The Great Benchmark Reset

Why 2026 May Be One of the Most Significant Years for Index Construction in Decades

By Doug Williams, CFA | June 2026



Fast Reading:

- Benchmark rules are shifting in 2026, with FTSE Russell and S&P Dow Jones reviewing major index methodologies across reconstitution timing, IPO inclusion, style classification, and eligibility.
- Russell's changes could materially reshape Growth and Value exposures, including Amazon becoming the largest Russell 1000® Value constituent and semiconductor exposure rising sharply within Russell 1000® Growth.
- If benchmark providers are increasingly making active decisions about inclusion, classification and methodology, how passive are the benchmarks themselves?

Introduction

For decades, investors largely viewed benchmarks as relatively stable representations of the market. Indices such as the Russell 1000® Growth Index and S&P 500® Index were designed to provide broad exposure to major segments of the U.S. economy and became foundational tools for portfolio construction, asset allocation, and performance measurement.

Historically, benchmark methodologies evolved relatively slowly, market leadership changed more gradually, and benchmark construction itself rarely attracted much attention. Increasingly, however, that environment is dramatically changing.

A small number of companies now account for an unprecedented share of benchmark returns. Passive vehicles represent an enormous percentage of market flows. Private companies are remaining private for longer while reaching extraordinary scale before IPO. At the same time, benchmark providers themselves are modifying the rules governing how indices are constructed and maintained.

These developments matter because trillions of dollars are benchmarked directly or indirectly to these indices. As of June 2025, approximately $452 billion tracked the Russell 1000® Growth Index while roughly $250 billion tracked the Russell 1000® Value Index.[1] When benchmark providers modify methodologies, style assignments, or inclusion rules, the effects extend far beyond index construction itself and can influence the investment decisions of hundreds of billions of dollars tied directly to those benchmarks.

A Record Year of Change

Several of the methodology changes taking place in 2026 would be noteworthy on their own. Taken together, they represent an unprecedented period for benchmark construction.

Russell is moving from annual to semiannual reconstitution, one of the most significant changes to its U.S. index framework in years. Significant style migrations are occurring between the Russell 1000® Growth and Russell 1000® Value indices. New fast-entry IPO rules are being implemented for mega cap companies. Concentration-management frameworks introduced only recently are already being revisited. Meanwhile, S&P has completed a consultation evaluating whether to modify long-standing seasoning, float, and profitability requirements.

Viewed collectively, these developments represent one of the most significant periods of benchmark evolution in recent memory.

Russell Growth and Value Are Changing More Than Investors Realize

One of the most important consequences of this year's reconstitution is that the underlying composition of the Russell 1000® Growth and Russell 1000® Value indices is changing meaningfully.

As shown in the following exhibits, several of the market's largest companies are expected to experience substantial changes in benchmark representation. Companies such as Amazon, Apple, Microsoft, and Alphabet are driving significant shifts across both benchmarks, resulting in exposures that may look very different following reconstitution than they did at the beginning of 2025.

One notable observation is that while headline sector changes appear relatively modest, the underlying industry composition changes are far more significant. Following reconstitution, Semiconductors & Semiconductor Equipment are expected to represent approximately 32% of the Russell 1000® Growth Index, up from approximately 24% today.[2] In other words, nearly one-third of one of the market's most widely followed growth benchmarks may soon be tied to a single industry group.

In our view, this illustrates how benchmark risks can shift beneath the surface even when top-level sector exposures appear relatively unchanged.

TABLE 1: RUSSELL 1000® GROWTH TOP HOLDINGS TABLE

Company	New Weight	Current Weight	Change
NVIDIA Corporation	14.0	13.7	0.4
Alphabet Inc. Class A & C	11.1	7.0	4.1
Apple Inc.	6.7	12.0	-5.3
Broadcom Inc.	5.7	5.5	0.2
Microsoft Corporation	4.4	8.6	-4.2
Tesla, Inc.	3.6	3.4	0.2
Micron Technology, Inc.	3.3	--	3.3
Meta Platforms Inc Class A	3.3	3.2	0.1
Eli Lilly and Company	2.8	2.7	0.1
Advanced Micro Devices, Inc.	2.7	1.5	1.2

Source: FactSet, as of May 22, 2026.

TABLE 2: RUSSELL 1000® GROWTH INDUSTRY EXPOSURE BY TOP 5 LARGEST CHANGES

Industry	New Weight	Current Weight	Change
Semiconductors & Semiconductor Equipment	32.1	24.2	7.9
Software	10.5	15.2	-4.7
Interactive Media & Services	14.5	10.3	4.2
Broadline Retail	0.7	4.9	-4.2
Technology Hardware Storage & Peripherals	8.2	12.2	-4.0

Source: FactSet, as of May 22, 2026.

When Amazon Becomes the Largest Value Stock

Perhaps the most visible example of the changes occurring within Russell's style framework is Amazon.

