



# Pichardo Asset Management

An Independent Portfolio Management Firm

MXE Closed-End, NYSE Listed Fund  
Presentation for Fund Shareholders

*27-years track record investing in Mexican equities*

September 2017

*Experience*

*Consistency*

*Vision*

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# I. Summary

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- The Mexican economy has consistently weathered strong external and internal shocks. Domestic consumption has remained strong, supported by solid fundamentals, such as stronger employment and credit. Investment has been somewhat lackluster because of the uncertainty surrounding the North American Free Trade Agreement (NAFTA) renegotiation and the 2018 presidential elections, but could pick up given structural reform and the likelihood of NAFTA prevailing. Despite the recent appreciation of the peso vs. the dollar inflation has continued to trend upwards. Until inflation stabilizes, further rate hikes by Mexico's Central Bank cannot be ruled out. Meanwhile, the country's public finances have continued to improve, with the consequent favorable impact on the country's sovereign debt outlook. *(Please see slides 5 - 12)*
- The MXE is trading at an attractive discount in terms of forward valuation vs. the MEXBOL Index both on an EV/EBITDA and P/E basis, reflecting the advisor's disciplined adherence to the Fund's investment strategy supported by quarterly fundamental research, discounted cash flow (DCF) and Sum of The Parts (SoTP) valuations being key elements in our stock picking. *(Please see slides 13 - 16).*
- This attractive discount is mainly due to an Overweight allocation in sectors with cheaper forward multiples such as Materials, Real Estate and Financials. The Fund has an Underweight allocation in sectors such as Telecommunications Services and Consumer Staples that have more expensive valuations. *(Please see slides 17 - 23).*

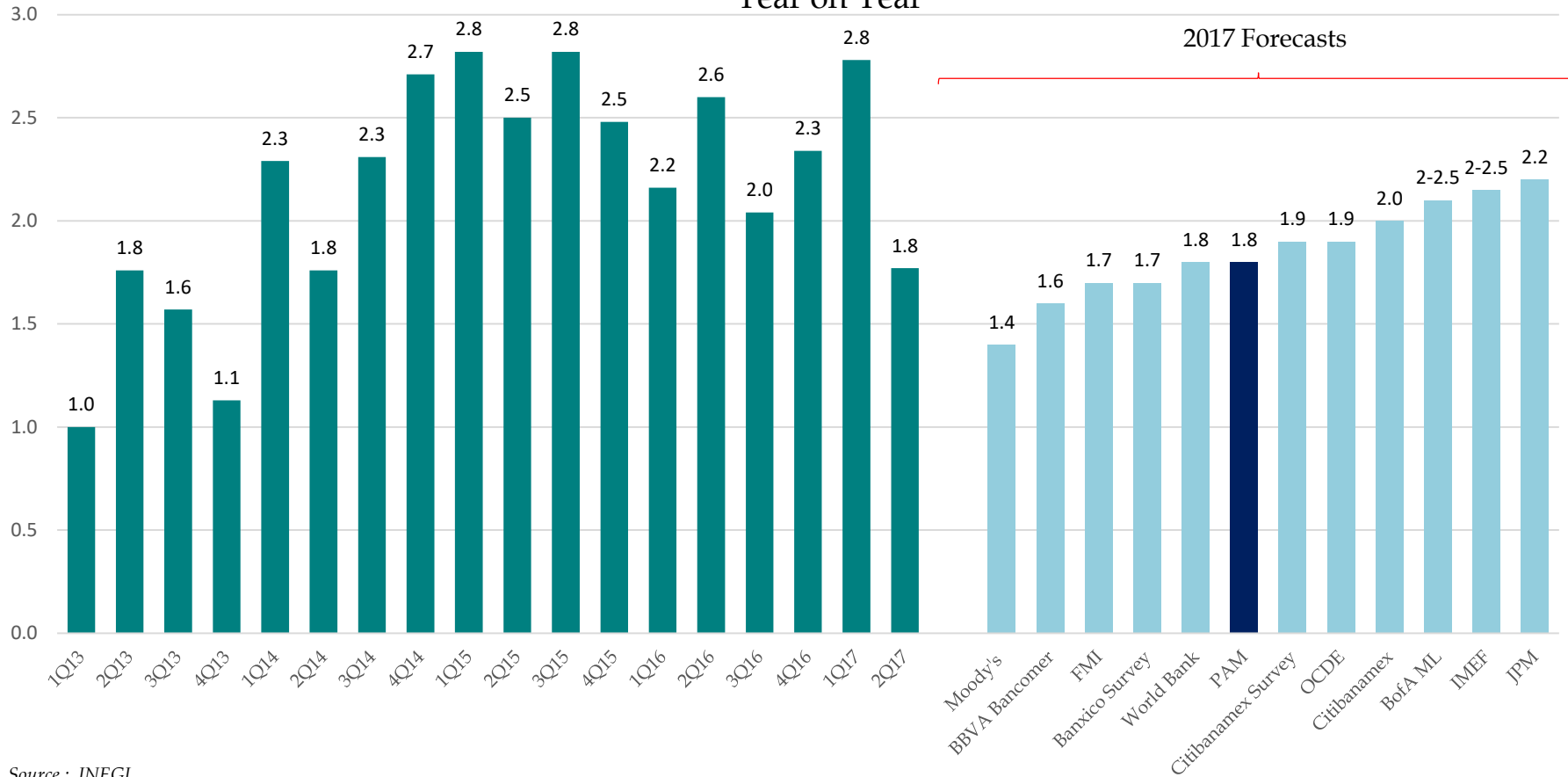
# I. Summary

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- PAM's adherence to maintaining positions in so-called discounted-oversold stocks, as mentioned early in the year, contributed to the Fund's Net Asset U.S. Dollar Value per share, "NAV," registering a 11.28% return for the Fund's fiscal year ended July 31, 2017, according to U.S. Bancorp. 5.35 percentage points were the result of peso appreciation and 5.63 percentage points were the result of the MEXBOL's performance in local currency, according to Bloomberg and PAM. *(Please see slides 27 - 31).*
- The Fund's long-term investment strategy has continued to provide an excess dollar annual return for the last five-year (585 bps per annum) and ten-year (57 bps per annum) periods, and since the Fund's inception (214 bps per annum) in August 1990, through July 31, 2017 (with dividends reinvested) compared to the MEXBOL Index's return. *(Please see slides 27 - 31).*
- The Fund's annual average returns for the last 12 month, 3-year, and 5-year periods ended June, 2017 were 2.91%, 5.95% and 2.11% respectively and the MEXBOL Index's returns for the same periods were: 12.96%, -0.05% and 1.27%.
- We continue to monitor stocks that trade at a discount to their net asset value, have upside potential, and are transformational stories with strong corporate governance.
- We perceive the following short-term challenges for the Mexican Stock Exchange: i) the renegotiation of NAFTA in early 2018; and ii) political noise from the July 2018 presidential elections.

## II. The Mexican Economy - GDP & Production Activities

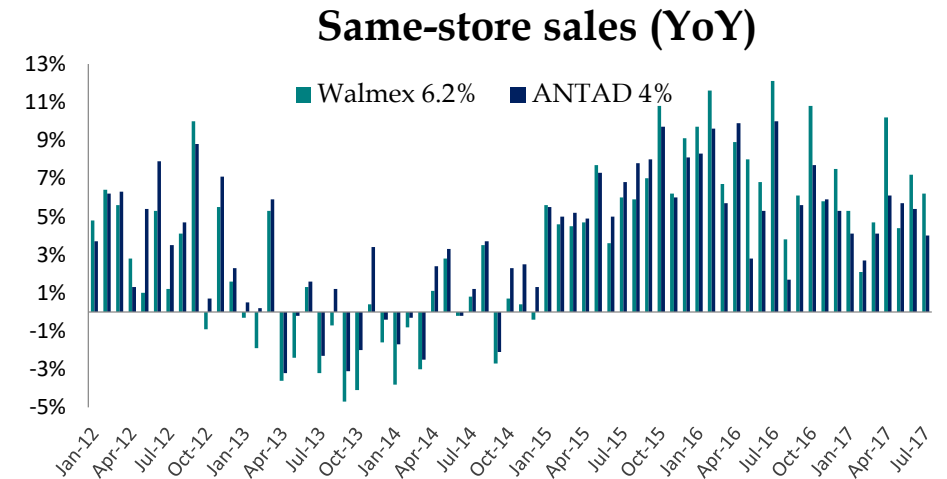
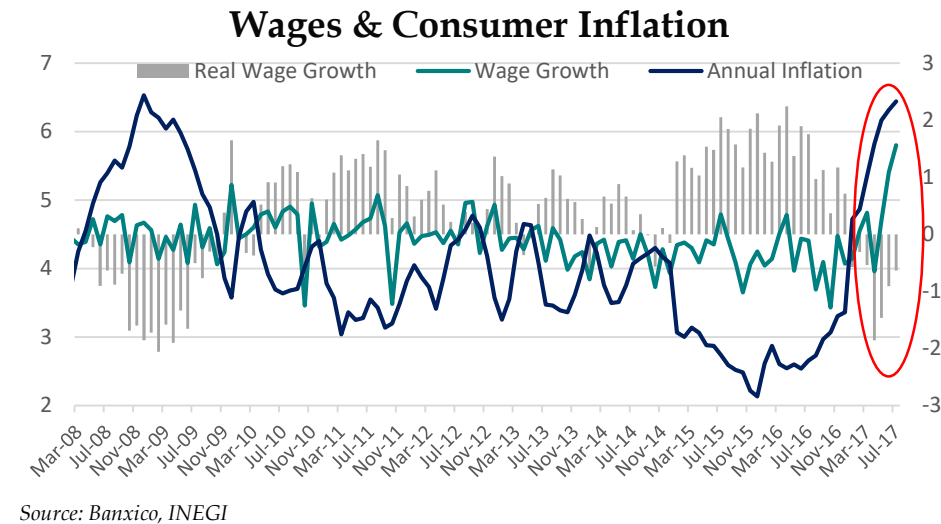
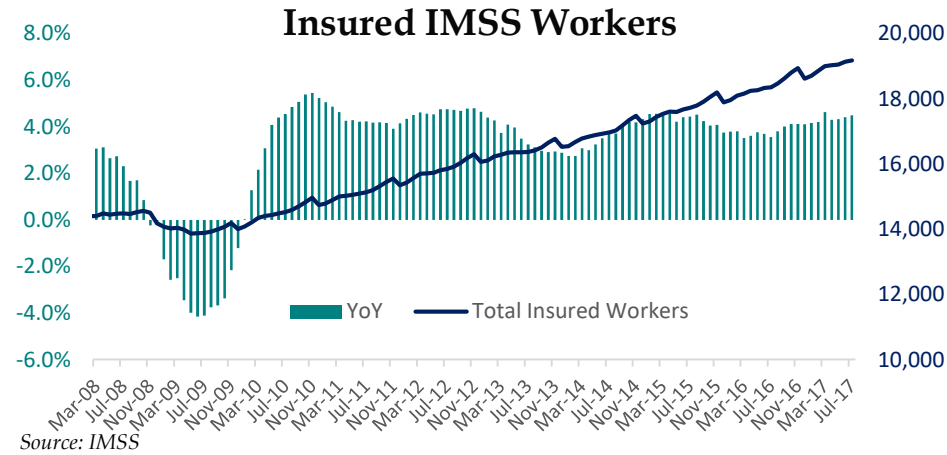
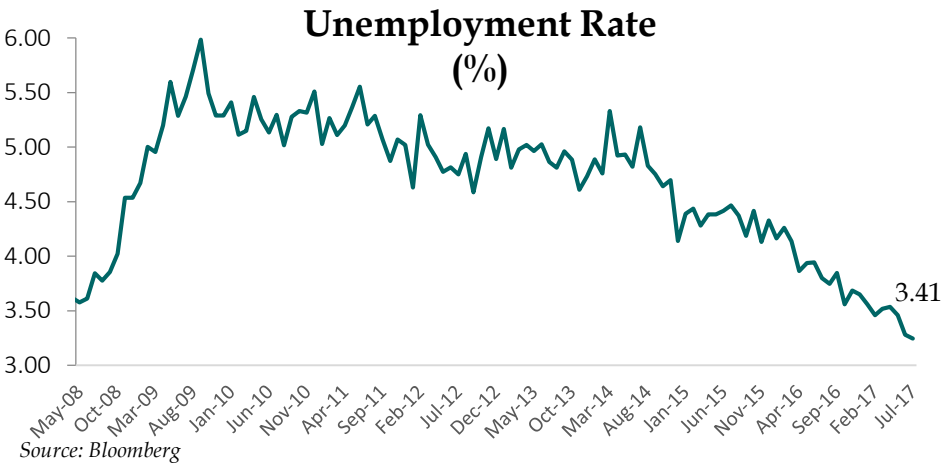
GDP (seasonally adjusted)  
Year on Year



Source : INEGI.  
The Fund holds no shares in the institutions mentioned in the chart on the right.

An improved outlook for the Mexican economy has triggered upward revisions of 2017 growth forecasts by a number of institutions & financial groups.

## II. The Mexican Economy - Mexico's Labor Market



A robust labor market has offset the contraction in real wages caused by inflation and continues to underpin private consumption.

## II. Mexican Economy - Trade Patterns with the U.S.

### United States International Commerce (to July 2017)

Country	Exports	Imports	Total Commerce	Balance	Country	Exports	Imports	Total Commerce	Balance
China	74,054	291,017	365,071	-216,963	Taiwan	14,874	24,440	39,314.0	-9,566
% of Total	8.3%	21.5%	16.3%		% of Total	1.7%	1.8%	1.8%	
Mexico	139,741	182,071	321,812	-42,330	France	18,734	27,103	45,837	-8,369
% of Total	15.6%	13.5%	14.3%		% of Total	2.1%	2.0%	2.0%	
Japan	39,034	78,448	117,482	-39,414	Saudi Arabia	10,240	12,960	23,200	-2,720
% of Total	4.4%	5.8%	5.2%		% of Total	1.1%	1.0%	1.0%	
Germany	30,523	68,002	98,525	-37,479	United Kingdom	31,483	30,576	62,059	907
% of Total	3.4%	5.0%	4.4%		% of Total	3.5%	2.3%	2.8%	
Italy	10,589	27,755	38,344	-17,166	Brazil	20,833	16,928	37,761	3,905
% of Total	1.2%	2.1%	1.7%		% of Total	2.3%	1.3%	1.7%	
Canada	163,363	175,764	339,127	-12,401	Singapore	17,557	11,214	28,771	6,343
% of Total	18.3%	13.0%	15.1%		% of Total	2.0%	0.8%	1.3%	
India	14,764	27,406	42,170	-12,642	Hong Kong	24,209	4,636	28,845	19,573
% of Total	1.7%	2.0%	1.9%		% of Total	2.7%	0.3%	1.3%	
Korea, South	28,543	40,655	69,198	-12,112	All other countries	254,405	332,986	587,391	-78,581
% of Total	3.2%	3.0%	3.1%		% of Total	28.5%	24.6%	26.2%	
					<b>TOTAL</b>	<b>892,946</b>	<b>1,351,961</b>	<b>2,244,907</b>	<b>-459,015</b>

Source: U.S. Census Bureau

Amounts in millions of dollars





## II. The Mexican Economy – Energy Reform

ROUND ONE AUCTIONS, 2015-2016			
Auctions	Contractual Area	Committed Investment (Million Dollars)	Estimated Production (Thousand barrels per day)
1.1	Shallow waters in the Gulf of Mexico	2,709	79
1.2	Shallow waters in the Gulf of Mexico	3,148	124
1.3	Onshore areas	1,141	69.7
1.4	Exploration and extraction areas in deep waters	34,352	732
<b>TOTAL</b>		<b>41,350</b>	

Source: President Enrique Peña Nieto's Fifth Annual Address, Mexico's Ministry of Energy

ROUND TWO AUCTIONS, 2015-2016			
Auctions	Contractual Area	Committed Investment (Million Dollars)	Estimated Production (Thousand barrels per day)
2.1	Exploration and extraction areas in shallow waters in the Gulf of Mexico	8,193	186
2.2	Onshore areas	1,100	69
2.3	Onshore areas	949	102
<b>TOTAL</b>		<b>10,242</b>	

Source: President Enrique Peña Nieto's Fifth Annual Address, Mexico's Ministry of Energy

Mexico's energy reform has yielded positive results so far: The auction winners are expected to invest more than \$50 billion as they develop the fields.

