



THE MEXICO EQUITY & INCOME FUND, INC.

RETURNS

As of April 30, 2017	Total Annual Average U.S. Dollar Return through April 30, 2017 (Reinvested Dividends)						
	1 Month	YTD	1 Year	3 Years	5 Years	10 Years	Since MXE Inception in 08/30/90
MXE NAV*	0.81% <sup>1</sup>	17.31% <sup>1</sup>	-6.10% <sup>1</sup>	-4.13% <sup>1</sup>	5.19% <sup>1</sup>	3.01% <sup>1</sup>	12.23% <sup>2</sup>
MXE NAV (Returns in Mexican Pesos "MXN")	1.36% <sup>3</sup>	6.53% <sup>3</sup>	2.77% <sup>3</sup>	8.23% <sup>3</sup>	13.25% <sup>3</sup>	8.73% <sup>3</sup>	20.41% <sup>3</sup>
MXE Market Price	1.84% <sup>1</sup>	20.61% <sup>1</sup>	-2.98% <sup>1</sup>	-3.85% <sup>1</sup>	5.67% <sup>1</sup>	1.61% <sup>1</sup>	12.63% <sup>2</sup>
MXN Appreciation/ Depreciation	-0.55% <sup>3</sup>	10.08% <sup>3</sup>	-8.77% <sup>3</sup>	-11.42% <sup>3</sup>	-7.12% <sup>3</sup>	-5.26% <sup>3</sup>	-6.80% <sup>3</sup>
MEXBOL Index	1.25%	18.77%	-0.07%	-4.07%	-1.34%	1.57%	10.09%
MXF NAV	0.60%	17.40%	-3.38%	-4.35%	0.80%	1.14%	8.49%
MXF Market Price	2.64%	13.13%	-1.14%	-6.86%	0.94%	2.53%	9.21%
MXE NAV Excess Return vs. MEXBOL Index	-44	-146	-603	-6	653	144	214

Cumulative to April 30, 2017	(Reinvested Dividends)						
	YTD	1 Year	3 Years	5 Years	10 Years	Since MXE Inception 8/30/90	Discount to NAV, as of April 30, 2017.
MXE Common Share Market Price	20.61% <sup>1</sup>	-2.98% <sup>1</sup>	-11.11% <sup>1</sup>	31.73% <sup>1</sup>	17.30% <sup>1</sup>	2282.42% <sup>2</sup>	-11.31%
MXF Common Share Market Price	13.13%	-1.14%	-19.20%	4.78%	28.35%	947.88%	-10.17%

Source: U.S. Bancorp<sup>1</sup>; Thomson<sup>2</sup>; PAM<sup>3</sup>, Bloomberg.

\*The NAV accretion that resulted from share repurchases, for the 1, 3, and 5-year period ended April 30, 2017, was 0.04, 0.04, and 0.16 respectively. For the purpose of performance calculation, U.S. Bancorp assumes that MXE's dividends and distributions are reinvested at the closing market price on the dividend ex-date and takes into account the dilution effect resulting from fund's stock dividend. This calculation of MXE's performance figures may differ from other financial sources, such as Bloomberg.

MXE's ratio of expenses to average net assets=1.89% for the annual period ended July 31, 2016.

MXF's ratio of expenses to average net assets=1.74% for the year ended October 31, 2016.

Performance data quoted represents past performance; past performance does not guarantee future results. The investment return and principal value of an investment will fluctuate so that an investor's shares, when redeemed, may be worth more or less than their original cost. Current performance of the fund may be lower or higher than the performance quoted.

MXE RELEVANT DATA

	As of April 30, 2017	As of Dec 31, 2016	As of April 30, 2016
Total Net Assets USD	\$ 91,671,186	\$ 78,104,718	\$ 99,448,065
NAV per Share USD	\$12.47	\$10.63	\$13.28
Common Share Market Price USD	\$11.06	\$9.17	\$11.40
Premium/Discount to NAV	-11.31%	-13.73%	-14.16%
MXE's Shares Repurchased	0	192,577	0
MXE's Preferred Shares Redeemed	0	48,535	0
Total Outstanding Shares	7,349,716	7,349,716	7,489,862

Source: U.S. Bancorp.



THE MEXICO EQUITY & INCOME FUND, INC.

FUND REPURCHASES

As of April 30, 2017	1 Month	Y-T-D	1 Year
MXE's Shares Repurchased	0	0	180,417

Source: U.S. Bancorp

TOP TEN HOLDINGS

MXE Top Ten Stock Weightings, as of April 30, 2017		
Issuer	%	Industry
AMX	9.96%	Wireless Telecommunication Services
GMEXICO	7.70%	Metals & Mining
GFNORTE	6.98%	Banks
CEMEX	6.12%	Construction Materials
OMA	4.66%	Transportation Infrastructure
WALMEX	4.56%	Food & Staples Retailing
AC	4.20%	Beverages
IENOVA	3.56%	Gas Utilities
GFREGIO	3.28%	Banks
ALFA	3.27%	Industrial Conglomerates

Source: U.S. Bancorp

Fund holdings and sector allocations are subject to change and are not a recommendation to buy or sell any security.

I. INTRODUCTION

Mexico has been able to withstand U.S. trade policy uncertainties, due to its firm commitment to maintain a free economic leader status, with a gradual, but solid development of its economy. Structural reforms approved in 2013 as well as the reform of the pension system and commitment to free trade have helped the economy withstand outside pressures, mainly the fallout of oil prices. The energy reform has brought considerable long term commitments and new entrants into a market that was closed for more than 80 years, not only in oil, but also in electricity co-generation. Also other structural reforms, such as telecommunication, financial and competition have improved productivity and job creation in this administration.

The medium-term outlook for the Mexican economy is more positive as clarity on the North America Free Trade Agreement (NAFTA) will likely follow after the pledge of member countries to reach an agreement that is beneficial to all. Meanwhile, the Mexican economy significantly improved during the first four months of 2017: (i) GDP grew 2.7% year-on-year in the first quarter supported by robust growth in services; (ii) Moody's confirmed Mexico's sovereign debt rating of A3 –three notches above investment grade– to reflect the improvement in Mexico's public finances; (iii) the unemployment rate was 3.5% for two consecutive months, the lowest level since 2007; (iv) the Mexican peso appreciated 10.1% against the U.S. Dollar. (Source: INEGI; BANXICO; Bloomberg) (See Exhibit A & B).

Mexico's Central Bank (BANXICO) has continued to establish inflation expectations at its 3% +/-1 target as the key driver of its monetary policy, helping to instill confidence in the system. The Interest rate hikes and a Mexican Peso swap program for hedging, have also stabilized the exchange rate. (See Exhibit C & D).

Foreign inflows into equity portfolios reached US\$1.86 billion during January-March while US\$4 billion flowed into the debt market during January-February. (Source: BANXICO). (See Exhibit E). This confirms our analysis that external debt levels remain low compared to other Organization for Economic Co-operation and Development (OECD) countries, while ample reserves and access to the International Monetary Fund (IMF) flexible credit lines have supported current all-time high levels of the Mexican Stock Exchange Index (MEXBOL). (See Exhibit F). As mentioned in our Fund's semi-annual report, the fourth quarter of 2016 (4Q'16) solid financials have continued into 1Q'17 with a surprising consumption resilience, and in the overall sample, higher EBITDA than Sales on average.

The Fund's Net Asset U.S. Dollar Value per share "NAV" increased 17.31% year-to-date, through April 30, 2017, an underperformance of -146 basis points (bps) compared to the MEXBOL's return of 18.77%. The currency appreciated 10.08% for the same period. (Source: U.S. Bancorp, Bloomberg).

