



THE MEXICO EQUITY & INCOME FUND, INC.

RETURNS

| As of January 31, 2017 | Total Annual Average U.S. Dollar Return through January 31, 2017 (Reinvested Dividends) | | | | | |
|--|--|----------------------|----------------------|---------------------|---------------------|---------------------------------|
| | 1 Month | 1 Year | 3 Years | 5 Years | 10 Years | Since MXE Inception in 08/30/90 |
| MXE NAV* | 0.66% ¹ | -11.72% ¹ | -7.26% ¹ | 3.54% ¹ | 2.78% ¹ | 11.70% ² |
| MXE NAV (Returns in Mexican Pesos "MXN") | 1.26% ³ | 0.90% ³ | 7.59% ³ | 13.73% ³ | 9.56% ³ | 20.39% ³ |
| MXE Market Price | 0.55% ¹ | -10.75% ¹ | -8.72% ¹ | 2.91% ¹ | 3.59% ¹ | 11.98% ² |
| MXN Peso Appreciation/Depreciation | -0.59% ³ | -13.08% ³ | -13.80% ³ | -8.96% ³ | -6.19% ³ | -7.22% ³ |
| MEXBOL Index | 1.92% | -4.52% | -8.29% | -3.13% | 0.66% | 9.61% |
| MXF NAV | 1.91% | -6.91% | -8.27% | -0.65% | 0.62% | 7.99% |
| MXF Market Price | -3.28% | -6.01% | -12.26% | -0.90% | 0.85% | 8.65% |
| MXE NAV Excess Return vs. MEXBOL Index | -126 | -720 | 103 | 667 | 212 | 209 |

| Cumulative to January 31, 2017 | (Reinvested Dividends) | | | | | | Discount to NAV, as of January 31, 2017. |
|--------------------------------|------------------------|----------------------|----------------------|---------------------|---------------------|-----------------------------|--|
| | 1 Year ⁴ | 1 Year | 3 Years | 5 Years | 10 Years | Since MXE Inception 8/30/90 | |
| MXE Common Share Market Price | -10.75% ¹ | -10.75% ¹ | -23.93% ¹ | 15.43% ¹ | 42.23% ¹ | 1887.48% ³ | -13.83% |
| MXF Common Share Market Price | -10.79% | -6.01% | -32.46% | -4.42% | 8.86% | 796.06% | -11.45% |

Source: U.S. Bancorp¹; Thomson Reuters²; PAM³, Bloomberg, Returns without dividends reinvested⁴

*The NAV accretion that resulted from share repurchases, for the 1, 3, and 5-year period ended January 31, 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 Jan. 31, 2017 | As of Dec 31, 2016 | As of Jan. 31, 2016 |
|-------------------------------|---------------------|--------------------|---------------------|
| Total Net Assets USD | \$ 78,674,164.34 | \$ 78,104,718.36 | \$ 91,416,907.32 |
| NAV per Share USD | \$10.70 | \$10.63 | \$12.12 |
| Common Share Market Price USD | \$9.22 | \$9.17 | \$10.33 |
| Premium/Discount to NAV | -13.83% | -13.73% | -14.77% |
| MXE's Shares Repurchased | 0 | 192,577 | 0 |
| MXE's Shares Reedemed | 0 | 48,535 | 0 |
| Total Outstanding Shares | 7,349,716 | 7,349,716 | 7,542,295 |

Source: U.S. Bancorp.

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FUND REPURCHASES

| As of January 31, 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 January 31, 2017 | | |
|--|-------|-------------------------------------|
| Issuer | % | Industry |
| GFNORTE | 8.27% | Banks |
| WALMEX | 7.43% | Food & Staples Retailing |
| GMEXICO | 6.89% | Metals & Mining |
| AMX | 6.82% | Wireless Telecommunication Services |
| IENOVA | 6.20% | Gas Utilities |
| MEXCHEM | 5.85% | Chemicals |
| GRUMA | 4.81% | Food Products |
| OMA | 4.39% | Transportation Infrastructure |
| PINFRA | 3.46% | Construction & Engineering |
| GFREGIO | 3.07% | Banks |

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

In the context of possible multidimensional global protectionism, the Mexican economy has relied on strong private consumption throughout the one-year period to January 31, 2017. (Please see our semi-annual report in the Fund' web page.)

The Fund's strategy remains adhered to our quality portfolio management, including companies with attractive valuations and strong fundamentals, despite high market price swing valuations on the policies of the new U.S. administration, especially in relation to trade agreements.

