

FASTEST-GROWING Public Companies

Indexing the Indexes

ECONOMY: Orange County's effect outsized on most gauges

By JANE YU

Orange County has a population of about 3 million, just less than 1% of the nation, according to the U.S. Census Bureau.

The county's share is higher when it comes to the number of publicly traded companies on most of the various indexes that track the U.S. stock market.

Being on an index brings "increased visibility and a perception of legitimacy," according to Jay Ferrara, vice president and investment officer

with Farmers & Merchants Trust Co.'s office in Laguna Hills. "A little bit of bragging rights, too."

S&P

The Business Journal found 30 OC-based companies listed on the large-cap, mid-cap and small-cap indexes maintained by New York-based Standard & Poor's Financial Services LLC.

The S&P 500 is a gauge of large-cap U.S. stocks. It captures about 75% of the total value of U.S. stocks.

A company must have market value of \$4 bil-

lion or more to be in the index. Other criteria include four consecutive quarters of positive earnings and average daily trading volume of at least 250,000 shares.

There are four Orange County-based companies on the S&P 500. That's slightly less than 1% of the index—about on par with the county's share of the national population.

The four OC-based companies on the S&P 500 are Western Digital Corp., Allergan Inc., Broadcom Corp., and Edwards Lifesciences Corp., all based in Irvine.

Eight OC-based companies are included in the S&P MidCap 400 index, which requires a market value of between \$1 billion to \$4.4 billion. They account for 2% of the index, about twice the county's share of the national population.

The S&P SmallCap 600 Index requires members to have a market value of between \$300 million and \$1.4 billion. It includes 18 OC companies—3% of the total, or more than three times the county's share of the national population.

The Russell indexes, maintained by Seattle-based Russell Investment Group, ranks U.S. common stocks in several categories based on size. All of the Russell indexes exclude companies that trade over the counter or have shares that generally trade for less than \$1.

The Russell 3000 is the biggest pool. The largest companies of that index are categorized as the Russell 1000, and the rest make up the Russell 2000.

The Russell 2000 is split again, with its lower half combined with the next smallest 1,000 publicly traded companies to form the Russell Microcap Index.

The Russell 1000 has nine Orange County-based companies, putting local representation at just under 1%, on par with the county's share of the national population.

The small-cap Russell 2000, has the most Orange County-based companies, with 43.

That's more than 2% of the index, about twice as high as the county's share of the national population.

"It's not that much of the whole stock market, but if you make it to that, you're by no means a small company," said Derek Izuel, director of quantitative strategies at HighMark Capital Management Inc. in San Francisco.

Three local companies—Ista Pharmaceuticals Inc. and BioLase Technology Inc., both in Irvine, and Santa Ana-based Identive Group Inc.—were added to the Russell 2000 earlier this year as part of an annual rebalancing.

"Getting added to an index is fairly significant to a small company," said Jeanie Herbert, director of investor relations at Ista Pharmaceuticals. "The day of the rebalancing, you will see a significant rise in your trading volume."

Volume

Ista Pharmaceuticals' volume on June 24—the day it got added to the index—spiked to nearly 4 million from roughly 900,000 the day before.

The Russell Microcap includes 34 OC-based companies. That's about 1.7% of the total, nearly twice the county's share of the national population.

Broadcom is the lone OC-based company in the Nasdaq 100 index, putting local representation close to the county's share of the national population.

No locally based companies are part of the Dow Jones Industrial Average. ■

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