

MONTHLY REPORT
March 2011

THE MEXICO EQUITY AND INCOME FUND, INC.

EXECUTIVE SUMMARY

For the one-month period ended March 31, 2011, the MXE's net asset dollar value per share increased 3.02% (1.21% in local currency) compared with the Mexbol Total Return Index's 2.97% gain and the MSCI Mexico Index's 2.67% gain. The Fund's performance was driven mainly by our strong position in one of the largest toll road concession operator in Mexico, which gained 15.37% in dollar terms in March.

Equities accounted for 94% of the Fund's total assets, while 3% was invested in debt and cash equivalents, and 3% in private equity.

Following the bout of volatility registered during March, we rebalanced the portfolio to a more defensive stance by increasing the percentage allocation in Alfa companies, mainly in the telecommunications sector, on attractive valuations, in our opinion. At end March, Alfa-companies accounted for 42% of the Fund's total assets, while 30% was invested in Beta-high growth and 22% in special situation companies.

Economic, political and natural factors (conflicts in the Middle East, flows from emerging to developed markets and an earthquake in Japan) influenced the markets during 1Q11, and although the global economic recovery remains on track, concern related to high inflation and restrictive monetary policies prevails. Year-to-date the Mexbol Index (total return) rose 0.91% in dollars but lost -2.78% in local currency in 1Q11, benefiting from the peso's 3.68% appreciation on strong fundamentals. Within the Latam region, Mexico ranked third after the Venezuelan and Brazilian markets, which registered 9.75% and 1.04% dollar increases, respectively.

Upbeat economic data and a recovery of credit growth point to a sustained expansion of the Mexican economy, which should help to keep valuations at attractive levels. Local brokerage firms' current year-end forecasts for the Mexbol Index range from 42,000 to 43,000, equivalent to a 11-12% return for 2011. While we are optimistic about this year's prospects for Mexican equities, we will remain vigilant of global economic and political risk factors that could derail the positive momentum in the economy, especially

those related to the US recovery.

I. PERFORMANCE AND INVESTMENT STRATEGY

For the one-year period ending March 31, 2011, the MXE's 20.29% net asset dollar value per share increase (*Source: USBancorp*) continued to outperform the Mexbol Index's gain by 213 basis points (bps) and the MSCI Mexico Index by 124 bps. The MXE's common share market price increased 24.63% in dollar terms for the same period. At end-March, the discount to NAV stood at -10.79% compared to -10.95% at end-February 2011 (*Source: Bloomberg*).

The MXE's 20-year net asset dollar value per share registered a 14.72% average annual return, with dividends reinvested, since the Fund's inception in August 1990, through April 21st, 2011. The Fund's common share market price registered a 15.11% average annual dollar gain for the same period. (*Source: Thomson*).

Throughout the year, we have adhered the MXE to its investment strategy established at the end of 2008, even during bouts of strong volatility. As at the end of March, we maintained an overweight position in Alfa-defensive companies followed by Betas and Special Situation companies, based on PAM's asset classification. In our view, the 10 largest positions in the MXE's portfolio are distributed among stocks with solid fundamentals and attractive discounts relative to their 3-4 yr compound annual growth rate estimates and consensus target prices.

II. THE MEXBOL INDEX

The Mexbol Total Return Index gained 1.14% in March and increased 14.02% in nominal terms for the one-year period ending March 31, 2011. The Mexican peso closed March at 11.41 pesos per U.S. dollar, registering a 3.68% appreciation year-to-date through end-March.

The Mexbol Index's 2.97% March dollar gain ranked fourth among the best performing Latam equity markets after Venezuela (3.99%), Brazil (3.90%), and Chile (3.70%). The other Latam markets registered losses, Colombia (-1.67%), Argentina (-2.42%), and Peru (-4.80%). Market volatility during the month was mostly due to concerns about the situation in Japan as well as continued unrest in the

Total Net Assets 03/31/2011	NAV 03/31/2011	Common Share Market Price 03/31/2011
US\$	US\$	US\$
90,226,589.75	12.98	11.58

MXE US Dollar Returns

As of	NAV	Common Share Market Price %	Mexbol	MSCI Mexico
03/31/2011	%		%	%
March	3.02	3.21	2.97	2.67
Y-t-d	1.25	2.21	0.91	0.60
1 YEAR	20.29	24.63	18.16	19.05

Average Annual Dollar Return with Dividends Reinvestment

5 YEAR	12.28	15.13	14.17	11.04
10 YEAR	17.68	19.20	19.78	15.71

* Since MXE's inception in 1990	14.72	15.11	NA	NA
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* Period: 08/31/1990-04/21/2011.

