

MEXICO EQUITY & INCOME FUND INC
Form N-Q
June 28, 2017

As filed with the Securities and Exchange Commission on June 28, 2017

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. Arnulfo Rodríguez
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

Date of fiscal year end: July 31, 2017

Date of reporting period: April 30, 2017

Item 1. Schedule of Investments.

The Mexico
Equity and
Income Fund,
Inc.
Schedule of
Investments
April 30, 2017
(Unaudited)

| MEXICO - 102.75% | Shares | Value |
|--|-----------|------------------------|
| COMMON STOCKS - 97.61% | | |
| Airports - 7.09% | | |
| Grupo Aeroportuario del Centro Norte, S.A.B. de C.V. - Series B | 769,649 | \$4,271,137 |
| Grupo Aeroportuario del Pacifico, S.A.B. de C.V. - Series B | 217,044 | 2,232,094 6,503,231 |
| Auto Parts and Equipment - 4.40% | | |
| Nemak, S.A.B. de C.V. | 1,316,000 | 1,391,132 |
| Rassini, S.A.B. de C.V. | 560,523 | 2,644,025 4,035,157 |
| Banking Service Groups - 1.25% | | |
| Gentera, S.A.B. de C.V. | 682,928 | 1,144,910 |
| Beverages - 5.75% | | |
| Arca Continental, S.A.B. de C.V. | 441,312 | 3,255,468 |
| Fomento Economico | 224,438 | 2,019,736 |

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| | | |
|---|----------------------|------------------------|
| Mexicano, S.A.B. de C.V. - Series UBD | | 5,275,204 |
| Building Materials - 7.18% | | |
| Cemex, S.A.B. de C.V. - Series CPO (a) | 6,093,429 | 5,606,204 |
| Grupo Cementos de Chihuahua, S.A.B. de C.V. | 206,793 | 980,839 6,587,043 |
| Chemical Products - 4.91% | | |
| Alpek, S.A.B. de C.V. - Series A | 2,183,529 | 2,617,880 |
| Mexichem, S.A.B. de C.V. | 690,322 | 1,890,338 4,508,218 |
| Construction and Infrastructure - 5.17% | | |
| Promotora y Operadora de Infraestructura, S.A.B. de C.V. | 244,857 | 2,612,553 |
| Promotora y Operadora de Infraestructura, S.A.B. de C.V. - Series L | 256,181 | 2,132,296 4,744,849 |
| Energy - 3.56% | | |
| Infraestructura Energetica Nova, S.A.B. de C.V. | 699,458 | 3,267,438 |
| Financial Groups - 14.25% | | |
| Banregio Grupo Financiero, S.A.B. de C.V. - Series O | 522,201 1,105,467 | 3,011,111 6,397,824 |

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| | | | |
|--|------------|-----------|------------|
| Grupo Financiero Banorte, S.A.B. de C.V. - Series O | | | |
| Grupo Financiero Inbursa, S.A.B. de C.V. - Series O | 925,000 | 1,562,038 | |
| Grupo Financiero Interacciones, S.A.B de C.V. - Series O | 452,549 | 2,108,742 | 13,079,715 |
| Food - 1.86% Gruma, S.A.B. de C.V. - Series B | 127,755 | 1,705,956 | |
| Holding Companies - 3.27% Alfa, S.A.B. de C.V. - Series A | 2,180,861 | 2,996,979 | |
| Hotels, Restaurants, and Recreation - 4.38% Alsea, S.A.B. de C.V. - Series A | 714,747 | 2,539,644 | |
| Grupe, S.A.B. de C.V. - Series B (a)(b) | 599,082 | 1,479,466 | 4,019,110 |
| Mining - 9.91% Grupo Mexico, S.A.B. de C.V. - Series B | 2,400,251 | 7,059,768 | |
| Industrias Penoles, S.A.B. de C.V. | 83,756 | 2,038,369 | 9,098,137 |
| Real Estate Services - 2.99% Corporacion Inmobiliaria Vesta, S.A.B. de C.V. | 1,950,458 | 2,748,736 | |
| Retail - 9.07% El Puerto de Liverpool, S.A.B. de C.V. - Series C - 1 | 99,916 | 770,816 | |
| Grupo Sanborns, S.A.B. de C.V. - Series B - 1 | 2,127,617 | 2,441,217 | |
| Organizacion Soriana, S.A.B. de C.V. - Class B (a) | 406,600 | 932,198 | |
| Wal-Mart de Mexico, S.A.B. de C.V. | 1,852,610 | 4,182,464 | 8,326,695 |
| Telecommunication - 12.57% America Movil, S.A.B. de C.V. - Series L | 11,625,352 | 8,935,809 | |
| Telesites S.A.B. de C.V. (a) | 4,153,376 | 2,603,410 | |

