



Virginia
Retirement
System®

Investments Report

FOR THE QUARTER ENDING
DECEMBER 31, 2024





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At the conclusion of 2024, we step back to reflect briefly on the past several years as we consider the future of financial markets. Globally, stock markets continued their strong performance with a return of 17.5% for the year. U.S. stocks have now recorded two consecutive years of exceptional performance with returns above 25%, led by the ongoing rapid rise of the “Magnificent 7” (Apple, Microsoft, Alphabet (Google), Amazon, Nvidia, Tesla, and Meta). The last time the U.S. stock market recorded comparable returns was during the tech runup of the late 1990s, making recent performance exceptional.

U.S. bond markets declined during the quarter, losing 3% as interest rates increased and concerns about inflation and the sizeable government deficit grew. Setting aside those concerns, the U.S. economy remains strong as the Gross Domestic Product (GDP) grows, unemployment levels remain low and consumer spending is strong.

As 2025 begins and a new administration initiates policymaking, it is unclear how much those policies will affect inflation, interest rates and economic growth.

The VRS investment team continues to thoughtfully invest the portfolio, balancing risk and return. Last year, the portfolio returned 8.9% versus a benchmark return of 11.6%. While the absolute return was above our target return of 6.75%, it lagged the benchmark as private equity, which has performed remarkably well over the long term, struggles to keep up with exceptionally strong stock markets. The VRS portfolio is invested to generate return for the long term. The resilience is demonstrated in the five- and 10-year periods presented below, which are above both the board-approved benchmark and the actuarial assumed long-term return of 6.75%.

As of 12/31/24	FYTD	1 Year	3 Years	5 Years	10 Years
VRS Total Fund	3.8%	8.9%	4.4%	8.3%	7.8%
Benchmark	4.7%	11.6%	4.0%	7.1%	7.1%
Excess Return	-0.9%	-2.7%	0.4%	1.2%	0.7%

As always, the VRS investment team remains diligent when it comes to monitoring the markets and portfolio, seeking to identify appropriate investment opportunities, managing portfolio liquidity, and identifying and managing risks that may arise.

TOTAL FUND PERFORMANCE

(Expressed in Percentages, Net of Fees)

