



Pichardo Asset Management  
Independent Portfolio Management Firm

Corporate Presentation

January 2017

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# I. Differentiated Independent Investment Advice

1) **27-years of experience and a proven track record through PAM’s advisory service to the MXE, a Closed-End NYSE-listed Fund, as well as other funds listed in the table below:**

- Eugenia Pichardo (Maru), Lead Portfolio Manager at PAM, advised a total of USD\$630 Million in AUM at Accival/Banamex/Citi in her position as a Managing Partner and Managing Director of AcciWorldwide during the period 1990 to 2002.

	Fund	Avg. Total AUMs (USD)
1	The Mexico Equity and Inocme Fund, Inc.	120
2	Latin America Investment Trust (LAIT)	100
3	The Emerging Mexico Fund	80
4	The Mexico Investment Company (MICO)	80
5	The Latin America Equity Fund, Inc. (LAQ)	80
6	The Latin America Investment Fund LAM	60
7	Hercules NAFTA Value Fund	60
8	Latin America Capital Partners Limited	30
9	The Mexican Appreciation Fund, N.V	20
<b>Total</b>		<b>630</b>

# I. Differentiated Independent Investment Advice

## 2) Systematic Portfolio Management Process:

- Database & In-Depth In-House Analysis.
- Buy and Sell Methodology:
  - ✓ Quarterly Financial Leading Indicator.
  - ✓ PAM's Growth and Value Investing Methodology.
  - ✓ EPS & Relative Valuation, DCF & Sum of the Parts, Multiple Valuation-Gordon Shapiro & Residual Income, & Other Metrics.

## 3) An independent, de-indexed, and long-only advice service through the following investment vehicles

PAM Fund	MXE Fund	Managed Accounts
<ul style="list-style-type: none"> <li>• Open-end Fund</li> <li>• BMV (Mexican Stock Exchange) listed</li> <li>• Incorporated in August 2015</li> <li>• Mexican equities &amp; fixed income</li> <li>• SIC- The International Trading System</li> </ul>	<ul style="list-style-type: none"> <li>• Closed-end Fund</li> <li>• NYSE listed</li> <li>• Incorporated in August 1990</li> <li>• Mexican equities &amp; fixed income</li> </ul>	<ul style="list-style-type: none"> <li>• Discretionary Mandates</li> <li>• Open Architecture</li> <li>• Local and global securities</li> </ul>

# I. Differentiated Independent Investment Advice

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## 4) Portfolio Management Structure

- Weekly Investment Committee (Mondays)
  - Thorough review of macro and domestic conditions, sectorial and company specific reports from different sources to contrast PAM's own market views.
  - Robust portfolio sensitivity analysis.
  - Asset allocation based on a proprietary asset-class categorization and diversification tests.
- Daily morning call.
- Daily investment ideas from analysts.
- One-on-one meetings with companies as needed.
- Regular assessment of special fundamental cases and market opportunities.

**5) Registered Investment Advisory Firm in the US since June 2003 in accordance with section 204 of the US Investment Advisers Act of 1940, and a Registered Investment Advisory Firm in Mexico since December 2015 in accordance with Articles 225 and 226 of the Mexican Securities Act.**

# I. Differentiated Independent Investment Advice

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- 6) 27 Years of Experience in the US and Mexico; Sales Practice and Compliance.**
- Annual visit from Chief Compliance Officer of the MXE.
  - Pre-Clearance.
  - Code of Ethics.
  - Best Execution Practices.
  - Documentation of each transaction.
  - Six of PAM's officers have been awarded The Mexican Investment Advisory Service Level III certification from AMIB, "Asociación Mexicana de Intermediarios Bursátiles."
- 7) Timely, reliable, and periodic communication through client reporting.**
- 8) Integrated team.**

