

## WHY INDEX RECONSTITUTION?

# Because markets change

We remove subjectivity and include transparency so you receive an index that's representative, reliable and relevant. Here is how it works and why it's important.

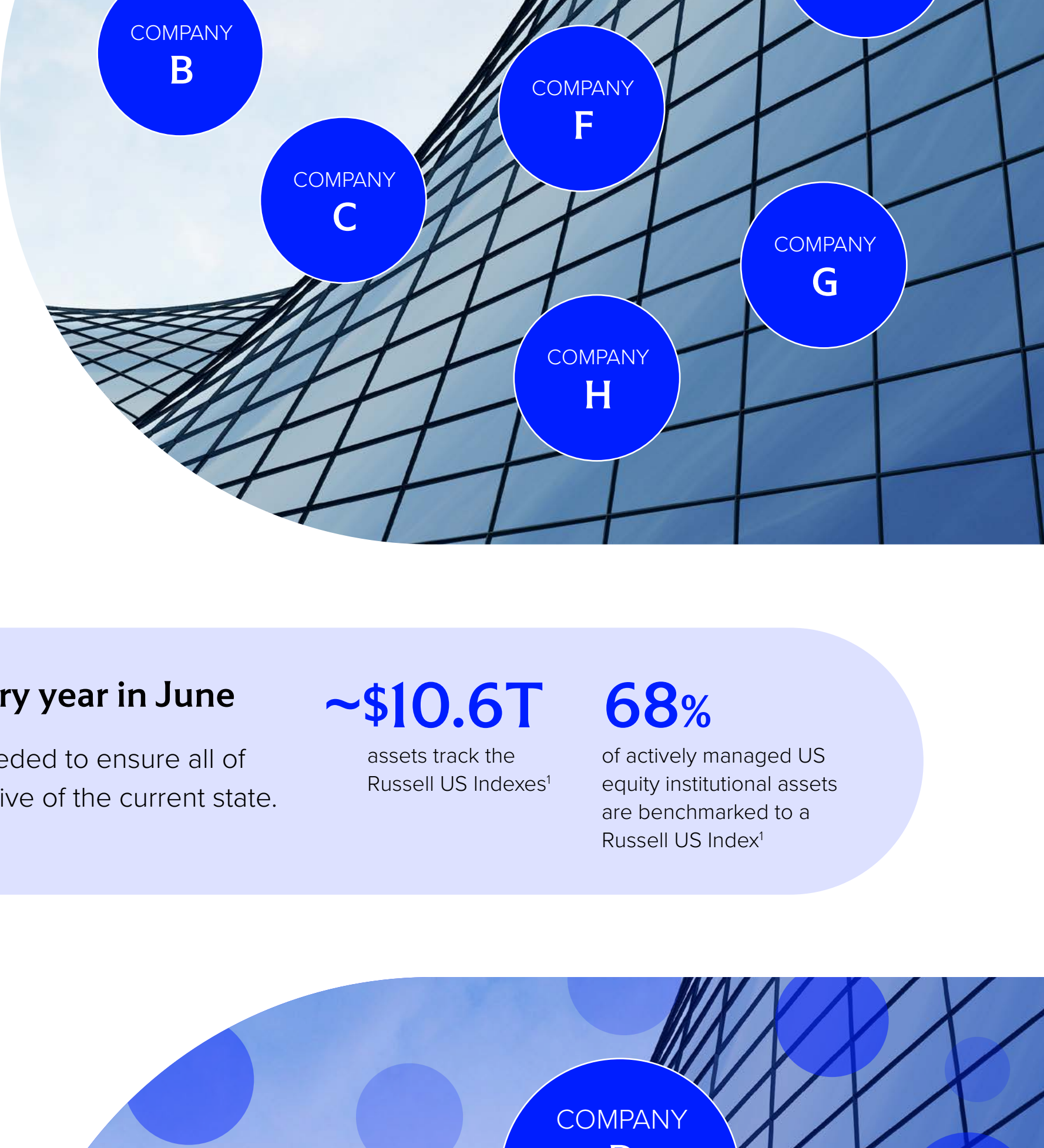


## Markets change

There are approximately 7,000 publicly traded companies in the US market. Its size and composition is always changing.

