

MONTHLY REPORT
March 2010
THE MEXICO EQUITY AND INCOME FUND, INC.
SUMMARY

For the one month period ending March 31, 2010 the MXE's NAV per share gained 11.44% in dollar terms (12.36 pesos/U.S. dollar) and 6.37% in peso terms. For the year-to-date (y-t-d) period ended March 31, 2010, the MXE's 16.13% NAV per share gain outperformed the Mexbol Total Return Index's 9.99% gain by 614 basis points and the MSCI Mexico Index's 7.83% gain by 830 basis points. The MXE's NAV closed at US\$ 10.81 at end-March.

The Fund's common share market price increased 14.65% in dollar terms for the one month period and 21.70% y-t-d through March 31, 2010. The Fund's NAV discount narrowed 241 basis points as of March end to -13.88% from -16.29% the previous month.

As of March's month end, equities accounted for 93% of the Fund's assets, while 4% was invested in debt and readily available instruments, and 3% in private equity.

An undervalued Mexican peso, high global energy costs and a highly skilled local labor force have been driving an ongoing rebound in the manufacturing sector, especially in the auto sector.

Global stock markets continued to extend the recovery that began in March of last year during the first quarter of this year. The Mexican Stock Exchange was ranked 9th among emerging stock markets worldwide for the period December 31st to April 16th, 2010, and has experienced a faster recovery within the Latin America region, reaching record levels in nominal terms.

We have continued to adhere to MXE's long-term investment strategy and process, with the short term focused on stock momentum for the potential benefit of MXE's stockholders.

We currently favor the Special Situations Asset Category as classified by PAM.

I. PERFORMANCE AND INVESTMENT STRATEGY

The MXE's NAV per share posted an average annual dollar return of approximately 13.71% (with dividends reinvested) for the last 19 ½ years, since the Fund's inception in August 1990, through March 31, 2010 (according to Thompson). The Fund's common share market price registered a 14.83% increase for the same period, according to Thompson.

For the one-year period, ended March 31, 2010, the MXE's 99.45% NAV per share gain outperformed the Mexbol Total Return Index's 98.17% gain by 128 basis points and the MSCI Mexico Index's 96.39% gain by 306 basis points.

For the 3, 5 and 10-year periods ending March 31, 2010, the MXE's NAV per share registered average annual dollar returns of -4.21%, 18.41%, and 12.95%, respectively.

We will continue to monitor the percentage allocation in ALPHA, BETA, and SPECIAL SITUATION categories based on our reading of the trend in the real economy (consumption) and finance (credit) as well as quarterly earnings reports from companies in the infrastructure, industrial and telecommunications sectors.

II. THE MEXBOL INDEX

In March the Mexbol Total Return Index gained 5.26% in nominal terms and 9.04% in dollar terms, outperforming LatAm markets overall, as the Mexican currency appreciated the most (+3.22%) compared to the other Latam currencies. The Mexican peso closed March at 12.36 pesos/U.S. dollar, its highest level since November 2008, registering a 5.57% y-t-d appreciation. The Mexbol's outperformance during the month was mainly boosted by its heaviest weight constituent, America Movil, which gained 13.18%.

AFORES (pension system) has continued to increase their domestic exposure on the back of more flexible equity investment rules.

Total Net Assets 03/31/10	NAV 03/31/10	Common Share Market Price 03/31/10
\$81,971,608.47	10.81	9.31

MXE US Dollar Returns

As of 03/31/10	NAV %	Common Share Market Price %	Mexbol %	MSCI Me- xico %
March	11.44	14.66	9.04	10.31
Y-t-d	19.45	21.70	9.99	7.83
1 YEAR	99.45	119.06	98.17	96.39
Average Annual Dollar Return with Dividends Reinvestment				
5 YEAR	19.46	19.03	21.14	18.22
10 YEAR	12.16	13.57	14.66	10.99
Since Inception in 1990 as of 4/14/10	13.84*	15.00*	na	na

As of 01/29/10	NAV %	Common Share Market Price %	Mexbol %	MSCI Me- xico %
1 YEAR	60.58	45.03	73.44	68.35
Average Annual Dollar Return with Dividends Reinvestment				
5 YEAR	12.68	13.16	16.96	14.40
10 YEAR	13.07	14.42	14.86	11.13

Source: Bloomberg, reinvesting gross dividend in security.

* Thomson. Inception Date 08/30/1990. Not yet adjusted by Thomson on payment date due to the 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.

