

MEXICO FUND INC  
Form N-CSRS  
July 03, 2007

**UNITED STATES**  
**SECURITIES AND EXCHANGE COMMISSION**  
**Washington, D.C. 20549**

**FORM N-CSR**

**CERTIFIED SHAREHOLDER REPORT OF REGISTERED**  
**MANAGEMENT INVESTMENT COMPANIES**

Investment Company Act file number 811-02409

**THE MEXICO FUND, INC.**

(Exact name of registrant as specified in charter)

1775 I STREET, N.W.,

WASHINGTON, DC 20006-2401  
(Address of principal executive offices) (Zip code)

**José Luis Gómez Pimienta**

**77 ARISTOTELES STREET, 3<sup>RD</sup> FLOOR**

**POLANCO D.F. 11560 MEXICO**

(Name and address of agent for service)

*Copies to:*

**Sander M. Bieber**

**Dechert LLP**

**1775 I STREET, N.W.,**

**WASHINGTON, DC 20006-2401**

Registrant's telephone number, including area code: 202-261-7941

Date of fiscal year end: October 31, 2007

Date of reporting period: April 30, 2007

Form N-CSR is to be used by management investment companies to file reports with the Commission not later than 10 days after the transmission to stockholders of any report that is required to be transmitted to stockholders under Rule 30e-1 under the Investment Company Act of 1940 (17 CFR 270.30e-1). The Commission may use the information provided on Form N-CSR in its regulatory, disclosure review, inspection, and policymaking roles.

A registrant is required to disclose the information specified by Form N-CSR, and the Commission will make this information public. A registrant is not required to respond to the collection of information contained in Form N-CSR unless the Form displays a currently valid Office of Management and Budget (OMB) control number. Please direct comments concerning the accuracy of the information collection burden estimate and any suggestions for reducing the burden to Secretary, Securities and Exchange Commission, 450 Fifth Street, NW, Washington, DC 20549-0609. The OMB has reviewed this collection of information under the clearance requirements of 44 U.S.C. § 3507.

**Item 1. Reports to Stockholders.**

A copy of the Registrant's Semi-Annual Report to Stockholders for the period ending April 30, 2007 transmitted to stockholders pursuant to Rule 30e-1 under the Investment Company Act of 1940 is provided below.

# **The Mexico Fund, Inc.**

---

Semi-Annual Report April 30, 2007

(Unaudited)

---

---

---

---

[www.themexicofund.com](http://www.themexicofund.com)

---

---

---

---

---

---

## **The Mexico Fund, Inc.**

---

**Directors:**

Emilio Carrillo Gamboa Chairman

Eugenio Clariond Reyes-Retana

José Luis Gómez Pimienta

Claudio X. González

Robert L. Knauss

Jaime Serra Puche

Marc J. Shapiro

**Officers:**

José Luis Gómez Pimienta President

Samuel García-Cuéllar Secretary

Alberto Osorio Treasurer

Carlos H. Woodworth Corporate Governance

Vice President,

Chief Compliance Officer

Eduardo Solano Investor Relations

Vice President

Sander M. Bieber Assistant Secretary

**Investment Adviser**

Impulsora del Fondo México, S.C.

**Custodian**

BBVA Bancomer, S.A.

Comerica Bank

**Transfer Agent and Registrar**

American Stock Transfer & Trust Company

**Counsel**

Dechert LLP

Creel, García-Cuéllar y Müggenburg, S.C.

**Independent Registered Public**

**Accounting Firm**

PricewaterhouseCoopers LLP

This report, including the financial statements herein, is transmitted to stockholders of The Mexico Fund, Inc. for their information. It is not a prospectus, circular or representation intended for use in the purchase of shares of the Fund or any securities mentioned in the report.

**The Mexico Fund, Inc.**

**Semi Annual Report**

**April 30, 2007**

**Highlights**

- The Fund's first half of fiscal 2007 ended on April 30, 2007.
- During this six-month period, the Fund's market price and net asset value (NAV) per share registered total returns<sup>1</sup> of 19.8% and 25.2%, respectively, compared with increases of 22.4% and 23.9% registered by the IFCG Mexico and IPC indices, respectively.
- At the end of this period, the discount between the Fund's market price and NAV per share was 13.6%, compared with 13.0% at the end of fiscal 2006.
- On April 20, 2007, the Fund successfully concluded a transferable rights offering transaction, in which the Fund offered 5,021,908 shares at a price of \$38.89 per share. The offering generated net proceeds of \$187.85 million, which are being invested in accordance with the Fund's investment policy.
- The Mexican gross domestic product (GDP) increased 2.6% during the first quarter of 2007, compared with the same period of 2006.
- The Mexican country risk continued declining and reached a new historical minimum level of 70 basis points shortly after the end of this reporting period.

*The Mexico Fund, Inc. is a non-diversified closed-end management investment company with the investment objective of long-term capital appreciation through investments in securities, primarily equity, listed on the Mexican Stock Exchange. The Fund provides a vehicle to investors who wish to invest in Mexican companies through a managed non-diversified portfolio as part of their overall investment program.*

*Notice is hereby given in accordance with Section 23(c) of the Investment Company Act of 1940 that the Fund may purchase, from time to time, shares of its common stock in the open market.*

---

<sup>1</sup> Performance figures include dividend distributions and have been adjusted for the rights offering transaction concluded on April 20, 2007.

---

---

## The Mexico Fund, Inc.

### To Our Stockholders:

---

We present to you the Fund's 2007 Semi Annual Report. The Fund's strategy of investing in growth-oriented businesses, including, but not limited to, small-and medium-capitalization companies, continues producing favorable performance in the Fund's market price and net asset value (NAV) per share. In this Report, we summarize the period's prevailing economic and market conditions in Mexico and outline the Fund's investment strategy and resulting performance. We hope you find this Report useful and informative.

### Economic Environment

As expected by analysts, Mexican economic activity decelerated during 2007, as a result of the softening of the US economy. According to official sources, Mexico's gross domestic product (GDP) increased 2.6% during the first quarter of 2007, compared with 4.6% during 2006. During this period all sectors of the economy, with one exception, registered positive rates of growth: transportation, storage and communications, 7.6%; electricity, gas and water, 5.3%; construction, 2.1%; financial services and real estate, 4.9%; personal services, 2.1%; commerce, restaurants and hotels, 1.6%; mining, 0.3%; and the primary sector, composed of agriculture, livestock and fishery, 0.2%. The only sector of the economy that registered a decline was the manufacturing industry, which decreased 0.1%. Economists and the Mexican Central Bank estimate that economic activity in Mexico will accelerate during the second half of 2007 as a result of the recovery of US economic activity, steady bank credit expansion in Mexico and higher employment levels, among others. Analysts surveyed by the Central Bank during May 2007 estimate that the Mexican GDP will increase by approximately 3.0% during 2007 and 3.6% during 2008.

According to information prepared by Banco de Mexico, the Central Bank, for the year ended on May 31, 2007, the Mexican inflation rate amounted to 4.0%, similar to the level registered at the end of 2006. The Central Bank recognizes the existence of certain inflationary pressures and estimates that inflation will remain near or slightly above 4% during the first half of 2007 and that it will shrink below 4% towards the end of calendar 2007. Analysts coincide with this view and currently believe that it will be 3.5% and 3.6% for 2007 and 2008. Towards the end of April 2007, Banco de México increased 25 basis points the funding rate in a move to control inflation and further increases may be implemented.