## II. PAM's Strengths

Independent Board of Directors	Solid Corporate Structure	Portfolio Management	Fundamental Analysis	Client Reporting	Compliance
<p>Experience in:</p> <ul style="list-style-type: none"> <li>Financial and Accounting Operations</li> <li>Corporate Governance</li> <li>M&amp;As</li> <li>Private Equity</li> <li>Commodities Trade</li> <li>Human Resources</li> </ul>	<p>27 Years of experience in:</p> <ul style="list-style-type: none"> <li>Providing information in both Spanish and English</li> <li>Middle and Back Office</li> <li>Portfolio Management</li> <li>Solid in-house systems and operations infrastructure</li> <li>International and domestic clearing</li> </ul>	<p>An average 21 years of experience:</p> <ul style="list-style-type: none"> <li>Among the three Portfolio Managers</li> <li>Providing an independent advisory service</li> <li>In Asset Classification</li> <li>Documentation of Buy / Sell decision making</li> <li>Investment Committee</li> </ul>	<ul style="list-style-type: none"> <li>A systematic Quality Portfolio Management Process</li> <li>International Valuation Models for Equities and Debt.</li> <li>Economic research</li> </ul>	<ul style="list-style-type: none"> <li>Performance analysis</li> <li>Reports based on U.S., and Mexican standards</li> <li>The actuarial process</li> </ul>	<ul style="list-style-type: none"> <li>Compliance with Mexican and U.S. standards</li> <li>Code of Ethics</li> <li>Pre-clearance</li> <li>Best Execution Report</li> <li>Subject to the AD form of the SEC</li> <li>Experience in best Sales Practices</li> </ul>

**Timely investment decisions and execution**

# III. Our Team

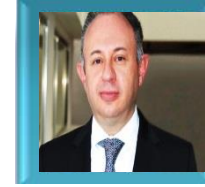
## Portfolio Management



**Fabiola Molina**  
Equity Portfolio Manager



**Eugenia Pichardo**  
Head Equity Portfolio Manager



**Arnulfo Rodríguez**  
Strategist  
& Debt Portfolio Manager

## Business Development



**David Estévez**  
Analyst  
B&D Head



**Luis de la Hoz**  
IR Manager

## Trading & Operations



**Lino Naranjo**  
Head Trader



**Laura García**  
Assistant Trading  
& Operations

## Compliance



**Luis Calzada**  
Portfolios Administration  
& Compliance

## Fundamental Analysis



**Juan Elizalde**  
Head Analyst



**Itziar García**  
Analyst



**Mauro Castañeda**  
Analyst

## Quantitative & Debt Analysis



**José García**  
Debt Analyst



**Samantha Valdés**  
Quantitative Database



## IV. Investment Strategy - Asset Class Categories & Investment Themes

### Investment Strategy after the U.S. Presidential Election

High degree of uncertainty generated by the U.S. President-elect's undertone regarding protectionist policies + Russia + Turkey + China + Italy + UK +... + France

*Top-Down or Bottom-Up approach*

#### Global Macro

- **U.S. Dollar strength cycle** to be extended.
  - Policy adjustments in the US and D.Trump's leadership role.
- **Abrupt increase of interest rates in the U.S.** (and in Mexico)
  - Fed increased +50pb in 2016 and a further +75pb are expected in 2017.
- **Persistent divergence in global monetary policies.**
- **Inflation pick-up in 2017**, specially within developed markets (DM)
  - Expectations in DM are +0.7% for 2016 and +1.7% for 2017
- **Moderate recovery of economic growth in 2017.**
  - Global growth 3.1% for 2016e and 3.4% in 2017e.
  - US expected growth 2.3% in 2017 due to fiscal reform, less regulation and infrastructure spending.
  - China 2017 output is projected between 6.5% and 7.0%
- **Increased Protectionism**
  - Fiscal stimulus in different countries may impact commodity prices (new cycle).
  - Brexit implementation in UK.
  - Trade/currency wars between US and emerging economies.
  - Elections Netherlands (15 Mar), France (23 Apr.) Germany (27 Aug.-22 Oct.)
- **Normalization of international oil prices.**

