

MEXICO FUND INC  
Form N-CSR  
December 29, 2006

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**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

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(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

Date of fiscal year end: October 31, 2006

Date of reporting period: October 31, 2006

Form N-CSR is to be used by management investment companies to file reports with the Commission not later than 10 days after the transmission to stockholders of any report that is required to be transmitted to stockholders under Rule 30e-1 under the Investment Company Act of 1940 (17 CFR 270.30e-1). The Commission may use the information provided on Form N-CSR in its regulatory, disclosure review, inspection, and policymaking roles.

A registrant is required to disclose the information specified by Form N-CSR, and the Commission will make this information public. A registrant is not required to respond to the collection of information contained in Form N-CSR unless the Form displays a currently valid Office of Management and Budget (OMB) control number. Please direct comments concerning the accuracy of the information collection burden estimate and any suggestions for reducing the burden to Secretary, Securities and Exchange Commission, 450 Fifth Street, NW, Washington, DC 20549-0609. The OMB has reviewed this collection of information under the clearance requirements of 44 U.S.C. § 3507.

**Item 1. Reports to Stockholders.**

A copy of the Registrant's annual report to stockholders for the period ending October 31, 2006 transmitted to stockholders pursuant to Rule 30e-1 under the Investment Company Act of 1940 is provided below.

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

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### **Directors:**

Emilio Carrillo Gamboa Chairman

Eugenio Clariond Reyes-Retana

José Luis Gómez Pimienta

Claudio X. González

Robert L. Knauss

Jaime Serra Puche

Marc J. Shapiro

### **Officers:**

José Luis Gómez Pimienta President

Samuel García-Cuéllar Secretary

Alberto Osorio Treasurer

Carlos H. Woodworth Corporate Governance

Vice President,

Chief Compliance Officer

Eduardo Solano Investor Relations

Vice President

Sander M. Bieber Assistant Secretary

### **Investment Adviser**

Impulsora del Fondo México, S.C.

**Custodian**

BBVA Bancomer, S.A.

Comerica Bank

**Transfer Agent and Registrar**

American Stock Transfer & Trust Company

**Counsel**

Dechert LLP

Creel, García-Cuéllar y Müggenburg, 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.

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The Mexico Fund, Inc.

25<sup>th</sup> Anniversary

June 1981 June 2006

Annual Report  
October 31, 2006

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

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**The Mexico Fund, Inc.**

**Annual Report**

**October 31, 2006**

**Highlights**

- The Fund's fiscal year 2006 ended on October 31, 2006.
- During fiscal 2006, the Fund's market price and net asset value (NAV) per share registered total returns of 44.1% and 46.4%, respectively, compared with increases of 45.8% and 46.5% registered by the IFCG Mexico and IPC indices, respectively.
- At the end of this period, the discount between the Fund's market price and NAV per share was 13.0%, compared with 11.2% at the end of fiscal 2005.
- We are pleased to inform you that the Board of Directors has declared, for the second consecutive year, the payment of the Fund's largest dividend distribution per share since its inception in June 1981. The Board has declared a stock dividend of \$3.5568 and a cash dividend of \$0.4224 per share. Together, these two dividend distributions are equivalent to 10.8% of the Fund's market price and to 9.4% of its net asset value per share as of the Fund's fiscal year end, October 31, 2006.
- On August 28, 2006, Felipe Calderón Hinojosa, Presidential Candidate of the National Action Party (PAN), was declared President-elect by Mexico's Federal Electoral Tribunal. Mr. Calderón was inaugurated as President of Mexico on December 1, 2006 and will serve for a six-year period until December 1, 2012.
- The Mexican gross domestic product (GDP) increased 4.6% during the third quarter of 2006, compared with the same period of 2005.
- During October 2006, the Mexican government issued, for the first time, 30-year bonds, denominated in pesos, at a fixed interest rate of 8.08%. The offer was successful; investor demand exceeded the amount offered by more than six times.

*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.*

**The Mexico Fund, Inc.**

**To Our Stockholders:**

We present to you the Fund's 2006 Annual Report. The Fund's strategy of investing in growth-oriented businesses, including, but not limited to, small- and medium-capitalization companies, produced favorable performance in the Fund's market price and net asset value (NAV) per share. In this Report, we summarize the period's prevailing economic and market conditions in Mexico and outline the Fund's investment strategy and resulting performance. We hope you find this Report useful and informative.

