



Mexico's Economic Review

July 31st 2024

Mexico's Economic Review ended July 31st, 2024



Index

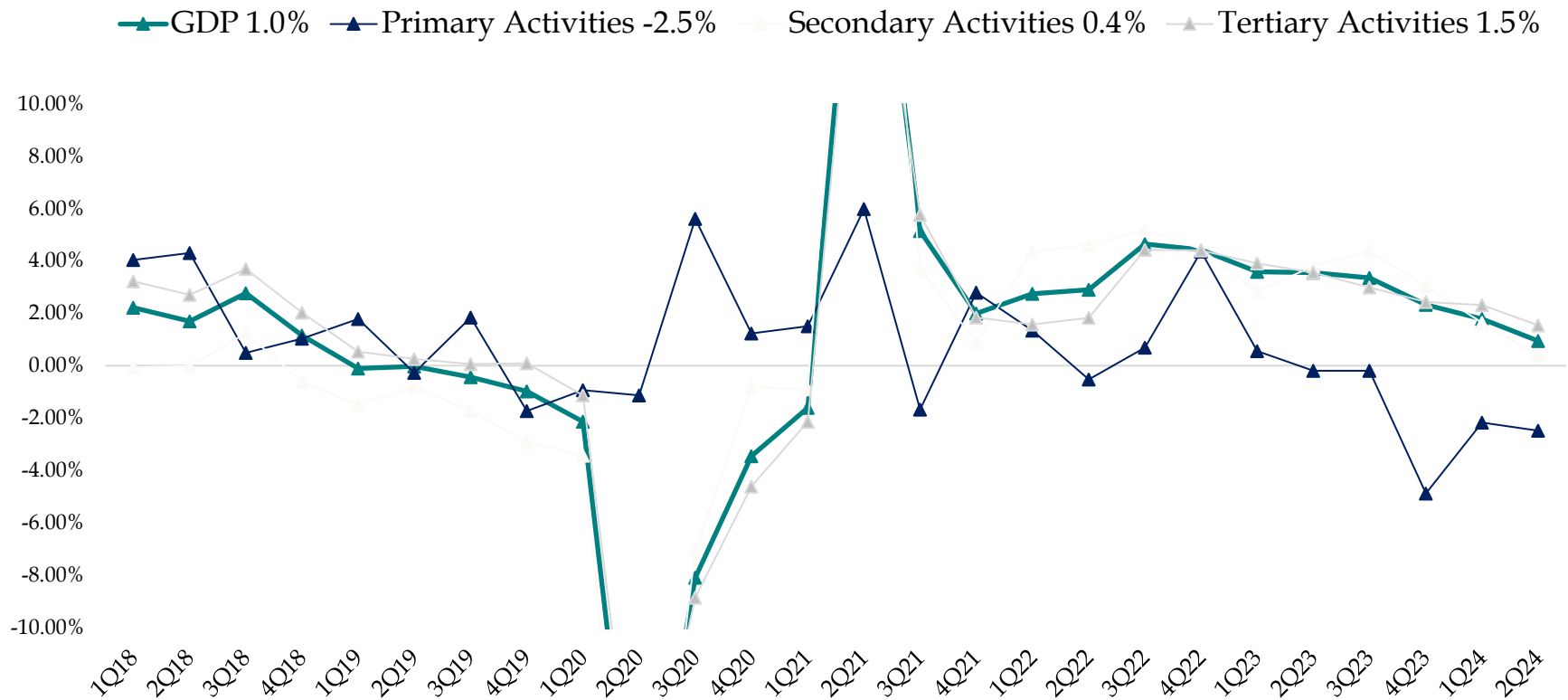
I. Economic Activity.....	3-17
II. Exchange Rate & External Accounts	18-27
III. Monetary Policy & Sovereign Risk	28-31
IV. Stock Markets.....	32-35
V. Commodities	36-42

I. Gross Domestic Product (GDP)

Secondary activities – construction, manufacturing and utilities-eased due to mining, oil & non- oil and manufacturing industries.

Quarterly GDP by Component

Year over Year Growth



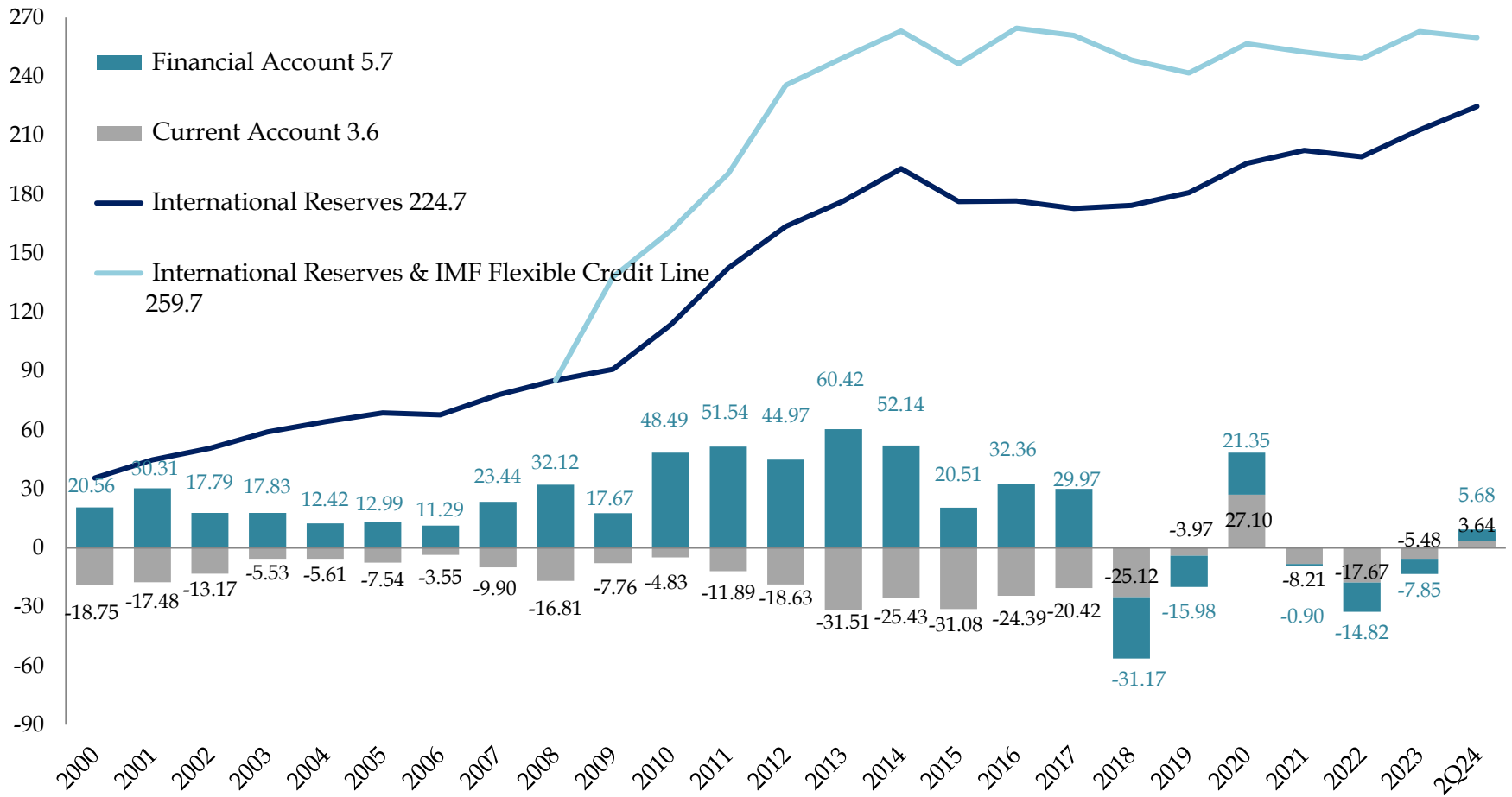
Source: INEGI

I. Balance Payments

Balance Payments

As of 2Q'24

USD Billion



Source: Banxico.

Historical Net Debt as % of GDP

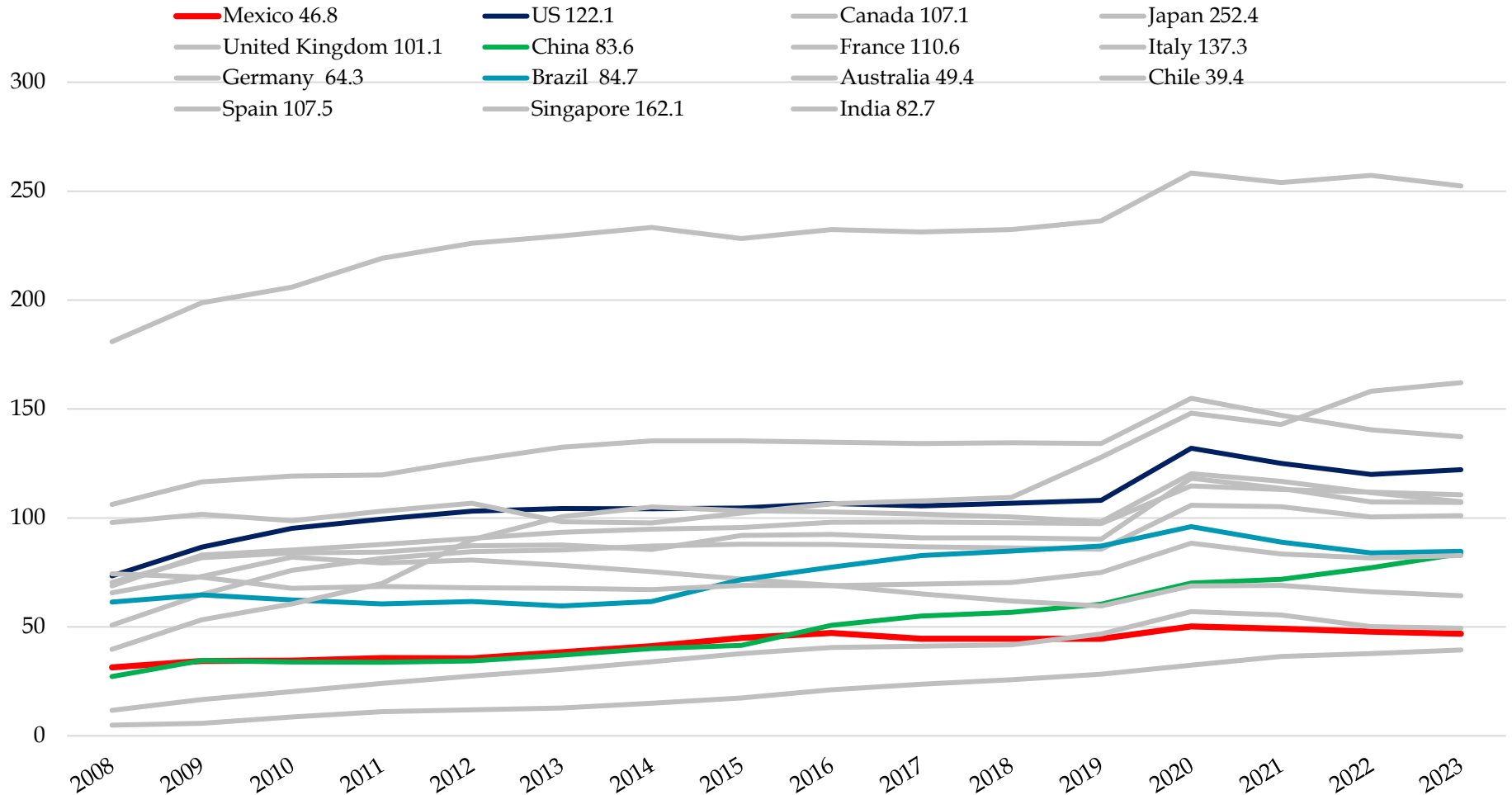
As of 1H24



Source: Ministry of Finance and Public Credit

I. Global Gross Debt

Gross Debt to GDP *As of 2023*

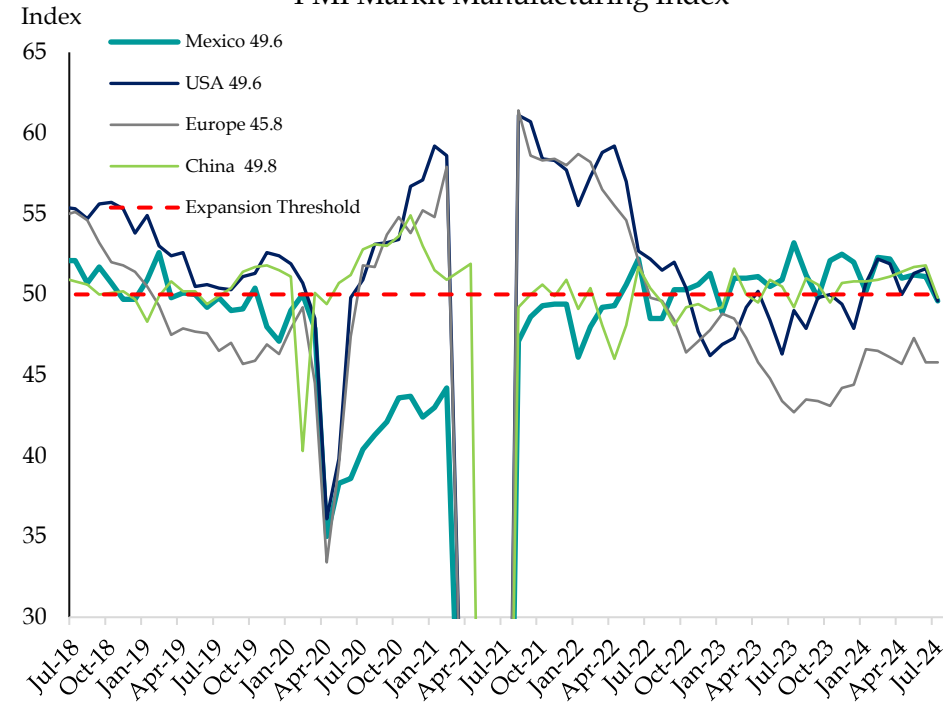


Source: Ministry of Finance and Public Credit & IMF

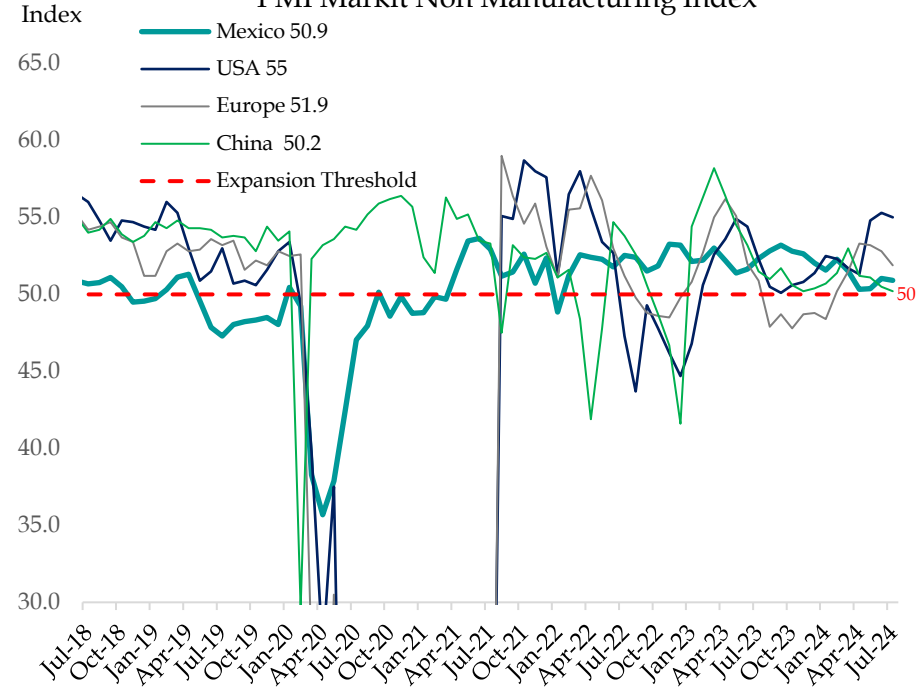
I. Global Outlook

PMI Markit As of July 2024

PMI Markit Manufacturing Index



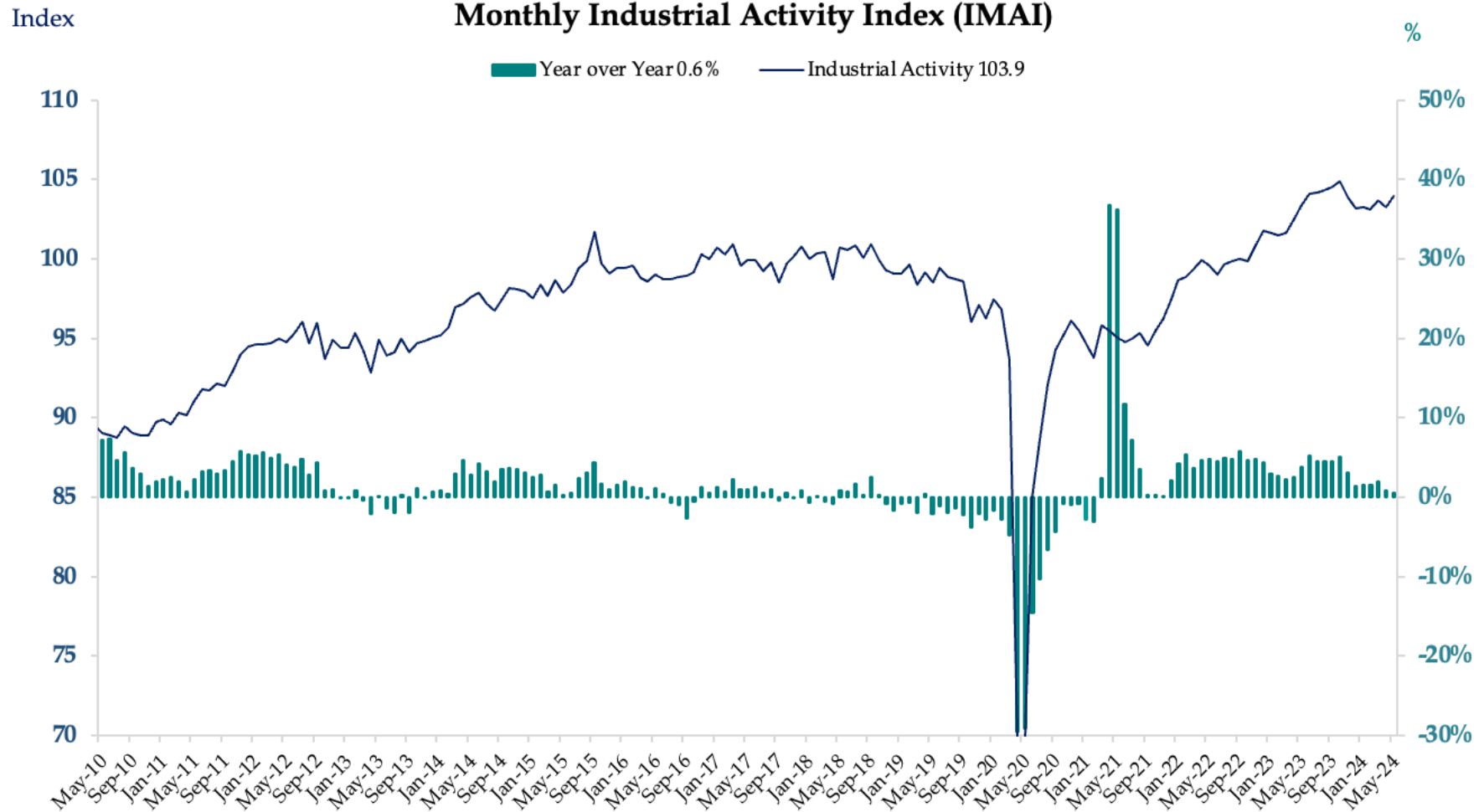
PMI Markit Non Manufacturing Index



Source: INEGI.

