



Virginia Retirement System®

# Investments Report

FOR THE QUARTER ENDING  
MARCH 31, 2025





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Chief Investment Officer

The first three months of 2025, which align with the third quarter of the VRS fiscal year, presented a mix of challenges, opportunities and rising uncertainty across global financial markets. Much of the period was marked by anticipation surrounding the United States’ new tariff policy, which was announced on April 2. The higher-than-expected tariff rates triggered a sharp sell-off in the stock market, quickly followed by declines in the bond market, as investors assessed the potential global economic impact.

After less than a week, the Trump Administration delayed full implementation of the tariffs by 90 days to allow time for trade negotiations. This pause prompted a market rebound, though the announcement came after the quarter’s end. Still, the anticipation of tariffs weighed heavily on investor sentiment in March, contributing to a 5.6% decline in the U.S. stock market for the month. In contrast, international equities posted a positive return of 5.4% for the quarter, while bonds gained 2.8% as interest rates edged lower.

More recently, as of mid-May and in the fourth quarter of the fiscal year, trade negotiations are underway with some signs of progress. Markets have responded positively, reflecting optimism that a significant global economic slowdown may be avoided. While key economic indicators have remained resilient, both consumer spending and business investment may become more cautious until the tariff landscape is clarified, and a federal budget is passed.

The investment team remains committed to managing the portfolio with a careful balance of risk and return. As of March 31, the portfolio achieved a 12-month return of 6.3%, compared to a benchmark return of 7.9%. This underperformance is primarily due to the relative underperformance of private equity. Although private equity has delivered strong long-term results, it has recently lagged behind exceptionally strong public equity markets—the basis of the private equity benchmark.

Despite this short-term variance, the VRS portfolio is designed with a long-term perspective. This resilience is evident in the five-year and 10-year returns, both of which have outperformed the board-approved benchmark and the actuarial assumed long-term return of 6.75%.

As of 03/31/25	FYTD	1 Year	3 Years	5 Years	10 Years
<b>VRS Total Fund</b>	5.2%	6.3%	5.2%	10.9%	7.7%
<b>Benchmark</b>	5.5%	7.9%	4.8%	9.5%	6.9%
<b>Excess Return</b>	-0.3%	-1.6%	0.4%	1.4%	0.8%

As always, the VRS investment team remains diligent in monitoring both the markets and the portfolio—continually seeking suitable investment opportunities, managing liquidity, and identifying, analyzing and mitigating potential risks.

### TOTAL FUND PERFORMANCE

(Expressed in Percentages, Net of Fees)