## II. Mexican Economy - Exchange Rate

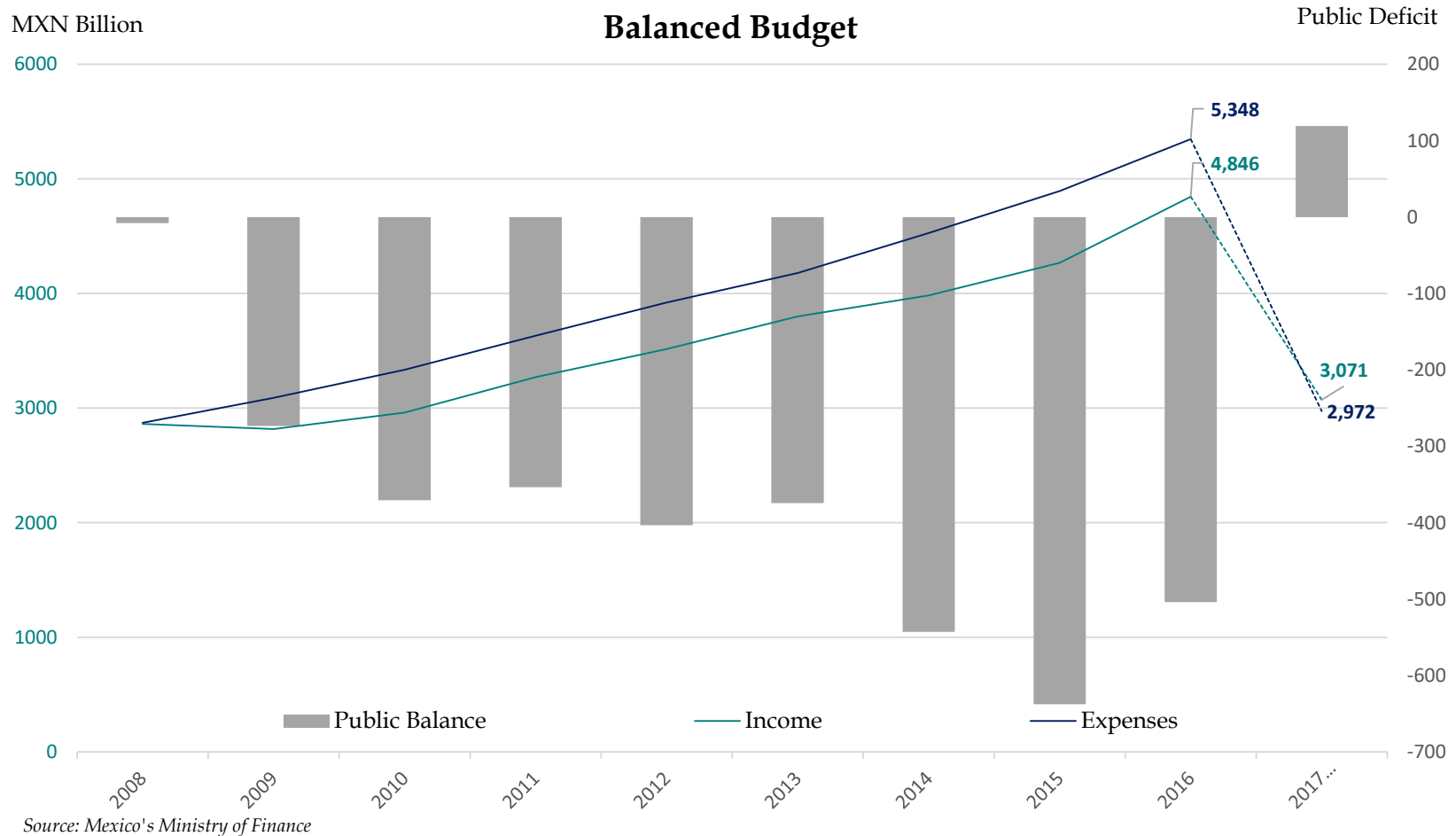
MXN/USD Spot Exchange Rate  
Aug 25, 2017



Source: Bloomberg

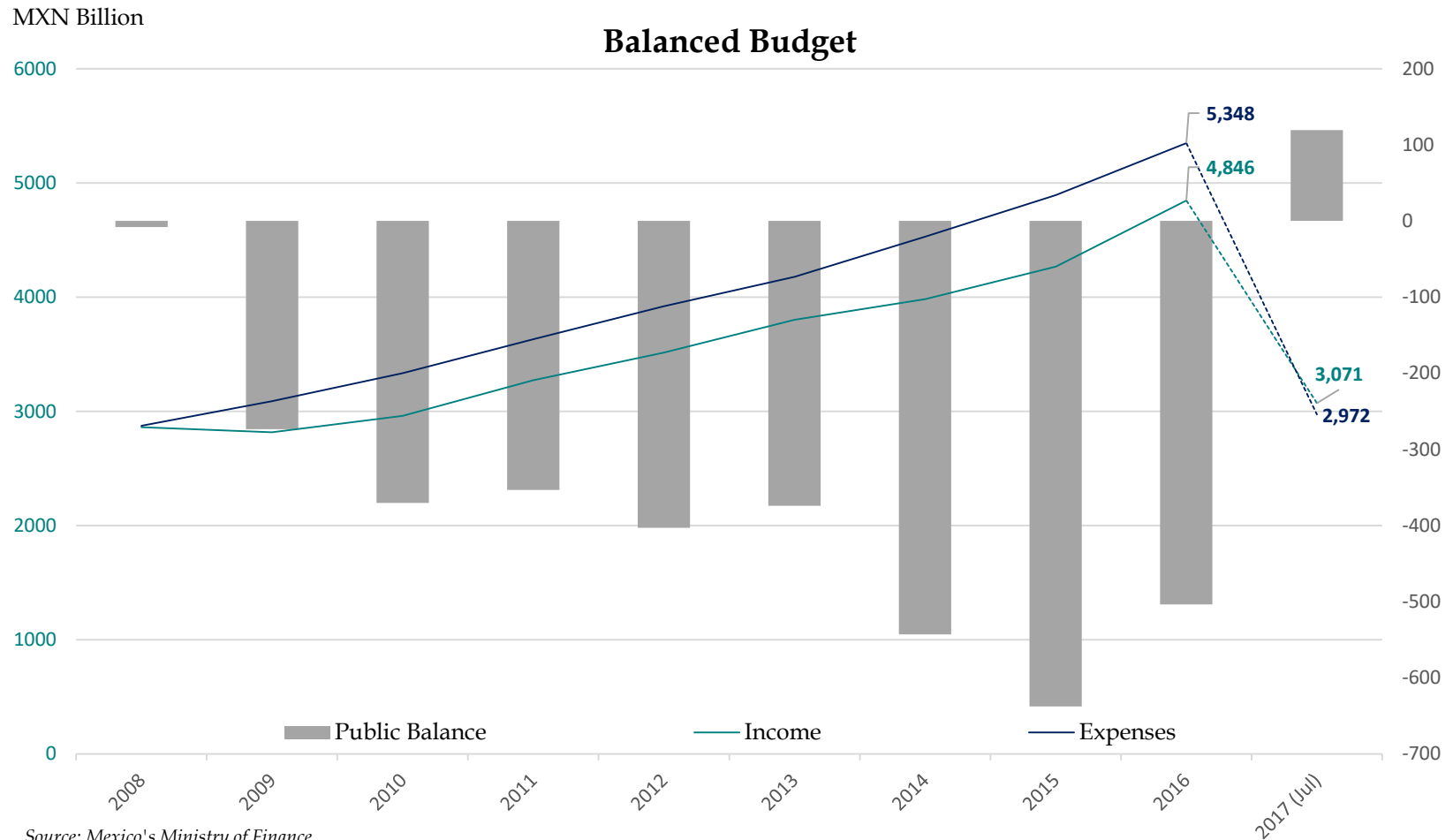
The spot exchange rate has appreciated 20% since its historical high in January 19<sup>th</sup> 2017.

## II. The Mexican Economy – Public Finances



The country's public finances are in good health thanks to sound management.

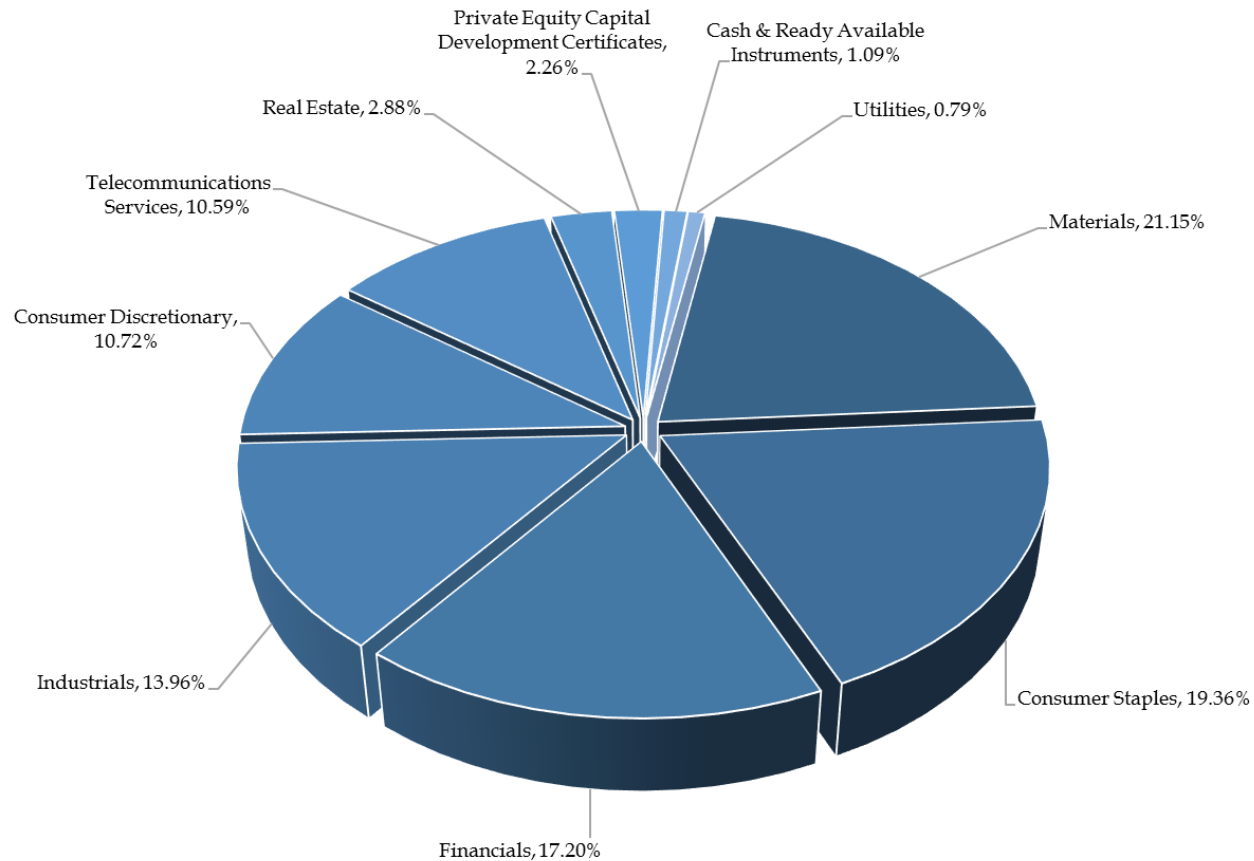
## II. Mexican Economy – Public Finances



The country's public finances are in good health thanks to sound management.

### III. The Fund's Portfolio – Sector Allocation

**Breakdown of the MXE Portfolio by Sector**  
*As of July 31 2017*



Source: PAM, Bloomberg

### III. The Fund's Portfolio - Contributors

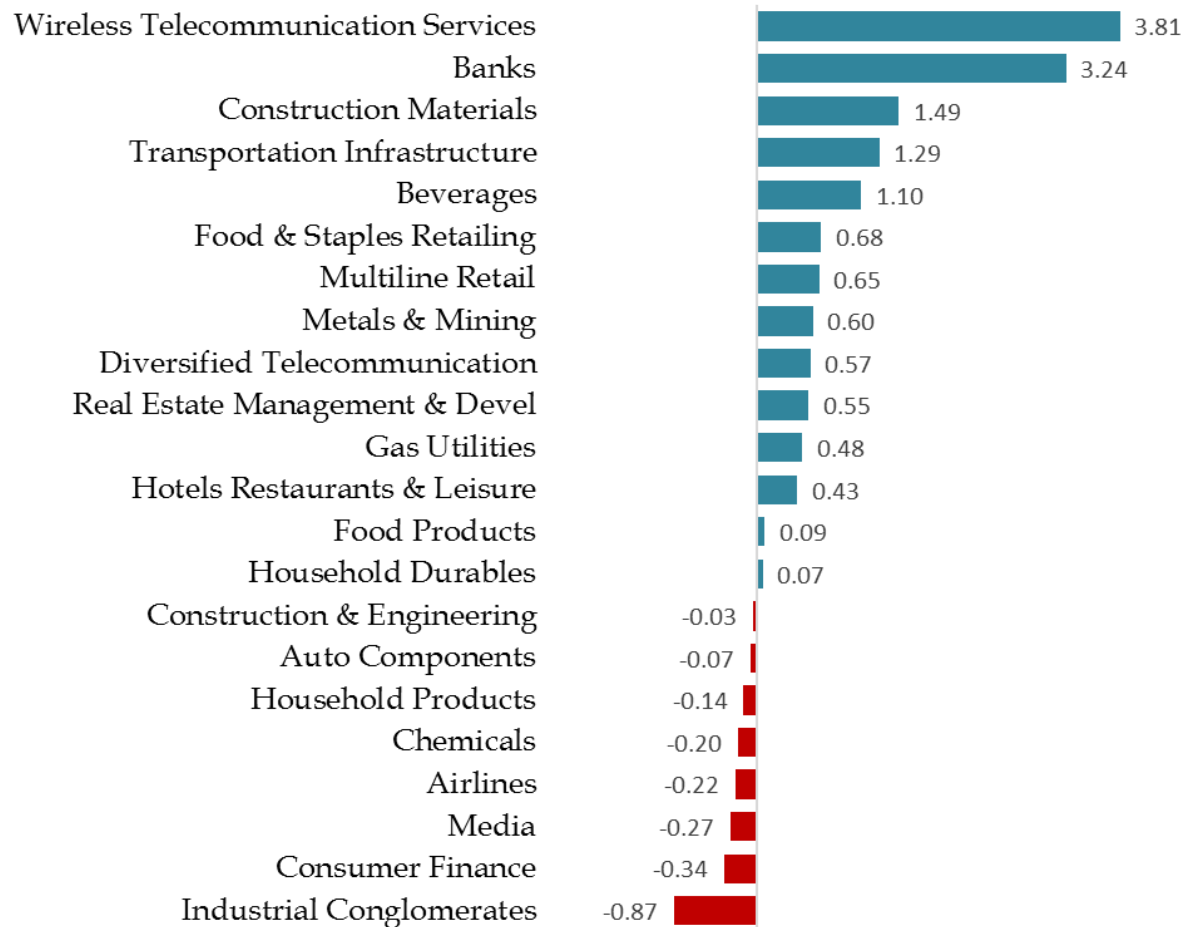
#### MXE's Sector Contributors One-Year to July 31 2017

Sector Contributors as of July 31, 2017			
Sector	% One-year contribution	% Average Weight	MEXBOL %Ow/Uw
Telecommunication Services	4.38	9.43	-23
Financials	2.91	16.32	10
Materials	1.89	17.07	-4
Consumer Staples	1.73	18.52	-37
Consumer Discretionary	0.81	13.99	16
Real Estate	0.55	2.23	100
Utilities	0.48	3.09	213
Industrials	0.17	15.01	20

Source: PAM; U.S. Bancorp; Bloomberg

### III. The Fund's Portfolio - Contributors

#### MXE's Industry Contributors *One-Year to July 31 2017*



Source: PAM; U.S. Bancorp; Bloomberg

### III. The Fund's Portfolio – Sector Allocation & Valuation

**Materials are the largest overweight and Consumer Staples  
the largest underweight**  
*As of July 31, 2017*

<i>As of July 31, 2017</i>	MXE's	MEXBOL Index	Overweight /	Forward 12M		MXE's Weighted	
SECTOR	% Allocation	% Allocation	Underweight	EV/EBITDA	P/E	EV/EBITDA	P/E
MATERIALS	21.15%	17.85%	330 bps	8.2x	17.1x	1.8x	3.0x
REAL ESTATE	2.88%	0.00%	288 bps	15.2x	11.9x	0.4x	0.3x
FINANCIALS	17.20%	14.86%	234 bps	N/A	13.2x	N/A	2.3x
INDUSTRIALS	13.96%	12.51%	145 bps	12.2x	16.8x	1.3x	2.1x
UTILITIES	0.79%	0.99%	-20 bps	14.7x	19.4x	0.1x	0.1x
CONSUMER DISCRETIONARY	10.72%	12.07%	-135 bps	9.2x	18.5x	1.0x	2.0x
TELECOMMUNICATIONS SERVICES	10.59%	12.33%	-174 bps	13.1x	16.2x	0.6x	1.5x
CONSUMER STAPLES	19.36%	29.40%	-1004 bps	11.5x	24.0x	2.4x	5.1x
<b>TOTAL EQUITY MXE's PORTFOLIO</b>	<b>96.65%</b>	<b>100.00%</b>	<b>-335 bps</b>	<b>12.0x</b>	<b>17.1x</b>	<b>7.6x</b>	<b>16.5x</b>

PRIVATE EQUITY CAPITAL DEVELOPMENT CERTIFICATES	2.26%
CASH & READY AVAILABLE INSTRUMENTS	1.09%
<b>TOTAL MXE's PORTFOLIO</b>	<b>100.00%</b>

Excluding cash & ready available instruments (1.09%) and private equity capital development certificates (2.26%), the Fund's portfolio registered discounts of approximately **24%** and **14%** in terms of forward EV/EBITDA and P/E multiples, respectively, compared to its benchmark for the Fund's fiscal year ended July 31, 2017, mainly due to its overweight in sectors that are trading at relatively cheaper multiples.

