



Pichardo Asset Management
Independent Portfolio Management Firm

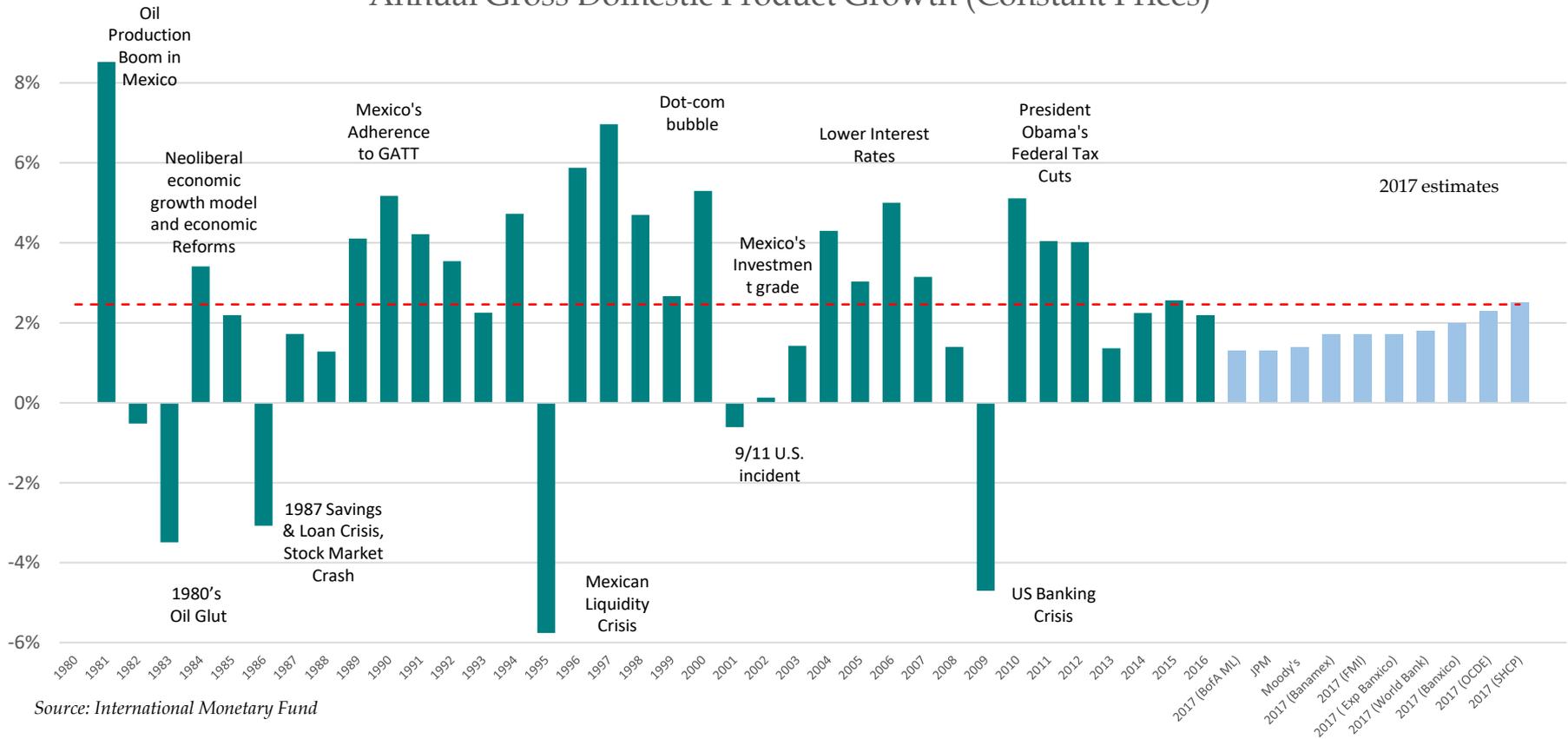
PAM's Macro Long Term View

Presentation to shareholders of the Fund

March 2017

Long Term Vision

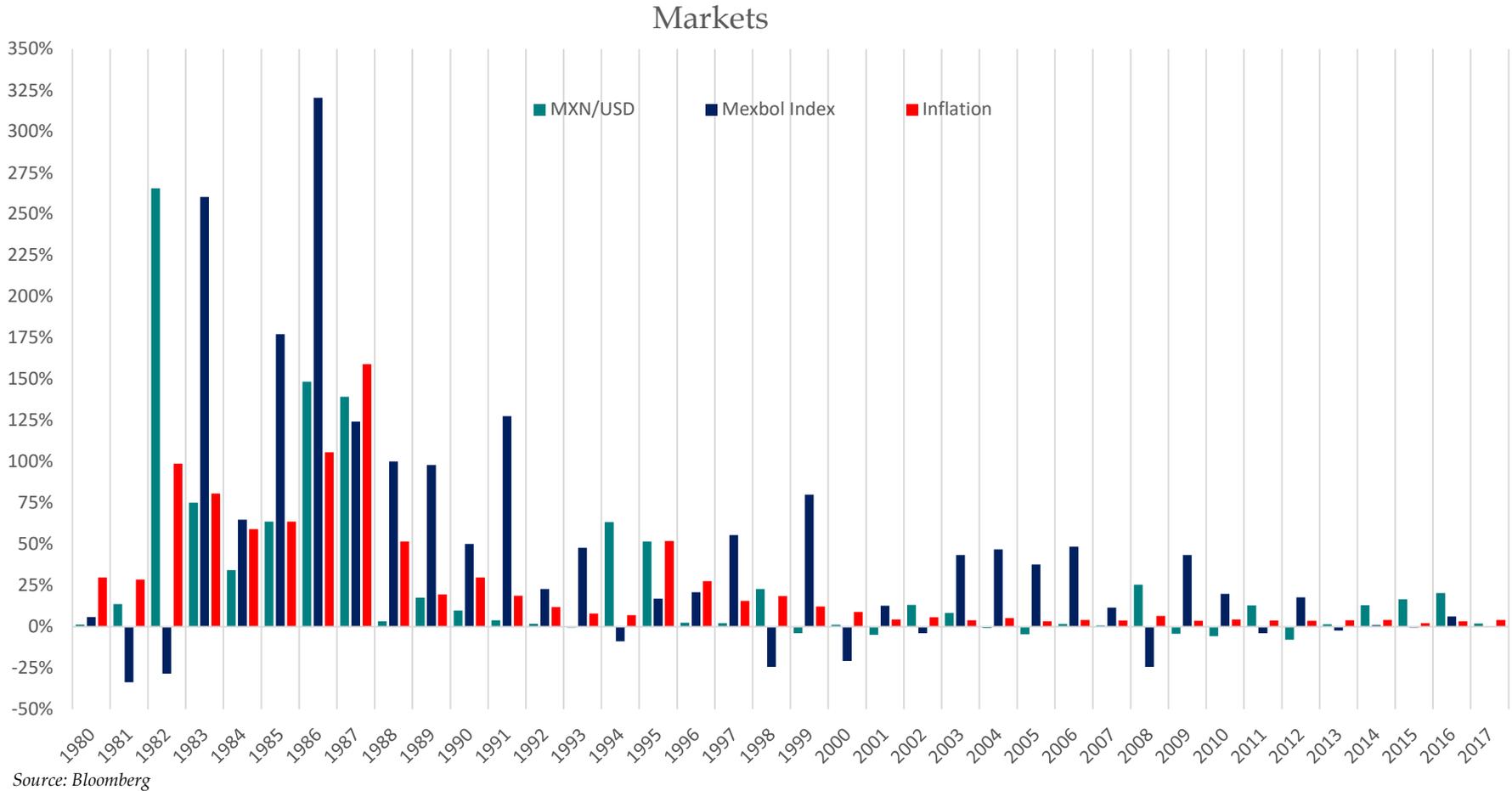
Annual Gross Domestic Product Growth (Constant Prices)



Source: International Monetary Fund

Mexico could face important challenges in 2017. It is noteworthy that, historically, the Mexican economy has quickly recovered from crises such as those that occurred in 1994 and 2008.

Long Term Vision



Mexico has shown contained inflation in recent years, in spite of the Mexican peso's depreciation. The inflation spirals observed in the 80's have been avoided since the country's adherence to General Agreements on Tariffs and Trade made the economy more competitive.

