

MEXICO FUND INC  
Form N-CSR  
December 28, 2011  
Table of Contents

**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, 3<sup>RD</sup> FLOOR

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

Edgar Filing: MEXICO FUND INC - Form N-CSR

Date of fiscal year end: October 31, 2011

Date of reporting period: October 31, 2011

**Table of Contents**

**Item 1. Reports to Stockholders.**

A copy of the Registrant's annual report to stockholders for the period ending October 31, 2011 transmitted to stockholders pursuant to Rule 30e-1 under the Investment Company Act of 1940 is provided below.

**Table of Contents**

**Table of Contents**

**The Mexico Fund, Inc.**

**Managed Distribution Plan (MDP)**

The Board of Directors of the Fund has authorized quarterly distributions under the MDP at an annual rate of 10% of the Fund's net asset value ( NAV ) per share recorded on the last business day of the previous calendar year. 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 MDP 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. You should not draw any conclusions about the Fund's investment performance from the amount of distributions or from the terms of the Fund's MDP.

**Table of Contents**

**The Mexico Fund, Inc.**

**Table of Contents**

<u>The Fund's Management</u>	2
<u>Annual Report Highlights</u>	3
<u>Letter to Stockholders</u>	4
<u>General Information</u>	11
<u>Directors &amp; Officers Biographical Data</u>	11
<u>Schedule of Investments</u>	23
<u>Statement of Assets and Liabilities</u>	25
<u>Statement of Operations</u>	26
<u>Statement of Changes in Net Assets</u>	27
<u>Financial Highlights</u>	28
<u>Notes to Financial Statements</u>	29

**Table of Contents**

**The Mexico Fund, Inc.**

**The Fund's Management**

**Directors**

Emilio Carrillo Gamboa *Chairman*

Jonathan Davis Arzac

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*

Eduardo Solano *Investor Relations Vice President*

Alberto Gómez Pimienta *Operations Vice President*

Carlos H. Woodworth *Chief Compliance Officer*

Samuel García-Cuéllar *Secretary*

Sander M. Bieber *Assistant Secretary*

**Investment Adviser**

Impulsora del Fondo México, S.C.

**Custodian**

BBVA Bancomer, S.A.

## Edgar Filing: MEXICO FUND INC - Form N-CSR

Comerica Bank

### **Transfer Agent and Registrar**

American Stock Transfer & Trust Company, LLC

### **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.



## Table of Contents

The Mexico Fund, Inc.

## 2011 Annual Report

October 31, 2011

## Highlights

To commemorate the Fund's 30<sup>th</sup> Anniversary since its original listing on June 4, 1981, Directors and Officers of the Fund visited the NYSE Euronext to ring its closing bell. We wish to thank our stockholders for the confidence granted to the Fund's management during these 30 years and reiterate our commitment to continue providing our best efforts to add value to your investment in the Fund.

The Fund's fiscal year 2011 ended on October 31, 2011. The Mexican economy has registered positive growth rates since the first quarter of calendar 2010. The Mexican gross domestic product (GDP) increased 5.4% during 2010 and 3.5% during the first nine months of calendar 2011, compared with the same periods of the previous years.

Equity markets around the globe registered negative performances during this fiscal year, and the Mexican Bolsa and the Fund were no exception. The Fund market price registered a total return<sup>1</sup> of -1.76%, while the Fund's NAV per share registered a total return<sup>1</sup> of -4.34%. These returns registered by the Fund compare with returns of -4.17% and -6.00% registered by the Morgan Stanley Capital International (MSCI) Mexico Index and Bolsa IPC Index, respectively.

After considering all of the relevant facts and circumstances, including both the challenging global economic environment as well as the value to stockholders of steady cash distributions, the Board has ratified the continuation of the Fund's Managed Distribution Plan (MDP) during fiscal 2012 at the annual rate of 10% of NAV per share recorded on December 30, 2011. The Fund has declared the fourth distribution of fiscal 2011 to be paid on January 18, 2012 and the Board expects to pay four distributions corresponding to fiscal 2012 in April, July and October 2012 and January 2013.

During fiscal 2011, the Fund repurchased and cancelled 38,889 Fund shares in open market transactions, equivalent to 0.29% of the Fund's average number of outstanding shares during this period. These shares were repurchased at an average price of \$27.29 per share, which represented an average discount of 10.48% to the NAV per share, for a total amount of \$1,061,468. Under the Fund's open market share repurchase policy, the Fund may repurchase up to 10% of the Fund's outstanding common stock in open market transactions during any 12-month period if and when Fund shares trade at a price which is at a discount of at least 10% to NAV.

As of October 31, 2011, the Fund's market price and NAV per share were \$23.53 and \$25.37, respectively, reflecting a discount of 7.25%, compared with 8.92% at the end of fiscal 2010. During fiscal 2011, the average discount was 9.57%.

## Edgar Filing: MEXICO FUND INC - Form N-CSR

<sup>1</sup> Performance figures consider reinvestment of distributions.

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.

## **Table of Contents**

### **The Mexico Fund, Inc.**

## **To Our Stockholders:**

We present to you the Fund's 2011 Annual Report for the period ended October 31, 2011. 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**

Just as global financial markets had begun to recover from the financial crisis of 2008 and 2009, a new wave of uncertainty resulting from the fiscal and solvency problems in some members of the Eurozone such as Greece, Portugal and Spain once again impacted market performance. Mexico, though impacted by these developments, has shown greater resilience than some other economies such as those mentioned above. Mexico has healthy public sector finances, with a modest fiscal deficit that during calendar 2010 was equivalent to 2.4% of gross domestic product (GDP) and that is expected by analysts to represent 2.5% of GDP at the end of 2011. GDP registered positive growth rates of 5.4% and 4.0% during 2010 and the first nine months of calendar 2011, respectively. Mexican exports and imports increased 19.6% and 18.8%, respectively, during the first ten months of 2011 and the trade balance registered a deficit of only \$475 million during the same period. In addition, Mexico's economic resilience continues to attract important amounts of foreign investment to the domestic bond market. Analysts surveyed by the Mexican Central Bank at the end of October 2011 estimate that the GDP will grow 3.7% and 3.2%, during 2011 and 2012, respectively, over the prior calendar year.

The Mexican Central Bank has maintained domestic reference interest rates at 4.50% since July 17, 2009 and the yield paid by 28-day Cetes (Treasury Bills) increased from 3.84% at the end of fiscal 2010 to 4.37% at the end of October 2011. The Mexican government continues to auction 30-year bonds, denominated in local currency, once every six weeks, which paid a yield of 7.93% at the end of fiscal 2011, while 10-year bonds paid a yield of 6.85%. As a result of increased risk aversion from the solvency crisis in Europe, 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 129 basis points at the end of October 2010 to 190 basis points at the end of October 2011. Mexico's country risk is the second lowest among Latin American countries; only Chile has a lower country risk, at 153 basis points. Mexico's country risk, at 190 basis points, is lower than the country risk of each of Brazil and Argentina, at 222 and 835 basis points, respectively. Analysts estimate that the Mexican Central Bank will leave unchanged reference interest rates at least until the second quarter of 2012 and project that the rate of 28-day Cetes will be 4.34% at the end of 2011 and 4.41% at the end of 2012.

The Mexican currency strengthened during the first half of fiscal 2011 but devalued during the last half as a result of risk aversion from international investors to emerging markets. The exchange rate of the peso against the US dollar increased from Ps. 12.34 per dollar at the end of October 2010 to Ps. 13.3517 per dollar at the end of October 2011.

## **Table of Contents**

### **The Mexico Fund, Inc.**

This devaluation would have been higher without the flow of foreign investment to debt instruments, due to the attractive spread between US and Mexican interest rates, remittances from Mexican citizens living abroad, and high levels of international oil prices. Analysts surveyed by the Central Bank at the end of October 2011 estimate that the exchange rate will be Ps. 12.96 and Ps. 12.82, at the end of 2011 and 2012, respectively.

Despite the devaluation of the peso and its inflationary impact, inflation in Mexico remains well under control. For the year ended October 31, 2011, Mexico's inflation rate was 3.20%, compared with 4.40% and 3.57% at the end of calendar 2010 and 2009, respectively. Analysts are confident that the Central Bank will continue obtaining positive results in controlling inflation and estimate that it will be around 3.30% and 3.63% at the end of calendar 2011 and 2012, respectively. The Mexican Central Bank continues implementing a policy to accumulate international reserves in order to enhance investors' confidence in Mexico. Almost \$20 billion in international reserves was accumulated during 2010 and another \$24.4 billion during the first ten months of calendar 2011, for a total amount of \$140.5 billion of international reserves at the end of October 2011 which, when added to \$72 billion in credit lines from the International Monetary Fund, provide Mexico with almost \$212.5 billion of resources with which to further strengthen its economy. These resources are important to Mexico particularly in light of the challenging economic and financial environment globally. Mexico's current account deficit continued to be modest, as it registered a level of \$5.7 billion during 2010, equivalent to 0.6% of GDP and \$6.55 billion for the first nine months of 2011, equivalent to 0.7% of GDP. However, foreign direct investment amounted to \$13.4 billion during the first nine months of 2011, 14.4% lower than during the same period of 2010, and analysts estimate it will amount to around \$20 billion during calendar 2011 and 2012, respectively.

### **Security Situation in Mexico**

As has been widely publicized in the U.S. and worldwide media, certain regions of Mexico have experienced an increase in violence and crime as a result of conflict between drug-trafficking organizations for control of trafficking routes. The violence and crime has been concentrated primarily in certain parts of the country, but the media attention given to the violence in Mexico has affected international perceptions of the country as a whole, and Mexico's position as a recipient of direct foreign investment (mostly in northern states) and tourism.

The administration of President Calderón has engaged in a serious effort to disband these organizations and to curb the resulting violence and crime, working to strengthen security institutions and law enforcement agencies to enhance the rule of law. President Calderón has sent several bills to the Mexican Congress and some of them have already been approved, such as the Federal Police Law, the Criminal Justice System Reform and the Federal Law of Domain Extinction. However, these initiatives will take time to have visible results.

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

The Fund's Board of Directors and the Investment Adviser recognize that investors may be concerned about the security situation in Mexico and the possibility that government expenditures required to combat the violence may divert resources away from other productive uses, such as economic development and related initiatives. However, Fund management believes that Mexico's prevailing stable economic environment, as well as the generally positive performance of Mexican listed companies and financial markets, are indicators that investors in Mexico have decoupled the security situation from their investment decisions, and that with the exception of the impact in a few tourist destinations, the security situation has not significantly affected the Mexican economy and financial markets. The Fund and most Mexican public companies continue obtaining positive results, as discussed in the following section.

**Management Discussion of Fund's Performance and Portfolio Strategy**

Following the negative performance of international financial markets, the Mexican equity market and the value of the Fund decreased during fiscal 2011. However, the Fund's investment strategy and actions to reduce the discount have shown success, and the Fund outperformed the most representative indices of the Mexican equity market. During fiscal 2011, the Bolsa IPC Index and MSCI Mexico Index registered returns of -6.00% and -4.17%, respectively, while the Fund's market price and NAV registered returns of -1.76% and -4.34%, respectively. During fiscal 2011, the Adviser increased the Fund's cash position and its exposure to defensive issuers that may benefit from the recovery of the domestic market and with low debt levels, such as companies dedicated to food, beverages and consumer products. The resources for these investments came from reduced exposure to companies more closely linked to the external sector and/or with high debt levels, such as cyclical companies, financial firms and infrastructure issuers.

The following table shows the top five contributors to the outperformance of the Fund's NAV relative to the Bolsa IPC Index during fiscal 2011. The table is sorted according to the relative contribution of these issuers to the Fund's outperformance, and shows their market price returns during such period. The Fund maintained an overweight exposure to Alfa, Peñoles, Liverpool and First Cash Financial Services, issuers with positive returns, and no exposure to Geo whose market price decreased significantly during this period.

<b>Issuer</b>	<b>Industry</b>	<b>Return</b>
Alfa	Holding Company	42.0%
Peñoles	Mining	43.4%
El Puerto de Liverpool	Retail	19.4%
First Cash Financial Services	Retail	42.8%
GEO	Housing	-56.8%

**Table of Contents**

**The Mexico Fund, Inc.**

The following table shows the top five detractors to the performance of the Fund's NAV relative to the Bolsa IPC Index during the fiscal 2011 and shows their respective market price returns during such period. The Fund maintained no exposure to Elektra and Minera Frisco, and had an overexposure to Ica, Chedraui and Grupo Famsa.

<b>Issuer</b>	<b>Industry</b>	<b>Return</b>
Elektra	Retail	105.0%
ICA	Infrastructure	-49.4%
Minera Frisco	Mining	60.0%
Chedraui	Retail	-25.4%
Grupo Famsa	Retail	-38.1%

As of October 31, 2011, the Fund had total net assets of \$339.05 million. The composite volume of Fund shares traded on all US consolidated markets during fiscal 2011 was 5,481,146 million shares, compared with 13,362,856 million shares outstanding at the end of the period.

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, 2011. More detailed information about the Fund's portfolio is available below in this report.

**Portfolio Composition by Sector**

**Percentage of Net Assets,**

October 31, 2011

## **Table of Contents**

### **The Mexico Fund, Inc.**

Mexican listed companies continued to perform better than the rest of the Mexican economy. During the first nine months of calendar 2011, sales of listed companies increased 14.2%, EBITDA<sup>2</sup> increased 10.7%, operating profit increased 12.1% and net income increased 5.7%, all compared with the same period of 2010. The lower growth of net income reflects the negative impact from currency related losses that resulted from the devaluation of the peso against the dollar, mentioned above. The average price-to-earnings ratio (PER) of the market at the end of October 2011 was 19.8 times, while the price-to-book value ratio was 2.6 times<sup>3</sup>. The market capitalization of the Bolsa at the end of October 2011 amounted to \$475 billion.

