



THE MEXICO EQUITY & INCOME FUND, INC.

RETURNS

As of February 28, 2017	Total Annual Average U.S. Dollar Return through February 28, 2017 (Reinvested Dividends)						
	1 Month	YTD	1 Year	3 Years	5 Years	10 Years	Since MXE Inception in 08/30/90
MXE NAV*	3.27% ¹	3.95% ¹	-8.07% ¹	-5.51% ¹	3.91% ¹	3.21% ¹	11.80% ²
MXE NAV (Returns in Mexican Pesos "MXN")	-0.50% ³	0.75% ³	1.88% ³	8.54% ³	13.61% ³	9.46% ³	20.30% ³
MXE Market Price	3.04% ¹	3.60% ¹	-6.95% ¹	-6.77% ¹	3.55% ¹	3.24% ¹	12.07% ²
MXN Appreciation/ Depreciation	3.79% ³	3.18% ³	-9.81% ³	-12.95% ³	-8.54% ³	-5.71% ³	-7.07% ³
MEXBOL Index	3.72%	5.70%	-1.88%	-5.85%	-3.01%	1.48%	9.70%
MXF NAV	2.71%	4.67%	-4.54%	-6.24%	-0.62%	1.10%	8.08%
MXF Market Price	2.29%	-6.29%	-3.32%	-9.79%	-1.28%	1.23%	8.72%
MXE NAV Excess Return vs. MEXBOL Index	-45	-175	-619	34	692	173	210

Cumulative to February 28, 2017	(Reinvested Dividends)						
	YTD	1 Year	3 Years	5 Years	10 Years	Since MXE Inception 8/30/90	Discount to NAV, as of February 28, 2017.
MXE Common Share Market Price	3.60% ¹	-6.95% ¹	-18.97% ¹	19.05% ¹	37.54% ¹	1947.93% ¹	-14.03%
MXF Common Share Market Price	-6.29% ³	-3.32% ³	-26.59% ³	-6.24% ³	12.99% ³	816.61%	-11.19%

Source: U.S. Bancorp¹; Thomson²; PAM³, Bloomberg.

*The NAV accretion that resulted from share repurchases, for the 1, 3, and 5-year period ended February 28, 2017, was 0.04, 0.04, and 0.18 respectively. For the purpose of performance calculation, U.S. Bancorp assumes that MXE's dividends and distributions are reinvested at the closing market price on the dividend ex-date and takes into account the dilution effect resulting from fund's stock dividend. This calculation of MXE's performance figures may differ from other financial sources, such as Bloomberg.

MXE's ratio of expenses to average net assets=1.89% for the annual period ended July 31, 2016.

MXF's ratio of expenses to average net assets=1.74% for the year ended October 31, 2016.

Performance data quoted represents past performance; past performance does not guarantee future results. The investment return and principal value of an investment will fluctuate so that an investor's shares, when redeemed, may be worth more or less than their original cost. Current performance of the fund may be lower or higher than the performance quoted.

MXE RELEVANT DATA

	As of Feb. 28, 2017	As of Dec 31, 2016	As of Feb. 29, 2016
Total Net Assets USD	\$ 81,190,472	\$ 78,104,718	\$ 90,678,701.54
NAV per Share USD	\$11.05	\$10.63	\$12.02
Common Share Market Price USD	\$9.50	\$9.17	\$10.21
Premium/Discount to NAV	-14.03%	-13.73%	-15.06%
MXE's Shares Repurchased	0	192,577	0
MXE's Shares Redeemed	0	48,535	0
Total Outstanding Shares	7,349,716	7,349,716	7,542,293

Source: U.S. Bancorp.

