



THE MEXICO EQUITY & INCOME FUND, INC.

RETURNS

As of November 30, 2017	Total Annual Average U.S. Dollar Return through Nov 30, 2017 (Reinvested Dividends)						
	1 Month	Y-T-D	1 Year	3 Years	5 Years	10 Years	Since MXE Inception in 08/30/90
MXE NAV*	1.33% ¹	14.68% ¹	13.29% ¹	-5.82% ¹	1.55% ¹	1.88% ¹	11.85% ²
MXE NAV (Returns in Mexican Pesos "MXN")	-1.91% ³	3.11% ³	2.60% ³	3.81% ³	9.25% ³	7.47% ³	19.78% ³
MXE Market Price	0.86% ¹	15.27% ¹	13.90% ¹	-7.38% ¹	1.87% ¹	3.10% ¹	12.16% ²
MXN Appreciation/ Depreciation	3.30% ³	11.23% ³	10.41% ³	-9.28% ³	-7.04% ³	-5.20% ³	-6.62% ³
MEXBOL Index	-0.38%	16.21%	16.36%	-5.70%	-3.21%	0.88%	9.73%
MXF NAV	0.72%	16.11%	15.18%	-4.88%	-1.92%	0.78%	8.26%
MXF Market Price	-0.44%	8.33%	14.26%	-8.04%	-3.17%	1.93%	8.83%
MXE NAV Excess Return vs. MEXBOL Index	171	-153	-307	-12	476	100	212

Cumulative to November 30, 2017	(Dividends Reinvested)						
	YTD	1 Year	3 Years	5 Years	10 Years	Since MXE Inception 8/30/90	Discount to NAV, as of November 30, 2017
MXE Common Share Market Price	15.27% ¹	13.90% ¹	-20.54% ¹	9.70% ¹	35.71% ¹	2180.75% ³	-13.29%
MXF Common Share Market Price	8.33%	14.26%	-22.23%	-14.86%	21.09%	903.74%	-13.18%

Source: U.S. Bancorp¹; Thomson²; PAM³, Bloomberg.

*The NAV accretion that resulted from share repurchases, for the 1, 3, and 5-year period ended November 30, 2017, was 0.00, 0.04, and 0.04 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=1.71% for the annual period ended July 31, 2017.

MXF's ratio of expenses to average net assets=1.69% for the semi-annual ended April 30, 2017.

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.

As of September 30, 2017	Total Annual Average U.S. Dollar Return (Reinvested Dividends)				
	1 Year	3 Years	5 Years	10 Years	Since MXE Inception in 08/30/90
MXE NAV	10.23% ¹	-5.70% ¹	4.15% ¹	2.43% ¹	12.24% ²
MXE Market Price	11.98% ¹	-5.88% ¹	4.35% ¹	3.59% ¹	12.62% ²
MEXBOL Index	15.66%	-4.48%	-1.05%	1.72%	10.17%
MXF NAV	11.59%	-4.98%	.08%	1.01%	8.56%
MXF Market Price	11.36%	-7.92%	-0.67%	2.17%	9.21%
MXE NAV Excess Return vs. MEXBOL Index in Basis Points	-543	-122	520	71	207

Source: U.S. Bancorp¹; Thomson²; PAM³, Bloomberg.

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MXE RELEVANT DATA

	As of Nov. 30, 2017	As of Dec 31, 2016	As of Nov. 30, 2016
Total Net Assets USD	\$ 89,497,497	\$ 78,104,718	\$ 79,144,188
NAV per Share USD	\$12.19	\$10.63	\$10.76
Common Share Market Price USD	\$10.57	\$9.17	\$9.28
Premium/Discount to NAV	-13.29%	-13.73%	-13.75%
MXE's Shares Repurchased	0	192,577	189,577
MXE's Preferred Shares Redeemed	0	48,535	48,535
Total Outstanding Shares	7,343,416	7,349,716	7,352,716

Source: U.S. Bancorp.

