

U.S. Equity Indexes: Institutional Benchmark Survey

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Institutional investors continue to rely on the Russell Indexes across a wide spectrum of products. Russell's market share by product for U.S. equity benchmarks used by institutional investors continues to grow and now accounts for 58.5%. The market share of assets benchmarked to Russell Indexes also continues to exceed 50%. Most other index providers' market share remains flat or in decline.

Findings

Product and Asset Market Share

Use of Russell Indexes as a benchmark continues to increase, while use of competing indexes is still declining.

Russell Indexes are being selected by institutional investors and their managers in increasingly larger numbers and now account for more than half of all products and assets benchmarked. Declining use of S&P indexes since 2002 (see Appendix) suggests there indicates an increased preference for Russell's methodology including transparency and market-driven membership.

As seen in Table 1 and 2 below:

- 58.5% of the institutional U.S. equity products reporting a benchmark now use Russell Indexes, up from 54.5% in 2006, over triple Russell's 18.5% market share 11 years ago.
- The total assets benchmarked to Russell Indexes increased from last year by 5.8%.
- Just over half (52.1%) the assets are now benchmarked to Russell Indexes.

TABLE 1: Index Provider Market Share by Percent of Products Benchmarked

Index Provider	Percent of US Equity Investment Products (%)					
	2002	2003	2004	2005*	2006*	2007**
Russell	39.3	45.5	48.6	52	54.5	58.5
S&P	49.9	42.5	37.7	34.9	32.5	30.7
Wilshire	1.6	1.7	1	0.9	0.5	0.6
NASDAQ	0.8	0.6	0.5	0.5	0.5	0.4
Lipper	0.8	0.6	0.3	0.2	0.2	0.2
AMEX	--	--	--	--	0.2	0.1
Dow Jones	0.3	0.3	0.2	0.1	0.1	0.1
MSCI	--	--	0	0	0.1	0.1
Other	7.3	8.8	11.7	11.4	11.5	9.4
TOTAL	100	100	100	100	100	100.0

Table 1

Some column data may not add up to total due to rounding.

See Table 6 in the appendix for more detail. Table 6 data was used to derive product market share for Table 1.

* Data from May 31, 2005 and May 31, 2006, respectively.

** Data from July 12, 2007.



TABLE 2: Index provider market share by percent of assets benchmarked

Index Provider	Percent of US Equity Investment Product Assets (%)					
	2002	2003	2004	2005*	2006*	2007**
Russell	28.1	38.9	43.1	49.5	52.2	52.1
S&P	62.5	49.8	47.1	41.4	39.2	40.6
Wilshire	0.8	1.3	2.1	1.7	1.0	0.9
NASDAQ	0.3	0.4	0.1	0.1	0.1	0.0
Lipper	0.4	0.2	0.1	0	0.0	0.0
Dow Jones	0.1	0.1	0	0	0.0	0.0
AMEX	--	--	--	--	0.0	0.0
MSCI	--	--	0	0	0.0	0.1
Other	7.9	9.3	7.4	7.3	7.4	6.0
TOTAL	100	100	100	100	100	100

Most Frequently Used Indexes

The Russell Indexes work across asset classes and style and are perfectly modular with no gaps or overlaps in coverage, unlike some of our competitors. Asset managers can use the family of Russell benchmarks for the different portions of their portfolios for consistent and comprehensive coverage across asset classes. Consequently, Russell's indexes are used more often in conjunction with each other as a family as evidenced by Tables 3 and 4 below.

- The Russell 1000® Value and Russell 1000® Growth Indexes have grown dramatically in assets, since 1996, now accounting for over \$1 trillion combined.
- The Russell 2000® Index ranks 3rd among Russell Indexes in assets benchmarked, at \$291.4 billion.
- The Russell 2000 has nearly doubled the number of products that are benchmarked to it, an increase of 87% from 2006.

TABLE 3: Most frequently used U.S. Equity benchmarks: Number of products

Index	U.S. Institutional Equity Products Benchmarked					
	2002	2003	2004	2005*	2006*	2007**
S&P 500	1,009	924	919	901	888	824
Russell 2000	289	255	264	275	273	511
Russell 1000 Growth	78	128	168	219	264	227
Russell 1000 Value	130	177	219	243	252	212
Russell 2000® Growth	116	174	194	210	224	193
Russell 2000® Value	65	103	136	159	170	158
Russell 2500™	53	55	69	81	108	101
Russell Midcap® Growth	41	75	90	96	103	94
Russell Midcap® Value	33	41	67	79	94	83
Russell 3000	39	39	52	69	92	91
S&P MidCap 400	84	73	63	59	62	58
Russell Midcap®	41	50	45	49	53	45
Russell 1000®	29	43	43	48	52	52
S&P/BARRA Value	37	35	30	30	23	13
S&P Small Cap 600	11	12	11	14	13	13
Wilshire 5000	16	15	12	12	13	14
S&P/BARRA Growth	18	16	16	15	11	9

Table 2

Some column data may not add up to total due to rounding.

