

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

Dear Fund Stockholders:

INTRODUCTION

We present our Annual Stockholder Letter for the Fund’s fiscal year ended July 31, 2015 amid a prolonged period of U.S. Dollar strengthening against global currencies (*See: Exhibit A**) and an international oil price range of US\$ 40 to 60 dollars per barrel compared to a high of over US\$ 100 per barrel one year ago. The S&P 500 Volatility Index (VIX), a sentiment indicator that helps to determine when there is too much optimism or fear in the market, recently skyrocketed from levels of 13 to 40 and is 30 at the time of this writing. (*See: Exhibit B**). China’s recent monetary policy easing and the likelihood of its extended economic slowdown with an impact on commodity prices, could also confirm a continued period of soft economic growth worldwide. (*See: Exhibit C**).

During the second half of the Fund’s fiscal year, Emerging Markets (“EM”), were faced with the urgent need for structural reforms to prevent downgrades and further deterioration in their macroeconomic projections. Among Latin America Emerging Markets Countries, Mexico is a relative defensive call according to Scotia, JPMorgan, Citi, Credit Suisse, Moody’s and others. (*See: Exhibit D**).

On the threshold of such a scenario, Mexico is facing: i) a 2016 budget reengineering, with the contribution of oil revenues going from 30% of the budget previously (*See Exhibit E*) to 18% in 2015; ii) an estimated total deficit of -3.4% (*The Economist poll or Economist Intelligence Unit forecast*), (*See Exhibit F*), and iii) lower oil production. (*See Exhibit G**).

We could argue that assuming markets are efficient, Mexico’s 10-year long-term notes (MBONO 10 12/05/24) reflect relatively good risk/reward prospects following a 59 basis point (bps) increase in the spread (from 327 bps to 386 bps) to the US 10-year yield for the one-year period through the end of the Fund’s fiscal year. (*See Exhibit H*). Exhibit I* shows that most of the MBonos have been in “steady benchmarked hands” and official institutions worldwide. According to FX strategists, the peso’s 17.95% depreciation during the Fund’s fiscal year can mainly be explained by the strengthening of the U.S. dollar and what seems to be short and medium-term hedging by MBono foreign investors. (*Source: PAM, Bloomberg*).

Furthermore, the 116 bps increase in the spread of the JP Morgan Emerging Market Bond Index “EMBI” during the same period would also confirm Mexico’s more defensive position relative to the LATAM EM region. (*See Exhibit J*). (*Source: PAM, Bloomberg*).

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The Mexican Ministry of Finance's Gross Domestic Product ("GDP") growth forecast of 2.2% for 2015 indicates slightly higher year-over-year growth following 2.3% growth for the first half of 2015, 2.1% for 2014, and 1.6% for 2013. (Source: Banxico).

We are pleased to report that the Fund has continued to provide its stockholders a competitive annual average dollar return for the last three, five, and ten year periods and since inception with reinvested dividends.

As of July 31, 2015			Total Annual Average Dollar Return through July 31, 2015 (Reinvested dividends)				
Fund	1 Month	Y-T-D	1 Year	3 Years	5 Years	10 Years	Since Inception in 8/30/90
MKE NAV	-0.14% ¹	-1.85% ¹	-12.77% ¹	9.01% ¹	11.28% ¹	12.28% ¹	13.40% ²
MKE NAV Returns in Mexican Pesos	2.36%	7.19%	6.31%	16.21%	16.78%	17.09%	21.51%
MKE Market Price	-1.46% ¹	-3.97% ¹	-15.19% ¹	9.23% ¹	11.32% ¹	13.94% ¹	13.78% ²
MSCI Mexico Index	-2.53%	-4.09%	-15.27%	-1.23%	3.99%	8.21%	10.92%
Mexbol Index	-3.00%	-4.06%	-14.88%	-1.66%	3.27%	9.19%	10.94%
MKF NAV	-1.39%	-1.85%	-14.09%	1.62%	5.53%	8.54%	9.29%
MKF Market Price	-6.23%	-2.09%	-23.42%	1.51%	6.72%	9.32%	10.10%
MKE NAV Excess Returns vs . MSCI Mexico in Basis points	239	224	250	1,024	729	407	248

Cumulative to July 31, 2015.			Reinvested Dividends				
	1 Month	Y-T-D	1 Year	3 Years	5 Years	10 Years	Since Inception in 8/30/90
MKN Depreciation for 1 USD	-2.51%	-9.21%	-21.88%	-21.16%	-27.30%	-52.08%	-458.88%
USD Appreciation for 1 MKN	2.45%	8.43%	17.95%	17.46%	21.45%	34.24%	82.11%
MKE NAV Return in USD	-0.14%	-1.85%	-12.77%	29.53%	70.63%	218.45%	2194.32%

Sources: U.S. Bancorp¹; Thomson², and Bloomberg.

Performance data represents past performance; past performance does not guarantee future results. The investment return and principal value of an investment will fluctuate so that an investor's shares, when 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.

The Fund's investment strategy remains de-indexed providing the Fund's stockholders an excess return of 250 basis points for the one-year period through July 31, 2015, compared to the MSCI-Mexico Index's -15.27% return. (Source: U.S. Bancorp, Bloomberg). (See Exhibit K*).

Past performance is no guarantee of future results.

Our investment strategy continued to adhere to PAM's in-house proprietary ranking and valuation Buy-and-Sell methodology based chiefly on a bottom-up and sectorial approach. The Fund's annual turnover includes an equity shift in: i) Consumer Discretionary stocks, mainly Mid-cap Media stocks; ii) Telecoms, due to a cheap valuations; and iii) an Initial Public Offering related to Auto Component manufacturing versus a fundamental decision to eliminate stocks experiencing an unbundling of their niche due to regulatory changes as well as inefficient operating leverage after holding the position in the Portfolio of the Fund for 3 to 7 years. (Source: PAM, Bloomberg).

I. FUND PERFORMANCE

The Net Asset Value per share (the "NAV") of the Fund decreased -12.77% in US dollar terms and the closing market price of the Fund (on the New York Stock Exchange) decreased by -15.19% in US dollar terms for the one-year period ended July 31, 2015, according to U.S. Bancorp. The Mexican peso (MXN) depreciated -17.95% versus the US dollar (USD) for the same period. In Mexican peso terms, the Fund posted a more than 6% return for the year ended July 31, 2015. (Source: Bloomberg, PAM).

The Fund's US\$ 12.11 common share market price registered a discount of -12.2% to the Fund's NAV of US\$ 13.79, approximately 260 basis points higher than for the one-year period through July 31, 2014. (Source: U.S. Bancorp).

The Fund's net assets were US\$ 103,117,326 as of July 31, 2015 and there were no share repurchases during the Fund's fiscal year. (Source: U.S. Bancorp).

Past performance is no guarantee of future results.

II. THE FUND'S INVESTMENT STRATEGY

At the close of the Fund's fiscal year ended July 31, 2015, the Fund's portfolio registered the following metrics:

- i) The three largest industry weightings in the portfolio were: Wireless Telecommunication Services, Industrial Conglomerates, and Beverages, according to our assessment reports. (Source: PAM, Bloomberg). Wireless Telecommunications holdings have been gradually increased during the period mainly due to attractive valuations and regulatory changes in Mexico. Industrial Conglomerates and Beverages are industries with attractive valuations, strong balance sheets, experienced management to operate in stressful financial conditions (working capital improvement, pricing power and efficient point of sales-SKU's strategy) and high levels of cash that should allow them to continue growing organically or via acquisitions.
- ii) The top three industries that made a positive contribution to the fund's return were Transportation Infrastructure (Airports-Mid-cap), Auto-components (Aluminum, power train and body-structure components-Mid and Small-cap), and Consumer Finance (Financial services-Mid and Small-cap). (Source: PAM, Bloomberg).
- iii) The top three detractors were Construction & Engineering, Industrial Conglomerates and Wireless Telecommunication Services. (Source: PAM, Bloomberg).

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- iv) Large-cap stocks (a market cap of more than US\$5 billion) accounted for approximately 54% of the Fund's total assets. Mid-cap stocks (a market cap of US\$ 1 to US\$ 5 billion) 32%, and Small-cap stocks (a market cap of US\$1 billion or less) 11%. (*Source: PAM, Bloomberg*).
- v) The Fund's top ten holdings accounted for approximately 56% of the Fund's total assets compared to the top ten holdings of the MSCI-Mexico Index (76% of that Index) reflecting our de-indexed and highly diversified bottom-up approach. (*Source: PAM, Bloomberg*). (*See Exhibit L**).

III. MEXBOL INDEX

During the Fund's fiscal year ended July 31, 2015, Mexican companies reported favorable results for Sales and EBITDA with the bottom line (Net Income), reflecting a Mexican peso accounting depreciation of approximately 17.95%. (*Source: Bloomberg*).