As of Nov. 30, 2017	1 Month	Y-T-D	1 Year
MXE's Shares Repurchased	6,300	6,300	9,300

Source: U.S. Bancorp

MXE Top Ten Stock Weightings, as of November 30, 2017

Issuer	%	Industry
AMXL	9.68%	Wireless Telecommunication
FEMSAUBD	7.90%	Beverages
IENOVA	6.79%	Gas Utilities
GFNORTEO	6.20%	Banks
GMEXICOB	5.56%	Metals & Mining
ALFAA	4.87%	Industrial Conglomerates
MEXCHEM	4.86%	Industrial Conglomerates
AC	4.49%	Transportation Infrastructure
PINFRA	4.42%	Transportation Infrastructure
CEMEXCPO	4.19%	Construction Materials

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

The Mexican peso strengthened 3.3% in November mainly because NAFTA negotiations suggest a more favorable outlook for Mexico. More than 70 bipartisan members of the US Congress sent a letter to the administration in November saying the United States' proposal for the automobile sector would diminish America's global competitiveness. (Source: Bloomberg)

In Mexico, the inflation rate remains high due to the freeing of gasoline prices throughout the country.

November was marked by two institutional processes for the economy and stock market: i) the appointment of a member of Banco de México (BANXICO)'s Governing Board as Governor, which did not require ratification by the Senate; and ii) the resignation of the Minister of Finance (SHCP,) José Antonio Meade, who will seek the presidency for the ruling party, Institutional Revolutionary Party (PRI), provides the electoral process with a strong candidate that implies continuity in terms of the responsible public policies followed by Mexico for more than twenty years, as well as structural reforms (energy, telecom and education) implemented by the current government.

II. MXE PERFORMANCE

The Fund's Net Asset U.S. Dollar Value per share, "NAV," registered a return of 1.33% in the month and 14.68% for the year-to-date period ended November 30, 2017 (3.11% in local currency terms), an underperformance of -153 basis points versus the Mexican Stock Exchange Index (MEXBOL), which posted a year-to-date return of 16.21%. (Source: U.S. Bancorp, PAM).

MXE's Absolute and Relative Contribution by Sectors. Year to Date through November 30, 2017

Sector	Absolute	Relative	OW /UW (basis points)
Telecommunication Services	4.22%	-1.57%	-832
Consumer Staples	3.94%	0.98%	-1,011
Financials	2.47%	0.07%	-56
Materials	2.36%	0.40%	-237
Industrials	1.65%	0.71%	999
Consumer Discretionary	0.90%	1.65%	219
Utilities	0.84%	0.41%	493
Real Estate	0.35%	-1.55%	153

Source: PAM; Bloomberg.

OW/UW: Overweight/Underweight.

The Fund's common share market price of US\$ 10.57 on the New York Stock Exchange rose 15.27% for the year-to-date period ended November 30, 2017, registering a discount of -13.29% to the Fund's NAV of US\$ 12.19, compared to a discount of -13.75% at the end of November 30, 2016. The Fund's common share market price increased 13.90% for the one-year period ended November 30, 2017. (Source: U.S. Bancorp).

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The Fund's total net assets amounted to US\$ 89,497,497 as of November 30, 2017 compared to US\$ 79,144,188 as of November 30, 2016. *(Source: U.S. Bancorp).*

III. THE MEXICAN ECONOMY

In a context marked by some of the worst natural disasters to have hit Mexico (two earthquakes, including one of the largest in 100 years, hurricane Harvey, the biggest in the Gulf of Mexico), Mexico's National Institute of Geography and Statistics (INEGI) reported that the country's Gross Domestic Product (GDP) grew at an annual rate of 1.6% in the third quarter of the year, after growing 3.2% in the first quarter and 1.9% in the second. *(Source: INEGI)*

Annual headline inflation was 6.37% in October vs. 6.35% in September and 6.66% in August; in other words, there is still no sign of a downtrend. Core inflation was 4.77%, slightly below September's 4.80%. This time the increase was due to higher growth in the prices of gasoline, LP gas and farm sector prices. It should be mentioned that after eleven months of gradual gasoline price liberation, in November the process ended in the whole of Mexico. These rates reflect the difficulty of achieving a lower trend in the 2017 estimated inflation rate, with the year-end estimate remaining at 6.25%, according to Banxico's release. *(Source: INEGI)*

Banco de México's Governing Board opted to hold its reference rate steady at 7.0% to keep inflation expectations anchored. Variables the Central Bank will be keeping an eye on are: annual headline inflation, the peso/dollar exchange rate, and wage pressure. *(Source: Banxico)*

On the jobs front, the Mexican Social Security Institute (IMSS) reported that 194,758 formal jobs were created in October, the highest increase for any month (43.2%) rising to 1,007,050 new jobs year to date. Job creation was driven by the agriculture sector with 8% growth followed by communication and transport sector with 6.9% and transformation, 5.2%. *(Source: IMSS)*

IV. THE MXE'S INVESTMENT STRATEGY

In the one-year period ended November 2017, one year after the U.S. new administration took office, we have kept the Fund adhered to our disciplined de-indexed investment strategy following our in-depth fundamental analysis, particularly our companies' 12-month forward valuations and upside potential returns based on our projected estimates.