FORWARD 12 MONTHS		
As of July 31, 2017	EV/EBITDA	P/E
MXE's	7.6x	16.5x
MEXBOL Index	10.0x	19.2x
<b>Premium / Discount</b>	<b>-24.42%</b>	<b>-14.18%</b>

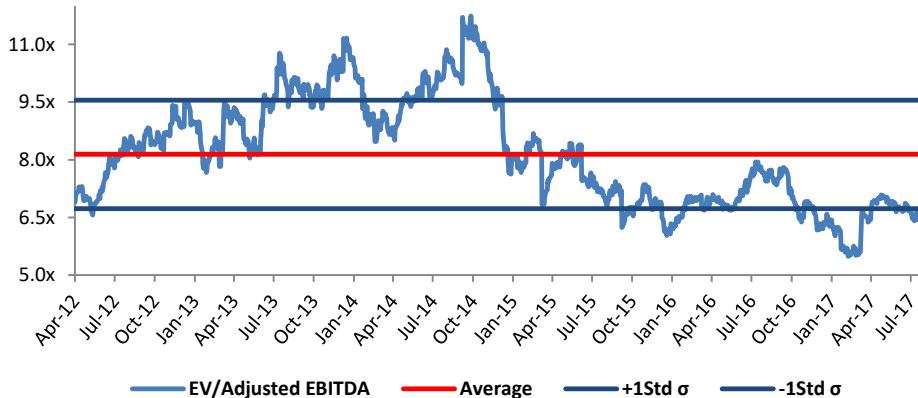
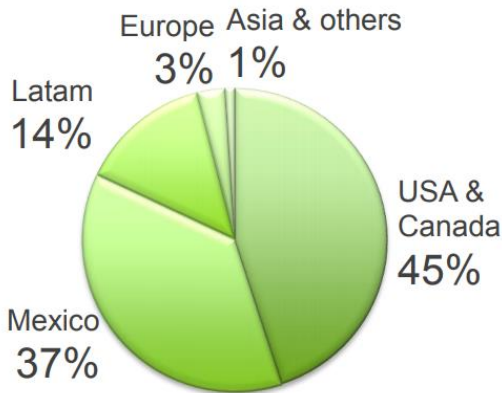
Source: PAM & Bloomberg



# III. The Fund's Portfolio - Overweight / Underweight

## Material Sector Allocation: Chemicals, Alpek

Sales 2016  
Geography



### Project Overview estimated figures and dates

Project	Capex (US \$M)	EBITDA (US\$M)	Start-up
1. Cosoleacaque Cogeneration (85 MW)	140	30	4Q14
2. MEG Tolling Agreement	65	20	2Q16
3. Propylene Spheres	23	10	2Q17
4. PTA/PET Site (Corpus Christi)	400+	100	2017
5. EPS Expansion Altamira	30	10	2017
6. Altamira Cogeneration (350 MW)	350	90	2018
<b>Total</b>	<b>~ \$1 B</b>	<b>~\$260</b>	

U.S. \$900 million invested up to Jun-17

Monetization of Cogeneration Plants			
Plants	EBITDA	EV/EBITDA	Monetization
Cosoleacaque Cogeneration	30	10.0x	300
Altamira Cogeneration	90	10.0x	900
<b>Total Cogeneration</b>	<b>120</b>	<b>10.0x</b>	<b>1,200</b>
Alpek Market Capitalization			2,351
Monetization of Cogeneration			1,200
<b>Monetization as % of Alpek Market Capitalization</b>			<b>51.0%</b>

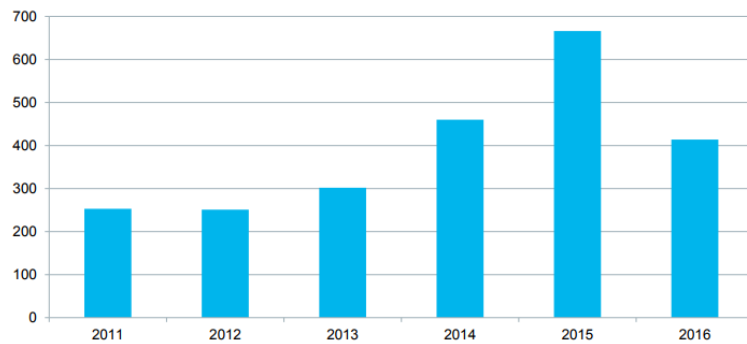
Source: PAM, Bloomberg & ALPEK

# III. The Fund's Portfolio - Overweight / Underweight

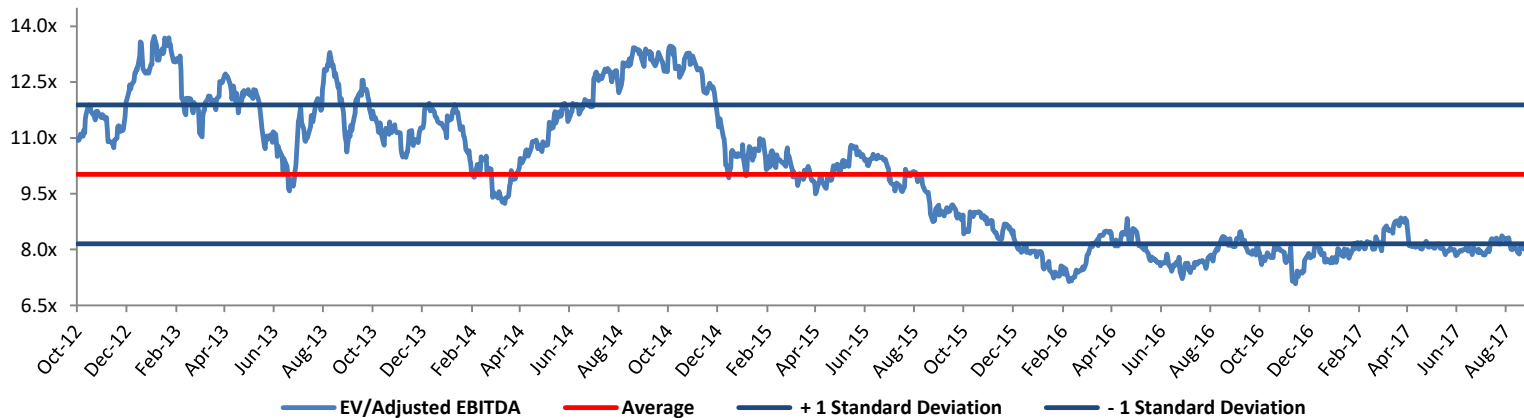
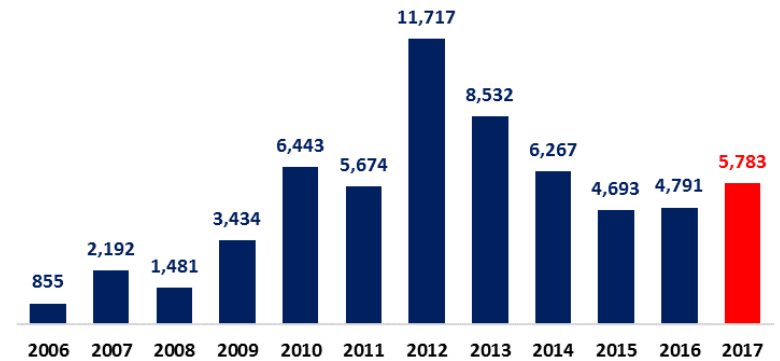
## Material Sector's Allocation: Chemicals, Mexchem

### Ending a Capital Cycle (in USD terms)

Capex



Market Capitalization  
(USD millions)



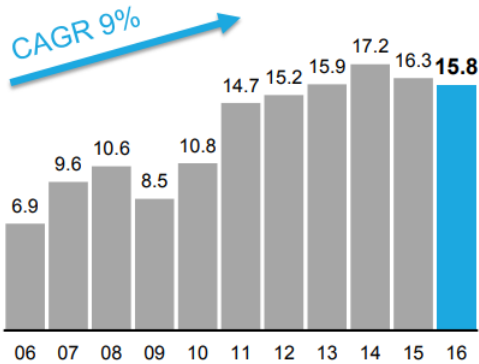
Source: PAM, Bloomberg & MEXCHEM

# III. The Fund's Portfolio - Overweight / Underweight

## Industrial Sector Allocation: Industrial Conglomerates, Grupo Alfa

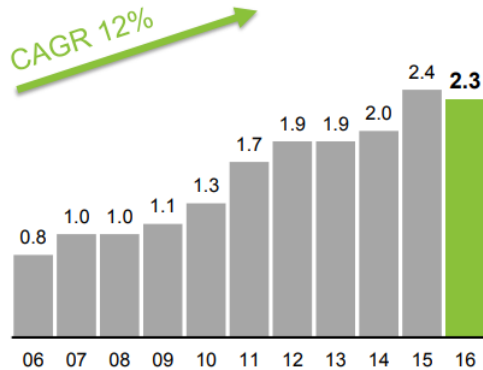
### Revenues

(U.S. \$ Billion)



### EBITDA

(U.S. \$ Billion)



### ALFA participates in Key areas of the economy



**SIGMA**  
Refrigerated Foods



**ALPEK**  
Petrochemicals



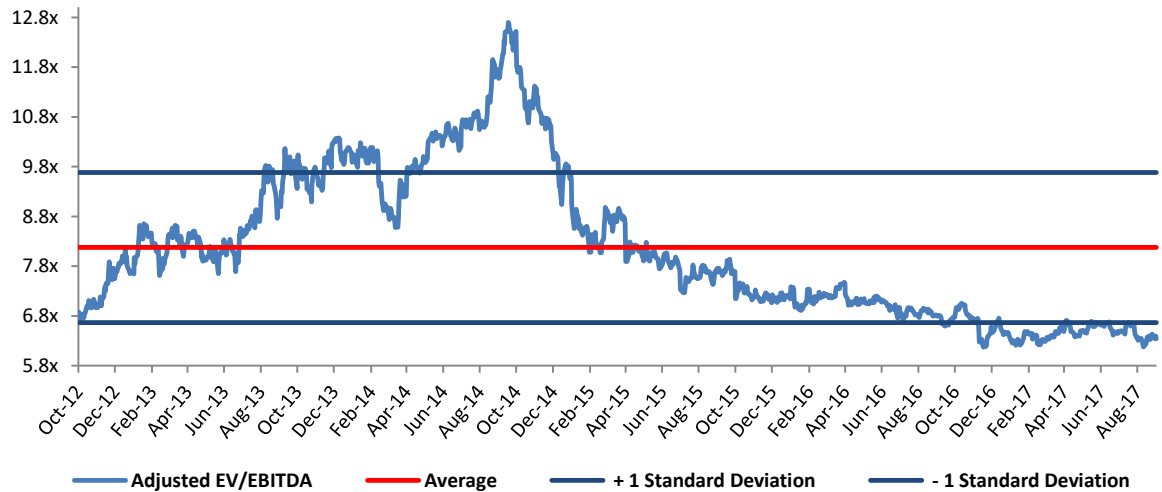
**NEMAK**  
Aluminum Auto Parts



**AXTEL**  
IT + Telecom



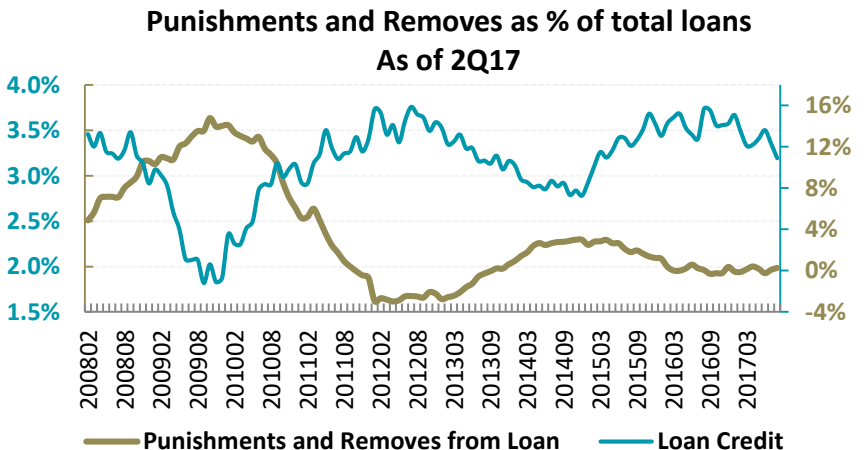
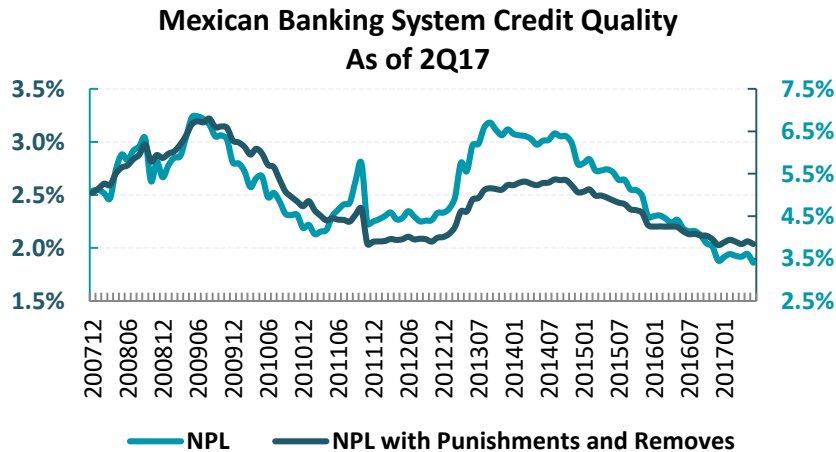
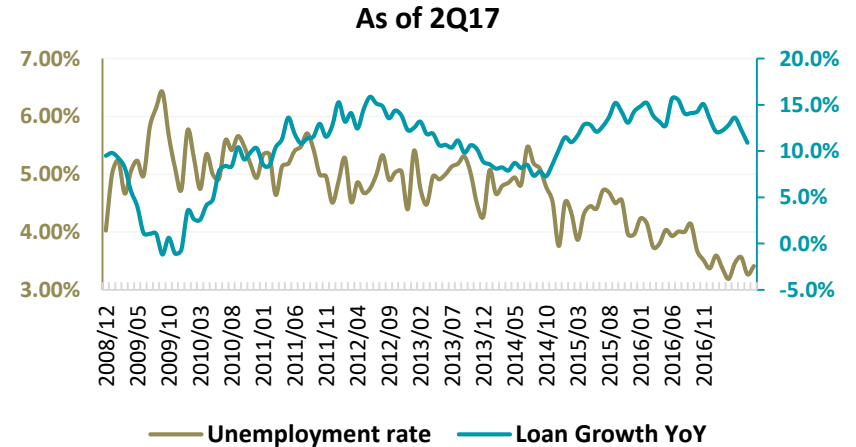
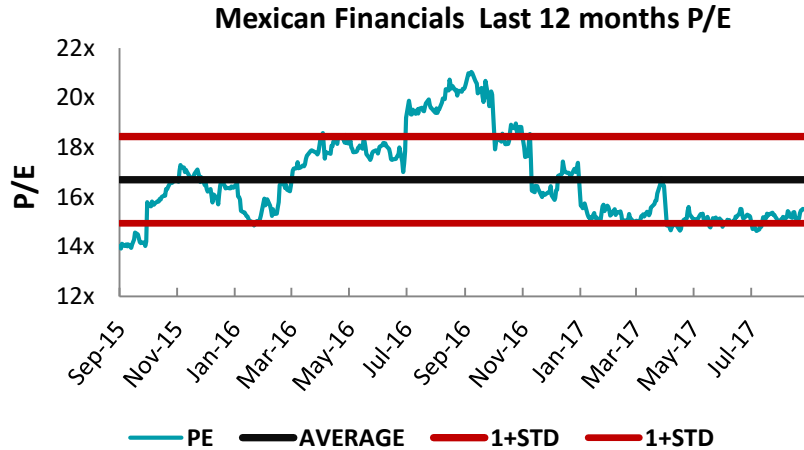
**NEWPEK**  
Hydrocarbons



