



Recap

FTSE  
Russell

# 2018 Russell US Indexes reconstitution

## Annual reconstitution ensures accurate US market representation

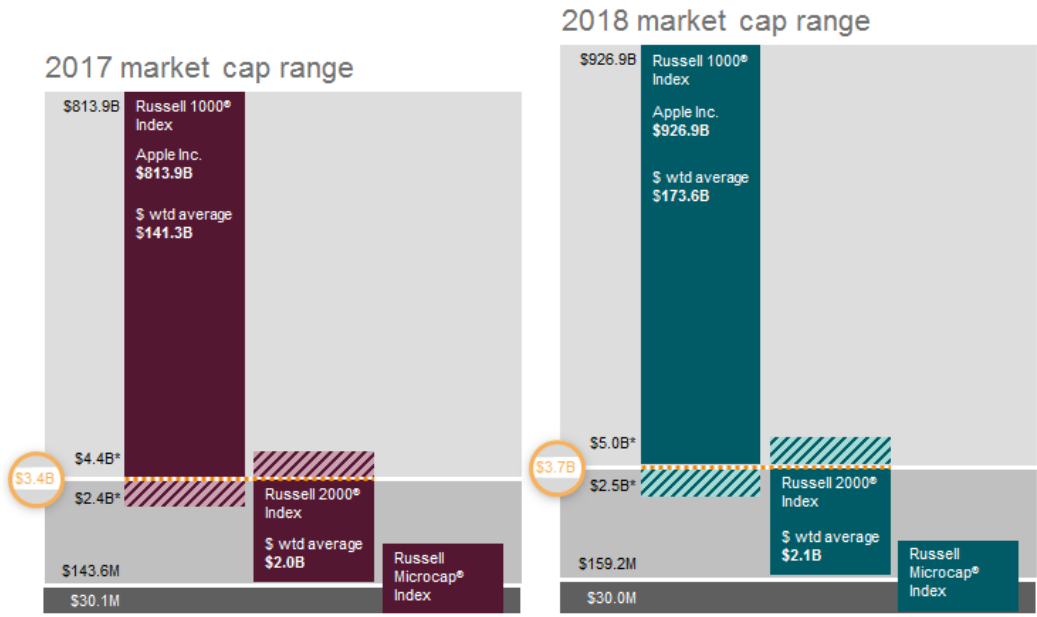
The Russell US Indexes are designed to reflect the ever-changing US equity market, and the annual reconstitution process is critical to maintaining accurate representation. During this highly-anticipated market event, the breakpoints between large, mid and small cap are redefined to ensure market changes that have occurred in the preceding year are captured. Companies are also revaluated to determine where they lie along the investment styles spectrum.

Results for this year's reconstitution reveal an expanding US equity market, with the total market cap of the Russell 3000<sup>®</sup> Index at an all-time high, up nearly 13% from \$27.2 trillion as of last year's rebalance to \$30.7 trillion as of this year's rank day (May 11, 2018).

The largest five companies in the Russell US Indexes have remained unchanged since 2017's reconstitution, but their order has been rearranged. While Apple remains the largest company for the sixth consecutive year, Amazon —fourth largest as of the 2017 rebalance — grew in size 69% over the last year, moving up in rank and replacing Alphabet as the second largest company in the indexes.

The breakpoint between large cap and small cap has increased by 9% from \$3.4 billion in 2017 to \$3.7 billion as shown in Exhibit 1.

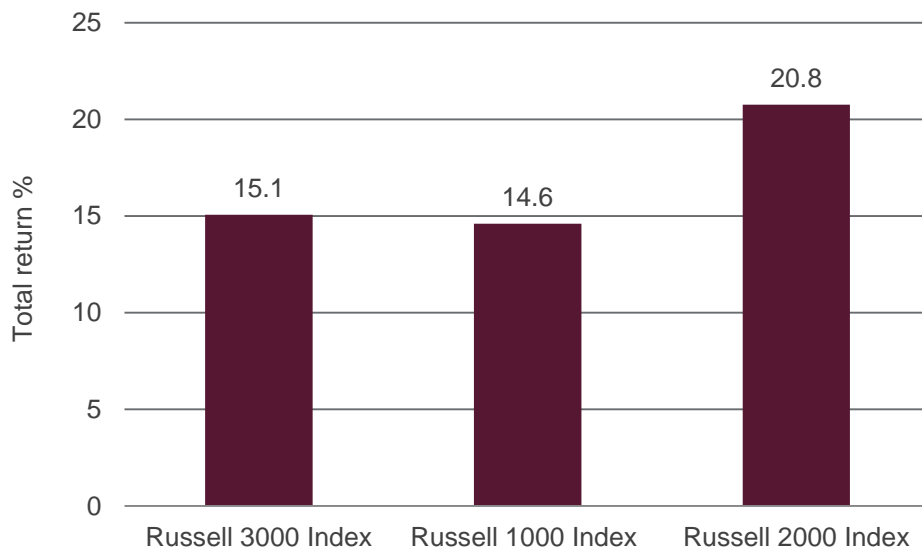
**Exhibit 1: Breakpoints between US large and small cap, with and without banding**



