

MEXICO FUND INC
Form 497
June 12, 2013
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Prospectus Supplement

(To Base Prospectus Dated June 10, 2013)

The Mexico Fund, Inc.

4,100,000 Shares of Common Stock

The Mexico Fund, Inc. (the "Fund") has entered into an equity distribution agreement with UBS Securities LLC ("UBS") relating to shares of the Fund's common stock, par value \$1.00 per share, offered by this prospectus supplement and the accompanying base prospectus. In accordance with the terms of the equity distribution agreement dated June 12, 2013 (the "Distribution Agreement"), by and between the Fund and UBS, the Fund may offer and sell up to 4,100,000 shares of its common stock from time to time through UBS as its sales agent or to UBS as principal. Sales of the shares of common stock, if any, may be made by means of ordinary brokers' transactions on the New York Stock Exchange (the "NYSE") at market prices and such other sales as agreed upon by the Fund and UBS. UBS may not sell the shares of the Fund's common stock in block transactions or distributions without the Fund's prior written consent. The Fund's common stock is listed on the NYSE under the symbol MXF. On June 7, 2013, the last reported sales price of the Fund's common stock on the NYSE was \$32.44 per share.

UBS will receive from the Fund a commission of 1.00% based on the gross sales price per share for any shares sold through it as sales agent under the Distribution Agreement. Any underwriting discount and commissions with respect to any transaction in which UBS purchases shares as principal will be set forth in the applicable prospectus supplement.

Before buying any shares of the Fund's common stock, you should carefully consider the risk factors described in "Risk Factors and Special Considerations" beginning on page 16 of the accompanying base prospectus.

Neither the SEC nor any state securities commission has approved or disapproved of these securities or determined if this prospectus supplement or the accompanying base prospectus is truthful or complete. Any representation to the contrary is a criminal offense.

UBS Investment Bank

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You should rely on the information contained or incorporated by reference in this prospectus supplement and the accompanying base prospectus. The Fund has not, and UBS has not, authorized any other person to provide you with different information. The Fund is not, and UBS is not, making an offer to sell these securities in any jurisdiction where the offer or sale is not permitted. The information in this prospectus supplement and the accompanying base prospectus is current as of the date such information is presented. The Fund's business, financial condition, result of operations and prospects may have changed since such dates.

You should read this prospectus supplement and the accompanying base prospectus before deciding whether to invest in the Fund's common stock and retain it for future reference. This prospectus supplement and the accompanying base prospectus contain important information about the Fund. Material that has been incorporated by reference and other information about the Fund can be obtained from the Fund by calling collect Mr. Eduardo Solano, the Fund's Investor Relations Vice President, at (52 55) 5280-3247, during Mexico City business hours (10:00 a.m. to 3:00 p.m. and 5:00 to 7:00 p.m. ET) or from the website of the Securities and Exchange Commission (SEC) at <http://www.sec.gov>. The information on the Fund's website is not a part of this prospectus supplement nor is it incorporated by reference.

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Stockholder transaction expenses	
Sales load (as a percentage of the subscription price) (1)	1.00%
Offering expenses (as a percentage of offering price)	0.20%
Distribution Reinvestment and Stock Purchase Plan fees	None
	(As a Percentage of Net Assets Attributable to the Common Stock)(2)
Annual expenses	
Management fee	0.95%
Administrative fee	0.11%
Interest payments on borrowed funds	0%
Other expenses	0.38%
Total annual expenses	1.44%

- (1) Represents the commission with respect to the shares of the Fund's common stock being sold in this offering. There is no guarantee that there will be any sales of shares of the Fund's common stock pursuant to this prospectus supplement and the accompanying base prospectus.
- (2) Fees payable under the Advisory Agreement and Fund Services Agreement are calculated on the basis of the Fund's average daily net assets. See Advisory Agreement and Fund Services Agreements in the accompanying base prospectus. Other expenses have been estimated by annualizing actual expenses through the first fiscal quarter.
- The above table is intended to assist the Fund's investors in understanding the various costs and expenses associated with investing in the Fund.