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FUND REPURCHASES

As of February 28, 2017	1 Month	Y-T-D	1 Year
MXE's Shares Repurchased	0	0	192,577

Source: U.S. Bancorp

TOP TEN HOLDINGS

MXE Top Ten Stock Weightings, as of February 28, 2017		
Issuer	%	Industry
AMX	10.10%	Wireless Telecommunication Services
IENOVA	7.88%	Gas Utilities
GFNORTE	7.33%	Banks
AC*	7.07%	Beverages
CEMEX	6.24%	Construction Materials
GMEXICO	5.28%	Metals & Mining
PINFRA*	5.05%	Transportation Infrastructure
OMA	4.79%	Transportation Infrastructure
MEXCHEM	4.76%	Chemicals
PINFRAL	3.55%	Transportation Infrastructure

Source: U.S. Bancorp

Fund holdings and sector allocations are subject to change and are not a recommendation to buy or sell any security.

I. INTRODUCTION

Economic activity has continued to point towards slightly higher growth worldwide, with industrial activity strengthening in the U.S., China, Japan, and the Euro Zone, taking financial markets and equity indexes to new all-times highs.

Mexico's Central Bank's (BANXICO) supportive hedge program in Mexican Pesos (March 6, 2017) (See Exhibit A) and an orthodox 325-basis-points (bps) increase in the reference rate since September 2015 to 6.25%, have finally resulted in the Mexican Peso rebounding 3.1% in 2017 and a 9.2% appreciation since its January 19, 2017 low. (See Exhibit B). (Source: BANXICO) For the one-year period to February 28, 2017, the peso has lost 9.8%. (Source: Bloomberg). The expectation that the North America Free Trade Agreement (NAFTA) negotiation could prove better than expected also resulted in financial and

equity markets recovering from extreme volatility in 2H'16.

A total of US\$ 3.0 billion have flowed into the local equity and debt markets. Foreign flows into equity portfolios reached US\$ 1.8 bn during January-February while US\$ 1.2 bn flowed into the debt market in January (data for the month of February has not yet been released). (Source: BANXICO)

II. MXE PERFORMANCE

The Fund's net asset U.S. Dollar value per share ("NAV") decreased -8.07% during the one-year period ended February 28, 2017, an underperformance of 619 basis points (bps) compared to the Mexican Stock Exchange Index (MEXBOL) decrease of -1.88%. According to PAM's assessment reports, the main reasons for this underperformance were: A negative -628 bps attribution in Materials and a negative -231 bps contribution in Consumer Discretionary (Hotels, Restaurants and Leisure, Multiline retail, and Auto Components industries). The Mexican Peso lost 9.81% during the same period.

The Fund's common share market price of USD \$ 9.50 on the New York Stock Exchange increased by approximately 3.04% one-month to February 28, 2017, registering a discount of -14.03% to the Fund's NAV of US\$11.05 compared to a discount of -15.06% at the end of February 2016. (Source: U.S. Bancorp)

During February 2017, no shares were repurchased. (Source: U.S. Bancorp)

The Fund's Total Net Assets amounted to US\$81,190,472 as of February 28, 2017, compared to US\$90,678,702 same period in 2016. The Fund increased its total USD value by approximately 11.50% between the period January 11, 2017 (US\$ 72,810,862) and the end of February. (Source: U.S. Bancorp). In the same period, the Mexican Peso appreciation was 8.69% representing 75% of this increase and 25% on assets' market price increase.

III. THE MEXICAN ECONOMY

Economic activity has been benefitting from positive job creation, which increased 4.2% one-year to February 2017 compared to +3.8% in the same period of 2016, according to the National Institute of Social Security (IMSS), as well as from higher-than-expected remittances and private banking credit, which rose 6.3% and 11.6%, respectively, in January 2017 compared to 18.8% and 15.9%, in January last year. (Source: Banco de Mexico and National Banking Commission, CNBV)

According to the National Association of Retail and Department Stores (ANTAD), Same Store Sales (SSS) increased by 2.7% compared to the previous year's 9.6%, while Walmart's SSS grew 2.1% (below average increases of 6.5% and 8%, respectively, in 2016) in February compared to 8.3% in 2016. (See Exhibit C) In 2016, Gross Domestic Product (GDP) benefitted from higher-than-expected tourism flows, fueled in part by the Mexican Peso's depreciation. Preliminary data released in the month, shows that Tourism grew 3.8% in 2016, comparing favorably to GDP growth of 2.3%. (Source: Secretary of Tourism). Also,



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according to data from the World Tourism Organization, Mexico was the eighth most popular destination for international tourists, up from ninth in 2015. International tourists to Mexico totaled 35 million travelers 9% more than in 2015. Expectations are for tourism to grow at a healthy pace in 2017.

