

Highlights of the Mexican Economy

Semi-annual, ended January 31, 2023



Front View of Mexico's Central Bank, "BANXICO", Mexico City; Mexico. Source: Public Domain



Pichardo Asset Management
Asesores de Portafolios de Inversión

Performance of the Mexican Economy

Semi-annual, ended January 31, 2023

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- 15 Monetary Policy and Sovereign Risk



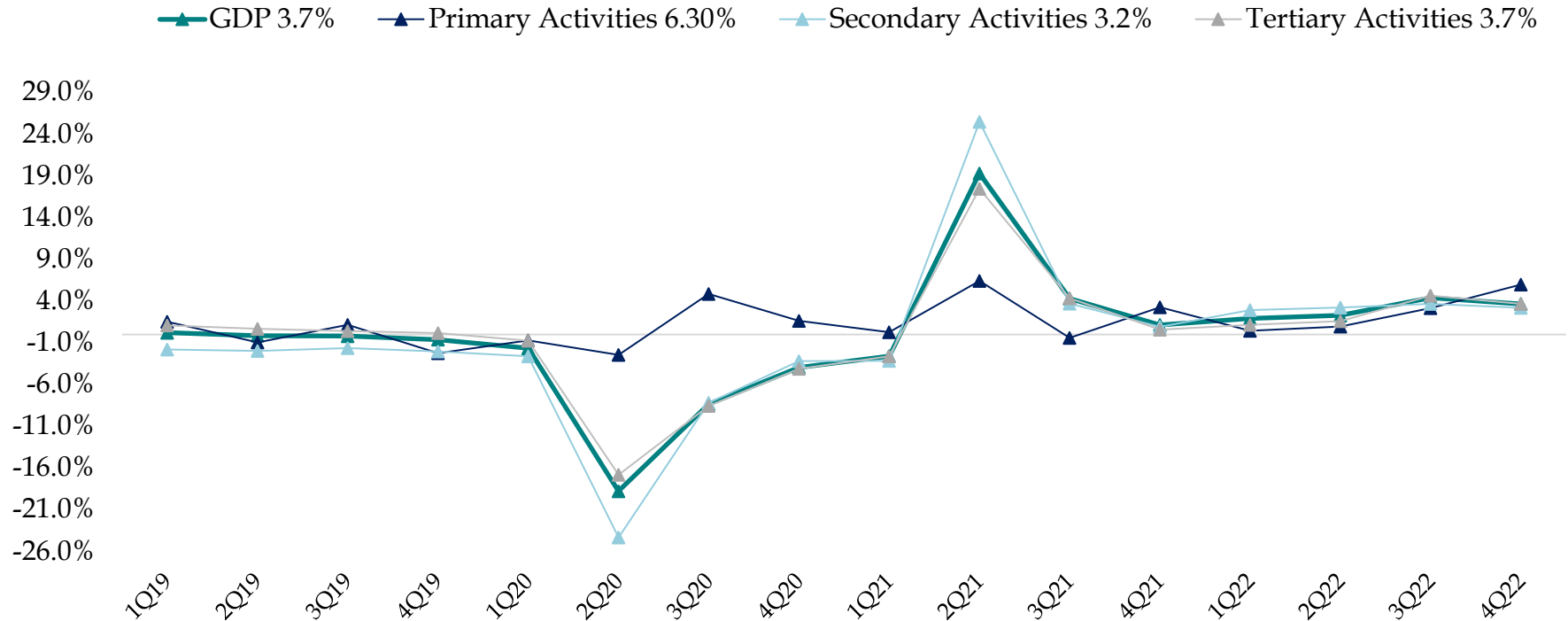
Pichardo Asset Management
Asesores de Portafolios de Inversión

Economic Highlights

Exhibit 1

Secondary and Tertiary components main drivers of economic growth in 2022

Quarterly GDP by Component
Annual percentage growth rate

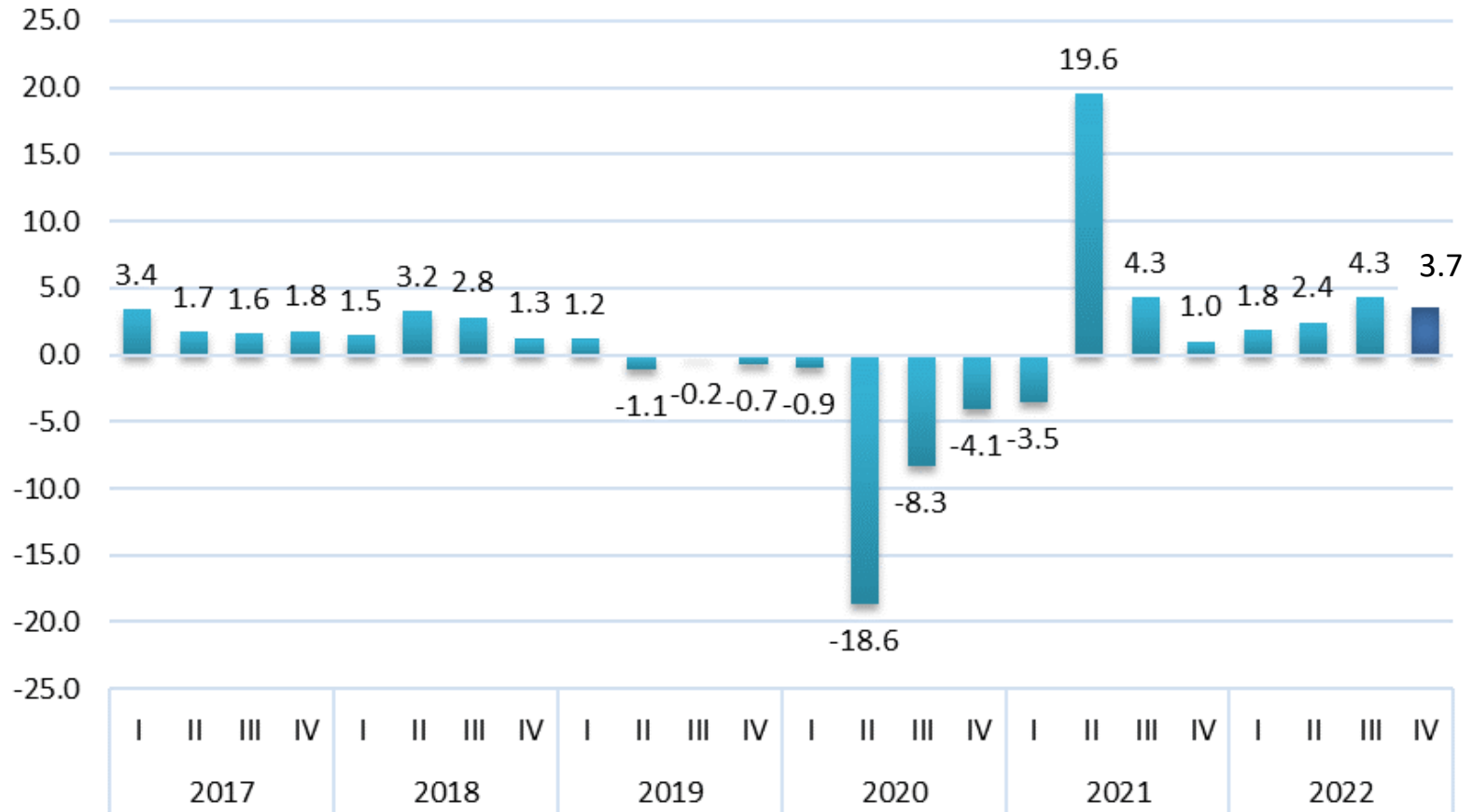


Source: INEGI.

