

MEXICO FUND INC
Form N-CSR
December 30, 2008
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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, 3RD FLOOR

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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, 2008

Date of reporting period: October 31, 2008

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Item 1. Reports to Stockholders.

A copy of the Registrant's annual report to stockholders for the period ending October 31, 2008 transmitted to stockholders pursuant to Rule 30e-1 under the Investment Company Act of 1940 is provided below.

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The Mexico Fund, Inc.

ANNUAL REPORT

www.themexicofund.com

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The Mexico Fund, Inc.

Managed Distribution Plan (MDP)

On September 4, 2008, the Fund announced that it had received authorization from the Securities and Exchange Commission (SEC) to distribute long-term capital gains to stockholders more frequently than once per year. Accordingly, the Board of Directors formally approved the implementation of a Managed Distribution Plan (MDP) to make quarterly cash distributions to stockholders.

On December 8, 2008, the Fund announced that in light of current market circumstances, the Fund's Board of Directors decided to reduce from 12% to 10% of net asset value (NAV) the amount of annual distributions that the Fund will pay to stockholders under the MDP during 2009. The Fund intends to pay quarterly cash dividends during April, July and October 2009 and January 2010, each for 2.5% of the NAV per share as of December 31, 2008. You should not draw any conclusions about the Fund's investment performance from the amount of these distributions or from the terms of the MDP. The MDP will be subject to regular periodic review by the Fund's Board of Directors.

With each distribution, the Fund will issue a notice to stockholders and an accompanying press release which will provide detailed information regarding the amount and composition of the distribution and other information required by the Fund's exemptive order. The Fund's Board of Directors may amend or terminate the MDP at any time without prior notice to stockholders; however, at this time, there are no reasonably foreseeable circumstances that might cause the termination of the MDP.

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The Mexico Fund, Inc.

The Fund's Management

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 and Chief Executive Officer*

Alberto Osorio *Senior Vice President, Treasurer and Chief Financial Officer*

Samuel García-Cuéllar *Secretary*

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

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American Stock Transfer & Trust Company

Counsel

Dechert LLP

Creel, García-Cuéllar, Aiza y Enríquez, 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.

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The Mexico Fund, Inc.

Annual Report

October 31, 2008

Highlights

The Fund's fiscal 2008 ended on October 31, 2008. This has been a particularly difficult period for world financial markets, affected by a credit crisis caused by the collapse of the sub-prime mortgage market in the United States and some European countries, and by the high prices of energy and food. The S&P500 Index and the Dow Jones Industrials Average lost 37.5% and 33.1%, respectively.

Losses extended to emerging markets, which suffered significantly during October 2008, and the Mexican equity market and the Fund were affected by this declining trend as well. During fiscal 2008, the Fund's market price and net asset value (NAV) per share registered total returns¹ of -54.4% and -55.1%, respectively, compared with -48.3% and -45.3% registered by the Morgan Stanley Capital International Mexico Index and Bolsa IPC Index, respectively.

At the end of October 2008, the Fund's market price and NAV per share were \$16.56 and \$19.41, respectively, reflecting a discount of 14.68%, compared with 11.77% at the end of fiscal 2007.

The Fund adopted a defensive strategy at the end of fiscal 2008, investing approximately 81.69% of its net assets in equity securities and 18.62% of its net assets in cash equivalent securities.

The Fund has had a non-fundamental investment policy of investing at least 80% of its total assets in equity securities listed on the Mexican Stock Exchange. In December 2008, the Fund's Board of Directors approved a change to this investment policy. Effective March 1, 2009, the Fund may invest at least 80% of its total assets in equity securities listed on the Mexican Stock Exchange, but may reduce its holdings in equity securities listed on the Mexican Stock Exchange below 80% of its total assets for temporary defensive purposes when unusual market or economic conditions occur.

