



THE MEXICO EQUITY & INCOME FUND, INC.

RETURNS

As of December 31, 2016	Total Annual Average U.S. Dollar Return through December 31, 2016 (Reinvested Dividends)					
	1 Month	1 Year	3 Years	5 Years	10 Years	Since MXE Inception in 08/30/90
MXE NAV*	-1.21% ¹	-14.88% ¹	-8.54% ¹	5.46% ¹	3.24% ¹	11.71% ²
MXE NAV (Returns in Mexican Pesos "MXN")	-0.47% ³	2.39% ³	6.69% ³	14.16% ³	10.20% ³	20.40% ³
MXE Market Price	-1.19% ¹	-14.78% ¹	-9.95% ¹	4.79% ¹	3.91% ¹	12.00% ²
MXN Depreciation	-0.74% ³	-16.86% ³	-14.27% ³	-7.63% ³	-6.31% ³	-7.22% ³
MEXBOL Index	0.13%	-9.74%	-10.78%	-2.01%	0.68%	9.53%
MXF NAV	-0.80%	-11.51%	-10.77%	0.59%	0.49%	7.94%
MXF Market Price	5.47%	-5.69%	-13.07%	1.32%	1.32%	8.82%
MXE NAV Excess Return vs. MEXBOL Index	-134	-514	224	747	256	218

Cumulative to December 31, 2016	1 Year**	(Reinvested Dividends)						Discount to NAV, as of December 31, 2016.
		1 Year	3 Years	5 Years	10 Years	Since MXE Inception 8/30/90		
MXE Common Share Market Price	-14.78% ¹	-14.78% ¹	-26.99% ¹	26.35% ¹	46.68% ¹	1877.77% ³	-13.73% ²	
MXF Common Share Market Price	-9.57%	-5.69%	-34.30%	6.76%	14.01%	827.01%	-6.59%	

Source: U.S. Bancorp¹; Thomson Reuters²; PAM³, Bloomberg, Return without reinvested dividends**

*The NAV accretion that resulted from share repurchases, for the 1, 3, and 5-year period ended December 31, 2016, 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 Dec. 31, 2016	As of Dec. 31, 2015
Total Net Assets USD	\$ 78,104,718.36	\$ 93,622,291.13
NAV per Share USD	\$10.63	\$12.52
Common Share Market Price USD	\$9.17	\$10.76
Premium/Discount to NAV	-13.73%	-14.06%
MXE's Shares Issued as Dividend Payment		
MXE's Shares Repurchased	192,577	113,378
MXE's Shares Redeemed	48,535	
Total Outstanding Shares	7,349,716	7,477,450

Source: U.S. Bancorp

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FUND REPURCHASES

As of December 31, 2016	1 Month	Y-T-D	1 Year
MXE's Shares Repurchased	3,000	192,577	192,577

Source: U.S. Bancorp

TOP TEN HOLDINGS

MXE Top Ten Stock Weightings, as of December 31, 2016		
Issuer	%	Industry
GFNORTEO	10.79%	Banks
AMXL	10.09%	Wireless Telecommunication Services
GMEXICOB	6.33%	Metals & Mining
GRUMAB	6.21%	Food Products
WALMEX	5.58%	Food & Staples Retailing
IENOVA	5.01%	Gas Utilities
PINFRA	4.69%	Construction & Engineering
MEXCHEM	4.69%	Chemicals
CEMEXCPO	4.60%	Construction Materials
GFREGIO	3.75%	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.

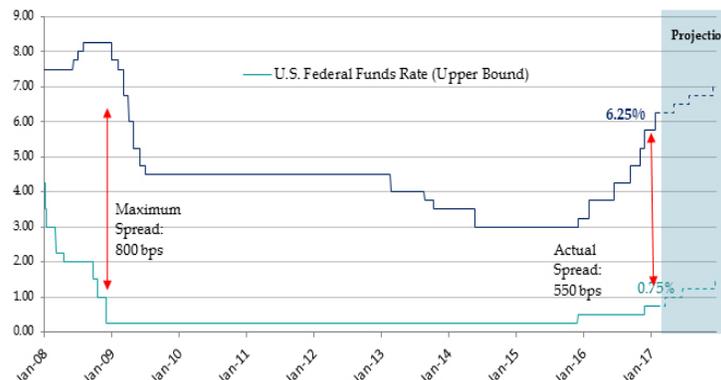
I. INTRODUCTION

Economic activity picked up in the second half of the year on the back of stronger manufacturing data, ongoing job creation, China's fiscal stimulus, prospects of fiscal stimuli in developed countries, and a sharp turnaround in commodity prices.