MXE Discount/Premium to NAV

As of	High (1 yr)	Low (1 yr)
03/31/2010	4/03/09	3/12/10
-13.88	-19.52	-13.37

Source: Bloomberg

Mexbol Index Best Performing Constituents in US Dollar terms in March 2010

Company	MXE weight %	One month ending 03/31/2010 %	Year-to-date ending 03/31/2010 %	1 year 03/31/09-03/31/10 %
MEXCHEM	4.22	27.64	56.01	334.86
BIMBO	4.91	20.54	33.10	137.13
BANORTE	2.26	18.01	20.80	232.30
ALFA	4.30	17.00	23.96	410.09
ICA	na	15.28	9.82	48.90
GRUMA	na	14.60	28.30	503.56
TELEVCO	na	14.23	2.09	54.70
CARSO	na	13.28	22.42	54.94
AMX	14.01	12.90	7.10	88.08
GMEXICO	3.52	12.13	16.84	273.26

Source: Bloomberg

Stock Exchanges Performance in US Dollar terms

Ticker	One month ending 03/31/2010 %	Year-to-date ending 03/31/2010 %	1 year 03/31/09-03/31/10 %
MEXBOL (Mexico)	8.93	9.86	94.43
MEXBOL-Total Return Index	9.04	9.99	98.17
MSCI Mexico	10.21	7.71	91.78
MSCI Mexico*1	10.31	7.83	96.39
IPSA (Chile)	-1.65	1.66	69.30
MERVAL (Argentina)	6.37	0.32	104.95
IBOV (Brazil)	7.36	0.49	123.36
IBVC (Venezuela)	7.48	-45.09	-22.40
IGBVL (Peru)	8.27	8.48	82.24
IGBC (Colombia)	3.80	11.46	111.39
INDU*2 (U.S.)	5.31	4.82	46.93
CCMP*3 (U.S.)	7.19	5.91	58.36

*1 With dividends reinvested into index.

*2 Dow Jones, *3 Nasdaq.

Source: Bloomberg.

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For the year-to-date period ended March 31, 2010, the Mexbol Total Return Index's 9.99% dollar gain ranks it second within the Latam region after Colombia (+11.47%). Peru gained 8.48%, Chile +1.66%, Brazil +0.49% and Argentina +0.32% for the same period.

III. THE MEXICAN ECONOMY

According to the National Statistics Institute (INEGI), economic activity (IGAE, a Gross Domestic Product proxy) rose 2.4% year over year (YoY) in January. In seasonally-adjusted terms, the industrial, services, and agricultural sectors contracted -0.19%, -0.43%, and -3.72%, respectively.

Industrial production posted positive YoY growth of 4.4% in February. By components, on a YoY basis, manufacturing, mining and utilities increased 8.8%, 2.3% and 2.1%, respectively. Construction decreased -4.7% YoY.

In January 2010, gross fixed investment (GFI) decreased -4.8% YoY. In seasonally-adjusted terms, GFI increased 0.62% month over month (MoM) compared with December's level. On a YoY basis, machinery and equipment slid -9.4%, while the construction subcomponent slipped -1.9%.

Retail sales declined 1.8% YoY in January compared to December's +1.6% annual growth.

The unemployment rate came in at 5.43% in February.

February's trade balance posted a US \$ 244 mn surplus. Exports increased 31.2% on a 69.8% rise in oil exports and +26.8% in non-oil exports. Imports rose 25.70% on a year-over-year basis, due to a 51.10% increase in oil products and 23.50% in non oil products.

The March Consumer Price Index came in at 0.71% MoM. 12-month headline inflation was 4.97%, slightly above last month's 4.83% print.

IV. CONCLUSION

Mexican manufacturing activity is likely to continue showing positive growth rates in the next few months driven by the rebound in car production. Nevertheless, domestic demand is likely to remain subdued given sluggish performance in gross fixed investment and the marginal recovery in banking credit flows.

Based on a scenario of inertia with no fiscal reform, the Mexican Ministry of Finance estimates that the Mexican economy will grow 4% in 2011 with an inflation rate of 3%, a Mexican oil mix of 65.07 dollars, and an exchange rate of 13.10 against the U.S. dollar.

Economists forecast further peso strength against the dollar over the coming weeks on the back of potential inflows (approximately US\$ 12bn equivalent to 12% of the market value of eligible MBonos of US\$100.54 bn, according to Citigroup) following the inclusion of fixed-rate Mexican government bonds in Citigroup's World Government Bond Index (WGBI). This move recognizes Mexico's credit rating, market liquidity and adequate macroeconomic policies implemented in recent years as well as underscoring the potential development of the country's debt market.

*Yours sincerely,
Eugenia Pichardo,
Portfolio Manager*



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ECONOMIC DATA

Economic Activity Index

- According to the National Statistics Institute (INEGI), economic activity (IGAE, a Gross Domestic Product proxy) decreased -0.83% MoM in January. In seasonally-adjusted terms, the industrial, services, and agricultural sectors contracted -0.19%, -0.43%, and -3.72%, respectively.

Industrial Activity

- Industrial production posted positive 4.4% y/y growth in **February**. Taking a look at the breakdown, the manufacturing, utilities, and mining sectors grew 8.8%, 2.1%, and 2.3%, respectively. On the other hand, the construction component slumped -4.7% y/y.

Gross Fixed Investment

- In **January 2010**, gross fixed investment increased 0.62% m/m. Investment in machinery and equipment registered an increase of 2.18%, while construction increased 0.45% m/m. On a yearly basis, gross fixed investment decreased (-4.8%), as a result of plunge in machinery and equipment investment (-9.4% y/y), and construction (-1.9% y/y).