I. Industrial Production

The slowdown in Industrial activity should confirm its tendency as the new administration takes office.



Source: INEGI

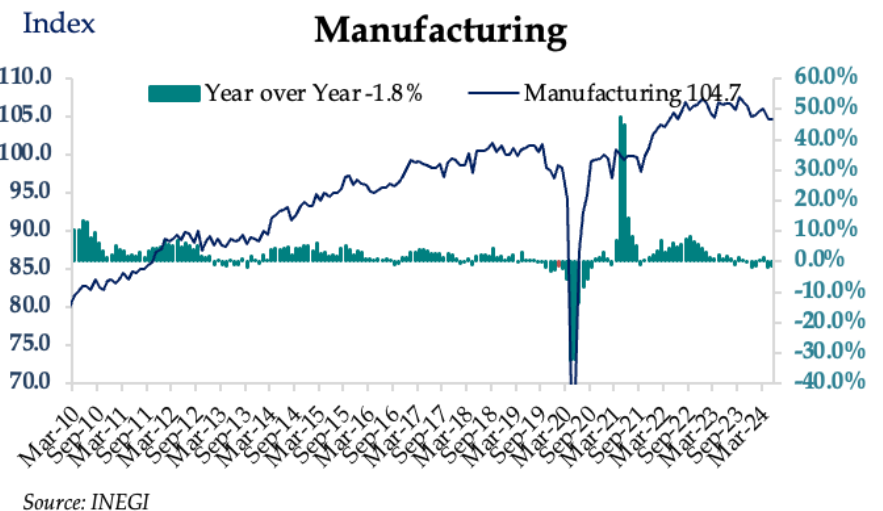
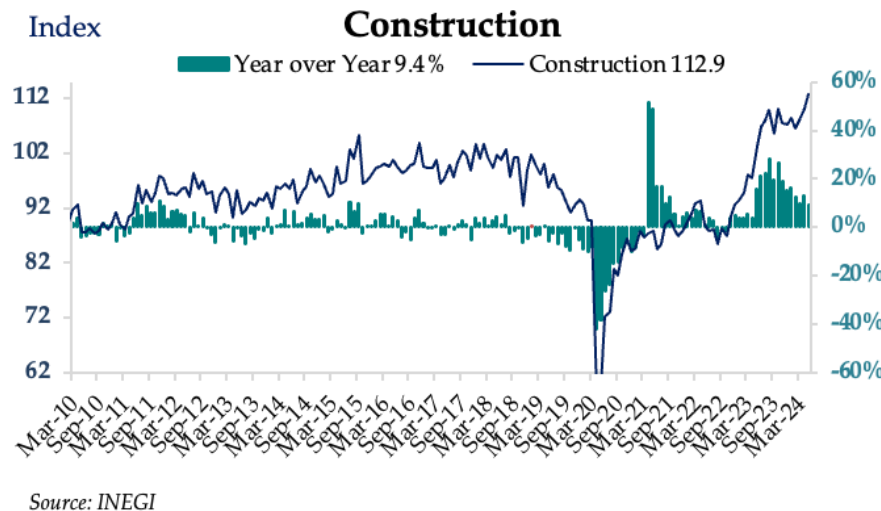
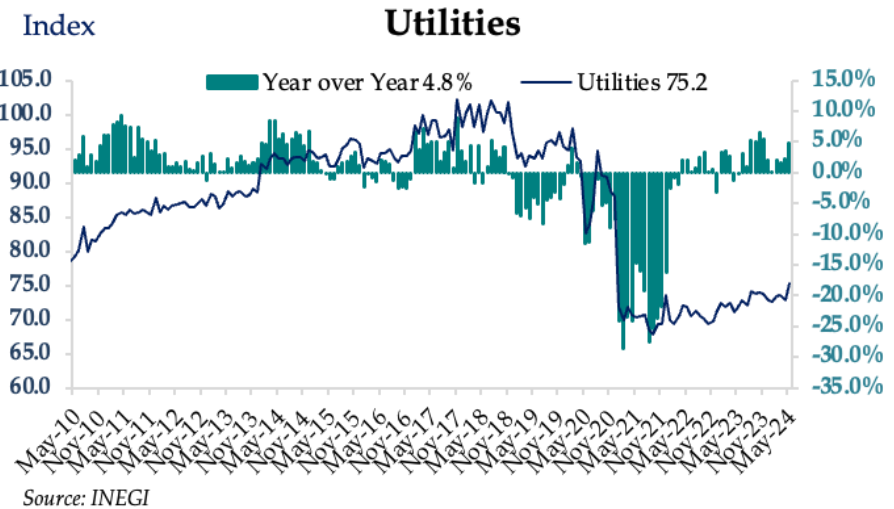
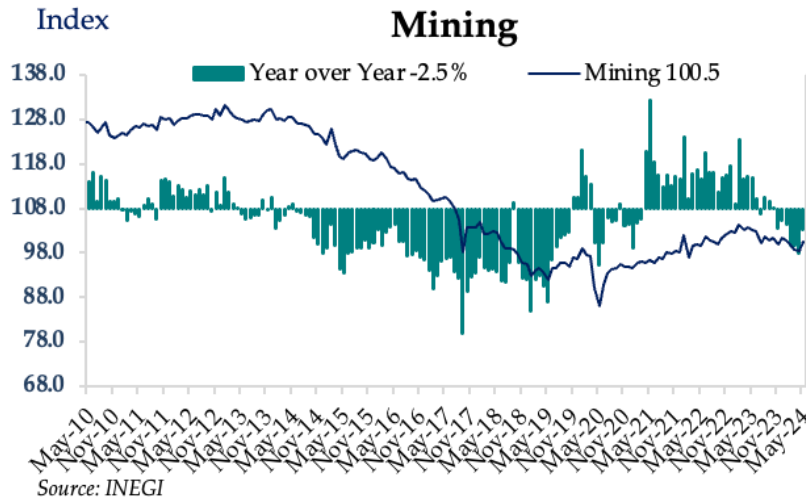
Experience

Consistency

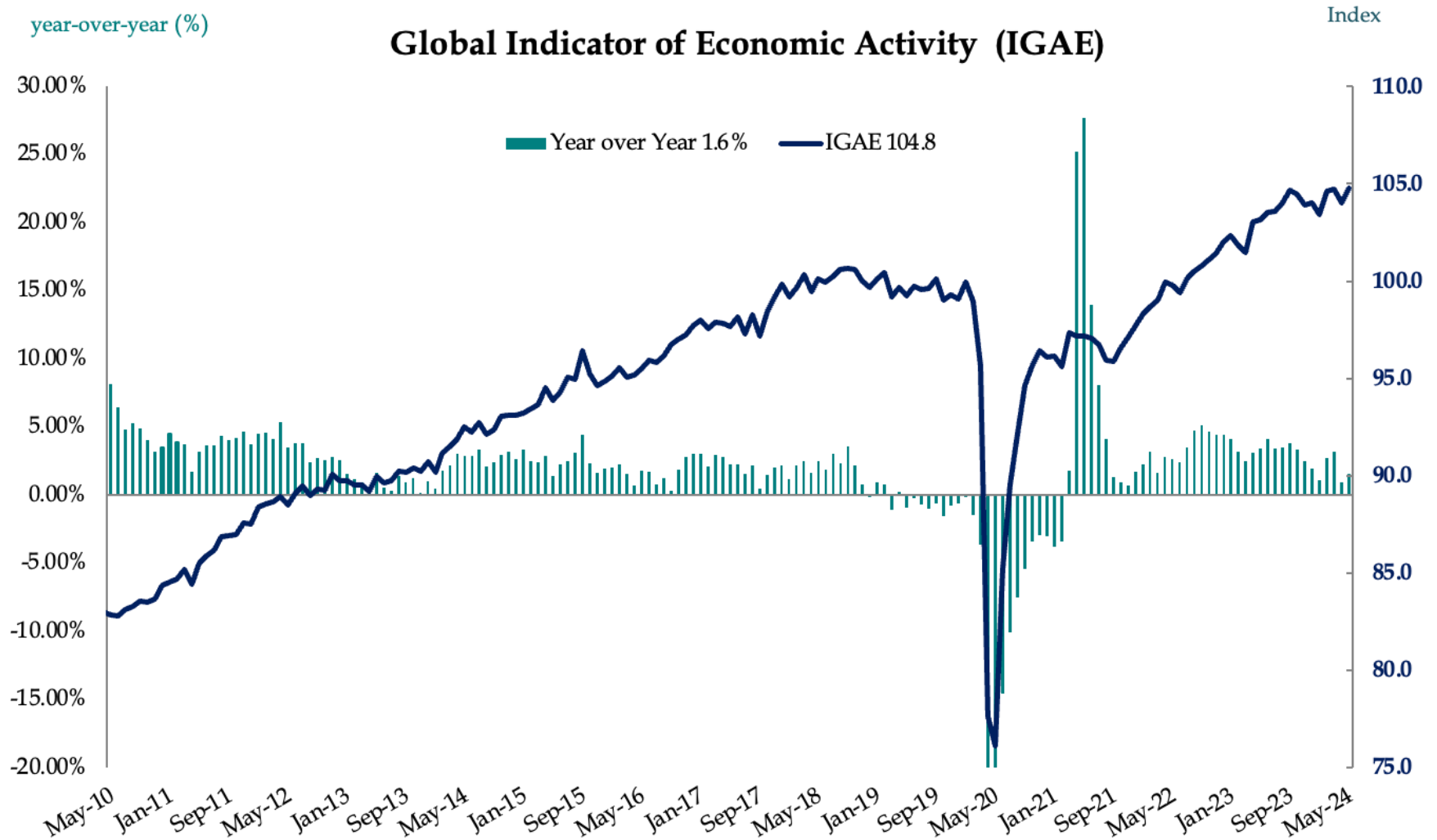
Vision

I. Secondary Component

Construction increased on the back of both public and private construction



I. Industrial Production



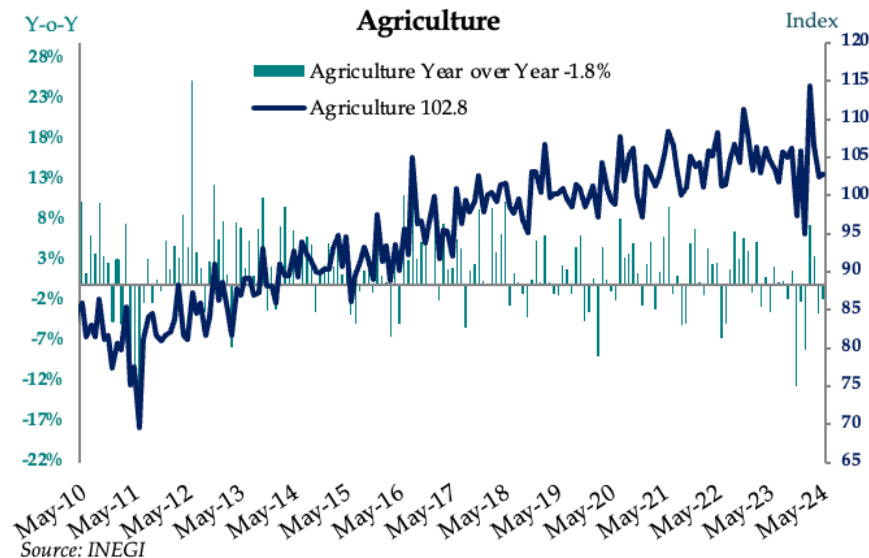
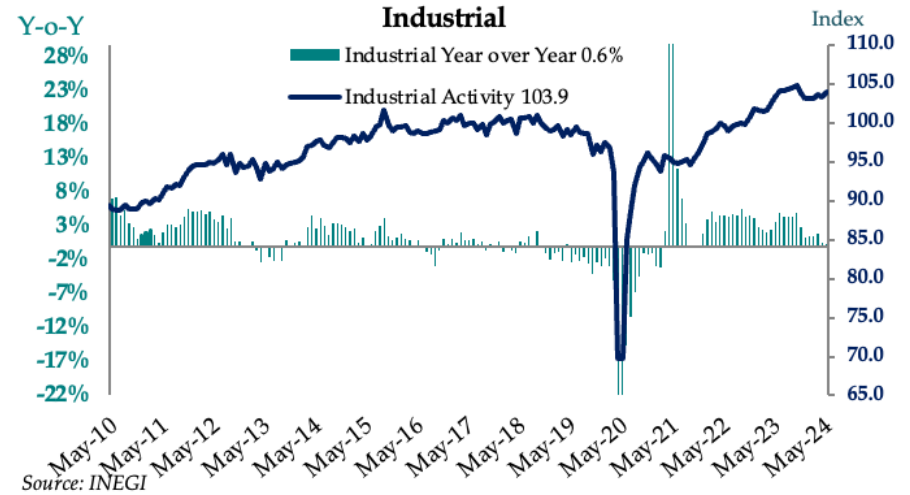
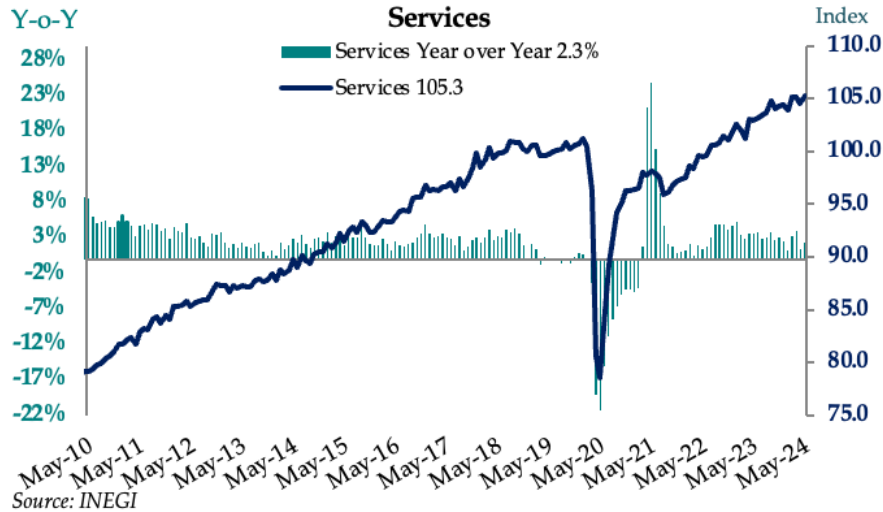
Source: INEGI