Uncertainty on U.S. trade policy has discounted some large, mid & small capitalization value-stories creating an opportunity for the Fund mainly in the Petrochemicals, Financials, Real Estate Management & Development and Auto Components industries with strong fundamentals. The MEXBOL Index's top-ten constituents account for 70% of its structure, whereas the Fund's top-ten constituents have a 54% weight. Large and mid caps account for 91.57% and 8.43% in the MEXBOL, whereas the Fund has a weight of 58.71% in large, 29.01% in mid and 9.78% in small caps.

II. MXE PERFORMANCE

The Fund's NAV decreased -6.10% in U.S. Dollars one-year to April 30, 2017, an underperformance of -603 bps compared to the MEXBOL's return of -0.07%. (Source: U.S. Bancorp, Bloomberg). According to our assessment reports, the main

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contributors and detractors were: i) a negative -216 bps contribution from Consumer Discretionary (Media, Auto Components and Hotels, Restaurants & Leisure); and ii) a negative -350 bps attribution from Materials. (Source: PAM; Bloomberg) (See Exhibit G).

The Fund's common share market price of US\$ 11.06 on the New York Stock Exchange increased 20.61% for the year-to-date period, through April 30, 2017, registering a discount of -11.31% to the Fund's NAV of US\$ 12.47. This compares to a discount of -14.16% at the end of April 30, 2016 whereas it decreased -2.98%, for the one-year period ended April 30, 2017. (Source: U.S. Bancorp).

During the month of April there were no share repurchases. (Source: U.S. Bancorp).

The Fund's Total Net Assets amounted to US\$91,671,186 as of April 30, 2017, compared to US\$99,448,065 as of April 30, 2016. (Source: U.S. Bancorp).

### III. THE MEXICAN ECONOMY

According to National Institute of Geographic Statistics and Information (INEGI), headline inflation (CPI) reached an annual rate of 5.62% as of the first half of April 2017 compared to 2.60% one-year to April 2016, following the gasoline price liberalization early in the year and the currency depreciation. Noteworthy, gasoline sales opened to competition with Pemex, the state-owned oil and gas company. (Source: INEGI) (See Exhibit H).

Mexico has eased its reliance on the production and export of crude oil to become an open-economy whose commercial trade balance accounts for more than US\$ 800 billion per year while GDP accounts for \$1 trillion U.S. Dollars. Manufacturing now represents about 90% of total exports, mainly in auto-parts, electric and electronics and high-tec aero-space technology products. (Source: BANXICO) (See Exhibit I).

Public finances have significantly improved since the beginning of the year, as a result of: i) A drop in government expenditure that is expected to reach 1.8% of GDP, due to austerity measures, which include the elimination of a MXN \$200 billion fuel subsidy. (Source: SHCP); ii) An increase in Government Income during the first quarter, largely supported by the historic MXN \$322 billion transfer from BANXICO, which represents about 1.5% of GDP. (Source: BANXICO); iii) PEMEX, the state-owned oil company, positive net income—for the first time since 2012—as a result of higher fuel prices, crude oil price stability, and a slight recovery in oil production. The importance of this result lies in the fact that Pemex has typically been a burden on Mexico's public finances. (Source: PEMEX) (See Exhibit J).

Given these figures, the Mexican Ministry of Finance now expects a primary surplus of 1.6% of GDP by the end of 2017, significantly greater than the original proposal of 0.4%. (Source: SHCP).

### IV. THE MXE's INVESTMENT STRATEGY

The main industries that positively contributed to the Fund's NAV for the year-to-date period ended April 30, 2017, according to PAM's assessment reports, were: 1) Transportation Infrastructure, 4.07% and 2) Beverages, 2.27%, and 3) Banks, 2.03% while the main detractors were: 1) Diversified Telecommunications, -0.07%; and 2) Media, -0.02%. (Source: PAM; Bloomberg).

The MXE's sample of financial results as of 1Q'17 registered average year-over-year sales and EBITDA growth of 17% and 20%, respectively, with a 40 bps expansion of the EBITDA margin compared to the MEXBOL Index's sales and EBITDA growth of 18%, and 22%, respectively with an EBITDA margin of 20%.

The Fund's portfolio has a 17% underweight in Consumer Staples and the highest overweight of 394 bps is in Materials which shows the biggest expansion in operating margins compared to the same quarter of 2016. The EBITDA margin increased by 257 bps to reach 34.3%, supported mainly by the Metals & Mining industry, which benefitted from improvements in the prices of its main products. (Source: PAM; Bloomberg) (See Exhibit K).

### VI. FINAL REMARKS

Uncertainties around NAFTA renegotiation, impacting the equity market in Mexico, after a strong rhetoric from the new U.S. administration are likely to continue to be moderated mainly due to its intra-industrial ties, (supply chain integration) as have been far more benign after the comments of Secretary Wilbur Ross and Peter Navarro, director of the National Trade Council.

Please refer to Exhibit A, where the U.S. Trade deficit of USD \$63 billion with Mexico is similar in size to those with Japan (USD \$69 billion) and Germany (USD \$65 billion), while total sales of the U.S. to Mexico are USD \$267 billion per annum (California, Arizona, New Mexico, and Texas amounts to \$133 billion dollars). In comparison to sales of USD \$195 billion to Japan and USD 163 billion to Germany. Noteworthy, the so called "Bible Belt" states export about US\$45 billion per year to Mexico.

The U.S. has the largest trade deficit with China, amounting to US\$ 347 billion with less than half of total exports from the U.S. to China (USD \$116 billion) when compared to total exports to Mexico.

Due to the above facts, we believe that the rules of origin are likely to be the key factor if any renegotiation occurs in the mid term.

In the next 6 to 12 months the market could likely have higher volatility as we are moving into presidential elections in late 2018 and political noise should be addressed by the Minister of Finance's commitment to lower current levels of total debt and finding ways to support and extend



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consumption trends through the structural change.

Thus, we remain adhered to our disciplined quality portfolio management, regardless of indexed-large caps with pricey valuations, and we will continue to increase oversold-less liquid but value-stories with solid management and strong corporate governance with a mid to long term horizon.

Our decision making is also a prove of our solid analyst team and the inclusion of Jose Luis Ramirez Domene, as an equity-value-oriented portfolio manager at the resignation of Fabiola Molina to whom we appreciate her service to the Fund during a 2.5 year-period.

Sincerely yours,

*Eugenia Pichardo and Jose Luis Ramirez  
Equity Portfolio Managers  
Arnulfo Rodriguez  
Debt Portfolio Manager*

*The information contained herein reflects the opinion of Pichardo Asset Management and as such does not constitute fundamental research, neither should it be construed as a solicitation of business or a buy/sell recommendation with regard to any of the securities mentioned. Furthermore, it is subject to change without prior warning and estimates cannot be guaranteed. Past returns do not guarantee future earnings.*

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**THE MEXICO EQUITY & INCOME FUND, INC.**

