



Index Insights | Equities

Untangling the differences between the Russell 1000 Index[®] and S&P 500

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In 2023, 14 companies were added to the S&P 500

Blackstone, Airbnb, Lululemon and Uber were big names among the new joiners. Each one was added to the index between September and December 2023. However, these stocks were not fresh faces in the market. They were all listed years ago, with the earliest IPO from Blackstone in 2007. Some of the companies had long been leaders in their respective industries.

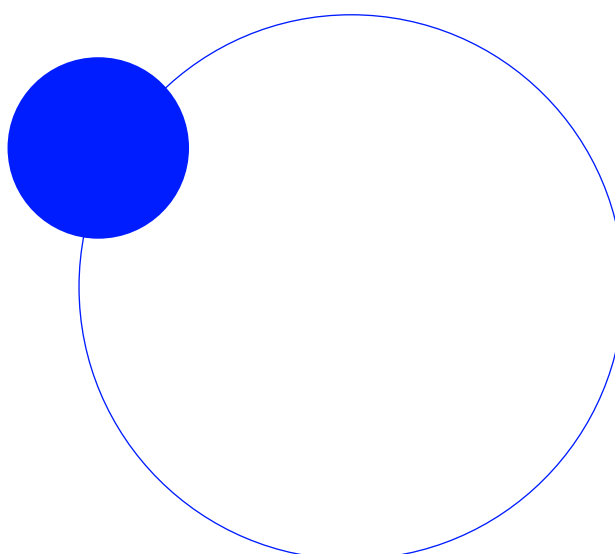
All had been in the Russell 1000 for years, having joined the index between 2015 and 2021. Notably, Uber was added to the Russell 1000 within 2 months of its IPO as part of the June 2019 annual reconstitution process. It has recorded 74% cumulative total return from the inclusion date to end of March 2024. These were not the only companies to join the Russell 1000 significantly ahead of their S&P 500 inclusions.

This may surprise an uninformed observer. So why are there such timing differences in index inclusion?

Table 1: Differences in performance from the timing of index additions – Russell 1000 vs S&P 500

Stock	IPO date	Added to Russell 1000 (A)	Added to S&P 500 (B)	% cumulative total return of the stock from A to Mar 2024	% cumulative total return of the stock from B to Mar 2024
Blackstone	Jun 21, 2007	Jun 28, 2021	Sep 18, 2023	32.36%	14.86%
Airbnb	Dec 10, 2020	Jun 27, 2022	Sep 18, 2023	62.52%	15.72%
Lululemon Athletica	Aug 3, 2007	Jun 29, 2015	Oct 18, 2023	502.85%	-3.69%
Uber Technologies	May 9, 2019	Jul 1, 2019	Dec 18, 2023	73.91%	24.72%

Source: FTSE Russell, S&P Dow Jones Indices, LSEG Workspace. Data as of 29 Mar 2024.



Committee decision and rules-based selection differentiate the two indexes

The S&P 500 is constructed by a committee at S&P Dow Jones Indices.

The companies are chosen sporadically by active decisions based on various factors, and with short notice to the market. These decisions are based on market capitalization, liquidity, profitability, and industry representation. Typically, the committee waits years to add a stock to the S&P 500, long after the stock has become one of the largest 500 by size in the US equity market. The profitability requirement also stops the inclusion of companies that are not yet profitable but which are capable of delivering positive stock returns.

Rules for inclusion to the Russell 1000 are straightforward and transparent.

Russell 1000 reconstitution takes place annually in June. It's based on rules that consider nationality, market capitalization and liquidity. These index rules are public, and the rebalancing schedule is communicated to the market well in advance.

Example of methodology difference:

- Lululemon was listed in 2007
- It was added to the Russell 1000 in 2015; however, it was not added to the S&P 500 until 2023
- The stock rose more than 500% during that 8-year gap and contributed positively to the Russell 1000

Rules matter: Quarterly IPO additions

S&P 500's intermittent, subjective process also affects when initial public offerings (IPOs) are added to the index. In contrast, the Russell 1000 adds eligible IPOs every three months, following the quarterly IPO additions rule in the Russell US Indexes construction methodology. The quarterly IPO additions process allows the inclusion of newly listed US stocks prior to the annual reconstitution in June, as long as they meet the criteria.