Economic Highlights

Exhibit 2

Mexico's Gross Domestic Product (GDP) as of 4Q'22
(Annual percentage growth rate)



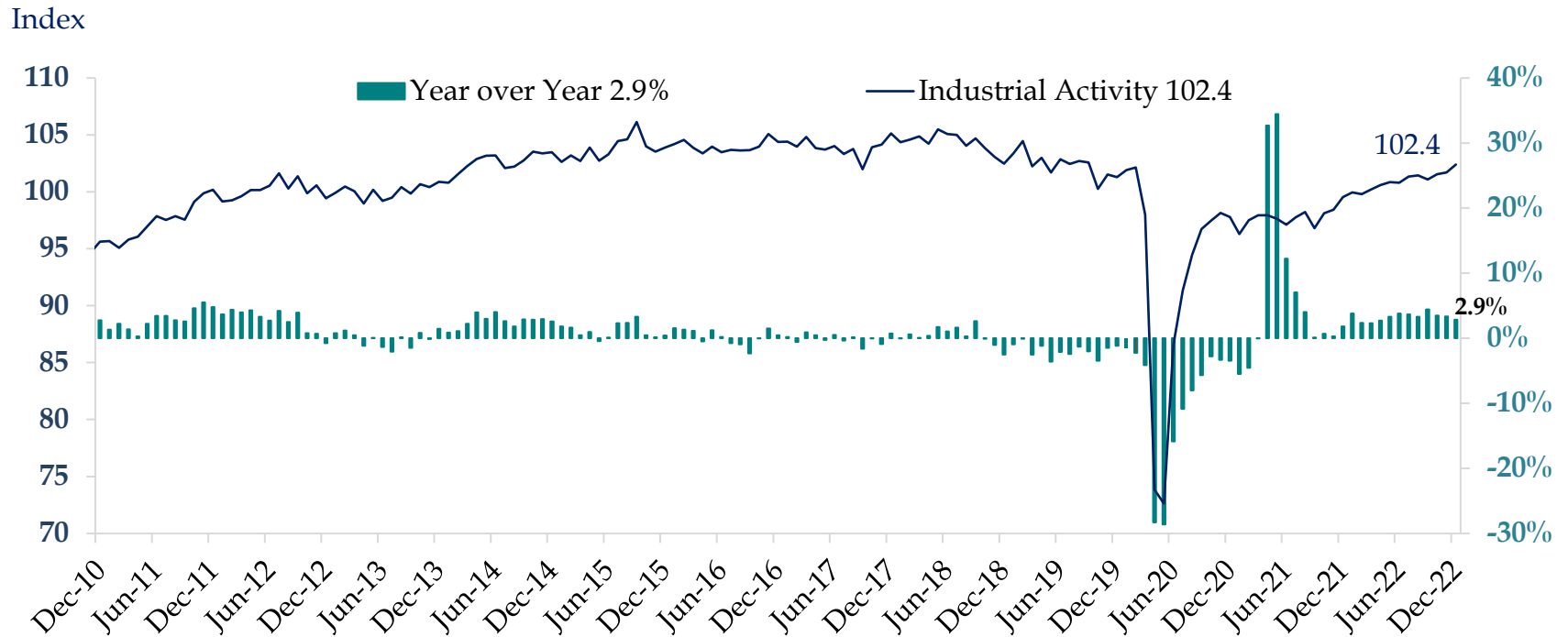
Source: INEGI.

Economic Highlights

Exhibit 3

Private Consumption and Manufacturing Trends

Industrial Activity Monthly Indicator (“IMAI”)



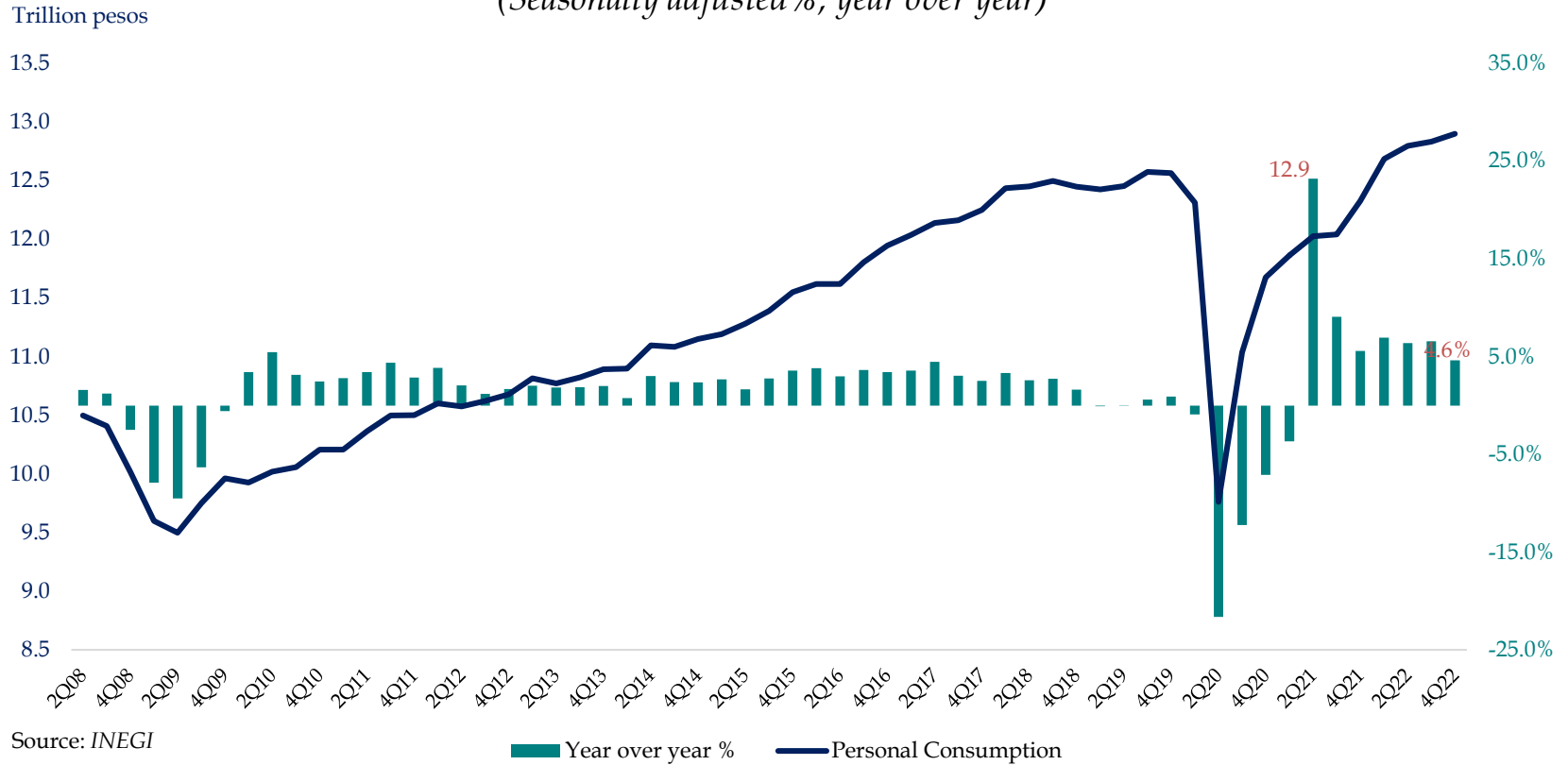
Source: INEGI; PAM.

Economic Highlights

Exhibit 4

Private Consumption and Manufacturing Trends

Personal Consumption
(Seasonally adjusted%, year over year)



Source: INEGI; PAM.