**25<sup>th</sup> Anniversary**

We are pleased to inform you that, on June 3, 2006, the Fund celebrated its 25<sup>th</sup> Anniversary. On June 3, 1981, the Fund was launched when 10,000,000 Fund shares were placed on the New York and London Stock Exchanges at a price of \$12 per share.

Since its inception in June 1981, the Fund has received 22 Lipper awards. Lipper is a Reuters Company that provides research and analysis covering more than 135,000 mutual funds, hedge funds and other collective investment vehicles worldwide. The last award received from Lipper was a Number One Ranking among Lipper's Latin American funds classification in the Lipper Closed-End Equity Fund Performance Analysis for the five-year period ended December 31, 2005. The Fund's Board of Directors, Investment Adviser and Executive Officers thank you for your confidence during these 25 years and look forward to continue working collectively for the best interests of the Fund and its stockholders.

**Presidential and Federal Elections**

The final results of Mexico's Presidential Elections, held on July 2, 2006, are as follows:

Candidate	Party	Number	
		of Votes	% of Total
Felipe Calderón Hinojosa	Partido Acción Nacional(PAN)	14,916,927	36.69%
Andrés Manuel López Obrador	Coalición por el Bien de Todos (PRD + Convergencia + PT)	14,683,096	36.11%
Roberto Madrazo Pintado	Alianza por México (PRI + PV)	9,237,000	22.72%
Others	Nueva Alianza, Alternativa and Non-registered Candidates		4.48%
<b>Total</b>		<b>40,657,057</b>	<b>100.00%</b>

**Source:** Instituto Federal Electoral (IFE)



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On August 28, 2006, Felipe Calderón Hinojosa, Presidential Candidate of the National Action Party (PAN), was declared President-elect by Mexico's Federal Electoral Institute (IFE). Mr. Felipe Calderón will be President of Mexico during the six-year period from December 1, 2006 to December 1, 2012. The federal elections resulted in a Mexican Congress that is highly divided, with an absolute majority (but not a sufficient relative majority) held by the PAN.

## Economic Environment

According to official sources, Mexico's gross domestic product (GDP) continued to show a positive performance, as it increased 4.6% during the third quarter of 2006, compared with the same period of 2005. During this period, with one exception, all sectors of the economy registered positive rates of growth: transportation, storage and communications, 9.4%; construction, 7.7%; electricity, gas and water, 6.5%; manufacturing, 5.1%; financial services and real estate, 4.6%; commerce, restaurants and hotels, 3.4%; personal services, 2.8%; and mining, 2.7%. The only sector of the economy that registered a decline was the primary sector, composed of agriculture, fishery and livestock, which decreased 0.8%. During the first nine months of 2006 and compared with the same period of 2005, Mexico's GDP increased 4.9%. Economists surveyed by the Mexican Central Bank during November 2006 estimate that the Mexican GDP will increase by approximately 4.7% during 2006 and 3.6% during 2007. The lower economic growth expected for 2007 is mostly explained by the deceleration of the US economy.

Mexico's inflation rates continue under control. According to information prepared by Banco de Mexico, the Central Bank, for the year ended on October 31, 2006, the Mexican inflation rate amounted to 4.3%, compared with 3.33% at the end of 2005. This increase was mostly generated by higher prices of vegetables, which are usually volatile. However, the Central Bank estimates that annual inflation rates will be below 4% by the end of calendar 2006 and analysts currently believe that it will be 3.9% and 3.5% for 2007.

During October 2006, the Mexican government issued, for the first time, 30-year bonds, denominated in pesos, at a fixed interest rate of 8.08%. The offer was successful when measured by investor demand, which exceeded the amount offered by more than six times. The long-term maturity of this instrument and the stable demand of short-term bonds continue to reflect the confidence and positive sentiment of domestic and international investors towards Mexican debt instruments. Domestic interest rates have remained stable during 2006 as the interest rate of the 28-day Cetes has been near 7.0% since the end of April 2006. Similarly, Mexico's country risk, measured by the spread between the yields of Mexican sovereign debt instruments traded abroad and US Treasury bonds reached a new historical minimum level of 97 basis points (0.97%) on February 24, 2006 and ended October 2006 at a level of 111 basis points. Analysts estimate that interest rates will be relatively stable during the rest of 2006 and 2007, projected at 7.1% and 6.9%, respectively, at the end of each year.

