

MEXICO EQUITY & INCOME FUND INC

Form N-Q

June 18, 2009

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

FORM N-Q

QUARTERLY SCHEDULE OF PORTFOLIO HOLDINGS OF REGISTERED MANAGEMENT INVESTMENT  
COMPANY

Investment Company Act file number 811-06111

The Mexico Equity and Income Fund, Inc.  
(Exact name of registrant as specified in charter)

615 East Michigan Street  
Milwaukee, WI 53202  
(Address of principal executive offices) (Zip code)

Mr. Gerald Hellerman  
C/O U.S. Bancorp Fund Services, LLC  
615 E. Michigan Street  
Milwaukee, WI 53202  
(Name and address of agent for service)

866-700-6104  
Registrant's telephone number, including area code

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Date of fiscal year end: July 31, 2009

Date of reporting period: April 30, 2009

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## Item 1. Schedule of Investments.

## THE MEXICO EQUITY AND INCOME FUND, INC.

| Schedule of Investments  | Shares    | April 30,<br>2009<br>(Unaudited)<br>Value |
|--|-----------|---|
| MEXICO - 104.57%   |           |   |
| COMMON STOCKS - 80.39%   |           |   |
| Airlines - 3.90%   |           |   |
| Grupo Aeroportuario del Sureste, S.A.B. de C.V.                      | 639,700   | 1,991,475<br>1,991,475                    |
| Cement - 2.58%   |           |   |
| Corporacion Moctezuma, S.A. de C.V.                                  | 352,417   | 594,764                                   |
| Grupo Cementos de Chihuahua, S.A. de C.V.                            | 335,552   | 724,283<br>1,319,047                      |
| Communications - 8.71%   |           |   |
| America Movil, S.A. de C.V. - Class L                                | 2,717,800 | 4,452,893<br>4,452,893                    |
| Financial Groups - 1.86%   |           |   |
| Corporativo GBM SAB de CV  | 4,845,125 | 951,056<br>951,056                        |
| Food, Beverage, and Tobacco - 8.73%                                  |           |   |
| Embotelladoras Arca S.A.   | 354,938   | 799,035                                   |
| Fomento Economico Mexicano, S.A. de C.V.                             | 710,000   | 2,005,650                                 |
| Grupo Bimbo, S.A.B. de C.V.  | 366,652   | 1,657,981<br>4,462,666                    |
| Housing - 1.22%  |           |   |
| Corp GEO S.A. de C.V.  | 447,400   | 625,537<br>625,537                        |
| Industrial Conglomerates - 13.86%                                    |           |   |
| Industrias CH, S.A. - Class B (a)                                    | 375,118   | 826,260                                   |
| Kimberly-Clark de Mexico, S.A.B. de C.V.                             | 833,200   | 3,012,097                                 |
| Mexichem, S.A. de C.V.   | 3,650,500 | 3,249,648<br>7,088,005                    |
| Infrastructure - 16.83%  |           |   |
| Carso Infraestructura y Construccion, S.A.                           | 1,025,769 | 520,834                                   |
| Empresas ICA Sociedad Conroladora, S.A. de C.V. (a)                  | 812,595   | 1,473,807                                 |
| Grupo Mexicano de Desarrollo, S.A. (a)                               | 1,792,915 | 883,081                                   |
| Impulsora del Desarrollo y el Empleo en America Latina, S.A. de C.V. | 861,000   | 693,490                                   |