The Adviser believes that the recovery of the Mexican economy will continue to bring about attractive investment opportunities in selected issuers. However, we will continue to be prudent and look for companies with reduced or selected exposure to the external sector, strong balance sheets with low debt levels, positive free cash flows, strong corporate governance policies, attractive growth potential and proven business models.

### **Discount Reduction Efforts**

The Fund continues to maintain and implement the following strategies as part of its ongoing discount reduction efforts:

- i) Under the Fund's MDP, the Fund pays quarterly distributions at an annual rate of 10% of the Fund's NAV per share recorded on the last business day of the previous calendar year. See details below.
- ii) The Fund has in place an open market share repurchase policy. See details below.
- iii) In an effort to provide investors with more timely information about the Fund's assets, since March 2010, the Fund has been publishing, during the first five business days of each month, its portfolio of investments as part of its Monthly Summary Report, which is filed with the SEC on Form 8K and is also available at the Fund's website. Please see the section captioned "Investors Relations; Reports to Stockholders" below for more information.

The discount between the Fund's market price and NAV at the end of October 2011 was 7.25%, compared with 8.92% at the end of fiscal 2010.

<sup>2</sup> EBITDA refers to earnings before interest, taxes, depreciation and amortization.

<sup>3</sup> Source: Impulsora del Fondo México, S.C. with figures provided by the Mexican Stock Exchange.

## **Table of Contents**

### **The Mexico Fund, Inc.**

The following chart shows how the discount has declined since the implementation of the MDP:

### **Declaration of Distributions Under MDP**

Under the MDP, the Fund pays quarterly distributions at an annual rate of 10% of the Fund's NAV per share recorded on the last business day of the previous calendar year. The Fund has maintained this rate of distributions since May 2009 and all distributions paid since then were comprised of net investment income and long-term realized capital gains. The Board has ratified the continuation of the Fund's MDP during fiscal 2012 at the same annual rate of 10%, with distributions to be based on the Fund's NAV per share as of December 30, 2011. In making this determination, the Board considered all of the relevant facts and circumstances, including both the challenging global economic environment and the value to stockholders of steady cash distributions.

Pursuant to the MDP, the Board of Directors has declared a dividend distribution of \$0.8207 per share, payable in cash on January 18, 2012 to stockholders of record on December 29, 2011.

For each distribution under the MDP, 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. 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. You should not draw any conclusions about the Fund's investment performance from the amount of distributions or from the terms of the Fund's MDP.

### **Open Market Repurchases**

During fiscal 2011, the Fund repurchased and cancelled 38,889 Fund shares in open market transactions, equivalent to 0.29% of the Fund's average number of outstanding shares during this period. These shares were repurchased at an average price of \$27.29 per share, which represented an



**Table of Contents**

**The Mexico Fund, Inc.**

average discount of 10.48% to the NAV per share, for a total amount of \$1,061,468. Under the Fund's open market share repurchase policy, the Fund may repurchase up to 10% of the Fund's outstanding common stock in open market transactions during any 12-month period if and when Fund shares trade at a price which is at a discount of at least 10% to NAV. During fiscal 2011, the average discount was 9.57%.

**Mandatory Cost Basis Reporting**

As of January 1, 2012, U.S. federal law requires that investment companies report certain cost basis information to shareholders of record. For further information (including instructions on how to select a cost basis calculation method other than the default method chosen by the Fund), please see the box entitled "Cost Basis Information" on page 22 of this Annual Report.

\*\*\*

We are confident that despite the difficult global economic environment, the solid situation of the Mexican economy will continue to result in 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  
December 19, 2011

**Emilio Carrillo Gamboa**  
Chairman of the Board

**Table of Contents**

**The Mexico Fund, Inc.**

**General Information**

**Directors and Officers Biographical Data**

**Independent Directors**

Name, Address and Age	Position(s) Held With the Fund*	Term of Office and Length of Time Served	Principal Occupation	Other Directorships
<p>Emilio Carrillo</p> <p>Gamboa+</p> <p>Bldv. Manuel Avila</p> <p>Camacho No. 1, Ste. 609</p> <p>Polanco 011009</p> <p>México, D.F.</p> <p>México</p> <p>Age: 74</p>	<p>Class III Director</p>	<p>Term expires 2014; Director 1981-1987 and since 2002.</p>	<p><b>During Past Five Years</b></p> <p>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, and was reelected as a Director of the Fund in 2002.</p> <p>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 and U.S. companies.</p>	<p><b>Held by Director</b></p> <p>Director, Southern Copper Corporation (copper mining).</p>

**Table of Contents**

The Mexico Fund, Inc.

**General Information****Directors and Officers Biographical Data***Continued***Independent Directors continued**

Name, Address and Age	Position(s) Held With the Fund*	Term of Office	Principal Occupation	Other Directorships
		and Length of Time Served		
Jonathan Davis Arzac+	Class III Director	Term expires 2014, Director since 2011.	During Past Five Years From December 2000 to December 2006, Mr. Davis served as President of Mexico's National Banking and Securities Commission. He currently serves (from January 2009 to the present) as President of DAVAR Consultores (financial consulting firm). Since May 2010, Mr. Davis has also served as Executive Chairman of the Macquarie Mexican Infrastructure Fund, an unlisted, peso-denominated fund focused solely on investment opportunities in Mexican infrastructure projects. Since 2009, Mr. Davis has also been retained by the Audit Committee of Vitro S.A.B. de C.V. as an advisor, to serve as an <i>experto financiero</i> to the Committee (defined under Mexican law as an individual with broad experience as an external auditor, accountant, CFO, controller, or similar experience).	None.
Monte Pelvoux 220 Piso 6 Lomas de Chapultepec, México, D.F. México Age: 59			Mr. Davis previously served as an Executive Director of ING Mexico (from January 2008 to December	

2008) and as an Executive Director, representing Mexico and the Dominican Republic, of the Interamerican Development Bank (from March 2007 to December 2007). He has also served or currently serves on the boards of many Mexican companies.

**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 During Past Five Years	Other Directorships Held by Director
Claudio X. González+  Jaime Balmes 8  Los Morales Polanco  México, D.F. 11510  México  Age: 77	Class II Director	Term expires 2013; 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 has served on the boards of directors of several prominent U.S. and Mexican companies.	None.
Robert L. Knauss+  c/o Aristóteles 77,  3rd Floor  Col. Polanco  11560 México, D.F.  México  Age: 80	Class II Director	Term expires 2013; Director since 1985.	Mr. Knauss currently serves as Non-Executive Chairman of the Board of Equus Total Return Inc. (investment company). He previously served as Chairman of the Board and Principal Executive Officer of Philips Services Corp. (industrial services) (1998-2003). 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.	Non-Executive Chairman of the Board and Director, Equus Total Return Inc. (investment company); Director, XO Holdings, Inc. (telecommunications); Director, Westpoint International Inc. (home products).

**Table of Contents**

**The Mexico Fund, Inc.**

**General Information**

**Directors and Officers Biographical Data**

*Continued*

**Independent Directors continued**

Name, Address and Age	Position(s) Held With the Fund*	Term of Office and Length of Time Served	Principal Occupation During Past Five Years	Other Directorships Held by Director
Jaime Serra Puche+  Edificio Plaza  Prolongación Paseo de la Reforma 600-103  Santa Fe Peña Blanca  01210 México, D.F.  México	Class I Director	Term expires 2012; Director since 1997.	Dr. Serra is a Senior Partner of the law and economics consulting firm SAI Consultores, S.C.           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.	Director, Vitro, S.A. de C.V. (glass manufacturer); Director, Tenaris (tube producer); Director, Chiquita Brands, Inc. (fruit producer).
Age: 60			Formerly, Dr. Serra has served as a Visiting Professor at Princeton University, Stanford University and New York University. He was also Secretary of Trade and Industry (Mexico) and a Distinguished Visiting Associate at the Carnegie Endowment for International Peace. He has a Ph.D. in economics from Yale University. Dr. Serra also serves as Co-Chairman of the President's Council on International	

## Edgar Filing: MEXICO FUND INC - Form N-CSR

### Activities of Yale University.

Marc J. Shapiro+	Class I Director	Term expires 2012; Director since 2006.	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).	Director, Kimberly-Clark Corporation (consumer goods); Director, Weingarten Realty Investors (real estate investment).
707 Travis, 11th Floor				
Houston, TX 77002				
Age: 64				

\* There are no other funds in the Fund Complex.

**Table of Contents**

**The Mexico Fund, Inc.**

**Independent Directors continued**

+ 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.

**Interested Director**

Name, Address and Age	Position(s) Held With the Fund*	Term of Office and Length of Time Served		Principal Occupation During Past Five Years	Other Directorships Held by Director
		Term expires	of Time Served		
José Luis Gómez Pimienta**+ Aristóteles 77, 3rd Floor Col. Polanco 11560 México, D.F. México  Age: 72	President of the Fund; Class II Director	Term expires 2013; Director since 1989.		Mr. Gómez Pimienta has over three 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.



**Table of Contents**

**The Mexico Fund, Inc.**

**General Information**

**Directors and Officers Biographical Data**

*Continued*

**Officers Who Are Not Directors**

<b>Name, Address and Age</b>	<b>Position(s) Held</b>	<b>Term of Office+ and Length of Time Served</b>	<b>Principal Occupation(s) During Past Five Years</b>
Alberto Osorio Morales Aristóteles 77, 3rd Floor Col. Polanco 11560 México, D.F. México	Senior Vice President;  Treasurer  (formerly, Vice President of Finance)	Since 2008.    Since 2002.  From 1999 to 2002.	Mr. Osorio currently serves as Director General Adjunto (Deputy Director) of the Fund's investment adviser, Impulsora del Fondo México, S.C. since 2008, and has been an employee of the Adviser since 1991.
Age: 43 Carlos H. Woodworth Ortiz Aristóteles 77, 3rd Floor Col. Polanco 11560 México, D.F. México	Chief Compliance Officer  (formerly, Vice President of Corporate Governance)  (formerly, Treasurer)	Since 2002.   From 2002 to 2008.	Mr. Woodworth 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, from 1981 to 2008.

## Edgar Filing: MEXICO FUND INC - Form N-CSR

Age: 68

From 1992 to 2002.

Eduardo Solano Arroyo

Vice President of Investor  
Relations

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.

Aristóteles 77, 3rd Floor

Col. Polanco

11560 México, D.F.

México

Age: 43

Alberto Gómez Pimienta

Vice President of Operations

Since 2009.

Alberto Gómez Pimienta served as Corporate Treasurer for Cargill, Inc. in Mexico from 2006 to 2008. Previously, Mr. Gomez Pimienta served in several positions in Mexican brokerage houses, pension fund administrators and banks. Mr. Gómez Pimienta has over 25 years of experience in the Mexican securities market.

Aristóteles 77, 3rd Floor

Col. Polanco

11560 México, D.F.

México

Age: 45

**Table of Contents**

**The Mexico Fund, Inc.**

**Officers Who Are Not Directors, concluded**

Name, Address and Age	Position(s) Held	Term of Office+ and Length	Principal Occupation(s) During Past Five Years
<p>Samuel García-Cuéllar</p> <p>Creel, García-Cuéllar, Aiza y Enriquez, S.C.</p> <p>Paseo de los Tamarindos 60 3er piso</p> <p>Bosques de las Lomas</p> <p>05120 México, D.F.</p> <p>México</p> <p>Age: 69</p>	<p>Secretary</p>	<p>Since 1981.</p>	<p>Mr. García-Cuéllar is a partner of Creel, García-Cuéllar, Aiza y Enriquez, S.C., Mexican counsel to the Fund.</p>
<p>Sander M. Bieber</p> <p>1775 I Street, N.W.</p> <p>Washington, DC 20006</p> <p>Age: 61</p>	<p>Assistant Secretary</p>	<p>Since 1989.</p>	<p>Partner of Dechert LLP, U.S. counsel to the Fund and the Independent Directors.</p>

\* 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.



## **Table of Contents**

**The Mexico Fund, Inc.**

## **General Information**

*Continued*

### **Investment Policy Relating to Temporary Defensive Investments**

The Fund generally invests 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.

### **Investment Policy Relating to Issuers Listed on the Mexican Stock Exchange and Organized Outside of Mexico**

The Fund may invest up to 20% of its assets in issuers that are listed on the Mexican Stock Exchange, but which are organized outside of Mexico, provided each such issuer has a subsidiary organized in Mexico.

### **Concentration Policy**

The Fund has 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 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 2011, the only industry group that represented 20% or more of the value of the securities included in the IPC Index was the telecommunications industry group, with a weighting of 29.77% of the IPC Index. This industry group is composed of companies providing telephone services (both fixed and mobile). At the end of October 2011, 21.42% of the Fund's net assets were invested in the telecommunications sector. 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.

### **Proxy Voting**

Information about how the Fund voted proxies during the twelve-month period ending June 30, 2011 is available, without charge, upon request by calling collect Mr. Eduardo Solano, the Fund's Investor Relations Vice President, or on the SEC's website at [www.sec.gov](http://www.sec.gov). The Fund's and its Investment Adviser's proxy voting policies and procedures are on the Fund's website, [www.themexicofund.com](http://www.themexicofund.com) under the heading "Corporate Governance", on the SEC's website at [www.sec.gov](http://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).

