



Virginia
Retirement
System®

Investments Report

FOR THE QUARTER ENDING

DECEMBER 31, 2023





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Chief Investment Officer

The fourth quarter of 2023 was highlighted by strong performance in stock and bond markets, driving the VRS total fund return to 4.9% with a market value of \$109.2 billion. The global stock market returned 11.2% during the quarter while investment-grade U.S. bonds returned 6.8% against the backdrop of declining inflation and interest rates, and diminishing fears of an economic recession.

The VRS portfolio continues to show strong performance over the longer term, outperforming its benchmark and the 6.75% actuarial assumed rate of return, as shown in the table below.

As of 12/31/23	FYTD	1 Year	3 Years	5 Years	10 Years
VRS Total Fund	4.7%	10.2%	7.4%	9.5%	7.7%
Benchmark	4.7%	13.4%	4.6%	7.8%	6.7%
Excess Return	0.0%	-3.2%	2.8%	1.7%	1.0%

At the beginning of 2024, VRS began to implement the new board-approved target asset allocation, which should enhance the overall diversification of the portfolio while continuing to carefully balance risk and return. The new target for stocks is 33%, down from 34%, while the target weights to bonds and cash both increased by 1% – to 16% and 2%, respectively. At the margin, this allocation adjustment slightly reduces the expected risk of the portfolio without materially decreasing forecasted returns.

We see interesting opportunities in our Credit Strategies program, which generates significant interest income for VRS. These strategies tend to bring some mix of equity-like returns with lower volatility, and are an important part of the VRS portfolio. In addition to our preference for these strategies over the long term, we believe there are some tailwinds that could also make these investments attractive in the short term.

Our long-term strategy of diversification and balancing risk with reward has allowed the fund to perform well over time, bettering the actuarial assumed rate of return of 6.75% and generating meaningful excess returns above the VRS board-approved benchmark. This long-term approach means that VRS is well positioned to support our nearly 800,000 members, retirees and beneficiaries into the future.

TOTAL FUND PERFORMANCE

(Expressed in Percentages, Net of Fees)