The 12m forward Price-to-Earnings (P/E) multiple continued to plot around its last 12 month average levels. (*Source: PAM, Bloomberg*). (*See: Exhibit M**).

In our view, the resilience of the equities market is mostly explained by:

- i) Experienced-internationally competitive companies weathering stressful financial conditions as reflected in greater operating efficiencies amid fiscal and consumer pressure; and, lower energy costs;
- ii) Mexico's relatively more defensive position within the Latam region, and
- iii) Favorable macro prospects arising from structural reforms.

IV. MEXICAN ECONOMY

Throughout the Fund's fiscal year ended July 31, 2015, the Mexican economy showed clear signs of improvement, mainly as a result of a more dynamic private consumption environment which has been positively impacted by more job creation, stronger remittance flows, favorable consumer confidence and low inflation numbers. The monthly private consumption number continued to show an increase of 3.1% year-over-year (y/y) for the January to May period. The trend in this indicator showed a steady pick-up compared to y/y economic activity growth of only 2.2% in 2014. (*For a full economic report, see: www.paminversion.mx*).

V. CLOSING REMARKS

Some of the main financial variables that are supportive of our view that the MXN's current parity is likely not based on fundamentals are:

- i) Inflation has been contained and reflects more than 15 years of responsible monetary policy. (*See: Exhibit N**).

- ii) As mentioned in our introduction, there has been no significant increase in the spread of long-term Mexican government bonds MBONO (only 58 basis points spread increase) reflecting investors' confidence.
- iii) Holdings of MBONOS are very close to historical highs, representing approximately 38% of total holdings. (Source: PAM, Bloomberg). (See Exhibit O*).
- iv) Trade balance has been reasonably balanced. (Source: PAM, Bloomberg). (See Exhibit P*).

Additionally, we find that:

- i) The MXN is being used by Latam countries to hedge risks because of its high liquidity and low cost;
- ii) According to Scotiabank research, around US\$ 200 billion (MBONO and likely other Latam government's debt) are MXN peso/USD short selling to cover the risk of a Federal Reserve hike. (Source: Banxico, PAM, Scotia). (See: Exhibit I*).

We conclude that the Mexican peso is likely to fundamentally plot its theoretical value (inflation-parity relative to its main trade partner) once the Federal Reserve tempers its stance and markets become less volatile.

We continue to believe that there is an investment equities thesis for long-term investors primarily due to:

- i) Mexico's structural reforms, which encompass the telecom, energy, labor and education sectors among 13 other reforms.
- ii) A manufacturing-export based economy (manufactures represent 95% of non-oil exports), with non-oil exports accounting for 93% of total exports, while oil exports come to 7% (down from approximately 11% last year due to the collapse in oil prices). (See: Exhibit Q*).
- iii) Continued responsible monetary and fiscal policies. (See: Exhibit N*).
- iv) Ongoing implementation of energy reform, including the opening-up of the electricity sector.
- v) Mexico's proximity to the U.S.A. (See: Exhibit R*).

* Exhibits A, B, C, D, G, I, and K through R are available on the Fund's website at www.mxefund.com under *Investor Reports*.

Lastly, the government expects that foreign investment related to the energy reform tenders will begin flowing towards the end of the year and gather steam in 2016.

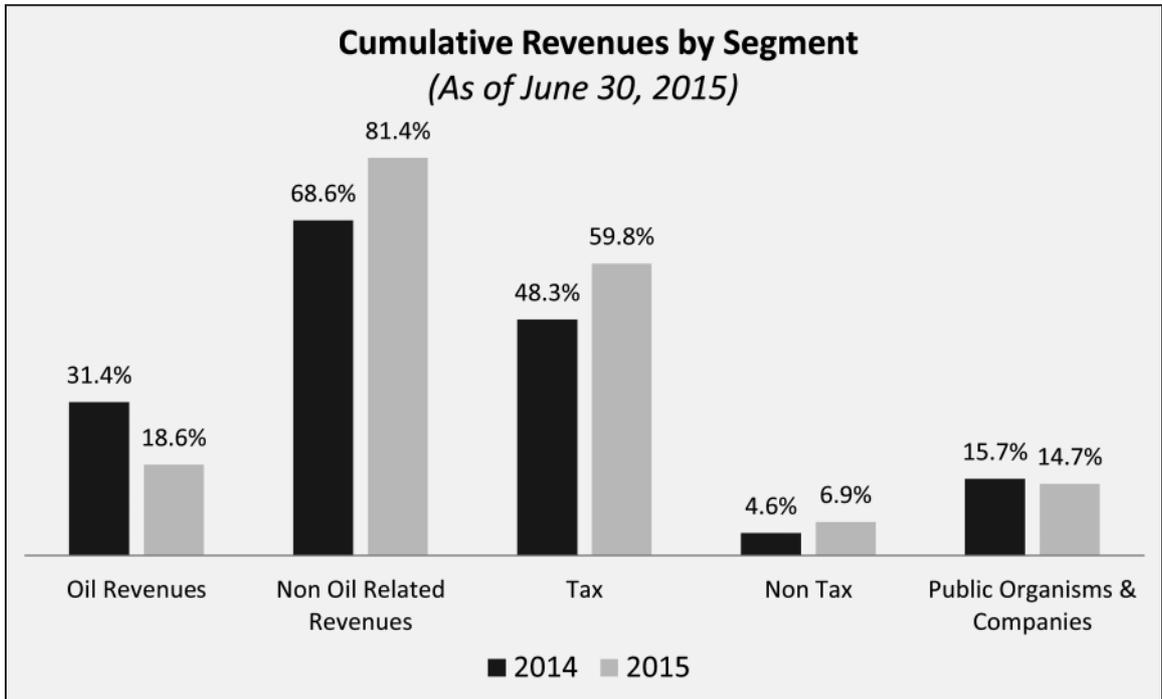
Sincerely yours,



*Eugenia Pichardo
Portfolio Managers*

Exhibit E.

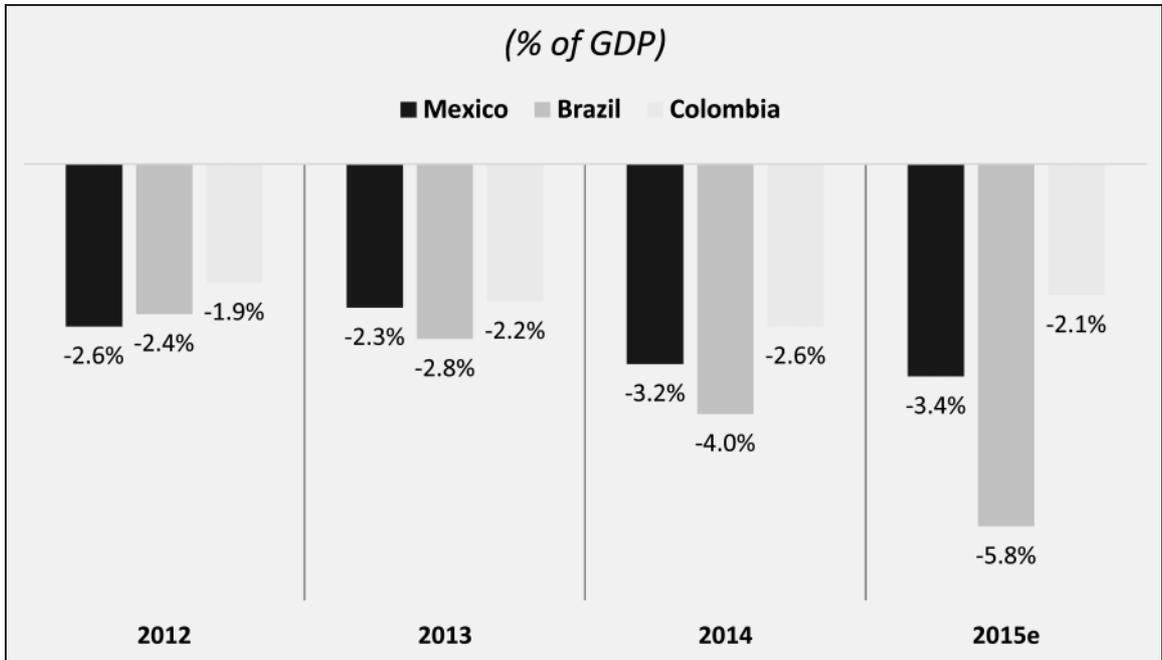
Mexico's Public Balance Breakdown.



Source: SHCP.

Exhibit F.

LATAM Budget Balance, as a percentage of Gross Domestic Product.