### **Investor Relations; Reports to Stockholders**

Reports and Proxy Statements are published on the Fund's website, [www.themexicofund.com](http://www.themexicofund.com), under the section "Investor Reports".



## Table of Contents

### **The Mexico Fund, Inc.**

Stockholders will receive printed versions of the Fund's semi-annual and annual reports. This information is also available in the Fund's quarterly electronic Form N-Q filings submitted to the SEC. Stockholders who wish 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). The Fund publishes a Monthly Summary Report which is distributed via e-mail to interested investors and available on the Fund's website; effective March 2010, the Fund also files the Monthly Summary Report with the SEC on Form 8-K.

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 questions are regularly available from 10:00 am to 3:00 pm and from 5:00 pm to 7:00 pm ET. If you prefer to contact the Fund via e-mail, please direct your e-mail inquiries to:

### **Investor Relations Office**

[investor-relations@themexicofund.com](mailto:investor-relations@themexicofund.com)

Information on the Fund's NAV and market price per share is published daily in the Fund's website on section [Price and NAV](#). The Fund's NYSE trading symbol is MXF.

The Fund's Distribution Reinvestment and Stock Repurchase Plan and Transfer Agent is:

### **American Stock Transfer & Trust Company, LLC**

6201 15th Avenue

Brooklyn, NY 11219

(877) 573-4007

(718) 921-8124

[www.amstock.com/main](http://www.amstock.com/main)

### **Distribution Reinvestment and Stock Purchase Plan**

The Fund's Distribution and Reinvestment and Stock Purchase Plan (the Plan) provides a convenient way to increase your holdings in the common stock of the Fund through the reinvestment of distributions paid by the Fund. The Plan includes the following:

- (1) **Voluntary Stock Purchase Option.** All registered stockholders (regardless of whether they are Plan participants) can now make monthly voluntary cash investments in Fund shares through the Plan Agent, American Stock Transfer & Trust Company, LLC (AST). The minimum investment for a voluntary cash investment is \$25.00; you may vary the amount of your investment as long as it equals or exceeds this \$25.00 minimum. There is a transaction fee of \$2.50 and \$0.10 commission for this service. Optional cash payments can be made online or by mail, as described further in the enclosed brochure. Stockholders can also authorize AST to make automatic withdrawals from a bank account.

- (2) **Clarification Regarding Reinvestment of Distributions.** Distributions received through the Fund's Managed Distribution



## Table of Contents

The Mexico Fund, Inc.

## General Information

*Continued*

Plan can be reinvested directly in additional Fund shares, regardless of the character of such distributions for accounting and tax reporting purposes.

- (3) **Online Enrollment in the Plan.** As an alternative to mailing an authorization card to AST, stockholders may now enroll in the Plan through AST's website at [www.amstock.com](http://www.amstock.com). To have distributions reinvested, stockholder authorization must be received by AST by the record date for a given distribution.
- (4) **Withdrawal from the Plan.** Stockholders may withdraw from the Plan by notifying AST. If a request for withdrawal is received by AST more than three (3) business days before a distribution payment date that distribution will be paid out in cash.
- (5) **Amendment of Plan.** The Fund reserves the right to amend or supplement the Plan at any time, but only by mailing to participants appropriate written notice at least thirty (30) days prior to the effective date thereof, except when necessary to comply with applicable laws or the rules or policies of the Securities and Exchange Commission or other regulatory authority.

The Plan brochure can be accessed through AST's or the Fund's website, at [www.amstock.com](http://www.amstock.com) or [www.themexicofund.com](http://www.themexicofund.com). If you have any questions, please contact AST at 1-877-573-4007 or 1-718-921-8124. You may also contact AST via mail at:

### American Stock Transfer & Trust Company, LLC

Attention: Plan Administration Department

PO Box 922

Wall Street Station

New York, NY 10269-0560

If you are a Fund shareholder of record, you may enroll in the Plan by mail or online at [www.amstock.com](http://www.amstock.com). Please contact AST for further information, or to request an authorization card for enrollment. If your shares are held in nominee or street name through a broker, bank or other nominee who does not provide an automatic reinvestment service and you wish to have distributions reinvested in shares of the Fund, you must notify such nominee and request that the change be made on your behalf or that your shares be re-registered in your own name.

You may withdraw from the Plan without penalty at any time by notice to AST. If your request to withdraw from the Plan is received more than three business days before any distribution payment date then that distribution will be paid out in cash. If your request to withdraw from the Plan is received less than three business days prior to any distribution payment date then that distribution will be reinvested. However, all subsequent distributions would be paid out in cash on all balances. Should you choose to withdraw any shares from the Plan or discontinue your participation in the Plan, you will receive a certificate or certificates for the appropriate number of full shares, along with a check in payment for

## Edgar Filing: MEXICO FUND INC - Form N-CSR

any fractional share interest you may have. The payment for the fractional shares will be valued at the market price of the Fund's shares on the date your termination is effective. In lieu of receiving a certificate, you may request the Plan Agent to sell part or all of your shares at market price and remit the proceeds to you, net of any brokerage commissions.

## **Table of Contents**

### **The Mexico Fund, Inc.**

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 (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 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 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 you have any questions concerning the Plan or would like a hard copy of the Plan brochure, please contact AST using the contact information listed above.

### **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 2011 annual meeting of stockholders, it filed an annual certification with the NYSE stating that its President was unaware of any violation of the NYSE's Corporate Governance listing standards.

**Table of Contents**

**The Mexico Fund, Inc.**

**General Information**

*Concluded*

**Cost Basis Information**

Beginning with the 2012 calendar year, the Fund will be required to report to shareholders of record and the Internal Revenue Service annually on Form 1099-B not only the gross proceeds of Fund shares sold, but also their cost basis, for shares purchased or acquired on or after January 1, 2012. Cost basis will be reported using the Fund's default method of first-in-first-out ( FIFO ), unless the shareholder of record instructs the Fund to use an average cost method for their shares purchased or acquired on or after January 1, 2012. Alternatively, a shareholder can generally supply instructions for specific lot identification for a given transaction.

If your Fund shares are registered in your name and you wish to elect an average cost method rather than the default method of FIFO, you may do so by downloading a form that is available on the Fund's website, [www.themexicofund.com](http://www.themexicofund.com), under the section Services , and mailing it to the Fund's Transfer Agent at the address indicated on the form. If you hold Fund shares through a financial intermediary, please contact that financial intermediary for instructions on how to make your election. If you wish to supply instructions for specific lot identification for shares purchased or acquired on or after January 1, 2012, please contact the Fund's Transfer Agent at (800) 937-5449.

**Table of Contents**

The Mexico Fund, Inc.

**Schedule of Investments**

as of October 31, 2011

Shares Held		Value (Note 1)	Percent of Net Assets
<b>COMMON STOCK - 92.24%</b>			
<b>Airports</b>			
1,000,000	Grupo Aeroportuario del Sureste, S.A.B. de C.V. Series B	\$ 5,743,089	1.69%
<b>Beverages</b>			
1,865,000	Arca Continental, S.A.B. de C.V.	8,827,939	2.60
540,000	Coca-Cola Femsa, S.A.B. de C.V. Series L	4,861,808	1.43
4,800,000	Fomento Económico Mexicano, S.A.B. de C.V. Series UBD	32,139,727	9.48
1,000,000	Grupo Modelo, S.A.B. de C.V. Series C	6,328,033	1.87
		52,157,507	15.38
<b>Building Materials</b>			
20,888,400	Cemex, S.A.B. de C.V. Series CPO	9,073,955	2.68
<b>Chemical Products</b>			
3,000,000	Mexichem, S.A.B. de C.V.	10,304,306	3.04
<b>Construction and Infrastructure</b>			
2,200,000	Empresas ICA, S.A.B. de C.V. (a)	2,936,255	0.87
<b>Consumer Products</b>			
2,200,000	Kimberly-Clark de México, S.A.B. de C.V. Series A	12,493,091	3.68
<b>Financial Groups</b>			
	Banregio Grupo Financiero, S.A.B. de C.V.		
1,470,000	Series O (a)	3,280,930	0.97
2,700,000	Grupo Financiero Banorte, S.A.B. de C.V. Series O	9,203,098	2.71
		12,484,028	3.68
<b>Food</b>			
5,000,000	Grupo Bimbo, S.A.B. de C.V. Series A	10,264,610	3.03
<b>Health Care</b>			

Edgar Filing: MEXICO FUND INC - Form N-CSR

	Genomma Lab Internacional, S.A.B. de C.V.			
3,000,000	Series B (a)		6,239,655	1.84
	<b>Holding Companies</b>			
1,000,000	Alfa, S.A.B. de C.V. Series A		11,630,729	3.43
1,620,000	Grupo Carso, S.A.B. de C.V. Series A1		4,175,064	1.23
			15,805,793	4.66
	<b>Media</b>			
3,700,000	Grupo Televisa, S.A.B. Series CPO		15,787,428	4.66
	<b>Mining</b>			
4,700,000	Grupo México, S.A.B. de C.V. Series B		13,028,079	3.84
270,000	Industrias Peñoles, S.A.B. de C.V.		10,839,271	3.20
			23,867,350	7.04

See Notes to Financial Statements.

**Table of Contents**

The Mexico Fund, Inc.

**Schedule of Investments**

as of October 31, 2011

*Concluded*

Shares Held		Value (Note 1)	Percent of Net Assets
<b>COMMON STOCKS - concluded</b>			
<b>Retail</b>			
104,500	First Cash Financial Services, Inc. (a)	4,336,785	1.28
2,000,000	Grupo Comercial Chedraui, S.A.B. de C.V. Series B	4,803,883	1.42
1,620,000	El Puerto de Liverpool, S.A.B. de C.V. Series C-1	11,053,424	3.26
12,780,000	Wal-Mart de México, S.A.B. de C.V. Series V	32,936,615	9.71
		53,130,707	15.67
<b>Steel</b>			
187,700	Ternium, S.A. (a)	4,606,148	1.36
<b>Stock Exchange</b>			
3,200,000	Bolsa Mexicana de Valores, S.A.B. de C.V. Series A	5,220,009	1.54
<b>Telecommunications Services</b>			
57,010,000	América Móvil, S.A.B. de C.V. Series L	72,630,459	21.42
	Total Common Stock (Identified cost -\$262,059,945)	\$ 312,744,390	92.24%
<b>Securities</b>			
<b>Principal</b>			
<b>Amount</b>			
<b>SHORT-TERM SECURITIES - 7.21%</b>			
<b>Repurchase Agreements</b>			
\$23,403,843	BBVA Bancomer, S.A., 4.36%, dated 10/31/11, due 11/01/11 repurchase price \$23,406,677 collateralized by Bonos del Gobierno Federal. Value of collateral \$23,671,574	\$ 23,403,843	6.90%
<b>Time Deposits</b>			
1,051,685	Comerica Bank, 0.06%, dated 10/31/11, due 11/01/11	1,051,685	0.31

## Edgar Filing: MEXICO FUND INC - Form N-CSR

Total Short-Term Securities (Identified cost -\$24,455,528)	24,455,528	7.21
<b>Total Investments</b> (Identified cost - \$286,515,473)	337,199,918	99.45
Other Assets in Excess of Liabilities	1,849,995	0.55
<b>Net Assets</b> Equivalent to \$25.37 per share on 13,362,856 shares of capital stock outstanding	\$ 339,049,913	100.00%

(a) Shares of these securities are currently non-income producing. Equity investments that have not paid dividends within the last twelve months are considered to be non-income producing.

See Notes to Financial Statements.



**Table of Contents**

The Mexico Fund, Inc.

**Statement of Assets and Liabilities**

as of October 31, 2011

**Assets:**

Investments:

Securities, at value:

Common stock (identified cost - \$262,059,945)	\$ 312,744,390
Short term securities (identified cost - \$24,455,528)	24,455,528

Total investments (identified cost - \$286,515,473)	337,199,918
---	-------------

Dividends receivable	259,009
----------------------	---------

Receivables from securities sold	2,229,577
----------------------------------	-----------

Interest receivable	2,834
---------------------	-------

Prepaid expenses	28,884
------------------	--------

Total assets	339,720,222
--------------	-------------

**Liabilities:**

Payable to Investment Adviser (Notes 2 and 3)	302,636
---	---------

Accrued expenses and other liabilities	324,864
--	---------

Payables for securities purchased	42,809
-----------------------------------	--------

Total liabilities	670,309
-------------------	---------

<b>Net Assets</b> - Equivalent to \$25.37 per share on 13,362,856 shares of capital stock outstanding	<b>\$ 339,049,913</b>
---	-----------------------

**Composition of Net Assets:**

Common Stock	\$ 13,362,856
--------------	---------------

Additional paid-in capital	265,891,712
----------------------------	-------------

Accumulated net investment income	1,716,162
-----------------------------------	-----------

Accumulated net realized gain on investments	7,271,402
--	-----------

Unrealized appreciation of investments and translation of assets and liabilities denominated in foreign currency	50,807,781
--	------------

	<b>\$ 339,049,913</b>
--	-----------------------

See Notes to Financial Statements.



**Table of Contents**

The Mexico Fund, Inc.

