

Executive summary

Russell Indexes reconstitution



Reconstitution

What is it?

Construction & methodology

Why reconstitution is important



Reconstitution

What is it?



We rebalance

the Russell family of
indexes, including U.S.
and Global Indexes
simultaneously
every year...



to ensure the
indexes accurately
reflect the
**changing
market**
environment...



avoid
capitalization
& style
slippage...

and ensure the
true opportunity
set is accurately represented
for each asset class.

For example

A small-cap security can

grow

into the mid-cap range
over time.

For example

Lack of complete
reconstitution results in
sector,
capitalization
and style
biases...

all of which
challenge the
ability of an index to
represent
the market.

How to meet the challenge?

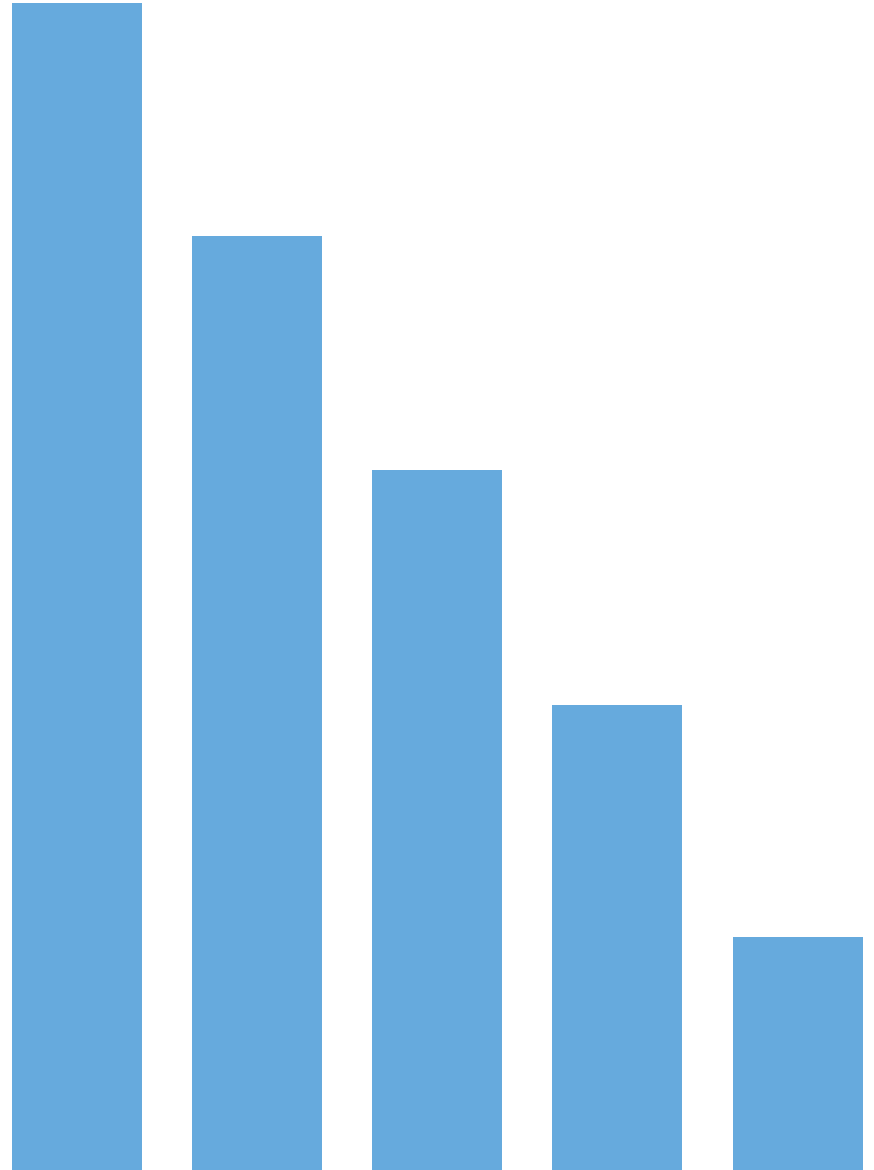
Reconstitution