Trade Balance

- **February's** trade balance posted a surplus of US \$ 244 mn. Exports increased 31.2% on a 69.8% increase in oil exports and +26.8% in non-oil exports. Imports rose 25.70% on a year-over-year basis, due to an 51.10% increase in oil products and 23.50% in non oil products.

Mexican Oil Mix

- The price of the Mexican oil mix closed **March** at US\$73.64 per barrel translating into a 2.78% increase for the month and a 71.78% increase for one-year.

Retail Sales

- Retail sales declined -1.8 y/y (-0.65% m/m) in **January**. This number was explained by an ongoing contraction in sales of household appliances (-6.2% y/y) and cars (-10.2% y/y), while sales of food and beverages, department store sales, and apparel continued consolidating positive rates of growth (+5.9% y/y, +1.0% y/y, and 9.0% y/y, respectively).

Unemployment

- The unemployment rate came in at 5.43% in **February** vs. last month's 5.87% rate.

Monetary Policy

- Banco de Mexico left its benchmark rate unchanged at 4.5%. In its post-meeting communiqué, the Central Bank mentioned that "observed inflation doesn't appear to show second-round effects"; however, the bank's board acknowledged that some prices have increased above recent tax hikes.

Inflation

- Inflation numbers for **March** came out in line with expectations, driving total inflation to 4.96% y/y from the previous 4.83% y/y. The pressures observed in agricultural prices, explaining about 47% of total inflation, were the main driver behind inflation during the third month of the year.



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ECONOMIC PROJECTIONS

Structure of GDP:

70%
24%
29%
(32%)

	2005	2006	2007	2008	2009e	2010e
National Accounts						
Real GDP growth (y/y)	3.0%	4.8%	3.2%	1.3%	-7.1%	3.6
GDP (US \$bn.)	769.4	843.6	886.0	1,099.0	865	967
Consumption (Chg. y/y)	5.4%	6.0%	4.3%	2.2%	-6.1%	3.4%
Investment (Chg. y/y)	7.6%	11.5%	7.4%	4.4%	-15.1%	22.5%
Exports (Chg. y/y)	6.9%	10.3%	6.2%	1.3%	-18.2%	7.2%
Imports (Chg. y/y)	8.7%	13.1%	7.1%	5.5%	-20.1%	8.7%
Monetary and Exch. Rate Ind.						
CPI Inflation (Year-end)	3.3%	3.8%	3.8%	6.5%	4.10%	4.80%
US\$ Exchange Rate (Year-End)	10.6	10.9	10.9	13.40	12.80	13.10
28day Cetes Int. Rate (Year-End)	8.2%	7.1%	7.4%	7.9%	4.51%	NA
Balance of Payments						
Trade Balance (US\$bn.)	-7.6	-6.1	-12.4	-16.8	-10.9	-12.7
Exports (US\$bn.)	214.2	253.9	270.6	291.8	223.6	247.2
Imports (US\$bn.)	221.8	260.0	283.0	308.6	234.6	260.0
Transfers (US\$bn.)	20.5	24.0	24.3	25.5	22.0	22.9
Current Account (US\$bn.)	-4.6	-2.4	-9.0	-15.5	-7.8	-11.60
Current Account (%GDP)	-0.7	-0.3	-1.0	-1.4	-0.9	-1.2
Foreign Direct Inv. (US\$bn.)	18.8	17.9	21.6	27.2	17.0	18.0
Debt Profile						
International Reserves (US\$bn.)	68.7	71.5	76.5	85.4	85.0	91.9

Source: Banamex.

PAM's investment team

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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.*
- *Mexbol-total return index. The Mexican Bolsa index that calculates the performance of their constituents assuming that all dividends and distributions are reinvested.*
- *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.*
- *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.*

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- *MSCI MEXICO: The Morgan Stanley Capital International Index Mexico is a capitalization weighted index that monitors the performance of stocks from Mexico.*
- *WGBI (Citigroup World Government Bond Index) is a market-capitalization-weighted benchmark that tracks the performance of 23 government bond markets. The index was started Jan. 1, 1985. It's tracked in US dollars and converted to Canadian dollars.*

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 (bps) 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.

Alfa-defensive companies: 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-growth companies: is 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.

Special Situation companies: is an asset classification created by PAM and is based on the following criteria: High discount to companies' valuation.

Diversification does not assure a profit or protect against loss in a declining market.

Growth stocks typically are more volatile than value stocks; however, value stocks have a lower than expected growth rate in earnings and sales.

Earnings before interest, taxes, depreciation and Amortization (EBITDA): an indicator of a company's financial performance and it is essentially Net Income with interest, taxes, depreciation, and amortization added back to it. EBITDA can be used to analyze and compare profitability between companies and industries because it eliminates the effects of financing and accounting decisions. However, this is a non-GAAP measure that allows a greater amount of discretion as to what is (and is not) included in the calculation.

Earnings per share (EPS) is calculated by taking the total earnings divided by the number of shares outstanding.