The significant increase of international oil prices and the flow of dollars sent to Mexico by Mexicans living abroad, mostly in the United States, continued to contribute to the relative strength of the Mexican peso. The exchange rate of the peso against the US dollar remained almost unchanged during fiscal 2006 and it ended October 31, 2006 at Ps. 10.7640. During the first nine months of calendar 2006, remittances sent to Mexico from Mexicans living abroad increased 18.5% to \$17.4 billion, while the average price of the Mexican oil mix increased 30.7% during the same period, from \$41.81 per barrel to \$54.66 per barrel. The Central Bank continues implementing a free-floating exchange rate policy, with only minor market interventions aimed at reducing the rate of growth of international currency reserves, which have continued reaching historically high levels. At the end of October 2006, international reserves amounted to \$68.8 billion. Analysts estimate that the exchange rate will continue to be relatively stable, estimated at Ps. 10.96 and Ps. 11.30 at the end of 2006 and 2007, respectively.

Mexico's external accounts continue to benefit from high levels of international oil prices. According to figures published by the Mexican authorities, during the first nine months of calendar 2006, Mexico

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<sup>1</sup> EBITDA refers to earnings before interest, taxes, depreciation and amortization.

<sup>2</sup> **Source:** Impulsora del Fondo México, S.C. with figures provided by the Mexican Stock Exchange.

registered a trade deficit of \$1.91 billion, 54.9% lower than during the same period of 2005. During this period, Mexico's total exports increased 19.9% to \$186.0 billion; with non-oil exports increasing 17.5% to \$155.2 billion, and oil exports increasing 33.8% to \$30.7 billion. At the same time, total imports increased 17.9% to \$187.9 billion.

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

Throughout fiscal 2006, the Mexican equity market continued to provide favorable investment opportunities, allowing the Fund to capitalize on the results of its strategy of investing in leading Mexican corporations as well as attractive and growth-oriented small- and medium-capitalization companies. During this period, the Fund's market price and NAV per share registered total returns of 44.1% and 46.4%, respectively, increasing to \$36.91 and \$42.43, respectively. These figures compare with 45.8% for the IFCG Mexico Index, 46.5% for the Bolsa IPC Index, 41.7% for the Morgan Stanley Capital International Index and 37.4% for the Bolsa Index of Medium Size Companies.

During the period that covers this Report, Mexican listed companies continued reporting strong financial results. For the first nine months of calendar 2006, compared with the same period of 2005, sales of listed companies increased 11.3%, EBITDA<sup>1</sup> increased 14.9% and net income grew 23.0%. The average Price Earnings Ratio (PER) of the market increased from 13.1 times at the end of fiscal 2005, to 14.5 times at the end of October 2006 while the price to book value increased from 2.4 times to 3.0 times during the same period<sup>2</sup>.

The Fund's five portfolio holdings that contributed the most to the growth of the Fund's NAV during this fiscal year 2006 were: América Móvil (AMX), América Telecom (Amtel), Corporación GEO (GEO), Walmart de México (Walmex) and Grupo Financiero Banorte (Gfnorte), which together accounted for 41.1% of the Fund's net assets as of the end of October 2006. These five issuers provided 50.3% of the total return of the Fund's NAV during this period. AMX provides telecommunications services in Mexico and Latin America; Amtel is the holding company of AMX; GEO constructs houses, mostly affordable; Walmex is the Mexican subsidiary of international retailer Walmart Stores, Inc.; and Gfnorte is a financial group. During this fiscal year, the market prices of these five issuers increased 67.8%, 90.6%, 49.4%, 44.4% and 70.5%, respectively. Two other important contributors to the Fund's NAV performance were Grupo Urbi Desarrollos Urbanos (Urbi), which is also dedicated to construction of affordable houses and Grupo México (Gmexico), a mining company. The market prices of these two issuers increased 45.0% and 94.8%, respectively.

