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# Emerging Global Launches Brazil Infrastructure ETF (BRXX)

by [Michael Johnston](#) on February 24, 2010 | ETFs Mentioned: [BRXX](#) • [CHXX](#)

A week after launching the China Infrastructure ETF ([CHXX](#)), [Emerging Global Advisors](#) introduced the Brazil Infrastructure ETF ([BRXX](#)) on Wednesday. BRXX is the first exchange-traded product to offer sector-specific exposure to [Brazilian](#) equity markets, and will seek to replicate the performance of the [INDXX Brazil Infrastructure Index](#). This benchmark is a free-float capitalization weighted benchmark consisting of 30 companies deemed to be representative of Brazil's infrastructure sector.

While the ETF will concentrate on the infrastructure index, the underlying holdings will represent a variety of sub-sectors: metals and mining firms, independent power producers, transportation infrastructure, telecommunications, and electric utilities all comprise at least 10% of the benchmark.

With Brazil gearing up to host the 2014 World Cup and 2016 Summer Olympics, infrastructure spending is expected to surge in coming years. Federal, state, and municipal governments have committed to spending some \$14 billion to ready Rio for the Olympic games, including transportation systems, urban redevelopment, and sports facilities themselves. In recent months, [major blackouts](#) have raised concerns over the levels of upgrades needed to the energy infrastructure, while others have expressed skepticism over the country's ability to host such events.

## Infrastructure Sector In Focus

Brazil's infrastructure policies will likely be in focus as the country [gears up for an election](#) later this year. With the ultra-popular Luiz Inacio Lula da Silva set to step aside in accordance with constitutional term limits, his hand-picked successor is likely to face off against Jose Serra, governor of Sao Paulo state, and the size and scope of the Brazilian government could be a hot topic. "The proposed creation of powerful state companies in telecommunication and energy – a reversal of policies in the 1990s – could help secure investment in infrastructure that the private sector could not undertake alone," [writes Jonathan Wheatley](#).

Brazil's infrastructure needs aren't solely related to the major sporting events planned. Recent offshore oil discoveries and a government plan to expand housing will also require significant infrastructure spending. [According to a recent estimate](#) from state-run financial giant Banco de Brasil SA, Brazilian infrastructure projects may require as much as \$85 billion in financing over the next ten years as the country expands transportation and boosts energy production.

## China Factor

Brazil's trade with China has surged in recent years, driven primarily by an uptick in demand for [agricultural commodities](#). As demand for Brazil's commodity products has increased, so too has the need for an efficient system to transfer goods from inland production centers to the country's coasts. As such, China's seemingly insatiable demand for natural resources could also necessitate infrastructure projects.

Emerging Global Advisors, which introduced a line of sector-specific emerging markets ETFs last year, expanded its product line to include single-country funds earlier this month with the launch of CHXX (see more on the case for China's infrastructure sector [here](#)). The China Infrastructure Fund has received a relatively warm reception from investors: trading volume in the first week has averaged about 25,000 shares daily.

BRXX will charge an expense ratio of 0.85%.

Disclosure: No positions at time of writing.

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