### How the market is tracked

The Russell US Indexes offer a complete and precise view of the US equity market, including its size and style segments.



## We refresh the data every year in June

A routine, annual process is needed to ensure all of our indexes remain representative of the current state.

~\$10.6T assets track the Russell US Indexes<sup>1</sup>

68% of actively managed US equity institutional assets are benchmarked to a Russell US Index<sup>2</sup>

## 1 Start with all publicly traded US companies



## 2 Refine the universe

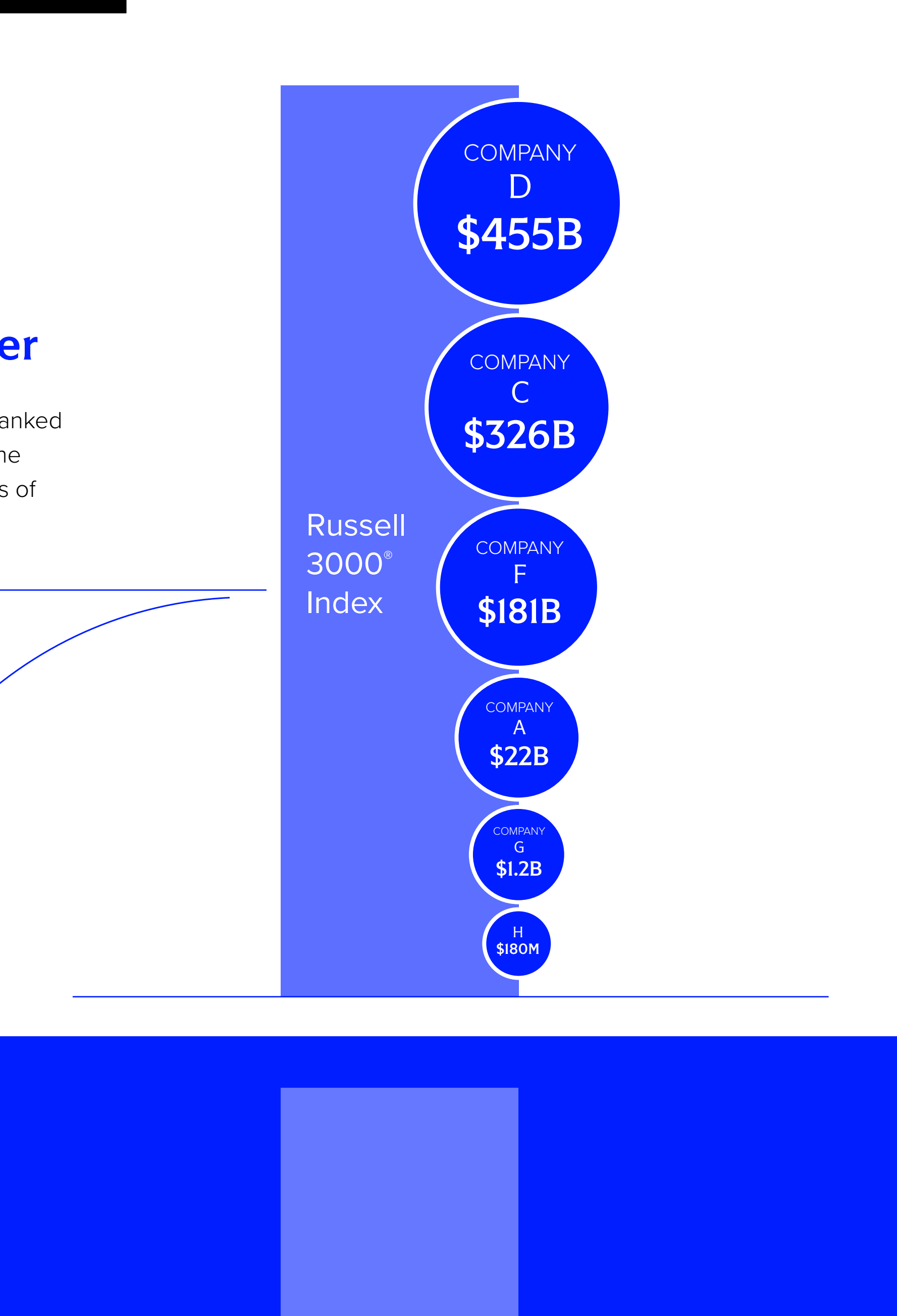
Remove securities that are ineligible due to company structure, size, share type, exchange, and more.



