



Virginia
Retirement
System®

Investments Report

FOR THE QUARTER ENDING

JUNE 30, 2023





Andrew H. Junkin
Chief Investment Officer

Recent economic news continues to paint a mixed picture globally. In the United States, economic growth held a long-predicted recession at bay while inflation cooled significantly as Federal Reserve interest rate hikes began to have moderating effects. Europe continues to deal with direct and indirect effects of the war in Ukraine. China, long viewed as a growth engine of the global economy, is experiencing deflation as its strained trade relations with the U.S. and changing demographics affect its economy.

Against this unpredictable backdrop, fiscal year 2023 closed out June 30. A volatile year in financial markets across the globe ended on a high note with global stock markets strongly up 16.7% while investment grade bonds declined 0.9%.

The VRS portfolio gained 6.1% over the past year, just behind the total fund benchmark return of 6.3%. Longer-term returns outperformed their benchmarks (see table). As of June 30, the value of the VRS Trust Fund stood at \$105.0 billion.

As of 06-30/23	FYTD	1 Year	3 Years	5 Years	10 Years
VRS Total Fund	6.1%	6.1%	10.8%	8.0%	8.2%
Benchmark	6.3%	6.3%	7.9%	6.3%	7.1%
Excess Return	-0.2%	-0.2%	2.9%	1.7%	1.1%

Although VRS seeks to maximize long-term returns for a given level of risk, there will be years when we underperform our benchmark. Given the uncertainty around the globe, we remain slightly defensively positioned while also well-diversified across asset classes, geographies and strategies. Over time, our long-term strategy of diversification and balancing risk with reward has allowed the fund to outpace the actuarial assumed rate of return of 6.75% and to generate meaningful excess returns above the VRS Board-approved benchmark.

Going forward, the VRS Investment team remains vigilant. The portfolio is positioned to be resilient in a variety of future economic scenarios. In addition, we are constantly evaluating opportunities for investments and strategies that will add value to the portfolio. Our long-term approach and focus mean that VRS is well positioned to support the 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	8.7	7.5	11.6	15.6	5.1	5.5	15.6	11.3
<i>Benchmark ¹</i>	8.8	8.0	11.4	16.7	6.0	5.9	16.7	13.5
Total Fixed Income	2.3	1.9	-2.5	0.5	-0.5	-0.1	0.5	2.6
<i>Benchmark ²</i>	1.6	0.8	-3.6	-0.1	-0.6	-0.1	-0.1	2.3
Total Credit Strategies	6.1	6.4	8.3	5.7	2.9	2.0	5.7	5.0
<i>Benchmark ³</i>	4.9	4.4	4.3	9.2	2.2	1.8	9.2	5.6
Total Real Assets	10.0	8.4	11.2	1.7	-0.7	-0.6	1.7	-1.7
<i>Benchmark ⁴</i>	8.0	6.4	7.6	-0.7	-1.4	-0.5	-0.7	-4.5
Total Private Equity	16.1	17.5	24.9	-0.7	2.9	3.0	-0.7	4.4
<i>Benchmark ⁵</i>	11.1	9.2	16.0	-7.3	7.1	2.5	-7.3	17.7
Total Private Investment Partnerships	n/a	9.3	16.0	1.9	1.1	1.1	1.9	3.2
<i>Benchmark ⁶</i>	n/a	7.2	10.5	1.1	2.5	1.2	1.1	5.8
Total Multi-Asset Public Strategies	n/a	4.1	7.3	7.7	3.6	2.6	7.7	5.1
<i>Benchmark ⁷</i>	n/a	4.8	4.8	7.4	2.7	2.1	7.4	6.2
Total Fund	8.2	8.0	10.8	6.1	2.5	2.7	6.1	5.3
<i>VRS Custom Benchmark ⁸</i>	7.1	6.3	7.9	6.3	3.4	2.7	6.3	8.3

