



THE MEXICO EQUITY & INCOME FUND, INC.

RETURNS

As of August 31, 2017	Total Annual Average U.S. Dollar Return through August 31, 2017 (Reinvested Dividends)						
	1 Month	Y-T-D	1 Year	3 Years	5 Years	10 Years	Since MXE Inception in 08/30/90
MXE NAV*	0.00% ¹	28.97% ¹	11.46% ¹	-4.80% ¹	6.09% ¹	3.02% ¹	12.46% ²
MXE NAV (Returns in Mexican Pesos "MXN")	0.48% ³	11.30% ³	6.14% ³	5.65% ³	12.75% ³	8.12% ³	20.32% ³
MXE Market Price	1.18% ¹	31.08% ¹	12.97% ¹	-5.42% ¹	6.28% ¹	3.08% ¹	12.81% ²
MXN Appreciation/ Depreciation	-0.48% ³	15.88% ³	5.02% ³	-9.90% ³	-5.91% ³	-4.72% ³	-6.54% ³
MEXBOL Index	0.87%	32.01%	16.40%	-4.62%	0.97%	2.18%	10.36%
MXF NAV	-0.05%	28.13%	10.86%	-4.97%	2.17%	1.62%	8.73%
MXF Market Price	0.23%	21.32%	11.07%	-7.47%	1.74%	2.89%	9.37%
MXE NAV Excess Return vs. MEXBOL Index	-87	-304	-494	-18	512	84	210

Cumulative to August 31, 2017	(Reinvested Dividends)						
	YTD	1 Year	3 Years	5 Years	10 Years	Since MXE Inception 8/30/90	Discount to NAV, as of August 31, 2017
MXE Common Share Market Price	31.08% ¹	12.97% ¹	-15.39% ¹	35.63% ¹	35.41% ¹	2490.72% ²	-12.33% ²
MXF Common Share Market Price	21.32%	11.07%	-22.37%	9.01%	25.15%	987.29%	-11.81%

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

*The NAV accretion that resulted from share repurchases, for the 1, 3, and 5-year period ended August 31, 2017, was 0.01, 0.04, and 0.10 respectively. For the purpose of performance calculation, U.S. Bancorp assumes that MXE's dividends and distributions are reinvested at the closing market price on the dividend ex-date and takes into account the dilution effect resulting from fund's stock dividend. This calculation of MXE's performance figures may differ from other financial sources, such as Bloomberg.

MXE's ratio of expenses to average net assets=1.73% for the semi-annual period ended January 31, 2017.

MXF's ratio of expenses to average net assets=1.88% for the semi-annual ended April 30, 2017.

Performance data quoted represents past performance; past performance does not guarantee future results. The investment return and principal value of an investment will fluctuate so that an investor's shares, when redeemed, may be worth more or less than their original cost. Current performance of the fund may be lower or higher than the performance quoted.

As of June 30, 2017	Total Annual Average U.S. Dollar Return (Reinvested Dividends)				
	1 Year	3 Years	5 Years	10 Years	Since MXE Inception in 08/30/90
MXE NAV	2.91% ¹	-5.12% ¹	5.95% ¹	2.11% ¹	12.34% ²
MXE NAV (Returns in Mexican Pesos "MXN")	2.01% ³	6.07% ³	12.61% ³	7.52% ³	20.31% ³
MXE Market Price	4.87% ¹	-5.63% ¹	5.94% ¹	1.87% ¹	12.68% ²
MEXBOL Index	12.96%	-4.09%	-0.05%	1.27%	10.25%
MXF NAV	8.27%	-4.90%	1.40%	0.76%	8.64%
MXF Market Price	8.04%	-8.09%	1.36%	2.27%	9.29%
MXE NAV Excess Return vs. MEXBOL Index in Basis Points	-1,005	-103	600	84	209

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

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MXE RELEVANT DATA

	As of August 31, 2017	As of Dec 31, 2016	As of August 31, 2016
Total Net Assets USD	\$ 100,739,998	\$ 78,104,718	\$ 91,132,199
NAV per Share USD	\$13.71	\$10.63	\$12.30
Common Share Market Price USD	\$12.02	\$9.17	\$10.64
Premium/Discount to NAV	-12.33%	-13.73%	-13.50%
MXE's Shares Repurchased	0	192,577	135,455
MXE's Preferred Shares Redeemed	0	48,535	48,535
Total Outstanding Shares	7,349,716	7,349,716	7,411,714

Source: U.S. Bancorp.