On September 4, 2008, the Fund announced the implementation of an MDP to make quarterly cash distributions to stockholders. The first two distributions under the MDP were made during September and November 2008, for \$1.13 each. The Board has announced that the third dividend distribution of fiscal 2008, of \$1.2388 per share, will be paid on January 5, 2009 to stockholders of record on December 18, 2008. Together, these three dividends represent 21.1% of the Fund's market price at the end of fiscal 2008.

Mexico's gross domestic product (GDP) increased 1.6% during the third quarter of 2008, compared with 3.7% during the third quarter of 2007.

The Mexican country risk ended this period at 349 basis points, the second lowest after Chile within Latin America.

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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.

¹ Performance figures consider reinvestment of dividend distributions.

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The Mexico Fund, Inc.

To Our Stockholders:

We present to you the Fund's 2008 Annual Report. In this Report, we summarize the period's prevailing economic, political 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

The Mexican economic environment has been affected by several international factors such as a recessionary period in the United States, which is Mexico's most important economic partner, and, during most of fiscal 2008, high prices of energy and food. The Mexican gross domestic product (GDP) increased 1.6% during the third quarter of calendar 2008, compared with 3.7% during the same quarter of 2007, the lowest quarterly growth rate in the last five years, affected by a decline of 0.5% in the United States during the same period. Mexico's industrial production has declined during the last five months and for October 2008 it decreased by 1.8%. Analysts surveyed by Banco de México, Mexico's Central Bank, have adjusted their growth estimates due to the prevailing global economic situation, and now expect that the Mexican GDP will increase approximately 1.8%, 0.4% and 2.5% during 2008, 2009 and 2010, respectively. Under the current global economic environment, in which developed economies may already be suffering a contraction, we believe Mexico offers a relatively better economic outlook for the near future.

The high prices of food and energy that prevailed until mid-2008 and the recent devaluation of the peso against the dollar have affected inflation rates, and for the year ended October 31, 2008 the inflation rate amounted to 5.78%, higher than the 3% \pm 1% target rate set by the Central Bank. Analysts currently believe that Mexico's inflation rate will be 6.3%, 4.4% and 3.9%, during 2008, 2009 and 2010, respectively.

Domestic interest rates remained stable during this fiscal year and at the end of October 2008 ranged from 7.22% for the 28-day Cetes (Treasury Bills) to 8.80% for the 30-year government bonds, denominated in local currency. Emerging markets country risk levels increased during this period as a consequence of the negative impact felt in the financial sector from the credit crisis. As a result, Mexico's country risk, as measured by the spread between the yields of Mexican sovereign debt instruments denominated in dollars and traded abroad versus US Treasury bonds, increased from a minimum historical level of 70 basis points at the end of May 2007 to 349 basis points at the end of October 2008. Compared with other Latin American countries, Mexico's country risk continues to be, together with Chile, the lowest of the region. Analysts estimate that domestic interest rates will be relatively stable during the remainder of 2008 and 2009, and project that the rate of 28-day Cetes will be 8.0% and 7.4%, respectively, at the end of each year.

The Mexican peso suffered a devaluation of 15.8% versus the US dollar during this fiscal year, with most of the devaluation occurring during October 2008. Some factors that affected the value of the peso against the dollar were the volatile performance of global financial markets, in which aversion towards emerging markets currencies was present; important repatriations of financial assets held in Mexico by some international institutions; and a demand for dollars from Mexican corporations that needed to cover financial liabilities, including

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¹ Performance figures consider reinvestment of dividend distributions.

derivative positions. The rate of exchange ended this period at Ps. 12.71 per dollar, compared with Ps. 10.70 one year earlier. This decline in the value of the peso occurred despite intervention from the Central Bank, which used international reserves to auction dollars during the most volatile days of October 2008. Analysts estimate that the currency market will eventually stabilize and that the exchange rate may finish 2008 and 2009 at Ps. 12.84 and Ps. 12.67, respectively.

