



Virginia
Retirement
System®

Investments Report

FOR THE QUARTER ENDING

SEPTEMBER 30, 2023





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From a long-term perspective, the VRS portfolio continues to show strong performance, outperforming its benchmark and the 6.75% actuarial assumed rate of return (see table below). Yet, looking at the third quarter of 2023, returns were relatively muted. The VRS portfolio had a -0.2% return against the Board-approved benchmark of -0.5%, and a total value of \$104 billion. Five of the seven VRS programs outperformed their benchmarks during the quarter (Public Equity, Fixed Income, Credit Strategies, Real Assets and Multi-Asset Public Strategies).

As of 09/30/23	FYTD	1 Year	3 Years	5 Years	10 Years
VRS Total Fund	-0.2%	9.3%	8.9%	7.5%	7.7%
Benchmark	-0.5%	11.6%	5.6%	5.7%	6.6%
Excess Return	0.3%	-2.3%	3.3%	1.8%	1.1%

Economic news continues to focus on inflation and interest rates, with inflation continuing to moderate while interest rates move higher. The 10-year treasury yield rose to 4.6% at the end of the quarter and pushed new home mortgage rates to nearly 8%, making the housing market trickier to navigate. VRS' private real estate portfolio (comprised mainly of industrial buildings, apartments, retail and office) outperformed its benchmark during this challenging quarter and has added value for the one-, three-, five- and 10-year periods. We complement these more traditional real estate sectors with other real assets such as infrastructure and natural resources (timberland, agricultural land, etc.). This additional diversification is beneficial to the portfolio.

VRS seeks to maximize long-term returns for a given level of risk. In view of the heightened uncertainty around the globe, we remain somewhat 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 perform well, exceeding the 6.75% actuarial assumed rate of return and generating meaningful excess returns above the VRS board-approved benchmark.

The VRS Investment team is now focused on modest portfolio changes to implement the new board-approved target asset allocation, which will keep the portfolio flexible and carefully balance risk and return. This long-term approach means 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)