IV. THE MXE'S INVESTMENT STRATEGY

We have tactically reviewed the Fund's adaptation to its asset class investment themes, mainly due to extreme asset rotation after the new U.S. administration took office and tweeted about a NAFTA renegotiation. Fundamentally, higher interest rates, lower projected economic growth, and a soft-landing for private consumption are the three most important elements currently influencing changes in investment themes of the portfolio's structure. (See Exhibit D).

As of February 28, 2017, Materials, Industrials and Financials (Banks) have the highest percentage allocation in the portfolio. (See Exhibit E).

VI. FINAL REMARKS

Against a backdrop of strong peso volatility and noisy tweeting about the possible renegotiation of trade agreements by the new U.S. administration, we highlight Treasury and BANXICO continued to demonstrate its commitment to maintaining healthy Public Finances and reducing total debt levels as a percentage of GDP (50%), as well as to an orthodox monetary policy. (Please see the material presentation of our macro long-term view included at the end of the semi-annual report in the Fund's web page).

Sincerely yours,

Eugenia Pichardo, Fabiola Molina & Arnulfo Rodriguez
Portfolio Managers

The information contained herein reflects the opinion of Pichardo Asset Management and as such does not constitute fundamental research, neither should it be construed as a solicitation of business or a buy/sell recommendation with regard to any of the securities mentioned. Furthermore, it is subject to change without prior warning and estimates cannot be guaranteed. Past returns do not guarantee future earnings.

For further information please contact Pichardo Asset Management +52 (55) 5259 9322 / +52 (55) 5261 4600

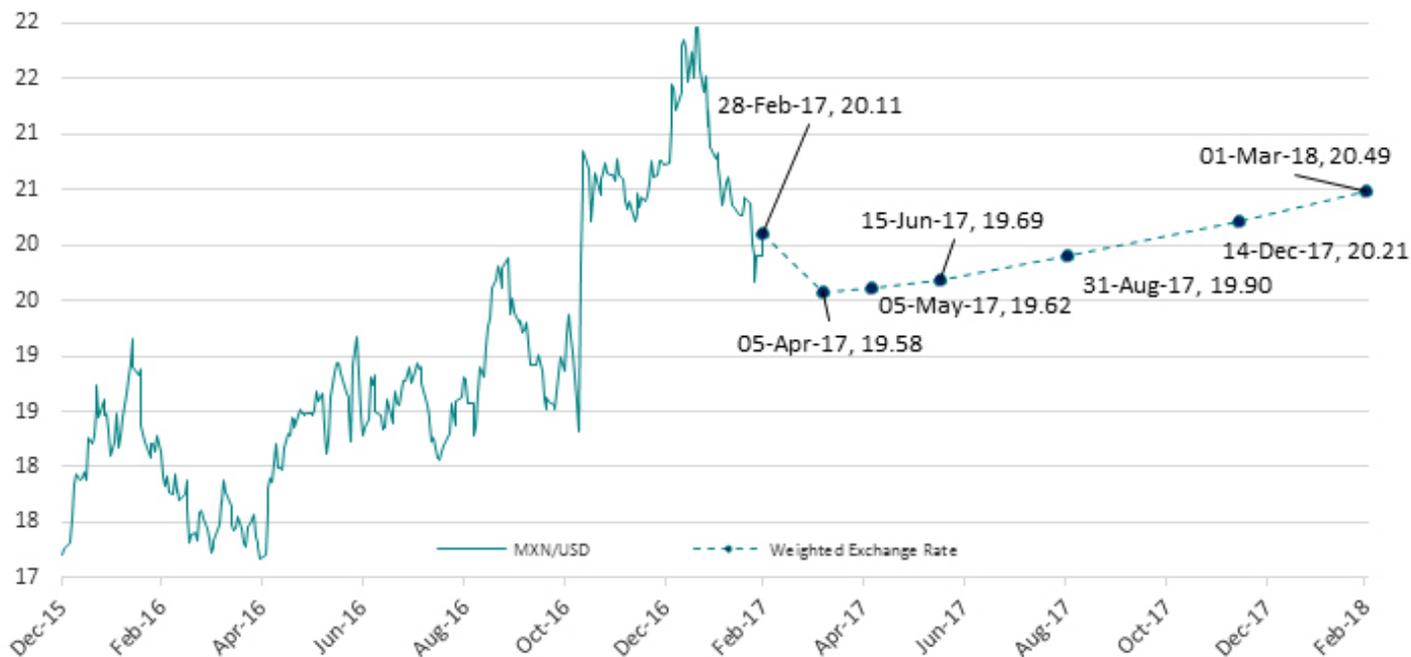
*epichardo@paminversion.com;
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Exhibit A