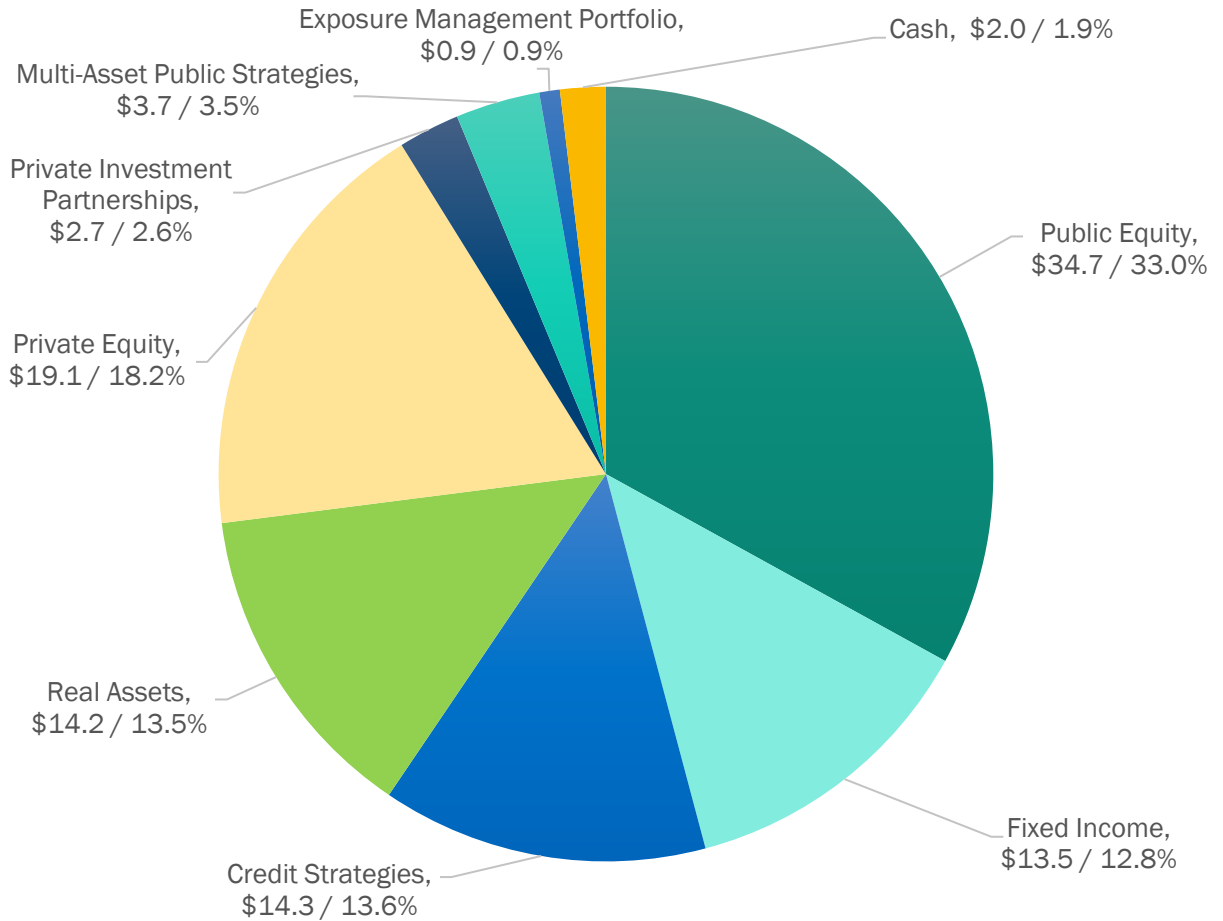
Notes:

- Effective February 2020, the Public Equity Custom Benchmark is the MSCI ACWI IMI (net VRS tax rates) Index.
- 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%).
- Effective January 2020, the Credit Strategies Custom Benchmark is a blend of the Morningstar LSTA Performing Loan Index (60%), Bloomberg US High Yield Ba/B 2% Issuer Cap Index (30%), and Bloomberg US Aggregate Bond Index (10%).
- 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 2020, the Private Equity Custom Benchmark is the MSCI ACWI IMI Index (net VRS tax rates) lagged by three months.
- 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 (17%), and the Morningstar LSTA Performing Loan Index (17%).
- 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.
- The VRS Custom Benchmark is a blend of the Asset Class Benchmarks at policy weights.

Source: Bank of New York Mellon



Total Fund Market Value = \$105.0 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 June 30, 2023)
1-year	6.1%
3-year	10.8%
5-year	8.0%
10-year	8.2%
15-year	6.8%
20-year	7.9%
25-year	6.8%

Source: Bank of New York Mellon



VRS Return (as of June 30, 2023)	
1-year	6.7%
3-year	11.4%
5-year	8.6%
10-year	8.6%
15-year	7.1%
20-year	8.2%
25-year	7.1%

Source: Bank of New York Mellon