

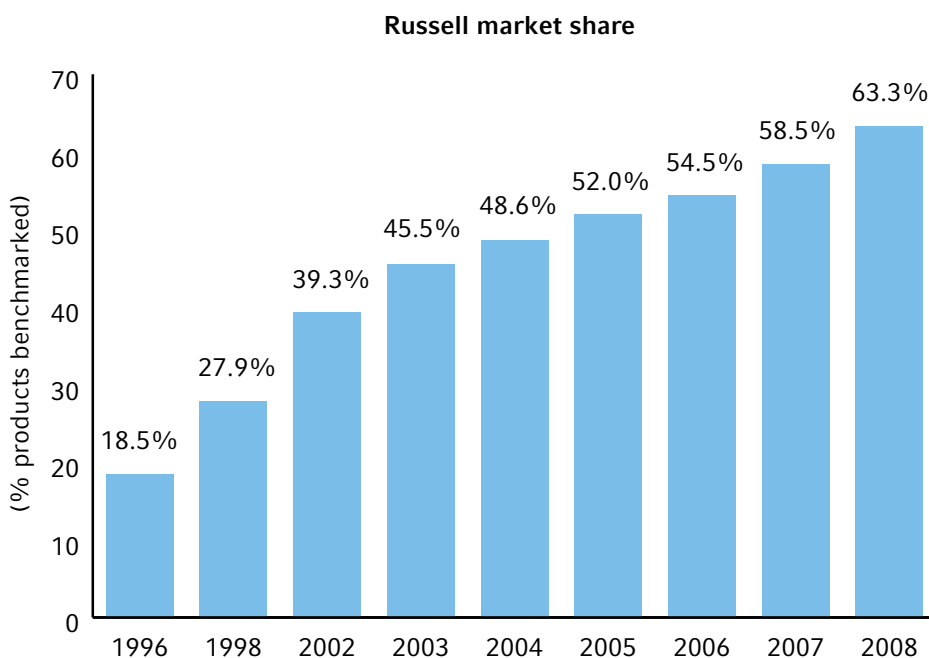
# Russell Research

2008 Annual Benchmark Survey

## US Equity Indexes: Institutional Benchmark Survey

The annual study of institutional investors and their benchmarks shows that usage of the Russell Index family continues to grow. Russell now captures over 63% of the market share for all U.S. institutional *products* benchmarked. The share of *assets* benchmarked to Russell Indexes also increased to almost 56% from 52% in 2007.

**Russell now captures over 63% of the market share for all U.S. institutional *products* benchmarked.**



Compiled by Russell Product & Marketing Research using data from Nelson Information's MarketPlace web database and 1998 Survey of Performance Benchmarks.

## Findings

### Market share summary

Over the last several years, Russell Indexes have been selected by institutional investors and managers in increasing numbers. Today, Russell Indexes account for more than half of all products and assets benchmarked. The 2008 study found that there continues to be a declining use of S&P indexes since 2002 (see Appendix), indicating an increased preference for Russell's methodology, including transparency and market-driven membership.

As seen in Tables 1 and 2 below:

- › 63.3% of the institutional U.S. equity products reporting a benchmark use a Russell Index, up from 58.5% in 2007, more than triple Russell's 18.5% market share in 1996.
- › Every other index provider saw their market share in terms of products benchmarked decline or remain flat.
- › Over half (55.6%) of the total assets reported are benchmarked to Russell Indexes.
- › Total institutional assets benchmarked to Russell Indexes have risen over 175% since 2002 to over \$2.3 trillion. During the same period, assets benchmarked to S&P indexes have decreased almost 20% (see Table 7 in Appendix).

**Table 1: Index market share by percent of products benchmarked (%)**

| Index provider | 2002 | 2003 | 2004 | 2005 | 2006 | 2007* | 2008 |
|----------------|------|------|------|------|------|-------|------|
| Russell        | 39.3 | 45.5 | 48.6 | 52   | 54.5 | 58.5  | 63.3 |
| S&P            | 49.9 | 42.5 | 37.7 | 34.9 | 32.5 | 30.7  | 27.7 |
| Wilshire       | 1.6  | 1.7  | 1    | 0.9  | 0.5  | 0.6   | 0.5  |
| NASDAQ         | 0.8  | 0.6  | 0.5  | 0.5  | 0.5  | 0.4   | 0.1  |
| Lipper         | 0.8  | 0.6  | 0.3  | 0.2  | 0.2  | 0.2   | 0.1  |
| 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   | 0.1  |
| Other          | 7.3  | 8.8  | 11.7 | 11.4 | 11.5 | 9.4   | 8.2  |
| TOTAL          | 100  | 100  | 100  | 100  | 100  | 100   | 100  |

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

Table 7 data was used to derive product market share for Table 2.