Long Term Vision

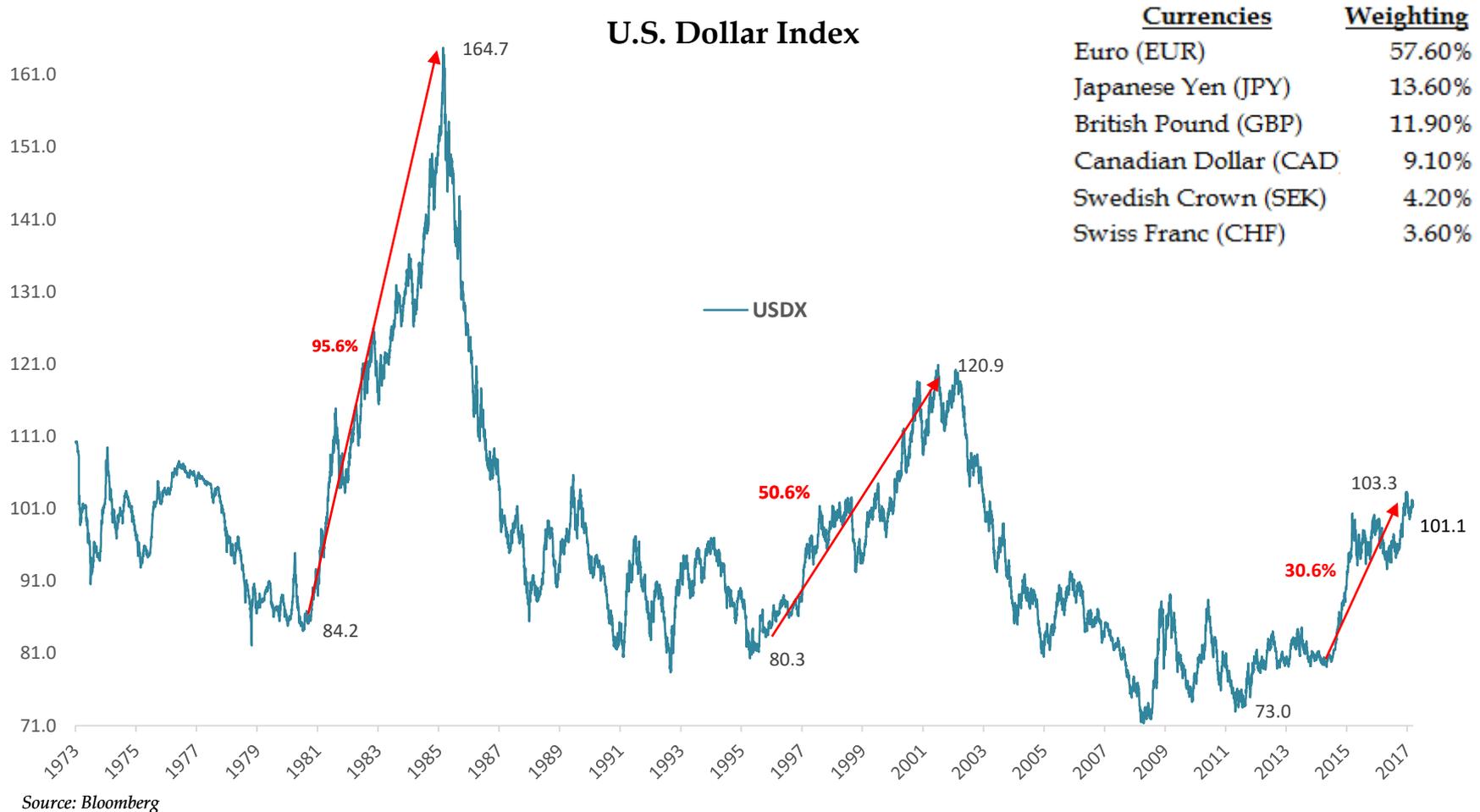
**Fed Funds Rate vs 10-Year Treasury
1971 - Mar 16, 2017**



Source: Bloomberg

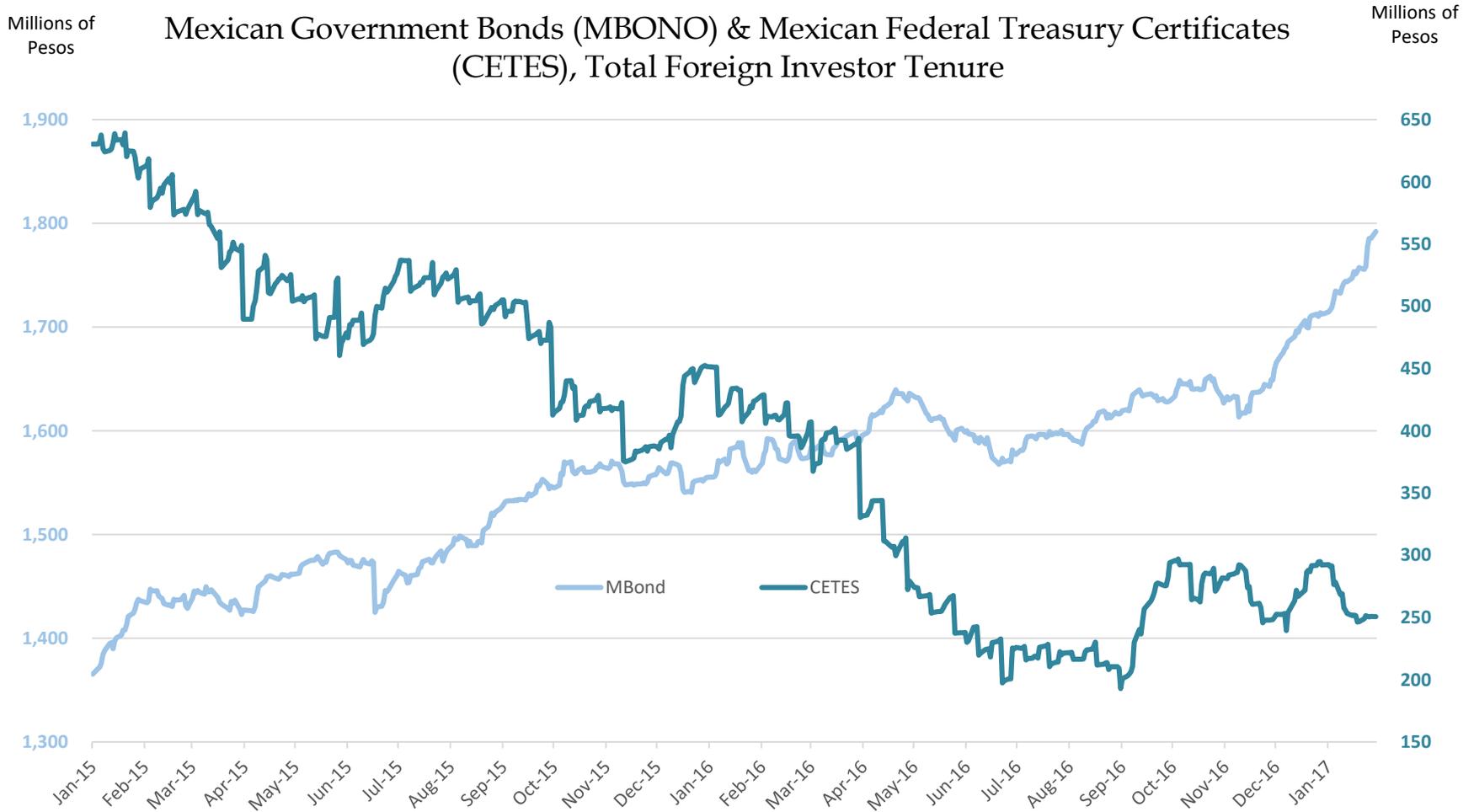
U.S. Federal Funds rate hikes have resulted in a significant strengthening of the U.S. dollar (see next slide).

Long Term Vision



Cycles of U.S. dollar appreciation against other currencies seem to last 5 to 7 years. The current cycle began in 2011 and may remain linked to Federal Reserve monetary policy normalization.

Mbond & Cetes Foreign Investor Tenure



Source: Banxico

Mexican Peso vs. U.S. Dollar Exchange Rate

MXN/USD Spot Exchange Rate

March 16th, 2017

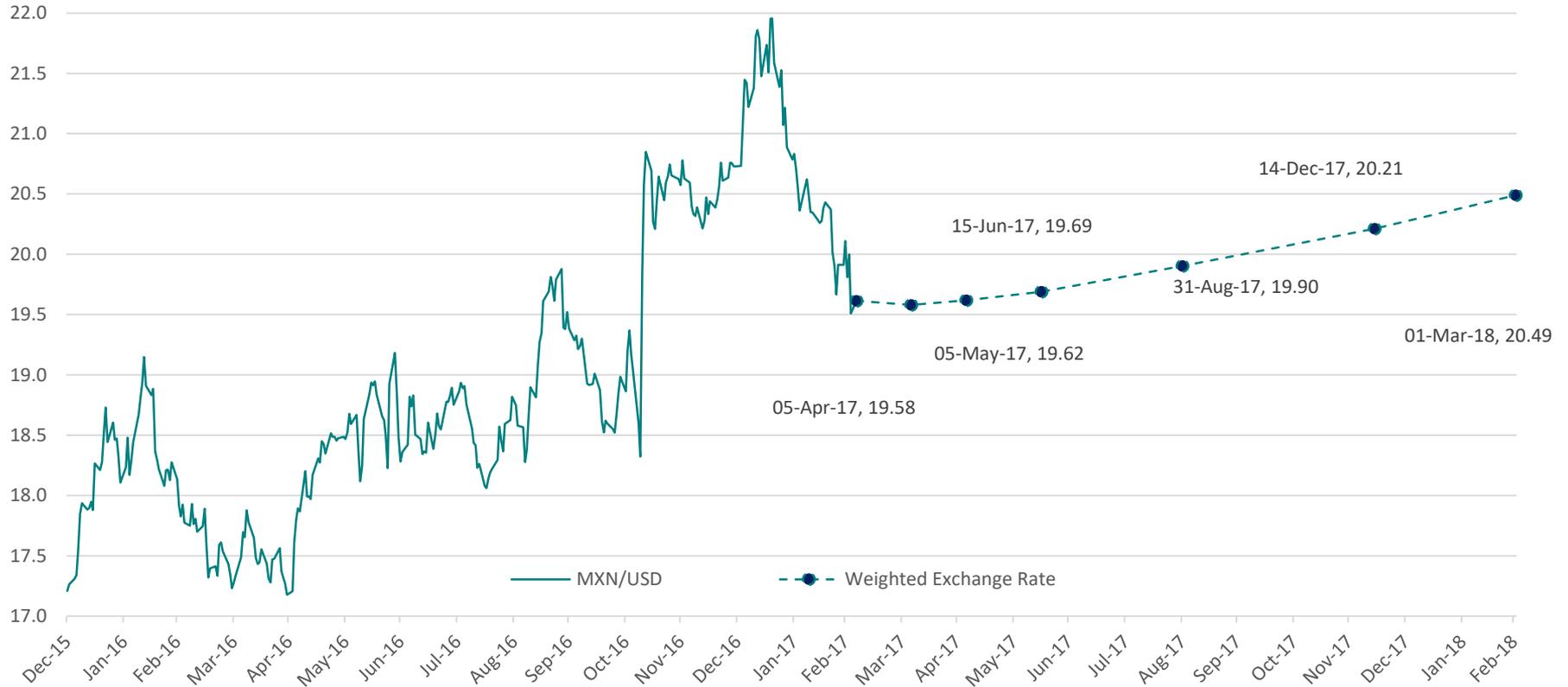


Source: Bloomberg

The Mexican peso has been vulnerable to global crises. Since the end of 2015, it has been affected by the normalization of US monetary policy and by the U.S. Presidential Elections.

