



THE MEXICO EQUITY & INCOME FUND, INC.

RETURNS

As of May 31, 2017	Total Annual Average U.S. Dollar Return through May 31, 2017 (Reinvested Dividends)						
	1 Month	YTD	1 Year	3 Years	5 Years	10 Years	Since MXE Inception in 08/30/90
MXE NAV*	-0.80% <sup>1</sup>	16.37% <sup>1</sup>	-1.36% <sup>1</sup>	-5.67% <sup>1</sup>	7.34% <sup>1</sup>	1.75% <sup>1</sup>	12.15% <sup>2</sup>
MXE NAV (Returns in Mexican Pesos "MXN")	-1.86% <sup>3</sup>	4.53% <sup>3</sup>	-0.54% <sup>3</sup>	6.72% <sup>3</sup>	13.04% <sup>3</sup>	7.51% <sup>3</sup>	20.25% <sup>3</sup>
MXE Market Price	-1.45% <sup>1</sup>	18.87% <sup>1</sup>	0.09% <sup>1</sup>	-5.88% <sup>1</sup>	6.87% <sup>1</sup>	2.02% <sup>1</sup>	12.53% <sup>2</sup>
MXN Appreciation/ Depreciation	1.08% <sup>3</sup>	11.33% <sup>3</sup>	-0.82% <sup>3</sup>	-11.61% <sup>3</sup>	-5.04% <sup>3</sup>	-5.35% <sup>3</sup>	-6.74% <sup>3</sup>
MEXBOL Index	0.57%	19.15%	7.80%	-5.12%	1.36%	0.58%	10.06%
MXF NAV	-0.32%	17.03%	4.23%	-5.90%	2.98%	0.36%	8.45%
MXF Market Price	-0.90%	12.12%	5.17%	-8.78%	2.95%	1.62%	9.14%
MXE NAV Excess Return vs. MEXBOL Index	-137	-278	-916	-55	598	117	209

Cumulative to May 31, 2017	(Reinvested Dividends)						
	YTD	1 Year	3 Years	5 Years	10 Years	Since MXE Inception 8/30/90	Discount to NAV, as of May 31, 2017.
MXE Common Share Market Price	18.87% <sup>1</sup>	0.09% <sup>1</sup>	-16.63% <sup>1</sup>	39.39% <sup>1</sup>	22.12% <sup>1</sup>	2251.61% <sup>2</sup>	-11.88% <sup>2</sup>
MXF Common Share Market Price	12.12%	5.17%	-24.10%	15.64%	17.38%	938.48%	-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 May 31, 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=1.73% for the semi-annual period ended January 31, 2017.

MXF's ratio of expenses to average net assets=1.88% for the semi-annual ended April 30, 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.

MXE RELEVANT DATA

	As of May 31, 2017	As of Dec 31, 2016	As of May 31, 2016
Total Net Assets USD	\$ 90,893,351	\$ 78,104,718	\$ 93,587,847
NAV per Share USD	\$12.37	\$10.63	\$12.54
Common Share Market Price USD	\$10.90	\$9.17	\$10.89
Premium/Discount to NAV	-11.88%	-13.73%	-13.16%
MXE's Shares Repurchased	0	192,577	82,416
MXE's Preferred Shares Redeemed	0	48,535	48,535
Total Outstanding Shares	7,349,716	7,349,716	7,462,277

Source: U.S. Bancorp.

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

**FUND REPURCHASES**

As of May 31, 2017.	1 Month	Y-T-D	1 Year
MXE's Shares Repurchased	0	0	110,161

Source: U.S. Bancorp

**TOP TEN HOLDINGS**

MXE Top Ten Stock Weightings, as of May 31, 2017.		
Issuer	%	Industry
AMX	8.71%	Wireless Telecommunication Services
GMEXICO	7.58%	Metals & Mining
GFNORTE	7.56%	Banks
CEMEX	6.64%	Construction Materials
WALMEX	4.28%	Food & Staples Retailing
FEMSAUBD	3.92%	Beverages
GFREGIO	3.64%	Banks
ALFAA	3.46%	Industrial Conglomerates
MEXCHEM	3.38%	Chemicals
SITESB	3.09%	Diversified Telecommunications

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**

The Mexican economy could be picking up in 2017, supported mainly by the services sector; on the downside, gross fixed investment has been lagging, consumer price levels have continued to rise, and there are incipient signs of internal political uncertainty.

The results of the State of Mexico's June 4th elections were characterized by general civility, and more importantly, financial variables achieved positive momentum as it became increasingly less likely that the radical leftist party would win.

The Fund's Net Asset U.S. Dollar Value per share "NAV" registered a return of -1.36% for the one-year period ended on May 31, 2017, compared to a return of -14.88% for the

one-year period ended December 31, 2016. The currency rebounded by approximately 18% from its January low against the U.S. Dollar.

The new president elected in the U.S. brought the highest uncertainty over the last 20-years by conceptual expectations of the possibility of the cancellation of the North American Free Trade Agreement (NAFTA), please see *Exhibit A* one-year linear regression which explains the impact to equities' prices at the U.S. election outcome; thus, disrupting our fundamental long-only and de-indexed strategy resulting in a negative -8.21% Jensen's Alpha (risk adjusted), as presented in *Exhibit B*, for the one-year period to May 31, 2017. Noteworthy, the 5-year period, to May 31, 2017 grants a 5.89% annual average Jensen's Alpha following a Mexican Peso annual average loss of -5.04 % versus the U.S. Dollar for the period.

