



Product Profile | Equities

# Russell Top 500 Index: A true representation of major US companies that power the globe

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**FTSE  
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## Overview

The US equity market is the largest in the world.<sup>1</sup> The largest US companies like Apple, Microsoft, Amazon.com, Tesla, and Meta provide services and goods in the US and internationally. A truly representative US equity index should reflect the dynamic nature of the US economy by regularly adding and rebalancing the index to capture the investable opportunity set of innovative companies that drive the US economy and beyond.

The Russell US Indexes are the product of innovative thinking by FTSE Russell since 1984. Responding to client needs and delivering practical index solutions, Russell challenged the widely used S&P 500 with the launch of the Russell 1000®, Russell 2000®, and Russell 3000® Indexes, the groundbreaking comprehensive and modular set of objective and rules-based investable US equity benchmarks. Today, the Russell US Indexes have become the institutional investors' US equity benchmark of choice, with approximately \$9 trillion benchmarked to a Russell US Index.<sup>2</sup>

Over the past 40 years, the Russell US Indexes have stood out by:

- Incorporating future equity market winners up to a decade before competitor US equity indexes
- Introducing the first free-float-adjusted equity index methodology and modular index series segmented by size in 1984
- Being the first to offer growth and value style index segments in 1987
- Making regular methodological enhancements to improve index usability

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<sup>1</sup> As of March 29, 2024, the US equity market represented over 62 percent of the [FTSE Global All Cap Index](#), FTSE Russell's benchmark of large-, mid- and small-cap stocks from 49 developed and emerging markets. The next largest global equity market (Japan) had a weight of 6.3% as of the same date.

<sup>2</sup> Data as of December 31, 2022 as reported on April 1, 2023 by eVestment for active institutional funds, Morningstar for active retail mutual funds, insurance products, and ETFs, and passive assets directly collected by FTSE Russell. AUM includes blended benchmarks and excludes futures and options. AUM data does not include active and passive assets not reported to a 3rd party source or FTSE Russell. For funds where the AUM was not reported as of December 31, 2022, the previous period AUM was used as an estimate. No assurances are given by FTSE Russell as to the accuracy of the data.

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# Russell Top 500 Index

The [Russell Top 500 Index](#)<sup>3</sup> stands out in particular, as unlike the S&P 500, the Russell Top 500 Index actually includes the largest 500 companies in the US equity markets. Newly listed companies are reviewed and added quarterly in March, September, and December, and together with the complete annual index reconstitution in June, the Russell Top 500 Index has included major US companies that power the global economy in a timely manner.<sup>4</sup>

## Examples of US companies achieving profitability months or years after initial listing

Below are examples of companies that were added to the Russell Top 500 Index before the S&P 500 Index, many excluded from the S&P 500 in their early stages of growth due to not meeting S&P's profitability requirements, opportunities that should in fact be part of the US investable universe.

**Exhibit 1. Differences in timing of index additions – Russell Top 500 vs. S&P 500**

Company	IPO month	Added to Russell Top 500 (A)	Added to S&P 500 (B*)	Time in Between (A to B*)	% Cumulative Total Return of the Stock from A to B*
Apple	Dec 1980	Mar 1981	Nov 1982	1 year, 8 months	30%
Microsoft	Mar 1986	Dec 1986	Jun 1994	7 years, 6 months	1,826%
Starbucks	Jun 1992	Jun 1998	Jun 2000	2 years	82%
Amazon.com	May 1997	Jun 1999	Nov 2005	6 years, 5 months	-23%
Nvidia	Jan 1999	Jun 2001	Nov 2001	5 months	18%
Netflix	May 2002	Jun 2010	Dec 2010	6 months	62%
Alphabet (Google)	Aug 2004	Sep 2004	Mar 2006	1 year, 6 months	201%
Tesla	Jun 2010	Jun 2013	Dec 2020	7 years, 6 months	2,528%
Meta Platforms Inc (Facebook)	May 2012	Jun 2012	Dec 2013	1 years, 6 months	76%
Lululemon Athletica	Jul 2007	Jun 2018	Oct 2023	5 years, 4 months	215%

Source: FTSE Russell and LSEG Workspace, data as of December 2023. Past performance is no guarantee of future returns. See the end for important disclosures.

<sup>3</sup> The launch date of the Russell Top 500 Index is November 18, 2015, with back-tested index performance available from August 1, 2002. Past performance is no guarantee of future returns. See the end for important disclosures.

<sup>4</sup> Russell US Indexes were reconstituted quarterly 1978-1987, semi-annually in June and December 1987-1989, annually in June since 1989; IPOs have been added to the Russell US Indexes quarterly in March, September, December beginning September 2004: [A better benchmark for US large caps \(lseg.com\)](#)

The different timing of index inclusion may impact the broader index return, as you can see below.