\* Reflects banding. Data as of May 11, 2018 and May 12, 2017, respectively.

**Core Russell US Indexes**

**Exhibit 2: Core Russell US Indexes performance – one-year period ending May 31, 2018**



Source: FTSE Russell, data as of May 31, 2018. Past performance is no guarantee of future results. Please see the end for important legal disclosures.

## Russell 3000<sup>®</sup> Index

- Representing the US broad market, the total market capitalization of the Russell 3000 Index reached another all-time high, up 13% from \$27.2 trillion in 2017 to \$30.7 trillion in 2018.
- The breakpoint between large cap and small cap increased by roughly 9% from \$3.4 billion last year to \$3.7 billion for 2018 (see Exhibit 1).
- Exhibit 3 lists the largest ten companies by total market capitalization as of rank day 2018 along with their ranks and total market capitalization as of last year's reconstitution. Bank of America is the single new name to the list, replacing its Financial Services peer Wells Fargo as the tenth largest company in the Russell US Indexes.
- Apple remains as the largest company in the index for the sixth consecutive year with a new total market cap of \$926.9 billion, up nearly 14% since last year.
- Amazon increased in size by over 69% since last year's reconstitution, moving up in rank from fourth to second and shifting Alphabet to third position.
- Eight of the 10 largest companies have seen double-digit growth since last year, with Exxon as the only company declining in size, down just -1.6% (see Exhibit 3). Notably, Exxon was the only company in the list to decline in size last year as well (not shown).

**Exhibit 3: Largest companies in the Russell 3000 Index / Russell 1000 Index by size (total market cap)**

Company	2018 Rank by size	2018 Total Market Cap	2017 Rank by size	2017 Total Market Cap	Change from 2017
Apple	1	\$926.9B	1	\$813.9B	+13.9%
Amazon	2	\$777.8B	4	\$459.5B	+69.3%
Alphabet	3	\$762.8B	2	\$644.9B	+18.3%
Microsoft	4	\$750.6B	3	\$527.9B	+42.2%
Facebook	5	\$541.3B	5	\$435.7B	+24.2%
Berkshire Hathaway	6	\$491.8B	6	\$402.9B	+22.1%
JP Morgan Chase & Co	7	\$387.7B	9	\$308.8B	+25.5%
ExxonMobil	8	\$344.1B	7	\$349.8B	-1.6%
Johnson & Johnson	9	\$341.3B	8	\$333.1B	+2.5%
Bank of America Corp	10	\$313.5B	12	\$238.8B	+31.3%

Source: FTSE Russell as of May 11, 2018.