Short-term interest rates reacted to the 25 basis point increase made by the Central Bank to funding rates. The interest rate of the 28-day Cetes, which was near 7% during the year ended April 30, 2007, has been near 7.25% since then. The Mexican government continues issuing 30-year bonds, denominated in pesos, at a fixed interest rate, which was 7.73% for the auction of May 10, 2007. The long-term maturity of this instrument and the stable demand of other government bonds continue to reflect the confidence and positive sentiment of domestic and international investors towards Mexican debt instruments. Moreover, the small spread between short-and long-term interest rates suggests confidence from investors that inflation will remain under control. At the same time, Mexico's country risk, measured by the spread between the yields of Mexican sovereign debt instruments denominated in dollars and traded abroad versus US Treasury bonds reached a new historical minimum level of 70 basis points (0.70%) on June 1, 2007. Mexico's country risk level is now similar to that of Chile, the lowest for Latin America. Analysts estimate that interest rates will be relatively stable during the rest of 2007 and 2008, projected at 7.2% and 7.0%, respectively, at the end of each year.

The recent increase of 25 basis points in domestic interest rates and the flow of dollars sent to Mexico by foreign investors and Mexicans living abroad, mostly in the United States, continued to contribute to the relative strength of the Mexican peso. The exchange rate of the peso against the US dollar



---

remained almost unchanged during this six-month period and ended at Ps. 10.9278 on April 30, 2007. During 2006, remittances sent to Mexico from Mexicans living abroad reached a record level of \$23.0 billion and have remained stable since then. The Central Bank continues implementing a free-floating exchange rate policy, with only minor market interventions aimed at reducing the rate of growth of international currency reserves, which have continued reaching historically high levels. At the end of April 2007, international reserves amounted to \$69.4 billion. Analysts estimate that the exchange rate will continue to be relatively stable, estimated at Ps. 11.10 and Ps. 11.36 at the end of 2007 and 2008, respectively.

The Mexican current account shifted from a surplus of \$873 million during the first quarter of 2006 to a deficit of \$2.76 billion during the same period of 2007. This change is explained, among other reasons, by lower international oil prices and slower growth of automotive exports. At the same time, Mexico's capital account shifted from a deficit of \$873 million during the first quarter of 2006 to a surplus of \$4.76 billion during the same period of 2007, and within this capital account surplus, direct foreign investment increased 66.4% to \$6.55 billion.

### Management Discussion of Fund's Performance and Portfolio Strategy

Throughout the first half of fiscal 2007, the Mexican equity market continued to provide favorable investment opportunities, allowing the Fund to capitalize on the results of its strategy of investing in leading Mexican corporations as well as attractive and growth-oriented small- and medium-capitalization companies. During this period, the Fund's market price and NAV per share registered total returns<sup>2</sup> of 19.8% and 25.2%, respectively, increasing to \$39.53 and \$45.74, respectively. These figures compare with returns of 24.7% for the Bolsa IPC-60 Index, 22.4% for the IFCG Mexico Index, 23.9% for the Bolsa IPC Index, 19.0% for the Morgan Stanley Capital International Index and 34.2% for the Bolsa Index of Medium Size Companies.

Mexican listed companies continued reporting strong financial results. For the quarter ended March 31, 2007, compared with the same period of 2006, sales of listed companies increased 11.5%, EBITDA<sup>3</sup> increased 14.6% and net income grew 9.7%. The average Price Earnings Ratio (PER) of the market increased from 14.5 times at the end of fiscal 2006, to 17.4 times at the end of April 2007 while the price to book value increased from 3.0 times to 3.4 times during the same period<sup>4</sup>.

The Fund's five portfolio holdings that contributed the most to the growth of the Fund's NAV during the first half of fiscal 2007 were: América Móvil (AMX), Urbi Desarrollos Urbanos (Urbi), Mexichem (Mexchem), América Telecom (Amtel)<sup>5</sup> and Grupo México (Gmexico), which together accounted for 27.8% of the Fund's net assets as of the end of April 30, 2007. These five issuers provided 45.9% of the total return of the Fund's NAV during this period. AMX provides telecommunications services in Mexico and Latin America; Urbi constructs houses, mostly for the low-income segment; Mexichem is a chemical company; Amtel was the holding company of AMX and Gmexico is a mining company. During this six-month period, the market prices of these five issuers increased 22.9%, 36.8%, 112.6%, 15.1% and 58.5%, respectively. Two other important contributors to the Fund's NAV performance were Walmart de México (Walmex), the retail store and Grupo Cementos Chihuahua, a cement company. The market prices of these two issuers increased 14.1% and 35.0%, respectively.

---

<sup>2</sup> Performance figures include dividend distributions and have been adjusted for the rights offering transaction concluded on April 20, 2007. Because Fund shares were issued at a discount to NAV in the rights offering concluded April 20, 2007, there was a dilutive effect on the Fund's NAV per share.

<sup>3</sup> EBITDA refers to earnings before interests, taxes, depreciation and amortization.

<sup>4</sup> **Source:** Impulsora del Fondo México, S.C. with figures provided by the Mexican Stock Exchange.

<sup>5</sup> Amtel was merged into AMX before April 30, 2007.

Until recently, companies listed on the Mexican Stock Exchange were organized only under Mexican law. Lately, companies organized outside of Mexico have listed on the Mexican Stock Exchange, a consequence of the increasing globalization of the Mexican economy and its securities market. Because the Fund's investment adviser believes some of these issuers may present attractive investment opportunities, the Fund's Board of Directors approved an investment policy permitting the Fund to invest in securities of issuers listed on the Mexican Stock Exchange that are not organized in Mexico, provided that such issuers or their subsidiaries have a business presence in Mexico, and that, in the aggregate, do not account for more than 20% of the Fund's NAV. Consistent with this policy, the Fund acquired shares of Tenaris, with significant positive results. Tenaris is a company operating in Mexico but organized in Luxembourg, which is listed on several stock exchanges, including the Mexican Stock Exchange. Investments in Tenaris at April 30, 2007 accounted for 2.49% of the Fund's NAV. None of the 33 equity issuers included in the Fund's portfolio as of April 30, 2007 experienced a negative total return to stockholder during the first half of fiscal 2007.

As of April 30, 2007, the Fund had 20,027,631 shares outstanding, with total net assets of \$916 million. The total number of Fund shares traded on all US consolidated markets during fiscal 2006 was 10.73 million shares. The discount between the Fund's market price and NAV ended April 30, 2007 at 13.6%, compared with 13.0% at the end of fiscal 2006. On a regular basis, the Board of Directors closely analyzes the Fund's discount levels.

The following chart shows the Fund's portfolio composition by sector, expressed as a percentage of the Fund's net assets, as of April 30, 2007. The 20.2% net cash position of the portfolio as of this date represents the net proceeds obtained from the rights offering transaction, which was concluded ten days before. The Fund has invested a significant portion of these resources since this date. More detailed information about the Fund's portfolio is available below in this report.

### **Portfolio Composition by Sector**

**% of Net Assets**

**April 30, 2007**

### **Possible Listing of Fund Shares on the Mexican Stock Exchange**

The Board of Directors of the Fund has determined to explore the possibility of registering the Fund's shares with the Registro Nacional de Valores (National Securities Registry) of the Comisión Nacional Bancaria y de Valores (Mexican Banking and Securities Commission) and listing them on the Bolsa (Mexican Stock Exchange). The registration and listing of Fund shares on the Bolsa will be subject to review by the appropriate regulatory authorities in Mexico. As a result, the timing of the listing and its impact upon the Fund's intended operations and performance cannot be predicted with certainty.

### **Rights Offering**

The Fund successfully concluded a rights offering transaction on April 20, 2007, which resulted in approximately \$187.85 million of additional net assets available for investments by the Fund. The Fund issued one right per every share held on the record date, March 22, 2007, and three rights were required to subscribe for one additional share at a price of \$38.89. The rights were transferable and a total of 6,017,900 rights traded on the NYSE from March 26, 2007 through April 19, 2007.