| | |
|---|------------|
| | 11,539,219 |
| TOTAL COMMON STOCKS (Cost \$81,307,053) | 89,580,597 |

| | | |
|---------------------|-------------|------------|
| CAPITAL | | |
| DEVELOPMENT | | |
| CERTIFICATES - | | |
| 2.29% | | |
| Atlas Discovery | | |
| Trust II (b)(c) | 300,000 | 2,096,516 |
| TOTAL | | |
| CAPITAL | | |
| CERTIFICATES | | |
| (Cost \$1,460,702) | | 2,096,516 |
| | | |
| SHORT-TERM | | |
| INVESTMENTS - | | |
| 2.85% | | |
| | Principal | |
| Mexican | | |
| BANOBRA | | |
| 0.000% Coupon, | | |
| 6.431% Effective | | |
| Yield, | | |
| 5/02/2017 (d) | 22,700,000* | 1,205,622 |
| Mexican INAFIN | | |
| 0.000% Coupon, | | |
| 6.487% Effective | | |
| Yield, | | |
| 5/03/2017 (d) | 26,500,000* | 1,407,441 |
| TOTAL | | |
| SHORT-TERM | | |
| INVESTMENTS | | |
| (Cost \$2,594,184) | | 2,613,063 |
| TOTAL MEXICO | | |
| (Cost | | |
| \$85,361,939) | | 94,290,176 |
| | | |
| UNITED STATES | | |
| - 0.12% | | |
| | Shares | |
| INVESTMENT | | |
| COMPANIES - | | |
| 0.12% | | |
| Morgan Stanley | | |
| Institutional | | |
| Liquidity Funds - | | |
| Government | | |
| Portfolio - | | |
| Institutional Class | | |
| - 0.646% (e) | 114,515 | 114,515 |
| TOTAL | | |
| INVESTMENT | | |
| COMPANIES | | |
| (Cost \$114,515) | | 114,515 |

TOTAL UNITED STATES (Cost \$114,515)

| | |
|---|--------------|
| Total Investments (Cost \$85,476,454) - | |
| 102.87% | 94,404,691 |
| Liabilities in Excess of Other Assets - (2.87)% | (2,622,486) |
| TOTAL NET ASSETS - | |
| 100.00% | \$91,782,205 |

Percentages are stated as a percent of net assets.

(a) Non-income producing security.

Fair valued security. The total market value of this security was \$3,575,982, representing 3.90% of net

(b) assets.

(c) Illiquid security. The total market value of this security was \$2,096,516, representing 2.29% of net assets.

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

(e) The rate shown represents the 7-day yield at April 30, 2017.

* Principal amount in Mexican pesos.

The cost basis of investments for federal income tax purposes at April 30, 2017 was as follows:

| | |
|-------------------------------|--------------|
| Cost of investments** | \$85,476,454 |
| Gross unrealized appreciation | 9,827,068 |
| Gross unrealized depreciation | (898,831) |
| Net unrealized appreciation | \$8,928,237 |

**Because tax adjustments are calculated annually at the end of the Fund's fiscal year, the above table does not reflect tax adjustments for the current fiscal year. 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 annual report.

Significant accounting policies are as follows:

Portfolio Valuation: Investments are stated at

value. Listed equity securities are valued at the closing price on the exchange or market on which the security is primarily traded (the “Primary Market”) at the valuation time. If the security did not trade on the Primary Market, it shall be valued at the closing price on another comparable exchange where it trades at the valuation time. If there are no such closing prices, the security shall be valued at the mean between the most recent highest bid and lowest ask prices at the valuation time.

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.

