

## Annual Russell US Indexes reconstitution measures a resilient US equity market.

- US equity markets continue to climb despite heightened volatility, rising interest rates and unpredictability in geopolitical events.
- Small caps have turned the table on large caps, with stronger returns, and smaller microcap stocks lead all US cap tiers.
- Apple largest stock for 6<sup>th</sup> year in a row while Amazon moves to prime position in technology-led Russell 1000<sup>®</sup> Index.
- A total of 211 companies will join the Russell 2000<sup>®</sup> Index at this year's reconstitution.

Today FTSE Russell, a leading global index, data and analytics provider, posted its official preliminary lists of companies set to enter or leave the US broad-market Russell 3000<sup>®</sup> Index and the Russell Microcap<sup>®</sup> Index when the Russell US Indexes complete their annual rebalance after US equity markets close on Friday, June 22. The lists of projected additions and deletions for the Russell US Indexes are now available on the [FTSE Russell website](#).

Each June, the entire family of Russell US Indexes is realigned and recalibrated to reflect market changes in the last year. Approximately \$9 trillion in assets under management (AUM) are benchmarked to or invested in products based on the Russell US Indexes, underscoring the importance of reconstitution to investors and the markets. \$16 trillion in assets are currently benchmarked to indexes offered by FTSE Russell\*.

**Alec Young, Managing Director of Global Markets Research, FTSE Russell, said:**

"While market volatility has increased YTD relative to 2017's historic calm, economic growth, strong corporate fundamentals and still benign Fed monetary policy have largely offset geopolitical uncertainty, including around trade, as well as concern about higher interest rates. With many of 2018's equity headwinds being international in nature, the Russell 2000<sup>®</sup> Index has outperformed the large-cap Russell 1000<sup>®</sup> Index, in large part due to small caps' lower international sales exposure. Being more domestic has insulated small caps from trade tensions, geopolitical worries and the earnings drag stemming from a stronger dollar. Being less global also gives small caps more exposure to several US market positives including tax reform, increasing deregulation and faster US economic growth relative to weaker recoveries in Europe and Japan. All these tailwinds are helping drive faster profit growth for small caps relative to their blue chip counterparts, helping fuel YTD leadership."

**Rolf Agather, Managing Director of US Applied Research, FTSE Russell, said:**

"The annual rebalance of the Russell US Indexes is an important process for investors and a closely watched event in the US market. A successful reconstitution every year in June is an important part of maintaining integrity, transparency and relevance for our Russell US Indexes and ensuring they remain an important tool for investors to accurately measure markets and achieve comprehensive exposure across asset classes, market capitalization tiers and style designations."



## **US Equity Markets Take Volatility in Stride, Have Continued Their Climb**

As of May 11, the rank day for the 2018 Russell US Indexes reconstitution, the total market capitalization of the US equity market as reflected by the Russell 3000 Index is \$30.7 trillion, a nearly 13% rise from the 2017 reconstitution. The total market capitalization of the US large-cap Russell 1000 Index stands at \$28.2 trillion, a 13% increase since 2017 reconstitution and the total market capitalization of the US small-cap Russell 2000 Index is \$2.5 trillion as of May 11, a 9% increase from last year. Furthermore, the closely watched breakpoint between the Russell 1000 and Russell 2000 has risen 9% this year to \$3.7 billion.

## **Small Caps Turn the Tables on Large Caps, With Russell 2000 Index Outdistancing Russell 1000 Index**

Small caps have been very strong in the last year, particularly 2018 year-to-date, outperforming large caps. Through the end of May 2018, the Russell 2000 Index has risen 6.9% in 2018 as compared to a 2.2% return for the Russell 1000 Index. Key sector drivers of Russell 2000 Index performance in the last year include Health Care (+44.3%), Consumer Discretionary (+21.6%) and Technology (+20.5%).

Asset flows into small-cap ETFs appear to have followed this performance. According to ETF research, ratings and analysis provider XTF, more than \$5.2 billion in net assets flowed into ETFs tracking the Russell 2000 Index from June 2017 through the end of May 2018, with an additional \$1.5 billion in net asset flows roughly split across ETFs tracking the Russell 2000 Growth and Value Indexes.

A total of 211 companies will join the Russell 2000 Index at this year's reconstitution, with 35 migrating downward from the Russell 1000 and Russell Midcap Index and 95 migrating upward from the bottom of the Russell Microcap Index. Interestingly, the smallest end of the US cap tier, US microcap stocks, have led all US cap tiers with a 12.2% rise year-to-date and a 22% rise since last year's Russell Reconstitution through June 6 for the Russell Microcap Index.

## **Growth Continues to Lead Value**

Although the markets saw some signs of promise for small cap value stocks in early 2018, growth stocks continued to dominate small and large-cap US equities over the last year. The Russell 1000 Growth Index returned 23.4% from last year's Russell Reconstitution against an 8.8% return for the Russell 1000 Value Index as of June 6. The Russell 2000 Growth Index outpaced the Russell 2000 Value Index as well during this time period (23.5% compared to 16.1%, respectively).

## **Apple Still at the Top of the Tree, Remains Largest Stock in Tech-Led Russell 1000 Index**

Technology stocks have powered the US large-cap Russell 1000 Index, rising 26.9% in the last year and more than 11.1% year-to-date. Apple Inc. will be the largest company in the Russell US indexes for the sixth consecutive year, increasing 14% in total market cap from \$813.9 billion to \$926.9 billion. A total of 54 companies will join the Russell 1000 Index, the lion's share (49) migrating upward from the Russell 2000 Index.

Amazon, a Consumer Discretionary company, was new to the list of the five largest in 2017 (ranked as 4th) and is now the second largest company in the Russell US indexes with a market cap of \$777.8 billion, up 69% from \$459.5 billion in 2017. Alphabet, Inc. (\$762.8 billion), Microsoft (\$750.6 billion) and Facebook (\$541.3 billion) round out the tech-dominated top five.

The preliminary lists of additions and deletions are the first public step in the annual reconstitution process for the Russell US Indexes. Any updates to the lists will be posted to the [FTSE Russell website](#) on June 15 and 22. The closely watched final index membership lists, with breakouts for the Russell 1000 Index, the Russell 2000 Index and the Russell Midcap Index, will be posted on Monday June 25 when the new indexes begin tracking.

To complete this year's Russell US Indexes reconstitution, FTSE Russell uses primary exchange closing prices from NYSE and NASDAQ. About half of the stocks in the broad market Russell 3000 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 22.



# Press Release

FTSE  
Russell

This year, FTSE Russell will join NASDAQ for a closing bell ceremony at the Nasdaq Market Site in New York's Times Square on Friday, June 22 to mark the completion of this year's Russell US Indexes reconstitution.

– Ends –

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## Notes to editors:

### About FTSE Russell:

FTSE Russell is a leading global index provider creating and managing a wide range of indexes, data and analytic solutions to meet client needs across asset classes, style and strategies. Covering 98% of the investable market, FTSE Russell indexes offer a true picture of global markets, combined with the specialist knowledge gained from developing local benchmarks around the world.

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# Press Release



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*\*All FTSE Russell index AUM data provided herein is as of December 31, 2017 as reported on April 2, 2018 by eVestment for institutional assets, Morningstar for retail mutual funds, insurance products, and ETFs, and additional passive assets directly collected by FTSE Russell. AUM data includes blended benchmarks and excludes futures and options. Passive assets directly collected by FTSE Russell have been removed from third party sources to prevent double counting. No assurances are given by FTSE Russell as to the accuracy of the data.*

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