The Mexican trade balance deficit increased 17.1% during the first nine months of 2008, when exports and imports grew at rates near 15%. The Mexican government purchased derivative instruments to guarantee a minimum price of \$70 per barrel for its oil exports, a strategy that has proven successful given the current level of approximately \$33 per barrel for the Mexican oil mix. International reserves at the central bank continue growing as a result of this strategy and currently amount to \$83.4 billion.

Management Discussion of Fund s Performance and Portfolio Strategy

For the reasons mentioned above, fiscal 2008 was a difficult period for the Fund and world financial markets alike. During this period, the S&P500 Index declined 37.5% while the Dow Jones Industrials Average lost 33.1%. Particularly during October 2008, emerging markets like Mexico suffered even more as a result of increased risk aversion from international investors and a severe contraction of credit availability, which significantly impacted the market prices of small and medium size listed companies. As a result, the Fund s market price and NAV registered negative total returns¹ of 54.4% and 55.1%, respectively, during fiscal 2008, compared with declines of 48.3% and 45.3% for the Morgan Stanley Capital International Mexico Index and the Bolsa IPC Index, respectively.

The Fund s five portfolio holdings that most contributed to the decline of the Fund s NAV per share during fiscal 2008 were: América Móvil (AMX), a telecommunications company; Grupo México, a mining company; Axtel, a domestic provider of fixed telephone lines; Empresas ICA (ICA), dedicated to infrastructure and construction; and Urbi Desarrollos Urbanos (Urbi), a housing company. During this period, the market prices of these five issuers decreased 48.6%, 69.7%, 80.9%, 79.3% and 62.7%, respectively. The negative performance of these five issuers, together with those of Grupo Cementos de Chihuahua (GCC), producer of cement and Tenaris, a pipe producer for the oil industry, generated most of the relative underperformance of the Fund s NAV against the indices during fiscal 2008, despite the fact that the Fund reduced its investments in these companies since July 2008. At the end of October 2008, the Fund had disposed of its holdings in Tenaris and Axtel.

As of October 31, 2008, the Fund had total net assets of \$351.3 million. The composite volume of Fund shares traded on all US consolidated markets during fiscal 2008 was 18,452,295 million shares, compared with 18,100,290 shares outstanding at the end of the period.

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The following chart shows the Fund's portfolio composition by sector, expressed as a percentage of the Fund's net assets, as of October 31, 2008. The Fund adopted a defensive strategy at the end of this fiscal year by holding a higher than usual percentage in dollars which, at the same time, provided resources to pay stockholders the dividend distributions under the MDP. More detailed information about the Fund's portfolio is available below in this report.

Portfolio Composition by Sector

Percentage of Net Assets,

October 31, 2008

The economic recession in the United States and significant increases in energy and commodity prices during most of fiscal 2008 affected operating and net results of listed companies. For the first nine months of 2008, compared with the same period of 2007, sales of listed companies increased 10.1%, EBITDA² increased 2.5% and net income fell 14.7%. The average price earnings ratio (PER) of the market decreased from 17.86 times at the end of fiscal 2007, to 11.90 times at the end of October 2008 while the price to book value ratio decreased from 3.30 times to 2.14 times during the same period³.

Despite the negative outlook for the US economy and its inevitable impact on Mexico, we believe that the recent volatile and declining trend of the Mexican equity market represents an excellent investment opportunity in selected issuers, as it has resulted in low valuations of

² EBITDA refers to earnings before interests, taxes, depreciation and amortization.

³ **Source:** Impulsora del Fondo México, S.C. with figures provided by the Mexican Stock Exchange.

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listed companies with positive fundamentals and management quality. The Fund will continue looking for companies with strong balance sheets, positive free cash flow and proven business models.

Long Term Performance

Notwithstanding the Fund's performance in fiscal 2008, it should be noted that during the previous five fiscal years, the Fund's performance has shown strong results, and has generally been competitive with the Morgan Stanley Capital International Mexico Index and the Bolsa IPC Index, as shown in the chart below.