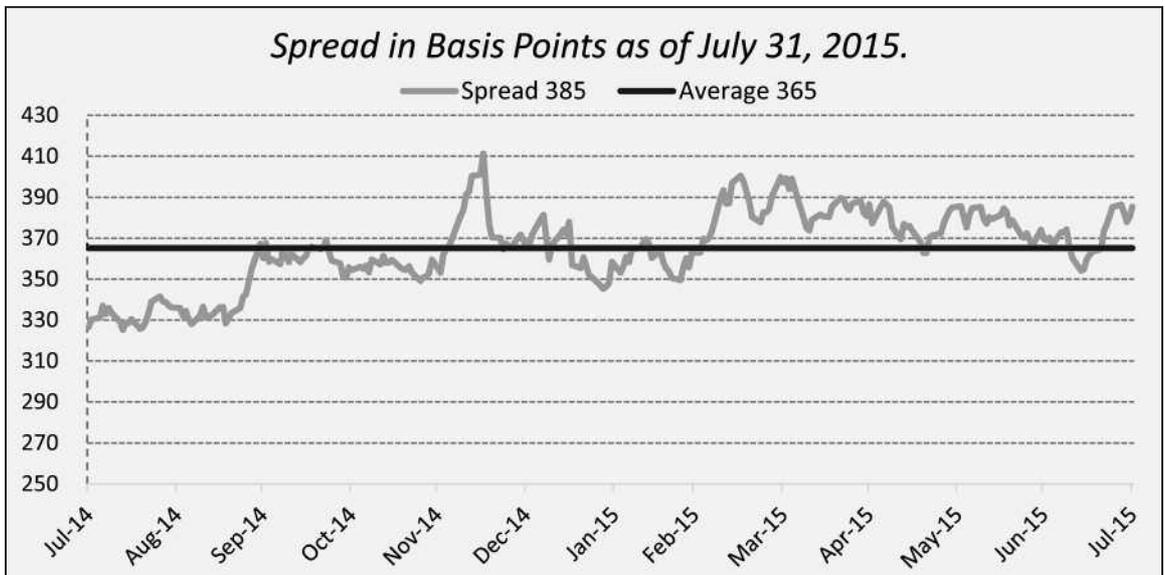
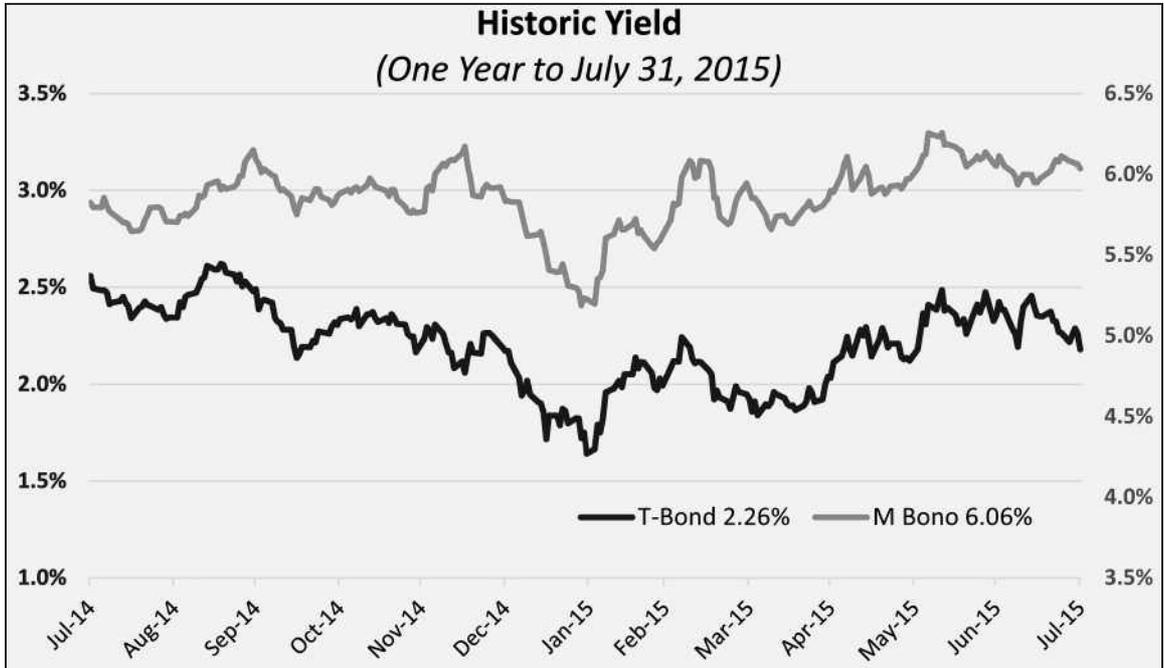


Source: *The Economist Intelligence Unit.*

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Exhibit H.

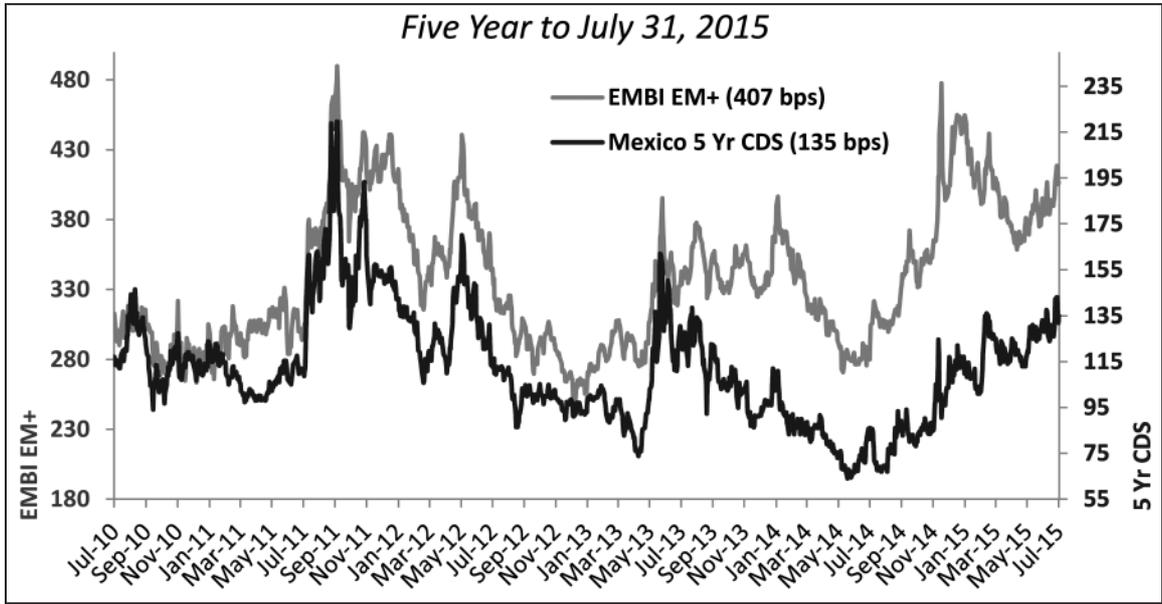
Mexican 10-Year Bond (M-Bono) vs. 10-Year Treasury bond (T-Bond) Spread.



Source: PAM, Bloomberg.

Exhibit J.

Mexico Risk Profile *in basis points*).



Source: PAM, Bloomberg.

Emerging Markets Bond Index Plus (EMBI EM +): *EMBI EM+ is an index built as the weighted average of interest rate differentials among Treasury bonds and Mbonos for all term maturities. Weights are determined by the market value of outstanding issues. It was created and is published by JP Morgan. Because of its nature, EMBI EM+ is a timely measure of international markets' perception of sovereign credit risk. In this feature, it is similar to CDS and should tend to move in the same direction; however, CDS are settled for specific maturity terms with, the 5-year CD being the most popular, while EMBI EM+ involves markets' perception of credit risk for all maturity terms.*

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.mxefund.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 regulation and accounting standards, limited publicly available

information, changes in taxation, periods of illiquidity and other factors. These risks are greater in emerging markets. Stocks of small-and-mid-capitalization companies involve greater volatility and less liquidity than large 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 and (5) higher rates of inflation and interest rates than in the United States.

Mexican Economic and Political Factors. Although Mexico's economy has strengthened in recent years and Mexico's sovereign debt was recently upgraded to "investment-grade" by the three of the most prominent rating agencies, Mexico continues to be classified as a developing economy and investments in developing countries are subject to certain economic risks. Nonetheless, on March 12, 2013 Standard & Poor's revised upward its sovereign foreign currency credit outlook on Mexico from stable to positive. The current rating is BBB. The agency cited the greater odds of reforms being approved as the main reason for the upward revision.

