

THE MEXICO EQUITY AND INCOME FUND, INC.
**REPORT TO MEMBERS OF
THE BOARD OF DIRECTORS OF
THE MXE**
February 2009

(1) MXE Average Annual Dollar Returns

As of 2/27/09	NAV	Common Share Mar- ket Price	Mexbol
1 YEAR	-65.27%	-64.77%	-56.39%
3 YEAR	-13.45%	-13.21%	-13.07%
5 YEAR	5.73%	6.60%	5.39%
10 YEAR	10.67	12.56%	10.53%
Since Inception through Feb*	11.05%	8.85%	9.99%

As of 3/31/09	NAV	Common Share Mar- ket Price	Mexbol
1 YEAR	-61.44%	-64.63%	-52.25%
3 YEAR	-9.37%	-11.90%	-7.75%
5 YEAR	7.50%	4.79%	8.07%
10 YEAR	10.43%	10.37%	10.34%
Since Inception through March*	11.77%	9.01%	10.93%

Source: Bloomberg, reinvesting gross dividend in security.
 *Thomson. Inception Date 08/30/1990. Not yet adjusted by
 Thomson due to dilution effect on January 27, 2009.

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. Performance data to the most recent month end may be obtained by calling U.S. Bancorp Fund Services, LLC, (414) 765-4255.

(2) NAV Performance in US\$

Ticker	12/31/08- 3/27/09	Discount/ Premium to NAV
MXE	-16.70%	-19.61%
MEXBOL	-11.94%	

Source: Bloomberg

PERFORMANCE IN US\$
NAV per share

Ticker	One month ending 2/27/2009	2/29/08- 2/27/09
MXE	-13.14%	-65.27%

Source: Bloomberg

Common Share Market Price

Ticker	One month ending 2/27/2009	2/29/08- 2/27/09	Discount/ Premium/ to NAV
MXE	-19.88%	-64.77%	-13.66%
MEXBOL	-14.24%	-56.39%	

Source: Bloomberg

Beta

Ticker	02/27/08-02/27/09
MXE	1.67

Source: Thomson

The MXE's -8.09% nominal loss in peso terms and -13% in U.S. dollar in February was due mainly to losses in both Beta and Alpha stocks, but also to a 6.33% depreciation of the peso against the U.S. dollar in the month of February. The currency's year-to-date depreciation through end-February is 11.33% and an approximate 42% for one year to end-February, hitting a 15.57 all-time low on March 9 compared to Ps. 10.71 on end-February 2008.

The main reasons for the peso depreciation are the pressure from falling oil prices, misconceptions about Mexico's fiscal situation in 2009 (according to the Ministry of Finance), as well as a strong U.S. Dollar at February end.

February's steep correction reflects how markets do not view the government's fiscal stimulus as having been as effective as expected compounded by an ongoing credit crunch and a higher cost of debt financing. Mexico continues to lack a truly effective fiscal stimulus.

FOR THE ONE-YEAR PERIOD ENDED FEBRUARY 27, 2009, the MXE's NAV per share registered a -65.27% loss in dollar terms, or -48.22% in nominal peso terms, following a **29.77% Dollar appreciation to 1 Peso, according to Bloomberg, who uses U.S. Dollar-Cents, 0.70 to 1 Peso to reflect the appreciation of the U.S. dollar against the Mexican Peso.**

The Fund's common share market price dropped -64.77% in dollar terms for the same period.

The Fund's discount narrowed by 239 basis points from February 2008, closing at -13.66% as at end-February.

FOR THE FIVE-YEAR PERIOD ENDED FEBRUARY 27, 2009, the MXE's NAV per share registered a 5.73% average annual dollar return.

Please note that all U.S. returns in Bloomberg are related on the appreciation, devaluation of the U.S. Dollar to 1 Mexican Peso. Locally, returns are related on the Depreciation of the nominal value of the Mexican Peso, 14.00 to 1 U.S. Dollar.