Source: PAM, Bloomberg & ALFA

# III. The Fund's Portfolio - Overweight / Underweight

## Financial Sector's Allocation: Banks

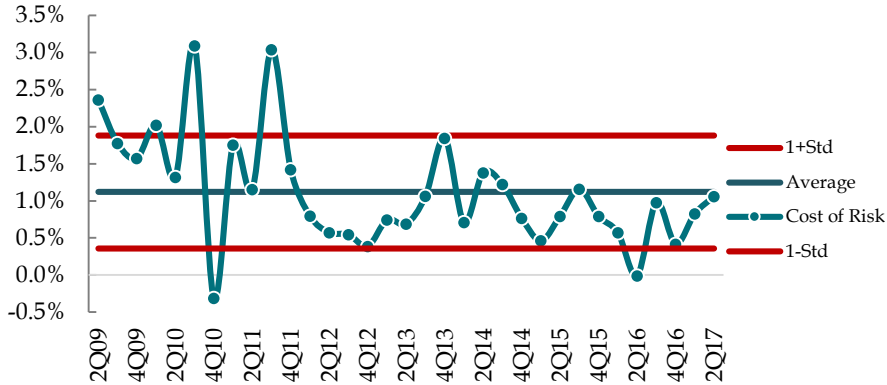


Source: PAM, Bloomberg & CNBV

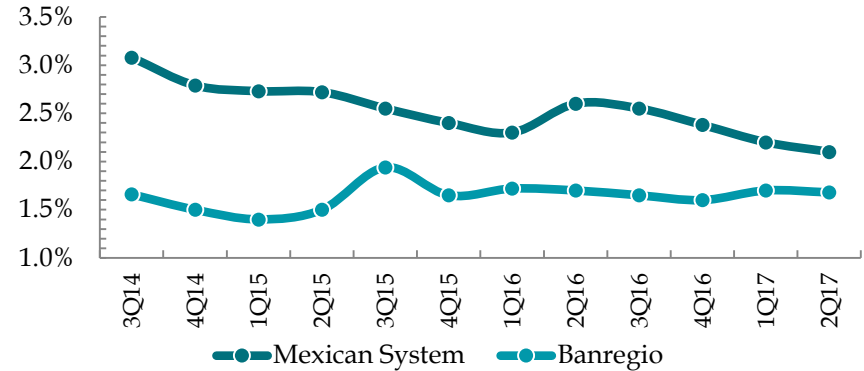
# III. The Fund's Portfolio - Overweight / Underweight

## Financial Sector Allocation: Banks, Gfregio

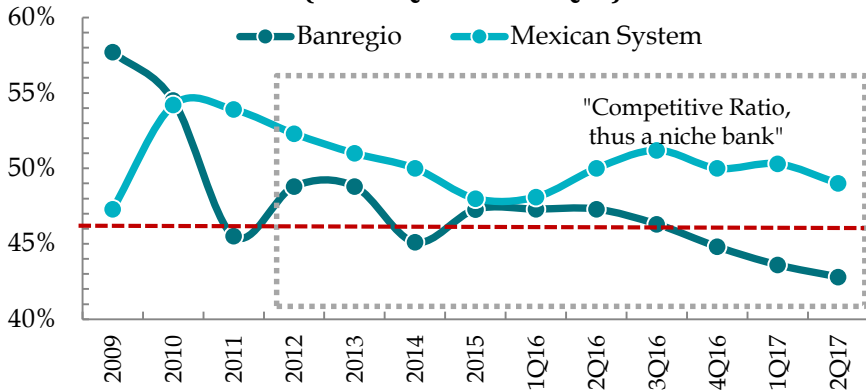
**Banregio Historical Cost of Risk, Provisions / Loan Portfolio**



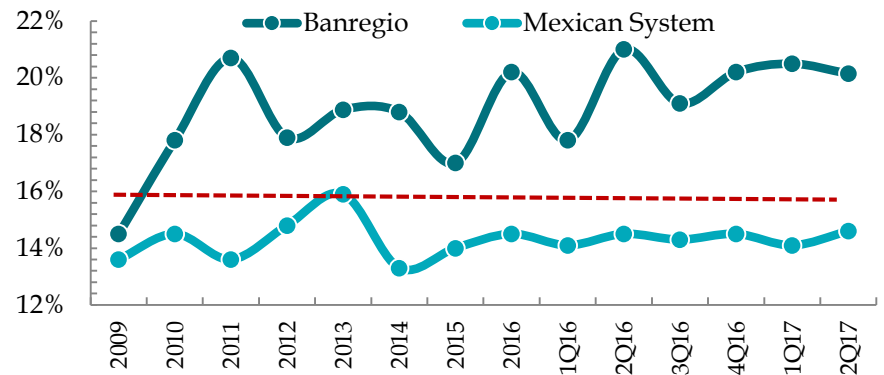
**Historical NPL (3Q14-2Q17)**



**Efficiency Ratio (2009-4Q16 & as of 2Q17)**



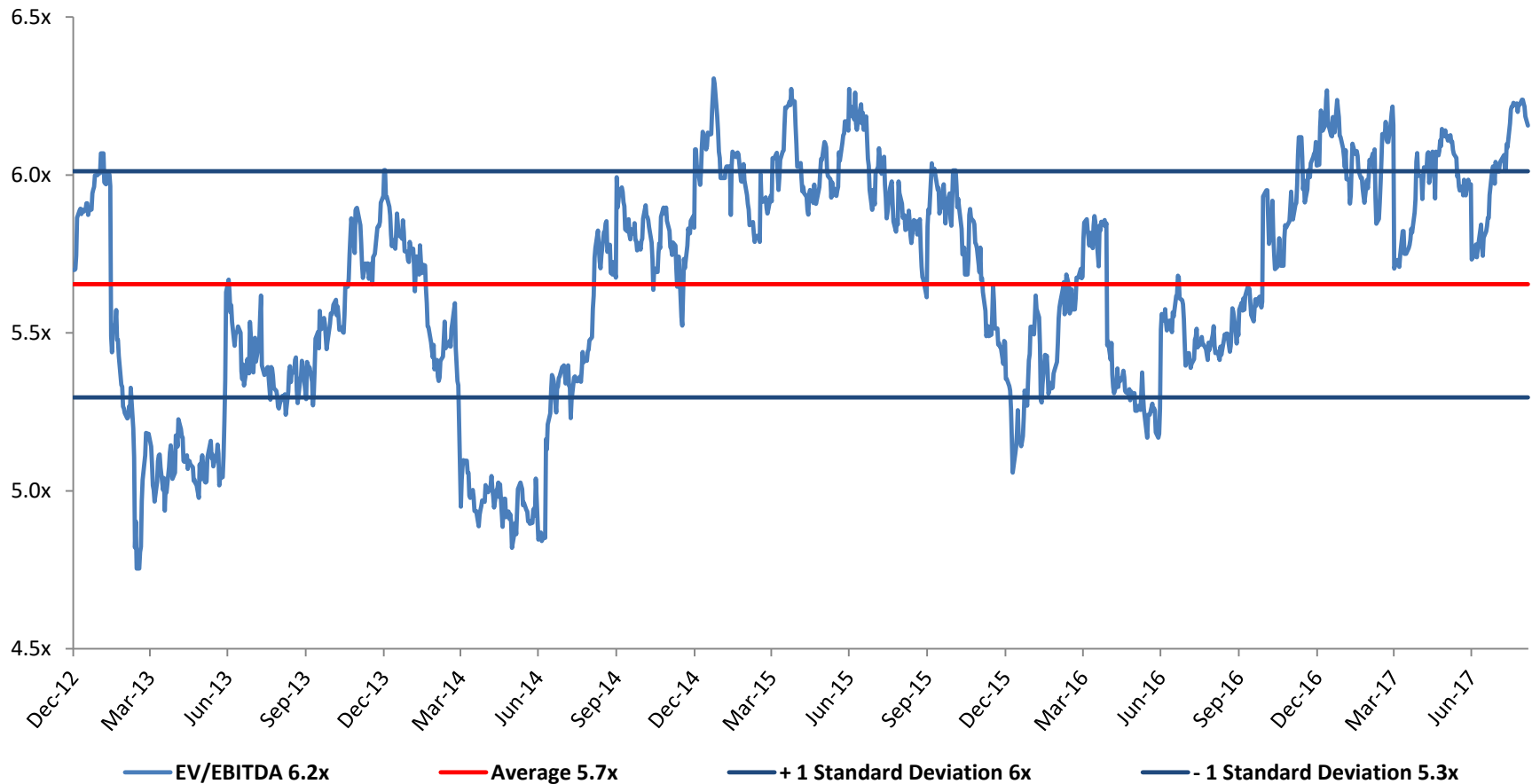
**Banregio ROE (2009-2016 & up to 2Q17)**



Source: PAM, Bloomberg & CNBV

### III. The Fund's Portfolio - Overweight / Underweight

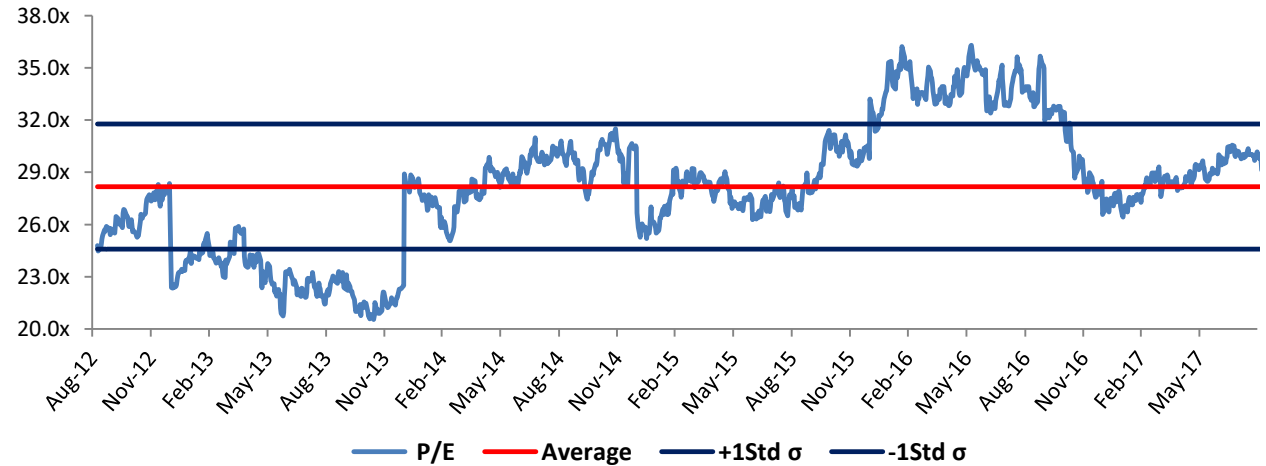
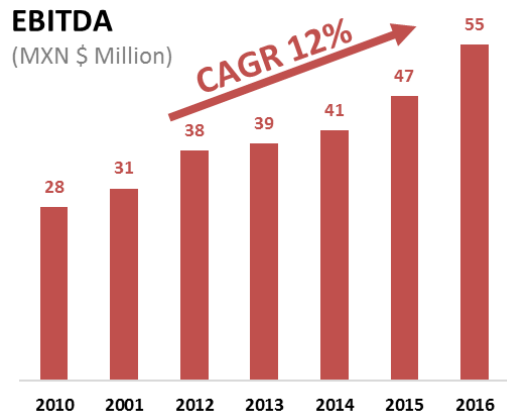
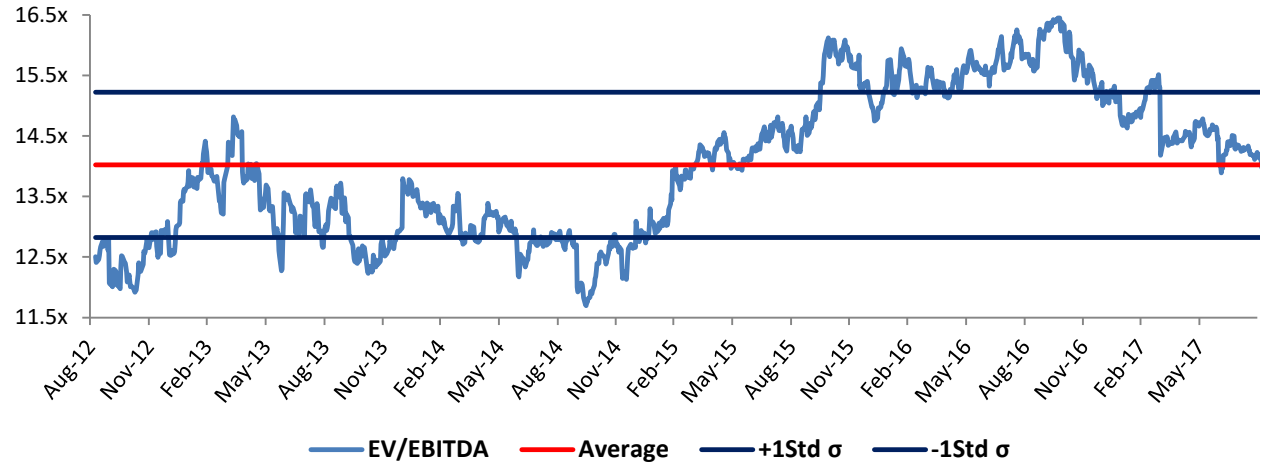
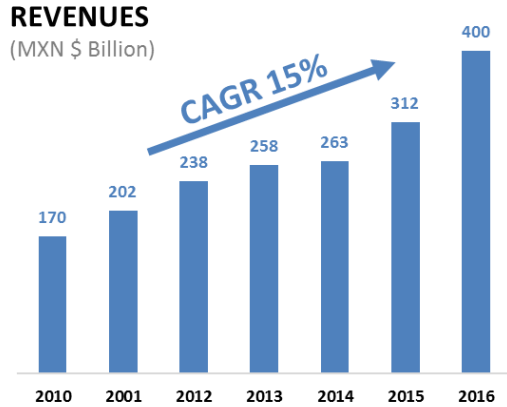
#### Telecommunication Services Sector's Allocation: Wireless Telecommunications, America Movil