**Statement of Operations**

For the Year Ended October 31, 2011

**Net Investment Income:**

Income:		
Dividends	\$	8,235,612
Interest		638,619
<b>Total income</b>		<b>8,874,231</b>

**Expenses:**

Investment advisory fee		3,722,032
Administrative services		476,065
Legal fees		327,640
Directors' fees		295,000
Printing, distribution and mailing of stockholder reports		161,183
Audit and tax fees		155,672
Directors and Officers' expenses		95,314
Stockholders' information		77,081
Insurance		64,034
Miscellaneous		60,378
Custodian fees		56,758
Chief Compliance Officer fees		35,000
Consulting fees		31,238
Transfer agent and dividend disbursement fees		28,200
Stock exchange fees		25,000
<b>Operating expenses</b>		<b>5,610,595</b>
<b>Net investment income</b>		<b>3,263,636</b>

**Net Realized and Unrealized Gain (Loss) on Investments and Foreign Currency Transactions:**

Net realized gain (loss) on investments and foreign currency transactions:		
Net realized gain on investments		41,021,657
Net realized loss from foreign currency transactions		(1,547,474)
<b>Net realized gain on investments and foreign currency transactions</b>		<b>39,474,183</b>
Increase (decrease) in net unrealized appreciation on investments and translation of assets and liabilities denominated in foreign currency:		
Decrease in net unrealized appreciation on investments		(57,434,513)
Increase in net unrealized appreciation on translation of assets and liabilities denominated in foreign currency		112,231

Edgar Filing: MEXICO FUND INC - Form N-CSR

Decrease in net unrealized appreciation on investments and translation of assets and liabilities denominated in foreign currency	(57,322,282)
<b>Net Decrease in Net Assets Resulting from Operations</b>	<b>\$ (14,584,463)</b>

See Notes to Financial Statements.

**Table of Contents**

The Mexico Fund, Inc.

**Statement of Changes in Net Assets**

	For the Year Ended October 31, 2011	For the Year Ended October 31, 2010
<b>Increase (Decrease) in Net Assets:</b>		
From Operations		
Net investment income	\$ 3,263,636	\$ 2,326,333
Net realized gain on investments and foreign currency transactions	39,474,183	31,715,251
(Decrease) Increase in net unrealized appreciation on investments and translation of assets and liabilities in foreign currency	(57,322,282)	85,638,146
Net (decrease) increase in net assets resulting from operations	(14,584,463)	119,679,730
Dividends to stockholders from net investment income	(1,361,414)	(1,507,676)
Distributions to stockholders from net realized gain on investments	(39,280,050)	(30,649,757)
	(55,225,927)	87,522,297
<b>From Capital Share Transactions:</b>		
Repurchase of stock (Note 7)	(1,061,468)	(22,676,136)
Payment of short-swing profit (Note 5)		259,191
	(1,061,468)	(22,416,945)
Total (decrease) increase in net assets	(56,287,395)	65,105,352
<b>Net Assets:</b>		
Beginning of year	395,337,308	330,231,956
End of year (including accumulated net investment income of \$1,716,162 and \$1,361,806 respectively)	\$ 339,049,913	\$ 395,337,308

See Notes to Financial Statements.

**Table of Contents****The Mexico Fund, Inc.****Financial Highlights**

	<b>For the Year Ended October 31,</b>				
	<b>2011</b>	<b>2010</b>	<b>2009</b>	<b>2008</b>	<b>2007</b>
<b>Per Share Operating Performance:</b>					
Net asset value, beginning of year	\$ 29.50	\$ 22.97	\$ 19.41	\$ 51.23	\$ 42.43
Net investment income *	0.24	0.17	0.06	0.15	0.54
Net (loss) gain on investments and translation of foreign currency *	(1.34)	8.48	6.71	(24.61)	15.45
Total from investment operations *	(1.10)	8.65	6.77	(24.46)	15.99
<b>Less Dividends and Distributions:</b>					
Dividends to stockholders from net investment income	(0.10)	(0.11)	(0.06)	(0.65)	(0.34)
Distributions to stockholders from net realized gain on investments	(2.94)	(2.24)	(3.25)	(6.52)	(3.64)
Total dividends and distributions	(3.04)	(2.35)	(3.31)	(7.17)	(3.98)
<b>Capital Share Transactions:</b>					
Effect on NAV of stock repurchased	0.01	0.21	0.10	0.01	0.03
Payment of short-swing profit (Note 5)		0.02			
Capital charge resulting from issuance of fund shares				(0.20)	(3.24)
Total capital share transactions	0.01	0.23	0.10	(0.19)	(3.21)
Net asset value, end of year	\$ 25.37	\$ 29.50	\$ 22.97	\$ 19.41	\$ 51.23
Market value per share, end of year	\$ 23.53	\$ 26.87	\$ 20.07	\$ 16.56	\$ 45.20
Total investment return based on market value per share **	(1.76)%	47.13%	48.59%	(54.43)%	37.03%
<b>Ratios to Average Net Assets:</b>					
Expenses	1.42%	1.47%***	1.72%	1.15%	1.07%
Net investment income	0.83%	0.64%	0.35%	0.38%	1.26%
<b>Supplemental Data:</b>					
Net assets at end of period (in 000 s)	\$ 339,050	\$ 395,337	\$ 330,232	\$ 351,311	\$ 974,746
Portfolio turnover rate	25.18%	29.96%	51.15%	23.91%	35.70%

\* Amounts were computed based on average shares outstanding during the period.

\*\*

## Edgar Filing: MEXICO FUND INC - Form N-CSR

Total investment return is calculated assuming a purchase of common stock on the opening of the first day and a sale on the last business day of each year reported. Dividends and distributions, if any, are assumed to be reinvested at the lower of the net asset value or the closing market price on the dividend/distribution day. For fiscal 2007, the total return was calculated assuming a sale of the rights received on March 26, and reinvested in stock at the closing market price of that date. If the distribution corresponding to long-term capital gains in fiscal 2007 were taken in stock, which was issued at \$38.95 per share, the total return would have been 37.16%. If the distribution corresponding to long-term capital gains in fiscal 2008 were taken in stock, which was issued at \$32.92 per share, the total return would have been (56.64)%.

\*\*\* Net of expense reimbursement representing 0.02%.

See Notes to Financial Statements.

**Table of Contents**

**The Mexico Fund, Inc.**

**Notes to Financial Statements**

October 31, 2011

**1. Operations and Significant Accounting Policies:**

The Mexico Fund, Inc. (the Fund) is registered under the Investment Company Act of 1940, as amended (the 1940 Act), as a closed-end non-diversified management investment company. The investment objective of the Fund is to seek long-term capital appreciation through investment in securities, primarily equity, listed on the Mexican Stock Exchange.

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America (GAAP) requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses for the period. Actual results could differ from those estimates. The following is a summary of significant accounting policies followed by the Fund.

*Valuation of investments* Investments in which the principal exchange is on the Mexican Stock Exchange are valued at the closing price reported by the Mexican Stock Exchange. The closing price represents the weighted average for the last twenty minutes of operations in any business day. Investments in which the principal exchange is the NASDAQ or the New York Stock Exchange are valued at the last sale price. Short-term securities with remaining maturities of less than 60 days at the time of purchase are carried at cost, plus accrued interest, which approximates market value. All other securities are valued in accordance with methods determined by the Board of Directors. If the Board of Directors believes that the price of a security obtained under the Fund's valuation procedures does not represent the amount that the Fund reasonably expects to receive on a current sale of the security, the Fund will value the security based on a method that the Board believes accurately reflects fair value.

GAAP establishes a fair value hierarchy that distinguishes between market data obtained from independent sources (observable inputs) and the Fund's own market assumptions (unobservable inputs). These inputs are used in determining the value of the Fund's investments and are summarized in the following fair value hierarchy:

Level 1 quoted prices in active markets for identical securities

Level 2 other significant observable inputs (including quoted prices for similar securities, interest rates, 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.



**Table of Contents****The Mexico Fund, Inc.****Notes to Financial Statements**

October 31, 2011

*Continued*

The following is a summary of the inputs used as of October 31, 2011, in valuing the Fund's assets and liabilities carried at fair value:

<b>Valuation Inputs</b>	<b>LEVEL 1</b>	<b>LEVEL 2</b>	<b>LEVEL 3</b>	<b>TOTAL</b>
<b>ASSETS:</b>				
Investments in Securities:				
Equity Investments (a)	\$ 312,744,390			\$ 312,744,390
Short Term Investments (b)		\$ 24,455,528		\$ 24,455,528
<b>Total Investments in Securities</b>	<b>\$ 312,744,390</b>	<b>\$ 24,455,528</b>		<b>\$ 337,199,918</b>

(a) For detailed industry descriptions, see the accompanying Schedule of Investments.

(b) These assets consist of time deposits and repurchase agreements with maturities of one business day. They are classified as Level 2 solely as a result of the Fund's valuation technique for short-term investments, using cost plus accrued interest which approximates market value, instead of quoted prices in active markets, and thereby may not present any higher risk than Level 1 assets.

In May 2011, the FASB issued Accounting Standards Update ( ASU ) No. 2011-04 Amendments to Achieve Common Fair Value Measurement and Disclosure Requirements in GAAP and International Financial Reporting Standards ( IFRS ). ASU 2011-04 includes common requirements for measurement of and disclosure about fair value between GAAP and IFRS. ASU 2011-04 will require reporting entities to disclose the following information for fair value measurements categorized within Level 3 of the fair value hierarchy: quantitative information about the unobservable inputs used in the fair value measurement, the valuation processes used by the reporting entity, and a narrative description of the sensitivity of the fair value measurement to changes in unobservable inputs and the interrelationships between those unobservables inputs. In addition, ASU 2011-04 will require reporting entities to make disclosures about amounts and reasons for all transfers into and out of Level 1 and Level 2 fair value measurements. The new and revised disclosures are effective for interim and annual reporting periods beginning after December 15, 2011. Since the requirements of ASU 2011-04 relate to additional disclosures only, it is not expected to impact the Fund's financial position or results of operations.

*Security transactions and investment income* Security transactions are recorded on the date which the transactions are entered into (the trade date). Dividend income is recorded on the ex-dividend date and interest income is recorded as earned.

*Foreign Currency* The market value of Mexican securities, currency holdings and other assets and liabilities denominated in Pesos ( Ps. ) was recorded in the financial statements after being translated into U.S. dollars based on the open market exchange rate prevailing in Mexico City at the end of the period. The open market exchange rate at October 31, 2011 was Ps.13.3517 to \$1.00.

The identified cost of portfolio holdings is translated at approximate rates prevailing when acquired. Income and expense amounts are translated at approximate rates prevailing when earned or incurred.



**Table of Contents**

**The Mexico Fund, Inc.**

The Fund does not isolate that portion of the results of operations arising as a result of changes in the foreign exchange rates from the fluctuations arising from changes in the market prices of securities during the year. Accordingly, the net realized and unrealized gain on investments presented in the accompanying financial statements include the effects of both such changes.

Reported net realized foreign exchange gains or losses arise from sales of short-term securities in exchange for cash, payment of services or functional currency denominated assets, currency gains or losses realized between the trade and settlement dates on securities transactions and the difference between the amounts of dividends, interest, and foreign withholding taxes recorded by the Fund, and the U.S. dollar equivalent of the amount actually received or paid.

Net unrealized foreign exchange gains and losses arise from changes in the value of assets and liabilities other than investments in common stocks, resulting from changes in the exchange rate.

*Repurchase Agreements* The Fund enters into repurchase agreements with approved institutions. The Fund's repurchase agreements are fully collateralized by Mexican or U.S. Government securities. The Fund takes possession of the collateral and the Fund's investment adviser monitors the credit standing of repurchase agreement counterparties. It is the Fund's policy that the fair value of the collateral be at least equal to the principal amount of the repurchase transaction, including accrued interest, at all times. If the counterparty defaults, and the fair value of the collateral declines, realization of the collateral by the Fund may be delayed or limited.

*Realized gains and losses on investments* Realized gains and losses on investments are determined on the identified cost basis.

*Taxes* No provision has been made for U.S. income or excise taxes for the year ended October 31, 2011 on net investment company taxable income or net long-term capital gains as defined by the Internal Revenue Code (the "Code"), since the Fund intends to comply with the requirements of the Code applicable to regulated investment companies and to distribute substantially all of such income to its stockholders.

GAAP prescribes the minimum recognition threshold a tax position must meet before being recognized in the financial statements. An assessment of the Fund's tax positions has been made and it has been determined that there is no impact to the Fund's financial statements.

Each of the Fund's federal income tax returns for the prior three fiscal years remain subject to examination by the Internal Revenue Service.

Dividends to stockholders from net investment income are determined based on Federal income tax regulations, whereas the corresponding net investment income as reflected in the accompanying financial statements is presented in accordance with accounting principles generally accepted in the United States. Net realized gains from security transactions are distributed annually to stockholders.

## **Table of Contents**

**The Mexico Fund, Inc.**

## **Notes to Financial Statements**

October 31, 2011

*Continued*

*Dividends to stockholders* Dividends are recorded by the Fund on the ex-dividend date.

*Risks of Investment in Mexican Securities* Investing in Mexican securities involves certain considerations not typically associated with investing in securities of U.S. issuers, including (1) lesser liquidity and smaller market capitalization of the Mexican securities markets, (2) currency fluctuations, (3) higher rates of inflation and domestic interest rates and (4) less stringent disclosure requirements, less available information regarding Mexican public companies and less active regulatory oversight of Mexican public companies.