INVESTMENT STRATEGY

In view of a recessionary environment in 2009 (GDP -2.0%) and the expectation of low economic growth for the years 2010 and 2011 (1.0% and 3.0%, according to the Ministry of Finance) the MXE's investment strategy set up by PAM in December 2008 for a two-year horizon comprises **primarily** Alpha-defensive stocks, but also oversold Beta stocks.

MXE's end February portfolio is composed of the following asset classes, overall portfolio:

(i) Infrastructure. 25% is invested in oversold-capital intensive stocks with market capitalization below US\$1.0 bn.; Net Debt/EBITDA (Earnings Before Interest, Tax, Depreciation and Amortization) ratio of 2.0 times on average and working capital

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**(3) Top Ten Stock Weighting/US\$ Returns
(as of 2/27/09)**

Company	Weighting	One month ending 2/27/2009	1 Year 2/29/08-2/27/09
GRUPE	11.14%	N.A.	-49.15%
PROMOTORA Y OPERADORA DE INFRAESTRUCTURA	9.38%	-8.08%	-70.31%
EMPRESAS ICA	8.07%	-11.06%	-75.52%
WAL - MART DE MEXICO	6.36%	-10.91%	-48.74%
INDUSTRIAS PEÑOLES	4.76%	-2.07%	-61.11%
GRUPO TELE-VISA	4.58%	-12.52%	-44.34%
NAFTRAC 02	3.71%	-14.46%	-57.13%
GRUPO BIM-BO	3.40%	-21.28%	-48.01%
GRUPO MODELO	3.27%	-2.60%	-43.21%
AMERICA MOVIL	3.21%	-10.41%	-57.47%

of 0.39 times. This asset class includes key players within the infrastructure sector, which given their niches (i.e. toll road concessions) have relatively greater access to financing from Mexico's Development Banks. Also, their experience (30 years) could help them become winners once the government's infrastructure plan materializes. The market views the infrastructure program as having been dogged by political procrastination as a result of which it is running one year behind the intended schedule.

(ii) Cash and readily available instruments. 22% is invested in Government Promissory Notes, this asset class could be used to capitalize on market's price volatility in blue chips and highly liquid stocks.

(iii) Free cash flow + dividend yield + aggressive share buybacks. 20% is invested in blue-chip stocks with a market capitalization of above US\$4.0 bn, a Net Debt/Ebitda ratio of 0.2 times on average, a dominant market share, dividend distribution and which in many cases undertake aggressive share buybacks. ROE is above 20% on average with EBITDA margins of 40 in media and cell telephony; 30 in consumer paper products and retail/banking and food at 11% on average.

(iv) Special situations. 13% is invested in companies mainly related to the operation of mega resort developments in Cancun, Acapulco, Mazatlan and Baja California. We continue to market this asset class with a view to reducing the MXE's total percentage allocation to below 10 %.

(v) Net debt/Ebitda ratio equal to 1.0 times or less. 9% is invested in companies with a market capitalization between US\$1.0 and 8.0 bn and a negative Net Debt/Ebitda ratio of -0.32 times on average. This asset class includes stocks with the greatest financial flexibility in the portfolio. Their operations are mostly domestic within the beverages, airport operator, cement (small players) and steel industries. With the exception of airport

operators they have more than 30 years of experience.

(vi) Gold related stocks. 5% invested in Peñoles, the world's top producer of refined silver, metallic bismuth and sodium sulfate, the leading latinamerican producer of gold, refined lead and zinc.

(vii) Index trackers. 4% invested in Mexbol's ETF'S as a way of diversifying risk when volatility increases.

(viii) Housing. 3% in oversold housing low income segment related stocks.

THE MEXBOL INDEX
Stock Exchanges Performance in US\$

Ticker	One month ending 2/27/2009	2/29/08-2/27/09
MEXBOL (Mexico)	-14.24%	-56.39%
IPSA (Chile)	0.09%	-33.69%
MERVAL (Argentina)	-7.46%	-58.19%
IBOV (Brazil)	-5.33%	-57.16%
IBVC (Venezuela)	5.09%	7.66%
IGBVL (Peru)	-5.49%	-66.64%
IGBC (Colombia)	-4.06%	-38.52%
INDU*1 (U.S.)	-11.72%	-42.42%
CCMP*2 (U.S.)	-6.67%	-39.40%

*1 Dow Jones, *2 Nasdaq
Source: Bloomberg

The Mexbol Index was the worst-performing market in the Latam region in February '09.

