

At a glance

FTSE
Russell

2016 Russell indexes reconstitution

Market changes captured by annual Russell indexes reconstitution

Russell indexes are designed to accurately reflect the ever-changing equity markets, and the annual Russell index reconstitution process is critical to maintaining this true representation. During this highly-anticipated market event, the indexes are rebalanced to ensure that market changes that occurred in the preceding year are captured. This process involves reconfiguring the breakpoints between large, mid and small cap both in the US and globally as well as determining where each company lies along the investment styles spectrum.

This year's reconstitution marked a shrinking US market, with the total market cap of the Russell 3000 Index down by roughly 5% since last year's rebalance. Globally, market size is down by roughly 10% since last year's reconstitution, with the Russell Global Index now representing \$55.6 trillion in total market cap compared to last year's size of \$61.5 trillion.

In the US, the breakpoint between large cap and small cap has dropped for the first time since 2012, decreasing by nearly 15% from \$3.4 billion in 2015 to \$2.9 billion, as represented in Figure 1. The breakpoint between large cap and small cap for the Russell Global ex-US Index is down, too, now set at \$2.1 billion compared with last year's break of \$2.3 billion, shown in Figure 2.

This year's reconstitution marked a shrinking US market, with the total market cap of the Russell 3000 down by roughly 5% since last year's rebalance.

Figure 1: Breakpoints between US large and small cap, with and without banding

(2016 data as of May 27, 2016 and 2015 data as of May 29, 2015)

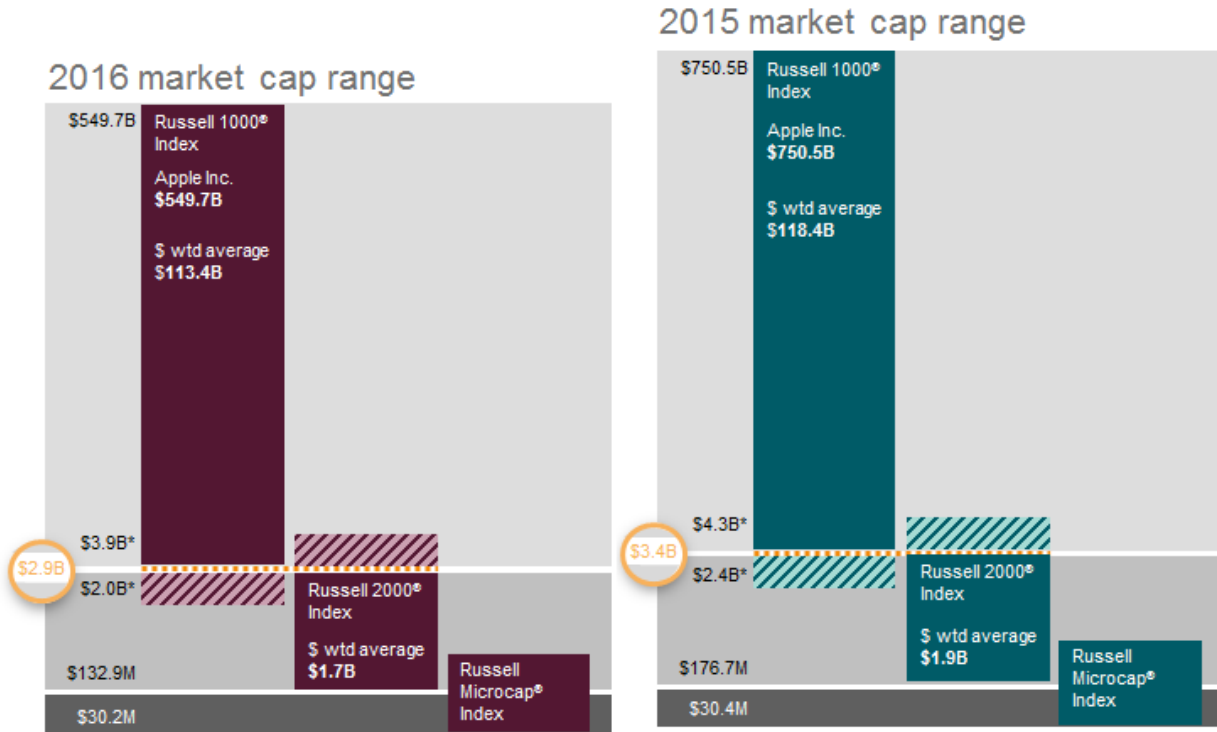
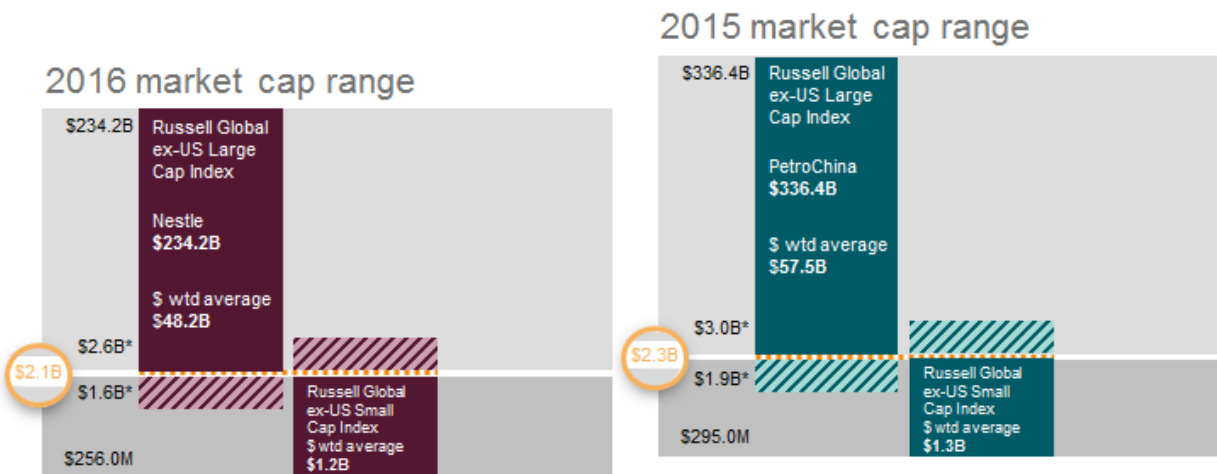


