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Notes from the Desk



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“Updates to the indices could impact investors’ exposure to specific companies, sectors and investment styles.”

FTSE Russell’s U.S. indices saw multiple changes as a result of its just-completed reconstitution process, and several of those updates are particularly noteworthy.

During reconstitution, companies are added to or removed from specific indices to reflect changes in their market capitalization and other characteristics. Some may gain or lose index weight. In other cases, a company will switch from a growth-style index to a value index, or vice versa.

As a result of this latest reconstitution:

- The Russell 1000® Value Index gained significantly more exposure to several Magnificent Seven companies.
- The semiconductors and semiconductor equipment industry makes up a meaningfully larger part of the Russell 1000® Growth Index.
- Multiple companies are moving to new indices because of substantial increases in market capitalization, as they have benefited from increased spending on artificial intelligence.

Reconstitution, which occurs every June, performs an important function: It refreshes Russell’s indices to ensure they accurately represent the state of the U.S. equity market.

It’s important for investors to understand what’s changing specifically. The Russell indices serve as the benchmarks for a wide range of funds and ETFs, and they influence which equities those investment products hold. Updates to the indices could in turn impact investors’ exposures to companies, sectors and investment styles.

How the Russell Indices Are Constructed

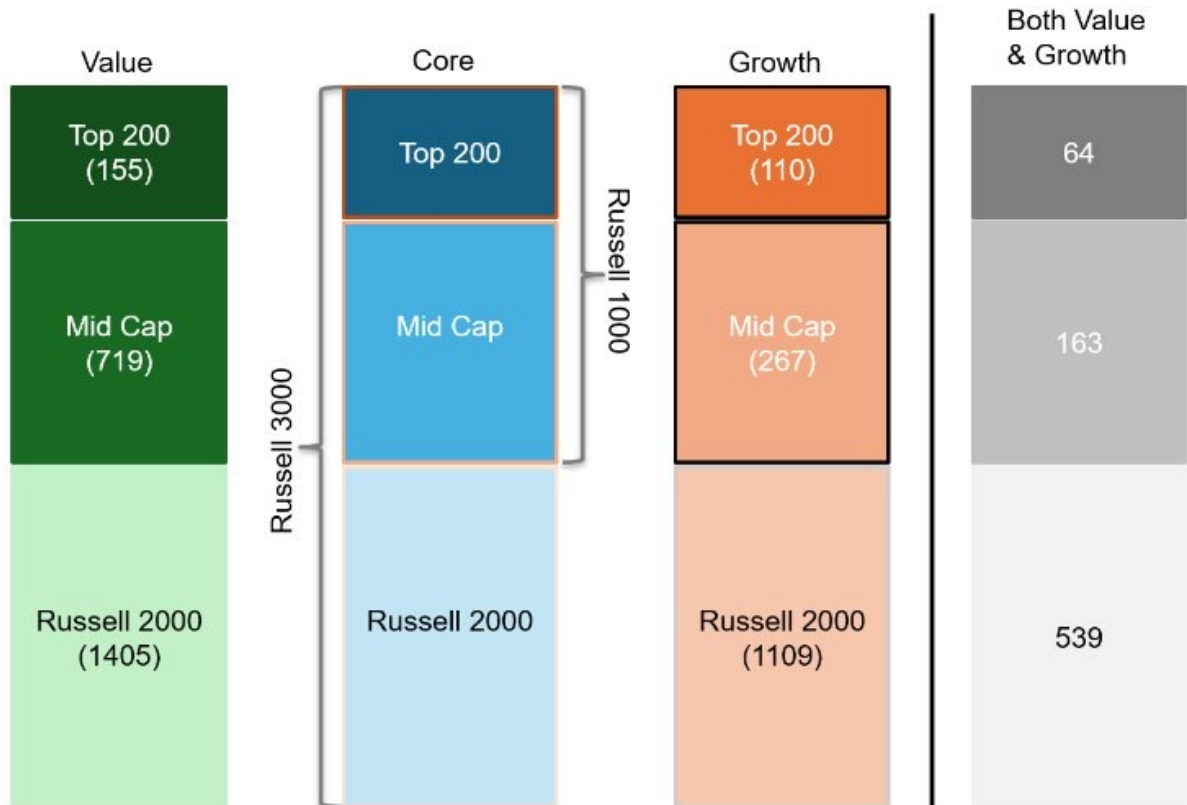
FTSE Russell maintains multiple indices tracking the U.S. equity market, and each one has a slightly different focus.