The portfolio remains somewhat defensive as valuations continue to move up in line with emerging markets, especially in some of the most liquid names in the index, raising a yellow flag in several cases.

**II. MXE PERFORMANCE**

The Fund's NAV increased 16.37% in U.S. Dollars for the year-to-date period through May 31, 2017, following an 11.33% appreciation of the Mexican Peso.

The Fund's common share market price of US\$10.90 on the New York Stock Exchange rose 18.87% for the year-to-date period through May 31, 2017, registering a discount of -11.88% to the Fund's NAV of US\$ 12.37, compared to a discount of -13.16% at the end of May 31, 2016, and increased 0.09% for the one-year period ended May 31, 2017 compared to a decrease of -14.78% for the one-year period ended December 2016. (Source: U.S. Bancorp).

There were no share repurchases in May 2017. (Source: U.S. Bancorp).

The Fund's total net assets amounted to US\$90,893,351 as of May 31, 2017, compared to US\$93,587,847 as of May 31, 2016. (Source: U.S. Bancorp).

**III. THE MEXICAN ECONOMY**

Mexico's economic fundamentals remained upbeat in May. (See *Exhibit C*). Also, Mexico's Central Bank (BANXICO) reported that during the first quarter of 2017 (1Q17), the current account deficit was 2.7% of the Gross Domestic Product (GDP), below the 2.8% in 1Q16 due to higher exports and remittances. Meanwhile, the labor market remained resilient. (See *methodology of jobless rate at the Economic Data section*).

On a less favorable note, gross fixed investment seems to be slowing down. This could be the result of beginning-of-the-year uncertainty surrounding the relationship between the U.S. and Mexico, so the possibility of a favorable outcome to

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this issue could result in a recovery.

Finally, core inflation reached its highest level since the beginning of 2009. (See Exhibit D). The inflation trend has led BANXICO to raise its reference rate by 375 basis points since December 2015 to 6.75% with the goal of anchoring inflation expectations. (See Exhibit E). Agustin Carstens, BANXICO's governor, has stated that inflation is not out of hand, describing the recent increases in consumer price levels as transitory, resulting from increases in fuel prices and some agricultural products. Therefore, he claims that inflation will stabilize in the coming months and move towards BANXICO's 3% +/-1 target in 2018.

#### IV. THE MXE'S INVESTMENT STRATEGY

While we remain cautiously optimistic, we have been positioning the Fund in some quality names that are oversold and have solid prospects as we move into the end of the 2Q17. We have positioned the portfolio in some off -index stocks, particularly small and medium capitalization stocks as well as the de-indexation of some of the more expensive names. (See Exhibit F)

Our quality portfolio management has been hinged since the second half of 2016, particularly by Materials and Industrials sectors which have been among the worst performers during the period but at current prices valuations are very attractive both on a relative (i.e. vs. underlying assets) and absolute basis (See Exhibits G & H).

The main industries that positively contributed to the Fund's NAV for the year-to-date period ended May 31, 2017, according to PAM's assessment reports, were: 1) Transportation Infrastructure, 4.36% and 2) Wireless Telecommunication Services, 2.45%, and 3) Beverages, 2.35% while the main detractors were: 1) Metals & Mining, -0.79%; 2) Diversified Telecommunications, -0.10%; and 3) Consumer Finance, -0.06%. (Source: PAM; Bloomberg).

Our portfolio is well positioned to take advantage of the current macro momentum even though we expect some volatility going into the second half of the year. We will continue to actively look for opportunities in the market, but will also consider the risks associated with more potential political noise in the second half. Hopefully, the list of presidential candidates will be defined by the end of the year, resulting in a clearer view of the risk /reward scenarios for Mexican markets.

#### VI. FINAL REMARKS

In our opinion, the strong appreciation of the Mexican Peso is a result of several factors: BANXICO's responsible monetary policy, as evidenced by its interest rate hikes and the currency hedge program; greater awareness about the importance of NAFTA, and how it benefits U.S. exporters; and the assimilation of relevant building blocks that Mexico has established over the last 20 to 25 years. (See Exhibit I)

Those building blocks include,

- Mexico's commitment to being an open economy, which has resulted in the implementation of 10 free trade agreements with 45 countries.
- The independence of BANXICO, which has enabled it to make decisions consistent with its mandate of maintaining price stability.
- The structural reforms adopted in 2014, especially the energy and co-generation reform.
- Mexico's demographic bonus, which means that a large part of the country's population has the potential to work and therefore contribute to economic growth.

Finally, the ongoing growth of the Mexican economy in recent years could be showing some imbalances, as private consumption has been relatively dynamic while private investment has shown a prolonged period of slack. If investment continues to weaken, growth potential could be impacted. Therefore, the country urgently needs to redouble efforts to foster conditions that boost business sector confidence and investment. In that regard, we believe that economic policy actions have been appropriate and have strengthened Mexico's macro framework. Likewise, progress has been made with structural reforms. However, the rule of law must continue to be strengthened so that corruption and insecurity do not become obstacles to greater growth and a drag on production. Clarity on NAFTA rules should also help private investment once negotiations conclude.