In general, Q4'08 financial reports were very uneven but overall showed contracting margins and rising financial expenses with media, airport, brewery, wireless telephony and retailing-banking companies registering solid results.

Fund holdings and sector allocations are subject to change and are not a recommendation to buy or sell any security.

Source: Bloomberg

**(4) Mexbol Index Best Performing Members
in February 2009
(Performance in US\$)**

Company	One month ending 2/27/2009	1 Year 2/29/08-2/27/09
GRUPO MEXICO	4.62%	-74.42%
INDUSTRIAS PEÑOLES	-2.07%	-61.11%
CONSORCIO ARA	-2.30%	-76.32%
GRUPO MODELO	-2.60%	-43.21%
KIMBERLY CLARK	-4.33%	-24.99%
BANCO COMPARTAMOS	-5.67%	-55.35%
GRUPO SIMEC	-6.33%	-60.14%
BOLSA	-7.20%	NA
MEXCHEM	-7.47%	-60.49%
GRUPO AERO-PUERTARIO DEL PACIFICO	-9.18%	-63.01%

Source: Bloomberg

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The Finance Ministry's medium-term fiscal stance is based on the following assumptions:

- (i) GDP -2.0% in '09; 1.0% in '10 and 3.0% in '11.
- (ii) A Mexican mix oil price of US\$37.00 pb in '09; US\$46 in '10; and US\$56 in '11.
- (iii) An exchange rate of US\$ 14.50 in '09; US\$15.0 in '10, and US\$15.0 in '11.
- (iv) An oil production (with respect to 2.7 mbpd millions of barrels or production per day) reduction of 50,000 bpd in 2009, 150,000 bpd in 2010 and 250,000 bpd in 2011.

MINISTRY OF FINANCE'S VIEW AS OF MARCH 2009.

- (i) The balance of payments should be close to zero, as the increase in the current account deficit is matched by the increase in the capital account surplus.
- (ii) Revenue shortfalls during 2009 will be made up for by the oil hedge and the stabilization funds.
- (iii) The manageable current account deficit is expected to reach US\$24.1bn in 2009, or approximately 2.5% of GDP.
- (iv) Foreign Direct Investment should fall by 22%, which while significant is not a severe drop.
- (v) Firms should be able to refinance 60% of their bank and capital amortizations for the year, after considering recent financing events by some big corporations.
- (vi) The capital account surplus is expected to be US\$27.5bn dollars.
- (vii) 74% of bank external debt amortizations are refinanced.
- (viii) Capital market amortizations are being met without refinancing.

Morgan Stanley Capital International, MSCI historical data shows:

- (i) Mexico's trailing P/E at under 10 times, the lowest in the past decade;
- (ii) A trailing P/BV of below 2 times, near 1998 lows;
- (iii) At over 4% the trailing dividend yield is the highest since 1996.

UBS Pactual sample shows:

- (i) 12 mos. Forward P/E at 10 times, close to its all-time low of 9 times after the liquidity crisis in 1995.
- (ii) 12 mos. Forward EV/EBITDA at 5 times, the lowest since 1999.
- (iii) 12 mos. Forward P/BV of 2 times, down from its high of 5 times in '06 and '07.

Finally, relative to Brazil, in terms of the 12 mos. Forward EV/EBITDA, Mexico is trading in line versus an average premium of 30% for the past 10 years, according to UBS Pactual.

THE MEXICAN ECONOMY

Mexican GDP grew 1.3% in real terms for the calendar year ended 2008 compared to 3.3% in '07, with 3.2% growth in the agricultural sector, 2.1% in the services sector and -0.7% in the industrial sector.

