

# The Mexico Equity and Income Fund, Inc. Report of Pichardo Asset Management (“PAM”), The Investment Adviser.

Dear Fund Stockholder,

We hope all stay healthy and safe.

We are glad to inform you that despite the negative consequences of the COVID-19 pandemic on productive activity, financial markets, and the energy’s new world order, we achieved to grant the Fund’s Stockholders a competitive performance of the Fund’s net asset value per share (“NAV”) in Mexican Pesos for the one-year period, ended July 31, 2020. We sincerely thank our teams for their engagement and commitment among a very challenging global environment and volatile markets. We remain focused to capture the market’s opportunities through our solid, good fundamental research.

The Fund’s NAV shows a decrease of (-) 2.88% according to Bloomberg in Mexican Pesos and the U.S. Dollar Fund’s NAV performance was (-) 17.15%, outperforming by 290 basis points the MSCI-Mexico Index of (-) 20.05. The Fund’s fiscal year-end total annual expense ratio widened to 2.61% in U.S. Dollars at July 31, 2020 compared to 2.09% at July 31, 2019. (*Source: US Bancorp Fund Services LLC; Bloomberg*).

## Total Net Asset Value per Share Returns with Dividends Reinvested

*As of July 31, 2020*

Performance	1 Month	YTD	1 Year	3 Years	5 Years	10 Years	Since Inception in 8/30/90	
<b>MXE NAV</b>	<b>2.96%</b> <sup>1</sup>	<b>-24.58%</b> <sup>1</sup>	<b>-17.15%</b> <sup>1</sup>	<b>-12.53%</b> <sup>1</sup>	<b>-6.97%</b> <sup>1</sup>	<b>1.75%</b> <sup>1</sup>	<b>9.32%</b> <sup>2</sup>	
MXE NAV (Return in Mexican Pesos “MXN”)	3.54% <sup>3</sup>	-10.96% <sup>3</sup>	-2.88% <sup>3</sup>	-4.80% <sup>3</sup>	-0.23% <sup>3</sup>	7.98% <sup>3</sup>	17.11% <sup>3</sup>	
MXE Market Price	0.65% <sup>1</sup>	-33.45% <sup>1</sup>	-24.50% <sup>1</sup>	-12.95% <sup>1</sup>	-7.40% <sup>1</sup>	1.53% <sup>1</sup>	9.13% <sup>2</sup>	
MXN Appreciation/Depreciation vs 1 USD	-3.28% <sup>3</sup>	-15.04% <sup>3</sup>	-13.89% <sup>3</sup>	-7.17% <sup>3</sup>	-6.08% <sup>3</sup>	-5.49% <sup>3</sup>	-6.60% <sup>3</sup>	
<b>MSCI Mexico Index</b>	<b>2.85%</b> <sup>4</sup>	<b>-26.34%</b> <sup>4</sup>	<b>-20.05%</b> <sup>4</sup>	<b>-14.73%</b> <sup>4</sup>	<b>-8.21%</b> <sup>4</sup>	<b>-2.31%</b> <sup>4</sup>	<b>8.38%</b> <sup>4</sup>	
MEXBOL Index	1.83%	-27.28%	-21.27%	-14.70%	-7.99%	-2.59%	7.31%	
MXF NAV	3.23%	-22.42%	-15.23%	-12.39%	-6.75%	-0.75%	6.46%	
MXF Market Price	1.97%	-24.35%	-17.67%	-12.85%	-7.54%	-0.66%	6.96%	
<b>MXE NAV Excess Return vs. MSCI Mexico Index (basis points)</b>	<b>11</b>	<b>176</b>	<b>290</b>	<b>220</b>	<b>124</b>	<b>406</b>	<b>94</b>	
	MXE Data	July 2020	Jan. 2020	1 Year	3 Years	5 Years	10 Years	Inception
NAV Per Share	9.04	12.27	11.03	13.71	13.79	10.48	11.28	
Market Value Per Share	7.72	11.48	10.33	11.88	12.11	9.25	10.20	
Premium /Discount	-14.60%	-6.44%	-6.35%	-13.35%	-12.18%	-11.74%	-9.57%	
Net Assets (million USD)	\$16.16	\$63.47	\$57.06	\$100.76	\$102.45	\$74.61	-	
1 Year Average Daily Assets (million USD)	\$39.08	\$60.18	\$73.07	\$87.98	\$110.60	\$71.43	-	
Total Annual Expense Ratio	2.61%	2.05%	2.09%	1.71%	1.76%	1.68%	-	

Source: U.S. Bancorp Fund Services, LLC<sup>1</sup>; Thomson<sup>2</sup>; PAM<sup>3</sup>; MSCI<sup>4</sup>; Bloomberg.

Performance data represents past performance; past performance does not guarantee future results.

## THE MEXICO EQUITY AND INCOME FUND, INC.

The investment return and principal value of an investment will fluctuate so that the investor's shares, when sold may be worth more or less than their original cost. Performance data to the most recent month end may be obtained by calling U.S. Bancorp Fund Services, LLC, (414)765-4255, or by consulting the Fund's web page: [www.mxefund.com](http://www.mxefund.com).

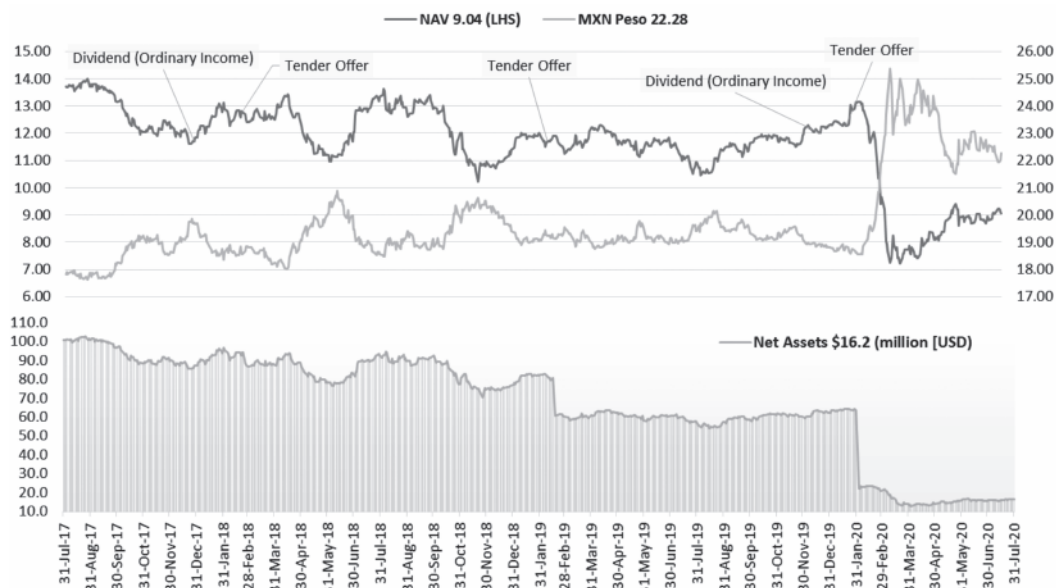
The Fund's shares have traded in the market above (at a premium), at, and below (at a discount) the net asset value per share (NAV) since the commencement of the Fund's operations. Generally, shares of closed-end investment companies, including those of the Fund, trade at a discount from NAV.

The common share market price registered a negative U.S. Dollar return of (-) 24.5%, for the fiscal year ended July 31, 2020, and the Fund's discount widened to (-) 14.7% versus (-) 6.4% at the end of the semi-annual period ended January 31, 2020. The Fund's turnover for the 12 months ended July 31, 2020 was 372.66%. (Source: U.S. Bancorp Fund Services, LLC).

The Fund's NAV of U.S. \$ 9.04 as of July 31, 2020, presented an approximate 25% discount to the U.S. \$12.02 NAV cashed-out at the 65% Tender Offer on February 5, 2020.

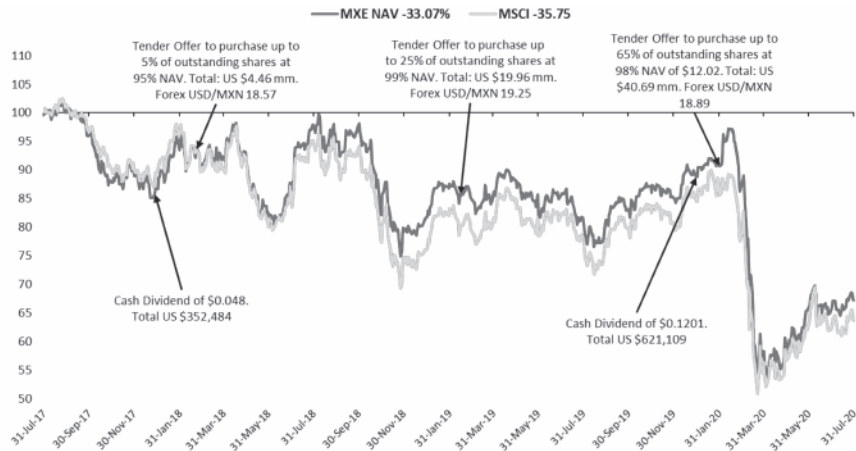
### Historical MXE's Annual Dividends & Tender Offer

Date	Type	Outstanding Shares	% of Outstanding	Ratio to NAV/Common Share	NAV	Adjusted NAV	Cashing out Amount in USD\$
12/28/17	Dividend (Ordinary Income)	7,343,416	100%	\$0.0480	\$11.71	\$11.71	\$352,483.98
03/02/18	Tender Offer	367,174	5%	95%	\$12.79	\$12.15	\$4,461,164.10
02/20/19	Tender Offer	1,723,866	25%	99%	\$11.70	\$11.58	\$19,962,368.28
12/31/19	Dividend (Ordinary Income)	5,171,598	100%	\$0.1201	\$12.00	\$12.00	\$621,108.95
02/05/20	Tender Offer	3,385,135	65%	98%	\$12.27	\$12.02	\$40,689,322.84



Source: U.S. Bancorp Fund Services, LLC; Bloomberg.

**MXE's NAV U.S. Dollar Performance vs. MSCI Mexico Index**  
*Cumulative Three-Year Period through July 31, 2020*



Source: PAM; Bloomberg.

**MXE's INVESTMENT STRATEGY AND PERFORMANCE**

PAM adhered the Fund to a decisive asset rotation, through solid fundamental analysis including our ability to sense imminent higher risk at the outbreak of COVID-19 and a profound recessionary economic activity in 2020 estimated to 0.10% to 0.50% growth, early in 2020. The Fund shifted approximately 25% to high yield and corporate bonds denominated in Mexican pesos; and a tactical move to High-Quality Growth Stocks in February and March.

From May through July, the equities market presented attractive opportunities in an uncertain momentum. The high rate of mortality from COVID-19 and PAM disciplined, systematic portfolio process prioritized its attention to companies' management first and second quarterly conference calls, which supported our decision making for a second asset rotation of approximately 20% from high yield and corporate bonds to discounted stocks, mainly in the Materials, Communication Services, Utilities, and Industrials sectors.

**MXE Major Portfolio Changes by Strategy**  
*One year through July 31, 2020*



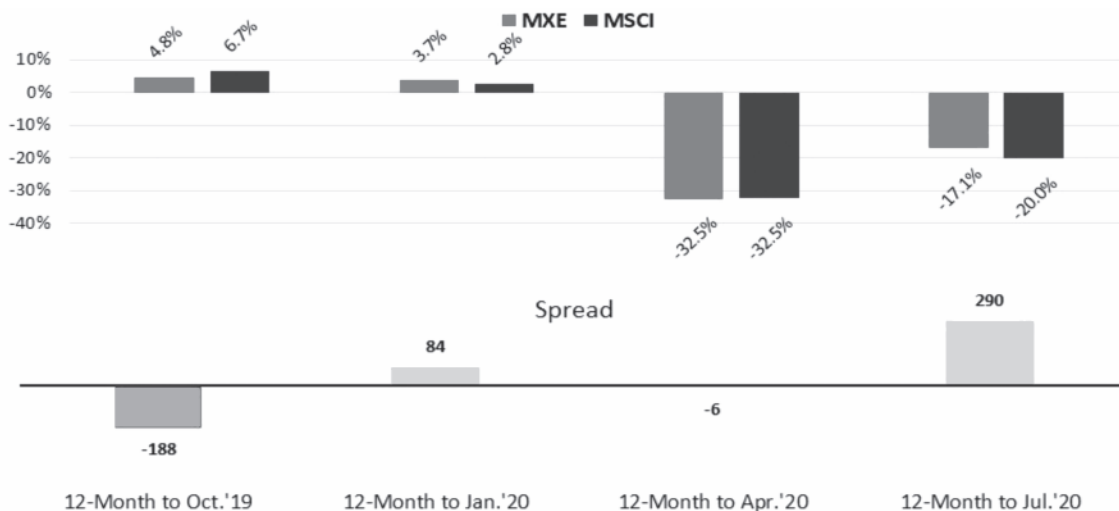
Source: PAM; Bloomberg.

## THE MEXICO EQUITY AND INCOME FUND, INC.

The decisive steps mentioned above, following a de-indexed investment strategy, shows a 290 basis points (bp) positive excess compared to a negative 190 bp excess at end 1Q'2019 when compared to the MSCI-Mexico Index. (Source: PAM; Bloomberg).

### MXE Quarterly Cumulative 12-Month Performance vs MSCI Mexico

As of July 31, 2020



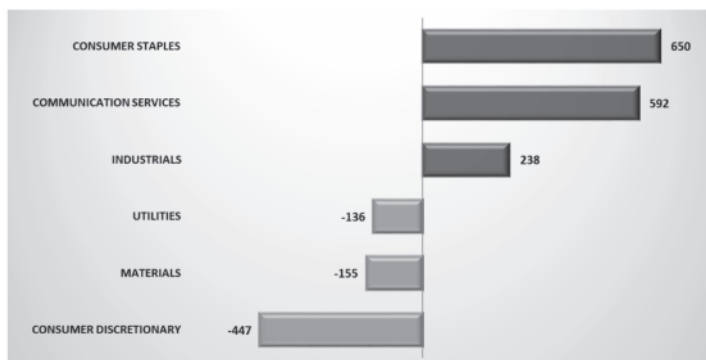
Source: PAM; Bloomberg.

The three main relative contributors for the Fund's fiscal year period by sectors were: Consumer Staples (+650 bps), Communication Services (+592 bps), and Industrials (+238 bps). (Source: PAM; Bloomberg).

The three main relative detractors were: Consumer Discretionary (-447 bps), Materials (-155 bps), and Utilities (-136 bps), as shown below. (Source: PAM; Bloomberg).

### MXE Relative Contributors & Detractors

One Year to July 31, 2020



Source: PAM; Bloomberg.

The Fund’s capacity investment thesis has more than a 20% upside potential, outlined below. Our fundamental analysis estimates a market capitalization expansion in the range of 35%- 55% in 3 years.

**Mexican Companies, an Attractive Opportunity**

Themes	USD Market Cap (08/28/2020)	E2021-2023 USD Market Cap	Market Cap Potential Expansion (%)	USD Capacity (millions)
Unlocking Value	23.4	33.9	45	6.3
High-Quality Growth Stocks	144.1	192.4	34	8.2
High Yield	1.3	1.7	30	0.5
<b>Grand Total</b>	<b>168.8</b>	<b>227.9</b>	<b>35</b>	<b>15.0</b>

Source: PAM; Bloomberg.

# THE MEXICO EQUITY AND INCOME FUND, INC.

## MXE's Capacity with a 20% and-up Market Capitalization Expansion

### Unlocking Value

Issues	USD Market Cap (08/28/2020)	E2021-2023 USD Market Cap	Potential Expansion (%)	USD Capacity (millions)	Characteristics
ALFAA	3.2	4.7	45	1.4	<p> Holding company, unlocking its value through corporate events that manages a portfolio of diversified subsidiaries, including: Alpeka, Axtel, Nemark and Sigma (non-public), that manages a diversified portfolio of subsidiaries with global operations. Sigma: Leading multinational food company, focused on the production, marketing and distribution of quality food through recognized brands including packaged meats, cheese, yogurt and other refrigerated and frozen foods. Revenues: US \$6.5 billion. Plants: 70, in 14 countries. Employees: 45,852.</p> <p> North America (USMCA Agreement) and LatAm largest producer of polyester (PET, PTA, Fiber, and rPET), and the leader in the Mexican market for polypropylene, expandable polystyrene (EPS) and caprolactam. (Polyester chain and Plastic and Chemicals: chemical specialties and industrial chemicals). Containers for beverages food and consumer products, packaging for electronics and appliances, textiles, construction and automotive. Revenues: US \$6.2 billion. Plants: 28, in 7 countries. Employees: 6,004.</p> <p> A provider of Information Technology and Communication services for the enterprise, government and residential markets, through Alestra and Axtel brands. (Cloud services, systems integration, cybersecurity, managed networks, collaboration solutions, last mile and long distance access, fiber to the tower and data centers, IP Transit, spectrum). Revenues: US \$680 million. Employees: 4,919.</p>
ALPEKA	1.6	2.1	35	0.6	
AXTELCPO	0.9	1.2	35	1.0	
NEMAKA	0.9	1.4	50	0.7	<p> A leading provider of innovative lightweight solutions for the global automotive industry, specializing in the development and manufacturing of aluminum components for powertrain, structural components, and components for electric vehicles. Revenues: US \$4.0 billion. Plants: 38, in 16 countries. Employees: 23,224.</p> <p> A purpose-driven company tackling complex challenges across the globe. Orbia's businesses serve customers in the name of advancing human life. The company focuses on food growth, water management, infrastructure development, data access, and health advancement with a portfolio of brands operating in 41 countries. 22,000 Employees. 136 Production plants. 2 Fluorspar mines. 19 R&amp;D labs. 8 Training Academies. Brands: Wavin (Building &amp; Infrastructure); Netafim (effrigated drip irrigation systems); Duraline (conduit tubing to physically connect homes, buildings, and entire communities to high speed internet); Koura (concessions to operate two fluorite mines in Mexico); Vestolite (Polymer Solutions: PVC, PE, ethylene, chlorine, caustic soda, and sodium hypochlorite).</p>
ORBIA*	3.5	4.9	40	0.5	
LIVEPOL	3.5	5.4	55	0.8	<p> Leading aspirational departmental store for middle and lower segments. 5.5 million Card holders (private label and visa cards). Placing itself as Mexico fifth among the preceding four issuer of commercial credit card. Real Estate hidden value (leasing space in shopping centers). Potential e. Commerce growing through adoption of a truly Omni channel culture. Good management; free cash flow.</p>
PE&OLES*	6.3	8.8	40	0.3	<p> Mining group with integrated operations in smelting and refining non-ferrous metals, and the production of chemical products. Largest producer of refined silver in the world and the leading Latin American producer of refined gold and lead.</p>
SITESB1	3.5	5.4	55	1.1	<p> Company that builds, installs, maintains, operates and sells various types of passive telecommunications infrastructure — towers and support structures, physical spaces and other non-electronic elements.</p>
<b>Total</b>	<b>23.4</b>	<b>33.9</b>	<b>45</b>	<b>6.3</b>	