Following reconstitution, Amazon is expected to become the largest constituent in the Russell 1000® Value Index at approximately 6.6% of the benchmark. Apple and Microsoft are also expected to become significant constituents, representing approximately 5.7% and 4.3% of the Index, respectively.[3]

What makes these changes particularly noteworthy is that Amazon, Apple, and Microsoft currently have minimal or no representation in the Russell 1000® Value Index. Following reconstitution, those three companies alone are expected to represent approximately 17% of the benchmark.[4]

For context, the entire top ten of the Russell 1000® Value Index represented approximately 17% of the benchmark at the end of 2024. Following reconstitution, the top ten are expected to represent roughly 29%.[5]

In other words, three companies that currently have limited presence in the benchmark are expected to represent as much weight as the entire top ten constituents did just eighteen months ago.

What makes these shifts particularly noteworthy is that they say less about a fundamental change in the underlying businesses and more about how Russell's methodology interprets style characteristics.

Russell determines style using one value factor – book-to-price – and two growth factors – historical sales-per-share growth and expected earnings growth. Companies are then allocated between Growth and Value according to their relative factor characteristics.

In our view, these changes highlight how dramatically benchmark exposures can evolve over time. Many investors continue to think of the Russell 1000® Value Index as a relatively stable representation of large-cap value investing. Yet the benchmark's largest holdings and primary drivers of performance may look very different following this year's reconstitution than they did only a few years ago.

TABLE 3: RUSSELL 1000® VALUE TOP HOLDINGS

Company	New Weight	Current Weight	Change
Amazon.com, Inc.	6.6	2.1	4.5
Apple Inc.	5.7	--	5.7
Microsoft Corporation	4.3	--	4.3
Berkshire Hathaway Inc. Class B	2.5	2.7	-0.2
JPMorgan Chase & Co.	2.3	2.5	-0.2
Exxon Mobil Corporation	1.8	2.0	-0.2
Johnson & Johnson	1.6	1.7	-0.1
Intel Corporation	1.5	1.6	-0.1
Walmart Inc.	1.3	1.4	-0.1
Cisco Systems, Inc.	1.3	1.4	-0.1

Source: FactSet, as of May 22, 2026.

Mega Cap IPOs Are Forcing New Rules

Perhaps nowhere was this evolution more visible than in the recent debate surrounding how future mega cap IPOs should be incorporated into major benchmarks.

Companies such as SpaceX, OpenAI, and Anthropic may eventually enter public markets at valuations measured in the hundreds of billions – or even trillions – of dollars. The challenge facing benchmark providers is straightforward: how should companies of that scale be incorporated into public benchmarks?

Russell and S&P have arrived at very different answers.

Russell has moved aggressively to address the arrival of mega cap IPOs through fast-entry rules and updated classification frameworks. SpaceX provides a useful example. Initially, many market participants expected the company to receive a meaningful Value allocation because its Starlink business would likely place it within the Telecommunications industry group. Russell ultimately departed from its historical approach and chose to evaluate SpaceX independently rather than mechanically applying the industry's average style profile.

S&P, however, recently completed its own consultation and ultimately elected not to change its S&P 500® inclusion framework. As a result, future mega cap IPOs will continue to be subject to existing seasoning periods, profitability requirements, and eligibility criteria before becoming eligible for S&P 500® inclusion. Therefore, SpaceX will still need to satisfy the existing 12-month seasoning period and profitability requirements before becoming eligible for inclusion.

In many ways, the divergence itself may be the most interesting development. Benchmark providers are looking at the same market environment, the same concentration dynamics, and the same upcoming IPOs, yet arriving at different conclusions regarding how benchmarks should evolve.

This raises an interesting question for investors: if benchmark providers are increasingly making active decisions about inclusion, classification, and methodology, how passive are the benchmarks themselves?

Why This Matters

Many investors continue to view passive benchmarks as inherently diversified simply because they own hundreds of securities. Yet today's benchmark exposures increasingly challenge that assumption.

At Brown Advisory, our investment philosophy remains unchanged. We continue to believe durable long-term investment outcomes are driven by business model quality, management execution, capital allocation discipline, and the ability of companies to compound value over time.

While benchmark changes and reconstitutions can create meaningful shifts in market exposures, our investment decisions remain grounded in fundamental research and long-term business quality. Our investment decisions are driven by our assessment of the underlying business rather than by benchmark mechanics alone. In our view, these developments reinforce the importance of understanding underlying businesses rather than relying exclusively on increasingly fluid benchmark classifications.

Conclusion

Benchmarks were originally designed to measure markets. Increasingly, however, benchmark providers are being forced to determine how markets themselves should be represented.

Russell's move to semiannual reconstitution, evolving style classifications, and new approaches to mega cap IPOs all point to the same conclusion: benchmark construction is entering a period of meaningful change.