Mexican Peso vs. U.S. Dollar Exchange Rate

MXN/USD Spot Exchange Rate

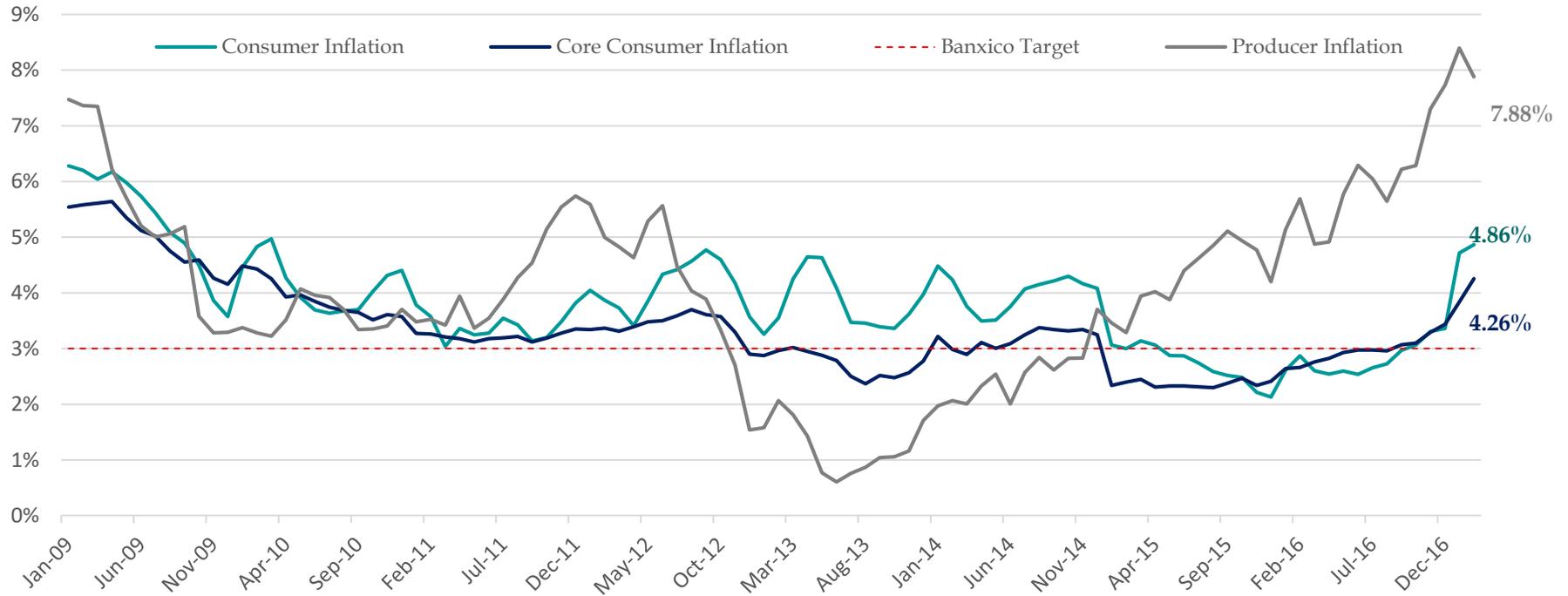


Source: Bloomberg, Banxico

On March 6th, Mexico's Central Bank offered \$1 billion USD worth of foreign exchange hedges, thus anchoring the Mexican peso to a stable and moderate rate of depreciation up to March 2018.

Inflation & Interest Rates

Inflation
(YoY % Change)

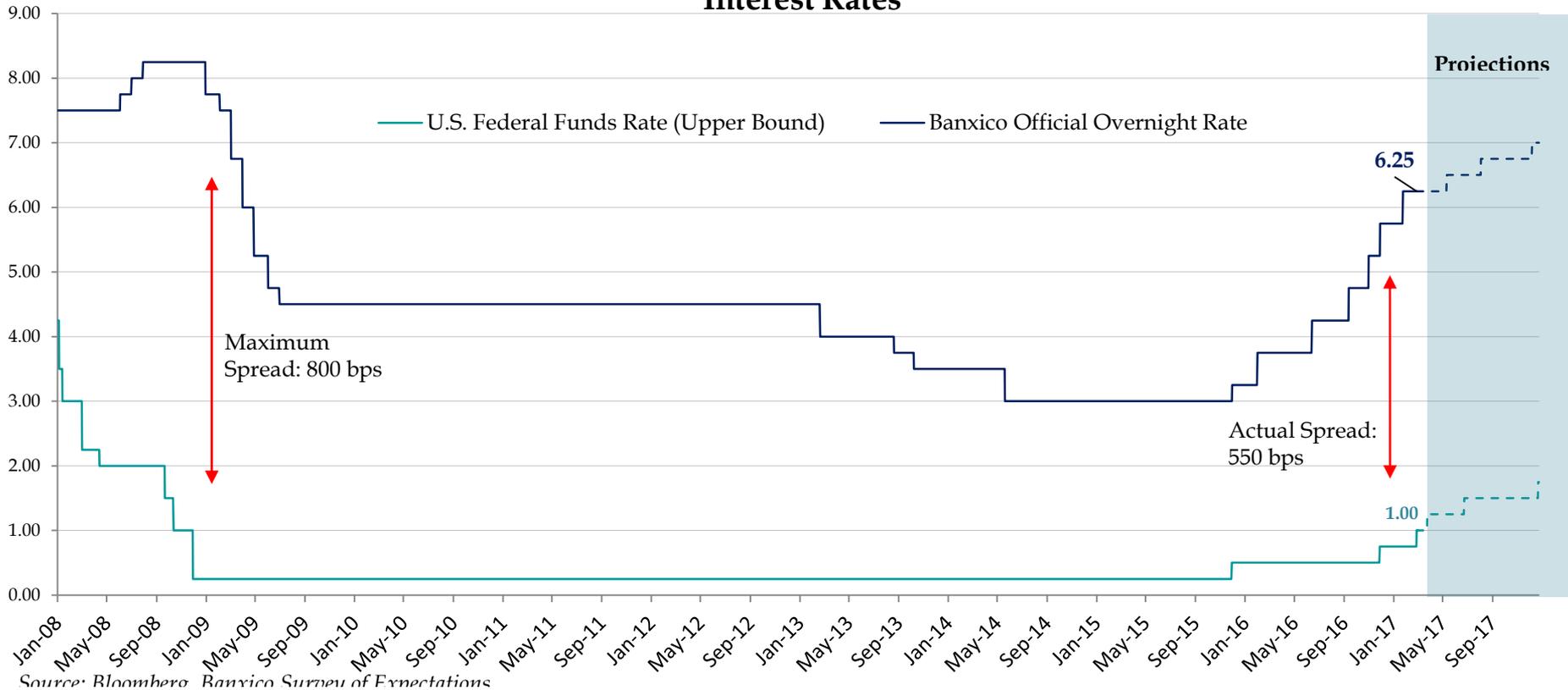


Source: INEGI

Producer prices have been quite vulnerable to the depreciation of the Mexican peso and electricity price increases. The recent increases in gas and energy prices could push consumer prices further upwards during the year.

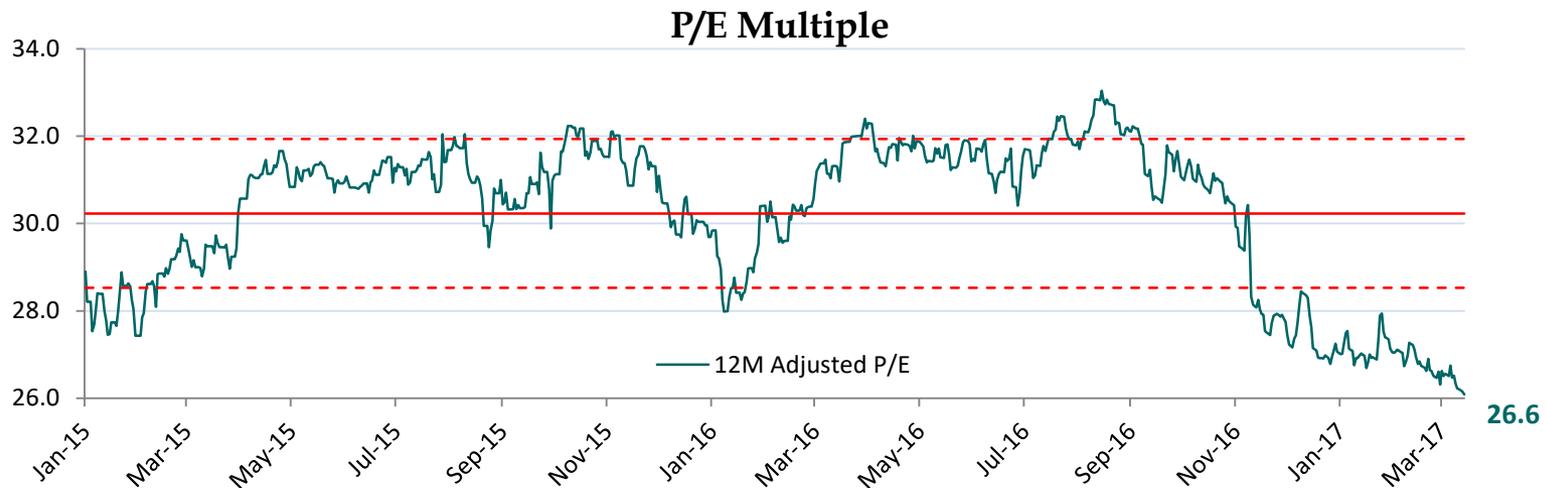
Inflation & Interest Rates

Interest Rates



Mexico's Central Bank (Banxico) has raised its reference rate by 325 basis points to 6.25% since December 2015. To avoid further pressures on price levels, it will follow the movements in the U.S. Federal Reserve reference rate.

