



THE MEXICO EQUITY AND INCOME FUND, INC.

REPORT TO MEMBERS OF
THE BOARD OF DIRECTORS OF
THE MXE

March 2009

(1) MXE Average Annual Dollar Returns

As of 3/31/09	NAV	Common Share Market Price	Mexbol
1 YEAR	-61.16%	-64.16%	-52.26%
3 YEAR	-9.15%	-11.90%	-7.76%
5 YEAR	7.51%	4.79%	8.08%
10 YEAR	10.44%	10.37%	10.34%
Since Inception through Mar*	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	12/31/08-4/17/09	Discount/Premium to NAV
MXE	-1.83%	-18.93%
MEXBOL	5.13%	

Source: Bloomberg

PERFORMANCE IN US\$

NAV per share

Ticker	One month ending 3/31/2009	3/31/08-3/31/09
MXE	13.87%	-61.16%

Source: Bloomberg

Common Share Market Price

Ticker	One month ending 3/31/2009	3/31/08-3/31/09	Discount/Premium to NAV 3/31/09
MXE	3.41%	-64.64%	-21.59%
MEXBOL	18.06%	-52.26%	

Source: Bloomberg

Beta

Ticker	03/31/08-03/31/09
MXE	1.68

Source: Thomson

The MXE's 5.9% nominal gain in peso terms and 13.87% in dollar terms is the result of global market bullish momentum following a sharp drop in January amid a severe economic recession. The Mexican Peso gained 7.3% in March bringing its year-to-date depreciation to -3.4% and to -33.17% for the last 12 months, through end-March after hitting a P\$15.57/dollar all-time low on March 9th before bouncing back to P\$14.17 at end-March 2009. The Ministry of Finance announced a US\$47 billion credit line from the International Monetary Fund.

The main reason for the Fund's basis points underperformance in nominal terms of the Mexbol Index was the MXE's de-indexation, but also an approximate 17% allocation in cash and readily available instruments and a 3% allocation in debt-denominated instruments, whereas the Mexbol Index is an equity only index.

For the one year period ending March 31, 2009, the MXE's NAV per share registered a -61.16% loss in dollar terms, or -48.24% in nominal peso terms, according to Bloomberg.

The Mexico Equity and Income Fund's Common Share Market Price gained 3.41% for the one month period ending March 31, 2009, according to Bloomberg.

For the five-year period ended March 31, 2009, the MXE's NAV per share registered a 7.51% average annual dollar return.

INVESTMENT STRATEGY

The MXE's investment strategy remains focused on value investing, primarily in stocks with the following main characteristics defined by PAM: (i) Total annual yield (cash dividend+buy-back); (ii) low debt versus current income; (iii) strong cash generation; and (iv) good management. Furthermore, the MXE remains tactically invested in oversold infrastructure stocks, mainly toll road concessions and heavy engineering as well as cash and readily available instruments.

THE MEXBOL INDEX

Stock Exchanges Performance in US\$

Ticker	One month ending 3/31/2009	1 Year 3/31/08-3/31/09
MEXBOL (Mexico)	18.06%	-52.25%
IPSA (Chile)	2.42%	-36.38%
MERVAL (Argentina)	6.00%	-54.43%
IBOV (Brazil)	9.94%	-49.25%
IBVC (Venezuela)	17.25%	24.58%
IGBVL (Peru)	42.22%	-53.88%
IGBC (Colombia)	2.26%	-35.92%
INDU*1 (U.S.)	7.73%	-37.95%
CCMP*2 (U.S.)	10.94%	-32.93%

*1 Dow Jones, *2 Nasdaq Source: Bloomberg

In March, the Mexbol Index gained 18.06% in dollar terms, ranking second behind Peru's 42.22% gain within the Latam Region.