Experience

Consistency

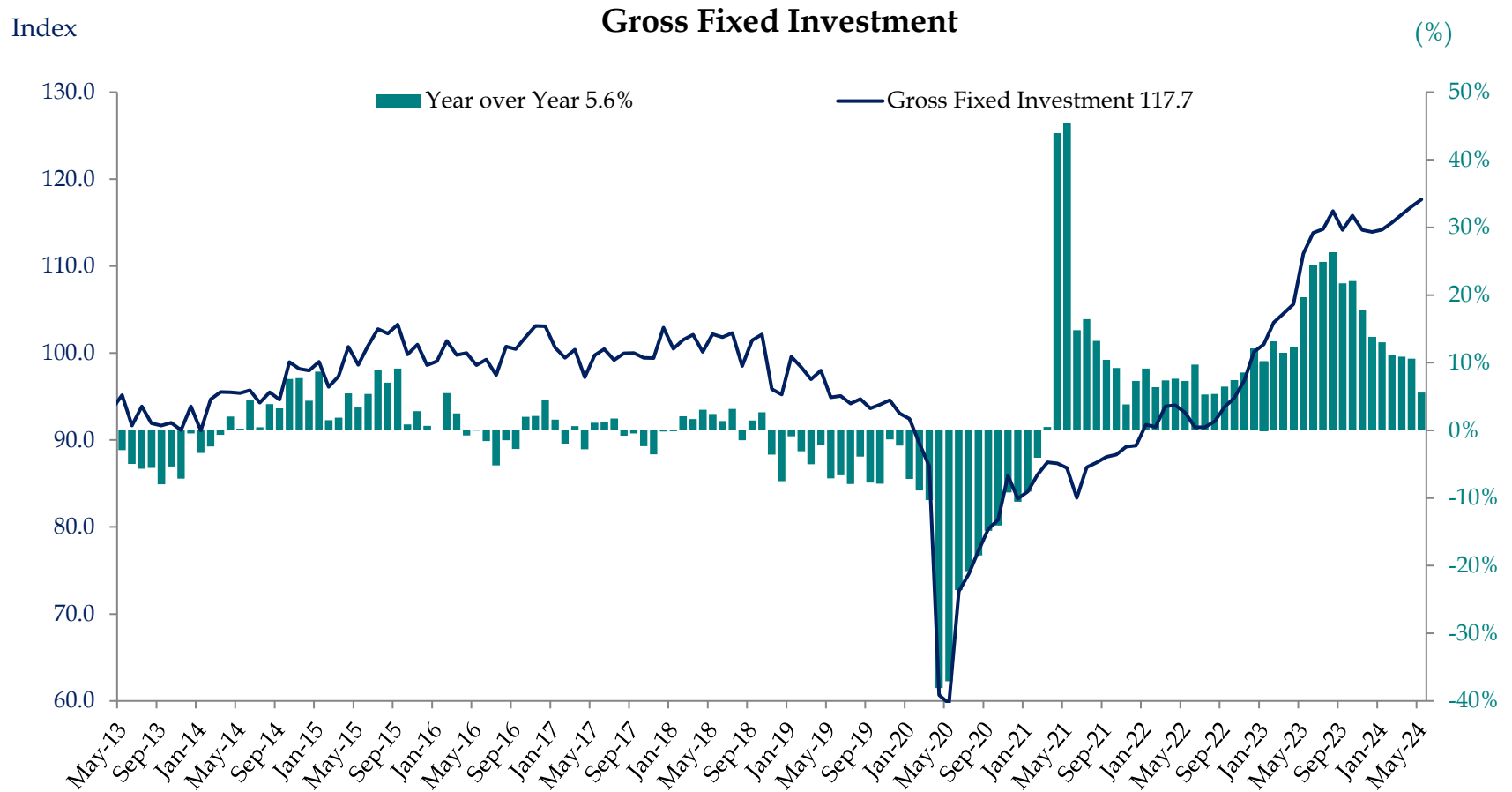
Vision

I. Industrial Production



I. Gross Fixed Investment

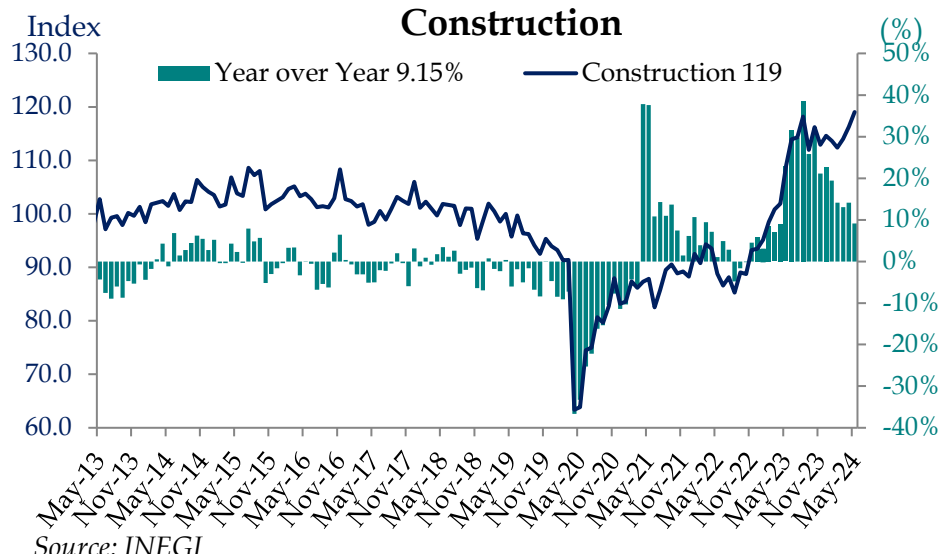
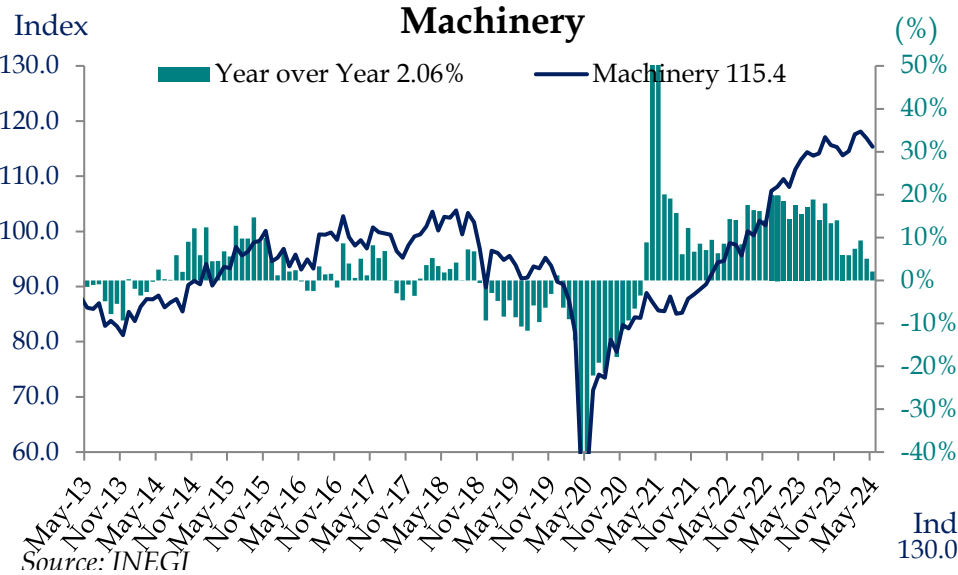
May 2024 Gross Fixed Investment continued showing strong and constant growth on Federal Elections on June 2



Source: INEGI

I. Gross Fixed Investment

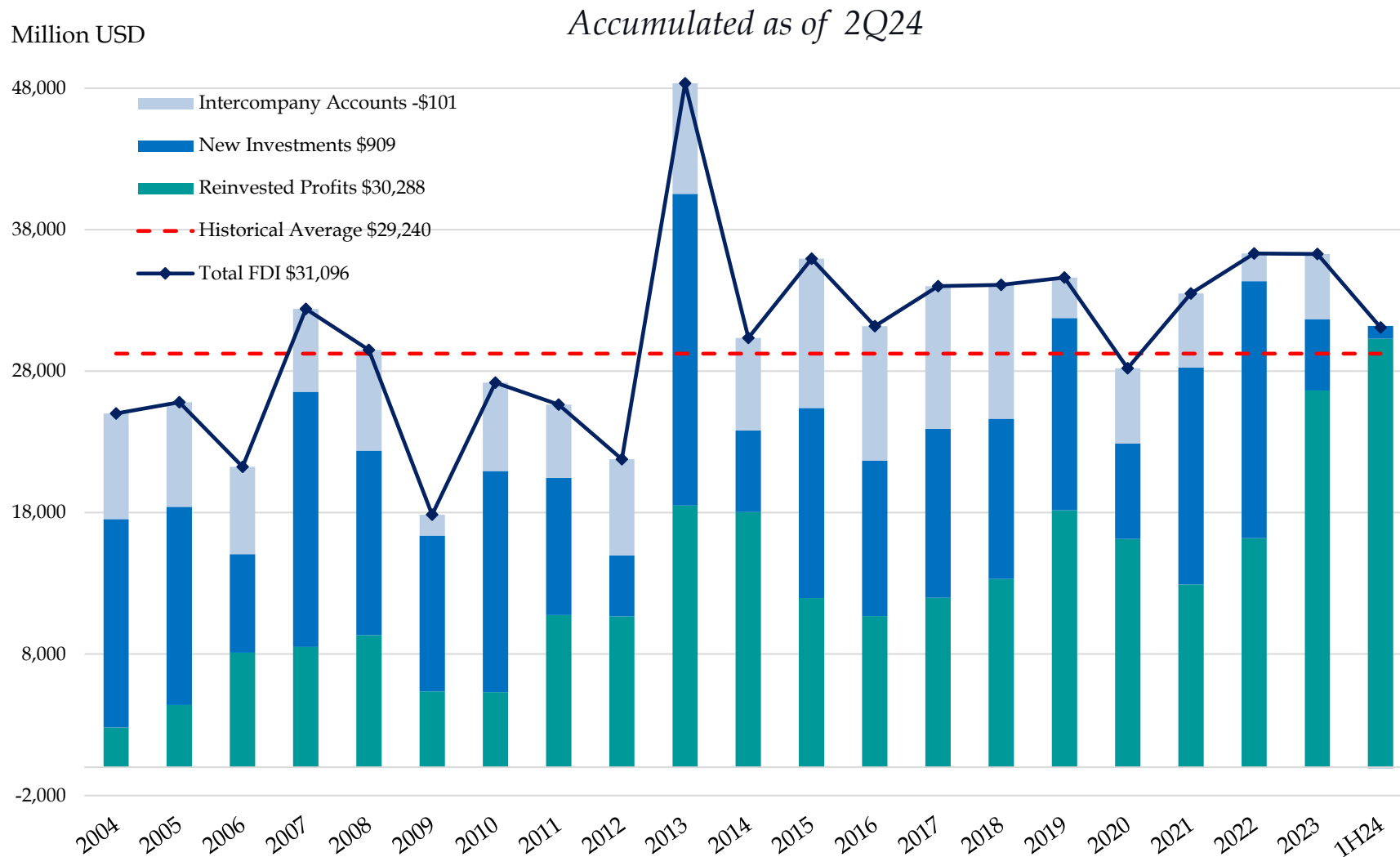
During May, construction grew due mainly to residential construction +11%. Meanwhile, machinery increased due to imported transport equipment +34.7%



Source: INEGI

I. Foreign Direct Investment

Foreign Direct Investment (Million USD)



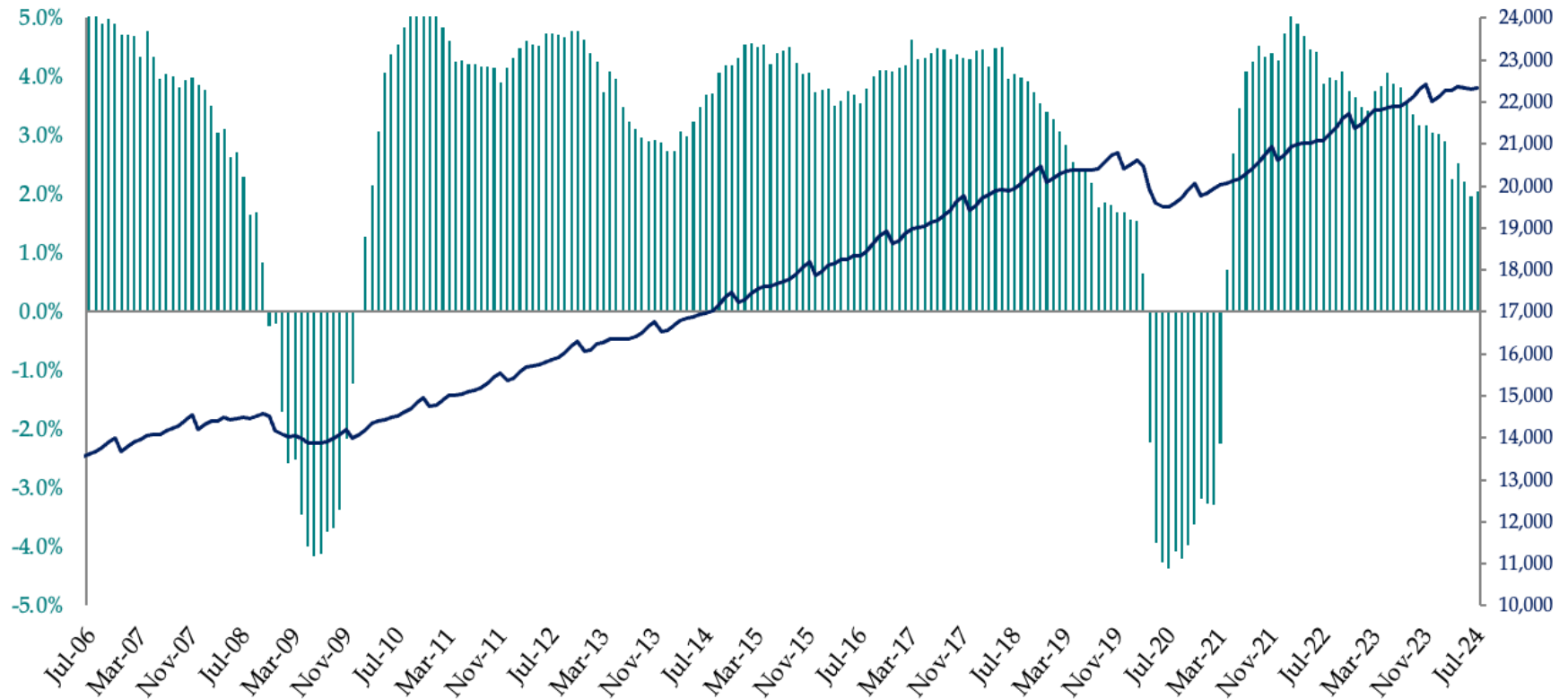
Source: INEGI & Banxico

I. Employment

At the end of June, the unemployment rate was 2.7%,
a decrease of 483 basis points versus the same period in 2023.

Formal Job Creation Figures

■ Year over Year 2.0% — Thousands of workers 22,332

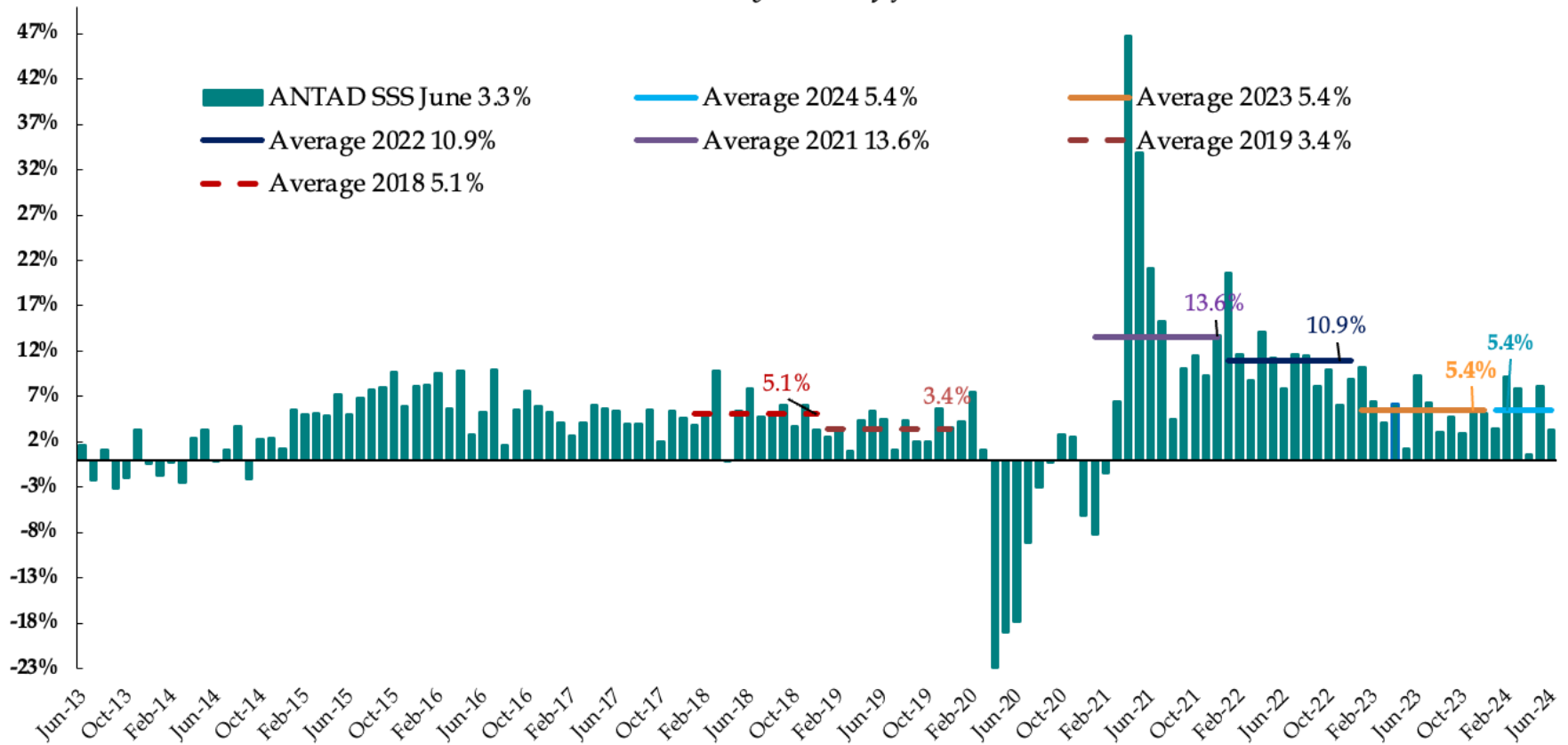


Source: Bloomberg

I. National Retailers Association "ANTAD"

June print showed signs of slowing down, but this is the result of calendar effects, where an important promotional season fell on May.

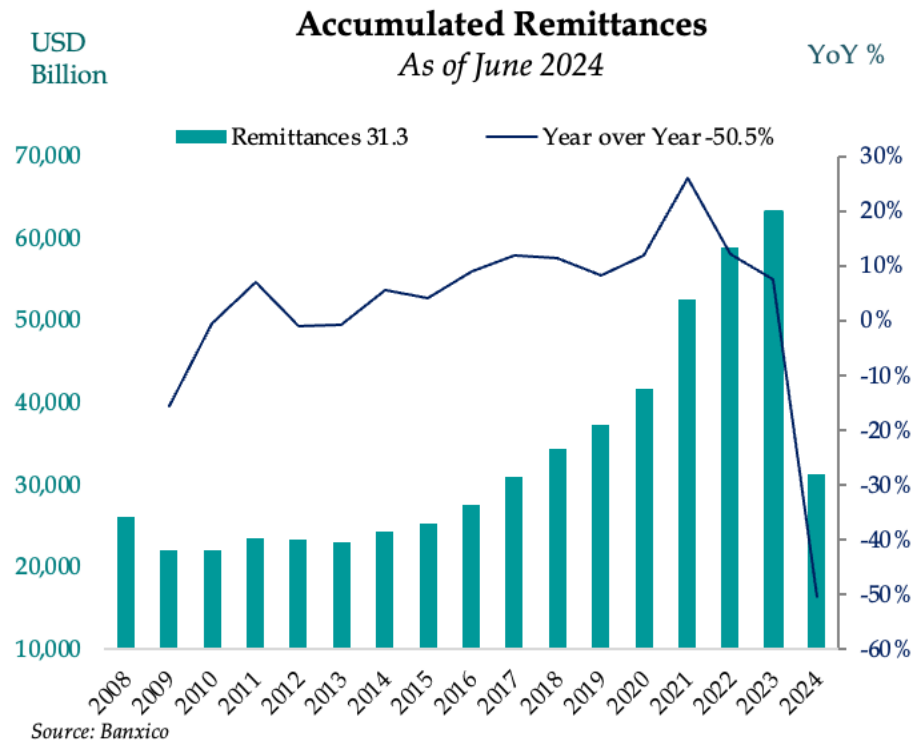
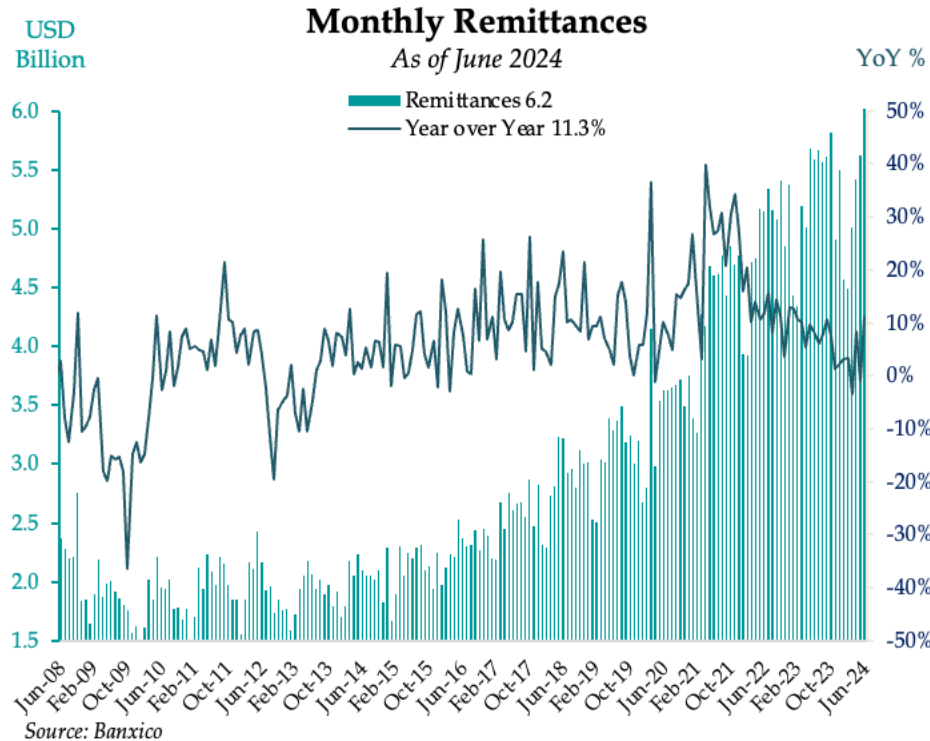
ANTAD (Same Store Sales)
Year over year, as of June 2024



