

Confidence  
must be earned

**Amundi  
Pioneer**  
ASSET MANAGEMENT

# MARKET PERSPECTIVE

## Reassessing the Russell 1000® Growth Index

Passive exposure to large-cap growth has been a popular choice among long-term investors, but we believe shifting market conditions require a reassessment. The Russell 1000 Growth Index has become so concentrated that it may no longer be considered “diversified”<sup>1</sup> in our view. We believe active, more diverse growth equity strategies may offer better opportunities for attractive risk-adjusted returns.

## CONCENTRATION RISKS HAVE CONTINUED

The aggregate weighting of the top 5 companies - all tech-related - represented 38% of the Russell 1000 Growth Index, year-to-date, up almost 130% since 2015.

### Top 5 Weighting

as of December 31, 2015

17%

### Top 5 Weighting

as of October 31, 2020

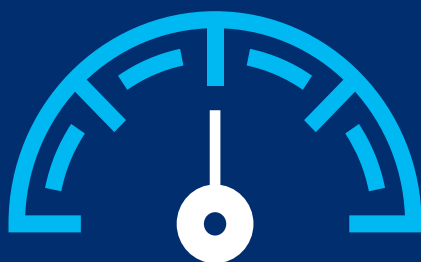
38%

The reliance on just a few stocks for the bulk of the Russell 1000 Growth Index’s return has markedly increased concentration and valuation risk for those using an index-based approach - especially as markets have transitioned and the economy has evolved through various stages of lockdown.

The Russell 1000® Growth Index measures the performance of the large-capitalization growth sector of the US equity market. Indices are unmanaged and their returns assume reinvestment of dividends and, unlike mutual fund returns, do not reflect any fees or expenses associated with a mutual fund. It is not possible to invest directly in an index.

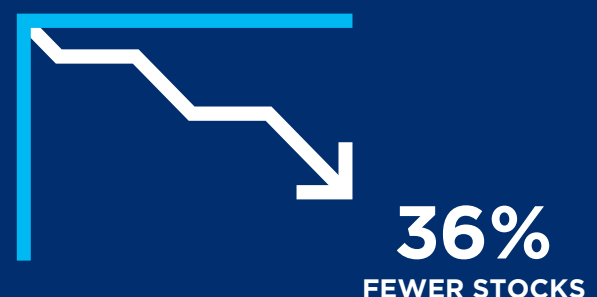
## INCREASED VALUATION RISK

The majority of the high-performing stocks in the Index were technology-related businesses in the top quintile in terms of price-to-earnings<sup>2</sup> multiples (34x and higher) as of October 31, 2020.



## SHRINKING GROWTH UNIVERSE

The number of stocks that met the relevant growth criteria to be included in the Russell 1000 Growth Index decreased by 36% as of October 31, 2020.



## RETURNS OF THE TOP FIVE STOCKS

Market-weighted returns of the top five stocks versus the rest of the stocks in the Russell 1000 Growth Index, year-to-date through the end of October.

38%

APPLE  
MICROSOFT  
AMAZON.COM  
ALPHABET  
FACEBOOK

12%

THE REST OF THE INDEX

Source: Factset. Data as of October 31, 2020

Securities listed are not meant to represent any current or future holding of an Amundi Pioneer portfolio, and should not be considered recommendations to buy or sell any security. Past performance is no guarantee of future results.

## STRATEGIES FOR A MARKET IN TRANSITION

We believe selective active management with thorough due diligence is needed for a holistic view of the opportunities - and changing risks - in the large-cap growth sector in order to avoid any sudden corrections among high-valuation tech stocks.



<sup>1</sup>Diversification does not assure a profit or protect against loss.

<sup>2</sup>Average Price to Earnings (P/E) Ratio is the current price of a stock divided by the estimated 1-year projection of its earnings per share.

Important Information.

Unless otherwise stated, all information contained in this document is from Amundi Pioneer Asset Management and is as of October 31, 2020. The views expressed regarding market and economic trends are those of Amundi Pioneer Asset Management, and are subject to change at any time based on market and other conditions and there can be no assurances that countries, markets or sectors will perform as expected. These views should not be relied upon as investment advice, as securities recommendations, or as an indication of trading on behalf of any Amundi Pioneer Asset Management product. There is no guarantee that market forecasts discussed will be realized or that these trends will continue. Investments involve certain risks, including political and currency risks. Investment return and principal value may go down as well as up and could result in the loss of all capital invested. This material does not constitute an offer to buy or a solicitation to sell any units of any investment fund or any services.