- The Russell 3000® Index holds about 3,000 of the largest stocks in the U.S. equity market, aiming to provide “total market” exposure. It has two subsets: the Russell 2000® and the Russell 1000®.
- The Russell 2000 is a small-cap index that includes about 2,000 of the smallest stocks in the Russell 3000.
- The Russell 1000® Index covers mid- and large-cap stocks. It has two subsets: the Russell Midcap® holds roughly 800 mid-cap names, and the Russell Top 200® has around 200 large-caps.

Additionally, FTSE Russell produces Growth and Value style indices for all the products listed above. Companies are sorted into Growth and Value according to their book-to-price ratio, five-year historical sales-per-share and other characteristics. Some companies may be included in both Growth and Value indices.

The style indices include any stocks that appear in the main index and meet the standards for that style. The Russell 2000® Growth Index, for example, contains 1,109 names while the Russell 2000® Value has 1,405.

Figure 1 | Russell Indices' Number of Holdings



Source: Factset. Data as of 6/28/2026

Russell 1000 Value Gains More Exposure to Magnificent Seven Stocks

Some of the world's largest artificial intelligence-exposed firms now account for a larger share of the Russell 1000 Value, increasing its exposure to the AI theme.

Amazon had almost all its weight shift from Russell 1000 Growth to Value, where it now represents nearly 6% of that index and is the largest position. The consumer discretionary sector, where Amazon lives, expanded from roughly 6.5% weight to nearly 10.5%.

Apple and Microsoft, which had only been in Growth, also had some of their weight move to Value.

It's important to note that not all the Magnificent Seven's moves are away from Growth. Alphabet, which joined the Value index during last year's reconstitution, left Value entirely and shifted back to Growth this year.

These changes affect the Russell 1000 Growth as well. The Magnificent Seven will constitute a smaller but still significant share of the index, around 43% instead of 50%.

Semiconductors and Semiconductor Equipment Make Up 32.5% of Russell 1000 Growth

The industry already held a considerable amount of weight in the Russell 1000 Growth Index – about 23.5% previously – and the reconstitution added 9 percentage points to that total.

As a result, the semiconductor industry, on its own, will outweigh all Growth sectors except the one it belongs to: information technology.

IT's weight in Russell 1000 Growth increased from 51.4% to 53.9%. Semiconductors' large gains were mostly offset by decreases in the software and computers & peripherals industries.

AI-Related Growth Fuels Changes in Russell 2000

Spending on AI development and infrastructure has led to higher share prices and market capitalizations for several small-cap companies, resulting in a series of index shifts.

Bloom Energy jumped from the small-cap Russell 2000 to the mega-cap Russell Top 200, the first time a company has skipped over mid-cap. Credo Technology Group, Sterling Infrastructure and Fabrinet moved from the Russell 2000 to the Russell 1000.

Losing firms like these means the Russell 2000's weighted-average market capitalization was cut nearly in half. The index's industrials and IT sectors each lost about 4 percentage points in weight.

In Russell 2000 Growth, the industrials sector lost 7 percentage points of index weight, while health care gained and remained the style index's largest sector.

In Russell 2000 Value, financials increased in weight, remaining the largest group. Technology shrunk by 4 percentage points.

Major Moves in Tech in Midcap Value and Growth

In Midcap Growth, the technology sector grew significantly, gaining 12.2 points in index weight, becoming the index's largest sector at over 30% and reversing a steep drop in weight last year. Consumer discretionary, which gained last year, lost more than 8 points this time.

In Midcap Value, tech lost nearly 7 points as firms like Sandisk, Western Digital and Corning left the index and vaulted to the Russell Top 200 Growth. They benefited from higher AI-related demand for storage and optical. Industrials is now Midcap Value's largest sector.