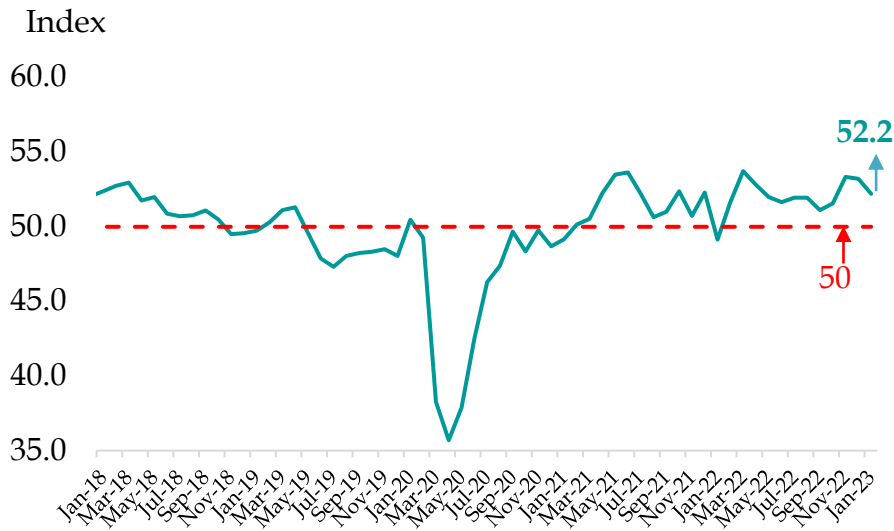
Economic Highlights

Exhibit 5

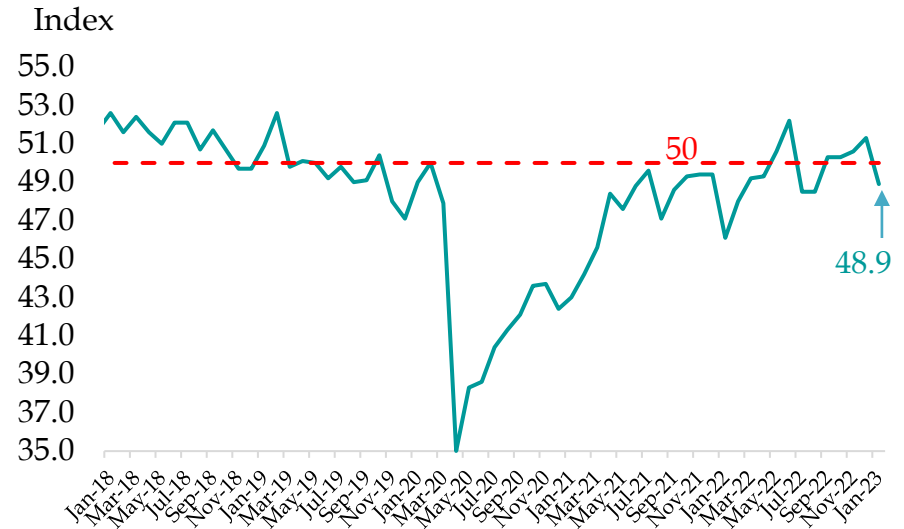
Mexico's Purchasing Manager's Index ("PMI")

(As of January 31, 2023)

PMI - Non Manufacturing



PMI - Manufacturing

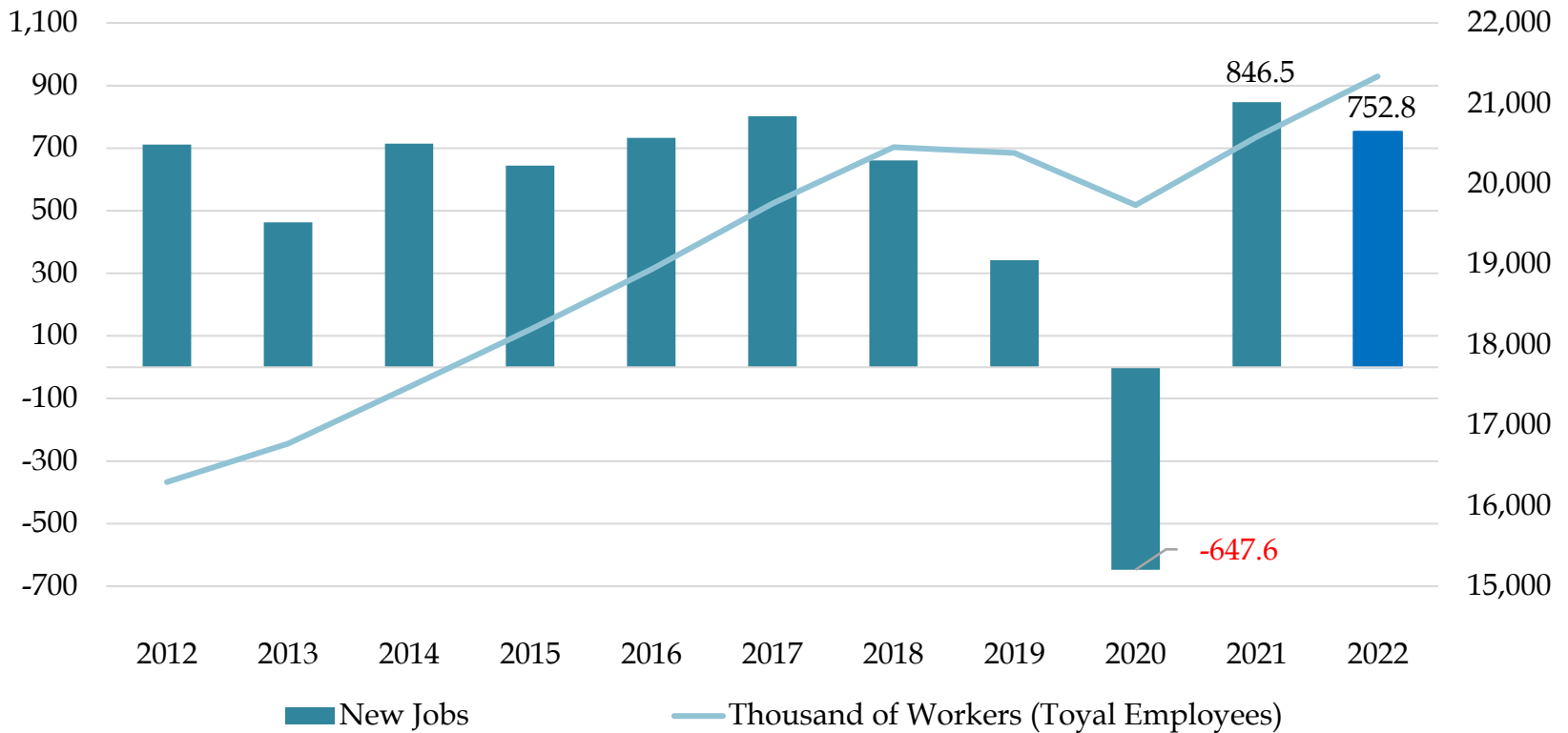


Source: IHS Markit, Bloomberg

Economic Highlights

Exhibit 6

Formal Job Creation (Thousands)



Source: Mexican Social Security System (IMSS) & Banco de Mexico

Exchange Rate and External Accounts

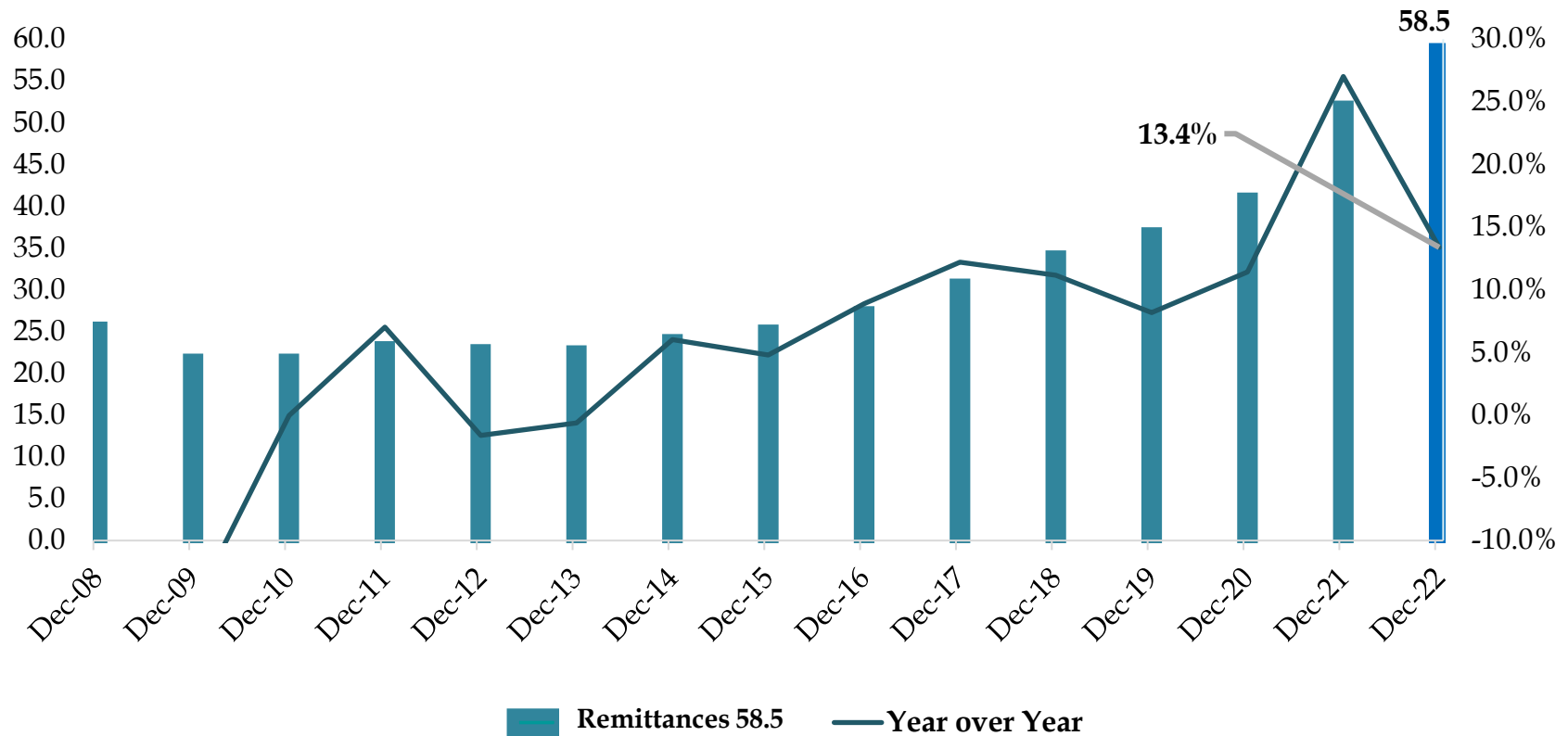
Exhibit 7

Remittances (Year- to- date)