Figure 2: Breakpoints between Global ex-US large and small cap, with and without banding

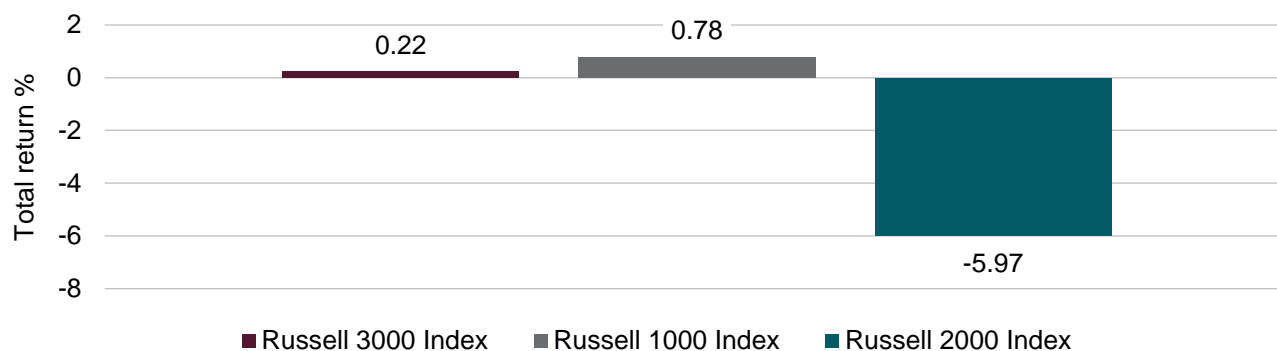
(2016 data as of May 27, 2016 and 2015 data as of May 29, 2015)



Russell US Core Indexes

Chart 1: US core index performance

(One-year period ending May 31, 2016)



Past performance is no guarantee of future results. Please see the end for important legal disclosures.