Tech stocks like Microsoft, Amazon, Netflix, and Alphabet (Google) were added to the Russell 1000 as much as a decade before they were added to the S&P 500. In the cases of Amazon, Microsoft and Tesla, the stock prices gained 3,000–17,000% between entering the Russell 1000 and joining the S&P 500.

Companies are often added to the S&P 500 when they are at their highest values or after they have long been one of the largest 500 stocks in the US equity market, as observed with the addition of Tesla to the S&P 500. Tesla was added to the S&P 500 in December 2020 while Tesla's price was at a relatively high level. Following its addition to the S&P 500, Tesla recorded a -18.8% return, between December 2020 and March 2024.

Table 2: Differences in performance from the timing of index additions – Russell 1000 vs S&P 500

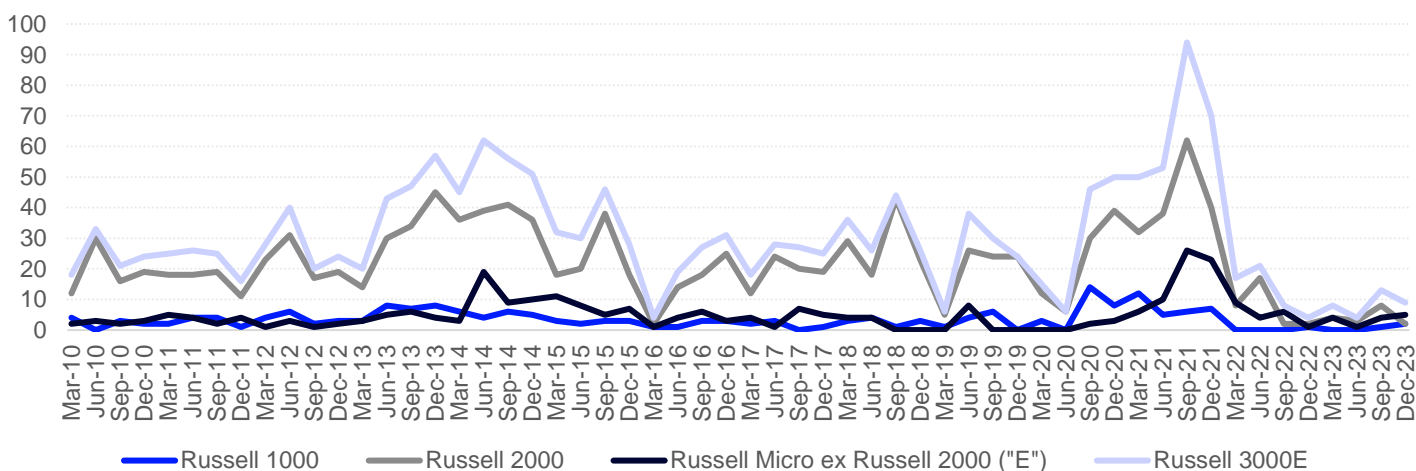
Stock	IPO date	Added to Russell 3000 (A)	Added to S&P 500 (B)	% cumulative total return of the stock from A to B*
Apple	Dec 1980	Mar 1981	Nov 1982	30%
Microsoft	Mar 1986	Mar 1986	Jun 1994	3,270%
Starbucks	Jun 1992	Jun 1993	Jun 2000	523%
Amazon.com	May 1997	Jun 1997 (R2); Jun 1998 (R1)	Nov 2005	3,043%
Nvidia	Jan 1999	Jun 1999 (R2); Jun 2000 (R1)	Nov 2001	1,043%

Stock	IPO date	Added to Russell 3000 (A)	Added to S&P 500 (B)	% cumulative total return of the stock from A to B*
Netflix	May 2002	Jun 2002 (R2) Jun 2009 (R1)	Dec 2010	2,412%
Alphabet (Google)	Aug 2004	Sep 2004	Mar 2006	201%
Tesla	Jun 2010	Sep 2010	Dec 2020	17,192%
Meta Platforms Inc (Facebook)	May 2012	Jun 2012	Dec 2013	46%
Lululemon Athletica	Jul 2007	Jun 2015	Oct 2023	503%
Moderna	Dec 2018	Mar 2019	Jul 2021	1,638%
Blackstone Inc	Jun 2007	Jun 2021	Sep 2023	20%
Airbnb	Dec 2020	Jun 2022	Sep 2023	54%
Uber	May 2019	Jun 2019	Dec 2023	9,990%
Palo Alto Networks Inc	Jul 2012	Sep 2012	June 2023	1,294%

Source: FTSE Russell, data as of March 28, 2024. Russell 3000 additions are to the Russell 1000 (R1) unless a date is noted for the Russell 2000 (R2). The inception date of the Russell 3000 Index is January 1, 1984. Past performance is no guarantee of future returns. See the end for important disclosures.