In this context, Mexico's 2016 economic activity remained resilient, as Gross Domestic Product (GDP) grew 2.3% (close to its 24-year average of 2.6%) on the back of strong performance from the services sector driven by higher employment, increased credit, low prices (annual inflation of 3.36% in 2016), and above-average remittances. (See Exhibit A).

We believe measures taken by BANXICO to strengthen macroeconomic fundamentals has attracted foreign investments to the debt market, and is expected to contain inflation in the medium to long term.

Interest Rates



Source: Bloomberg, Banco de Mexico Expectations.

Pichardo Asset Management's (PAM) quality portfolio management was challenged during the second half of the calendar year 2016 by high volatility and unprecedented asset rotation after the new U.S. administration took office and confirmed its intention to change NAFTA, the North American Free Trade Agreement.

Nevertheless, noteworthy, foreign investment flows into the Mexican equity market were notably positive in 2016, totaling US\$ 9.5 billion compared to US\$ 3.6 billion in 2015, and US\$ 1.76 billion year to date in February of 2017, according to BANXICO. (See Exhibit B). (Source: Bloomberg).

II. MXE PERFORMANCE

We believe abrupt asset rotation, market price swings, and foreign flows hitting mostly indexed-large caps, not rated as a buy in our internal analysis methodologies, resulted in the Fund's net per share asset value US Dollar decrease of -14.88% to the one-year period to December 31, 2016 compared to the Mexican Stock Exchange Index's (MEXBOL) decline of -9.74%. (Source: PAM, Bloomberg). The Mexican Peso depreciated by 17% in 2016 according to Bloomberg.

In particular, sectors related to materials and mining showed extreme volatility in their market prices during the last twelve months to December 31, 2016; eroding approximately over 260 basis points of the Fund's over-performance during the first half of the calendar year 2016. (See Exhibit C & D).

The Fund's common share market price of US\$ 9.17 on the New York Stock Exchange decreased by -14.78%, and registered a discount of -13.73% to the Fund's NAV of US\$10.63 at the end of 2016, compared to a discount of -14.06% at the end of December 2015. (Source: U.S. Bancorp).

The Fund repurchased 192,577 shares in the last twelve months ended on December 31, 2016 at a net average price of US\$ 10.85, amounting to US\$ 2,089,925. (Source: U.S. Bancorp). The Fund's Total Net Assets amounted to US\$78,104,718 on December 31, 2016, compared to US\$93,622,291 as of December 31, 2015. (Source: U.S. Bancorp)

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III. THE MEXICAN ECONOMY

Economic performance in 2016 was underpinned for a second consecutive year by strong private consumption, private investment grew only marginally; while agricultural activities, also had a positive contribution. Secondary activities (industrial) remained flat, affected by a -6.4% decline in mining, mainly as a result of a 5% drop in oil production, and low average commodity prices. (Source: INEGI).

Mexico's public finances were a sensitive topic for investors throughout 2016 and have caused concerns among the main rating agencies. Nonetheless, data was positive as total public sector requirements posted a deficit equivalent to 2.9% of GDP in 2016, slightly below the government's 3% target. (Source: SHCP)

The balance of payments report showed a capital account of US\$ 35.89 billion similar to that of 2016, boosted by investment flows to financial markets, and a 22% increase in foreign direct investment of US\$ 27.5 billion in 2016 compared to 2015. The prior offset the US\$ 27.9 billion current account deficit (2.7% of GDP) was better than expectations of 3%. (Source: BANXICO) For further information please refer to *Exhibit E*.

For a complete report on Mexico's long-term and current economic situation, please refer to the Fund's web page.

IV. THE MXE'S INVESTMENT STRATEGY

The main changes to the Fund's investment strategy during 2016 were as follows:

Growth asset class categories, 66.4% weight at the end of 2016 emphasized metrics related to free cash flow yield per share and ROIC -a consistent return on invested capital, ROE for Banks, as well as low book-value. Additionally, we ran an earnings yield, EY, sensitivity analysis (inverse of the price to earnings multiple) to validate higher interest rates; and, also monitored companies' U.S. Dollar revenues given significant merger & acquisition (M&A) activity abroad at relatively lower than average valuations.

The Investment Yield asset class as classified by PAM (Dividends + share repurchase), with 19.1% weight continue to favor high total return related companies by internal policy and solid balance sheets.

Special situations category, 4.6% weight at the end of December, mainly related to value-oversold & small cap is also an asset class which is emerging from volatility and conceptual tweets.

Finally, our internal models have been adjusted to reflect companies' increased cost of equity derived from higher risk free rates and equity risk premiums (See *Exhibit F*).

The main contributors and detractors, classified by sector, according to PAM's data base one-year to December 31, 2016,

were:

- Contributors: Utilities +0.04% (Source: PAM, Bloomberg).
- Detractors: Consumer Discretionary -3.87%, Consumer Staples -3.12% and Industrials -2.72%. (Source: PAM, Bloomberg).