II. MXE PERFORMANCE

The Fund's net per share asset U.S. Dollar value ("NAV") declined -11.72% for the one-year period to January 31, 2017, an underperformance of 720 bps compared to the Mexican Stock Exchange Index (MEXBOL) -4.52% decrease. (Source: U.S. Bancorp, Bloomberg). According to PAM's assessment reports, the main reasons for this underperformance were: A negative -773 bps attribution in Materials and negative -346 bps contribution in Consumer Discretionary (Hotels, Restaurants & Leisure, Auto Components and Media). The Mexican Peso lost 13.08% during the same period. (Source: Bloomberg)

The Fund's common share market price of US\$ 9.22 on the New York Stock Exchange increased 0.55% during January, registering a discount of -13.83% to the Fund's NAV of US\$10.70 compared to a discount of -14.77% at the end of January 2016. (Source: U.S. Bancorp, Bloomberg).

During the month of January there were no shares repurchases. (Source: U.S. Bancorp).

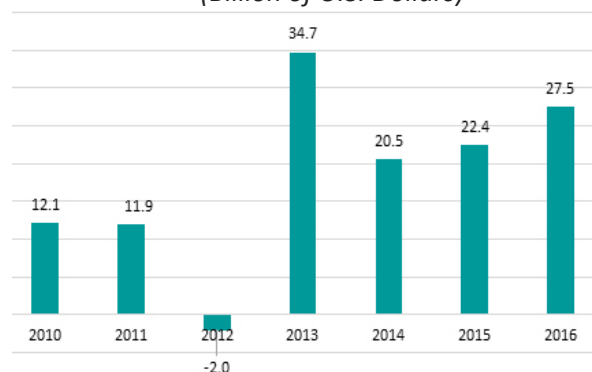
The Fund's Total Net Assets amounted to US\$78,674,164 as of January 31, 2017, compared to US\$91,416,907 as of January 31, 2016. (Source: U.S. Bancorp).

III. THE MEXICAN ECONOMY

Economic activity remains in line with expectations, although higher prices and interest rates could slow private consumption trends in 2017. (Please see our full economic report and macro-long-term view in the Fund's semi-annual report in the Fund's web page). In that vein, February 2017 inflation was 4.72% year over year (YoY), compared to 2.61% for the same month in 2016, mainly impacted by higher energy and merchandise prices.

The latest available economic data refers to foreign direct investment, which plotted 27.5% growth in 2016 totaling US\$ 27.5 billion. The economic sectors these resources flowed into were manufacturing (61.3% of the total), financial services (9.6%), and transportation (5.9%). The U.S.A was the biggest investor in Mexico in 2016 with 38.9% of the total, followed by Spain 10.7%, Germany 9%, Israel 7.5%, and Canada 6.3%. (Source: SHCP).

Foreign Direct Investment
(Billion of U.S. Dollars)



Source: Banco de Mexico



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IV. THE MXE's INVESTMENT STRATEGY

The Fund has remained adhered to its investment profile regardless of asset rotation following a de-indexed strategy and a systematic portfolio management process of searching for growth and value. (See Exhibit A & B).

The Fund's portfolio has continued to tactically lower its consumer discretionary percentage allocation weight mainly in pricey stocks but maintains a staple related allocation due to its diversification abroad.

Main contributors and detractors by sector for the one-year period through January 2017 were:

- Contributors: Materials 1.12% and Utilities 0.10%. (Source: PAM, Bloomberg)
- Detractors: Consumer Discretionary -3.46%, Consumer Staples -3.21%, and Industrials -1.89% (Source: PAM, Bloomberg).

VI. FINAL REMARKS

In January, foreign inflows into equity portfolio amounted to approximately US\$697 million, while US\$1.2 billion flowed into the local debt market, adding up to a total of US\$1.9 billion inflows, according to Mexico's Central Bank (BANXICO), despite conceptual uncertainties regarding the North American Free Trade Agreement (NAFTA) following tweets from the current U.S. administration. (See Exhibit C).

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.

