

Recap

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Russell

# 2020 Russell US Indexes Reconstitution

## Annual reconstitution ensures accurate US market representation

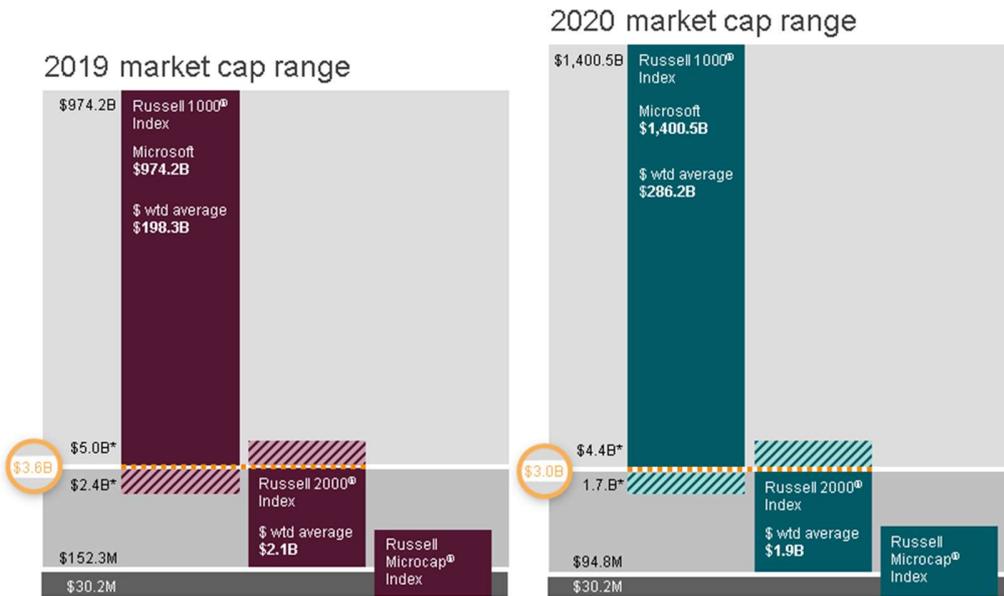
The Russell US Indexes are designed to reflect the ever-changing US equity market, and the annual reconstitution process is critical to maintaining accurate representation. During this highly-anticipated market event, the breakpoints between large, mid, and small cap are redefined to ensure market changes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

This year's reconstitution reveals the US equity market shrank slightly, with the total market cap of the Russell 3000® Index down 0.8% from \$31.7 trillion as of last year's rebalance to \$31.4 trillion as of this year's rank day (May 8, 2020).

The largest six companies in the Russell US Indexes have remained unchanged since 2019's reconstitution. Microsoft is again the largest company in the index, followed by Apple, which is now the second largest company in the index after trading spots with Amazon.com. The total market cap of the five largest companies increased since last year's reconstitution, but the total market cap of the sixth-ranked company, Berkshire Hathaway, decreased.

The breakpoint between large cap and small cap decreased 16.4% from \$3.6 billion in 2019 to \$3.0 billion, as shown in Exhibit 1.

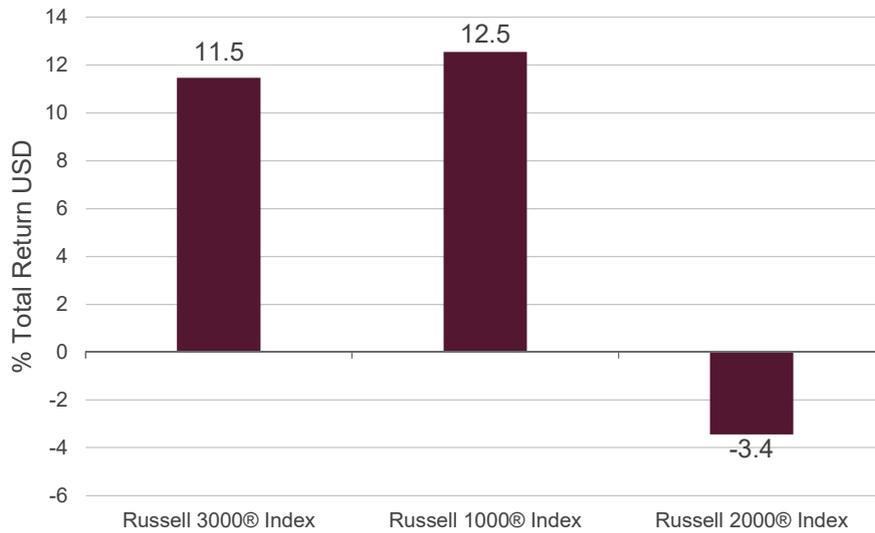
**Exhibit 1: Breakpoints between US large and small cap, with and without banding**