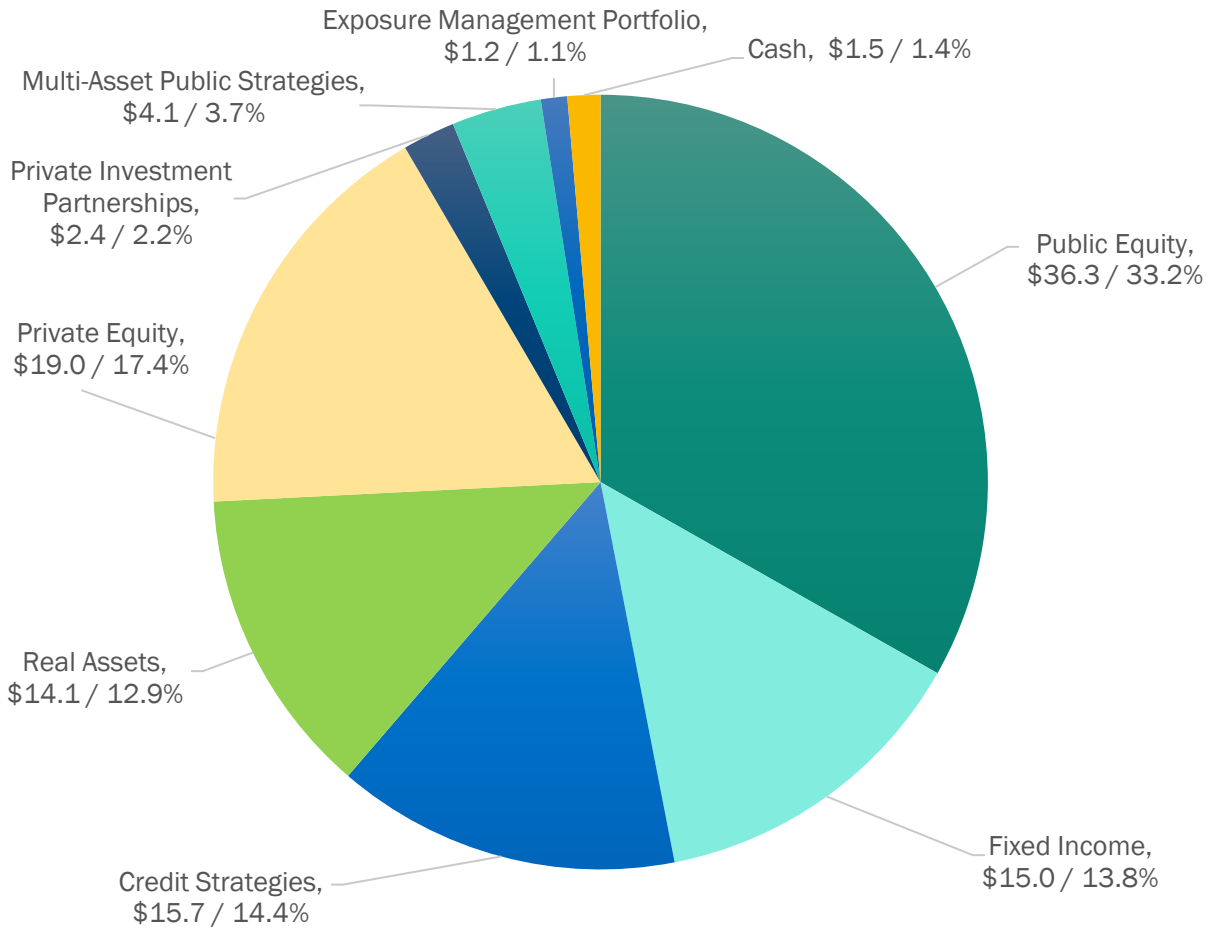
	10 Yr.	5 Yr.	3 Yr.	1 Yr.	Qtr.	Month	Fiscal YTD	Cal YTD
Total Public Equity Strategies	8.0	11.1	6.7	20.1	10.7	5.4	7.9	20.1
<i>Benchmark ¹</i>	8.1	11.5	5.9	22.1	11.2	5.3	7.6	22.1
Total Fixed Income	2.7	2.3	-2.5	6.5	6.9	3.9	3.8	6.5
<i>Benchmark ²</i>	1.9	1.3	-3.1	6.1	7.0	3.9	3.7	6.1
Total Credit Strategies	6.2	7.9	6.9	11.6	3.1	2.4	6.3	11.6
<i>Benchmark ³</i>	5.1	6.2	3.9	13.1	5.1	2.6	7.0	13.1
Total Real Assets	9.3	7.6	9.5	-2.4	0.1	0.2	-0.7	-2.4
<i>Benchmark ⁴</i>	7.1	5.4	6.3	-6.4	-0.8	-0.3	-2.0	-6.4
Total Private Equity	15.2	16.0	16.8	6.4	-0.3	-0.5	1.9	6.4
<i>Benchmark ⁵</i>	10.4	8.3	7.4	20.7	-3.3	-4.2	2.5	20.7
Total Private Investment Partnerships	n/a	8.9	12.8	7.0	2.0	2.0	3.7	7.0
<i>Benchmark ⁶</i>	n/a	6.6	6.9	8.2	0.3	-0.6	2.3	8.2
Total Multi-Asset Public Strategies	n/a	5.7	4.3	9.3	3.1	2.1	3.9	9.3
<i>Benchmark ⁷</i>	n/a	6.7	3.0	11.6	5.3	2.4	5.0	11.6
Total Fund	7.7	9.5	7.4	10.2	4.9	2.7	4.7	10.2
<i>VRS Custom Benchmark ⁸</i>	6.7	7.8	4.6	13.4	5.2	2.1	4.7	13.4

Notes:

1. Effective February 2020, the Public Equity Custom Benchmark is the MSCI ACWI IMI (net VRS tax rates) Index.
2. 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 J.P. Morgan EMBI Global Core Index (5%).
3. 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%).
4. 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).
5. Effective July 2020, the Private Equity Custom Benchmark is the MSCI ACWI IMI Index (net VRS tax rates) lagged by three months.
6. Effective July 2021, the Private Investment Partnerships Custom Benchmark is the weighted average of the custom Private Equity Benchmark (MSCI ACWI IMI Index (net VRS tax rates) lagged by three months) (33%), the NCREIF Private Real Estate Benchmark (ODCE Index (net) lagged by three months) (25%), the Other Real Assets Custom Benchmark (the CPI-U Index plus 400 basis points per annum lagged by three months) (8%), the Bloomberg US High Yield Ba/B 2% Issuer Cap Index (1.7%), and the Morningstar LSTA Performing Loan Index (1.7%).
7. Effective July 2018, the Multi-Asset Public Strategies Custom Benchmark is the market value weighted average of the benchmarks of the mandates (Dynamic Strategies and Risk-Based Investments) within the program.
8. The VRS Custom Benchmark is a blend of the Asset Class Benchmarks at policy weights.



Total Fund Market Value = \$109.2 billion



Dollar Amounts in Billions / Percent of Total Fund

Source: Bank of New York Mellon

Differences in totals are due to rounding.



	VRS Return (as of December 31, 2023)
1-year	10.2%
3-year	7.4%
5-year	9.5%
10-year	7.7%
15-year	9.0%
20-year	7.4%
25-year	6.8%

Source: Bank of New York Mellon