### High-Quality Growth Stocks

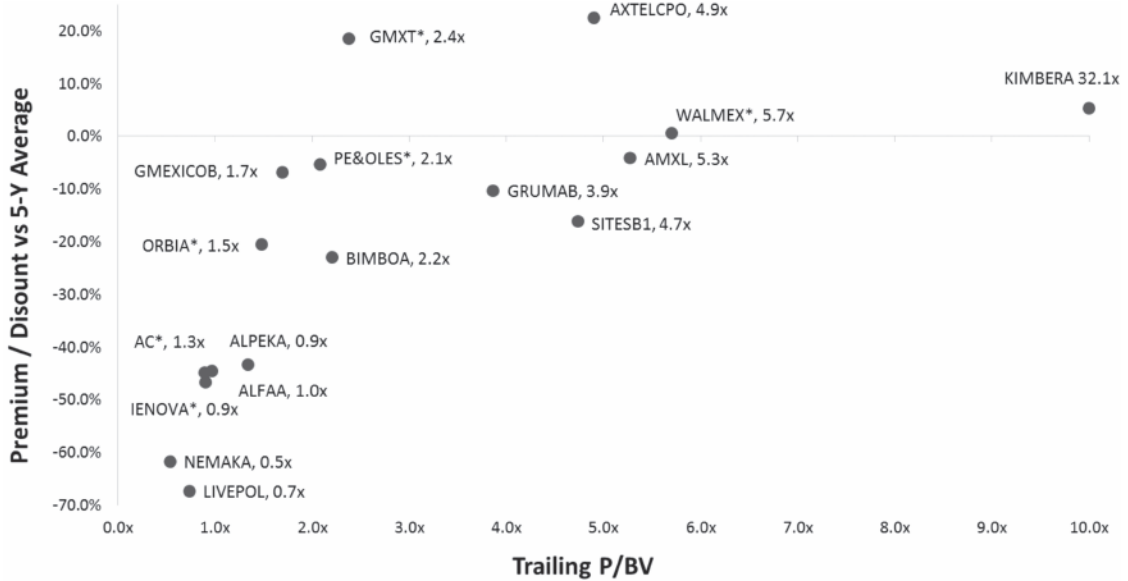
Issues	USD Market Cap (08/28/2020)	E2021-2023 USD Market Cap	Potential Expansion (%)	USD Capacity (millions)	Characteristics
AC*	8.5	11.4	35	0.8	<p> The second largest Coca-Cola bottler in Latin American and one of the most important in the world serving over 118 million consumers in Mexico, Ecuador, United States, and Peru.</p> <p> America Movil is the leading provider of integrated telecommunications services in Latin America. Excluding China and India, is the largest company in terms of wireless subscribers. Through the development of a world-class integrated telecommunications platform, America Movil offers its customers a portfolio of value added services and enhanced communications solutions in 25 countries in Latin America, the U.S. and Central and Eastern Europe. Competitive advantages: owns and operates one of the largest integrated platforms across 17 countries in Latin America expanding its network in Europe, highly intensive competitive industry, geographic diversification key to America Movil financial success, consistent cash flow and profitability, strong credit ratings. Good prospects to grow in Europe and other areas beyond LatAm.</p>
AMXL	41.2	61.8	50	0.9	
BIMBOA	9.1	11.4	25	1.1	<p> Grupo BIMBO is the world's leading baking Company, and a relevant participant in snacks. It has 194 plants and more than 1,700 sales centers strategically located in 32 countries throughout the Americas, Europe, Asia and Africa. Grupo Bimbo produces over 13,000 products and has one of the largest direct distribution networks in the world, with approximately three million points of sale, around 58,000 routes and more than 133,000 associates. Its shares trade on the Mexican Stock Exchange and in the over-the-counter market in the United States with a level 1 ADR. BMBOFY. Revenues of US \$ 13.2bn. Growth opportunities by integrating strategic acquisitions like Mankattan in China and Nutrablen in Chile. Oracle implementation in the cloud in 2019. Committed to the planet, with technological developments aimed at reducing emissions with electric and hybrid vehicles in biodegradable and compostable packaging. Grupo Bimbo has a 4.4% of global market share in a highly fragmented industry, which indicates a enormous opportunity for future growth.</p>
GMEXICOB	20.9	26.2	25	1.2	<p> Holding company whose main activities are (i) mining, being one of the largest integrated producers of copper worldwide; (ii) the most extensive rail service in Mexico; and (iii) engineering, procurement, construction and drilling services.</p>
GMXT*	5.4	6.5	20	0.5	<p> Largest and most profitable railroad transportation company, with the greatest coverage in Mexico. It offers general hauling and intermodal services by railroad, as well as passenger transportation.</p>
GRUMAB	5.0	6.2	25	0.6	<p> The global leader of corn and flour tortilla production worldwide, and a leading producer of wheat flour and its derivatives with 70% of USD revenues.</p>
IENOVA*	4.6	6.0	30	0.5	<p> Largest private energy in the country, subsidiary of Semptra Energy. Develops, builds and operates energy infrastructure, integrating the transportation, storage and distribution of gas (natural, ethane and LP), in addition to the generation of electricity and the storage of refined products. 1,300 employees, presence in 17 states of the Mexican Republic and approximately \$9.6 billion dollars in total assets.</p>
KIMBERA	5.2	6.8	30	1.2	<p> Manufactures and markets a wide array of paper-based products which are used by millions of Mexican consumers. It has high market share and a 5% annual dividend distribution.</p>
WALMEX*	44.2	56.1	27	1.4	<p> The largest retail chain operator in Mexico and Central America with presence in 617 cities. 31 distribution centers-Efficient distribution network. Flexible multi-format operation. 45.1% of sales including general merchandise, food and household items to the lower segment. Sam's club strong presence; Strong e-commerce evolution. US \$7.6 bn. Total revenues.</p>
<b>Total</b>	<b>144.1</b>	<b>192.4</b>	<b>34</b>	<b>8.2</b>	

### High Yield

Issues	USD Market Cap (08/28/2020)	E2021-2023 USD Market Cap	Potential Expansion (%)	USD Capacity (millions)	Characteristics
FCFE18	1.3	1.7	30	0.5	<p> First energy and infrastructure investment trust specialized in the energy sector in Mexico.</p>
<b>Total</b>	<b>1.3</b>	<b>1.7</b>	<b>30</b>	<b>0.5</b>	
<b>Grand Total</b>	<b>168.8</b>	<b>227.9</b>	<b>35</b>	<b>15.0</b>	

Source: PAM; Bloomberg.

5 Year Average Premium/Discount Price-to-Book-Value

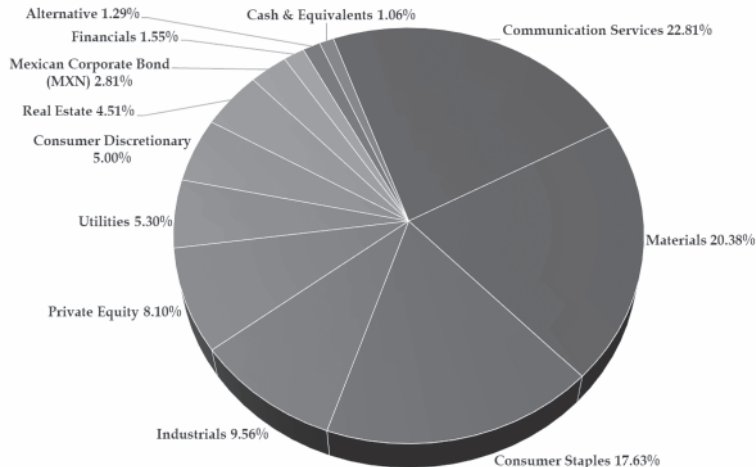


Source: PAM; Bloomberg.

As of July 31, 2020, the Fund's portfolio construction included 22% in Communication Services, 20% in Materials, and 18% in Consumer Staples, following a well-informed top-down opinion and a good fundamental analysis.

MXE Portfolio Holdings by Sector

As of July 31, 2020



Source: PAM; Bloomberg.



## THE MEXICO EQUITY AND INCOME FUND, INC.

### MEXICAN ECONOMY

During the 2Q'20, Mexico's Gross Domestic Product ("GDP") decreased (-) 18.9% compared to 2Q'19. Primary activities, which represent 3.2% of the GDP, fell at a (-) 0.3% annual rate, secondary activities (28.9% of GDP) decreased (-) 26.0%, and tertiary activities (63.5% of GDP) (-) 15.6%. The economic activity had negative inertia before the COVID-19 pandemic. The year-over-year growth rate of the 3Q'19, 4Q'19, and 1Q'20 were (-) 0.5%, (-) 0.8%, and (-) 2.2%, respectively. Mexico could relatively overcome the pandemic shock through its communicating vessels, including manufacturing industry exports which has doubled from May to July, highly correlated to the manufacturing industry in the United States; the second important vessel related to remittances totaling US \$22.8 bn cumulative to July 2020, from Mexican residents in the U.S.A. The USMCA trade agreement continues to support external accounts with a trade surplus of US\$8.35 bn as of July, which is 8.09x larger than the same figure of 2019.

Please see full economic report at the Fund's web page: [www.mxefund.com](http://www.mxefund.com)

### THE MEXICAN STOCK EXCHANGE

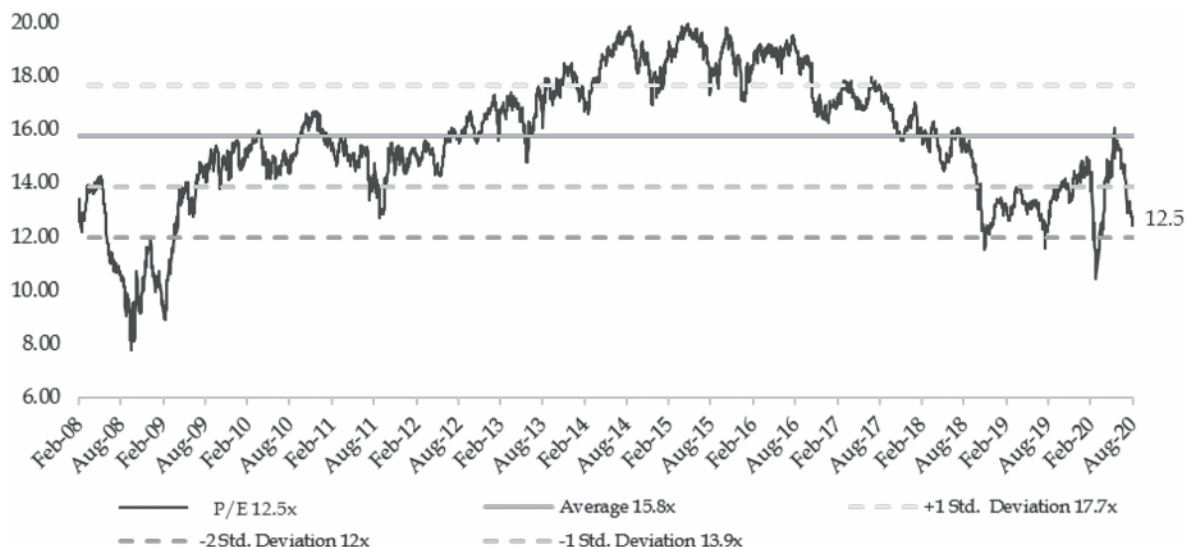
The MEXBOL Index is trading at a 12-Month forward EV/EBITDA and 12-Month Forward P/E multiple of 8 times and 12.5 times, respectively, which implies a 6.25% and 23.50% discount to its 5-year average. Moreover, the MEXBOL Index is trading at 2009 levels in USD terms, where most of the listed companies are currently consolidating ten years of large CAPEX through M&A or organic growth expansion.

#### MEXBOL Index 12-Month Forward P/E Multiple

2Q'20-As of August 2020

#### P/E Multiple Mexbol Index

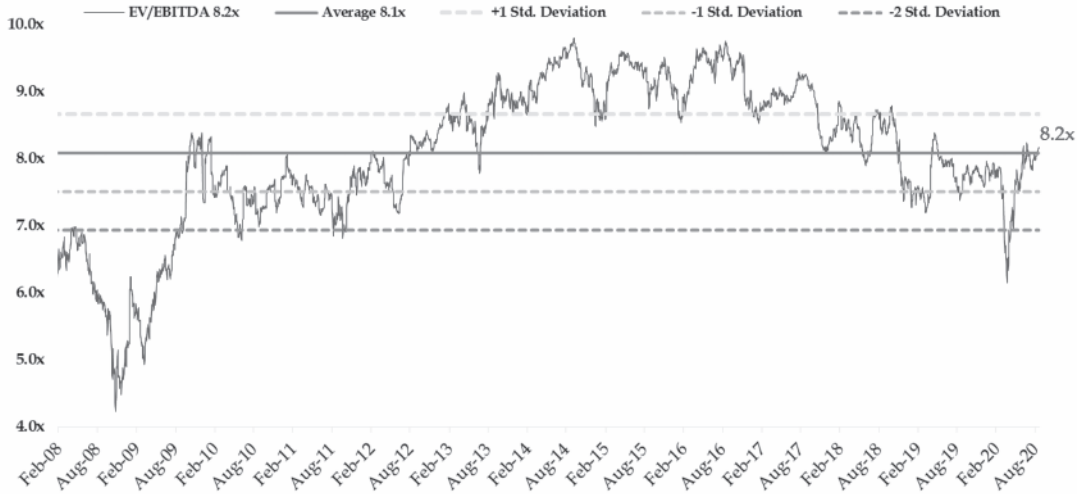
(Long term, as of August 28, 2020)



Source: Bloomberg.



**MEXBOL Index 12-Month Forward EV/EBITDA Multiple**  
*2Q'20-As of August 2020*



Source: PAM; Bloomberg.

**MEXBOL Index Mexican Peso Performance**  
*From January 2016 through August 7, 2020*



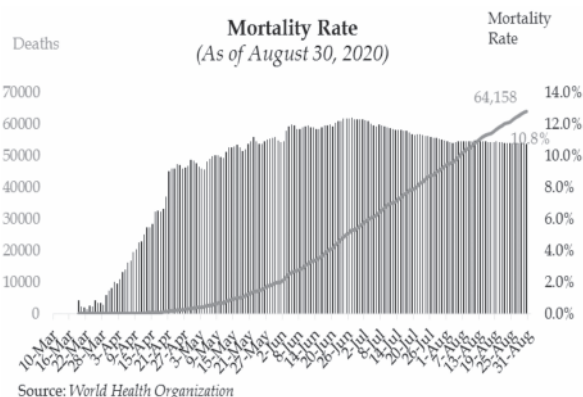
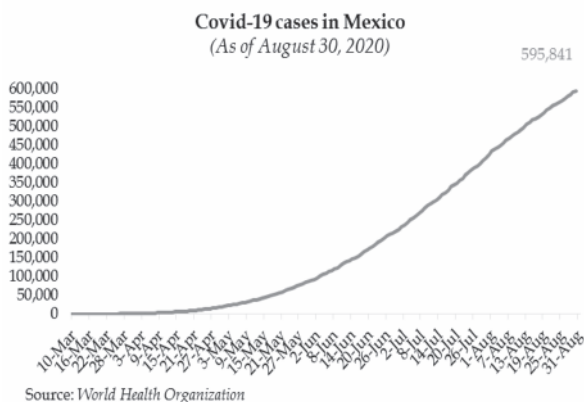
Source: PAM; Bloomberg.

**PAM'S UPDATE ON COVID-19 AS OF JULY 31, 2020**

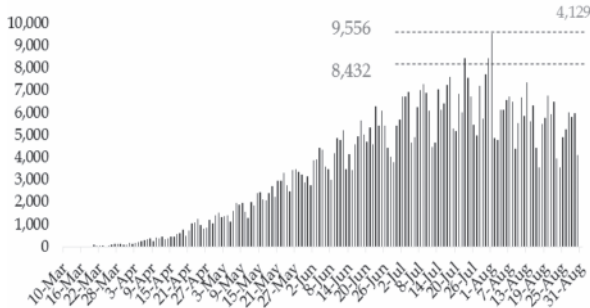
PAM's contingency office in Cuernavaca Morelos was incorporated in 2010 with an annual revision of installations during the last 10 years at the request of the CCO of the Fund. It has provided a continuation of Operations and Compliance with no outbreaks during COVID-19. As early as March 5th, three strategic officers, Maria Eugenia Pichardo, Senior PM, David Estevez, PM and Analyst, and Mauro Castañeda, Trading and Operations, established their office activity in this contingency office, located in a mountain with fresh air and sun (90 kilometers south of Mexico City). The other six strategic officers worked in home-office mode since then. The office in Mexico City officially re-opened for Juan Elizalde, Analyst & PM, and Luis Calzada, Commercialization in August 2020. Four other officers, including Arnulfo Rodríguez, Senior Macro Strategist, and Itziar Garcia, Analyst & IR, remain at home office-mode connected remotely and securely to PAM's Server with individual authorized access. PAM's IT external service, continuously monitoring cyber processes, including back-up of information to ensure the confidentiality and integrity of our clients' information.

PAM reports a break-even financial situation by a high reduction of fixed costs for the full year 2020, officers' willingness to offer PAM a 15%-20% monthly salary range reduction for a five-month period starting in April. PAM reports a net total net AUM reduction of approximately 56% for the fiscal year period, including an inflow of roughly 3% of total AUM and 67% MXE's Tender Offer. PAM has a line of working capital invested for any contingency and has received support from the banking system to extend amortization payments to the end of the facility.

We are pleased to report that none of PAM officers nor their families have presented COVID-19 symptoms.