During this period, we have had one of the most volatile price market swings in so-called NAFTA-related stocks, or companies which would likely be an opportunity for the Fund when trade negotiations resume and a new Mexican President is elected in 2018.

The top ten stocks represent 60% of the total portfolio

compared to 71% in the case of the MEXBOL Index. *(Source: PAM; Bloomberg)*

For the year-to-date period there were no sector detractors on an aggregate basis, and the three largest contributors by sector were: Telecommunications +4.22%; Consumer Staples +3.94%; and Financials +2.47%; while the three largest stocks that contributed and detracted the most were: AMX +3.61%; GFNORTE +1.78%; AC +1.44%; ALFA -1.03%; VOLARA -0.60%; and GENTERA -0.44%. *(Source: PAM; Bloomberg)*

The largest three sector changes for the year-to-date period were: an increase in Industrials of 852 bps and Utilities +225 bps, and a reduction of -468 bps in Financials. Changes by industry were: Industrial Conglomerates +608 bps; Beverages +496bps; and a reduction in Banks of -608 bps. *(Source: PAM; Bloomberg)*

VI. FINAL REMARKS

Our quality portfolio management should prevail in the mid to long term, as we have focused the construction of the portfolio on value and growth companies with attractive valuations based on our buy and sell methodology. Speculative trading has characterized the market since November 2016, and we have maintained all positions in the Fund regardless of their oversold situation.

Our investment strategy has also provided the Fund with companies with solid corporate governance and accurate accounting based on our in-depth analysis.

We believe that as speculation related to the outcome of NAFTA and political noise ease, with good technocrat candidates for President, the Fund should profit from our disciplined strategy.

Sincerely yours,

Eugenia Pichardo and Jose Luis Ramirez
Equity Portfolio Managers &
Arnulfo Rodriguez-Debt Portfolio Manager

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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THE MEXICO EQUITY & INCOME FUND, INC.

DISCLOSURES

To read about the Mexico Equity and Income Fund, Inc. please access the Annual Report by calling (414) 765-4255 to receive a copy. To read about the Mexico Equity and Income Fund, Inc. please access the Annual Report on the Funds website www.mxefund.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: 1.69% (For the Six Months Ended April 30, 2017)
3. Portfolio Turnover rate: 16.86% (For the Six Months Ended April 30, 2017)
4. Outstanding shares: 15,027,810 (As of April 30, 2017)
5. Repurchase of stocks: During the six months ended April 30, 2017, the Fund did not repurchase shares.
6. Total net assets: US \$279,335,461 (As of April 30, 2017)
7. Under the MDP, the Fund pays a quarterly amount of \$0.1300 per share. Accordingly, the Board declared a dividend distribution of \$0.1300 per share, payable in cash on July 27, 2017 to stockholders of record on July 18, 2017.
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.

One cannot invest directly in an index

Earnings growth is not representative of the Fund's future performance.

Projections are based on estimates, not guaranteed, and subject to change

THE MEXICO EQUITY & INCOME FUND, INC.