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The following is a summary of the inputs used to value the Fund's investments carried at fair value as of April 30, 2017:

| | Level 1* | Level 2* | Level 3** | Total |
|-------------------------------------|--------------|-------------|-------------|--------------|
| Equity | | | | |
| Airports | \$6,503,231 | \$- | \$- | \$6,503,231 |
| Auto Parts and Equipment | 4,035,157 | - | - | 4,035,157 |
| Banking Service Groups | 1,144,910 | | | 1,144,910 |
| Beverages | 5,275,204 | - | - | 5,275,204 |
| Building Materials | 6,587,043 | - | - | 6,587,043 |
| Capital Development Certificates | - | - | 2,096,516 | 2,096,516 |
| Chemical Products | 4,508,218 | - | - | 4,508,218 |
| Construction and Infrastructure | 4,744,849 | - | - | 4,744,849 |
| Energy | 3,267,438 | | | 3,267,438 |
| Financial Groups | 13,079,715 | - | - | 13,079,715 |
| Food | 1,705,956 | - | - | 1,705,956 |
| Holding Companies | 2,996,979 | - | - | 2,996,979 |
| Hotels, Restaurants, and Recreation | 2,539,644 | - | 1,479,466 | 4,019,110 |
| Mining | 9,098,137 | - | - | 9,098,137 |
| Real Estate Services | 2,748,736 | - | - | 2,748,736 |
| Retail | 8,326,695 | | | 8,326,695 |
| Telecommunications | 11,539,219 | - | - | 11,539,219 |
| Total Equity | \$88,101,131 | \$- | \$3,575,982 | \$91,677,113 |
| Short-Term Investments | \$114,515 | \$2,613,063 | \$- | \$2,727,578 |
| Total Investments in Securities | \$88,215,646 | \$2,613,063 | \$3,575,982 | \$94,404,691 |

*
Transfers
between
Levels
are
recognized
at the end
of the
reporting
period.

** The
Fund
measures
Level 3
activity as
of the
beginning
and end of
each
reporting
period.

Transfers
between
Level 2 and

Level 3 securities as of April 30, 2017 resulted from securities priced previously at the mean between the most recent bid and asked prices (Level 2 securities) to a price provided by the Adviser (Level 3 securities). Transfers as of April 30, 2017 are summarized in the table below:

| | |
|--|---------------|
| Transfers into Level 2 | \$- |
| Transfers out of Level 2 | (1,479,466) |
| Net transfers in and/or out of Level 2 | \$(1,479,466) |

| | |
|--|-------------|
| Transfers into Level 3 | \$1,479,466 |
| Transfers out of Level 3 | - |
| Net transfers in and/or out of Level 3 | \$1,479,466 |

Disclosures about Derivative Instruments and Hedging Activities

The Fund did not invest in derivative securities or engage in hedging activities during the period ended April 30, 2017.

Level 3 Reconciliation Disclosure

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

| Category | Balance as of 7/31/2016 | Acquisitions | Dispositions | Return of Capital | Realized Gain (Loss) | Change in unrealized appreciation | Balance as of 4/30/2017 |
|----------|-------------------------|--------------|--------------|-------------------|----------------------|-----------------------------------|-------------------------|
|----------|-------------------------|--------------|--------------|-------------------|----------------------|-----------------------------------|-------------------------|

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| | | | | | | |
|----------------------------------|-------------|------|---------------|-------------|----------------|--------------|
| | | | | | (depreciation) | |
| Common Stock | \$2,188,852 | \$ - | \$ (765,432) | \$186,269 | \$ (130,223) | \$1,479,466 |
| Capital Development Certificates | 2,494,332 | - | - | (311,734) | (147,026) | 60,944 |
| | \$4,683,184 | \$ - | \$ (765,432) | \$(311,734) | \$39,243 | \$ (69,279) |
| | | | | | | \$3,575,982 |

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 April 30, 2017:

| | Fair Value | Valuation | Unobservable | Impact to Valuation |
|----------------------------------|----------------|--|----------------------|--|
| | April 30, 2017 | Methodologies | Input ⁽¹⁾ | from an Increase in Input ⁽²⁾ |
| Common Stock | \$1,479,466 | Market Comparables/ Sum of the Parts Valuation | Liquidity Discount | Decrease |
| Capital Development Certificates | \$2,096,516 | Market Comparables/ Sum of the Parts Valuation | Liquidity Discount | Decrease |

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.

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.

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)).

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 6/13/2017

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 6/13/2017

By (Signature and Title)* /s/ Arnulfo Rodriguez
Arnulfo Rodríguez, Chief Financial Officer

Date 6/13/2017

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