#### Domestic Macro

- **New era of Mexico's and US bilateral relationship dynamics.**
- **15-Year Average Economic Growth: 2.1%**
- **Expected 2017 growth (Banxico): 1.5%-2.5%**
  - Slowdown of the manufacturing sector (production and exports). The sector may benefit from US growth.
- **Solid private consumption:**
  - Real wage increase.
  - High growth rate in private consumer credit.
  - Low unemployment.
  - Significant US\$ cash flows through remittances.
  - Strong flows from tourism.
- **Inflation increase, transitory effect** due to raise in fuels, fx and minimum wage.
  - 4.7% expected in 2017 but 3.5% projected in 2018.
  - Decline of producer confidence and reduction of new investments.
- **Restrictive monetary policy**, Banxico's estimated reference rate at 6.75% (market consensus end of 2017).
- **Balance of payments pressures.**
  - Higher deficit in the oil trade balance (since 4Q15); but recent improvement in the non-oil trade balance.
  - Significant increase of total debt (as a % of GDP) during this presidential term.
  - Government spending contraction, aiming for fiscal surplus.
  - High international reserves & IMF contingent credit line.

Source: PAM with data from IMF, Citibanamex Expectations Poll and Banxico.

## IV. Investment Strategy -Asset Class Categories & Investment Themes

### Asset Class Categories & Investment Themes

#### Asset-Class Categories, as defined by PAM

##### 1. High-Growth Companies:

- i. Companies with a high U.S. Dollar revenue component (over 85%) & U.S. Dollar or MXN\$ functional currency.

##### *Sensitivity Analyses*

- ii. Validation of required companies' total annual yield vs. PAM's estimate of the 2017 benchmark rate.
  - i. PAM estimates a reference rate of 6.75% for the end of 2017.
  - ii. Total Annual Yield = Earnings Yield (inverse P/E)+ Dividend Yield.
- iii. Companies' validation of a high (+10%) 3-Year Average return over invested capital (ROIC & ROE for Financials) & Low exposure to US\$ and MXN leverage (Net Debt / EBITDA Ratio).

##### 2. High Total Annual Return

- i. Companies with an annual dividend + share repurchase policies + asset return.