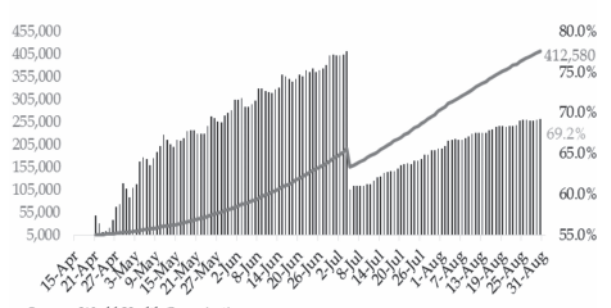


**Daily Covid-19 cases in Mexico**  
(As of August 30, 2020)



Source: World Health Organization

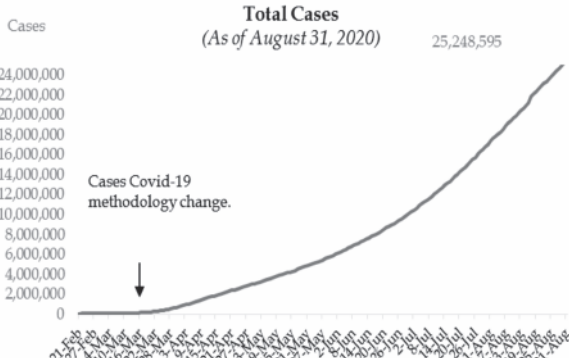
**Recovery Rate**  
(As of August 30, 2020)



Source: World Health Organization

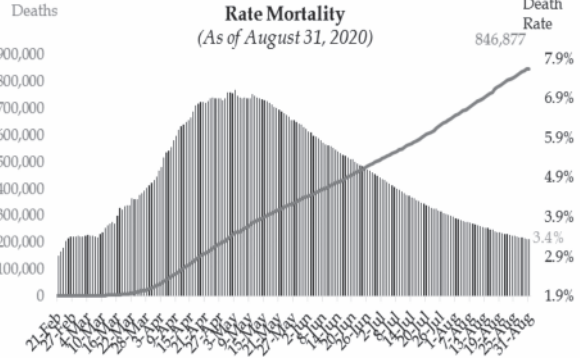
**Global COVID-19 Cases**

**Total Cases**  
(As of August 31, 2020)



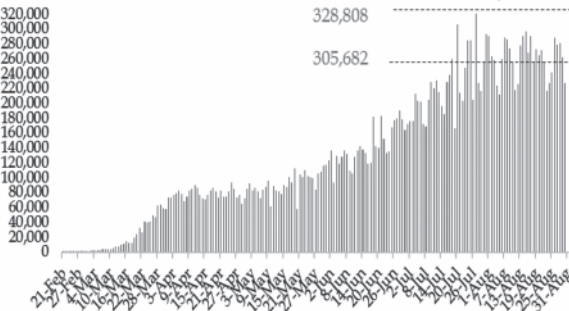
Source: World Health Organization

**Rate Mortality**  
(As of August 31, 2020)



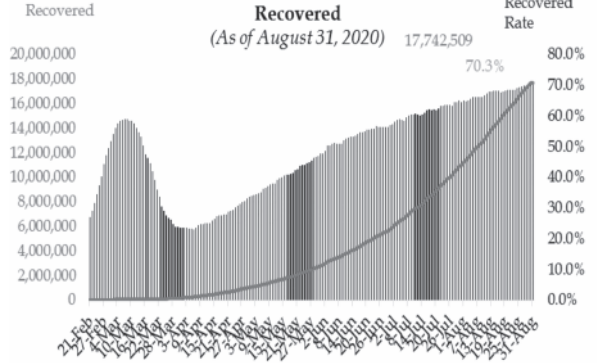
Source: World Health Organization

**Global Daily Covid-19 Cases**  
(As of August 31, 2020)



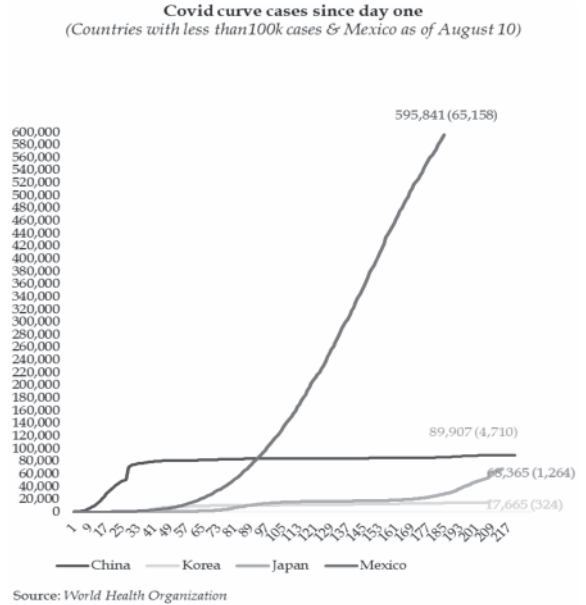
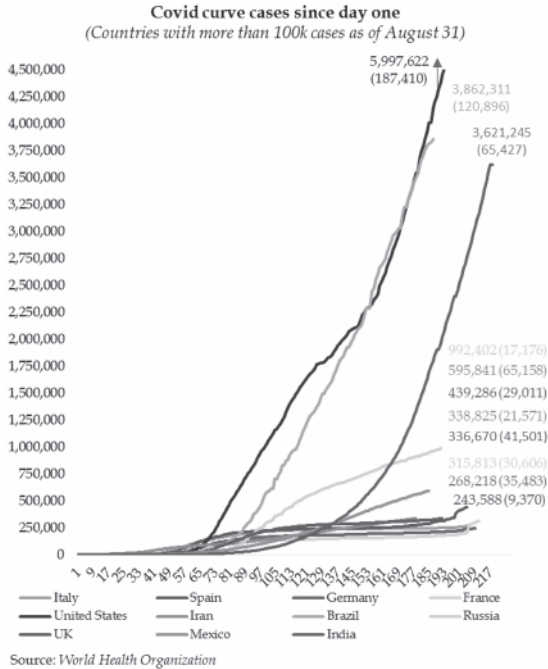
Source: World Health Organization

**Recovered**  
(As of August 31, 2020)



Source: World Health Organization

# THE MEXICO EQUITY AND INCOME FUND, INC.



## CONCLUSION

In a global context of negative or low real interest rates, and unprecedented fiscal & monetary stimuli, we remain cautiously optimistic in the Mexican equity investment thesis with a bottom-up approach and a well-informed top-down opinion.

We gladly confirm that PAM is officially a signatory of The United Nations Principles for Responsible Investment (“UNPRI”) since March 2020, and believe that environmental, social, and corporate governance issues can affect investment portfolios. Noteworthy, PAM’s buy & sell methodology have integrated the ranking on corporate governance and transparent accounting for more than 10 year; and it will include other metrics from UNPRI by the end of 2020. Our investment philosophy continues to avoid companies whose management lacks stable corporate governance and transparent accounting.

We thank you for your continued support and confidence to our holistic service.

Sincerely yours,

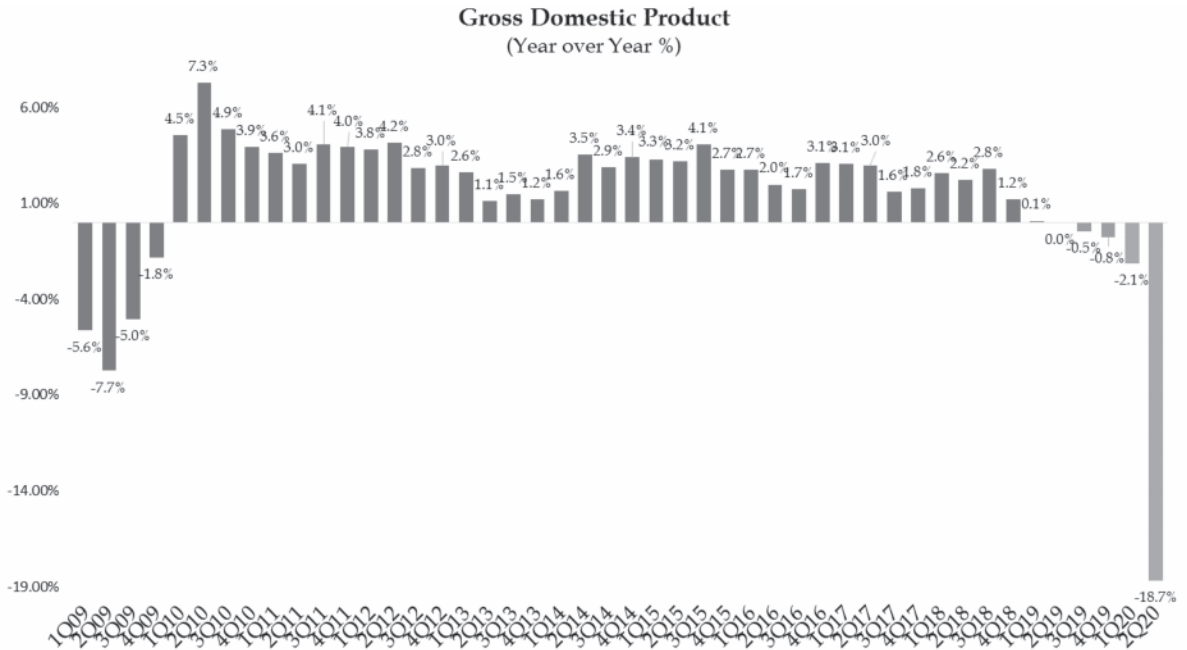
*Maria Eugenia Pichardo*  
Senior Portfolio Manager

*David Estevez*  
Portfolio Manager

*Juan Elizalde*  
Portfolio Manager

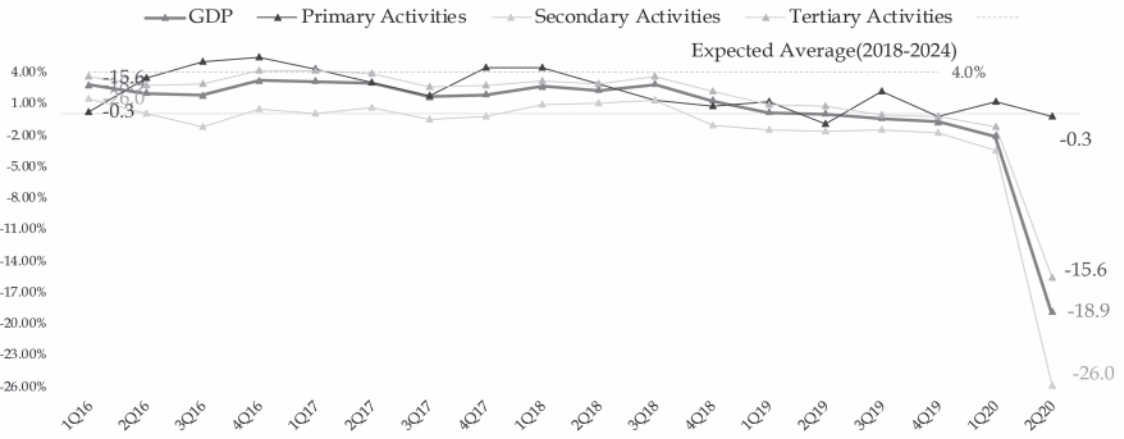
Annex A

Gross Domestic Product

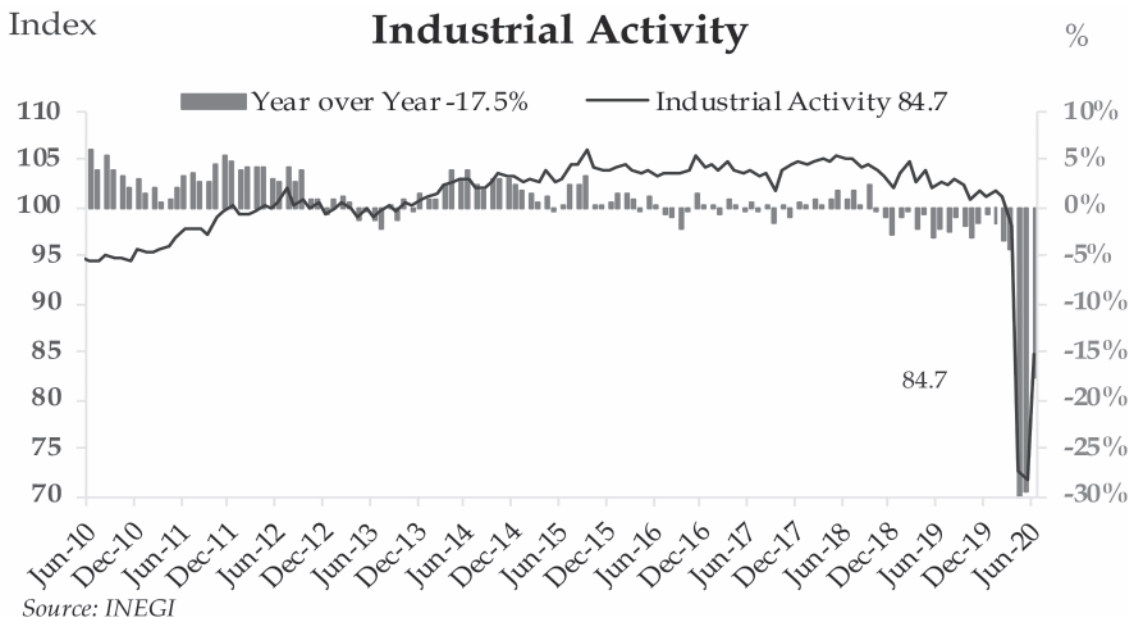


Source : INEGI

### Quarterly GDP by Component Year over Year Growth



Source : INEGI



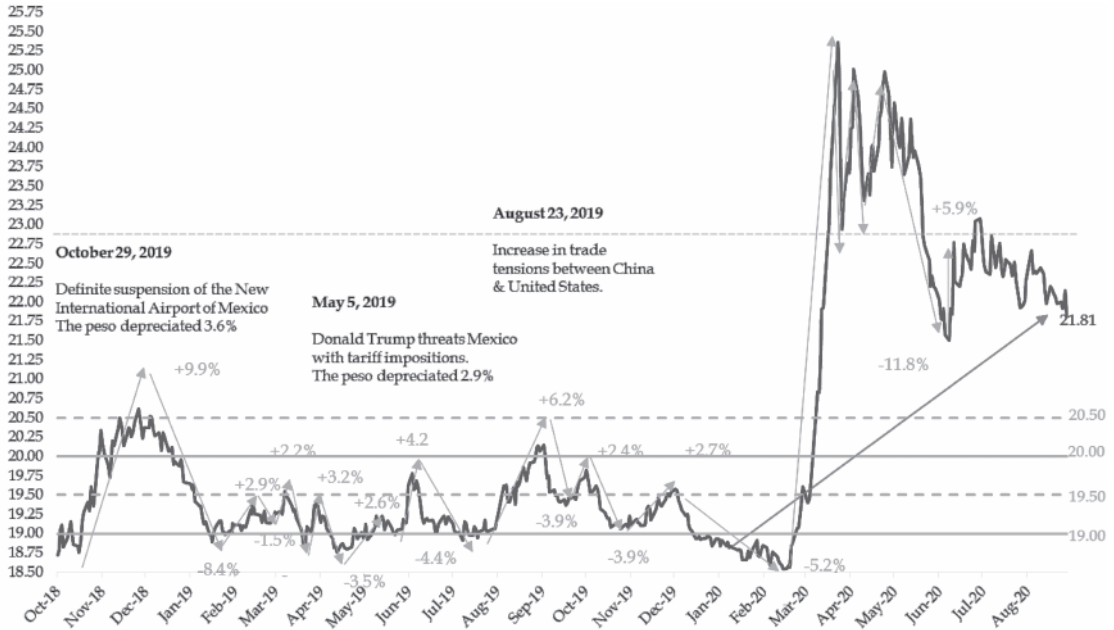
### Exchange Rate

The spot exchange rate closed at MX \$22.28 per 1 USD on July 31, 2020, for a -15.04% year-to-date depreciation of the Mexican peso. The Mexican peso rebounded to MX \$21.88 in August, plotting MX \$22.00 – MX \$22.50 per 1 USD due to:

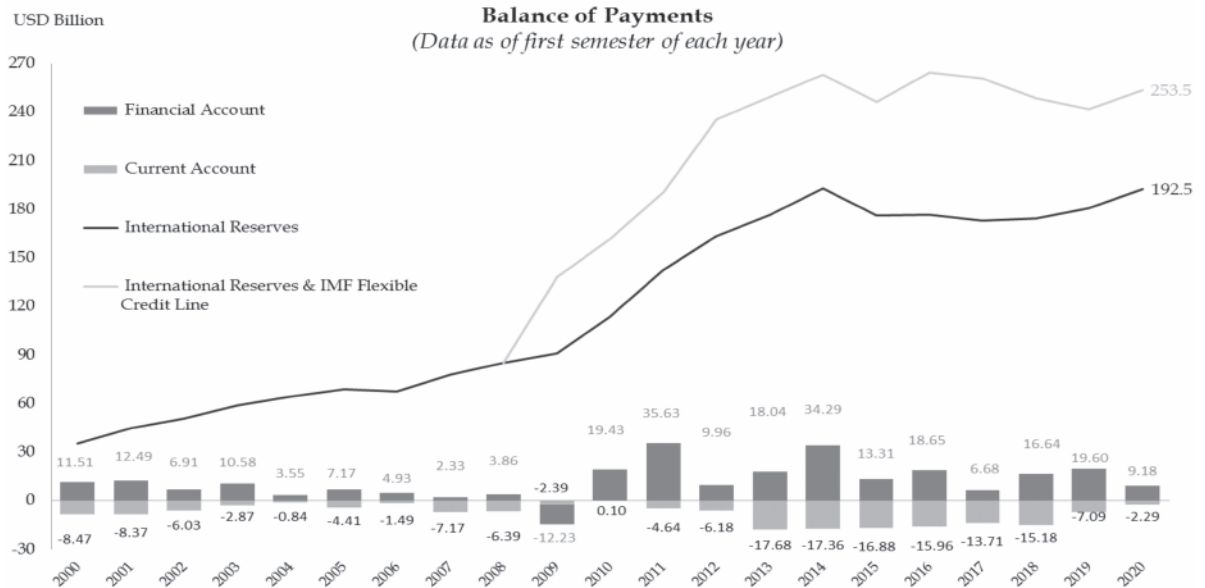
- i) The consolidation of the Foreign Direct Investment (“FDI”) in Mexico,
- ii) A total of US\$17.96 billion of FDI arrived in the 1S’20, same amount as in 1S’19, displaying resilience during the recessionary global scenario. (Source: INEGI),
- iii) Remittances totaled MX\$22.82 billion, year to date, until July, the highest figure for one semester in history. (Source: Banxico).

Despite the closure of many economic activities, the year-to-date through July Mexican trade balance displays a US \$ 8.45 billion surplus. Noteworthy, July’s surplus (US\$5.79 billion) was higher than the calendar year of 2019 surplus (US\$5.40 billion). (Source: INEGI).

**Spot Exchange Rate MXN/USD**  
(Short term, as of August 28, 2020)



Source: Bloomberg.



