

# Under the Hood: Russell 1000 Value & Growth Indexes

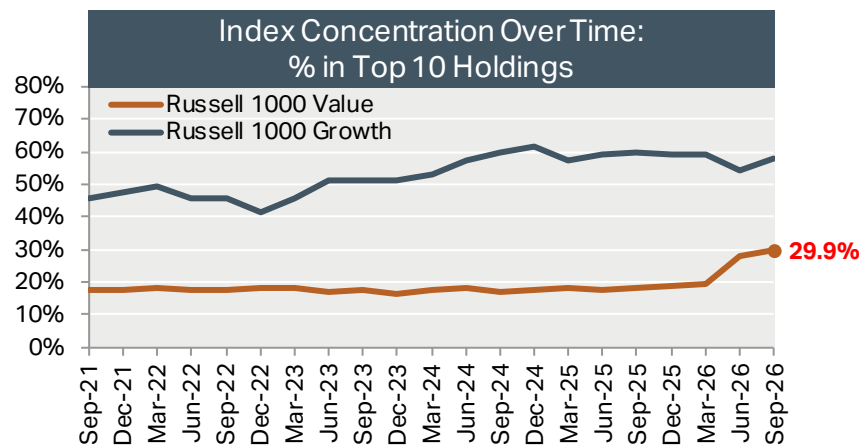
In 2026, FTSE Russell moved to reconstituting its U.S. indexes semiannually, in June and December. However, the growth and value classifications for existing constituents generally continue to be recalculated annually as part of the June reconstitution. These benchmarks are widely followed through passively managed products and are commonly used to evaluate investment strategies. As an active manager, Bahl & Gaynor is less focused on changes in index inclusion or reconstitution decisions, as our investment process remains consistent regardless. But these annual style reclassifications are still important to understand as **indexes are not static; they evolve**, and what "Value" and "Growth" actually own today might look increasingly different from what investors may expect. The June 2026 reconstitution further highlighted this shift: the Russell 1000 Value and Growth indexes have become less distinct, with a growing number of the market's largest companies now appearing in both benchmarks. These changes not only have portfolio implications, but they also influence how the indexes perform.

## The Value-Growth Line is Blurring

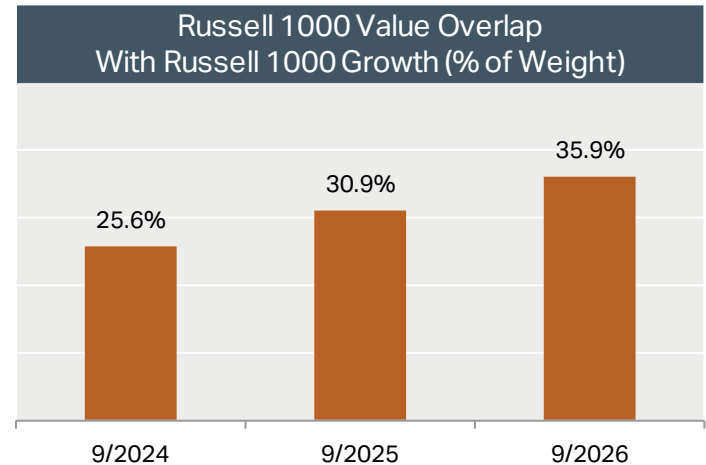
- Over the last two years, the Russell 1000 Value's overlap with the Russell 1000 Growth has climbed over 10 percentage points, increasing to 35.9% from 25.6%.
- As a result, the two benchmarks, which may be viewed as materially opposite, are becoming increasingly built on exposure to the same underlying companies.
- Investors taking a "barbell" approach, using separately benchmarked growth and value strategies to diversify exposures, may wish to evaluate whether the increased holdings overlap has affected their intended diversification.

## A Jump in Concentration, Resulting in...

- FTSE Russell uses a probability-based methodology to allocate each company's market capitalization between the Growth and Value indexes. As a result, some companies appear entirely in one style index, while others are divided between both indexes. Thus, a handful of mega-cap technology stocks have become the lion's share of the Growth index's weight over time, while the Value index has broadened to over 850 securities, but that doesn't necessarily mean it's more diversified, as it's now also becoming increasingly concentrated in its top names.
- The June 2026 reconstitution was the primary driver, led by the addition of two Magnificent Seven (Mag 7) names, Apple and Microsoft, which saw ~44% and ~49% of their market cap allocated to Value, respectively. In addition, Amazon's exposure increased materially to ~91% of its market cap from ~29%. As of September 30<sup>th</sup>, 29.9% of the Value index's exposure sits with its top 10 holdings, up from 19.1% at the start of the year.