Source: PAM, Bloomberg

# III. The Fund's Portfolio - Overweight / Underweight

## Consumer Staple Sector's Allocation: Beverages, Femsa



Source: PAM, Bloomberg & FEMSA

### III. The Fund's Portfolio – Forecasts

## Compound Annual Growth Rate (CAGR) Forecasts

As of July 31, 2017

As of July 31, 2017 SECTOR	MXE's % Allocation	MEXBOL Index % Allocation	Overweight / Underweight	CAGR 2016 - 2019		
				Revenues	EBITDA	Net Income
MATERIALS	21.15%	17.85%	330 bps	3.6%	8.2%	20.0%
REAL ESTATE	2.88%	0.00%	288 bps	12.8%	12.8%	16.9%
FINANCIALS	17.20%	14.86%	234 bps	13.2%	N/A	13.5%
INDUSTRIALS	13.96%	12.51%	145 bps	7.0%	5.9%	11.5%
UTILITIES	0.79%	0.99%	-20 bps	19.4%	23.3%	29.4%
CONSUMER DISCRETIONARY	10.72%	12.07%	-135 bps	11.3%	11.6%	10.8%
TELECOMMUNICATIONS SERVICES	10.59%	12.33%	-174 bps	2.1%	3.2%	35.2%
CONSUMER STAPLES	19.36%	29.40%	-1004 bps	10.5%	11.9%	11.9%
<b>TOTAL EQUITY MXE's PORTFOLIO</b>	<b>96.65%</b>	<b>100.00%</b>	<b>-335 bps</b>	<b>6.8%</b>	<b>7.5%</b>	<b>18.0%</b>

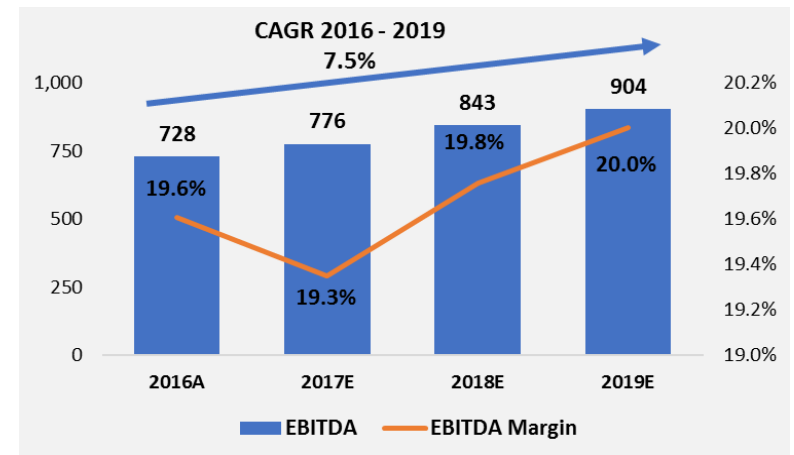
PRIVATE EQUITY CAPITAL DEVELOPMENT CERTIFICATES	2.26%
CASH & READY AVAILABLE INSTRUMENTS	1.09%

<b>TOTAL MXE's PORTFOLIO</b>	<b>100.00%</b>
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The MXE portfolio's 2016-2019 compound annual growth rate (CAGR) forecasts for Revenues, EBITDA, and Net Income are 6.8%, 7.5% and 18.0%, respectively, with an estimated EBITDA margin expansion of 40 bps based on our models.

According to PAM's estimates, sectors such as Materials, Real Estate, and Financials, in which we have an overweight allocation, register solid CAGRs in sales and EBITDA.

EBITDA Margin & Compound Annual Growth Rate (CAGR) of the MXE's Portfolio Ex-Financials by Issuer



Source: PAM & Bloomberg



### III. The Fund's Portfolio – Valuation

#### Issuer Allocation, Valuation & Upside Potential

Issuer	Last Price	Weight	OW/UW	PAM's Target Price	Upside	EV/EBITDA	Historic Average	Diference	P/E	Historic Average2	Diference2
VESTA*	26.27	2.88%	100.0%	39.40	50.0%	15.1x	19.6x	-23.0%	7.4x	30.2x	-75.5%
PINFRA*	195.41	4.62%	289.6%	245.70	25.7%	11.9x	16.1x	-26.1%	18.6x	23.5x	-20.9%
AC*	131.01	4.30%	131.4%	161.50	23.3%	13.1x	12.8x	2.3%	26.4x	24.4x	8.2%
ALPEKA	20.09	1.73%	527.3%	24.70	22.9%	6.4x	8.1x	-21.0%	11.5x	24.1x	-52.3%
CEMEXCPO	16.66	6.69%	-16.3%	19.90	19.4%	10.1x	10.7x	-5.6%	12.7x	21.5x	-40.9%
GCARSOA1	72.06	1.93%	80.0%	85.60	18.8%	12.3x	13.3x	-7.5%	15.1x	18.0x	-16.1%
ALFAA	24.62	4.62%	64.7%	29.00	17.8%	6.3x	8.2x	-23.2%	32.7x	32.0x	2.2%
VOLARA	22.64	1.60%	132.5%	26.60	17.5%	8.3x	7.8x	6.4%	224.6x	52.4x	328.6%
GSANBOB1	21.69	2.23%	100.0%	24.90	14.8%	7.7x	9.3x	-17.2%	10.5x	16.4x	-36.0%
LACOMUBC	17.84	1.49%	100.0%	20.40	14.3%	17.1x	N/A	N/A	46.9x	N/A	N/A
MEXCHEM*	48.33	3.94%	131.7%	54.60	13.0%	8.0x	10.0x	-20.0%	22.5x	56.4x	-60.1%
RASSICPO	81.64	2.12%	100.0%	91.40	12.0%	3.9x	4.8x	-18.8%	8.9x	9.4x	-5.3%
LIVEPOLC	161.65	3.83%	299.6%	180.70	11.8%	14.2x	16.7x	-15.0%	22.7x	26.1x	-13.0%
BIMBOA	43.25	1.42%	-15.9%	48.00	11.0%	10.4x	15.2x	-31.6%	40.1x	52.9x	-24.3%
OMAB	106.35	1.19%	15.9%	117.10	10.1%	12.4x	13.0x	-4.6%	21.0x	21.7x	-3.2%
IENOVA*	97.96	0.79%	-20.1%	105.70	7.9%	15.3x	16.2x	-5.6%	30.7x	37.3x	-17.7%
CIDMEGA*	46.90	1.35%	100.0%	50.60	7.9%	7.1x	8.6x	-17.4%	15.1x	11.8x	28.0%
ALSEA*	63.65	1.19%	7.4%	68.40	7.5%	12.5x	15.1x	-17.2%	48.9x	53.5x	-8.6%
WALMEX*	42.86	2.82%	-58.9%	45.60	6.4%	14.6x	15.0x	-2.7%	26.5x	27.2x	-2.6%
GMEXICOB	59.41	6.18%	-4.7%	63.00	6.0%	9.7x	7.9x	22.8%	16.5x	12.7x	29.9%
GRUMAB	262.71	2.74%	61.3%	273.90	4.3%	10.8x	11.3x	-4.4%	17.8x	20.7x	-14.0%
FEMSAUBD	177.07	4.78%	-61.5%	190.00	7.3%	14.0x	14.0x	0.0%	22.1x	28.2x	-21.6%
PE&OLES*	470.63	2.61%	88.0%	474.00	0.7%	6.7x	9.1x	-26.4%	14.1x	11.0x	28.2%
CUERVO*	31.69	1.81%	100.0%	31.80	0.3%	15.5x	N/A	N/A	41.1x	N/A	N/A
AMXL	16.37	9.22%	-25.2%	16.40	0.2%	6.2x	5.7x	8.8%	23.2x	25.5x	-9.0%
SITESB1	13.96	1.37%	100.0%	13.70	-1.9%	20.8x	24.2x	-14.0%	28.5x	48.3x	-41.0%

Source: PAM, Bloomberg

### III. The Fund's Portfolio – Valuation

#### Issuer Allocation, Valuation & Upside Potential

Issuer	Last Price	Weight	OW/UW	PAM's Target Price	Upside	P/BV	Historic Average	Diference	P/E	Historic Average2	Diference2
CREAL*	33.50	0.00%	0.0%	42.00	25.4%	1.6x	2.1x	-24.8%	7.5x	9.5x	-20.9%
GENTERA*	27.23	0.81%	-4.7%	34.00	24.9%	2.8x	3.9x	-28.8%	13.7x	15.4x	-11.4%
GFNORTEO	122.03	6.80%	-27.7%	143.00	17.2%	1.6x	2.0x	-20.9%	17.0x	15.9x	6.4%
GFINBURO	30.32	3.40%	100.0%	35.00	15.4%	1.7x	2.3x	-27.0%	12.2x	14.8x	-17.2%
BBAJIO	36.49	2.07%	0.0%	41.00	12.4%	.6x	N/A	N/A	3.5x	N/A	N/A
GFREGIO	115.72	2.06%	460.9%	126.00	8.9%	2.8x	2.9x	-4.0%	14.6x	16.6x	-12.1%
GFINTERO	110.37	2.06%	100.0%	120.00	8.7%	1.9x	1.9x	1.6%	10.2x	11.8x	-13.0%
SANMEXB	36.66	0.00%	-100.0%	36.00	-1.8%	2.2x	2.0x	7.5%	13.5x	15.2x	-11.4%

Source: PAM, Bloomberg

### III. The Fund's Portfolio – Performance

#### MXE's Net U.S. Dollar Asset Value per Share Return with Dividends Reinvested

As of July 31, 2017.

Total Annual Average U.S. Dollar Return through July 31, 2017.  
(dividends reinvested)

Fund	1 Month	Y-T-D	1 Year	3 Years	5 Years	10 Years	Since Inception in 8/30/90
MXE NAV	4.82%	28.97%	11.28%	-3.15%	6.17%	2.48%	12.50%
MXE NAV Return in Mexican Pesos	2.97%	10.76%	5.63%	6.95%	12.49%	7.55%	20.37%
MXE Market Price	4.03%	29.55%	10.20%	-4.34%	6.11%	0.90%	12.81%
MXN Appreciation/Depreciation	1.80%	16.44%	5.35%	-9.45%	-5.62%	-4.71%	-6.54%
Mexbol Index	3.86%	30.87%	17.50%	-3.11%	0.32%	1.91%	10.36%
MXF NAV	3.88%	28.19%	13.02%	-3.43%	1.91%	1.16%	8.76%
MXF Market Price	3.28%	21.04%	11.43%	-7.82%	1.30%	2.41%	9.40%
MXE NAV Excess Return vs. MEXBOL in Basis points	96	-190	-622	-4	585	57	214

Total U.S. Dollar Return through July 31, 2017.  
(dividends reinvested)

Cumulative to July 31, 2017.	Y-T-D	1 Year	3 Years	5 Years	10 Years	Since Inception in 8/30/90	Discount to NAV, as of July 31, 2017.
MXE Common Share Market Price	29.55%	10.20%	-12.47%	34.49%	9.39%	2464.35%	-13.35%
MXF Common Share Market Price	21.04%	11.43%	-22.37%	6.69%	25.15%	987.29%	-12.04%

Past performance does not guarantee future results

Source: US Bancorp<sup>1</sup>; Thomson<sup>2</sup>; PAM<sup>3</sup>; Bloomberg.

### III. The Fund's Portfolio – Performance

#### MXE's Net U.S. Dollar Asset Value per Share Return with Dividends Reinvested

As of June 30, 2017.

Total Annual Average U.S. Dollar Return through June 30, 2017.

(dividends reinvested)

Fund	1 Month	Y-T-D	1 Year	3 Years	5 Years	10 Years	Since Inception in 8/30/90
MXE NAV	5.74%	23.05%	2.91%	-5.12%	5.95%	2.11%	12.34%
MXE NAV Return in Mexican Pesos	2.90%	7.57%	2.01%	6.07%	12.61%	7.52%	20.31%
MXE Market Price	4.77%	24.54%	4.87%	-5.63%	5.94%	1.87%	12.68%
MXN Appreciation/Depreciation	2.76%	14.39%	0.88%	-10.55%	-5.91%	-5.04%	-6.62%
Mexbol Index	5.76%	26.01%	12.96%	-4.09%	-0.05%	1.27%	10.25%
MXF NAV	5.45%	23.40%	8.27%	-4.90%	1.40%	0.76%	8.64%
MXF Market Price	4.53%	17.20%	8.04%	-8.09%	1.36%	2.27%	9.29%
MXE NAV Excess Return vs. MEXBOL in Basis points	-2	-296	-1,005	-103	600	84	209

Total U.S. Dollar Return through June 30, 2017.

(dividends reinvested)

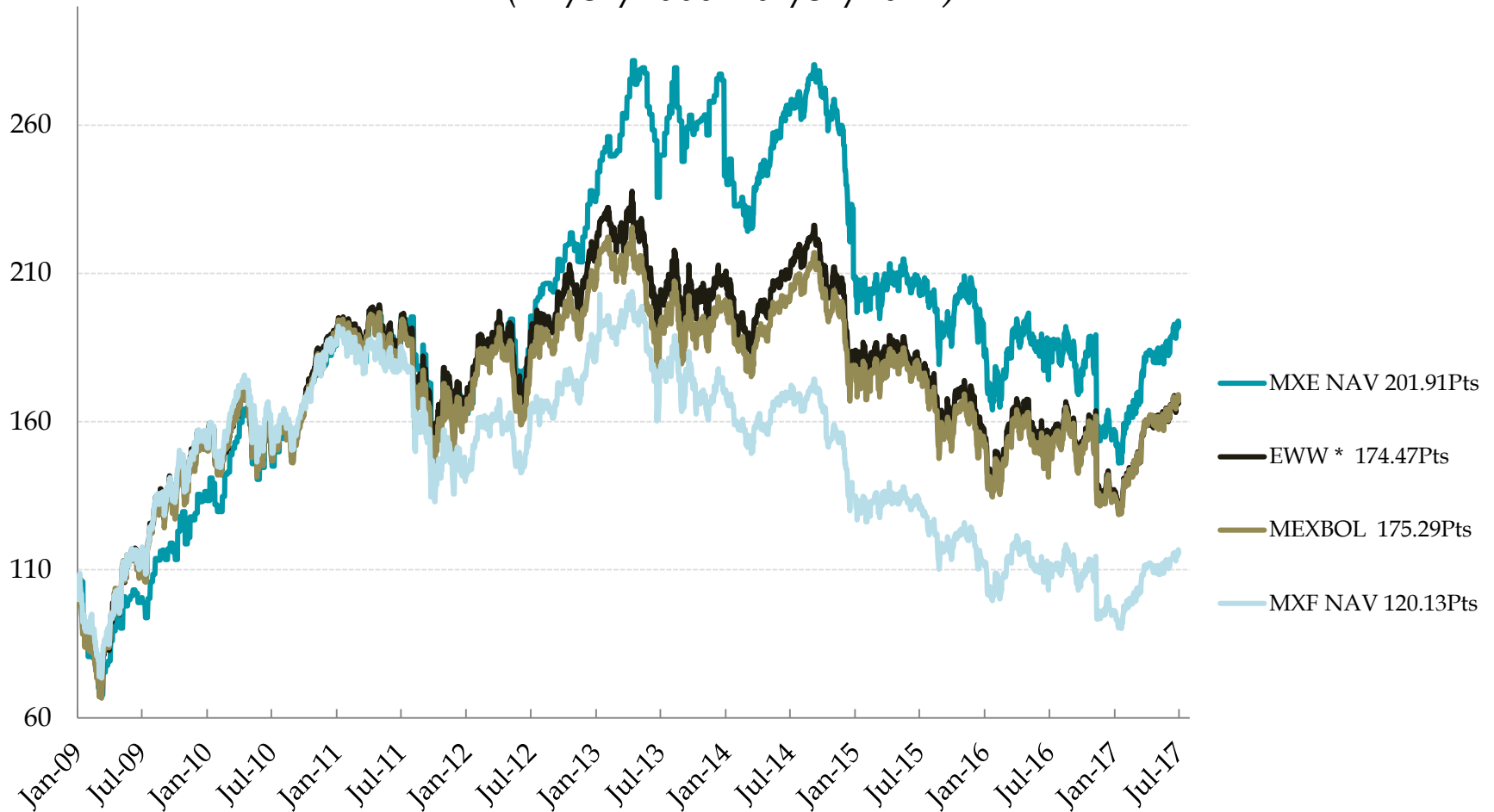
Cumulative to June 30, 2017.	Y-T-D	1 Year	3 Years	5 Years	10 Years	Since Inception in 8/30/90	Discount to NAV, as of June 30, 2017.
MXE Common Share Market Price	24.54%	4.87%	-15.97%	33.47%	20.39%	2360.93%	-12.69%
MXF Common Share Market Price	17.20%	8.04%	-22.37%	6.97%	25.15%	987.29%	-11.46%

Past performance does not guarantee future results

Source: US Bancorp<sup>1</sup>; Thomson<sup>2</sup>; PAM<sup>3</sup>; Bloomberg.