The services sector's overall contribution to GDP is equivalent to 69% followed by industry 27%, and agriculture 4%.

Weighing the most on the industrial sector is 71% manufacturing activity and industry concentration in non-defensive sectors of the economy, such as the automotive and electrical and electronics industry, with exports to the U.S. representing approximately 79% of Mexico's total exports.

Soft 2008 private consumption (70% of GDP) was reflected in a 3.4% increase in same-store sales vs. 4.9% in '07, 37,500 job losses vs. 530,000 new jobs created in '07, banking credit growth of 4.2% vs. 24% in '07, and a 3.6% drop in remittances to US\$25 bn.

Gross fixed investment grew 4.9% vs. 6.7%'07. Investment in machinery and equipment grew 12.9% y-o-y and construction registered a -0.4% decline. Foreign direct investment reached US\$18.59 bn, a 20% fall vs. US\$23.2 bn in '07.

Total exports increased 7.3% to US\$291.8bn in 2008. Oil-related exports grew 17.7% to a record US\$50.6 bn at an average Mexican mix oil price of US\$84.35 pb vs. US\$61.64 in '07, but volume decreased 11% to 1,328,000 from 1,496,000 in '07.

Non-oil related exports increased 5.4% to US\$241.2bn with manufacturing accounting for US\$230bn.

Given high oil prices during '08, total export growth was more the result of manufacturing exports, as these have a greater weight in Mexico's overall exports: manufacturing 79%, oil 17.3%, agricultural products 3% and mining 0.7%. Total oil exports led to an accumulation of US\$9.7bn in the so-called Stabilization Fund and a 2009 US\$ 10 bn oil hedge.

Total exports fell 20% in the month of December '08; 58% of the decline was related to oil exports and 11% to non-oil exports. Total oil exports decreased approximately 11% to 1,328,000 mbpd from 1,496,000 in '07.

2008 annual inflation reached 6.53%, the highest level since '01 following a 3.76% increase in '07. The market interprets that forex market pressure prevented Mexico's Central Bank from cutting its current 7.25% reference rate.

CONCLUSION

The MXE's net per share asset value has posted an annual average dollar return of 11.05% (with dividends reinvested) since its inception on August 30th, 1990, through February 2009.



THE MEXICO EQUITY AND INCOME FUND, INC.

The AFORES (Mexican Pension Funds), signed a voluntary agreement to invest exclusively in Mexican financial instruments for a one-year period on March 18, 2009. US\$ 6.0 bn. out of a total of US\$60.5 bn. in assets under management as of January '09 are allowed to be invested in equities internationally or domestic. At the writing, the AFORES have US\$3.1 bn. invested in domestic equities and US\$2.9 bn. in international equities.

The AFORES will evaluate and present to their investment committees those infrastructure projects deemed compatible with their investment regime provisions. Thus the agreement will have the effect of boosting investment in such projects.

The AFORES' current investment regime does not allow them to channel resources to a specific sector of the economy in the Bolsa but rather to ETFs, the IPC, IPC Largecap and IPC Midcap.

Barring short-term changes to the AFORES' investment regime, the agreement is not likely to have a material impact on most Bolsa-listed companies. However, we do believe it will increase the floor level of relatively illiquid companies in the Index compared to their weight and should also stem further peso depreciation.

At the time of writing, the Peso has bounced back 9% to Ps. 14.00 against the U.S. dollar due to a series of peso/dollar auctions by Central Bank, the AFORES' decision to invest exclusively in Mexican equities for a one-year period, and the FED's decision to undertake "quantitative easing", which expands its balance sheet by up to US\$1.5 trillion. This announcement resulted in the dollar losing significant ground against the currencies of the U.S.'s six main trading partners, including the Mexican peso.

This recent strength of the peso virtually eliminates the depreciation the currency suffered in the first quarter of 2009, implies less margin pressure and cancels out the forex losses of companies with foreign-denominated debt that were in addition to those registered in 4Q08.