The rationale for the rights offering was to allow the Fund to better take advantage of investment opportunities arising as a result of any continuing positive developments in Mexico and the Mexican equity market. In recent years, inflation, interest rates and foreign exchange rates in Mexico have remained stable despite relatively modest GDP growth. Moreover, the investment grade rating on Mexican government securities appears to reflect an increase in the perceived creditworthiness of the Mexican government. The Fund's Board of Directors and its Investment Adviser believe that this stabilization of the Mexican economy, along with significant international expansion of several Mexican companies, strong commodity prices, growth in the Mexican housing sector and reduced political uncertainty following the 2006 presidential elections, have been important drivers of economic and investment performance in Mexico. Additionally, the Mexican pension funds will further increase their exposure to the Mexican equity market similar to other pension systems in the world, and this could result in significant additional investment in the Mexican equity market. Finally, recent revisions to the Mexican securities laws will create a more encouraging environment for listing small and medium-size companies on the Mexican Bolsa, which could become new investment alternatives for the Fund.

### **Annual Meeting of Stockholders**

The Fund held its annual stockholders' meeting on March 7, 2007 at 1:00 p.m. New York City time at 30 Rockefeller Plaza, 23<sup>rd</sup> Floor, New York, New York. Fund stockholders re-elected Messrs. José Luis Gómez Pimienta, Claudio X. González and Robert Knauss.

A total of 12,637,736 Fund shares were present at the meeting, constituting a quorum of 84.2%. The results of the meeting were as follows.

#### *Election of Directors*

Edgar Filing: MEXICO FUND INC - Form N-CSRS

		% of	% of		% of	% of
	For	Outstanding	Voted	Against	Outstanding	Voted
José Luis Gómez Pimienta	11,648,285	77.6%	92.1%	992,451	6.6%	7.9%
Claudio X. González	9,833,324	65.5%	77.8%	2,804,412	18.7%	22.2%
Robert Knauss	11,664,948	77.7%	92.3%	972,788	6.5%	7.7%

### Renewal of Investment Advisory and Management Agreement

On March 7, 2007, the Board of Directors ( Board ) of the Fund, including all independent Directors, approved the continuation of the Investment Advisory and Management Agreement ( Agreement ) with Impulsora del Fondo México, SC ( Impulsora ) based on its consideration of various factors, including (1) the nature, extent and quality of services provided by Impulsora to the Fund; (2) the investment performance of the Fund; (3) the costs and services provided, including a comparison of such costs to other comparable funds; (4) profits to be realized by Impulsora from its relationship with the Fund; and (5) the extent to which economies of scale have been realized as the Fund grows and whether fee levels reflect these economies of scale for the benefit of Fund investors. In response to a specific request by the Independent Directors, Impulsora provided detailed information concerning the foregoing factors. The Board also evaluated information consisting of comparative figures of overall expenses, management and other fees, of a group of substantially similar funds. As discussed more fully below, the Board considered the Fund's positive performance, as well as the Fund's current advisory fee rate which is one of the lowest in the closed-end fund industry. The Board determined that the fees payable to Impulsora were reasonable, especially in light of the quality of the services provided, as well as the level of advisory fees paid by comparable funds.

The following discussion is not intended to be all-inclusive. The Board reviewed a variety of factors and considered a significant amount of information, including information received on an ongoing basis at meetings of the Board and Board committees. In view of the broad scope and variety of these factors and information, the Board did not find it practicable, and did not make specific assessments of, quantify or otherwise assign relative weights to the specific factors in reaching their conclusions and determinations to approve the continuance of the investment Advisory and Management Agreement.

- **The nature, extent and quality of the advisory services provided.** The Board concluded that Impulsora provides high quality services to the Fund, as indicated by the Fund's competitive investment performance, including its performance as compared to the Mexican market indices, as well as against other listed funds that invest exclusively in Mexican securities. The Board further noted that Impulsora provides all facilities and services necessary to analyze, execute and maintain investments that are consistent with the Fund's objectives, and has done so since the Fund's inception in 1981.
- **The investment performance of the Fund.** As noted above, the Board determined that Impulsora has achieved competitive or superior investment performance relative to the leading Mexican equity indices and comparable funds. In fact, the Board noted that during the past two years, the Fund has outperformed all comparable funds investing in Mexican equity securities except for one proprietary fund. The Board also considered the efforts made by Impulsora to address the discount between the Fund's net asset value and market price.
- **The costs of advisory services provided and the level of profitability.** The Board reviewed the fees charged by Impulsora for investment advisory services, the gross revenues and pre-tax profits earned by Impulsora. On the basis of this information, the Board concluded that the level of investment advisory fees is appropriate in light of the management fees and that the overall expense ratios compared favorably to other similar funds and the anticipated profitability of the relationship between the Fund and Impulsora. Further, on the basis of comparative information supplied by Lipper Inc., the Board determined that the investment advisory fee of the Fund was competitive and lower than the weighted average of other comparable

closed-end country funds. In addition, the Board reviewed itemized expenses incurred by some other world equity closed-end funds as compared to the Fund. The Board also reviewed the actual dollar amount of the fees payable under the Investment Advisory and Management Agreement, as well as the fee as a percentage of assets under management.

- **Whether the advisory fees reflect economies of scale and the extent to which economies of scale will be realized as the Fund grows.** The Board determined that the investment advisory fees payable under the advisory arrangements already reflect potential future economies of scale through the existing fee structure, which includes the imposition of breakpoints as Fund assets increase, of 1.00% of average net assets for assets up to and including \$200 million, 0.90% of average net assets in excess of \$200 million and up to \$400 million, and 0.60% of average net assets for assets in excess of \$400 million.
- **Benefits to Impulsora from relationships with the Fund (and any corresponding benefit to the Fund).** The Board determined that other benefits described by Impulsora are reasonable and fair, and are consistent with industry practice and the best interest of the Fund and its stockholders. In this regard, the Board specifically considered the benefits to Impulsora due to the fact that it also serves, and receives an additional fee from the Fund as administrator to the Fund. In addition, the Board considered the fact that Impulsora also receives \$75,000 for each Fund repurchase offer (with such amount payable through an adjustment to the repurchase price paid to shareholders participating in the repurchase offer in order to reimburse the Fund for repurchase offer related expenses). With regard to brokerage, the Board noted that Impulsora does not utilize soft dollar arrangements. With regard to benefits to the Fund, the Board considered the fact that Impulsora has been able to obtain from Mexican brokerage houses, on behalf of the Fund, one of the lowest commission rates in Mexico.

#### **Concentration Policy**

The Fund has adopted a concentration policy that permits it to concentrate its investments in any industry or group of industries in the IPC Index (or any successor or comparable index as determined by the Board of Directors to be an appropriate measure of the Mexican market) if, at the time of investment, such industry represents 20% or more of the IPC Index; provided, however, that the Fund will not exceed the IPC Index concentration by more than 5%.

At the end of April 2007, the only industry group that represented 20% or more of the value of the securities included in the IPC Index is the communications industry group. This industry includes local, long-distance, and cellular telephone companies, as well as broadcast and media companies. Approximately 84.70% of this industry group is comprised of stocks of telecommunications companies. At the end of April 2007, 23.55% of the Fund's net assets were invested in this industry group. This is compared with the communications industry group's weighting of approximately 38.24% of the IPC Index. The Fund's Investment Adviser will continue to evaluate the concentration in this industry and may choose not to concentrate in this industry group in the future or to concentrate in other industries subject to the concentration policy described above.

#### **Periodic Repurchase Offer Authority**

On March 6, 2002, the Fund announced the Board's approval of a policy to conduct periodic in-kind repurchase offers at no less than 98% of NAV for up to 100% of the Fund's outstanding shares.