Russell 3000® Index

- Representing the US broad market, the total market capitalization of the Russell 3000 decreased from \$25.3 trillion in 2015 to \$24.1 trillion in 2016.
- The market capitalization breakpoint between large cap and small cap has dropped for the first time since 2012, decreasing by nearly 15% from \$3.4 billion in 2015 to \$2.9 billion in 2016 (shown in Figure 1).
- Despite a 27% decrease in size from last year, Apple remains as the largest company in the index by both total market capitalization and weight with \$549.7 billion in total market cap (shown in Figure 1).
- Table 1 lists the top ten companies by total market capitalization as of reconstitution 2016, along with their ranks as of last year's reconstitution. New names to the list of ten largest companies by size include Facebook and Amazon. Alphabet (Google) grew 28% in size to \$503 billion, taking over Microsoft's former position as the second largest company in the index.
- Table 2 lists the top ten companies by index weight as of reconstitution 2016, along with their ranks as of last year's reconstitution. Facebook and Amazon are new to this list as well, as is AT&T.

Table 1: Largest companies in the Russell 3000 Index / Russell 1000 Index by size (total market cap)

(2016 data as of May 27, 2016 and 2015 as of May 29, 2015)

Company	2016 Rank by size	2016 Total Market Cap	2015 Rank by size	2015 Total Market Cap
Apple	1	\$549.7B	1	\$750.5B
Alphabet (Google)	2	\$503.0B	3	\$363.1B
Microsoft	3	\$411.3B	2	\$379.1B
ExxonMobil	4	\$373.2B	4	\$356.2B
Berkshire Hathaway	5	\$353.4B	5	\$352.4B
Facebook Inc	6	\$341.5B	11	\$222.4B
Amazon	7	\$336.1B	15	\$199.9B
Johnson & Johnson	8	\$311.0B	7	\$277.7B
General Electric	9	\$277.0B	8	\$274.8B
Wells Fargo & Co	10	\$258.2B	6	\$288.1B

Table 2: Largest companies in the Russell 3000 Index / Russell 1000 by weight (float adjusted market cap)

(2016 data as of May 27, 2016 and 2015 data as of May 29, 2015)

Company	2016 Rank by weight	2015 Rank by weight
Apple	1	1
Alphabet (Google)	2	3
Microsoft	3	2
ExxonMobil	4	4
Johnson & Johnson	5	5
General Electric Co	6	6
Amazon	7	21
Berkshire Hathaway	8	7
Facebook	9	18
AT&T	10	15

Russell 1000[®] Index

- Total market cap of the index has decreased 4% from \$23.0 trillion in 2015 to \$22.1 trillion in 2016.
- With banding applied, the smallest company by market capitalization in the index is Yelp with a total market capitalization of \$2.0 billion (refer to Figure 1 above).
- Out of the 38 additions to the index, 36 are companies moving up from the Russell 2000, including CubeSmart, Vail Resorts and Casey's General Stores. Thirteen of the companies joining from the Russell 2000 are Financial Services companies, including nine REITs. There is also one IPO joining the index (US Foods Holding Corp) and one company joining from the Russell Global ex-US Index (Transocean).
- CubeSmart is the largest addition both by size (\$5.6 billion) and weight.
- There are 56 companies being removed from the index, 52 of which are migrating to the Russell 2000. Companies moving from large to small cap are heavily represented by the Consumer Discretionary sector, including retailers Sears, DSW and Office Depot.
- The largest company by market capitalization being deleted from the index is Jazz Pharmaceuticals (\$9.3 billion), which is moving to the Russell Global ex-US index due to a change in its country assignment to Ireland.

Russell 2000[®] Index

- Total market cap of the index has decreased 14% from \$2.2 trillion in 2015 to \$1.9 trillion in 2016.
- With banding applied, the largest company by market capitalization in the Russell 2000, Syntel, is \$3.9 billion in size, about 9% smaller than last year's largest company. The smallest stock by market cap is Unique Fabricating, with a total market cap of \$132.9 million, down 25% compared to the smallest company in 2015 (see Figure 1 above).
- There are 234 companies being added to the Russell 2000, including 52 companies moving down from the Russell 1000, including household names Office Depot, GNC, DSW, Genworth Financial and Waddell & Reed. Sectors with the most companies transitioning to small cap include Consumer Discretionary (13), Producer Durables (10) and Energy (9). Eight of the nine companies from the Energy sector are involved in the oil industry, including crude producers, refiners and oil well equipment

