

## Fund Objective & Strategy

### Profile

The Mexico Equity and Income Fund, Inc. ("the Fund") maintains an investment objective of long-term capital appreciation through investments in securities, primarily equity, listed on the Mexican Stock Exchange. The Fund provides a vehicle to investors who wish to invest in Mexican companies through a managed non-diversified portfolio as part of their overall investment program.

### Characteristics

The Mexico Equity and Income Fund, Inc, incorporated in Maryland, U.S.A. , is registered under the U.S. Investment Company Act of 1940, as amended, as a closed-end, non diversified management investment company. Since August 21, 1990, the Fund's common stock has traded on the New York Stock Exchange (the "NYSE") under the symbol "MXE".

### Investment Objective

The Fund's investment objective is to seek high total return through capital appreciation and current income by investing at least 80% of the Fund's assets in equity and convertible securities issued by Mexican companies and debt securities of Mexican issuers.

### Risk Factors

The Fund invests substantially all of its assets in securities of Mexican issuers. All investments involve risk. Principal loss is possible. Investing internationally involves additional risks such as currency fluctuations, market price volatility, social and economic instability, changes in taxation, periods of illiquidity and other factors. Stocks of small-and-mid-capitalization companies involve greater volatility and less liquidity than larger-capitalization companies. All Mexican companies are subject to Mandatory IFRS (International Financial Reporting Standards) accounting since the year 2011. Mexico has experienced currency devaluations, high levels of inflation and interest rates, but currently has a solid macro economic framework. *Please see PAM's December Report on the Economy.*

*To read about The Mexico Equity and Income Fund, Inc, please access the Annual Report by calling (414) 765-4255 to receive a copy, or access the Annual Report on the Fund's website, "www.mxefund.com", under the section captioned 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.*

*Closed-end funds are traded on the secondary market through one of the stock exchanges. The Fund's investment return and principal value will fluctuate so that an investor's shares may be worth more or less than the original cost. Shares of closed end funds may trade above (a premium) or below (a discount) the net asset value (NAV) of the fund's portfolio and there is no assurance that the fund will achieve its investment objective.*

## Portfolio Management

Portfolio Management	Experience	Analyst	Experience
<b>Maria Eugenia Pichardo</b>	27 years	Mauro Castañeda	13 years
Arnulfo Rodriguez	25 years	Itziar Garcia	4 years
<b>Assistant Portfolio Manager</b>		Erick Solano	Trainee
David Estevez	6 years	Oscar Sifuentes	Trainee
Juan Elizalde	5 years		

## Fund Information

Market Data	As of Jan. 31, 2018	As of Jan. 31, 2017
Net Asset Value (NAV)	US\$ 12.90 <sup>1</sup>	US\$ 10.70 <sup>1</sup>
Market Price	US\$ 11.22 <sup>1</sup>	US\$ 9.22 <sup>1</sup>
Discount to NAV (%)	-13.02 <sup>1</sup>	-13.83 <sup>1</sup>
Total Assets (USD)	\$ 94,722,186 <sup>1</sup>	\$ 78,677,463 <sup>1</sup>
Outstanding Shares	7,343,416 <sup>1</sup>	7,349,716 <sup>1</sup>
One Year Share Repurchases	6,300 <sup>1</sup>	192,577 <sup>1</sup>
Preferred Shares Redeemed	0 <sup>1</sup>	0 <sup>1</sup>
Cash Dividend (Ordinary Income)	N/A <sup>1</sup>	N/A <sup>1</sup>
Equity + Private Equity	91.23%	96.40%
Treasury Bond Funds (USD)	7.61%	0.84%
Liquidity Mutual Funds(MXN)	1.17%	2.76%

Source: US Bancorp<sup>1</sup> & PAM.