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

**MXE's Return – Risk Analysis (BETA vs. MEXBOL Index)**  
(One Year to May 31, 2017)

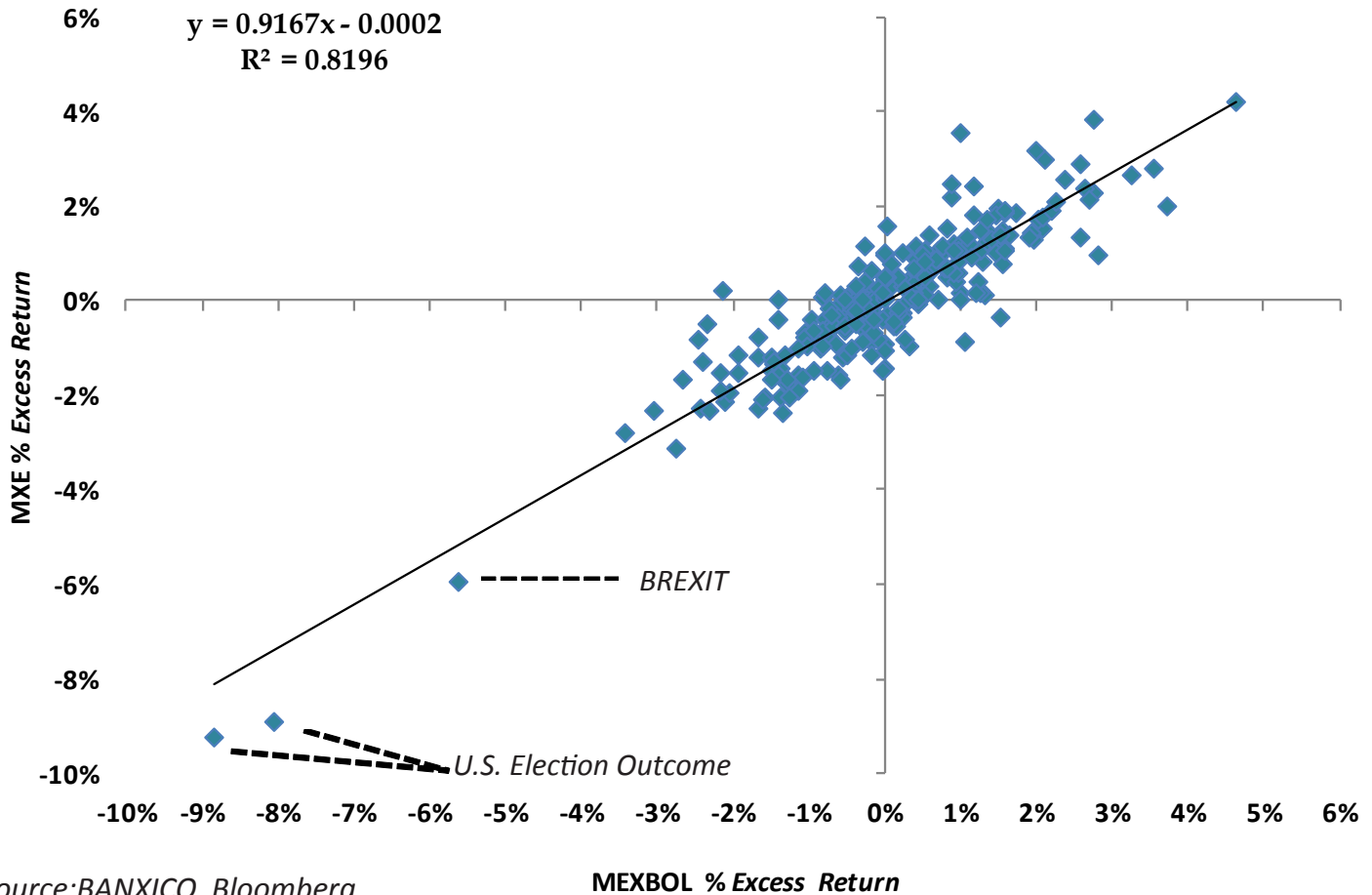


Exhibit A.1

**MXE's Risk Adjusted Return**  
(As of May 31, 2017)

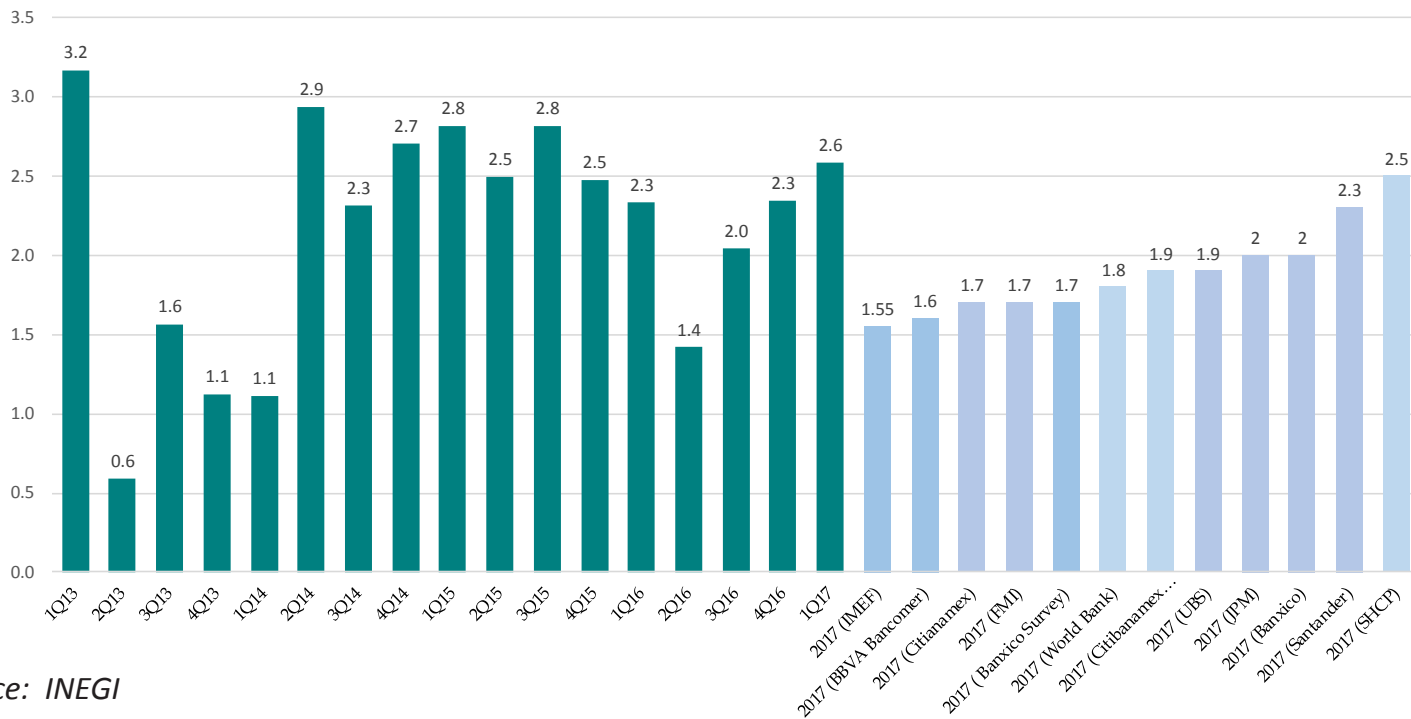
Funds Data	One Month	Y-T-D	One Year	Three Year	Five Year	Ten Year
MXE's Return	-0.80%	16.37%	-1.36%	-5.67%	7.34%	1.75%
MXE $\beta$	0.931	0.931	0.931	0.928	0.906	0.866
Risk Free Rate	6.75%	6.35%	5.42%	3.90%	3.95%	4.66%
MEXBOL's Return	0.57%	19.15%	7.80%	-5.12%	1.36%	0.58%
<b>MXE's ALPHA vs MEXBOL Index</b>	<b>-1.80%</b>	<b>-1.89%</b>	<b>-9.00%</b>	<b>-1.20%</b>	<b>5.74%</b>	<b>0.63%</b>