As of August 31, 2017	1 Month	Y-T-D	1 Year
MXE's Shares Repurchased	0	0	57,122

Source: U.S. Bancorp

MXE Top Ten Stock Weightings, as of August 31, 2017

Issuer	%	Industry
AMX	8.12%	Wireless Telecommunication Services
FEMSA	6.02%	Beverages
GFNORTE	5.88%	Banks
CEMEX	5.37%	Construction Materials
ALFA	5.34%	Industrial Conglomerates
GMEXICO	4.71%	Metals & Mining
AC	4.61%	Beverages
MEXCHEM	3.93%	Chemicals
BONDE D 06/06/19	3.82%	Sovereign Debt
LIVEPOL	3.58%	Multiline Retail

Source: U.S. Bancorp

I. INTRODUCTION

Formal negotiations to modernize the North American Free Trade Agreement ("NAFTA") formally began in Washington D.C. The position of United States delegate Robert Lightgizer representing President Trump's desire for significant changes to the agreement rather than minor changes to some chapters, stood out. He stressed that the agreement had fundamentally failed many U.S. citizens and that it needs major improvement. By contrast, the Canadian and Mexican representatives maintained a more constructive discourse: Chrystia Freeland, the Canadian Foreign Affairs Secretary, said her country intends to safeguard the agreement, as it has proven to be a job creation and economic growth engine, while Idelfonso Guajardo, Mexico's Secretary of the Economy, said he would seek a positive agreement among all three parties.

The second round of NAFTA negotiations took place in Mexico City during the first week of September, and focused on topics such as market access for goods, investment, rules of origin, environment, digital commerce, small and medium-sized firms and transparency. U.S. and Mexico officials are expected to attempt to expedite negotiations and produce results before the end of the year, since Mexico is holding presidential elections in July and the U.S. will face midterm elections in November 2018.

The Fund's Net Asset U.S. Dollar Value per share, "NAV," registered a return of 28.97% for the year-to-date period ended August 31, 2017 (11.30% in local terms), an underperformance of -304 basis points versus its benchmark, the Mexican Stock Exchange Index (MEXBOL), which had a year-to-date return of 32.01%.

II. MXE PERFORMANCE

The Fund's Net Asset U.S. Dollar Value per share, "NAV," registered a return of 11.46% for the one-year period ended August 31, 2017 (6.14% in local terms), an underperformance of -494 basis points versus its benchmark, the Mexican Stock Exchange Index (MEXBOL), which had a year-to-date return of 16.40%. The main reasons for the Fund's underperformance for the one-year period were: i) Companies in the Wireless Telecommunication Services and Beverages industry which represent about 25% of the MEXBOL Index resulted in a -290 bps negative attribution; ii) a stock in the Specialty Banking industry with a one-year return of 215% which is a constituent of the MEXBOL Index but is not part of our portfolio resulted in approximately -156 negative attribution.

The Fund's common share market price of US\$12.02 on the New York Stock Exchange rose 31.08% for the year-to-date period ended August 31, 2017, registering a discount of -12.33% to the Fund's NAV of US\$ 13.71, compared to a discount of -13.50% at the end of August 31, 2016. The Fund's common share market price increased 12.97% for the one-year period ended August 31, 2017. (Source: U.S. Bancorp).

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There were no share repurchases in August. (Source: U.S. Bancorp).

The Fund's total net assets amounted to US\$100,739,998 as of August 31, 2017, compared to US\$91,132,199 as of August 31, 2016. (Source: U.S. Bancorp).

III. THE MEXICAN ECONOMY

Mexico's Central Bank (BANXICO) has released its quarterly report for the period April-June 2017, which includes an upward revision of 2017 GDP growth. The growth range was raised to 2.0% – 2.5% from 1.5% – 2.5% previously. The 2018 range was also revised up from 1.7% – 2.7% to 2.0% – 3.0%. According to the report, the revision is due to a pick-up in economic growth and global trade, a resilient domestic market, and an improvement in business and consumer confidence as well as expectations that structural reforms will begin to kick in. BANXICO's Governing Board also expects a recovery in U.S. industrial production, which could give the Mexican economy a boost. (See Exhibit A).