Do you know the eligibility requirements for the Russell US Indexes? [View](#)

## 3 Rank in descending order

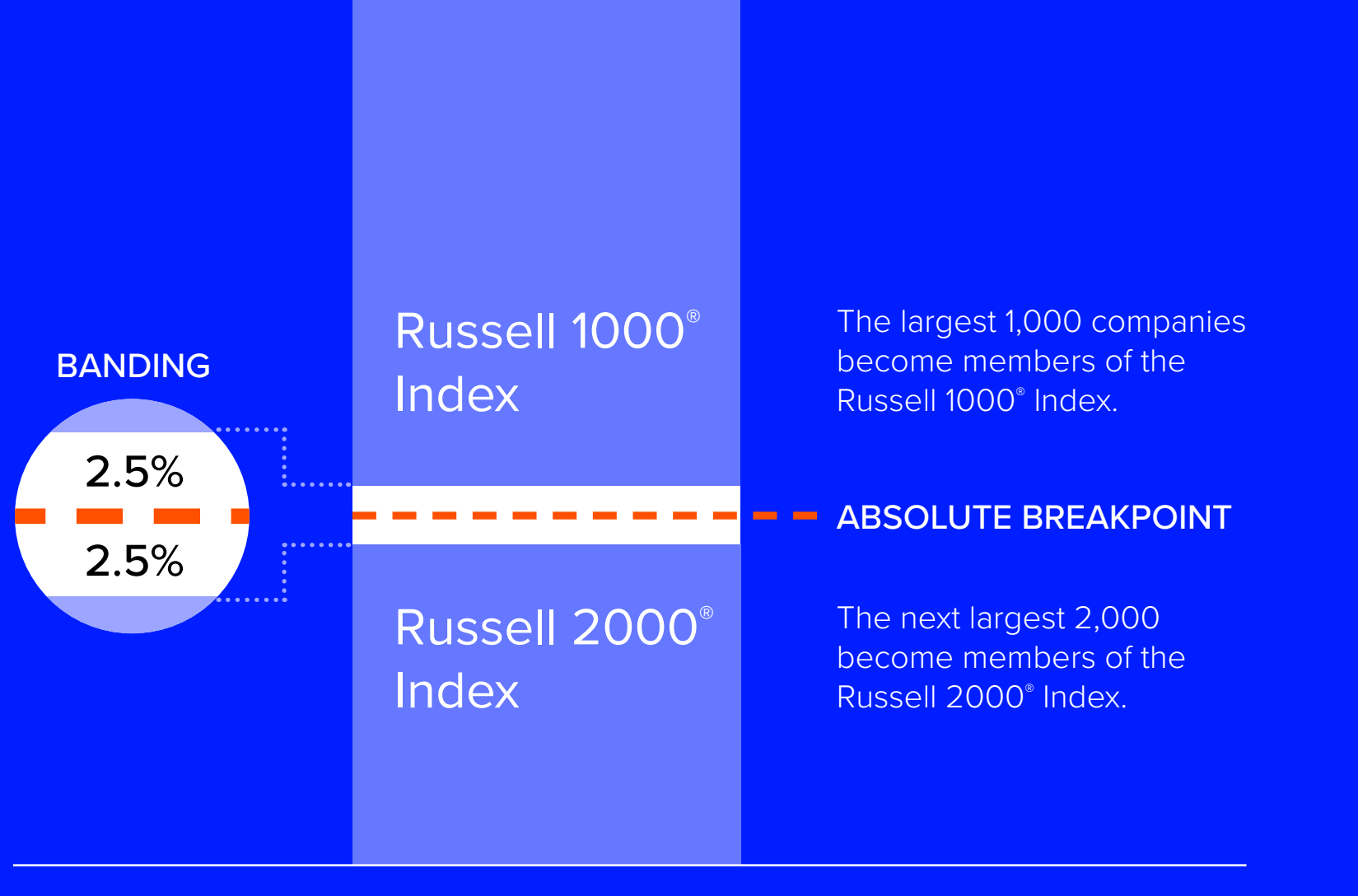
The remaining companies are ranked by total market capitalization. The largest 3,000 become members of the Russell 3000<sup>®</sup> Index.