Unfavorable credit conditions and investors' lack of appetite for corporate bonds continue making it tougher for companies to refinance their short-term debt and working capital requirements. Fortunately, we believe there are many companies in the Mexbol currently offering a safe dividend + **aggressive share buybacks** which in turn are experienced in very stressful economic conditions.

The MXE's investment strategy set up by PAM in December 2008 for a two-year horizon comprises primarily Alpha-defensive stocks in an expected environment of falling interest rates and low economic growth with the following strategy focus.

- (i) Free cash flow and dividend distribution policies as well as share buyback programs.
- (ii) A Net debt / EBITDA ratio of less or equal to 1 times.
- (iii) High market share dominance in their respective sectors.
- (iv) Substantial pricing power directly or indirectly through their suppliers.
- (v) Gold and silver related percentage allocation.
- (vi) Special situations, with an orthodox management.
- (vii) Infrastructure companies with a strong

backlog (constant financing needs) and experienced management.

(viii) An approximate 10% in readily available instruments.

The MXE investment strategy policies established by PAM in view of uncertainty surrounding the 12-month forward earnings estimate are:

- (i) A 2-year investment horizon
- (ii) Limit to a maximum of 8% in a single issuer.
- (iii) Limit to a maximum of 15% in any given sector.
- (iv) Medium or High liquidity stocks.

While we recognize that the 1Q'09 P&L statement is likely to be disappointing, we are tentatively confident that the MXE's assets and percentage weightings have opened up a good entry opportunity.

As unemployment rate increases worldwide and Mexico shows a 5% unemployment rate, the Mexican Finance Ministry has two main concerns with respect to the fiscal situation in 2009 and the medium term fiscal stance:

- (i) The effect of lower oil prices and a declining production platform on oil revenues.
- (ii) The effect that a recession in 2009 and then a recovery with a low growth rate will have on non-oil revenue.

We believe equity valuations are now already factoring in a severe 2009 recession and low growth thereafter. We also believe the Mexican market's multiples signal a good entry-point in many of the large caps displaying low leverage and a strong market position.

*Yours sincerely,
Eugenia Pichardo
Portfolio Manager*



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ECONOMIC DATA

Economic Activity Index

- IGAE declined -2.4% year-over-year in December 2008. Taking a look at the breakdown, industrial activity fell -5.9% mainly due to lower oil and manufacturing production. On the other hand, production of agricultural goods increased 15.8%, and last, but not least, the services sector declined -1.8%, way below the year-to-date average of 2.1%.

Industrial Activity

- In January, industrial production declined 11.1% year-over-year, below market expectations for a drop of 9.9%. Taking a look at the breakdown, manufacturing production declined 14.9% mostly because of Mexico's auto production slowdown, while construction and utilities came down 8.5% and 2.9%, respectively. Mining production came down 3.3%.

Gross Fixed Investment

- Gross fixed investment declined 0.3% year-over-year in December, well above market expectations for a decline of 2.8%. In seasonally adjusted terms, investment declined 3.21% with respect to November, 2008. Taking a look at the breakdown, investment in machinery and equipment (M&E) rose 8.8%, in which expenditures in domestic and foreign capital goods fell 0.6% and increased 13.1%, respectively. Investment in construction was slightly revised up to -7%, from -7.1% when INEGI (National Institute of Statistics and Geography) released its industrial activity report.

Trade Balance

- January trade balance posted a deficit of -US\$1.6bn. It is worth noting that imports declined -30% year-over-year, mainly boosted by consumer goods imports that fell -44.2%. On the other hand, total exports decreased -31.5% year-over-year. Oil exports decreased -54.2%, while non-oil exports fell -26.2%, led by a significant decline in mining and manufacturing exports.

Mexican Oil Mix

- The price of the Mexican oil mix closed February at US\$40.09 per barrel translating into a 17.15% increase in the month and -48.70% decrease in one year.

Retail Sales

- December retail sales fell -3.3% year-over-year. The result came above market estimates (-3.5%), but closer to our own forecast (-3.2%). Once again it was the durable goods' component the one that 'took the most significant hit', in particular cars, auto parts, as well as hardware store and clothing products.

