

## FTSE Russell posts preliminary U.S. index additions & deletions as part of annual Russell reconstitution

- Third consecutive high breakpoint between U.S. small- and large-cap
- Healthcare, Technology and Consumer Discretionary sectors led U.S.
- Apple easily retains top slot, nearly twice the size of #2 Microsoft

Global index leader FTSE Russell has posted its official lists of companies set to join or leave the U.S. broad-market Russell 3000<sup>®</sup> Index and Russell Microcap<sup>®</sup> Index when the Russell indexes are fully reconstituted on June 26. The lists of projected additions and deletions for the Russell indexes, including the Russell Global Index, are now available on the [Russell reconstitution website](#).

Each June, the entire family of Russell U.S. and global equity indexes are realigned and recalibrated to reflect market changes in the past year. This year's rebalance impacts approximately \$5.7 trillion in assets benchmarked to and more than \$800 billion in assets invested in products based on them.

### **Ron Bundy, CEO North America Benchmarks, FTSE Russell, said:**

"We are excited to enter another annual reconstitution process for the Russell indexes. It is a significant event for the market, closely watched by investors and an extremely important part of maintaining the integrity and relevance of our leading set of U.S. indexes."

### **U.S. markets continue climb across small-, mid- and large-cap stocks**

The Russell 3000<sup>®</sup> Index, which represents about 98% of the investable U.S. equity market, returned 11.9% for the one year period ended May 29 ("rank day" for Russell reconstitution). The total market cap of the Russell 3000 Index, which represents the U.S. portion of the Russell Global Index, increased over 9% to \$25.3 trillion, and the index's weight within the Russell Global Index has increased by 2.3 percentage points this year to 50.7%.

Performance was similar across large- and small-cap U.S. stocks for this period, with the U.S. large-cap Russell 1000<sup>®</sup> Index returning 11.9% and the U.S. small-cap Russell 2000<sup>®</sup> Index returning 11.3%. The Russell 1000, 2000 and 3000 Indexes all posted new all-time historical highs earlier this year.

Due to continued strong U.S. equity market performance, the breakpoint between the Russell 1000<sup>®</sup> Index and the Russell 2000<sup>®</sup> Index is expected to reach a record high for the third consecutive year. The new \$3.4 billion expected breakpoint between small- and large cap stocks is nearly 10% higher than last year's \$3.1 billion breakpoint, and represents a 31% increase from 2013's breakpoint of \$2.6 billion. And the size of the smallest stock in the Russell 2000 Index is expected to increase by nearly 5% to \$176.7 million this year.

In the U.S., the Healthcare, Technology and Consumer Discretionary sectors performed best since last year's reconstitution, with returns of 30%, 18.6% and 15.8%, respectively. Financial Services remains the largest sector, representing 19.4% of the Russell 3000. The Energy sector lost 17.5% in the last year.

Broadly, growth outperformed value in the U.S. The Russell 3000 Growth index returned 14.9%, while the Russell 3000 Value Index posted an 8.7% gain. In the U.S. large cap space, Growth led by a similar margin



(14.7% versus 9.0% for the Russell 1000 Growth and Russell 1000 Value Indexes). The U.S. small cap growth and value segments saw the largest performance differential, with the Russell 2000 Growth Index returning 17.7% and the Russell 2000 Value Index returning 5.1%, a difference of nearly 13 percentage points.

Notable style shifts among the largest U.S. companies include Microsoft's continued increased allocation to value, moving from a 100% growth allocation in 2003 to 65% growth in 2014 and an expected 57% growth / 43% value split this year. On a similar note, some of the largest additions to the Russell 3000 Value Index this year are Energy companies Schlumberger Ltd., EOG Resources, Halliburton Co. and Pioneer Natural Resources, all moving away from a 100% growth allocation and, in certain cases, to 100% Value.

### **Apple retains top spot in Russell 3000**

147 companies are expected to join the Russell 3000 Index at this year's Russell reconstitution, including 75 companies moving up from the Russell Microcap<sup>®</sup> Index, while 154 companies will leave the Index. The Healthcare, Financial Services and Consumer Discretionary sectors are expected to gain the most new constituents.

Technology leader Apple Inc., which has increased by 37.6% in size since last year's reconstitution to a massive \$750.5 billion, is expected to remain as the largest company in the Russell 3000 Index in terms of both total market capitalization and index weight. Microsoft is expected to increase its rank from the fourth to second largest in the Index with a total market cap of \$379.1 billion, a little more than half the size of Apple.