### III. The Fund's Portfolio - Performance

**Returns in USD**  
*(Base 100)*  
*( 12/31/2008 - 07/31/2017)*

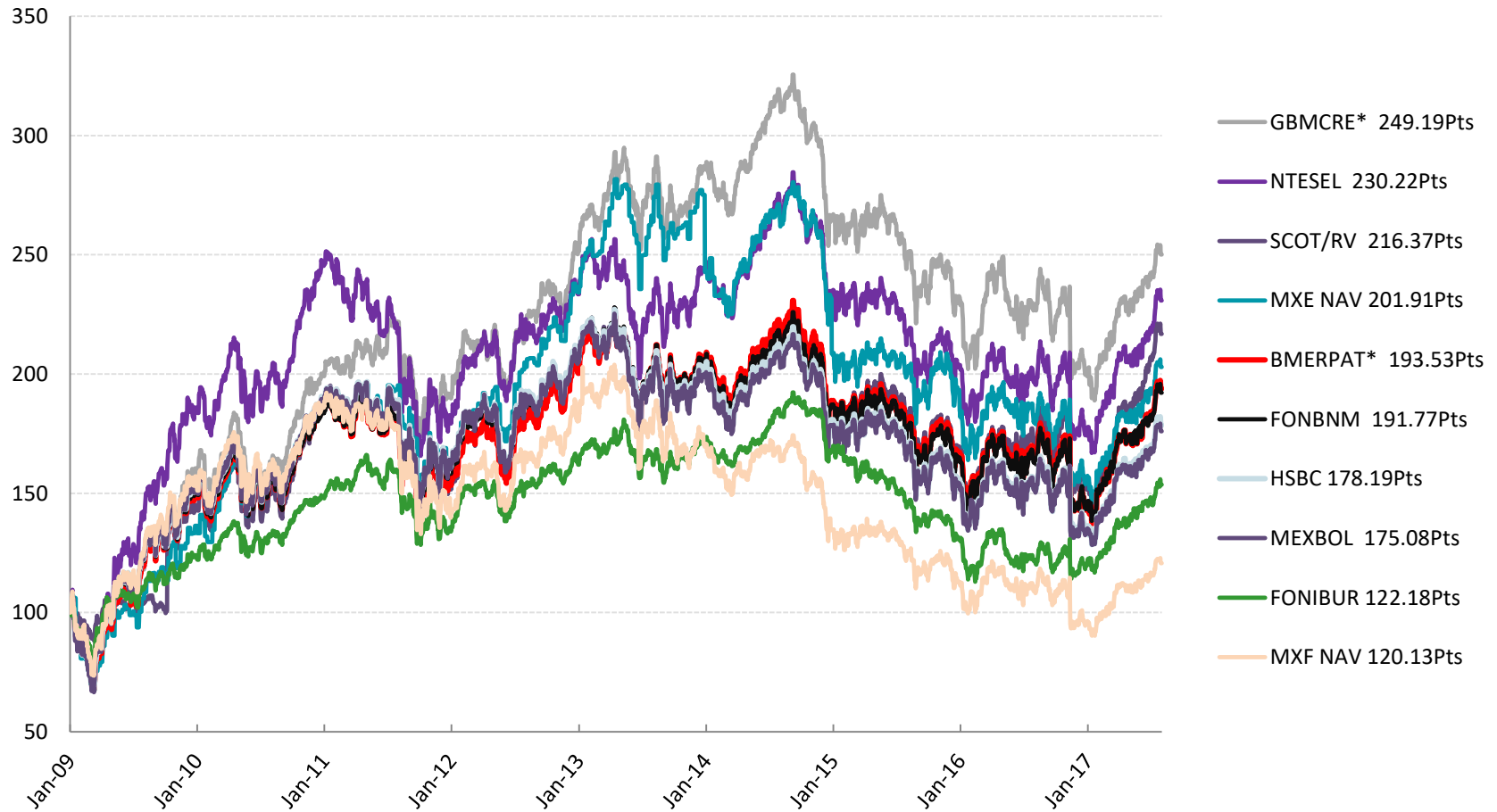


Past performance does not guarantee future results

Source: PAM; U.S. Bancorp; Bloomberg.

### III. The Fund's Portfolio - Performance

**MXE NAV Returns in USD**  
*(Base 100)*  
*( 12/31/2008 - 07/31/2017)*

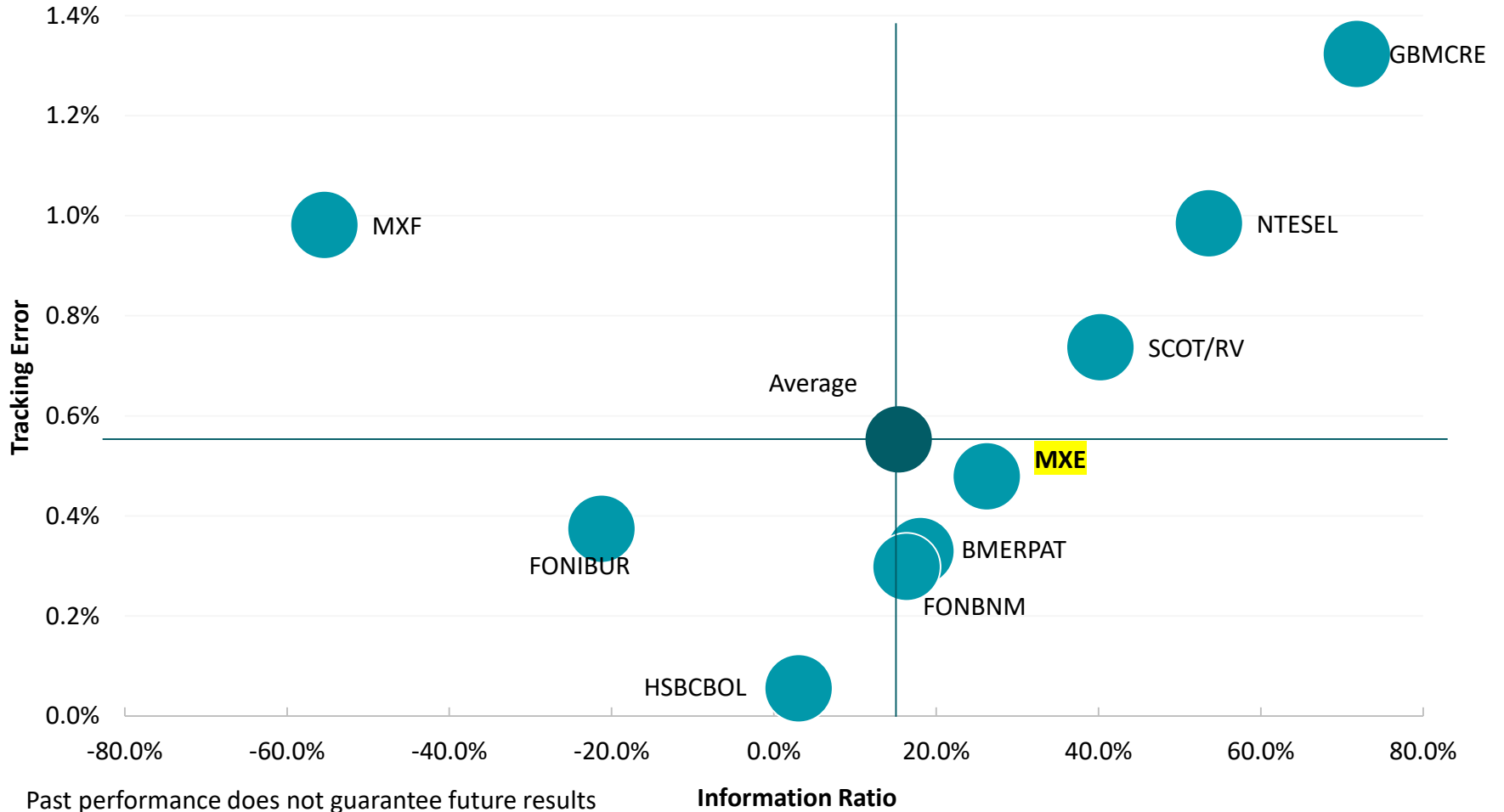


Past performance does not guarantee future results

Source: PAM, Bloomberg

### III. The Fund's Portfolio - Performance

**MXE Divergence & Excess Performance vs. Local Peers in USD**  
 ( 12/31/2008 - 07/31/2017 )



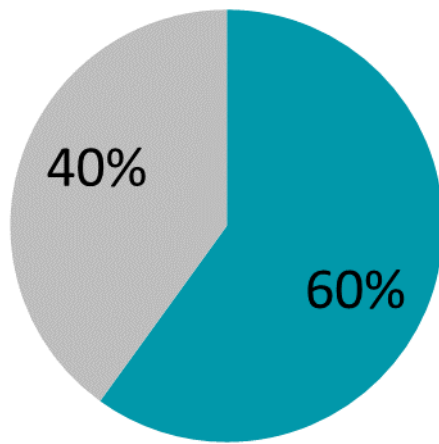
Past performance does not guarantee future results

Source: PAM, Bloomberg

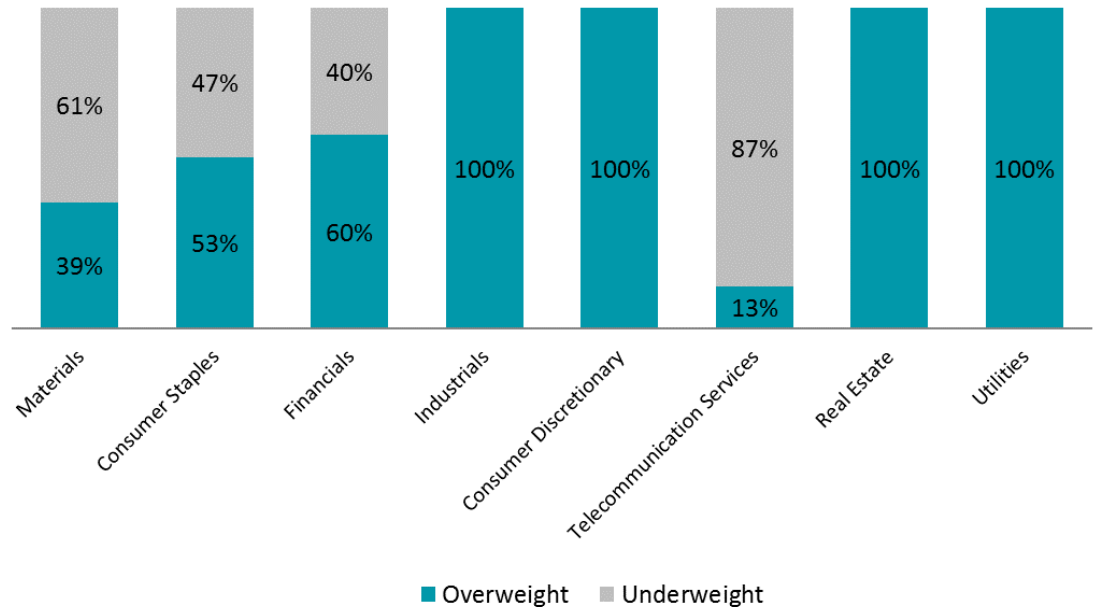
### III. The Fund's Portfolio – Stock Picking

