



Commentary

FTSE
Russell

2022 Russell US Indexes reconstitution: summary of final changes

Annual reconstitution ensures accurate US market representation

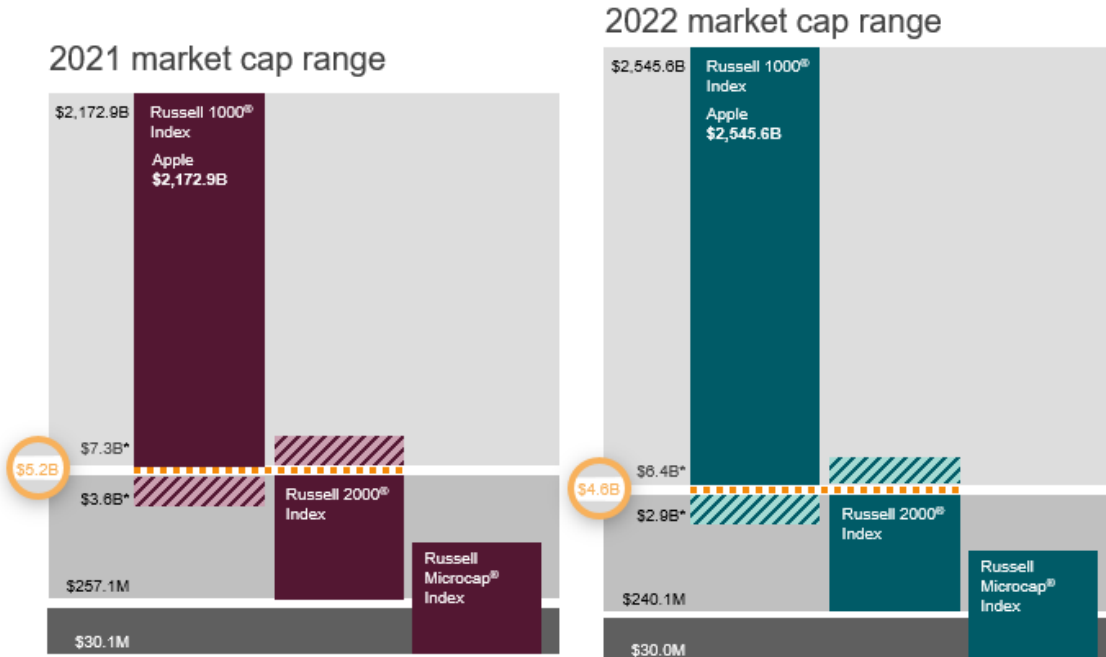
The Russell US Indexes are designed to reflect the ever-changing US equity market, and the annual reconstitution process is critical to maintaining accurate representation. During this highly anticipated market event, the breakpoints between large, mid, and small cap are redefined to ensure market changes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

Preliminary results for this year's reconstitution revealed the US equity market decreased in size, with the total market cap of the Russell 3000® Index down 5.9% from \$47.7 trillion as of last year's rebalance to \$44.9 trillion based on this year's rank day (May 6, 2022).

There is a change in the largest five companies in the Russell US Indexes for the first time since 2019's reconstitution, with Tesla replacing Meta as the 5th largest company. Apple and Microsoft retain their positions as the largest and second largest companies in the index, with Alphabet moving past Amazon.com to be the new third largest company. The total market cap of the ten largest companies has decreased since last year's reconstitution.

The breakpoint between large cap and small cap decreased 11.5% from \$5.2 billion in 2021 to \$4.6 billion, as shown in Exhibit 1.