Inflation will continue to put pressure on BANXICO's Board. According to the National Institute of Statistics and Geography (INEGI), headline inflation reached an annual rate of 6.59% and core inflation 5.02% in the first half of August. Until inflation begins to converge to the 3% target, further hikes in the reference rate cannot be ruled out. (See Exhibit B).

Mexico's public finances continued to improve. As of July 2017, the public balance registered a \$321.9 billion MXN surplus, which is larger by \$431.3 billion MXN than the balance that was initially predicted. In that period, income is greater by 7.2% than the same period in 2016. Even excluding Banxico's transfer, income is 5.2% greater. Moreover, austerity measures seem to be showing positive results, given that net expenses are 1.9% lower.

IV. THE MXE's INVESTMENT STRATEGY

During the month, there was an important change in the allocation on equities and in debt securities. The portfolio structure as of July 31, 2017, had no position in debt compared to an allocation of 4.91% in Mexican Sovereign debt as of August 31, 2017. This increase in debt securities was a result of a decrease in equities, mainly in the Materials and Telecommunication Services sectors as a result of profit taking. The main purpose for the increase in debt is to take advantage of the high and competitive annual yields these securities are offering. Moreover, we expect a correction in the market which will create a need for liquidity to take advantage of market opportunities.

The main sectors that positively contributed to the Fund's NAV for the year-to-date period through August 31, 2017, according to PAM's assessment reports, were: i) Consumer

Staples 5.70% (approximately 21.0 % allocation); ii) Financials 5.41% (17.0%); and iii) Telecommunication Services, 4.98% (9.0%), while there were no sectors detractors. (Source: PAM, Bloomberg).

VI. FINAL REMARKS

The Mexican stock market was bullish during August, following global markets, a month that usually shows lower traded volume because of the vacation period. Going forward, Mexico faces scenarios that could bring higher volatility to local markets. The renegotiation process of NAFTA has begun without having a major impact in markets, despite President Trump's statements. In Mexico, the political momentum has gained strength with the creation of the "Wide Democratic Front", which is essentially an alliance between PAN & PRD, two of the country's most important political parties. The current ruling party, PRI, is deep in its candidate selection process and seeking possible alliances, according to local media. Morena, Andres Manuel Lopez Obrador's party, has maintained its strength in opinion polls, but the selection of candidates by PRI and the Wide Democratic Front will be very significant for next year's presidential elections.

In our opinion, markets could eventually react to greater levels of risk, which would generate volatility in the stock market. As previously mentioned, the level of liquidity maintained in the portfolio, will allow is to take advantage of investment opportunities and at the adequate valuation levels according to our return expectations.

Sincerely yours,

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

The information contained herein reflects the opinion of Pichardo Asset Management and as such does not constitute fundamental research, neither should it be construed as a solicitation of business or a buy/sell recommendation with regard to any of the securities mentioned. Furthermore, it is subject to change without prior warning and estimates cannot be guaranteed. Past returns do not guarantee future earnings.