MXN/USD Spot Exchange Rate & BANXICO's Hedge Program

As of February 28, 2017.



Source: Bloomberg, BANXICO

Exhibit B

MXN/USD Spot Exchange Rate

As of February 28, 2017.

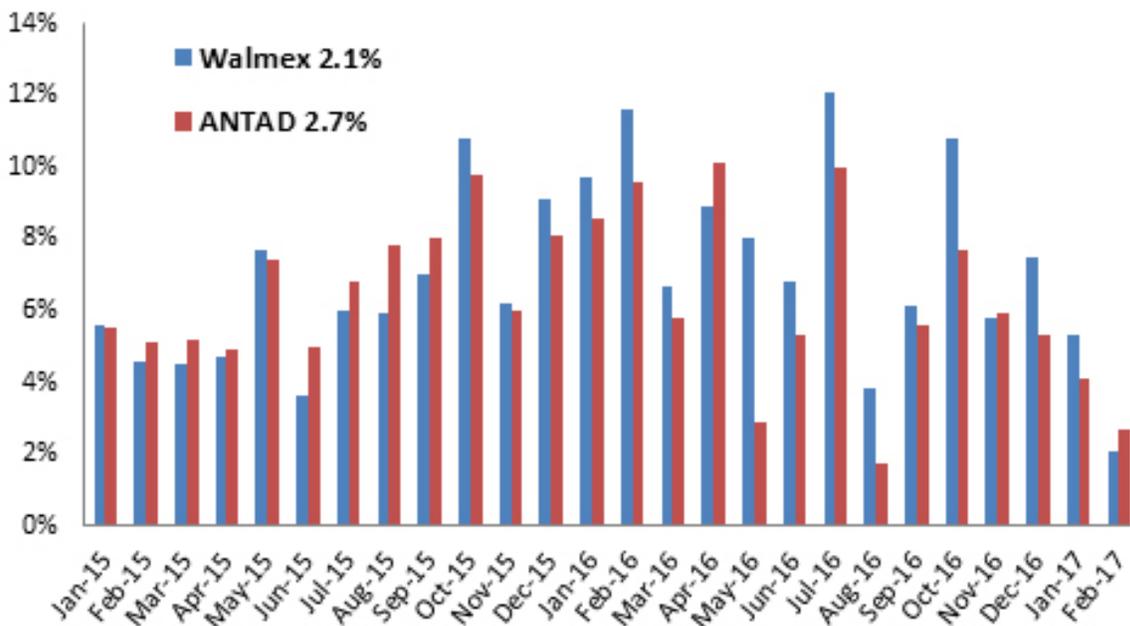


Source: Bloomberg

