

MEXICO EQUITY & INCOME FUND INC
Form N-Q
December 24, 2013

As filed with the Securities and Exchange Commission on December 24, 2013

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 & 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)

877-785-0367
Registrant's telephone number, including area code

Edgar Filing: MEXICO EQUITY & INCOME FUND INC - Form N-Q

Date of fiscal year end: July 31, 2014

Date of reporting period: October 31, 2013

Item 1. Schedule of Investments.

The Mexico Equity and Income Fund, Inc.
 Schedule of Investments
 October 31, 2013 (Unaudited)

MEXICO - 98.91%	Shares	Value
COMMON STOCKS - 93.64%		
Airports - 3.32%		
Grupo Aeroportuario del Centro Norte, S.A.B. de C.V.	1,068,262	\$ 3,641,044
Beverages - 1.35%		
Fomento Economico Mexicano, S.A.B. de C.V.	157,957	1,477,603
Building Materials - 3.65%		
Cemex, S.A.B. de C.V. CPO (a)	3,770,898	4,011,578
Cable & Satellite - 5.62%		
Megacable Holdings, S.A.B. de C.V.	1,834,246	6,173,082
Chemical Products - 2.99%		
Mexichem, S.A.B. de C.V.	786,048	3,282,819
Construction and Infrastructure - 8.84%		
Impulsora del Desarrollo y el Empleo en America Latina, S.A.B. de C.V. (a)	1,710,254	3,423,850
Promotora y Operadora de Infraestructura, S.A.B. de C.V. (a)	618,921	6,279,696
		9,703,546
Consumer Products - 2.13%		
Kimberly-Clark de Mexico, S.A.B. de C.V.	770,898	2,343,906
Energy - 5.16%		
Infraestructura Energetica Nova, S.A.B. de C.V.	1,435,897	5,665,560
Financial Groups - 7.01%		
Banregio Grupo Financiero, S.A.B. de C.V.	649,481	3,598,535
Grupo Financiero Banorte, S.A.B. de C.V. - Class O	320,008	2,042,596
Grupo Financiero Inbursa, S.A.B. de C.V. - Class O	800,000	2,060,817
		7,701,948
Food Manufacturing - 7.54%		
Gruma, S.A.B. de C.V. (a)	848,221	5,813,326
Grupo Lala S.A.B. de C.V. (a)	1,109,613	2,464,626
		8,277,952
Holding Companies - 9.48%		
Alfa, S.A.B. de C.V. - Class A	2,012,284	5,518,368
Grupo Carso, S.A.B. de C.V.	908,351	4,886,636
		10,405,004
Hotels, Restaurants, and Recreation - 12.15%		

Edgar Filing: MEXICO EQUITY & INCOME FUND INC - Form N-Q

Alsea, S.A.B. de C.V. - Class A	1,507,511	4,688,712
Grupe, S.A.B. de C.V. (a)	2,256,027	3,717,609
Grupo Sanborns, S.A.B. de C.V.	1,381,454	2,864,077
Grupo Sports World, S.A.B. de C.V. (a)	1,432,012	2,071,093
		13,341,491
Insurance Services - 5.85%		
Qualitias Controladora, S.A.B. de C.V.	2,720,815	6,420,809
Mining - 5.01%		
Grupo Mexico, S.A.B. de C.V. - Series B	1,741,978	5,502,072
Real Estate Services - 4.01%		
Corporacion Inmobiliaria Vesta, S.A.B. de C.V.	2,303,995	4,407,650
Retail - 5.95%		
Corporativo Fragua, S.A.B. de C.V.	51,290	896,290
El Puerto de Liverpool, S.A.B. de C.V.	420,951	4,546,261
Wal-Mart de Mexico, S.A.B. de C.V. - Class V	419,430	1,090,426
		6,532,977
Telecommunication Services - 3.58%		
America Movil, S.A.B. de C.V. - Class L	3,660,542	3,927,846
TOTAL COMMON STOCKS (Cost \$85,400,291)		102,816,887
REAL ESTATE INVESTMENT TRUSTS - 0.59%		
TF Administradora Industrial S de R.L. de C.V.	331,400	647,192
TOTAL REAL ESTATE INVESTMENT TRUSTS (Cost \$664,054)		647,192
CAPITAL DEVELOPMENT CERTIFICATES - 2.31%		
Atlas Discovery Trust II (b)	300,000	2,536,206
TOTAL CAPITAL DEVELOPMENT CERTIFICATES (Cost \$2,317,515)		2,536,206
ASSET BACKED SECURITIES - 0.39%		
Nafin (Infonavit - Banamex) 4.2000%, 10/21/2041	11,034	424,457
TOTAL ASSET BACKED SECURITIES (Cost \$417,754)		424,457