Mexican Stock Market



The Mexican currency's depreciation makes the stock market trade at a important discount. Recent stock market adjustments have erased the case for an expensive Mexican index.

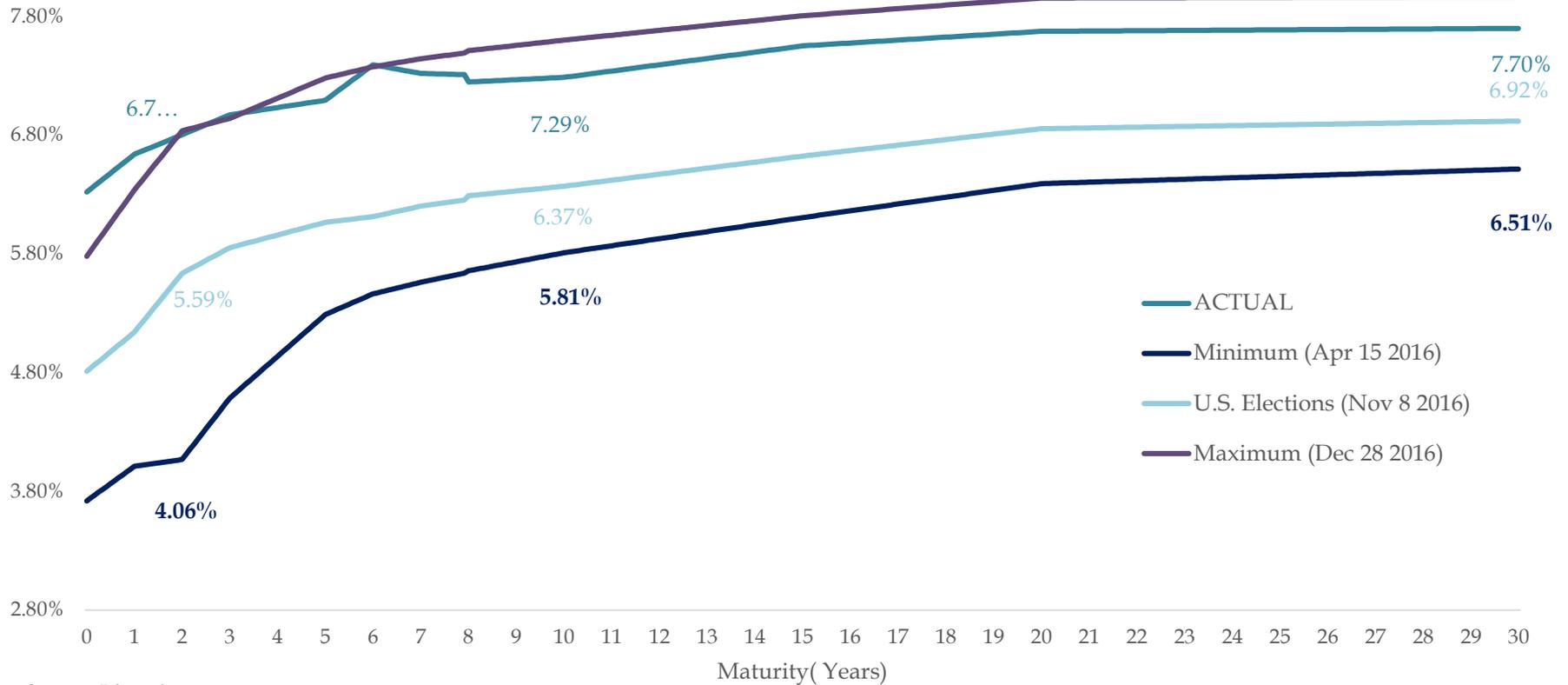
Inflation & Interest Rates

MBond Yield Curve As of March 16 2017

BONDS 421126
(30 years)

BONDS 241205
(10 years)

BONDS 180614
(3 years)



Source: Bloomberg

Inflation & Interest Rates

Bono M & Treasury 10-year yield



Source: Bloomberg

Inflation & Interest Rates

UMS vs Treasury Bond 10-year yield



Source: Bloomberg

GDP & Productive Activities

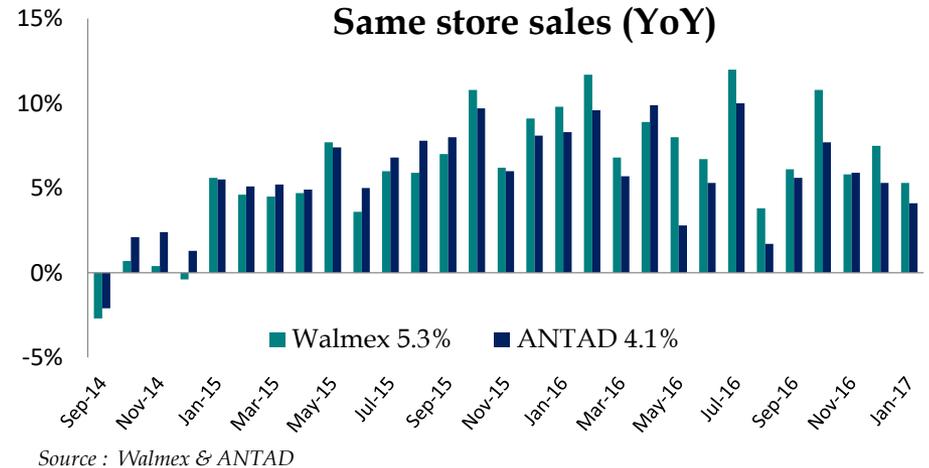
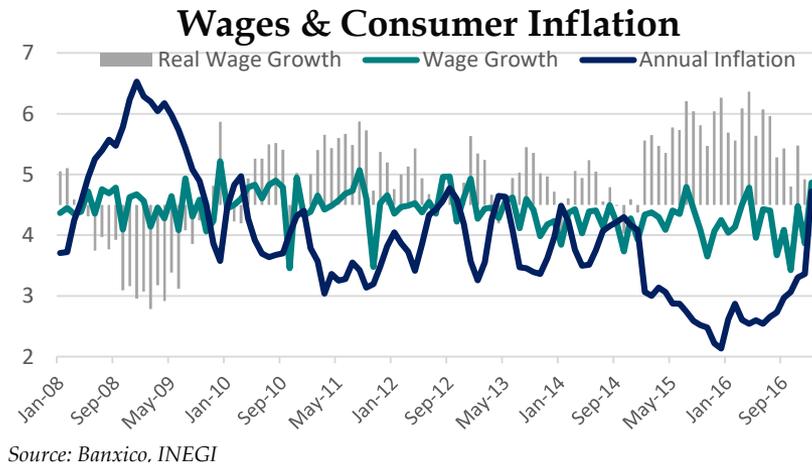
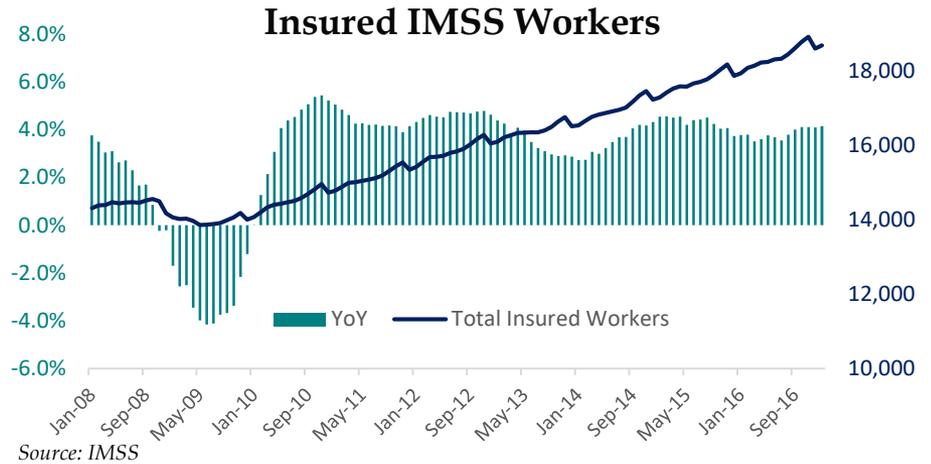
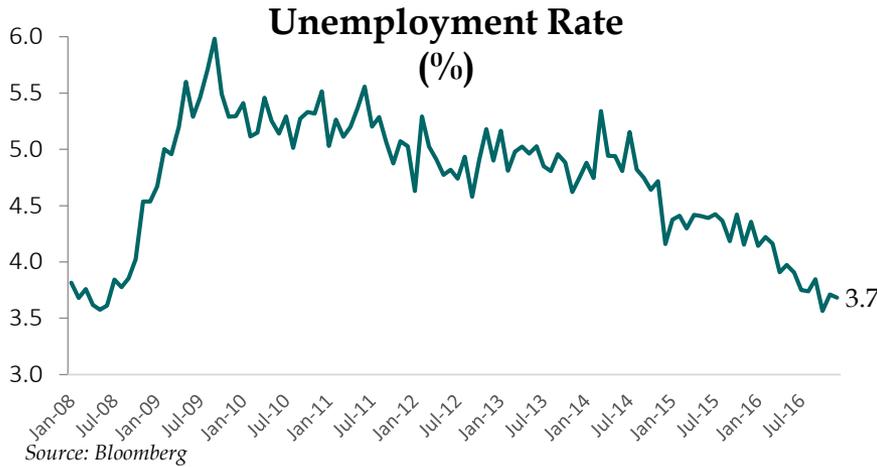
	GDP* (MXN)	PIB(%)	2016 Accumulated Growth	2015 Accumulated Growth
Gross Domestic Product at Market Prices	14,418	100.00%	2.30%	2.63%
Net Taxes on Products	398	2.76%	4.65%	5.41%
Primary Activities	379	2.63%	4.02%	1.59%
Agriculture and cattle	379	2.63%	4.02%	1.59%
Secondary Activities	4,737	32.85%	-0.02%	0.98%
Mining	893	6.19%	-6.44%	-4.58%
Energy, Water and Gas	359	2.49%	3.32%	2.25%
Construction	1,060	7.35%	1.81%	2.58%
Manufacture Industry	2,425	16.82%	1.30%	2.55%
Tertiary Activities	8,905	61.76%	3.37%	3.49%
Commerce	2,269	15.73%	2.43%	4.71%
Transportation, mail and storage	860	5.96%	2.79%	4.29%
Massive media	547	3.79%	10.07%	7.61%
Financial Services and Insurance	699	4.85%	7.70%	4.28%
Real Estate	1,699	11.79%	1.86%	2.50%
Professional, Scientific and Technical services	330	2.29%	7.08%	4.21%
Corporate	103	0.71%	4.68%	3.24%
Remediation Services	434	3.01%	4.02%	1.23%
Education	503	3.49%	1.04%	0.00%
Healthcare and welfare	267	1.85%	1.27%	-2.30%
Cultural and Sports Services	72	0.50%	5.52%	3.79%
Hotels, Restaurants and Leisure	318	2.20%	3.79%	5.78%
Other Services	309	2.14%	5.82%	2.70%
Government Services	496	3.44%	0.05%	2.67%