Until recently, companies listed on the Mexican Stock Exchange were only organized under Mexican law. Lately, companies organized outside of Mexico have listed on the Mexican Stock Exchange, a consequence of the increasing globalization of the Mexican economy and its securities market. Because the Fund's investment adviser believes some of these issuers may present attractive investment opportunities, the Fund's Board of Directors approved an investment policy permitting the Fund to invest in securities of issuers listed on the Mexican Stock Exchange that are not organized in Mexico, provided that such issuers or their subsidiaries have a business presence in Mexico and, in the aggregate, do not account for more than 20% of the Fund's NAV. Consistent with this policy, the Fund acquired shares of Tenaris, with significant positive results. Tenaris is a company operating in Mexico but organized in

Luxembourg, and is listed on several stock exchanges, including the Mexican Stock Exchange. The Fund also invested in Citigroup, Inc., which conducts banking in Mexico through its subsidiary Banamex, S.A. Investments in Tenaris and Citigroup, Inc. at October 31, 2006, accounted for 3.09% and 2.43% of the Fund's NAV, respectively.

Of the 29 equity issuers included in the Fund's portfolio at the end of October 2006, only one, Alfa, experienced a minor negative total return to stockholders of 0.8%. The market price of Alfa was adversely affected following Alfa's sale of its subsidiary Hylsamex and the company's failure to make a new acquisition or distribute the proceeds to stockholders. Alfa represented 1.5% of the Fund's assets as of the end of October 2006. During November 2006, Alfa announced several acquisitions in Europe and the stock market price has reacted favorably.

At the closing of October 2006, the Fund had a total of 15,248,004 shares outstanding, with total net assets of \$646.97 million. The total number of Fund shares traded on all US consolidated markets during fiscal 2006 was 10.73 million shares. The discount between the Fund's market price and NAV at the end of October 2006 was 13.0%, compared with 11.22% at the end of fiscal 2005. On a regular basis, the Board of Directors closely analyzes the Fund's discount levels. The Board believes that the Fund's periodic in-kind repurchase offers continue to be an effective measure to contain the discount and allow stockholders the opportunity to have additional liquidity at a price near the NAV per share.

The following chart shows the Fund's portfolio composition by sector, expressed as a percentage of the Fund's net assets. More detailed information about the Fund's portfolio is available below in this report.

#### **Portfolio Composition by Sector**

**% of Net Assets**

**October 31, 2006**

## Declaration of Dividend

The Board of Directors has declared, for the second consecutive year, the payment of the Fund's largest dividend distribution per share since its inception in June 1981. The Board has declared a stock dividend of \$3.5568 and a cash dividend of \$0.4224 per share. Together, these two dividend distributions are equivalent to 10.8% of the Fund's market price and to 9.4% of its net asset value per share as of the Fund's fiscal year end, October 31, 2006.

The \$3.5568 dividend is payable in Fund shares unless the stockholder elects to receive the distribution in cash. This dividend is fully comprised of long-term capital gains. Fund stockholders will receive the stock dividend in additional shares of common stock of the Fund unless they elect to receive a cash payment. Instructions for making an election for a cash distribution will be mailed to record date shareholders on or about December 29, 2006 and must be received by the Fund's transfer agent by 4:00 p.m. (EST) on January 12, 2007. Stockholders whose election is not received before this deadline will receive this dividend in shares of common stock of the Fund. The number of Fund shares to be received by those shareholders not electing to receive cash will be based on the closing price of Fund shares on the New York Stock Exchange on January 16, 2007 and the dividend will be paid in cash or in the appropriate number of Fund shares on January 23, 2007. Cash will be issued in lieu of fractional shares to which a shareholder might otherwise be entitled. Commencing with this distribution, future distributions of long-term capital gains will be made, as described above, payable in Fund shares unless the stockholder elects to receive the distribution in cash. This policy allows stockholders to remain invested in the Fund, without the transaction costs that would be incurred if stockholders received a dividend in cash and reinvested the dividend proceeds in shares of the Fund. This is beneficial to investors who, consistent with the Fund's investment policy, seek long-term capital appreciation through investment in securities, primarily equity, listed on the Mexican Stock Exchange. Furthermore, the policy lessens the likelihood that the Fund must sell portfolio securities in less favorable market conditions in order to generate cash for long-term capital gains distributions.

The \$0.4224 cash dividend per share is comprised of \$0.3432 net investment income and \$0.0792 short-term capital gains. This dividend is also payable on January 23, 2007 to stockholders of record on December 29, 2006.