ECONOMIC DATA

- **Gross Domestic Product (GDP):** According to INEGI, the demand side of GDP grew 3.0% in **3Q17**. By components, primary activities increased by 1.0%, secondary activities 0.6%, and tertiary activities 4.1.%
- **Economic Activity Index.** According to INEGI, economic activity (IGAE, a Gross Domestic Product proxy) decreased by -0.5% month over month (m/m) in **September**. In seasonally-adjusted terms, services sector activities decreased by -0.8%, industrial sector activities -0.4%, and agricultural sector activities increased 3.5% compared to the previous month.
- **Industrial Activity.** In **September**, industrial production decreased by -0.4% m/m. Seasonally-adjusted data showed that mining was down -6.2%, manufacturing activities increased -0.1%, while utilities grew 1.8%, and construction 0.8% m/m.
- **Gross Fixed Investment.** In **September**, gross fixed investment (GFI) decreased -1.2%, m/m. Expenses related to machinery and equipment decrease -2.0%, and those related to construction increased by 1.2%, m/m. GFI posted a -2.3% drop y/y.
- **Trade Balance.** The trade deficit for the first **9 months** of the year was US\$9.051 billion, 36% below the US\$12.290 billion recorded in the same 2016 period .
- **Mexican Oil Mix.** As of **end-November**, the price of the Mexican oil mix was USD\$53.59 per barrel, translating into a 1.656% increase in one month, and a 0.11% decrease in one year.
- **Retail Sales.** Retail decreased -0.1% y/y in **September**. Retail sales decreased -0.3% in relation to the previous month.
- **Unemployment.** The **October** unemployment rate came in at a seasonally-adjusted 3.4%.
- **Monetary Policy.** On **November 09, 2017**, Banco de Mexico maintained its benchmark interest unchanged at 7.00%.
- **Inflation.** The **October** Consumer Price Index (CPI) increased by +0.63% month-over-month. Annual headline inflation came in at 6.37% and core inflation 4.77%.
- **Public Finances:**
 - o Net budgetary expenditure was 6.4 percent lower in real terms vs. the end of the third quarter of 2016 and \$85.1 bn pesos above the budget program. Excluding contributions made in both years using the Bank of Mexico's Excess Operating Liquidity (ROBM) to acquire financial assets and the Federal Government's 2016 contribution to Pemex, net expenditure paid was a real 2.8 percent below the same 2016 period and 11.3 billion pesos below the program.
 - o Public Sector Financial Requirements (RFSP) registered a \$73.341 billion surplus vs. a \$207.657 billion deficit for the same period in 2016.

Source: SHCP, BANXICO, INEGI.

THE MEXICO EQUITY & INCOME FUND, INC.

ECONOMIC PROJECTIONS

Economic Projections	2014	2015	2016	2017e	2018e
National Accounts					
Real GDP growth (y/y)	2.3%	2.5%	2.9%	2.5%	2.7%
GDP (US \$bn.)	1.288	1.139	1.076	1.181	1.321
Consumption (Chg. y/y)	2.0%	3.3%	2.4%	2.4%	2.5%
Investment (Chg. y/y)	2.3%	4.5%	1.1%	1.0%	3.7%
Exports (Chg. y/y)	7.3%	9.4%	3.5%	7.6%	8.9%
Imports (Chg. y/y)	5.7%	6.1%	2.9%	5.3%	7.9%
Monetary and Exchange Rate Ind.					
CPI Inflation (year-end)	4.1%	2.1%	3.3%	6.3%	3.8%
US\$ Exchange Rate (year-end)	14.7	17.2	20.6	18.9	19.0
28Day Cetes Int. Rate (year-end)	3.00%	3.25%	5.75%	7.0%	6.5%
Balance of Payments					
Trade Balance (US\$ bn.)	-2.8	-14.5	-13.1	-14.4	-12.4
Exports (US\$ bn.)	397.5	380.8	373.9	397.8	424.5
Imports (US\$ bn.)	400.0	395.2	387.06	412.2	436.9
Transfers (US\$ bn.)	23.6	24.8	26.6	n/a	n/a
Current Account (US\$ bn.)	-24.8	-32.4	-27.8	-23.4	-27.8
Foreign Direct Inv. (US\$ bn.)	25.6	28.4	26.7	n/a	n/a
Debt Profile					
International Reserves (US\$ bn.)	193.2	176.7	176.5	178.0	180.0
Public Debt (gross % of GDP)	41.0%	42.5%	50.5%	48.0%	48.0%
External Debt (gross % of GDP)	11.9%	19.7%	15.5%	15.2%	15.0%

Source: SHCP, BANXICO, INEGI, Santander.

The projections on this page are based on industry estimates and are no guarantee of future outcomes.

THE MEXICO EQUITY & INCOME FUND, INC.

DEFINITIONS

- **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.
- **Consumer Price Index CPI:** The consumer price index (CPI) is a measure that examines the weighted average of prices of a basket of consumer goods and services, such as transportation, food and medical care. The CPI is calculated by taking price changes for each item in the predetermined basket of goods and averaging them; the goods are weighted according to their importance. Changes in CPI are used to assess price changes associated with the cost of living.
- **BANXICO:** Banco de Mexico is the Central Bank of Mexico.
- **INEGI:** Mexican National Institute of Statistics and Geography.
- **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.
- **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.
- **IMSS:** The Mexican Social Security Institute (Spanish: Instituto Mexicano del Seguro Social, IMSS) is a governmental organization that assists public health, pensions and social security in Mexico operating under Secretaría de Salud (Secretariat of Health).