The Mexican Stock Exchange is a concentrated market. The value of the Mexican Stock Exchange may be subject to greater volatility than markets that are less concentrated. A large percentage of the value of the Mexican securities market is currently represented by certain industry sectors, in particular, the communications industry. Also, a certain individual has a controlling interest in companies representing around 35% of the market capitalization of the Mexican Stock Exchange. Any factors or events which impact this individual could have negative repercussions for the issuers in which he holds a controlling interest, including certain Fund investments and the Mexican Stock Exchange as a whole.

### **2. Investment Advisory Agreement:**

The Fund has an investment advisory contract with Impulsora del Fondo México, S.C. (the "Adviser"), a Mexican company registered under the U.S. Investment Advisers Act of 1940. The Adviser furnishes investment research and portfolio management services consistent with the Fund's stated investment policies. The Fund pays the Adviser a monthly fee at the annual rate of 1.00% on the first \$200 million of average daily net assets, 0.90% on the excess over \$200 million up to \$400 million and 0.60% on the excess over \$400 million.

### **3. Fund Services Agreement:**

The Fund has entered into a Fund Services Agreement with the Adviser, which provides for certain services to be performed by the Adviser, including among other administrative activities, the determination and publication of the net asset value of the Fund, the maintenance of the Fund's books and records in accordance with applicable U.S. and Mexican Laws and assistance in the preparation and filing of annual reports and tax returns. The Fund pays the Adviser a monthly fee at the annual rate of 0.11% on the first \$600 million of average daily net assets, and 0.09%

on the excess over \$600 million, with a minimum amount of \$450,000 per year.

**Table of Contents****The Mexico Fund, Inc.****4. Purchases and Sales of Investments:**

Purchases and sales of investments, excluding short-term securities, for the year ended October 31, 2011 were as follows:

<b>Purchases</b>	
Common Stock	\$ 94,943,963
<b>Total Purchases</b>	<b>\$ 94,943,963</b>
<b>Proceeds from Investments Sold</b>	
Common Stock	\$ 154,886,951
<b>Total Sales</b>	<b>\$ 154,886,951</b>

**5. Capital Stock:**

At October 31, 2011, there were 150,000,000 shares of \$1.00 par value common stock authorized, of which 13,362,856 shares were outstanding.

The Fund offers a Dividend Reinvestment Plan ( Plan ) to its stockholders. Fund stockholders are automatically enrolled as participants in the Plan unless they notify the Fund's transfer agent otherwise.

On June 8, 2010, the Board of Directors of the Fund considered and approved a payment to the Fund of \$346,758 by a Fund Director. The payment represents a profit realized by the Fund Director on sales of Fund shares made within a period of less than six months from purchase of Fund shares by the Fund Director of \$259,191 and a reimbursement of legal fees incurred by the Fund of \$87,567. Such amounts were recorded as a capital contribution to the Fund and a reimbursement of Fund expenses, respectively. The profit earned by the Fund Director has been paid to the Fund in satisfaction of the requirements of Section 16(b) of the Securities Exchange Act of 1934, as amended.

**6. Distributions to Stockholders:**

## Edgar Filing: MEXICO FUND INC - Form N-CSR

On August 12, 2008, the Fund received authorization from the Securities and Exchange Commission ( SEC ) which permits the Fund to distribute long-term capital gains to stockholders more than once per year. Accordingly, the Board of Directors approved the implementation of a Managed Distribution Plan ( MDP ) to make quarterly cash distributions to stockholders. Under the plan, distributions will be made from current income, supplemented by realized capital gains and, to the extent necessary, paid in capital.

**Table of Contents****The Mexico Fund, Inc.****Notes to Financial Statements**

October 31, 2011

*Concluded*

The Board of Directors has authorized quarterly distributions under its Managed Distribution Plan ( MDP ) to an annual rate of 10% of net asset value.

The tax character of distributions paid during the fiscal year ended October 31, 2011 and October 31, 2010 were as follows:

	2011	2010
Distributions paid from:		
Ordinary income	\$ 6,432,584	\$ 7,036,441
Long term capital gains	34,208,880	25,120,992
Total distributions paid	\$ 40,641,464	\$ 32,157,433

As of October 31, 2011, the components of accumulated earnings (deficit) on a tax basis were as follows:

Net long term capital gains	\$ 9,250,416
Undistributed ordinary income	1,716,162
Unrealized appreciation	48,828,767
Total accumulated earnings	\$ 59,795,345

As of October 31, 2011, the cost of investments for federal income tax purposes was \$288,494,487. Gross unrealized appreciation of investments was \$68,758,486 and gross unrealized depreciation of investments was \$20,053,054, resulting in net unrealized appreciation on investments of \$48,705,432, excluding foreign currency transactions. The difference between book basis and tax basis unrealized appreciation/(depreciation) is attributable primarily to wash sale loss deferrals and different book and tax treatment on corporate reorganizations to securities held by the Fund.



**7. Stock Repurchases:**

In June 2009, the Board authorized the Fund's investment adviser to repurchase up to 10% of the Fund's outstanding common stock in open market transactions during any 12-month period if and when Fund shares trade at a price which is at a discount of at least 10% to NAV. During the year ended October 31, 2010, the Fund repurchased 975,956 shares, at a cost of \$22,676,136. These shares were repurchased at an average price of \$23.26 per share, which represented an average discount of 11.80%. During the year ended October 31, 2011, the Fund repurchased 38,889 shares at a cost of \$1,061,468. These shares were repurchased at an average price of \$27.29 per share, which represented an average discount of 10.48%.

**Table of Contents**

**The Mexico Fund, Inc.**

**8. Investments:**

Certain members of the Board of Directors of the Fund are also members of Boards of Directors of certain companies held in the Fund's portfolio.

**9. Commitments and Contingencies:**

In the normal course of business, the Fund enters into contracts that contain a variety of representations and warranties or provide general indemnifications. The Fund's maximum exposure under these arrangements is unknown as this would involve future claims that may be made against the Fund that have not yet occurred. However, based on experience, the Fund expects the risk of loss to be remote.

**10. Subsequent Events:**

Subsequent to October 31, 2011, the Fund declared a distribution of \$0.8207 per share payable on January 18, 2012 to stockholders of record on December 29, 2011.

**Table of Contents**

**The Mexico Fund, Inc.**

**Report of Independent Registered Public Accounting Firm**

To the Board of Directors and Stockholders of

The Mexico Fund, Inc.

In our opinion, the accompanying statement of assets and liabilities, including the schedule of investments, and the related statements of operations and of changes in net assets and the financial highlights present fairly, in all material respects, the financial position of The Mexico Fund, Inc. (the Fund ) at October 31, 2011, the results of its operations for the year then ended, the changes in its net assets for each of the two years in the period then ended and the financial highlights for each of the five years in the period then ended, in conformity with accounting principles generally accepted in the United States of America. These financial statements and financial highlights (hereafter referred to as financial statements ) are the responsibility of the Fund s management. Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits of these financial statements in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits, which included confirmation of securities at October 31, 2011 by correspondence with the custodian and brokers, provide a reasonable basis for our opinion.

**PricewaterhouseCoopers LLP**

New York, New York

December 15, 2011

**Table of Contents**

**The Mexico Fund, Inc.**

**Tax Information**

(Unaudited)

In order to meet certain requirements of the Internal Revenue Code, we are advising you that the Fund designates \$34,208,880 as long term capital gain distributions made during the fiscal year ended October 31, 2011, subject to the maximum tax rate of 15%. Of this amount \$2,438,703 was attributable to gains from the fiscal year ended October 31, 2010.

Under Section 854(b)(2) of the Internal Revenue Code (the Code), the Fund designates 49.90% of the ordinary income dividends as qualified dividends for purposes of the maximum rate under Section 1(h)(11) of the Code for the fiscal year ended October 31, 2011. The information reported herein may differ from the information and distributions taxable to the stockholders for the calendar year ending December 31, 2011. The information necessary to complete your income tax returns will be included with your form 1099-DIV to be received under separate cover in January 2012.

## **Table of Contents**

**The Mexico Fund, Inc.**

## **Privacy Policy**

*This privacy notice is not a part of the shareholder report.*

The Mexico Fund, Inc. appreciates the privacy concerns and expectations of our customers. We are committed to maintaining a high level of privacy and confidentiality when it comes to your personal information and we use that information only where permitted by law.

We provide this privacy notice to you so that you may understand our policy with regard to the collection and disclosure of nonpublic personal information ( Information ) pertaining to you.

### *Collection of Information*

We collect Information about you from the following sources:

Information we receive from you on applications or other forms;

Information about your transactions with us, and

Information, if any, we receive from a consumer reporting agency.

### *Disclosure of Information*

We do not disclose any Information about our customers or former customers to third parties, except as permitted by law. We may disclose all of the Information we collect, as described above, to companies that perform Fund accounting and/or marketing services on our behalf or to other financial institutions with whom we have joint marketing arrangements.

### *Access to Information*

We restrict access to your Information except to the extent necessary to provide products or services to you. We maintain physical, electronic and procedural safeguards that comply with federal regulations to guard your Information.

Our privacy policy applies only to those individual investors who have a direct customer relationship with us. If you are an individual stockholder of record of the Fund, we consider you to be a customer of the Fund. Stockholders purchasing or owning shares of the Fund through their bank, broker or other financial institution should consult that financial institution's privacy policies. If you own shares or receive investment services through a relationship with a third-party broker, bank, investment adviser or other financial service provider, that third-party's privacy policies may apply to you and the Fund's may not.

**Table of Contents**

**Table of Contents**

**Item 2. Code of Ethics.**

(a) The Board of Directors of the Registrant adopted a Code of Ethics on September 17, 2003 applicable to the principal executive officer and senior financial officers of the Registrant which is designed to deter wrongdoing and to promote:

(A) honest and ethical conduct, including the ethical handling of actual or apparent conflicts of interest between personal and professional relationships;

(B) full, fair, accurate, timely and understandable disclosure in reports and documents the Registrant files with, or submits to, the SEC or in other public communications made by the Registrant;

(C) compliance with applicable governmental laws, rules and regulations;

(D) prompt internal reporting of violations of the Code of Ethics to an appropriate person or persons identified in the Code of Ethics; and

(E) accountability for adherence to the Code of Ethics.

(c) During the period covered by this report, no amendments other than of a technical, administrative or non-substantive nature were made to the provisions of the code of ethics adopted in 2(a) above.

(d) During the period covered by this report, no implicit or explicit waivers to the provisions of the code of ethics adopted in 2(a) above were granted.

(e) Not applicable.

(f) The Registrant has posted the text of the code of ethics adopted in 2(a) above on its Internet website at [www.themexicofund.com](http://www.themexicofund.com) under the heading Corporate Governance.

**Item 3. Audit Committee Financial Expert.**

The Board of Directors of the Registrant has determined that Robert L. Knauss qualifies as the Registrant's audit committee financial expert as such term is interpreted in the Instructions to this Item 3. Mr. Knauss is a member of the Registrant's audit committee and is an independent director as interpreted under this Item 3.

**Table of Contents****Item 4. Principal Accountant Fees and Services.**

(a) (d) Below is a table reflecting the fee information requested in Items 4(a) through (d).

	Audit Fees	Audit-Related Fees	Tax Fees	All Other Fees
Fiscal Year 2010	\$ 127,200	\$ 0	\$ 23,600	\$ 0
Fiscal Year 2011	\$ 131,600	\$ 0	\$ 24,072	\$ 0

All fees described above were pre-approved by the Registrant's Audit Committee.

(e)(1) Below are the Registrant's Pre-Approval Policies and Procedures.

**PRE-APPROVAL POLICIES AND PROCEDURES**

as adopted by the

**AUDIT COMMITTEE**

of

**THE MEXICO FUND, INC. ( FUND )**

The Sarbanes-Oxley Act of 2002 ( Act ) and rules adopted by the Securities and Exchange Commission ( SEC ) require that the Fund's Audit Committee pre-approve all audit services and non-audit services provided to the Fund by its independent accountant ( Auditor<sup>1</sup> ). The Act and such SEC rules also require that the Fund's Audit Committee pre-approve all non-audit services provided by the Auditor to (i) the Fund's investment adviser, and (ii) any entity controlling, controlled by, or under common control with the investment adviser that provides ongoing services to the Fund (these entities are known as Service Affiliates ) if the engagement for such entities relates directly to the operations and financial reporting of the Fund ( Covered Non-Audit Services<sup>2</sup> ). At this time, the Fund has only one Service Affiliate, Impulsora del Fondo México, SC ( Impulsora ) so references to Service Affiliates throughout the procedures encompasses only Impulsora at this time.

<sup>1</sup> The term Auditor, as used in these procedures, means the firm engaged to provide the Fund with services listed in Appendix A.

<sup>2</sup> Examples of types of non-audit services that may be provided to the Fund or a Service Affiliate are listed in Appendix B. **Note that** applicable law also prohibits the provision of certain services by the Auditor to entities in the investment company complex. The investment company complex includes Service Affiliates and other entities. These prohibited services are listed in Appendix C. Investment Company Complex Entities are also listed in Appendix C.



## **Table of Contents**

The following policies and procedures govern the ways in which the Fund's Audit Committee will consider the pre-approval of audit and non-audit services that the Auditor provides to the Fund, and Covered Non-Audit Services that the Auditor proposes to provide to Service Affiliates.<sup>3</sup> These policies and procedures do not apply in the case of audit services that the Auditor provides to Service Affiliates, nor do they apply to any services that an audit firm other than the Auditor provides to such entities.

These policies and procedures comply with applicable legal requirements for pre-approval, and also provide a mechanism by which management of the Fund and any Service Affiliates may request and secure pre-approval of audit and non-audit services in an orderly manner with minimal disruption to normal business operations.