(As of December 31, 2022)

USD billion

YoY

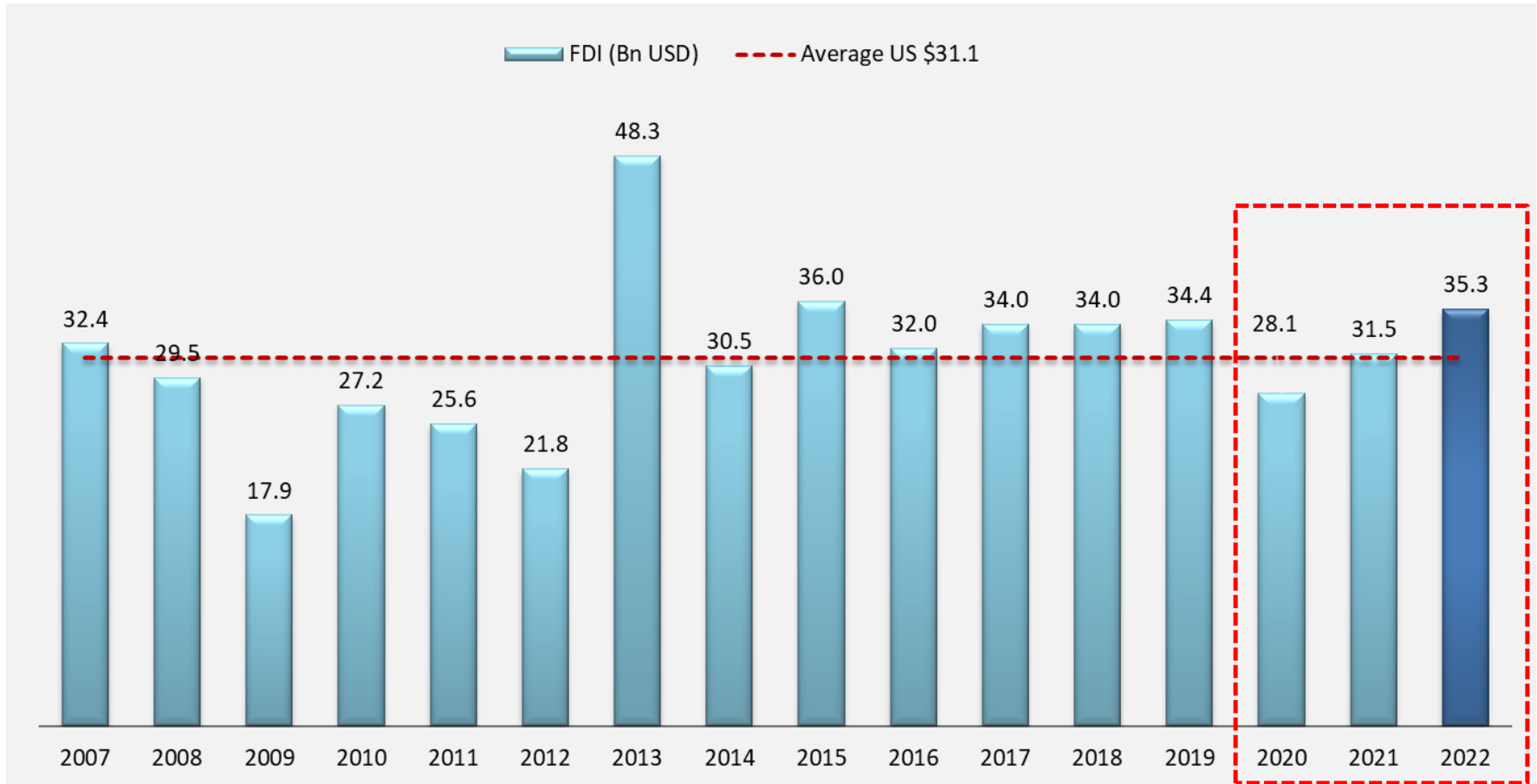


Source: Mexican Social Security System (IMSS) & Banco de Mexico

Exchange Rate and External Accounts

Exhibit 8

Gross Fixed Investments & Foreign Direct Investment trends, possibly show the start of “near-shoring” momentum



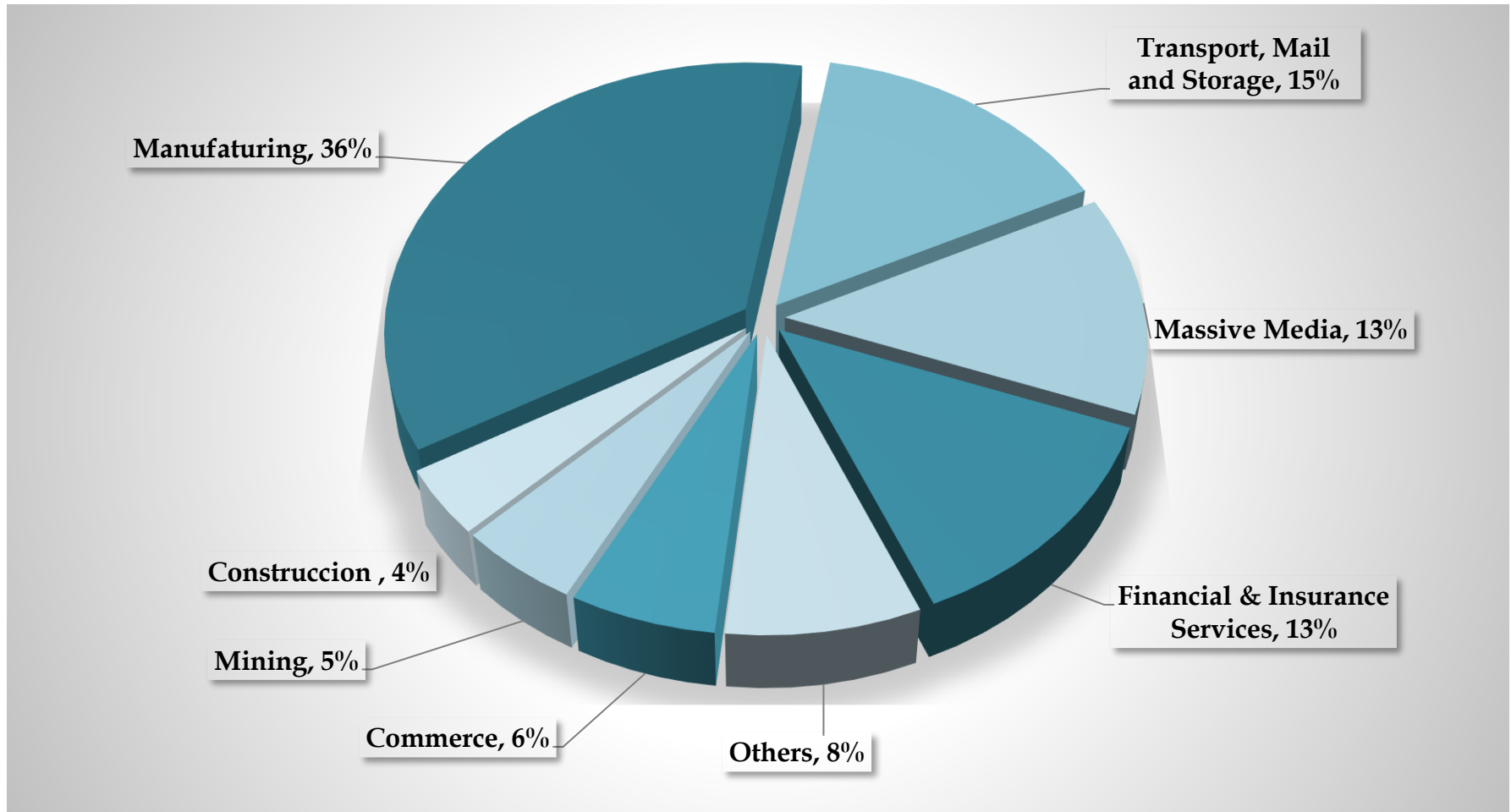
In 1Q'22 foreign direct investment was impacted by Televisa and Univision merger (US\$4.8 billion), and by Aeromexico’s restructuring process (US\$2.1 billion). Both totaling close to US\$ 6.9 billion.