A Second Reconstruction is Coming in December

Starting this year, FTSE Russell will conduct two reconstitutions per year: in June and December. While the June reconstitution continues to be a comprehensive reset of both market capitalization and style (Value vs. Growth), the December update operates with specific adjustments:

- **Market Capitalization:** The December rebalance fully recalculates index memberships based on market capitalization breakpoints, capturing companies that have moved up or down (e.g., graduation between the Russell 2000 and Russell 1000).
- **Style Indices:** To prevent excessive turnover, the Russell style indices are fully rebalanced just once a

year in June, but membership adjustments (such as stocks moving to a different market-cap tier) are updated in December.

- **IPO and Share Changes:** Quarterly IPO additions and float/share adjustments are incorporated into the December reconstitution.
- **Effective Date:** The changes take effect after the close of business on the second Friday of December.

SpaceX Joins the Russell 1000 Growth and Value Under New “Fast Entry” Rule

Russell implemented a methodology change to allow for newly listed public companies (IPOs) meeting certain requirements to be added to an index quicker than before. Specifically:

- IPOs will be eligible for potential fast entry if their investable market capitalization is greater than the Russell Top 500's market-adjusted total market capitalization breakpoint as of the previous reconstitution.
- Investable market capitalization is based on two factors: the free float shares available at the time of the IPO and the closing price on the first trading day.
- If IPOs have less than 5% free float or voting rights at the time of listing because of lock-up arrangements, they may remain eligible if those lock-ups lead to the IPO meeting the minimum requirements within 12 months from the date of index inclusion.
- Eligible IPOs will be added after the close of the fifth day of trading following the initial listing. FTSE Russell will provide notice confirming the effective date.
- What if a fast-entry IPO's effective addition date falls within the lockdown period of a reconstitution? The IPO will be added in conjunction with the reconstitution.

SpaceX was added to both the Russell 1000 Growth (23 bps) and Russell 1000 Value (2 bps) indices in the communication services sector on the reconstitution date as a result of this new methodology.

Our View

- The latest Russell reconstitution included several updates that impacted the makeup of these indices. Those include a larger Magnificent Seven presence in the Russell 1000 Value and an off-setting decrease in the Russell 1000 Growth.
- The potential impact of these moves will vary by fund and investor. An update could meaningfully alter exposure for one, while having little or no effect on another.
- Understanding the changes can allow investors to consider what moves, if any, they need to make in their own portfolios.

As active managers, we believe it is important to recognize the changing characteristics of the Russell benchmarks. This allows us to align our relative positioning to reflect where our teams are finding the most attractive opportunities while also managing unintended risk exposures.

If you have further questions about the reconstitution, please contact us to learn more.

See the tables on the following pages for an in-depth view of the new sector weights and the most notable stock changes across the Russell indices.

Russell Reconstitution Sector Weight Changes by Index

Sector	Large Cap		Mid Cap		Small Cap	
	Russell 1000 Value	Russell 1000 Growth	Russell Mid Cap Value	Russell Mid Cap Growth	Russell 2000 Value	Russell 2000 Growth
Communication Services	-3.89	4.66	-0.11	0.87	-0.17	0.09
Consumer Discretionary	4.01	-4.43	0.80	-8.08	1.42	1.49
Consumer Staples	0.85	-1.34	0.90	0.45	0.98	-0.17
Energy	-0.34	0.07	-0.48	0.36	-0.9	2.19
Financials	-0.05	-1.13	2.07	-3.62	3.86	0.13
Health Care	1.59	-2.35	2.20	-0.30	-0.02	4.31
Industrials	-1.87	1.97	-0.14	-4.1	-0.33	-6.96
Information Technology	0.01	2.55	-6.63	12.24	-4.98	-2.28
Materials	-0.05	-0.07	0.43	1.32	-1.19	1.11
Real Estate	-0.13	0.00	0.37	0.89	0.95	0.25
Utilities	-0.14	0.04	0.61	-0.03	0.38	-0.16