The following policies and procedures are adopted by the Audit Committee of the Fund.

### **A. General**

1. The Audit Committee must pre-approve all audit services and non-audit services that the Auditor provides to the Fund.
2. The Audit Committee must pre-approve any engagement of the Auditor to provide Covered Non-Audit Services to any Service Affiliate during the period of the Auditor's engagement to provide audit services to the Fund.

### **B. Pre-Approval of Audit Services to the Fund**

1. The Audit Committee shall approve the engagement of the Fund's Auditor for each fiscal year (the Engagement). The approval of the Engagement shall not be delegated to a Designated Member. (See Section D below.) In approving the Engagement, the Audit Committee shall obtain, review and consider information concerning the proposed Auditor sufficient to enable the Audit Committee to make a reasonable evaluation of the Auditor's qualifications and independence. The Audit Committee also shall consider the Auditor's proposed fees for the Engagement, in light of the scope and nature of the audit services that the Fund will receive.
2. The Audit Committee shall report to the Fund's board of directors (Board) regarding its approval of the Engagement and of the proposed fees for the Engagement, and the basis for such approval.
3. Unless otherwise in accordance with applicable law, the Engagement, in any event, shall require that the Auditor be selected by the vote, cast in person, of a majority of the members of the Board who are not interested persons of the Fund (as defined in Section 2(a)(19) of the Investment Company Act of 1940) (Independent Directors).

<sup>3</sup> Unless otherwise indicated by the context, the term non-audit services herein includes Covered Non-Audit Services for Impulsora, as well as non-audit services for the Fund.

---

**Table of Contents**

**C. Pre-Approval of Non-Audit Services to the Fund and to Service Affiliates by Types or Categories of Services**

1. The Audit Committee may pre-approve the provision of types or categories of non-audit services for the Fund and Covered Non-Audit Services for Service Affiliates pursuant to this Section C.
2. Annually, at such time as the Audit Committee considers the Engagement of the Auditor, management of the Fund and of any Service Affiliates, in consultation with the Auditor, shall provide to the Audit Committee, for its consideration and action, the following: (a) a list of those types of non-audit services, if any, that the Fund expects to request from the Auditor during the fiscal year; and (b) a list of those types of Covered Non-Audit Services that Services Affiliates expect to request from the Auditor during the fiscal year.
3. The lists submitted to the Audit Committee shall describe the types of non-audit services in reasonable detail and shall include an estimated budget (or budgeted range) of fees where possible and such other information as the Audit Committee may request.
4. The Audit Committee, after appropriate consideration of such information as it deems relevant, may pre-approve a non-audit service that is not a prohibited service (see Appendix C) if it specifically finds that the provision of such service is consistent with, and will not impair, the ongoing independence of the Auditor (the Standard for Pre-Approval ). In connection with any such pre-approval, the Audit Committee may set such limits on fees and other conditions as it believes to be appropriate.
5. The Audit Committee s pre-approval of the types of non-audit services submitted pursuant to this Section C shall constitute authorization for management of the Fund to utilize the Auditor for services qualifying within the types of non-audit services so pre-approved, if needed or desired during the fiscal year, subject to such conditions as may have been set by the Audit Committee.
6. Fund management will distribute a list of the types of non-audit services pre-approved by the Audit Committee pursuant to this Section C to management of the Service Affiliates and the appropriate partners of the Auditor. Periodically, the Auditor will discuss with the Audit Committee those non-audit services that have been or are being provided pursuant to this Section C.

**D. Pre-Approval of Non-Audit Services to the Fund and to Service Affiliates Project-by-Project Basis**

1. Non-audit services may be pre-approved on a project-by-project basis pursuant to this Section D, subject to the Standard for Pre-Approval in Section C.
2. The Audit Committee, from time to time, may, by resolution, designate one or more of its members who are Independent Directors (each a Designated Member ) to consider, on the Audit Committee s behalf, (i) any non-audit services proposed to be provided to the Fund that have not been pre-approved in accordance with these Procedures, (ii) any Covered Non-Audit Services proposed to be provided to any Service Affiliate, that have not been

---

**Table of Contents**

pre-approved in accordance with these Procedures and (iii) any proposed material change in the nature or cost of any non-audit service, including any Covered Non-Audit Service, previously approved. The authority delegated to the Designated Member shall be subject to such conditions as the Audit Committee may specify by resolution from time to time.

3. Management of the Fund or of Impulsora, in consultation with the Auditor, may submit either to the Audit Committee or to a Designated Member for its consideration and action, a pre-approval request identifying one or more non-audit service projects for the Fund or Covered Non-Audit Service projects for Impulsora, as well as any material changes proposed in a service that has been pre-approved. Any request so submitted shall describe the project or projects in reasonable detail and shall include an estimated budget (or budgeted range) of fees and such other information as the Audit Committee or Designated Member shall request. For any material change in the nature or cost of a pre-approved service, the request shall also describe reasons why the change is requested.
4. The Audit Committee or Designated Member, as applicable, will review the requested non-audit service or proposed material change in such service in light of the Standard for Pre-Approval in Section C. If the review is by a Designated Member, such Designated Member will either:
  - (a) pre-approve, pre-approve subject to conditions, or disapprove any such requested service, or any proposed material change in such service, whether to the Fund or to Impulsora; or
  - (b) refer such matter to the full Audit Committee for its consideration and action.

In considering any requested non-audit service or proposed material change in such service, the Designated Member shall take into account any restrictions placed by the Audit Committee on his pre-approval authority.

5. The Designated Member's pre-approval (or pre-approval subject to conditions) of a requested non-audit service or proposed material change in service pursuant to this Section D shall constitute authorization for the management of the Fund or Impulsora, as the case may be, to utilize the Auditor for the non-audit service so pre-approved. Any action by the Designated Member in approving a requested non-audit service shall be presented for ratification by the Audit Committee not later than at its next regularly scheduled meeting.

**E. Covered Non-Audit Services Provided to Covered Entities Pursuant to Waiver**

**Note: It is generally expected that non-prohibited non-audit services, even when they do not involve significant fees, will be pre-approved in accordance with Section C or D.**

1. The Act provides a limited exception to the requirement that non-audit services (that are not prohibited services) must be pre-approved. This exception is designed to prevent the disqualification of the Auditor due to a minor oversight and is to be used only rarely and only if each of the following conditions is satisfied:
  - (a) The aggregate fees and costs of all non-audit services (including Covered Non-Audit Services) that, but for the limited exception provided by this Section E, would require pre-approval by the Audit Committee constitutes no more than five percent of the total fees and costs paid by the Fund and Service Affiliates to the Auditor during the fiscal year during which such non-audit services are provided;

**Table of Contents**

- (b) At the time of the engagement for such services, the Fund did not recognize that the services were non-audit services that required pre-approval; and
- (c) Each such service is (i) brought promptly to the attention of the Audit Committee, (ii) is approved prior to the completion of the audit by the Audit Committee or a Designated Member, in accordance with the Standard for Pre-Approval set forth in Section C and (iii) is approved based upon a determination that the service is eligible for the waiver provided by this Section E.

**F. Amendment; Annual Review**

- 1. The Audit Committee may amend these procedures from time to time.
- 2. These procedures shall be reviewed annually by the Audit Committee.

**G. Recordkeeping**

- 1. The Fund shall maintain a written record of all decisions made by the Audit Committee or by a Designated Member pursuant to these procedures, together with appropriate supporting material.
  - 2. In connection with the approval of any non-audit service pursuant to the *de minimis* exception provided in Section E of these procedures, a record shall be made indicating that each of the conditions for this exception has been satisfied.
  - 3. A copy of these Procedures and of any amendments to these Procedures shall be maintained and preserved permanently in an easily accessible place. The written records referred to in paragraph 1 and 2 of this Section G shall be maintained and preserved for six years from the end of the fiscal year in which the actions recorded were taken, for at least the first two years in an easily accessible location.
- As amended and restated through September 20, 2005

**Table of Contents**

**APPENDIX A**

**AUDIT SERVICES**

For purposes of these Procedures, audit services include the following activities:

1. Annual audit of the Fund's financial statements and quarterly reviews.
2. Other procedures, including review of tax provisions, that need to be performed by the Auditor in order to provide an opinion on the Fund's financial statements, including tests performed to evaluate the Fund's internal control systems, review of information systems and procedures.
3. Preparation of the Auditor's report on the Fund's internal controls for financial reporting, and related procedures.
4. Services that generally only the Auditor can provide, such as consents, comfort letters, assistance with and review of documents filed with the SEC, and statutory audits.

**Table of Contents**

**APPENDIX B**

**NON-AUDIT SERVICES**

For purposes of these Procedures, the following services are non-audit services. If the services would be provided to a Service Affiliate and the engagement would relate directly to the operations and financial reporting of the Fund, these services would be Covered Non-Audit Services and, if not prohibited, are subject to the pre-approval requirements of these Procedures.

**Audit-Related Services** (traditionally performed by the firm engaged as Auditor)

1. Audit of an employee benefit plan.
2. Due diligence procedures related to mergers and acquisitions.
3. Review of internal controls.
4. Consultations concerning financial accounting and reporting standards.

**Tax Services**

1. Tax compliance services, including preparation of tax returns.
2. Tax planning and advice.

**Other Non-Audit Services**

1. Advisory and consultation services.
2. Other non-audit services not listed above.

**Table of Contents**

**APPENDIX C**

**PROHIBITED SERVICES**

In considering whether to pre-approve a service, the Audit Committee should be aware that the Auditor is prohibited from providing certain services to any Investment Company Complex Entity, subject to limited exceptions noted below. Investment Company Complex Entities include:

1. The Fund, its investment manager and investment adviser;
2. Any entity controlling, controlled by the Fund's investment manager or investment adviser, and any entity under common control with the Fund's investment manager or investment adviser if such entity (a) is an investment manager or investment adviser, or (b) is in the business of providing administrative, custodian, underwriting, or transfer agent services to any investment company or investment adviser; and
3. Any investment company (including entities that would be investment companies but for the exclusions provided by Section 3(c) of the Investment Company Act of 1940) advised by the Fund's investment manager or investment adviser or by an entity in paragraph 2, above.

Note: The term "investment adviser" for this purpose does not include a sub-adviser whose role is primarily portfolio management and that is subcontracted with or overseen by another investment adviser.

The following entities are Investment Company Complex Entities.

Impulsora del Fondo México, SC

The following services may not be provided by the Fund's Auditor to an Investment Company Complex Entity, subject to the exceptions noted:

1. **Bookkeeping or other services related to the accounting records or financial statements of an Investment Company Complex Entity, including;**

Maintaining or preparing the accounting records for an Investment Company Complex Entity;

Preparing an Investment Company Complex Entity's financial statements that are filed with the Securities Exchange Commission (SEC), or that form the basis that form the basis for such financial statements; or

Preparing or originating source data underlying an Investment Company Complex Entity's financial statements.

**Table of Contents**

**2. Financial information systems design and implementation, including:**

Directly or indirectly operating, or supervising the operation of, an Investment Company Complex Entity's information system or managing an Investment Company Complex Entity's local area network.

Designing or implementing a hardware or software system that aggregates source data underlying the financial statements or generates information that is significant to an Investment Company Complex Entity's financial statements or other financial information systems taken as a whole.

**3. Appraisal or valuation services, fairness opinions, or contribution-in-kind reports.**

**4. Actuarial services.**

This category includes any actuarially-oriented advisory service involving the determination of amounts recorded in an Investment Company Complex Entity's financial statements and related accounts. This prohibition does not apply to providing assistance to an Investment Company Complex Entity in understanding the methods, models, assumptions, and inputs used in computing an amount.

**5. Internal audit outsourcing services.**

This category includes any internal audit service for an Investment Company Complex Entity that has been outsourced by the Investment Company Complex Entity that relates to the Investment Company Complex Entity's internal accounting controls, financial systems, or financial statements.

Exception: The foregoing services 1-5 may be provided if the Audit Committee reasonably concludes that the results of these services will not be subject to audit procedures during an audit of an Investment Company Complex Entity's financial statements.

**6. Management functions.**

This category includes acting, temporarily or permanently, as a director, officer, or employee of an Investment Company Complex Entity, or performing any decision-making, supervisory, or ongoing monitoring function for an Investment Company Complex Entity.

**7. Human resources.**

Services in this category are:

searching for or seeking out prospective candidates for managerial, executive, or director positions;

engaging in psychological testing, or other formal testing or evaluation programs;

undertaking reference checks of prospective candidates for an executive or director position;



## Edgar Filing: MEXICO FUND INC - Form N-CSR

acting as a negotiator on behalf of an Investment Company Complex Entity, such as determining position, status or title, compensation, fringe benefits, or other conditions of employment; or

**Table of Contents**

recommending, or advising an Investment Company Complex Entity to hire, a specific candidate for a specific job (except that the Fund's independent accountant may, upon request by an Investment Company Complex Entity, interview candidates and advise the Investment Company Complex Entity on the candidate's competence for financial accounting, administrative, or control positions).

**8. Broker-dealer, investment adviser, or investment banking services.**

Services in this category are:

acting as a broker-dealer (registered or unregistered), promoter, or underwriter, on behalf of an Investment Company Complex Entity;

making investment decisions on behalf of an Investment Company Complex Entity, or otherwise having discretionary authority over an audit client's investments;

executing a transaction to buy or sell an audit client's investment; or

having custody of assets of an Investment Company Complex Entity, such as taking temporary possession of securities purchased by an Investment Company Complex Entity.