Stockholders whose dividend distributions by the Fund are subject to withholding of U.S. taxes will receive cash or shares, as the case may be, net of the amounts of applicable withholding taxes.

The full amount of the dividend, whether received in additional shares of the Fund or in cash, will be reportable by U.S. taxpayers on their U.S. Federal income tax returns and may be subject to applicable state and local taxes.

A separate notice has been sent to shareholders with details regarding the stock dividend, which should be reviewed carefully. As part of their commitment and support to the Fund, all Directors and the Investment Adviser have chosen to receive their dividend in stock. Stockholders not desiring to receive this dividend in additional Fund shares must notify the Fund's transfer agent, American Stock Transfer and Trust Company, not later than 4:00 pm (EST) on January 12, 2007. Although the Fund has enacted a Dividend Reinvestment Plan, the terms of this plan do not apply to stock dividends like the one to be paid on January 23, 2007.

## Concentration Policy

The Fund has adopted 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 of Directors 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 2006, the only industry group that represented 20% or more of the value of the securities included in the IPC Index is the communications industry group. This industry includes local, long-distance, and cellular telephone companies, as well as broadcast and media companies. Approximately 85.65% of this industry group is comprised of stocks of telecommunications companies. At the end of October 2006, 30.54% of the Fund's net assets were invested in this industry group. This is compared with the communications industry group's weighting of approximately 42.31% of the IPC Index. The Fund's Investment Adviser will continue to evaluate the concentration in this industry and may choose not to concentrate in this industry group in the future or to concentrate in other industries subject to the concentration policy described above.

### **Periodic Repurchase Offer Authority**

On March 6, 2002, the Fund announced the Board's approval of a policy to conduct periodic in-kind repurchase offers at no less than 98% of NAV for up to 100% of the Fund's outstanding shares. This policy is intended to provide additional liquidity to Fund shares and to reduce the discount at which Fund shares have been trading on the NYSE. Under this policy which was approved by stockholders and is the subject of exemptive relief granted by the Securities and Exchange Commission (SEC), the Fund offers to repurchase no less than five percent of the Fund's outstanding shares each fiscal year, based on the number of shares outstanding at the beginning of the fiscal year. Repurchase offers are in-kind and conducted at least once each fiscal year, but not more frequently than quarterly, and are for between one and one hundred percent of the Fund's outstanding shares. The Board can set or reset the periodic interval between repurchase offers at three, six or 12 months.

The Fund has publicly announced that its next repurchase offer shall occur in January 2007. The Fund is offering to repurchase up to five percent of its shares in exchange for a pro-rata portion of the Fund's securities. The repurchase offer begins on December 22, 2006 and will expire on January 16, 2007 at 5:00 p.m., Eastern time. The repurchase pricing date is January 23, 2007. The Fund will repurchase shares at net asset value, reduced by a repurchase price adjustment of 1.25%, for a repurchase price of 98.75% of net asset value. Payment of the repurchase offer proceeds will be made on or before January 30, 2007, provided the stockholder participant's account accepts the proceeds.

**The repurchase offers are not part of a plan to liquidate the Fund. Stockholder participation in the repurchase offers is not mandatory as stockholders can continue to purchase and sell Fund shares in cash transactions on the NYSE. The Fund continues to provide a convenient professionally managed vehicle for investing in Mexico.**

The Board of Directors of the Fund anticipates that the Fund's next repurchase offer will occur during September 2007 for an amount not yet determined.

### **Proxy Voting**

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Information is available about how the Fund voted proxies during the twelve-month period ending December 31, 2006, without charge, upon request, by calling collect Mr. Eduardo Solano, the Fund's Investor Relations Vice President, and on the SEC's website at [www.sec.gov](http://www.sec.gov). The Fund's and



the Fund's 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", 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

The Fund's website has the Fund's market price and NAV per share on a same-day basis, the complete history of dividend distributions made by the Fund and a downloadable database containing the most important historical figures for the Fund. Documentation of the Fund's most recent in-kind repurchase offer is available at the website section titled "Repurchase Offers". The website section "Insiders Filings" provides direct hyperlinks to filings made by Directors and Officers of the Fund and its Investment Adviser regarding transactions in Fund shares available at the Securities and Exchange Commission's website. The Fund also has placed many Fund governance documents on the website under the section titled "Corporate Governance", including the Fund's Articles, By-laws and committee charters.