A REIT's share price may decline because of adverse developments affecting the real estate industry. Investing in dividend-paying stocks involves the risk that such stocks may fall out of favor with investors and underperform the market. In addition, there is the possibility of such companies reducing or eliminating the payment of dividends in the future or the anticipated acceleration of dividends not occurring.

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 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.

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

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. The index was developed with a base level of 0.78 on October 30th, 1978.

- MSCI-MEXICO: The Morgan Stanley Capital International Index Mexico is a capitalization weighted index that monitors the performance of stocks traded in Mexico. One cannot invest directly in an index.
- Basis point (bps) is one hundredth of a percentage point (0.01%).
- The net asset value per share (NAV) is calculated as the total market value of all the securities and other assets held by a fund minus total liabilities divided by the total number of common shares outstanding. The NAV of an investment company will fluctuate due to changes in the market prices of the underlying securities.
- The market price of the common 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 market price of the common share 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 expressed as a percentage that is either a discount or a premium to NAV.
- References to other funds should not be considered a recommendation to buy or sell any security.
- GDP: Gross Domestic Product. The monetary value of all the finished goods and services produced within a country's borders in a specific time period, although GDP is usually calculated on an annual basis. It includes all of private and public consumption, government outlays, investments and exports less imports that occur within a defined territory.
- INEGI: The National Institute of Statistics and Geography.
- BANXICO: Banco de Mexico is Mexico's central bank.
- PEMEX: Petroleos Mexicanos is the Mexican state-owned petroleum company created in 1938. PEMEX is the seventh largest crude oil producer in the world and the largest company in Mexico. In Mexico it is the sole producer of crude oil, natural gas, and refined products, and the most important source of government revenue.
- Market Capitalization: The total market value of all of a company's outstanding shares. Market capitalization is calculated by multiplying a company's shares outstanding by the current market price of one share.
- VIX Index: The ticker symbol for the Chicago Board Options Exchange (CBOE) Volatility Index, which shows the market's expectation of 30-day volatility. It is constructed using the implied volatilities of a wide range of S&P 500 index options. This volatility is meant to be forward looking and is calculated from both calls and puts. The VIX is a widely used measure of market risk and is often referred to as the "investor fear gauge."
- Emerging Markets: A nation's economy that is progressing toward becoming advanced, as shown by some liquidity in local debt and equity markets and the existence of some form of market exchange and regulatory body.

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- **M-BONOS:** Mexican Federal Government Development Bonds with a Fixed Interest Rate. Face value: \$100 MXN. The securities can be issued for any term, as long as this term is a multiple of 182 days. Nevertheless, lately, these securities have been issued for 3-5-10-20 and 30-year terms. These securities pay interest every six months; that is, every 182 days or on the banking business day that substitutes this date in the event of a holiday. The interest rate paid is fixed by the federal government upon issuance of the securities and is specified to investors in the auction announcement and in notices that are published every time there is a new securities series.
- **EMBI EM+:** The Emerging Markets Bond Index tracks total returns for traded external debt instruments (external meaning foreign currency denominated fixed income) in the emerging markets. The regular EMBI index covers U.S. dollar-denominated Brady bonds, loans and Eurobonds. The EMBI EM+ expands upon J.P. Morgan's original Emerging Markets Bond Index (EMBI), which was introduced in 1992 and covered only Brady bonds. An external debt version, the EMBI+ is the JPMorgan EMBI Global Index. In addition to serving as a benchmark, the EMBI+ provides investors with a definition of the market for emerging markets external-currency debt, a list of the instruments traded, and a compilation of their terms.
- **Credit Default Swaps (CDS):** A swap designed to transfer the credit exposure of fixed income products between parties. A credit default swap is also referred to as a credit derivative contract, where the purchaser of the swap makes payments up until the maturity date of a contract. Payments are made to the seller of the swap. In return, the seller agrees to pay off a third party debt if this party defaults on the loan. A CDS is considered insurance against non-payment. A buyer of a CDS might be speculating on the possibility that the third party will indeed default.
- **EBITDA:** Earnings before interest, taxes, depreciation, and amortization (used as an indicator of the overall profitability).
- **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 EPS:** The portion of a company's profit allocated to each outstanding share of common stock. Earnings per share serve as an indicator of a company's profitability.
- **EV/EBITDA:** Enterprise value to EBITDA (earnings before interest and amortization) is a valuation multiple used in finance and investment to measure the value of a company. It is the most widely used valuation multiple based on enterprise value.
- **Standard Deviation:** A measure of the dispersion of a set of data from its mean. The more spread apart the data, the higher the deviation. Standard deviation is calculated as the square root of variance.
- **SENER:** Mexico's Energy Ministry is the entity with the mission of conducting the energy policies, within the constitutional framework, to ensure competitive, efficient, high-quality, economically viable and environmentally sustainable supply of energy required for the development of national life.
- **MSCI Emerging Markets: LatAm Index:** Is a free-float weighted equity index. It was developed with a base value of 100 as of December 31 1987.

RELEVANT ECONOMIC INFORMATION for the years ended December 31

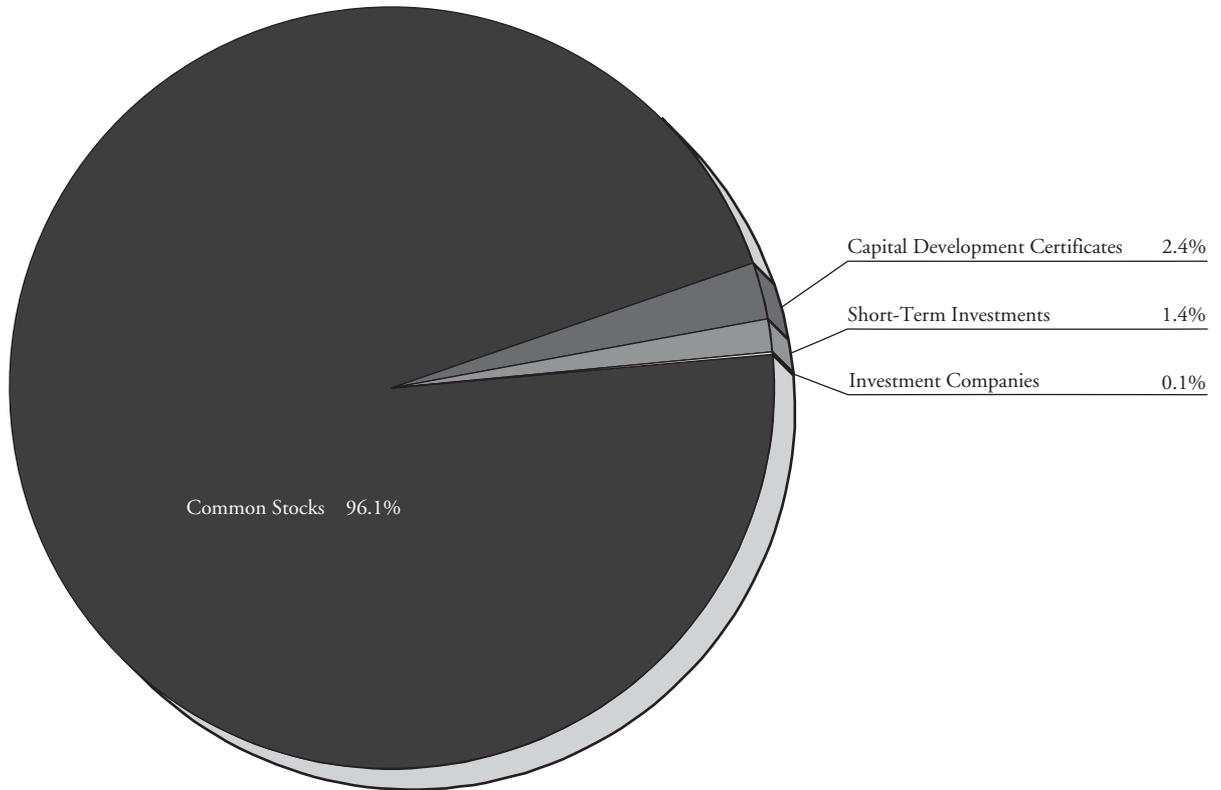
Real Activity (million US\$)	2014	2013	2012	2011	2010
Real GDP Growth (y-o-y)	2.12%	1.39%	4.01%	4.04%	5.11%
Industrial Production (y-o-y Average)	1.85%	-0.30%	3.90%	3.80%	6.06%
Trade Balance (US billions)	-\$2.44	-\$1.01	\$0.20	-\$1.17	-\$3.12
Exports	\$397.54	\$380.20	\$370.90	\$349.68	\$298.36
Export growth (y-o-y)	4.6%	2.5%	6.2%	17.20%	28.2%
Imports	\$399.98	\$381.21	\$370.80	\$350.84	\$301.48
Import growth (y-o-y)	4.9%	2.8%	5.7%	16.4%	25.0%
Financial Variables and Prices					
28-Day CETES (T-bills) Average	2.99%	3.70%	4.29%	4.81%	4.40%
Exchange rate (Pesos/US\$) Average	13.31	12.77	13.15	12.60	12.63
Inflation IPC, 12 month trailing	4.02%	3.97%	3.60%	3.82%	4.40%
Mexbol Index					
USD Return	-10.33%	-1.33%	28.97%	-12.56%	28.79%
Market Cap- (US billions)	\$211.90	\$355.99	\$372.29	\$282.60	\$281.56
EV/EBITDA	9.80x	9.82x	9.21x	8.13x	9.48x
Fund's NAV & Common Share					
Market Price Performance					
NAV's per share	-4.18%	15.85%	47.13%	-13.81%	41.91%
Share Price	-4.57%	19.24%	45.13%	-12.18%	48.41%