Discount Reduction Efforts

Discounts of closed-end funds increased to record levels during fiscal 2008 as a consequence of investors' aversion towards equity investments and the crisis facing funds that issue auction preferred rate shares. The discount between the Fund's market price and NAV ended October 31, 2008 at 14.68%, compared with 11.8% at the end of fiscal 2007. The Board of Directors closely analyzes and continues to monitor the Fund's discount levels, and has implemented an MDP, as described below.

Declaration of Dividends Under MDP

On September 4, 2008, the Fund announced that it had received authorization from the SEC to distribute long-term capital gains to stockholders more frequently than once per year. Accordingly, the Board of Directors formally approved the implementation of a MDP to make quarterly cash distributions to stockholders. On September 24, 2008 and November 25, 2008, the Fund paid cash dividends each of \$1.13 per share, the equivalent of 3% of the Fund's NAV per share as of July 31, 2008. The Fund will pay another dividend of \$1.2388 per share on January 5, 2009 to stockholders of record on December 18, 2008. Together, these three distributions corresponding to fiscal 2008 represent 21.1% of the Fund's market price at the end of October 2008. These distributions were comprised entirely of realized long-term capital gains. You should not draw any conclusions about the Fund's investment performance from the amount of these distributions or from the terms of the MDP.

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In light of current market circumstances, the Board has decided to reduce from 12% to 10% of NAV the amount of annual distributions that the Fund will pay to stockholders under the MDP during 2009. The Fund intends to pay quarterly cash dividends during April, July and October 2009 and January 2010, each for 2.5% of the NAV per share as of December 31, 2008. The MDP will be subject to regular periodic review by the Fund's Board of Directors.

With each distribution, the Fund will issue a notice to stockholders and an accompanying press release which will provide detailed information regarding the amount and composition of the distribution and other information required by the Fund's exemptive order. The Fund's Board of Directors may amend or terminate the MDP at any time without prior notice to stockholders; however, at this time, there are no reasonably foreseeable circumstances that might cause the termination of the MDP.

Non-Fundamental Investment Policy Change

The Fund has had a non-fundamental investment policy of investing at least 80% of its total assets in equity securities listed on the Mexican Stock Exchange. In December 2008, the Fund's Board of Directors approved a change to this investment policy. Effective March 1, 2009, the Fund may invest at least 80% of its total assets in equity securities listed on the Mexican Stock Exchange, but may reduce its holdings in equity securities listed on the Mexican Stock Exchange below 80% of its total assets for temporary defensive purposes when unusual market or economic conditions occur.

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 October 2008, 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 85.32% of this industry group is comprised of stocks of telecommunications companies. At the end of October 2008, 30.69% of the Fund's net assets were invested in this industry group. This is compared with the communications industry group's weighting of approximately 39.77% of the IPC Index. The Fund's Investment Adviser will continue to evaluate the concentration in this industry and may, at its discretion, choose not to concentrate in this industry group in the future or to concentrate in other industries subject to the concentration policy described above.

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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 twelve months. The Board of Directors of the Fund has announced that the Fund's next repurchase offer will occur during March 2009 for an amount not yet determined.

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, 2008, 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. The Fund's and the Fund's Investment Adviser's proxy voting policies and procedures are on the Fund's website, www.themexicofund.com under the heading Corporate Governance, the SEC's website at 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).

Bylaw Amendments

The Board of Director approved certain changes to the Fund's Bylaws at its September 18, 2008 meeting. The most significant changes are summarized herein:

Special Meetings of Stockholders These revision update the procedures required for stockholders to call a special meeting of stockholders, including provisions that (a) clarify which stockholders may call a special meeting, and (b) expand the information required to be provided by stockholders requesting a special meeting (such information could include information regarding a stockholder's ownership of shares or other information required to comply with the federal proxy rules).