**Exhibit A**

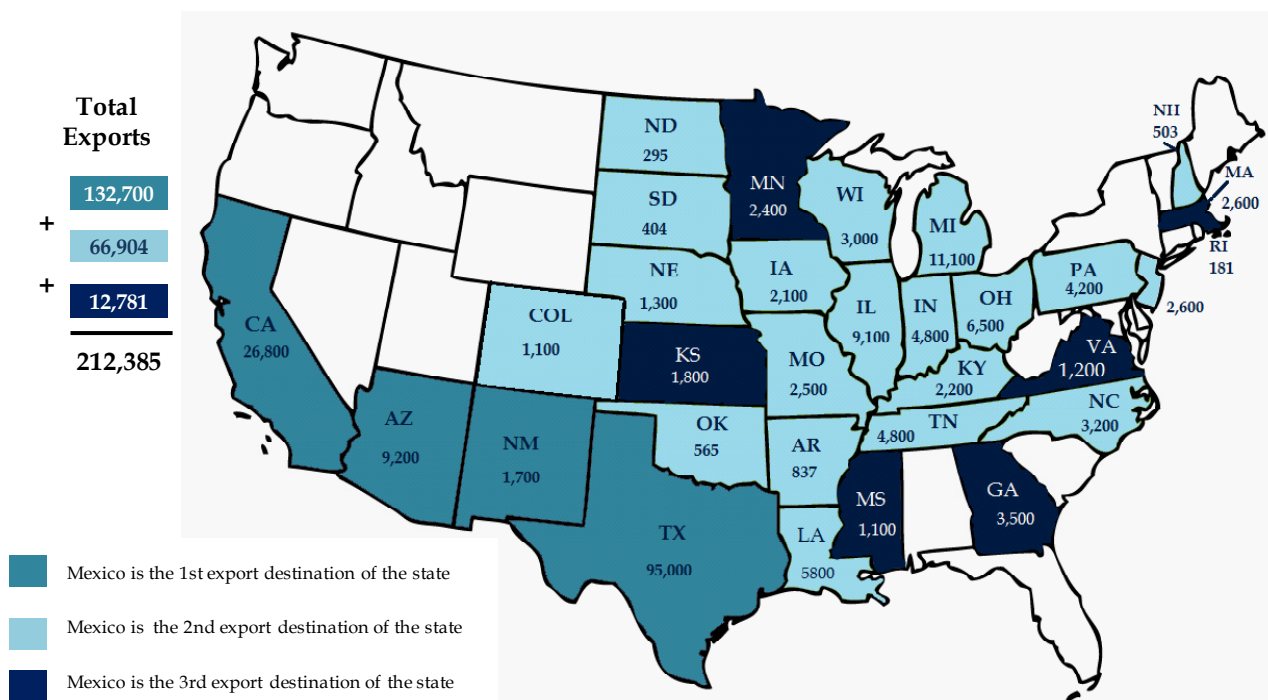
**United States International Commerce**  
*Amounts in Million of U.S. Dollars*

Country	Exports	Imports	Total Commerce	Balance	Country	Exports	Imports	Total Commerce	Balance
China	115,775	462,813	578,588	-347,038	Taiwan	26,045	39,313	65,358.0	-13,268
% of Total	8.0%	21.1%	15.9%		% of Total	1.8%	1.8%	1.8%	
Japan	63,264	132,202	195,466	-68,938	Canada	266,827	278,067	544,894	-11,240
% of Total	4.3%	6.0%	5.4%		% of Total	18.3%	12.7%	15.0%	
Germany	49,362	114,227	163,589	-64,865	United Kingdom	55,396	54,326	109,722	1,070
% of Total	3.4%	5.2%	4.5%		% of Total	3.8%	2.5%	3.0%	
Mexico	230,959	294,151	525,110	-63,192	Saudi Arabia	18,023	16,926	34,949	1,097
% of Total	15.9%	13.4%	14.4%		% of Total	1.2%	0.8%	1.0%	
Italy	16,754	45,210	61,964	-28,456	Brazil	30,297	26,176	56,473	4,121
% of Total	1.2%	2.1%	1.7%		% of Total	2.1%	1.2%	1.5%	
Korea, South	42,266	69,932	112,198	-27,666	Singapore	26,868	17,801	44,669	9,067
% of Total	2.9%	3.2%	3.1%		% of Total	1.8%	0.8%	1.2%	
India	21,689	45,998	67,687	-24,309	Hong Kong	34,908	7,386	42,294	27,522
% of Total	1.5%	2.1%	1.9%		% of Total	2.4%	0.3%	1.2%	
France	30,941	46,765	77,706	-15,824	All other countries	425,212	537,890	963,102	-112,678
% of Total	2.1%	2.1%	2.1%		% of Total	29.2%	24.6%	26.4%	
					<b>TOTAL</b>	<b>1,454,586.0</b>	<b>2,189,183</b>	<b>3,643,769</b>	<b>-734,597</b>

Source: U.S. Census Bureau

**Exhibit B**

**Exports to the U.S. to Mexico by State**  
*Million of U.S. Dollars*



Source: State Data Bureaus, "¿Quién pierde si muere el TLC?" – Eje Central Jan 25, 2017.

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Exhibit C

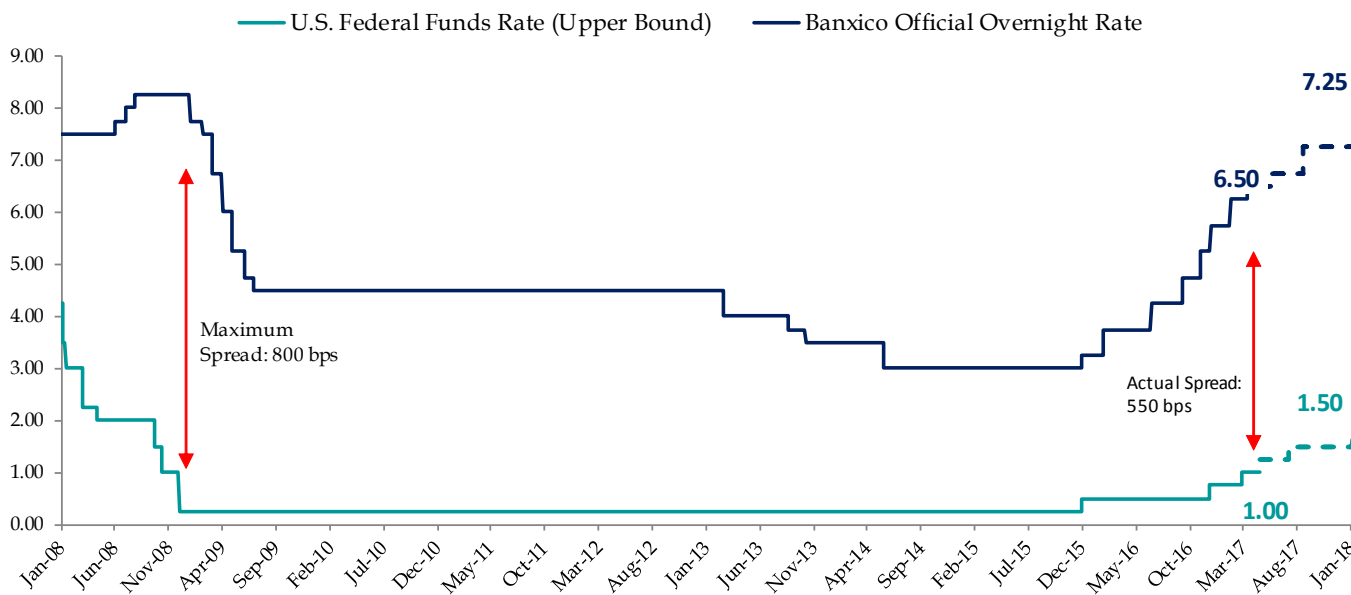
Spot Exchange Rate (MXN/USD)  
(As of April 30, 2017)