The largest single addition to the Russell 3000 this year is 21<sup>st</sup> Century Fox Class B, now eligible alongside the company's Class A shares due to new multiple share class eligibility rules. The second largest addition is Delphi Automotive PLC, which will be reclassified as a U.S. company after being removed from the Russell 3000 last year due to reclassification as a Swiss company. Country reclassification is driving a few deletions from the U.S. indexes as well, with Restaurant Brands International, Horizon Pharma PLC and Resolute Forest Products moving out of the Russell 3000 Index to join the Russell Global ex-US Index.

### **Multiple share classes now allowed in Russell Indexes**

Each year, Russell makes adjustments at annual reconstitution designed to address market and company changes and trends. A notable adjustment at this year's reconstitution is that secondary share classes meeting minimum size, liquidity and float requirements will be eligible for inclusion in the Russell Indexes. If the additional share class does not meet minimum requirements, all company share classes will be aggregated to maintain the representative index weight for the company. For reconstitution ranking purposes, all share classes for each company, including unlisted shares, are aggregated to determine the company's index membership.

### **Rolf Agather, Head of North America Research, FTSE Russell, said:**

"A regularly scheduled, transparent reconstitution process is a key feature of truly representative and objective benchmarks," said Rolf Agather, head of North America research at FTSE Russell. "We improve upon our process each year to make the indexes an accurate representation of current market dynamics."

The preliminary lists of additions and deletions are the first public step in Russell's annual reconstitution process. Any updates to the lists will be posted to the [reconstitution website](#) on June 19 and 26. The closely watched final membership lists, with breakouts for the Russell 1000<sup>®</sup> Index, the Russell 2000<sup>®</sup> Index and the Russell Midcap<sup>®</sup> Index, will be posted June 26 after the close of the U.S. markets.

To complete this year's U.S. reconstitution, Russell uses primary exchange closing prices from NYSE and NASDAQ. About half of the stocks in the Russell 3000 broad market index are listed on either exchange. NYSE-listed stocks utilize NYSE's auction mechanism while NASDAQ-listed stocks utilize NASDAQ's "closing cross" mechanism to execute shares for each stock at a single price on June 26.

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# Press Release

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For further information:

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## Notes to editors:

### About FTSE Russell:

FTSE Russell is a global index leader that provides innovative benchmarking, analytics and data solutions for investors worldwide. FTSE Russell calculates thousands of indexes that measure and benchmark markets and asset classes in more than 80 countries, covering 98% of the investable market globally and trading on over 25 exchanges worldwide.

FTSE Russell index expertise and products are used extensively by institutional and retail investors globally. Leading asset owners, asset managers, ETF providers and investment banks use FTSE Russell indexes to benchmark their investment performance and create ETFs, structured products and index-based derivatives.

A core set of universal principles guides FTSE Russell index design and management: a transparent rules-based methodology is informed by independent committees of leading market participants. FTSE Russell is focused on applying the highest industry standards in index design and governance. FTSE Russell is also focused on index innovation and client collaboration as it seeks to enhance the breadth, depth and reach of its offering.

FTSE Russell is wholly owned by London Stock Exchange Group.

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The Group operates a broad range of international equity, bond and derivatives markets, including London Stock Exchange; Borsa Italiana; MTS, Europe's leading fixed income market; and Turquoise, a pan-European equities MTF. It is also home to one of the world's leading growth markets for SMEs, AIM. Through its platforms, the Group offers international business and investors unrivalled access to Europe's capital markets.

Post trade and risk management services are a significant part of the Group's business operations. In addition to majority ownership of multi-asset global CCP operator, LCH.Clearnet Group, LSEG operates CC&G, the Italian clearing house; Monte Titoli, the T2S-ready European settlement business; and globeSettle, the Group's newly established CSD based in Luxembourg.

The Group is a global leader in indexing and analytic solutions. FTSE Russell offer thousands of indices that measure and benchmark markets around the world. The Group also provides customers with an extensive range of real time and reference data products, including SEDOL, UnaVista, Proquote and RNS.



**London**  
Stock Exchange Group

# Press Release

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Following the acquisition of Russell Investments, LSEG conducted a comprehensive review of the investment management business to analyse its strategic fit with the Group. This was concluded in February 2015, and LSEG is now exploring a sale of the business in its entirety.

London Stock Exchange Group is a leading developer of high performance trading platforms and capital markets software for customers around the world. In addition to the Group's own markets, over 35 other organisations and exchanges use the Group's MillenniumIT trading, surveillance and post trade technology.

Headquartered in London, with significant operations in North America, Italy, France and Sri Lanka, the Group employs approximately 4,700 people.

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