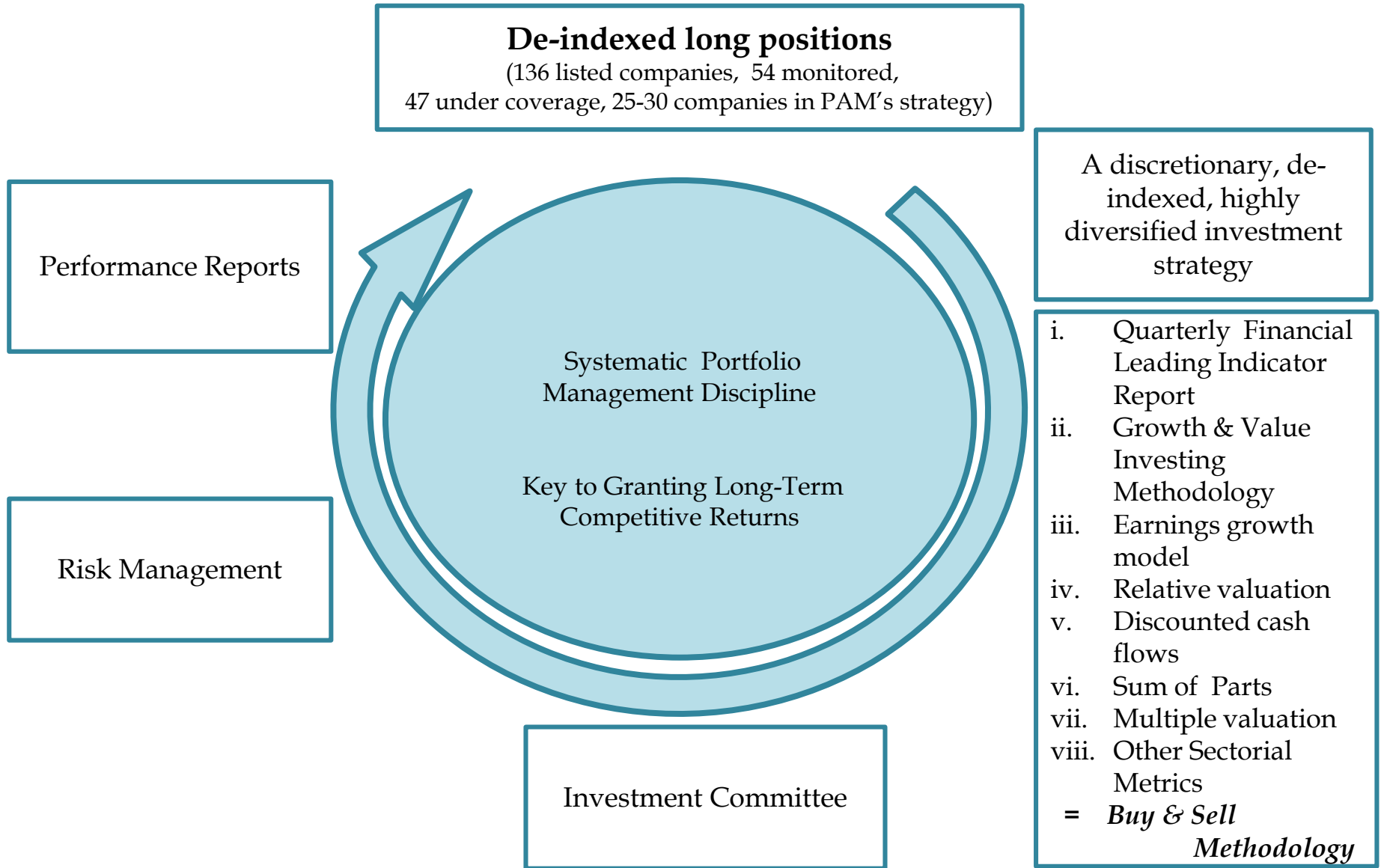
##### 3. Special Situations

- i. Companies with a high discount to their intrinsic value -determined by PAM- and a strong corporate governance. Generally Mid & Small Caps.
- ii. Investment in U.S. Dollar denominated products with underlying assets in U.S. Dollars (only Fondo PAM).

##### 4. Energy Reform

- i. Companies seeking vertical integration upon implementation of the energy reform.

# IV. Investment Strategy - Disciplined Systematic Process



## IV. Investment Strategy – Internal Investment Policies Criteria

- Concentration limit of 10% per individual company and 25% per industry within the Fund's total assets. Any stock with a large weight in the IPC index can be exempted, but capped to the equivalent of its weight (%) in the IPC index.
- Investments in low cap stocks are limited to an accumulated 15% of the Fund's total assets.
- Companies with weak corporate governance are not likely to be included in the portfolios.
- The fund may only participate in share block trades if the broker or investment bank has also offered them to other market participants.
- Investments in stocks of other mutual funds are limited to a 10% of our Fund's total assets and our holdings may not exceed 5% of the total assets of any mutual fund, as long as such investment does not represent more than 3% of the shares with a voting right of the acquired mutual fund.
- Cash lending to other parties or entities is not allowed, except through the purchase of debt instruments and/or repurchase agreements.
- Short selling or maintaining short positions in any type of instrument is not allowed.
- Margin trading is not allowed.
- Trading of commodities or real estate is banned, unless the Fund invests in listed securities backed by such assets.
- Specifically for PAM Fund (Mexican Stock Exchange listed), investments in SIC (international trading system in Mexico) will only be undertaken when our Firm has developed a fundamental analysis structure for this market, and the Fund's shareholders have been given prior notice.

### Additional investment restrictions:

- Positions in stocks with individual weights of over 5% of the total portfolio may not collectively exceed 50% of the Fund's total assets.
- Make investments for the purpose of exercising control over, or management of, the issuers of any securities.
- Companies earning over 15% of their gross income from brokerage activities may not be included in the portfolio.

## IV. Investment Strategy – Risk Management

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### Compliance and Operations structure

PAM's solid operating structure is duly documented in internal operating and oversight manuals.