## Russell 1000<sup>®</sup> Index

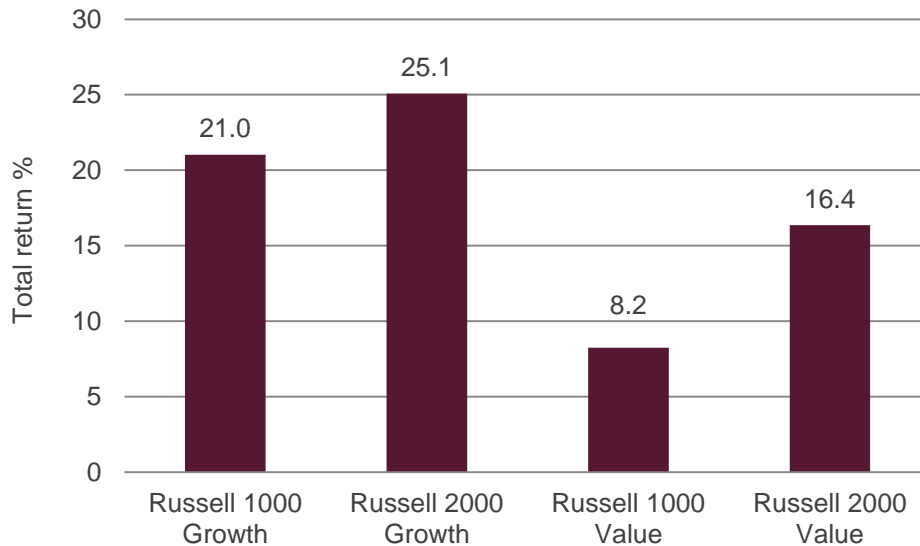
- Representing the US large cap market segment, the total market cap of the Russell 1000 Index increased 13% from \$24.9 trillion as of last year's reconstitution to \$28.2 trillion.
- With banding applied, the smallest company by market capitalization in the index is Mercury General, with a total market capitalization of \$2.5 billion (refer to Exhibit 1).
- There are a total of 55 additions to the Russell 1000 Index, the majority of which are companies migrating from the Russell 2000<sup>®</sup> Index.
- A third of the 48 companies moving up from the Russell 2000 Index are Health Care companies, and 1/3 are Technology companies. The remaining 1/3 moving from small to large cap are represented by the Financial Services, Producer Durables and Consumer Discretionary sectors.
- Household names joining the Russell 1000 Index from the Russell 2000 Index include Columbia Sportswear, GrubHub, and First Citizens Bank.
- There are four IPOs being added to the index: AXA Equitable, GrafTech International, DocuSign and Ceridian HCM Holdings.
- Three companies are joining the Russell 1000 Index as new additions to the Russell US Indexes universe, including Jazz Pharmaceuticals, which represents the second largest addition to the index and is joining due to a change in country assignment from Ireland to US.
- There are 36 companies leaving the Russell 1000 Index, 35 of which are migrating to the Russell 2000 Index. The largest company moving out of the Russell 1000 Index is Delphi Technologies, which is leaving the index due to a change in country assignment from US to UK.

## Russell 2000<sup>®</sup> Index

- Representing the US small cap market segment, the total market capitalization of the Russell 2000 Index increased 9% from \$2.3 trillion as of last year's reconstitution to \$2.5 trillion.
- The largest company in the index with banding applied is Entegris, with a total market cap of \$5.0 billion, which is about 12% larger in size than last year's largest company in the index (see Exhibit 1).
- The smallest company in the index is FuelCell Energy with a total market cap of \$159.2 million (see Exhibit 1).
- There are a total of 212 companies joining the Russell 2000 Index. Thirty-five are migrating from the Russell 1000 Index / Russell Midcap<sup>®</sup> Index, and 95 companies shifting up from the Russell Microcap<sup>®</sup> Index — over one third of which are represented by the Health Care sector.
- There are 25 IPOs (mostly Health Care and Financial Services companies) joining the index and 57 companies joining the index from outside the Russell US Indexes universe.
- The largest addition to the small cap index by size is an IPO — Zscaler — with a total market cap of \$3.1 billion. The largest addition to the index by index weight is Liberty Latin America, which is joining due to a change in country assignment from UK to US.
- There are 152 companies departing the Russell 2000 Index. The largest company leaving the index is Nektar Therapeutics, which is moving to the Russell 1000 Index due to its new total market cap of \$12.6 billion. Another 47 companies moving to the large cap index represent the largest portion of the deletions by weight (95.1%). There are 83 companies moving from the Russell 2000 Index to the Russell Microcap Index, and another 21 companies leaving the Russell US Indexes universe altogether.

# Russell US Style Indexes

Exhibit 4: Russell US Style Indexes performance – one-year period ending May 31, 2018



Source: FTSE Russell, data as of May 31, 2018. Past performance is no guarantee of future results. Please see the end for important legal disclosures.