## Exhibit 2. Calendar year index performance comparison

Total Return USD %	Russell Top 500	S&P 500	Difference
2013	32.85	32.39	0.46
2014	13.82	13.69	0.13
2015	1.24	1.38	-0.14
2016	11.76	11.96	-0.20
2017	22.04	21.83	0.21
2018	-4.30	-4.38	0.08
2019	31.63	31.49	0.15
2020	21.15	18.40	2.75
2021	27.01	28.71	-1.70
2022	-19.34	-18.11	-1.23
2023	27.30	26.29	1.01

Source: FTSE Russell and LSEG Workspace, data as of 12/31/2023. Past performance is no guarantee of future returns. See the end for important disclosures.

## Three principles of benchmark construction

While there are many indexes available on the market, a benchmark should accurately represent the innovation and evolution of the US economy with timely inclusions of emerging companies, even those in their earlier stages of growth and not yet profitable.

The Russell US Indexes were designed with three core principles of benchmark construction in mind: 1) objective construction methodology; 2) modular market segmentation; and 3) reliable maintenance and governance; these features are essential to an index's ability to effectively represent a market or market segment.<sup>5</sup> Indexes that ignore these principles can undermine an index-tracking portfolio's intended market exposure and risk/return profile. Index users should take this into consideration during the benchmark selection process in order to avoid misguided investment decisions and potential unexpected consequences.

It is important to review the index inclusion rules for the Russell US Indexes; not any US-listed security can join the Russell Indexes, and companies must meet minimum index eligibility rules to be included (see the [index ground rules](#) for the complete set of rules, and our [methodology overview](#) for a summary).

<sup>5</sup> [Building a better US equity benchmark: Russell US Indexes | LSEG](#)

# Index methodology comparison

**Exhibit 3. Differences in benchmark construction – Russell Top 500 vs. S&P 500**

	Russell Top 500	S&P 500
Target coverage	The largest 500 stocks in the broad market Russell 3000E Index as part of the annual reconstitution	Companies within the S&P Composite 1500 Index that represent large cap companies
Reconstitution	<ul style="list-style-type: none"> <li>Fully reconstituted annually in June, as of the 4th Friday in June</li> <li>All eligible securities are ranked by total market cap on rank day</li> <li>Stocks ranked #1-500 are included</li> <li>A 2.5% band above and below the breakpoint mitigates turnover</li> </ul>	<ul style="list-style-type: none"> <li>No regularly scheduled annual or semi-annual reconstitution process</li> <li>Changes are made on an as-needed basis as determined by the committee and may be made with less than three business days notice</li> <li>Stocks may migrate from the S&amp;P 600 or 400 without meeting all standard eligibility criteria</li> </ul>
Market cap range	<ul style="list-style-type: none"> <li>Market cap breakpoints change each year at recon:</li> <li>2023 range: \$12.3B - \$2,684.7B (minimum \$9.5B with banding)</li> </ul>	<ul style="list-style-type: none"> <li>Market cap ranges are reviewed from time to time:</li> <li>Large cap range: \$12.7B or more</li> </ul>
Eligibility criteria for new additions	<ul style="list-style-type: none"> <li>US company based on country of incorporation, headquarters and most liquid US exchange</li> <li>Market cap is within the range for the Russell Top 500 Index as of the latest reconstitution</li> <li>Float or shares available in the marketplace must be greater than 5%</li> <li>Company voting rights greater than 5% in the hands of unrestricted shareholders</li> <li>ADDTV of new share classes greater than the global median as of the latest reconstitution</li> </ul>	<ul style="list-style-type: none"> <li>US company based on 10-K annual reports, greater than 50% US assets and/or revenues, primary listing on eligible US exchanges</li> <li>Stocks must have positive earnings over the sum of the most recent four consecutive quarters, including the most recent quarter</li> <li>Investable weight factor of at least 0.10</li> <li>Tracking stocks are not eligible</li> <li>Ratio of ADVT (based on composite pricing and volume) to float market cap should be at least 0.75, and the stock should trade a minimum of 250,000 shares in each of the six months leading up to the evaluation date</li> <li>Sector balanced relative to the S&amp;P TMI</li> <li>No restrictions on voting rights</li> <li>Current constituents have no minimum requirement.</li> </ul>
Initial Public Offerings (IPOs)	Eligible IPOs are added quarterly	No regularly scheduled IPO addition process. IPOs must trade 12 months before eligible

Source: FTSE Russell and S&P (<http://us.spindices.com/>). As of April 2023.

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For over 35 years we have been at the forefront of driving change for the investor, always innovating to shape the next generation of benchmarks and investment solutions that open up new opportunities for the global investment community.

## CONTACT US

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