## 4 Determine market segments

Members of the Russell 3000 Index are segmented based on size. This process determines the absolute breakpoint between large and small cap indexes.

Each company's weight in the index is based on its float adjusted market cap.

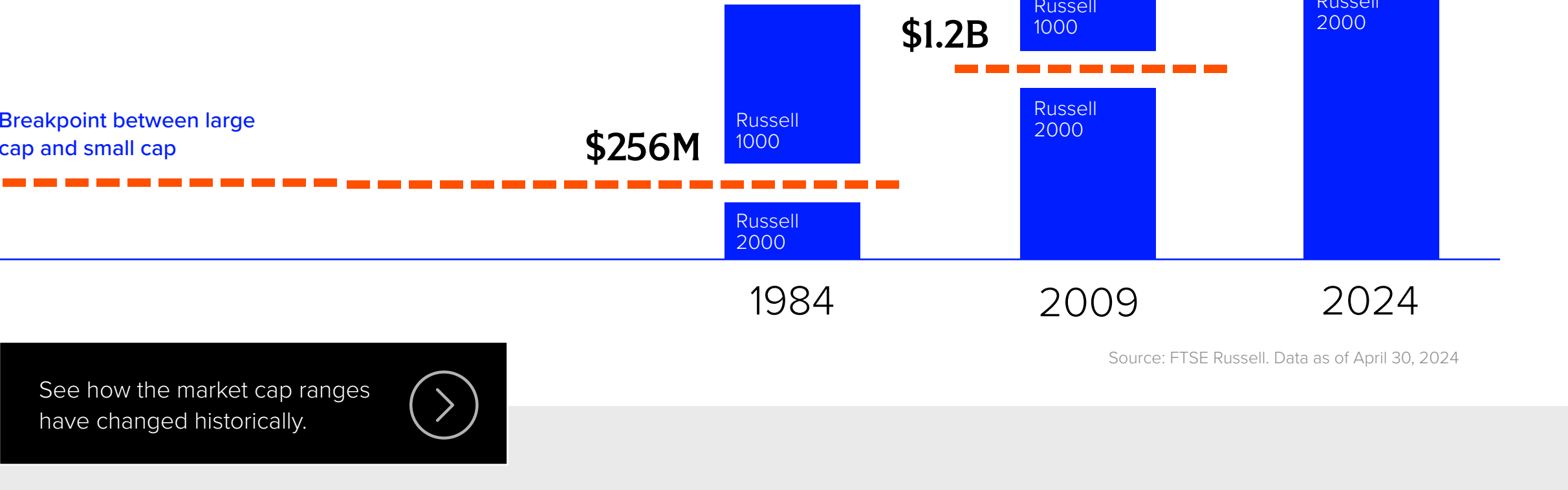


## Banding minimizes unnecessary turnover

New index members are assigned to the Russell 1000 Index or Russell 2000 Index based on the absolute breakpoint. Existing members will only move between large and small cap segments if their new market cap falls outside of a 5% band placed around the breakpoint.

