



Virginia Retirement System®

# Investments Report

FOR THE QUARTER ENDING  
SEPTEMBER 30, 2024





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Chief Investment Officer

Over the last year, the VRS portfolio posted a strong return of 14.0% as global stock markets continued their recent rally. Notably, over the past two years global stocks have produced an annualized return of 26.2%, led primarily by U.S. stocks that returned 28.8%. Investment grade bonds have produced a much more typical return of 6.0% over the same time period. Putting the global stock returns into a longer-term perspective, the 10-year return is 9.4% and the 20-year return is 8.3%.

With this as a backdrop, the VRS portfolio outperformed benchmarks for the 3-, 5- and 10-year periods ending September 30, 2024. These excess returns are significant and enhance the position of the VRS portfolio relative to our goal: Providing benefits for the members of the system by generating the highest returns possible for a given level of risk.

As of 09/30/24	FYTD	1 Year	3 Years	5 Years	10 Years
<b>VRS Total Fund</b>	3.5%	14.0%	5.8%	9.1%	8.0%
<b>Benchmark</b>	4.3%	16.9%	4.9%	7.8%	7.2%
<b>Excess Return</b>	-0.8%	-2.9%	0.9%	1.3%	0.8%

VRS continues to focus on risk management and diversification as the foundation of our long-term strategy. The VRS portfolio is diversified across public equity, private equity, real assets, credit strategies, diversifying strategies, private investment partnerships and fixed income. Our investment team monitors markets for opportunities to generate meaningful returns and to mitigate risks that may arise. Although recent markets have been relatively calm and produced robust returns, not all environments are so agreeable for investors. Our focus on diversification and risk management provides downside risk protection during periods of volatility.

The Federal Reserve has begun to cut interest rates with the view that inflation is largely under control. The U.S. economy continues to show strength: Gross Domestic Product is growing steadily, unemployment remains low and consumer spending is strong.

VRS believes that this economic strength will continue as we move forward; yet, we remain vigilant for signs of weakness in the economy and investment markets and focused on continuous monitoring to fortify portfolio resilience.



### TOTAL FUND PERFORMANCE

(Expressed in Percentages, Net of Fees)