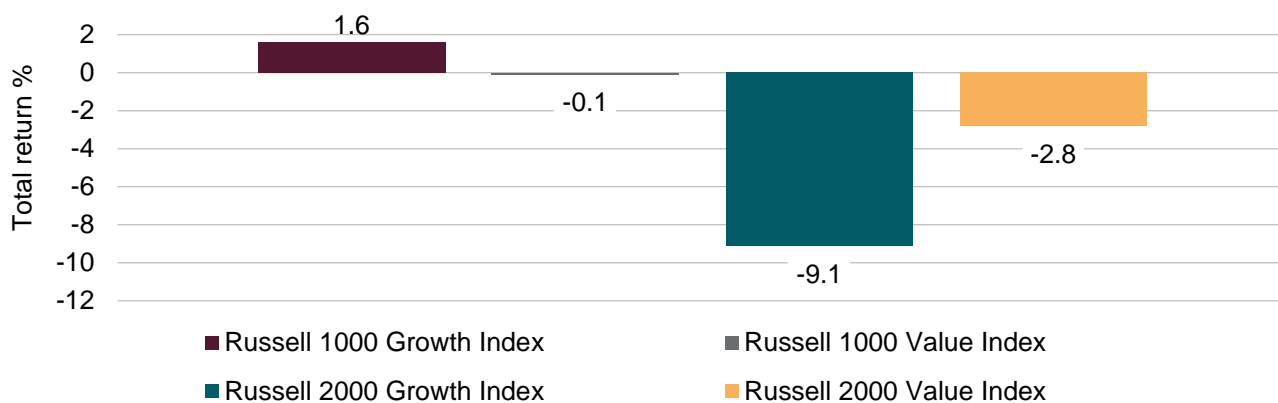
companies. Of the 134 companies joining the index from microcap, nearly half are Financial Services companies. There are 34 joining from outside the US index universe, and 14 IPOs being added.

- There are 165 companies leaving the Russell 2000, 36 of which are moving up to the Russell 1000. Companies moving from small to large cap are heavily represented by the Financial Services sector, including CubeSmart, First American Financial, and MarketAxess Holdings. Eighty-nine companies are moving to microcap (over a third of which are Health Care companies), and 40 are leaving the US index universe altogether.

Russell US Style Indexes

Chart 2: US style index performance

(One-year period ending May 31, 2016)



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Russell 1000[®] Growth and Value Indexes

- The Russell 1000 Growth Index has outperformed the Russell 1000 Value Index in the one-year period ending May 31, 2016, returning 1.6% and -0.1%, respectively.
- Apple has moved from a 100% growth allocation to 92% growth / 8% value.
- The Technology sector is gaining more weight in the Russell 1000 Growth index as Microsoft has shifted from 57% growth / 43% value to 100% growth and tech companies NVIDIA and Activision Blizzard shift from 100% value to 100% growth.
- The Consumer Staples sector is increasing its weight in the Russell 1000 Value Index, with companies like Hormel Foods, Kraft Heinz and PepsiCo becoming more value oriented.
- Three airlines shifted from 100% growth to 100% value: American Airlines, United Continental and Spirit Airlines.
- The five largest companies in the Russell 1000 Growth Index by weight are Apple, Alphabet, Microsoft, Amazon and Facebook.
- The five largest companies in the Russell 1000 Value Index by weight are Exxon, Berkshire Hathaway, Johnson & Johnson, AT&T and JP Morgan Chase.

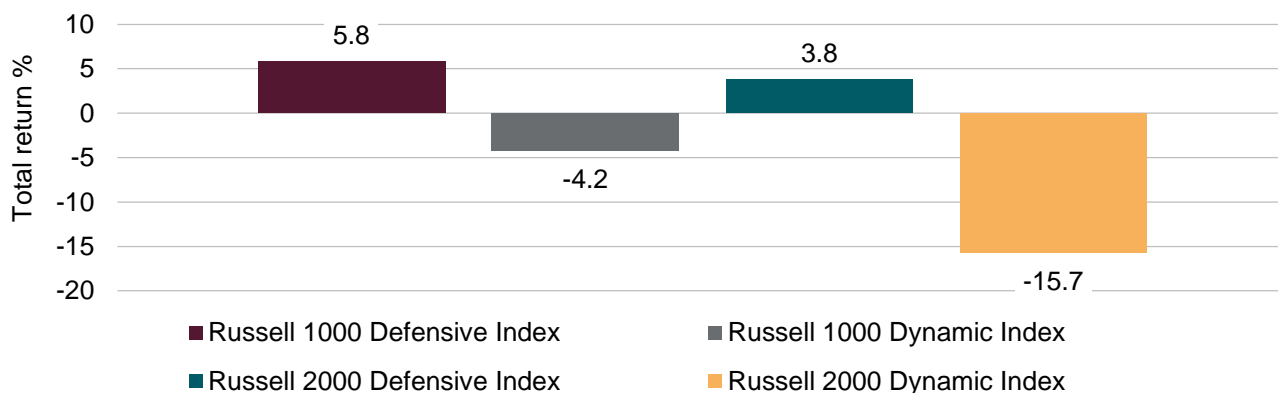
Russell 2000[®] Growth and Value Indexes