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

\*Data from July 12, 2007. Each year data is pulled from Nelson Information's MarketPlace web database at the end of May, with the exception of 2007.

**Table 2: Index market share by percent of assets benchmarked (%)**

| Index provider | 2002 | 2003 | 2004 | 2005 | 2006 | 2007* | 2008 |
|----------------|------|------|------|------|------|-------|------|
| Russell        | 28.1 | 38.9 | 43.1 | 49.5 | 52.2 | 52.1  | 55.6 |
| S&P            | 62.5 | 49.8 | 47.1 | 41.4 | 39.2 | 40.6  | 36.3 |
| Wilshire       | 0.8  | 1.3  | 2.1  | 1.7  | 1.0  | 0.9   | 1.0  |
| NASDAQ         | 0.3  | 0.4  | 0.1  | 0.1  | 0.1  | 0     | 0    |
| Lipper         | 0.4  | 0.2  | 0.1  | 0    | 0    | 0     | 0    |
| AMEX           | 0.1  | 0.1  | 0    | 0    | 0    | 0     | –    |
| Dow Jones      | –    | –    | –    | –    | 0    | 0     | –    |
| MSCI           | –    | –    | 0    | 0    | 0    | 0.1   | 0.1  |
| Other          | 7.9  | 9.3  | 7.4  | 7.3  | 7.4  | 6     | 6.8  |
| TOTAL          | 100  | 100  | 100  | 100  | 100  | 100   | 100  |

## Most frequently used indexes

The Russell Indexes are effective market measures for small, mid, large and broad cap segments as well as for value/growth investing styles. Plan sponsors and asset managers can use the family of Russell benchmarks across their portfolios for consistent and comprehensive coverage across segments. Consequently, Russell's indexes are used more often than other indexes, and are frequently used in conjunction with each other.

- › The number of products benchmarked to the Russell 2500™ Index is up almost 13% from last year and has risen over 115% since 2002.
- › Total assets benchmarked to the Russell 2500 Index are up almost 20% to \$79.3 billion.
- › The Russell Midcap® Index added 22% more products this year, while the products benchmarked to the S&P 400 Midcap Index decreased 5%.
- › The largest percentage increase of products benchmarked for all indexes was the Russell 3000®, having risen 24.2%. The second highest increase was the Russell Midcap Index with a 22.2% increase.
- › Usage of the Russell 1000® series continues to grow, accounting for almost \$1.3 trillion in assets.

**Table 3: Most frequently used U.S. equity benchmarks: by product**

| Index                  | 2002  | 2003 | 2004 | 2005 | 2006 | 2007* | 2008 |
|------------------------|-------|------|------|------|------|-------|------|
| S&P 500                | 1,009 | 924  | 919  | 901  | 888  | 824   | 685  |
| Russell 2000®          | 289   | 255  | 264  | 275  | 273  | 511   | 449  |
| Russell 1000® Growth   | 78    | 128  | 168  | 219  | 264  | 227   | 247  |
| Russell 1000® Value    | 130   | 177  | 219  | 243  | 252  | 212   | 204  |
| Russell 2000® Growth   | 116   | 174  | 194  | 210  | 224  | 193   | 195  |
| Russell 2000® Value    | 65    | 103  | 136  | 159  | 170  | 158   | 161  |
| Russell 2500™          | 53    | 55   | 69   | 81   | 108  | 101   | 114  |
| Russell 3000®          | 39    | 39   | 52   | 69   | 92   | 91    | 113  |
| Russell Midcap® Growth | 41    | 75   | 90   | 96   | 103  | 94    | 104  |
| Russell Midcap® Value  | 33    | 41   | 67   | 79   | 94   | 83    | 83   |
| Russell 1000®          | 29    | 43   | 43   | 48   | 52   | 52    | 60   |
| Russell Midcap®        | 41    | 50   | 45   | 49   | 53   | 45    | 55   |
| S&P MidCap 400         | 84    | 73   | 63   | 59   | 62   | 58    | 55   |
| Wilshire 5000          | 16    | 15   | 12   | 12   | 13   | 14    | 11   |
| S&P Small Cap 600      | 11    | 12   | 11   | 14   | 13   | 13    | 9    |
| S&P/BARRA Growth       | 18    | 16   | 16   | 15   | 11   | 9     | 7    |

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

Only indexes with at least 10 products or \$5 billion in assets benchmarked to them are included.