*thousands of millions of pesos

Source: INEGI

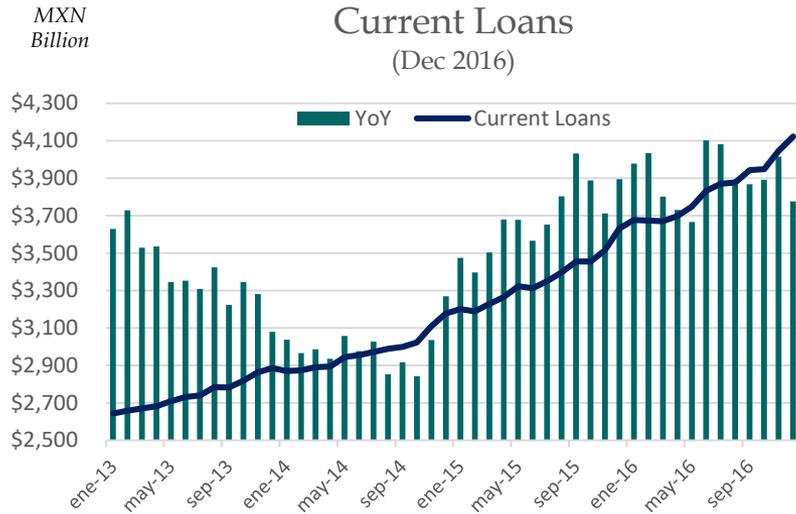
Almost every economic sector posted growth in 2016. The only activity that showed a clear contraction was mining, which is highly dependent on oil extraction.

Mexico's Labor Market

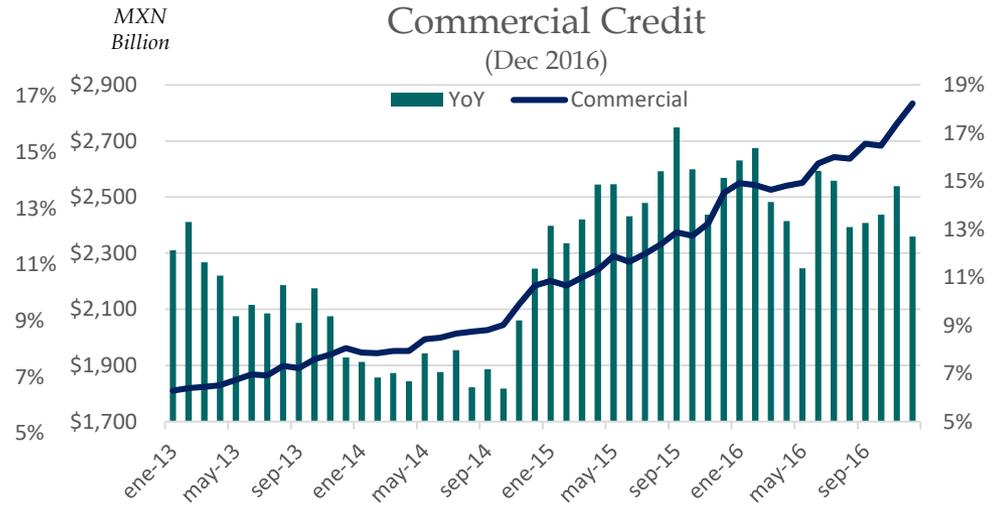


Mexico's labor market continues to show encouraging signs, and could continue to support domestic consumption.

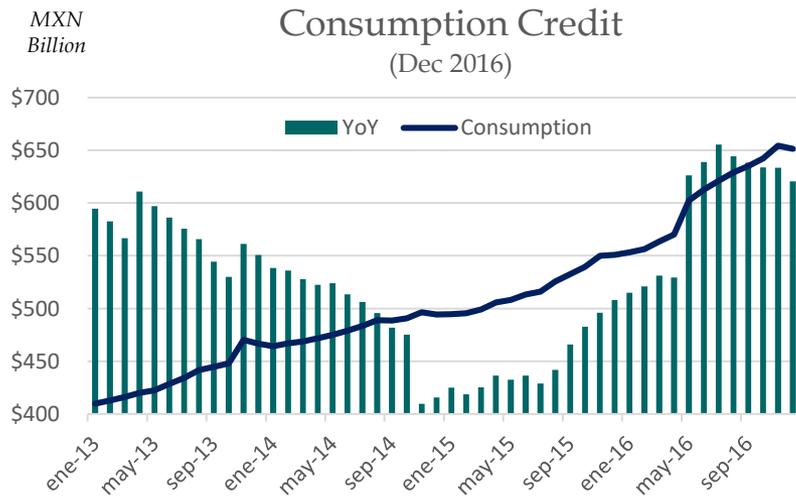
Private Banking



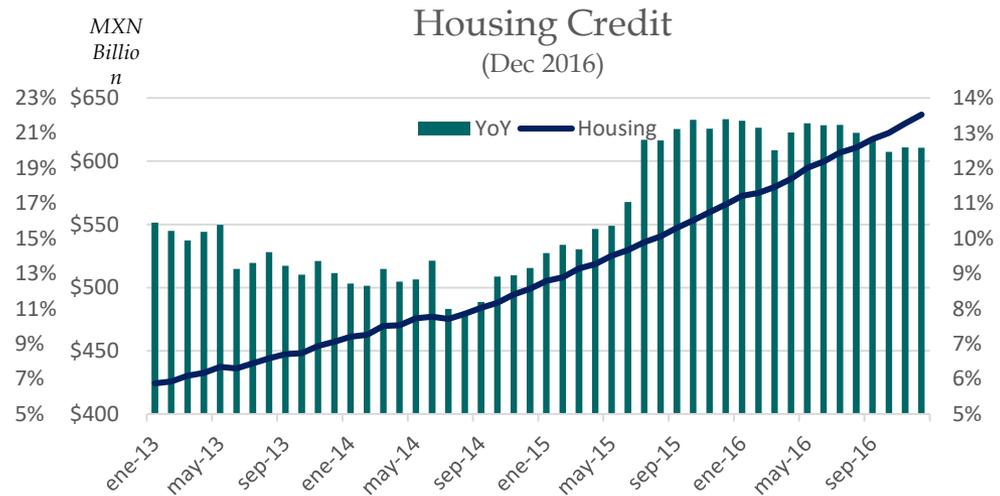
Source: Mexico's National Banking and Securities Commission



Source: Mexico's National Banking and Securities Commission



Source: Mexico's National Banking and Securities Commission



Source: Mexico's National Banking and Securities Commission

Commerce Patterns with the U.S. & External Accounts

United States International Commerce (2016)