\* Reflects banding. Data as of May 10, 2019 and May 8, 2020, respectively.

## Core Russell US Indexes

**Exhibit 2: Core Russell US Indexes performance one-year period ending May 29, 2020**



Source: FTSE Russell, data as of May 29, 2020. 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 Index dropped by 0.8%, down from \$31.7 trillion in 2019 to \$31.4 trillion in 2020.
- The breakpoint between large cap and small cap decreased by 16.4% from \$3.6 billion last year to \$3.0 billion for 2020 (see Exhibit 1).
- Exhibit 3 lists the largest 10 companies by total market capitalization as of rank day 2020 along with their ranks and total market capitalization as of last year's reconstitution.
- Walmart and Procter & Gamble are two new entries to the list, replacing JP Morgan Chase & Co and Exxon Mobil, and are the ninth and tenth largest companies in the Russell US Indexes, respectively.
- Microsoft is the largest company in the index for the second year running after seeing a 43.8% increase in total market cap. Apple has taken the second spot back from Amazon.com with its 48.2% increase in total market cap compared to 27.6% for Amazon.com.
- For the first time ever, there are companies exceeding \$1 trillion in total market cap, with the largest three companies all achieving this milestone.
- The only company in the top 10 to see a decrease in total market cap was Berkshire Hathaway, which decreased 16.2% from last year. It did, however, retain its position as number 6 in the list. Visa remained on the top 10 list and moved up from ninth to seventh.
- The total combined market cap of the top 10 companies has grown 23.3% since 2019's reconstitution.

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

Company	2020 Rank by size	2020 Total Market Cap	2019 Rank by size	2019 Total Market Cap	Change from 2019
Microsoft	1	\$1,400.5B	1	\$974.2B	43.8%
Apple	2	\$1,344.2B	3	\$907.2B	48.2%
Amazon.com	3	\$1,186.9B	2	\$930.5B	27.6%
Alphabet	4	\$945.0B	4	\$808.3B	16.9%
Facebook	5	\$605.0B	5	\$537.6B	12.5%
Berkshire Hathaway	6	\$429.7B	6	\$512.7B	-16.2%
Visa	7	\$394.1B	9	\$351.2B	12.2%
Johnson & Johnson	8	\$391.8B	7	\$369.2B	6.1%
Walmart	9	\$348.4B	11	\$292.2B	19.2%
Procter & Gamble	10	\$287.1B	13	\$265.9B	8.0%

Source: FTSE Russell as of May 8, 2020.

## Russell 1000® Index

- Representing the US large cap market segment, the total market cap of the Russell 1000 Index increased 0.7% from \$29.3 trillion as of last year's reconstitution to \$29.5 trillion.
- With banding applied, the smallest company by market capitalization in the index is Lions Gate Entertainment with a total market capitalization of \$1.8 billion (refer to Exhibit 1).
- There are 54 companies being added to the Russell 1000 Index, the majority of which are migrating from the Russell 2000® Index.
- Sixteen of the 35 companies moving up from the Russell 2000 Index are Health Care companies, and 8 are Technology companies. The remaining 11 companies moving from small to large cap are represented by the Consumer Discretionary, Consumer Staples, Energy, Financial Services, Materials & Processing and Producer Durables sectors.
- Examples of companies joining the Russell 1000 Index from the Russell 2000 Index are Teladoc Health (Health Care), Acadia Pharmaceuticals (Health Care), Chegg (Consumer Discretionary), and Boston Beer Company (Consumer Staples).
- There are no IPOs being added to the Russell 1000 index at this year's reconstitution.
- Nineteen companies are joining the Russell 1000 Index as new additions to the Russell US Indexes universe, including Zoom Video Communications (Technology), Peloton Interactive (Consumer Discretionary), Virgin Galactic (Producer Durables), and Pinterest (Technology).
- There are 43 companies migrating from the Russell 1000 Index to the Russell 2000 Index.