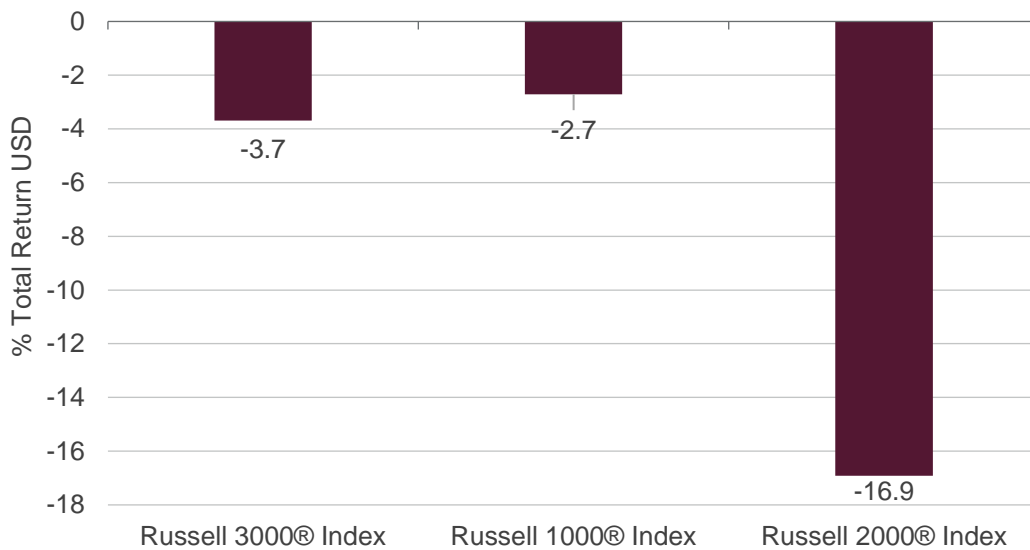
Exhibit 1: Breakpoints between US large and small cap, with and without banding



* Reflects banding. Data as of May 7, 2021 and May 6, 2022, respectively.

Core Russell US Indexes

Exhibit 2: Core Russell US Indexes performance one-year period ending May 31, 2022



Source: FTSE Russell, data as of May 31, 2022. 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 decreased by 5.9%, down from \$47.7 trillion in 2021 to \$44.9 trillion in 2022.
- The breakpoint between large cap and small cap decreased by 11.5% from \$5.2 billion last year to \$4.6 billion for 2022 (see Exhibit 1).
- Exhibit 3 lists the largest 10 companies by total market capitalization as of rank day 2022 along with their ranks and total market capitalization as of last year's reconstitution.
- UnitedHealth Group and Nvidia are two new entries to the list, replacing JPMorgan Chase and Visa, and are the eighth and ninth largest companies in the Russell US Indexes, respectively.
- Apple expanded its gap at the top of the index after an increase in market cap of 17.15% compared to Microsoft's increase of 8.06%
- Microsoft joined Apple in having a total market cap of over \$2 trillion, marking the first time ever that multiple companies have broken the \$2 trillion market cap level.
- Seven of the top 10 companies in the index increased their total market caps from 2021. The largest increase was Tesla, which increased by 38.46%.
- The total market cap of the 2021 top 10 companies is \$10.8T, a decrease of 0.9% from the 2021 top 10 market cap total of \$10.9T.

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

Company	2022 Rank by size	2022 Total Market Cap	2021 Rank by size	2021 Total Market Cap	Change from 2021
Apple	1	\$2,545.6B	1	\$2,172.9B	17.15%
Microsoft	2	\$2,054.7B	2	\$1,901.4B	8.06%
Alphabet	3	\$1,524.4B	4	\$1,576.2B	-3.89%
Amazon.com	4	\$1,167.7B	3	\$1,660.0B	-29.66%
Tesla	5	\$896.8B	7	\$647.7B	38.46%
Berkshire Hathaway	6	\$703.5B	6	\$664.4B	5.90%
Meta	7	\$551.5B	5	\$904.7B	-39.05%
UnitedHealth Group	8	\$468.7B	12	\$394.1B	18.93%
Nvidia	9	\$467.6B	14	\$368.8B	26.81%
Johnson & Johnson	10	\$464.1B	10	\$443.7B	4.59%

Source: FTSE Russell as of May 6, 2022.