Country	Exports	Imports	Total Commerce	Balance	Country	Exports	Imports	Total Commerce	Balance
China	115,775	462,813	578,588	-347,038	Taiwan	26,045	39,313	65,358.0	-13,268
% of Total	8.0%	21.1%	15.9%		% of Total	1.8%	1.8%	1.8%	
Japan	63,264	132,202	195,466	-68,938	Canada	266,827	278,067	544,894	-11,240
% of Total	4.3%	6.0%	5.4%		% of Total	18.3%	12.7%	15.0%	
Germany	49,362	114,227	163,589	-64,865	United Kingdom	55,396	54,326	109,722	1,070
% of Total	3.4%	5.2%	4.5%		% of Total	3.8%	2.5%	3.0%	
Mexico	230,959	294,151	525,110	-63,192	Saudi Arabia	18,023	16,926	34,949	1,097
% of Total	15.9%	13.4%	14.4%		% of Total	1.2%	0.8%	1.0%	
Italy	16,754	45,210	61,964	-28,456	Brazil	30,297	26,176	56,473	4,121
% of Total	1.2%	2.1%	1.7%		% of Total	2.1%	1.2%	1.5%	
Korea, South	42,266	69,932	112,198	-27,666	Singapore	26,868	17,801	44,669	9,067
% of Total	2.9%	3.2%	3.1%		% of Total	1.8%	0.8%	1.2%	
India	21,689	45,998	67,687	-24,309	Hong Kong	34,908	7,386	42,294	27,522
% of Total	1.5%	2.1%	1.9%		% of Total	2.4%	0.3%	1.2%	
France	30,941	46,765	77,706	-15,824	All other countries	425,212	537,890	963,102	-112,678
% of Total	2.1%	2.1%	2.1%		% of Total	29.2%	24.6%	26.4%	
					TOTAL	1,454,586.0	2,189,183	3,643,769	-734,597

Source: U.S. Census Bureau
Amounts in millions of dollars

The U.S. does a similar amount of trade with China, Mexico, and Canada (around USD 550 billion), but trade with China resulted in a USD 347 billion deficit, while trade with Mexico and Canada create much smaller deficits for the U.S. (USD 65 and 11 billion, respectively).

Commerce Patterns with the U.S. & External Accounts

Exports from the United States to Mexico by State
(Million USD)

Total Exports

132,700

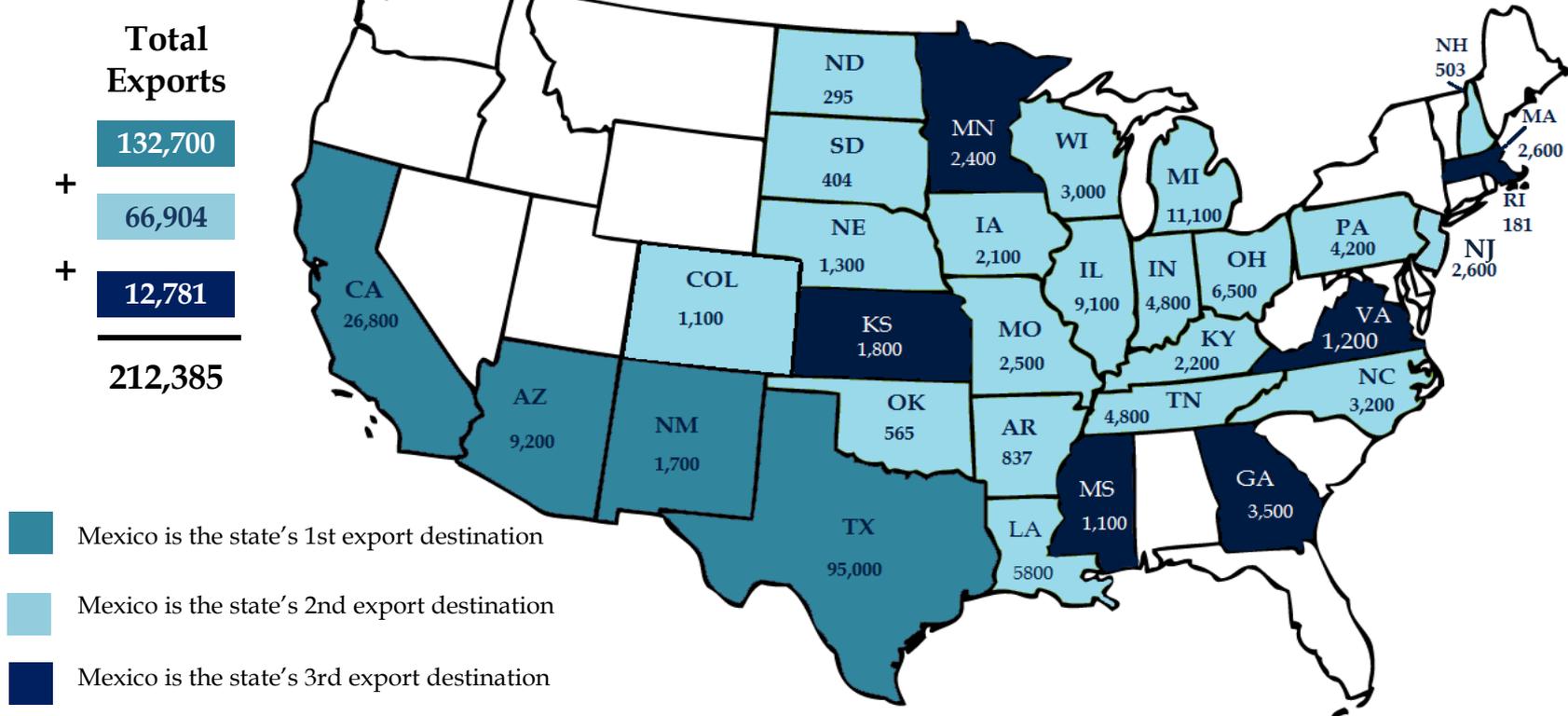
+

66,904

+

12,781

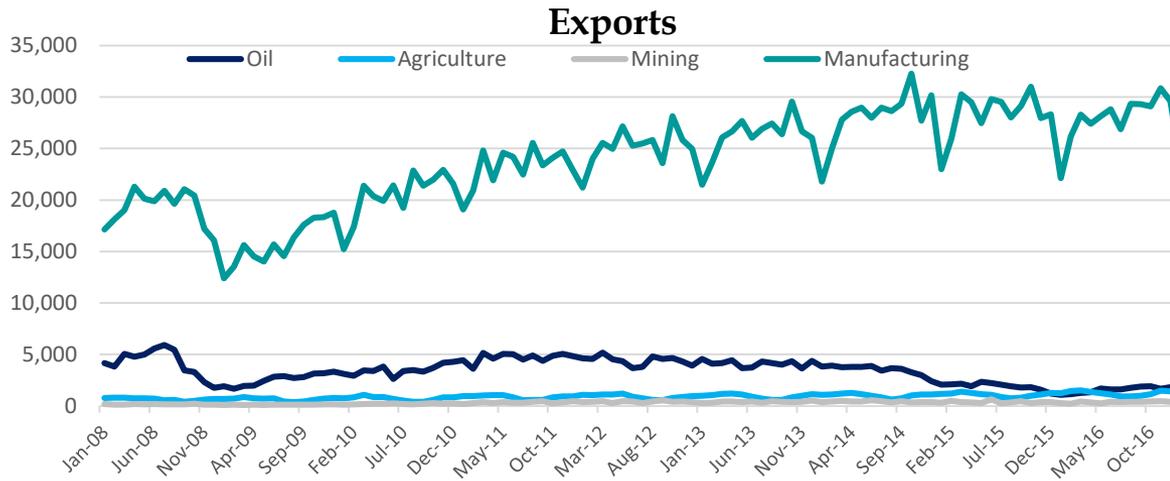
212,385



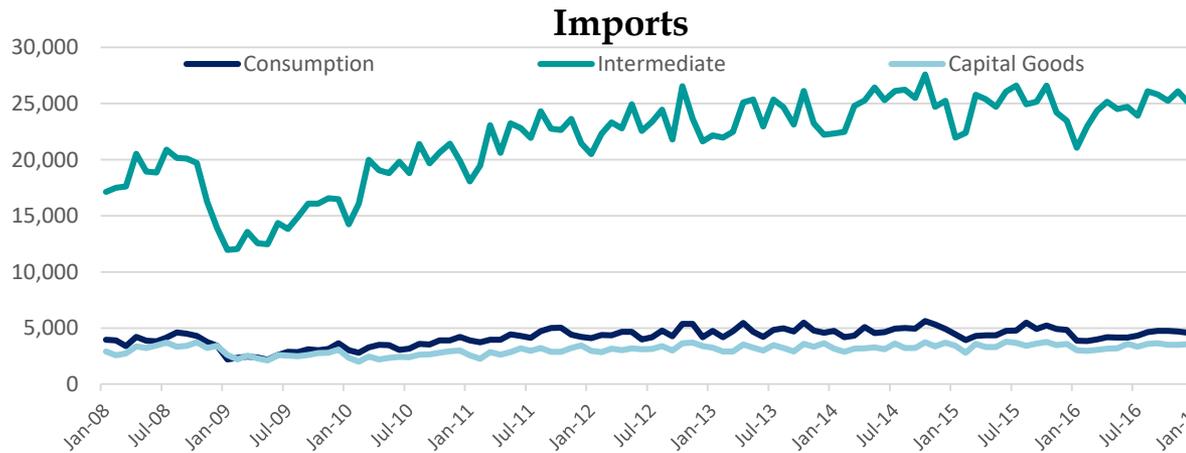
Source: State Data Bureaus, "¿Quién pierde si muere el TLC?" - Eje Central Jan 25 2017

Many U.S. states are highly dependent on trade with Mexico.