The MSCI Mexico Index's estimated 2009 Price/Earnings multiple is 9.2 times, below

THE MEXICO EQUITY AND INCOME FUND, INC.
**(3) Top Ten Stock Weighting/US\$ Returns
(as of 3/31/09)**

Company	Weighting	One month ending 3/31/2009	1 Year 3/31/08-3/31/09
GRUPE	9.78%	N.A.	-55.93%
PROMOTORA Y OPERADORA DE INFRAESTRUCTURA	9.54%	27.72%	-62.66%
AMERICA MOVIL	8.16%	5.63%	-57.23%
EMPRESAS ICA	7.16%	15.82%	-71.05%
INDUSTRIAS PEÑALES	5.11%	17.87%	-65.37%
GRUPO TELEVISION	4.63%	10.91%	-43.80%
FOMENTO ECONOMICO MEXICANO	3.98%	8.82%	-39.77%
I-SHARE ILTRAC	3.95%	20.37%	-49.82%
GRUPO BIMBO	3.01%	30.53%	-38.20%
KIMBERLY - CLARK DE MEXICO	2.85%	3.77%	-26.94%

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

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

Company	One month ending 3/31/2009	1 Year 3/31/08-3/31/09
GRUPO ELEKTRA	65.42%	21.67%
CONTROLADORA COMERCIAL MEXICANA	50.78%	-89.95%
GRUPO FINANCIERO INBURSA	34.44%	-13.69%
GRUPO BIMBO	30.53%	-38.20%
GRUPO MEXICO	28.51%	-65.12%
CARSO GLOBAL TELECOM	25.08%	-37.68%
GRUPO CARSO	25.01%	-42.78%
GRUPO FINANCIERO BANORTE	24.97%	-69.31%
WAL - MART DE MEXICO	24.39%	-44.81%
ORGANIZACION SORIANA	21.23%	-45.40%

Source: Bloomberg

its two and five-year historical levels of 11.4x and 12.6x, respectively.

Current earnings consensus estimates for 2009 are a decline of -11% followed by 14% growth in 2010. On a Latam comparable basis, Mexico's current multiple is in line with Brazil's 9.4x estimated price/earnings for 2009.

THE MEXICAN ECONOMY

Mexico's monthly Gross Domestic Product (GDP) proxy plunged 9.5% one-year to January 2009. Industrial production fell -11.1% due mainly to a -14.9% decline in manufacturing activity and an -8.5% decrease in construction, agricultural rose 2.1%, and the services sector showed a negative growth rate of -9.1% year-over-year (y-o-y).

Q1'09 same-store-sales declined -1.0% y-o-y, reflecting private consumption weakness.

February unemployment figure stood at 5.3%.

Remittances from the U.S. decreased 3% one-year to February.

Credit grew at the pace of 2.6% one-year to February. In 2008 credit growth registered a 6.3% rate compared to 24.6% in 2007.

Gross fixed investment declined -8.5% one-year to January. Investment in machinery and equipment decreased -9.9% and construction -7.5%.

Total exports declined -29.6% in February, under pressure from a -25.1% fall in manufacturing exports (-43% automotive sector) Manufacturing represents approximately 80% of Mexico's total exports. Oil revenues plunged -56.4% for the month of February.

CONCLUSION

The MXE's net per share asset value has posted an annual average dollar return of 11.77% (with dividends reinvested) for the last 18 ½ years, since its inception on August 30th, 1990, through March 2009.

After the January GDP deeply negative figure and following the market's much-awaited response, the Mexican Central Bank's monetary policy finally leaned more towards downside economic risk as opposed to inflation risk by cutting its reference rate 75 basis points on two consecutive occasions, the first on March 20 and the second on April 17, thus bringing the reference rate to 6.0% vs. 8.25% at the end of 2008. Economist also adjusted their growth forecast for the whole year to -4.3 from 3.8%.

Debt issuances by Mexican companies in March and April of this year is evidence that foreign markets are not completely closed, at least for the more financially solid companies:

- Kimberly Mex. Pesos \$ 2,700 Millions Commercial Paper, spread 75 basis points higher than 1 year ago, TIIE +120 bps, 1.09 years.
- Kimberly Mex. Pesos \$800 Millions Commercial Paper, spread 100 bps higher than 1 year ago, 9.98%, 7.08 years.
- America Movil US \$ 145 Millions -5 year Bond, YTM 3.31% (Chilean Pesos real rate) in the Chilean market.
- Banorte Mex. Pesos \$1,338 Millions Debenture, spread 19 bps higher than 1 year ago, TIIE + 200 bps, 10.11 years.

We will continue to adhere the MXE to its investment strategy and policies.

*Yours sincerely,
Eugenia Pichardo
Portfolio Manager*



THE MEXICO EQUITY AND INCOME FUND, INC.