\*Mexican Peso appreciation/depreciation.  
Source: BANXICO, Bloomberg

Exhibit D

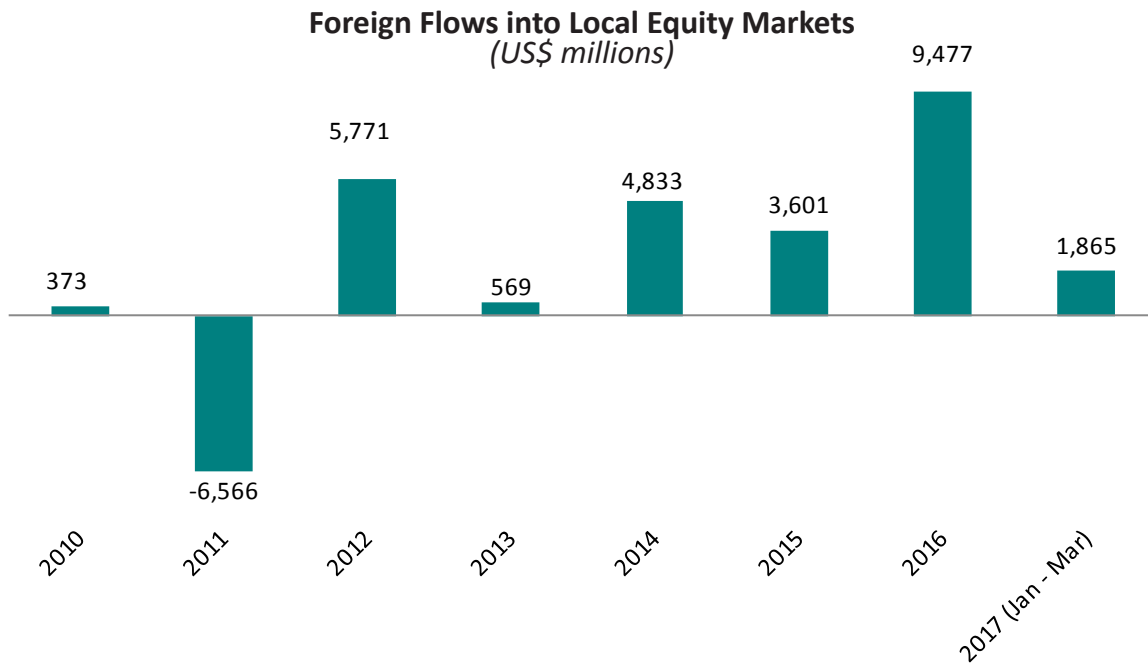
Banco de Mexico and Federal Reserve Reference Rates



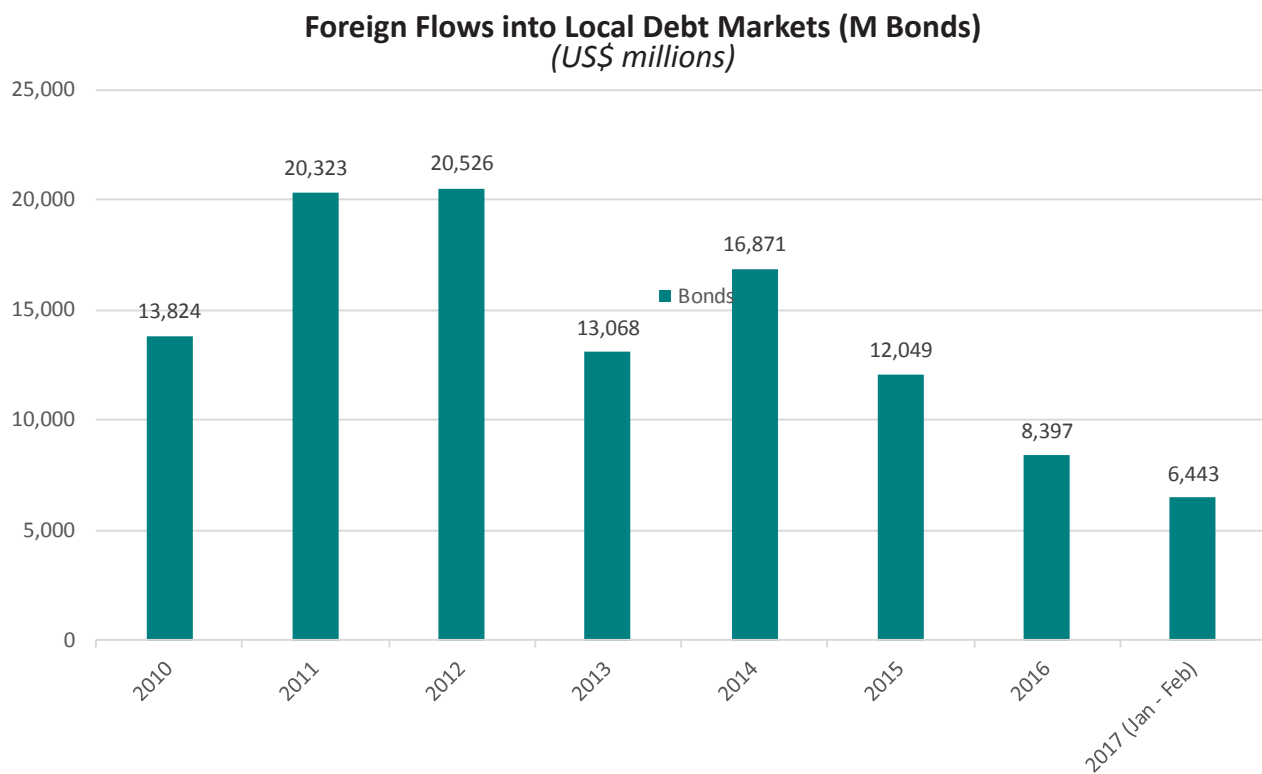
Source: Bloomberg, BANXICO Survey of Expectations

**THE MEXICO EQUITY & INCOME FUND, INC.**

**Exhibit E**



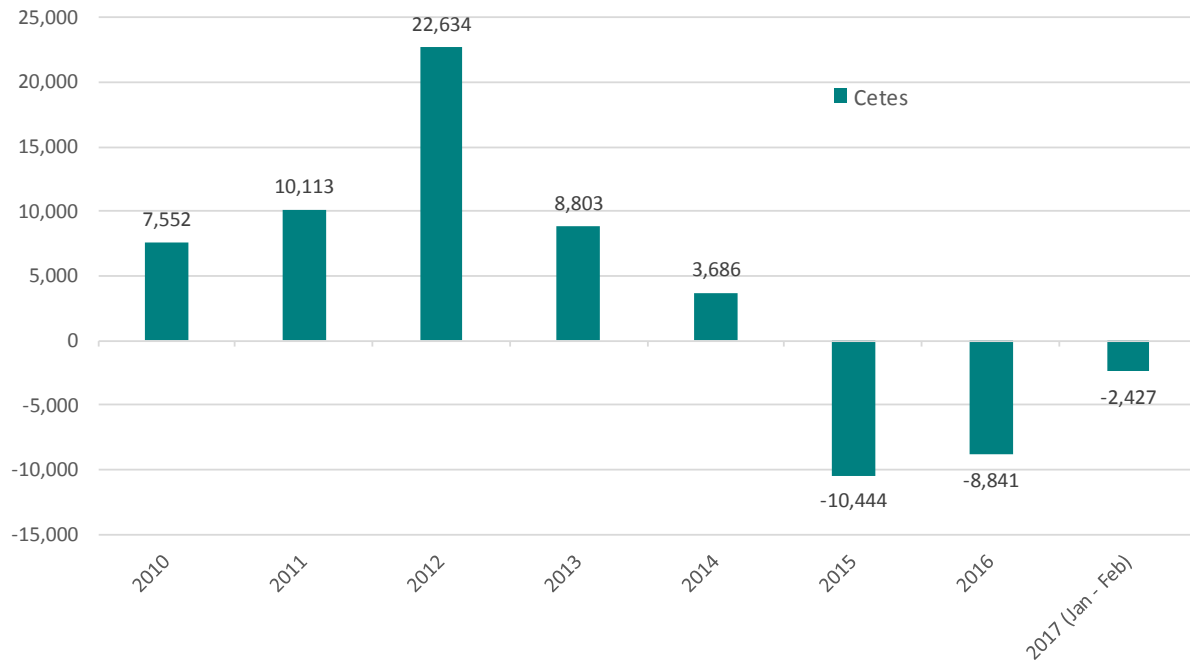
Source: BANXICO



Source: BANXICO

THE MEXICO EQUITY & INCOME FUND, INC.