VI. FINAL REMARKS

Mexico's commitment to being a free economic market leader began with the country's adherence to the General Agreement on Tariffs and Trade (GATT) in 1986, followed by the privatization of the banking sector in 1991, BANXICO's independence in 1993, the NAFTA agreement in 1994, and 12 free trade agreements with 46 countries; 32 treaty agreements for the promotion and protection of investments with 33 countries; and 9 limited scope treaty agreements with ALADI, Latin American Integration Association.

Mexico's long-awaited industrial transformation was undoubtedly spearheaded by the 2014 Structural Reform, which includes 11 reforms, a far-reaching Energy Reform that is seen as key to the country's long-term development.

During the month of December 2016, 8 out of the 10 oil-deep drilling blocks auctioned were awarded, an expected investment of US\$ 34.4 billion over the next 35 years. (see full note at the Fund's semi-annual report).

We continue to focus on enhancing our in-house quarterly financial data and models prepared by a dedicated team of analysts to continue to provide the Fund's long-term stockholders with consistent top quality portfolio management.

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.

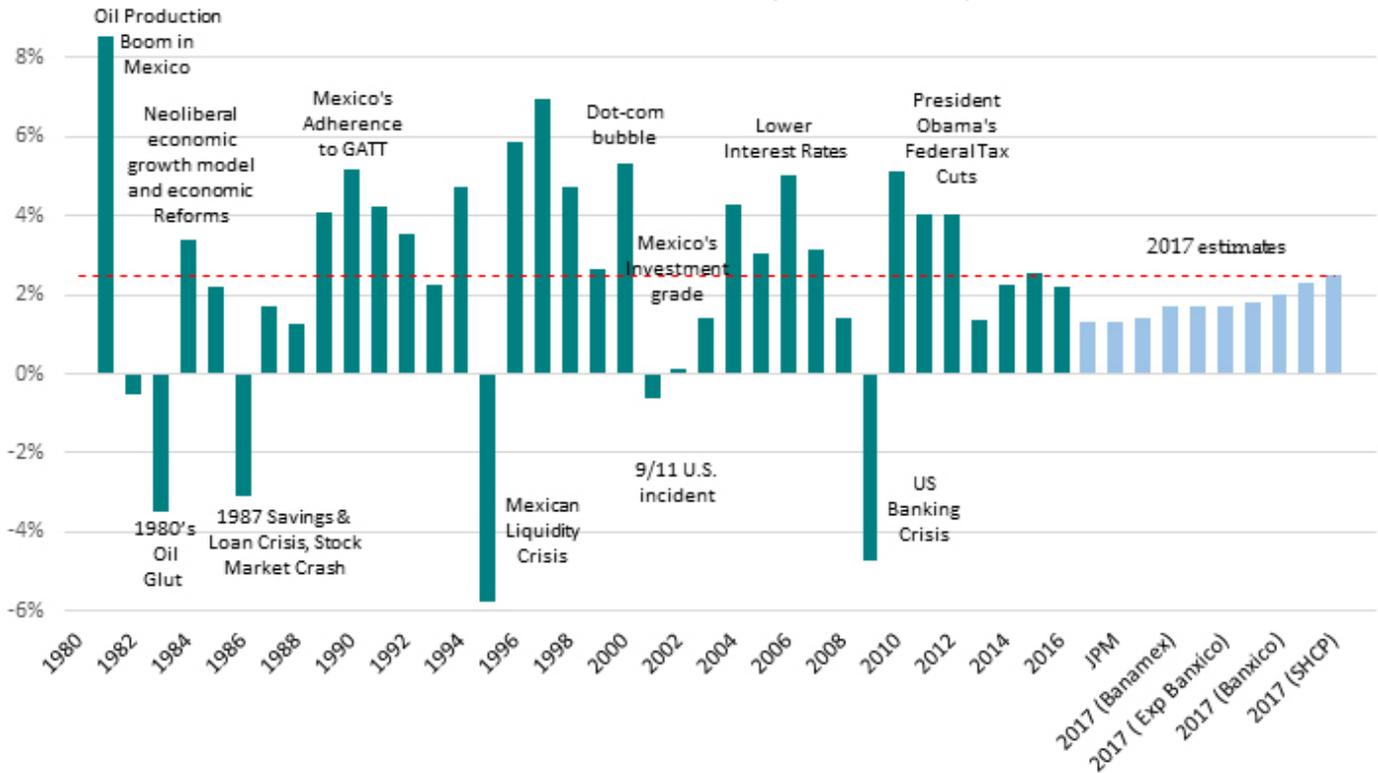
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Exhibit A