Source: PAM, Bloomberg

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Exhibit C

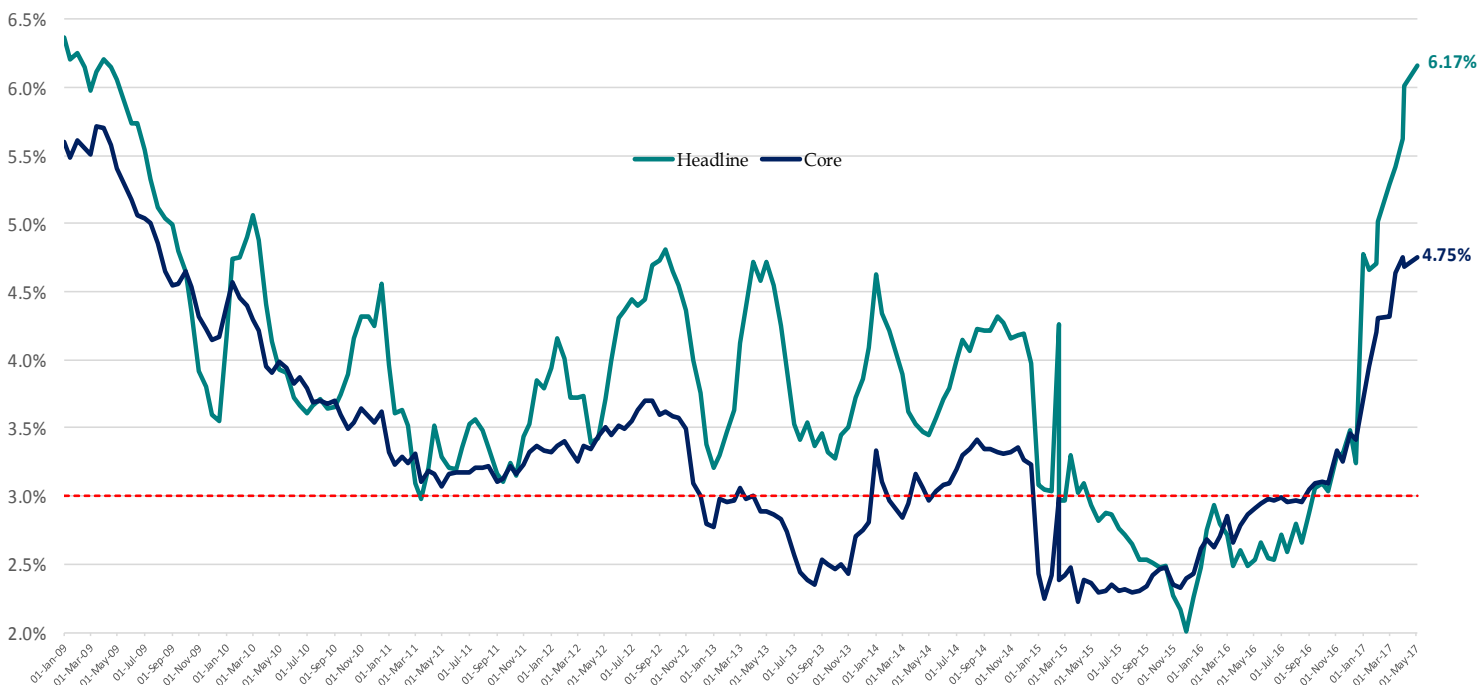
Mexico's GDP Growth  
Year over Year



Source: INEGI

Exhibit D

Bi-weekly Inflation (YoY % Change)