Stock picking matters, but percentage allocation matters more

96.65% Total Equity From Total Assets Under Management



■ Overweight Per Single Stock  
 ■ Underweight Per Single Stock

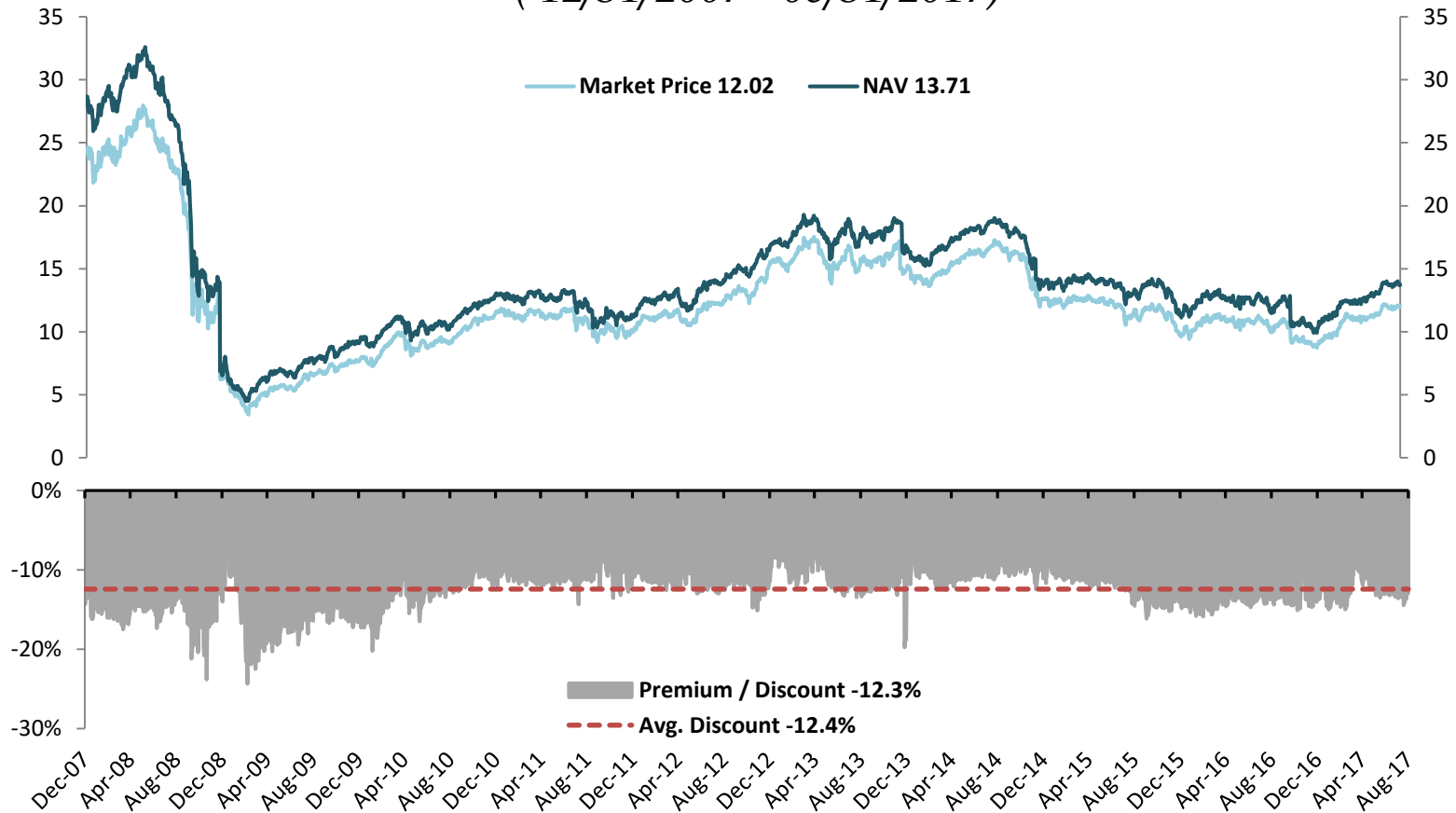


Source: PAM, Bloomberg



### III. The Fund's Portfolio - Discount to NAV

#### MXE Price Premium / Discount to NAV ( 12/31/2007 - 08/31/2017 )

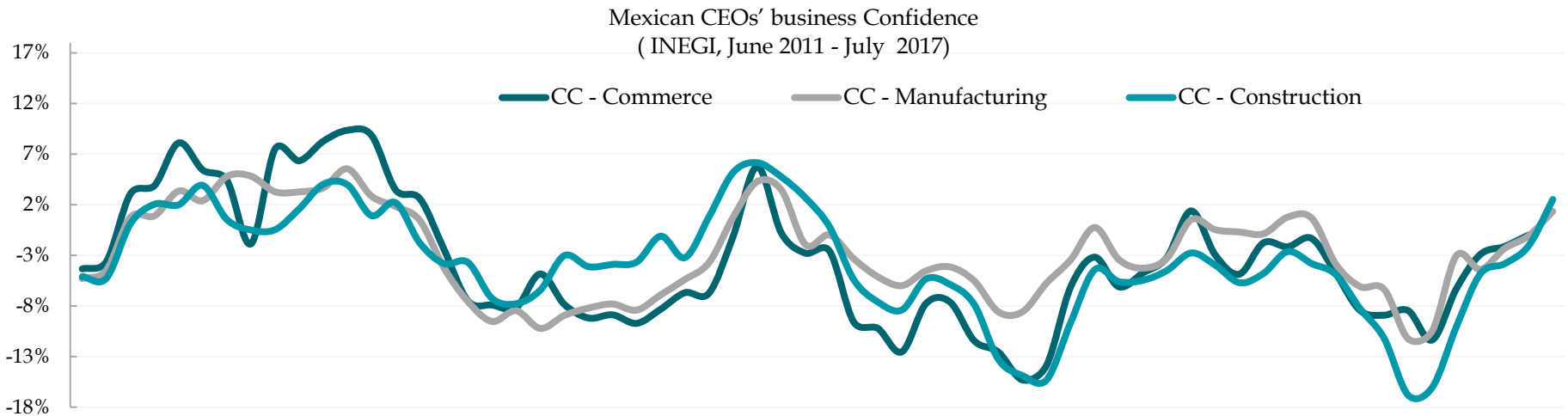
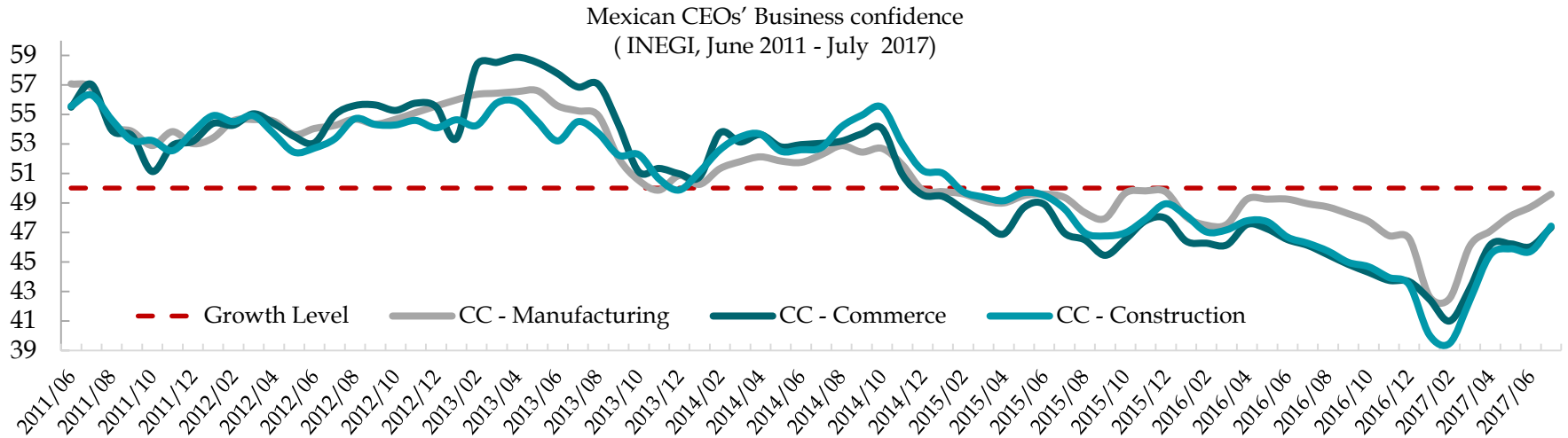


Source: PAM, Bloomberg

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.

# IV. Equity Investment Thesis

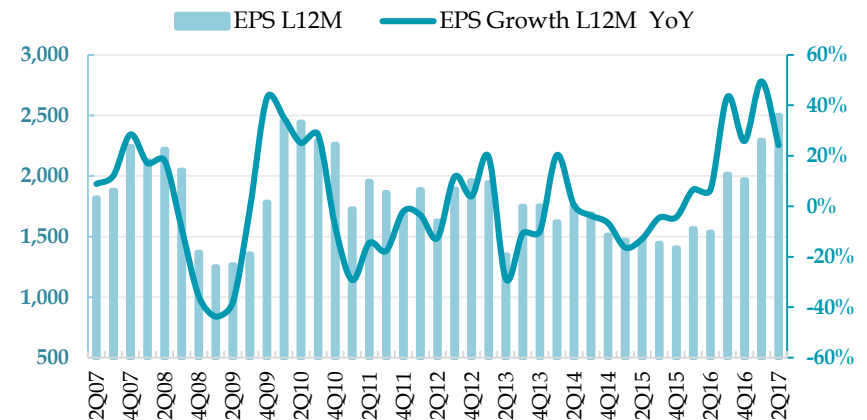
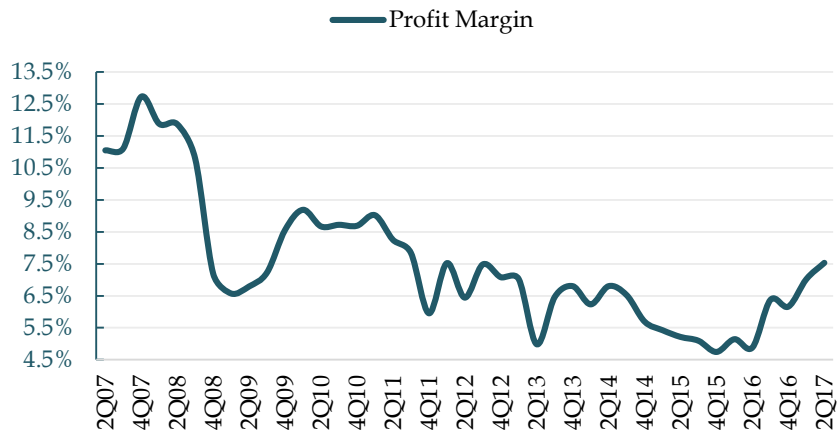
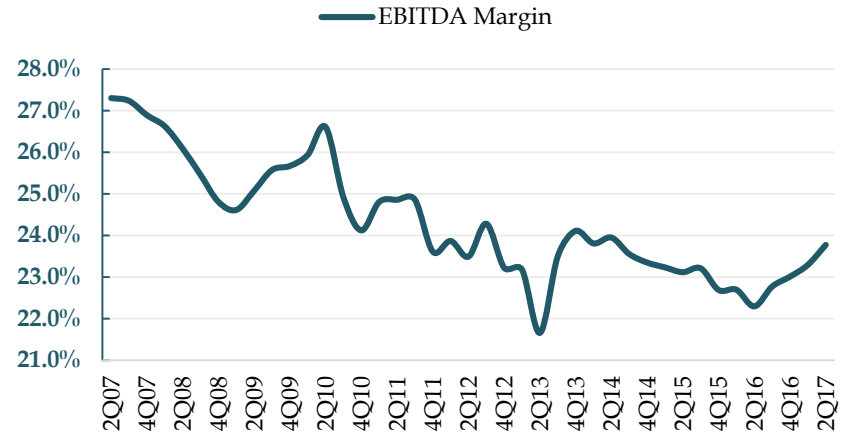
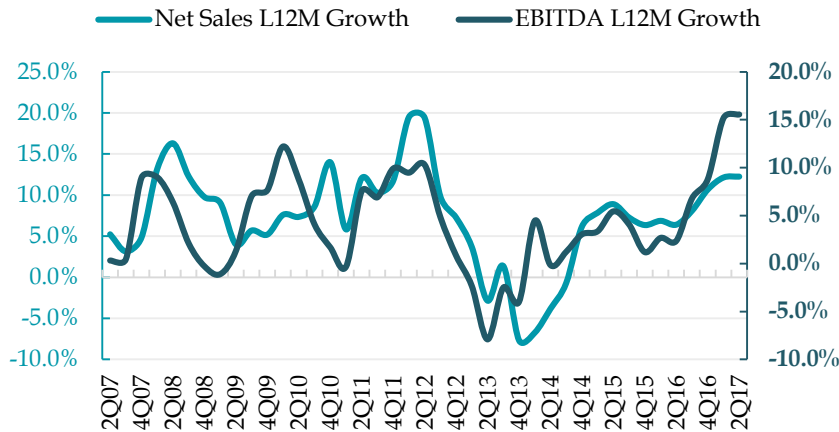
## I. Business Sentiment is More Constructive



Source: PAM & Bloomberg

# IV. Equity Investment Thesis

## II. 2Q17 Financial Results: Margins and Earnings are at an Inflection Point

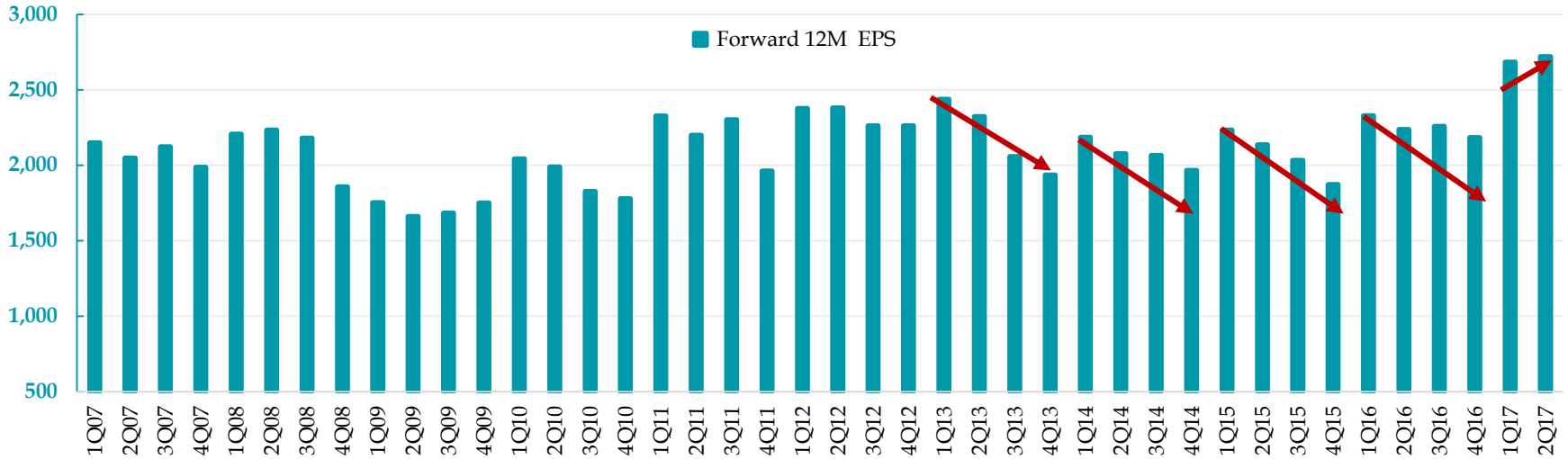


Past performance does not guarantee future results

Source: PAM & Bloomberg

# IV. Equity Investment Thesis

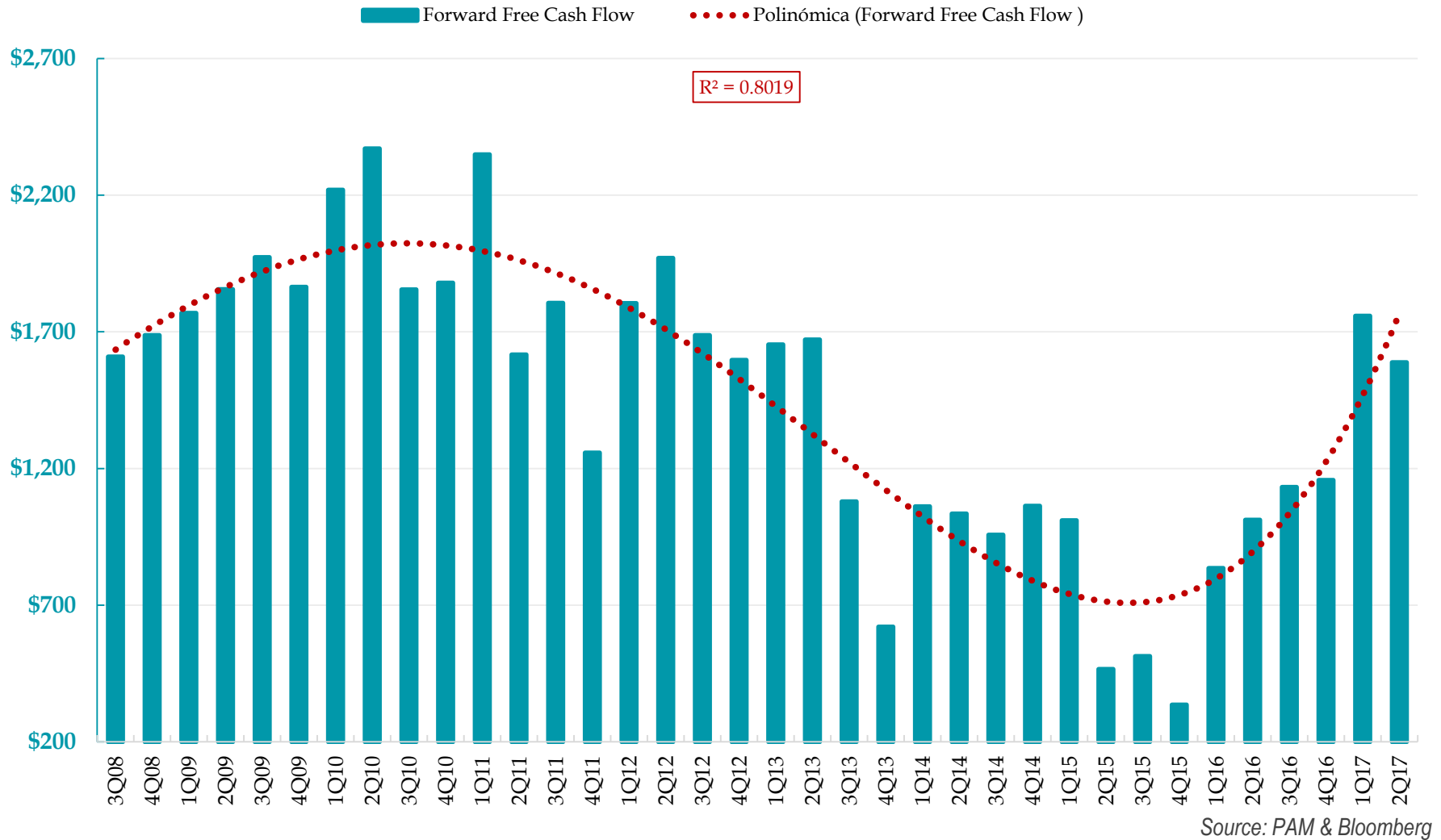
## III. Positive trend in earnings growth estimates