This policy is intended to provide additional liquidity to Fund shares and to reduce the discount at which

Fund shares have been trading on the NYSE. Under this policy which was approved by stockholders and is the subject of exemptive relief granted by the Securities and Exchange Commission (SEC), the Fund offers to repurchase no less than five percent of the Fund's outstanding shares each fiscal year, based on the number of shares outstanding at the beginning of the fiscal year. Repurchase offers are in-kind and conducted at least once each fiscal year, but not more frequently than quarterly, and are for between one and one hundred percent of the Fund's outstanding shares. The Board can set or reset the periodic interval between repurchase offers at three, six or 12 months. The Board of Directors of the Fund has announced that the Fund's next repurchase offer will occur during September 2007.

**The repurchase offers are not part of a plan to liquidate the Fund. Stockholder participation in the repurchase offers is not mandatory as stockholders can continue to purchase and sell Fund shares in cash transactions on the NYSE. The Fund continues to provide a convenient professionally managed vehicle for investing in Mexico.**

### Proxy Voting

Information is available about how the Fund voted proxies during the twelve-month period ending June 30, 2007, without charge, upon request, by calling collect Mr. Eduardo Solano, the Fund's Investor Relations Vice President, and on the SEC's website at [www.sec.gov](http://www.sec.gov). The Fund's and the Fund's Investment Adviser's proxy voting policies and procedures are on the Fund's website, [www.themexicofund.com](http://www.themexicofund.com) under the heading "Corporate Governance", the SEC's website at [www.sec.gov](http://www.sec.gov) or are available without charge, upon request, by calling Mr. Eduardo Solano. Mr. Solano can be contacted at (+52 55) 5282-8900, during Mexico City business hours (10:00 am to 3:00 pm and 5:00 to 7:00 pm ET).

### Investor Relations; Reports to Stockholders

The Fund's website has the Fund's market price and NAV per share on a same-day basis, the complete history of dividend distributions made by the Fund and a downloadable database containing the most important historical figures for the Fund. Documentation of the Fund's most recent in-kind repurchase offer and rights offering are available at the website section titled "Corporate Actions". The website section "Insiders Filings" provides direct hyperlinks to filings made by Directors and Officers of the Fund and its Investment Adviser regarding transactions in Fund shares available at the Securities and Exchange Commission's website. The Fund also has placed many Fund governance documents on the website under the section titled "Corporate Governance", including the Fund's Articles, By-laws and committee charters.

Starting with the third quarter in 2004, the Fund files its complete schedule of portfolio holdings with the SEC for the first and third quarters of each fiscal year on Form N-Q. The Fund's complete Schedules of Investment and Statements of Assets and Liabilities for the first and third quarters of its fiscal year are also available electronically on the Fund's website at "Portfolio". The Fund's Form N-Q filings are available on the SEC's website at [www.sec.gov](http://www.sec.gov) or may be reviewed and copied at the SEC's Public Reference Room in Washington, DC (information regarding which may be obtained by calling 1-800-SEC-0330). Electronic versions of the Fund's semi-annual and annual reports, Monthly Summary Reports and Proxy Statements are published on the Fund's website at the section "Investor Reports". Stockholders will receive printed versions of the Fund's semi-annual and annual reports. This information is also available on the Fund's quarterly electronic Form N-Q filings submitted to the SEC. Stockholders who desire to receive public reports and press releases regarding the Fund electronically upon their dissemination by the Fund should contact the Fund's Investor Relations Office via e-mail (see address below). We

hope that the Fund's web site is a useful resource for information and we will continue working to improve it.

Stockholders may contact the Investment Adviser via telephone, in Mexico City, at (+52 55) 5282-8900. Please ask for Mr. Eduardo Solano, the Fund's Investor Relations Vice President. Personnel to answer your questions are regularly available from 10:00 am to 3:00 pm and from 5:00 pm to 7:00 pm ET.

The Fund also offers stockholders and the general public the ability to contact the Fund via e-mail with questions or requests for additional information about the Fund. **Stockholders may also direct any concerns regarding financial information to this e-mail address.** Please direct your e-mail inquiries to:

#### **Investor Relations Office**

investor-relations@themexicofund.com

Information on the Fund's NAV and market price per share is also published weekly in The Wall Street Journal, The New York Times and other newspapers in a table called "Closed-End Funds". The Fund's NYSE trading symbol is MXF.

The Fund's Dividend Reinvestment Plan and Transfer Agent is:

#### **American Stock Transfer & Trust Company**

59 Maiden Lane Plaza Level

New York, NY 10038

(212) 936-5100

#### **Dividend Reinvestment Plan**

The Fund's Dividend Reinvestment Plan (the "Plan") provides a convenient way to increase your holdings in the Common Stock of the Fund through the reinvestment of net investment income and capital gain distributions. Under the terms of the Plan, Fund shareholders are automatically enrolled as participants in the Plan. If you do not wish to participate in the Plan, please contact the Plan Agent. Upon any termination of participation under the Plan, the Plan Agent will cause a share certificate for the appropriate number of full shares to be delivered to the participant, and a cash adjustment for any fractional shares. At a stockholder's request, the Plan Agent will sell the participant's shares and remit any proceeds to the participant, net of brokerage commissions. Stockholders who do not participate in the Plan will receive all distributions in cash.



## Edgar Filing: MEXICO FUND INC - Form N-CSRS

Under the terms of the Plan, whenever the Fund declares a distribution, Plan participants will receive their distribution entirely in shares of Common Stock purchased either in the open market or from the Fund. If, on the date a distribution becomes payable or such other date as may be specified by the Fund's Board of Directors (the valuation date), the market price of the Common Stock plus estimated brokerage commissions is equal to or exceeds the NAV per share of Common Stock, the Plan Agent will invest the distribution in newly issued shares of Common Stock, which will be valued at the greater of NAV per share or the current market price on the valuation date. If on the valuation date, the market price of the Common Stock plus estimated brokerage commissions is lower than the NAV per share, the Plan Agent will buy Common Stock in the open market. As a participant in the Plan, you will be charged a *pro-rata* portion of brokerage commissions on all open market purchases.

If your shares are registered or will be registered in the name of a broker-dealer or any other nominee, you must contact the broker-dealer or other nominee regarding his or her status under the Plan, including whether such broker-dealer or nominee will participate in the Plan on your behalf. Generally, shareholders receiving Common Stock under the Plan will be treated as having received a

distribution equal to the amount payable to them in cash as a distribution had the stockholder not participated in the Plan.

If you have any questions concerning the Plan or would like a copy of the Plan brochure, please contact the Plan Agent:

**American Stock Transfer & Trust Company**

Attention: Dividend Reinvestment Department

59 Maiden Lane Plaza Level

New York, NY 10038

(212) 936-5100

**New York Stock Exchange Certifications**

The Fund is listed on the New York Stock Exchange ( NYSE ). As a result, it is subject to certain corporate governance rules and related interpretations issued by the NYSE. Pursuant to those requirements, the Fund must include information in this report regarding certain certifications. The Fund's President and Treasurer have filed certifications with the SEC regarding the quality of the Fund's public disclosure. Those certifications were made pursuant to Section 302 of the Sarbanes-Oxley Act ( Section 302 Certifications ). The Section 302 Certifications were filed as exhibits to the Fund's annual report on Form N-CSR, which included a copy of this annual report along with other information about the Fund. After the Fund's 2006 annual meeting of stockholders, it filed a certification with the NYSE stating that its President was unaware of any violation of the NYSE's Corporate Governance listing standards.