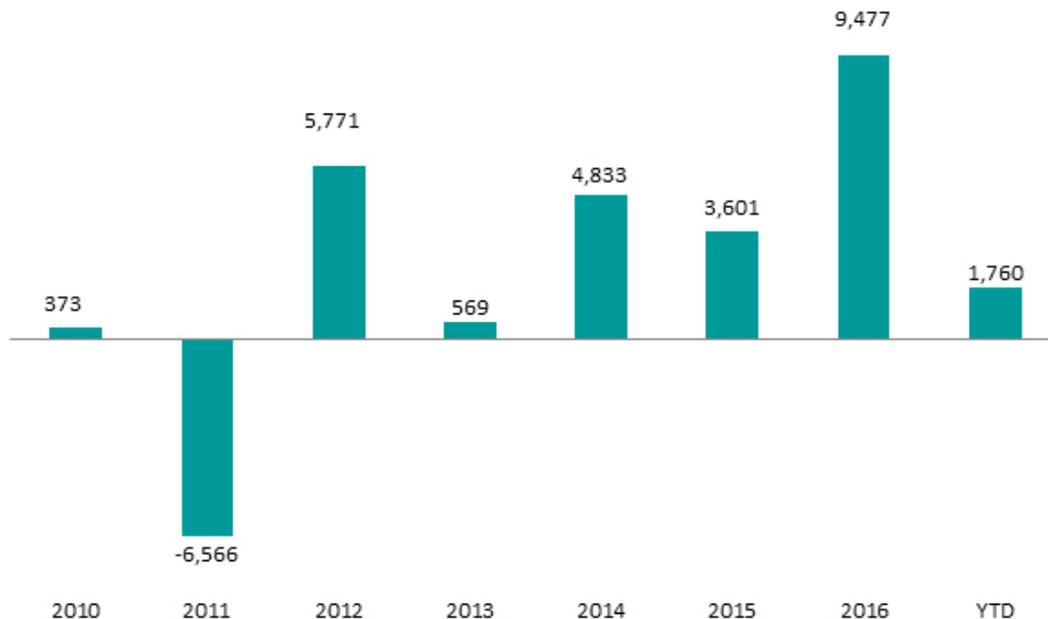
Mexico's Annual GDP Growth (Constant Prices)



Source: International Monetary Fund

Exhibit B

Foreign Flows to Local Equity Markets
(Millions of U.S. Dollars)

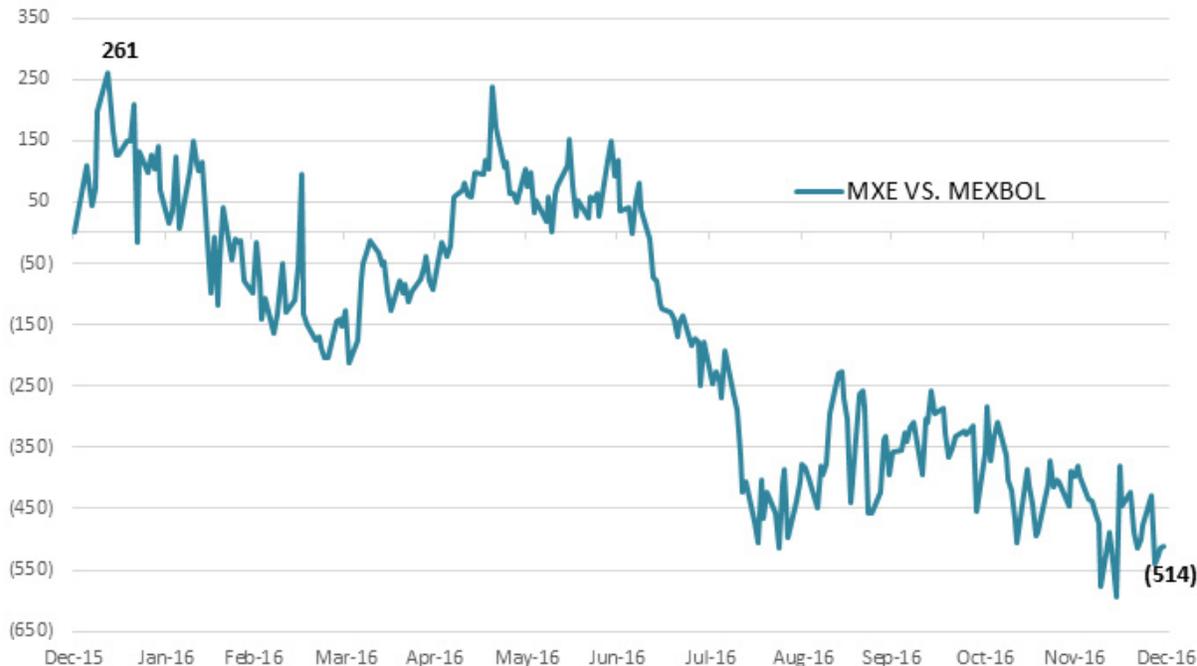


Source: PAM, Bloomberg.