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

\*Data from July 12, 2007. Each year data is pulled from Nelson Information's MarketPlace web database at the end of May, with the exception of 2007.

**Table 3: Most frequently used U.S. equity benchmarks: by assets (USD billions)**

| Index                  | 2002     | 2003     | 2004     | 2005     | 2006     | 2007*    | 2008     |
|------------------------|----------|----------|----------|----------|----------|----------|----------|
| S&P 500                | 1,679.80 | 1,096.90 | 1,431.80 | 1,482.90 | 1,576.70 | 1,748.56 | 1,412.14 |
| Russell 1000® Value    | 172.10   | 227.50   | 417.50   | 547.60   | 621.40   | 671.01   | 657.69   |
| Russell 1000® Growth   | 145.90   | 165.20   | 262.60   | 358.40   | 454.20   | 437.24   | 473.01   |
| Russell 2000®          | 198.20   | 140.70   | 162.50   | 201.40   | 221.10   | 291.39   | 263.70   |
| Russell 1000®          | 47.60    | 37.30    | 66.90    | 90.00    | 146.10   | 172.67   | 168.56   |
| Russell 2000® Value    | 38.50    | 54.00    | 106.90   | 155.50   | 193.60   | 169.40   | 146.26   |
| Russell 3000®          | 30.20    | 16.70    | 59.80    | 96.70    | 106.10   | 141.20   | 127.26   |
| Russell 2000® Growth   | 81.00    | 69.70    | 115.90   | 124.10   | 141.40   | 122.81   | 120.67   |
| Russell Midcap® Value  | 21.20    | 20.70    | 51.50    | 100.70   | 116.20   | 128.25   | 120.35   |
| Russell Midcap® Growth | 33.80    | 32.10    | 58.00    | 96.10    | 112.80   | 116.27   | 114.89   |
| Russell 2500™          | 38.70    | 128.50   | 54.30    | 72.90    | 73.80    | 66.45    | 79.34    |
| Russell Midcap®        | 31.20    | 28.50    | 34.30    | 48.10    | 51.90    | 51.31    | 58.31    |
| S&P MidCap 400         | 72.30    | 43.90    | 51.40    | 43.00    | 60.10    | 54.60    | 57.08    |
| Wilshire 5000          | 16.80    | 12.70    | 43.40    | 43.10    | 41.10    | 40.55    | 41.64    |
| S&P/BARRA Growth       | 16.50    | 9.00     | 15.40    | 19.60    | 20.30    | 21.07    | 18.15    |
| S&P Small Cap 600      | 4.90     | 2.20     | 4.80     | 7.10     | 7.50     | 7.79     | 5.80     |

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

Only indexes with at least 10 products or \$5 billion in assets benchmarked to them are included.

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

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## Growth and value investing market share

Russell pioneered style indexes in 1987 and continuously monitors its style methodology to make sure it is representative of manager practice. This year, Russell conducted an extensive study of style methodology globally, and found, after testing 16 different variables in hundreds of combinations, that our two-variable model still offers the best representation of the growth and value opportunity set. Institutional investors continue to agree.

In the style investing arena, Russell style indexes account for more than 98% of market share for growth and value oriented products as well as assets benchmarked.

**Table 5: Russell's style investing market share: 2008**

| Type   | 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 | 556                                  | 727.2          | 546  | 708.6          | 98.20%                                       | 97.40%   |
| Value  | 460                                  | 927.5          | 450  | 924.5          | 97.80%                                       | 99.70%   |
| Total  | 1,016                                | 1,654.7        | 996  | 1,633.1        | 98.00%                                       | 98.70%   |

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, Russell 1000® Growth, Russell 2000® Growth, Russell Midcap® Growth, S&P/BARRA Growth, S&P/BARRA MidCap 400 Growth. *Value Indexes:* Russell 1000® Value, Russell 2000 Value, Russell Midcap® Value, Russell Top 200® Value, S&P/BARRA Value, Wilshire Large Company Value.