Hypothetical example

An investor would directly or indirectly pay the following expenses on a \$1,000 investment in the Fund, assuming a 5% annual return:

1 Year	3 Years	5 Years	10 Years
\$26.65	\$57.44	\$90.44	\$183.65

This hypothetical example assumes that all dividends and other distributions are reinvested at NAV and that the percentage amounts listed under Annual expenses above remain the same in the years shown. The above tables and the assumption in the hypothetical example of a 5% annual return are required by regulation of the SEC applicable to all investment companies; the assumed 5% annual return is not a prediction of, and does not represent, the projected or actual performance of the Fund's shares. For more complete descriptions of certain of the Fund's costs and expenses, see Management of the Fund, Advisory Agreement and Fund Services Agreements.

The hypothetical example should not be considered a representation of future expenses or rate of return and actual Fund expenses may be greater or less than those shown.

USE OF PROCEEDS

Sales of shares of the Fund's common stock, if any, under this prospectus supplement and the accompanying base prospectus may be made in negotiated transactions or transactions that are deemed to be at the market as defined in Rule 415 under the Securities Act of 1933, as amended (the Securities Act), including sales made directly on the NYSE or sales made to or through a market maker other than on an exchange. There is no guarantee that there will be any sales of shares of the Fund's common stock pursuant to this prospectus supplement and the accompanying

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base prospectus. Actual sales, if any, of shares of the Fund's common stock under this prospectus supplement and the accompanying base prospectus may be less than as set forth in this paragraph. In addition, the

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price per share of any such sale may be greater or less than the price set forth in this paragraph, depending on the market price of the shares of the Fund's common stock at the time of any such sale. As a result, the actual net proceeds the Fund receives may be more or less than the amount of net proceeds estimated in this prospectus supplement. Assuming the sale of all of the shares of the Fund's common stock offered under this prospectus supplement and the accompanying base prospectus, at the last reported sale price of \$32.44 per share of the Fund's common stock on the NYSE as of June 7, 2013, the Fund estimates that the net proceeds of this offering will be approximately \$131,403,960 after deducting the estimated sales load and the estimated offering expenses payable by the Fund.

The Fund anticipates that it will be able to invest substantially all of the net proceeds of an offering in accordance with its investment objectives and policies within approximately 60 days after receipt by the Fund. Pending such investment, the Fund anticipates investing the proceeds in short-term securities issued by the U.S. government or its agencies or instrumentalities or in high quality, short-term or long-term debt obligations or money market instruments.

Table of Contents**PRICE RANGE OF SHARES OF COMMON STOCK**

The following table sets forth, for the quarters indicated, the highest and lowest daily closing prices on the NYSE per share of common stock, and the net asset value per share and the premium to or discount from net asset value, on the date of each of the high and low market prices. The table also sets forth the number of shares of common stock traded on the NYSE during the respective quarters.

During Quarter Ended	NAV per Share on Date of Market Price High and Low		NYSE Euronext Market Price Per Share		Premium/(Discount) on Date of Market Price High and Low		Trading Volume
	High	Low	High	Low	High	Low	
April 30, 2010	\$ 29.50	\$ 24.28	\$ 26.25	\$ 21.20	(12.74)	(10.01)	1,877,571
July 31, 2010	\$ 28.25	\$ 24.57	\$ 25.00	\$ 21.35	(14.51)	(10.04)	2,027,391
October 31, 2010	\$ 29.50	\$ 25.24	\$ 26.87	\$ 22.46	(11.68)	(8.75)	1,804,198
January 31, 2011	\$ 32.26	\$ 29.44	\$ 29.31	\$ 26.25	(13.00)	(8.38)	1,362,583
April 30, 2011	\$ 31.90	\$ 29.56	\$ 29.08	\$ 26.65	(11.40)	(8.24)	1,142,329
July 31, 2011	\$ 31.13	\$ 29.66	\$ 28.26	\$ 26.49	(11.18)	(8.27)	1,603,277
October 31, 2011	\$ 29.67	\$ 22.32	\$ 27.23	\$ 20.57	(10.01)	(4.78)	1,659,688
January 31, 2012	\$ 25.98	\$ 22.76	\$ 23.72	\$ 20.79	(12.03)	(6.29)	1,574,346
April 30, 2012	\$ 28.04	\$ 26.04	\$ 25.75	\$ 23.93	(9.76)	(6.85)	2,313,876
July 31, 2012	\$ 28.29	\$ 23.96	\$ 25.77	\$ 21.85	(10.22)	(7.95)	1,673,998
October 31, 2012	\$ 29.86	\$ 27.05	\$ 29.05	\$ 24.73	(9.66)	(2.45)	1,570,936
January 31, 2013	\$ 32.63	\$ 27.91	\$ 32.81	\$ 25.42	(10.79)	1.58	2,730,244
April 30, 2013	\$ 34.23	\$ 31.24	\$ 38.60	\$ 30.42	17.53	(2.71)	1,124,373