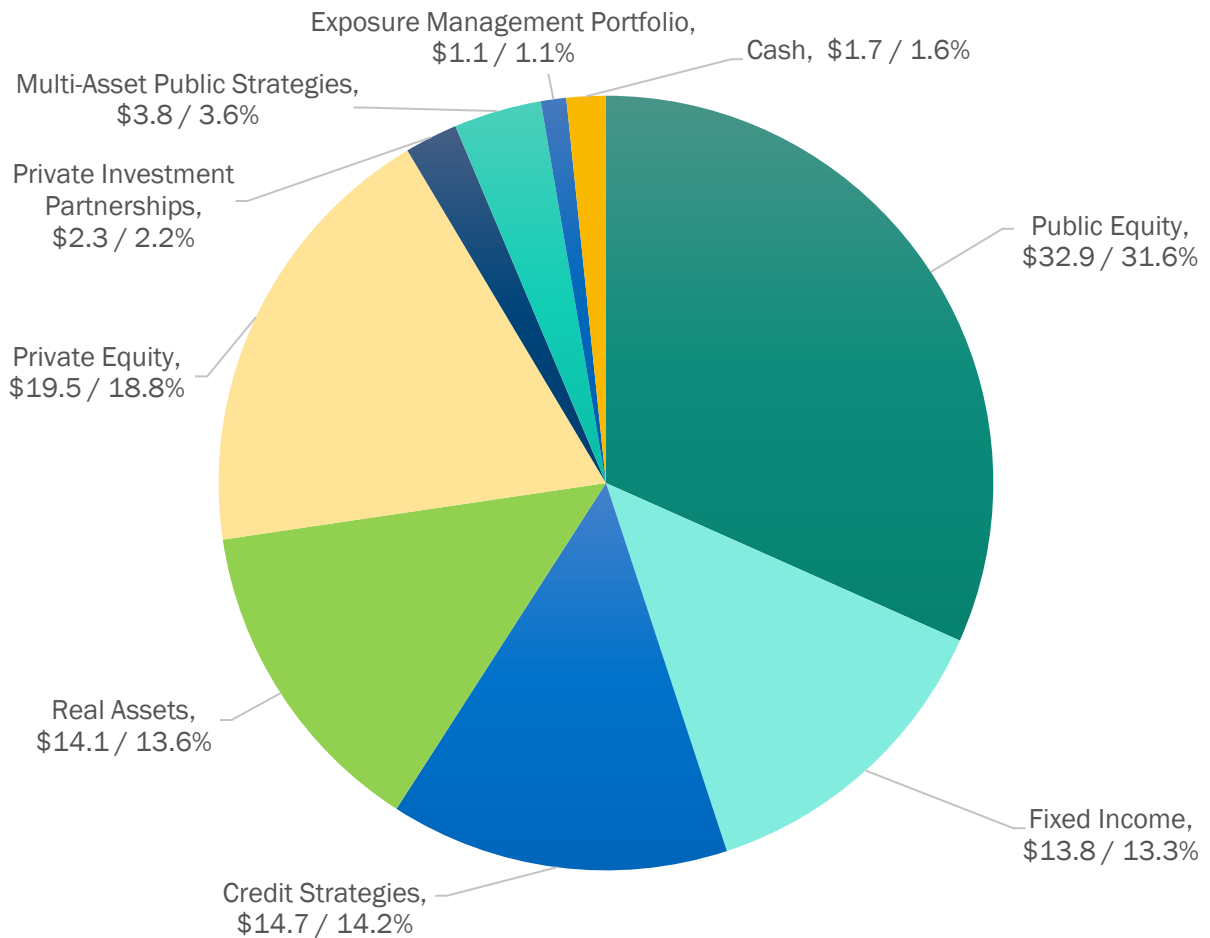
	10 Yr.	5 Yr.	3 Yr.	1 Yr.	Qtr.	Month	Fiscal YTD	Cal YTD
Total Public Equity Strategies	7.7	6.2	8.2	19.9	-2.5	-3.2	-2.5	8.5
<i>Benchmark ¹</i>	7.7	6.5	7.3	20.7	-3.3	-4.2	-3.3	9.8
Total Fixed Income	2.0	1.3	-3.9	2.3	-2.9	-2.4	-2.9	-0.4
<i>Benchmark ²</i>	1.2	0.2	-4.9	1.5	-3.0	-2.5	-3.0	-0.8
Total Credit Strategies	6.1	6.6	7.9	9.7	3.1	2.2	3.1	8.3
<i>Benchmark ³</i>	4.8	4.3	3.6	11.1	1.9	-0.1	1.9	7.6
Total Real Assets	9.6	7.9	10.6	-1.0	-0.8	-0.7	-0.8	-2.5
<i>Benchmark ⁴</i>	7.5	5.8	7.3	-4.5	-1.2	-0.4	-1.2	-5.7
Total Private Equity	15.9	17.0	21.4	5.8	2.2	2.3	2.2	6.7
<i>Benchmark ⁵</i>	11.7	10.0	11.5	16.7	6.0	5.9	6.0	24.8
Total Private Investment Partnerships	n/a	9.2	14.0	4.9	1.7	1.7	1.7	4.9
<i>Benchmark ⁶</i>	n/a	7.2	8.4	7.2	2.1	1.7	2.1	7.9
Total Multi-Asset Public Strategies	n/a	4.1	6.2	11.0	0.8	0.0	0.8	6.0
<i>Benchmark ⁷</i>	n/a	4.5	3.5	10.9	-0.2	-1.2	-0.2	6.0
Total Fund	7.7	7.5	8.9	9.3	-0.2	-0.6	-0.2	5.1
<i>VRS Custom Benchmark ⁸</i>	6.6	5.7	5.6	11.6	-0.5	-0.9	-0.5	7.8

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 = \$104.0 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 September 30, 2023)
1-year	9.3%
3-year	8.9%
5-year	7.5%
10-year	7.7%
15-year	7.5%
20-year	7.7%
25-year	7.1%

Source: Bank of New York Mellon