Foreign Flows into Local Debt Markets (CETES)  
(US\$ millions)



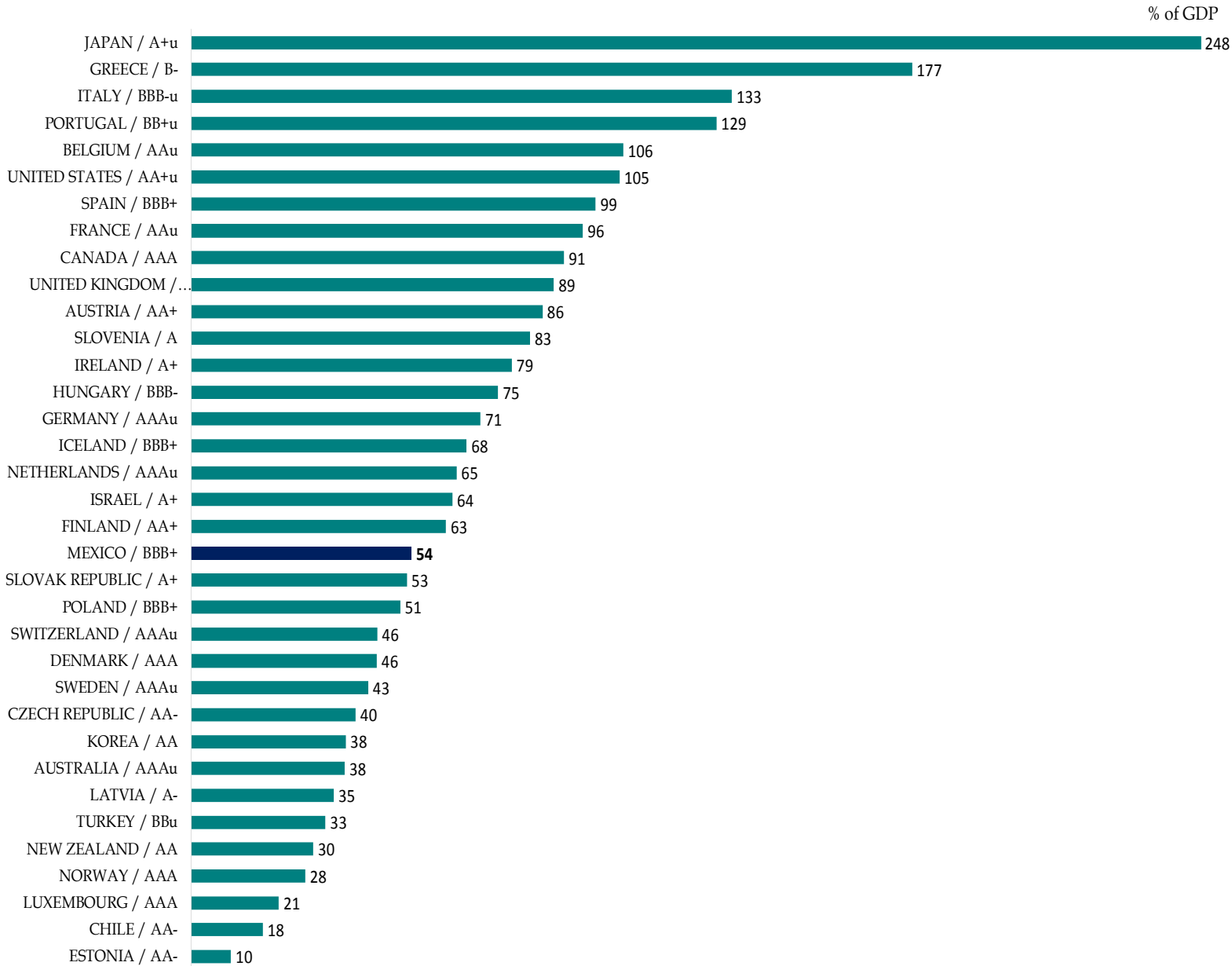
Source: BANXICO



THE MEXICO EQUITY & INCOME FUND, INC.

Exhibit F

Mexico vs OCDE Countries  
General Government Gross Debt  
(2016 Estimate)