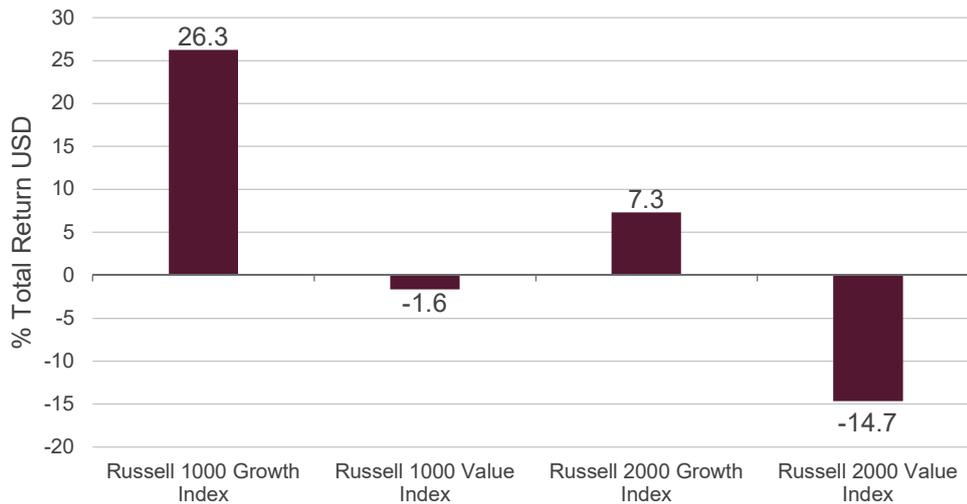
## Russell 2000® Index

- Representing the US small cap market segment, the total market capitalization of the Russell 2000 Index decreased 19.7% from \$2.4 trillion as of last year's reconstitution to \$1.9 trillion.
- The largest company in the index (with banding applied) is Silicon Laboratories, with a total market cap of \$4.4 billion, a 11.6% decrease from last year's largest company (see Exhibit 1).
- The smallest company in the index is Limestone Bancorp with a total market cap of \$94.8 million (see Exhibit 1).
- There is a total of 227 companies joining the Russell 2000 Index, with 43 dropping down from the Russell 1000 Index / Russell Midcap® Index, and 113 shifting up from the Russell Microcap® Index (44 of which are represented by the Health Care sector, followed by 23 Financial Services companies and 18 Technology companies).
- There are six IPOs being added to the Russell 2000, all classified in the Health Care sector, while 65 companies are joining from outside the Russell US Indexes universe.
- The largest addition to the small cap index by size is Mimecast Ltd (Technology) with a total market cap of \$2.6 billion.

- There are 175 companies departing the Russell 2000 Index. Thirty-five companies are moving to the Russell 1000 Index, 77 are moving to the Russell Microcap Index, and another 63 companies leaving the Russell US Indexes universe altogether.

## Russell US Style Indexes

**Exhibit 4: Russell US Style Indexes performance – one-year period ending May 29, 2020**



Source: FTSE Russell, data as of May 29, 2020. Past performance is no guarantee of future results. Please see the end for important legal disclosures.