Voting and Inspector These revisions empower the Board or the chairman of the stockholders' meeting to appoint an inspector for any matter, rather than solely with respect to the election of directors.

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Advance Notice of Stockholder Nominations for Director and Other Stockholder Proposals These revisions update the advance notice provisions for stockholder nominations for director and stockholder business proposals. The purpose of these provisions is to provide the Board with sufficient time and information to adequately consider and respond to a stockholder nomination or proposal.

Timing of Notice for Annual Meetings The Bylaws formerly required advance notice of director nominations and other stockholder proposals to be brought at an annual stockholders meeting at least 90 and not more than 120 days prior to the first anniversary of the previous year's annual stockholders meeting. The Bylaws now require advance notice of director nominations and other stockholder proposals to be brought at an annual stockholders meeting not earlier than the 150th day and not later than 5:00 p.m., Eastern Time, on the 120th day prior to the first anniversary of the date of the preceding year's proxy statement.

Timing of Notice for Special Meetings The Bylaws formerly required a 90/120-day advance notice period for director nominations to be brought at a special stockholders meeting. The Bylaws now require notice of director nominations at a special meeting to be delivered not earlier than the 150th day and not later than 5:00 p.m., Eastern Time, on the 120th day prior to the date of any special meeting or, if later, the tenth day after announcement of the meeting date and the Board's nominees.

Content of Notice The revisions (a) expand the information required to be provided by the stockholder making the proposal or nomination, including information regarding the hedging activities and investment strategies of such stockholder and the stockholder's affiliates, and (b) establish procedures for verifying and updating information provided by the stockholder making the proposal. These revisions are intended to promote good corporate governance by providing the Board and stockholders with important information about a proposing stockholder's economic interest in the Fund and whether it is aligned with the interests of other stockholders.

Reliance This revision clarifies that directors and officers may rely on information prepared or presented by others whom the director or officer reasonably believes to be reliable and competent in the matters presented.

Ratification This revision clarifies the power of the Board and stockholders to ratify prior actions or inactions by the Fund, and provide that matters questioned in litigation may be ratified, and that any such ratification bars any claim or execution of any judgment as to such questioned matter.

Emergency Provisions This revision provides the Board with procedural flexibility in the event of an emergency (e.g., a shorter prior notice period and reduced quorum requirement for Board meetings).

Delegation of Board Power to Committees This revision eliminate unnecessary language restricting the Board's power to delegate various matters to committees so that the Bylaws will be no more restrictive than required by applicable law.

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Fixing of Record Date Under Maryland law, a meeting of stockholders may be adjourned to a date not more than 120 days after the original record date without notice other than announcement at the meeting. The revisions clarify that if a meeting of stockholders is adjourned to a date more than 120 days after the original record date, a new record date must be set for the same meeting. If this procedure is followed, any proxies previously solicited from stockholders who continue to be stockholders as of the new record date remain valid.

Indemnification and Insurance The Bylaws now provide that directors and officers are entitled to indemnification, and that the Fund may pay or reimburse expenses of directors and officers, to the maximum extent permitted by Maryland law and the Investment Company Act of 1940, as amended (1940 Act).

Investor Relations; Reports to Stockholders

We are working on an updated and improved version of the Fund's website to now offer additional information about dividend distributions and the recently implemented MDP. We continue to offer a daily update of the Fund's market price and NAV per share 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, Officers of the Fund and its Investment Adviser regarding transactions in Fund shares, which are available at the Securities and Exchange Commission's website (<http://www.sec.gov>). The Fund also has placed governance documents on the website under the section titled Corporate Governance , including the Fund's Articles, By-laws and committee charters.