## Exhibit 1. Sectors Contributors. Six Months ended January 31, 2018.\*\*

Sector	Absolute	Relative	Overweight / Underweight (basis points)
Utilities	-0.34%	-0.22%	434
Industrials	-2.01%	-0.83%	422
Real Estate	-0.26%	-0.26%	405
Financials	-0.92%	0.27%	54
Private Equity	-1.09%	0.00%	0
Health Care	0.00%	0.06%	-44
Consumer Discretionary	-1.24%	0.73%	-86
Telecommunication	1.03%	0.25%	-100
Materials	0.03%	0.49%	-572
Consumer Staples	-0.73%	-0.32%	-1,626

## Exhibit 2. Change in Sector Weights. Six Months ended January 31, 2018.\*

Sector	January 2018	July 2017	Change (basis points)
Utilities	6.06%	0.79%	527
Industrials	15.70%	13.96%	174
Telecommunication	12.23%	10.59%	164
Real Estate	4.05%	2.88%	117
Financials	15.12%	17.20%	-208
Consumer Discretionary	8.01%	10.72%	-271
Consumer Staples	15.42%	19.36%	-394
Materials	12.29%	21.15%	-886

## Stock Exits. Six Months ended January 31, 2018.\*

Issuer	Industry	Issuer	Industry
ALPEKA	Chemicals	SITESB1	Diversified Telecom
BIMBOA	Food Products	CUERVO	Beverages
GFINBURO	Banks		
GENTERA	Consumer Finance		
LACOMUBC	Food & Staples Retailing		
OMAB	Transportation Infrastructure		
GSANBOB1	Multiline Retailing		

## Exhibit 3. Top ten holdings as of January 31, 2018.\*

TOP TEN HOLDINGS MXE		TOP TEN HOLDINGS MEXBOL	
Issuer	Weight	Issuer	Weight
AMXL	12.3%	FEMSAUBD	13.2%
GFNORTEO	8.4%	AMXL	13.2%
IENOVA	6.1%	GFNORTEO	8.7%
FEMSAUBD	5.6%	WALMEX	8.0%
GMEXICOB	4.8%	GMEXICOB	7.5%
PINFRA	4.1%	CEMEXCPO	7.2%
VESTA	4.1%	TLEVICPO	6.0%
AC	4.0%	GAPB	2.6%
GMXT	4.0%	ALFAA	2.5%
SHY	4.0%	ASURB	2.4%
<b>TOTAL</b>	<b>57.4%</b>	<b>TOTAL</b>	<b>71.3%</b>

\*Source: Bloomberg; PAM.

\*\*Refers only to the 91.23% Allocation in Equities

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**Exhibit 4. Returns**

As of January 31, 2018

	Total Annual Average U.S. Dollar Return through Jan. 31, 2018 (Reinvested Dividends)						
	1 Month	6 Months	1 Year	3 Years	5 Years	10 Years	Since MXE Inception 08/30/90
MXE NAV*	8.95% <sup>1</sup>	-5.54% <sup>1</sup>	21.04% <sup>1</sup>	0.43% <sup>1</sup>	0.30% <sup>1</sup>	2.93% <sup>1</sup>	12.02% <sup>2</sup>
MXE NAV (Returns in Mexican Pesos "MXN")	3.13% <sup>3</sup>	-1.25% <sup>1</sup>	8.03% <sup>3</sup>	7.94% <sup>3</sup>	8.24% <sup>3</sup>	8.66% <sup>3</sup>	19.90% <sup>3</sup>
MXE Market Price	9.36% <sup>1</sup>	-5.12% <sup>1</sup>	22.25% <sup>1</sup>	-0.67% <sup>1</sup>	-0.64% <sup>1</sup>	4.15% <sup>1</sup>	12.34% <sup>2</sup>
MXN Appreciation/ Depreciation	5.65% <sup>3</sup>	-4.35% <sup>3</sup>	12.04% <sup>3</sup>	-6.96% <sup>3</sup>	-7.34% <sup>3</sup>	-5.27% <sup>3</sup>	-6.58% <sup>3</sup>
MEXBOL Index	8.14%	-4.61%	22.49%	1.50%	-3.70%	1.86%	9.95%
MXF NAV	7.64%	-2.82%	22.24%	2.25%	-2.76%	1.84%	8.48%
MXF Market Price	8.07%	-3.28%	21.05%	-0.35%	-5.06%	2.88%	9.08%
MXE NAV Excess Return vs. MEXBOL Index	81	-93	-145	-107	400	107	207