## The breakpoint is adjusted every year

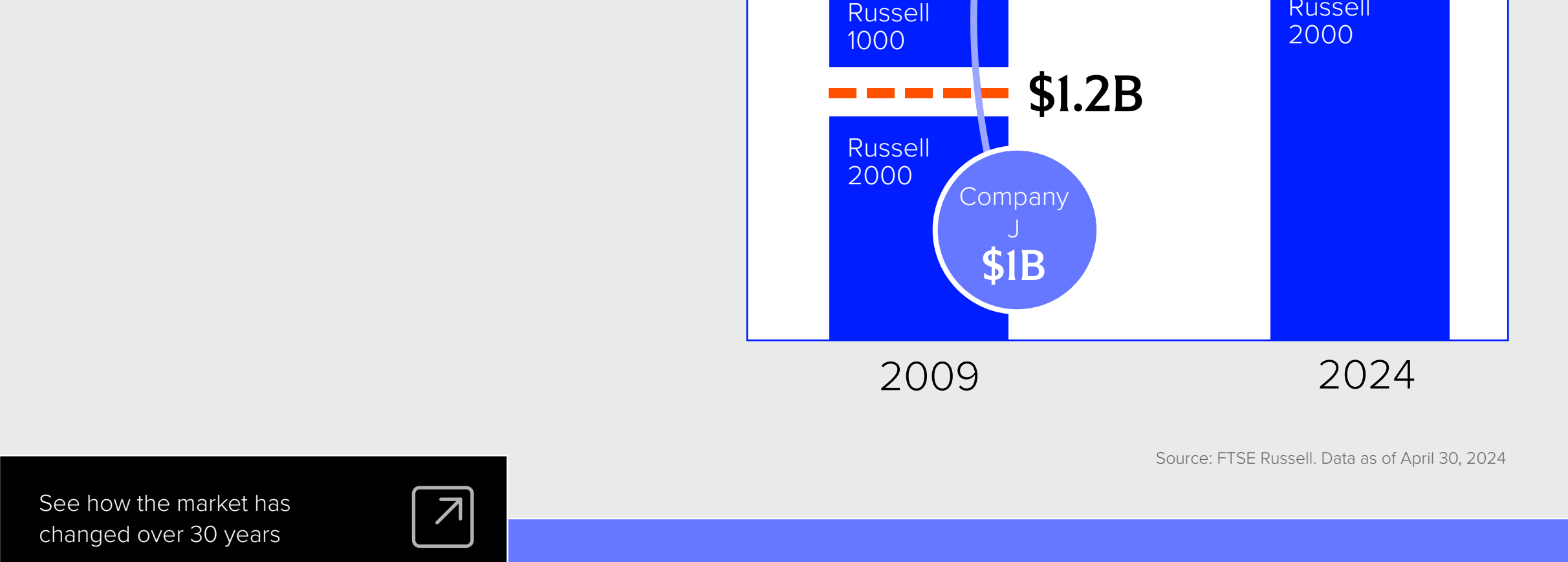
By comparing breakpoints across time, you can see how much the market has continued to change.



See how the market cap ranges have changed historically. [View](#)

## How to ensure accurate representation

It is important to capture shifts in the size of the overall market and individual companies over time.