Russell 1000[®] Index

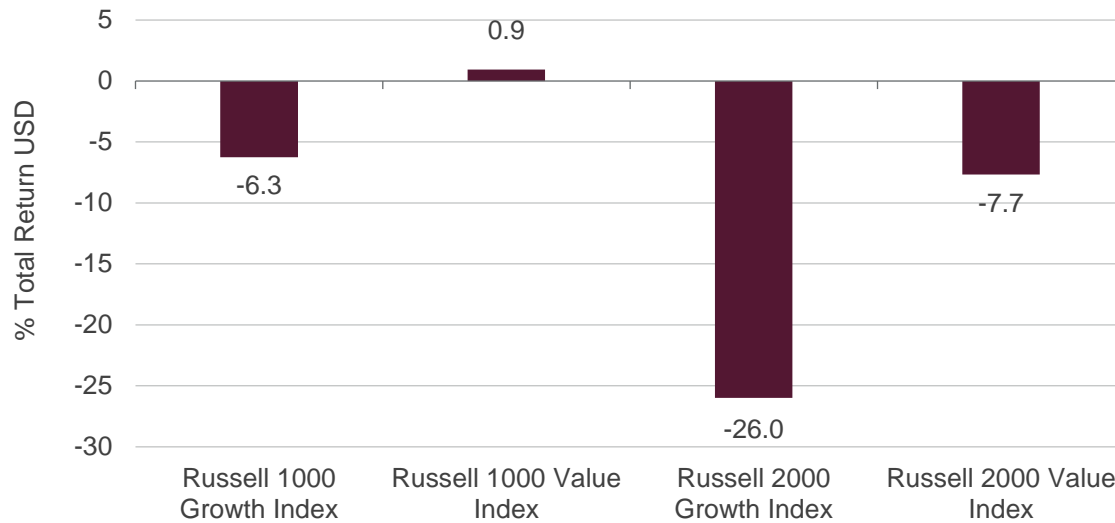
- Representing the US large cap market segment, the total market cap of the Russell 1000 Index decreased 5.0% from \$44.1 trillion as of last year's reconstitution to \$41.9 trillion.
- With banding applied, the smallest company by market capitalization in the index is Signify Health with a total market capitalization of \$2.9 billion (refer to Exhibit 1).
- 45 companies are being added to the Russell 1000 Index, with 21 of those moving up from the Russell 2000 Index.
- Six of the 21 companies moving up from the Russell 2000 Index are Energy companies, and four are Consumer Discretionary companies. The remaining 11 companies moving from small to large cap are represented by the Industrials, Technology, Real Estate, Health Care, Consumer Staples and Basic Materials industries.
- Examples of companies joining the Russell 1000 Index from the Russell 2000 Index are Ovintiv (Energy), Avis Budget Group (Consumer Discretionary), Chesapeake Energy (Energy), and AMC Entertainment (Consumer Discretionary).
- Twenty-four companies are joining the Russell 1000 Index as new additions to the Russell US Indexes universe, including Linde PLC (Basic Materials), Airbnb (Consumer Discretionary), Toast Inc (Technology) and Lucid Group (Consumer Discretionary).
- 39 companies are 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 14.3% from \$3.5 trillion as of last year's reconstitution to \$3.0 trillion.
- The largest company in the index (with banding applied) is STAG Industrial, with a total market cap of \$6.4 billion, a 12.3% decrease from last year's largest company (see Exhibit 1).
- The smallest company in the index is Akoustis Technologies with a total market cap of \$240.1 million, a decrease of 6.6% from \$257.1 million in 2021 (see Exhibit 1).
- There is a total of 308 companies joining the Russell 2000 Index, with 39 dropping down from the Russell 1000 Index / Russell Midcap[®] Index, and 76 shifting up from the Russell Microcap[®] Index (25 of which are allocated to the Financials industry and another 11 allocated to the Consumer Discretionary industry and 10 Energy companies).
- 19 IPOs are being added to the Russell 2000, with 4 of them classified in the Health Care industry, while 176 companies are joining from outside the Russell US Indexes universe.
- The largest addition to the small cap index by size is Alight (Industrials) with a total market cap of \$4.5 billion.
- 315 companies are departing the Russell 2000 Index. 21 companies are moving to the Russell 1000 Index, 249 are moving to the Russell Microcap Index, and another 45 companies are leaving the Russell US Indexes universe altogether.