Source: FactSet. Data as of 9/30/2026.



Source: FactSet. Data as of 9/30/2026.

## ... Increased Technology & Mag 7 Exposure

- The reconstitution didn't just add names — it shifted the index's sector complexion. Technology exposure in the Russell 1000 Value (R1V) climbed nearly 10 percentage points year-over-year, taking over Financials as the benchmark's largest sector weight, while Mag 7 exposure tripled.
- Given this shift in composition, it may be fair to assume the performance and risk characteristics of the Value index could be different from the past.

### R1V TECHNOLOGY EXPOSURE (YoY)

10.7% → 20.6%  
9/2025 9/2026

### R1V MAG 7 EXPOSURE (2024–2026)

0.0% → 6.1% → 18.2%  
9/2024 9/2025 9/2026

Source: FactSet. Data as of 9/30/2026. Yearly exposures as of September 2024, 2025, and 2026.

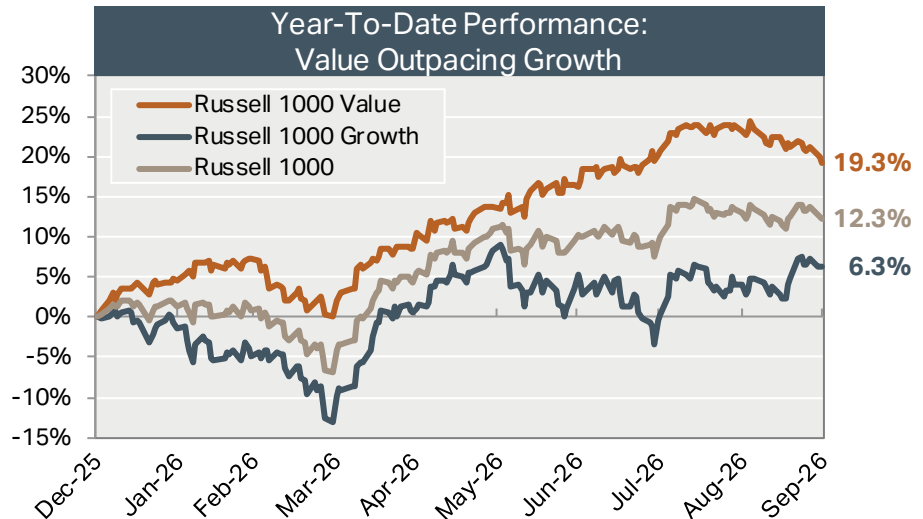
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## Value vs. Growth: Drivers of Year-to-Date Performance

The Russell 1000 Value Index, up 19.3% January 1 – September 30, 2026, has outperformed both the Russell 1000 Growth Index (+6.3%) and the broader Russell 1000 Index (+12.3%). The magnitude of this performance gap is striking, particularly following a prolonged period of growth leadership. While the broadening of market participation beyond mega-cap growth stocks reflects a combination of geopolitical tensions, tariff policy uncertainty, and growing skepticism toward AI-related capital spending, among others, changes in index composition have also played a meaningful role. The examples below serve as a reminder that **benchmarks are not static and can be surprisingly active.** Their composition evolves over time, and those changes can meaningfully influence return outcomes alongside underlying market movements.

- Micron Technology (MU) was a constituent of the Value Index during its first-half advance before being reclassified to Growth during the June reconstitution, a 100% switch in assignment. From December 31, 2025, through June 30, 2026, MU returned approximately 300% and, according to FactSet, was the largest contributor to the Value Index's performance during that period. From June 30 through September 30, 2026, MU declined -7.7%.
- Microsoft (MSFT) declined -22.5% from December 31, 2025, through June 30, 2026, while assigned entirely to the Growth Index. Following the June reconstitution, MSFT's market capitalization was allocated approximately equally between the Growth and Value indexes. Separately, MSFT shares gained approximately +26% during the four trading days following the company's July 29 earnings announcement.



Source: FactSet. Data from December 31, 2025, through September 30, 2026. Returns shown are cumulative total returns and assume reinvestment of dividends. Past performance does not guarantee future results. Indexes are unmanaged, are not available for direct investment, and do not reflect advisory fees, transaction costs, or taxes.

## THE BOTTOM LINE:

- **If value investing is defined by value indexes, then the discipline has changed.**
- **Benchmarks may be more active than most investors realize.**
- **The growing overlap between style benchmarks may be an underappreciated risk in portfolios.**
- **Now may be the time to build portfolio resilience to help preserve long-term client goals.**

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