Source: Banco de Mexico, PAM.

Exchange Rate and External Accounts

Exhibit 9

Foreign Direct Investment in 2022 by sector allocation (%)

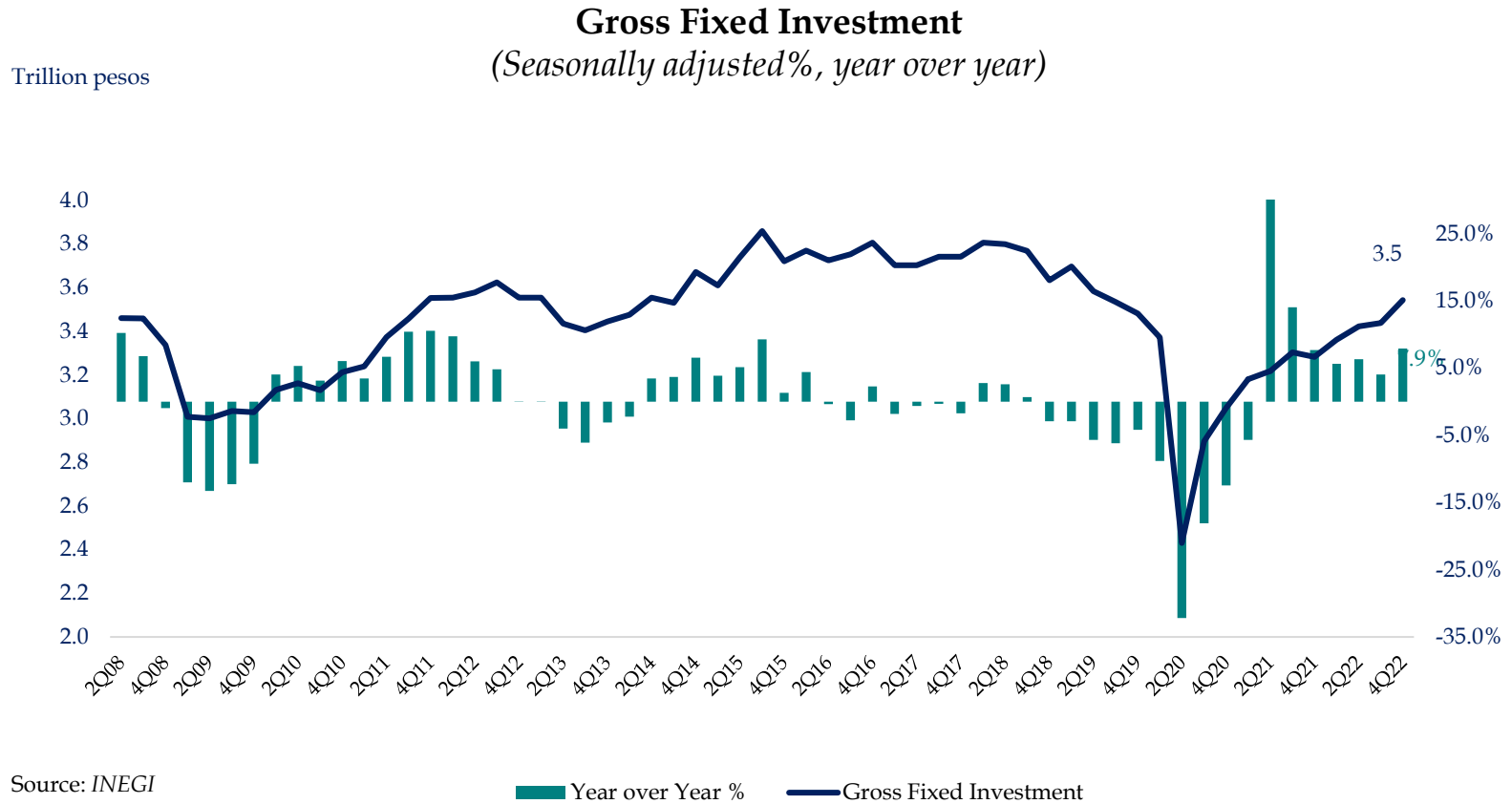


Source: Banco de Mexico, PAM.

Exchange Rate and External Accounts

Exhibit 10

Gross Fixed Investments & Foreign Direct Investment trends, possibly show the start of “near-shoring” momentum



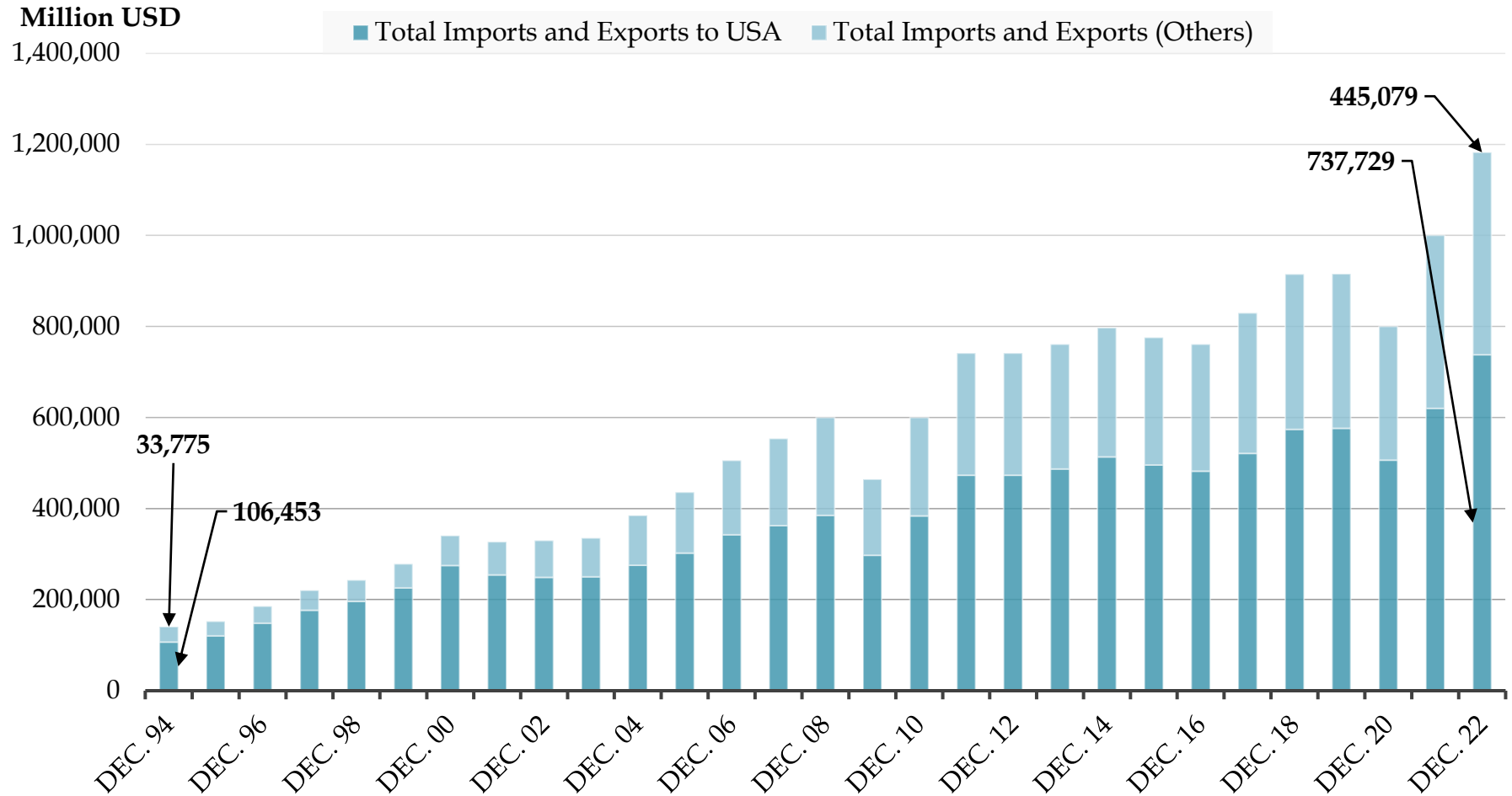
Source: INEGI

Exchange Rate and External Accounts

Exhibit 11

Total Exports & Imports

(Accumulates Last 12 Months)