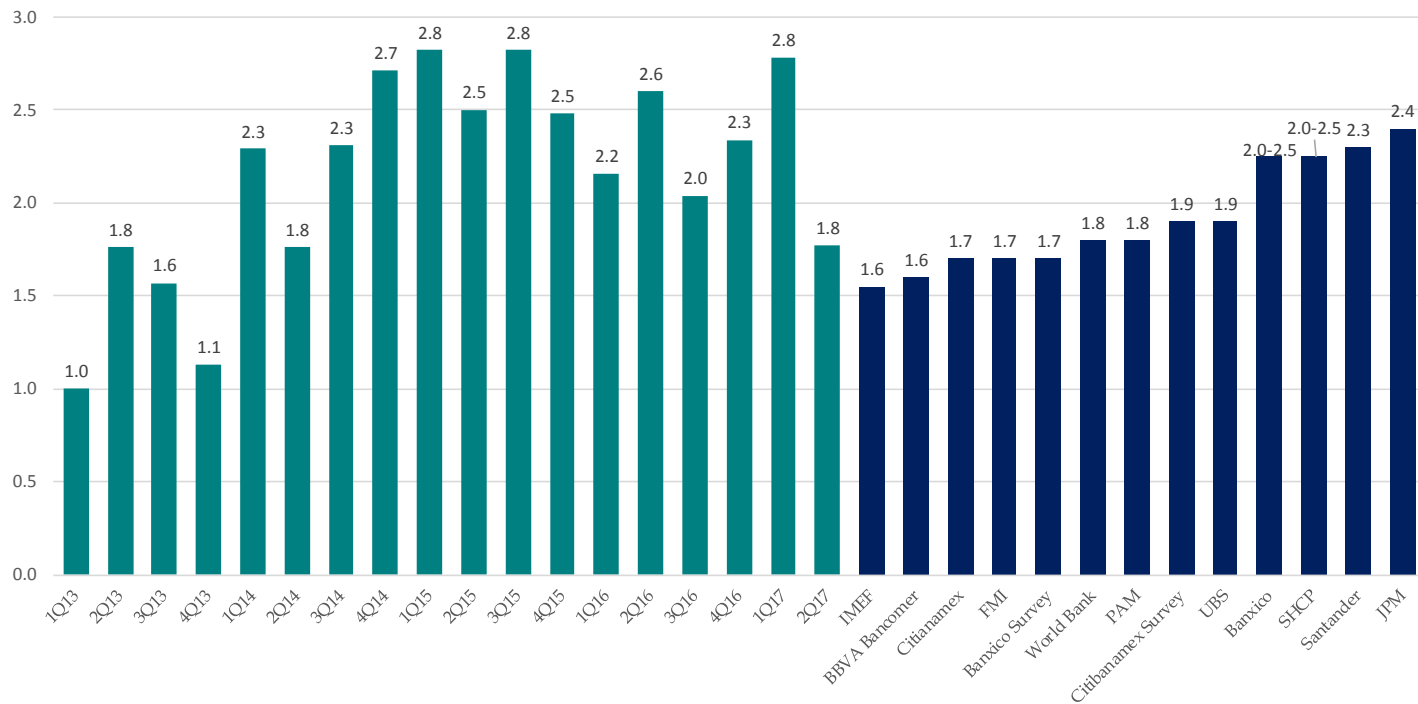
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Exhibit A