Unemployment

- January unemployment rate came in at 5%, way above expectations. This is the highest historical unemployment rate since INEGI started reporting this figure in 2000. The number of unemployed individuals increased 23.9% with respect to the same month in 2008, while the number of employed decreased -0.9%. This means that there were 2.2 million workers unemployed.

Monetary Policy

- Banxico lowered its benchmark rate 75 bps to 6.75%. In Mexico, the components of the balance of risks has deteriorated substantially more regarding the economic activity than inflation. The sharp fall in aggregate demand and employment in the U.S. is negatively impacting economic activity in Mexico. That is what the latest data showed on exports, private consumption, industrial production and payroll. The economy contracted substantially in the last quarter of the previous year and is estimated to be made in the current quarter at a similar pace.

Inflation

- Consumer prices posted a 0.22% month-over-month increase in February, in line with market consensus expectations. Core inflation, meanwhile, climbed 0.49% month-over-month. The results took the corresponding year-over-year inflation measures to 6.20% and 5.78%, respectively. February's headline inflation benefited from lower agricultural prices and public administered prices contributing to lower non-core inflation (-0.51% month-over-month). Within the core component, merchandise core inflation remained under pressure posting a 0.60% month-over-month increase, while services core inflation climbed less (0.36% month-over-month) benefiting from lower air transportation tariffs.



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ECONOMIC PROJECTIONS

Structure of GDP:
70%
24%
29%
(32%)

	2004	2005	2006	2007	2008	2009e
National Accounts						
Real GDP growth (y/y)	4.4%	3.0%	4.8%	3.2%	1.3%	-2.4%
GDP (US \$bn.)	676.5	769.4	843.6	886.0	1,099.0	903.0
Consumption (Chg. y/y)	5.5%	5.4%	6.0%	4.3%	2.2%	-1.0%
Investment (Chg. y/y)	7.5%	7.6%	11.5%	7.4%	4.4%	-2.6%
Exports (Chg. y/y)	11.5%	6.9%	10.3%	6.2%	1.3%	-6.1%
Imports (Chg. y/y)	10.2%	8.7%	13.1%	7.1%	5.5%	-2.5%
Monetary and Exch. Rate Ind.						
CPI Inflation (Dec. cumulative)	5.2%	3.3%	3.8%	3.8%	6.5%	3.5%
US\$ Exchange Rate (Year-End)	11.1	10.6	10.9	10.9	13.40	13.50
28day Cetes Int. Rate (Year-End)	8.5%	8.2%	7.1%	7.4%	7.9%	5.75%
Balance of Payments						
Trade Balance (US\$bn.)	-8.8	-7.6	-6.1	-12.4	-16.8	-26.0
Exports (US\$bn.)	188.0	214.2	253.9	270.6	291.8	232.5
Imports (US\$bn.)	196.8	221.8	260.0	283.0	308.6	258.5
Transfers (US\$bn.)	17.0	20.5	24.0	24.3	25.5	24.0
Current Account (US\$bn.)	-7.3	-4.6	-2.4	-9.0	-15.5	-20.9
Current Account (%GDP)	-1.1	-0.7	-0.3	-1.0	-1.4	-2.3
Foreign Direct Inv. (US\$bn.)	17.9	18.8	17.9	21.6	27.2	18.6
Debt Profile						
International Reserves (US\$bn.)	61.5	68.7	71.5	76.5	85.4	93.6

Source: Banamex.