Source: PAM, Banco de Mexico

Exchange Rate and External Accounts

Exhibit 12

United States International Trade (December 2022)

Country	Exports	Imports	Total Trade	Balance	Country	Exports	Imports	Total Trade	Balance
Canada	356,113	437,729	793,842	-81,616	India	47,332	85,671	133,003	-38,339
% of Total	17.2%	13.5%	14.9%		% of Total	2.3%	2.6%	2.5%	
Mexico	324,378	454,930	779,308	-130,552	France	45,842	57,379	103,221	-11,537
% of Total	15.7%	14.0%	14.7%		% of Total	2.2%	1.8%	1.9%	
China	153,837	536,754	690,591	-382,917	Italy	27,417	69,130	96,547	-41,713
% of Total	7.5%	16.5%	13.0%		% of Total	1.3%	2.1%	1.8%	
Japan	80,317	148,330	228,647	-68,013	Brazil	53,578	39,027	92,605	14,551
% of Total	3.9%	4.6%	4.3%		% of Total	2.6%	1.2%	1.7%	
Germany	72,922	146,608	219,530	-73,686	Singapore	46,187	31,648	77,835	14,539
% of Total	3.5%	4.5%	4.1%		% of Total	2.2%	1.0%	1.5%	
Korea, South	71,470	115,338	186,808	-43,868	Saudi Arabia	11,565	23,462	35,027	-11,897
% of Total	3.5%	3.6%	3.5%		% of Total	0.6%	0.7%	0.7%	
United Kingdom	77,301	64,018	141,319	13,283	Hong Kong	25,853	4,800	30,653	21,053
% of Total	3.7%	2.0%	2.7%		% of Total	1.3%	0.1%	0.6%	
Taiwan	43,713	91,845	135,558	-48,132	All other countries	626,962	940,012	1,566,974	-313,050
% of Total	2.1%	2.8%	2.6%		% of Total	30.4%	29.0%	29.5%	
					TOTAL 2022 YTD	2,064,787	3,246,681	5,311,468	-1,181,894
					TOTAL 2021	1,754,578	2,832,946	4,587,524	-1,078,368
					TOTAL 2020	1,431,663	2,336,580	3,768,243	-904,917

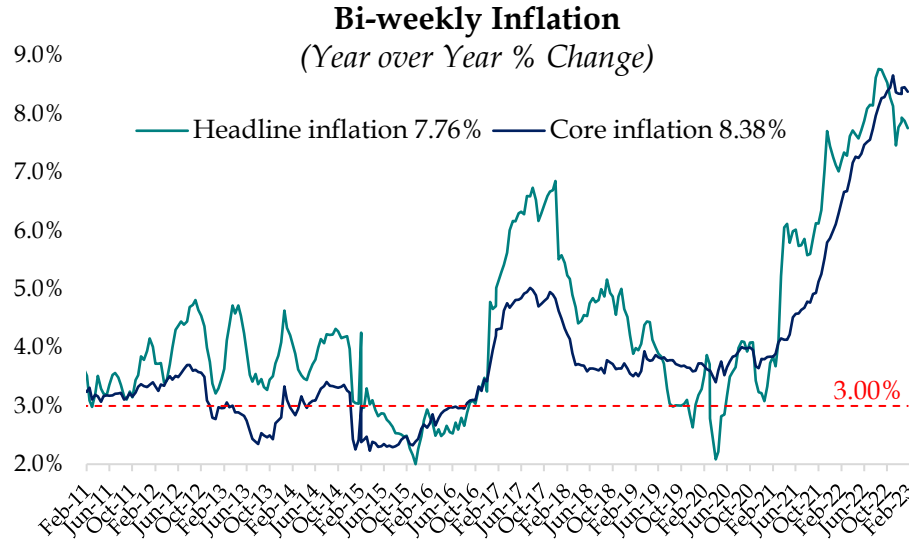
Source: U.S. Census Bureau
Amounts in millions of dollars

Source: PAM, Banco de Mexico

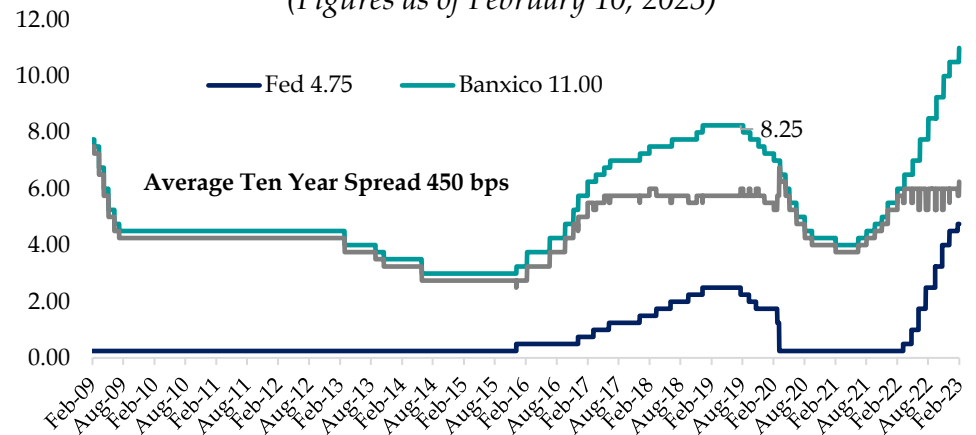
Monetary Policy and Sovereign Risk

Exhibit 13

Monetary Policy to tackle high inflation levels



Banxico vs. Federal Reserve Reference Rate (Figures as of February 10, 2023)

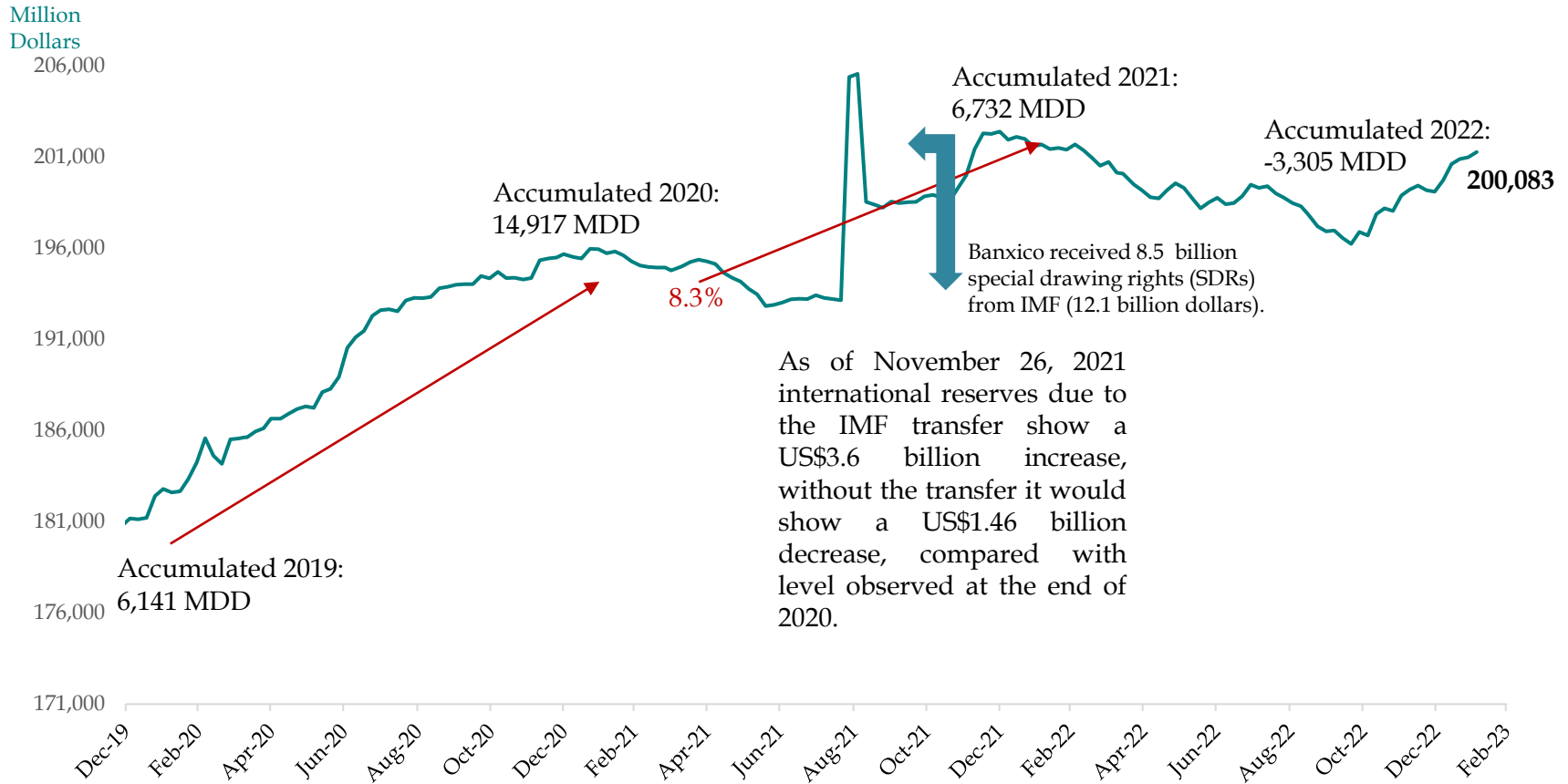


Source: INEGI, Banco de Mexico & Bloomberg.