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|  |           |                        |
|--|-----------|------------------------|
| Promotora y Operadora de Infraestructura, S.A. de C.V. (a) | 3,234,793 | 5,037,524<br>8,608,736 |
| Media - 4.72%  |           |                        |
| Grupo Televisa, S.A. CPO                                   | 590,569   | 1,829,113              |
| Grupo Televisa, S.A. - ADR                                 | 37,765    | 584,602<br>2,413,715   |
| Mining - 4.71%   |           |                        |
| Industrias Penoles, S.A.                                   | 220,983   | 2,408,468<br>2,408,468 |
| Real Estate Developer - 10.47%                             |           |                        |
| GMD Resorts SAB de CV (c)                                  | 1,464,623 | 456,139                |
| Grupe, S.A. de C.V. (a)(b)(c)                              | 3,468,919 | 4,899,603<br>5,355,742 |
| Waste Management - 2.80%                                   |           |                        |
| Promotora Ambiental, S.A. de C.V. (a)                      | 1,882,812 | 1,431,952<br>1,431,952 |
| TOTAL COMMON STOCKS (Cost \$50,629,018)                    |           | \$ 41,109,292          |

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| Schedule of Investments (continued)  | April 30, 2009   |                      |
|--|------------------|----------------------|
| <b>SHORT-TERM INVESTMENTS - 24.18%</b>                                       | <b>Principal</b> | <b>Value</b>         |
| Mexican BACMEXT<br>0.000% Coupon, 5.417% Effective Yield, 05/05/2009<br>(c)  | 11,862,537*      | \$ 858,663           |
| Mexican BACMEXT<br>0.000% Coupon, 5.445% Effective Yield, 05/07/2009<br>(c)  | 30,034,883*      | 2,173,329            |
| Mexican INAFIN<br>0.000% Coupon, 4.742% Effective Yield, 05/04/2009<br>(c)   | 33,906,810*      | 2,454,727            |
| Mexican INAFIN<br>0.000% Coupon, 5.445% Effective Yield, 05/07/2009<br>(c)   | 37,760,374*      | 2,732,347            |
| Mexican BI CETES<br>0.000% Coupon, 5.565% Effective Yield, 05/28/2009<br>(c) | 3,500,000        | 2,524,273            |
| El Puerto de Liverpool SA de CV<br>9.240%, 02/11/2010                        | 22,386,300*      | 1,621,706            |
| <b>TOTAL SHORT-TERM INVESTMENTS (Cost \$12,205,327)</b>                      |                  | <b>12,365,045</b>    |
| <b>TOTAL MEXICO (Cost \$62,834,345)</b>                                      |                  | <b>\$ 53,474,337</b> |
| <b>UNITED STATES - 0.88%</b>   | <b>Shares</b>    |                      |
| <b>INVESTMENT COMPANIES - 0.88%</b>  |                  |                      |
| First American Treasury Obligation - Class A,<br>2.132%                      | 441,625          | \$ 441,625           |
| First American Treasury Obligation - Class Y,<br>2.132%                      | 9,655            | 9,655                |
| <b>TOTAL INVESTMENT COMPANIES (Cost<br/>\$451,280)</b>                       |                  | <b>451,280</b>       |
| <b>TOTAL UNITED STATES (Cost \$451,280)</b>                                  |                  | <b>451,280</b>       |
| <b>TOTAL INVESTMENTS - 105.45% (Cost<br/>\$63,285,625)</b>                   |                  | <b>53,925,617</b>    |
| <b>LIABILITIES IN EXCESS OF OTHER ASSETS - (5.45)%</b>                       |                  | <b>(2,785,770)</b>   |
| <b>TOTAL NET ASSETS - 100.00%</b>  |                  | <b>\$ 51,139,847</b> |

Footnotes and Abbreviations

ADR - American Depository Receipts.

(a) Non-income producing security.

(b) Affiliated company.

(c) Effective yield based on the purchase price. The calculation assumes the security is held to maturity.

\* Principal Amount in Mexican Pesos

The cost basis of investments for federal income tax purposes at April 30, 2009 was as follows:

|                               |    |             |   |
|-------------------------------|----|-------------|---|
| Cost of investments**         | \$ | 63,285,625  |   |
| Gross unrealized appreciation |    | 4,159,399   |   |
| Gross unrealized depreciation |    | (13,519,407 | ) |
| Net unrealized appreciation   | \$ | (9,360,008  | ) |

\*\*Because tax adjustments are calculated annually, the above table reflects the tax adjustments outstanding at the Fund's previous fiscal year end. For the previous fiscal year's federal income tax information, please refer to the Notes to Financial Statements section in the Fund's most recent semi-annual or annual report.

