

FOR IMMEDIATE RELEASE

**The Mexico Equity and Income Fund, Inc.
Notes Dilutive Effect of Dividend on Fund Performance**

August 2009 – The Mexico Equity and Income Fund, Inc. MXE and MXEPR (the “Fund”), a closed-end management investment company that seeks total return through capital appreciation and current income, today remarks on the dilutive effect on Fund performance due to the large dividend from net investment income and distribution of capital gains paid in January, 2009.

On January 27, 2009, the Fund paid a stock dividend on both classes of stock in shares of common stock with an option for cash to shareholders of record on December 26, 2008 of \$6.78 per share, 70% in Fund shares and 30% in cash. The distribution was declared on December 12, 2008 and the ex-dividend date was December 23, 2008. The dates and valuation for determining the price at which the common stock dividend would be issued was based on the trade-weighted average market price of the Fund’s common stock from January 21, 2009 through January 23, 2009, the “Valuation Dates”.

The Fund recorded the distribution on the ex-dividend date in December. Due to the significant decrease in the Fund’s common market price per share during the period from December 23, 2008 to January 27, 2009 the shares issued on the payable date increased significantly. At December 23, 2008, based on the Fund’s common share market price of \$6.38, projected shares to be issued in connection to the stock dividend were 3,342,704. On the payable date, January 27, 2009 the Fund actually issued 4,038,154 shares based on the trade weighted market price of \$5.28. This difference in market price resulted in the Fund issuing significantly more shares than if the Fund had been able to reinvest at the market price of \$6.38 on the Fund’s ex-dividend date.

The Fund’s performance for periods beginning December 31, 2008, calculated using the reported NAV on December 31, 2008 is not reflective of the performance of Fund’s investment portfolio. Third party financial reporting services calculate performance based on the Fund’s reported NAVs and distributions and this method will lead to an unrepresentative performance calculation for the month of January 2009 and for all periods beginning with December 31, 2008. For example, the Fund’s six month return ended June 30, 2009 adjusted to remove the effect of the distribution was 14.92%, while the performance as calculated by the Fund’s fund accounting and administrative service agent was 5.75%. The Fund’s performance is available at www.mxefund.com.

The Mexico Equity and Income Fund, Inc. common stock is traded on the New York Stock Exchange under the trading symbol “MXE”. The Mexico Equity and Income Fund, Inc. preferred stock is traded on the New York Stock Exchange under the trading symbol “MXEPR”.

Periodically updated information on the Fund can be obtained by calling the Fund's dedicated telephone line or by visiting the Fund's website at www.mxefund.com. Information includes a recorded update providing the Fund's net asset value. The Fund's toll free number is (866) 700-6104. Inquiries regarding change of address, transfer of shares, lost certificates, and non-receipt of dividend checks or reinvestment statements should be directed to Computershare Investor Services, P.O. Box A35014, Chicago, IL 60690-3504; (888) 294-8217.

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