Source: Factset. Data as of 6/28/2026

Top 10 Weights Before and After Reconstitution in Russell 1000 Value and Growth

Russell 1000 Value Before

Top 10	Weight
Micron Technology	3.68%
Berkshire Hathaway	2.67%
JPMorgan Chase	2.60%
Alphabet Inc. Class A	2.03%
Amazon.com	1.78%
Johnson & Johnson	1.78%
Exxon Mobil	1.68%
Intel	1.65%
Alphabet Inc. Class C	1.64%
Walmart	1.32%

Russell 1000 Value After

Top 10	Weight
Amazon.com	5.80%
Apple	5.27%
Microsoft	3.88%
Berkshire Hathaway	2.60%
JPMorgan Chase	2.47%
Johnson & Johnson	1.72%
Exxon Mobil	1.59%
Intel	1.58%
Walmart Inc.	1.30%
Cisco Systems	1.26%

Russell 1000 Growth Before

Top 10	Weight
NVIDIA	12.79%
Apple	11.67%
Microsoft	7.97%
Broadcom	5.06%
Amazon.com	4.67%
Alphabet Inc. Class A	3.73%
Tesla	3.25%
Eli Lilly and Company	3.13%
Alphabet Inc. Class C	3.02%
Meta Platforms	2.98%

Russell 1000 Growth After

Top 10	Weight
NVIDIA	13.90%
Apple	6.88%
Alphabet Inc. Class A	6.09%
Broadcom	5.26%
Alphabet Inc. Class C	4.93%
Microsoft	4.29%
Micron Technology	3.95%
Tesla	3.43%
Meta Platforms	3.06%
Eli Lilly and Company	2.99%

Source: Factset. 'Before' data as of 6/26/2026, 'After' data as of 6/28/26

Largest Weight Increases and Decreases in Russell Indices

Russell 1000 Value

Top 5 Increases	Weight Change	Top 5 Decreases	Weight Change
Apple	5.27%	Micron	-3.68%
Amazon.com	4.01%	Alphabet (A & C)	-3.67%
Microsoft	3.88%	Caterpillar	-1.18%
AbbVie	1.16%	Applied Materials	-1.04%
Costco	0.67%	AMD	-1.01%

Russell 1000 Growth

Top 5 Increases	Weight Change	Top 5 Decreases	Weight Change
Alphabet (A&C)	4.27%	Apple	-4.79%
Micron	3.95%	Amazon.com	-4.08%
Caterpillar	1.22%	Microsoft	-3.68%
NVIDIA	1.11%	AbbVie	-1.34%
Applied Materials	1.08%	Costco	-0.80%

Russell Mid Cap Value

Top 5 Increases	Weight Change	Top 5 Decreases	Weight Change
Edwards Lifesciences	0.51%	Sandisk	-2.70%
Becton, Dickinson	0.43%	Western Digital	-1.80%
Keurig Dr Pepper	0.42%	Corning	-1.56%
American Int'l Group	0.39%	Cummins	-0.85%
PayPal	0.39%	BNY Mellon	-0.83%

Russell Mid Cap Growth

Top 5 Increases	Weight Change	Top 5 Decreases	Weight Change
Snowflake	2.36%	Vertiv	-3.78%
Teradyne	1.94%	Howmet Aerospace	-3.52%
Simon Property Group	1.52%	Quanta Services	-2.56%
Lumentum Holdings	1.50%	Hilton Worldwide	-2.48%
Robinhood Markets	1.45%	Monolithic Power Sys	-1.99%

Russell 2000 Value

Top 5 Increases	Weight Change	Top 5 Decreases	Weight Change
Lumen Technologies	0.45%	TTM Technologies	-1.17%
Life Time Group	0.36%	EchoStar	-0.79%
Selective Insurance	0.34%	Cipher Digital	-0.50%
VSE	0.33%	Coeur Mining	-0.49%
Cabot	0.29%	Praxis Precision	-0.46%

Russell 2000 Growth

Top 5 Increases	Weight Change	Top 5 Decreases	Weight Change
Jfrog	0.58%	Bloom Energy	-3.03%
Cipher Digital	0.54%	Credo Technology	-2.11%
Praxis Precision Med.	0.46%	Sterling Infrastructure	-1.32%
MaxLinear	0.45%	Fabrinet	-1.04%
EnerSys	0.44%	Guardant Health	-1.02%

Source: Factset. Data as of 6/28/26

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