Source: Banxico



# THE MEXICO EQUITY AND INCOME FUND, INC.

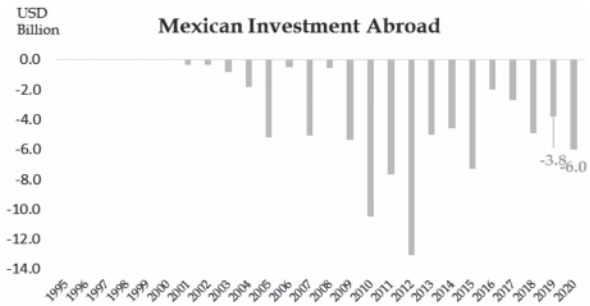
## Financial Account (Data as of first semester of each year)



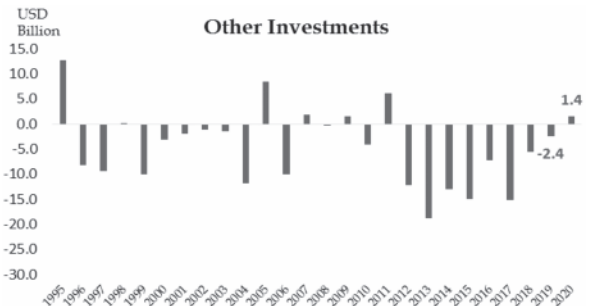
Source: Banxico



Source: Banxico

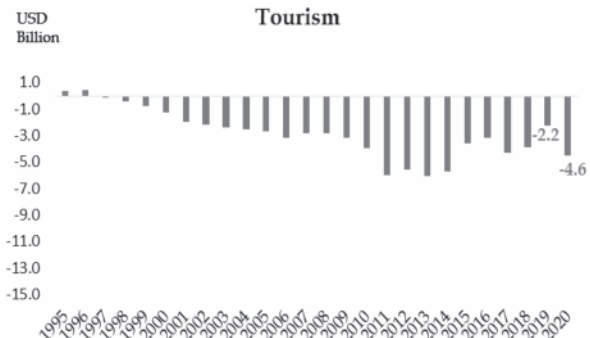


Source: Banxico

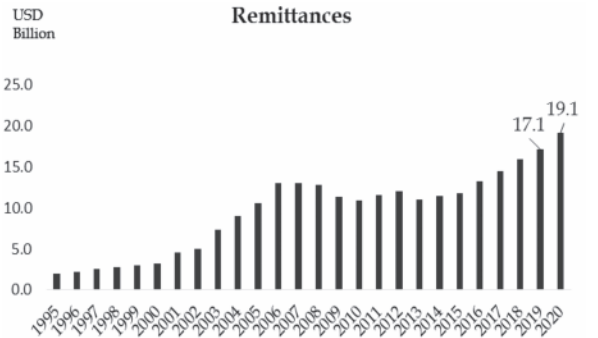


Source: Banxico

## Current Account (Data as of first semester of each year)

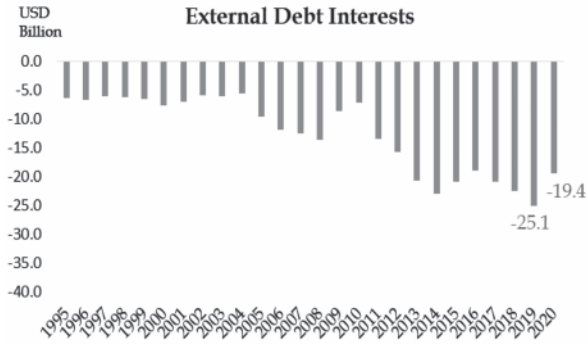


Source: Banxico



Source: Banxico

# THE MEXICO EQUITY AND INCOME FUND, INC.

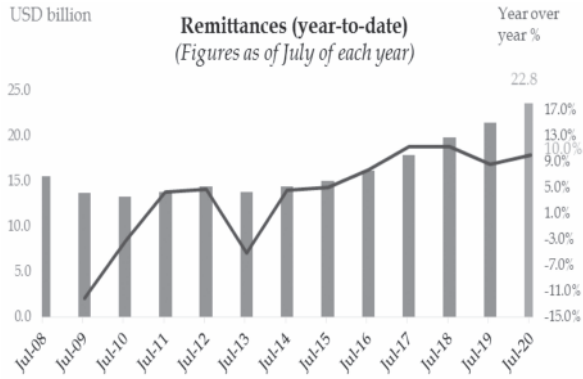


Source: Banxico



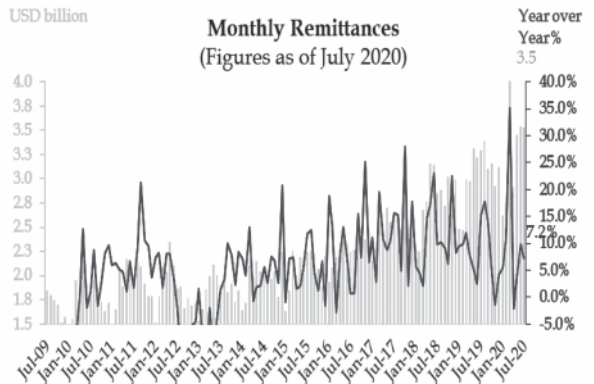
Source: Banxico

## Remittances



Source: Banxico

■ Remittances — Year over Year



Source: Banxico

■ Remittances — Year over Year %

THE MEXICO EQUITY AND INCOME FUND, INC.

Mexico's Trade Balance

Exports									
	2019	% of Total	Annual Change	2020 YTD	% of Total	Annual Change	Jul-20	% of Total	Annual Change
Total Exports	460,704	100.0%	2.2%	218,716	100.0%	-17.9%	35,662	100%	-8.9%
Oil	25,842	5.6%	-15.63%	9,448	4.3%	-41.1%	1,404	3.9%	-36.5%
Crude Oil	22,409	4.9%	-15.57%	7,866	3.6%	-43.9%	1,186	3.3%	-38.6%
Others	3,433	0.7%	-16.05%	1,582	0.7%	-21.8%	218	0.6%	-22.1%
Non-Oil	434,862	94.4%	3.52%	209,268	95.7%	-16.4%	34,258	96.1%	-7.2%
Agricultural	17,840	3.9%	8.07%	11,618	5.3%	5.0%	1,078	3.0%	-12.9%
Mining	6,189	1.3%	-0.69%	3,768	1.7%	5.5%	567	1.6%	3.7%
Manufacturing	410,834	89.2%	3.39%	193,882	88.6%	-17.8%	32,613	91.5%	-7.2%
Automotive Industry	147,757	32.1%	3.92%	59,038	27.0%	-30.6%	11,572	32.4%	-7.2%
Others	263,077	57.1%	3.10%	134,843	61.7%	-10.6%	21,042	59.0%	-7.2%
Imports									
	2019	% of Total	Annual Change	2020 YTD	% of Total	Annual Change	Jul-20	% of Total	Annual Change
Total Imports	455,295	100.0%	-1.9%	210,258	100%	-20.5%	29,864	100%	-26.1%
Oil	47,207	10.4%	-12.0%	17,999	8.6%	-37.0%	2,274	7.6%	-44.4%
Non-Oil	408,088	89.6%	-2.7%	192,259	91.4%	-18.5%	27,590	92.4%	-24.1%
Consumption Goods	43,852	9.6%	0.5%	18,396	8.7%	-23.7%	2,429	8.1%	-35.0%
Intermediate Goods	322,449	70.8%	0.4%	154,649	73.6%	-17.7%	22,277	74.6%	-23.6%
Capital Goods	41,787	9.2%	-8.9%	19,215	9.1%	-19.7%	2,883	9.7%	-15.9%
Trade Balance									
	2019			2020 YTD			Jul-20	Annual Change	
Trade Balance	5,409	-17.1%		8,458	334.8%		5,799	N.A.	

Source: Mexico's Ministry of Economics

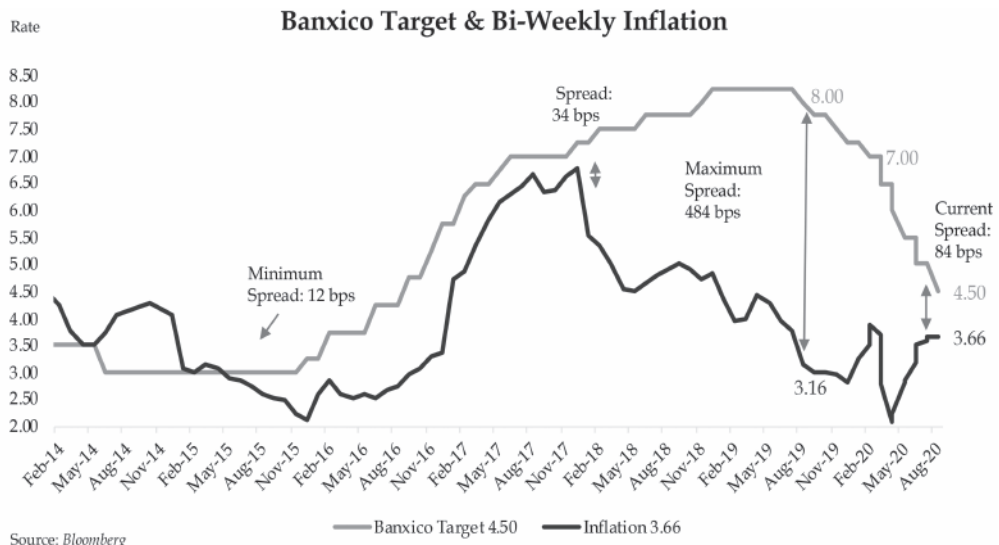
Amounts in Millions of Dollars

United States International Trade (As of June 2020)									
Country	Exports	Imports	Total Trade	Balance	Country	Exports	Imports	Total Trade	Balance
China	51,647	193,882	245,529	-142,235	India	13,233	22,398	35,631	-9,165
% of Total	7.5%	17.7%	13.8%		% of Total	1.9%	2.1%	2.0%	
Canada	118,149	125,748	243,897	-7,599	France	14,651	20,305	34,956	-5,654
% of Total	17.1%	11.5%	13.7%		% of Total	2.1%	1.9%	2.0%	
Mexico	99,554	144,280	243,834	-44,726	Italy	9,781	23,027	32,808	-13,246
% of Total	14.4%	13.2%	13.7%		% of Total	1.4%	2.1%	1.8%	
Japan	33,272	57,346	90,618	-24,074	Singapore	14,113	16,278	30,391	-2,165
% of Total	4.8%	5.2%	5.1%		% of Total	2.0%	1.5%	1.7%	
Germany	27,095	55,154	82,249	-28,059	Brazil	17,823	11,296	29,119	6,527
% of Total	3.9%	5.0%	4.6%		% of Total	2.6%	1.0%	1.6%	
Korea, South	26,364	36,326	62,690	-9,962	Hong Kong	12,050	5,623	17,673	6,427
% of Total	3.8%	3.3%	3.5%		% of Total	1.7%	0.5%	1.0%	
United Kingdom	28,957	25,067	54,024	3,890	Saudi Arabia	5,857	5,862	11,719	-5
% of Total	4.2%	2.3%	3.0%		% of Total	0.8%	0.5%	0.7%	
Taiwan	15,681	28,009	43,690	-12,328	All other countries	201,102	321,964	523,066	-120,862
% of Total	2.3%	2.6%	2.5%		% of Total	29.2%	29.5%	29.4%	
<b>TOTAL 2020 YTD</b>						<b>689,329</b>	<b>1,092,565</b>	<b>1,781,894</b>	<b>-403,236</b>
<b>TOTAL 2019</b>						<b>1,645,486</b>	<b>2,498,400</b>	<b>4,143,886</b>	<b>-852,914</b>
<b>TOTAL 2018</b>						<b>1,664,064</b>	<b>2,542,735</b>	<b>4,206,799</b>	<b>-878,671</b>

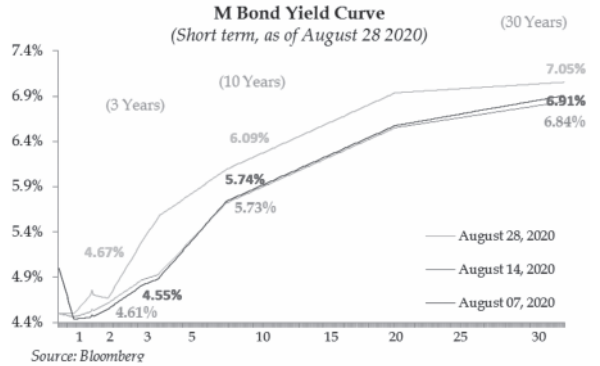
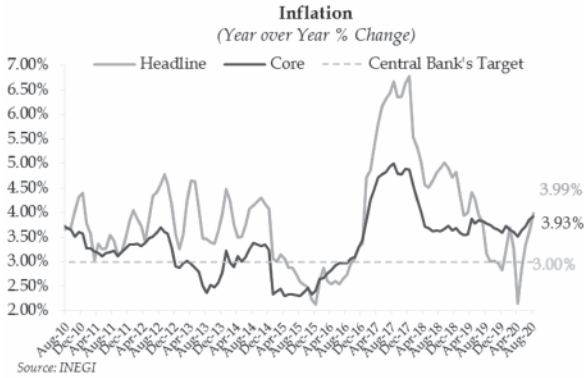
Source: U.S. Census Bureau  
Amounts in millions of dollars

### Interest Rates

Since August 2019, when the reference rate stood at 8.25%, Banxico has decreased its rate by 375 basis points, to 4.50%. However, the latest monetary policy statement, published on August 13th, hints at the possibility of a near end to the current cycle of decline in Banxico's reference rate. The central bank's future monetary policy decisions are now more restricted as the real rate after taxes (nominal rate minus inflation) for local investors is now negative (-0.52%). In contrast, the rate remains attractive with +400 basis points spread to the FED reference rate.



# THE MEXICO EQUITY AND INCOME FUND, INC.



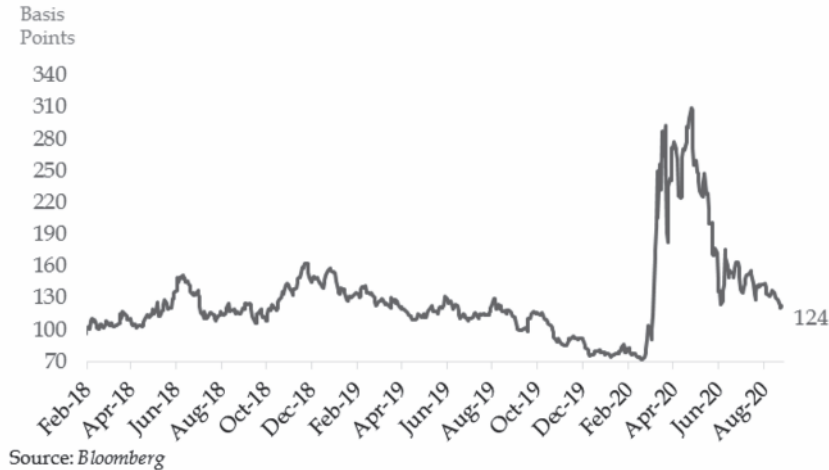
## 10-Y MEXICO "M-BONO" IN MEXICAN PESOS vs US10Y TBOND SPREAD



## MEXICO UMS SOVEREIGN USD BONDS vs. US10Y



## MEXICO 5Y CREDIT DEFAULT SWAP- CDS



The information provided herein represents the opinion of Pichardo Asset Management not the Fund's Board of Directors' and is not intended to be a forecast of future events, a guarantee of future results, or investment advice.

*The Fund's investment objectives, risks, charges and expenses must be considered carefully before investing. The prospectus contains this and other important information about the investment company, and it may be obtained by calling U.S. Bancorp Fund Services, LLC, (414) 765-4255 or visiting [www.themexicoequityandincomefund.com](http://www.themexicoequityandincomefund.com). Read it carefully before investing.*

**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 regulations 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. Investing in Foreign Securities Investment in Mexican securities involves special considerations and risks that are not normally associated with investments in U.S. securities, including (1) relatively higher price volatility, lower liquidity and the small market capitalization of Mexican securities markets; (2) currency fluctuations and the cost of converting Mexican pesos into U.S. dollars; (3) restrictions on foreign investment; (4) political, economic and social risks and uncertainties (5) higher rates of inflation and interest rates than in the United States.**

Diversification does not assure a profit or protect against a loss in a declining market.

**The Portfolio Securities are denominated in pesos. As a result, the Portfolio Securities must increase in market value at a rate in excess of the rate of any decline in the value of the peso against the U.S. dollar in order to avoid a decline in their equivalent U.S. dollar value.**

## THE MEXICO EQUITY AND INCOME FUND, INC.

**The Fund may have a higher turnover rate, which could result in higher transaction costs and higher tax liability, which may affect returns.**

The Fund's holdings and sector allocations are subject to change at any time and should not be considered recommendations to buy or sell any security. Please refer to the Schedule of Investments in this report for a complete list of fund holdings. Current and future portfolio holdings are subject to risk.

### Definitions

- MEXBOL, or the IPC (Indice de Precios y Cotizaciones), is a capitalization-weighted index of the leading stocks traded on the Mexican Stock Exchange.
- MSCI-MEXICO INDEX: The Morgan Stanley Capital International Index Mexico is a capitalization-weighted index that tracks the Mexican Stock Market. One cannot invest directly in an index.
- A basis point (bps) is one-hundredth of a percentage point (0.01%).
- UW: Underweight refers to one of two situations regarding trading and finance. An underweight portfolio does not hold a sufficient amount of a particular security compared to its weight benchmark portfolio. Underweight can also refer to an analyst's opinion regarding the future performance of a stake in scenarios expected to underperform.
- The net asset value per share ("NAV") is the value per share certificate from the accounting Fondo minus total liabilities divided by the total number of common shares outstanding. The NAV of an investment company will fluctuate due to changes in the underlying securities.
- The market price of the ordinary share of a closed-end fund is determined in the open market by buyers and sellers and is the price at which investors may purchase or sell the common shares of a closed-end fund, which fluctuates throughout the day. The common share market price may differ from the Fund's Net Asset Value; 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 NAV is a discount.
- References to other funds should not be considered a recommendation to buy or sell any security.
- BANXICO: Banco de Mexico is the central bank of Mexico. By constitutional mandate, it is autonomous in both its operations and management. Its primary function is to provide domestic currency to the Mexican economy, and its main priority is to ensure the stability of the domestic currency's purchasing power.
- SHCP: Secretaria de Hacienda y Credito Publico, is the Ministry of Finance.
- INEGI: The National Institute of Statistics and Geography.
- GDP: Gross Domestic Product is the monetary value of all the finished goods and services produced within a country's borders in a specific period, though GDP on an annual basis. It includes private and public consumption, government outlays investments and exports fewer imports within a defined territory.



- Average forex depreciation: The average currency depreciation is the loss of value of a country's currency concerning foreign reference currencies.
- USMCA: The United States–Mexico and Canada Agreement is one of the most important trade agreements in the world, and it contributes to an intra-industrial connection between the three countries in the American Continent to provide a better quality of life to the North American region. The three Presidents of the USA, Donald Trump, Andres Manuel Lopez Obrador of México, and Justin Trudeau of Canada signed it in July 2020.
- EBITDA: Earnings Before Interest, Taxes, Depreciation & Amortization (EBITDA) is one accounting line related to the income and loss statement reflecting the operating result of a company.
- ROE: Return on equity (ROE) is a measure of financial performance calculated by dividing net income by shareholders' equity.
- Price to Earnings Ratio P/E: A valuation ratio of a company's current share price compared to its per-share earnings (EPS).
- Earnings per Share is a company's profit divided by its outstanding common shares of its common stock.
- M&A: Mergers and acquisitions (M&A) is a general term that refers to the consolidation of companies or assets through various types of financial transactions. M&A can include several different trades, such as mergers, acquisitions, consolidations, tender offers, purchase of investments, and management acquisitions. In all cases, two companies are involved.
- Small & Mid-Caps: Small & Mid-Capitalization companies are companies with a market capitalization of less than the U.S. \$ 1.0 billion for Small Cap companies and between U.S. \$1.0 and the U.S. \$5.0 billion for Mid-Cap companies, as defined by PAM.
- 10-Year US T-Bond: A Treasury bond (T-Bond) is a marketable, fixed-interest U.S. government debt security with a maturity of more than ten years.
- M-Bond: Mexico Federal Government fixed-rate development bonds that are issued and placed in terms of over one year pay interest every six months, and their interest rate is determined at the issue date and remains fixed all along with the life of the bond.
- Spread: A spread can have several meanings in finance. However, they all refer to the difference between two prices, rates, or yields.
- Turnover: Portfolio turnover is a measure of how frequently assets within a fund are bought and sold by the managers. UMS: United Mexican States Sovereign Bonds (UMS) are fixed income instruments issued by the federal government in international capital markets. Each issuance has specific characteristics (term, currency coupons, etc). UMS bonds are preferred by foreign investors over other LatAm issuers due to their investment grade status and liquidity.

