

FTSE Russell begins 35th annual Russell US Indexes Reconstitution

- Total US equity market capitalization of the broad market Russell 3000 Index down 1.6% to \$44.2 trillion as of April 28th rank day.
- Market cap breakpoints separating small caps (Russell 2000 Index) and large caps (Russell 1000 Index) decreased by 8.7% to \$4.2 billion.
- Apple, Microsoft, Alphabet, and Amazon.com retained their positions as the largest four companies, however Berkshire Hathaway replaces Tesla as the fifth largest company.
- For the second year in a row, Apple and Microsoft total market caps were above \$2 trillion, widening the size gap from the 3rd largest company Alphabet.
- Health Care, Consumer Discretionary, and Financials industries dominate companies moving up from the Russell 2000 Index.

Today, FTSE Russell, a leading global index provider, posted its preliminary lists of companies set to enter or leave the US broad market Russell 3000 Index and the Russell Microcap Index, marking the start of its 35th annual Russell US Indexes Reconstitution. This year's changes will take place after US equity markets close on Friday, June 23. The lists of projected additions and deletions for the Russell US Indexes and other information regarding the annual rebalancing process is available on the [FTSE Russell website](#).

Each June, the Russell US index family is recalibrated to accurately reflect the current state of the US equity market. During this highly anticipated market event, the breakpoints between large, mid, small, and micro-cap are redefined to ensure market changes over the last year are captured. Companies are also reevaluated to determine where they rank along the investment styles spectrum. With approximately \$12.1 trillion in investor assets benchmarked to or invested in products based on the Russell US Indexes, the Russell Reconstitution concludes with traditionally one of the highest trading volume days of the year on major US equity exchanges.

Arne Staal, CEO at FTSE Russell, said:

“Our annual index rebalancing is a vital step in the construction of objective, reliable benchmarks, ensuring our family of Russell US Indexes accurately reflect their intended market segments and remain free of unintended size and style biases. Celebrating nearly four decades of Russell Reconstitution, our dedicated global indexes team works relentlessly to ensure a seamless index recalibration for market participants.”

Catherine Yoshimoto, Director of Product Management for the Russell US Indexes at FTSE Russell said:

“With the backdrop of continued market volatility, defensive equities took the market lead over the one-year period ended April 28, 2023. The Health Care industry has the highest number of companies graduating from the Russell 2000 Index to the Russell 1000 Index. In terms of industry performance, despite Energy leading the other industries over the one-year period, its decline year-to-date amid dampening inflation fears contributed to its largest decrease in industry weights in the Russell 1000 Index.”

US Total Market Size Impacted by Volatility

Preliminary results for this year's reconstitution reveal the US broad market decreased modestly in size, with the total market capitalization of the Russell 3000 Index down 1.6% from \$44.9 trillion as of last year's rebalance to \$44.2 trillion based on this year's rank day of April 28.

The market capitalization breakpoint, which separates companies in the US large cap Russell 1000 Index and companies in the US small cap Russell 2000 Index, decreased by 8.7% from \$4.6 billion in 2022 to \$4.2 billion following a volatile year in US equity markets, where small cap stocks underperformed large cap stocks. The smallest company in the Russell 1000 Index by market capitalization, with banding, is Highwoods Properties with a total market cap of \$2.4 billion, while the smallest company in the Russell 2000 Index is Protalix Biotherapeutics at \$159.5 million, a decrease of 33.6% from 2022.

Largest Four Companies Defend Top Positions; Berkshire Hathaway replaces Tesla as the Fifth Largest Company

Apple and Microsoft retained their positions as the largest and second largest companies in the index respectively, and Alphabet and Amazon.com remained the third and fourth largest companies. However, the gap between the largest two companies in the index and the next two companies has widened. Berkshire Hathaway replaced Tesla as the fifth largest company, as Tesla dropped to the 8th largest position after its total market cap declined 41.93%.

The total market cap of the 10 largest companies increased 1.78% to \$10.9 trillion, and seven of the 10 companies increased their total market caps, including Nvidia by 46.58%, the largest increase seen this year. Microsoft closed in on Apple's market cap, increasing its market cap 11.19% compared to Apple's 5.46% increase. 2023 marks the second year in a row in which Apple and Microsoft have each had a total market cap of over \$2 trillion.