**Sincerely yours,**

**José Luis Gómez Pimienta**

President

June 29, 2007

**Emilio Carrillo Gamboa**

Chairman of the Board

## The Mexico Fund, Inc.

## Schedule of Investments as of April 30, 2007 (Unaudited)

	Shares Held	Common Stock (79.82%)	Series	Value (Note 1)	Percent of Net Assets
<b>Cement Industry</b>	10,962,634	Cemex, S.A.B. de C.V.	CPO \$	35,723,512	3.90%
	4,220,500	Grupo Cementos de Chihuahua, S.A.B. de C.V.	*	22,755,894	2.48
				58,479,406	6.38
<b>Commercial Banks</b>	(a) 288,800	Banco Compartamos, S.A., Institución de Banca Múltiple	O	1,460,676	0.16
<b>Communications</b>	13,156,400	América Móvil, S.A.B. de C.V.	A	35,155,006	3.84
	48,209,866	América Móvil, S.A.B. de C.V.	L	126,967,912	13.86
	(a) 2,461,900	Axtel, S.A.B. de C.V.	CPO	11,602,322	1.27
	4,758,700	Grupo Televisa, S.A.B.	CPO	26,781,241	2.92
	8,767,100	Teléfonos de México, S.A.B. de C.V.	A	15,162,996	1.66
				215,669,477	23.55
<b>Construction</b>	(a) 3,719,000	Carso Infraestructura y Construcción, S.A. de C.V.	B-1	3,250,101	0.35
	(a) 5,708,833	Empresas ICA, S.A.B. de C.V.	*	22,630,964	2.47
				25,881,065	2.82
<b>Consumer Products</b>	3,334,680	Kimberly-Clark de México, S.A.B. de C.V.	A	14,787,843	1.61
<b>Financial Groups</b>	6,878,200	Grupo Financiero Banorte, S.A.B. de C.V.	O	29,935,320	3.27
	2,102,317	Fomento Económico Mexicano, S.A.B. de C.V.	UBD	22,672,272	2.47
<b>Food and Beverages</b>	3,226,400	Gruma, S.A.B. de C.V.	B	10,791,277	1.18
	2,719,500	Grupo Bimbo, S.A.B. de C.V.	A	14,735,042	1.61
				48,198,591	5.26
<b>Holding Companies</b>	2,789,400	Alfa, S.A.B. de C.V.	A	20,841,753	2.28
	6,905,024	Mexichem, S.A.B. de C.V.	*	21,104,687	2.30
	(a) 2,278,000	Verzatec, S.A.B. de C.V.	*	1,605,136	0.17
				43,551,576	4.75
<b>Housing</b>	10,718,000	Consortio ARA, S.A.B. de C.V.	*	17,595,575	1.92
	(a) 5,285,600	Corporación Geo, S.A.B. de C.V.	B	29,025,866	3.17
	(a) 4,472,082	Sare Holding, S.A.B. de C.V.	B	7,509,536	0.82
	(a) 11,338,700	Urbi Desarrollos Urbanos, S.A.B. de C.V.	*	47,480,638	5.18
				101,611,615	11.09
<b>Mining Industry</b>	4,509,753	Grupo México, S.A.B. de C.V.	B	24,138,020	2.64
	10,571,128	Alsea, S.A.B. de C.V.	*	18,089,651	1.97
<b>Retail Firms</b>	(a) 1,643,500	Grupo Famsa, S.A.B. de C.V.	A	9,944,199	1.09
	(a) 5,354,500	Organización Soriana, S.A.B. de C.V.	B	17,208,408	1.88
	12,232,793	Wal-Mart de México, S.A.B. de C.V.	V	48,079,070	5.25
				93,321,328	10.19
<b>Service</b>	(a) 2,803,748	Grupo Aeroportuario del Centro Norte, S.A.B. de C.V.	B	10,278,203	1.12
	2,892,500	Grupo Aeroportuario del Pacífico, S.A.B. de C.V.	B	13,157,834	1.44
	1,536,700	Grupo Aeroportuario del Sureste, S.A.B. de C.V.	B	7,429,113	0.81
	(a) 1,884,300	Promotora Ambiental, S.A.B. de C.V.	B	4,809,122	0.53
				35,674,272	3.90

## The Mexico Fund, Inc.

## Schedule of Investments as of April 30, 2007 (Unaudited) (Continued)

				Value (Note 1)	Percent of Net Assets
Steel	(a)	3,486,400	Industrias CH, S.A.B. de C.V.	B \$ 15,671,221	1.71%
		984,800	Tenaris, S.A.	* 22,827,988	2.49
				38,499,209	4.20
		<b>Total Common Stock</b>	(Identified cost \$280,101,543)	<b>\$ 731,208,398</b>	<b>79.82</b>
				<b>Value</b>	<b>Percent</b>
				<b>(Note 1)</b>	<b>of Net</b>
<b>Securities Repurchase Agreements</b>		<b>Principal Amount</b>	<b>Short-Term Securities (20.77%)</b>		<b>Assets</b>
			BBVA Bancomer, S.A., 7.10%, dated 04/30/07, due 05/02/07		
			repurchase price \$189,799,839 collateralized by Bonos del Gobierno		
			Federal. Value of collateral \$191,651,509	\$ 189,725,003	20.71%
<b>U.S. Government</b>		\$581,000	U.S. Treasury Bill, 0%, due 05/03/07		
				580,855	0.06
			<b>Total Short-Term Securities</b> (Identified cost \$190,305,858)	<b>\$ 190,305,858</b>	<b>20.77%</b>
			<b>Total Investments</b> (Identified cost \$470,407,401)	<b>921,514,256</b>	<b>100.59</b>
			<b>Liabilities in Excess of Other Assets</b>	<b>(5,492,655)</b>	<b>(0.59)</b>
			<b>Net Assets</b> Equivalent to \$45.74 per share on 20,027,631 shares of capital stock outstanding	<b>\$ 916,021,601</b>	<b>100.00%</b>

(a) Shares of these securities are currently non-income producing. Equity investments that have not paid dividends within the last twelve months are considered to be non-income producing.

See Notes to Financial Statements

**The Mexico Fund, Inc.**

**Statement of Assets and Liabilities as of April 30, 2007 (Unaudited)**

<b>Assets:</b>		
Investments:		
Securities, at value:		
Common stock (identified cost \$280,101,543)		\$ 731,208,398
Short term securities (identified cost \$190,305,858)		190,305,858
Total investments (identified cost \$470,407,401)		\$ 921,514,256
Cash		969
Interest receivable		37,418
Receivable from increase in capital stock (Note 5)		5,953,261
Prepaid expenses		203,988
Total assets		927,709,892
<b>Liabilities:</b>		
Payable to Investment Adviser (Notes 2 and 3)		568,933
Accrued expenses and other liabilities		573,255
Payables for securities purchased		10,546,103
Total liabilities		11,688,291
<b>Net Assets</b>	Equivalent to \$45.74 per share on 20,027,631 shares of capital stock outstanding	\$ 916,021,601
<b>Composition of Net Assets:</b>		
Common stock		\$ 20,027,631
Additional paid-in capital		383,968,943
Accumulated net investment loss		(305,265)
Undistributed net realized gain on investments		61,153,961
Unrealized appreciation of investments and translation of assets and liabilities in foreign currency		451,176,331
		\$ 916,021,601

See Notes to Financial Statements.

**The Mexico Fund, Inc.****Statement of Operations (Unaudited) For the Six Months Ended April 30, 2007****Net Investment Income:**

Income:		
Dividends	\$ 2,969,202	
Interest	682,419	
<b>Total income</b>		<b>\$ 3,651,621</b>
Expenses:		
Investment advisory fee	2,766,125	
Administrative services	386,661	
Legal fees	190,149	
Directors' fees	144,402	
Insurance	88,845	
Audit and tax fees	64,466	
Printing, distribution and mailing of stockholder reports	50,484	
Directors' and Officers' expenses	50,431	
Stockholders' information	29,980	
Miscellaneous	29,857	
Custodian fees	26,194	
Stock exchange fees	12,397	
Transfer agent and dividend disbursement fees	10,500	
<b>Operating expenses</b>		<b>3,850,491</b>
<b>Net investment loss</b>		<b>(198,870)</b>
<b>Net Realized and Unrealized Gain (Loss) on Investments and Foreign Currency Transactions:</b>		
Net realized gain (loss) on investments and foreign currency transactions:		
Net realized gain on investments	88,560,470	
Net realized loss from foreign currency transactions	(104,374)	
<b>Net realized gain on investments and foreign currency transactions</b>		<b>88,456,096</b>
Increase (decrease) in net unrealized gain on investments and translation of assets and liabilities in foreign currency:		
Increase in net unrealized gain on investments	66,863,791	
Decrease in net unrealized gain on translation of assets and liabilities in foreign currency	(120,496)	
<b>Increase in net unrealized gain on investments and translation of assets and liabilities in foreign currency</b>		<b>66,743,295</b>
<b>Net Increase in Net Assets Resulting from Operations</b>		<b>\$ 155,000,521</b>

See Notes to Financial Statements.