Source: ANTAD & PAM

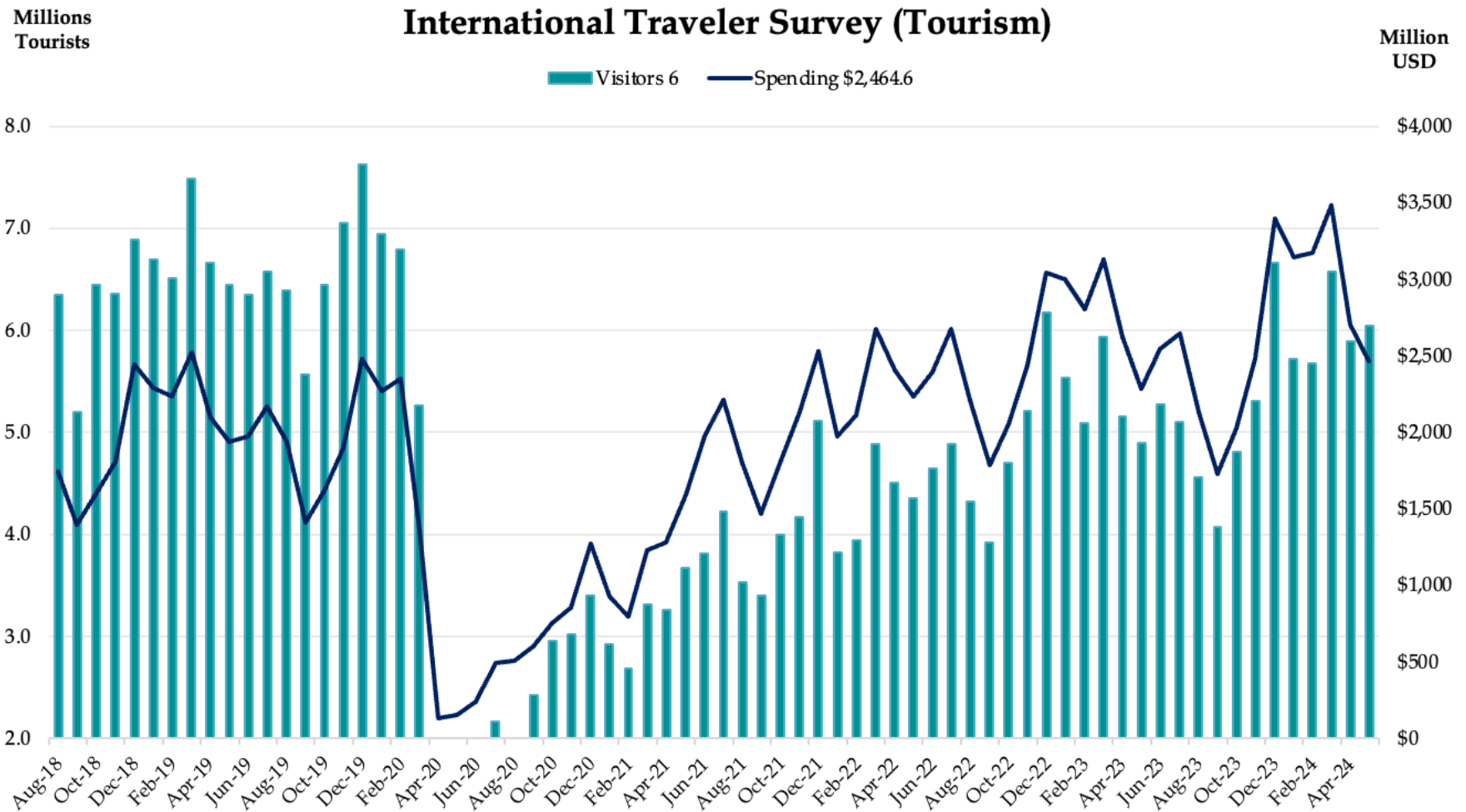
II. Remittances

Mexico's remittances for 1H24, increased 3.6% vs 1H23, despite economic slowdown in the U.S.



II. Tourism Income

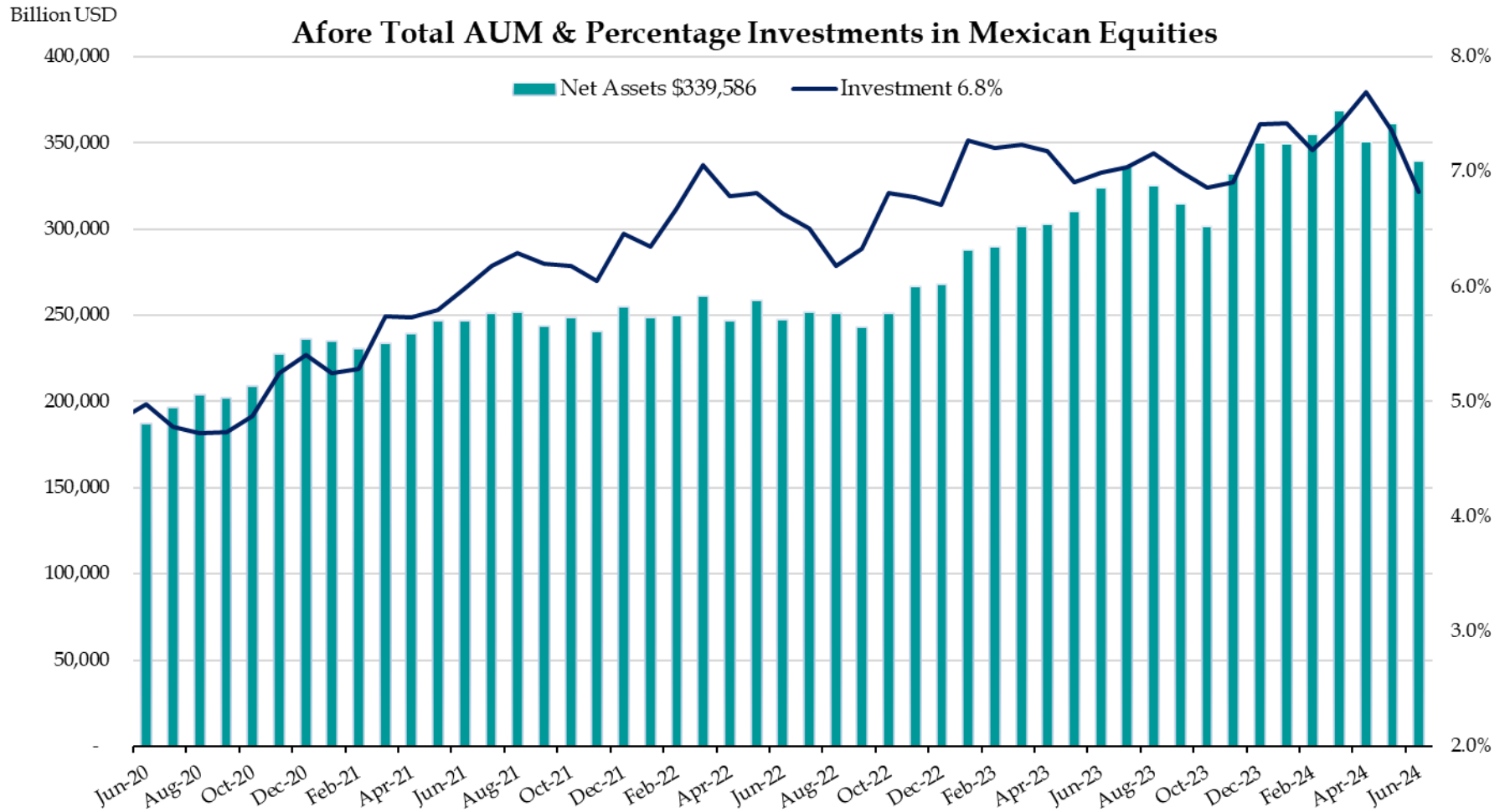
In the first quarter of 2024 the Indicator of the Tourism Gross Domestic Product increased 2.4%. The Ministry of Tourism estimates a participation of the Tourism GDP with respect to the National GDP of around 8.7% for 2024



Source: INEGI.

II. Investment in Equity Markets

This year, Afores in Mexico mark 27 years since their creation. There are 10 Afores that operate in Mexico, with more than 74.8 million individual accounts in them

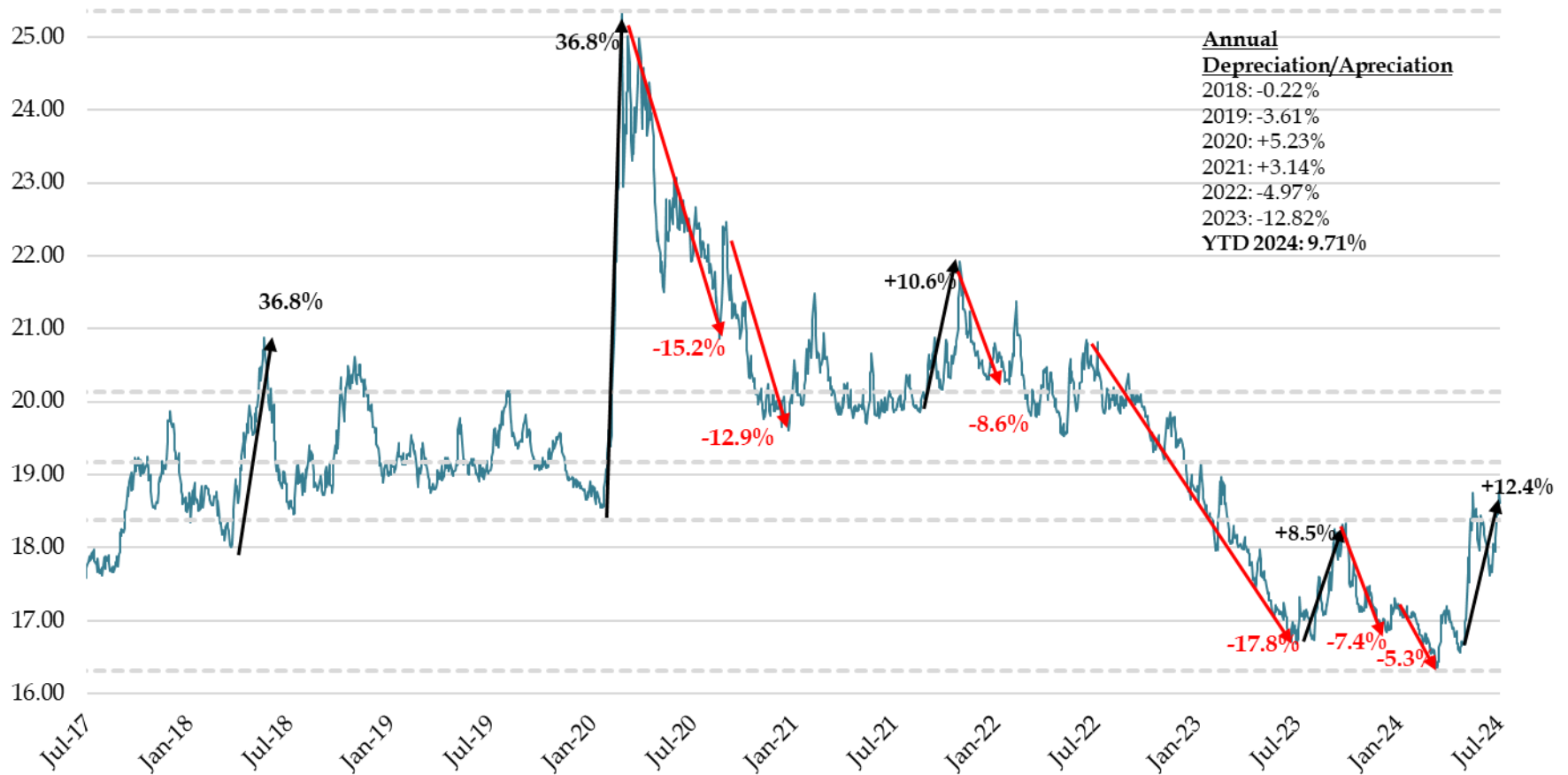


Source: CONSAR

II. Exchange Rate and External Accounts

The financial and exchange volatility occurred after the electoral results of June 2.

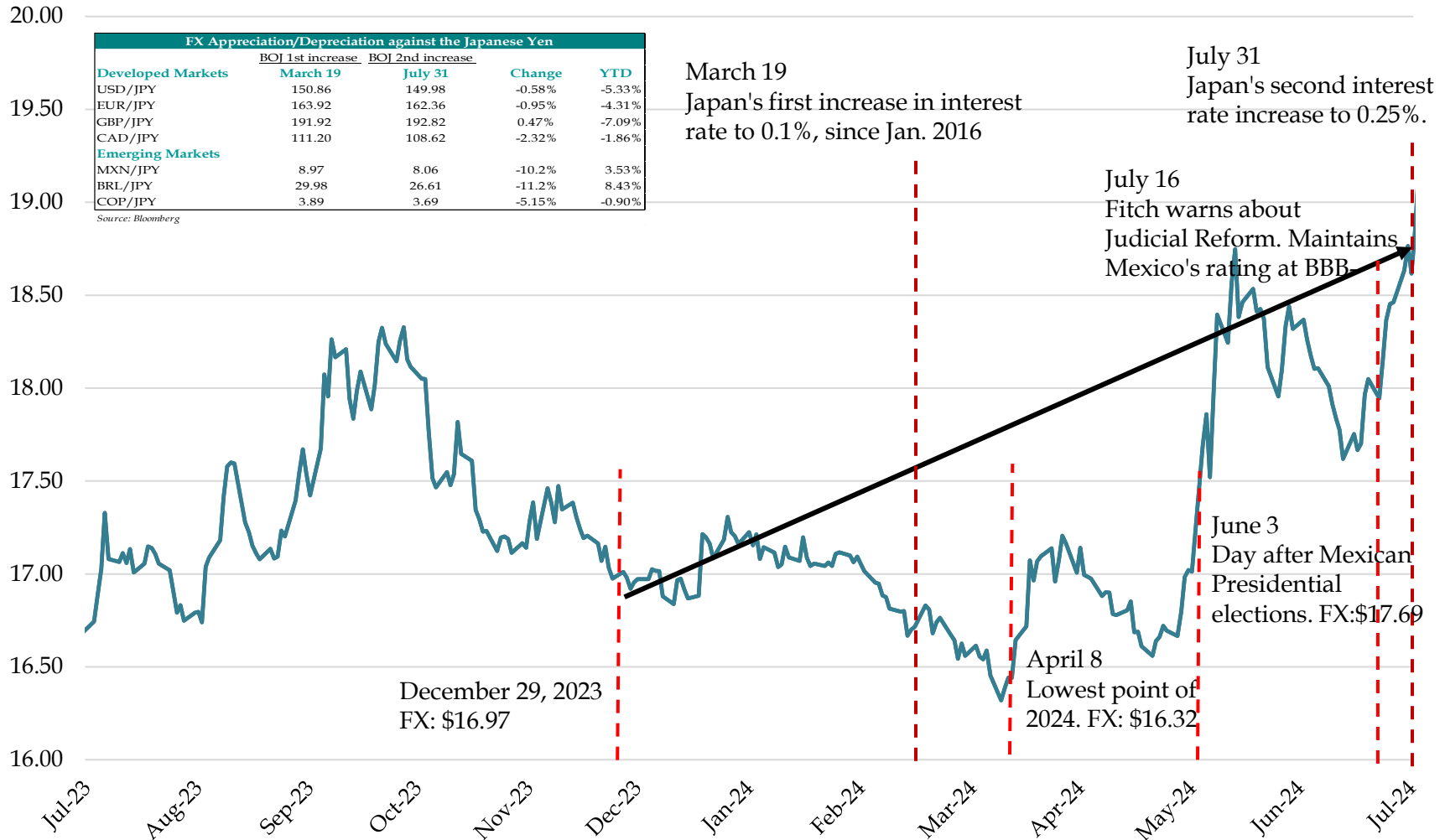
MXN Spot Exchange Rate per USD *Short term as of July 31, 2024*



Source: Bloomberg.

II. Exchange Rate and External Accounts

MXN Spot Exchange Rate per USD Short term as of July 31, 2024



II. Trade Balance

As of June, Mexico's trade balance presented a trade deficit. Mainly due to a decrease of 5.7% in exports – of which oil fell 26.8%, and non-oil also fell 4.4%. Imports decreased 3.6%, a result of oil imports of -31.6%, non-oil -1.1% and capital goods -5.6%

Mexico's Trade Balance - As of June 2024									
Exports									
	Jun-23	% of Total	Annual Change	Jun-24	% of Total	Annual Change	1H24	% of Total	Annual Change
Total Exports	51,820	100.0%	1.2%	48,871	100.0%	-5.7%	299,387	100%	112.2%
Oil	2,890	5.6%	-27.9%	2,115	4.3%	-26.8%	14,845	5.0%	-5.7%
Crude Oil	2,440	4.7%	-26.8%	1,734	3.5%	-28.9%	11,261	3.8%	-28.4%
Others	449	0.9%	-33.1%	380	0.8%	-15.4%	3,584	1.2%	18.2%
Non-Oil	48,931	94.4%	3.6%	46,756	95.7%	-4.4%	284,542	95.0%	3.1%
Agricultural	1,845	3.6%	4.0%	1,775	3.6%	-3.8%	12,997	4.3%	6.6%
Mining	1,060	2.0%	66.0%	1,215	2.5%	14.6%	5,143	1.7%	3.1%
Manufacturing	46,025	88.8%	2.7%	43,766	89.6%	-4.9%	266,402	89.0%	2.9%
Automotive Industry	15,828	30.5%	9.5%	15,611	31.9%	-1.4%	95,215	31.8%	6.5%
Others	30,197	58.3%	-0.5%	28,155	57.6%	-6.8%	171,187	57.2%	1.0%
Imports									
	Jun-23	% of Total	Annual Change	Jun-24	% of Total	Annual Change	1H24	% of Total	Annual Change
Total Imports	51,762	100%	-6.2%	49,908	100.0%	-3.6%	304,885	100%	2.2%
Oil	3,829	7.4%	55.9%	2,823	5.7%	-31.6%	19,143	6.3%	-56.3%
Non-Oil	47,933	92.6%	27.9%	47,084	94.3%	-1.1%	285,742	93.7%	3.2%
Consumption Goods	5,779	11.2%	22.1%	6,051	12.1%	4.7%	39,206	12.9%	-11.5%
Intermediate Goods	37,020	71.5%	-1.8%	36,189	72.5%	-2.2%	215,790	70.8%	-8.4%
Capital Goods	5,133	9.9%	28.0%	4,844	9.7%	-5.6%	30,746	10.1%	10.8%
Trade Balance									
	Jun-23	Annual Change		Jun-24	Annual Change		1H24	Annual Change	
Trade Balance	58	-101.5%		-1,037	-1881.6%		-5,498	-15.48%	

