



Virginia Retirement System®

Investments Report

FOR THE QUARTER ENDING
DECEMBER 31, 2025





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Chief Investment Officer

The second quarter of the fiscal year produced solid results for the VRS portfolio, capping a strong calendar year and reinforcing the long-term strength of the investment program.

For the calendar year ended December 31, 2025, the Total Fund returned 12.8%, in line with the board-approved benchmark and reflecting broad gains across public markets, credit and real assets. For the quarter, the Total Fund returned 2.5%, supported by continued resilience in global equity markets and steady contributions from income-oriented investments.

More importantly, longer-term results remain a defining strength of the VRS portfolio. Over the five- and 10-year periods ended December 31, 2025, the Total Fund returned 8.8% and 8.9%, respectively, exceeding the benchmark by 1.2% and 0.6% per year. These results significantly exceed the actuarial assumed rate of return of 6.75% and demonstrate the sustained value created through disciplined investing over time. While shorter-term results can vary depending on market conditions, long-term performance remains the most meaningful measure of success for a retirement system with obligations spanning decades.

As of 12/31/2025	FYTD	1 Year	3 Years	5 Years	10 Years
VRS Total Fund	6.5	12.8	10.6	8.8	8.9
Benchmark	7.7	12.8	12.6	7.6	8.3
Excess Return	-1.2	0.0	-2.0	1.2	0.6

Strong performance has been supported by the fund's diversified structure. Public equity contributed meaningfully during 2025 as global markets benefited from ongoing economic growth and corporate earnings strength. Credit strategies and fixed income also performed well, providing both attractive returns and stability during periods of market uncertainty. Real assets, including infrastructure and natural resources, continued to deliver steady long-term returns while helping protect the portfolio against inflation. This balance across asset classes helps reduce overall risk while supporting consistent performance.

The VRS Total Fund closed the second quarter with a market value of approximately \$129 billion. The portfolio remains diversified across public and private markets and is positioned to navigate a wide range of economic environments. The investment team continues to focus on thoughtful rebalancing, prudent risk management and identifying opportunities that enhance long-term returns without taking unnecessary risk.

VRS remains committed to its long-term investment approach. While markets will continue to experience periods of uncertainty, the portfolio has balanced exposure across growth-oriented and income-generating investments, strong liquidity to meet benefit obligations and capitalize on opportunities, and ample flexibility to respond to changing conditions. By maintaining diversification and focusing on risk-adjusted returns rather than short-term market movements, the fund is well positioned to support the retirement security of its beneficiaries for years to come.

TOTAL FUND PERFORMANCE

(Expressed in Percentages, Net of Fees)

