

Russell Large Growth Index — New Rules, Same Concentration

August 2025

Executive Summary

FTSE Russell introduced issuer-level concentration caps to the Russell U.S. Style indexes in March 2025 to temper mega-cap dominance while preserving benchmark utility. We compare the capped “Index” and uncapped “Benchmark” at the March review and the June annual reconstitution. In March, small trims lowered the $\geq 4.5\%$ group with little effect on concentration, turnover, or tracking. In June, membership and style changes—especially a smaller Growth allocation for Amazon and Alphabet—left the $\geq 4.5\%$ group at the 45% threshold, so capped and uncapped weights matched. Taken together, the cap has operated as a guardrail: adjustments have been small, and the index remains highly concentrated in its largest names and tech-tilted sectors.

What Changed in 2025?

In March 2025, FTSE Russell added a concentration-capping framework to the Russell U.S. Style indexes. At each quarterly and annual review, no single company may exceed 22.5% of the index, and the combined weight of all companies at or above 4.5% may not exceed 45%. If either limit is breached, those weights are trimmed and the surplus redistributed across the rest of the index. Multiple share classes of the same company are tested together.

Capping Rules at a Glance

Whats Capped	Limit	Remedial Action (upon breach)
Single company	22.5%	Trim the issuer to 22.5%; redistribute the excess pro rata across uncapped constituents
All companies $\geq 4.5\%$ (combined)	45% (sum)	Pro-rate down all $\geq 4.5\%$ issuers until the sum is $\leq 45\%$; redistribute the excess pro rata across the rest of the index

Caps are calculated using closing prices on the second Friday of the review month and implemented after the third-Friday close, with the issuer-level test combining share classes. FTSE now publishes two series: the capped “Index” (benchmark default) and an uncapped “Benchmark” for analysis and continuity.

Early Impact Assessment: Capped vs. Uncapped Russell Large Growth Index

We assess impact across the March 2025 review and June 2025 reconstitution using an issuer-level comparison that isolates the effect of the changes. Our focus is concentration (maximum issuer, $\geq 4.5\%$ group, Top-10 weight), sector mix, turnover, and any post-event performance dispersion.

March 2025 Quarterly Review

Quarterly reviews now apply float/share updates, routine corporate actions, and—beginning March 2025—the 22.5/4.5/45 concentration-cap test. Because they do not reset index membership (unlike the June reconstitution), these events typically produce minimal changes and low turnover.

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At the March review, the combined weight of issuers at or above 4.5% breached 45% once Alphabet's share classes were combined. Under FTSE's methodology, those issuers were pro-rated down until the $\geq 4.5\%$ group summed to 45% or less, with the excess distributed across the rest of the index.

Post-March, the Top-10 comparison shows only slight shifts: the cap trimmed the largest names, but total Top-10 weight moved little. The effective number of holdings rose only marginally, signaling a very small decrease in concentration. Implementation effects were modest: estimated turnover for the capped series was 1.5% versus 0.9% for the uncapped and predicted post-rebalance tracking error between them was 0.2%.

Top 10 Holdings

Russell 1000 Growth Index Weight (%)

Ticker	Name	Capped	Uncapped	Difference
AAPL	Apple Inc.	11.4	11.7	-0.3
MSFT	Microsoft Corporation	10.3	10.5	-0.2
NVDA	NVIDIA Corporation	10.0	10.2	-0.2
AMZN	Amazon.com, Inc.	6.8	6.8	-0.1
META	Meta Platforms Inc Class A	4.4	4.9	-0.5
GOOGL	Alphabet Inc. Class A*	3.5	3.5	0.0
AVGO	Broadcom Inc.	3.2	3.2	0.0
GOOG	Alphabet Inc. Class C*	2.9	3.0	0.0
TSLA	Tesla, Inc.	2.9	2.8	0.1
LLY	Eli Lilly and Company	2.6	2.5	0.1
Total - Stocks $\geq 4.5\%$		44.8	50.6	-5.8
Top 10 Total		57.7	59.0	-1.2
Index Holdings		394	394	
Effective Number of Holdings (Concentration Coefficient)		21.3	20.4	

*The combined weight of Alphabet Class A and Class C is used to measure index cap levels

Note: Effective Number of Holdings represents the number of equal-weighted holdings that would produce the same concentration; higher = more diversified.