## Russell 1000<sup>®</sup> Growth and Value Indexes

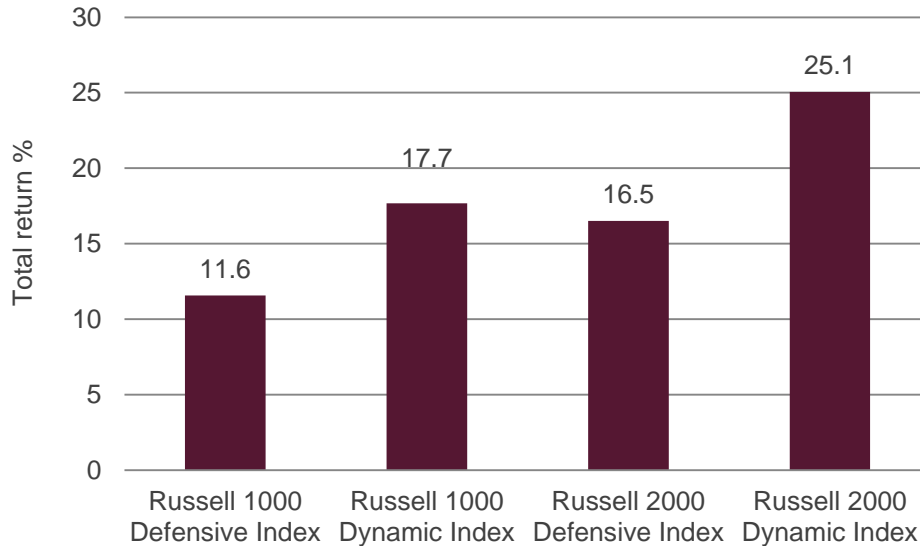
- The largest addition to the Russell 1000 Growth Index by both size and index weight is Berkshire Hathaway, which is shifting from 100% Value to partial Growth (13%), followed by American Express, which is also shifting from 100% Value to 68% Growth.
- The largest addition to the Russell 1000 Value Index by weight is McDonald's, shifting from 100% Growth to 81% Value and now representing 0.8% of the index. Microsoft is the largest addition to the Russell 1000 Value index by size. Formerly 100% Growth, Microsoft is now allocated to 5% Value / 95% Growth.
- The largest company leaving the Russell 1000 Growth Index by index weight is Comcast, which is shifting from a 93% Growth allocation to 100% Value. The largest deletion by size is Verizon, which is moving from a 50% Growth / 50% Value allocation to 100% Value.
- Raytheon is shifting from 63% Value to 100% Growth and represents the largest company by index weight leaving the Russell 1000 Value Index. Twitter, formerly 94% Value, is another notable name being reassigned to 100% Growth. The largest company leaving the Russell 1000 Value Index by size is Charles Schwab with it's new 100% Growth allocation (formerly 20% Value / 80 % Growth).
- Technology remains as the largest sector in the Russell 1000 Growth Index, and it also displays the largest increase in weight — 33.2% to 34.7%. The sector decreasing the most in size is the Consumer Discretionary sector, dropping from 19.9% to 18.5% of the index.
- The largest sector in the Russell 1000 Value Index continues to be the Financial Services sector despite the fact that it is showing the most significant decrease in index weight, dropping from 31.4% to 29.1%. The sector with the largest increase in weight is Consumer Discretionary, up from 8.1% to 9.9% of the index.

## Russell 2000<sup>®</sup> Growth and Value Indexes

- The largest addition to the Russell 2000 Growth Index by both size and index weight is Delek US Holdings, which is shifting from a 100% Value allocation to 92% Growth. LivaNova PLC is the second largest company joining the index by both size and weight as it shifts from 100% Value to 79% Growth.
- The largest addition to the Russell 2000 Value Index by index weight is Liberty Latin America, which is joining the index due to a change in country assignment from UK to US. The largest addition to the index by size is Syneos Health Inc., which is shifting from a 100% Growth allocation to 100% Value.
- The largest company leaving the Russell 2000 Growth Index by both size and index weight is Nektar Therapeutics, which maintains its 100% Growth allocation but is moving to the Russell 1000 Growth Index. GrubHub is also leaving the index to join the Russell 1000 Growth Index.
- The largest company leaving the Russell 2000 Value Index by both size and index weight is BlueBird Bio, which is moving to the Russell 1000 Index with a 69% Growth / 31% Value allocation.
- The largest sector in the Russell 2000 Growth Index is the Health Care sector, the weight of which is only slightly shifting (25.6% to 26.0%). The weight of the Consumer Discretionary sector is increasing more than any other, shifting from 15.4% to 17.3%. Technology is experiencing the biggest shift in weight in the Russell 2000 Growth Index, dropping over 5 percentage points from 20.7% to 15.4% as it becomes more Value oriented — its weight in the Russell 2000 Value Index is increasing from 7.4% to 9.3%.
- The largest sector in the Russell 2000 Value Index remains Financial Services, which is experiencing a slight decline in weight from 41.1% to 40.5%. Technology is showing the largest increase in representation, up from 7.4% to 9.3% while the Health Care sector is displaying the most significant decrease in weight in the Russell 2000 Value Index, down from 6.8% to 4.5%.