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Exhibit C

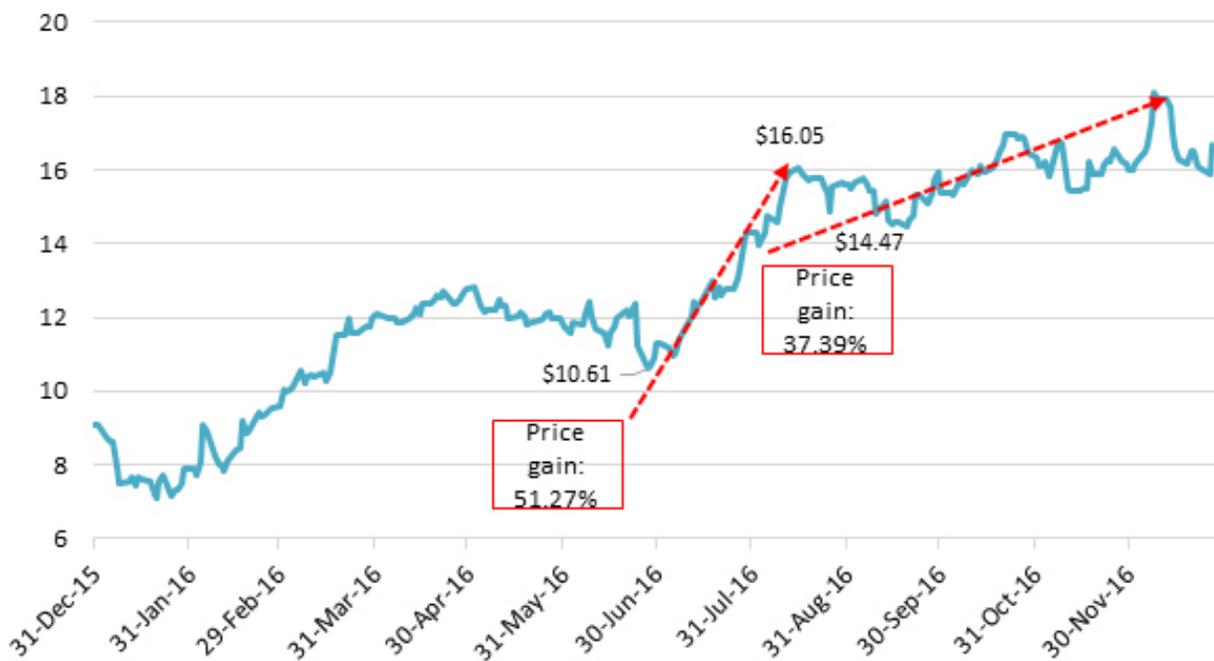
Excess Return MXE vs. MEXBOL
One-year to December 31, 2016.



Source: PAM, Bloomberg

Exhibit D

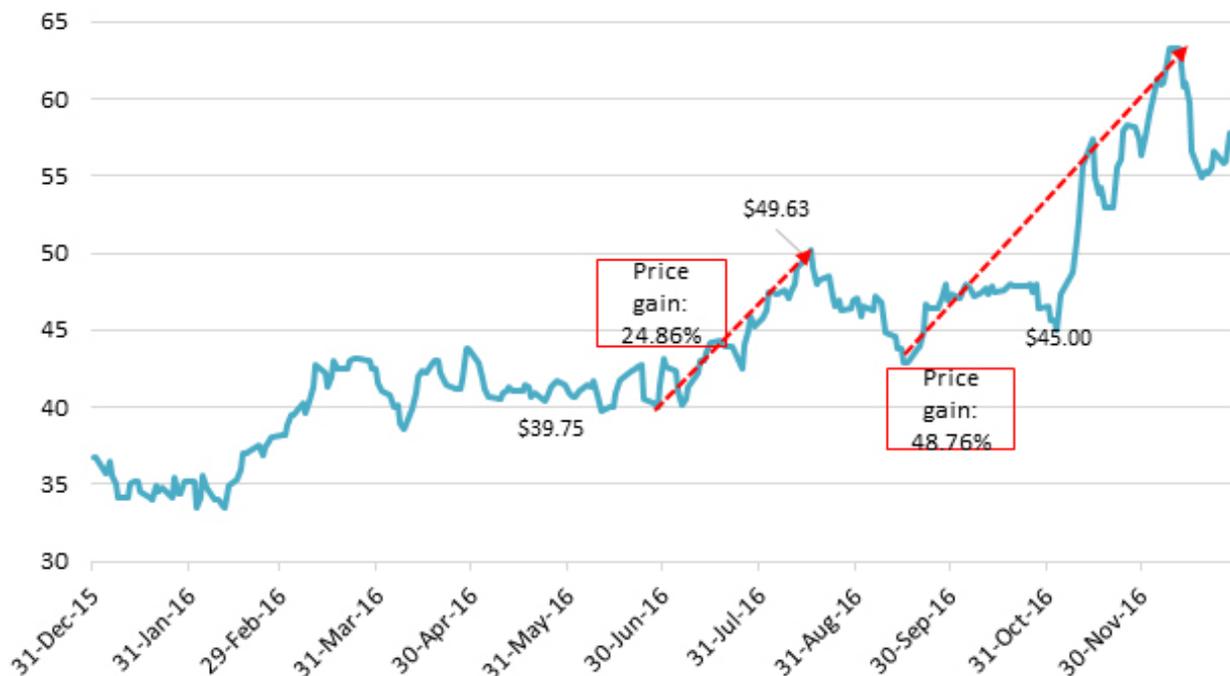
CEMEX Price Performance
One-year to December 31, 2016.