Cumulative to January 31, 2018	(Dividends Reinvested)						
	6 Monts	1 Year	3 Years	5 Years	10 Years	Since MXE Inception 8/30/90	Discount to NAV, as of Jan. 31, 2018
MXE Common Share Market Price	-5.12% <sup>1</sup>	22.25% <sup>1</sup>	-2.00% <sup>1</sup>	-3.18% <sup>1</sup>	50.20% <sup>1</sup>	2330.15% <sup>3</sup>	-13.02%
MXF Common Share Market Price	-3.28%	21.05%	-1.04%	-22.87%	32.89%	984.61%	-12.62%

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

The Fund's Portfolio securities are denominated in Mexican pesos. As a result, the portfolio return in U.S. dollars 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.

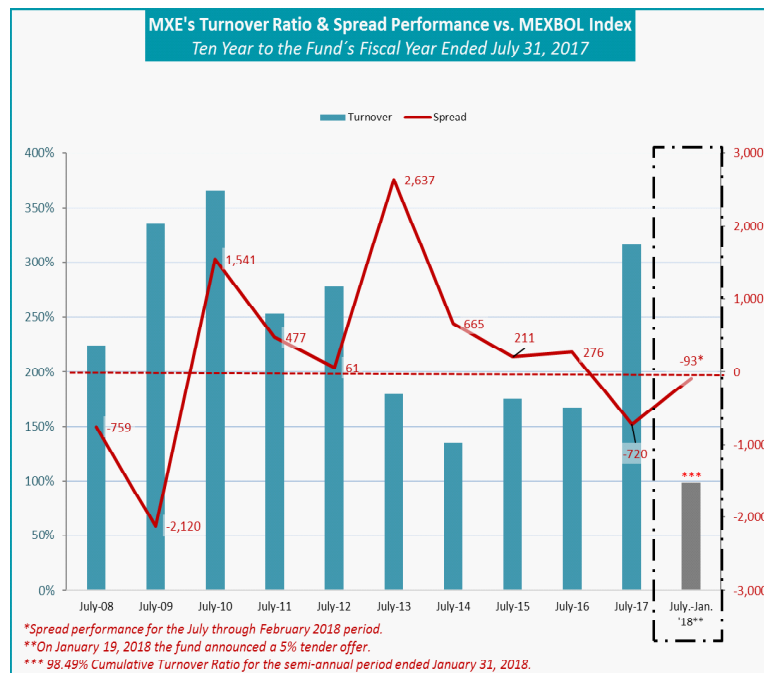
The NAV accretion that resulted from share repurchases, for the 1, 3, and 5-year period ended January 31, 2018, was 0.00, 0.04, and 0.04 respectively. For the purpose of performance calculation, U.S. Bancorp assumes that MXE's dividends and distributions are reinvested at the closing market price on 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=1.71% for the Fiscal year ended July 31, 2017.

MXF's ratio of expenses to average net assets=1.59% for the Fiscal year ended October 31, 2017.

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.

**Exhibit 5.**



Source: Bloomberg; PAM.

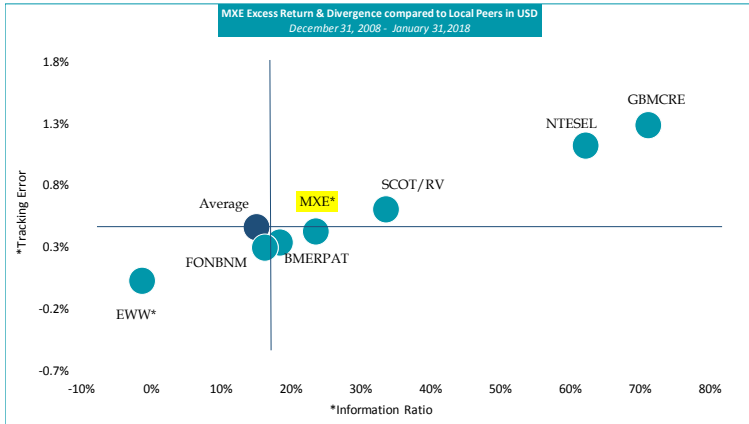
**Exhibit 6.**



Source: Bloomberg; PAM.