Sources: Banamex, Banco de Mexico, Bloomberg, INEGI

July 31, 2015

Allocation of Portfolio Assets

(Calculated as a percentage of Total Investments)



July 31, 2015

Schedule of Investments

MEXICO – 101.38%	Shares	Value
COMMON STOCKS – 97.48%		
Airports – 5.99%		
Grupo Aeroportuario del Centro Norte, S.A.B. de C.V.	581,096	\$ 3,232,138
Grupo Aeroportuario del Pacifico, S.A.B. de C.V. – Series B	372,700	2,942,046
		<u>6,174,184</u>
Auto Parts and Equipment – 7.44%		
Nemak, S.A.B. de C.V. (a)	3,430,564	4,215,681
Rassini, S.A.B. de C.V.	900,048	3,452,721
		<u>7,668,402</u>
Beverages – 9.14%		
Arca Continental, S.A.B. de C.V.	992,042	5,970,415
Fomento Economico Mexicano, S.A.B. de C.V.	380,500	3,450,182
		<u>9,420,597</u>
Building Materials – 1.52%		
Cemex, S.A.B. de C.V. – Series CPO (a)	1,834,200	1,562,983
Cable and Satellite – 5.12%		
Megacable Holdings, S.A.B. de C.V. – Series L	1,299,535	5,282,020
Chemical Products – 6.16%		
Alpek, S.A.B. de C.V.	3,132,893	4,312,650
Mexichem, S.A.B. de C.V.	695,000	2,035,503
		<u>6,348,153</u>
Construction and Infrastructure – 4.14%		
Promotora y Operadora de Infraestructura, S.A.B. de C.V. (a)	370,554	4,266,344
Consumer Financing Services – 2.44%		
Credito Real, S.A.B. de C.V.	1,099,158	2,514,505
Energy – 4.80%		
Infraestructura Energetica Nova, S.A.B. de C.V.	1,013,139	4,947,954

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

July 31, 2015

Schedule of Investments (continued)

COMMON STOCKS (continued)	Shares	Value
Financial Groups – 8.16%		
Banregio Grupo Financiero, S.A.B. de C.V.	422,893	\$ 2,424,368
Grupo Financiero Banorte, S.A.B. de C.V. – Series O	859,033	4,521,086
Unifin Financiera, S.A.P.I. de C.V. (a)	649,931	<u>1,468,672</u>
		<u>8,414,126</u>
Food – 3.98%		
Gruma, S.A.B. de C.V.	151,811	1,989,066
Grupo Bimbo, S.A.B. de C.V. (a)	789,450	<u>2,118,102</u>
		<u>4,107,168</u>
Holding Companies – 9.78%		
Alfa, S.A.B. de C.V. – Series A	3,933,228	7,816,414
Grupo Carso, S.A.B. de C.V.	499,403	<u>2,267,266</u>
		<u>10,083,680</u>
Hotels, Restaurants, and Recreation – 8.05%		
Alsea, S.A.B. de C.V. – Series A	1,280,700	4,166,597
Grupe, S.A.B. de C.V. (a)	1,775,082	<u>4,131,300</u>
		<u>8,297,897</u>
Mining – 2.54%		
Grupo Mexico, S.A.B. de C.V. – Series B	959,996	<u>2,625,131</u>
Publishing and Broadcasting – 1.17%		
Grupo Televisa, S.A.B. de C.V. – Series CPO	173,200	<u>1,208,450</u>
Real Estate Services – 1.63%		
Corporacion Inmobiliaria Vesta, S.A.B. de C.V.	1,003,099	<u>1,686,514</u>
Retail – 3.06%		
Corporativo Fragua, S.A.B. de C.V.	71,047	1,037,760
El Puerto de Liverpool, S.A.B. de C.V.	181,158	<u>2,120,490</u>
		<u>3,158,250</u>
Telecommunication – 12.36%		
America Movil, S.A.B. de C.V. – Series L	13,107,946	<u>12,747,961</u>
TOTAL COMMON STOCKS (Cost \$97,319,609)		<u>100,514,319</u>

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

July 31, 2015

Schedule of Investments (continued)

CAPITAL DEVELOPMENT CERTIFICATES – 2.49%		
	Shares	Value
Atlas Discovery Trust II (b)	300,000	\$ 2,565,943
TOTAL CAPITAL DEVELOPMENT CERTIFICATES (Cost \$2,190,759)		<u>2,565,943</u>
SHORT-TERM INVESTMENTS – 1.41%		
	Principal Amount	Value
Mexican BANOBRA 0.000% Coupon, 2.827% Effective Yield, 08/03/2015 (c)	23,500,000*	1,458,272
TOTAL SHORT-TERM INVESTMENTS (Cost \$1,432,621)		<u>1,458,272</u>
TOTAL MEXICO (Cost \$100,942,989)		<u>104,538,534</u>
UNITED STATES – 0.06%		
INVESTMENT COMPANIES – 0.06%		
First American Treasury Obligation – Class A	64,910	64,910
TOTAL INVESTMENT COMPANIES (Cost \$64,910)		<u>64,910</u>
TOTAL UNITED STATES (Cost \$64,910)		<u>64,910</u>
TOTAL INVESTMENTS (Cost \$101,007,899) – 101.44%		104,603,444
Liabilities in Excess of Other Assets – (1.44)%		<u>(1,486,118)</u>
TOTAL NET ASSETS – 100.00%		<u>\$103,117,326</u>

Percentages are stated as a percent of net assets.

^(a) Non-income producing security.

^(b) The Adviser has determined this security to be illiquid. The total value of illiquid securities at July 31, 2015 was \$2,565,943, comprising 2.49% of net assets, while the remainder of the Fund's net assets 97.51% were liquid.

^(c) Effective yield based on the purchase price. The calculation assumes the security is held to maturity.

* Principal amount in Mexican pesos.

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

Statement of Assets & Liabilities

July 31, 2015

ASSETS:

Investments, at value (cost \$101,007,899)	\$ 104,603,444
Receivables for investments sold	1,920,550
Cash	155,000
Foreign currency (Cost \$7,734)	7,758
Other assets	6,404
Total Assets	<u>106,693,156</u>

LIABILITIES:

Payable for securities purchased	3,369,582
Advisory fees payable	95,128
Audit fees payable	32,798
Administration fees payable	21,381
Printing and mailing	12,043
Custody fees payable	10,338
NYSE fees payable	9,950
Fund accounting fees payable	8,157
Legal fees payable	6,952
Transfer Agent fees and expenses payable	2,851
Director fees and expenses payable	2,102
CCO fees and expenses payable	915
Accrued expenses and other liabilities	3,633
Total Liabilities	<u>3,575,830</u>
Net Assets	<u>\$103,117,326</u>
Net Asset Value Per Preferred Share (\$669,319 / 48,535)	<u>\$ 13.79</u>
Net Asset Value Per Common Share (\$102,448,007 / 7,428,915)	<u>\$ 13.79</u>

NET ASSETS CONSIST OF:

Preferred stock, \$0.001 par value; 48,535 shares outstanding, 769,101 shares held in treasury (1,855,128 shares authorized)	\$ 49
Common stock, \$0.001 par value; 7,428,915 shares outstanding, 7,155,083 shares held in treasury (98,144,872 shares authorized)	7,429
Paid-in capital	98,578,862
Accumulated net realized gain on investments and foreign currency	948,113
Net unrealized appreciation on investments and foreign currency	3,582,873
Net Assets	<u>\$103,117,326</u>

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

Statement of Operations

For the Year Ended
July 31, 2015

INVESTMENT INCOME

Dividends ⁽¹⁾	\$ 1,202,760
Interest	<u>94,807</u>
Total Investment Income	<u>1,297,567</u>