Source: Bloomberg

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GMEXICO Price Performance
One-year to December 31, 2016.



Source: Bloomberg

PE&OLES Price Performance
One-year to December 31, 2016.

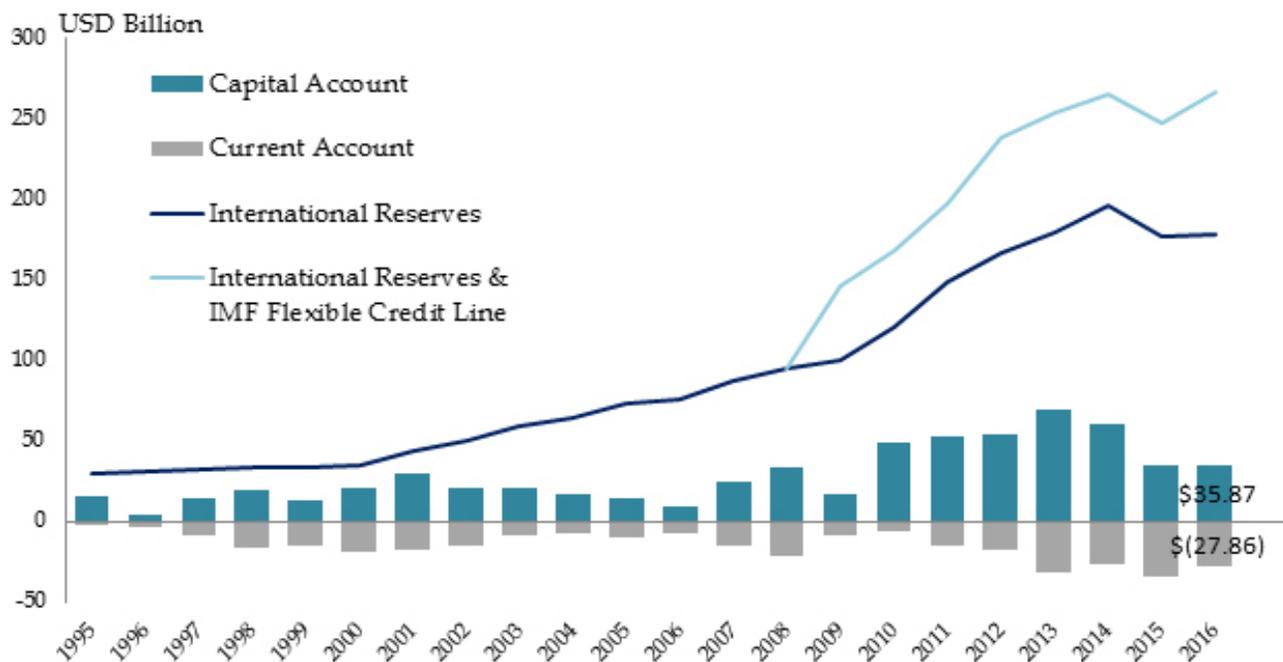


Source: Bloomberg

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Exhibit E

Balance of Payments



Source: Banxico

Exhibit F

MXE and MEXBOL's 12 Month Trailing Total Annual Yield
(As of December 31, 2016)