Source:

MXE's NAV and Common Share Market Price Returns:

I) Monthly, year-to-date, 1- and 5-year: US Bancorp.

II) 10-year: Bloomberg.

III) Since MXE's inception: Thomson.

Mexbol and MSCI Mexico indexes' returns: Bloomberg.

Fund's gross expense ratio = 1.55% for the six months ended January 31, 2011 (unaudited).

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 March 31, 2011.	Low (1 yr) 06-11-2010	High (1 yr) 11-12-2010
-10.79	-16.507	-8.765

Source: Bloomberg

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Middle East and Northern Africa.

In Mexico the 1Q11 reporting season began in the first half of April. The consensus expects few surprises and very mixed results. The reports will be important as they will provide some insight into the potential earnings growth for the rest of the year. Given that economic growth expectations for the year have underpinned equities, the trend in private consumption will be a key factor, as it represents one of the key elements to the GDP forecast being met.

III. THE MEXICAN ECONOMY

The first quarter of 2011 was very positive for the auto sector as total production grew 21.1% year-over-year (y/y) reaching a total of 632,914 units, the highest figure on record. Domestic sales grew 11.6% while exports rose 19.2% y/y on 1Q11. (Source: Mexican Association of the Automobile Industry).

The higher sales figures are a reflection of the strong recovery in the job market as 230,721 new jobs have been created during the year (source: Mexican Social Security Institute). The output gap has continued to close as industrial production rose in February 5.2% y/y, marking the 15th consecutive month of expansion with the manufacturing sector, its largest component, growing 7.3% y/y (Source: INEGI).

We will continue to closely monitor the Fund's performance with a view to generating positive Alpha for MXE's stockholders.

*Yours sincerely,
Pichardo Asset Management*

**Mexbol Index Best Performing Constituents
in US Dollar terms in March 2011**

Company	MXE weight %	One month ending 03/31/2011 %	Year-to- date ending 03/31/2011 %	1 year 03/31/10- 03/31/11 %
COMERCI	0.00	18.01	32.84	99.73
GAP	0.00	11.87	4.25	18.82
GFINBURSA	0.00	9.23	4.37	35.13
BIMBO	2.65	8.23	-1.37	-4.11
SORIANA	0.00	7.86	11.02	19.97
ASUR	0.00	7.49	3.41	15.11
BOLSA	0.00	6.74	0.00	42.75
URBI	0.00	6.66	-0.61	-1.78
KIMBERLY	4.01	6.48	1.02	3.61
ARCA	3.17	6.47	19.18	71.27

Source: Bloomberg

**Stock Exchanges Performance in
US Dollar terms**

Ticker	One month ending 03/31/2011 %	Year-to-date ending 03/31/2011 %	1 year 03/31/10- 03/31/11 %
IBVC (Venezuela)	3.99	9.75	32.85
IBOV (Brazil)	3.90	1.04	6.53
MSCI Mexico	2.63	0.50	17.54
MSCI Mexico*1	2.67	0.60	19.05
MEXBOL-Total Return Index	2.97	0.91	18.16
MEXBOL (Mexico)	2.94	0.81	16.64
IGBVL (Peru)	-4.80	-5.90	47.24
IGBC (Colombia)	-1.67	-4.75	24.58
IPSA (Chile)	3.70	-8.01	35.03
MERVAL (Argentina)	-2.42	-5.50	39.02
INDU (Dow Jones, U.S.A.)	0.91	7.07	16.51
CCMP (Nasdaq, U.S.A.)	0.02	5.05	17.19

Source: Bloomberg

*1 With dividends reinvested into index.