# Russell US Stability Indexes<sup>®</sup>

Exhibit 5: Russell US Stability Indexes performance – one-year period ending May 31, 2018



Source: FTSE Russell, data as of May 31, 2018. Past performance is no guarantee of future results. Please see the end for important legal disclosures.

## Russell 1000<sup>®</sup> Defensive and Dynamic Indexes<sup>®</sup>

- As shown in Exhibit 5 above, the Russell 1000 Dynamic Index (+17.6%) posted a higher return than the Russell 1000 Defensive Index (+11.6%) during the one-year period ending May 31, 2018.
- The largest addition to the Russell 1000 Defensive Index by both size and index weight is JP Morgan Chase, which is shifting from 100% Dynamic to 50% Defensive / 50% Dynamic.
- The largest company leaving the Russell 1000 Defensive Index by both size and index weight is Apple Inc., which is shifting from 60% Dynamic / 40% Defensive to 100% Dynamic.
- The largest sector in the Russell 1000 Defensive Index remains Financial Services, the weight of which shows the most significant increase, up from 16.1% to 21.4%. Technology, the second largest sector in the index, is experiencing the largest decline in weight as it becomes more Dynamic, down from 24.7% to 19.4% of the Russell 1000 Defensive Index.
- Technology remains the largest sector in the Russell 1000 Dynamic Index, and its weight is increasing more significantly than that of the other sectors represented, up from 18.6% to 24.2%. The Financial Services sector is showing the largest decrease in weight, down from 25.3% to 19.9%.



## Russell 2000<sup>®</sup> Defensive and Dynamic Indexes<sup>®</sup>

- As shown in Exhibit 5 above, the Russell 2000 Dynamic Index (+25.1%) outperformed the Russell 2000 Defensive Index (+16.5%) over the 12-month period ending May 31, 2018.
- The largest addition to the Russell 2000 Dynamic Index by weight is Liberty Latin America, which is joining the index due to a change in country assignment from UK to US. The largest addition by size is SYNEX Corp., which has shifted from 100% Defensive to 5% Dynamic / 95% Defensive.
- The largest addition to the Russell 2000 Defensive Index by weight is Deckers Outdoor, which is shifting from a 100% Dynamic allocation to a 100% Defensive allocation. The largest addition to the index by size is Peabody Energy Corp with its new 6% allocation to Defensive (formerly 100% Dynamic).
- The largest company leaving the Russell 2000 Dynamic Index both by index weight and size is Nektar Therapeutics, which is maintaining its 100% Dynamic allocation but moving to the Russell 1000 Index.
- The largest company by index weight leaving the Russell 2000 Defensive Index is Aspen Technology, which is moving to the Russell 1000 Index with an 8% Defensive / 92% Dynamic allocation. The largest company by size leaving the index is the formerly 71% Defensive GrubHub, which is moving to the Russell 1000 Index with a new 100% allocation to Dynamic.
- The largest sector in the Russell 2000 Defensive Index remains as the Financial Services sector. It also represents the sector with the largest increase in weight — up from 37.3% to 39.8%. The sector to decline the most in weight within the Russell 2000 Defensive Index is Technology, the weight of which is shifting from 13.0% to 9.1%.
- Health Care remains as the largest sector in the Russell 2000 Dynamic Index with a weight of 24.9%, but the Energy sector shows the biggest increase in weight — up from 7.6% to 9.5%. The sector declining the most in size is Financial Services, which is shifting from 13.5% to 11.6% of the index.

Performance data is reported as of May 31, 2018. Company-level and index-level market capitalization figures within this summary report are as of May 11, 2018 (rank day), while market capitalization figures within the preliminary analysis reports are as of May 31, 2018. Market capitalizations referenced reflect total market capitalization unless otherwise noted. Sector weights referenced are as of May 31, 2018. Russell Style and Stability probabilities were calculated based on May 31, 2018 data and applied to the index membership that was determined as of May 11, 2018. For the purpose of reconstitution ranking, all eligible share classes for a company are consolidated and ranked as one single company. Total may not equal 100% due to rounding.

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