See Table 7 for more detail. Table 7 data was used to derive asset market share for Table 2.

* Data from May 31, 2005 and May 31, 2006, respectively.

** Data from July 12, 2007.

- The Russell 1000® Index moved from 6th on the asset list in 2006 to 5th this year, accounting for \$172.7 billion benchmarked.
- The Russell 3000® Index overtook the Russell Midcap® Value Index in terms of the number of products, and had an increase in assets of nearly 33% from 2006.
- The S&P 500 Index still ranks first, despite a decline of 40% since 1996 in number of products.

TABLE 4: Most frequently used U.S. Equity benchmarks: Assets

Index	U.S. Institutional Equity Assets Benchmarked					
	2002	2003	2004	2005*	2006*	2007**
S&P 500	1,679.8	1,096.9	1,431.8	1,482.9	1,576.7	1,748.6
Russell 1000 Value	172.1	227.5	417.5	547.6	621.4	671.0
Russell 1000 Growth	145.9	165.2	262.6	358.4	454.2	437.2
Russell 2000	198.2	140.7	162.5	201.4	221.1	291.4
Russell 2000 Value	38.5	54	106.9	155.5	193.6	169.4
Russell 1000®	47.6	37.3	66.9	90	146.1	172.7
Russell 2000 Growth	81	69.7	115.9	124.1	141.4	122.8
Russell Midcap Value	21.2	20.7	51.5	100.7	116.2	128.3
Russell Midcap Growth	33.8	32.1	58	96.1	112.8	116.3
Russell 3000	30.2	16.7	59.8	96.7	106.1	141.2
Russell 2500™	38.7	128.5	54.3	72.9	73.8	66.5
S&P MidCap 400	72.3	43.9	51.4	43	60.1	54.6
Russell Midcap®	31.2	28.5	34.3	48.1	51.9	51.3
Wilshire 5000	16.8	12.7	43.4	43.1	41.1	40.6
S&P/BARRA Growth	16.5	9	15.4	19.6	20.3	21.1
S&P/BARRA Value	84.4	21.1	15.3	26.5	11.6	9.9
S&P Small Cap 600	4.9	2.2	4.8	7.1	7.5	7.8

Tables 3 and 4

Products analyzed are primarily institutional oriented mutual funds, separate accounts, and commingled funds. REIT oriented benchmarks are included in "Other."

* Data from May 31, 2005 and May 31, 2006, respectively

** Data from July 12, 2007.

Only indexes with at least 10 products or \$5 billion in assets benchmarked to them are included in Tables 5A and 5B, respectively.

Growth and Value Investing Market Share

Style tilts are increasingly important in investment management. Russell pioneered style indexes in 1987 and continuously monitors its style methodology to make sure it is representative of manager practice.

In the style investing arena, Table 5 shows how dominant Russell is as a provider, accounting for more than 97% of growth and value oriented products and assets benchmarked.

Table 5

The following growth and value indexes were included, and each was listed as a benchmark by at least one product during the reporting period. Growth Indexes: Lipper Growth Funds, Lipper Small Company Growth Funds, Lipper Growth and Income Fund, Russell 1000® Growth, Russell 2000® Growth, Russell Midcap® Growth, Russell Top 200® Growth, S&P/BARRA Growth, S&P/BARRA MidCap 400 Growth, Wilshire Large Company Growth. Value Indexes: BARRA/IBES Big Value, Russell 1000® Value, Russell 2000® Value, Russell Midcap® Value, Russell Top 200® Value, S&P/BARRA Value, S&P/BARRA MidCap 400 Value, Wilshire Large Company Value. Some column data may not add up to total due to rounding.

**Data from July 12, 2007.

TABLE 5: Russell's style investing market share: 2007**

	Total Benchmarked To Any Style Index		Total Benchmarked To Russell Style Indexes		Percent Benchmarked To Russell Style Indexes	
	Products	Assets (\$bil)	Products	Assets (\$bil)	Products%	Assets %
Growth	530	701.4	519	680.1	97.9%	97.0%
Value	472	979.7	456	969.7	96.6%	99.0%
Total	1,002	1681.1	975	1649.8	97.3%	98.1%

Appendix

Product and Assets Benchmarked to Indexes

The number of products and the amount of assets benchmarked to an index family are summarized in Tables 6 and 7, below.