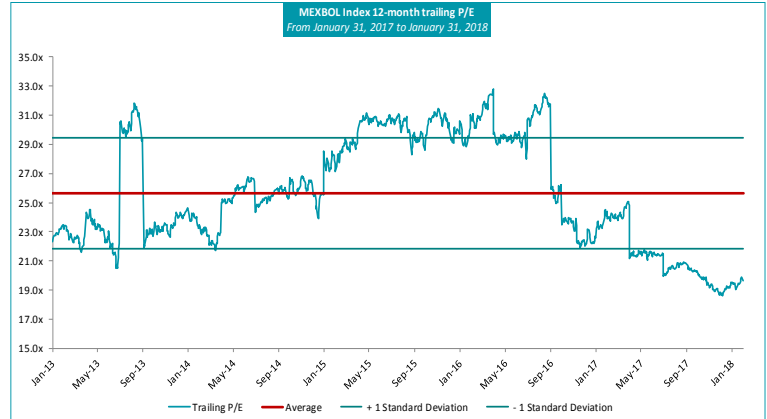
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**Exhibit 7.**



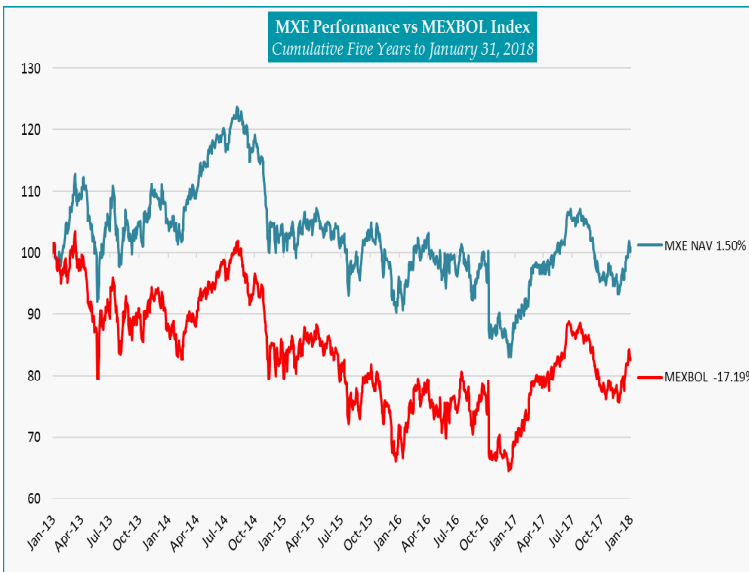
Source: Bloomberg; PAM.

**Exhibit 10.**



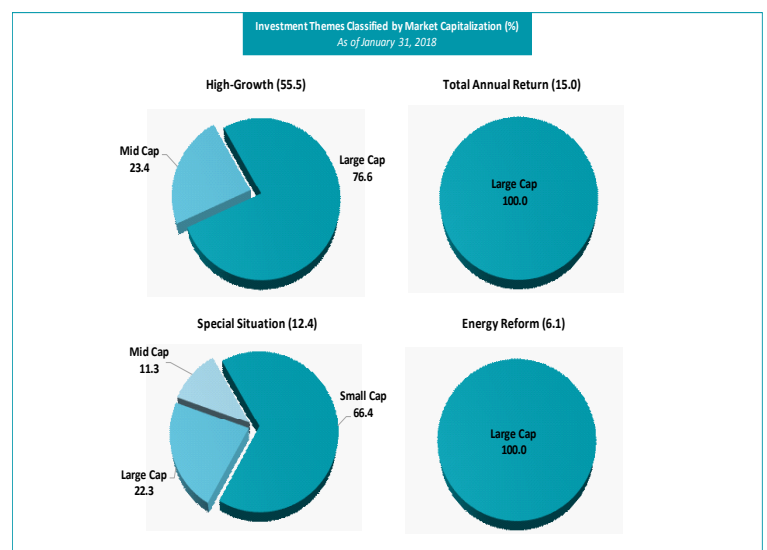
Source: Bloomberg; PAM.