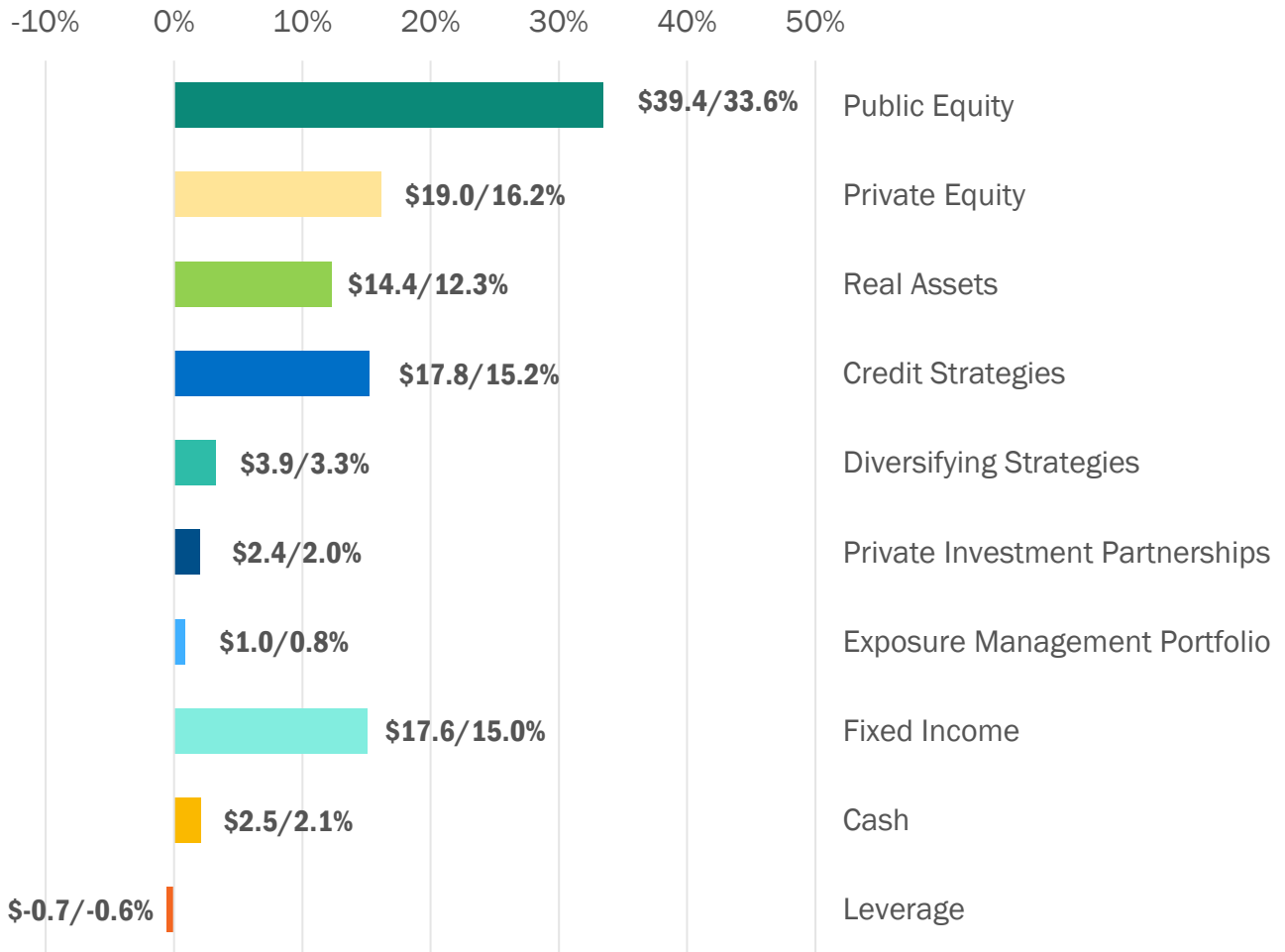
	10 Yr.	5 Yr.	3 Yr.	1 Yr.	Qtr.	Month	Fiscal YTD	Cal YTD
<b>Total Public Equity</b>	<b>9.4</b>	<b>12.0</b>	<b>8.2</b>	<b>31.3</b>	<b>6.6</b>	<b>1.8</b>	<b>6.6</b>	<b>18.6</b>
<i>Benchmark <sup>1</sup></i>	9.5	12.1	7.8	31.1	7.4	2.0	7.4	17.9
<b>Total Private Equity</b>	<b>13.8</b>	<b>14.9</b>	<b>6.2</b>	<b>4.1</b>	<b>0.5</b>	<b>0.4</b>	<b>0.5</b>	<b>4.4</b>
<i>Benchmark <sup>2</sup></i>	11.2	12.0	5.5	20.2	2.6	1.8	2.6	24.4
<b>Total Real Assets</b>	<b>8.0</b>	<b>5.8</b>	<b>5.3</b>	<b>-1.7</b>	<b>0.7</b>	<b>0.5</b>	<b>0.7</b>	<b>-1.8</b>
<i>Benchmark <sup>3</sup></i>	5.9	3.5	2.3	-4.5	0.1	0.0	0.1	-3.8
<b>Total Credit Strategies</b>	<b>6.4</b>	<b>7.7</b>	<b>6.3</b>	<b>11.1</b>	<b>2.6</b>	<b>1.8</b>	<b>2.6</b>	<b>7.8</b>
<i>Benchmark <sup>4</sup></i>	5.3	5.4	4.9	12.2	3.2	0.9	3.2	6.8
<b>Total Diversifying Strategies</b>	<b>n/a</b>	<b>5.4</b>	<b>3.9</b>	<b>8.4</b>	<b>-0.3</b>	<b>0.5</b>	<b>-0.3</b>	<b>5.2</b>
<i>Benchmark <sup>5</sup></i>	n/a	5.5	3.1	11.5	2.0	0.6	2.0	5.9
<b>Total Private Investment Partnerships</b>	<b>n/a</b>	<b>9.5</b>	<b>7.3</b>	<b>8.9</b>	<b>2.3</b>	<b>1.2</b>	<b>2.3</b>	<b>6.8</b>
<i>Benchmark <sup>6</sup></i>	n/a	7.5	4.8	8.6	1.9	0.9	1.9	8.3
<b>Total Fixed Income</b>	<b>2.8</b>	<b>1.6</b>	<b>-0.7</b>	<b>12.6</b>	<b>5.4</b>	<b>1.4</b>	<b>5.4</b>	<b>5.3</b>
<i>Benchmark <sup>7</sup></i>	2.0	0.5	-1.1	12.1	5.2	1.4	5.2	4.8
<b>Total Fund</b>	<b>8.0</b>	<b>9.1</b>	<b>5.8</b>	<b>14.0</b>	<b>3.5</b>	<b>1.3</b>	<b>3.5</b>	<b>8.7</b>
<i>VRS Custom Benchmark <sup>8</sup></i>	7.2	7.8	4.9	16.9	4.3	1.3	4.3	11.2

- 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 = \$117.2 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 September 30, 2024)	
1-year	14.0%
3-year	5.8%
5-year	9.1%
10-year	8.0%
15-year	8.7%
20-year	7.6%
25-year	6.9%

Source: Bank of New York