Reconstitution construction & methodology

Determining membership for the
Russell 3000[®] Index

Russell 3000® Index

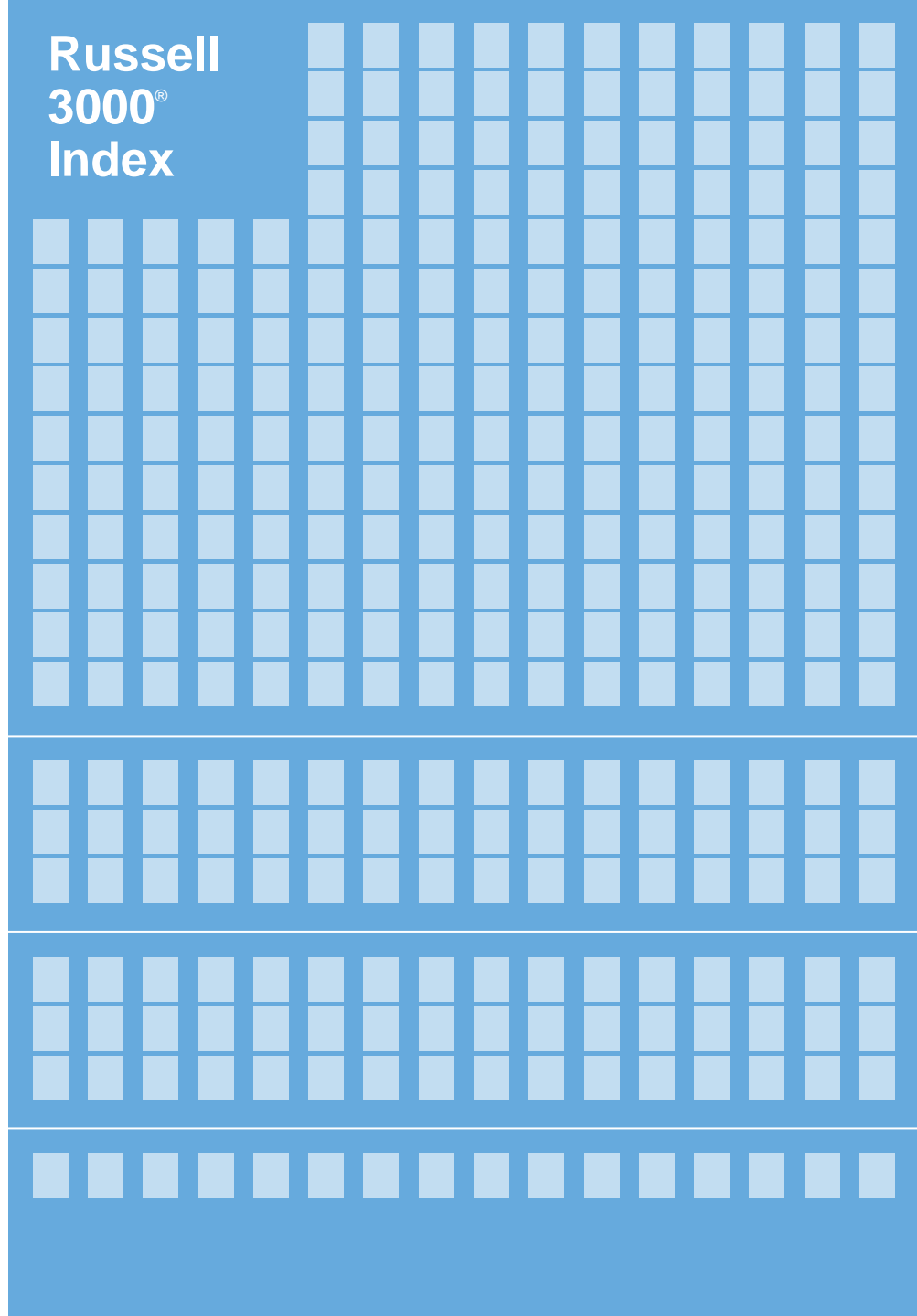
We rank the U.S. common stocks from **largest to smallest** market capitalization at each annual reconstitution period (end of May)



Large Cap

Russell
3000[®]
Index

Top 3,000 stocks
become the
Russell 3000 Index



Microcap

Large Cap

Russell
3000®
Index

Russell
1000®
Index

Largest 1,000
stocks become the
Russell 1000 Index

Microcap

Large Cap

Russell
3000®
Index

Russell
1000®
Index

Next 2,000

stocks become the
Russell 2000 Index

Banding is applied to
existing members of the
underlying indexes

Russell
2000®
Index

Microcap

Inclusions

U.S. incorporated companies or companies incorporated in a BDI country.*

Must trade on major U.S. exchange on the last business day in May.