As of December 31, 2016	Trailing 12M Earnings Yield	2016 Dividend Yield	Total Annual Yield	MXE's % Allocation	MEXBOL % Allocation	Overweight / Underweight
SECTOR & INDUSTRY						
UTILITIES	15.87%	2.45%	18.32%	4.53%	0.95%	3.58%
FINANCIALS	7.69%	2.88%	10.57%	18.39%	14.72%	3.67%
INDUSTRIALS	8.06%	1.28%	9.34%	10.57%	13.06%	-2.49%
REAL ESTATE	4.54%	4.10%	8.65%	2.01%	0.00%	2.01%
CONSUMER DISCRETIONARY	6.68%	1.37%	8.05%	9.19%	11.36%	-2.17%
MATERIALS	5.88%	1.05%	6.93%	15.52%	18.78%	-3.26%
CONSUMER STAPLES	4.58%	2.20%	6.78%	21.37%	29.84%	-8.47%
TELECOMMUNICATIONS SERVICES	3.94%	2.15%	6.09%	8.47%	11.29%	-2.82%
TOTAL EQUITY MXE's PORTFOLIO	4.63%	2.23%	6.86%	90.05%	100.00%	-9.95%
PRIVATE EQUITY CAPITAL DEVELOPMENT CERTIFICATES				2.60%		
CASH & READY AVAILABLE INSTRUMENTS				7.35%		
TOTAL MXE's PORTFOLIO				100.00%		

Source: PAM, Bloomberg

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Exhibit G

Results of Round I Phase IV Energy Auction

Contractual Area	Bidder	Additional Royalty	Committed Investment (Million USD)	Total Expected Investment (Million USD)	Average Daily Production (Thousand barrels of crude oil)	Government's Participation	
						Expected (\$60/b)	Maximum (\$120/b)
1	CNOOC	17.01%	129.4	3,850.0	91.7	63.6%	70.8%
2	Total & Exxon.Mobil	5.00%	129.0	6,643.0	125.2	48.0%	57.0%
3	Chevron, Pemex &	7.44%	3.4	2,017.0	50.1	51.4%	58.4%
4	CNOOC	15.01%	33.6	3,702.0	50.1	61.0%	66.5%
5	Statoil, BP & Total	10.00%	4.2	7,052.0	107.7	54.4%	61.3%
6	-	-	-	-	-	-	-
7	Statoil, BP & Total	10.00%	17.7	5,236.0	213.1	52.4%	60.1%
8	PC Caligari & Sierra Offshore	22.99%	13.1	2,978.0	50.1	71.3%	74.0%
9	Murphy Sur, Ophir, PC Caligary & Sierra Offshore	26.91%	14.1	2,874.0	88.1	76.4%	80.9%
10	-	-	-	-	-	-	-
Subtotal			344.5	34,352.0	776.1		
Trion	BHP Billton	4.00%	1,974	7,424	118	72.4%	
Total			2,319	41,776	894		

Source: Mexico's Ministry of Energy

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ECONOMIC DATA

- **Gross Domestic Product (GDP):** According to INEGI, GDP grew 2% in **3Q'16** compared to the previous year. By components, the service sector grew 3.3%, agricultural activities 4.8%, while industrial activities decreased 0.9%.
- **Economic Activity Index.** According to INEGI, economic activity (IGAE, Gross Domestic Product proxy) rose by 0.3% month over month (m/m) in **October**. In seasonally adjusted terms, service sector activities grew 0.3%, and the industrial sector 0.2%, while agricultural activities slipped 2.8%, m/m. IGAE increased 2.1% (seasonally adjusted) in real terms in the reference month year-over-year (y/y).
- **Industrial Activity.** In **October**, industrial production grew a marginal 0.3% m/m and declined by 1.1% y/y. Seasonally-adjusted data showed advances of 0.3% in mining, 0.2% in utilities, 1.1% in construction, and 0.5% in manufacturing, in the same period.
- **Gross Fixed Investment.** In **September**, gross fixed investment (GFI) rose 1.3%, m/m. Expenses related to construction increased by 0.5%, and those related to machinery and equipment increased 4.1%, m/m. GFI posted a 0.3% increase y/y.
- **Trade Balance.** The **November** trade balance registered a US\$200 million surplus. The trade balance showed a deficit of US\$13.16 billion dollars for the first eleven months of the year. During the month, total exports rose +11.1% y/y driven by a +11.3% advance in non-oil exports, and 6.8% in oil exports.
- **Mexican Oil Mix.** As at **end-December**, the price of the Mexican oil mix was USD\$46.3 per barrel, translating into a 13.1% monthly gain and 67.3% in one year, respectively.
- **Retail Sales.** Retail sales rose 9.3% in **October** compared to the same month of 2015. Retail sales increased 7.1% in relation to the previous month.
- **Unemployment.** The **November** unemployment rate came in at a seasonally-adjusted 3.7%, slightly below the 3.9% registered during the previous month. By gender, unemployment in men remained at 3.6% and unemployment in women declined to 3.5% from 3.7% compared to the previous month.
- **Monetary Policy.** Banco de Mexico raised its benchmark interest rates by 50 basis points to a level of 5.75% on **December 15, 2016**.
- **Inflation.** The **November** Consumer Price Index (CPI) increased by +0.78% month-over-month. Annual headline inflation came in at 3.31% and core inflation 3.29%.
- **Public Finances:**
 - o For the January to November 2016 period, the government reported a fiscal deficit (including Pemex and the Federal Electricity Commission) for the first ten months of the year of USD\$15.03 billion, comparing favorably with the deficit posted in the same 2015 period of USD\$27.85 billion. The public deficit approved for 2016 is US\$ 32.9 billion, which is expected to represent around 3.0% of GDP.
 - o At the end of October 2016, Federal Public Sector debt was 18.3%, higher than the previous year, and amounted to US\$9.31 billion. Public sector net debt amounted to around 42.8% of GDP as of November 2016, while the Historical Balance of Public Sector Borrowing Requirements was around 48% of GDP.
- **Unemployment.** The **November** unemployment rate came in at a seasonally-adjusted 3.7%, slightly below the 3.9% registered during the previous month. By gender, unemployment in men remained at 3.6% and unemployment in women declined to 3.5% from 3.7% compared to the previous month. *Source: SHCP, BANXICO, INEGI.*

