

Virginia Retirement System Alternative Investment Manager Aggregate Profit Sharing Results ¹ Calendar Year 2017 <i>(expressed in millions)</i>	
	Calendar Year 2017
Virginia Retirement System Portion	\$2,835
Alternative Investment Manager Portion	566
Total Profits	\$3,401
<p>¹ <i>Based on available data for private investments with profit sharing arrangements for Calendar Year 2017.</i></p>	

Notes:

The primary objective of the VRS investment portfolio is to achieve the highest level of return for a given level of risk over the long term. The VRS Board of Trustees believes in active management, which has been a value-added proposition for the fund, because market inefficiencies exist in varying degrees across and within all asset classes.

VRS invests with top-tier alternative investment managers that consistently generate strong net returns. These private investments have historically generated the highest absolute net returns of the plan.

To gain access to these attractive strategies, VRS may participate in profit-sharing (carried interest) arrangements with alternative investment managers. In general, profit sharing is when an investment manager is allocated a portion of the gain on an investment. Typically, the manager must meet the following three conditions before profit sharing occurs:

- return invested capital to VRS,
- return fees and expenses to VRS, and
- achieve a minimum annualized rate of return (or hurdle rate) on the investment.