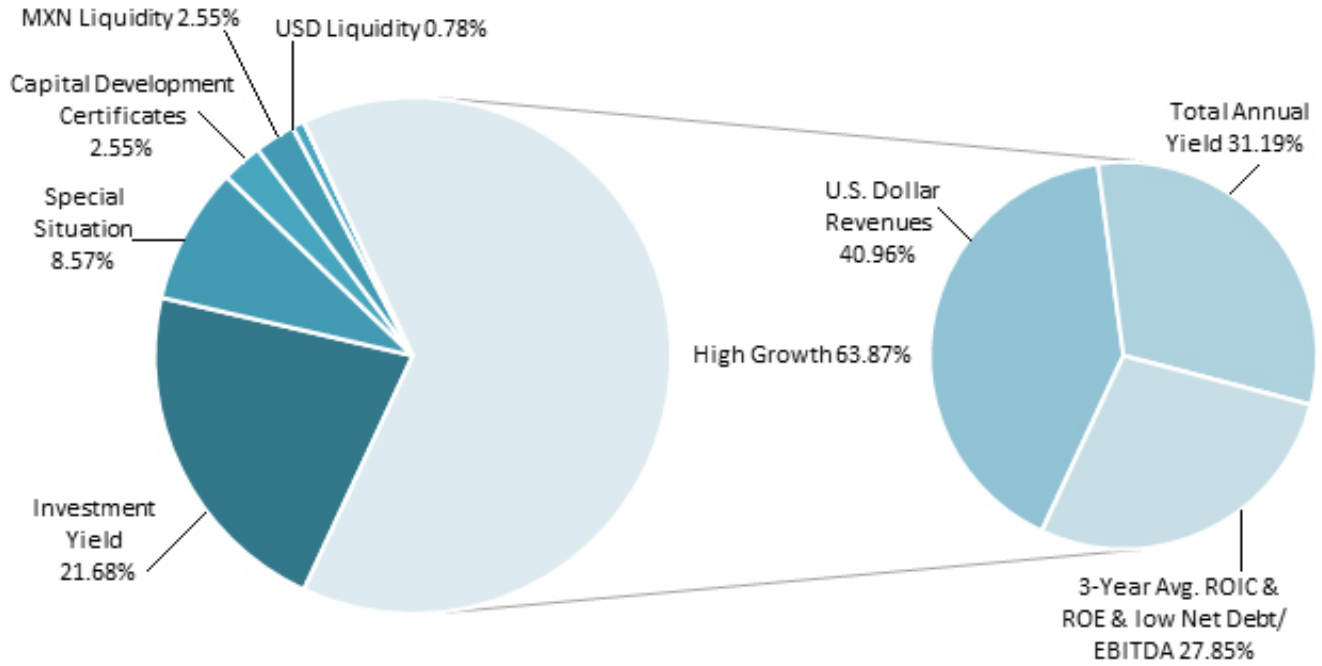
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Exhibit A

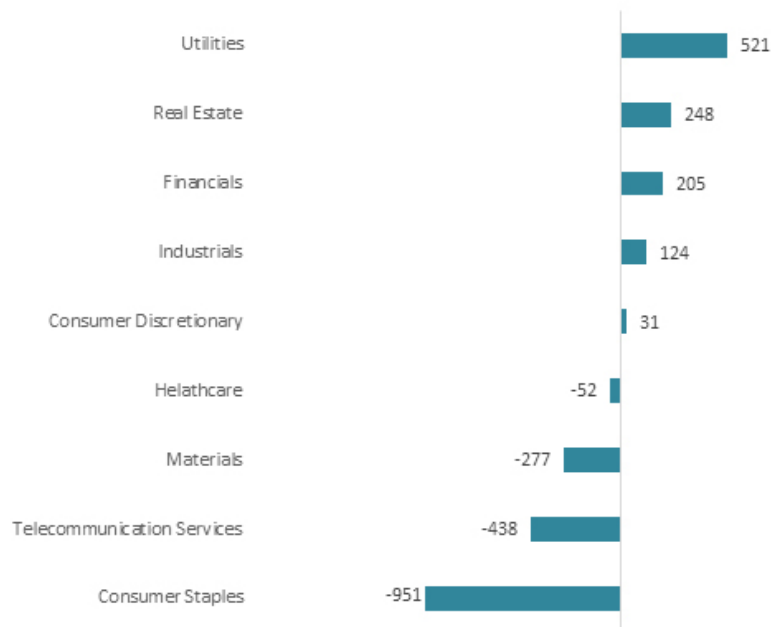
MXE Asset Class Category Allocation
As of January 31, 2017.



Source: PAM, Bloomberg.

Exhibit B

Overweight / Underweight MXE's vs. MSCI in Basis Points
As of January 31, 2017.

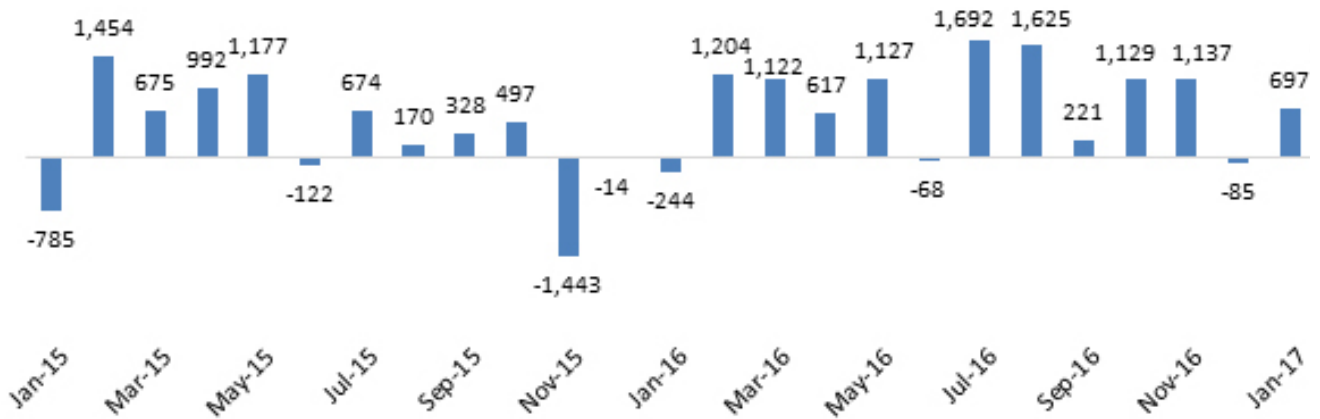


Source: PAM, Bloomberg.