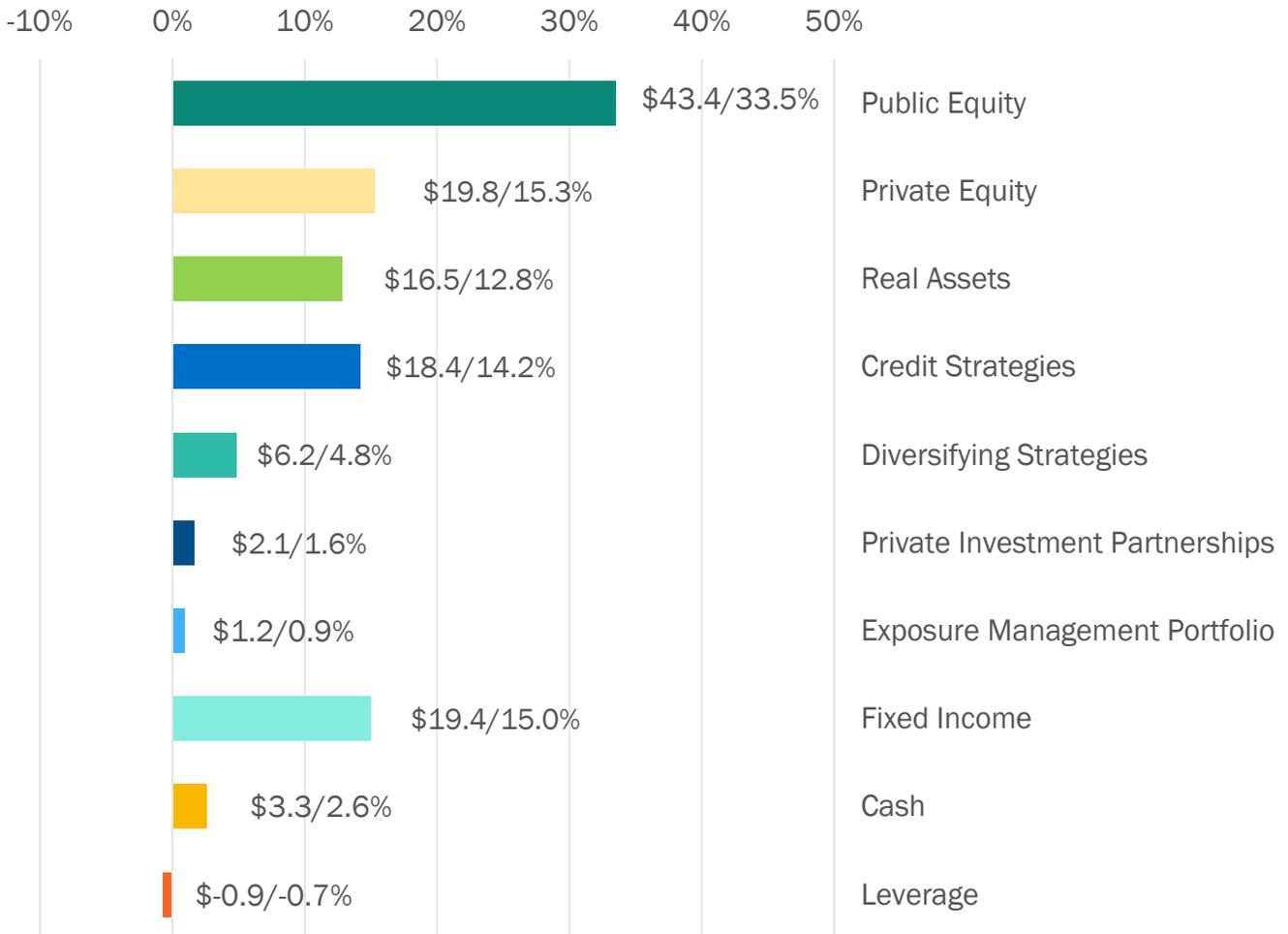
	10 Yr.	5 Yr.	3 Yr.	1 Yr.	Qtr.	Month	Fiscal YTD	Cal YTD
Total Public Equity	11.3	12.0	20.4	23.4	4.0	1.6	10.7	23.4
<i>Benchmark ¹</i>	11.2	10.7	19.6	20.8	3.0	0.9	9.6	20.8
Total Private Equity	14.2	12.9	6.9	8.1	2.2	2.3	4.6	8.1
<i>Benchmark ²</i>	14.0	14.1	23.5	17.7	7.3	3.2	19.9	17.7
Total Real Assets	7.1	6.4	0.3	4.6	1.1	1.0	2.4	4.6
<i>Benchmark ³</i>	5.0	3.9	-1.9	4.4	0.9	0.3	2.0	4.4
Total Credit Strategies	7.9	8.3	10.8	10.1	1.4	1.7	6.1	10.1
<i>Benchmark ⁴</i>	6.3	5.4	9.4	7.4	1.4	0.6	3.5	7.4
Total Diversifying Strategies	n/a	5.4	7.9	7.8	2.3	1.9	5.1	7.8
<i>Benchmark ⁵</i>	n/a	4.7	8.7	6.7	1.6	0.5	3.3	6.7
Total Private Investment Partnerships	9.1	11.3	8.4	7.3	2.0	2.0	4.8	7.3
<i>Benchmark ⁶</i>	8.2	8.3	9.7	9.7	3.1	1.4	8.1	9.7
Total Fixed Income	3.1	0.6	5.8	8.6	1.4	0.0	4.0	8.6
<i>Benchmark ⁷</i>	2.2	0.0	5.2	7.7	1.2	-0.1	3.4	7.7
Total Fund	8.9	8.8	10.6	12.8	2.5	1.5	6.5	12.8
<i>VRS Custom Benchmark ⁸</i>	8.3	7.6	12.6	12.8	2.8	1.0	7.7	12.8

Notes:

- Effective July 2025, the Public Equity Custom Benchmark is a weighted average of the MSCI ACWI IMI Index ex Selected Countries (net VRS taxes) (85%) and the MSCI World Min Vol Index ex Selected Countries (net VRS taxes) (15%).
- Effective July 2025, the Private Equity Custom Benchmark is the regional benchmarks of the MSCI ACWI IMI Index ex Selected Countries (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 July 2025, 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 = \$129.4 billion



Dollar Amounts in Billions / Percent of Total Fund

Source: Bank of New York

Differences in totals are due to rounding.



VRS Return (as of December 31, 2025)	
1-year	12.8
3-year	10.6
5-year	8.8
10-year	8.9
15-year	8.4
20-year	7.3
25-year	6.9

Source: Bank of New York