MAIN MARKET STATISTICS

Global Value Traded (27/Feb/09)	
Index	Volume (U.S. \$ Million)
Mexico Stock Exchange	379.53
Brazil-Bovespa	2,400.78
Chile-Santiago Stock Exchange	86.53
Argentina Stock Exchange	14.14
Peru-Lima Stock Exchange	9.73
US-NYSE	31,033.20
US-NASDAQ	18,583.90

Source: Bloomberg

Commodities (27/Feb/09)				
US\$, %	Last	1M	3M	Y-T-D
Silver	13.12	3.6	27.4	15.2
Gold	942.35	1.6	15.2	6.8
Copper	3,421.50	9.7	-4.8	12.5
Crude (WTI)	44.76	7.4	-17.8	0.4
Crude (MIX)	40.73	1.6	1.1	19.0

Source: UBS Pactual

Debt Securities (27/Feb/09)	
	Last
28-day Cetes	7.28
M10Y Bond	8.53
M20Y Bond	8.92
30Y Treasury Bond	3.70

Source: Bloomberg

Currencies (27/Feb/09)				
(per US\$ %)	Last	1M	3M	Y-T-D
MXN (Mexico)	15.24	-6.0	-11.7	-10.2
ARS (Argentina)	3.56	-2.2	-5.4	-3.1
BRL (Brazil)	2.39	-3.0	-2.6	-3.2
EUR (European Union)	0.79	-1.1	-0.2	-9.3
JPY (Japan)	97.62	-7.9	-2.2	-7.1
PEN (Peru)	3.10	-0.9	-4.9	-3.3

Source: UBS Pactual

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Disclosures and Definitions

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

Mutual fund investing involves risk. Principal loss is possible.

Investing in Foreign Securities

Investment in Mexican securities involves special considerations and risks that are not normally associated with investments in U.S. securities, including (1) relatively higher price volatility, lesser liquidity and small market capitalization of the Mexican securities markets; (2) currency fluctuations and the cost of converting Mexican pesos into U.S. dollars; (3) restrictions on foreign investment and potential restrictions on repatriation of capital invested in Mexico and remittance of profits and dividends accruing thereon; (4) political, economic and social risks and uncertainties, including risks of confiscatory taxation and expropriation or nationalization of assets; (5) higher rates of inflation, unemployment and interest rates than in the United States; and (6) less stringent disclosure requirements, less available information regarding Mexican public companies and less active regulatory oversight of Mexican public companies.

Mexican Economic and Political Factors. Although Mexico's economy has strengthened in recent years and Mexico's sovereign debt was recently upgraded to an "investment-grade" rating by the three most prominent rating agencies, including Standard and Poor's, Mexico continues to be characterized as a developing economy and investments in developing countries are subject to certain economic risks. Mexico has experienced widespread bank failures, currency devaluations, high levels of inflation and interest rates. Mexico is also dependent on certain industries and exports for the health of its economy. The Portfolio Securities are denominated in pesos. As a result, the Portfolio Securities must increase in market value at a rate in excess of the rate of any decline in the value of the peso against the U.S. dollar in order to avoid a decline in their equivalent U.S. dollar value.

Mexican Securities Laws and Accounting Rules. There is less publicly available information about the issuers of Mexican securities, such as the Portfolio Securities, than is regularly published by issuers in the United States. Information provided by Mexican public companies may not be current, accurate or easily obtainable and, to the extent available, is likely to be in Spanish. Also, there is generally less governmental supervision and regulation of exchanges, brokers and issuers in Mexico than there is in the United States. 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.

- *MEXBOL-Mexico Bolsa Index: The Mexican Bolsa Index, or the IPC (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 as of October 30, 1978.*
- *IPSA-Chile Stock Market Select: The IPSA Index (Indice de Precios Selectivo de Acciones) is composed of the 40 stocks with the highest average annual trading volume in the Santiago Stock Exchange (Bolsa de Comercio de Santiago). On the last trading day of the year, the index is re-based back to 1000. The index has been calculated since 1977 and is revised on a quarterly basis.*
- *MERVAL-Argentina Merval Index: The Argentin Merval Index, a basket weighted index, is the market value of a stock portfolio, selected according to participation in the Buenos Aires Stock Exchange, number of transactions and trading value. The index has a base value of \$0.01 as of June 30, 1986. The index is revised every 3 months, taking into account trading volumes over the past 6 months.*
- *IBOV-Brazil Bovespa Stock Exchange Index: The Bovespa Index is a total return index weighted by traded volume and is comprised of the most liquid stocks traded on the Sao Paulo Stock Exchange. The Bovespa Index has been divided 10 times by a factor of 10 since January 1, 1985, those dates are: 12/02/85, 04/14/89, 05/28/91, 01/26/93, 02/10/94, 08/29/88, 01/12/90, 01/21/92, 08/27/93, 03/03/97.*
- *IBVC-Venezuela Stock Market Index: The IBC Index from the Caracas Stock Exchange (Venezuela), also known as the General Index, is a capitalization-weighted index of the 15 most liquid and highest capitalized stocks traded on the Caracas Stock Exchange (Bolsa de Valores de Caracas). The index was modified from a previous existing index on August 28, 1997, but essentially continues to be the same.*
- *IGBVL-Peru Lima General Index: The IGBVL Index is a value weighted index that tracks the performance of the largest and most actively traded stocks on the Lima Exchange. The index was developed with a base value of 100 as of December 31, 1981.*