TRANSACTIONS WITH AFFILIATES (Unaudited)

The following issuer is affiliated with the Fund; that is, the Fund held 5% or more of the outstanding voting shares during the period from August 1, 2008 through April 30, 2009, as defined in Section (2)(a)(3) of the Investment Company Act of 1940.

|                      |                    |  |           |
|----------------------|--------------------|--|-----------|
| Issuer Name          | Grupe, S.A.de C.V. |  |           |
| August 1, 2008       |                    |  |           |
| Shares               |                    |  | 3,849,668 |
| Cost                 | \$                 |  | 5,374,063 |
| Gross Additions      |                    |  |           |
| Shares               |                    |  | —         |
| Cost                 | \$                 |  | —         |
| Gross Deductions     |                    |  |           |
| Shares               |                    |  | 380,749   |
| Cost                 | \$                 |  | 378,269   |
| April 30, 2009       |                    |  |           |
| Shares               |                    |  | 3,468,919 |
| Cost                 | \$                 |  | 4,995,794 |
| Market Value         | \$                 |  | 4,899,603 |
| Realized gain (loss) | \$                 |  | —         |
| Investment income    | \$                 |  | —         |

FAS 157 – Summary of Fair Value Exposure at April 30, 2009

Various inputs are used in determining the value of the Fund's investments. These inputs are summarized in the three broad levels listed below:

- Level 1 - Quoted prices in active markets for identical securities.
- Level 2 - Other significant observable inputs (including quoted prices for similar securities, interest rates, prepayment speeds, credit risk, etc.)
- Level 3 - Significant unobservable inputs (including the Fund's own assumptions in determining the fair value of investments.)

The inputs or methodology used for valuing securities are not an indication of the risk associated with investing in those securities.

The following is a summary of the inputs used, as of April 30, 2009, in valuing the Fund's investments carried at fair value:

| Description               | Level 1      | Level 2    | Level 3 |
|---------------------------|--------------|------------|---------|
| Investments in Securities |              |            |         |
| Unaffiliated Issuers      | \$36,660,973 | 12,365,045 | —       |

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|                    |              |              |     |
|--------------------|--------------|--------------|-----|
| Affiliated Issuers | 4,899,603    | —            | —   |
| Total              | \$41,560,576 | \$12,365,045 | \$0 |

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Item 2. Controls and Procedures.

- (a) The Registrant's President/Chief Executive Officer and Treasurer/Chief Financial Officer have concluded that the Registrant's disclosure controls and procedures (as defined in Rule 30a-3(c) under the Investment Company Act of 1940 (the "1940 Act")) are effective as of a date within 90 days of the filing date of the report that includes the disclosure required by this paragraph, based on the evaluation of these controls and procedures required by Rule 30a-3(b) under the 1940 Act and Rule 13a-15(b) or Rule 15d-15(b) under the Securities Exchange Act of 1934, as amended.
  
- (b) There were no changes in the Registrant's internal control over financial reporting (as defined in Rule 30a-3(d) under the 1940 Act) that occurred during the Registrant's last fiscal quarter that have materially affected, or are reasonably likely to materially affect, the Registrant's internal control over financial reporting.

Item 3. Exhibits.

Separate certifications for each principal executive officer and principal financial officer of the Registrant as required by Rule 30a-2(a) under the 1940 Act (17 CFR 270.30a-2(a)). Filed herewith.

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.

(Registrant) The Mexico Equity and Income Fund, Inc.

By (Signature and Title) /s/ Maria Eugenia Pichardo  
Maria Eugenia Pichardo, President

Date May 27, 2009

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 (Signature and Title) /s/ Maria Eugenia Pichardo  
Maria Eugenia Pichardo, President

Date May 27, 2009

By (Signature and Title) /s/ Gerald Hellerman  
Gerald Hellerman, Chief Financial Officer

Date May 19, 2009