Russell US Style Indexes

Exhibit 4: Russell US Style Indexes performance – one-year period ending May 31, 2022



Source: FTSE Russell, data as of May 31, 2022. 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 both size and weight is Procter and Gamble, which shifted from 100% Value to partial Growth (43%).
- The largest addition to the Russell 1000 Value Index by both size and weight is Meta, which shifted from 100% Growth to partial Value (79%).
- The largest company leaving the Russell 1000 Growth Index by both size and weight is S&P Global Inc, shifting from 49% Growth to 100% Value.
- The largest company leaving the Russell 1000 Value Index by size is Costco Wholesale, going from 7% Value to 100% Growth. The largest company to leave by weight is Union Pacific Corp, going from 37% Value to 100% Growth.
- Technology remains the largest industry in the Russell 1000 Growth Index, with its weight dropping slightly from 48.1% to 44.7%, this is also the largest decrease in weight for any industry in the index. The industry increasing in weight the most is Health Care, up from 9.0% to 11.1%.
- The largest industry in the Russell 1000 Value Index continues to be the Financials industry, even though its weight decreased from 19.6% to 19.2%. The largest drop in weight for an industry in the index is Health Care, decreasing from 17.5% to 15.4%. The industry with the largest increase in weight is Technology, up from 7.4% to 9.1% of the index.

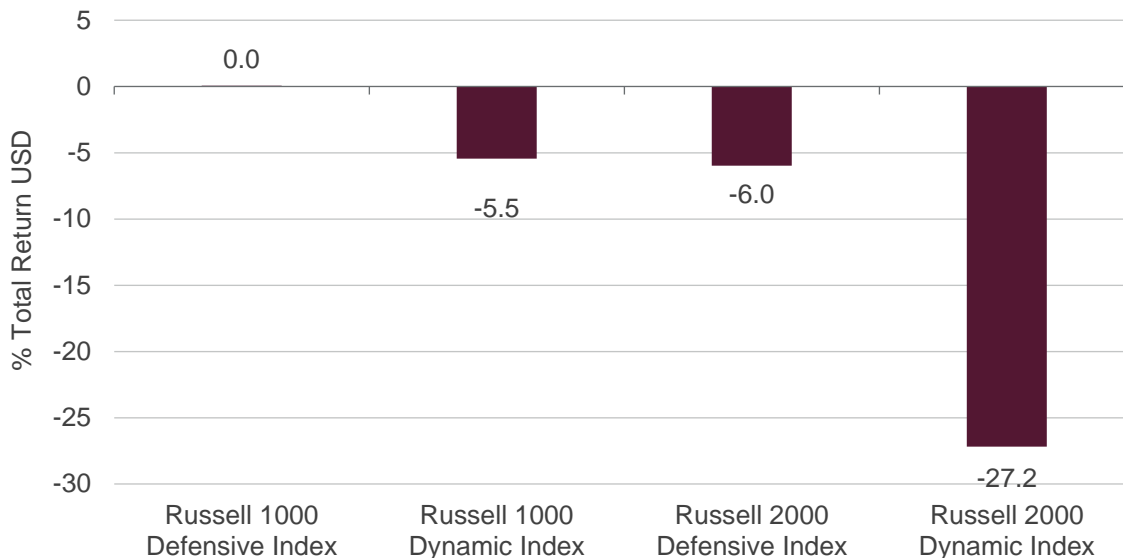
Russell 2000® Growth and Value Indexes

- The largest addition to the Russell 2000 Growth Index by size is Murphy Oil Corp, which has shifted from 100% Value to 44% Growth. The largest addition by index weight is SM Energy Co, which is which has shifted from 100% Value to 100% Growth.

- The largest addition to the Russell 2000 Value Index by both size and weight is Light & Wonder Inc, which is shifting from 100% Growth to 100% Value.
- The largest company leaving the Russell 2000 Growth Index by size is Ovintiv Inc which is moving to the Russell 1000 Growth Index, while going from 6% Growth to 71% Growth. The largest company leaving by weight is Southwestern Energy Co, which is also moving to the Russell 1000 Growth Index. It is moving from 100% Growth to 7% Growth.
- The largest company leaving the Russell 2000 Value Index by both size and weight is Ovintiv, which is moving to the Russell 1000 Value Index, while going from 94% Value to 29% Value.
- The largest industry in the Russell 2000 Growth Index remains Health Care, although it sees its weight decrease from 22.3% to 20.2%. The largest decrease of any industry in the index is Consumer Discretionary which sees its weight fall from 15.5% to 12.2%. Energy is experiencing the largest increase in weight in the Russell 2000 Growth Index, increasing from 4.7% to 8.2%.
- The largest industry in the Russell 2000 Value Index remains Financials with a weight of 27.6%, an increase from 25.3%, the largest increase in the index. Energy is showing the largest shift in representation, decreasing from 11.3% to 5.4%.