## THE MEXICO EQUITY AND INCOME FUND, INC.

- **CDS:** A credit default swap (CDS) is a financial derivative or contract that allows an investor to “swap” or offset his or her credit risk with that of another investor. A credit default swap is the most common form of credit derivative and may involve municipal bonds, emerging market bonds, mortgage-backed securities or corporate bonds.
- **UNPRI:** Principles for Responsible Investment (UNPRI or PRI) is a United Nations-supported international network of investors working together to implement its six aspirational principles, often referenced as “the Principles”. Its goal is to understand the implications of sustainability for investors and support signatories to facilitate incorporating these issues into their investment decision-making and ownership practices. In implementing these principles, signatories contribute to the development of a more sustainable global financial system.
- **ESG:** Environmental, Social and Governance (ESG) criteria are a set of standards for a company’s operations that socially conscious investors use to screen potential investments. Environmental criteria consider how a company performs as a steward of nature. Social criteria examine how it manages relationships with employees, suppliers, customers, and the communities where it operates. Governance deals with a company’s leadership, executive pay, audits, internal controls, and shareholder rights.
- **Tender Offer:** A tender offer is a type of public takeover bid constituting an offer to purchase some or all of shareholders’ shares in a corporation. Tender offers are typically made publicly and invite shareholders to sell their shares for a specified price and within a particular window of time.
- **P/E:** Trailing price-to-earnings (P/E) is a relative valuation multiple that is based on the last 12 months of actual earnings. It is calculated by taking the current stock price and dividing it by the trailing earnings per share (EPS) for the past 12 months.
- **P/BV:** Price-to-book ratio (P/B ratio) compare a firm’s market capitalization to its book value. It’s calculated by dividing the company’s stock price per share by its book value per share (BVPS).
- **CAPEX:** Capital expenditures (Capex) are funds used by a company to acquire, upgrade, and maintain physical assets such as property, plants, buildings, technology, or equipment.

RELEVANT ECONOMIC INFORMATION for the years ended December 31

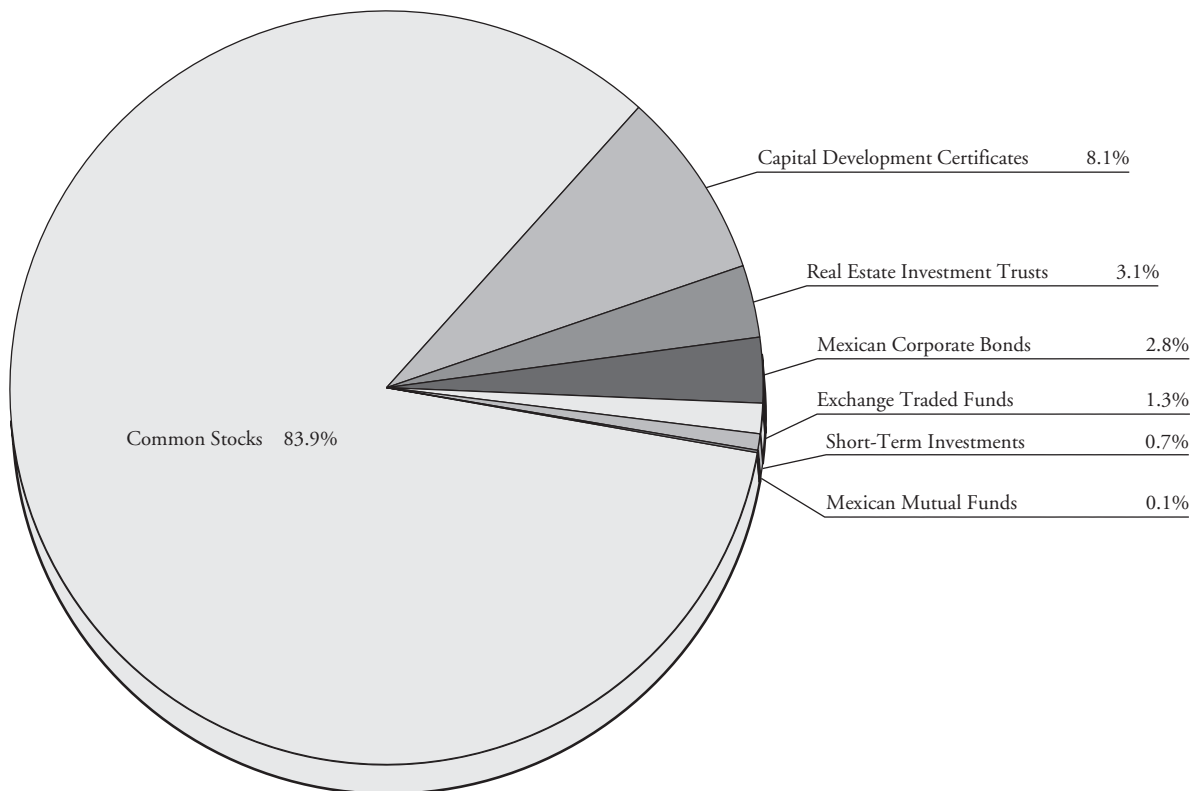
<b>Real Activity (billion US\$)</b>	<b>2019</b>	<b>2018</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>
Real GDP Growth (y-o-y)	-0.15%	2.14%	2.12%	2.91%	3.29%
Industrial Production (y-o-y)	-0.95	2.73%	0.87%	0.38%	0.51%
Trade Balance (US billions)	5.82	-\$13.62	-\$10.96	-\$13.22	-\$14.60
Exports (US millions)	\$461.11	\$450.68	\$409.49	\$373.93	\$380.62
Export growth (y-o-y)	2.3%	10.10%	9.50%	-1.80%	-4.12%
Imports	\$455.29	\$464.28	\$420.37	\$387.06	\$395.23
Import growth (y-o-y)	-1.90%	10.40%	8.60%	-2.10%	-1.20%
<b>Financial Variables and Prices</b>					
28-Day CETES (T-bills)/Average	7.85%	7.64%	6.69%	4.16%	2.98%
Exchange rate (Pesos/US\$)Average	19.25	19.23	18.91	18.68	15.88
Inflation IPC, 12 month trailing	2.83%	4.83%	6.77%	3.36%	2.13%
<b>Mexbol Index</b>					
USD Return	12.05%	-13.80%	15.44%	-9.74%	-13.15%
Market Cap- (US billions)	\$285.98	\$259.58	\$298.87	\$252.77	\$279.00
EV/EBITDA	7.48x	7.39x	9.27x	9.57x	9.93x
<b>Fund's NAV &amp; Common Share</b>					
<b>Market Price Performance</b>					
NAV	8.48%	-5.65%	11.82%	-14.88%	-6.90%
Market Price	16.37%	-1.84%	12.40%	-14.78%	-10.23%

Sources: Banamex, Banco de Mexico, Bloomberg.

# Allocation of Portfolio Assets

(Calculated as a percentage of Total Investments)

July 31, 2020  
(Unaudited)



July 31, 2020

# Schedule of Investments

MEXICO – 96.15%	Shares	Value
<b>COMMON STOCKS – 81.98%</b>		
<b>Auto Parts and Equipment – 2.56%</b>		
Nemak, S.A.B. de C.V. ....	1,751,935	\$ 413,285
<b>Beverages – 4.18%</b>		
Arca Continental, S.A.B. de C.V. ....	36,456	179,798
Fomento Economico Mexicano, S.A.B. de C.V. – Series UBD .....	80,675	495,034
		<u>674,832</u>
<b>Building Materials – 2.02%</b>		
Grupo Cementos de Chihuahua, S.A.B. de C.V. ....	69,207	<u>325,837</u>
<b>Chemical Products – 7.38%</b>		
Alpek, S.A.B. de C.V. – Series A .....	620,379	488,108
Orbia Advance Corp., S.A.B. de C.V. ....	444,482	703,821
		<u>1,191,929</u>
<b>Construction and Infrastructure – 1.58%</b>		
Promotora y Operadora de Infraestructura, S.A.B. de C.V. – Series L .....	52,271	<u>255,988</u>
<b>Consumer Products – 0.49%</b>		
Kimberly-Clark de Mexico, S.A.B. de C.V. – Series A .....	48,700	<u>79,697</u>
<b>Energy – 5.33%</b>		
Infraestructura Energetica Nova, S.A.B. de C.V. ....	289,602	<u>861,193</u>
<b>Financial Groups – 1.56%</b>		
Genera, S.A.B. de C.V. ....	350,200	122,267
Grupo Financiero Banorte, S.A.B. de C.V. – Series O .....	36,256	130,167
		<u>252,434</u>
<b>Food – 1.90%</b>		
Gruma, S.A.B. de C.V. – Series B .....	26,178	<u>307,184</u>
<b>Holding Companies – 3.42%</b>		
Alfa, S.A.B. de C.V. – Series A .....	1,020,000	<u>551,822</u>
<b>Hotels, Restaurants, and Recreation – 2.12%</b>		
Grupe, S.A.B. de C.V. (a)(b)(c)(d) .....	329,084	<u>343,058</u>

The accompanying notes are an integral part of these financial statements.

July 31, 2020

## Schedule of Investments (continued)

COMMON STOCKS (continued)	Shares	Value
<b>Mining – 8.97%</b>		
Grupo Mexico, S.A.B. de C.V. – Series B .....	366,144	\$ 924,779
Industrias Penoles, S.A.B. de C.V. ....	35,100	523,763
		1,448,542
<b>Railroads – 4.61%</b>		
GMexico Transportes, S.A.B. de C.V. ....	637,547	744,545
<b>Real Estate Services – 1.45%</b>		
Corporacion Inmobiliaria Vesta, S.A.B. de C.V. ....	156,634	233,948
<b>Retail – 11.49%</b>		
El Puerto de Liverpool, S.A.B. de C.V. – Series C – 1 .....	23,000	56,386
Organizacion Soriana, S.A.B. de C.V. – Class B .....	267,032	194,740
Wal-Mart de Mexico, S.A.B. de C.V. ....	684,236	1,605,826
		1,856,952
<b>Telecommunication – 22.92%</b>		
America Movil, S.A.B. de C.V. – Series L .....	3,694,482	2,322,436
Axtel S.A.B. de C.V. – Series CPO (a) .....	2,762,419	711,241
Telesites S.A.B. de C.V. (a) .....	896,708	670,466
		3,704,143
TOTAL COMMON STOCKS (Cost \$12,803,530) .....		13,245,389
<b>CAPITAL DEVELOPMENT CERTIFICATES – 8.14%</b>		
Atlas Discovery Trust II (b)(c)(d) .....	300,000	1,315,011
TOTAL CAPITAL DEVELOPMENT CERTIFICATES (Cost \$1,460,703) .....		1,315,011
<b>MEXICAN CORPORATE BONDS – 2.82%</b>		
Coca-Cola Femsa, S.A.B. de C.V. 7.350%, 01/28/2028 .....	97,100	456,411
TOTAL MEXICAN CORPORATE BONDS (Cost \$515,570) .....		456,411
<b>MEXICAN MUTUAL FUNDS – 0.13%</b>		
Scotiabankinverlat – Scotia Gubernamental, S.A. de C.V. SIID (a) .....	117,658	20,587
TOTAL MEXICAN MUTUAL FUNDS (Cost \$20,813) .....		20,587

The accompanying notes are an integral part of these financial statements.

July 31, 2020

## Schedule of Investments (concluded)

REAL ESTATE INVESTMENT TRUSTS – 3.08%	Shares	Value
CFE Capital, S. de R.L. de C.V. ....	441,356	\$ 498,372
<b>TOTAL REAL ESTATE INVESTMENT TRUSTS (Cost \$398,393) .....</b>		<u>498,372</u>
<b>TOTAL MEXICO (Cost \$15,199,009) .....</b>		<u>15,535,770</u>
<b>UNITED KINGDOM – 2.14%</b>		
<b>COMMON STOCKS – 2.14%</b>		
<b>Mining – 2.14%</b>		
Fresnillo PLC .....	20,000	345,990
<b>TOTAL COMMON STOCKS (Cost \$329,944) .....</b>		<u>345,990</u>
<b>TOTAL UNITED KINGDOM (Cost \$329,944) .....</b>		<u>345,990</u>
<b>UNITED STATES – 2.02%</b>		
<b>EXCHANGE TRADED FUNDS – 1.30%</b>		
iShares iBoxx \$ Investment Grade Corporate Bond ETF .....	1,516	209,413
<b>TOTAL EXCHANGE TRADED FUNDS (Cost \$198,892) .....</b>		<u>209,413</u>
<b>INVESTMENT COMPANIES – 0.72%</b>		
Morgan Stanley Institutional Liquidity Funds – Government Portfolio – Institutional Class – 0.038% (e) .....	117,012	117,012
<b>TOTAL INVESTMENT COMPANIES (Cost \$117,012) .....</b>		<u>117,012</u>
<b>TOTAL UNITED STATES (Cost \$315,904) .....</b>		<u>326,425</u>
<b>Total Investments (Cost \$15,844,857) – 100.31% .....</b>		<b>16,208,185</b>
Liabilities in Excess of Other Assets – (0.31)% .....		(50,525)
<b>TOTAL NET ASSETS – 100.00% .....</b>		<b><u>\$16,157,660</u></b>

Percentages are stated as a percent of net assets.

<sup>(a)</sup> Non-income producing security.

<sup>(b)</sup> Illiquid securities. The total market value of these securities were \$1,658,069, representing 10.26% of net assets.

<sup>(c)</sup> Fair valued securities. The total market value of these securities were \$1,658,069, representing 10.26% of net assets.

<sup>(d)</sup> Level 3 securities. Value determined using significant unobservable inputs.

<sup>(e)</sup> The rate shown represents the 7-day yield at July 31, 2020.

The accompanying notes are an integral part of these financial statements.



## Statement of Assets &amp; Liabilities

July 31, 2020

**ASSETS:**

Investments, at value (cost \$15,844,857) .....	\$ 16,208,185
Receivable for investments sold .....	611,556
Interest receivable .....	14,998
Foreign currency (cost \$6,283) .....	6,232
Other assets .....	3,627
<b>Total Assets</b> .....	<b><u>16,844,598</u></b>

**LIABILITIES:**

Payable for securities purchased .....	562,399
Audit fees payable .....	34,298
Administration fees payable .....	19,414
Advisory fees payable .....	16,317
Printing and mailing fees payable .....	13,740
Fund accounting fees payable .....	11,239
NYSE fees payable .....	8,976
Custody fees payable .....	7,816
CCO fees payable .....	6,305
Transfer Agent fees and expenses payable .....	3,741
Director fees payable .....	1,964
Legal fees payable .....	416
Accrued expenses and other liabilities .....	313
<b>Total Liabilities</b> .....	<b><u>686,938</u></b>
<b>Net Assets</b> .....	<b><u>\$ 16,157,660</u></b>
<b>Net Asset Value Per Common Share (\$16,157,660 / 1,786,463)</b> .....	<b><u>\$ 9.04</u></b>

**NET ASSETS CONSIST OF:**

Common stock, \$0.001 par value; 1,786,463 shares outstanding (98,144,872 shares authorized) .....	1,786
Paid-in capital .....	30,801,449
Accumulated deficit .....	(14,645,575)
<b>Net Assets</b> .....	<b><u>\$ 16,157,660</u></b>

The accompanying notes are an integral part of these financial statements.

# Statement of Operations

For the Year Ended  
July 31, 2020

## INVESTMENT INCOME

Dividends <sup>(1)</sup> .....	\$ 708,112
Interest .....	164,273
<b>Total Investment Income</b> .....	<b><u>872,385</u></b>

## EXPENSES

Advisory fees (Note B) .....	394,833
Directors' fees and expenses (Note B) .....	168,588
Administration fees (Note B) .....	77,784
Printing and mailing fees .....	65,391
Legal fees .....	62,377
CCO fees and expenses (Note B) .....	58,277
Fund accounting fees (Note B) .....	43,748
Custodian fees (Note B) .....	40,916
Audit fees .....	34,290
NYSE fees .....	29,829
Insurance expense .....	27,972
Transfer agent fees and expenses (Note B) .....	14,817
Miscellaneous .....	379
<b>Total Expenses</b> .....	<b><u>1,019,201</u></b>

**NET INVESTMENT LOSS** .....

**(146,816)**

## NET REALIZED AND UNREALIZED GAIN (LOSS) ON INVESTMENTS

Net realized loss from investments and foreign currency transactions .....	(510,047)
Net change in unrealized appreciation on investments and foreign currency transactions .....	<u>1,065,962</u>
<b>Net gain from investments and foreign currency transactions</b> .....	<u>555,915</u>
<b>Net increase in net assets resulting from operations</b> .....	<b><u>\$ 409,099</u></b>

(1) Net of \$70,505 in dividend withholding tax.

The accompanying notes are an integral part of these financial statements.

# Statements of Changes in Net Assets

	<u>For the Year Ended July 31, 2020</u>	<u>For the Year Ended July 31, 2019</u>
<b>DECREASE IN NET ASSETS</b>		
<b>Operations:</b>		
Net investment income (loss) .....	\$ (146,816)	\$ 576,240
Net realized loss on investments and foreign currency transactions .....	(510,047)	(4,015,235)
Net change in unrealized appreciation (depreciation) in value of investments and foreign currency transactions .....	<u>1,065,962</u>	<u>(11,440,385)</u>
Net increase (decrease) in net assets resulting from operations .....	<u>409,099</u>	<u>(14,879,380)</u>
<b>Distributions to Common Shareholders from:</b>		
Net dividends and distributions .....	<u>(621,109)</u>	<u>(8,274)</u>
Decrease in net assets resulting from distributions .....	<u>(621,109)</u>	<u>(8,274)</u>
<b>Capital Share Transactions:</b>		
Repurchase of common stock through tender offer .....	(40,689,323)	(19,962,368)
Repurchase of common stock .....	<u>—</u>	<u>(434,544)</u>
Decrease in net assets from capital share transactions .....	<u>(40,689,323)</u>	<u>(20,396,912)</u>
Total decrease in net assets .....	(40,901,333)	(35,284,566)
<b>Net Assets:</b>		
Beginning of year .....	<u>57,058,993</u>	<u>92,343,559</u>
End of year .....	<u>\$ 16,157,660</u>	<u>\$ 57,058,993</u>

The accompanying notes are an integral part of these financial statements.