*See U.S. Index construction methodology

Exclusions

Stocks trading below \$1.00*

- Pink sheet and bulletin board stocks
- Closed-end mutual funds, limited partnerships, royalty trusts, etc.
- Blank check/SPAC companies

Exclusions

Stocks trading below \$1.00*

- Foreign stocks and American Depositary Receipts (ADRs)
- Other adjustments for cross ownership and privately held shares, to reflect shares available for trading
- Companies under \$30M in total market cap

*Average used for the month of May for existing members.

Maintenance

Stocks deleted between reconstitution dates are *not* replaced.

Spin-offs and initial public offerings are the only additions between reconstitution dates.

Quarterly IPO additions to reflect newly available securities. Stocks that are not IPO additions are added only at reconstitution.

Why is
reconstitution
important?
markets **change**

The U.S. and global
markets see a lot of

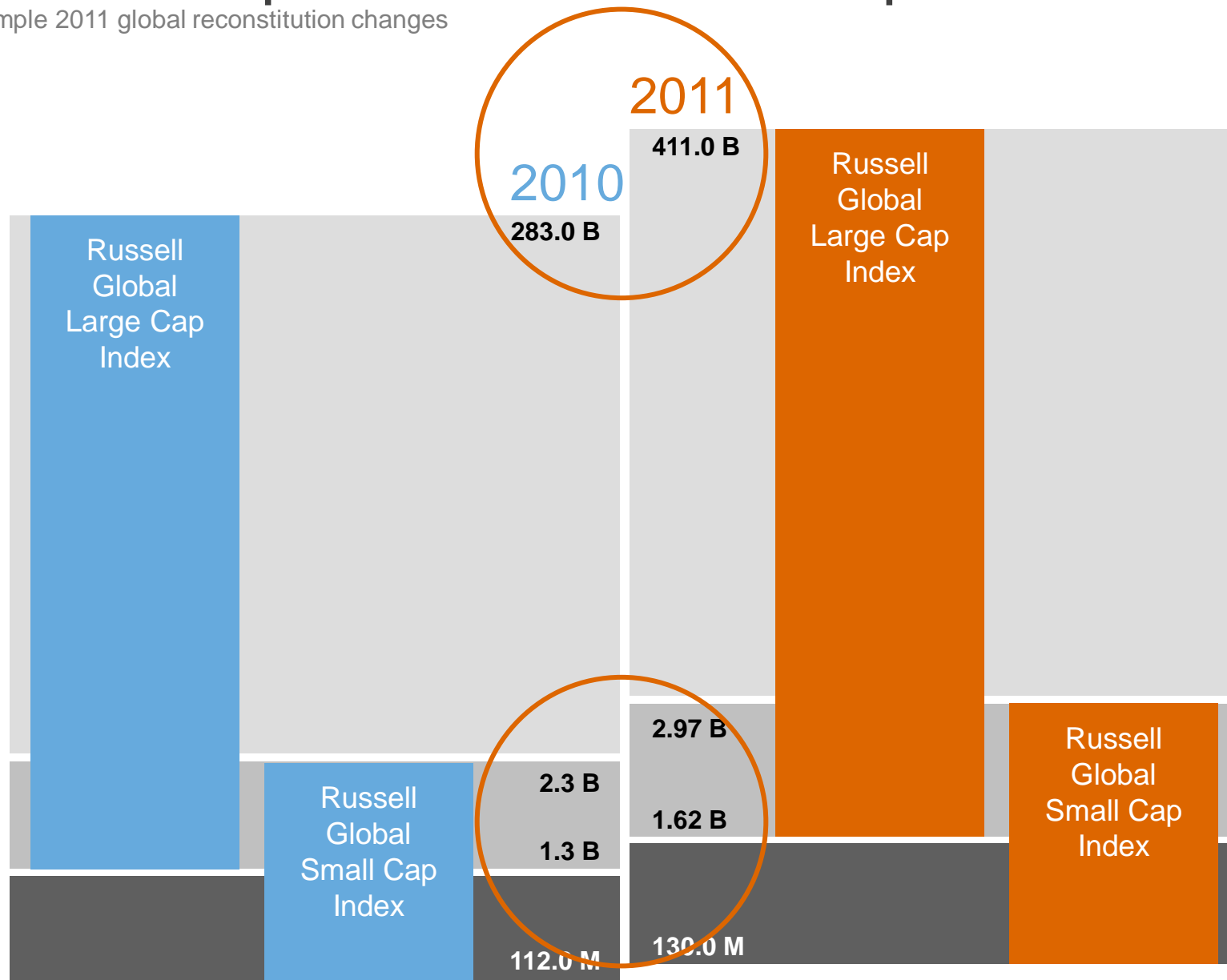
change

each year.

