

PRESS Index Methodology

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Abstract

In this note, we present the methodology used for computing the PRESS Index, an index of listed real-estate investment funds that integrates the ESG profiles of these funds. The index is based on data from the Center for Risk Management of Lausanne (CRML), which calculates the PRESS score, an ESG rating for Swiss real-estate investment vehicles based on publicly available data ([Alessandrini et al., 2023a](#)). The PRESS Index uses a reweighting methodology that includes all the components of the SWIIT Index but adjust the weights to favor the vehicles with higher ESG profiles. Consequently, the PRESS Index improves the ESG rating of the portfolio while maintaining a reasonable tracking error. The portfolio construction technique used is based on previous research from [Alessandrini et al. \(2023b\)](#), which explores various methods for integrating the ESG dimensions. This paper provides the groundwork of the PRESS Index by investigating the trade-off between improving the ESG profile of the portfolio and keeping the tracking error with respect to the parent index at a reasonable level.

Keywords: ESG, real estate, index construction.

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1 Introduction

This note details the construction of the PRESS Index, an index of Swiss listed real-estate investment funds that incorporates the Environmental, Social, and Governance (ESG) profile of these funds. The index is designed to include all funds from the well-established SXI Real Estate Funds Broad (SWIIT) index while improving the ESG characteristics. It is based on the PRESS scores, an ESG rating framework developed by the Center for Risk Management - Lausanne (CRML) using publicly information only ([Alessandrini et al., 2023a](#)), which evaluates the integration of ESG factors.¹

The sutructure of this note is as follows: Section 2 details how the index components are selected. Section 3 describes the calculation of the weights. Section 4 gives an overview of the index's profile across both ESG dimension and financial characteristics. The note concludes with Section 5, offering final thoughts and implications of using the PRESS index.

2 Constituents

The constituents of the PRESS Index are those of on the SWIIT index. At each rebalancing date, the PRESS Index will include all funds that are part of the SWIIT index and have a PRESS score measured by the CRML.

As of July 1st, 2024, the SWIIT index is composed of 43 funds. PRESS scores are available for all funds at the same date, so the PRESS Index include all 43 funds. A complete list of the PRESS Index constituents is provided in Table 1.

The Index is rebalanced twice a year, on Jan 1st and July 1st, based on the SWIIT constituents as of the close of last trading day of December and June. The frequency of rebalancing aligns with the availability and update schedule of the PRESS scores, which

¹ Part of the indicators built for the Environmental and Social scores are based on Quanthome SA data.

Table 1: PRESS Index Constituents and Weights (as of 28-06-2024)

ISIN	Name	Weight in benchmark (%)	PRESS Score	Weight in PRESS Index (%)
CH0014420878	UBS SWISS SIMA	15.98	6.74	20.99
CH0012913700	CS REF SIAT	6.07	5.70	6.36
CH0031069328	CS REF LIVING PLUS	5.05	5.92	7.23
CH0014420829	UBS SWISS ANFOS	4.98	6.64	7.13
CH0124238004	Rothschild RE Swiss	3.91	4.99	1.81
CH0100778445	CS REF GREEN PROP	3.83	6.30	5.48
CH0002782263	LA FONCIERE	3.19	4.96	1.48
CH0014420852	UBS FONCIPARS	3.16	5.22	3.31
CH0293784861	Swiss Life REF (CH)	3.06	6.08	4.39
CH0009778769	IMMOFONDS	3.06	4.25	1.06
CH0037430946	SWISSCANTO IFCA	3.04	5.68	3.19
CH0395718866	SCHRODER IMMOPLUS	2.78	5.92	3.98
CH0039415010	REALSTONE	2.77	5.09	1.28
CH0014586710	FIR	2.76	5.50	2.89
CH0002785456	SOLVL 61 PRT	2.71	4.36	0.94
CH0014420886	UBS SW SWISSREAL	2.64	6.00	3.77
CH0002769351	CS REF INTERSWISS	2.60	5.84	3.73
CH0033624211	PROCIMMO	2.45	5.37	2.56
CH0002770102	Immo Helvetic	2.05	6.19	2.94
CH0433089270	ZIF Immoilien Direkt	1.82	5.31	1.90
CH0026725611	BONHOTE IMMOBILIER	1.80	5.03	0.84
CH0026168846	SWISSINVEST REAL	1.66	4.86	0.77
CH0120791253	SF Sustainable Prop.	1.63	4.14	0.57
CH0034995214	PATRIMONIUM CH RE	1.55	4.35	0.54
CH0026465366	UBS DIRECT RES	1.48	5.13	0.69
CH0513838323	Helvetia (CH) Swiss	1.43	5.00	0.66
CH0414551033	Baloise Swiss Prop.	1.37	5.31	1.44
CH0245633950	CS REF LogisticsPlus	1.33	5.52	1.39
CH0324608568	Cronos Immo Fund	1.23	3.42	0.43
CH0285087455	SF Retail Prop.	1.15	4.78	0.53
CH0118768057	CS REF HOSPITALITY	1.05	6.13	1.50
CH0111959190	SWC(CH) RE SwCom	0.85	5.78	0.89
CH0192940390	UBS (CH) Property Fund	0.81	6.69	1.16
CH0215751527	Dominicé Swiss Prop.	0.75	3.25	0.26
CH0107006550	PROCIMMO RES. LEMANIC	0.62	4.29	0.21
CH0335507932	HSC Fund	0.61	4.40	0.21
CH0267501291	Sustainable RE Switz.	0.49	4.06	0.17
CH0142902003	GOOD BUILDINGS	0.49	5.77	0.51
CH0444142555	Swiss Central City REF	0.44	3.92	0.15
CH0258245064	Suisse Romande Prop.	0.42	4.78	0.19
CH0037237630	STREETBOX	0.36	5.13	0.25
CH0344799694	SFC	0.32	4.76	0.11
CH0100612339	RESIDENTIA	0.25	4.85	0.09