Edgar Filing: MEXICO EQUITY & INCOME FUND INC - Form N-Q

MORTGAGE BACKED SECURITIES - 1.72%		
Nafin (Infonavit)		
4.95%, 03/22/2039	58,600	1,893,345
TOTAL MORTGAGE BACKED SECURITIES (Cost \$1,856,026)		1,893,345
SHORT-TERM INVESTMENTS - 0.26%		
Mexican INAFIN		
0.000% Coupon, 3.088% Effective Yield, 11/07/2013 (c)	1,900,949	* 145,624
Mexican NAFIN		
0.000% Coupon, 3.088% Effective Yield, 11/01/2013 (c)	1,901,886	* 145,769
TOTAL SHORT-TERM INVESTMENTS (Cost \$292,678)		291,393
TOTAL MEXICO (Cost \$90,948,318)		108,609,480
UNITED STATES - 1.12%	Shares	Value
INVESTMENT COMPANIES - 1.12%		
First American Treasury Obligation - Class A	1,229,490	1,229,490
TOTAL INVESTMENT COMPANIES (Cost \$1,229,490)		1,229,490
TOTAL UNITED STATES (Cost \$1,229,490)		1,229,490
Total Investments (Cost \$92,177,808) - 100.03%		109,838,970
Other Assets in Excess of Liabilities - (0.03)%		(34,381)
TOTAL NET ASSETS - 100.00%		\$ 109,804,589

Percentages are stated as a percent of net assets.

- (a) Non-income producing security.
The Advisor has determined these securities to be illiquid. The total value of illiquid securities at
- (b) October 31, 2013 was \$2,536,206,
comprising 2.31% of net assets, while the remainder of the Fund's net
assets 97.69% were liquid.
- (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 October 31, 2013 was as follows:

Cost of investments**	\$	92,177,808
Gross unrealized appreciation		19,795,875
Gross unrealized depreciation		(2,134,713)
Net unrealized appreciation	\$	17,661,162

**Because tax adjustments are calculated annually, the above table does not reflect tax adjustments. For the previous fiscal year's federal income tax information, please refer to the Notes to Financial Statements section of the Fund's most recent semi-annual or annual report.

Significant accounting policies are as follows:

Portfolio Valuation. Investments are stated at value.

All securities for which market quotations are readily available are valued at the last sales price prior to the time of determination of net asset value, or, if no sales price is available at that time, at the closing price last quoted for the securities. If there are no such closing prices, the value shall be the most recent bid quotation as of the valuation time. If there is no such bid quotation, the security shall be valued at the most recent asked quotation at the valuation time.

Securities that are traded over-the-counter are valued, if bid and asked quotations are available, at the mean between the current bid and asked prices.

Investments in short-term debt securities having a maturity of 60 days or less are valued at amortized cost if their term to maturity from the date of purchase was less than 60 days, or by amortizing their value on the 61st day prior to maturity if their term to maturity from the date of purchase when acquired by the Fund was more than 60 days. Other assets and securities for which no quotations are readily available will be valued in good faith at fair value using methods determined by the Board of Directors. These methods include, but are not limited to, the fundamental analytical data relating to the investment; the nature and duration of restrictions in the market in which they are traded (including the time needed to dispose of the security, methods of soliciting offers and mechanics of transfer); the evaluation of the forces which influence the market in which these securities may be purchased or sold, including the economic outlook and the condition of the industry in which the issuer participates. The Fund has a Valuation Committee comprised of independent directors which oversees the valuation of portfolio securities.

The Valuation Committee of the Fund shall meet to consider any fair valuations. This consideration includes reviewing various factors set forth in the pricing procedures adopted by the Board of Directors and other factors as warranted. In considering a fair value determination, factors that may be considered, among others include; the type and structure of the security; unusual events or circumstances relating to the security's issuer; general market conditions; prior day's valuation; fundamental analytical data; size of the holding; cost of the security on the date of purchase; trading activity and prices of similar securities or financial instruments.

FAIR VALUE MEASUREMENTS

The Fund follows the FASB ASC Topic 820 hierarchy, under which various inputs are used in determining the value of the Fund's investments.