- The Russell 2000 Value Index outperformed the Russell 2000 Growth Index in the one-year period ending May 31, 2016, returning -2.8% and -9.1%, respectively.
- The Financial Services sector of the Russell 2000 Growth Index is experiencing the largest increase in weight, up 1.6 percentage points to 11.6%, as small cap financial services companies shift toward growth. Several small cap REITs are no longer 100% value, including Gramercy Property Trust, Educational Realty Trust and Medical Property Trust.
- Health Care's weight in the Russell 2000 Growth Index has decreased nearly 2 percentage points from the May 27, 2016 legacy (pre-reconstitution) index and nearly 4 percentage points from last year's reconstitution, now 22.7% of the index.
- Consumer Discretionary experienced the largest increase in weight in the Russell 2000 Value Index, up 1.4 percentage points from the pre-reconstitution index to 11% as small cap retailers like Express and Lands' End move to 100% value.
- The largest five companies in the Russell 2000 Growth Index by weight are Microsemi, Maximus, EPAM Systems, HealthSouth and Fair Isaac Corporation.
- The largest five companies in the Russell 2000 Value Index by weight are FirstMerit Corp, Olin Corporation, IdaCorp, CNO Financial Group and Portland General Electric.

Russell US Stability Indexes

Chart 3: US stability index performance

(One-year period ending May 31, 2016)



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Russell 1000[®] Defensive and Dynamic Indexes[®]

- As shown in Chart 3 above, the Russell 1000 Defensive Index outperformed the Russell 1000 Dynamic Index during the one-year period ending May 31, 2016 with return of 5.8% compared to -4.2%.
- CME Group, Adobe Systems and General Electric are the three largest additions to the Russell 1000 Defensive Index by weight. All three are shifting from the Russell 1000 Dynamic Index with new partial allocations to defensive: CME Group (83% defensive), Adobe Systems (43% defensive) and General Electric (6% defensive).

- American Int'l Group is one of the largest additions to the Russell 1000 Defensive Index based on total market cap, as it has been 100% dynamic since 2008 but is now shifting to a partial allocation of 10% defensive / 90% dynamic.
- The three largest companies by weight leaving the Russell 1000 Defensive Index are FedEx, McKesson and Baxalta. All three are moving to the Russell 1000 Dynamic Index. FedEx and Baxalta are both shifting from 100% defensive to 100% dynamic, while McKesson is shifting from partial allocation of 81% defensive / 19% dynamic to 100% dynamic.
- Chevron, Cisco Systems and FedEx are the largest three additions to the Russell 1000 Dynamic Index by weight, all migrating from the Russell 1000 Defensive Index. Chevron is moving from 0% dynamic to 39% dynamic, Cisco is shifting from 0% dynamic to 44% dynamic, and FedEx is shifting from 0% dynamic to 100% dynamic.
- The largest three deletions from the Russell 1000 Dynamic Index are Verizon (which is shifting from 64% dynamic to 0% dynamic), Medtronic (shifting from 82% dynamic to 0% dynamic), and Oracle, (shifting from 63% to 0% dynamic). All three are moving to the Russell 1000 Defensive Index.
- The Utilities sector is shifting more toward defensive, with its weight increasing over three percentage points to 9.3% in the Russell 1000 Defensive Index and decreasing three percentage points to 2.5% in the Russell 1000 Dynamic Index.
- Technology is becoming more dynamic, as its weight in the Russell 1000 Defensive Index has decreased 4.6 percentage points to 12.6%, and its weight in the Russell 1000 Dynamic Index has increased over four percentage points to 20.4%.