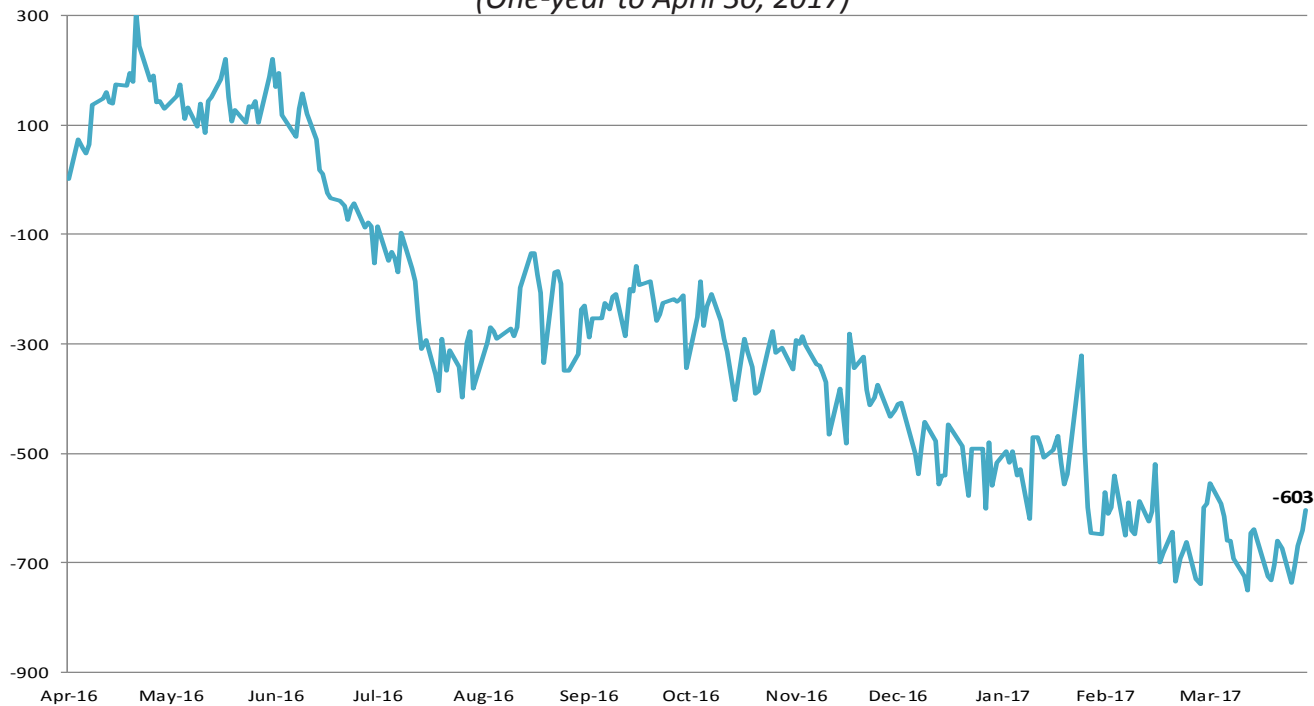


Source: International Monetary Fund & Bloomberg

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Exhibit G

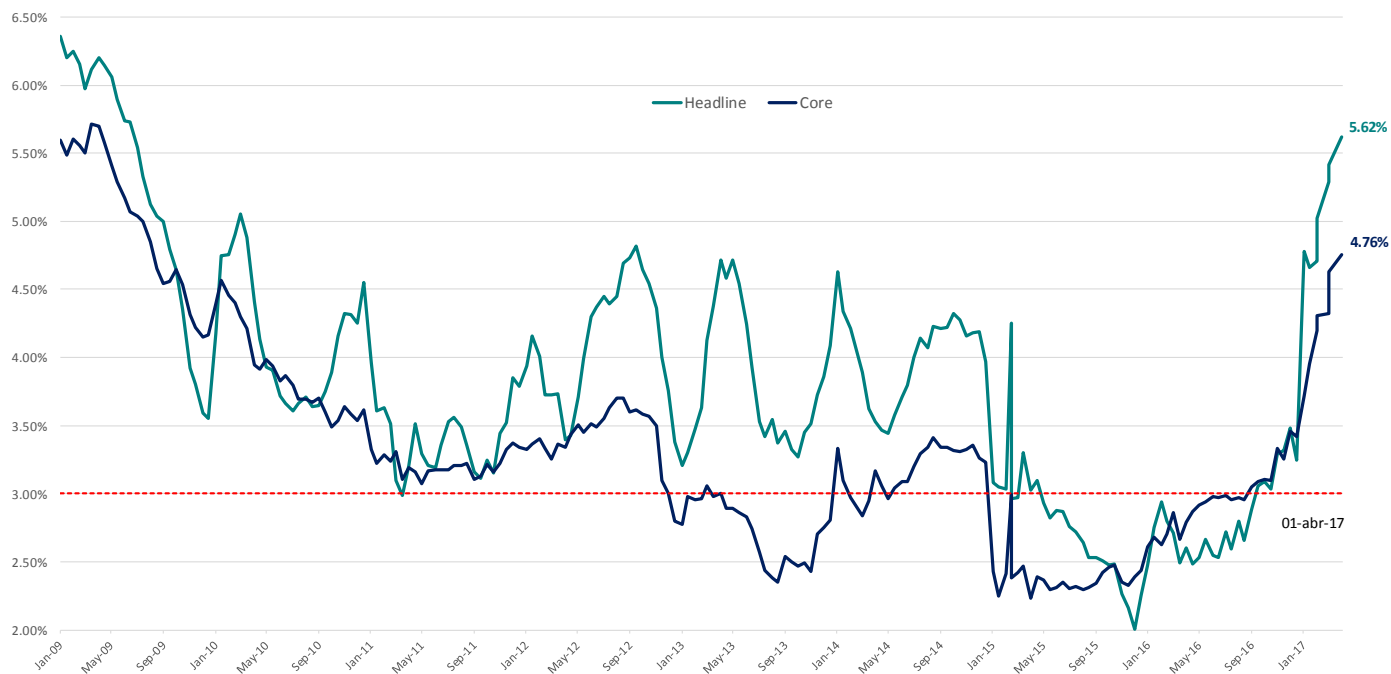
**Spread**  
**MXE's USD Return vs. MEXBOL Index**  
(One-year to April 30, 2017)



Source: PAM, Bloomberg

Exhibit H

**Bi-weekly Inflation (YoY % Change)**

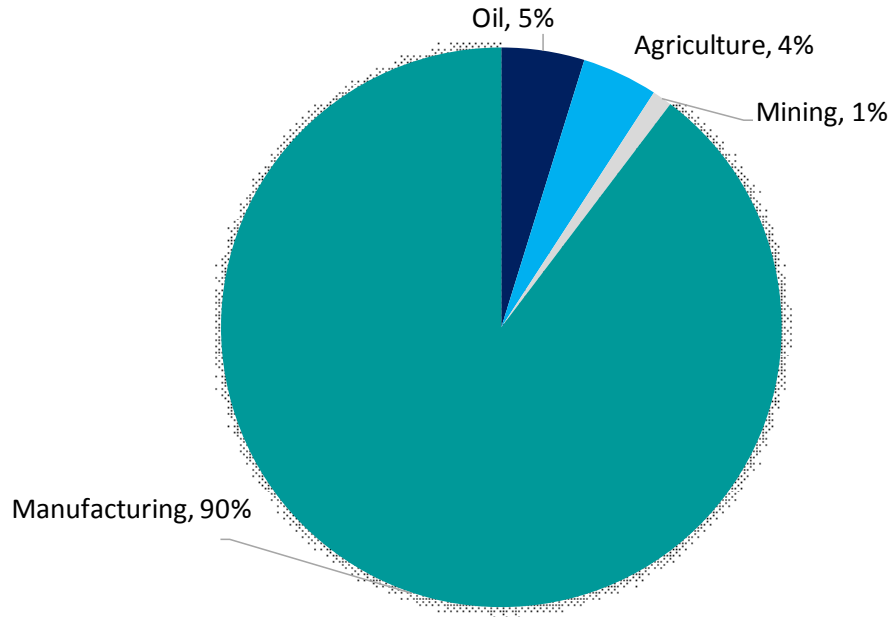


Source: INEGI

THE MEXICO EQUITY & INCOME FUND, INC.

Exhibit J

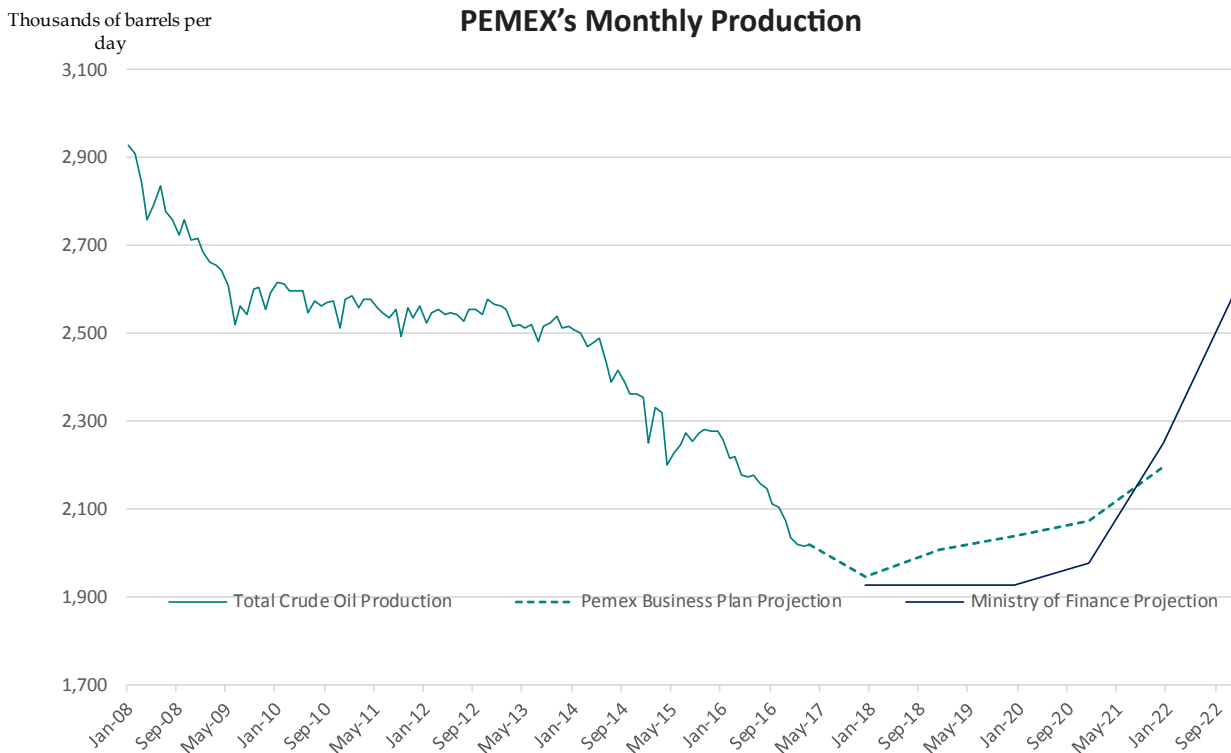
Mexico's Exports breakdown by component  
(Monthly Data in March 2017)



Source: BANXICO

Exhibit J

PEMEX's Monthly Production



Source: Bloomberg, PEMEX Business Plan for 2017, Ministry of Finance

THE MEXICO EQUITY & INCOME FUND, INC.