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 under the tab Portfolio . The Fund's Form N-Q filings are available on the SEC's website at 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 under 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, electronically upon their dissemination, public reports and press releases regarding 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

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The Mexico Fund, Inc.

questions are regularly available from 10:00 am to 3:00 pm and from 5:00 pm to 7:00 pm ET. The Fund recently appointed The Altman Group as its Public Relations and Proxy Solicitation Agent. The Fund has developed a database of investors who have opted-in to receive periodic updates about the Fund via e-mail. You can fax or e-mail your request to be included in this list to:

Patricia Baronowski

The Altman Group

(860) 204-9468

pbaronowski@altmangroup.com

If you prefer to directly contact the Fund via e-mail, 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

(800) 937-5449

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 along with 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.

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

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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

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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

(800) 937-5449

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 2008 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.

* * *

Despite the negative performance of fiscal 2008, the Fund has experienced five prior fiscal years of positive performance. We will continue working hard to offer stockholders our best efforts to find the most attractive investment opportunities in the Mexican equity market. We hope you find this report useful and informative, and we thank you for your continued confidence in the Fund.

Sincerely yours,

José Luis Gómez Pimienta
President

Emilio Carrillo Gamboa
Chairman of the Board

December 29, 2008

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The Mexico Fund, Inc.

Directors and Officers Biographical Data

(as of November 1, 2008)

Independent Directors

Name, Address and Age	Position(s) Held With the Fund*, Term of Office and Length of Time Served	Principal Occupation for Past Five Years and Other Directorships	Other Directorships Held by Director
<p>Jaime Serra Puche+</p> <p>Edificio Plaza</p> <p>Prolongación Paseo de la</p> <p>Reforma 600-103</p> <p>Santa Fe Peña Blanca</p> <p>01210 México, D.F.</p> <p>México</p> <p>Age: 57</p>	<p>Class I Director;</p> <p>Term expires 2009;</p> <p>Director since 1997.</p>	<p>Dr. Serra is a Senior Partner of the law and economics consulting firm SAI Consultores, S.C.</p> <p>Dr. Serra is a former Secretary of Finance for Mexico and he was the minister in charge of negotiations for NAFTA and trade agreements between Mexico and Chile, Bolivia, Venezuela, Colombia and Costa Rica on behalf of the Mexican government.</p>	<p>Director, Vitro, S.A. de C.V. (glass manufacturer); Director, Tenaris (tube producer); Director, Chiquita Brands, Inc. (fruit producer).</p>
<p>Marc J. Shapiro+</p> <p>707 Travis, 11th Floor</p> <p>Houston, TX 77002</p> <p>Age: 61</p>	<p>Class I Director;</p> <p>Term expires 2009;</p> <p>Director since 2006.</p>	<p>Since 2003, Mr. Shapiro has served as Non-Executive Chairman of Chase Bank of Texas. Prior to that time, he was Vice Chairman of JPMorgan Chase (banking and financial services).</p>	<p>Director, Burlington Northern Santa Fe (railroad); Director, Kimberly-Clark (consumer goods); Director, Weingarten Realty (real estate investment).</p>

Table of Contents**The Mexico Fund, Inc.****Independent Directors, continued**

Name, Address and Age	Position(s) Held With the Fund*, Term of Office and Length of Time Served	Principal Occupation for Past Five Years and Other Directorships	Other Directorships Held by Director
Claudio X. González+	Class II Director; Term expires 2010; Director since 1981.	Mr. González was President of the Business Coordinating Council of Mexico. He has served as Chairman of the Board (from March 1973 to the present) and Chief Executive Officer (from March 1973 to March 2007) of Kimberly-Clark de México S.A. de C.V., a consumer products company. Mr. González is also on the Board of Directors of several prominent U.S. and Mexican companies, including General Electric Co.	Director, General Electric Co. (industrial and financial products); Director, Investment Company of America (investment fund).
Jaime Balmes 8 Los Morales Polanco México, D.F. 11510 México Age: 74			
Robert L. Knauss+ c/o Aristóteles 77, 3rd Floor Col. Polanco 11560 México, D.F. México Age: 77	Class II Director; Term expires 2010; Director since 1985.	Mr. Knauss served as Chairman of the Board and Principal Executive Officer of Philips Services Corp. (industrial services) (1998-2003) and also served as Chairman of the Board and Chief Executive Officer of Baltic International USA, Inc. (investments) (1995-2003). During the past twenty years Mr. Knauss has served on the Boards of Directors of eight public companies. Mr. Knauss was the former Dean and Distinguished University Professor of University of Houston Law School and was also Dean of Vanderbilt Law School.	Director, Equus Total Return Inc. (investment company); Director, XO Holdings, Inc. (telecommunications); Director, Westpoint International Inc. (home products).