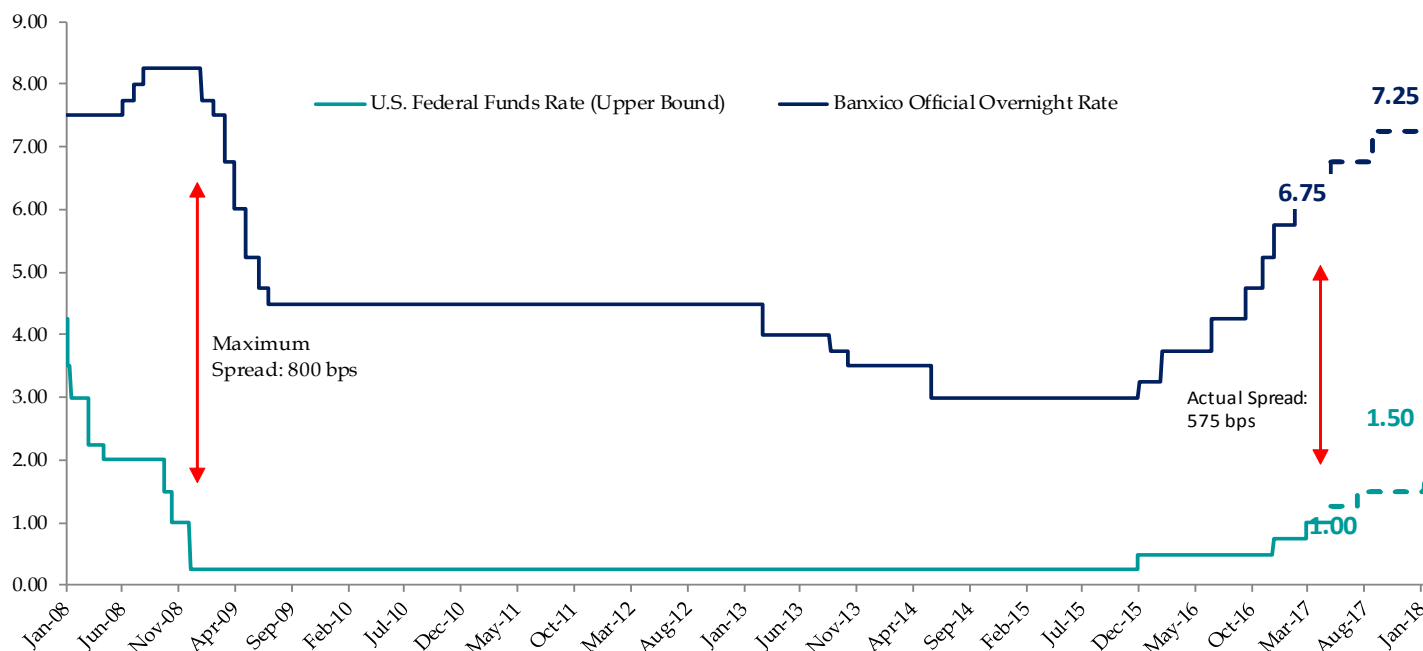


Source: INEGI

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Exhibit E

BANXICO and U.S. Federal Reserve Reference Rates



Source: Bloomberg, Banxico Survey of Expectations

Exhibit F

**MXE's Portfolio & MEXBOL Index Allocation & Forward Multiples Valuation**  
 (As of May 31, 2017)

As of May 31, 2017	MXE's	MEXBOL	Overweight / Underweight	Forward 12M		MXE's Weighted	
SECTOR	% Allocation	% Allocation		EV/EBITDA	P/E	EV/EBITDA	P/E
MATERIALS	21.61%	16.78%	4.83%	7.7x	15.6x	1.7x	2.9x
REAL ESTATE	2.95%	0.00%	2.95%	13.9x	11.5x	0.4x	0.4x
FINANCIALS	16.88%	14.50%	2.38%	N/A	13.1x	N/A	2.1x
UTILITIES	2.76%	0.89%	1.87%	12.9x	17.9x	0.4x	0.5x
INDUSTRIALS	14.37%	12.91%	1.46%	10.8x	16.8x	1.4x	2.3x
CONSUMER DISCRETIONARY	11.40%	12.07%	-0.67%	9.0x	17.9x	1.1x	2.2x
TELECOMMUNICATIONS SERVICES	11.18%	12.24%	-1.06%	12.0x	16.0x	0.5x	1.3x