New entrants to the list of 10 largest companies by market cap include Exxon Mobil and Visa, ranking as the ninth and tenth largest companies in the Russell US Indexes, respectively, after replacing UnitedHealth Group and Johnson & Johnson.

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

Company	2023 Rank by size	2023 Total Market Cap	2022 Rank by size	2022 Total Market Cap	Change from 2022
Apple	1	\$2,684.7B	1	\$2,545.6B	5.46%
Microsoft	2	\$2,284.6B	2	\$2,054.7B	11.19%
Alphabet	3	\$1,362.9B	3	\$1,524.4B	-10.59%
Amazon.com	4	\$1,082.0B	4	\$1,167.7B	-7.34%
Berkshire Hathaway	5	\$717.4B	6	\$703.5B	1.98%
Nvidia	6	\$685.4B	9	\$467.6B	46.58%
Meta	7	\$615.9B	7	\$551.5B	11.68%
Tesla	8	\$520.8B	5	\$896.8B	-41.93%

Exxon Mobil	9	\$480.4B	13	\$386.3B	24.36%
Visa	10	\$476.9B	11	\$422.5B	12.88%

Source: FTSE Russell as of April 28, 2023.

Health Care Industry Graduates Highest Number of Companies from Small Cap to Large Cap

Based on the preliminary results, by the conclusion of this year's reconstitution, 33 companies will be added to the Russell 1000 Index, 24 of which are moving up from the Russell 2000 Index. Seven of the 24 companies moving up fall within the Health Care industry, four are Consumer Discretionary companies, and three Financials.

The remaining 10 companies moving from small to large cap are represented by the Utilities, Real Estate, Industrials, Telecommunications, Consumer Staples, and Basic Materials industries.

At this year's reconstitution, three recent IPOs are being added to the Russell 2000 Index, two from Industrials and one from the Energy industry. Another 192 companies are shifting up from the Russell Microcap Index (with notably 81 allocated to the Health Care industry, 34 to Financials, and 25 to Industrials).

Style: Growth and Technology Companies Retake the Lead

Growth stocks reversed course beginning in 2023, ending the one-year period as of April 28, 2023, with a total return above that of Value stocks. The Russell 2000 Value Index saw a total return of -8.0% in the year ending April 28, 2023, compared to the Russell 2000 Growth Index at 0.7%. On the large cap front, the Russell 1000 Value Index had a total return of 1.2% versus the Russell 1000 Growth Index at 2.3%.

The Russell US Style Indexes provide an objective measure of growth-oriented and value-oriented US company performance by weighting index constituents based on their relative growth or value characteristics, calculated using three highly representative variables. Most companies are 100% growth or 100% value-oriented, but some companies reflect a blend of both growth and value characteristics.

The largest addition to the Russell 1000 Growth Index by size is S&P Global, which shifted from 100% Value to 8% Growth. The largest addition by weight is Motorola Solutions, shifting from 100% Value to 92% Growth. The largest company leaving the Russell 1000 Growth Index by size is Walt Disney Co, and the largest index deletion by weight is IBM; both shifting from partially Growth to 100% Value.

The largest addition to the Russell 1000 Value Index by size is Nike, and largest addition by weight is Union Pacific Corp; both shifting from 100% Growth to partially Value. The largest company leaving the Russell 1000 Value Index by size is Alphabet, and the largest deletion by weight is Meta; both going from partially Value to 100% Growth.

Technology remains the largest industry in the Russell 1000 Growth Index, with its weight increasing to 50%, while the largest industry in the Russell 1000 Value Index continues to be the Financials industry, which saw a slight weight increase to 18.5%.

Today's posting of the preliminary lists of additions and deletions is the first public step in the annual reconstitution process for the Russell US Indexes. Updates to the lists will be posted to the FTSE Russell website after US market close on May 26, June 2, June 9 and June 16. If any changes to the publicly announced membership lists occur during the query period, technical notices will be published on the FTSE Russell website. The 2023 Russell Reconstitution takes effect and the newly recalibrated indexes begin to operate at the open of US markets on Monday, June 26.

To complete this year's Russell US Indexes Reconstitution, FTSE Russell uses primary exchange closing prices from NYSE and Nasdaq. 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 23.

FTSE Russell is excited to celebrate the close of this year's Russell Reconstitution with Nasdaq officials at the June 23 closing bell ceremony, marking the 20th anniversary of the Nasdaq Closing Cross utilized at the close of Russell's annual Reconstitution.

– Ends –

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