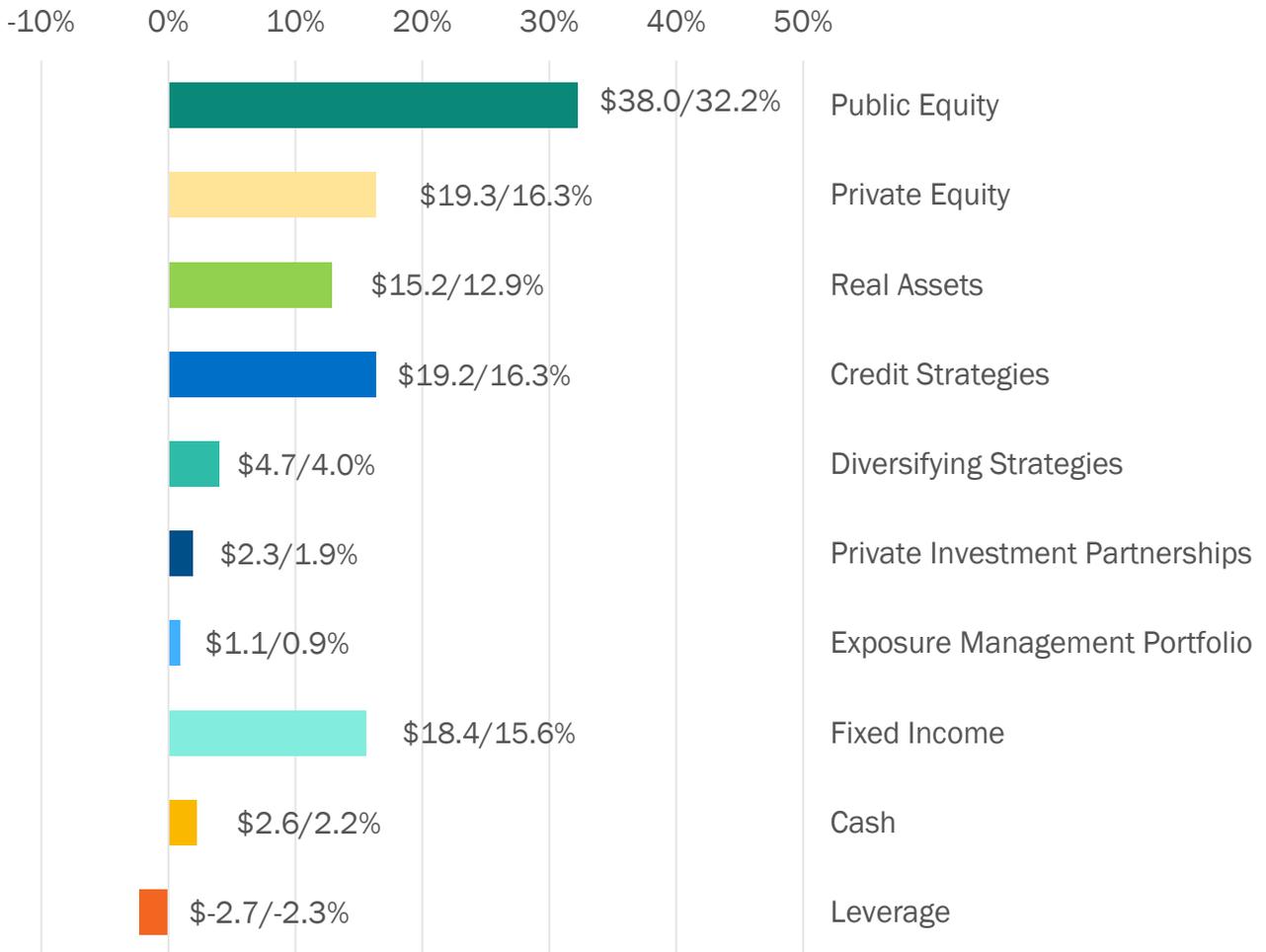
	10 Yr.	5 Yr.	3 Yr.	1 Yr.	Qtr.	Month	Fiscal YTD	Cal YTD
<b>Total Public Equity</b>	<b>8.7</b>	<b>16.0</b>	<b>8.5</b>	<b>7.8</b>	<b>0.5</b>	<b>-3.2</b>	<b>6.3</b>	<b>0.5</b>
<i>Benchmark <sup>1</sup></i>	8.7	15.7	7.0	7.8	-0.1	-3.1	5.7	-0.1
<b>Total Private Equity</b>	<b>14.2</b>	<b>14.2</b>	<b>3.0</b>	<b>5.0</b>	<b>1.5</b>	<b>1.4</b>	<b>3.8</b>	<b>1.5</b>
<i>Benchmark <sup>2</sup></i>	11.8	11.1	5.9	18.1	-0.4	-2.9	8.9	-0.4
<b>Total Real Assets</b>	<b>7.4</b>	<b>6.2</b>	<b>1.4</b>	<b>1.8</b>	<b>0.9</b>	<b>0.9</b>	<b>2.4</b>	<b>0.9</b>
<i>Benchmark <sup>3</sup></i>	5.5	4.0	-0.6	0.7	1.0	0.3	1.5	1.0
<b>Total Credit Strategies</b>	<b>6.8</b>	<b>10.0</b>	<b>7.3</b>	<b>9.7</b>	<b>1.9</b>	<b>1.3</b>	<b>7.2</b>	<b>1.9</b>
<i>Benchmark <sup>4</sup></i>	5.3	7.7	6.1	6.8	0.8	-0.6	5.2	0.8
<b>Total Diversifying Strategies</b>	<b>n/a</b>	<b>8.6</b>	<b>4.7</b>	<b>4.6</b>	<b>3.1</b>	<b>1.3</b>	<b>4.1</b>	<b>3.1</b>
<i>Benchmark <sup>5</sup></i>	n/a	7.5	4.5	7.5	1.7	0.5	5.5	1.7
<b>Total Private Investment Partnerships</b>	<b>8.7</b>	<b>9.6</b>	<b>5.9</b>	<b>8.3</b>	<b>-0.2</b>	<b>-0.2</b>	<b>6.1</b>	<b>-0.2</b>
<i>Benchmark <sup>6</sup></i>	7.7	7.6	4.2	8.2	0.5	-1.0	5.2	0.5
<b>Total Fixed Income</b>	<b>2.4</b>	<b>1.4</b>	<b>1.4</b>	<b>5.9</b>	<b>3.0</b>	<b>0.0</b>	<b>5.5</b>	<b>3.0</b>
<i>Benchmark <sup>7</sup></i>	1.6	0.1	0.8	5.1	2.7	0.0	4.9	2.7
<b>Total Fund</b>	<b>7.7</b>	<b>10.9</b>	<b>5.2</b>	<b>6.3</b>	<b>1.4</b>	<b>-0.4</b>	<b>5.2</b>	<b>1.4</b>
<i>VRS Custom Benchmark <sup>8</sup></i>	6.9	9.5	4.8	7.9	0.7	-1.5	5.5	0.7

Notes:

1. 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%).
2. 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).
3. 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).
4. 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%).
5. Effective January 2024, the Diversifying Strategies Custom Benchmark is the ICE BofA US 3-Month Treasury Bill Index plus 250 basis points per annum.
6. 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%).
7. 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%).
8. The VRS Custom Benchmark is a blend of the Asset Class Benchmarks at policy weights.



## Total Fund Market Value = \$118.1 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 March 31, 2025)	
1-year	6.3%
3-year	5.2%
5-year	10.9%
10-year	7.7%
15-year	8.2%
20-year	7.3%
25-year	6.3%

Source: Bank of New York