On June 7, 2013, the per share net asset value of the Fund's common stock was \$30.07 per share and the per share market price was \$32.44.

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PLAN OF DISTRIBUTION

The Fund has entered into the Distribution Agreement with UBS pursuant to which the Fund may issue and sell up to 4,100,000 shares of its common stock from time to time through UBS as its sales agent or to UBS as principal. Sales of shares of the Fund's common stock, if any, under this prospectus supplement and the accompanying base prospectus may be made in negotiated transactions or transactions that are deemed to be at the market offerings as defined in Rule 415 under the Securities Act, including sales made directly on the NYSE or sales made to or through a market maker other than on an exchange. UBS may not sell the shares of the Fund's common stock in block transactions or distributions without the Fund's prior written consent.

UBS, as sales agent, will use its reasonable efforts to solicit offers to purchase the shares of the Fund's common stock on a daily basis or as otherwise agreed upon by the Fund and UBS. The Fund will designate the maximum amount of shares of its common stock to be sold through UBS on a daily basis or otherwise as UBS and the Fund agree. Subject to the terms and conditions of the Distribution Agreement, UBS will use its reasonable efforts to sell on the Fund's behalf all of the designated shares of the Fund's common stock. The Fund may instruct UBS not to sell shares of the Fund's common stock if the sales cannot be effected at or above the price designated by the Fund in any such instruction. The Fund or UBS may suspend the offering of shares of the Fund's common stock by notifying the other party.

The Fund will pay UBS a commission equal to 1.00% of the gross sales price of any such shares sold through it as sales agent as set forth in the Distribution Agreement. The remaining sales proceeds, after deducting any expenses payable by the Fund and any transaction fees imposed by any governmental or self-regulatory organization in connection with the sales, will equal the Fund's net proceeds for the sale of the shares. The Fund estimates that the total expenses for the offering, excluding compensation payable to UBS under the terms of the Distribution Agreement, will be approximately \$270,000.

Settlement for sales of the Fund's common stock will occur on the third business day following the date on which any sales were made in return for payment of the net proceeds to the Fund. There is no arrangement for funds to be received in an escrow, trust or similar arrangement.

The Fund will deliver to the NYSE copies of this prospectus supplement pursuant to the rules of the exchange. The Fund will report at least quarterly the number of shares of its common stock sold through UBS, as sales agent, in at-the-market offerings, the net proceeds to the Fund and the compensation paid by the Fund to UBS in connection with such sales of the Fund's common stock.

In connection with the sale of the Fund's common stock hereunder, UBS may be deemed to be an underwriter within the meaning of the Securities Act, and the compensation paid to UBS may be deemed to be underwriting commissions or discounts. The Fund has agreed to provide indemnification and contribution to UBS against certain civil liabilities, including liabilities under the Securities Act.

If UBS or the Fund has reason to believe that the Fund's common stock is no longer an actively traded security as defined under Rule 101(c)(1) of Regulation M under the Securities Exchange Act of 1934, as amended, that party will promptly notify the other party and sales of shares of the Fund's common stock under the Distribution Agreement and any terms agreement thereunder will be suspended until that provision or other exemptive provisions have been satisfied in the judgment of UBS and the Fund.