Source: FactSet

Sector weights were nearly identical, leaving overall sector concentration essentially unchanged.

Russell 1000 Growth Index Weight (%)

Sector	Capped	Uncapped	Difference
Information Technology	46.7	47.1	-0.4
Consumer Discretionary	14.9	14.8	0.1
Communication Services	13.1	13.6	-0.5
Other	25.3	24.5	0.7
Total	100.0	100.0	
Top 3 sectors	74.7	75.5	-0.7

Source: FactSet

Performance Impact

Performance (%)

Russell 1000 Growth Index

Period	Capped	Uncapped	Difference
03/21/25 to 06/27/25	14.1	14.2	-0.1

Source: FactSet

From Mar 21 to Jun 27, 2025, performance of the capped and uncapped Russell Large Growth series was very similar; the capped index lagged only marginally. Contribution shows the underweight in Apple helped, but this was more than offset by underweights in NVIDIA, Microsoft, and Meta. Concentration remained evident: the top ten holdings accounted for roughly two-thirds of total return in this window.



The Annual Reconstitution

The late-June Annual Reconstitution re-ranks the market, refreshes float-adjusted market caps, and reassigns membership across size and style. Unlike the quarterly reviews—focused on share/float updates, corporate actions, and the cap test, the June event changes membership and typically has higher turnover. This year, membership and style updates—most notably a smaller Growth allocation for Amazon and Alphabet (Class A and C), reduced the uncapped $\geq 4.5\%$ issuer group to 45%. Because the group no longer breached the threshold, the capped Index and uncapped Benchmark were identical on holdings and weights. Turnover was typical for a reconstitution and similar across series. Despite these resets, concentration remains elevated: the Top-10 holdings still comprise about 59% of the index.

Top 10 Holdings

Russell 1000 Growth Index Weight (%)

Ticker	Name	Capped	Uncapped	Difference
NVDA	NVIDIA Corporation	12.6	12.6	0.0
MSFT	Microsoft Corporation	12.5	12.5	0.0
AAPL	Apple Inc.	10.3	10.3	0.0
AMZN	Amazon.com, Inc.	5.2	5.2	0.0
META	Meta Platforms Inc Class A	4.5	4.5	0.0
AVGO	Broadcom Inc.	4.3	4.3	0.0
TSLA	Tesla, Inc.	3.0	3.0	0.0
GOOGL	Alphabet Inc. Class A*	2.2	2.2	0.0
LLY	Eli Lilly and Company	2.1	2.1	0.0
V	Visa Inc. Class A	2.1	2.1	0.0
Total - Stocks $\geq 4.5\%$		45.0	45.0	0.0
Top 10 Total		58.8	58.8	0.0
Index Holdings		385	385	
Effective Number of Holdings (Concentration Coefficient)		18.7	18.7	

*The combined weight of Alphabet Class A and Class C is used to measure index cap levels

Source: FactSet

Sector concentration also remains elevated following the June reconstitution.

Russell 1000 Growth Index Weight (%)

Sector	Capped	Uncapped	Difference
Information Technology	51.2	51.2	0.0
Consumer Discretionary	13.5	13.5	0.0
Communication Services	11.5	11.5	0.0
Other	23.7	23.7	0.0
Total	100.0	100.0	
Top 3 sectors	76.3	76.3	0.0

Source: FactSet



Upcoming Changes to the Russell Index Rebalance Timing

In 2026, FTSE Russell will move from one annual reconstitution to a semiannual cadence—June and a new November event. June remains the full membership and style refresh, while November adds a second membership reset; style indexes in November will update only for additions or membership moves, with the full style rebalance still occurring each June. The concentration caps are unchanged and will continue to be assessed at quarterly and annual reviews. The extra November reset should help prevent extreme concentration from building between Junes and spread turnover across the year; most style-level relief will still come from cap trims when thresholds are breached and from the comprehensive June rebalance.

Conclusion

In this initial period, the capping rule acted as a guardrail: adjustments were small, and overall concentration remained high in both the largest holdings and the tech- and communication-heavy sector mix. Turnover in the capped series was not meaningfully different from the uncapped version. For investors who expected a sizable redistribution away from mega-caps or a noticeable reshaping, that outcome did not materialize; the index's risk/return profile is essentially unchanged. Looking ahead, impact is likely to be episodic, activating only when mega-cap weights cross thresholds; otherwise, the capped and uncapped series should continue to track closely.

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