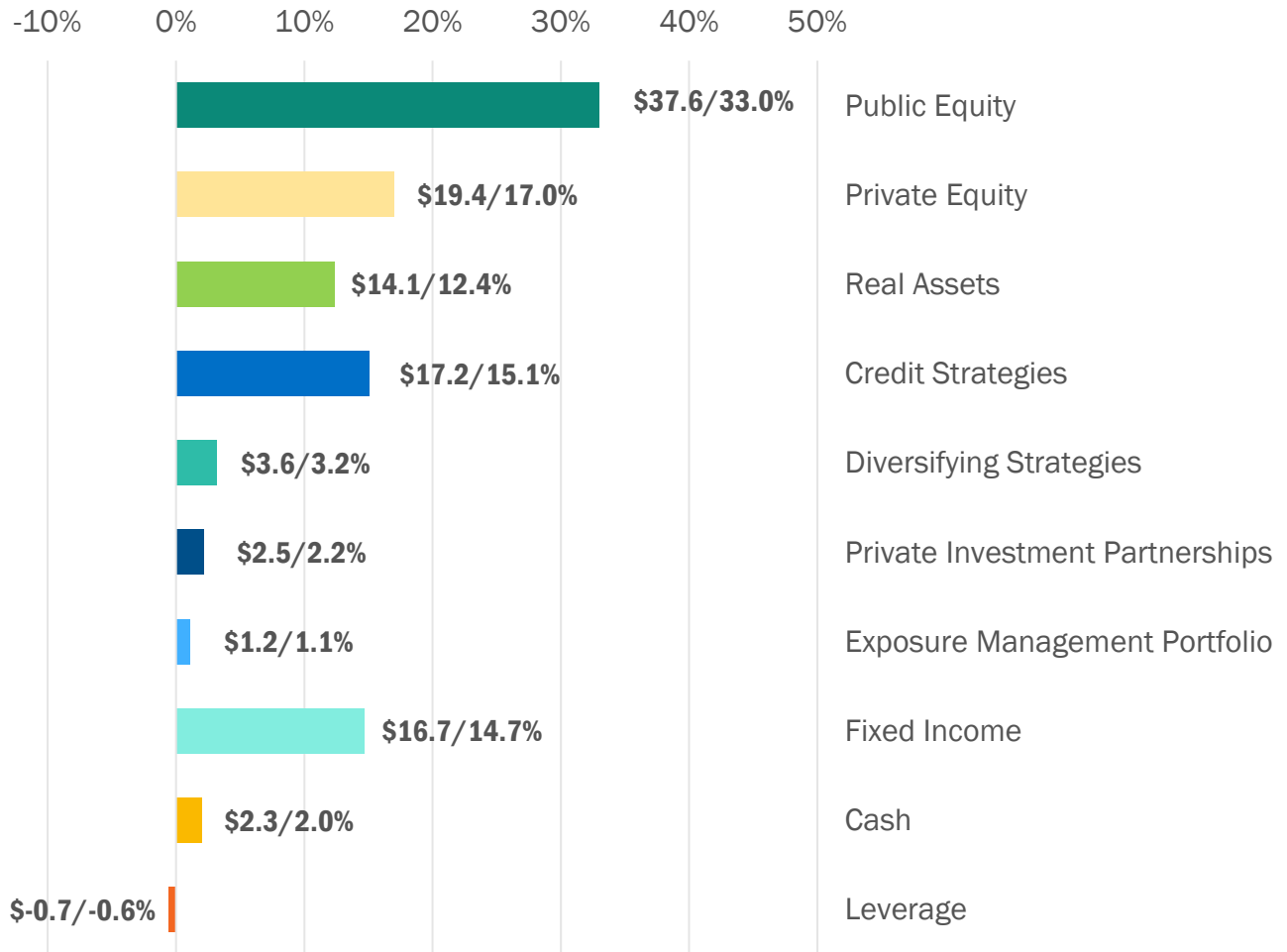
Notes:

- Effective January 2024, the Public Equity Custom Benchmark is a weighted average of the MSCI ACWI IMI Index (net VRS taxes) (85%) and the MSCI World Min Vol Index (net VRS taxes) (15%).
- Effective January 2024, the Private Equity Custom Benchmark is the regional benchmarks of the MSCI ACWI IMI Index (net VRS taxes) lagged by three months, weighted to reflect the Private Equity opportunity set (currently 75% North America, 20% Europe, and 5% Asia and Emerging Markets).
- Effective January 2023, the Real Assets Custom Benchmark is the market value weighted blend of the NCREIF Private Real Estate Benchmark (ODCE Index (net) lagged by three months) and the Other Real Assets Custom Benchmark (the CPI-U Index plus 400 basis points per annum lagged by three months).
- Effective July 2023, the Credit Strategies Custom Benchmark is a blend of the Morningstar LSTA Performing Loan Index (50%) and the Bloomberg US High Yield Ba/B 2% Issuer Cap Index (50%).
- Effective January 2024, the Diversifying Strategies Custom Benchmark is the ICE BofA US 3-Month Treasury Bill Index plus 250 basis points per annum.
- Effective January 2024, the Private Investment Partnerships (PIP) Custom Benchmark is the weighted average of the Private Equity Custom Benchmark (33%), the NCREIF Private Real Estate Benchmark (25%), the Other Real Assets Custom Benchmark (8%), the Bloomberg US High Yield Ba/B 2% Issuer Cap Index (17%), and the Morningstar LSTA Performing Loan Index (17%).
- Effective July 2020, the Fixed Income Custom Benchmark is a blend of the Bloomberg US Aggregate Bond Index (90%), Bloomberg US High Yield Ba/B 2% Issuer Cap Index (5%), and JP Morgan EMBI Global Core Index (5%).
- The VRS Custom Benchmark is a blend of the Asset Class Benchmarks at policy weights.





## Total Fund Market Value = \$113.9 billion



Dollar Amounts in Billions / Percent of Total Fund

Source: Bank of New York

Differences in totals are due to rounding.



<b>VRS Return</b> (as of June 30, 2024)	
1-year	9.9%
3-year	5.5%
5-year	8.7%
10-year	7.6%
15-year	9.1%
20-year	7.5%
25-year	6.7%

Source: Bank of New York



<b>VRS Return</b> (as of June 30, 2024)	
1-year	10.5%
3-year	6.1%
5-year	9.3%
10-year	8.1%
15-year	9.6%
20-year	7.9%
25-year	7.0%

Source: Bank of New York