The offering of shares of the Fund's common stock pursuant to the Distribution Agreement will terminate upon the earlier of (i) the sale of all shares of the Fund's common stock subject to the Distribution Agreement, and (ii) the termination of the Distribution Agreement by either UBS or the Fund.

UBS may engage in transactions with, or perform services for, the Fund in the ordinary course of business for which it will receive customary compensation.

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LEGAL MATTERS

The validity of the shares offered hereby will be passed on for the Fund by Dechert LLP, 1900 K Street, NW, Washington, DC 20006. Matters of Mexican law will be passed on for the Fund by Creel, García-Cuéllar, Aiza y Enriquez, S.C., Paseo de los Tamarindos 60, Col. Bosque de las Lomas, 05120 México, D.F. México. Certain legal matters in connection with shares offered hereby will be passed upon for UBS by Morrison & Foerster LLP, New York, New York.

Samuel García-Cuéllar, a partner of Creel, García-Cuéllar, Aiza y Enriquez, S.C., serves as Secretary of the Fund. Sander M. Bieber, a partner of Dechert LLP, serves as Assistant Secretary to the Fund.

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BASE PROSPECTUS

4,100,000 Shares

The Mexico Fund, Inc. (the Fund)

Shares of Common Stock

The Fund is a non-diversified, closed-end management investment company whose primary investment objective is long-term capital appreciation through investment in securities, primarily equity, listed on the Bolsa Mexicana de Valores, S.A. de C.V. (the Mexican Stock Exchange or Bolsa). See Investment objective and policies and Investment restrictions in this prospectus.

The net asset value per share of the Fund's common stock at the close of business on June 4, 2013 (the last trading date prior to the date of this prospectus on which the Fund determined its net asset value) was \$30.52 and the last reported sale price of a share on the New York Stock Exchange (NYSE) on that day was \$32.24.

The Fund may offer, from time to time, in one or more offerings, its shares of common stock, par value \$1.00 per share (Shares). Shares may be offered at prices and on terms to be set forth in one or more supplements to this Prospectus (each, a Prospectus Supplement). You should read this Prospectus and the applicable Prospectus Supplement carefully before you invest in Shares.

Shares may be offered directly to one or more purchasers, through agents designated from time to time by the Fund, or to or through underwriters or dealers. The Prospectus Supplement relating to the offering will identify any agents or underwriters involved in the sale of the Shares, and will set forth any applicable purchase price, fee, commission or discount arrangement between the Fund and its agents or underwriters, or among our underwriters, or the basis upon which such amount may be calculated. The Fund may not sell any of the Shares through agents, underwriters or dealers without delivery of a Prospectus Supplement describing the method and terms of the particular offering of the Shares.

This prospectus, together with the Prospectus Supplement, sets forth concisely the information about the Fund that a prospective investor ought to know before investing and should be retained for future reference. Stockholders may obtain additional information about the Fund from the Fund's reports filed with the Securities and Exchange Commission (the SEC). You may obtain a copy of the Fund's reports filed with the SEC by contacting Mr. Eduardo Solano, the Fund's Investor Relations Vice President, at (+ 52 55) 5282-8900, during Mexico City business hours (10:00 a.m. to 3:00 p.m. and 5:00 to 7:00 p.m. ET) between the hours of 9:00 a.m. and 5:00 p.m. New York City time, Monday-Friday (except holidays). The Fund also makes its reports available free of charge on the Fund's website at www.themexicofund.com under Investor Reports. In addition, the reports filed with the SEC, including material incorporated by reference into this prospectus and the Prospectus Supplement, are available at the SEC's website at www.sec.gov.

Investors are advised to read this prospectus and the Prospectus Supplement and retain both for future reference.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or determined if this prospectus or the Prospectus Supplement is truthful or complete. Any representation to the contrary is a criminal offense.

Unless otherwise indicated, U.S. dollar equivalent information in the prospectus and Prospectus Supplement for the peso as of a specified date is based on the open market exchange rate prevailing in Mexico City published by Bloomberg. On June 4, 2013, the exchange rate was 12.7141 Mexican pesos per one U.S. dollar, and the daily calculation of the Fund's net asset value, expressed in dollar terms, are determined by using this exchange rate.