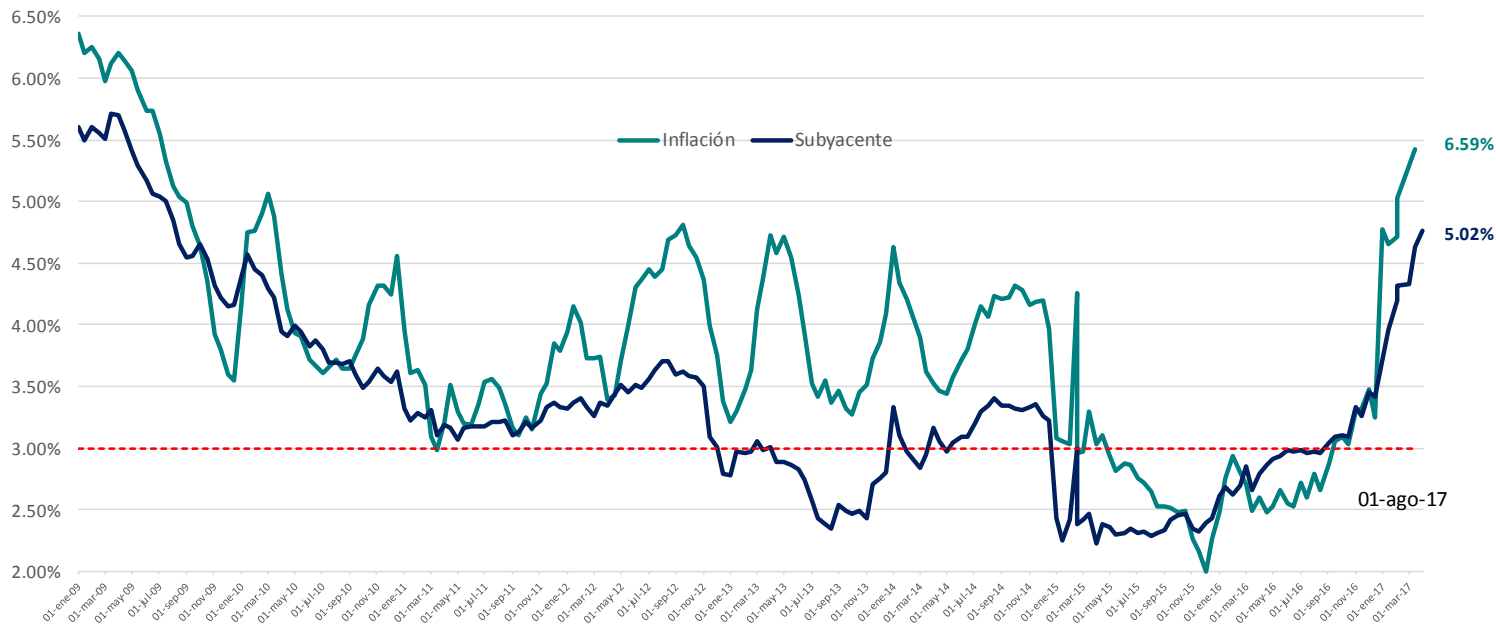
Mexico GDP
(seasonally adjusted)
YoY



Source: INEGI

Exhibit B

Inflation
(YoY % Change)



Source: INEGI

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DISCLOSURES

To read about the Mexico Equity and Income Fund please access the Annual Report by calling (414) 765-4255 to receive a copy. To read about the Mexico Fund, Inc. please access the Annual Report on the phone's website www.mexicofund.com, under the section caption investor reports. Investors should consider the Fund's investment objectives, risks, charges and expenses carefully before investing. An investment in the Fund should not constitute a complete investment program.

All investments involve risk. Principal loss is possible. Investing internationally involves additional risks such as currency fluctuations, currency devaluations, price volatility, social and economic instability, differing securities regulation and accounting standards, limited publicly available information, changes in taxation, periods of illiquidity and other factors. These risks are greater in the emerging markets. Stocks of small-and-mid-capitalization companies involve greater volatility and less liquidity than larger-capitalization companies.

Considerations and risks involved in investing in Mexican securities

1. Market volatility in a global context.
2. The Mexican economy continues to be classified as an emerging economy. Mexican industrial production is highly correlated to that of the U.S.
3. Mandatory IFRS (International Financial Reporting Standards) accounting since the year 2011. All Mexican companies reporting IFRS in 2012 with 2011 financials adjusted accordingly (Source: Mexican Stock Exchange).
4. The portfolio securities are denominated in Mexican pesos. As a result, the portfolio return in U.S. Dollars securities must increase in market value at a rate in excess of the rate of the decline in the value of the Mexican peso against the U.S. dollar in order to present an excess dollar return.
5. Mexico has experienced widespread bank failures, currency devaluations, high levels of inflation and interest rates. Nevertheless, inflation has been contained at below 4% as of December 31, 2013, for more than a decade and interest rates are currently at all-time lows (2.92% 3 month Treasury Bills "CETES") (Source: Bloomberg)
6. There is generally less governmental supervision and regulation of exchanges, brokers and issuers in Mexico than there is in the United States.
7. U.S. holders of portfolio securities may also experience difficulties enforcing U.S. laws or obtaining service of process against the issuers of the portfolio securities.

THE MEXICO FUND, INC. (MXF)

Closed-End Fund listed in the New York Stock Exchange in 1981

1. Investment Objective: Long-term capital appreciation through investments in securities, primarily equity, listed on the Mexican Stock Exchange.
2. Expense ratio: 1.74% (For the annual period ended October 31, 2016)
3. Portfolio Turnover rate: 19% (For the year ended October 31, 2016)
4. Outstanding shares: 15,027,810 (As of October 31, 2016)
5. Repurchase of stocks: US \$32,736 (For the annual period ended October 31, 2016)
6. Total net assets: US \$279,019,795 (As of October 31, 2016)
7. Dividends distribution of 0.1415 per share payable in cash on January 17, 2017. (For the annual period ended October 31, 2016)
8. Tax Status: No provision has been made for U.S. income or excise taxes for the year ended October 31, 2015 on net investment company taxable income or net long-term capital gains as defined by the Internal Revenue Code (the "Code"), since the Fund intends to comply with the requirements of the Code applicable to regulated investment companies and to distribute substantially all of such income to its stockholders.

GAAP prescribes the minimum recognition threshold a tax position must meet before being recognized in the financial statements. An assessment of the Fund's tax positions has been made and it has been determined that there is no impact to the Fund's financial statements.

Diversification does not ensure profit or protect against losses in a declining market.

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

THE MEXICO EQUITY & INCOME FUND, INC.