## Russell 1000® Growth and Value Indexes

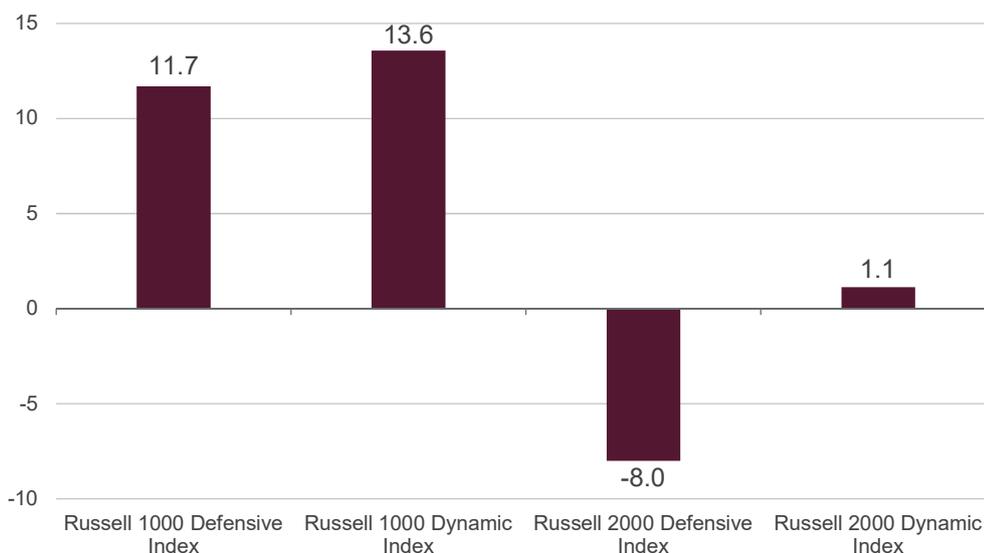
- The largest addition to the Russell 1000 Growth Index by size and weight is Zoom Video Communications, which also represents the largest new entrant into the Russell US Indexes this year. Zoom has been assigned 100% Growth.
- The largest addition to the Russell 1000 Value Index by size is Alphabet Inc, which shifted from 100% Growth to partial Value (22%). The largest addition by weight is Cisco Systems, which shifted from 100% Growth to 100% Value; Cisco Systems is also the largest company leaving the Russell 1000 Growth Index by size and index weight.
- Regeneron Pharmaceuticals shift from 79% Value to 100% Growth represents the largest company by index weight leaving the Russell 1000 Value Index. The largest company leaving the Russell 1000 Value Index by size is Amgen, with its shift from 8% Value to 100% Growth.
- Technology remains the largest sector in the Russell 1000 Growth Index, with a slight weight increase from 41.4% to 43.5%. The sector decreasing the most in size is the Producer Durables sector, dropping from 8.7% to 5.9%.
- The largest sector in the Russell 1000 Value Index continues to be the Financial Services sector, although its weight decreases from 26.1% to 24.5%. The sector with the largest increase in weight is Technology, up from 7.3% to 10.7% of the index. The sector with the largest decrease in weight is Consumer Staples, dropping from 9.6% to 7.5%.

## Russell 2000® Growth and Value Indexes

- The largest addition to the Russell 2000 Growth Index by size is One Gas, which is shifting from 100% Value to 11% Growth. The largest addition by index weight is Stamps.com, which is shifting from 100% Value to 100% Growth.
- The largest addition to the Russell 2000 Value Index by size is Myokardia, which is shifting from 100% Growth to 13% Value. The largest addition by index weight is Performance Food Group, which shifted from 100% Growth to 100% Value.
- The largest company leaving the Russell 2000 Growth Index by size and weight is Teladoc Health, which is moving to the Russell 1000 Growth Index, while going from 100% Growth to 90% Growth.
- The largest company leaving the Russell 2000 Value Index by size is Immunomedics, which is moving to the Russell 1000 Index with a 100% Growth allocation. The largest company leaving the index by weight is Lumentum Holdings, which is also moving to the Russell 1000 Index with an 89% Value allocation.
- The largest sector in the Russell 2000 Growth Index remains the Health Care sector, which increases its weight slightly from 33.6% to 33.8%. Technology is experiencing the largest shift in weight in the Russell 2000 Growth Index, increasing from 18.1% to 20.4%. Producer Durables is experiencing the most significant decrease in weight in the Russell 2000 Growth Index, dropping from 13.6% to 10.8%.
- The largest sector in the Russell 2000 Value Index remains Financial Services with a weight of 38.7%. Technology is showing the largest shift in representation, decreasing from 10.5% to 6.5%, while the Producer Durables sector is displaying the largest increase in weight in the Russell 2000 Value Index, up from 11.7% to 14.3%.