EXPENSES

Advisory fees (Note B)	\$ 1,201,480
Directors' fees and expenses (Note B)	193,758
Administration fees (Note B)	134,680
Legal fees	74,079
Custodian fees (Note B)	69,232
Fund accounting fees (Note B)	50,783
CCO fees and expenses (Note B)	50,529
Printing and mailing	44,713
Insurance expense	36,570
Audit fees	31,958
NYSE fees	30,801
Transfer agent fees and expenses (Note B)	17,636
Miscellaneous	<u>6,771</u>
Total expenses	<u>1,942,990</u>

NET INVESTMENT LOSS

(645,423)

NET REALIZED AND UNREALIZED GAIN (LOSS) ON INVESTMENTS

Net realized gain from investments and foreign currency transactions	3,072,514
Net change in unrealized depreciation on investments and foreign currency transactions	<u>(17,799,058)</u>
Net loss from investments and foreign currency transactions	<u>(14,726,544)</u>
Net decrease in net assets resulting from operations	<u><u>\$(15,371,967)</u></u>

(1) Net of \$12,659 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, 2015</u>	<u>For the Year Ended July 31, 2014</u>
INCREASE (DECREASE) IN NET ASSETS		
Operations:		
Net investment income (loss)	\$ (645,423)	\$ 73,688
Net realized gain on investments and foreign currency transactions	3,072,514	9,709,423
Net change in unrealized appreciation (depreciation) in value of investments and foreign currency transactions	<u>(17,799,058)</u>	<u>4,520,449</u>
Net increase (decrease) in net assets resulting from operations	<u>(15,371,967)</u>	<u>14,303,560</u>
Distributions to Shareholders from:		
Net investment income		
Common stock	(40,640)	—
Preferred stock	(291)	—
Net realized gains		
Common stock	(10,918,548)	(12,978,531)
Preferred stock	<u>(78,238)</u>	<u>(104,270)</u>
Decrease in net assets from distributions	<u>(11,037,717)</u>	<u>(13,082,801)</u>
Capital Share Transactions (Note D):		
Issuance of common stock for dividend	<u>8,278,288</u>	<u>9,812,101</u>
Increase in net assets from capital share transactions	<u>8,278,288</u>	<u>9,812,101</u>
Total increase (decrease) in net assets	(18,131,396)	11,032,860
Net Assets:		
Beginning of year	121,248,722	110,215,862
End of year*	<u>\$103,117,326</u>	<u>\$121,248,722</u>
* Including accumulated net investment income (loss) of	<u>\$ —</u>	<u>\$ 37,107</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,				
	2015	2014	2013	2012	2011
Per Share Operating Performance					
Net asset value, beginning of year	\$ 17.77	\$ 17.91	\$ 13.78	\$ 13.26	\$ 10.48
Net investment income (loss)	(0.09)	0.01	(0.09)	(0.05)	(0.03)
Net realized and unrealized gains (losses) on investments and foreign currency transactions	(2.14)	2.10	4.35	0.48	2.75
Net increase (decrease) from investment operations	(2.23)	2.11	4.26	0.43	2.72
Less: Distributions					
Dividends from net investment income	(0.01)	—	—	—	(0.02)
Distributions from net realized gains	(1.61)	(2.13)	(0.19)	—	—
Total dividends and distributions	(1.62)	(2.13)	(0.19)	—	(0.02)
Capital Share Transactions					
Anti-dilutive effect of Common Share Repurchase Program	—	0.00 ⁽²⁾	0.06	0.09	0.08
Dilutive effect of Reinvestment of Distributions to the Fund's Stockholders	(0.13)	(0.12)	—	—	—
Total capital share transactions	(0.13)	(0.12)	0.06	0.09	0.08
Net Asset Value, end of year	\$ 13.79	\$ 17.77	\$ 17.91	\$ 13.78	\$ 13.26
Per share market value, end of year	\$ 12.11	\$ 16.08	\$ 15.84	\$ 12.11	\$ 11.64
Total Investment Return Based on Market Value, end of year ⁽¹⁾	(15.19)%	15.93%	32.55%	4.04%	26.09%
Ratios/Supplemental Data					
Net assets, end of year (000's)	\$102,448	\$120,386	\$109,337	\$ 86,970	\$ 89,184
Ratios of expenses to average net assets	1.76%	1.79%	1.62%	1.57%	1.51%
Ratios of net investment income (loss) to average net assets	(0.58)%	0.07%	(0.52)%	(0.42)%	(0.20)%
Portfolio turnover rate	175.19%	134.98%	179.10%	277.48%	253.20%

(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 year 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 cent per share.

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

Financial Highlights

For a Preferred Share Outstanding Throughout Each Year

	For the Year Ended July 31,				
	2015	2014	2013	2012	2011
Per Share Operating Performance					
Net asset value, beginning of year	\$ 17.77	\$ 17.91	\$ 13.78	\$ 13.26	\$ 10.48
Net investment income	(0.09)	0.01	(0.09)	(0.05)	(0.03)
Net realized and unrealized gains (losses) on investments and foreign currency transactions	(2.14)	2.10	4.35	0.48	2.75
Net increase (decrease) from investment operations	(2.23)	2.11	4.26	0.43	2.72
Less: Distributions					
Dividends from net investment income	(0.01)	—	—	—	(0.02)
Distributions from net realized gains	(1.61)	(2.13)	(0.19)	—	—
Total dividends and distributions	(1.62)	(2.13)	(0.19)	—	(0.02)
Capital Share Transactions					
Anti-dilutive effect of					
Common Share Repurchase Program	—	0.00 ⁽²⁾	0.06	0.09	0.08
Dilutive effect of Reinvestment of					
Distributions to the Fund's Stockholders	(0.13)	(0.12)	—	—	—
Total capital share transactions	(0.13)	(0.12)	0.06	0.09	0.08
Net Asset Value, end of year	\$ 13.79	\$ 17.77	\$ 17.91	\$ 13.78	\$ 13.26
Per share market value, end of year ⁽³⁾	\$ 12.15	\$ 16.10	\$ 14.50	\$ 16.03	\$ 11.93
Total Investment Return Based on					
Market Value, end of year ⁽¹⁾⁽³⁾	(15.46)%	26.38%	(8.34)%	34.37%	30.36%
Ratios/Supplemental Data					
Net assets, end of year (000's)	\$ 669	\$ 863	\$ 878	\$ 794	\$ 764
Ratios of expenses to average net assets	1.76%	1.79%	1.62%	1.57%	1.51%
Ratios of net investment income (loss)					
to average net assets	(0.58)%	0.07%	(0.52)%	(0.42)%	(0.20)%
Portfolio turnover rate	175.19%	134.98%	179.10%	277.48%	253.20%

- (1) Total investment return is calculated assuming a purchase of preferred stock at the current market price on the first day and a sale at the current market price on the last day of each year 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 cent per share.
- (3) Based on the mean of the bid and ask.

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

July 31, 2015

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. All securities for which market quotations are readily available are valued at the last sales price prior to the time of determination of net asset value, or, if no sales price is available at that time, at the closing price last quoted for the securities. 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. Securities that are traded over-the-counter are valued, if bid and asked quotations are available, at the mean between the current bid and asked prices. 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, 2015.

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:

Dividends distributed by Mexican companies are subject to withholding tax at an effective rate of 0.00%.

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, 2015. 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.

July 31, 2015

Notes to Financial Statements (continued)

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 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, 2015:

July 31, 2015

Notes to Financial Statements (continued)

	<u>Level 1*</u>	<u>Level 2*</u>	<u>Level 3**</u>	<u>Total</u>
Equity				
Airports	\$ 6,174,184	\$ —	\$ —	\$ 6,174,184
Auto Parts and Equipment	7,668,402	—	—	7,668,402
Beverages	9,420,597	—	—	9,420,597
Building Materials	1,562,983	—	—	1,562,983
Capital Development Certificates	—	—	2,565,943	2,565,943
Cable and Satellite	5,282,020	—	—	5,282,020
Chemical Products	6,348,153	—	—	6,348,153
Construction and Infrastructure	4,266,344	—	—	4,266,344
Consumer Financing Services	2,514,505	—	—	2,514,505
Energy	4,947,954	—	—	4,947,954
Financial Groups	8,414,126	—	—	8,414,126
Food	4,107,168	—	—	4,107,168
Holding Companies	10,083,680	—	—	10,083,680
Hotels, Restaurants, and Recreation	8,297,897	—	—	8,297,897
Mining	2,625,131	—	—	2,625,131
Publishing and Broadcasting	1,208,450	—	—	1,208,450
Real Estate Services	1,686,514	—	—	1,686,514
Retail	2,120,490	1,037,760	—	3,158,250
Telecommunication	<u>12,747,961</u>	<u>—</u>	<u>—</u>	<u>12,747,961</u>
Total Equity	<u>\$99,476,559</u>	<u>\$1,037,760</u>	<u>\$2,565,943</u>	<u>\$103,080,262</u>
Short-Term Investments	<u>\$ 64,910</u>	<u>\$1,458,272</u>	<u>\$ —</u>	<u>\$ 1,523,182</u>
Total Investments in Securities	<u>\$99,541,469</u>	<u>\$2,496,032</u>	<u>\$2,565,943</u>	<u>\$104,603,444</u>

* Transfers between Levels are recognized at the end of the reporting period.