The basis of the hierarchy is dependent upon various "inputs" used to determine the value of the Fund's investments. These inputs are summarized in the three broad levels listed below:

Level 1 – Unadjusted quoted prices in active markets for identical assets or liabilities that the Fund has the ability to access.

Level 2 – Observable inputs other than quoted prices included in level 1 that are observable for the asset or liability, either directly or indirectly. These inputs may include quoted prices for the identical instrument on an inactive market, prices for similar instruments, interest rates, prepayment speeds, credit risks, yield curves, default rates and similar data.

Level 3 – Unobservable inputs for the asset or liability, to the extent relevant observable inputs are not available, representing the company's own assumptions about the assumptions a market participant would use in valuing the asset or liability, and would be based on the best information available.

The availability of observable inputs can vary from security to security and is affected by a wide variety of factors, including, for example, the type of security, whether the security is new and not yet established in the marketplace, the liquidity of the markets, and other characteristics particular to the security. To the extent that valuation is based on models or inputs that are less observable or unobservable in the market the determination of fair value requires more judgment. Accordingly, the degree of judgment exercised in determining fair value is greatest for instruments categorized in level 3.

The inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, for disclosure purposes, the level in the fair value hierarchy within which the fair value measurement falls in its entirety, is determined based on the lowest level input that is significant on the lowest level input that is significant to the fair value measurement in its entirety.

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

Edgar Filing: MEXICO EQUITY & INCOME FUND INC - Form N-Q

The following is a summary of the inputs used to value the Fund's investments carried at fair value as of October 31, 2013:

	Level 1*	Level 2*	Level 3
Equity			
Airports	\$3,641,044	\$-	\$-
Beverages	1,477,603	-	-
Building Materials	4,011,578	-	-
Capital Development			
Certificates	-	-	2,536,206
Cable & Satellite	6,173,082	-	-
Chemical Products	3,282,819	-	-
Construction and Infrastructure	9,703,546	-	-
Consumer Products	2,343,906	-	-
Energy	5,665,560	-	-
Financial Groups	7,701,948	-	-
Food Manufacturing	8,277,952	-	-
Holding Companies	10,405,004	-	-
Hotels, Restaurants, and Recreation	13,341,491	-	-
Insurance Services	6,420,809	-	-
Mining	5,502,072	-	-
Real Estate Services	4,407,650	-	-
Real Estate			
Investment Trusts	647,192	-	-
Retail	6,532,977	-	-
Telecommunication Services	3,927,846	-	-
Total Equity	\$103,464,079	\$-	\$2,536,206
Asset Backed Securities	\$-	\$424,457	\$-
Mortgage Backed Securities	\$-	\$1,893,345	\$-
Short-Term Investments	\$-	\$1,520,883	\$-
Total Investments in Securities	\$103,464,079	\$3,838,685	\$2,536,206

Disclosures about Derivative Instruments and Hedging Activities

The Fund did not invest in derivative securities or engage in hedging activities during the period ended October 31, 2013.

*There were no transfers between levels 1 and 2 during the period. Transfers between levels are recognized at the end

of the reporting period.

Level 3 Reconciliation Disclosure

Following is a reconciliation of Level 3 assets for which significant unobservable inputs were used to determine fair value.

Description	Investmen
Balance as of July 31, 2013	
Acquisition/Purchase	
Sales	
Realized gain	
Change in unrealized appreciation (depreciation)	
Balance as of October 31, 2013	

The following table presents additional information about valuation methodologies and inputs used for investments that are measured at fair value and categorized within Level 3 as of October 31, 2013:

	Fair Value October 31, 2013	Valuation Methodologies Market Comparables/ Sum of the Parts Valuation	Unobservable Input (1) Liquidity Discount
Capital Development Certificates	\$ 2,536,206		

1 In determining certain of these inputs, management evaluates a variety of factors including economic conditions, foreign exchange rates, industry and market developments, market valuations of comparable companies and company specific developments includi

2 This column represents the directional change in the fair value of the Level 3 investment that would result from increases to the corresponding unobservable input. A decrease to the unobservable input would have the opposite effect.

Item 2. Controls and Procedures.

- (a) The Registrant's President and 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")) (17 CFR 270.30a-3(c)) 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 (17 CFR 270.30a-3(b)) and Rule 13a-15(b) or Rule 15d-15(b) under the Securities Exchange Act of 1934, as amended (17 CFR 240.13a-15(b) or 240.15d-15(d)).
- (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) (17 CFR 270.30a-3(d)) 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 & Income Fund, Inc.

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

Date 12/19/2013

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 12/19/2013

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

Date 12/10/2013

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