THE MEXICO EQUITY & INCOME FUND, INC.

Exhibit C

Foreign Investment Flows into Local Equity Markets
(Millions of U.S.\$ Dollars)



Source: Banco de Mexico

THE MEXICO EQUITY & INCOME FUND, INC.

ECONOMIC DATA

- **BANXICO:** Mexican Central Bank.
- **Gross Domestic Product (GDP):** According to INEGI, GDP grew 2.2% in 4Q'16 compared to the previous year. By components, primary activities grew 6.4%, tertiary activities 3.2%, while secondary activities decreased 0.2%.
- **Economic Activity Index.** According to INEGI, economic activity (IGAE, Gross Domestic Product proxy) rose by 0.2% month over month (m/m) in **November**. In seasonally-adjusted terms, primary activities increased by 3.8% and tertiary activities 0.2%, while secondary activities presented no variation during November, compared to the previous year.
- **Industrial Activity.** In **November**, industrial production showed no variation m/m and increased by 0.3% y/y. Seasonally-adjusted data showed an advance of 0.7% in manufacturing activities, and declines in Utilities (-0.1%) and Construction (-0.9%) in the same period.
- **Gross Fixed Investment.** In October, gross fixed investment (GFI) declined 0.8%, m/m. Expenses related to construction increased by 1.7%, while those related to machinery and equipment declined by 6.5%, m/m. GFI posted a 0.2% growth y/y.
- **Trade Balance.** The **December** trade balance registered a US\$28.2 million surplus. The trade balance showed a deficit of US\$13.135 billion dollars for 2016. During December, total exports increased by 6.6% y/y, driven by advances in all of its components, including oil. Imports increased, but more moderately, by 4.1% y/y. It is important to note that consumption imports registered their eighth consecutive monthly decline, possibly because of a substitution effect by Mexican consumers resulting from the national currency's weakness. .
- **Mexican Oil Mix.** As at end-January, the price of the Mexican oil mix was USD\$45.18 per barrel, translating into a 2.4% monthly decline and a 65.1% increase in one-year.
- **Retail Sales.** Retail sales rose 11.2% in November compared to the same month of 2015. Retail sales increased 7.3% in relation to the previous month.
- **Unemployment.** The **December** unemployment rate came in at a seasonally-adjusted 3.7%, with no changes compared to previous month. By gender, unemployment in men decreased slightly to 3.4% from 3.6% in November and unemployment in women also declined to 3.4% from 3.5% compared to the previous month.
- **Monetary Policy.** Banco de Mexico increased its benchmark interest rate by 50 basis points to a level of 5.75% in **December**.
- **Inflation.** The December Consumer Price Index (CPI) increased by +0.46% month-over-month. Annual headline inflation came in at 3.36% and core inflation 3.4%.
- **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 is USD\$26.95 billion, representing around 2.6% 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.*

THE MEXICO EQUITY & INCOME FUND, INC.

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

- **BANXICO:** Banco de Mexico is the central bank of Mexico.
- **SHCP:** Secretaría de Hacienda y Crédito Público, mexican Ministry of Finance.
- **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.
- **10-Year MBono:** United Mexican States 10-year sovereign bond.
- **P/E Ratio:** The price-earnings ratio (P/E Ratio) is the ratio for valuing a company that measures its current share price relative to its per-share earnings.
- **EBITDA:** Earnings before interests, depreciation and amortization.
- **EV/EBITDA:** An enterprise multiple is a ratio used to determine the value of a company. The way to calculate enterprise value is as follows: (market capitalization) + (value of debt) + (minority interest) + (preferred shares) - (cash and cash equivalents). Then, the enterprise value number is divided by earnings before interest, taxes, depreciation and amortization (EBITDA), to obtain the enterprise multiple.
- **P/E:** The price-earnings ratio (P/E Ratio) is the ratio for valuing a company that measures its current share price relative to its per-share earnings. The price-earnings ratio can be calculated as: Market Value per Share / Earnings per Share.
- **Alpha:** is an annualized return measure of how much better or worse a fund's performance is relative to an index in the same category, after allowing for differences in risk.



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.