# Financial Highlights

For a Common Share Outstanding Throughout Each Year

	For the Year Ended July 31,				
	2020	2019	2018	2017	2016
<b>Per Share Operating Performance</b>					
Net asset value, beginning of year . . . . .	\$ 11.03	\$ 13.32	\$ 13.71	\$ 12.32	\$ 13.79
Net investment income (loss) . . . . .	(0.08)	0.11	0.05	0.09	0.01
Net realized and unrealized gains (losses) on investments and foreign currency transactions . . . . .	(2.27)	(2.45)	(0.43)	1.28	(0.92)
Net increase (decrease) from investment operations . . . . .	(2.35)	(2.34)	(0.38)	1.37	(0.91)
Less: Distributions					
Dividends from net investment income . . . . .	(0.12)	0.00 <sup>(2)</sup>	(0.05)	—	—
Distributions from net realized gains . . . . .	—	—	—	—	(0.56)
Total dividends and distributions . . . . .	(0.12)	—	(0.05)	—	(0.56)
Capital Share Transactions					
Anti-dilutive effect of Common Share Repurchase Program . . . . .	—	0.01	0.01	0.02	0.03
Anti-dilutive effect of Tender Offer . . . . .	0.48	0.04	0.03	—	—
Anti-dilutive effect of Preferred Share Redemption . . . . .	—	—	—	—	0.00 <sup>(2)</sup>
Dilutive effect of Reinvestment of Distributions to the Fund's Stockholders . . . . .	—	—	—	—	(0.03)
Total capital share transactions . . . . .	0.48	0.05	0.04	0.02	—
Net Asset Value, end of year . . . . .	\$ 9.04	\$ 11.03	\$ 13.32	\$ 13.71	\$ 12.32
Per share market value, end of year . . . . .	\$ 7.72	\$ 10.33	\$ 11.40	\$ 11.88	\$ 10.78
Total Investment Return Based on					
Market Value, end of year <sup>(1)</sup> . . . . .	-24.50%	-9.38%	-3.60%	10.20%	-6.35%
<b>Ratios/Supplemental Data</b>					
Net assets, end of year (000's) . . . . .	\$16,158	\$57,059	\$92,344	\$100,755	\$91,579
Ratios of expenses to average net assets: . . . . .	2.61%	2.09%	1.75%	1.71%	1.89%
Ratios of net investment income (loss)					
to average net assets: . . . . .	(0.38)%	0.79%	0.34%	0.72%	0.10%
Portfolio turnover rate . . . . .	372.66%	233.24%	187.26%	315.95%	167.08%

(1) Total investment return is calculated assuming a purchase of common stock at the current market price on the first day and a sale at the current market price on the last day of each period reported. Dividends and distributions, if any, are assumed for purposes of this calculation to be reinvested at the closing market price on the dividend ex-date. Total investment does not reflect brokerage commissions.

(2) Less than 0.5 cents per share.

The accompanying notes are an integral part of these financial statements.

# Notes to Financial Statements

## **NOTE A: ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The Mexico Equity and Income Fund, Inc. (the “Fund”) was incorporated in Maryland on May 24, 1990, and commenced operations on August 21, 1990. The Fund is registered under the Investment Company Act of 1940, as amended, as a closed-end, non-diversified management investment company.

The Fund is an investment company and accordingly follows the investment company accounting and reporting guidance of the Financial Accounting Standards Board (FASB) Accounting Standard Codification Topic 946 “Financial Services—Investment Companies”.

The preparation of financial statements in accordance with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts and disclosures in the financial statements. Actual results could differ from those estimates.

### **Significant accounting policies are as follows:**

**Portfolio Valuation.** Investments are stated at value in the accompanying financial statements. Listed equity securities are valued at the closing price on the exchange or market on which the security is primarily traded (the “Primary Market”) at the valuation time. If the security did not trade on the Primary Market, it shall be valued at the closing price on another comparable exchange where it trades at the valuation time. If there are no such closing prices, the security shall be valued at the mean between the most recent highest bid and lowest ask prices at the valuation time. Investments in short-term debt securities having a maturity of 60 days or less are valued at amortized cost if their term to maturity from the date of purchase was less than 60 days, or by amortizing their value on the 61st day prior to maturity if their term to maturity from the date of purchase when acquired by the Fund was more than 60 days. Other assets and securities for which no quotations are readily available will be valued in good faith at fair value using methods determined by the Board of Directors. These methods include, but are not limited to, the fundamental analytical data relating to the investment; the nature and duration of restrictions in the market in which they are traded (including the time needed to dispose of the security, methods of soliciting offers and mechanics of transfer); the evaluation of the forces which influence the market in which these securities may be purchased or sold, including the economic outlook and the condition of the industry in which the issuer participates. The Fund has a Valuation Committee comprised of independent directors which oversees the valuation of portfolio securities.

**Investment Transactions and Investment Income.** The cost of investments sold is determined by use of the specific identification method for both financial reporting and income tax purposes. Interest income, including the accretion of discount and amortization of premium on investments, is recorded on an accrual basis; dividend income is recorded on the ex-dividend date or, using reasonable diligence, when known to the Fund. The collectibility of income receivable from foreign securities is evaluated periodically, and any resulting allowances for uncollectible amounts are reflected currently in the determination of investment income. There was no allowance for uncollectible amounts at July 31, 2020.

July 31, 2020

## Notes to Financial Statements (continued)

**Tax Status.** No provision is made for U.S. Federal income or excise taxes as it is the Fund's intention to continue to qualify as a regulated investment company and to make the requisite distributions to its shareholders that will be sufficient to relieve it from all or substantially all U.S. Federal income and excise taxes.

The Fund is subject to the following withholding taxes on income from Mexican sources:

Interest income on debt issued by the Mexican federal government is generally not subject to withholding. Withholding tax on interest from other debt obligations such as publicly traded bonds and loans by banks or insurance companies is at a rate of 4.9% under the tax treaty between Mexico and the United States.

Gains realized from the sale or disposition of debt securities may be subject to a 4.9% withholding tax. Gains realized by the Fund from the sale or disposition of equity securities that are listed and traded on the Mexican Stock Exchange ("MSE") are exempt from Mexican withholding tax if sold through the stock exchange. Gains realized on transactions outside of the MSE may be subject to withholding at a rate of 25% (20% rate prior to January 1, 2002) of the value of the shares sold or, upon the election of the Fund, at 35% (40% rate prior to January 1, 2002) of the gain. If the Fund has owned less than 25% of the outstanding stock of the issuer of the equity securities within the 12 month period preceding the disposition, then such disposition will not be subject to capital gains taxes as provided for in the treaty to avoid double taxation between Mexico and the United States.

**Summary of Fair Value Exposure at July 31, 2020.** The Fund follows the FASB ASC Topic 820 hierarchy, under which various inputs are used in determining the value of the Fund's investments.

The basis of the hierarchy is dependent upon various "inputs" used to determine the value of the Fund's investments. These inputs are summarized in the three broad levels listed below:

- Level 1 – Unadjusted quoted prices in active markets for identical assets or liabilities that the company has the ability to access.
- Level 2 – Observable inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly. These inputs may include quoted prices for the identical instrument on an inactive market, prices for similar instruments, interest rates, prepayment speeds, credit risk, yield curves, default rates and similar data.
- Level 3 – Unobservable inputs for the asset or liability, to the extent relevant observable inputs are not available, representing the company's own assumptions about the assumptions a market participant would use in valuing the asset or liability, and would be based on the best information available.

The availability of observable inputs can vary from security to security and is affected by a wide variety of factors, including, for example, the type of security, whether the security is new and not yet established in the marketplace, the liquidity of markets, and other characteristics particular to the security. To the extent that valuation is based on models or inputs that are less observable or unobservable in the market, the

July 31, 2020

## Notes to Financial Statements (continued)

determination of fair value requires more judgment. Accordingly, the degree of judgment exercised in determining fair value is greatest for instruments categorized in Level 3.

The inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, for disclosure purposes, the level in the fair value hierarchy within which the fair value measurement falls in its entirety, is determined based on the lowest level input that is significant to the fair value measurement in its entirety.

The inputs or methodology used for valuing securities are not necessarily an indication of the risk associated with investing in those securities. The following is a summary of the inputs used to value the Fund's investments carried at fair value as of July 31, 2020:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3*</u>	<u>Total</u>
<b>Equity</b>				
Auto Parts and Equipment	\$ 413,285	\$ —	\$ —	\$ 413,285
Beverages	674,832	—	—	674,832
Building Materials	325,837	—	—	325,837
Capital Development Certificates	—	—	1,315,011	1,315,011
Chemical Products	1,191,929	—	—	1,191,929
Construction and Infrastructure	255,988	—	—	255,988
Consumer Products	79,697	—	—	79,697
Energy	861,193	—	—	861,193
Financial Groups	252,434	—	—	252,434
Food	307,184	—	—	307,184
Holding Companies	551,822	—	—	551,822
Hotels, Restaurants, and Recreation	—	—	343,058	343,058
Mining	1,794,532	—	—	1,794,532
Railroads	744,545	—	—	744,545
Real Estate Services	233,948	—	—	233,948
Retail	1,856,952	—	—	1,856,952
Telecommunication	3,704,143	—	—	3,704,143
Total Equity	<u>\$13,248,321</u>	<u>\$ —</u>	<u>\$1,658,069</u>	<u>\$14,906,390</u>
<b>Mexican Corporate Bonds</b>	<u>\$ —</u>	<u>\$456,411</u>	<u>\$ —</u>	<u>\$ 456,411</u>
<b>Mexican Mutual Funds</b>	<u>\$ 20,587</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 20,587</u>
<b>Real Estate Investment Trusts</b>	<u>\$ 498,372</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 498,372</u>
<b>Exchange Traded Funds</b>	<u>\$ 209,413</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 209,413</u>
<b>Short-Term Investments</b>	<u>\$ 117,012</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 117,012</u>
<b>Total Investments in Securities</b>	<u>\$14,093,705</u>	<u>\$456,411</u>	<u>\$1,658,069</u>	<u>\$16,208,185</u>

\* The Fund measures Level 3 activity as of the beginning and end of each financial reporting period.



July 31, 2020

## Notes to Financial Statements (continued)

**Level 3 Reconciliation Disclosure**

The following is a reconciliation of Level 3 assets for which significant unobservable inputs were used to determine fair value:

<u>Category</u>	<u>Common Stock</u>	<u>Capital Development Certificates</u>
Balance as of July 31, 2019 .....	\$ 997,355	\$1,641,479
Acquisitions .....	—	—
Dispositions .....	(228,059)	—
Realized gain .....	81,529	—
Change in unrealized depreciation .....	<u>(507,767)</u>	<u>(326,468)</u>
Balance as of July 31, 2020 .....	<u>\$ 343,058</u>	<u>\$1,315,011</u>
Change in unrealized appreciation (depreciation) during the period for Level 3 investments held at July 31, 2020 .....	\$ (507,767)	\$ (326,468)

The following table presents additional information about valuation methodologies and inputs used for investments that are measured at fair value and categorized within Level 3 as of July 31, 2020:

	<u>Fair Value July 31, 2020</u>	<u>Valuation Methodologies</u>	<u>Unobservable Input<sup>(1)</sup></u>	<u>Range</u>
Common Stock	\$ 343,058	Market Comparables	Liquidity Discount	\$1.005 – \$2.388
Capital Development Certificates	\$1,315,011	Market Comparables/ Sum of the Parts Valuation	Liquidity Discount	\$3.720 – \$5.944

(1) In determining these inputs, management evaluates a variety of factors including economic conditions, foreign exchange rates, industry and market developments, market valuations of comparable companies and company specific developments.

July 31, 2020

## Notes to Financial Statements (continued)

**Disclosures about Derivative Instruments and Hedging Activities**

The Fund did not invest in derivative securities or engage in hedging activities during the period ended July 31, 2020.

**Federal Income Taxes.** The Fund intends to comply with the requirements of the Internal Revenue Code necessary to qualify as a regulated investment company and to make the requisite distributions of income and capital gains to its shareholders sufficient to relieve it from all or substantially all federal income taxes. Therefore, no federal income tax provision is required. Accounting principles generally accepted in the United States of America require that permanent differences between financial reporting and tax reporting be reclassified between various components of net assets.

The Fund recognizes the tax benefits of uncertain tax positions only where the position is “more-likely-than-not” to be sustained assuming examination by tax authorities. The Adviser has analyzed the Fund’s tax positions, and has concluded that no liability for unrecognized tax benefits should be recorded related to uncertain tax positions taken on returns filed for open tax years (2017-2019), or expected to be taken in the Fund’s 2020 tax returns. The Fund identifies its major tax jurisdictions as U.S. Federal, New York State and foreign jurisdictions where the Fund makes significant investments; however, the Fund is not aware of any tax positions for which it is reasonably possible that the total amounts of unrecognized tax benefits will change materially in the next twelve months.

**Reclassification of Capital Accounts.** Accounting Principles generally accepted in the United States of America require certain components of net assets relating to permanent differences be reclassified between financial and tax reporting. These reclassifications have no effect on net assets or net asset value per share. The permanent differences are primarily attributed to foreign currency loss reclassifications. For the year ended July 31, 2020, the following reclassifications were made for permanent tax differences on the Statement of Assets and Liabilities.

Accumulated deficit . . . . .	\$ 102,935
Paid-in Capital . . . . .	(102,935)

**Foreign Currency Translation.** The books and records of the Fund are maintained in U.S. dollars. Foreign currency amounts are translated into U.S. dollars on the following basis:

- (i) market value of investment securities, assets and liabilities at the current Mexican peso exchange rate on the valuation date, and
- (ii) purchases and sales of investment securities, income and expenses at the Mexican peso exchange rate prevailing on the respective dates of such transactions. Fluctuations in foreign currency rates, however, when determining the gain or loss upon the sale of foreign currency denominated debt obligations pursuant to U.S. Federal income tax regulations; such amounts are categorized as foreign exchange gain or loss for income tax reporting purposes.

July 31, 2020

## Notes to Financial Statements (continued)

The Fund reports realized foreign exchange gains and losses on all other foreign currency related transactions as components of realized gains and losses for financial reporting purposes, whereas such gains and losses are treated as ordinary income or loss for Federal income tax purposes.

Securities denominated in currencies other than U.S. dollars are subject to changes in value due to fluctuations in the foreign exchange rate. Foreign security and currency transactions may involve certain considerations and risks not typically associated with those of domestic origin as a result of, among other factors, the level of governmental supervision and regulation of foreign securities markets and the possibilities of political or economic instability.

**Distribution of Income and Gains.** The Fund intends to distribute to shareholders, at least annually, substantially all of its net investment income, including foreign currency gains. The Fund also intends to distribute annually any net realized capital gains in excess of net realized capital losses (including any capital loss carryovers), except in circumstances where the Directors of the Fund determine that the decrease in the size of the Fund's assets resulting from the distribution of the gains would generally not be in the interest of the Fund's shareholders. An additional distribution may be made to the extent necessary to avoid payment of a 4% U.S. Federal excise tax.

Distributions to shareholders are recorded on the ex-dividend date. The amount of dividends and distributions from net investment income and net realized gains are determined in accordance with U.S. Federal income tax regulations, which may differ from accounting principles generally accepted in the United States of America. These "book/tax" differences are either considered temporary or permanent in nature. To the extent these differences are permanent in nature, such amounts are reclassified within the capital accounts based on their Federal tax-basis treatment; temporary differences do not require reclassification. To the extent they exceed net investment income and net realized gains for tax purposes, they are reported as distributions from additional paid-in capital.

**Distributions to Shareholders.** The tax character of distributions paid to shareholders during the periods ended July 31, 2020 and July 31, 2019 were as follows:

<b><u>Distributions paid from:</u></b>	<b><u>7/31/20</u></b>	<b><u>7/31/19</u></b>
Ordinary Income . . . . .	\$621,109	\$8,274
Long-Term Capital Gain . . . . .	<u>—</u>	<u>—</u>
Total . . . . .	<u>\$621,109</u>	<u>\$8,274</u>

July 31, 2020

## Notes to Financial Statements (continued)

As of July 31, 2020, the components of distributable earnings on a tax basis were as follows:

Cost of Investments for tax purposes(a) .....	\$ 18,338,726
Gross tax unrealized appreciation on investments .....	992,180
Gross tax unrealized depreciation on investments .....	<u>(3,122,721)</u>
Net tax unrealized appreciation on investments .....	<u>(2,130,541)</u>
Undistributed ordinary income .....	—
Undistributed long-term capital gains .....	—
Total distributable earnings .....	—
Other accumulated losses .....	\$ (12,515,034)
Total accumulated losses .....	<u>\$ (14,645,575)</u>

- (a) Represents cost for federal income tax purposes. Differences between the Fund's cost basis of investments at July 31, 2020, for book and tax purposes, relates primarily to the deferral of losses related to wash sales and PFIC's.

At July 31, 2020, the Fund had tax basis capital losses which may be carried forward to offset future short term and long term capital gains indefinitely in the amount of \$3,634,678 and \$8,323,616, respectively. To the extent that the Fund may realize future net capital gains, those gains will be offset by any of the unused capital loss carryforward.

At July 31, 2020, the Fund deferred, on a tax basis, post October loss of \$556,371.

**NOTE B: MANAGEMENT, INVESTMENT ADVISORY AND ADMINISTRATIVE SERVICES**

Pichardo Asset Management, S.A. de C.V. serves as the Fund's Investment Adviser (the "Investment Adviser") under the terms of the Investment Advisory Agreement (the "Advisory Agreement") effective July 1, 2003. Pursuant to the Advisory Agreement, the Investment Adviser makes investment decisions for the Fund and supervises the acquisition and disposition of securities by the Fund. For its services, the Investment Adviser is paid a base fee, accrued daily at the annual rate of 1.00%, subject to a performance fee adjustment which increases or decreases the fee depending upon how well the Fund has performed relative to the MSCI Mexico Index (the "Index") 12 month rolling average. The fee adjustment will be calculated using a monthly adjustment rate that is based upon the Fund's relative performance to the Index. The performance adjustment rate will be positive (resulting in an upward fee adjustment) for each percentage point, or portion thereof, that the investment performance of the Fund exceeds the investment performance of the Index for the performance period multiplied by three (3) and will be negative (resulting in a downward fee adjustment) for each percentage point, or portion thereof, that the investment performance of the Index exceeds the investment performance of the Fund for the performance period multiplied by three (3). Determinations of the performance adjustment rate (positive or negative) will be

July 31, 2020

## Notes to Financial Statements (continued)

made in increments of 0.01% of differential performance. As an example, if the Fund's performance for the preceding 12 months exceeds the performance of the Index by 1.00%, the performance adjustment rate would be  $3 \times 0.01$ , which would result in a monthly fee equal to an annual rate of 1.03%. The performance adjustment rate will be limited to a 0.15% fee adjustment, positive or negative.