TABLE 6: Data used to derive product market share for Table 1

Index Provider	U.S. Institutional Equity Products Benchmarked					
	2002	2003	2004	2005*	2006*	2007**
Russell	922	1,148	1,355	1,536	1,693	1,776
S&P	1,170	1,072	1,051	1,030	1,010	930
Wilshire	37	43	29	28	15***	18***
NASDAQ	19	16	15	14	14	13
Lipper	18	16	8	6	5	5
Dow Jones	8	7	6	3	3	2
AMEX	--	--	--	--	7	2
MSCI	--	--	1	1	2	2
Other	172	222	326	336	357***	286***
Total Reporting A Benchmark	2,346	2,524	2,790	2,954	3,106	3,034
Not Reported	1,266	1,151	1,234	1,135	1,232	1,410
Total Database	3,612	3,675	4,024	4,089	4,338	4,444

Table 6

Products analyzed are primarily institutional oriented mutual funds, separate accounts, and commingled funds. REIT oriented benchmarks from all providers are included in "Other." Some column data may not add up to total due to rounding.

* Data from May 31, 2005 and May 31, 2006, respectively.

** Data from July 12, 2007.

*** The Wilshire Real Estate Securities Index was added to "Other" in 2006.

TABLE 7: Data used to derive asset market share for Table 2

Index Provider	U.S. Institutional Equity Assets Benchmarked					
	2002	2003	2004	2005*	2006*	2007**
Russell	842.0	924.2	1,394.5	1,895.5	2,244.2	2,373.7
S&P	1,873.8	1,185.1	1,522.3	1,584.9	1,683.9	1,850.4
Wilshire	24.1	31.0	66.5	63.4	43.5***	42.6***
NASDAQ	10.4	9.9	4.7	4.5	4.1	1.0
Lipper	12.4	4.2	2.9	1.8	1.3	0.7
Dow Jones	1.7	2.0	0.8	0.5	0.3	0.2
AMEX	--	--	--	--	1.4	1.3
MSCI	--	--	0.0	0.0	0.6	5.1
Other	235.6	222.2	240.5	279.2	317.2***	279.3***
Total Reporting A Benchmark	3,000.0	2,378.6	3,232.2	3,829.8	4,296.3	4,554.8
Not Reported	419.8	255.0	369.7	345.7	414.5	638.1
Total Database	3,419.8	2,633.6	3,601.9	4,175.5	4,710.7	5,192.9

Table 7

Products analyzed are primarily institutional oriented mutual funds, separate accounts, and commingled funds. REIT oriented benchmarks from all providers are included in "Other."

Some column data may not add up to total due to rounding.

* Data from May 31, 2005 and May 31, 2006, respectively.

** Data from July 12, 2007.

*** The Wilshire Real Estate Securities Index was added to "Other" in 2006.

Background

In the October 1998 issue of MarketPlace News, Nelson Information published a study measuring the most frequently used benchmarks by U.S. equity investment products. The study listed the top 25 benchmarks used among the 3,333 primarily institutional products, including index funds, in the Nelson database. Their analysis showed that eight of the top 10 fastest growing benchmarks between 1996 and 1998 were Russell Indexes. The study also noted that usage of the S&P 500 Index as a benchmark had declined significantly since 1996. While Nelson did not set out to measure market share in this study, it is easily derived by combining benchmark usage data for each index provider.

Methodology

Like Russell's index methodology, this market share calculation methodology is transparent. Using Nelson's MarketPlace Web database, Russell researchers found 4,444 products classified as U.S. equity as of July 12th, 2007. Of these, 3,034 (68%) reported a benchmark.

One limitation Russell observed in using Nelson's original study to calculate market share was that Nelson included products with unreported benchmarks in their calculations, causing the percentage of products reporting use of a given provider's index as a benchmark to be understated. Using this method, in effect, gives "unreported benchmark" a

Since this was a one-time study done by Nelson, Russell researchers used it as a starting point in order to replicate its basic methodology in June of 2002 and annually since then. Over this period, they found the trend Nelson originally identified continues: More and more institutional investors are using Russell Indexes as their benchmark. In fact, in 2003, the number of institutional investment products utilizing a Russell benchmark surpassed those using an S&P benchmark for the first time. And in 2005, Russell surpassed S&P in institutional assets benchmarked. This study is the latest installment in the series which now provides data covering a full decade.

market share of 32%. The "unreported benchmark" was 28% in 2005 and 2006. To overcome this limitation, Russell adopted a common market share calculation method by basing calculations only on those investment products for which a benchmark was reported. The product and asset marketshare data is shown in Tables 1 and 2. In addition, Russell included a look at equity style products claiming a growth or value oriented benchmark in order to determine usage of Russell Indexes in this sub-market. Growth and value marketshare data is shown in Table 5.

For more information
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All data tables compiled by Russell Product and Marketing Research using data from Nelson Information's MarketPlace Web database.

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