Monetary Policy and Sovereign Risk

Exhibit 14

International Reserves remain at high levels (ended February 28, 2022)

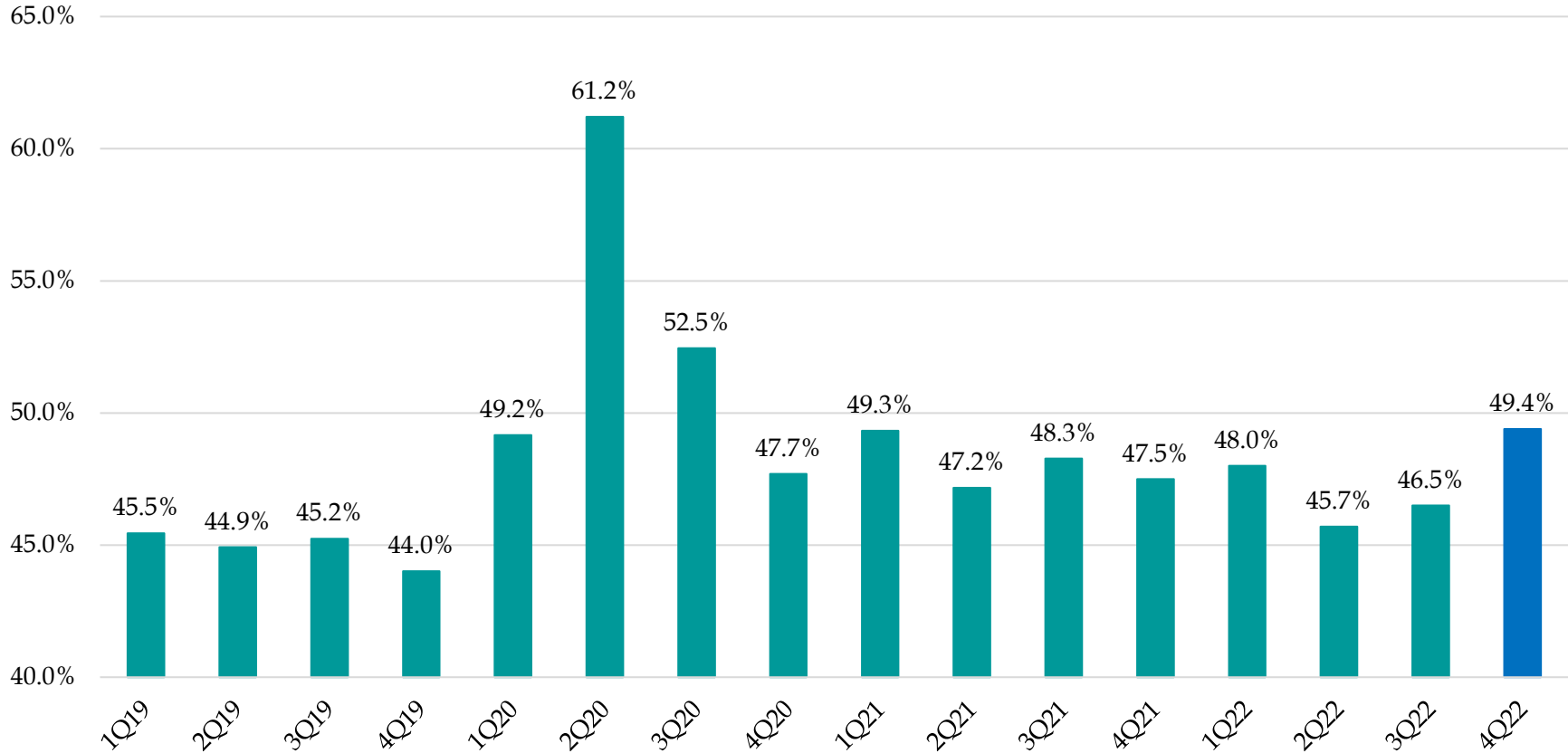


Source: PAM, Banco de Mexico & Bloomberg.

Monetary Policy and Sovereign Risk

Exhibit 15

Public Debt as percentage (%) of Mexico's GDP (as of the 4Q22)



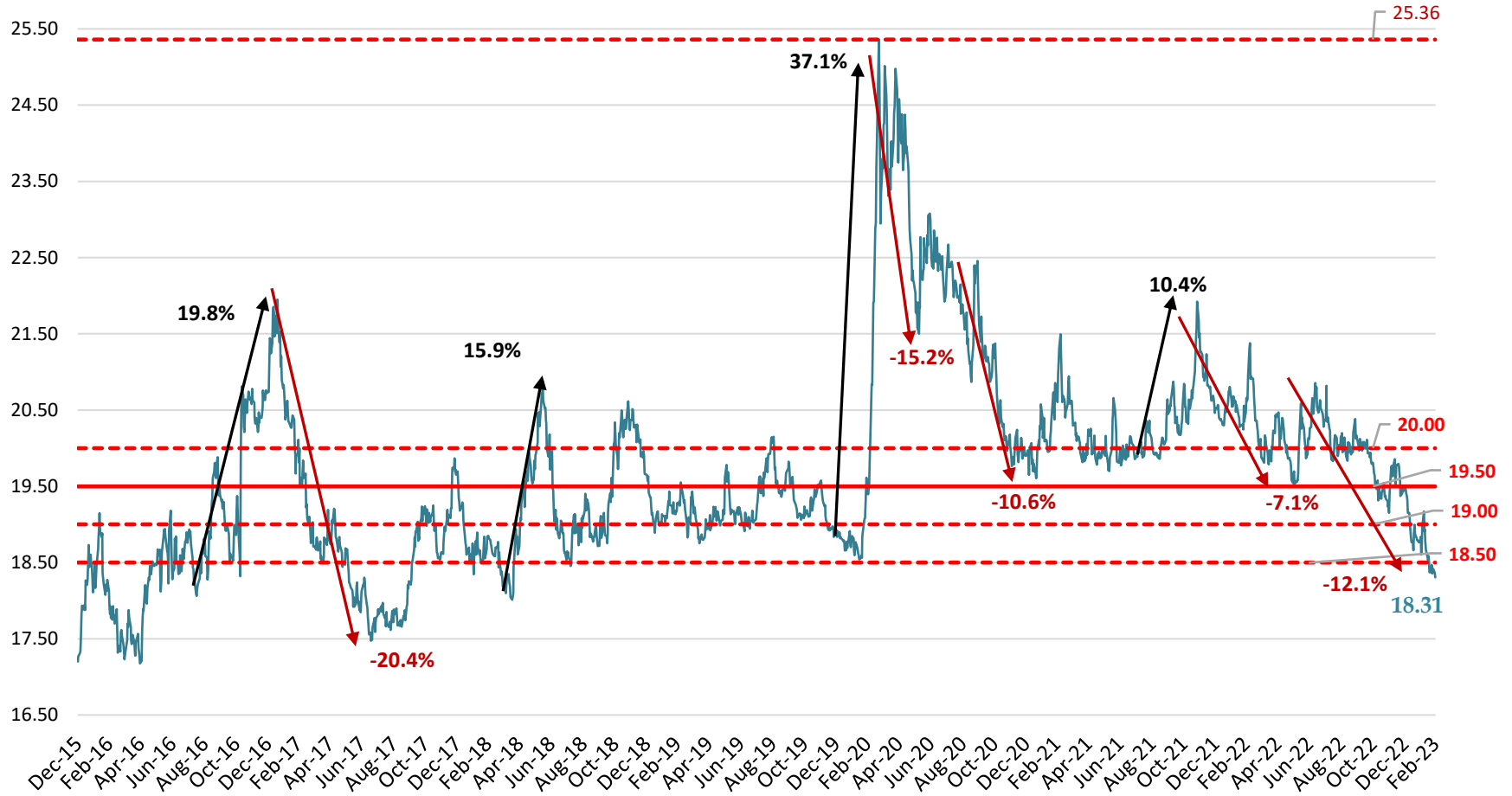
Source: Ministry of Finance (SHCP).