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Exhibit C

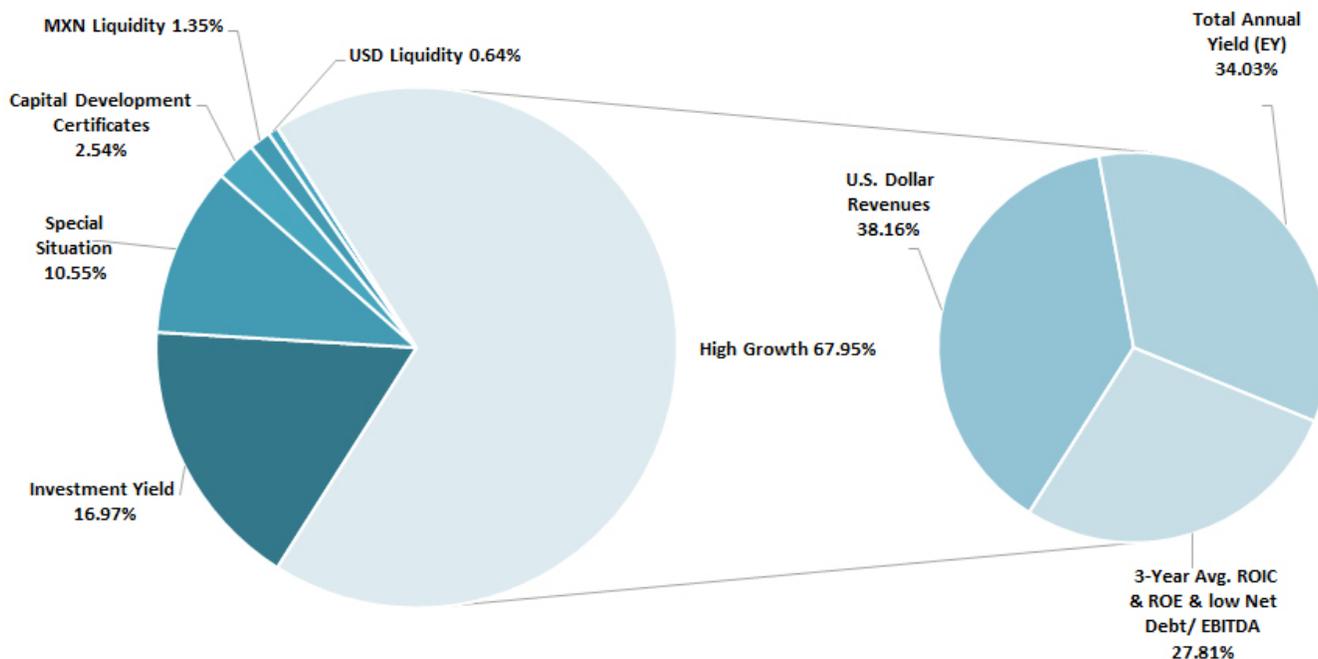
Same Store Sales YoY



Source: Walmart de Mexico & ANTAD

Exhibit D

MXE's Asset Class Categories and Investment Themes
As of February 28, 2017.