**9. Legal services.**

A prohibited legal service is any service to an Investment Company Complex Entity that, under circumstances in which the service is provided, could be provided only by someone licensed, admitted, or otherwise qualified to practice law in the jurisdiction in which the service is provided.

**10. Expert services unrelated to the audit.**

This category includes providing an expert opinion or other expert service for an Investment Company Complex Entity, or an Investment Company Complex Entity's legal representative, for the purpose of advocating an Investment Company Complex Entity's interests in litigation or in a regulatory or administrative proceeding or investigation. This prohibition is not applicable to cases in which the Fund's independent accountant provides a factual account, including testimony, of work performed, or explains the positions taken or conclusions reached during the performance of any services provided by the accountant to an Investment Company Complex Entity.

**Table of Contents**

**APPENDIX D**

**SERVICE AFFILIATES**

Any non-prohibited Covered Non-Audit Service provided to the following entities must be pre-approved as provided in these Procedures:

Impulsora del Fondo México, SC, as Investment Adviser and Administrator to the Fund.

**Item 4 (cont d)**

(e)(2) All services relating to the fees billed as disclosed in Items 4(a) through (d) were pre-approved by the Audit Committee.

(f) Not applicable.

(g) None

(h) Not applicable.

**Item 5. Audit Committee of Listed Registrant.**

The Registrant has a separately-designated standing audit committee established in accordance with Section 3(a)(58)(A) of the Securities Exchange Act of 1934, as amended. The members of the Audit Committee are all of the Directors of the Registrant, except for Mr. José Luis Gómez Pimienta.

**Item 6. Schedule of Investments.**

This schedule is included as part of the report to stockholders filed under Item 1 of this Form.

**Item 7. Disclosure of Proxy Voting Policies and Procedures for Closed-End Management Investment Companies.**

The Registrant has adopted the following proxy voting policies and procedures.

**THE MEXICO FUND, INC.**

**PROXY VOTING POLICY AND PROCEDURES**

**I. Statement of Policy**

The following are general proxy voting policies and procedures ( Policies and Procedures ) adopted by The Mexico Fund, Inc. (the Fund ) and by the Board of Directors ( Board ) of the Fund with respect to voting securities held by the Funds. These Policies and Procedures are adopted to ensure compliance with Rule 30b1-4 of the Investment Company Act of 1940, as amended (the 1940 Act ) and other applicable obligations of the Fund under the rules and regulations of the Securities and Exchange Commission ( SEC ) and interpretations of its staff ( Staff ). It is the policy of the Fund to seek to assure that proxies received by the Fund are voted in the best interests of the Fund's stockholders.



## **Table of Contents**

### II. Definitions

A. Best interests of Fund stockholders - means stockholders' best economic interest over the long term, *i.e.*, the common interest that all stockholders have in seeing the value of a common investment increase over time. Stockholders may have differing political or social interests, but their best economic interest is generally uniform.

B. Conflict of interest - means circumstances when a proxy vote presents a conflict between the interests of Fund stockholders, on the one hand, and those of the Fund's investment adviser, principal underwriter, or an affiliated person of the Fund, its investment adviser, or principal underwriter, on the other, in how proxies are voted. In practical terms, these circumstances generally would arise when the Fund's investment adviser knowingly does business with a particular proxy issuer or closely affiliated entity, and may appear to have a material conflict between its own interests and the interests of stockholders in how proxies of that issuer are voted. A conflict might exist in circumstances when the Fund's investment adviser has actual knowledge of a material business arrangement between a particular proxy issuer (or closely affiliated entity) and the parent company or a corporate affiliate of the Fund's investment adviser.

### III. Delegation of Responsibility for Proxy Voting

A. The Fund's Board annually evaluates its Fund's contract with its investment adviser, and decides whether to renew the contract. This process gives the Fund an annual opportunity to ensure that investment adviser's investment philosophy is generally consistent with its investment objectives and the best economic interests of its stockholders.

B. Because the investment philosophy of the Fund's investment adviser is generally consistent with the investment objectives of the Fund and the best economic interests of Fund stockholders, investment decisions for the Fund should generally be consistent with its investment adviser's philosophy. In proxy voting decisions, as in other investment decisions, the Fund's investment adviser is in the best position to determine whether a particular proxy proposal is consistent with its philosophy, and therefore generally consistent with the investment objectives of the Fund and the best economic interests of Fund stockholders.

C. Accordingly, the Fund has chosen to delegate all responsibility for proxy voting to its investment adviser, provided that the Fund's Board has the opportunity to periodically review and approve its proxy voting policies and any material amendments (and that the policies contains provisions to address any conflicts of interest as described below). Under this delegation, the investment adviser may vote, abstain from voting, or take no action on proxies for the Fund in any manner consistent with its proxy voting policies (subject to provisions for addressing conflicts of interest). The Fund may revoke all or part of such delegation at any time by a vote of its Board. In the event that the Fund revokes the delegation of proxy voting responsibility to the investment adviser, the Fund will assume full responsibility for ensuring that proxies are voted in the best interest of its stockholders, and will promptly notify stockholders of the revocation. Thereafter, such Fund will vote proxies of portfolio securities consistently with the policies of the investment adviser, or develop its own basis for voting on particular matters.

## **Table of Contents**

D. This delegation generally applies to all proxy voting matters on which the Fund may vote, such as corporate governance matters; changes to capital structure, including increases and decreases of capital and preferred stock issuance; stock option plans and other management compensation issues; and social and corporate responsibility issues. This delegation permits the investment adviser to vote (or abstain from voting or take no action on) proxies relating to matters that may affect substantially the rights or privileges of the holders of securities to be voted, and to vote based on the decisions of the investment adviser or on provisions of the investment adviser's proxy policies that may support or give weight to the views of management of a portfolio company.

### **IV. Conflicts of Interest**

A. The Fund recognizes that in unusual circumstances, a conflict of interest in how proxies are voted may appear to exist, such as when its investment adviser knowingly does business with a particular proxy issuer or closely affiliated entity or has actual knowledge of a material business arrangement between a particular proxy issuer or closely affiliated entity, and the adviser's parent or an affiliated subsidiary.

B. In those circumstances, to avoid any appearance concerns, the Fund believes it is appropriate for the investment adviser to follow an alternative voting procedure rather than to vote proxies in the investment adviser's sole discretion. Some examples of acceptable alternative voting procedures for resolving conflicts of interest include the following:

- (1) Causing the proxies to be voted in accordance with the recommendations of an independent service provider, if available, that the investment adviser may use to assist it in voting proxies;
- (2) Notifying the Fund's Board, a designated Board committee or a representative of either, of the conflict of interest and seeking a waiver of the conflict to permit the investment adviser to vote the proxies as it chooses under its usual policy; or
- (3) Forwarding the proxies to the Fund's Board, a designated Board committee or a representative of either, so that the Board, the committee or the representative may vote the proxies itself.

C. The Fund generally delegates all responsibility for resolving conflicts of interest to the Fund's investment adviser, provided that the investment adviser's proxy voting policy (as approved by the Fund's Board) includes acceptable alternative voting procedures for resolving material conflicts of interest, such as the procedures described above. Under this delegation, the investment adviser may resolve conflicts of interest in any reasonable manner consistent with the alternative voting procedures described in its proxy voting policy. The Fund may revoke all or part of this delegation at any time by a vote of its Board. In the event that the Fund revokes the delegation of responsibility for resolving conflicts of interest to the investment adviser, the Fund will seek to resolve any conflicts of interest in the best interest of stockholders. In doing so, the Fund may follow any of the procedures described in Paragraph IV.B., above.

### **V. Disclosure of Policy or Description/Proxy Voting Record**

A. The Fund will disclose its proxy voting policy or a description of it (and the investment adviser's proxy voting policy, or a description of them), in the Fund's annual report on

**Table of Contents**

Form N-CSR (beginning with the first annual report filed on or after July 1, 2003). The Fund will disclose that this proxy voting policy or a description of it (and the investment adviser's proxy voting policy or a description) is available without charge, upon request, (i) by calling, a toll-free (or collect) telephone number, (ii) on the Fund's website; and (iii) on the SEC's website at [www.sec.gov](http://www.sec.gov). Upon any request for a proxy voting policy or description of it, the policy or the description (or a copy of the most recent annual report containing the policy or description) will be sent by first-class mail or other equally prompt delivery method within three business days of receipt of the request.

B. The Fund also will disclose in its annual report (beginning with the first annual update filed on or after August 31, 2004) that information is available about how the Fund voted proxies during the most recent twelve-month period ended June 30, without charge, upon request, (i) by calling, a toll-free (or collect) telephone number, or on or through the Fund's website or both; and (ii) on the SEC's website at <http://www.sec.gov>. Upon any request for the Fund's proxy voting record, a copy of the information disclosed in its most recent Form N-PX will be sent by first-class mail or other equally prompt delivery method within three business days of receipt of the request.

C. The Fund will file Form N-PX, completed and signed in the manner required, containing its proxy voting record for the most recent twelve-month period ended June 30 with the SEC (beginning August 31, 2004).

D. The Fund will disclose the following information on Form N-PX for each matter relating to a portfolio security considered at any stockholder meeting held during the period covered by the report and with respect to which the Fund was entitled to vote:

The name of the issuer of the portfolio security;

The exchange ticker symbol of the portfolio security except to the extent not available through reasonably practicable means;

The Council on Uniform Securities Identification Procedures (CUSIP) number for the portfolio security except to the extent not available through reasonably practicable means;

The stockholder meeting date;

A brief identification of the matter voted on;

Whether the matter was proposed by the issuer or by a security holder;

Whether the Fund cast its vote on the matter;

How the Fund cast its vote (*e.g.*, for or against proposal, or abstain; for or withhold regarding election of directors); and

Whether the Fund cast its vote for or against management.

Adopted effective June 9, 2003.

**Table of Contents**

IMPULSORA DEL FONDO MÉXICO, SC

PROXY VOTING POLICIES AND PROCEDURES

I. Introduction.-

To comply with the Rule 206(4)-6 and certain provisions of Rule 204-2 under the Investment Advisers Act of 1940, as amended (the Advisers Act ), as well as other applicable fiduciary obligations under rules and regulations of the U.S. Securities and Exchange Commission ( SEC ) and interpretations of its staff, Impulsora del Fondo México, SC (the Adviser ) has adopted these Proxy Voting Policies and Procedures.

In developing the Proxy Voting Policies and Procedures, the Adviser has taken into account the substantial differences between proxy voting at stockholders meetings held in the United States of America and proxy voting in Mexico. The Proxy Voting Policies and Procedures are reasonably designed to ensure that proxies are voted in the best interests of The Mexico Fund, Inc. (the Fund )(to the extent that the Fund is the Adviser s only client at this time) and its stockholders, in accordance with the Adviser s fiduciary duties and Rule 206(4)-6 under the Advisers Act. Best interests means the Fund s best economic interest over the long term, that is, the common interest that all clients of an investment adviser share in seeing the value of a common investment increase over time.

These Proxy Voting Policies and Procedures incorporate the principles and guidance set forth in Investment Advisers Act Release No. IA-2106 for investment advisers and IC-25922 for investment companies to the extent applicable to the Fund. These Proxy Voting Policies and Procedures shall be reviewed by the Board of the Adviser annually and may be amended as required to comply with applicable law and to reflect changes in proxy voting and stockholders meetings in Mexico.

II. Stockholders Meetings and Proxy Voting in Mexico

In Mexico, issuers typically do not send proxy voting materials to their stockholders. A stockholders meeting is called through the publication of the call and the agenda in a major



**Table of Contents**

newspaper in Mexico or the Official Bulletin. The calls are issued by the Board of Directors of the issuers and, occasionally by the Statutory Auditors. The only information disclosed to stockholders is the Agenda for the meeting. Materials addressing some of the topics included in the Agenda are generally available at the offices of the issuer.

Stockholders' meetings in Mexico are considered Ordinary, Extraordinary or Special depending on the topics that are submitted for approval.

Annual Ordinary Stockholders' meetings are called for the purpose of: (i) approving the Annual Report of the Board of Directors to stockholders, which includes the audited Annual Financial Statements; (ii) declaring dividends; (iii) electing Directors and other Officers and (iv) approving the compensation to Directors and other Officers.

Extraordinary Stockholder meetings are called to address topics such as dissolution and liquidation of the corporation, increase or reduction of the capital stock, transformation, merger or spin-up, issuance of preferential stock or bonds and amendment to the issuers By-laws. Special meetings are called to adopt resolutions on issues that require a vote from a particular Series or Class of shares.

There is no proxy solicitation effort as in the United States of America. Typically, there is only one call approved by the Board of Directors or Statutory Auditors for each stockholders' meeting.

III. Policies.- (Principles)

A. The Adviser has the fiduciary obligation to vote at the stockholders' meetings called by the issuers of securities held in the portfolio of its clients. It must be noted, though, that some portfolio holdings are of Series A shares which do not have voting power. In these cases, the Adviser only attends stockholders' meetings as an observer.

**Table of Contents**

B. The Adviser must exercise its voting authority in the best interests of its client and must not subrogate a client's interest to its own.

C. The Adviser must monitor corporate events relating to issuers in which it has invested client assets and seek to obtain all relevant information about its investments for a client.