Starting with the third quarter in 2004, the Fund files its complete schedule of portfolio holdings with the SEC for the first and third quarters of each fiscal year on Form N-Q. The Fund's complete Schedules of Investment and Statements of Assets and Liabilities for the first and third quarters of its fiscal year are also available electronically on the Fund's website at "Portfolio". The Fund's Form N-Q filings are available on the SEC's website at [www.sec.gov](http://www.sec.gov) or may be reviewed and copied at the SEC's Public Reference Room in Washington, DC (information regarding which may be obtained by calling 1-800-SEC-0330). Electronic versions of the Fund's semi-annual and annual reports and Monthly Summary Reports are published on the Fund's website at the section "Investor Reports". Stockholders will receive printed versions of the Fund's semi-annual and annual reports. This information is also available on the Fund's quarterly electronic Form N-Q filings submitted to the SEC. Stockholders who desire to receive public reports and press releases regarding the Fund electronically upon their dissemination by the Fund should contact the Fund's Investor Relations Office via e-mail (see address below). We hope that the Fund's web site is a useful resource for information and we will continue working to improve it.

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.

The Fund also offers stockholders and the general public the ability to contact the Fund via e-mail with questions or requests for additional information about the Fund. **Stockholders may also direct any concerns regarding financial information to this e-mail address.** 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 also published weekly in The Wall Street Journal, The New York Times and other newspapers in a table called "Closed-End Funds". The Fund's NYSE trading symbol is MXF.

The Fund's Dividend Reinvestment Plan and Transfer Agent is:

**American Stock Transfer & Trust Company**

59 Maiden Lane Plaza Level

New York, NY 10038

(212) 936-5100

**Dividend Reinvestment Plan**

The Fund's Dividend Reinvestment Plan (the Plan) provides a convenient way to increase your holdings in the Common Stock of the Fund through the reinvestment of net investment income and capital gain distributions. Under the terms of the Plan, Fund shareholders are automatically enrolled as participants in the Plan. If you do not wish to participate in the Plan, please contact the Plan Agent. Upon any termination of participation under the Plan, the Plan Agent will cause a share certificate for the appropriate number of full shares to be delivered to the participant, and a cash adjustment for any fractional shares. At a stockholder's request, the Plan Agent will sell the participant's shares and remit any proceeds to the participant, net of brokerage commissions. Stockholders who do not participate in the Plan will receive all distributions in cash.

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 of Directors (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 your shares are registered or will be registered in the name of a broker-dealer or any other nominee, you must contact the broker-dealer or other nominee regarding his or her status under the Plan, including whether such broker-dealer or nominee will participate in the Plan on your behalf. Generally, shareholders receiving Common Stock under the Plan will be treated as having received a distribution equal to the amount payable to them in cash as a distribution had the stockholder not participated in the Plan.

If you have any questions concerning the Plan or would like a copy of the Plan brochure, please contact the Plan Agent:

**American Stock Transfer & Trust Company**

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Attention: Dividend Reinvestment Department

59 Maiden Lane Plaza Level

New York, NY 10038

(212) 936-5100

### **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 2006 annual meeting of stockholders, it filed a certification with the NYSE stating that its President was unaware of any violation of the NYSE's Corporate Governance listing standards.

**Sincerely yours,**

**José Luis Gómez Pimienta**

President

**Emilio Camillo Gamboa**

Chairman of the Board

December 22, 2006

**Directors and Officers Biographical Data**

**Directors Principal Occupation for Past Five Years and Other Directorships (information as of December 2006)**

**Class I (Term Expiring in 2009)**

**Marc J. Shapiro**

Age 59. 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, Burlington Northern Santa Fe (railroad); Director, Kimberly-Clark (consumer goods); Director, Weingarten Realty (real estate investment).

**Jaime Serra Puche**

Age 54. 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.

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.

Director, Vitro, S.A. de C.V. (glass manufacturer); Director, Tenaris (tube producer); Director, Chiquita Brands, Inc. (fruit producer); Director, Grupo Modelo, S.A. de C.V. (beer brewing); Co-Chairman, President's Council on International Activities of Yale University.

**Class II (Term Expiring in 2007)**

**José Luis Gómez Pimienta**

Age 67. Director since 1989.