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The Mexico Fund, Inc.

Independent Directors, continued

Name, Address and Age	Position(s) Held With the Fund*, Term of Office and Length of Time Served	Principal Occupation for Past Five Years and Other Directorships	Other Directorships Held by Director
<p>Eugenio Clariond Reyes-Retana+</p> <p>Av. Vasconcelos #220 Ote.</p> <p>Col. Santa Engracia</p> <p>66220 Garza Garcia, N.L.</p> <p>Mexico</p> <p>Age: 65</p>	<p>Class III Director; Term expires 2011; Director since 2005.</p>	<p>From January 1981 to November 2006, Mr. Clariond was Chairman of the Board and Chief Executive Officer of Grupo IMSA, S.A., a manufacturer of steel, aluminum and plastic products for the construction industry.</p> <p>From December 2004 to the present, he has served as the Non-Executive Chairman of Verzatec, S. de R.L. de C.V., a manufacturer of aluminum and plastic products. From June 2007 to the present, Mr. Clariond has served as Chairman of Amanco, a producer of pipe systems, connections and plastic accessories for the conduction of fluids, electricity and gas.</p> <p>Mr. Clariond also acts as Chairman of the Mexico- United States Business Committee of the Mexican Business Council for Foreign Trade, Investment & Technology, and he</p> <p>serves on the boards of various other U.S. and Mexican non-profit organizations and educational institutions.</p>	<p>Director, Navistar International Corp. (truck and engine manufacturer); Director, Johnson Controls, Inc. (automotive components, air conditioning, controls).</p>

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The Mexico Fund, Inc.

Independent Directors, concluded

Name, Address and Age	Position(s) Held With the Fund*, Term of Office and Length of Time Served	Principal Occupation for Past Five Years and Other Directorships	Other Directorships Held by Director
Emilio Carrillo Gamboa+ Blvd. Manuel Avila Camacho No. 1, Ste. 609 Polanco 011009 México, D.F. México Age: 71	Class III Director; Term expires 2011; Director 1981-1987 and since 2002.	Mr. Carrillo Gamboa served as a director of the Fund from inception of the Fund in 1981 to 1987. He resigned as director in 1987 to become Mexico's Ambassador to Canada. Mr. Carrillo Gamboa was reelected as a Director of the Fund in 2002. Mr. Carrillo Gamboa is a prominent lawyer in Mexico with extensive business experience and has been a partner of the Bufete Carrillo Gamboa, S.C. law firm since 1989. He has also served or currently serves on the boards of many Mexican charitable organizations.	Director, Southern Copper Corporation (copper mining).

* There are no other funds in the Fund Complex.

+ Audit Committee, Contract Review Committee, and Nominating and Corporate Governance Committee member. Member or alternate member of the Valuation Committee.

The directorships required to be reported under this column are those held in a company with a class of securities (1) registered pursuant to Section 12 of the Exchange Act, (2) subject to the reporting requirements of Section 15(d) of the Exchange Act, or (3) registered as an investment company under the 1940 Act.