Prospectus dated June 10, 2013

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Prospectus Summary

The following summary is qualified in its entirety by reference to the more detailed information appearing elsewhere or incorporated by reference in this prospectus and any related Prospectus Supplement. It may not contain all of the information that is important to each stockholder. Accordingly, to understand the offer fully, stockholders are encouraged to read the entire document carefully.

THE OFFER AT A GLANCE

Purpose of the offer

The Board of Directors of the Fund (Board or Board of Directors) and Impulsora del Fondo Mexico, S.C., the Fund's investment adviser (the Investment Adviser) have determined that it would be in the best interest of the Fund and its stockholders to increase the assets of the Fund available for investment, thereby enabling the Fund to more fully take advantage of available investment opportunities arising as a result of continued positive developments in Mexico and the Mexican securities market and consistent with the Fund's investment objective of long-term capital appreciation and in accordance with its efforts to seek out and invest in attractive growth oriented businesses including but not limited to small and medium capitalization companies.

The Board and the Investment Adviser also believe that an increase in the size of the Fund may result in a modest reduction in the Fund's expense ratio. There can be no assurance that the offer will be successful or that by increasing the size of the Fund, the Fund's aggregate expenses and, correspondingly, its expense ratio, will be lowered. See The offer Purpose of the offer.

The offer

The Fund may offer, from time to time, in one or more offerings, up to 4,100,000 Shares on terms to be determined at the time of the offering. The Shares may be offered at prices and on terms to be set forth in one or more Prospectus Supplements. The offering price of the Shares will not be less than the net asset value of the Shares at the time the Fund makes the offering, exclusive of any underwriting commissions or discounts. You should read this Prospectus and the applicable Prospectus Supplement carefully before you invest in the Shares. The Shares may be offered directly to one or more purchasers, through agents designated from time to time by us, or to or through underwriters or dealers. The Prospectus Supplement relating to the offering will identify any agents, underwriters or dealers involved in the sale of the Shares, and will set forth any applicable purchase price, fee, commission or discount arrangement between the Fund and its agents or underwriters, or among the Fund's underwriters, or the basis upon which such amount may be calculated. The Fund may not sell any of the Shares through agents, underwriters or dealers without delivery of a Prospectus Supplement describing the method and terms of the particular offering of our Shares.

Use of proceeds

The Fund intends to use the net proceeds from the sale of Shares primarily to invest in accordance with its investment objective and policies. Proceeds will be invested within approximately 60 days of receipt by the Fund, depending on market conditions and the availability of appropriate investment opportunities. See Use of proceeds.

THE FUND AT A GLANCE

The Fund

The Fund is a non-diversified, closed-end management investment company organized as a Maryland corporation. As of June 4, 2013 (the last trading date prior to the date of this prospectus on which the Fund determined its NAV), the Fund's NAV per Share was \$30.52 and the last reported sale price of a share on the NYSE was \$32.24. See The Fund.

NYSE listed

As of April 30, 2013, the Fund had 13,408,785 Shares of common stock outstanding. The Fund's common stock is traded on the NYSE under the symbol MXF. See The Fund Description of common stock.

Investment objective

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The Fund's investment objective is to seek long-term capital appreciation through investment in securities, primarily equity, listed on the Mexican Stock Exchange.

No assurance can be given that the Fund's investment objective will be achieved. See Investment objective and policies.

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Investment policies

For as long as the name of the Fund remains The Mexico Fund, Inc., it shall be the non-fundamental policy of the Fund to generally invest 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. This investment policy is a non-fundamental policy which may be changed by the Board of Directors upon 60 days prior written notice to Stockholders.

The Fund is a non-diversified fund for purposes of the Investment Company Act of 1940, as amended (the 1940 Act). The Fund has also adopted a policy which permits the Fund to concentrate (i.e., over 25% of the Fund's total assets) in investments in a particular industry or group of industries based on the representation of that industry or group of industries on a relevant Mexican stock index.