CONSUMER STAPLES	15.39%	30.61%	-15.22%	11.4x	22.3x	1.8x	3.5x
<b>TOTAL EQUITY MXE's PORTFOLIO</b>	<b>96.54%</b>	<b>100.00%</b>	<b>-3.46%</b>	<b>11.1x</b>	<b>16.4x</b>	<b>7.2x</b>	<b>15.3x</b>

PRIVATE EQUITY CAPITAL DEVELOPMENT CERTIFICATES	2.38%
CASH & READY AVAILABLE INSTRUMENTS	1.08%
<b>TOTAL MXE's PORTFOLIO</b>	<b>100.00%</b>

As of May 31, 2017, PAM's defensive strategy shows Materials and Industrials with an overweight to the Fund's portfolio which currently trade at the most attractive forward valuation multiples according to our relative valuations; while, Telecommunications Services and Consumer Staples sectors show an underweight with the most expensive forward multiples valuations.

FORWARD 12 MONTHS		
As of May 31, 2017	EV/EBITDA	P/E
MXE's	7.2x	15.3x
MEXBOL	9.4x	17.9x
<b>Premium / Discount</b>	<b>-23.68%</b>	<b>-14.30%</b>

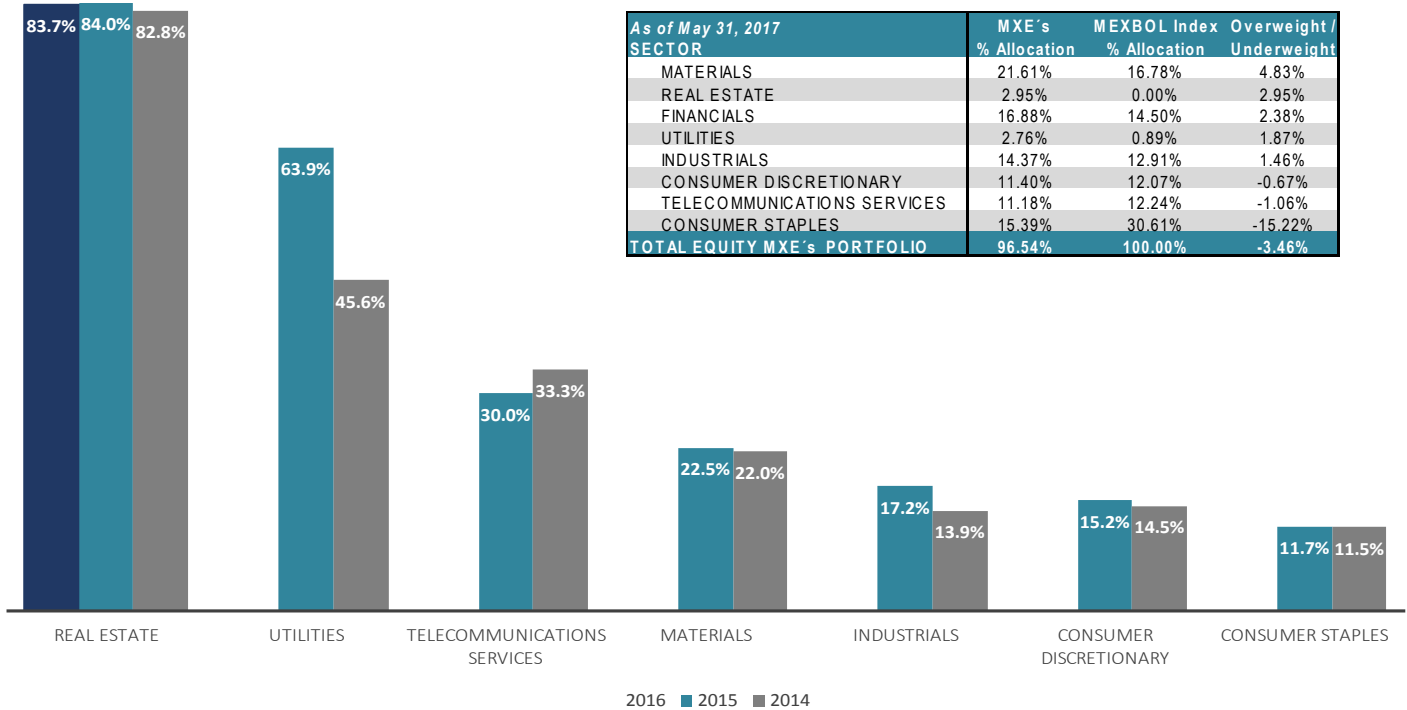
Source: PAM; Bloomberg.