Russell US Stability Indexes[®]

Exhibit 5: Russell US Stability Indexes performance – one-year period ending May 31, 2022



Source: FTSE Russell, data as of May 31, 2022. Past performance is no guarantee of future results. Please see the end for important legal disclosures.

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

- As shown in Exhibit 5 above, the Russell 1000 Defensive Index (+0.0%) posted a higher return than the Russell 1000 Dynamic Index (-5.5%) during the one-year period ending May 31, 2022.

- The largest addition to the Russell 1000 Defensive Index by size is AbbVie which is shifting from 100% Dynamic to 12% Defensive. The largest addition to the index by weight is Linde PLC, which is a new add to the Russell US Indexes with a 100% Defensive probability.
- The largest addition to the Russell 1000 Dynamic index by size is Walmart, which is shifting from 100% Defensive to 31% Dynamic. The largest addition by weight is Oracle which is shifting from 100% Defensive to 85% Dynamic
- The largest company leaving the Russell 1000 Defensive Index by both size and weight is Amazon.com, which is shifting from 50% Defensive to 100% Dynamic.
- The largest company to leave the Russell 1000 Dynamic index by size is Mastercard which is shifting from 11% Dynamic to 100% Defensive. The largest leaving by weight is TJX Companies which is shifting from 83% Dynamic to 100% Defensive.
- The largest industry in the Russell 1000 Defensive Index remains Technology which sees a slight increase in weight from 27.2% to 27.5%. The largest increase of any industry in the index is Health Care which is moving from 16.4% to 17.3%. Consumer Discretionary sees the largest decrease in representation, going from 11.0% to 7.2%.
- Technology is still the largest industry in the Russell 1000 Dynamic Index even after decreasing from 26.7% to 25.9%, followed by Consumer Discretionary which had the largest increase, going from 17.4% to 21.2%. Financials is showing the largest decrease in weight from 13.7% to 12.7%.

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

- As shown in Exhibit 5 above, the Russell 2000 Defensive Index (-6.0%) outperformed the Russell 2000 Dynamic Index (-27.2%) over the 12-month period ending May 31, 2022.
- The largest addition to the Russell 2000 Dynamic Index by size is Silicon Laboratories Inc, which has shifted from 100% Defensive to 40% Dynamic. The largest addition to the index by weight is Marqeta, which is a new add to the Russell 2000 and has been assigned to 100% Dynamic.
- The largest addition to the Russell 2000 Defensive Index by size is Magnolia Oil & Gas, which is shifting from 100% Dynamic to 10% Defensive. The largest addition to the index by weight is Kite Realty Group, which is shifting from 100% Dynamic to 58% Defensive.
- The largest company leaving the Russell 2000 Dynamic Index by both size and weight size is Ovintiv, which is joining the Russell 1000 Dynamic Index at 100%.
- The largest company by size leaving the Russell 2000 Defensive Index is Chesapeake Energy which is joining the Russell 1000 Dynamic Index with 100% Dynamic probability. The largest company by weight leaving the index is BJ's Wholesale Club which is joining the Russell 1000 Dynamic Index with 100% Dynamic probability.
- Financials remains the largest industry in the Russell 2000 Defensive Index and had the largest increase in weight in the index, going from 25.3% to 28.4%. The largest decrease is Technology, down from to 11.8% from 9.8%.
- Health Care remains the largest industry in the Russell 2000 Dynamic Index with a weight of 23.6%, up from 22.7%. Technology had the largest increase in the index, going from 11.1% to 13.9%. The industry declining the most in size is Energy, which is shifting from 16.8% to 12.8% of the index.

Performance data is reported as of May 31, 2022. Company-level and index-level market capitalization figures within this summary report are as of May 6, 2022 (rank day), while market capitalization figures within the preliminary analysis reports are as of May 31, 2022. Market capitalizations referenced reflect the total market capitalization unless otherwise noted. Industry weights referenced are as of May 31, 2022. Russell Style and Stability probabilities were calculated based on May 31, 2022 data and applied to the index membership that was determined as of May 6, 2022. For the purpose of reconstitution ranking, all eligible share classes for a company are consolidated and ranked as one single company. Totals may not equal 100% due to rounding.

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