Table of Contents**The Mexico Fund, Inc.****Interested Director**

Name, Address and Age	Position(s) Held With the Fund*, Term of Office and Length of Time Served	Principal Occupation for Past Five Years and Other Directorships	Other Directorships Held by Director
José Luis Gómez Pimienta**+ Aristóteles 77, 3rd Floor Col. Polanco 11560 México, D.F. México Age: 69	President of the Fund; Class II Director; Term expires 2010; Director since 1989.	Mr. Gómez Pimienta has over two decades of experience investing in the Mexican securities market. He has been the President of the Fund since its inception and has also served as a Director since 1989. Mr. Gómez Pimienta has been Chairman of the Board of the Fund's investment adviser, Impulsora del Fondo México, S.C., since 1987 and Chief Executive Officer since inception.	None.

* There are no other funds in the Fund Complex.

** Director is an interested director (as defined in the 1940 Act). Mr. Gómez Pimienta is deemed to be an interested director by reason of his affiliation with the Investment Adviser.

+ Member or alternate member of the Valuation Committee.

The directorships required to be reported under this column are those held in a company with a class of securities (1) registered pursuant to Section 12 of the Exchange Act, (2) subject to the reporting requirements of Section 15(d) of the Exchange Act, or (3) registered as an investment company under the 1940 Act.

Officers Who Are Not Directors

Name, Address and Age	Position(s) Held With the Fund*, Term of Office+ and Length of Time Served	Principal Occupation(s) During Past Five Years
Samuel García-Cuéllar Creel, García-Cuéllar, Aiza y Enríquez, S.C., Paseo de los Tamarindos 60-3er piso Bosques de las Lomas 05120 México, D.F.	Secretary since 1981.	Mr. García-Cuéllar is a partner of Creel, García-Cuéllar, Aiza y Enríquez, S.C., Mexican counsel to the Fund; Director, GE Capital Bank, S.C. Institución de Banca Múltiple, GE Capital Grupo Financiero (bank) (since 2002); Director, GE Capital Grupo Financiero, S.A. de C.V. (financial group) (since 2002).

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México

Age: 66

Alberto Osorio Morales

Senior Vice President since
2008;

Mr. Osorio currently serves as Deputy Director of the Fund's investment
adviser, Impulsora del Fondo México, S.C. and has been an employee of the
Adviser since 1991.

Aristóteles 77, 3rd Floor

Treasurer since 2002;

Col. Polanco

formerly, Vice President of
Finance from 1999 to 2002.

11560 México, D.F.

México

Age: 40

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The Mexico Fund, Inc.

Officers Who Are Not Directors, concluded

Name, Address and Age	Position(s) Held With the Fund*, Term of Office+ and Length of Time Served	Principal Occupation(s) During Past Five Years
Carlos H. Woodworth Ortiz Aristóteles 77, 3rd Floor	Chief Compliance Officer and Corporate Governance Vice President since 2002;	Mr. Woodworth has served on the Board of Directors of the Fund's investment adviser, Impulsora del Fondo México, S.C., as well as Deputy Director of the Adviser since 1981.
Col. Polanco 11560 México, D.F. México Age: 65	formerly, Treasurer from 1992 to 2002.	
Eduardo Solano Arroyo Aristóteles 77, 3rd Floor Col. Polanco 11560 México, D.F. México Age: 40	Investor Relations Vice President since 1997.	Mr. Solano has served as Director of Economic Research of the Fund's investment adviser, Impulsora del Fondo México, S.C. since 1997 and has been an employee of the Adviser since 1991.
Sander M. Bieber 1775 I Street, N.W. Washington, DC 20006 Age: 58	Assistant Secretary since 1989.	Partner of Dechert LLP, U.S. counsel to the Fund and the Independent Directors.

* There are no other funds in the Fund Complex.

+ Officers of the Fund are appointed by the directors and serve at the pleasure of the Board.

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The Mexico Fund, Inc.

Schedule of Investments

as of October 31, 2008

Shares Held

**Value
(Note 1)**