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**Exhibit G**

**MXE's 3-Year Margin Performance by Sector**  
*(As of May 31 2017)*

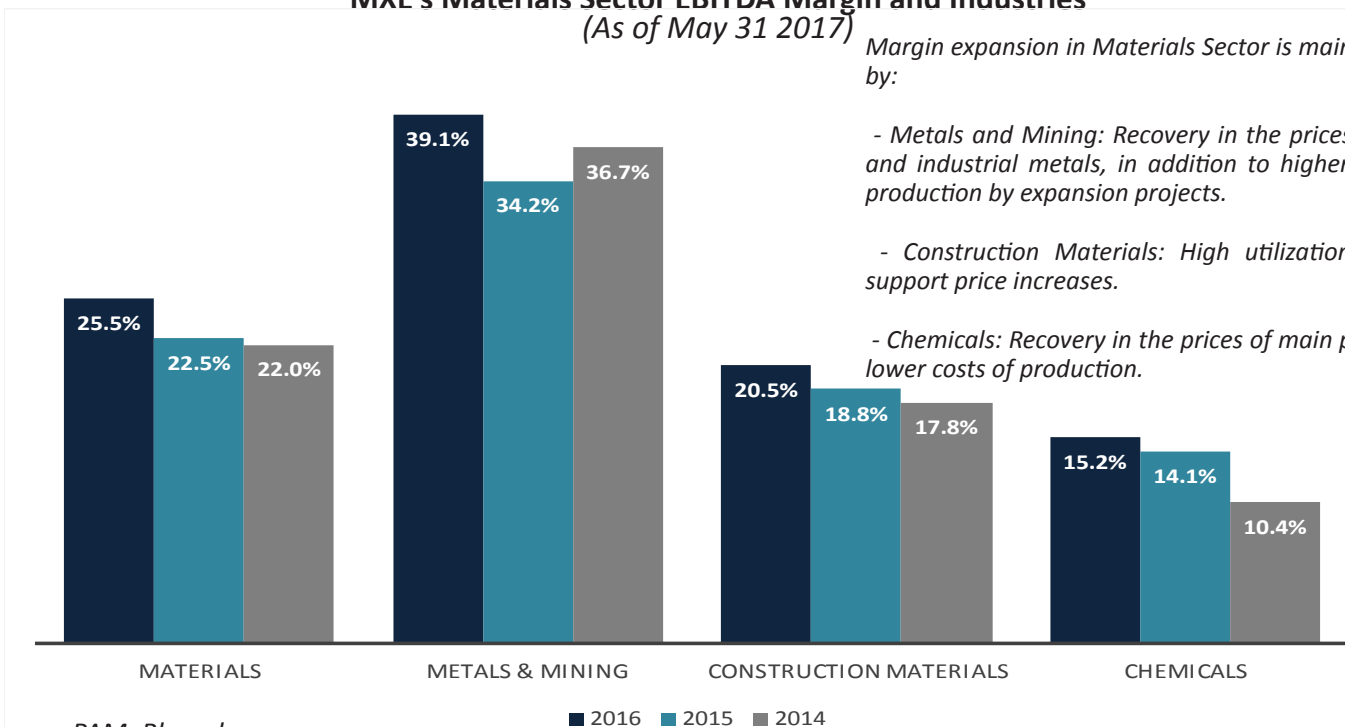
The Fund's largest sectors overweight register the major expansion in margins over the last 3 years.



Source: PAM, Bloomberg

**Exhibit H**

**MXE's Materials Sector EBITDA Margin and Industries**  
*(As of May 31 2017)*



Margin expansion in Materials Sector is mainly explained by:

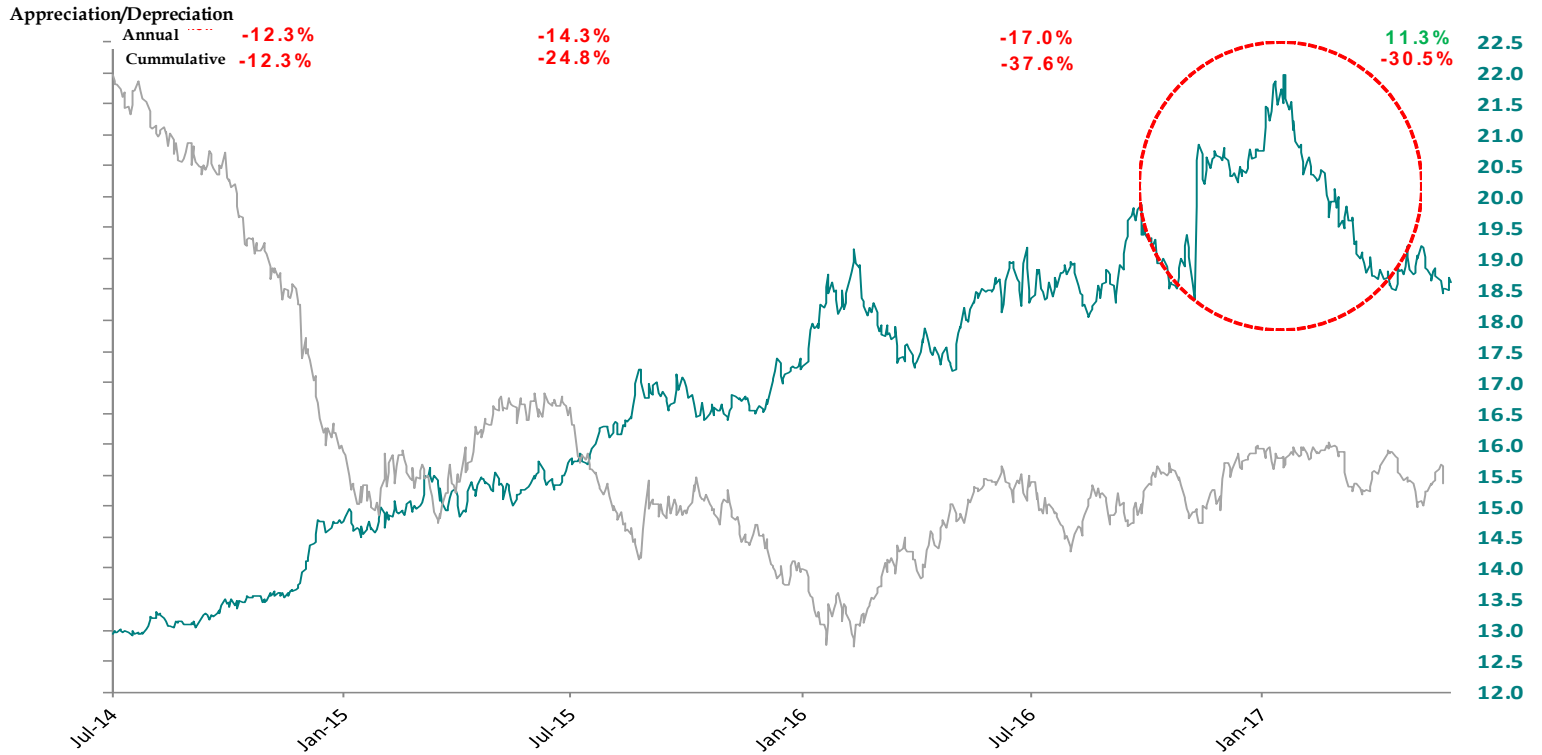
- Metals and Mining: Recovery in the prices of precious and industrial metals, in addition to higher volumes of production by expansion projects.
- Construction Materials: High utilization rates that support price increases.
- Chemicals: Recovery in the prices of main products and lower costs of production.

Source: PAM, Bloomberg

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Exhibit I

Spot Exchange Rate (MXN/USD) & WTI Oil Prices  
(As of May 31, 2017)



Source: Bloomberg, Banxico Survey of Expectations



## 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.**

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**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, a Gross Domestic Product proxy) decrease by 0.2% month over month (m/m) in March. In seasonally-adjusted terms, primary activities decreased by 1.1%, while secondary and tertiary activities presented no change compared to the previous month.
- **Industrial Activity.** In April, industrial production decreased by 0.3% m/m. Seasonally-adjusted data showed that mining dropped by 0.9%, utilities by 0.3%, and construction by 1.7%; manufacturing activities increased by 0.6%.
- **Gross Fixed Investment.** In March, gross fixed investment (GFI) increased 0.9%, m/m. Expenses related to construction decreased by 0.3% and those related to machinery and equipment increased by 1.0%, m/m. GFI posted a 1.3% drop y/y.
- **Trade Balance.** The April trade balance registered a US\$617.7million-deficit. Total exports increased by 3.6% y/y, driven by advances in oil and non-oil exports. Imports decreased by 5.0% y/y driven by an 6.7% drop in non-oil imports.
- **Mexican Oil Mix.** As at end-May, the price of the Mexican oil mix was USD\$43.67 per barrel, translating into a 2.18% monthly increase and a 8.47% increase in one year.
- **Retail Sales.** Retail increased 3.3% in March compared to the same month of 2016. Retail sales decreased 1.3% in relation to the previous month.
- **Unemployment.** The April unemployment rate came in at a seasonally-adjusted 3.57%, 3 bps above the previous month. By gender, male unemployment was 3.4% while unemployment in women was 3.9%
- **Monetary Policy.** On May 18, 2017, Banco de Mexico increased its benchmark interest rate by 25 basis points to 6.75%.
- **Inflation.** The April unemployment rate came in at a seasonally-adjusted 3.57%, 3 bps above the previous month. By gender, male unemployment was 3.4% while unemployment in women was 3.9%.
- **The Unemployment Rate:** which refers to the percentage of the Economically Active Population that did not work even an hour during the week when the data was collected, but expressed their desire to do so.
- **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

- **ALPHA:** is a a measure of performance on a risk-adjusted basis.
- **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%).
- **Beta:** is a measure of the volatility, or systematic risk, of a security or a portfolio in comparison to the market as a whole.
- **CETES:** Mexican treasury bills.
- **EBITDA:** Earnings before interests, depreciation and amortization.
- **Free Cash Flow (FCF):** is a measure of a company's financial performance, calculated as operating cash flow minus capital expenditures.
- **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.
- **Risk Free Rate of Return:** is the theoretical rate of return of an investment with zero risk.
- **SHCP:** Secretaría de Hacienda y Crédito Público is the Mexican Ministry of Finance.