- Structured and comprehensive system of controls and safeguards to mitigate and prevent the impact of legal, trading, settlement, counterparty, and fraud risks.
- Monitoring clients' investment portfolios on a daily basis.
- Trade allocation procedure, as well as a best execution measurement procedure.
- Cybersecurity policy.
- Client information confidentiality.
- Pre-clearance Policy.
- PAM uses an internal procedure based on best execution practices when determining which brokers execute trades on behalf of our clients.
- Proper handling of non-public information.
- PAM has a business continuity plan with two mutually supporting offices (Data Servers) that back up data and emails on a daily basis.

# V. Comparative Performance – Mexico Equity and Income Fund - MXE

## THE MEXICO EQUITY AND INCOME FUND, INC

Mexico Equity and Income Fund, Inc.  
615 E. Michigan Street  
Milwaukee, WI 53202

Website [www.themxefund.com](http://www.themxefund.com)  
Telephone +1-(877)-785-376  
Primary Exchange New York

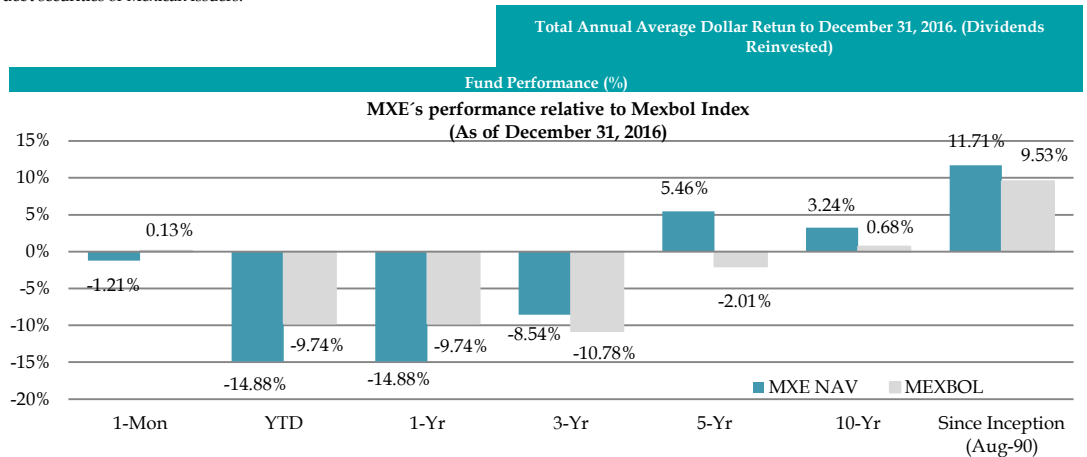
The Fund's investment objective is to seek high total return through capital appreciation and current income by investing at least 80% of the Fund's assets in equity and convertible securities issued by Mexican companies and debt securities of Mexican issuers.

Fund Details	
Fund Type	Closed-end fund
Inception date	August 21, 1990
Benchmark	Mexbol Index
Investment manager	Pichardo Asset Management
IR	David Estevez <a href="mailto:destevez@paminversion.com">destevez@paminversion.com</a>

Fund Statistics as of December 31, 2016.	
Total net assets (in U.S. million)	\$78.10
NAV (USD)	\$10.63
Price (USD)	\$9.17
Premium/Discount	-13.74%
Number of holdings	34
Percentage of top ten holdings	58.90%
Total Annual Expense ratio as of July 31, 2016	1.89
Div per share since inception	\$39.8629

Risk Statistics (1 yr)	
Tracking error (%)	6.776
Information ratio	-0.93
Risk adjusted alpha (%)	-0.1356
Beta	0.91
R-squared (%)	0.935
Standard deviation (%)	4.97

Market Cap Exposure (%)	
Large Cap (Above US\$5 Bn)	59.38%
Mid Cap (Between US\$1 - US\$5 Bn)	25.63%
Small Cap (US\$1 Bn.)	5.04%