Source Mexico's Ministry of Economics

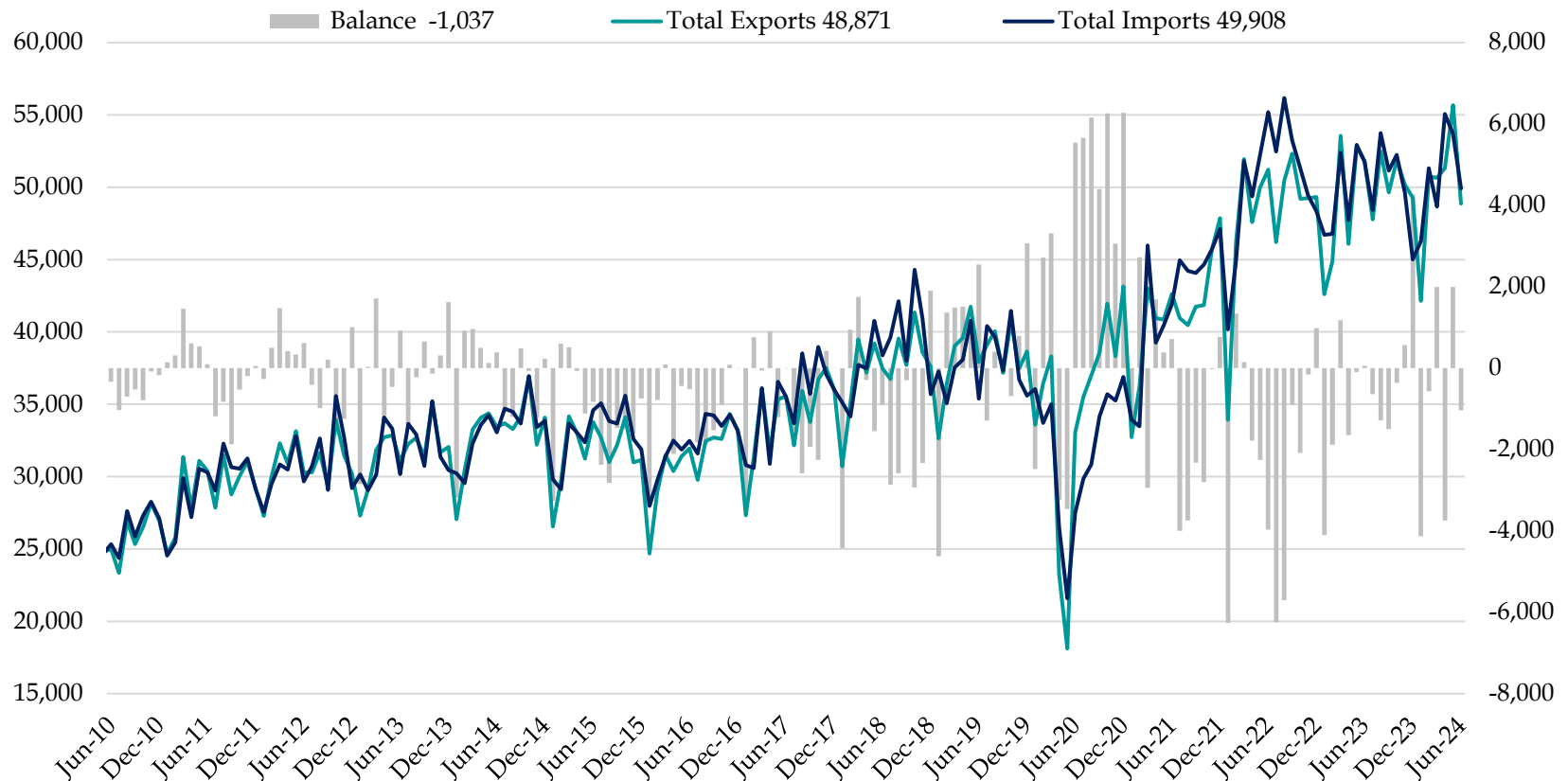
Amounts in Millions of Dollars

II. Trade Balance

Mexico is set to have lower growth in its product exports by 2024, as a consequence of lower dynamism in the US market in the second part of the year.

Mexico's Trade Balance

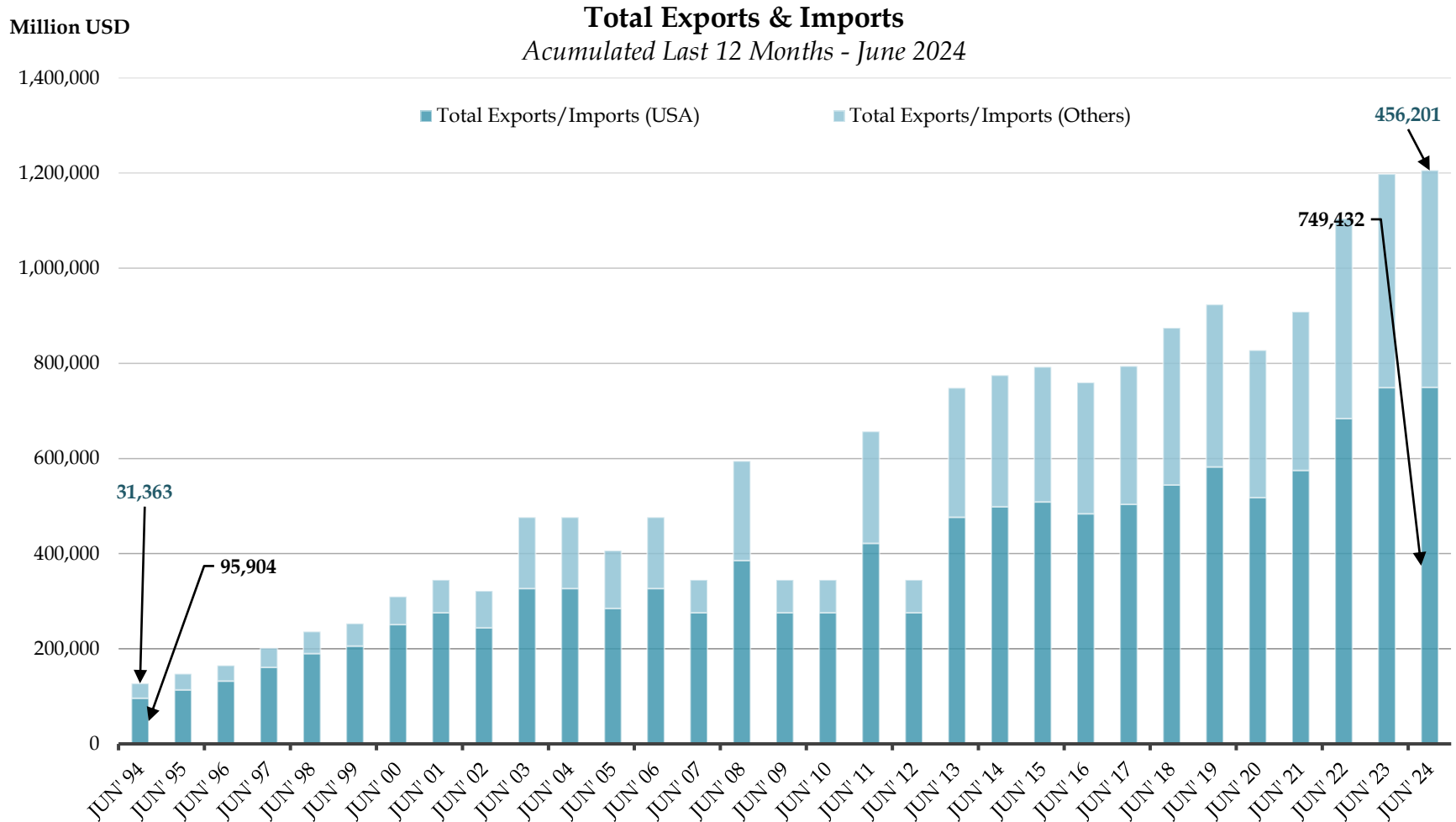
As of June 2024



Source: Mexico's Ministry of Economics

II. Mexico's Trade Balance

Exports to the U.S remain flat +.04%, as the economy starts to decelerate



Source: PAM, Banxico

II. International Trade (U.S.)

Mexico is the first-largest market for U.S. merchandise imports. The largest categories of imported goods from Mexico are vehicles, electrical equipment and components, oil and gas, audio and video equipment, beverages, optical and medical equipment, and appliances

United States International Trade - Year to Date as of July 2024

Country	Exports	Imports	Total Trade	Balance	Country	Exports	Imports	Total Trade	Balance
Mexico	195,053	290,981	486,034	-95,928	Taiwan	24,802	63,829	88,631	-39,027
% of Total	16.3%	15.7%	15.9%		% of Total	2.1%	3.4%	2.9%	
Canada	204,400	241,668	446,068	-37,268	France	25,164	34,975	60,139	-9,811
% of Total	17.1%	13.0%	14.6%		% of Total	2.1%	1.9%	2.0%	
China	81,470	239,247	320,717	-157,777	Italy	18,401	45,330	63,731	-26,929
% of Total	6.8%	12.9%	10.5%		% of Total	1.5%	2.4%	2.1%	
Germany	43,874	94,528	138,402	-50,654	Brazil	27,747	23,939	51,686	3,808
% of Total	3.7%	5.1%	4.5%		% of Total	2.3%	1.3%	1.7%	
Japan	46,249	86,408	132,657	-40,159	Singapore	26,975	26,911	53,886	64
% of Total	3.9%	4.7%	4.3%		% of Total	2.3%	1.5%	1.8%	
Korea, South	38,754	78,706	117,460	-39,952	Hong Kong	16,353	3,078	19,431	13,275
% of Total	3.2%	4.2%	3.8%		% of Total	1.4%	0.2%	0.6%	
United Kingdom	44,814	38,868	83,682	5,946	Saudi Arabia	7,450	8,285	15,735	-835
% of Total	3.7%	2.1%	2.7%		% of Total	0.6%	0.4%	0.5%	
India	24,323	51,715	76,038	-27,392	All other countries	369,634	527,195	896,829	-157,561
% of Total	2.0%	2.8%	2.5%		% of Total	30.9%	28.4%	29.4%	
					TOTAL 2024 YTD	1,195,463	1,855,664	3,051,127	-660,200
					TOTAL 2023	2,019,542	3,084,092	5,103,634	-1,064,550
					TOTAL 2022	2,064,787	3,246,681	5,311,468	-1,181,894

Source: U.S. Census Bureau

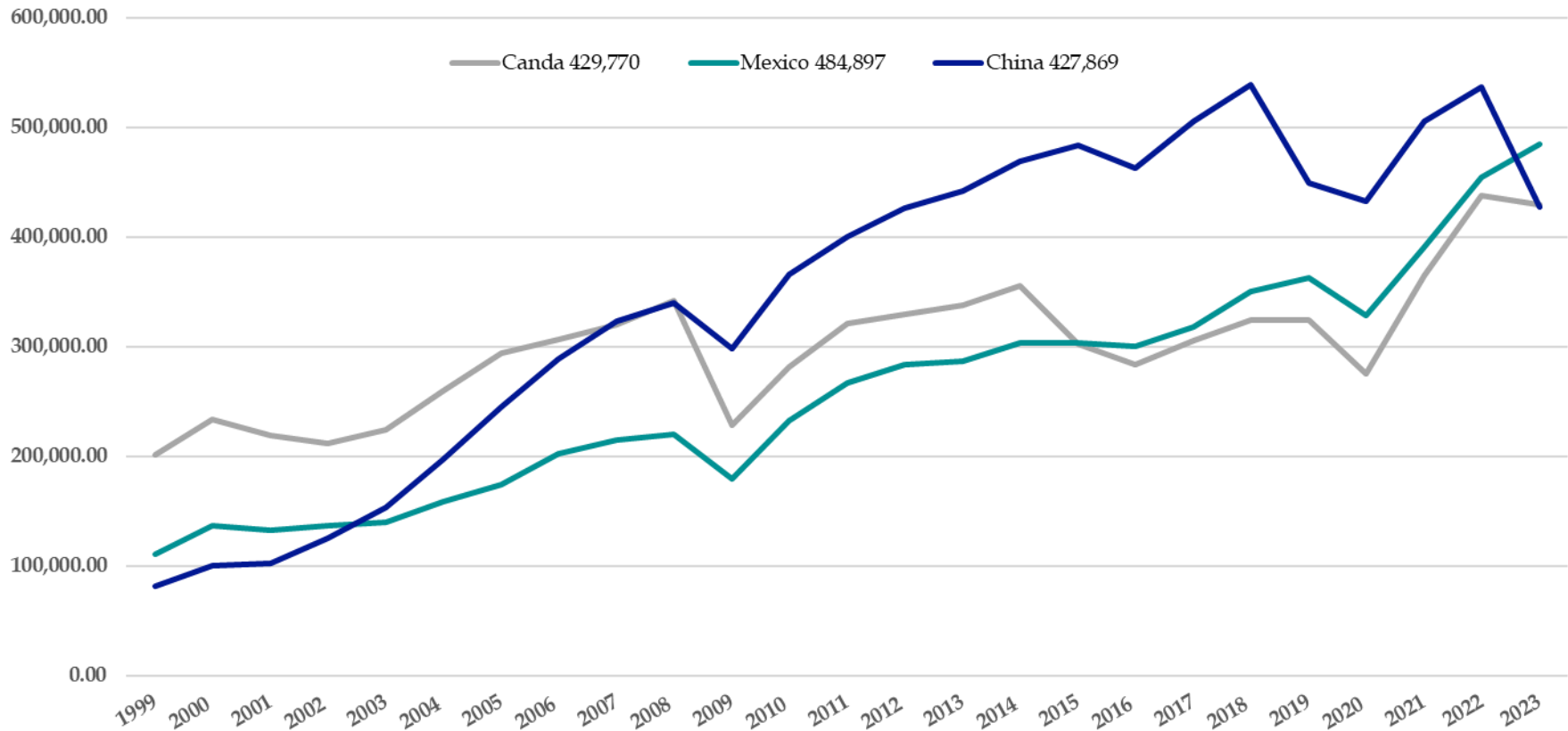
Millions USD

II. International Trade (U.S.)

Mexico overtook China as the No. 1 source of goods imported to the United States for the first time in over two decades, according to data from the U.S. Commerce Department.

U.S. Imports by Country

2023

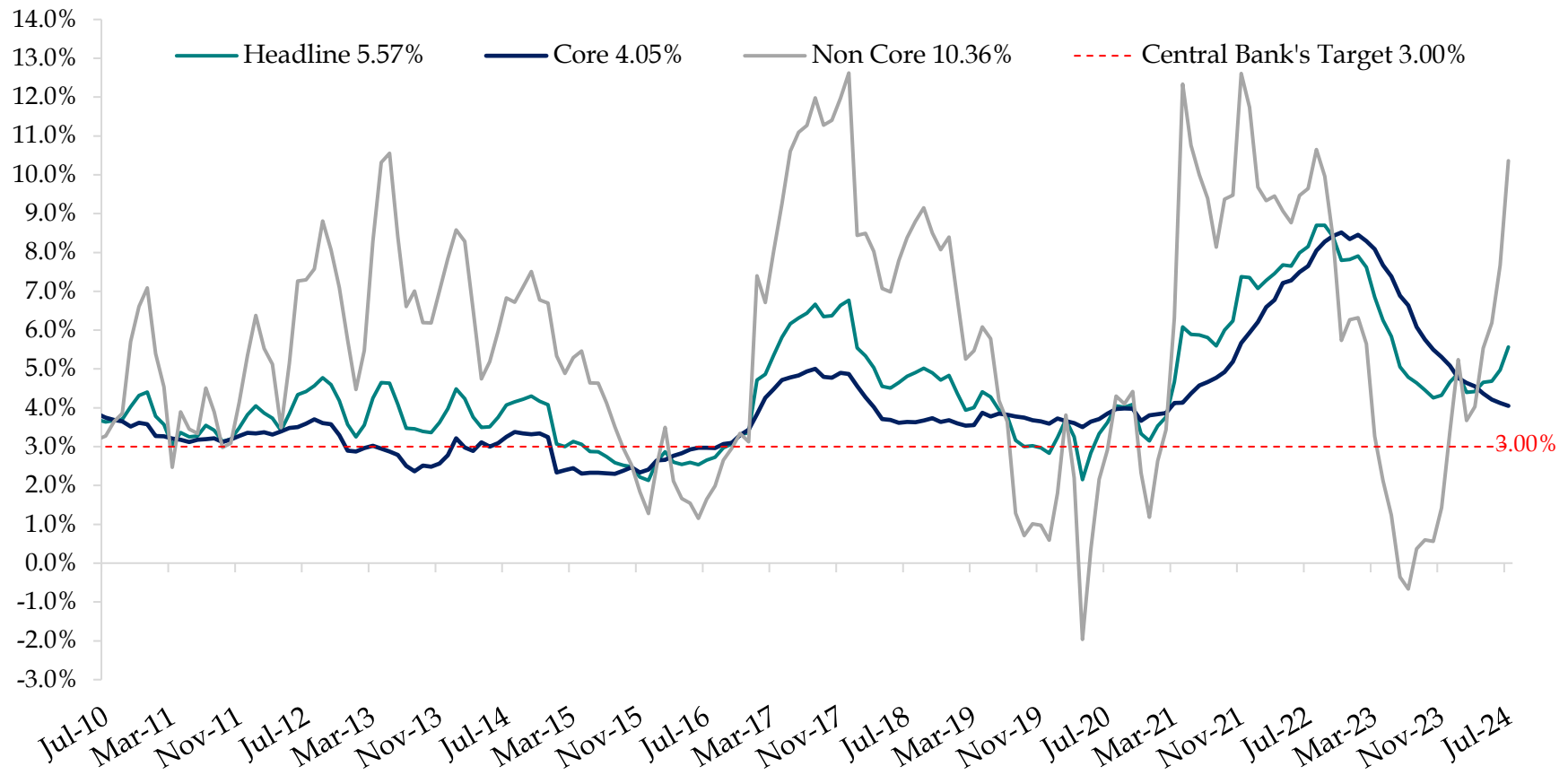


III. Mexico Consumer Price Index (CPI)

Headline inflation surges for a 5th consecutive month, since February. Non-core inflation increased 2.69% pp, mainly due to fruits and vegetables and energetics. Core inflation continues to descent, despite services remaining high.