Russell 2000[®] Defensive and Dynamic Indexes[®]

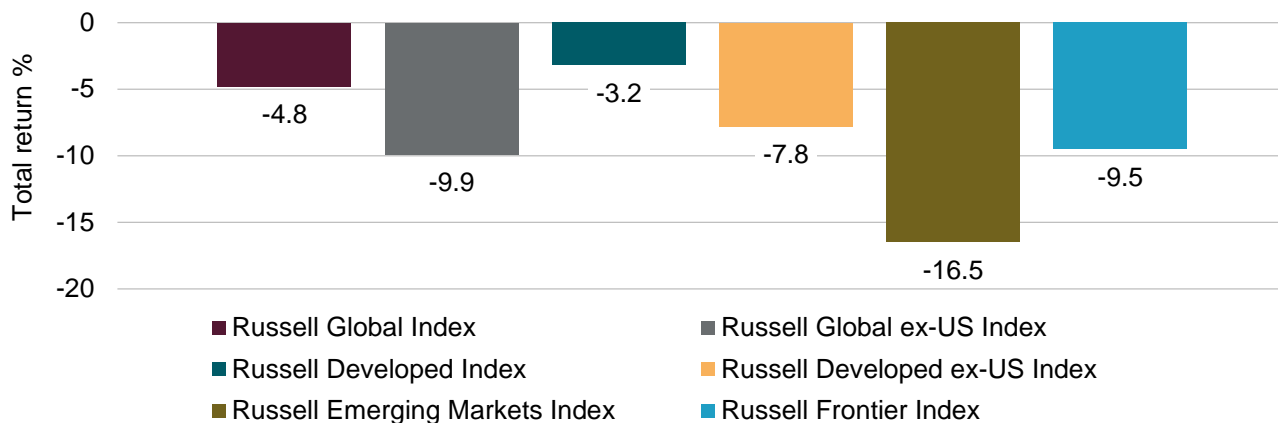
- As reported in Chart 3 above, the Russell 2000 Defensive Index outperformed the Russell 2000 Dynamic Index during the one-year period ending May 31, 2016 with returns of 3.8% and -15.7%, respectively.
- The three largest additions to the Russell 2000 Defensive Index by weight are First Industrial Realty Trust (migrating from the Russell 2000 Dynamic Index), which is now 86% defensive; GATX Corp (migrating from the Russell 1000 Dynamic Index), which is now 94% defensive / 6% dynamic; and Waddell & Reed, (joining from the large cap index), which is simultaneously shifting from a partial allocation of 20% defensive / 80% dynamic to 100% defensive.
- The largest three deletions from the Russell 2000 Defensive Index by weight are Steris PLC, which is leaving the US index universe altogether, West Pharmaceutical, which is moving up to the Russell 1000 (both defensive and dynamic) and Treehouse Foods, which is moving up to the Russell 1000 with a 100% dynamic allocation.
- The largest three additions to the Russell 2000 Dynamic Index by weight are Team Health Holdings, which is joining from the Russell 2000 Defensive Index; Horizon Pharma, which is a 100% dynamic stock joining from the Russell Global ex-US Index due to a change in its country assignment from Ireland; and NetScout Systems, also moving over from the US small cap defensive index.
- The largest three deletions from the Russell 2000 Dynamic Index by weight are Post Holdings, Wellcare Group and Berry Plastics. All three are moving up to the Russell 1000 Dynamic Index.
- The Financial Services sector of the Russell 2000 Defensive Index is experiencing the largest shift in weight with an increase of 1.4 percentage points to 38.7%. Health Care's weight is declining by the largest margin, dropping by 1.3 percentage points to 6.2%. Financial Services remains the largest sector in the index (38.7%) followed by Producer Durables (15.2%) and Consumer Discretionary (12.9%).

- Sector representation in the Russell 2000 Dynamic Index remains relatively the same, with Producer Durables experiencing the largest increase of 1.9 percentage points to 11.5% and Health Care dropping the most in weight by 1 percentage point to 21.3%. Despite its shift in weight, the Health Care sector remains the largest sector in the index, followed by Technology (18.3%) and Consumer Discretionary (15.8%).