**The Mexico Fund, Inc.**

	<b>For the Six Months Ended April 30, 2007 (Unaudited)</b>	<b>For the Year Ended October 31, 2006</b>
<b>Statement of Changes in Net Assets</b>		
<b>Increase (Decrease) in Net Assets:</b>		
<b>From Operations</b>		
Net investment (loss) income	\$ (198,870)	\$ 4,999,621
Net realized gain on investments and foreign currency transactions	88,456,096	96,787,508
Increase in net unrealized gain on investments and translation of assets and liabilities in foreign currency	66,743,295	117,128,252
Net increase in net assets resulting from operations	155,000,521	218,915,381
Dividends to stockholders from net investment income	(5,232,662)	(10,556,280)
Distributions to stockholders from net realized gain on investments	(55,442,196)	(38,590,309)
	94,325,663	169,768,792
<b>From Capital Share Transactions:</b>		
Net increase in capital stock (Note 5)	208,108,024	
Repurchase of stock, at cost (Note 7)	(33,383,506)	(57,451,725)
	174,724,518	(57,451,725)
Total increase in net assets	269,050,181	112,317,067
<b>Net Assets:</b>		
Beginning of period	646,971,420	534,654,353
End of period (including undistributed net investment (loss) income of \$(305,265) and \$5,232,663, respectively)	\$ 916,021,601	\$ 646,971,420

See Notes to Financial Statements.

**The Mexico Fund, Inc.****For the  
Six Months  
Ended****For the Year Ended October 31,****Financial Highlights****April 30, 2007**

	<b>(Unaudited)</b>	<b>2006</b>	<b>2005</b>	<b>2004</b>	<b>2003</b>	<b>2002</b>
<b>Per Share Operating Performance:</b>						
Net asset value, beginning of period	\$ 42.43	\$ 31.65	\$ 21.92	\$ 17.36	\$ 15.46	\$ 18.98
Net investment (loss) income**	(0.01)	0.30	0.23	0.03	0.03	0.15
Net gain (loss) on investments and translation of foreign currency**	10.53	13.37	10.20	6.72	3.63	(1.30)
Total from investment operations**	10.52	13.67	10.43	6.75	3.66	(1.15)
<b>Less Dividends:</b>						
Dividends to stockholders from net investment income	(0.34)	(0.63)	(0.13)		(0.45)	(0.13)
Distributions to stockholders from net realized gain on investments	(3.64)	(2.28)	(0.58)	(0.31)	(1.34)	(2.67)
Total dividends and distributions	(3.98)	(2.91)	(0.71)	(0.31)	(1.79)	(2.80)
<b>Capital Share Transactions:</b>						
Effect on NAV of stock repurchased	0.01	0.02	0.01	0.01	0.06	0.43
Capital charge resulting from issuance of fund shares	(3.24)			(1.89)	(0.03)	
Total capital share transactions	(3.23)	0.02	0.01	(1.88)	0.03	0.43
Net asset value, end of period	\$ 45.74	\$ 42.43	\$ 31.65	\$ 21.92	\$ 17.36	\$ 15.46
Market value per share, end of period	\$ 39.53	\$ 36.91	\$ 28.10	\$ 18.65	\$ 15.36	\$ 14.58
Total investment return based on market value per share***	19.84%	44.14%	55.64%	27.39%	22.49%	2.14%
<b>Ratios to Average Net Assets:</b>						
Gross Expenses*	1.11%	1.20%	1.38%	1.64%	1.92%	1.46%
Expenses, net of reimbursement*	1.11%	1.20%	1.38%	1.64%	1.92%	1.37%
Net investment income, net of expense reimbursement*	(0.06)%	0.87%	0.84%	0.15%	0.15%	0.83%
<b>Supplemental Data:</b>						
Net assets at end of period (in 000 s)	\$ 916,022	\$ 646,971	\$ 534,654	\$ 410,373	\$ 269,762	\$ 308,763
Portfolio turnover rate	11.20%	14.50%	29.24%	26.84%	28.99%	43.36%

\* Annualized

\*\* Amounts were computed based on average shares outstanding during the period.

\*\*\* Total investment return is calculated assuming a purchase of common stock on the opening of the first day and a sale on the last business day of each period reported. Dividends and distributions, if any, are assumed to be reinvested at the lower of the net asset value or the closing market price on the dividend/distribution day. If the fiscal 2003 distribution were taken in stock, which was issued at \$12.08 per share, the total return would have been 20.99% for that year. For fiscal 2004, the total return was calculated assuming a sale of the rights received on September 22, and reinvested in stock at the closing market price of that date. For the six months ended April 30, 2007, the total return was calculated assuming a sale of the rights received on March 26, and reinvested in stock at the closing market price of that date. If the fiscal 2007 distribution were taken in stock, which was issued at \$38.95 per share, the total return would have been 19.96%.

See Notes to Financial Statements.



---

---

**The Mexico Fund, Inc.**

**Notes to Financial Statements April 30, 2007 (Unaudited)**

---

**1. Operations and Significant Accounting Policies:**

The Mexico Fund, Inc. (the Fund ) is registered under the Investment Company Act of 1940, as amended (the 1940 Act ), as a closed-end management investment company. On October 16, 2000, the Fund received stockholder approval to convert from a diversified to a non-diversified investment company under the 1940 Act. The investment objective of the Fund is to seek long term capital appreciation through investment in securities, primarily equity, listed on the Mexican Stock Exchange.

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses for the period. Actual results could differ from those estimates. The following is a summary of significant accounting policies followed by the Fund.

*Valuation of investments* Investments in which the principal exchange is on the Mexican Stock Exchange are valued at the closing price reported by the Mexican Stock Exchange. The closing price represents the weighted average for the last twenty minutes of operations in any business day. Investments in which the principal exchange is the New York Stock Exchange are valued at the last sale price. Short-term securities with remaining maturities of less than 60 days at the time of purchase are carried at cost, plus accrued interest, which approximates market value. All other securities are valued in accordance with methods determined by the Board of Directors. If the Board of Directors believes that the price of a security obtained under the Fund's valuation procedures does not represent the amount that the Fund reasonably expects to receive on a current sale of the security, the Fund will value the security based on a method that the Board believes accurately reflects fair value.

*Security transactions and investment income* Security transactions are recorded on the date which the transactions are entered into (the trade date). Dividend income is recorded on the ex-dividend date and interest income is recorded as earned.

*Foreign Currency* The market value of Mexican securities, currency holdings and other assets and liabilities denominated in Pesos ( Ps. ) was recorded in the financial statements after being translated into U.S. dollars based on the open market exchange rate prevailing in Mexico City at the end of the period. The open market exchange rate at April 30, 2007 was Ps. 10.9278 to \$1.00.

The identified cost of portfolio holdings is translated at approximate rates prevailing when acquired. Income and expense amounts are translated at approximate rates prevailing when earned or incurred.

The Fund does not isolate that portion of the results of operations arising as a result of changes in the foreign exchange rates from the fluctuations arising from changes in the market prices of securities during the year. Accordingly, the net realized and unrealized gain on investments presented in the accompanying financial statements include the effects of both such changes.