Exhibit K

**MXE's Portfolio versus MEXBOL's Index 1Q'17 Financial Results**  
(As of April 30, 2017)

As of April 30, 2017	MXE's	MEXBOL	Overweight/ Underweight	Revenues	EBITDA	EBITDA Margin		Change	Net Income	Net Margin		Change
SECTOR	% Allocation	% Allocation	t	YoY	YoY	1Q17	1Q16		YoY	1Q17	1Q16	
MATERIALS	21.99%	18.05%	3.94%	20.71%	34.29%	25.43%	22.86%	257 bps	88.95%	10.80%	6.90%	390 bps
REAL ESTATE	2.99%	0.00%	2.99%	37.44%	38.70%	84.31%	83.54%	77 bps	716.59%	320.59%	53.96%	26663 bps
UTILITIES	3.56%	0.89%	2.67%	130.69%	88.37%	67.37%	82.51%	-1514 bps	398.42%	53.14%	24.59%	2854 bps
INDUSTRIALS	15.50%	12.95%	2.55%	17.51%	6.28%	17.13%	18.94%	-181 bps	20.31%	6.65%	6.49%	15 bps
FINANCIALS	15.50%	14.64%	0.86%	13.03%	N/A	N/A	N/A	N/A	58.70%	62.07%	44.21%	1786 bps
TELECOMMUNICATIONS SERVICES	12.56%	11.73%	0.83%	18.45%	15.80%	27.23%	27.86%	-62 bps	761.85%	13.37%	1.84%	1153 bps
CONSUMER DISCRETIONARY	12.27%	11.78%	0.49%	13.90%	8.70%	14.70%	15.40%	-70 bps	-15.73%	5.40%	7.30%	-190 bps
CONSUMER STAPLES	13.17%	29.96%	-16.79%	14.19%	15.72%	11.32%	11.17%	15 bps	4.88%	4.46%	4.86%	-40 bps
<b>TOTAL EQUITY MXE's PORTFOLIO</b>	<b>97.54%</b>	<b>100.00%</b>	<b>-2.46%</b>	<b>17.20%</b>	<b>19.69%</b>	<b>19.82%</b>	<b>19.43%</b>	<b>40 bps</b>	<b>107.49%</b>	<b>10.19%</b>	<b>5.76%</b>	<b>443 bps</b>

<b>TOTAL MXE's PORTFOLIO EX - AMX</b>	<b>16.7%</b>	<b>22.2%</b>	<b>17.0%</b>	<b>16.2%</b>	<b>75 bps</b>	<b>46.4%</b>	<b>8.9%</b>	<b>7.1%</b>	<b>180 bps</b>
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PRIVATE EQUITY CAPITAL DEVELOPMENT CERTIFICATES	2.28%
CASH & READY AVAILABLE INSTRUM	0.18%

<b>TOTAL MXE's PORTFOLIO</b>	<b>100.00%</b>
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Source: PAM, Bloomberg

## THE MEXICO EQUITY & INCOME FUND, INC.

### DISCLOSURES

To read about the Mexico Equity and Income Fund please access the Annual Report by calling (414) 765-4255 to receive a copy. To read about the Mexico Fund, Inc. please access the Annual Report on the phone's website [www.mexicofund.com](http://www.mexicofund.com), under the section caption investor reports. Investors should consider the Fund's investment objectives, risks, charges and expenses carefully before investing. An investment in the Fund should not constitute a complete investment program.

**All investments involve risk. Principal loss is possible. Investing internationally involves additional risks such as currency fluctuations, currency devaluations, price volatility, social and economic instability, differing securities regulation and accounting standards, limited publicly available information, changes in taxation, periods of illiquidity and other factors. These risks are greater in the emerging markets. Stocks of small-and-mid-capitalization companies involve greater volatility and less liquidity than larger-capitalization companies.**

#### Considerations and risks involved in investing in Mexican securities

1. Market volatility in a global context.
2. The Mexican economy continues to be classified as an emerging economy. Mexican industrial production is highly correlated to that of the U.S.
3. Mandatory IFRS (International Financial Reporting Standards) accounting since the year 2011. All Mexican companies reporting IFRS in 2012 with 2011 financials adjusted accordingly (Source: Mexican Stock Exchange).
4. The portfolio securities are denominated in Mexican pesos. As a result, the portfolio return in U.S. Dollars securities must increase in market value at a rate in excess of the rate of the decline in the value of the Mexican peso against the U.S. dollar in order to present an excess dollar return.
5. Mexico has experienced widespread bank failures, currency devaluations, high levels of inflation and interest rates. Nevertheless, inflation has been contained at below 4% as of December 31, 2013, for more than a decade and interest rates are currently at all-time lows (2.92% 3 month Treasury Bills "CETES") (Source: Bloomberg)
6. There is generally less governmental supervision and regulation of exchanges, brokers and issuers in Mexico than there is in the United States.
7. U.S. holders of portfolio securities may also experience difficulties enforcing U.S. laws or obtaining service of process against the issuers of the portfolio securities.

#### THE MEXICO FUND, INC. (MXF)

Closed-End Fund listed in the New York Stock Exchange in 1981

1. Investment Objective: Long-term capital appreciation through investments in securities, primarily equity, listed on the Mexican Stock Exchange.
2. Expense ratio: 1.74% (For the annual period ended October 31, 2016)
3. Portfolio Turnover rate: 19% (For the year ended October 31, 2016)
4. Outstanding shares: 15,027,810 (As of October 31, 2016)
5. Repurchase of stocks: US \$32,736 (For the annual period ended October 31, 2016)
6. Total net assets: US \$279,019,795 (As of October 31, 2016)
7. Dividends distribution of 0.1415 per share payable in cash on January 17, 2017. (For the annual period ended October 31, 2016)
8. Tax Status: No provision has been made for U.S. income or excise taxes for the year ended October 31, 2015 on net investment company taxable income or net long-term capital gains as defined by the Internal Revenue Code (the "Code"), since the Fund intends to comply with the requirements of the Code applicable to regulated investment companies and to distribute substantially all of such income to its stockholders.

GAAP prescribes the minimum recognition threshold a tax position must meet before being recognized in the financial statements. An assessment of the Fund's tax positions has been made and it has been determined that there is no impact to the Fund's financial statements.

**Diversification does not ensure profit or protect against losses in a declining market.**

**Earnings growth is not representative of the Fund's future performance.**

THE MEXICO EQUITY & INCOME FUND, INC.