Top Ten Holdings as of December 31, 2016			
Holding	%	Holding	%
GFNORTEO	10.58%	AC*	3.54%
WALMEX*	8.19%	ALPEKA	3.41%
AMXL	7.30%	IENOVA*	3.11%
ALSEA*	4.08%	PINFRAL	3.02%
GFREGIO	3.68%	CEMEXCPO	2.99%

Sector Breakdown			
Consumer Staples	21.37%	Materials	15.52%
Financials	18.39%	Telecommunication Services	8.47%
Consumer Discretionary	9.9%	Utilities	4.53%
Industrials	10.57%	Real Estate	2.01%

MXE - NYSE listed closed-end Fund

Past performance does not guarantee future results. Source: US Bancorp, Bloomberg.

## V. Comparative Performance – Mexico Equity and Income Fund - MXE

Fund	Total Annual Average U.S. Dollar Return through December 31, 2016 (dividends reinvested)						
	1 Month	Y-T-D	1 Year	3 Years	5 Years	10 Years	Since Inception in 8/30/90
MXE NAV	-1.21%	-14.88%	-14.88%	-8.54%	5.46%	3.24%	11.71%
MXE NAV Return in Mexican Pesos	-0.47%	2.39%	2.39%	6.69%	14.16%	10.20%	20.40%
MXE Market Price	-1.19%	-14.78%	-14.78%	-9.95%	4.79%	3.91%	12.00%
Mexbol Index	0.13%	-9.74%	-9.74%	-10.78%	-2.01%	0.68%	9.53%
MXF NAV	-0.80%	-11.51%	-11.51%	-10.77%	0.59%	0.49%	7.94%
MXF Market Price	5.47%	-5.69%	-5.69%	-13.07%	1.32%	1.32%	8.82%
MXE NAV Excess Return vs. Mexbol Index in Basis points	-134	-514	-514	224	747	256	218

Cumulative to December 31, 2016	Total U.S. Dollar Return through December 31, 2016						
	1 Month	Y-T-D	1 Year	3 Years	5 Years	10 Years	Since Inception in 8/30/90
MXN Depreciation for 1 USD	-0.75%	-20.28%	-20.28%	-58.72%	-48.68%	-91.89%	-619.03%
USD Appreciation for 1 MXN	0.74%	16.86%	16.86%	37.00%	32.74%	47.89%	86.09%
MXE NAV Return in USD	-1.21%	-14.88%	-14.88%	-23.48%	30.43%	37.61%	1,747.24%

Cumulative to December 31, 2016	Total U.S. Dollar Return through December 31, 2016 (dividends reinvested)						
	Y-T-D	1 Year	3 Years	5 Years	10 Years	Since Inception in 8/30/90	Discount to NAV, as of December 31, 2016
MXE Common Share Market Price	-14.78%	-14.78%	-26.99%	26.35%	46.68%	1,877.77%	-13.73%
MXF Common Share Market Price	-5.69%	-5.69%	-34.30%	6.76%	14.01%	827.01%	-11.19%