Edgar Filing: MEXICO FUND INC - Form N-CSRS

Reported net realized foreign exchange gains or losses arise from sales of short-term securities in exchange of cash, payment of services or functional currency denominated assets, currency gains or losses realized between the trade and settlement

dates on securities transactions and the difference between the amounts of dividends, interest, and foreign withholding taxes recorded by the Fund, and the U.S. dollar equivalent of the amount actually received or paid.

Net unrealized foreign exchange gains and losses arise from changes in the value of assets and liabilities other than investments in common stocks, resulting from changes in the exchange rate.

*Repurchase Agreements* The Fund enters into repurchase agreements with approved institutions. The Fund's repurchase agreements are fully collateralized by Mexican or U.S. Government securities. The Fund takes possession of the collateral and the Fund's investment adviser monitors the credit standing of repurchase agreement counterparties. It is the Fund's policy that the fair value of the collateral be at least equal to the principal amount of the repurchase transaction, including accrued interest, at all times. If the counterparty defaults, and the fair value of the collateral declines, realization of the collateral by the Fund may be delayed or limited.

*Realized gains and losses on investments* Realized gains and losses on investments are determined on the identified cost basis.

*Taxes* No provision has been made for U.S. income or excise taxes for the six months ended April 30, 2007 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.

Dividends to stockholders from net investment income are determined based on Federal income tax regulations, whereas the corresponding net investment income as reflected in the accompanying financial statements, is presented in accordance with accounting principles generally accepted in the United States. Net realized gains from security transactions are distributed annually to stockholders.

*Dividends to stockholders* Cash dividends are recorded by the Fund on the ex-dividend date. Dividends paid to stockholders may be subject to Mexican withholding taxes.

*Risks of Investment in Mexican Securities* Investing in Mexican securities involves certain considerations not typically associated with investing in securities of U.S. issuers, including (1) lesser liquidity and smaller market capitalization of the Mexican securities markets, (2) currency fluctuations, (3) higher rates of inflation and domestic interest rates and (4) less stringent disclosure requirements, less available information regarding Mexican public companies and less active regulatory oversight of Mexican public companies.

The Mexican Stock Exchange is a concentrated market. A large percentage of the value of the Mexican securities market is currently represented by certain industry sectors, in particular, the communications industry. Also, a certain individual has a controlling interest in companies representing over 40% of the market capitalization of the Mexican Stock Exchange. The value of the Mexican Stock Exchange may be subject to greater volatility than markets that are less concentrated. Any factors or events which impact this individual could have negative repercussions for the issuers in which he holds a controlling interest, including certain Fund investments and the Mexican Stock Exchange as a whole.

*Recently Issued Accounting Pronouncements* In July 2006, the Financial Accounting Standards Board issued Interpretation No. 48, Accounting for Uncertainty in Income Taxes an Interpretation of FASB Statement No. 109 (the Interpretation ). The Interpretation establishes for all entities, including pass-through entities such as the Fund, a

minimum threshold for financial statement recognition of the benefit of positions taken in filing tax returns (including whether an entity is taxable in a particular jurisdiction), and requires certain expanded tax disclosures. The Interpretation is effective for fiscal years beginning after December 15, 2006, and is to be applied to all open tax years as of the date of effectiveness. Management has recently begun to evaluate the application of the Interpretation to the Fund, and is not in a position at this time to estimate the significance of its impact, if any, on the Fund's financial statements.

In September 2006, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards ( SFAS ) 157, Fair Value Measurements, which clarifies the definition of fair value and requires companies to expand their disclosure about the use of fair value to measure assets and liabilities in interim and annual periods subsequent to initial recognition. Adoption of SFAS 157 requires the use of the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. SFAS 157 is effective for financial statements issued for fiscal years beginning after November 15, 2007, and interim periods within those fiscal years. At this time, the Fund is in the process of reviewing the Standard against its current valuation policies to determine future applicability.

**2. Investment Advisory Agreement:**

The Fund has a management contract with Impulsora del Fondo México, S.C. (the Adviser ), a Mexican company registered under the U.S. Investment Advisers Act of 1940. The Adviser furnishes investment research and portfolio management services consistent with the Fund's stated investment policies. The Fund pays to the Adviser a monthly fee at the annual rate of 1.00% on the first \$200 million of average daily net assets, 0.90% on the excess over \$200 million up to \$400 million and 0.60% on the excess over \$400 million.

**3. Administrative Services Agreement:**

The Fund has entered into an Administrative Services Agreement with the Adviser, which provides for certain services to be performed by the Adviser, including among other administrative activities, the determination and publication of the net asset value of the Fund, the maintenance of the Fund's books and records in accordance with applicable U.S. and Mexican Laws and assistance in the preparation and filing of annual reports and tax returns. Prior to March 7, 2007, the Fund paid to the Adviser a monthly fee at the annual rate of 0.11% of average daily net assets, with a minimum amount of \$450,000 per year. On March 7, 2007, the Fund's Board of Directors approved a modification in the fee structure of the contract with the Adviser. Accordingly, starting March 7, 2007, the Fund pays to the Adviser a monthly fee at the annual rate of 0.11% on the first \$600 million of average daily net assets, and 0.09% on the excess over \$600 million, with a minimum amount of \$450,000 per year. Additionally, the Adviser receives a fee of \$75,000 per repurchase offer made by the Fund under the program, which is recorded as part of the total expenses of each offer. See Note 7.

**4. Purchases and Sales of Investments:**

Purchases and sales of investments, excluding short-term securities, for the six months ended April 30, 2007 were as follows:

Purchases	
Common Stock	\$ 75,939,775

Edgar Filing: MEXICO FUND INC - Form N-CSRS

Total Purchases	\$	75,939,775
Proceeds from Investments Sold		
Common Stock	\$	137,466,839
Total Sales	\$	137,466,839

Included in proceeds from investments sold, is \$32,908,032 representing the value of securities disposed of in payment of redemptions in-kind,

resulting in realized gains of \$23,136,459. Pursuant to a private letter ruling from the Internal Revenue Service, granted to the Fund, these gains are not recognized by the Fund for tax purposes. As a result, net realized gains differ for financial statement and tax purposes. These realized gains have been reclassified from undistributed realized gains on investments to additional paid in capital in the accompanying financial statements.

**5. Capital Stock:**

At April 30, 2007, there were 150,000,000 shares of \$1.00 par value common stock authorized, of which 20,027,631 shares were outstanding.

The Fund offers a Dividend Reinvestment Plan ( Plan ) to its stockholders. Fund stockholders are automatically enrolled as participants in the Plan unless they notify the Fund’s transfer agent otherwise.

On December 5, 2006, the Board of Directors declared a stock dividend of \$54,233,393. This dividend was paid in shares of common stock of the Fund, and in cash by specific election. Some shareholders selected the stock dividend, therefore on January 23, 2007 the Company issued 520,120 shares, which amounted to \$20,258,664. The net asset value per share of the Fund’s common stockholders was reduced by approximately \$0.18 per share as a result of this issuance.

In connection with a rights offering by the Fund, stockholders of record on March 22, 2007 were issued one transferable right for each share of common stock owned. The rights entitled the holders to purchase one new share for every three rights held at a subscription price equal to 95% of the lower of (i) the average of the last reported sale prices of a share of the Fund’s common stock on the NYSE on the expiration date (April 20, 2007) and the four preceding trading days and (ii) the net asset value per share on the expiration date. On April 30, 2007, the Fund issued 5,021,908 shares of common stock at a weighted average price of \$38.872 per share. Rights offering costs of \$530,000 (\$0.03 per share) and dealer manager commissions of \$6,832,412 (\$0.34 per share) were charged to paid in capital of common stockholders resulting in net proceeds to the Fund of \$187,849,360. The net asset value per share of the

Fund’s common stockholders was reduced by approximately \$3.06 per share as a result of this issuance, which includes the effect of the dealer manager commissions and rights offering costs.