Mr. Gómez Pimienta has over two 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.

Director (since 1997) and member of the Executive Committee (since 1998) and the Audit Committee (since 2003) of the Bolsa Mexicana de Valores (Mexican Stock Exchange).

**Claudio X. González**

Age 71. Director since 1981.

Mr. González was President of the Business Coordinating Council of Mexico. He has served as Chairman of the Board and Chief Executive Officer of Kimberly-Clark de México S.A. de C.V., a consumer products company, since 1973. Mr. González is also on the Board of Directors of several prominent U.S. and Mexican companies, including General Electric Co.

Chairman of the Board, Chief Executive Officer and Director, Kimberly-Clark de México, S.A. de C.V. (consumer products); Director, Kimberly-Clark Corp. (consumer products); Director, General Electric Co. (industrial and financial products); Director, Investment Company of America (investment fund); Director, Kellogg Co. (food products); Director, Home Depot (home improvement); Director, Grupo Alfa, S.A. de C.V. (conglomerate); Director, Grupo Carso, S.A. de C.V.; Director, Grupo México, S.A. de C.V. (copper mining and rail transportation); Director, America Movil, S.A. de

C.V. (telecommunications); Director, Grupo Financiero Inbursa (investment and banking); Director, Televisa (broadcasting).

**Robert L. Knauss**

Age 73. Director since 1985.

Mr. Knauss served as Chairman of the Board and Principal Executive Officer of Philips Services Corp. (industrial services) (1998-2003) and also served as Chairman of the Board and Chief Executive Officer of Baltic International USA, Inc. (investments) (1995-2003). 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.

Director, Equus Total Return Inc. (investment company); Director, XO Holdings, Inc. (telecommunications); Director, Westpoint International Inc. (home products).

**Class III (Term Expiring in 2008)**

**Emilio Carrillo Gamboa Chairman**

Age 68. Director since 2002.

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. Mr. Carrillo Gamboa was reelected as a Director of the Fund in 2002.

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 charitable organizations.

Chairman of the Board; Holcim Apasco (cement company); Director, ICA (Sociedad Controladora, S.A. de C.V. (construction company); Director, Grupo Modelo, S.A. de C.V. (beer brewing); Director, Grupo Mexico S.A. de C.V. (copper mining and rail transportation); Director, Kimberly-Clark de México, S.A. de C.V. (consumer products); Director, Sanluis Corporación, S.A. de C.V. (automotive parts); Director, Southern Copper Corporation (copper mining); Director, Posadas de Mexico, S.A. de C.V. (hotel/hospitality); Director, Gasoductos de Chihuahua, S. de R.L. de C.V. (public utility-gas transportation); Director, Bank of Tokyo Mitsubishi (Mexico) S.A. (banking).

**Eugenio Clariond Reyes-Retana**

Age 62. Director since 2005.

From 2003 until September 2006, Mr. Clariond served as Chairman of the Board and Chief Executive Officer of Grupo IMSA, S.A., a manufacturer of steel, aluminum and plastic products for the construction industry. Prior to that time he was the Chief Executive Officer of Grupo IMSA, S.A. (since 1981). He also acts as Vice Chairman of the World Business Council for Sustainable Development and as Chairman of the Mexico United States Business Committee of the Mexican Business Council for Foreign Trade, Investment & Technology.

Mr. Clariond additionally serves on the boards of other U.S. and Mexican corporations, non-profit organizations and educational institutions.

Director, Grupo Industrial Saltillo S.A. (manufacturer of metal products, construction products and cooking materials); Director, Proeza, S.A. (automotive parts and technological services); Director, Chaparral Steel Company (steel producer); Director, Navistar International Corp. (truck and engine manufacturer); Director, Johnson Controls, Inc. (automotive components, air conditioning, controls); Director, Grupo Financiero Banorte S.A. (banking).