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

Transfers between Level 1 and Level 2 securities as of July 31, 2015 resulted from securities priced previously with an official close price (Level 1 securities) or on days where there is not an official close price the securities are valued at the mean between the most recent bid and asked prices (Level 2 securities). Transfers as of July 31, 2015 are summarized in the table below:

Transfers into Level 1	\$ —
Transfers out of Level 1	<u>(1,037,760)</u>
Net transfers in and/or out of Level 1	<u>\$(1,037,760)</u>
Transfers into Level 2	\$ 1,037,760
Transfers out of Level 2	<u>—</u>
Net transfers in and/or out of Level 2	<u>\$ 1,037,760</u>

July 31, 2015

Notes to Financial Statements (continued)

Level 3 Reconciliation Disclosure

Following is a reconciliation of Level 3 assets for which significant unobservable inputs were used to determine fair value.

<u>Description</u>	<u>Investments in Securities</u>
Balance as of July 31, 2014	\$2,631,578
Acquisition/Purchase	—
Sales	—
Realized gain	—
Change in unrealized appreciation (depreciation) ⁽¹⁾	(65,635)
Balance as of July 31, 2015	<u><u>\$2,565,943</u></u>

(1) Included in the net unrealized appreciation on investments and foreign currency on the Statement of Assets & Liabilities.

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, 2015:

	<u>Fair Value</u> <u>July 31, 2015</u>	<u>Valuation</u> <u>Methodologies</u>	<u>Unobservable</u> <u>Input⁽¹⁾</u>	<u>Impact to</u> <u>Valuation from</u> <u>an increase in</u> <u>Input⁽²⁾</u>
Capital Development Certificates	\$2,565,943	Market Comparables/ Sum of the Parts Valuation	Liquidity Discount	Decrease

(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.

(2) This column represents the directional change in the fair value of the Level 3 investments that would result from an increase to the corresponding unobservable input. A decrease to the unobservable input would have the opposite effect.

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

Notes to Financial Statements (continued)

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 (2012-2014), or expected to be taken in the Fund's 2015 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 gain reclassifications. For the year ended July 31, 2015, the Fund decreased undistributed net investment loss by \$649,247, decreased accumulated realized gain by \$267,443, and decreased paid in capital by \$381,804.

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.

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

July 31, 2015

Notes to Financial Statements (continued)

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, 2015 and July 31, 2014 were as follows:

<u>Distributions paid from:</u>	<u>7/31/15</u>	<u>7/31/14</u>
Ordinary Income	\$ 1,330,752	\$10,150,547
Long-Term Capital Gain	<u>9,706,965</u>	<u>2,932,254</u>
Total	<u>\$11,037,717</u>	<u>\$13,082,801</u>

As of July 31, 2015, the components of distributable earnings on a tax basis were as follows:

Cost of Investments for tax purposes(a)	<u>\$104,183,744</u>
Gross tax unrealized appreciation on investments	7,409,683
Gross tax unrealized depreciation on investments	<u>(6,989,983)</u>
Net tax unrealized appreciation on investments	<u>419,700</u>
Undistributed ordinary income	—
Undistributed long-term capital gains	<u>4,123,958</u>
Total distributable earnings	<u>4,123,958</u>
Other accumulated gains(losses)	\$ (12,672)
Total accumulated earnings(losses)	<u>\$ 4,530,986</u>

- (a) Represents cost for federal income tax purposes. Differences between the Fund's cost basis of investments at July 31, 2015, for book and tax purposes, relates primarily to the deferral of losses related to wash sales.

Notes to Financial Statements (continued)

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 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 3×0.01 , 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, 2015, the Fund's investment performance ranged from 9.3% to (2.0)% above/(below) the investment performance of the Index. Accordingly, for the year ended July 31, 2015 the net investment advisor fee consisted of the base fee of \$1,105,960 and an upward performance fee adjustment of \$95,520.

Effective January 1, 2015, 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 \$35,000, paid pro rata, quarterly plus a fee of \$500 for each meeting held telephonically. As additional annual compensation, the Chairman of the Fund will receive \$5,000, the Audit Committee Chairman and Valuation Committee Chairman will receive \$3,000, and the Nomination Committee Chairman will receive \$2,000. For serving the Fund as Chief Compliance Officer, in addition to the aforementioned Directors' fees, Mr. Hellerman receives annual compensation in the amount of \$45,000. In addition, the Fund reimburses the directors and Chief Compliance Officer ("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 ("USBFS"), an indirect wholly-owned subsidiary of U.S. Bancorp, serves as the Fund's Administrator and, in that capacity, performs various administrative services for the Fund. USBFS also serves as the Fund's Fund Accountant (the "Fund Accountant") and Transfer Agent.

July 31, 2015

Notes to Financial Statements (continued)

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 \$194,707,157 and \$195,621,655 respectively, for the year ended July 31, 2015.

At July 31, 2015 approximately 101.4% 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.

NOTE D: CAPITAL STOCK

During the year ended July 31, 2015, there were no shares of stock repurchased under the guidelines set forth in the Fund's stock repurchase program.

During the year ended July 31, 2015, the Fund continued to offer to convert any outstanding preferred shares to common shares on a one-for-one basis. There were no conversions of preferred shares to common shares during the period.

During the year ended July 31, 2014, there were no shares of stock repurchased under the guidelines set forth in the Fund's stock repurchase program.

During the year ended July 31, 2014, the Fund continued to offer to convert any outstanding preferred shares to common shares on a one-for-one basis. As a result of this conversion offer, 500 preferred shares participated in the offer and were converted to common shares.

On December 4, 2014, the Board of Directors declared a stock dividend of \$1.618 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 655,622 shares of common stock to stockholders that did not elect the cash option, which amounted to \$8,278,288.

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 and preferred stock in the open market.

Notes to Financial Statements (concluded)

NOTE E: PREFERRED STOCK

Shares of the Preferred Stock have identical rights, voting powers, restrictions, and qualifications of the common stock of the Fund except for conversion preference features and the ability to elect two directors.

Note to preferred shareholders. The New York Stock Exchange (“NYSE”) announced March 21, 2013 that the staff of NYSE Regulation, Inc. has determined that the Preferred Stock is no longer suitable for listing because it does not meet the minimum continued listing distribution requirement of 100,000 publicly held shares outstanding as set forth in Section 802.01 of the NYSE Listed Company Manual. Trading on the NYSE in the Fund’s Preferred Stock was suspended prior to the opening of trading on March 22, 2013. The Preferred Stock is now trading on OTC under MXEIP.

Subsequent events

In preparing these financial statements, the Fund has evaluated events and transactions for potential recognition or disclosure resulting from subsequent events through the date the financial statements were available to be issued. The Fund has determined that there were no subsequent events that would need to be disclosed in the Fund’s financial statements.

Report Of Independent Registered Public Accounting Firm

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

We have audited the accompanying statement of assets and liabilities, including the schedule of investments, of The Mexico Equity and Income Fund, Inc. (the “Fund”) as of July 31, 2015 and 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, and the financial highlights for each of the five years in the period then ended. These financial statements and financial highlights are the responsibility of the Fund’s management. Our responsibility is to express an opinion on these financial statements and financial highlights based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements and financial highlights are free of material misstatement. The Fund is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. Our audit included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, 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. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. Our procedures included confirmation of securities owned as of July 31, 2015, by correspondence with the custodian and brokers or by other appropriate auditing procedures where replies from brokers were not received. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements and financial highlights referred to above present fairly, in all material respects, the financial position of The Mexico Equity and Income Fund, Inc. as of July 31, 2015, 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.

TAIT, WELLER & BAKER LLP

**Philadelphia, Pennsylvania
September 25, 2015**

Additional Information

July 31, 2015
(Unaudited)

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

In March 2015, 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 Board's approval are described below.

INFORMATION REVIEWED

During the course of the year, Board members 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 Board requested and the Board 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 Board 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 Board and 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 Board and the Independent Directors.