Inflation

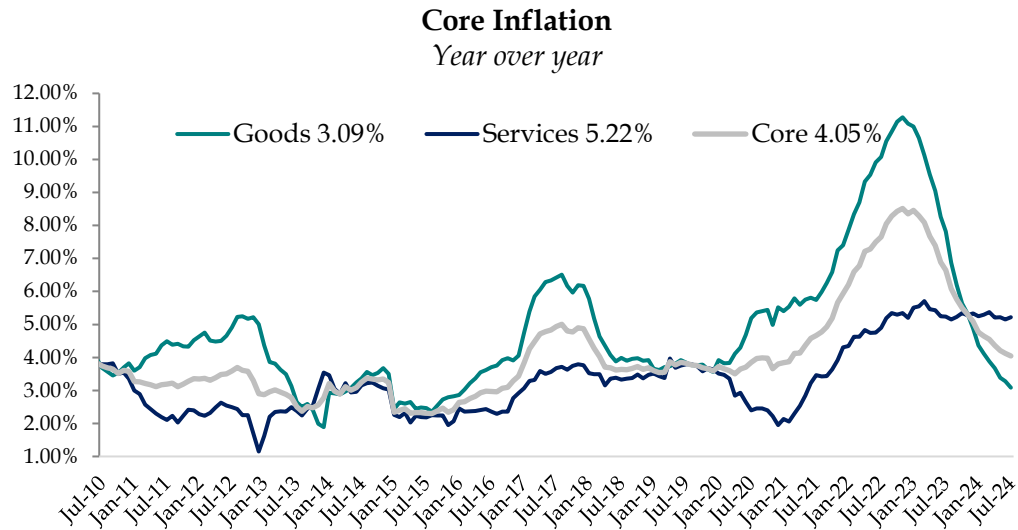
Year over Year, as of July 2024



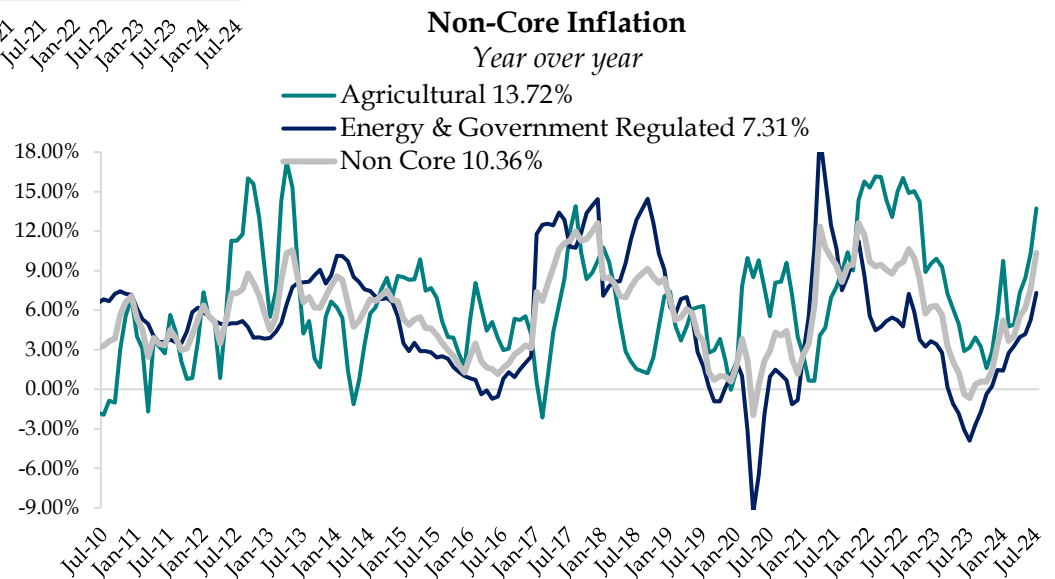
Source: INEGI

III. Mexico Consumer Price Index (CPI)

Core inflation is showing slow but sure signs of improvement – services still fairly high



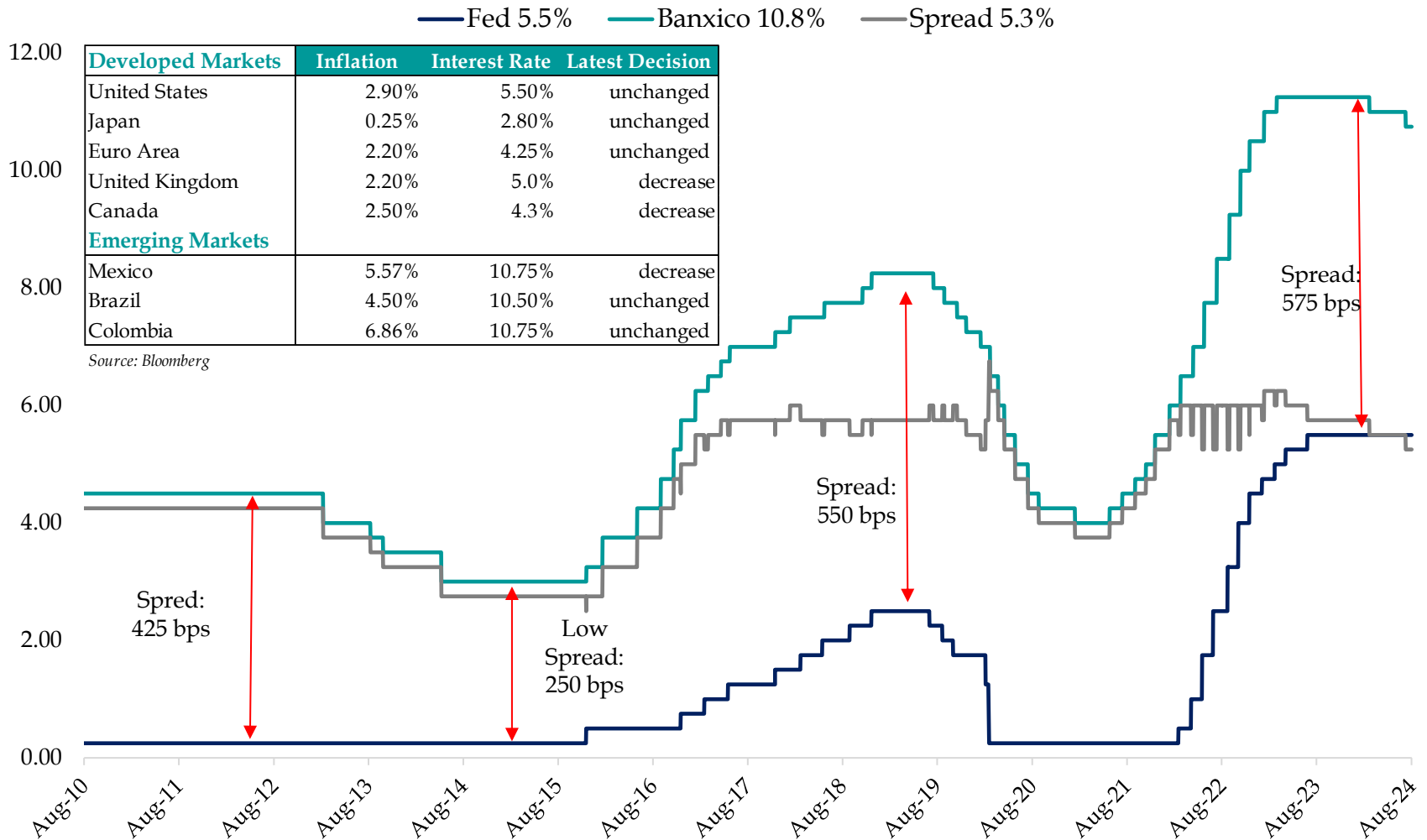
Source: INEGI



Source: INEGI

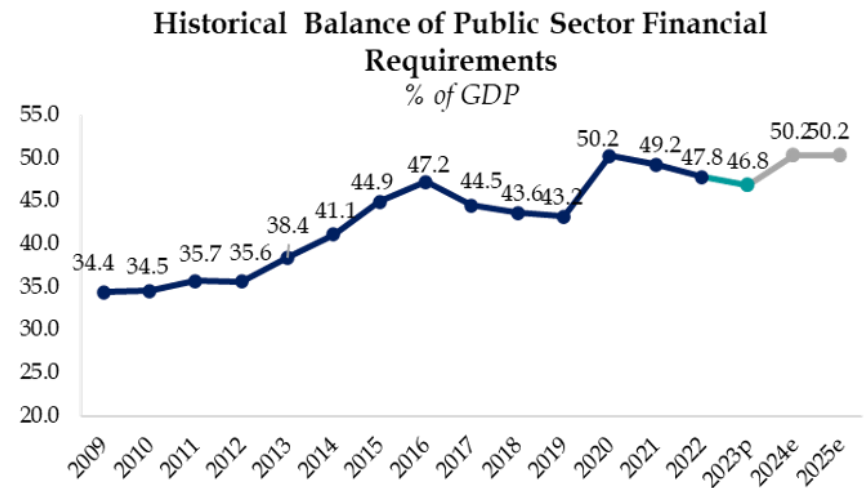
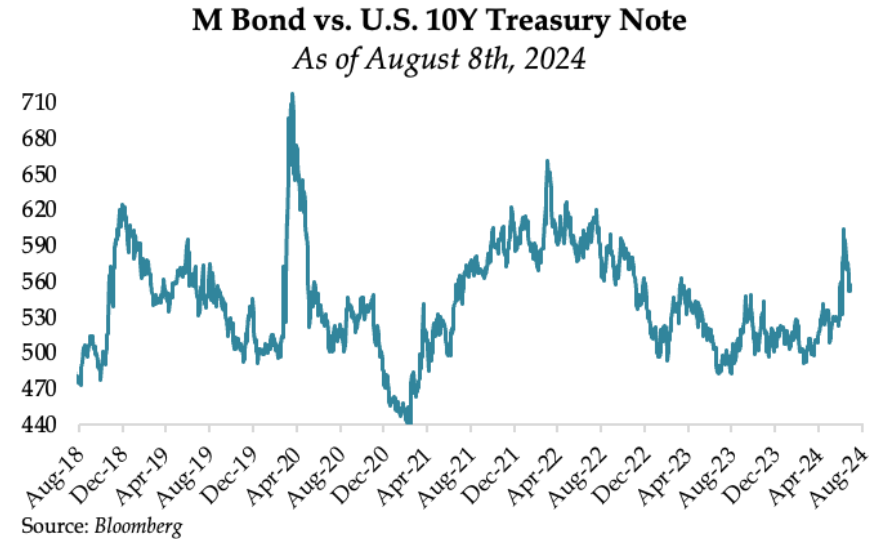
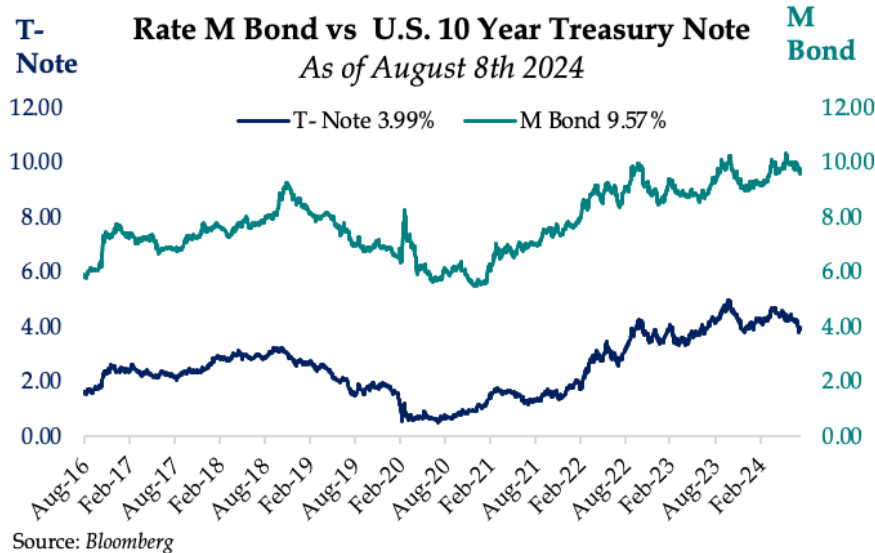
III. Monetary Policy & Sovereign Risk

Banxico vs. Federal Reserve Reference Rate As of August 30, 2024



III. Public Finance & Sovereign Risk Premium

Healthy Public Finances lead to adequate spreads compared to U.S. debt

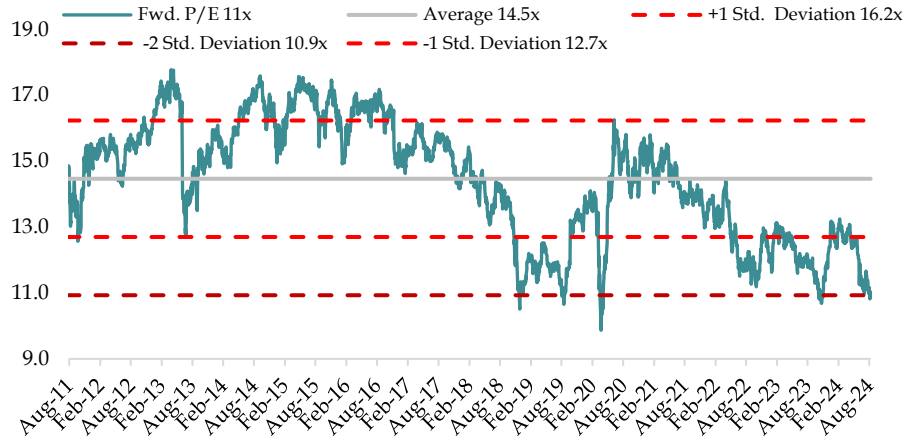


Source: Secretaría de Hacienda u Crédito Público. "Pre-criterios 2025".

