



TSCM Flash Thought

Warning! Indexes are Riskier than they Appear.

With the recent annual reconstitution of the Russell benchmarks, the Russell Mid Cap Growth Index has gotten more concentrated and riskier. Passively investing in this market segment will have further inherent risks and increased volatility, as depicted below. At TimesSquare, we now see even greater opportunities relative to the benchmark and believe the role of an active manager will be more important than ever when allocating to this segment.

Comparing the Russell Mid Cap Growth Index as of 6/30/24 (pre-reconstitution) to 7/1/24 (post-reconstitution):

- Number of stocks in the benchmark dropped to 288 (the lowest number ever according to Jefferies research)
- Projected volatility (standard deviation) rose to 19.4 from 17.9 in that one day (based on the Barra US risk model)

Concentration in the top 10 benchmark names is now around 16%, double the level it was 10 years ago:



Source: FactSet