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- *IGBC-IGBC General Index: The IGBC Index from the Colombia Stock Exchange, also known as the General Index, is Price-weighted index of the liquid and highest capitalized stocks traded on the Colombia Stock Exchange (Bolsa de Valores de Colombia). This index was merged with Medellin and Occidente since 7/3/01.*
- *INDU-Dow Jones Industrial Average: The Dow Jones Industrial Average is a price-weighted average of 30 blue-chip stocks that are generally the leaders in their industry. It has been a widely followed indicator of the stock market since October 1, 1928.*
- *CCMP-Nasdaq Composite Index: The Nasdaq Composite Index is a broad-based capitalization-weighted index of stocks in all three Nasdaq tiers: Global Select, Global Market and Capital Market. The index was developed with a base level of 100 as of February 5, 1971.*
- *M10Y Bond: The Underlying Asset is the Fixed Interest Rate Federal Government Development Bonds, issued or to be issued by the federal government, through the Ministry of Finance and Public Credit, and placed by the Central Bank (Banco de Mexico), in its capacity as financial agent of the federal government, at a par value of 100 (one hundred) Mexican pesos, and for a term of 10 (ten) years.*
- *M20Y Bond: The Underlying Asset is the Fixed Interest Rate Federal Government Development Bonds, issued or to be issued by the federal government, through the Ministry of Finance and Public Credit, and placed by the Central Bank (Banco de Mexico), in its capacity as financial agent of the federal government, at a par value of 100 (one hundred) Mexican pesos, and for a term of 20 (twenty) years.*

You cannot invest directly in an index.

Beta measures the volatility of the fund, as compared to that of the overall market. The Market's beta is set at 1.00; a beta higher than 1.00 is considered to be more volatile than the market, while a beta lower than 1.00 is considered to be less volatile.

Basis point is one hundredth of a percentage point (0.01%).

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 the 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.

Free Cash Flow: a measure of financial performance calculated as operating cash flow minus capital expenditures. Free cash flow (FCF) represents the cash that a company is able to generate after laying out the money required to maintain or expand its asset base. Free cash flow is important because it allows a company to pursue opportunities that enhance shareholder value. Without cash, it's tough to develop new products, make acquisitions, pay dividends and reduce debt.

Price to Book Value ratio (P/BV): a ratio used to compare a stock's market value to its book value. It is calculated by dividing the current closing price of the stock by the latest quarter's book value per share.

Price to Earnings ratio (P/E): a valuation ratio of a company's current share price compared to its per-share earnings.

Return on Equity (ROE): the amount of net income returned as a percentage of shareholders equity. Return on equity measures a corporation's profitability by revealing how much profit a company generates with the money shareholders have invested.

Alpha stocks: is an asset classification created by PAM and is based on the following criteria: high total annual yield, clean balance sheet, market share dominance and pricing power.

Beta stocks: in an asset classification created by PAM and is based on the following criteria: oversold stocks with consistent sales and EBITDA (Earnings before Interest, Tax, Depreciation and Amortization) growth, especially in the infrastructure and housing sectors.