## V. Comparative Performance – Mexico Equity and Income Fund - MXE

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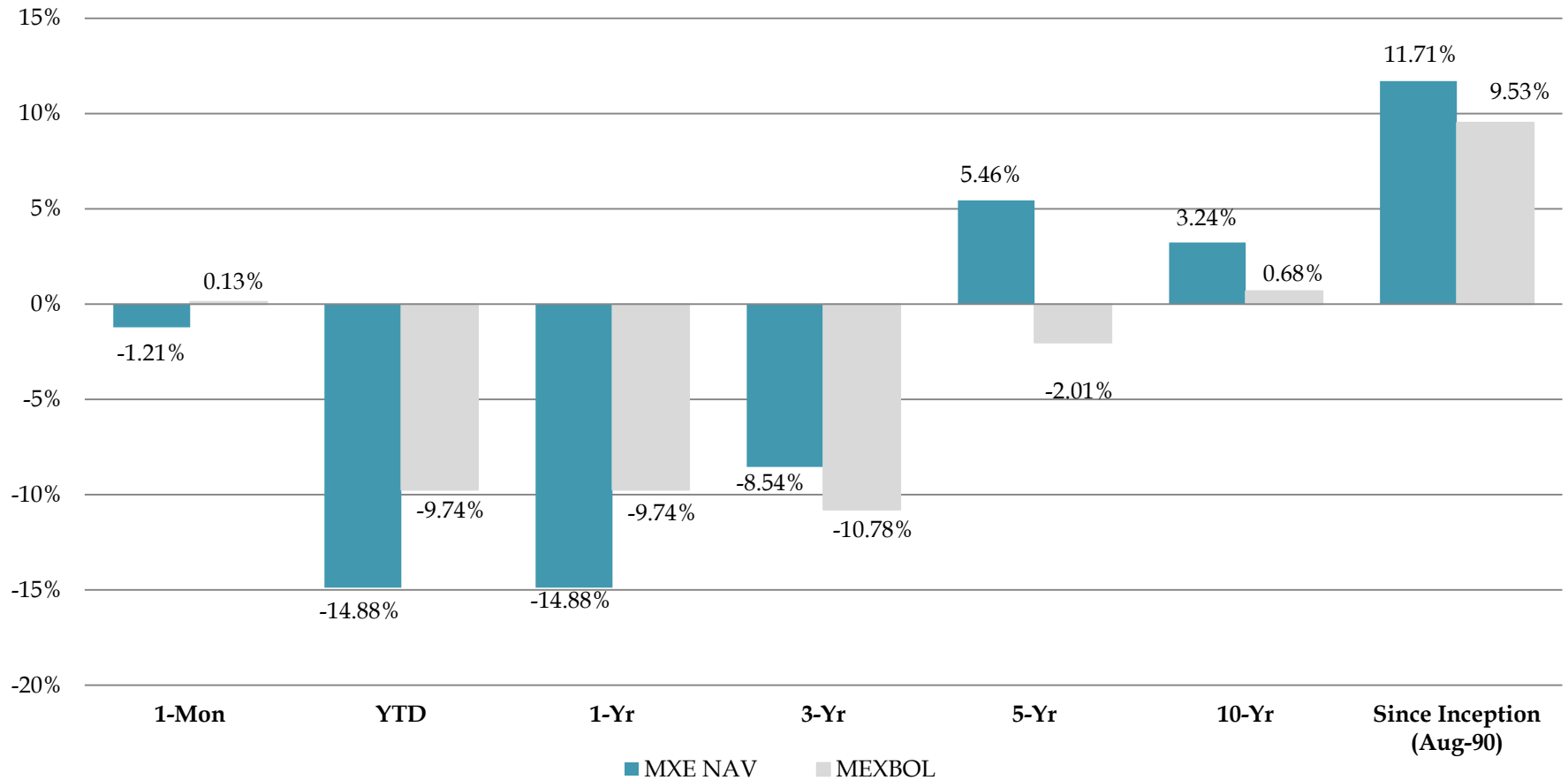
Pichardo Asset Management proven Experience ( Source Both US Bancorp and Bloomberg)

- 1**    **5.46% \* 5-Year track record average annual U.S dollar return.**  
**747 basis points \* Excess return against the Mexbol Index on a 5 year comparison.**
  
- 2**    **11.71% \* 26-Year track record average annual U.S dollar return.**  
**218 basis points \* Excess return against Mexbol Index.**