are published twice a year in June and December. Any fund added to the SWIIT Index between rebalancing dates will be included to the PRESS Index at the next rebalancing date, provided that a PRESS score is available.

If a fund is taken out of the SWIIT index or is delisted, it will be excluded from the PRESS index at the same date. In this case, the weights will be renormalized with the remaining constituents to sum to 100%.

3 Weights

The weights of the PRESS Index are determined using a reweighting methodology that includes all constituents of the SWIIT Index, but adjusts the weights to reflect the ESG profile of each constituent. This method keeps the same constituents as the parent index, therefore limiting the tracking error. A comprehensive analysis comparing this method with others is available in [Alessandrini et al. \(2023a\)](#). As a benchmark, we use a market capitalization index where the weight of each constituent is proportional to its market capitalization:

$$w_{i,BM} = \frac{MC_i}{\sum_j MC_j} \quad (1)$$

where MC_i represents the market capitalization of fund i . This methodology aligns with the approach used by SIX for the SWIIT Index, as described in [SIX \(2023\)](#).

The process for deriving the PRESS weights involves the following 4 steps:

1. Funds included in the index are ranked by their latest PRESS scores and then classified into four categories or quartiles.
2. The weights of the funds belonging to the first quartile, those with the best ESG profile, are doubled, while the weights of the funds belonging to the second quartile are multiplied by 1.5. On the other side, the weights of the funds in the third

quartile are multiplied by 0.75 and the weights of the funds of the last quartile, with the worst ESG profile, are multiplied by 0.5. In so doing, the index gives more weight to the funds with the best ESG profile, while keeping all the constituents.

3. The weights are then normalized to sum to 100%.
4. To prevent excessive concentration in the index, we limit the overweight of any component relative to the benchmark to 5%. If a fund is overweighted by more than 5%, the excess is redistributed proportionately among the other overweighted funds based on their relative weight compared to the benchmark. This correction ensures that the sum of overweights remains constant but is more evenly distributed among the constituents in the first and second quartiles.

The final weights of all constituents as of July 1st 2024 are shown in Table 1 for the start of the index on January 1st and the first rebalancing on July 1st, 2024.

4 Profile of the PRESS Index

The PRESS index initial value is set at 100 as of January 3rd 2024, the first trading day of the year. The index is computed as a total return index, using total return prices for all components on a daily basis. These prices are sourced from Datastream. Figure 1 shows the evolution of the index from the beginning of 2024 to the end of July 2024, compared to the SWIIT index. Table 2 summarizes the financial characteristics. During this period, the PRESS Index has underperformed the SWIIT Index by approximately 60 basis points. Annualized volatility was slightly higher, likely due to the increased concentration. However, the annualized tracking error has remained limited at 1.41%.

The PRESS index is designed to enhance the ESG profile of a portfolio of funds included in the SWIIT index. This improvement is detailed in the Figure 2 for the ESG dimensions, the CO₂ emissions and the energy intensity. The PRESS Index delivers a

Figure 1: PRESS Index Total Return



Table 2: Investment Statistics of PRESS Index: January-July 2024

	SWIIT Index	PRESS Index
Return	7.12%	6.52%
Annualized volatility	9.78%	10.32%
Annualized tracking error	-	1.41%

substantial improvement in all dimensions. The overall ESG score for the PRESS Index is 5.84, compared to 5.35 for the SWIIT index, representing an improvement of more than 10%. Similar improvements are observed across all ESG dimensions. As for the energy profile, the PRESS Index shows CO₂ emissions of 15 kg CO₂/m², compared to 16.7 kg CO₂/m² for the SWIIT Index, again a reduction of approximately 10%.

Figure 2: Cross-section Distribution of some Sustainability Indicators and PRESS Index ESG profile



5 Discussion and conclusion

This note has detailed the computation of the PRESS Index. Beyond the methodological description, we also show how the index can be used to build a portfolio of real-estate investment funds that significantly improves the ESG profile. In particular, the index shows a clear reduction in CO₂ emissions. The improvement in the ESG dimension is achieved with minimal financial risk. Specifically, the index is built using a reweighting method, which has kept the tracking error with respect to the SWIIT index to below 1.5%

since inception. As a result, the PRESS Index is particularly interesting for institutional investors, who must balance the ESG considerations with relative risk with respect to their benchmarks.

The PRESS Index will be maintained following this methodology. Updated index levels and statistics will be freely available on the CRML website on a daily basis.

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