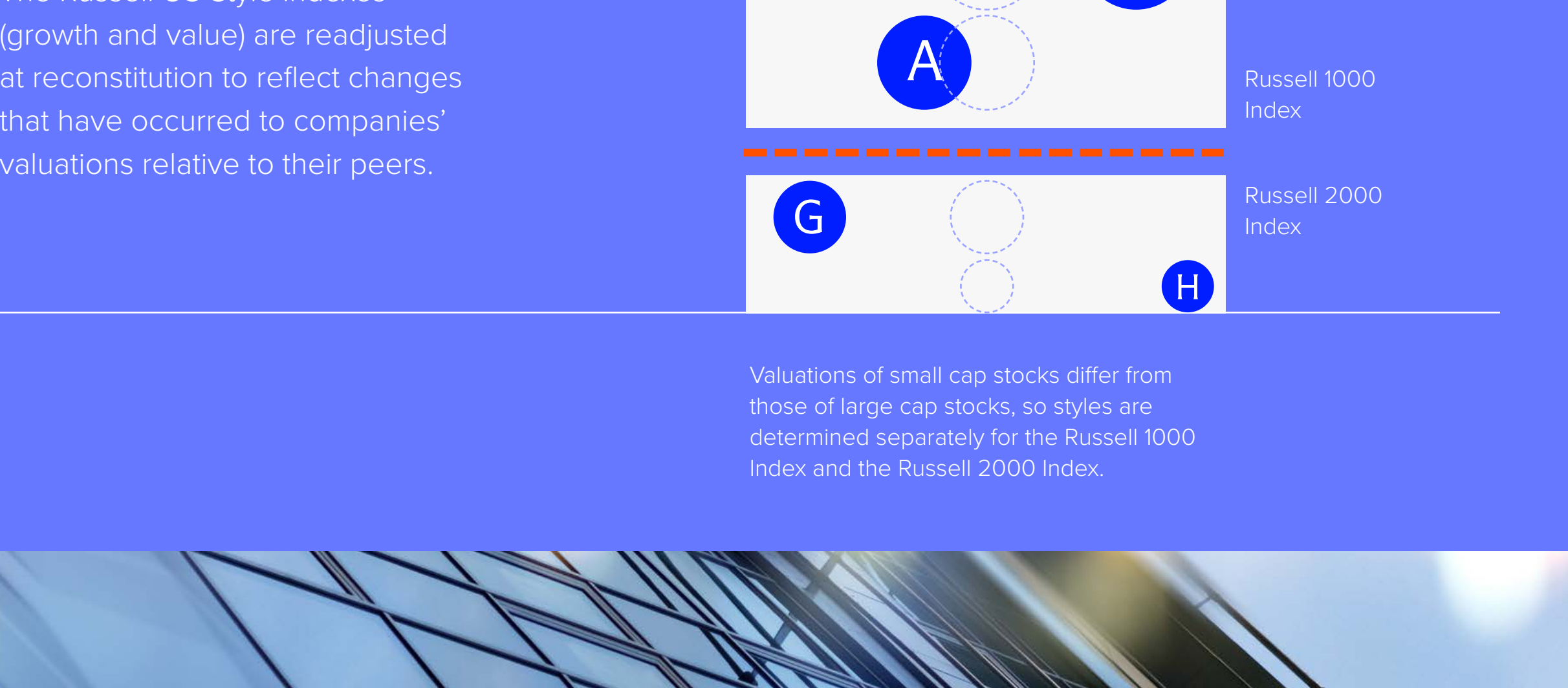


See how the market has changed over 30 years. [View](#)

## 5 Styles are readjusted, too

Style characteristics of the market are not static – neither are the styles of individual companies.

The Russell US Style Indexes (growth and value) are readjusted at reconstitution to reflect changes that have occurred to companies' valuations relative to their peers.