For the year ended July 31, 2020, the Fund's investment performance ranged from 4.4% to (3.1)% above (below) the investment performance of the Index. Accordingly, for the year ended July 31, 2020 the net investment advisor fee consisted of the base fee of \$390,816 and an upward performance fee adjustment of \$4,017.

Effective January 1, 2020, the Fund pays each of its directors who is not a director, officer or employee of the Investment Adviser, the Administrator or any affiliate thereof an annual fee of \$25,000, paid pro rata, quarterly plus a fee of \$375 for each meeting held telephonically. As additional annual compensation, the Chairman of the Fund will receive \$3,750, the Audit Committee Chairman and Valuation Committee Chairman will receive \$2,250, and the Nomination Committee Chairman will receive \$1,500. Effective April 1, 2020, Ms. Stephanie Darling receives annual compensation in the amount of \$60,000 for serving the Fund as Chief Compliance Officer ("CCO"). In addition, the Fund reimburses the directors and CCO for travel and out-of-pocket expenses incurred in connection with Board of Directors' meetings and CCO due diligence requirements.

U.S. Bancorp Fund Services, LLC doing business as U.S. Bank Global Fund Services ("Fund Services" or the "Administrator"), serves as the Fund's Administrator and, in that capacity, performs various administrative services for the Fund. Fund Services also serves as the Fund's Fund Accountant (the "Fund Accountant") and Transfer Agent. U.S. Bank, N.A. serves as the Fund's custodian (the "Custodian"). The Custodian is an affiliate of the Administrator. The Administrator prepares various federal and state regulatory filings, reports and returns for the Fund; prepares reports and materials to be supplied to the directors; monitors the activities of the Fund's Custodian and Fund Accountant; coordinates the preparation and payment of the Fund's expenses and reviews the Fund's expense accruals.

**NOTE C: PORTFOLIO ACTIVITY**

Purchases and sales of securities other than short-term obligations, aggregated \$133,106,409 and \$170,311,693 respectively, for the year ended July 31, 2020.

At July 31, 2020 approximately 96.2% of the Fund's net assets were invested in Mexican securities. The Mexican securities markets are substantially smaller, less liquid, and more volatile than the major securities markets in the United States. Consequently, acquisitions and dispositions of securities by the Fund may be limited.

## Notes to Financial Statements (continued)

**NOTE D: CAPITAL STOCK**

During the year ended July 31, 2020, there were no shares of common stock repurchased under the guidelines set forth in the Fund's stock repurchase program.

The Fund announced on December 12, 2019 that it was offering to purchase up to 65% of common shares outstanding of the Fund at 98% of the net asset value NAV per common share as determined at the close of business on January 31, 2020. At the expiration of the offer on January 31, 2020, a total of 3,385,135 shares or approximately 65.46% of the Fund's outstanding common shares were validly tendered. As the total number of shares tendered exceeded the number of shares the Fund offered to purchase and in accordance with rules of the Securities and Exchange Commission allowing the Fund to purchase additional shares not to exceed 2% of the Fund's outstanding shares (approximately 103,432 shares) without amending or extending the offer, the Fund elected to purchase all 3,385,135 shares validly tendered at a price of \$12.02 per share (98% of NAV of \$12.27) or \$40,689,323.

During the year ended July 31, 2019, the Fund purchased 38,364 shares of capital stock in the open market at a cost of \$434,544. The weighted average discount of these purchases comparing the average purchase price to net asset value at the close of the New York Stock Exchange was 13.79%.

The Fund announced on January 11, 2019 that it was offering to purchase up to 25% of common shares outstanding of the Fund at 99% of the net asset value ("NAV") per common share on February 15, 2019. At the expiration of the offer on February 15, 2019, a total of 4,892,653 shares or approximately 70.95% of the Fund's outstanding common shares were validly tendered. As the total number of shares tendered exceeded the number of shares the Fund offered to purchase pursuant to the Offer, on a pro-rated basis, approximately 35.23% of the Fund's shares tendered by each tendering shareholder were accepted for payment. There were 1,723,866 shares accepted for payment at a price of \$11.58 per share (99% of the NAV per common share of \$11.70) or \$19,962,368.

During the year ended July 31, 2018, the Fund purchased 48,714 shares of capital stock in the open market at a cost of \$522,027. The weighted average discount of these purchases comparing the average purchase price to net asset value at the close of the New York Stock Exchange was 14.01%.

The Fund announced on January 19, 2018 that it was offering to purchase up to 5% of common shares outstanding of the Fund at 95% of the NAV per common share on February 23, 2018. At the expiration of the offer on February 23, 2018, a total of 1,961,143 shares or approximately 26.71% of the Fund's outstanding common shares were validly tendered. As the total number of shares tendered exceeded the number of shares the Fund offered to purchase pursuant to the Offer, on a pro-rated basis, approximately 18.72% of the Fund's shares tendered by each tendering shareholder were accepted for payment. There were 367,174 shares accepted for payment at a price of \$12.15 per share (95% of the NAV per common share of \$12.79) or \$4,461,164.

July 31, 2020

## Notes to Financial Statements (concluded)

During the year ended July 31, 2017, the Fund purchased 82,941 shares of capital stock in the open market at a cost of \$882,728. The weighted average discount of these purchases comparing the average purchase price to net asset value at the close of the New York Stock Exchange was 13.74%.

During the year ended July 31, 2016, the Fund purchased 109,636 shares of capital stock in the open market at a cost of \$1,207,197. The weighted average discount of these purchases comparing the average purchase price to net asset value at the close of the New York Stock Exchange was 13.68%.

On December 8, 2015, the Board of Directors declared a stock dividend of \$0.56 per share. This dividend was paid in shares of common stock of the Fund, or in cash by specific election of the stockholders. The Fund issued 113,378 shares of common stock to stockholders that did not elect the cash option, which amounted to \$1,089,584.

On December 17, 2015 at the Annual Meeting of Stockholders of the Fund, the preferred stockholders, voting as a separate class, and the common and preferred stockholders, voting together as a single class, each approved an amendment to the Fund's Articles Supplementary authorizing the elimination of the preferred stock. Consequently, the Fund redeemed all 48,535 preferred shares outstanding at 98% of the Fund's net asset value per common share as of the close of business on Friday, January 8, 2016. Since such net asset value was \$11.50, the Fund paid each preferred stockholder \$11.27 per share on or about February 10, 2016. The total amount of the redemption payment was \$546,989. The net asset value per share of the Fund's stockholders was increased by approximately \$0.001 per share as a result of this redemption.

### Share Repurchase

Notice is hereby given in accordance with Section 23(c) of the Investment Company Act of 1940 that the Fund may purchase, from time to time, shares of its common stock in the open market.

### NOTE E: SUBSEQUENT EVENTS

U.S. and international markets have experienced significant periods of volatility in recent years due to a number of economic, political and global macro factors including the impact of the coronavirus as a global pandemic and related public health issues, growth concerns in the U.S. and overseas, uncertainties regarding interest rates, trade tensions and the threat of tariffs imposed by the U.S. and other countries. These developments as well as other events, such as the upcoming U.S. presidential election, could result in further market volatility and negatively affect financial asset prices, the liquidity of certain securities and the normal operations of securities exchanges and other markets. As a result, the risk environment remains elevated. The Fund's Adviser will monitor developments and seek to manage the Fund in a manner consistent with achieving the Fund's investment objective, but there can be no assurance that it will be successful in doing so.



# Report Of Independent Registered Public Accounting Firm

**To the Shareholders and Board of Directors of The Mexico Equity and Income Fund, Inc.,**

## **Opinion on the Financial Statements**

We have audited the accompanying statement of assets and liabilities of The Mexico Equity and Income Fund, Inc., (the “Fund”), including the schedule of investments, as of July 31, 2020, the related statement of operations for the year then ended, the statements of changes in net assets for each of the two years in the period then ended, financial highlights for each of the five years in the period then ended, and the related notes (collectively referred to as the “financial statements”). In our opinion, the financial statements present fairly, in all material respects, the financial position of the Fund as of July 31, 2020, the results of its operations for the year then ended, the changes in its net assets for each of the two years in the period then ended, and the financial highlights for each of the five years in the period then ended, in conformity with accounting principles generally accepted in the United States of America.

## **Basis for Opinion**

These financial statements are the responsibility of the Fund’s management. Our responsibility is to express an opinion on the Fund’s financial statements based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (“PCAOB”) and are required to be independent with respect to the Fund in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB. We have served as the Fund’s auditor since 2002.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. The Fund is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. As part of our audits we are required to obtain an understanding of internal control over financial reporting, but not for the purpose of expressing an opinion on the effectiveness of the Fund’s internal control over financial reporting. Accordingly, we express no such opinion.

Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. Our procedures included confirmation of securities owned as of July 31, 2020 by correspondence with the custodian and brokers; when replies were not received from brokers, we performed other auditing procedures. We believe that our audits provide a reasonable basis for our opinion.

**TAIT, WELLER & BAKER LLP**

**Philadelphia, Pennsylvania  
September 28, 2020**



# Additional Information

July 31, 2020  
(Unaudited)

## **BOARD CONSIDERATION OF THE CONTINUATION OF THE FUND'S INVESTMENT ADVISORY AGREEMENT (Unaudited)**

In March 2020, the Board of Directors of The Mexico Equity and Income Fund, Inc., (the "Fund"), including the Independent Directors, unanimously approved the renewal of the Fund's Investment Advisory Agreement (the "Agreement") with the Adviser for an additional one-year term. The information, material facts and conclusions that formed the basis for the Independent Directors approval are described below.

## **INFORMATION REVIEWED**

During the course of the year, the Independent Directors review a wide variety of materials relating to the nature, extent and quality of the services provided to the Fund by the Adviser, including reports on the Fund's investment results, portfolio composition, investment strategy, economic outlook, valuation, and other matters. In addition, in connection with its annual review of the Agreement, independent counsel on behalf of the Independent Directors requested and the Independent Directors reviewed information that included materials regarding the Fund's investment results, advisory fee and expense comparisons, financial and profitability information regarding the Adviser, descriptions of various functions such as compliance monitoring and portfolio trading practices, and information about the personnel providing investment management and administrative services to the Fund. In connection with its review, the Independent Directors received assistance and advice in the form of a written memorandum regarding legal and industry standards with respect to the renewal of an investment advisory agreement from counsel to the Fund. The Independent Directors discussed the approval of the Agreement with representatives of the Adviser and during an executive session with counsel at which no representatives of the Adviser were present. In deciding to recommend approval of the Agreement, the Independent Directors did not identify any single or particular piece of information that, in isolation, was the controlling factor. This summary describes the most important, but not all, of the factors considered by the Independent Directors.

### **1. NATURE, EXTENT AND QUALITY OF SERVICES PROVIDED TO THE FUND**

The Independent Directors considered the nature, extent and quality of services provided by the Adviser to the Fund and the amount of time devoted to the Fund's affairs by the Adviser's staff. The Independent Directors considered the Adviser's specific responsibilities in all aspects of daily management of the Fund, as well as the qualifications, experience and responsibilities of Maria Eugenia Pichardo, the Fund's portfolio manager, and other key personnel at the Adviser involved in the day-to-day activities of the Fund. The Independent Directors also considered the operational strength of the Adviser. The Independent Directors discussed in detail the Adviser's performance and compliance oversight, including the reports of the Fund's chief compliance officer to the Independent Directors on the effectiveness of the Adviser's compliance program. The Independent Directors noted that the Adviser exhibited a high level of diligence and attention to detail in carrying out its responsibilities under the Agreement. The Adviser was very responsive to the requests of the Independent Directors and had consistently kept the Independent Directors apprised of

July 31, 2020  
(Unaudited)

## Additional Information (continued)

developments related to the Fund and the Mexican economic environment in general. The Independent Directors concluded that the Adviser had sufficient quality and depth of personnel, resources, investment methods and compliance policies and procedures essential to performing its duties under the Agreement and that the nature, overall quality and extent of the management services provided to the Fund, as well as the Adviser's compliance program, were satisfactory and the Adviser continues to be reliable.

### **2. INVESTMENT PERFORMANCE OF THE FUND**

The Independent Directors discussed the performance of the Fund for the one-year, three-year, five-year and ten-year periods ended January 31, 2020. In assessing the quality of the portfolio management services delivered by the Adviser, the Independent Directors also compared the short-term and long-term performance of the Fund on both an absolute basis and in comparison to a peer group of closed end international funds constructed by data provided by Morningstar, Inc. (the "Morningstar Peer Group"). The Independent Directors noted that while the Fund produced a negative return for the five-year period, the Fund produced positive returns for the one-year, three-year, and ten-year period. The Independent Directors noted that the Fund's performance was below the Morningstar Peer Group median for the one-year, three-year, five-year, and ten-year periods. The Independent Directors concluded that the Fund's performance was satisfactory under current market conditions. Although past performance is not a guarantee or indication of future results, the Independent Directors determined that the Fund and its shareholders were likely to benefit from the Adviser's continued management.

### **3. COSTS OF SERVICES PROVIDED AND PROFITS REALIZED BY THE ADVISER**

The Independent Directors considered the cost of services and the structure of the Adviser's fees, including a review of the expense analyses and other pertinent material with respect to the Fund. In addition, the Independent Directors reviewed information comparing the Fund's contractual advisory fees with the Morningstar Peer Group. The Independent Directors noted that the Fund's contractual management base fee of 1.00% fell within the third quartile and was slightly above the Morningstar Peer Group average of 0.92%, which fell within the third quartile. The Independent Directors also considered that the Fund's management fee is subject to a performance fee adjustment that increases or decreases the fee depending on how well the Fund has performed relative to the MSCI Mexico Index. The Independent Directors noted that the contractual investment advisory fee adjusted for the payments under the fulcrum fee for performance was 22 basis points higher than the Morningstar Peer Group average. The Independent Directors then discussed the operation of the performance fee adjustment and the impact on fees and expenses based on various performance results. The Independent Directors then noted that Fund's current expense ratio of 2.09% was higher than the Morningstar Peer Group average of 1.40%. The Independent Directors noted that the higher expense ratio was in part due to the Fund's asset size being smaller than the average asset size of the Morningstar Peer Group. The Board further noted that the expense ratio of the Fund would likely increase as a result of the decrease in the net assets due to the tender offer. The Independent Directors concluded that the Fund's expenses and advisory fees

## Additional Information (continued)

July 31, 2020  
(Unaudited)

paid to the Adviser were fair and not unreasonable in light of comparative performance, expense and advisory fee information. The Independent Directors also considered the overall profitability of the Adviser, after reviewing the Adviser's financial information. The Independent Directors examined the level of profits that could be expected to accrue to the Adviser from the fees payable under the Agreement, as well as the Fund's brokerage arrangements, noting that the Adviser makes no effort to seek soft dollar arrangements. These considerations were based on materials requested by the Independent Directors and the Fund's administrator specifically for the March 2020 meeting at which the Agreement was formally considered, as well as the presentations made by the Adviser over the course of the year.

The Independent Directors concluded that the Fund's expenses and the management fees paid to the Adviser were fair and reasonable in light of the comparative performance, expense and management fee information. The Independent Directors further concluded that the Adviser's profit from advising the Fund had not been, and currently was not, excessive and that the Adviser had maintained adequate profit levels to support its services to the Fund from the revenues of its overall investment advisory business.

**4. EXTENT OF ECONOMIES OF SCALE AS THE FUND GROWS**

The Independent Directors considered the extent to which economies of scale were or should be reflected in the Fund's advisory fee, and concluded that in view of the Fund's investment results, the Fund's reasonable level of total expenses and overall size of the net assets in the Fund that the investment advisory fees were reasonable and that there were no economies of scale available at this time that should be passed along to the Fund.

**5. BENEFITS DERIVED FROM THE RELATIONSHIP WITH THE FUND**

The Independent Directors considered the direct and indirect benefits that could be realized by the Adviser from its association with the Fund. The Independent Directors examined the brokerage and commissions of the Adviser with respect to the Fund, noting that the Adviser receives no soft dollar benefits from its relationship with the Fund and has no affiliated entities that provide services to the Fund. The Independent Directors concluded that any such benefits were difficult to quantify and likely not significant.

**CONCLUSIONS**

Based on their review, including consideration of each of the factors referred to above, the Independent Directors concluded that the terms of the Agreement are fair and reasonable to the Fund and its stockholders, that the Fund's stockholders receive reasonable value in return for the advisory fees paid to the Adviser by the Fund and that renewal of the Agreement was in the best interests of the Fund and its stockholders.

## Additional Information (continued)

### **NOTE 1: INFORMATION ABOUT PROXY VOTING**

Information regarding how the Fund votes proxies relating to portfolio securities is available without charge upon request by calling toll-free at 1-877-785-0376 and the SEC's website at [www.sec.gov](http://www.sec.gov). Information regarding how the Fund voted proxies relating to portfolio securities during the most recent twelve month period ended June 30 is available on the SEC's website at [www.sec.gov](http://www.sec.gov) or by calling the toll-free number listed above.

### **NOTE 2: AVAILABILITY OF QUARTERLY PORTFOLIO SCHEDULE**

The Fund files its complete schedule of portfolio holdings with the SEC for the first and third quarters of each fiscal year on Part F of Form N-PORT. The filing will be available, upon request, by calling 1-877-785-0376. Furthermore, you will be able to obtain a copy of the filing on the SEC's website at <http://www.sec.gov>.

### **NOTE 3: INFORMATION ABOUT CERTIFICATIONS**

In December 2019, the Fund submitted a CEO annual certification to the NYSE in which the Fund's principal executive officer certified that she was not aware, as of the date of the certification, of any violation by the Fund of the NYSE's Corporate Governance listing standards. In addition, as required by Section 302 of the Sarbanes-Oxley Act of 2002 and related SEC rules, the Fund's principal executive and principal financial officers have made quarterly certifications, included in the filing with the SEC on Forms N-CSR and N-Q, relating to, among other things, the Fund's disclosure controls and procedures and internal control over financial reporting.

### **NOTE 4: INFORMATION ON FORWARD LOOKING STATEMENTS**

Except for historical information contained in this report for the Fund, the matters discussed in this report may constitute forward-looking statements made pursuant to the safe-harbor provisions of the Private Securities Litigation Reform Act of 1995. These include any adviser or portfolio manager predictions, assessments, analyses or outlooks for individual securities, industries, market sectors and/or markets. These statements involve risks and uncertainties. In addition to the general risks described for the Fund in the most recent Prospectus, other factors bearing on this report include the accuracy of the adviser's or portfolio manager's data, forecasts and predictions, and the appropriateness of the investment programs designed by the adviser or portfolio manager to implement their strategies efficiently and effectively. Any one or more of these factors, as well as other risks affecting the securities markets and investment instruments generally, could cause the actual results of the Fund to differ materially as compared to benchmarks associated with the Fund.