IV. Stock Markets

Mexbol Index Fwd P/E Multiple

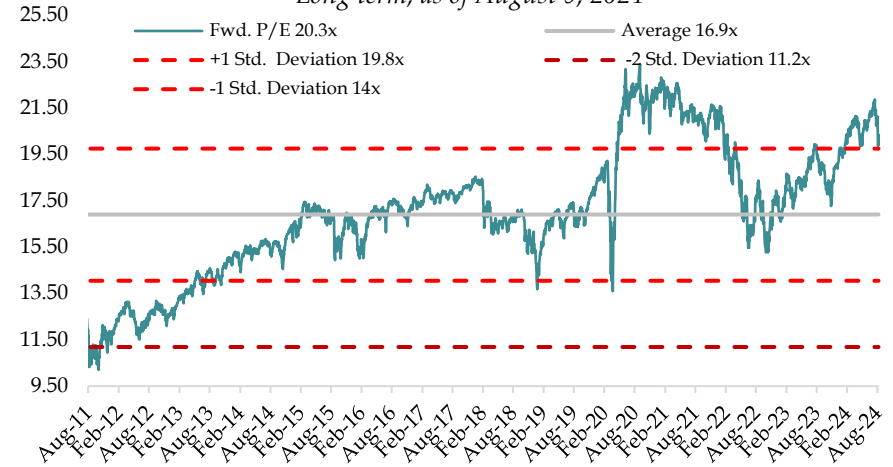
Long term, as of August 9, 2024



Source: Bloomberg

Index S&P 500 Fwd P/E Multiple

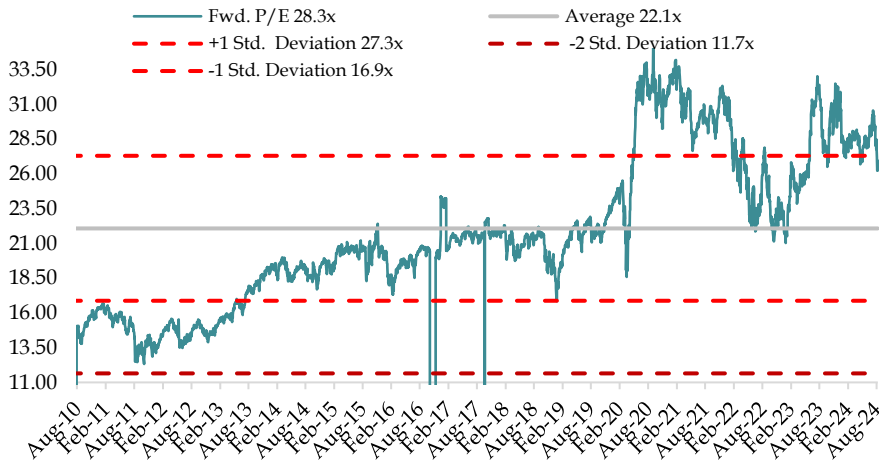
Long term, as of August 9, 2024



Source: Bloomberg

Nasdaq Index Fwd P/E Multiple

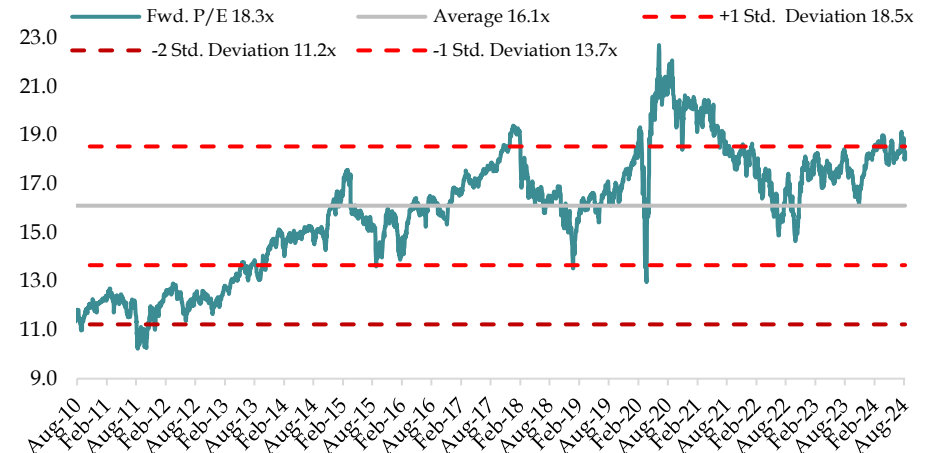
Long term, as of August 9, 2024



Source: Bloomberg

Dow Jones Index Fwd P/E Multiple

Long term, as of August 9, 2024

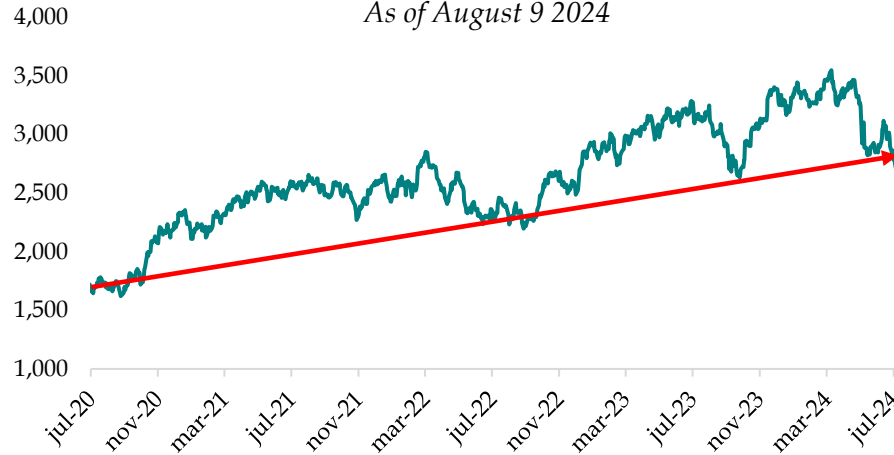


Source: Bloomberg

IV. Stock Markets

MEXBOL Index

As of August 9 2024



Source: Bloomberg

S&P 500 Index

As of August 9, 2024



Source: Bloomberg

NASDAQ Index

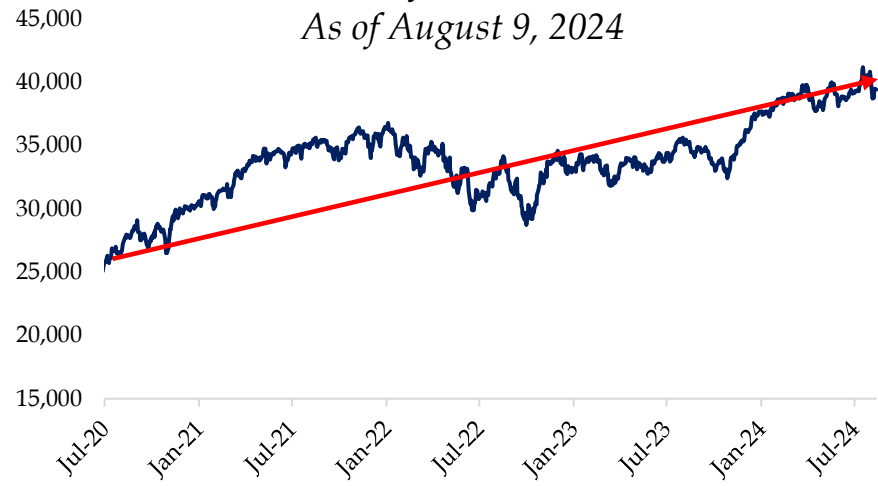
As of August 9, 2024



Source: Bloomberg

Dow Jones Index

As of August 9, 2024



Source: Bloomberg

IV. Stock Markets

		Mexbol vs.US Stock Markets											
		Dividends reinvested											
		Local						USD					
US	INDEX	2021	2022	2023	YTD 2024	1T24	Jun-24	2021	2022	2023	YTD 2024	1T24	Jun-24
	Dow Jones	20.95%	-6.86%	16.18%	10.43%	4.79%	4.51%	20.95%	-6.86%	16.18%	10.43%	4.79%	4.51%
	S&P 500	28.68%	-18.13%	26.26%	18.05%	15.29%	1.22%	28.68%	-18.13%	26.26%	18.05%	15.29%	1.22%
	NASDAQ	22.21%	-32.51%	44.70%	20.36%	18.57%	-0.73%	22.21%	-32.51%	44.70%	20.36%	18.57%	-0.73%
	Mexbol	24.07%	-5.77%	22.36%	-4.65%	-7.19%	1.50%	20.94%	-1.09%	40.87%	-9.03%	-13.88%	-0.14%
Mexico													
		Mexbol vs. LATAM Stock Markets											
		Dividends reinvested											
		Local						USD					
Argentina Brazil Chile Peru Colombia Mexico	INDEX	2021	2022	2023	YTD 2024	1T24	Jun-24	2021	2022	2023	YTD 2024	1T24	Jun-24
	Merval	63.00%	142.02%	360.06%	63.98%	73.31%	-6.42%	33.51%	40.37%	0.80%	43.67%	53.72%	-8.48%
	Bovespa	-11.93%	4.69%	22.28%	-3.53%	-7.66%	3.02%	-18.10%	10.13%	33.09%	-14.54%	-19.48%	1.55%
	Ipsa	3.14%	22.13%	17.79%	5.99%	3.49%	0.42%	-13.96%	22.85%	13.42%	1.08%	-3.33%	0.63%
	S&P/BVL	1.39%	1.04%	21.70%	14.89%	15.16%	-1.20%	-8.29%	6.10%	25.19%	14.53%	11.24%	1.95%
	COLCAP	1.51%	-2.69%	4.99%	19.81%	20.80%	-1.62%	-14.60%	-18.35%	32.23%	15.22%	11.99%	0.81%
	Mexbol	24.07%	-5.77%	22.36%	-4.65%	-7.19%	1.50%	20.94%	-1.09%	40.87%	-9.03%	-13.88%	-0.14%
	Source: Bloomberg												

Source: Bloomberg

IV. Stock Markets

		Mexbol vs. Europe Stock Markets											
		Dividends reinvested											
		Local						USD					
	INDEX	2021	2022	2023	YTD 2024	1T'24	Jun-24	2021	2022	2023	YTD 2024	1T'24	Jun-24
Germany	DAX	15.79%	-12.35%	20.31%	10.06%	8.86%	1.50%	6.61%	-17.03%	24.28%	8.73%	5.43%	2.38%
Spain	IBEX	10.52%	-2.02%	28.06%	13.52%	11.02%	1.89%	2.29%	-7.25%	32.28%	12.14%	7.53%	2.78%
France	CAC	31.88%	-6.71%	20.10%	3.20%	1.88%	0.77%	22.83%	-12.24%	24.05%	1.95%	-1.33%	1.65%
Italy	FTSE MIB	26.81%	-9.36%	34.35%	17.60%	13.41%	2.17%	16.76%	-14.19%	38.78%	16.18%	9.84%	3.06%
UK	FTSE 100	18.40%	4.57%	7.68%	8.17%	7.85%	2.53%	17.39%	-6.53%	13.60%	10.22%	6.83%	4.11%
Switzerland	SMI	23.73%	-14.29%	7.06%	14.19%	11.04%	2.70%	19.48%	-14.99%	17.61%	8.35%	3.71%	4.80%
Russia	IMOEX	21.88%	-36.87%	53.15%	3.36%	3.36%	-	21.75%	-35.67%	25.30%	6.02%	6.02%	-
Mexico	Mexbol	24.07%	-5.77%	22.36%	-4.65%	-7.19%	1.50%	20.94%	-1.09%	40.87%	-9.03%	-13.88%	-0.14%

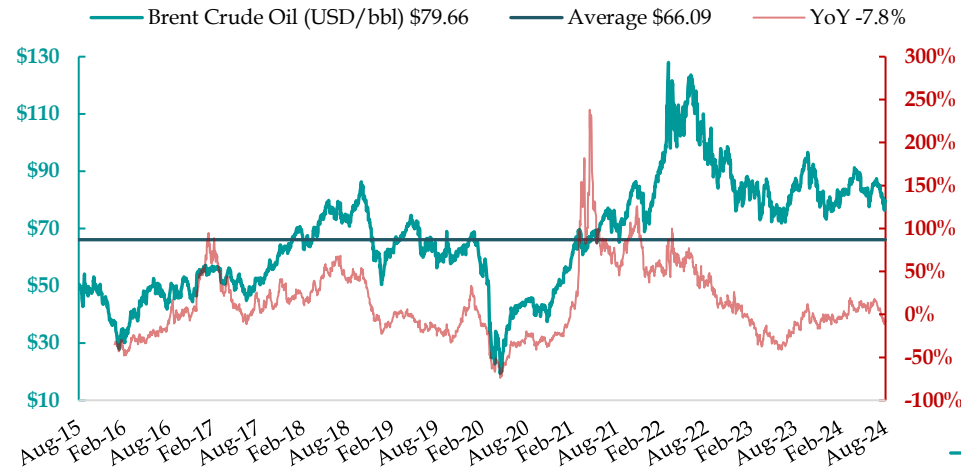
		Mexbol vs. Asia Stock Markets											
		Dividends reinvested											
		Local						USD					
	INDEX	2021	2022	2023	YTD 2024	1T'24	Jun-24	2021	2022	2023	YTD 2024	1T'24	Jun-24
China (Hong Kong)	Hang Seng	-11.84%	-12.56%	-10.46%	7.47%	6.21%	-1.04%	-12.33%	-12.61%	-10.56%	7.51%	6.24%	-1.08%
China (Shanghái)	SSE Composite	7.05%	-12.81%	-1.04%	1.77%	0.92%	0.28%	9.93%	-19.66%	-3.86%	-0.48%	-1.38%	0.93%
India	SENSEX	23.23%	5.77%	20.34%	12.70%	10.30%	3.53%	20.84%	-4.73%	19.59%	12.33%	10.12%	3.13%
Indonesia	IDX	12.53%	6.97%	10.61%	2.20%	-0.23%	2.89%	10.73%	-1.59%	11.43%	-2.54%	-6.09%	3.35%
Japan	Nikkei 225	6.66%	-7.35%	31.01%	23.87%	19.31%	-1.21%	-4.39%	-18.54%	21.86%	11.62%	4.46%	5.54%
South Korea	KRX100	1.48%	-25.54%	24.75%	10.20%	8.17%	-0.77%	-7.23%	-29.76%	22.31%	2.81%	1.03%	-0.19%
Mexico	Mexbol	24.07%	-5.77%	22.36%	-4.65%	-7.19%	1.50%	20.94%	-1.09%	40.87%	-9.03%	-13.88%	-0.14%

Source: Bloomberg

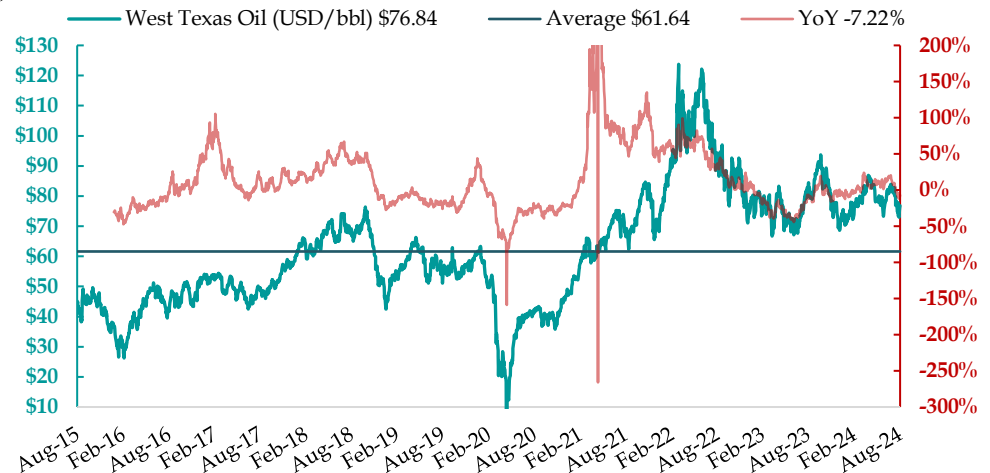
V. Commodities

The recent shift in market expectations for the interest-rate differential between the dollar and the yen is compelling investors to unwind yen carry trades and reduce exposure to risk assets - such as oil and other commodities. It appears likely that OPEC+ supply management and still-elevated geopolitical risk maintain an oil-price floor of \$75 a barrel for the time being.

Brent Crude Oil (USD/bbl)



West Texas Oil (USD/bbl)

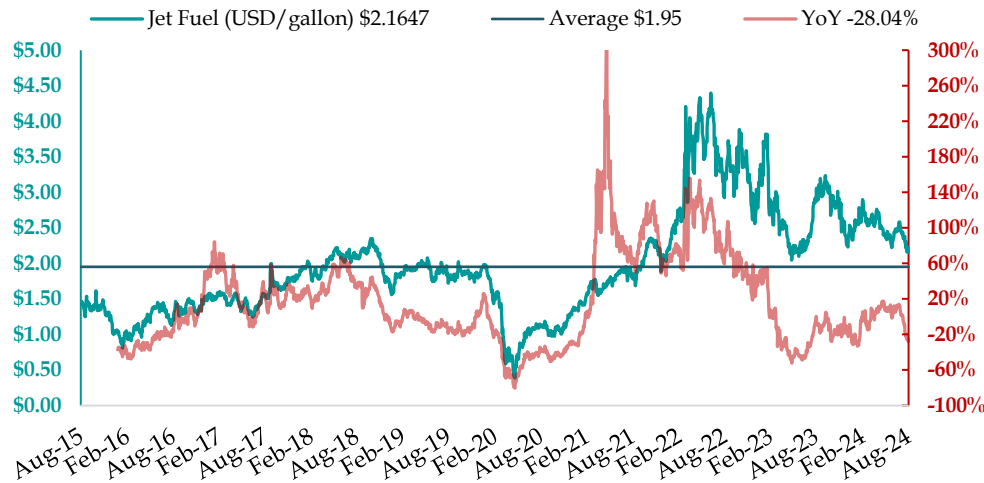


Source: Bloomberg

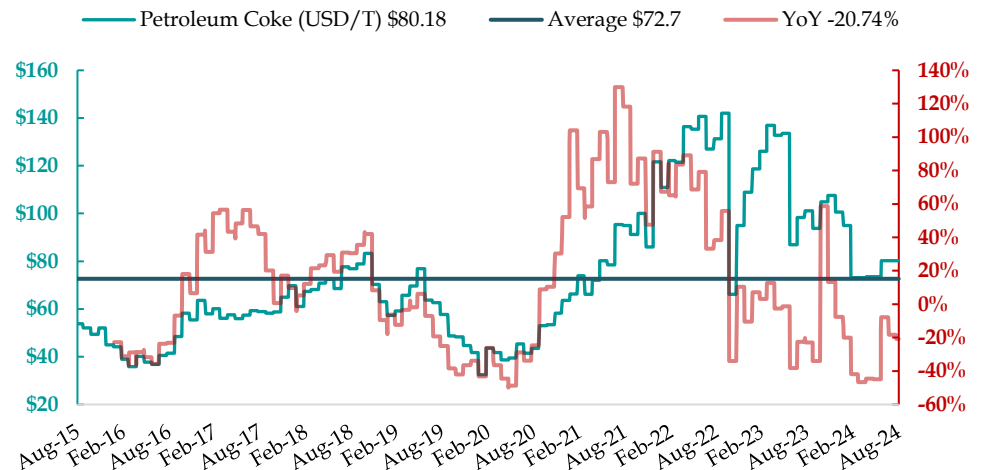
V. Commodities

Jet Fuel prices started to slowdown since January, with a spike during the summer travel season. Meanwhile, Pet Coke remained -21% year over year due to low demand and ample supply.

Jet Fuel (USD/gallon)



Petroleum Coke (USD/T)

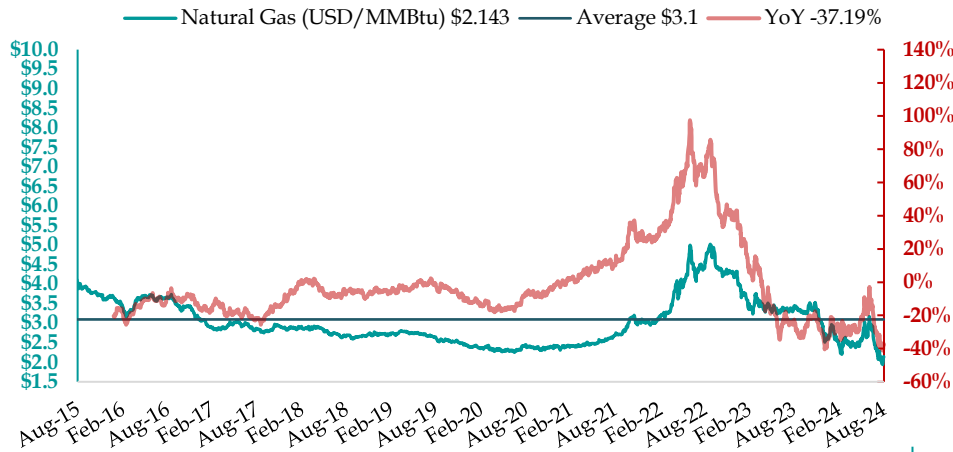


Source: Bloomberg

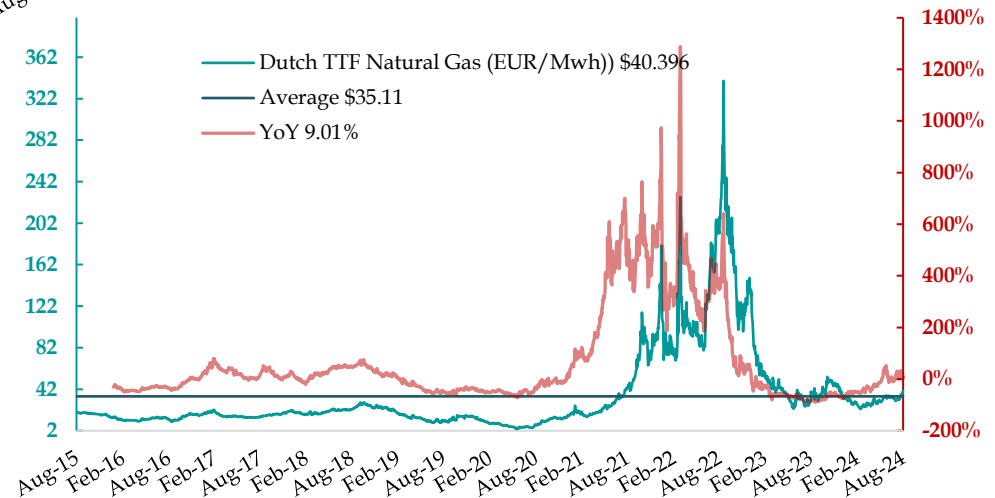
V. Commodities

Natural gas prices nudged lower with brimming stockpiles and steady flows from Norway help keep the market at ease. However European energy prices surged as concerns about Russian pipeline supplies across Ukraine stoked volatility across gas and power markets

Natural Gas (USD/Mmbtu)



Dutch TTF Natural Gas (EUR/Mwh)

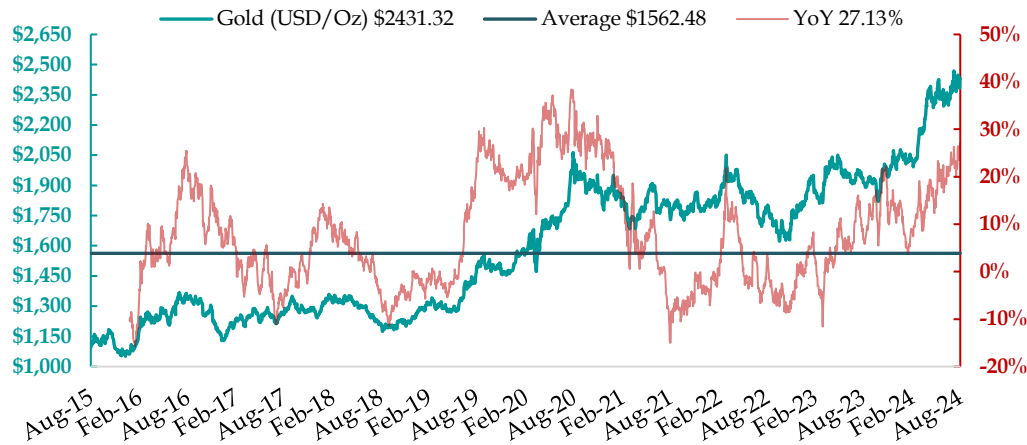


Source: Bloomberg

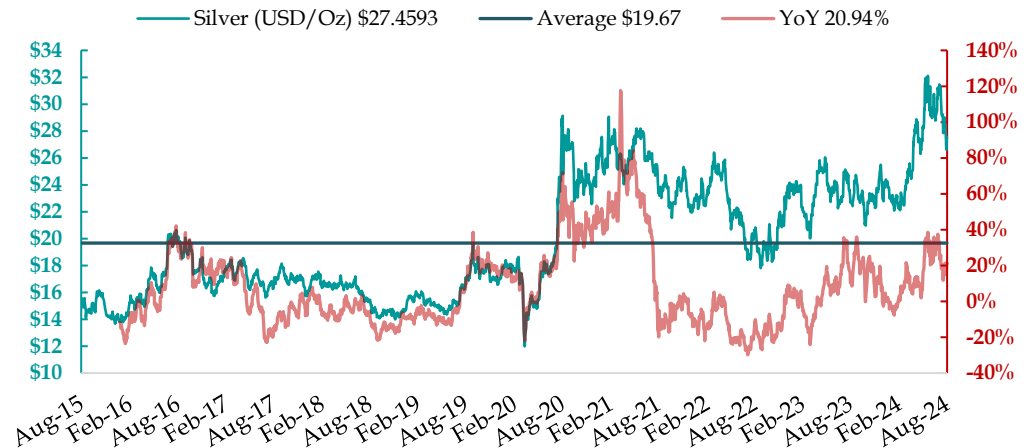
V. Commodities

According to Bloomberg, Gold rose, closing in on a record again as traders assessed geopolitical developments while awaiting key US economic data due later this week that may help determine the Federal Reserve's interest-rate path.