**6. Distributions to Stockholders:**

The tax character of distributions paid during the fiscal year ended October 31, 2006 were as follows:

	2006
Distributions paid from:	
Ordinary income	\$ 14,294,756
Long term capital gains	34,851,833
 Total distributions paid	 \$ 49,146,589

## Edgar Filing: MEXICO FUND INC - Form N-CSRS

As of April 30, 2007, the components of accumulated earnings (deficit) on a tax basis were as follows:

Accumulated capital gains	\$	53,204,039
Undistributed ordinary income		8,890,114
Unrealized appreciation		449,930,874
Total accumulated earnings	\$	512,025,027

At April 30, 2007, the cost of investments for federal income tax purposes was \$471,652,853. Gross unrealized appreciation of investments was \$450,010,625 and gross unrealized depreciation of investments was \$149,222 resulting in net unrealized appreciation on investments of \$449,861,403 excluding foreign currency transactions. The difference between book-basis and tax basis unrealized appreciation/(depreciation) is attributable primarily to different book and tax treatment on corporate reorganizations to securities held by the Fund.



**7. Stock Repurchase Program:**

On March 6, 2002, the Board of Directors of the Fund announced a policy contemplating in-kind repurchase offers at no less than 98% of net asset value for up to 100% of the Fund's outstanding shares.

The repurchases carried out by the Fund during the six months ended April 30, 2007 and the year ended October 31, 2006 were as follows:

An offer for up to 5% of the Fund's outstanding shares commenced on December 22, 2005 and expired on January 13, 2006. The amount paid for redeemed shares was 98.75% of the Fund's net asset value on January 20, 2006 and was paid on January 27, 2006. A total of 5,746,444 shares participated in the offer, of which 844,143 were repurchased by the Fund equivalent to a total repurchase price of \$28,334,134 including \$222,329 of expenses related to the offer.

An offer for up to 5% of the Fund's outstanding shares commenced on July 5, 2006 and expired on August 3, 2006. The amount paid for redeemed shares was 98.75% of the Fund's net asset value on August 10, 2006 and was paid on August 17, 2006. A total of 5,384,274 shares participated in the offer, of which 802,521 were repurchased by the Fund equivalent to a total repurchase price of \$29,117,591 including \$202,648 of expenses related to the offer.

An offer for up to 5% of the Fund's outstanding shares commenced on December 22, 2006 and expired on January 16, 2007. The amount paid for redeemed shares was 98.75% of the Fund's net asset value on January 23, 2007 and was paid on January 30, 2007. A total of 4,277,046 shares participated in the offer, of which 762,401 were repurchased by the Fund equivalent to a total repurchase price of \$33,383,506 including \$213,595 of expenses related to the offer.

**8. Investments:**

Certain members of the Board of Directors of the Fund are also members of Boards of Directors of certain companies held in the Fund's portfolio.

**9. Commitments and Contingencies:**

In the normal course of business, the Fund enters into contracts that contain a variety of representations and warranties or which provide general indemnifications. The Fund's maximum exposure under these arrangements is unknown as this would involve future claims that may be made against the Fund that have not yet occurred. However, based on experience, the Fund expects the risk of loss to be remote.

**Item 2. Code of Ethics.**

Not applicable.

**Item 3. Audit Committee Financial Expert.**

Not applicable.

**Item 4. Principal Accountant Fees and Services.**

Not applicable.

**Item 5. Audit Committee of Listed Registrant.**

Not applicable.

**Item 6. Schedule of Investments.**

This schedule is included as part of the Semi-Annual Report to Stockholders filed under Item 1 of this Form.

**Item 7. Disclosure of Proxy Voting Policies and Procedures for Closed-End Management Investment Companies.**

Not applicable.

**Item 8. Portfolio Managers of Closed-End Management Investment Companies**

As of the date of this filing, there has been no change in any of the portfolio managers identified in response to paragraph (a)(1) of this Item in the Registrant's most recent annual report on Form N-CSR for the period ended October 31, 2006.

**Item 9. Purchases of Equity Securities by Closed-End Management Investment Company and Affiliated Purchasers.**  
**REGISTRANT PURCHASES OF EQUITY SECURITIES**

	(a)	(b)	(c)	(d)
Period from November 1, 2006 to April 30, 2007	Total Number of Shares (or Units) Purchased	Average Price Paid per Share (or Unit)	Total Number of Shares (or Units) Purchased as Part of Publicly Announced Plans or Programs	Maximum Number (or Approximate Dollar Value) of Shares (or Units) that May Yet Be Purchased Under the Plans or Programs
Month # 1				
November 1, 2006 to November 30, 2006	0	0	0	0
Month # 2				
December 1, 2006 to December 31, 2006	0	0	0	0
Month # 3				
January 1, 2007 to January 31, 2007	762,401	\$ 43.51(B)	762,401	(A)
Month # 4				
February 1, 2007 to February 28, 2007				0
Month # 5				
March 1, 2007 to March 31, 2007	0	0	0	0
Month # 6				
April 1, 2007 to April 30, 2007	0	0	0	0

(A) On December 22, 2006, the Fund offered to repurchase up to 5% of its outstanding shares (total outstanding of 15,248,004) in kind at 98.75% of the Fund's NAV as of January 23, 2007. The January 2007 Repurchase Offer expired at 5:00 p.m. on January 16, 2007. This Repurchase Offer is part of a fundamental policy of the Fund adopted pursuant to Rule 23c-3 of the Investment Company Act of 1940 to offer to repurchase in kind at least 5% of the Fund's outstanding shares on an annual basis. For more information, see the Fund's Annual Report in Item 1.

(B) NAV	\$ 44.06
Repurchase adjustment	\$ 0.55
Net price	\$ 43.51

**Item 10. Submission of Matters to a Vote of Security Holders.**

There has been no material change to the procedures by which stockholders may recommend nominees to the Fund's Board of Directors.

**Item 11. Controls and Procedures.**

(a) The Registrant's principal executive officer and principal financial officer have evaluated the Registrant's disclosure controls and procedures within 90 days of this filing and have concluded that the Registrant's disclosure controls and procedures were effective, as of that date, in ensuring that information required to be disclosed by the Registrant in this Form N-CSR was recorded, processed, summarized, and reported on a timely basis.

(b) At the date of filing of this Form N-CSR, the Registrant's principal executive officer and principal financial officer are aware of no changes in the Registrant's internal controls that occurred during the second fiscal quarter of the period covered by this report that has materially affected, or is reasonably likely to materially affect, the Fund's internal control over financial reporting.

**Item 12. Exhibits.**

(a)(1) Not applicable.

(a)(2) A separate certification for each principal executive officer and principal financial officer of the Registrant as required by Rule 30a-2 of the Investment Company Act of 1940, as amended, is filed as Exhibit 99.CERT.

(b) A certification of the principal executive officer and principal financial officer of the Registrant as required by Section 906 of the Sarbanes-Oxley Act of 2002 is included as Exhibit 99.906CERT.

**SIGNATURES**

Pursuant to the requirements of the Securities Exchange Act of 1934 and the Investment Company Act of 1940, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

THE MEXICO FUND, INC.

By\* /s/ Jose Luis Gómez Pimienta  
Jose Luis Gómez Pimienta

President and Principal Executive Officer  
Date: July 3, 2007

Pursuant to the requirements of the Securities Exchange Act of 1934 and the Investment Company Act of 1940, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

By\* /s/ Jose Luis Gómez Pimienta  
Jose Luis Gómez Pimienta

President and Principal Executive Officer  
Date: July 3, 2007

By\* /s/ Alberto Osorio  
Alberto Osorio

Treasurer and Principal Financial Officer  
Date: July 3, 2007

\* Print the name and title of each signing officer under his or her signature.