ECONOMIC DATA

Economic Activity Index	<ul style="list-style-type: none">• IGAE plunged 9.5% one-year to January, well below market expectations for a decline of -5.3%; its worst decline since June 1995 when Mexico was facing the full effects of the so-called 'Liquidity Crisis'. Industrial production fell -11.1% due mainly to a -14.9% decline in manufacturing activity and an -8.5% decrease in construction, agricultural rose 2.1%, and the services sector showed a negative growth rate of -9.1%.
Industrial Activity	<ul style="list-style-type: none">• Industrial production declined -13.2% one-year to February, the most in almost 14 years as the global financial crisis reduced construction projects and sapped demand for manufactured goods. Manufacturing production fell -16.1%, construction and utilities came down -11.3% and -6.5, respectively. Mining production came down -7.0%.
Gross Fixed Investment	<ul style="list-style-type: none">• Gross fixed investment declined 8.5% one-year to January. Investment in machinery and equipment (M&E) fell 9.9%, in which expenditures in domestic and foreign capital goods fell -10.3% and -9.7%, respectively. Investment in construction was revised up to -7.5%.
Trade Balance	<ul style="list-style-type: none">• Mexico's trade balance posted a deficit of US\$ 491million in February. The result came well below market expectations of -US\$1.33 Bn. Exports declined -29.6% one-year to February, boosted by both falling oil and non-oil exports corresponding to growth rates of -56.4% and -24.2%. On the other hand, imports fell -30.7% , in which consumer goods imports fell -39.7% and imports of intermediate goods declined -31.1%.
Mexican Oil Mix	<ul style="list-style-type: none">• The price of the Mexican oil mix closed March at US\$42.87 per barrel translating into a 5.25% increase in the month and -50.20% decrease in one year.
Retail Sales	<ul style="list-style-type: none">• Retail sales fell -4.6% one-year to January, below market expectations of -3.9%. In seasonally-adjusted terms, retail sales fell -0.34% with respect to December 2008. According to INEGI's statement, the large decline was mainly due to lower sales of autos, appliances, and other durable goods.
Unemployment	<ul style="list-style-type: none">• February unemployment rate came in at 5.3%. The result came well above market expectations 5.0%. It is worth highlighting that this is the highest historical unemployment rate since INEGI started reporting this figure back in 2000. The number of unemployed individuals increased 33.2% to 2.4 million, from 1.8 million in February 2008. This implies a dramatic increment of 592 thousand people that are now unemployed, compared to February 2008.
Monetary Policy	<ul style="list-style-type: none">• Banxico lowered the overnight rate 75 bps, well above expectations. The Central Bank's board decided to cut its benchmark rate by 75 bps, bringing it down to 6.75%, well above the 25 bps cut that we and the market expected.
Inflation	<ul style="list-style-type: none">• Headline inflation came in at 0.58% month-over-month in March, above market expectations for a rise of 0.53%. Core inflation came in at 0.55%, above market estimates of 0.50%. These figures left 12-month headline inflation at 6.04%, below last month's 6.20%.



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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 (31/Mar/09)	
Index	Volume (U.S. \$ Million)
Mexico Stock Exchange	432.53
Brazil-Bovespa	1,805.40
Chile-Santiago Stock Exchange	77.35
Argentina Stock Exchange	14.07
Peru-Lima Stock Exchange	19.72
US-NYSE	26,092.00
US-NASDAQ	13,892.80

Source: Bloomberg

Commodities (31/Mar/09)				
US\$, %	Last	1M	3M	Y-T-D
Silver	12.97	-1.1	13.9	13.9
Gold	919.15	-2.5	4.2	4.2
Copper	4,003.25	17.0	31.6	31.6
Crude (WTI)	49.66	10.9	11.3	11.3
Crude (MIX)	42.87	5.3	25.3	25.3

Source: UBS Pactual

Debt Securities (31/Mar/09)	
	Last
28-day Cetes	6.36
M10Y Bond	7.74
M20Y Bond	8.19
30Y Treasury Bond	3.53

Source: Bloomberg

Currencies (31/Mar/09)				
(per US\$ %)	Last	1M	3M	Y-T-D
MXN (Mexico)	14.17	7.5	-3.4	-3.4
ARS (Argentina)	3.71	-4.0	-7.0	-7.0
BRL (Brazil)	2.32	2.9	-0.4	-0.4
EUR (European Union)	0.75	4.6	-5.2	-5.2
JPY (Japan)	98.98	-1.4	-8.4	-8.4
PEN (Peru)	3.16	3.0	-0.7	-0.7

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.

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