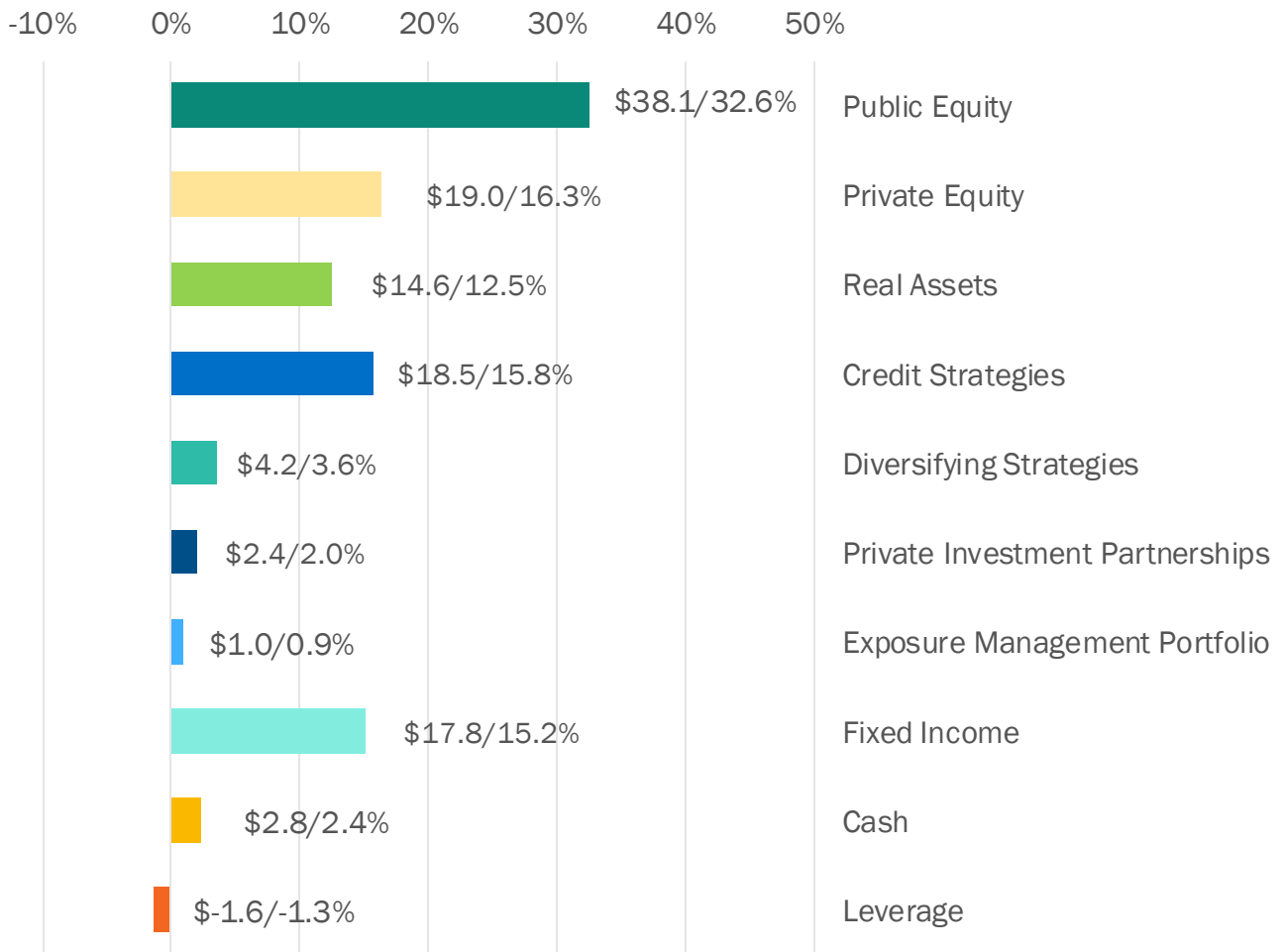
	10 Yr.	5 Yr.	3 Yr.	1 Yr.	Qtr.	Month	Fiscal YTD	Cal YTD
Total Public Equity	9.1	10.1	6.2	17.7	-0.8	-3.0	5.7	17.7
<i>Benchmark ¹</i>	9.1	10.0	5.1	16.0	-1.6	-3.0	5.8	16.0
Total Private Equity	14.0	14.6	4.2	6.3	1.8	2.1	2.3	6.3
<i>Benchmark ²</i>	12.1	13.1	8.2	32.6	6.6	1.9	9.4	32.6
Total Real Assets	7.7	5.7	3.4	-1.0	0.8	0.7	1.5	-1.0
<i>Benchmark ³</i>	5.6	3.3	0.7	-3.3	0.4	0.2	0.5	-3.3
Total Credit Strategies	6.7	7.7	6.5	10.6	2.6	1.8	5.2	10.6
<i>Benchmark ⁴</i>	5.4	5.0	5.1	8.0	1.1	0.0	4.3	8.0
Total Diversifying Strategies	n/a	5.0	3.4	6.6	1.3	0.9	1.0	6.6
<i>Benchmark ⁵</i>	n/a	5.3	2.7	7.8	1.8	0.6	3.7	7.8
Total Private Investment Partnerships	8.7	10.1	7.1	10.9	3.9	3.8	6.2	10.9
<i>Benchmark ⁶</i>	7.6	7.8	5.1	11.1	2.6	0.7	4.6	11.1
Total Fixed Income	2.3	1.0	-1.6	2.4	-2.8	-1.6	2.4	2.4
<i>Benchmark ⁷</i>	1.5	-0.1	-2.1	1.8	-2.9	-1.6	2.2	1.8
Total Fund	7.8	8.3	4.4	8.9	0.2	-0.4	3.8	8.9
<i>VRS Custom Benchmark ⁸</i>	7.1	7.1	4.0	11.6	0.4	-0.9	4.7	11.6

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 = \$116.9 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, 2024)

1-year	8.9%
3-year	4.4%
5-year	8.3%
10-year	7.8%
15-year	8.4%
20-year	7.2%
25-year	6.5%

Source: Bank of New York