ECONOMIC DATA

- **Gross Domestic Product (GDP):** According to INEGI, the demand side of GDP grew 3.0% in 2Q'17 compared to the previous year. By components, primary activities increased by 1.0%, secondary activities 0.6%, and tertiary activities 4.1%.
- **Economic Activity Index.** According to INEGI, economic activity (IGAE, a Gross Domestic Product proxy) increased by 0.2% month over month (m/m) in May. In seasonally-adjusted terms, primary activities increased by 0.3%, secondary activities by 0.1% and tertiary activities by 3.5%.
- **Industrial Activity.** In **June**, industrial production increased by 0.1% m/m. Seasonally-adjusted data showed that mining was down 7.6% and utilities 0.9%; construction showed no variation and manufacturing activities increased by 2.7%.
- **Gross Fixed Investment.** In **May**, gross fixed investment (GFI) increased by 2.9%, m/m. Expenses related to construction increased by 1.9% and those related to machinery and equipment by 2.5%, m/m. GFI posted a 1.1% increase y/y.
- **Trade Balance.** The **June** trade balance registered a US\$61.5 million surplus. Total exports increased by 11.5% y/y, driven by advances in oil and non-oil exports. Imports increased by 9.5% y/y driven by a 19.6% jump in non-oil imports.
- **Mexican Oil Mix.** As of the end of **July**, the price of the Mexican oil mix was USD\$46.80 per barrel, translating into a 9.7% monthly increase and an 14.9% decrease in one year.
- **Retail Sales.** Retail increased 3.4% in **May** compared to the same month of 2016. Retail sales decreased 0.1% in relation to the previous month.
- **Unemployment.** The **June** unemployment rate came in at a seasonally-adjusted 3.3%, lower than the previous month. By gender, male unemployment was 3.3% while unemployment in women was 3.3%
- **Monetary Policy.** On August 10, 2017, Banco de Mexico left its benchmark interest rate unchanged at 7.00%.
- **Inflation.** The **July** Consumer Price Index (CPI) increased by +0.38% month-over-month. Annual headline inflation came in at 6.44% and core inflation 4.94%.
- **Public Finances:**
 - o During the first half of 2017, the government reported a fiscal surplus (including Pemex and the Federal Electricity Commission) of MXN \$142 billion, which compares favorably to the MXN \$117 billion deficit observed in the first half of 2016. During the first half of 2017, income increased by 13.5% y/y taking into account Banxico's transfer. During the same period, expenses increased by 2.7% y/y.
 - o At the end of the second quarter of 2017, the Public Sector's Financial Requirements showed a surplus that represented 1.3% of GDP, which compares favorably to the 0.3% GDP deficit in the second quarter of 2016. The Ministry of Finance expects to lower debt from 50.2% of GDP at the end of 2016 to 48.0 by the end of 2017.
- *Source: SHCP, BANXICO, INEGI.*

THE MEXICO EQUITY & INCOME FUND, INC.

ECONOMIC PROJECTIONS

Economic Projections	2014	2015	2016	2017e	2018e
National Accounts					
Real GDP growth (y/y)	2.3%	2.5%	2.9%	2.5%	2.7%
GDP (US \$bn.)	1.288	1.139	1.076	1.181	1.321
Consumption (Chg. y/y)	2.0%	3.3%	2.4%	2.4%	2.5%
Investment (Chg. y/y)	2.3%	4.5%	1.1%	1.0%	3.7%
Exports (Chg. y/y)	7.3%	9.4%	3.5%	7.6%	8.9%
Imports (Chg. y/y)	5.7%	6.1%	2.9%	5.3%	7.9%
Monetary and Exchange Rate Ind.					
CPI Inflation (year-end)	4.1%	2.1%	3.3%	6.3%	3.8%
US\$ Exchange Rate (year-end)	14.7	17.2	20.6	18.9	19.0
28Day Cetes Int. Rate (year-end)	3.00%	3.25%	5.75%	7.0%	5.69%
Balance of Payments					
Trade Balance (US\$ bn.)	-2.8	-14.5	-13.1	-14.4	-12.4
Exports (US\$ bn.)	397.5	380.8	373.9	397.8	424.5
Imports (US\$ bn.)	400.0	395.2	387.06	412.2	436.9
Transfers (US\$ bn.)	23.6	24.8	26.6	24.8	26.7
Current Account (US\$ bn.)	-24.8	-32.4	-27.8	-23.4	-27.8
Foreign Direct Inv. (US\$ bn.)	25.6	28.4	26.7	28.4	26.7
Debt Profile					
International Reserves (US\$ bn.)	193.2	176.7	176.5	178.0	180.0
Public Debt (gross % of GDP)	41.0%	42.5%	50.5%	48.0%	48.0%
External Debt (gross % of GDP)	11.9%	19.7%	15.5%	15.2%	15.0%

Source: SHCP, BANXICO, INEGI, Santander.