Commerce Patterns with the U.S. & External Accounts

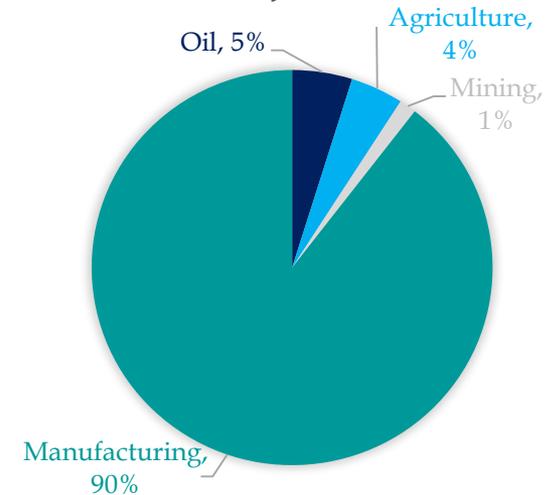


Source: Mexico's Ministry of Economics



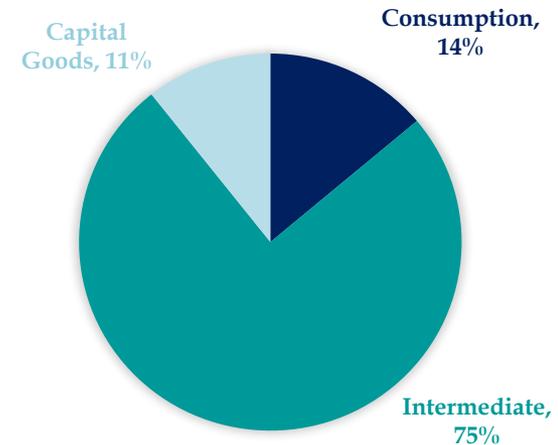
Source: Mexico's Ministry of Economics

AS OF JAN 2016



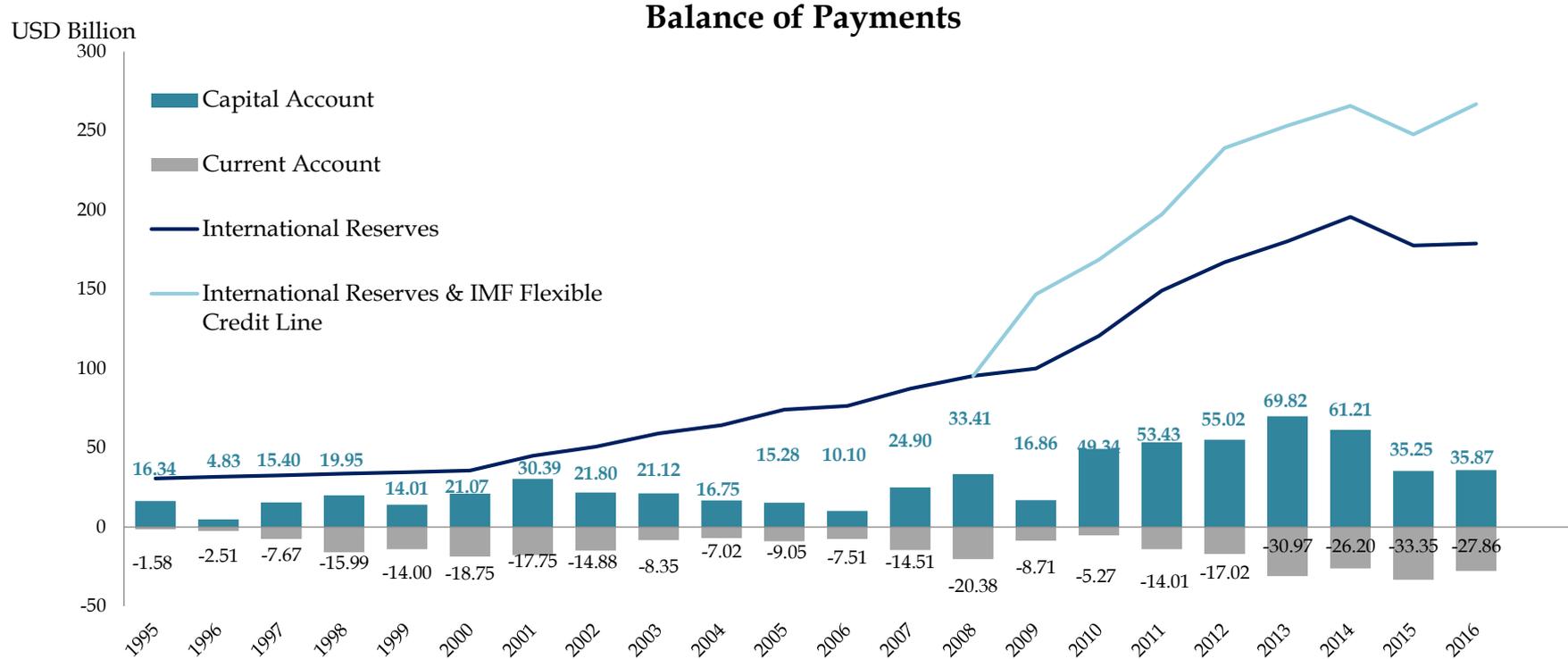
Source: Mexico's Ministry of Economics

AS OF JAN 2016



Source: Mexico's Ministry of Economics

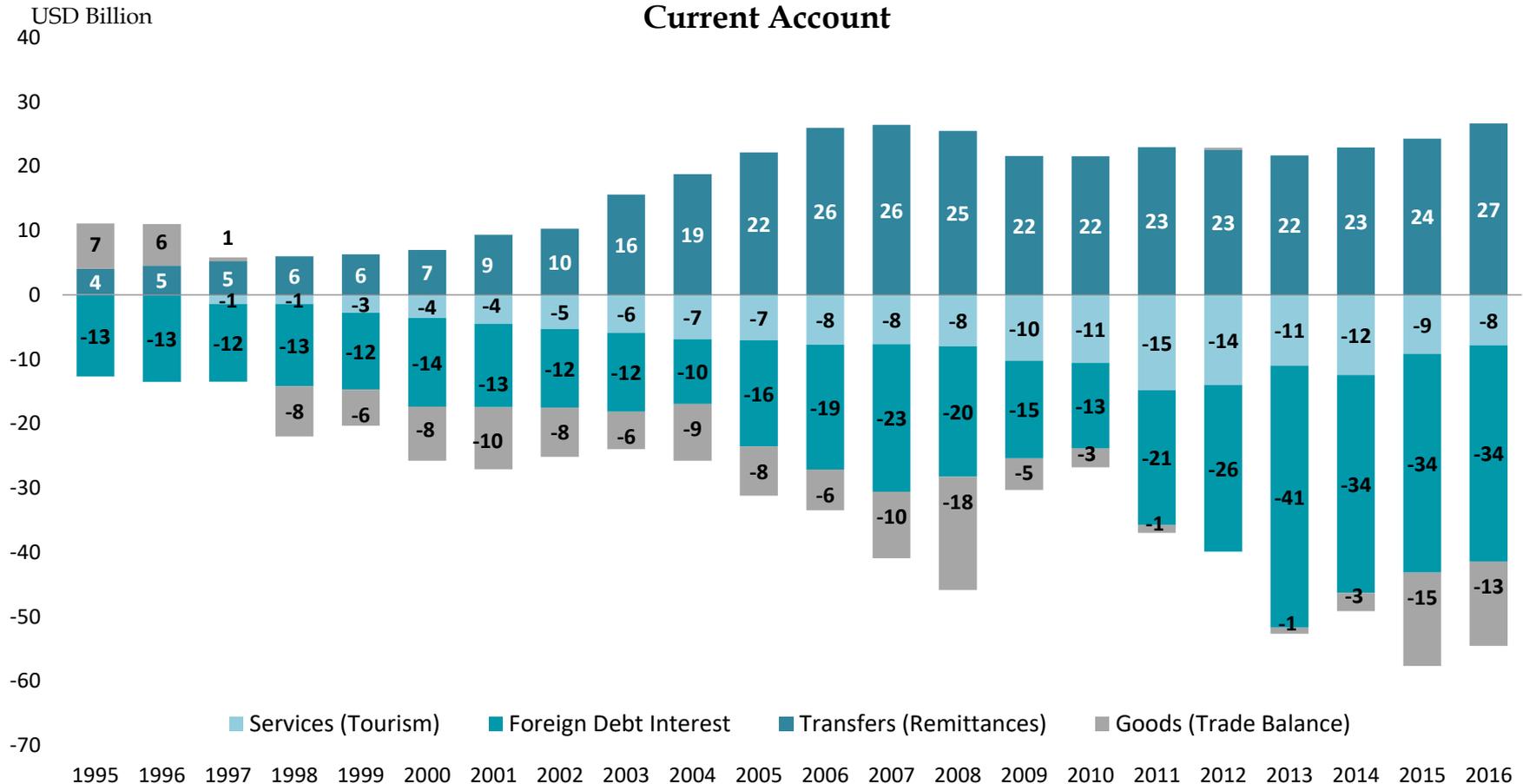
Commerce Patterns with the U.S. & External Accounts



Source: Banxico

The Balance of Payments report shows that during 2016, the Capital Account surplus more than covered the Current Account deficit. Also, Mexico holds more than enough International Reserves to cover the deficit if this were to change. Finally, the Flexible Credit Line extended by the International Monetary Fund has not yet been used.