Over the last 10 years, more than 1,235 IPOs were added to the Russell US Indexes.

Chart 1: Number of IPO additions to the Russell US Indexes



Source: FTSE Russell, as of March 18, 2024 (at the open).

The impact of methodology differences noted above are also reflected in the attribution analysis between the Russell 1000 and S&P 500.

Table 3: Attribution analysis of Russell 1000 vs. S&P 500 (March 31, 2019–March 31, 2024)

Rank	Company name	Russell 1000 weight	S&P 500 weight	Average weight difference	Stock return	Stock selection effect
1	Microsoft Ord Shs	5.121%	5.697%	-0.576%	274.811	-0.692
2	Apple Ord	5.535%	6.076%	-0.541%	275.109	-0.564
3	NVIDIA Ord Shs	1.284%	1.482%	-0.197%	1926.587	-1.189

Rank	Company name	Russell 1000 weight	S&P 500 weight	Average weight difference	Stock return	Stock selection effect
4	Amazon Com Ord Shs	3.160%	3.515%	-0.355%	102.589	0.058
5	Meta Platforms Ord Shs Class A	1.613%	1.797%	-0.183%	191.618	-0.143
6	Alphabet Ord Shs Class A	1.670%	1.853%	-0.182%	156.490	-0.102
7	Berkshire Hathaway Ord Shs Class B	1.421%	1.580%	-0.159%	109.328	-0.002
8	Alphabet Ord Shs Class C	1.569%	1.738%	-0.168%	159.539	-0.097
9	Eli Lilly Ord Shs	0.632%	0.664%	-0.032%	547.591	-0.059
10	JPMorgan Chase Ord Shs	1.124%	1.254%	-0.130%	129.887	-0.047
11	Broadcom Ord Shs	0.573%	0.651%	-0.078%	417.950	-0.201
12	Tesla Ord Shs	1.147%	1.120%	0.027%	842.204	2.851
13	Exxon Mobil Ord Shs	0.893%	0.989%	-0.096%	85.563	0.041
14	UnitedHealth Group Ord Shs	1.046%	1.162%	-0.117%	115.553	-0.019
15	Visa Ord Shs Class A	0.995%	1.103%	-0.108%	84.921	0.028
16	Mastercard Ord Shs Class A	0.833%	0.922%	-0.089%	110.217	-0.006
17	Home Depot Ord Shs	0.851%	0.943%	-0.092%	125.799	-0.023
18	Procter & Gamble Ord Shs	0.937%	1.048%	-0.112%	76.744	0.046
19	Johnson & Johnson Ord Shs	1.163%	1.288%	-0.125%	29.679	0.121
20	Merck & Co Ord Shs	0.648%	0.718%	-0.071%	93.942	0.032
21	Costco Wholesale Ord Shs	0.527%	0.586%	-0.059%	229.858	-0.056
22	AbbVie Ord Shs	0.567%	0.628%	-0.062%	184.407	-0.034
23	Advanced Micro Devices Ord Shs	0.312%	0.349%	-0.037%	607.249	-0.094
24	Salesforce Ord Shs	0.505%	0.586%	-0.082%	90.425	0.014
25	Chevron Ord Shs	0.680%	0.742%	-0.062%	59.716	0.020
26	Bank of America Ord Shs	0.703%	0.780%	-0.077%	55.483	0.026
27	Netflix Ord Shs	0.496%	0.568%	-0.072%	70.330	0.042
28	Walmart Ord Shs	0.548%	0.606%	-0.059%	100.743	0.016
29	Pepsico Ord Shs	0.607%	0.673%	-0.066%	64.409	0.028
30	Coca-Cola Ord Shs	0.613%	0.681%	-0.068%	52.473	0.040

Selected stocks	Selection effect (%)
Tesla Ord Shs	2.851
Uber Technologies Ord Shs	0.466
Lululemon athletica Ord Shs	0.204
Blackstone Ord Shs	0.157
Amazon Com Ord Shs	0.139
Airbnb Ord Shs Class A	0.127
Netflix Ord Shs	0.127

Source: FTSE Russell, Refinitiv Workspace

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