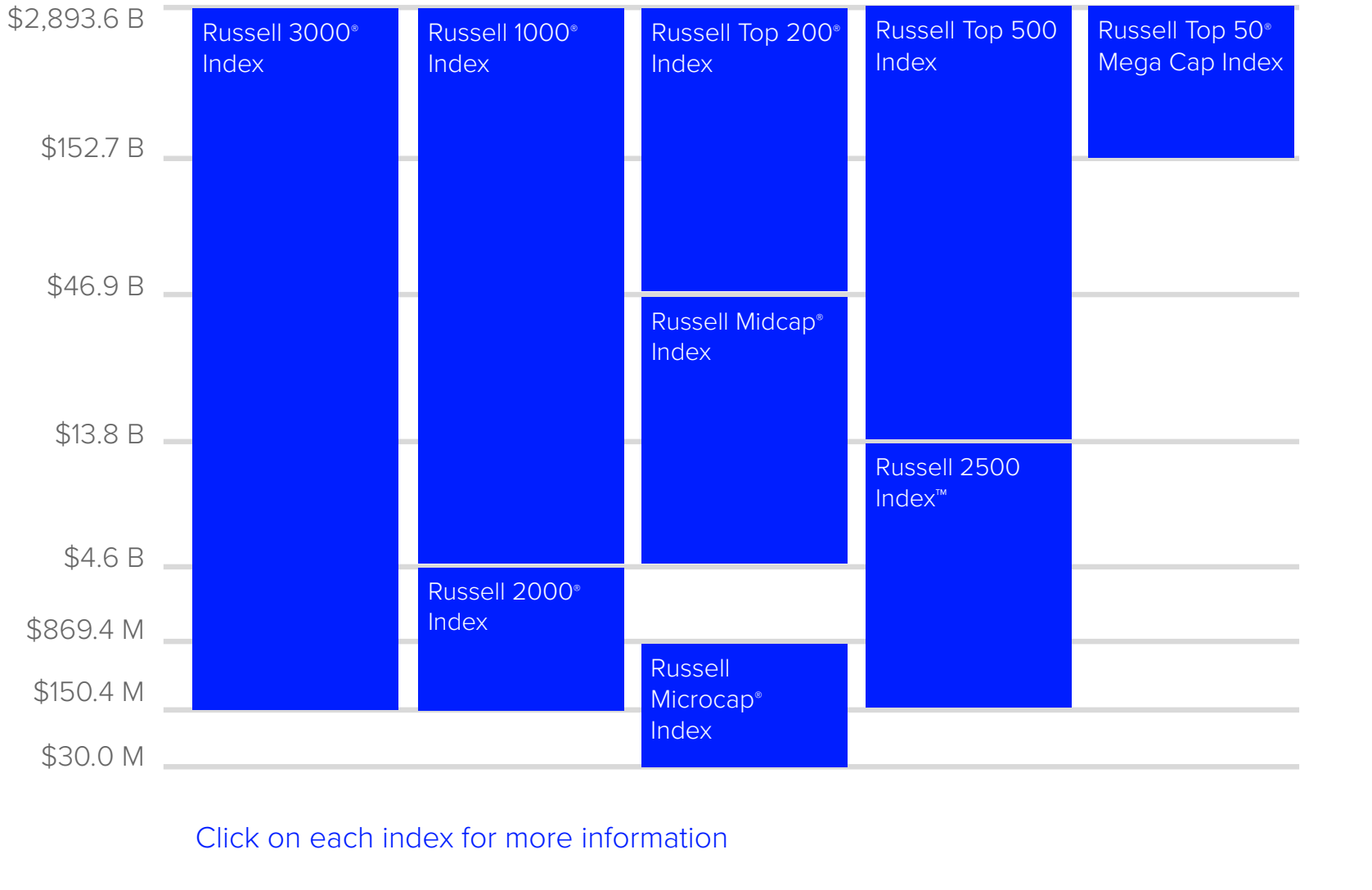
Valuations of small cap stocks differ from those of large cap stocks, so styles are determined separately for the Russell 1000 Index and the Russell 2000 Index.

## Additional segmentation adds modularity & flexibility

Together, the Russell US Indexes provide a precise picture of the entire market and its segments.

### Why is reconstitution completed annually?

Along with regular maintenance, such as quarterly share adjustments and IPO inclusions, this annual process ensures accurate market representation while minimizing unnecessary turnover.



Click on each index for more information

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FTSE Russell is a leading global provider of benchmarking, analytics and data solutions for investors, giving them a precise view of the market relevant to their investment process.

**Footnotes**  
<sup>1</sup>Data as of December 31, 2023 as reported on April 1, 2024 by eVestment for active institutional funds, Morningstar for active retail mutual funds, insurance products, and ETFs. Passive assets directly collected by FTSE Russell are not included. AUM includes blended/benchmarked 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, 2023, 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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