Here is a sample of the
global reconstitution
change
from 2011

Market capitalization rank comparison

Sample 2011 global reconstitution changes



SOURCE: Russell Investments. As of May 31, 2011.

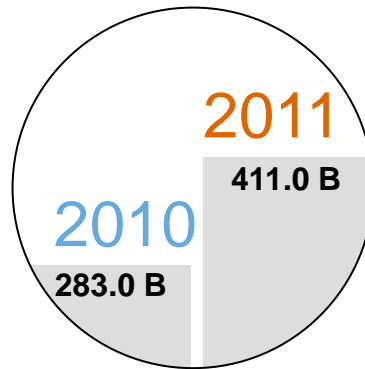
Market capitalization rank comparison

Sample 2011 global reconstitution changes

LARGE
CAP

Exxon
\$283 B

\$ weighted average
\$52.8 B

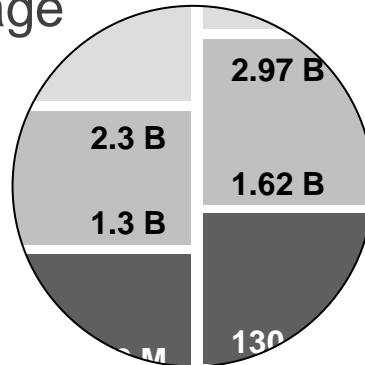


Exxon
\$411 B

\$ weighted average
\$57.75 B

SMALL
CAP

\$ weighted average
\$864 M



\$ weighted average
\$1.25 B

Russell Global Index

Sample 2011 global reconstitution changes

	2010	2011
LARGE CAP		
Adds	59	177
Deletes	37	134
# of stocks	3283	3279
SMALL CAP		
Adds	1130	844
Deletes	860	1115
# of stocks	7307	6880

Russell Global Index summary

Sample 2011 global reconstitution changes

	2010	2011
LARGE CAP		
# of stocks	10,590	10,389
Countries covered	48	48
Total market cap	\$31.6 T	\$49.7 T

Reconstitution

Why just once a year?

Our research has shown that increasing the frequency of index reconstitution increases turnover costs to investors without offsetting benefits.

Reconstitution

Why just once a year?

The combination of annual reconstitution and the quarterly addition of eligible initial public offerings (IPOs) results in the most effective balance between index turnover and market representation.

Learn more

<http://www.russell.com/indexes>



About

Russell Indexes



Russell's family of equity indexes, including the U.S. and Global Indexes, allow investors to seamlessly track performance of distinct equity markets, asset classes, sector and industry categories worldwide.



About

Russell Investments



Investment/consulting firm founded in 1936. Located in 18 countries, servicing more than 2,300 institutional clients and millions of individual shareholders in 35 countries.

Russell Indexes

by Russell Investments

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The Russell 3000® Index measures the performance of the largest 3000 U.S. companies representing approximately 98% of the investable U.S. equity market. The Russell 3000 Index is constructed to provide a comprehensive, unbiased, and stable barometer of the broad market and is completely reconstituted annually to ensure new and growing equities are reflected.

Russell 1000® Index measures the performance of the large-cap segment of the U.S. equity universe. It is a subset of the Russell 3000® Index and includes approximately 1000 of the largest securities based on a combination of their market cap and current index membership. The Russell 1000 represents approximately 92% of the U.S. market. The Russell 1000 Index is constructed to provide a comprehensive and unbiased barometer for the large-cap segment and is completely reconstituted annually to ensure new and growing equities are reflected.

Russell 2000® Index measures the performance of the small-cap segment of the U.S. equity universe. The Russell 2000 Index is a subset of the Russell 3000® Index representing approximately 10% of the total market capitalization of that index. It includes approximately 2000 of the smallest securities based on a combination of their market cap and current index membership. The Russell 2000 is constructed to provide a comprehensive and unbiased small-cap barometer and is completely reconstituted annually to ensure larger stocks do not distort the performance and characteristics of the true small-cap opportunity set.

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