## Russell US Stability Indexes®

**Exhibit 5: Russell US Stability Indexes performance – one-year period ending May 29, 2020**



Source: FTSE Russell, data as of May 29, 2020. 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 Defensive Index (+11.7%) posted a lower return than the Russell 1000 Dynamic Index (+13.6%) during the one-year period ending May 29, 2020.
- The largest addition to the Russell 1000 Defensive Index by both size and index weight is Apple, which is shifting from 100% Dynamic to 52% Defensive.
- The largest addition to the Russell 1000 Dynamic index by size is UnitedHealth Group, which is shifting from 100% Defensive to 10% Dynamic. The largest addition by weight is Exxon Mobil which is shifting from 100% Defensive to 100% Dynamic
- The largest company leaving the Russell 1000 Defensive Index by size is JPMorgan Chase, which is shifting from 12% Defensive / 88% Dynamic to 100% Dynamic. The largest company leaving the index by weight is Exxon Mobil.
- The largest company to leave the Russell 1000 Dynamic index by both size and weight is Facebook which is shifting from 89% Dynamic to 100% Defensive.
- The largest sector in the Russell 1000 Defensive Index is now Technology with a weight of 34.8%, up from 24.2%. Health Care is the second largest sector weight at 19.3%. Financial Services sees the largest decrease in representation dropping from 19.2% to 13.2%
- Financial Services is the largest sector in the Russell 1000 Dynamic Index, increasing from 16.8% to 22.1%, followed by Consumer Discretionary at 21.1%. Technology is showing the largest decrease in weight from 29.3% to 19.5%.

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

- As shown in Exhibit 5 above, the Russell 2000 Defensive Index (-8.0%) underperformed the Russell 2000 Dynamic Index (1.1%) over the 12-month period ending May 29, 2020.
- The largest addition to the Russell 2000 Dynamic Index by weight is Louisiana-Pacific Corp, which is shifting from 100% Defensive to 100% Dynamic. The largest addition to the index by size is Cabot Microelectronics Corp, which has shifted from 100% Defensive to 6% Dynamic / 94% Defensive.
- The largest addition to the Russell 2000 Defensive Index by size is BJ's Wholesale Club Holdings, which is shifting from 100% Dynamic to 39% Defensive / 61% Dynamic. The largest addition to the index by weight is Aerojet Rocketdyne Holdings, which is shifting from 100% Dynamic to 100% Defensive.
- The largest company leaving the Russell 2000 Dynamic Index by both size and weight size is Teladoc Health, which is joining the Russell 1000 Dynamic Index at 100%.
- The largest company by size leaving the Russell 2000 Defensive Index is Quidel. The largest company by weight leaving the index is Generac Holdings. Both companies are joining the Russell 1000 Dynamic Index with 100% Dynamic probabilities.
- Financial Services remains the largest sector in the Russell 2000 Defensive Index at 33.3% despite a reduction of 4 percentage points, which was the largest decline in the index. The largest increase is Technology, up 14.2% from last year's 11%.

- Health Care remains the largest sector in the Russell 2000 Dynamic Index with a weight of 32.4%. The sector declining the most in size is Technology, which is shifting from 18.3% to 13.1% of the index. The sector increasing the most is Financial Services, shifting from 8.2% to 13.9%

Performance data is reported as of May 29, 2020. Company-level and index-level market capitalization figures within this summary report are as of May 8, 2020 (rank day), while market capitalization figures within the preliminary analysis reports are as of May 29, 2020. Market capitalizations referenced reflect total market capitalization unless otherwise noted. Sector weights referenced are as of May 29, 2020. Russell Style and Stability probabilities were calculated based on May 29, 2020 data and applied to the index membership that was determined as of May 8, 2020. 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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