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ECONOMIC PROJECTIONS

Economic Projections	2011	2012	2013	2014	2015	2016e
National Accounts						
Real GDP growth (y/y)	4.0%	3.9%	1.4%	2.3%	2.5%	*2.5%
GDP (US \$bn.)	1.170	1.184	1.261	1.288	1.139	1.161
Consumption (Chg. y/y)	4.9%	4.7%	2.5%	2.0%	3.3%	3.1%
Investment (Chg. y/y)	7.9%	4.6%	-1.6%	2.3%	4.5%	3.8%
Exports (Chg. y/y)	8.2%	5.9%	2.2%	7.3%	9.4%	7.5%
Imports (Chg. y/y)	8.0%	5.4%	2.5%	5.7%	6.1%	5.6%
Monetary and Exchange Rate Ind.						
CPI Inflation (year-end)	3.8%	3.6%	3.9%	4.1%	2.1%	2.8%
US\$ Exchange Rate (year-end)	13.9	13.0	13.1	14.7	17.2	16.8
28Day Cetes Int. Rate (year-end)	4.50%	4.50%	3.50%	3.00%	3.25%	4.25%
Balance of Payments						
Trade Balance (US\$ bn.)	-1.5	0.2	-1.2	-2.8	-14.5	-16.8
Exports (US\$ bn.)	349.4	370.7	380.2	397.5	380.8	397.9
Imports (US\$ bn.)	350.8	370.8	381.2	400.0	395.2	414.7
Transfers (US\$ bn.)	22.8	22.4	22.3	23.6	24.8	26.0
Current Account (US\$ bn.)	-12.3	-15.4	-26.5	-24.8	-32.4	-34.2
Foreign Direct Inv. (US\$ bn.)	23.4	19.0	45.7	25.6	28.4	30.5
Debt Profile						
International Reserves (US\$ bn.)	142.5	163.5	176.5	193.2	176.7	185.0
Public Debt (gross % of GDP)	33.1%	34.5%	36.9%	41.0%	42.5%	43.5%
External Debt (US\$ bn.)	201.3	213.4	225.1	241.5	250.0	258.0

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.
- **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.
- **ROIC:** A calculation used to assess a company's efficiency at allocating the capital under its control to profitable investments. Return on invested capital gives a sense of how well a company is using its money to generate returns.
- **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.
- **Earnings Yield:** The earnings per share for the most recent 12-month period divided by the current market price per share. The earnings yield (which is the inverse of the P/E ratio) shows the percentage of each dollar invested in the stock that was earned by the company.
- **Net Debt to Ebitda Ratio:** is a measurement of leverage, calculated as a company's interest-bearing liabilities minus cash or cash equivalents, divided by its EBITDA.
- **CNH:** National Hydrocarbons Commission: the CNH was created on November 28, 2008 as a body with technical autonomy to regulate and supervise the exploration and extraction of hydrocarbons in Mexico. The CNH was formally installed on May 20, 2009, after the appointment of the five commissioner's members of its governing body.
- **Free Cash Flow Yield:** is an overall return evaluation ratio of a stock, which standardizes the free cash flow per share a company is expected to earn against its market price per share. The ratio is calculated by taking the free cash flow per share divided by the share price.



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DEFINITIONS

- **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.
- **Duration:** is a commonly used measure of potential volatility of the price of a debt security, or the aggregate market value of a portfolio of debt securities prior to maturity.
- **TRION:** Part of a larger area of oil deposits known as the "Perdido" trend, it was discovered in 2012 and is thought to contain about 485 million barrels of commercial reserves. It is expected to cost about \$11 billion to develop the field, with capital expenditures of \$7.5 billion from Mexico's oil regulator, the National Hydrocarbons Commission

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.