

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

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

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	2,096,516	
	\$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⁾
			Market Comparables/ Sum of the Parts	Liquidity Discount	
Common Stock	\$1,479,466		Market Comparables/ Sum of the Parts	Liquidity Discount	Decrease
Capital Development			Market Comparables/ Sum of the Parts	Liquidity Discount	
Certificates	\$2,096,516		Market Comparables/ Sum of the Parts	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.

(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 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.