## V. Comparative Performance – Mexico Equity and Income Fund in US\$

**MXE's performance relative to Mexbol Index**  
(As of December 31, 2016)

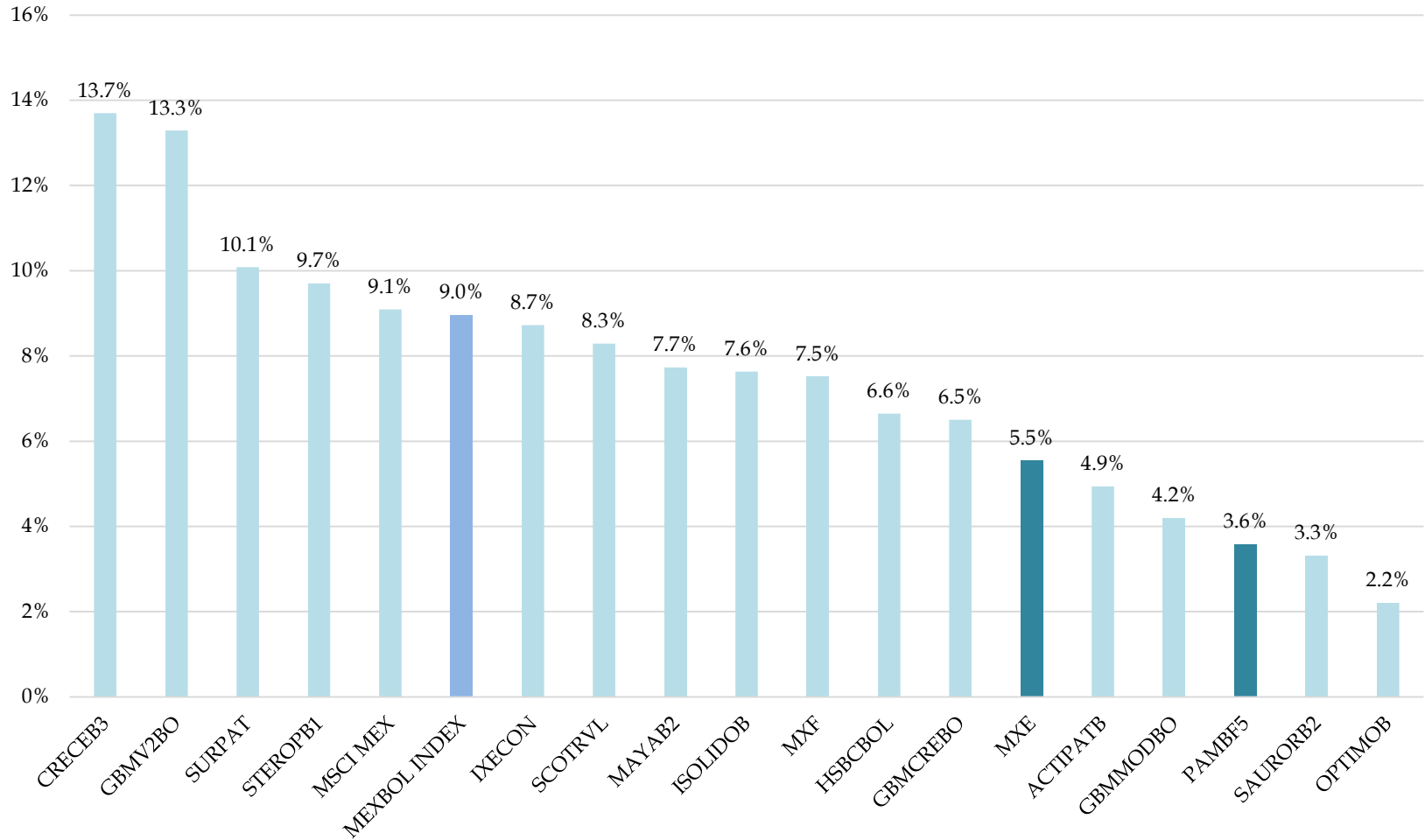


MXE Fund- NYSE listed closed-end Fund

Past performance does not guarantee future results. Source: US Bancorp, Bloomberg.

## VI. Comparative Performance – PAM Mexican Stock Exchange Listed Fund

**PAM Fund's comparative performance in Mexican Pesos**  
 (Since the Fund's inception in September 2, 2015 through December 31, 2016)



PAM Fund – BMV Mexican Stock Exchange listed open-end Fund

Past performance does not guarantee future results. Source: Bloomberg.

Pichardo Asset Management, SA de CV

[www.paminversion.com](http://www.paminversion.com)

Comisión Nacional Bancaria y de Valores License CNBV 30018. December 2015

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