At Brown Advisory, these developments do not change the principles that drive our investment decisions. However, we believe they provide important context for understanding how rapidly the structure of passive investing itself is evolving—and why investors should pay closer attention to the frameworks that increasingly shape market exposures.

1. FTSE Russell, "June 2026 Russell US Indexes Reconstitution," May 22, 2026; https://www.lseg.com/content/dam/ftse-russell/en_us/documents/other/2026-russell-us-indexes-reconstitution-summary.pdf
2. Source: FactSet, as of May 22, 2026.
3. Source: FactSet, as of May 22, 2026.
4. Source: FactSet, as of May 22, 2026.
5. Source: FactSet, as of May 22, 2026.

Disclosures

The views expressed are those of the author and Brown Advisory as of the date referenced and are subject to change at any time based on market or other conditions. These views are not intended to be and should not be relied upon as investment advice and are not intended to be a forecast of future events or a guarantee of future results.

Past performance is not a guarantee of future performance, and you may not get back the amount invested.

The information provided in this material is not intended to be and should not be considered to be a recommendation or suggestion to engage in or refrain from a particular course of action or to make or hold a particular investment or pursue a particular investment strategy, including whether or not to buy, sell or hold any of the securities or funds mentioned. It should not be assumed that investments in such securities have been or will be profitable. To the extent that specific securities are mentioned, they have been selected by the author on an objective basis to illustrate views expressed in the commentary and do not represent all of the securities purchased, sold or recommended for advisory clients. This material is intended solely for our clients and prospective clients, is for informational purposes only and is not individually tailored for or directed to any particular client or prospective client.

The information contained herein has been prepared from sources believed reliable but is not guaranteed by us as to its timeliness or accuracy and is not a complete summary or statement of all available data. The information in this document has not been independently reviewed or audited by outside certified public accountants. The information provided is not intended to be a forecast of future events or a guarantee of future results. Past performance is not indicative of future performance.

Terms and Definitions:

Book-to-Price Ratio is a valuation metric that compares a company's book value to its market price. It is generally calculated as book value per share divided by market price per share and is commonly used as a value factor in equity style classification. In the Russell style methodology, book-to-price is the value variable used alongside two growth variables: I/B/E/S forecast medium-term growth and historical sales-per-share growth.

Sales Per Share is a financial metric that measures a company's revenue on a per-share basis. It is generally calculated by dividing total sales, or revenue, by the weighted average number of shares outstanding over a given period.

Market Capitalization refers to the aggregate value of a company's publicly-traded stock. Statistics are calculated as follows: Weighted Average: the average of each holding's market cap, weighted by its relative position size in the portfolio (in such a weighting scheme, larger positions have a greater influence on the calculation); Weighted Median: the value at which half the portfolio's market capitalization weight falls above and half falls below; Maximum and Minimum: the market caps of the largest and smallest companies, respectively, in the portfolio.

FactSet® is a registered trademark of FactSet Research Systems, Inc.

Standard & Poor's, S&P®, and S&P500® are registered trademarks of Standard & Poor's Financial Services LLC ("S&P"), a subsidiary of S&P Global Inc.

The **S&P 500® Index** is a capitalization weighted index of 500 stocks that is designed to measure performance of the broad domestic economy through changes in the aggregate market value of 500 stocks representing all major industries. Index returns assume reinvestment of dividends and do not reflect any fees or expenses. An investor cannot invest directly into an index. Benchmark returns are not covered by the report of the independent verifiers. Standard & Poor's, S&P®, and S&P500® are registered trademarks of Standard & Poor's Financial Services LLC ("S&P"), a subsidiary of S&P Global Inc.

Russell® and other service marks and trademarks related to the Russell indexes are trademarks of the London Stock Exchange Group Companies. An investor cannot invest directly into an index.

The **Russell 1000® Growth Index** measures the performance of the large-cap growth segment of the U.S. equity universe. It includes those Russell 1000® Index companies with higher price-to-book ratios and higher forecasted growth values. The Russell 1000® Growth Index is constructed to provide a comprehensive and unbiased barometer for the large-cap growth segment. The Index is completely reconstituted annually to ensure that new and growing equities are included and that the represented companies continue to reflect growth characteristics. Russell® and other service marks and trademarks related to the Russell indexes are trademarks of the London Stock Exchange Group Companies. An investor cannot invest directly into an index.

The **Russell 1000® Value Index** measures the performance of the large-cap value segment of the U.S. equity universe. It includes those Russell 1000 companies with lower price-to-book ratios and lower expected and historical growth rates. The Russell 1000® Value Index is constructed to provide a comprehensive and unbiased barometer for the large-cap value segment. The Index is completely reconstituted annually to ensure new and growing equities are included and that the represented companies continue to reflect value characteristics. The Russell 1000® Value Index and Russell® are trademarks/service marks of the London Stock Exchange Group companies. An investor cannot invest directly into an index. Benchmark returns are not covered by the report of the independent verifiers.