Gold (USD/oz)



Silver (USD/oz)



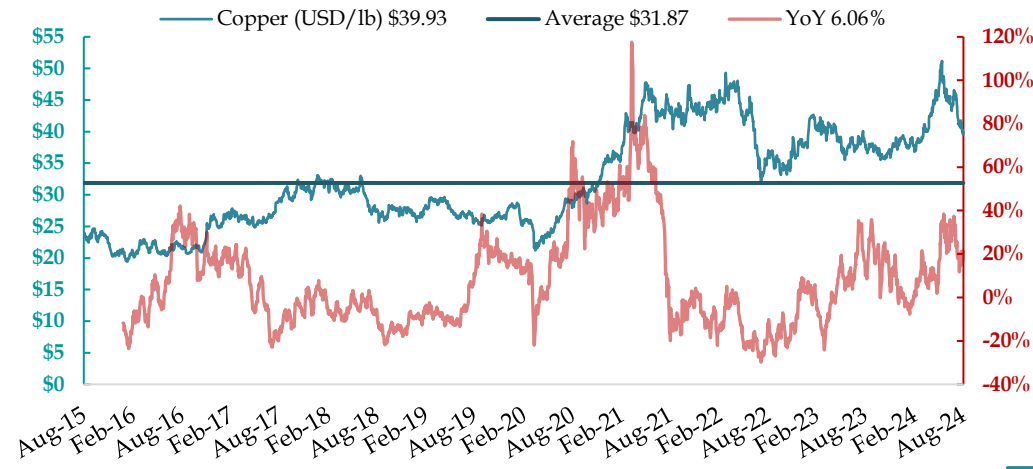
Source: Bloomberg

V. Commodities

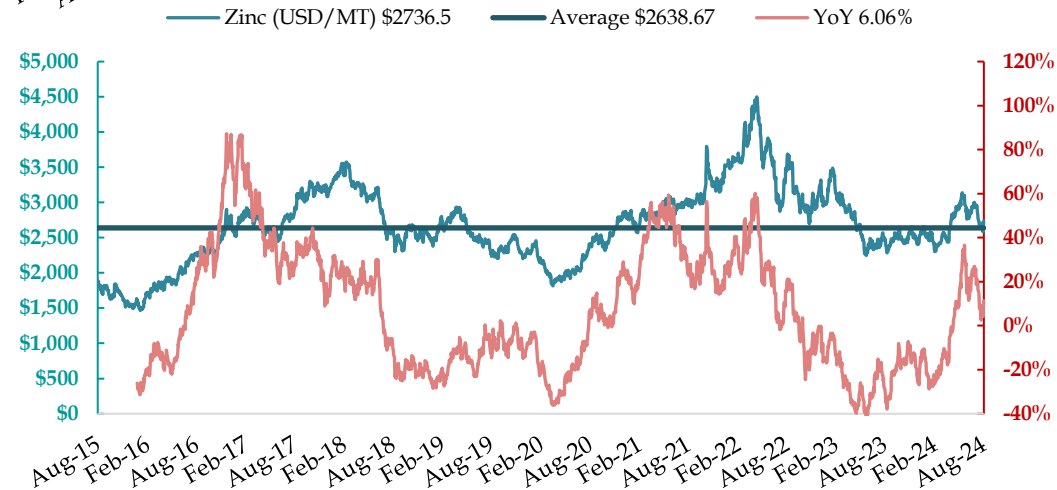
According to Bloomberg China's robust 2023 copper demand could falter this year as consumer sentiment remains weak, while a strong recovery in the rest of the world might be delayed, along with rate cuts. Meanwhile Chinese zinc smelters are likely to cut production in coming months, which will help support prices.

Copper USD/oz)

prices.



Zinc (USD/MT)

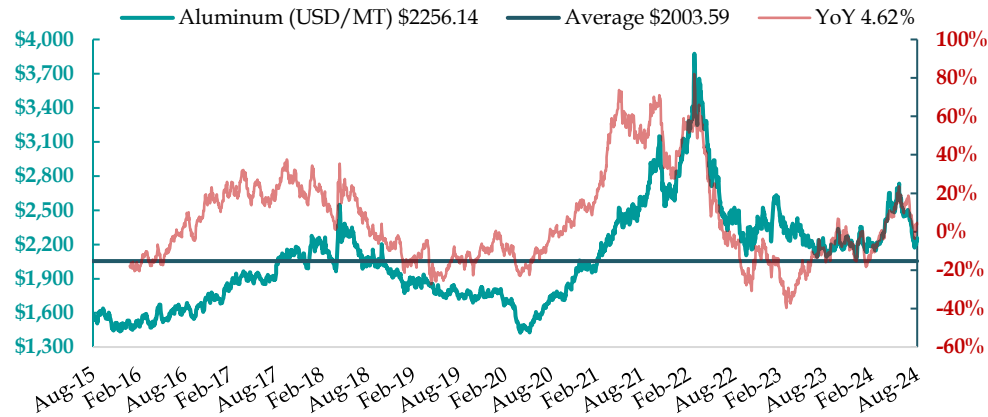


Source: Bloomberg

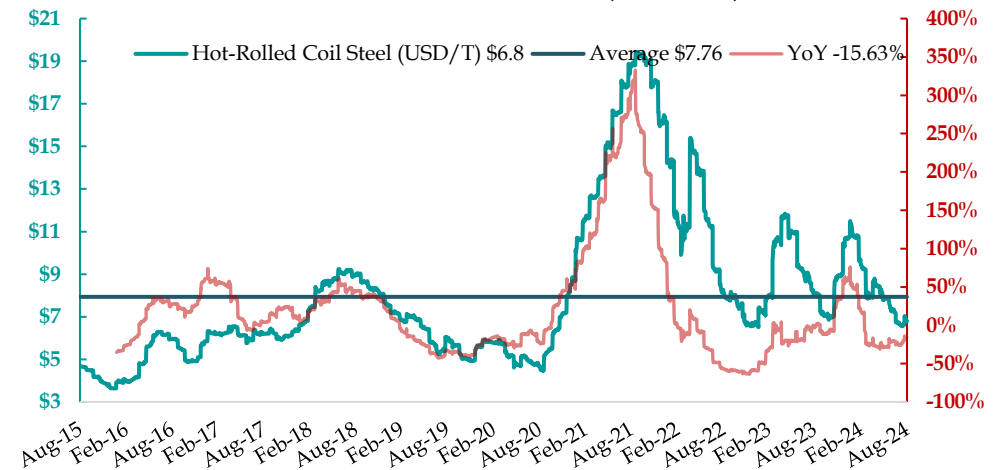
V. Commodities

Global aluminium demand is up a healthy 4% YTD through to April, with China apparent consumption growth of ~10%

Aluminum (USD/MT)



Hot-Rolled Coil Steel (USD/T)

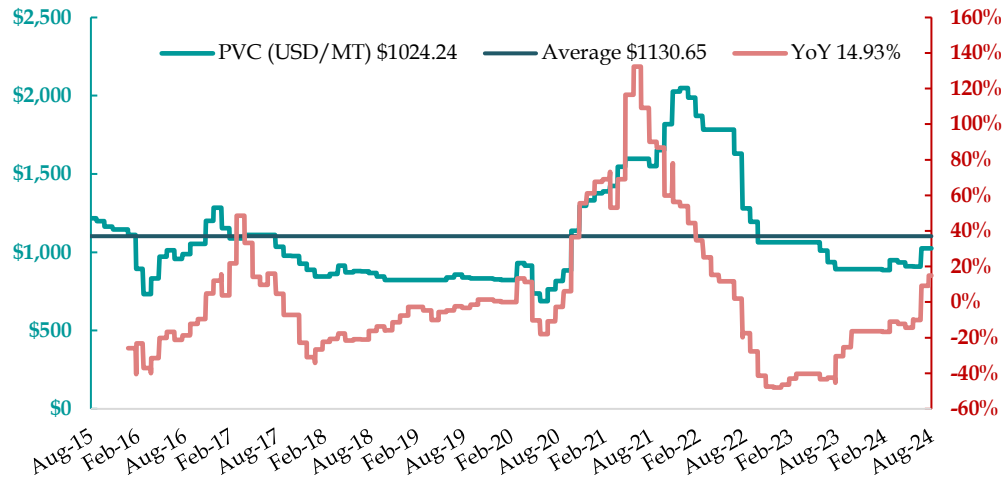


Source: Bloomberg

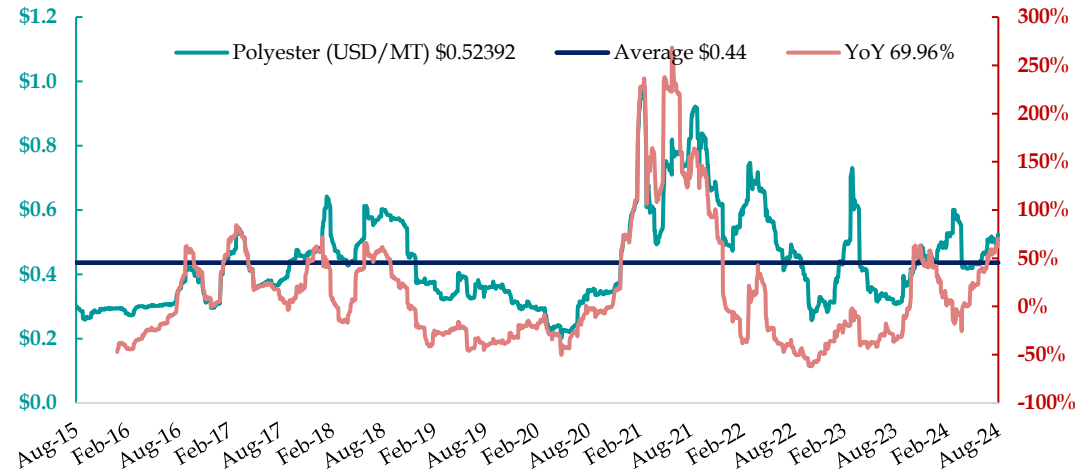
V. Commodities

PVC faces a slower demand recovery/growth. According to Bloomberg, Polyester prices tend to trail those of crude oil as chemical producers of synthetic fibers absorb part of the increase.

PVC (USD/MT)



Polyester (USD/MT)

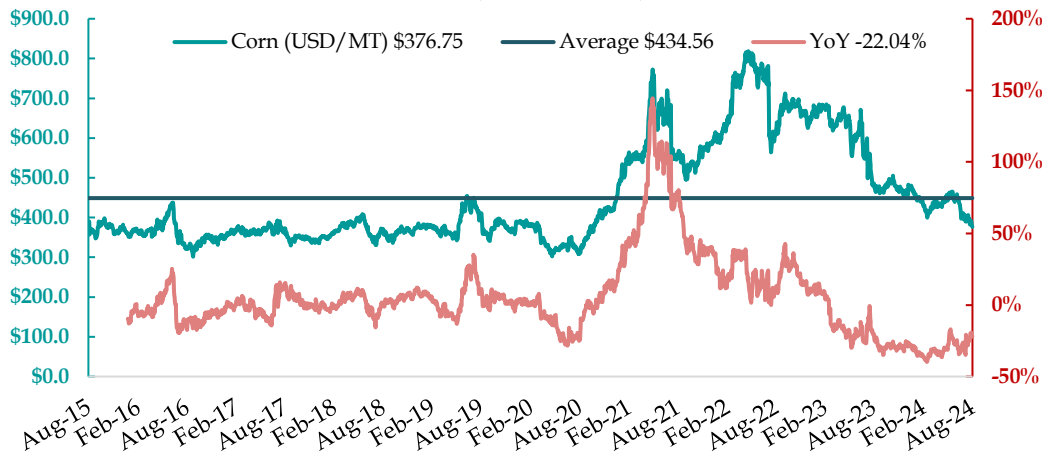


Source: Bloomberg

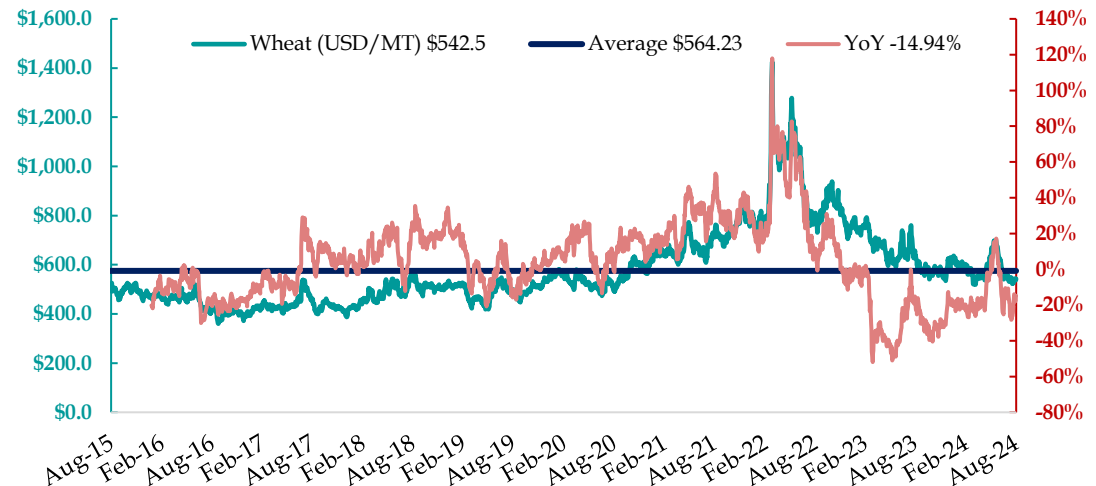
V. Commodities

According to the US Agriculture, as of August 8th, corn global estimates of production and consumption fell -5% and -4% respectively. Meanwhile, wheat production estimates of production and consumption increased 2.1% and 4.1% for the rest of the year.

Corn (USD/MT)



Wheat USD/MT)



Source: Bloomberg

Definitions

Primary Activities: These are deeply connected to the earth's natural resources and occurs where people stay close or are in touch with any of the earth's natural resources such as land or water. E.g., Agriculture, fishing, mining, etc.

Secondary Activities: All activities involved in the conversion of raw materials extracted from the primary activities into finished products to be used by consumers are secondary economic activities. E.g., Production and manufacturing.

Tertiary Activities: All activities involved in the transfer and distribution of tangible and intangible goods are tertiary economic activities. E.g., Services.

Monthly Indicator of Industrial Activity (IMAI): the IMAI gauges the actual progression of economic activity. It is designed to furnish statistical information for a comprehensive and timely understanding of the industrial sector's behavior.

Monthly Indicator of Gross Fixed Capital Formation (IMFBCF): offers insights into the monthly patterns of gross fixed investment. This category encompasses durable goods utilized in the production process for over a year and is subject to proprietary duties. The IMFBCF reveals the allocation of a portion of the gross value added in the economy towards investment, distinguishing it from consumption.

PMI Markit Mexico Manufacturing Index: Each national PMI dataset is compiled from questionnaire responses from a survey panel of senior purchasing executives (or similar) at around 400 companies. The survey panels are carefully recruited to accurately represent the true structure of the monitored sector: manufacturing, services, construction or the entire private sector economy. The survey questionnaire covers the following economic variables for manufacturing: Output, New orders, New export orders, Backlogs of work, Output prices, Input prices, Suppliers' delivery times, Stocks of finished goods, Quantity of purchases, among others.

PMI Mexico Non-Manufacturing Index: Each national PMI dataset is compiled from questionnaire responses from a survey panel of senior purchasing executives (or similar) at around 400 companies. The survey panels are carefully recruited to accurately represent the true structure of the monitored sector: manufacturing, services, construction or the entire private sector economy. The survey questionnaire covers the following economic variables for services: Business activity, New business, New export business, Outstanding business, Prices charged, Input prices, Employment, Future activity.

ANTAD: National Association of Self-Service and Departmental Stores (ANTAD): Entity responsible for promoting the development of retail and its suppliers within the Mexican market.

MEXBOL Index: or the IPC (Indice de Precios y Cotizaciones), is a capitalization-weighted index of the Mexican stock exchange's leading stocks.

Price-to-earnings ratio (P/E ratio): The ratio for valuing a company, measuring its current share price relative to its earnings per share (EPS). The price-to-earnings ratio is also sometimes known as the price multiple or the earnings multiple.

Standard Deviation: A statistic that measures the dispersion of a dataset relative to its mean and is calculated as the square root of the variance. The standard deviation is calculated as the square root of variance by determining each data point's deviation relative to the mean.

United Mexican States Sovereign Bonds (UMS): are fixed income instruments issued by the federal government in international capital markets. Each issuance has specific characteristics (term, currency coupons, etc). UMS bonds are preferred by foreign investors over other LatAm issuers due to their investment grade status and liquidity.

Credit Default Swap (CDS): Is a financial derivative or contract that allows an investor to offset his or her credit risk with that of another investor.

Disclaimer

The Mexico Equity and Income Fund, Inc. ("the Fund") maintains a long-term capital appreciation investment objective through investments in securities, primarily equity, listed on the Mexican Stock Exchange. The Fund provides a vehicle to investors who wish to invest in Mexican companies through a managed non-diversified portfolio as part of their overall investment program.

Fund holdings and sector allocations are subject to change at any time and should not be considered a recommendation to buy or sell any security. Please see the Schedule of Investments in this report for a complete list of fund holdings. The information and views provided herein represent the opinion of Pichardo Asset Management, not the Fund's Board of Directors, and it does not intend to be a forecast of future events, a guarantee of future results, or investment advice. This report contains certain forward-looking statements about factors that may affect the performance of the Fund in the future.

Management believes these forward-looking statements to be reasonable, although they are inherently uncertain and difficult to predict.

Investors must carefully consider the Fund's investment objectives, risks, charges, expenses and restrictions. The prospectus contains this and other important information about the investment company, which may be obtained by calling U.S. Bancorp Fund Services, LLC, (414) 765-4255. Read it carefully before investing.

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

Investing in Foreign Securities

Investment in Mexican securities involves special considerations and risks that are not generally associated with investments in U.S. securities, including (1) relatively higher price volatility, lower liquidity, and the small market capitalization of Mexican securities markets; (2) currency fluctuations and the cost of converting Mexican pesos into U.S. dollars; (3) restrictions on foreign investment; (4) political, economic and social risks and uncertainties (5) higher rates of inflation and interest rates than in the United States. In addition, Mexican equity investments are in Mexican pesos. As a result, the Portfolio Securities must increase in market value at a rate over the rate of any decline in the peso's value against the U.S. dollar to avoid a reduction in their equivalent U.S. dollar value.

The Fund may have a higher turnover rate, resulting in higher transaction costs and higher tax liability, which may affect returns.

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