Additional Information (concluded)

July 31, 2020  
(Unaudited)

**ADDITIONAL INFORMATION APPLICABLE TO FOREIGN SHAREHOLDERS ONLY**

The percent of ordinary income distributions designated as interest related dividends for the fiscal year ended July 31, 2020 was 0.00%. (unaudited)

The percentage of taxable ordinary income distributions that are designated as short-term capital gain distributions under Internal Revenue Section 871(k)(2)(C) was 0.00%. (unaudited)

The Fund designates 100.00% of dividends declared for the fiscal year July 31, 2020 from net investment income as qualified dividend income under the Jobs and Growth Tax Relief Reconciliation Act of 2003. (unaudited)

# Dividends and Distributions

July 31, 2020  
(Unaudited)

## **DIVIDEND REINVESTMENT PLAN**

The Fund intends to distribute to shareholders substantially all of its net investment company taxable income at least annually. Investment company taxable income, as defined in section 852 of the Internal Revenue Service Code of 1986, includes all of the Fund's taxable income minus the excess, if any, of its net realized long-term capital gains over its net realized short-term capital losses (including any capital loss carryovers), plus or minus certain other required adjustments. The Fund also expects to distribute annually substantially all of its net realized long-term capital gains in excess of net realized short-term capital losses (including any capital loss carryovers), except in circumstances where the Fund realizes very large capital gains and where the Directors of the Fund determine that the decrease in the size of the Fund's assets resulting from the distribution of the gains would not be in the interest of the Fund's shareholders generally.

Pursuant to the Fund's Dividend Reinvestment Plan (the "Plan"), each shareholder will be deemed to have elected, unless the Plan Agent (as defined below) is otherwise instructed by the shareholder in writing, to have all distributions, net of any applicable U.S. withholding tax, automatically reinvested in additional shares of the Fund by U.S. Bancorp Fund Services, LLC, the Fund's transfer agent, as the Plan Agent (the "Plan Agent"). Shareholders who do not participate in the Plan will receive all dividends and distributions in cash, net of any applicable U.S. withholding tax, paid in U.S. dollars by check mailed directly to the shareholder by the Plan Agent, as dividend-paying agent. Shareholders who do not wish to have dividends and distributions automatically reinvested should notify the Plan Agent for The Mexico Equity and Income Fund, Inc., c/o U.S. Bancorp Fund Services, ATTN: Ms. Casey Sauer, 615 East Michigan Street, Milwaukee, WI 53202. Dividends and distributions with respect to shares of the Fund's Common Stock registered in the name of a broker-dealer or other nominee (i.e., in "street name") will be reinvested under the Plan unless the service is not provided by the broker or nominee or the shareholder elects to receive dividends and distributions in cash. A shareholder whose shares are held by a broker or nominee that does not provide a dividend reinvestment program may be required to have his shares registered in his own name to participate in the Plan. Investors who own shares of the Fund's Common Stock registered in street name should contact the broker or nominee for details.

The Plan Agent serves as agent for the shareholders in administering the Plan. If the Directors of the Fund declare an income dividend or a capital gains distribution payable in the Fund's Common Stock, or in cash, as shareholders may have elected, nonparticipants in the Plan will receive cash and participants in the Plan will receive Common Stock to be issued by the Fund. If the market price per share on the valuation date equals or exceeds net asset value per share on that date, the Fund will issue new shares to participants at net asset value; or, if the net asset value is less than 95% of the market price on the valuation date, then such shares will be issued at 95% of the market price.

If net asset value per share on the valuation date exceeds the market price per share on that date, participants in the Plan will receive shares of Common Stock from the Fund valued at market price. The

July 31, 2020  
(Unaudited)

## Dividends and Distributions (concluded)

valuation date is the dividend or distribution payment date or, if that date is not a New York Stock Exchange trading day, the next preceding trading day. If the Fund should declare an income dividend or capital gains distribution payable only in cash, the Plan Agent will, as agent for the participants, buy Fund shares in the open market on the New York Stock Exchange or elsewhere, for the participants' accounts on, or shortly after, the payment date.

The Plan Agent maintains all shareholder accounts in the Plan and furnishes written confirmations of all transactions in an account, including information needed by shareholders for personal and tax records. Shares in the account of each Plan participant will be held by the Plan Agent in noncertified form in the name of the participant, and each shareholder's proxy will include those shares purchased pursuant to the Plan.

In the case of shareholders such as banks, brokers or nominees that hold shares for others who are beneficial owners, the Plan Agent will administer the Plan on the basis of the number of shares certified from time to time by the shareholders as representing the total amount registered in the shareholder's name and held for the account of beneficial owners who participate in the Plan.

There is no charge to participants for reinvesting dividends or capital gains distributions payable in either Common Stock or cash. The Plan Agent's fees for the handling or reinvestment of such dividends and capital gains distributions will be paid by the Fund. There will be no brokerage charges with respect to shares issued directly by the Fund as a result of dividends or capital gains distributions payable either in stock or in cash. However, each participant will pay a pro rata share of brokerage commissions incurred with respect to the Plan Agent's open market purchases in connection with the reinvestment of dividends or capital gains distributions payable in cash.

Brokerage charges for purchasing small amounts of Common Stock for individual accounts through the Plan are expected to be less than usual brokerage charges for such transactions because the Plan Agent will be purchasing stock for all participants in blocks and prorating the lower commissions thus attainable. Brokerage commissions will vary based on, among other things, the broker selected to effect a particular purchase and the number of participants on whose behalf such purchase is being made.

The receipt of dividends and distributions in Common Stock under the Plan will not relieve participants of any income tax (including withholding tax) that may be payable on such dividends or distributions.

Experience under the Plan may indicate that changes in the Plan are desirable. Accordingly, the Fund and the Plan Agent reserve the right to terminate the Plan as applied to any dividend or distribution paid subsequent to notice of the termination sent to participants at least 30 days before the record date for such dividend or distribution. The Plan also may be amended by the Fund or the Plan Agent, but (except when necessary or appropriate to comply with applicable law, or rules or policies of a regulatory authority) only upon at least 30 days' written notice to participants. All correspondence concerning the Plan should be directed to the Plan Agent at the address above.

# Results of Annual Stockholders Meeting

July 31, 2020  
(Unaudited)

The Fund's Annual Stockholders meeting was held on December 19, 2019, at the offices of U.S. Bancorp Fund Services LLC, 777 E. Wisconsin Avenue, Milwaukee, WI 53202. As of October 18, 2019, the record date, outstanding shares of common stock were 5,171,598. Holders of 4,549,440 common shares of the Fund were present at the meeting either in person or by proxy. These holders, as being holders of a majority of the outstanding shares of the Fund, constituted a quorum. The stockholders voted on one proposal. The stockholders elected two Directors to the Board of Directors. The following table provides information concerning the matters voted on at the meeting:

## I. Election of Directors

	<u>Votes For</u>	<u>Votes Against</u>	<u>Votes Withheld</u>
(A) Glenn Goodstein	3,828,892	442,210	278,338
(B) Gerald Hellerman	3,559,921	485,518	504,001



# Privacy Policy

July 31, 2020  
(Unaudited)

<b>FACTS</b>	<b>WHAT DOES THE MEXICO EQUITY AND INCOME FUND, INC. (THE “FUND”), AND SERVICE PROVIDERS TO THE FUND, ON THE FUND’S BEHALF, DO WITH YOUR PERSONAL INFORMATION?</b>
<b>Why?</b>	Financial companies choose how they share your personal information. Federal law gives consumers the right to limit some but not all sharing. Federal law also requires us to tell you how we collect, share, and protect your personal information. Please read this notice carefully to understand what we do.
<b>What?</b>	The types of personal information we, and our service providers, on our behalf, collect and share depends on the product or service you have with us. This information can include: <ul style="list-style-type: none"> <li>• Social Security number</li> <li>• account balances</li> <li>• account transactions</li> <li>• transaction history</li> <li>• wire transfer instructions</li> <li>• checking account information</li> </ul> When you are <i>no longer</i> our customer, we continue to share your information as described in this notice.
<b>How?</b>	All financial companies need to share customers' personal information to run their everyday business. In the section below, we list the reasons financial companies can share their customers' personal information; the reasons the Fund, and our service providers, on our behalf, choose to share; and whether you can limit this sharing.

Reasons we can share your personal information	Does the Fund share?	Can you limit this sharing?
<b>For our everyday business purposes –</b> such as to process your transactions, maintain your account(s), respond to court orders and legal investigations, or report to credit bureaus	Yes	No
<b>For our marketing purposes –</b> to offer our products and services to you	No	We don't share
<b>For joint marketing with other financial companies</b>	No	We don't share
<b>For our affiliates' everyday business purposes –</b> information about your transactions and experiences	Yes	No
<b>For our affiliates' everyday business purposes –</b> information about your creditworthiness	No	We don't share
<b>For our affiliates to market to you</b>	No	We don't share
<b>For nonaffiliates to market to you</b>	No	We don't share

<b>Questions?</b>	Call (877) 785-0376
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Privacy Policy (concluded)

What we do	
<b>Who is providing this notice?</b>	The Mexico Equity and Income Fund, Inc. (the “Fund”)
<b>How does the Fund, and the Fund’s service providers, on the Fund’s behalf, protect my personal information?</b>	To protect your personal information from unauthorized access and use, we and our service providers use security measures that comply with federal law. These measures include computer safeguards and secured files and buildings.
<b>How does the Fund, and the Fund’s service providers, on the Fund’s behalf, collect my personal information?</b>	<p>We collect your personal information, for example, when you:</p> <ul style="list-style-type: none"> <li>• open an account</li> <li>• provide account information</li> <li>• give us your contact information</li> <li>• make a wire transfer</li> </ul> <p>We also collect your information from others, such as credit bureaus, affiliates, or other companies.</p>
<b>Why can’t I limit all sharing?</b>	<p>Federal law gives you the right to limit only</p> <ul style="list-style-type: none"> <li>• sharing for affiliates’ everyday business purposes – information about your creditworthiness</li> <li>• affiliates from using your information to market to you</li> <li>• sharing for nonaffiliates to market to you</li> </ul> <p>State laws and individual companies may give you additional rights to limit sharing.</p>
Definitions	
<b>Affiliates</b>	<p>Companies related by common ownership or control. They can be financial and nonfinancial companies.</p> <ul style="list-style-type: none"> <li>• <i>None</i></li> </ul>
<b>Nonaffiliates</b>	<p>Companies not related by common ownership or control. They can be financial and nonfinancial companies.</p> <ul style="list-style-type: none"> <li>• <i>The Fund does not share with nonaffiliates so they can market to you.</i></li> </ul>
<b>Joint marketing</b>	<p>A formal agreement between nonaffiliated financial companies that together market financial products or services to you.</p> <ul style="list-style-type: none"> <li>• <i>The Fund does not jointly market.</i></li> </ul>

# Management of the Fund

July 31, 2020  
(Unaudited)

**Board of Directors.** The management and affairs of the Fund are supervised by the Board of Directors. The Board consists of five individuals, whom are not “interested persons” of the Fund as the term is defined in the Investment Company Act of 1940, as amended (the “1940 Act”). The Directors are fiduciaries for the Fund’s shareholders and are governed by the laws of the State of Maryland in this regard. The Board establishes policies for the operation of the Fund and appoints the officers who conduct the daily business of the Fund. The Directors and Interested Officers of the Fund are listed below with their addresses, present position(s) with the Fund, length of time served, principal occupations over at least the last five years, and any other Directorships held. Please note that the Fund is not part of a fund complex.

Additional information about the Directors and Officers of the Fund is included in the Fund’s most recent Proxy Statement.

<u>Name and Address</u>	<u>Year Born</u>	<u>Position(s) with the Fund</u>	<u>Term of Office/Length of Time Served</u>	<u>Principal Occupation During the Past Five Years</u>	<u>Other Directorships Held by Director</u>
Gerald Hellerman . . . . . 615 E. Michigan Street Milwaukee, WI 53202	1937	Director	Since 2019 / 19 years	Managing Director of Hellerman Associates (a financial and corporate consulting firm) since 1993 (which terminated activities as of December 31, 2013).	Trustee, High Income Securities Fund; Director, Swiss Helvetia Fund, Inc.; Trustee, Crossroads Liquidating Trust; Director, MVC Capital, Inc.; Director, Special Opportunities Fund, Inc.; Trustee, Fiera Capital Series Trust; Director, Ironsides Partners Opportunity Offshore Fund Ltd. (until 2016); Director, Emergent Capital, Inc. (until 2017).

July 31, 2020  
(Unaudited)

Management of the Fund (continued)

<u>Name and Address</u>	<u>Year Born</u>	<u>Position(s) with the Fund</u>	<u>Term of Office/Length of Time Served</u>	<u>Principal Occupation During the Past Five Years</u>	<u>Other Directorships Held by Director</u>
Phillip Goldstein . . . . . 615 E. Michigan Street Milwaukee, WI 53202	1945	Chairman	Since 2017 / 20 years	Since its inception in 2009, Mr. Goldstein has been a member of Bulldog Investors, LLC, the investment advisor of Special Opportunities Fund, Inc. and separately-managed accounts. Mr. Goldstein is a member of Bulldog Holdings, LLC, the owner of several entities previously serving as the general partner of several private funds in the Bulldog Investors group of funds, and the owner of Kimball & Winthrop, LLC, the managing general partner of Bulldog Investors General Partnership, since 2012.	Chairman, High Income Securities Fund; Director, Swiss Helvetia Fund, Inc.; Trustee, Crossroads Liquidating Trust; Director, Brookfield DTLA Fund Office Trust Investor; Director, MVC Capital, Inc.; Chairman, Special Opportunities Fund, Inc.; Chairman, Emergent Capital, Inc. (until 2017).
Glenn Goodstein . . . . . 615 E. Michigan Street Milwaukee, WI 53202	1963	Director	Since 2019 / 19 years	Investment Advisor Representative, The Investment House, LLC; held numerous executive positions with Automatic Data Processing until 1996.	None

July 31, 2020  
(Unaudited)

Management of the Fund (continued)

<u>Name and Address</u>	<u>Year Born</u>	<u>Position(s) with the Fund</u>	<u>Term of Office/Length of Time Served</u>	<u>Principal Occupation During the Past Five Years</u>	<u>Other Directorships Held by Director</u>
Rajeev Das . . . . . 615 E. Michigan Street Milwaukee, WI 53202	1968	Director	Since 2018 / 19 years	Since 2004, Mr. Das has been a Principal of the entities previously serving as the general partner of the private investment partnerships in the Bulldog Investors group of investment funds. Head Trader of Bulldog Investors, LLC, the investment adviser to the Special Opportunities Fund, Inc., since its inception in 2009. Secretary of the Swiss Helvetia Fund. Vice President of Special Opportunities Fund, Inc.	Trustee, High Income Securities Fund.
Richard Abraham . . . . . 615 E. Michigan Street Milwaukee, WI 53202	1955	Director	Since 2018 / 5 years	Since 1998, Mr. Abraham has been self employed as a securities trader.	None
Stephanie Darling . . . . . 615 E. Michigan Street Milwaukee, WI 53202	1970	Chief Compliance Officer	Since 2020	General Counsel and Chief Compliance Officer of Bulldog Investors, LLC; Chief Compliance Officer of Swiss Helvetia Fund, Inc., High Income Securities Fund, and Special Opportunities Fund, Inc.; Principal, the Law Office of Stephanie Darling; Editor-in-Chief, the Investment Lawyer.	None
Maria Eugenia Pichardo . . Andres Bello No. 45 – 22 Floor Col. Chapultepec Polanco Del. Miguel Hidalgo Mexico, CDMX (D.F.), C.P. 11560	1950	President	Indefinite / 16 years	Portfolio Manager of the Fund since the Fund's Inception; President and General Partner, Pichardo Asset Management, S.A. de C.V. since 2003; Managing Director, Acciones y Valores de Mexico, S.A. de C.V. from 1979-2002.	None

Management of the Fund (concluded)

July 31, 2020  
(Unaudited)

<u>Name and Address</u>	<u>Year Born</u>	<u>Position(s) with the Fund</u>	<u>Term of Office/Length of Time Served</u>	<u>Principal Occupation During the Past Five Years</u>	<u>Other Directorships Held by Director</u>
Juan Elizalde . . . . . Andres Bello No. 45 – 22 Floor Col. Chapultepec Polanco Mexico, CDMX (D.F.), C.P. 11560	1990	Secretary	Indefinite	Administrative and Compliance Director, Pichardo Asset Management S.A. de C.V.	None
Arnulfo Rodriguez . . . . . Andres Bello No. 45 – 22 Floor Col. Chapultepec Polanco Mexico, CDMX (D.F.), C.P. 11560	1962	Chief Financial Officer	Since 2016 / 4 years	Strategist and Debt Portfolio Manager, Pichardo Asset Management, S.A. de C.V. from January 2016-present; Local Fixed Income Research Vice President, Acciones y Valores Banamex from July 2011-January 2016.	None

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

**Investment Adviser:**

Pichardo Asset Management, S.A. de C.V.  
Andres Bello No. 45 – 22 Floor  
Col. Chapultepec Polanco  
Del. Miguel Hidalgo  
Mexico, CDMX (D.F.), C.P. 11560

**Independent Registered Public  
Accounting Firm:**

Tait, Weller & Baker LLP  
Two Liberty Place  
50 South 16th Street, Suite 2900  
Philadelphia, PA 19102

**Transfer Agent and Registrar,  
Fund Administrator  
and Fund Accountant:**

U.S. Bancorp Fund Services, LLC  
615 East Michigan Street  
Milwaukee, WI 53202

**Custodian:**

U.S. Bank, N.A.  
Custody Operations  
1555 Rivercenter Drive, Suite 302  
Milwaukee, WI 53212

**Board of Directors:**

Richard Abraham  
Rajeev Das  
Phillip Goldstein  
Glenn Goodstein  
Gerald Hellerman

# The Mexico Equity and Income Fund, Inc.

Annual Report

July 31, 2020

Beginning on January 1, 2021, as permitted by regulations adopted by the U.S. Securities and Exchange Commission, paper copies of the shareholder reports for The Mexico Equity and Income Fund, Inc. will no longer be sent by mail, unless you specifically request paper copies of the reports from the Fund or from your financial intermediary (such as a broker-dealer or bank). Instead, the reports will be made available on a website, and you will be notified by mail each time a report is posted and provided with a website link to access the report.

If you already elected to receive shareholder reports electronically, you will not be affected by this change and you need not take any action. You may elect to receive shareholder reports and other communications by contacting your financial intermediary (such as a broker-dealer or bank) or, if you are a direct investor, by calling the Fund's Transfer Agent, U.S. Bancorp Fund Services, LLC, at 1-877-785-0376.

You may elect to receive all future reports in paper free of charge. If you invest through a financial intermediary, you can contact your financial intermediary to request that you continue to receive paper copies of your shareholder reports; if you invest directly with the Fund, you can call the Fund's Transfer Agent, U.S. Bancorp Fund Services, LLC, at 1-877-785-0376. Your election to receive reports in paper form will apply to all funds held in your account with your financial intermediary.