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

* World Bank's estimated GDP growth for Mexico; published on the Global Economic Prospects dated June 2016.

THE MEXICO EQUITY & INCOME FUND, INC.

DEFINITIONS

- **BANXICO:** Banco de Mexico is the Central Bank of Mexico.
- **Basis points:** One basis point (bps) is one hundredth of a percentage point (0.01%).
- **Cash Flow:** the net amount of cash and cash-equivalents moving into and out of a business.
- **DCF:** Discounted Cash Flow DCF analysis uses future free cash flow (FCF) projections and discounts them to estimate the present value, which is then used to evaluate the investment potential.
- **EBITDA:** Earnings before interests, depreciation and amortization.
- **EV/EBITDA:** The value of the metric is determined by dividing a company's enterprise value (EV) by its earnings before interest, taxes, depreciation and amortization (EBITDA). The numerator of the formula, the EV, is calculated as the company's total market capitalization and preferred shares and debt, minus total cash.
- **Federal Reserve (FED):** U.S. Central Bank, bank of the U.S. government and, as such, it regulates the nation's financial institutions.
- **Free Cash Flow (FCF):** is a measure of a company's financial performance, calculated as operating cash flow minus capital expenditures.
- **GDP:** Gross Domestic Product proxy. The monetary value of all the finished goods and services produced within a country's borders in a specific time period, though GDP is usually calculated on an annual basis. It includes all of private and public consumption, government outlays, investments and exports less imports that occur within a defined territory.
- **IMF:** is an international organization created for the purpose of standardizing global financial relations and exchange rates.
- **INEGI:** Mexican National Institute of Statistics and Geography.
- **MEXBOL-Mexican Stock Exchange:** The Mexican Bolsa Index, or the IPyC (Indice de Precios y Cotizaciones), is a capitalization-weighted index of the leading stocks traded on the Mexican Stock Exchange. The index was developed with a base level of 0.78 on October 30, 1978.
- **Mexbol-Total Return Index:** The Mexican Bolsa index calculates the performance of constituents assuming that all dividends and distributions are reinvested.
- **NAFTA:** (North American Free Trade Agreement): A regulation implemented January 1, 1994 in Mexico, Canada and the United States to eliminate most tariffs on trade between these nations. The three countries phased out numerous tariffs, (with a focus on those related to agriculture, textiles and automobiles), between the agreement's implementation and January 1, 2008. NAFTA's purpose is to encourage economic activity between the United States, Mexico and Canada.
- **The Net Asset Value per Share (NAV)** is calculated as the total market value of all the securities and other assets held by a fund minus the total liabilities, divided by the total number of common shares outstanding. The NAV of an investment company will fluctuate with changes in the market prices of the underlying securities. However, the market price of a closed-end fund is determined in the open market by buyers and sellers. This public market price is the price at which investors may purchase or sell shares of a closed-end fund. The market price of a closed-end fund fluctuates throughout the day and may differ from its underlying NAV, based on the supply and demand for a fund's shares on the open market. Shares of a closed-end fund may trade at a premium to (higher than) or a discount to (lower than) NAV. The difference between the market price and the NAV is expressed as a percentage that is either a discount or a premium to the NAV, or underlying value.
- **Net Interest Margins:** a performance metric that examines how successful a firm's investment decisions are compared to its debt situations.
- **PRI:** Institutional Revolutionary Party, is a Mexican political party founded in 1929, one of the main political parties in Mexico. Centre political position.
- **PAN:** National Action Party, founded in 1939, is one of the three main political parties in Mexico. Centre-right to Right wing political position.
- **PRD:** Party of the Democratic Revolution. It's a social democratic political party that is one of the three major political parties in Mexico. Centre-left to Left wing political position.
- **Morena:** National Regeneration Movement. It's a left-wing political party in Mexico, led by former two-time presidential candidate Andrés Manuel López Obrador.
- **Risk Free Rate of Return:** is the theoretical rate of return of an investment with zero risk.
- **Spot Exchange Rate:** is the price to exchange one currency for another for immediate delivery.
- **Spread:** The difference between two related interest rates.