Russell Global and Frontier® Indexes

Chart 4: Global and frontier index performance

(One-year period ending May 31, 2016)



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Russell Global Index

- Total market cap of the Russell Global Index is \$55.6 trillion as of May 27, 2016, down nearly 10% since last reconstitution's total market cap of \$61.5 trillion.
- Since last year's reconstitution, the highest performing countries include Hungary (20.7%), New Zealand (18.3%), Denmark (7.3%), Belgium (5.8%) and the US (.2%) for the one-year period ending May 31, 2016. All other country-level indexes posted negative returns, with Greece's -32.6% index return the lowest.
- The US is gaining the most companies (181), followed by Japan (156), India (57), Korea (56) and Australia (49).
- Financial Services is absorbing the most new additions globally (183) followed by Consumer Discretionary (142), Materials & Processing (117), Technology (117) and Producer Durables (114).

Russell Global ex-US Index

- Total market cap for the Global ex-US Index is down (\$36.3 trillion in 2015 to \$31.5 trillion for 2016).
- The breakpoint between large and small cap for the Russell Global ex-US Index is decreasing from \$2.3 billion in 2015 to \$2.1 billion in 2016 (see Figure 2 above).
- Also referring to Figure 2 above, with banding applied to the breakpoint, the largest company by market capitalization in the Russell Global ex-US Small Cap Index is Viscofan with a total market cap of \$2.6 billion, and the smallest company by market capitalization in the Russell Global ex-US Large Cap Index is The Hongkong and Shanghai Hotels, Limited with a total market cap of \$1.6 billion.

- The largest company by market capitalization in the Russell Global ex-US Index is now Nestle, with a total market cap of \$234.2 billion, replacing PetroChina, which was last year's largest non-US constituent, with a total market cap of \$336.4 billion.

Russell Developed Index

- The Russell Developed Index comprises roughly 89% of the weight of the newly reconstituted Russell Global Index (by float adjusted market cap), a minimal shift from its weight in the legacy index as of May 27, 2016 and a decrease of less than one percentage point from its weight as of last reconstitution.
- The developed markets with the highest returns were New Zealand (18.3%), Denmark (7.3%), Belgium (5.8%), the US (.2%) and Finland (-1.5%) for the one-year period ending May 31, 2016.
- The largest company by market capitalization in the Russell Developed ex-US Index is Nestle with \$234.2 billion in total market cap. The smallest company by market capitalization in the Developed ex-US Index is Integrated Research Limited, with a total market cap of \$256.1 million.

Russell Emerging Markets Index

- The Russell Emerging Markets Index comprises roughly 11% of the weight of the newly reconstituted Russell Global Index (by float adjusted market cap), a minimal shift from its weight in the legacy index as of May 27, 2016, and an increase of less than one percentage point since last reconstitution.
- The emerging markets with the highest returns were Hungary (20.7%), Peru (-.9%), Russia (-3.6%), the Philippines (-4.6%) and India (-6.5%) for the one-year period ending May 31, 2016.
- The largest company by market capitalization in the index is China Mobile (\$229.8 billion), and the smallest company by market capitalization is O-Net Technologies (\$256.2 million).

Russell Frontier Index

- The total market cap of the Russell Frontier Index as of May 27, 2016 is \$557.6 billion, which is a 10.5% decrease from last year's reconstitution total market cap of \$623.3 billion.
- The five countries with the highest returns were Estonia (29.8%), Jamaica (26.4%), Ukraine (11.5%), Serbia (11.1%) and Malta (10.7%) for the one-year period ending May 31, 2016. The country with the lowest return was Gabon, with one-year performance of -48.5%.
- The largest company by market capitalization in the index remains Qatar National Bank with a total market cap of \$31.4 billion. As of last year's reconstitution, Qatar National Bank's total market cap was \$36.1 billion.
- The smallest company by market capitalization in the index is Engro Powergen Qadirpur Limited with a total market cap of \$95 million.
- Vietnam is gaining more new additions than any other country in the Russell Frontier Index, with 16 new constituents joining. Bangladesh and Pakistan are gaining nine new additions each, while Cote d'Ivoire and Jordan are gaining six each. All other countries are gaining five or fewer new companies.
- The Financial Services sector is gaining the most new additions (26) followed by Materials & Processing (10) and Consumer Discretionary (9) and Consumer Staples (9).
- Sector and country weights are shifting minimally, with no changes greater than one percentage point occurring when comparing the pre-reconstitution to post-reconstitution index as of May 27, 2016.

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