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

The 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 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 daily activities of the Fund. The Directors reviewed the structure of the Adviser's compliance program and its continuing commitment to a culture of compliance. The Directors discussed in detail the Adviser's performance and compliance oversight, including the reports of the Fund's chief compliance officer to the Directors on the effectiveness of the Adviser's compliance program. The 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 Board and had consistently kept the Board apprised of developments

Additional Information (continued)

July 31, 2015
(Unaudited)

related to the Fund and the industry in general. The 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 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, 2015. 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 26 closed end international funds constructed by data provided by Morningstar, Inc. (the "Morningstar Peer Group"). The Independent Directors noted that the one year return for the Fund ranked twenty first amongst its peer group while the Fund ranked sixth, second and second for the three-year, five-year and ten year periods, respectively.

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

The 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 Directors noted that the Fund's contractual management base fee of 1.00% fell within the second quartile and was the same as the Morningstar Peer Group average of 1.00%. The 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 Directors noted that the contractual investment advisory fee adjusted for the payments under the fulcrum fee for performance was 14.5 basis points higher than the peer group average. The Directors then discussed the operation of the performance fee adjustment and the impact on fees and expenses based on various performance results. The Directors then noted that Fund's current expense ratio of 1.79% was reasonable when compared to funds with similar asset size and complexity. The Directors also considered the overall profitability of the Adviser, after reviewing the Adviser's financial information. The 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 Directors and the Fund's administrator specifically for the March 2015 meeting at which the Agreement was formally considered, as well as the presentations made by the Adviser over the course of the year.

The 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 Directors further concluded that the Adviser's profit from advising the Fund had not been, and currently

July 31, 2015
(Unaudited)

Additional Information (continued)

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 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 Directors considered the direct and indirect benefits that could be realized by the Adviser from its association with the Fund. The 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 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 Board and 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)

July 31, 2015
(Unaudited)**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. 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 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 Form N-Q. 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> beginning with the filing for the period ended October 31, 2004. The Fund's Forms N-Q may also be reviewed and copied at the SEC's Public Reference Room in Washington, DC and information on the operation of the Public Reference Room may be obtained by calling 1-800-SEC-0330.

NOTE 3: INFORMATION ABOUT CERTIFICATIONS

In December 2014, 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, 2015
(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, 2015 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 98.16%. (unaudited)

The Fund designates 100.00% of dividends declared for the fiscal year July 31, 2015 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, 2015
(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 and Preferred 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 and Preferred 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 either in the Fund's Common Stock, Preferred 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 or Preferred Stock, respectively, 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 or Preferred Stock from the Fund valued at

July 31, 2015
(Unaudited)

Dividends and Distributions (concluded)

market price. The 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, Preferred 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 and Preferred 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 or Preferred 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, 2015
(Unaudited)

The Fund's Annual Stockholders meeting was held on December 18, 2014, at the offices of U.S. Bancorp Fund Services, 777 E. Wisconsin Avenue, Milwaukee, WI 53202. As of October 16, 2014, the record date, outstanding shares of common and preferred stock were 6,773,293 and 48,535 respectively. Holders of 5,872,614 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 two proposals. The stockholders elected two Directors to the Board of Directors and approved an Amendment to the Fund's Amended and Restated By-Laws regarding claims that may be brought by a stockholder against the Fund, its officers and directors. The following table provides information concerning the matters voted on at the meeting:

I. Election of Directors

	<u>Votes For</u>	<u>Votes Withheld</u>
(01) Phillip Goldstein	5,704,412	168,202
(02) Maria Eugenia Pichardo	4,204,788	1,667,826

II. Approval of an Amendment to Amended and Restated By-Laws

	<u>Votes For</u>	<u>Votes Against</u>	<u>Abstain</u>
	1,664,324	556,351	1,574,808

Privacy Policy

July 31, 2015
(Unaudited)

FACTS	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?
Why?	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.
What?	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"> • Social Security number • account balances • account transactions • transaction history • wire transfer instructions • checking account information When you are <i>no longer</i> our customer, we continue to share your information as described in this notice.
How?	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?
For our everyday business purposes – such as to process your transactions, maintain your account(s), respond to court orders and legal investigations, or report to credit bureaus	Yes	No
For our marketing purposes – to offer our products and services to you	No	We don't share
For joint marketing with other financial companies	No	We don't share
For our affiliates' everyday business purposes – information about your transactions and experiences	Yes	No
For our affiliates' everyday business purposes – information about your creditworthiness	No	We don't share
For our affiliates to market to you	No	We don't share
For nonaffiliates to market to you	No	We don't share

Questions?	Call (877) 785-0376
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July 31, 2015
(Unaudited)

Privacy Policy (concluded)

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

Management of the Fund

July 31, 2015
(Unaudited)

Board of Directors. The management and affairs of the Fund are supervised by the Board of Directors. The Board consists of six individuals, five of 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.

<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, Chief Compliance Officer	Since 2013 / 15 years	Managing Director of Hellerman Associates (a financial and corporate consulting firm) since 1993 (which terminated activities as of December 31, 2013).	Director, BDCA Venture, Inc.; Director, Imperial Holdings, Inc.; Director, Ironsides Partners Opportunity Offshore Fund Ltd.; Director, MVC Capital, Inc.; Director, Special Opportunities Fund, Inc.

July 31, 2015
(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 Park 80 West, Plaza Two, 250 Pehle Avenue, Suite 708 Saddle Brook, NJ 07663	1945	Chairman	Since 2014 / 16 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 the Bulldog Investors group of funds. He also is a member of Kimball & Winthrop, LLC, the managing general partner of Bulldog Investors General Partnership, since 2012. From 1992-2012, Mr. Goldstein was a member of the general partners of several private funds in the Bulldog Investors group of funds and in 2012 became a member of Bulldog Holdings, LLC which became the sole owner of such general partners.	Chairman, Imperial Holdings, Inc.; Director, MVC Capital, Inc.; Chairman, Special Opportunities Fund, Inc.
Glenn Goodstein 5650 El Camino Real, Suite 155 Carlsbad, CA 92008	1963	Director	Since 2013 / 15 years	Registered Investment Advisor; held numerous executive positions with Automatic Data Processing until 1996.	None

July 31, 2015
(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 68 Lafayette Avenue Dumont, NJ 07628	1968	Director	Since 2012 / 15 years	Since 2004, Mr. Das has been a Principal of the entities 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 advisor to the Special Opportunities Fund, Inc., since its inception in 2009. Treasurer of Special Opportunities Fund, Inc. since 2009.	None
Andrew Dakos Park 80 West, Plaza Two 250 Pehle Avenue, Suite 708 Saddle Brook, NJ 07663	1966	Director	Since 2012 / 15 years	Since its inception in 2009, Mr. Dakos has been a member of Bulldog Investors, LLC, the investment advisor of Special Opportunities Fund, Inc. and the Bulldog Investors group of funds. He also is a member of Kimball & Winthrop, LLC, the managing general partner of Bulldog Investors General Partnership, since 2012. From 1999-2012, Mr. Dakos was a member of the general partners of several private funds in the Bulldog Investors group of funds and in 2012 became a member of Bulldog Holdings, LLC which became the sole owner of such general partners. Chief Compliance Officer of Bulldog Investors, LLC from 2009-2012.	Director, BDCA Venture, Inc.; Director, Imperial Holdings, Inc.; Director, Special Opportunities Fund, Inc.

July 31, 2015
(Unaudited)

Management of the Fund (concluded)

<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>
Maria Eugenia Pichardo Paseo de Tamarindos 45-201 Bosques de las Lomas Mexico DF 05120	1950	Interested Director, Officer, President	Since 2014 / 6 years Indefinite / 12 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 to 2002.	None
Luis Calzada Paseo de Tamarindos 45-201 Bosques de las Lomas Mexico DF 05120	1965	Secretary	Indefinite / 5 years	Administrative and Compliance Director, Pichardo Asset Management S.A. de C.V.	None
Mario Alberto Gonzalez Paseo de Tamarindos 45-201 Bosques de las Lomas Mexico DF 05120	1958	Chief Financial Officer	Since 2015	Chief Executive Officer, Pichardo Asset Management, S.A. de C.V. from April 2015 to present; Chief Financial Officer, Farmocos Nacionales from 2009 to April 2015.	None

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

Investment Adviser:

Pichardo Asset Management, S.A. de C.V.
Paseo de Tamarindos 45-201
Bosques de las Lomas
Delegación Cuajimalpa
Mexico DF 05120

**Independent Registered Public
Accounting Firm:**

Tait, Weller & Baker LLP
1818 Market Street, Suite 2400
Philadelphia, PA 19103

**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:

Andrew Dakos
Rajeev Das
Phillip Goldstein
Glenn Goodstein
Gerald Hellerman
Maria Eugenia Pichardo

The Mexico Equity
and Income Fund, Inc.

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