Source: PAM & Bloomberg

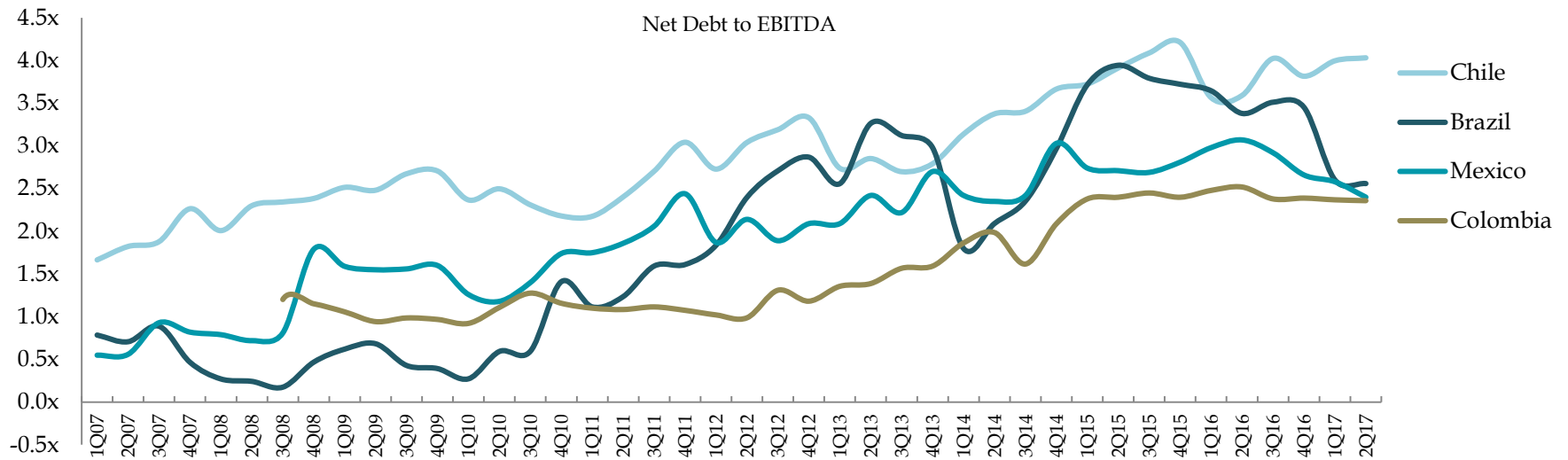
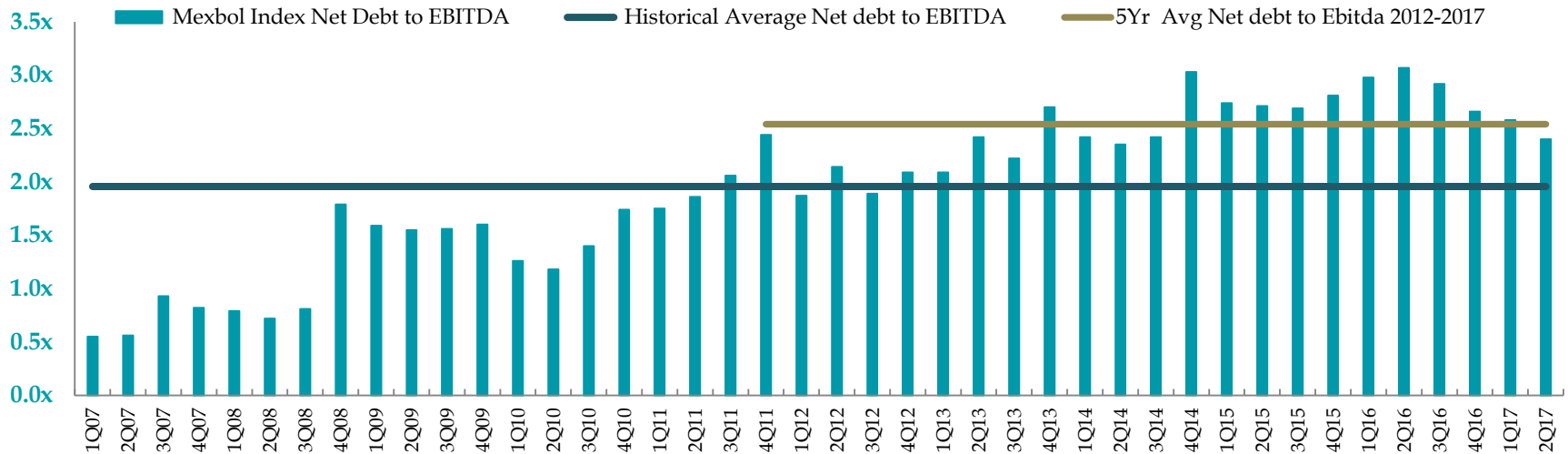
# IV. Equity Investment Thesis

## IV. And FCF generation



# IV. Equity Investment Thesis

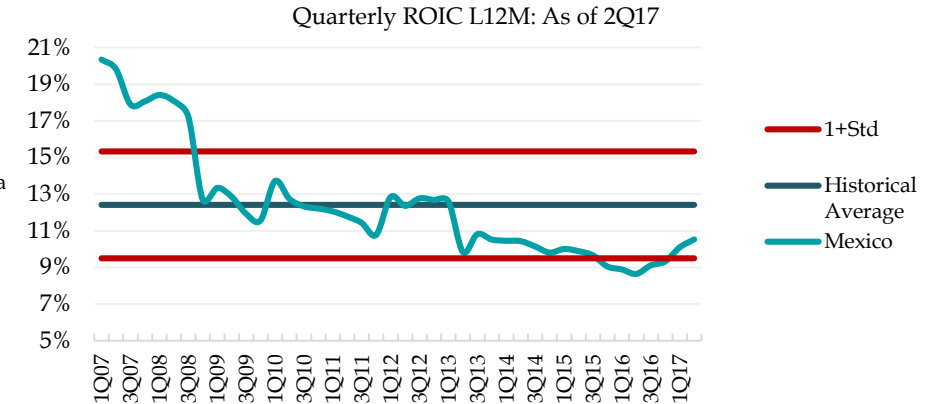
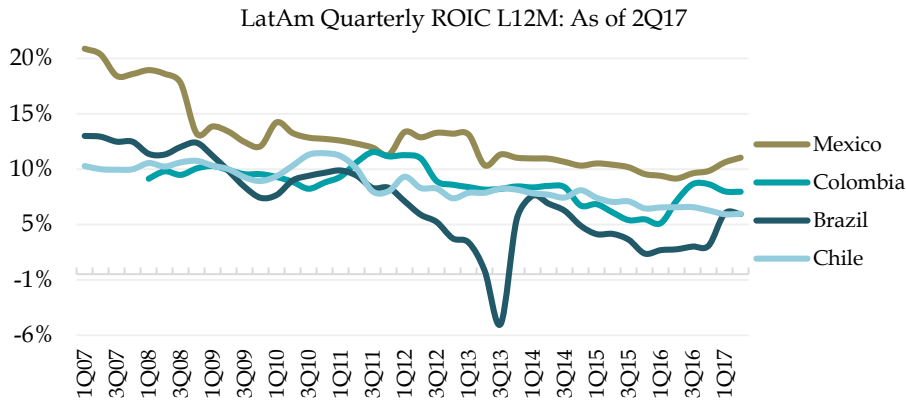
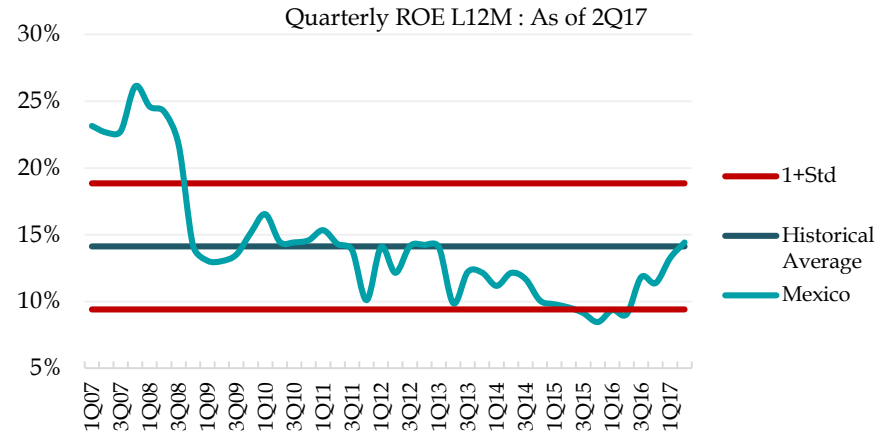
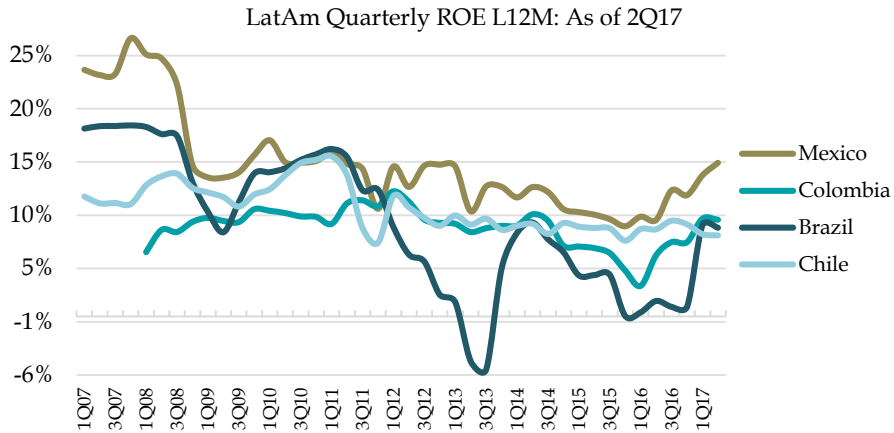
## V. Debt - Equity Ratios



Source: PAM & Bloomberg

# IV. Equity Investment Thesis

## VI. Better ROE & ROIC



Source: PAM & Bloomberg

## VI. Definitions

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- MEXBOL: Mexican Stock Exchange: The Mexican Bolsa Index, or the IPyC (Indice de Precios y Cotizaciones), is a capitalization-weighted index of the leading stocks traded on the Mexican Stock Exchange. The index was developed with a base level of 0.78 on October 30, 1978. It is not possible to invest directly in an index.
- EV/EBITDA: The value of the metric is determined by dividing a company's enterprise value (EV) by its earnings before interest, taxes, depreciation and amortization (EBITDA). The numerator of the formula, the EV, is calculated as the company's total market capitalization and preferred shares and debt, minus total cash.
- P/E Ratio: The price-earnings ratio (P/E Ratio) is the ratio for valuing a company that measures its current share price relative to its per-share earnings.
- DCF: Discounted Cash Flow (DCF) analysis uses future free cash flow (FCF) projections and discounts them to estimate the present value, which is then used to evaluate investment potential.
- GDP: Gross Domestic Product proxy. The monetary value of all the finished goods and services produced within a country's borders in a specific time period. It is usually calculated on an annual basis, and includes all private and public consumption, government outlays, investments and exports less imports that occur within a defined territory.
- Spread: The difference between two related interest rates.
- Return on equity (ROE) is the amount of net income returned as a percentage of shareholders equity.
- Return on Invested Capital (ROIC) is a calculation used to assess a company's efficiency at allocating the capital under its control to profitable investments. Return on invested capital gives a sense of how well a company is using its money to generate returns.
- Bank efficiency ratio is a measure of a bank's overhead as a percentage of its revenue.
- Nonperforming loan (NPL) is the sum of borrowed money upon which the debtor has not made his scheduled payments for at least 90 days.
- 'Niche Banks: Banks that cater to a specific market or type of customer, and tailor a bank's advertising, product mix and operations to the target market's preferences.
- The Mexican Social Security Institute (Spanish: Instituto Mexicano del Seguro Social, IMSS) is a government organization that assists public health, pensions and social security in Mexico operating under Secretaría de Salud (Department of Health).

Source: PAM & BMV



# Disclosures

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

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

## Considerations and risks involved in investing in Mexican securities

1. Market volatility in a global context.
2. The Mexican economy continues to be classified as an emerging economy. Mexican industrial production is highly correlated to that of the U.S.
3. Mandatory IFRS (International Financial Reporting Standards) accounting since the year 2011. All Mexican companies reporting IFRS in 2012 with 2011 financials adjusted accordingly (Source: Mexican Stock Exchange).
4. The portfolio securities are denominated in Mexican pesos. As a result, the portfolio return in U.S. Dollars securities must increase in market value at a rate in excess of the rate of the decline in the value of the Mexican peso against the U.S. dollar in order to present an excess dollar return.
5. Mexico has experienced widespread bank failures, currency devaluations, high levels of inflation and interest rates. The inflation has been contained at 6.30% as of October 15, 2017, and interest rates are currently at 7.10% for 3 month Treasury Bills "CETES". (Source: Bloomberg).
6. There is generally less governmental supervision and regulation of exchanges, brokers and issuers in Mexico than there is in the United States.
7. U.S. holders of portfolio securities may also experience difficulties enforcing U.S. laws or obtaining service of process against the issuers of the portfolio securities.

Source: PAM & BMV

# Disclosures

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## THE MEXICO FUND, INC. (MXF)

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

1. Investment Objective: Long-term capital appreciation through investments in securities, primarily equity, listed on the Mexican Stock Exchange.
2. Expense ratio: 1.69% (For the semi-annual period ended April 30, 2017)
3. Portfolio Turnover rate: 16.86% (For the semi-annual period ended April 30 2017)
4. Outstanding shares: 15,027,810 (As of April 30, 2016)
5. Repurchase of stocks: US \$32,736(For the annual period ended October 31, 2016)
6. Total net assets: US \$279,335,461 (As of April 30, 2017).
7. Dividends distribution of 0.13 per share payable in cash on July 27, 2017.
8. Tax Status: No provision has been made for U.S. income or excise taxes for the year ended October 31, 2015 on net investment company taxable income or net long-term capital gains as defined by the Internal Revenue Code (the "Code"), since the Fund intends to comply with the requirements of the Code applicable to regulated investment companies and to distribute substantially all of such income to its stockholders.

GAAP prescribes the minimum recognition threshold a tax position must meet before being recognized in the financial statements. An assessment of the Fund's tax positions has been made and it has been determined that there is no impact to the Fund's financial statements. Diversification does not ensure profit or protect against losses in a declining market. Earnings growth is not representative of the Fund's future performance.

**Diversification does not ensure profit or protect against losses in a declining market. Earnings growth is not representative of the Fund's future performance.**

**Mexican Mutual Funds' information** such as investment objectives, costs and expenses, liquidity, safety, guarantees or insurance, fluctuation of principal or return, and tax features can be found on the following web pages.

[http://www.cbbanorte.com.mx/img\\_cbbanorte/uploads/casabolsa/sociedades/PROS-NTE+SEL.pdf](http://www.cbbanorte.com.mx/img_cbbanorte/uploads/casabolsa/sociedades/PROS-NTE+SEL.pdf)

<https://www.gbmfondos.com.mx/home/pdf/soluciones/fisicas/CRE.pdf>

<http://www.scotiabank.com.mx/es-mx/personas/inversiones/productos/fondos-de-inversion/personas-fisicas/fondos-de-renta-variable/scot-rv.aspx>

<https://www.bbvaassetmanagement.com/am/am/mx/me/personas/fondos-inversion/ficha/MX52BM0U0043/BMERPAT-P>

<https://es.scribd.com/document/331228261/FONBNM-DocumentoClave>

[http://www.hsbc.com.mx/1/PA\\_esf-ca-app-content/content/home/personas/inversiones/archivos/prospecto\\_hsbcbol.pdf](http://www.hsbc.com.mx/1/PA_esf-ca-app-content/content/home/personas/inversiones/archivos/prospecto_hsbcbol.pdf)

[https://www.inbursa.com/storage/FONIBUR\\_prospecto.pdf](https://www.inbursa.com/storage/FONIBUR_prospecto.pdf)

# Disclosures

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*The information contained herein reflects the opinion of “Pichardo Asset Management” and as such should not be taken to be fundamental analysis or a decision-making model. Neither should the information be interpreted as a solicitation, offer or recommendation to buy or sell financial securities. It is also subject to changes without prior notification and estimates cannot be guaranteed.*

*The returns mentioned herein represent past gains. Past returns do not guarantee future gains. The investment yield and principal value of an investment will fluctuate such that when stock is redeemed the value may be higher or lower than the original cost. The current return of the funds may be higher or lower than the yield mentioned herein.*

*To read about the Mexico Equity and Income Fund please access the Annual Report by calling (414) 765-4255 to receive a copy. To read about the Mexico Fund, Inc. please access the Annual Report on the phone's website [www.mexicofund.com](http://www.mexicofund.com), under the section caption investor reports. Investors should consider the Fund's investment objectives, risks, charges and expenses carefully before investing. An investment in the Fund should not constitute a complete investment program. ¶¶All investments involve risk. Principal loss is possible. Investing internationally involves additional risks such as currency fluctuations, currency devaluations, price volatility, social and economic instability, differing securities regulation and accounting standards, limited publicly available information, changes in taxation, periods of illiquidity and other factors. These risks are greater in the emerging markets. Stocks of small-and-mid-capitalization companies involve greater volatility and less liquidity than larger-capitalization companies.*