Monetary Policy and Sovereign Risk

Exhibit 16

MXN Spot Exchange Rate per USD

(As of February 28, 2023)



Source: Bloomberg; PAM.

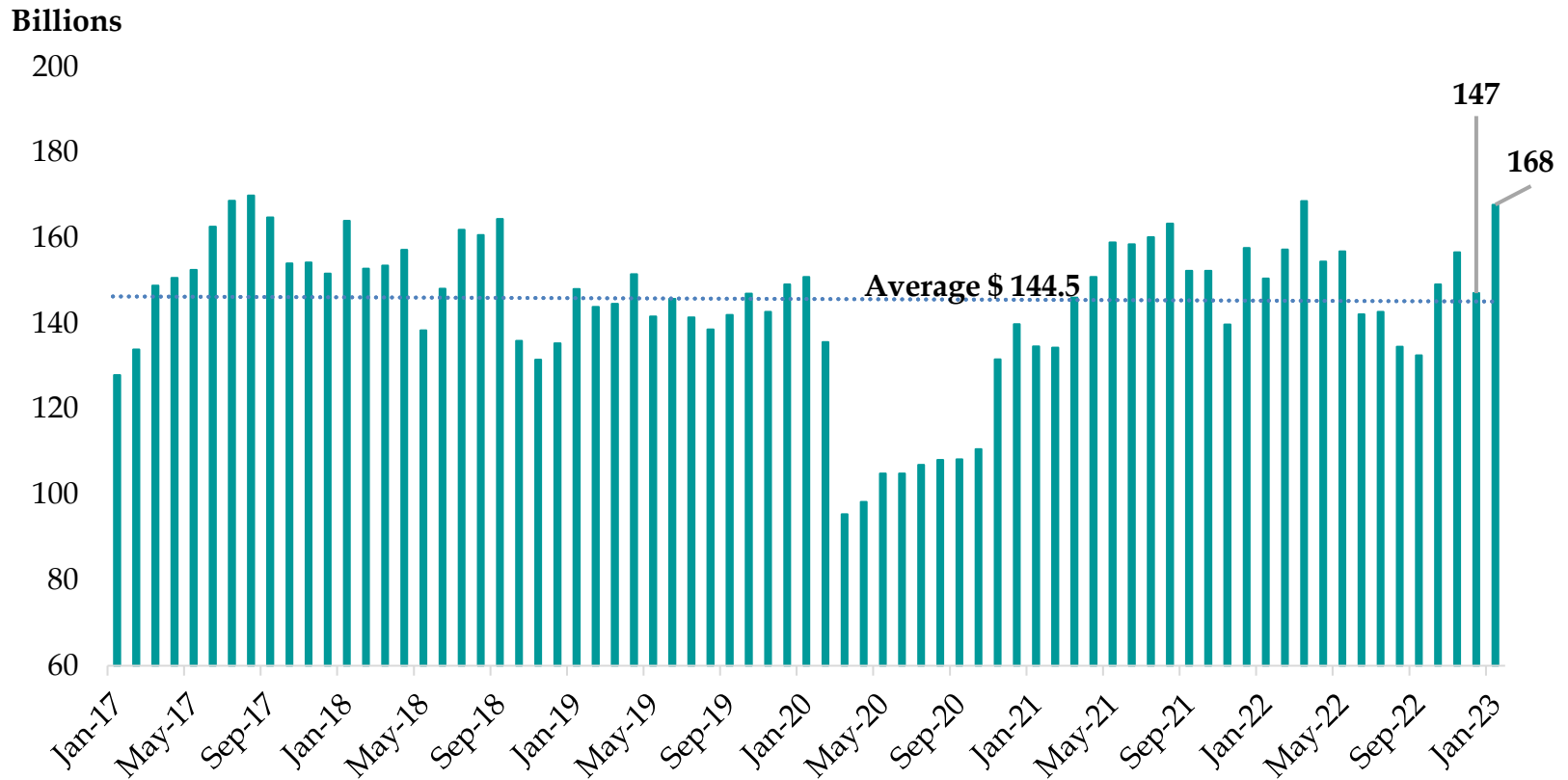
Monetary Policy and Sovereign Risk

Exhibit 17

Foreign Investors increased holdings in Mexican equity markets in January 2023

Non-residents investment in the Mexican equity market

(In USD as of January 2023)



Source: Banco de Mexico

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.

Reference Rate: is an interest rate benchmark used to set other interest rates. Various types of transactions use different reference rate benchmarks, but the most common include the Fed Funds Rate, LIBOR, the prime rate, and the rate on benchmark U.S., among others.

MEXBOL, or the IPC (Indice de Precios y Cotizaciones), is a capitalization-weighted index of the Mexican stock exchange's leading stocks.

INEGI: The National Institute of Statistics and Geography.

Gross Domestic Product (GDP): is the standard measure of the value added created through the production of goods and services in a country during a certain period. As such, it also measures the income earned from that production, or the total amount spent on final goods and services (less imports).

PMI Markit INDEX: Purchasing Managers' Index™ (PMI™) data are compiled by S&P Global for more than 40 economies worldwide. The monthly data are derived from surveys of senior executives at private sector companies and are available only via subscription.

Gross Fixed Investment: measures the value of acquisitions of new or existing fixed assets by the business sector, governments and "pure" households (excluding their unincorporated enterprises) less disposals of fixed assets.

Remittance: money that is sent from one party to another. The term is most often used nowadays to describe a sum of money sent by someone working abroad to their family back home.

Foreign Direct Investment: is an ownership stake in a foreign company or project made by an investor, company, or government from another country.

Reshoring: the practice of transferring a business operation that was moved overseas back to the country from which it was originally relocated.

Near-shoring: It's the transfers of all or part of a company's operations to a nearby country. It applies to business processes like supply chain management, user interface design, etc.

Friend-shoring: Limit the trade of key inputs to trusted countries in order to reduce risks to the supply chains on which the United States and its partners rely

Imports: An import is a good or service bought in one country that was produced in another. Imports and exports are the components of international trade.

Exports: Exports are goods and services that are produced in one country and sold to buyers in another. Exports, along with imports, make up international trade.

Inflation: a quantitative measure of the rate at which the average price level of a basket of selected goods and services in an economy increases over a period of time.

Monetary Policy: A set of actions to control a nation's overall money supply and achieve economic growth. Monetary policy strategies include revising interest rates and changing bank reserve requirements. Monetary policy is commonly classified as either expansionary or contractionary.

IBD: The main source of financing for sustainable, social, economic and institutional development in Latin America and the Caribbean.

Federal Reserve Reference Rate: The federal funds rate is the target interest rate set by the Fed at which commercial banks borrow & lend their extra reserves to one other overnight.

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

Fund holdings and sector allocations are subject to change at any time and should not be considered a recommendation to buy or sell any security. Please see the Schedule of Investments in this report for a complete list of fund holdings. The information and views provided herein represent the opinion of Pichardo Asset Management, not the Fund's Board of Directors, and it does not intend to be a forecast of future events, a guarantee of future results, or investment advice. This report contains certain forward-looking statements about factors that may affect the performance of the Fund in the future.

Management believes these forward-looking statements to be reasonable, although they are inherently uncertain and difficult to predict.

Investors must carefully consider the Fund's investment objectives, risks, charges, expenses and restrictions. The prospectus contains this and other important information about the investment company, which may be obtained by calling U.S. Bancorp Fund Services, LLC, (414) 765-4255. Read it carefully before investing.

All investments involve risk. Principal loss is possible. Investing in equities in Emerging markets 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 more significant in 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 generally 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. In addition, Mexican equity investments are in Mexican pesos. As a result, the Portfolio Securities must increase in market value at a rate over the rate of any decline in the peso's value against the U.S. dollar to avoid a reduction in their equivalent U.S. dollar value.

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

Highlights of the Mexican Economy

Semi-annual, ended January 31, 2023



Vista aérea de Avenida Reforma, Ciudad de México, México. Fuente: CANVA

<https://www.paminversion.com.mx/>



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