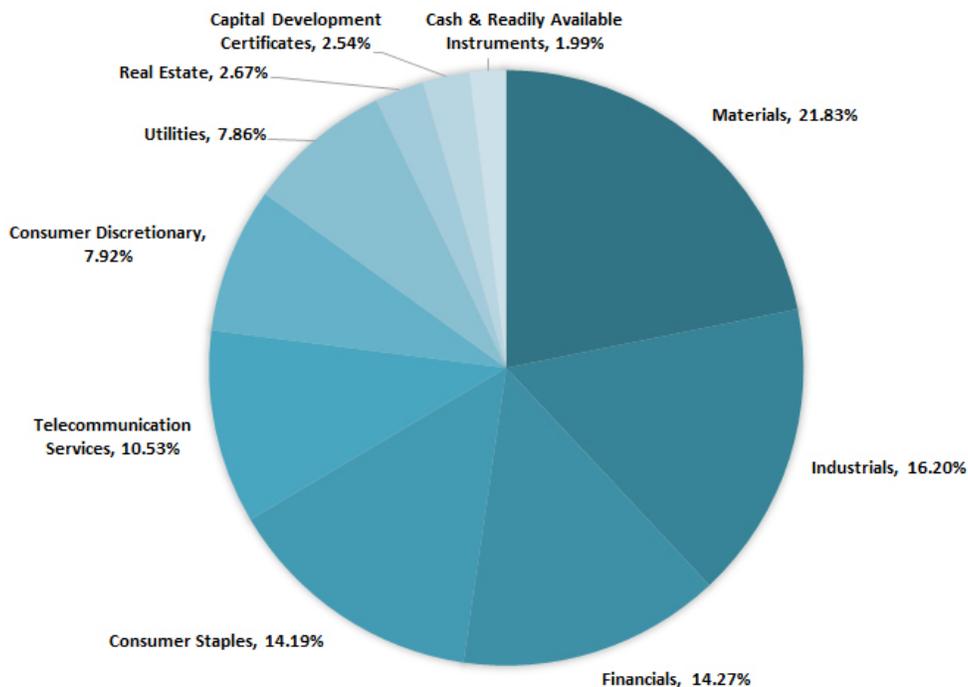


Source: PAM, Bloomberg.

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Exhibit E

MXE's Asset Allocation by Sector
As of February 28, 2017.



Source: PAM, Bloomberg.

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ECONOMIC DATA

- **Gross Domestic Product (GDP):** According to INEGI, GDP grew 2.4% in 4Q'16 compared to the previous year. By components, primary activities grew 6.6%, tertiary activities 3.3%, while secondary activities remained flat.
- **Economic Activity Index.** According to INEGI, economic activity (IGAE, Gross Domestic Product proxy) rose by 0.4% month over month (m/m) in **December**. In seasonally adjusted terms, primary activities increased by 0.2%, secondary activities 0.1% and tertiary activities 0.6%, while secondary activities presented no variation during November, compared to the previous month.
- **Industrial Activity.** In **December**, industrial production declined 0.1% m/m y/y. Seasonally-adjusted data showed an advance of 0.6% in manufacturing activities and 0.5%; construction and mining declined 0.3% and 1.4%, respectively.
- **Gross Fixed Investment.** In **November**, gross fixed investment (GFI) declined 0.3%, m/m. Expenses related to construction decreased by 0.7%, while those related to machinery and equipment dropped 0.3%, m/m. GFI posted a 2.2% growth y/y.
- **Trade Balance.** The **January** trade balance registered a US\$3,294 million deficit. Total exports increased by 11.4% y/y, driven by advances in all of its components, including oil. Imports increased 10% y/y driven by an 8.6% increase in consumer goods, 11.1% in intermediate goods, 4.4% in capital goods and 59.6% in oil imports.
- **Mexican Oil Mix.** As at end-**February**, the price of the Mexican oil mix was USD\$46.02 per barrel, translating into a 1.85% monthly increase and a 69.6% increase in one-year.
- **Retail Sales.** Retail sales rose 9.2% in **December** compared to the same month of 2015. Retail sales declined 1.4% in relation to the previous month.
- **Unemployment.** The **January** unemployment rate came in at a seasonally-adjusted 3.6%, 0.1 pbs below the previous month. By gender, unemployment remained stable at 3.4% compared to December and unemployment in women rose from 3.4% in December to 3.9%.
- **Monetary Policy.** Banco de Mexico increased its benchmark interest rates by 50 basis points to a level of 6.25% on February 9, 2017.
- **Inflation.** The **February** Consumer Price Index (CPI) increased by +0.58% month-over-month. Annual headline inflation came in at 4.86% and core inflation 4.26%.
- **Public Finances:**
 - o During 2016, the government reported a fiscal deficit (including Pemex and the Federal Electricity Commission) of USD\$26.91 billion, which compares favorably to the deficit posted in 2015 of USD\$33.49. The public deficit for 2016 USD\$26.95 billion, which represents around 2.9% of GDP.
 - o At the end of the December 2016, Federal Public Sector debt was 15.45% higher than the previous year, and amounted to US\$347.0 billion. Public sector net debt amounted to around 47.9% of GDP as of 4Q'2016, while the Historical Balance of Public Sector Borrowing Requirements was around 50% of GDP.
- *Source: SHCP, BANXICO, INEGI.*