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ECONOMIC DATA

Economic Activity Index

In January, according to INEGI, economic activity (IGAE -a Gross Domestic Product proxy) increased 1.16% month-over-month (m/m). This proxy increased 5.8% year-over-year (y/y) in the referred month. In seasonally-adjusted terms, the industrial sector's activities increased 1.43%, while the agricultural sector's activities decreased -3.50%, and the service sector's activities decreased -1.46%.

Industrial Activity

In February, industrial production decreased -0.36% m/m, and increased 5.2% y/y. Construction decreased -1.42%, while Utilities increased 2.26%, Manufacturing Industries did not change, and Mining decreased -0.41% m/m.

Gross Fixed Investment

In January, gross fixed investment (GFI) increased 2.16% m/m. Expenses in machinery and equipment increased 5.29%, and the construction subcomponent increased 0.51% m/m. GFI posted a 9.2% y/y growth.

Trade Balance

The trade balance of February posted a USD275 m surplus. Total exports increased 20.92% y/y on a 21.9% increase in oil exports and a 20.7% increase in non-oil exports. This last figure was due to an increase in exports of 19.7% to the US, and of 24.8% to the rest of the world. Imports grew in this month 22% y/y.

Mexican Oil Mix

As of end-March, the price of the Mexican oil mix was of USD\$105.07 per barrel, translating into a 7.03% increase in a month, and 42.68% in one year.

Retail Sales

In January, retail sales registered an increase of 3.00%, compared to the same month of 2010.

Unemployment

In February, the unemployment rate came in at 5.28%. By gender, unemployment in men decreased from 5.55% to 5.52% y/y, and that in women decreased from 5.22% to 5.14% y/y, in the same month.

Monetary Policy

Banco de México left its benchmark rate unchanged at 4.5% in March.

Inflation

CPI of February came in at 0.38% month-over-month. General annual inflation came in at 3.57%. Core prices increased 0.40% during the month. General prices registered an annual variation of 3.26% versus the previous month's print of 3.27%.



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ECONOMIC PROJECTIONS

	2006	2007	2008	2009	2010e	2011e
National Accounts						
Real GDP growth (y/y)	4.8%	3.2%	1.3%	-6.5%	4.4%	4.0%
GDP (US \$bn.)	843.6	886.0	1,099.0	877	1034	1120
Consumption (Chg. y/y)	6.0%	4.3%	2.2%	-5.0%	3.0%	3.3%
Investment (Chg. y/y)	11.5%	7.4%	4.4%	-18.0%	10.2%	8.9%
Exports (Chg. y/y)	10.3%	6.2%	1.3%	-14.8%	17.4%	8.9%
Imports (Chg. y/y)	13.1%	7.1%	5.5%	-18.2%	16.6%	10.1%
Monetary and Exch. Rate Ind.						
CPI Inflation (Year-end)	3.8%	3.8%	6.5%	3.6%	4.80%	3.7%
US\$ Exchange Rate (Year-End)	10.9	10.9	13.40	13.09	12.80	12.60
28day Cetes Int. Rate (Year-End)	7.1%	7.4%	7.9%	NA	NA	NA
Balance of Payments						
Trade Balance (US\$bn.)	-6.1	-12.4	-16.8	-4.3	-10.0	-20.4
Exports (US\$bn.)	253.9	270.6	291.8	230.1	288.4	281.0
Imports (US\$bn.)	260.0	283.0	308.6	234.4	298.4	301.4
Transfers (US\$bn.)	24.0	24.3	25.5	21.5	22.1	23.1
Current Account (US\$bn.)	-2.4	-9.0	-15.5	-5.2	-11.4	-23.0
Current Account (GDP %)	-0.3	-1.0	-1.4	-0.6	-1.1	-2.1
Foreign Direct Inv. (US\$bn.)	17.9	21.6	27.2	12.5	21.0	20.0
Debt Profile						
International Reserves (US\$bn.)	71.5	76.5	85.4	90.8	109.7	125.1

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.*

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.

Alpha-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.

Consumer Price Index: measures monthly changes in the general level of prices of goods and services that households acquire for consumption. This index is calculated and published on a monthly basis by Banco de México, the Central Bank.