**ECONOMIC DATA**

- **Gross Domestic Product (GDP):** According to INEGI, the Demand side of GDP grew 2.7% in 1Q'17 compared to the previous year. By components, primary activities increased by 6.9%, secondary activities 0.2%, and tertiary activities 3.7%.
- **Economic Activity Index.** According to INEGI, economic activity (IGAE, Gross Domestic Product proxy) rose by 0.1% month over month (m/m) in February. In seasonally-adjusted terms, tertiary activities increased by 0.2%, tertiary by 0.1%, while primary activities decreased by 4.3% compared to the previous month.
- **Industrial Activity.** In February, industrial production increased 0.1% m/m. Seasonally-adjusted data showed an advance of 0.9% in construction, while manufacturing activities remained flat; mining and utilities dropped 1.0% and 1.5% respectively.
- **Gross Fixed Investment.** In January, gross fixed investment (GFI) decreased 1.8%, m/m. Expenses related to construction decreased by 0.5% and those related to machinery and equipment by 2.7%, m/m. GFI posted a 1.4% drop y/y.
- **Trade Balance.** The March trade balance registered a US\$182.9 million deficit. Total exports increased by 14% y/y, driven by advances in oil and non-oil exports. Imports rose 15% y/y driven by an 68% increase in oil imports.
- **Mexican Oil Mix.** As at-end of April, the price of the Mexican oil mix was USD\$42.74 per barrel, translating into a 0.33% monthly increase and a 13.73% increase in one year.
- **Retail Sales.** Retail increased 3.6% in February compared to the same month of 2016. Retail sales declined 7.2% in relation to the previous month.
- **Unemployment.** The February unemployment rate came in at a seasonally-adjusted 3.19%, 18 bps below the previous month. By gender, men unemployment decreased from 3.34% the previous month to 3.02% and unemployment in women increased from 3.43% in January to 3.46%.
- **Monetary Policy.** On March 30, 2017, Banco de Mexico increased its benchmark interest rate by 25 basis points to 6.50%.
- **Inflation.** The March Consumer Price Index (CPI) increased by +0.61% month-over-month. Annual headline inflation came in at 5.35% and core inflation 4.48%.
- **Public Finances:**
  - o During the first quarter of 2017, the government reported a fiscal deficit (including Pemex and the Federal Electricity Commission) of MXN \$309 billion, which compares favorably to the MXN \$253 billion deficit observed the first quarter of 2016. During the first quarter of 2017 Income increased by 33.4% y/y taking into account Banxico's transfer. During the same period, expenses increased by 0.9% y/y.
  - o At the end of the first quarter of 2017, the Public Sector's Financial Requirements presented a surplus that represented 1.3% of GDP, which compares favorably to the 0.3% deficit of GDP of the first quarter of 2016. The Ministry of Finance expects to take debt from 50.2% of GDP at the end of 2016 to 48.0 by the end of 2017.
- *Source: SHCP, BANXICO, INEGI.*



THE MEXICO EQUITY & INCOME FUND, INC.

ECONOMIC PROJECTIONS

Economic Projections	2012	2013	2014	2015	2016
<b>National Accounts</b>					
Real GDP growth (y/y)	3.9%	1.4%	2.3%	2.5%	2.3%
GDP (US \$bn.)	1.184	1.261	1.288	1.139	1.157
Consumption (Chg. y/y)	4.7%	2.5%	2.0%	3.3%	3.4%
Investment (Chg. y/y)	4.6%	-1.6%	2.3%	4.5%	0.4%
Exports (Chg. y/y)	5.9%	2.2%	7.3%	9.4%	-1.8%
Imports (Chg. y/y)	5.4%	2.5%	5.7%	6.1%	-2.0%
<b>Monetary and Exchange Rate Ind.</b>					
CPI Inflation (year-end)	3.6%	3.9%	4.1%	2.1%	3.36%
US\$ Exchange Rate (year-end)	13.0	13.1	14.7	17.2	20.7
28Day Cetes Int. Rate (year-end)	4.50%	3.50%	3.00%	3.25%	5.69%
<b>Balance of Payments</b>					
Trade Balance (US\$ bn.)	0.2	-1.2	-2.8	-14.5	-13.1
Exports (US\$ bn.)	370.7	380.2	397.5	380.8	373.9
Imports (US\$ bn.)	370.8	381.2	400.0	395.2	387.06
Transfers (US\$ bn.)	22.4	22.3	23.6	24.8	26.7
Current Account (US\$ bn.)	-15.4	-26.5	-24.8	-32.4	-27.9
Foreign Direct Inv. (US\$ bn.)	19.0	45.7	25.6	28.4	26.7
<b>Debt Profile</b>					
International Reserves (US\$ bn.)	163.5	176.5	193.2	176.7	176.5
Public Debt (gross % of GDP)	34.5%	36.9%	41.0%	42.5%	49.0%
External Debt (gross % of GDP)	9.8%	10.2%	11.9%	19.7%	15.5%

Source: SHCP, BANXICO, INEGI, Santander.

The projections on this page are based on industry estimates and are no guarantee of future outcomes.

\* World Bank's estimated GDP growth for Mexico; published on the Global Economic Prospects dated June 2016.

## THE MEXICO EQUITY & INCOME FUND, INC.

### DEFINITIONS

- **BANXICO:** Banco de Mexico is the Central Bank of Mexico.
- **Basis points:** One basis point (bps) is one hundredth of a percentage point (0.01%).
- **CETES:** Mexican treasury bills.
- **EBITDA:** Earnings before interests, depreciation and amortization.
- **GDP:** Gross Domestic Product proxy. The monetary value of all the finished goods and services produced within a country's borders in a specific time period, though GDP is usually calculated on an annual basis. It includes all of private and public consumption, government outlays, investments and exports less imports that occur within a defined territory.
- **IMF:** International Monetary Fund.
- **IGAE:** A Gross Domestic Product proxy. This indicator shows the evolution of the economic activity in Mexico.
- **MBonds:** Mexican Sovereign Bonds.
- **MEXBOL-Mexican Stock Exchange:** The Mexican Bolsa Index, or the IPyC (Indice de Precios y Cotizaciones), is a capitalization-weighted index of the leading stocks traded on the Mexican Stock Exchange. The index was developed with a base level of 0.78 on October 30, 1978.
- **Mexbol-Total Return Index:** The Mexican Bolsa index calculates the performance of constituents assuming that all dividends and distributions are reinvested.
- **Moody's:** Is a company which rates fixed income debt securities and countries, on the basis of assessed risk and the borrower's ability to make interest payments, and its ratings are closely watched by many investors.
- **NAFTA:** (North American Free Trade Agreement): A regulation implemented January 1, 1994 in Mexico, Canada and the United States to eliminate most tariffs on trade between these nations. The three countries phased out numerous tariffs, (with a focus on those related to agriculture, textiles and automobiles), between the agreement's implementation and January 1, 2008. NAFTA's purpose is to encourage economic activity between the United States, Mexico and Canada.
- **The Net Asset Value per Share (NAV)** is calculated as the total market value of all the securities and other assets held by a fund minus the total liabilities, divided by the total number of common shares outstanding. The NAV of an investment company will fluctuate with changes in the market prices of the underlying securities. However, the market price of a closed-end fund is determined in the open market by buyers and sellers. This public market price is the price at which investors may purchase or sell shares of a closed-end fund. The market price of a closed-end fund fluctuates throughout the day and may differ from its underlying NAV, based on the supply and demand for a fund's shares on the open market. Shares of a closed-end fund may trade at a premium to (higher than) or a discount to (lower than) NAV. The difference between the market price and the NAV is expressed as a percentage that is either a discount or a premium to the NAV, or underlying value.
- **Net Income:** is a company's total earnings (or profit); net income is calculated by taking revenues and subtracting the costs of doing business such as depreciation, interest, taxes and other expenses.
- **OECD:** Organization for Economic Co-operation and Development.
- **PEMEX:** The state-owned oil company in Mexico.
- **P/E Ratio:** The price-earnings ratio (P/E Ratio) is the ratio for valuing a company that measures its current share price relative to its per-share earnings.
- **SHCP:** Secretaría de Hacienda y Crédito Público is the Mexican Ministry of Finance.