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ECONOMIC PROJECTIONS

Economic Projections	2012	2013	2014	2015	2016
National Accounts					
Real GDP growth (y/y)	3.9%	1.4%	2.3%	2.5%	2.3%
GDP (US \$bn.)	1.184	1.261	1.288	1.139	1.157
Consumption (Chg. y/y)	4.7%	2.5%	2.0%	3.3%	3.4%
Investment (Chg. y/y)	4.6%	-1.6%	2.3%	4.5%	0.4%
Exports (Chg. y/y)	5.9%	2.2%	7.3%	9.4%	-1.8%
Imports (Chg. y/y)	5.4%	2.5%	5.7%	6.1%	-2.0%
Monetary and Exchange Rate Ind.					
CPI Inflation (year-end)	3.6%	3.9%	4.1%	2.1%	3.36%
US\$ Exchange Rate (year-end)	13.0	13.1	14.7	17.2	20.7
28Day Cetes Int. Rate (year-end)	4.50%	3.50%	3.00%	3.25%	5.69%
Balance of Payments					
Trade Balance (US\$ bn.)	0.2	-1.2	-2.8	-14.5	-13.1
Exports (US\$ bn.)	370.7	380.2	397.5	380.8	373.9
Imports (US\$ bn.)	370.8	381.2	400.0	395.2	387.06
Transfers (US\$ bn.)	22.4	22.3	23.6	24.8	26.7
Current Account (US\$ bn.)	-15.4	-26.5	-24.8	-32.4	-27.9
Foreign Direct Inv. (US\$ bn.)	19.0	45.7	25.6	28.4	26.7
Debt Profile					
International Reserves (US\$ bn.)	163.5	176.5	193.2	176.7	176.5
Public Debt (gross % of GDP)	34.5%	36.9%	41.0%	42.5%	49.0%
External Debt (gross % of GDP)	9.8%	10.2%	11.9%	19.7%	15.5%

Source: SHCP, BANXICO, INEGI, Santander.

The projections on this page are based on industry estimates and are no guarantee of future outcomes.

* World Bank's estimated GDP growth for Mexico; published on the Global Economic Prospects dated June 2016.

THE MEXICO EQUITY & INCOME FUND, INC.

DEFINITIONS

- **ANTAD:** National Association of Retail and Department Stores.
- **Banxico:** Banco de Mexico is the central bank of Mexico.
- **Basis points:** One basis point (bps) is one hundredth of a percentage point (0.01%).
- **GDP:** Gross Domestic Product proxy. The monetary value of all the finished goods and services produced within a country's borders in a specific time period, though GDP is usually calculated on an annual basis. It includes all of private and public consumption, government outlays, investments and exports less imports that occur within a defined territory.
- **INEGI:** The National Institute of Statistics and Geography.
- **IGAE:** a Gross Domestic Product proxy. This indicator shows the evolution of the economic activity in Mexico.
- **MEXBOL-Mexican Stock Exchange:** The Mexican Bolsa Index, or the IPyC (Indice de Precios y Cotizaciones), is a capitalization-weighted index of the leading stocks traded on the Mexican Stock Exchange. The index was developed with a base level of 0.78 on October 30, 1978.
- **Mexbol-Total Return Index:** The Mexican Bolsa index calculates the performance of constituents assuming that all dividends and distributions are reinvested.
- **The Net Asset Value per Share (NAV)** is calculated as the total market value of all the securities and other assets held by a fund minus the total liabilities, divided by the total number of common shares outstanding. The NAV of an investment company will fluctuate with changes in the market prices of the underlying securities. However, the market price of a closed-end fund is determined in the open market by buyers and sellers. This public market price is the price at which investors may purchase or sell shares of a closed-end fund. The market price of a closed-end fund fluctuates throughout the day and may differ from its underlying NAV, based on the supply and demand for a fund's shares on the open market. Shares of a closed-end fund may trade at a premium to (higher than) or a discount to (lower than) NAV. The difference between the market price and the NAV is expressed as a percentage that is either a discount or a premium to the NAV, or underlying value.
- **SSS:** Same Store Sales, is a financial metric that companies in the retail industry use to evaluate the total dollar amount of sales in the company's stores that have been operating for a year or more. Same-store sales statistics provide a performance comparison for the established stores of a retail chain over a given time period.
- **NAFTA:** (North American Free Trade Agreement): A regulation implemented January 1, 1994 in Mexico, Canada and the United States to eliminate most tariffs on trade between these nations. The three countries phased out numerous tariffs, (with a focus on those related to agriculture, textiles and automobiles), between the agreement's implementation and January 1, 2008. NAFTA's purpose is to encourage economic activity between the United States, Mexico and Canada.
- **IMSS:** Mexican National Institute of Social Security
- **CNBV:** National Banking Commission, is an independent agency of the Mexican Ministry of Finance (SHCP) body with technical autonomy and executive powers over the Mexican financial system.