Officers Who Are Not Directors

Name, Address and Age	Position(s) Held With the Fund	Term of Office and Length of Time Served	Principal Occupation(s)
<p>Samuel García-Cuéllar</p> <p>Creel, García-Cuéllar y Müggenburg, S.C., Paseo de los Tamarindos 60 3er piso Bosques de las Lomas 05120 México, D.F. México</p>	Secretary	Since 1981.	<p><b>During Past Five Years</b></p> <p>Mr. García-Cuéllar is a partner of Creel, García-Cuéllar y Müggenburg, S.C., Mexican counsel to the Fund; Director, MexDer Mercado Mexicano de Derivados (futures and options) (since 2001); Director, GE Capital Bank, S.C. Institución de Banca Múltiple, GE Capital Grupo Financiero (bank) (since 2002); Director, GE Capital Grupo Financiero, S.A. de C.V. (financial group) (since 2002).</p>
<p>Age: 63</p> <p>Alberto Osorio Morales</p> <p>Aristóteles 77, 3<sup>rd</sup> Floor Col. Polanco 11560 México, D.F. México</p>	Treasurer  (formerly, Vice President of Finance)	Since 2002.  From 1999 to 2002.	Mr. Osorio currently serves as Director of Finance of the Fund's investment adviser, Impulsora del Fondo México, S.C. and has been an employee of the Adviser since 1991.
<p>Age: 38</p> <p>Carlos H. Woodworth Ortiz</p> <p>Aristóteles 77, 3<sup>rd</sup> Floor Col. Polanco 11560 México, D.F. México</p>	Vice-President of Corporate Governance and Chief Compliance Officer  (formerly, Treasurer)	Since 2002.  From 1992 to 2002.	Mr. Woodworth has 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 since 1981.
<p>Age: 63</p> <p>Eduardo Solano Arroyo</p> <p>Aristóteles 77, 3<sup>rd</sup> Floor</p>	Investor Relations Vice President	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

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Col. Polanco

employee of the Adviser since 1991.

11560 México, D.F.

México

Age: 38

Sander M. Bieber

Assistant  
Secretary

Since 1989.

Partner of Dechert LLP, U.S. counsel to  
the Fund and the Independent Directors.

1775 I Street, N.W.

Washington, DC 20006

Age: 56

## The Mexico Fund, Inc.

## Schedule of Investments as of October 31, 2006

Industries	Shares Held	Common Stock (98.51%)	Series	Value (Note 1)	Percent of Net Assets
<b>Cement Industry</b>	11,510,934	Cemex, S.A.B. de C.V.	CPO \$	35,450,340	5.48%
	4,431,300	Grupo Cementos de Chihuahua, S.A de C.V.	*	17,702,146	2.74
<b>Communications</b>	13,813,600	América Móvil, S.A. de C.V.	A	53,152,486	8.22
	25,672,800	América Móvil, S.A. de C.V.	L	29,516,239	4.56
	(a) 8,979,600	América Telecom, S.A. de C.V.	A1	54,999,514	8.50
	6,627,500	Grupo Televisa, S.A.	CPO	68,239,621	10.55
	9,206,200	Teléfonos de México, S.A. de C.V.	A	32,749,603	5.06
<b>Construction Financial Groups</b>	(a) 7,155,133	Empresas ICA, Sociedad Controladora, S.A. de C.V.	*	12,110,720	1.87
	313,600	Citigroup, Inc.	*	197,615,697	30.54
	7,222,800	Grupo Financiero Banorte, S.A. de C.V.	O	24,528,466	3.79
<b>Food and Beverages</b>	2,207,317	Fomento Económico Mexicano, S.A. de C.V.	UBD	15,730,111	2.43
	3,715,000	Gruma, S.A. de C.V.	B	25,995,102	4.02
	2,855,500	Grupo Bimbo, S.A. de C.V.	A	41,725,213	6.45
<b>Holding Companies</b>	1,758,800	Alfa, S.A. de C.V.	A	21,357,494	3.30
	2,392,300	Grupo Imsa, S.A.B. de C.V.	*	12,179,706	1.88
	6,474,300	Mexichem, S.A de C.V.	*	11,425,714	1.77
	(a) 2,392,300	Verzatec, S.A. de C.V.	*	44,962,914	6.95
<b>Housing</b>	1,833,800	Consortio ARA, S.A. de C.V.	*	9,785,817	1.51
	(a) 9,280,400	Corporación Geo, S.A. de C.V.	B	10,312,404	1.60
	(a) 1,963,400	Desarrolladora Homex, S.A. de C.V.	*	9,389,058	1.45
				1,111,250	0.17
				30,598,529	4.73
				10,381,993	1.60
				42,875,724	6.63
				14,473,782	