**Exhibit 8.**



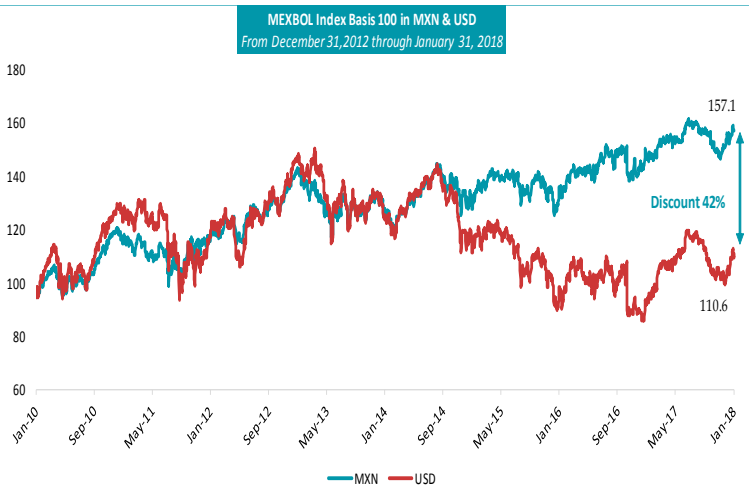
Source: Bloomberg; PAM.

**Exhibit 11.**



Source: Bloomberg; PAM.

**Exhibit 9.**



Source: Bloomberg; PAM.

#### Definitions

- **Basis point (BPS):** Refers to a common unit of measure for interest rates and other percentages in finance.
- **Excess Return:** The return of the Fund in excess of the benchmark/ index return (annualized)
- **EWV:** The iShares MSCI Mexico ETF seeks to track the investment results of a broad-based index composed of Mexican equities.
- **IBOV Index:** The Sao Paulo Stock Index is a capitalization-weighted index of the leading stocks traded on Brazil.
- **IPSA Index:** The Santiago Stock Index is a capitalization-weighted index of the leading stocks traded on Chile.
- **IGBC Index:** The Colombia Stock Index is a capitalization-weighted index of the leading stocks traded on Colombia.
- **MEXBOL Index:** The Mexican Bolsa Index is a capitalization-weighted index of the leading stocks traded on Mexican Stock Exchange.
- **The Turnover Ratio:** Is the percentage of a fund's investment holdings replaced in a given year.
- **The Information Ratio (IR)** measures a portfolio manager's ability to generate excess returns relative to a benchmark.
- **Tracking Error:** Measure of the actual deviation of the Fund's returns from the comparative benchmark index returns (annualized). A higher number means that the Fund is taking greater risk versus the benchmark.
- **OW:** Overweight is a situation where an investment portfolio holds an excess amount of a particular security when compared to the security's weight in the underlying benchmark portfolio.
- **UW:** Underweight refers to one of two situations in regard to trading and finance. An underweight portfolio does not hold a sufficient amount of a particular security when compared to the weight of that security held in the underlying benchmark portfolio.
- **EV/EBITDA:** Enterprise value/EBITDA is a popular valuation multiple used in the finance industry to measure the value of a company. It is the most widely used valuation multiple based on enterprise value and is often used in conjunction with, or as an alternative to, the P/E ratio (Price/Earnings ratio) to determine the fair market value of a company.
- **P/E:** 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. The price-earnings ratio is also sometimes known as the price multiple or the earnings multiple. The P/E ratio can be calculated as: Market Value per Share / Earnings per Share.
- **Return on Invested Capital (ROIC):** A calculation used to assess a company's efficiency at allocating the capital under its control to profitable investments. Return on invested capital gives a sense of how well a company is using its money to generate returns. Comparing a company's return on capital (ROIC) with its weighted average cost of capital (WACC) reveals whether invested capital is being used effectively.
- **Return on Equity (ROE):** Return on equity (ROE) is the amount of net income returned as a percentage of shareholders equity. Return on equity measures a corporation's profitability by revealing how much profit a company generates with the money shareholders have invested.