Commerce Patterns with the U.S. & External Accounts

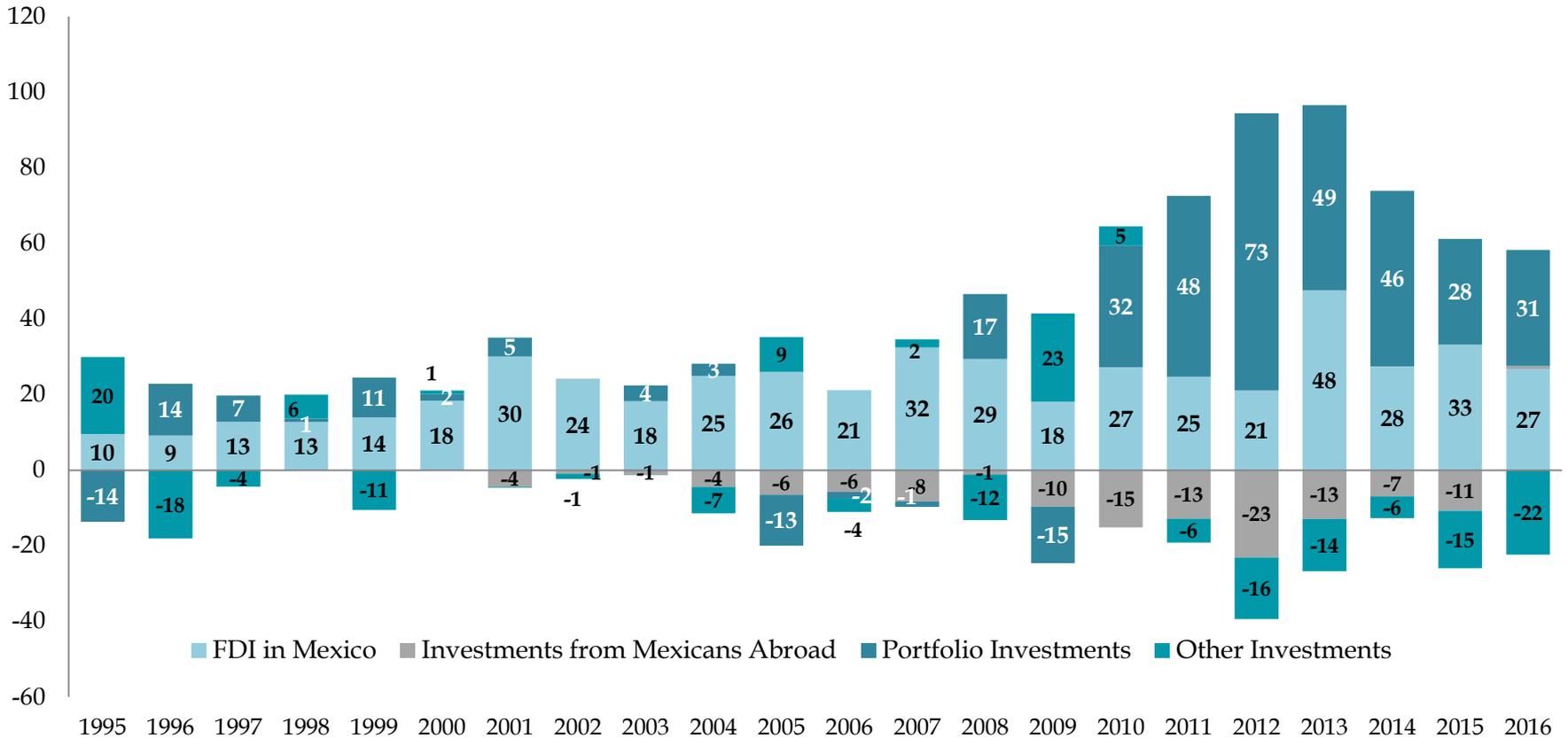


Remittances continue to be the brightest component in the country's current account, while the size of interest payments on foreign debt remains cause for concern.

Commerce Patterns with the U.S. & External Accounts

USD Billion

Capital Account

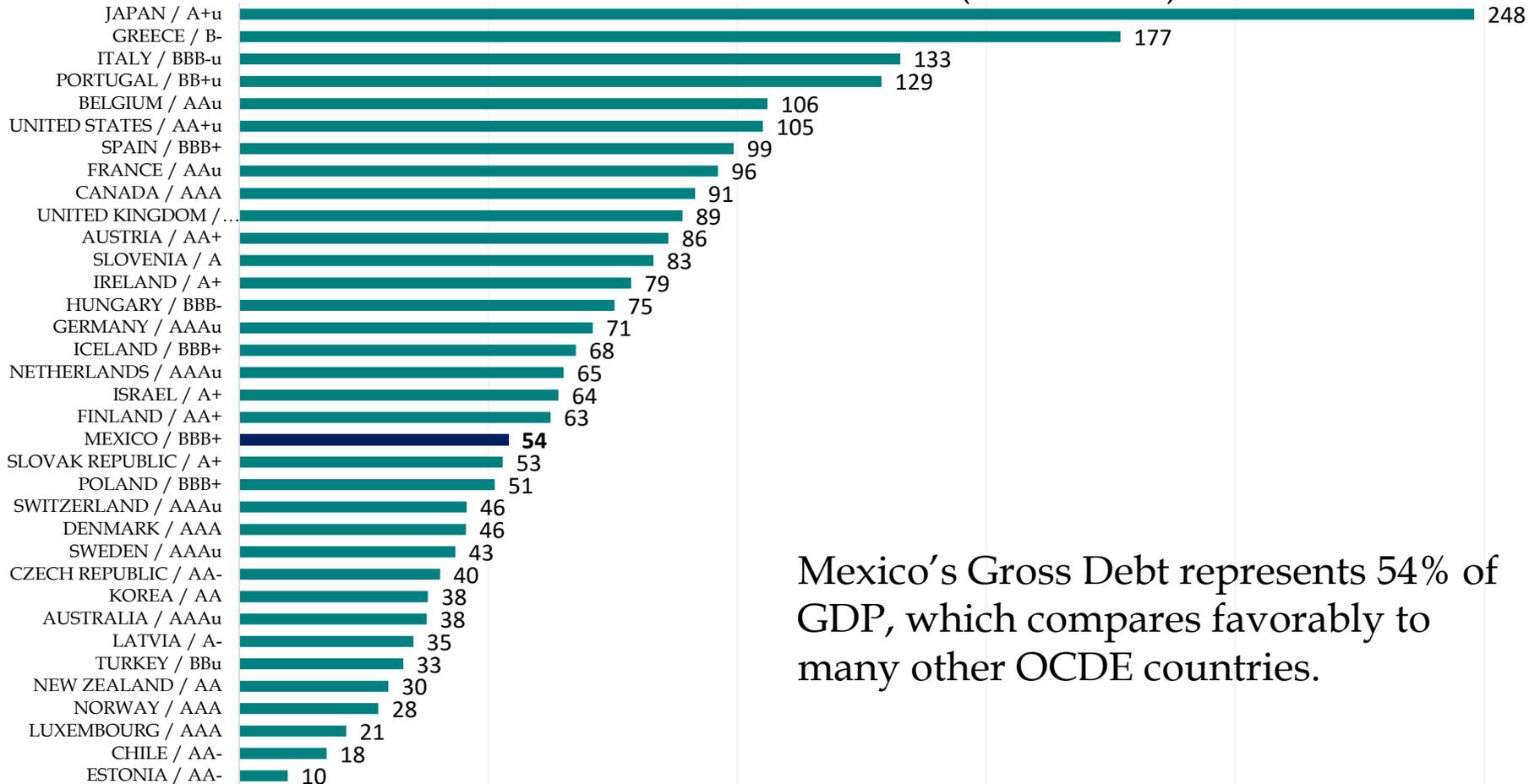


Portfolio investments have trended lower since 2013, a phenomenon that has not been exclusive to Mexico, but rather present all over the world. However, foreign direct investment displays healthy figures, favored by Mexico's 2014 structural reforms.

Government Indebtedness

% of GDP

Mexico vs OCDE Countries General Government Gross Debt (2016 Estimate)



Mexico's Gross Debt represents 54% of GDP, which compares favorably to many other OCDE countries.

Source: International Monetary Fund & Bloomberg

Foreign Investment Linked to Energy Reform

Results of Oil Auctions; Round 1.4

December 7 2016

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 & ExxonMobil	5.00%	129.0	6,643.0	125.2	48.0%	57.0%
3	Chevron, Pemex & Inpex	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

Mexico's energy reform continues to yield positive results: The winners of round 1.4 are expected to invest around \$42 billion as they develop the fields over the coming 20 years.

Definitions

SPREAD, the difference between the yields of two bonds with differing credit ratings.

BASIS POINTS (BPS), refers to a common unit of measure for interest rates and other percentages in finance. One basis point is equal to 1/100th of 1%, or 0.01% (0.0001).

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.

MBONO, Bonds issued by the Mexican federal government in the money market with the dual purpose of raising funds and regulating the money supply. Debt securities placed in a primary offering among the investor public. They are characterized by their liquidity in the secondary market.

UMS (United Mexican States Bonds) are issued by the Mexican government in foreign markets and in foreign currencies (although some could be issued in Mexican pesos).

CETE, Mexican Federal Treasury Certificates (CETES) Bonds made out to the bearer issued by the Federal Government since 1978 the nominal value of which must be paid at maturity. This instrument was issued in order to influence the regulation of the money supply, finance production investment and encourage the healthy working of the securities market.

The information contained herein reflects the opinion of “Pichardo Asset Management” and as such should not be taken to be fundamental analysis or a decision-making model. Neither should the information be interpreted as a solicitation, offer or recommendation to buy or sell financial securities. It is also subject to changes without prior notification and estimates cannot be guaranteed.

The returns mentioned herein represent past gains. Past returns do not guarantee future gains. The investment yield and principal value of an investment will fluctuate such that when stock is redeemed the value may be higher or lower than the original cost. The current return of the funds may be higher or lower than the yield mentioned herein.

THANK YOU!