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

## Appendix

### Products and assets benchmarked

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 market share by product for Table 1**

|                             | 2002  | 2003  | 2004  | 2005  | 2006  | 2007* | 2008  |
|-----------------------------|-------|-------|-------|-------|-------|-------|-------|
| Russell                     | 922   | 1,148 | 1,355 | 1,536 | 1,693 | 1,776 | 1,793 |
| S&P                         | 1,170 | 1,072 | 1,051 | 1,030 | 1,010 | 930   | 785   |
| Wilshire                    | 37    | 43    | 29    | 28    | 15**  | 18    | 13    |
| NASDAQ                      | 19    | 16    | 15    | 14    | 14    | 13    | 4     |
| Lipper                      | 18    | 16    | 8     | 6     | 5     | 5     | 4     |
| Dow Jones                   | 8     | 7     | 6     | 3     | 3     | 2     | 0     |
| AMEX                        | -     | -     | -     | -     | 7     | 2     | 0     |
| MSCI                        | -     | -     | 1     | 1     | 2     | 2     | 3     |
| Other                       | 172   | 222   | 326   | 336   | 357** | 286   | 231   |
| Total reporting a benchmark | 2,346 | 2,524 | 2,790 | 2,954 | 3,106 | 3,034 | 2,833 |
| Not reported                | 1,266 | 1,151 | 1,234 | 1,135 | 1,232 | 1,410 | 1,139 |
| Total database              | 3,612 | 3,675 | 4,024 | 4,089 | 4,338 | 4,444 | 3,972 |

\*Data from July 12, 2007.  
Each year data is pulled from Nelson Information's MarketPlace web database at the end of May, with the exception of 2007.

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

**Table 7: Data used to derive market share by assets for Table 2 (USD billions)**

|                             | 2002    | 2003    | 2004    | 2005    | 2006    | 2007*   | 2008    |
|-----------------------------|---------|---------|---------|---------|---------|---------|---------|
| Russell                     | 842.0   | 924.2   | 1,394.5 | 1,895.5 | 2,244.2 | 2,373.7 | 2,332.6 |
| S&P                         | 1,873.8 | 1,185.1 | 1,522.3 | 1,584.9 | 1,683.9 | 1,850.4 | 1,524.0 |
| Wilshire                    | 24.1    | 31.0    | 66.5    | 63.4    | 43.5**  | 42.6    | 43.5    |
| NASDAQ                      | 10.4    | 9.9     | 4.7     | 4.5     | 4.1     | 1.0     | 0.1     |
| Lipper                      | 12.4    | 4.2     | 2.9     | 1.8     | 1.3     | 0.7     | 0.6     |
| Dow Jones                   | 1.7     | 2.0     | 0.8     | 0.5     | 0.3     | 0.2     | -       |
| AMEX                        | -       | -       | -       | -       | 1.4     | 1.3     | -       |
| MSCI                        | -       | -       | 0       | 0       | 0.6     | 5.1     | 5.7     |
| Other                       | 235.6   | 222.2   | 240.5   | 279.2   | 317.2** | 279.3   | 286.8   |
| Total Reporting a Benchmark | 3,000.0 | 2,378.6 | 3,232.2 | 3,829.8 | 4,296.3 | 4,554.3 | 4,193.3 |
| Not Reported                | 419.8   | 255.0   | 369.7   | 345.7   | 414.5   | 638.1   | 494.1   |
| Total Database              | 3,419.8 | 2,633.6 | 3,601.9 | 4,175.5 | 4,710.7 | 5,192.3 | 4,687.3 |

## 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 ten 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.

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.

## Methodology

Like Russell's index methodology, this market share calculation methodology is transparent. Using Nelson Information's MarketPlace web database, Russell researchers found 3,972 products classified as U.S. equity as of May 30th, 2008. Of these, 2,833 (71%) 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 to be understated. Using this method, in effect, gives "unreported benchmark" a market share of 29%. 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. This product and asset market share 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 market segment. Growth and value market share data is shown in Table 5.

For more information about Russell Indexes call us or visit [www.russell.com/indexes](http://www.russell.com/indexes).

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## Disclosures

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All data compiled by Russell Product & Marketing Research using Nelson Information's MarketPlace web database.

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