THE MEXICO EQUITY & INCOME FUND, INC.

DISCLOSURES

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

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

Considerations and risks involved in investing in Mexican securities

1. Market volatility in a global context.
2. The Mexican economy continues to be classified as an emerging economy. Mexican industrial production is highly correlated to that of the U.S.
3. Mandatory IFRS (International Financial Reporting Standards) accounting since the year 2011. All Mexican companies reporting IFRS in 2012 with 2011 financials adjusted accordingly (Source: Mexican Stock Exchange).
4. The portfolio securities are denominated in Mexican pesos. As a result, the portfolio return in U.S. Dollars securities must increase in market value at a rate in excess of the rate of the decline in the value of the Mexican peso against the U.S. dollar in order to present an excess dollar return.
5. Mexico has experienced widespread bank failures, currency devaluations, high levels of inflation and interest rates. Nevertheless, inflation has been contained at below 4% as of December 31, 2013, for more than a decade and interest rates are currently at all-time lows (2.92% 3 month Treasury Bills "CETES") (Source: Bloomberg)
6. There is generally less governmental supervision and regulation of exchanges, brokers and issuers in Mexico than there is in the United States.
7. U.S. holders of portfolio securities may also experience difficulties enforcing U.S. laws or obtaining service of process against the issuers of the portfolio securities.

THE MEXICO FUND, INC. (MXF)

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

1. Investment Objective: Long-term capital appreciation through investments in securities, primarily equity, listed on the Mexican Stock Exchange.
2. Expense ratio: 1.74% (For the annual period ended October 31, 2016)
3. Portfolio Turnover rate: 19% (For the year ended October 31, 2016)
4. Outstanding shares: 15,027,810 (As of October 31, 2016)
5. Repurchase of stocks: US \$32,736 (For the annual period ended October 31, 2016)
6. Total net assets: US \$279,019,795 (As of October 31, 2016)
7. Dividends distribution of 0.1415 per share payable in cash on January 17, 2017. (For the annual period ended October 31, 2016)
8. Tax Status: No provision has been made for U.S. income or excise taxes for the year ended October 31, 2015 on net investment company taxable income or net long-term capital gains as defined by the Internal Revenue Code (the "Code"), since the Fund intends to comply with the requirements of the Code applicable to regulated investment companies and to distribute substantially all of such income to its stockholders.

GAAP prescribes the minimum recognition threshold a tax position must meet before being recognized in the financial statements. An assessment of the Fund's tax positions has been made and it has been determined that there is no impact to the Fund's financial statements.

Diversification does not ensure profit or protect against losses in a declining market.

Earnings growth is not representative of the Fund's future performance.