D. In accordance with the procedures specified below, the Adviser must identify the cases when it may be faced with a potential material conflict of interest in voting shares of portfolio investments in the best interest of its clients. A material conflict of interest may exist when the Adviser or its representatives knowingly does business or is otherwise associated with a particular issuer or closely affiliated entity of the issuer in which client assets are invested, which may appear to create a material conflict between the interests of the Adviser and the interests of the client in how proxies are voted. At this time, since the Fund is the Adviser's only client, potential conflicts of interest could arise where affiliated persons of the Fund or the Adviser have a significant investment in the securities (5% or more of the outstanding securities), or are directors, officers or employees, of a given issuer in which the Fund is invested. Whether such a conflict is material will depend on the facts and circumstances involved.

E. If a potential material conflict of interest exists, the Adviser must exercise its voting authority after careful investigation and research of the issues involved in accordance with the procedures mentioned below. The Adviser could consult with third parties in the cases where the information available is insufficient to make a final judgment on how to vote the securities. In exceptional cases, the Adviser could make the determination that not voting the securities is, under the circumstances, in the best interest of its client.

IV. Proxy Voting Procedures.-

A. The Adviser's Compliance Officer ( Contralor Normativo ) will have the responsibility of monitoring corporate events of all of the issuers in a client's investment portfolio.

**Table of Contents**

The Adviser's Compliance Officer is responsible for (1) implementing and updating these policies and procedures; (2) overseeing the proxy voting process; (3) consulting with the portfolio manager for the relevant portfolio security; and (4) overseeing voting execution and recordkeeping.

B. The Adviser's Compliance Officer will have the responsibility to obtain all necessary information on the issuer and on the topics included in the Agenda, once a call for any stockholders' meeting is published in accordance with Mexican law.

C. The Adviser's Compliance Officer will identify in which cases, in exercising voting rights, the Adviser could be faced with a potential material conflict of interest. When a material conflict of interest between the Adviser and a client appears to exist, the Adviser may choose among the following options to eliminate such conflict: (1) vote in accordance with these policies and procedures if it involves little or no discretion (*i.e.*, if it is a routine matter); (2) vote as recommended by an independent third party, if available, which has no knowledge of the nature of the material conflict of interest or does not itself have a material conflict of interest; (3) erect information barriers around the person or persons making voting decisions sufficient to insulate the decision from the conflict; or (4) if possible, notify the client of the material conflict of interest and seek a waiver of the conflict.

D. The Adviser's general voting philosophy is as follows:

- 1) Support existing management on votes on the financial statements of the issuer and the election of the Board of Directors;
- 2) Vote for the acceptance of the accounts unless there are grounds to suspect that either the accounts as presented or audit procedures used, do not present an accurate picture of company results; and
- 3) Support routine issues such as the appointment of independent auditors, allocation of income and the declaration of dividends.

**Table of Contents**

E. If in the opinion of the Adviser's Compliance Officer the matters included in the Agenda are of an extraordinary nature, or an Extraordinary or Special Meeting has been called, he will need to further investigate and analyze all the information and documentation on the subject matter that is available. In this process, he will consult with other officers of the Adviser, and the Adviser's and client's outside legal counsel if necessary, to reach a decision as to how to vote. Such matters will be voted on a case by case basis. Matters which are considered to be of an extraordinary nature include, but are not limited to, delisting of the securities of an issuer in which the Fund has invested from the Bolsa, mergers, spinoffs, and liquidation and dissolution involving an issuer in which the Fund has invested.

F. The Adviser may take a limited role in voting proxies, including abstention or not voting a proxy under the following circumstances:

- (1) where the effect on stockholders' economic interests or the value of the portfolio holding is indeterminable or insignificant;
- (2) where the costs of voting the proxy are prohibitive; and
- (3) in some cases, if the securities are on loan.

V. Disclosure

A. The Adviser will disclose to the Fund and any other clients in the United States its Proxy Voting Policies and Procedures and provide a copy upon request.

B. The Adviser will provide all necessary information to the Fund, for compliance with its Form N-PX filing on a timely basis.

C. Upon written request from a client, the Adviser will make available a record of how the Adviser voted proxies relating to portfolio securities during the most recent twelve month period ended June 30.

**Table of Contents**

VI. Records

A. The Adviser will maintain records of all proxies voted.

B. As required by Rule 204-2(c), such records will include: (a) a copy of the Policies and Procedures; (b) a copy of any document created by the Adviser that was material to making a decision how to vote proxies on behalf of a client or that memorializes the basis for that decision; and (c) each written request for proxy voting records and the Adviser's written response to any client request for such records.

C. Proxy voting books and records will be maintained in an easily accessible place for a period of five years, the first two in an appropriate office of the Adviser.

VII. Review of Policies and Procedures

These policies and procedures will be subject to review on an annual basis, or more frequently, if deemed appropriate by the Adviser.

VIII. Effective Date

These Proxy Voting Policies and Procedures of the Adviser are effective as of June 19, 2003.

**Item 8. Portfolio Managers of Closed-End Management Investment Companies**

(a)(1) A committee of persons associated with the Fund or the Investment Adviser of the Fund (the "Portfolio Management Committee") is jointly and primarily responsible for the day-to-day management of the Fund's portfolio. Below is a table reflecting the information requested for each member of the Portfolio Management Committee. This information is current as of October 31, 2011.

Name	Title	Length of Service with Investment Adviser	Business Experience During Past 5 Years	Role on Portfolio Management
				Committee
José Luis Gómez Pimienta	President and General Director	Since Inception	Mr. Gómez Pimienta has over two decades of experience investing in the Mexican securities market. He has been Chairman of the Board of the Fund's Investment Adviser, Impulsora del Fondo México, S.C., since 1987 and Chief Executive Officer of the Fund since inception.	Mr. Gómez Pimienta oversees the full operation of the Fund's Investment Adviser, and any determinations made by the Portfolio Management Committee.

**Table of Contents**

Name	Title	Length of Service with Investment Adviser	Business Experience During Past 5 Years	Role on Portfolio Management
				Committee
Alberto Osorio	Senior Vice President and Finance Director	Since 1991	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 Investment Adviser since 1991.	Mr. Osorio participates in the investment decision-making processes of the Portfolio Management Committee. He also oversees the analysis of financial and quantitative information of equity issuers listed on the Bolsa Mexicana de Valores (Mexican Stock Exchange), and makes recommendations to the Committee regarding purchases or sales of portfolio securities.
Eduardo Solano	Director of Economic Analysis	Since 1991	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 Investment Adviser since 1991.	Mr. Solano participates in the investment decision-making processes of the Portfolio Management Committee, and also analyzes the Mexican economic environment and its potential impact on the Fund's portfolio.
Alberto Gómez Pimienta	Operations Director	Since 2009	Alberto Gómez Pimienta served as Corporate Treasurer for Cargill, Inc. in Mexico from 2006 to 2008. From 2003 to 2006, Gómez Pimienta served as Sales Representative for Vector Casa de Bolsa in Mexico. Mr. Gomez Pimienta has 25 years of experience in the Mexican securities market.	Mr. Gómez Pimienta participates in the investment decision-making processes of the Portfolio Management Committee and monitors the trading and reporting activities of the brokerage houses used in connection with the Fund's investments.

**Table of Contents**

Name	Title	Length of	Business Experience	Role on Portfolio
		Service with Investment		Management
		Adviser	During Past 5 Years	Committee
Guadalupe Villar	Research Analyst	Since 1998	Ms. Villar serves as research analyst of the Fund's Investment Adviser, Impulsora del Fondo México, S.C., since 2001 and has been an employee of the Investment Adviser since 1998.	Ms. Villar participates in the investment decision-making processes of the Portfolio Management Committee, and analyzes equity issuers listed on the Bolsa Mexicana de Valores (Mexican Stock Exchange). She also serves as Secretary of the Portfolio Management Committee.

(a)(2) Not applicable.

(a)(3) Compensation.

**Components of compensation.**

As of October 31, 2011, all of the individuals identified in the table above in response to paragraph (a)(1) are compensated through a base salary and a variable bonus that is paid in December of each year. There are no deferred compensation or pension/retirement plans. All of the individuals identified in the table above in response to paragraph (a)(1) participate in a stock option plan maintained by the Investment Adviser.

**Criteria on which compensation is based.**

The base salary of the individuals identified in the table above in response to paragraph (a)(1) is fixed, and is generally adjusted on an annual basis at a rate similar to the inflation rate in Mexico. Experience and level of responsibility held within the Investment Adviser are taken into account in determining the base salary of each individual.

The annual bonus paid to the individuals identified in the table above in response to paragraph (a)(1) is variable, and depends on the annual performance results of the Investment Adviser. The total amount of bonus paid annually equals 40% of the difference between the Investment Adviser's total income and its fixed costs (operating profit before tax and bonuses). The

**Table of Contents**

bonus is distributed in December of each year. Thirty percent of the bonus is distributed among all personnel employed by the Investment Adviser, and is paid on the basis of each person's base salary. The balance of the bonus is distributed among certain key officers of the Investment Adviser. All of the individuals identified in the table above in response to paragraph (a)(1), as well as the Systems Manager of the Investment Adviser, are considered key officers. The portion of the bonus paid to key officers is determined on the basis of each key officer's contribution to the performance of the Investment Adviser.

The Investment Adviser has a Compensation Committee whose members are appointed by its Board of Directors. The formula utilized to calculate the annual bonus was adopted by the Compensation Committee and ratified by the Board of Directors of the Investment Adviser. There are no other benchmarks or variables utilized to calculate compensation to the individuals identified in the table above in response to paragraph (a)(1).

(a)(4) Dollar Range of Equity Securities Beneficially Owned.

As of the end of the Fund's most recently completed fiscal year, October 31, 2011, Mr. José Luis Gómez Pimienta was the beneficial owner of \$100,001-\$500,000 of equity securities of the Fund and Mr. Osorio was the beneficial owner of \$50,000-\$100,000 of equity securities of the Fund. None of the other individuals identified in the table above in response to paragraph (a)(1) had beneficial ownership of any equity securities of the Fund.

**Item 9. Purchases of Equity Securities by Closed-End Management Investment Company and Affiliated Purchasers.**

REGISTRANT PURCHASES OF EQUITY SECURITIES

Period from April 30, 2011 to October 31, 2011 (A)	(a) Total Number of Shares (or Units) Purchased	(b) Average Price Paid per Share (or Unit)	(c) Total Number of Shares (or Units) Purchased as Part of Publicly Announced Plans or Programs	(d) Maximum Number (or Approximate Dollar Value) of Shares (or Units) that May Yet Be Purchased Under the Plans or Programs
Month # 1 May 1, 2011 to May 31, 2011	0	N.A.	0	1,338,514
Month # 2 June 1, 2011 to June 30, 2011	22,292	\$ 26.92	22,292	1,336,285
Month # 3 July 1, 2011 to July 31, 2011	0	N.A.	0	1,336,285
Month # 4 August 1, 2011 to August 31, 2011	0	N.A.	0	1,336,285
Month # 5 September 1, 2011 to September 30, 2011	0	N.A.	0	1,336,285
Month # 6 October 1, 2011 to October 31, 2011	0	N.A.	0	1,336,285
<b>Total</b>	<b>22,292</b>	<b>\$ 26.92</b>	<b>22,292</b>	<b>1,336,285</b>



**Table of Contents**

(A) Under its open market share repurchase policy, the Fund may repurchase up to 10% of its outstanding shares in open market transactions during any 12-month period if and when Fund shares trade at a price which is at a discount of at least 10% to NAV.

**Item 10. Submission of Matters to a Vote of Security Holders.**

Information regarding material changes to the procedures by which shareholders may recommend nominees to the Registrant's Board of Directors is included as part of the report to stockholders filed under Item 1 of this Form.

**Item 11. Controls and Procedures.**

(a) The Registrant's principal executive officer and principal financial officer have evaluated the Registrant's disclosure controls and procedures within 90 days of this filing and have concluded that the Registrant's disclosure controls and procedures were effective, as of that date, in ensuring that information required to be disclosed by the Registrant in this Form N-CSR was recorded, processed, summarized, and reported on a timely basis.

(b) At the date of filing of this Form N-CSR, the Registrant's principal executive officer and principal financial officer are aware of no changes in the Registrant's internal controls that occurred during the second fiscal quarter of the period covered by this report that has materially affected, or is reasonably likely to materially affect, the Fund's internal control over financial reporting.

**Item 12. Exhibits.**

(a)(1) Not applicable.

(a)(2) A separate certification for each principal executive officer and principal financial officer of the Registrant as required by Rule 30a-2 of the Investment Company Act of 1940, as amended, is filed herewith as Exhibit 99.CERT.

(b) A certification of the principal executive officer and principal financial officer of the Registrant as required by Section 906 of the Sarbanes-Oxley Act of 2002 is filed herewith as Exhibit 99.906CERT.

(c) A copy of the Registrant's notices to stockholders, which accompanied distributions paid, pursuant to the Registrant's Managed Distribution Plan since the Registrant's last filed N-CSR, are filed herewith as Exhibits (c)(1) and (c)(2), as required by the terms of the Fund's SEC exemptive order.

**Table of Contents**

**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.

THE MEXICO FUND, INC.

By\* /s/ José Luis Gómez Pimienta  
José Luis Gómez Pimienta  
President and Principal Executive Officer

Date: December 28, 2011

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\* /s/ José Luis Gómez Pimienta  
José Luis Gómez Pimienta  
President and Principal Executive Officer

Date: December 28, 2011

By\* /s/Alberto Osorio  
Alberto Osorio  
Senior Vice President, Treasurer and Principal  
Financial Officer

Date: December 28, 2011

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