The Fund may invest in Mexican fixed-income securities, bank time deposits of Mexican banks, and short-term repurchase agreements, all of which are peso-denominated and may be dollar-linked (i.e., paid in pesos but with repayment linked to a dollar exchange rate), in order to provide appropriate liquidity to take advantage of market opportunities and meet cash requirements. The Fund may also invest in dollar-denominated deposits and dollar-denominated investments such as U.S. Treasuries, U.S. Agency Securities, Agency Mortgage Backed Securities and Mexican Sovereign Debt. As market or other conditions require, the proportion of the Fund's assets held in fixed-income securities or bank time deposits may vary. The Fund will not realize capital gains for the sole purpose of making distributions to stockholders. See Investment objective and policies.

Managed Distribution Plan and Other Discount Reduction Efforts

On August 12, 2008, the Fund received an exemptive order (the Order) from the Securities and Exchange Commission (SEC) under Section 19(b) of the Investment Company Act of 1940, as amended, which permits the Fund to distribute long-term capital gains to stockholders more than once per year. Following receipt of the Order, the Board of Directors approved the implementation of a Managed Distribution Plan (MDP) to make quarterly cash distributions to stockholders, pursuant to which the Fund currently 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 is subject to a number of conditions under the Order, among them that the Fund may not make any public offering of the Fund's Shares other than (A) a rights offering below NAV to holders of the Fund's common stock; (B) an offering in connection with a dividend reinvestment plan, merger, consolidation, acquisition, spin-off or reorganization of the Fund; or (C) an offering other than an offering described in conditions (A) and (B) above, unless, with respect to such other offering: (1) the Fund's annual distribution rate for the six months ending on the last day of the month ended immediately prior to the declaration date of the most recent distribution is no more than one percentage point greater than the Fund's average annual total return for the five-year period ending on such date; and (2) the transmittal letter accompanying any registration statement filed with the SEC in connection with such offering discloses that the Fund has received an order under Section 19(b) to permit it to make periodic distributions of long-term capital gains with respect to its common stock as frequently as twelve times each year. As of the date of this prospectus, the Fund is in compliance with all conditions of the Order, including the aforementioned condition relating to public offerings. However, circumstances may arise in the future which would prevent this condition from being met, and which could therefore prevent the Fund from issuing Shares.

In addition to the MDP, the Fund continues to maintain and implement as part of its ongoing discount reduction efforts the following strategies: (i) an open market share repurchase policy and (ii) the monthly publication of the Fund's portfolio of investments. See Dividends and Capital Gain Distributions and Discount Reduction Efforts.

Investment Adviser

Impulsora del Fondo México, S.C. has acted as the Fund's Investment Adviser since the Fund's establishment in 1981. See Advisory Agreement.

The Investment Adviser also provides other fund services to the Fund pursuant to an Amended and Restated Fund Services Agreement, amended and restated as of December 6, 2011. See Fund Services Agreement.

Compensation of the Investment Adviser

The Fund pays the Investment Adviser a fee at the annual rate of 1.00% of the Fund's average daily net assets up to and including \$200 million, 0.90% of such assets between \$200 million and \$400 million, and 0.60% of such assets in excess of \$400 million, computed based upon the average daily value of the net assets of the Fund and payable within fifteen days after the end of each calendar month. See Advisory Agreement.

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The Investment Adviser will benefit from the offer because its fees are based on the average net asset value applicable to Shares of the Fund.

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The Fund also pays Impulsora a fee for other fund services, computed at the end of each calendar month on the basis of the average daily value of the net assets of the Fund (as translated into U.S. dollars) for such month, at the annual rate of 0.11% of average daily net assets on assets under management up to \$600 million, and at the annual rate of 0.09% of average daily net assets on assets under management above \$600 million. The fee will not be lower than the annual amount of \$450,000. The fee is payable within fifteen days after the end of each calendar month. See Fund Services agreement.

Custodian

The Fund maintains securities listed on the Mexican Stock Exchange in the book-entry system of Indeval, the Mexican central securities depository. BBVA Bancomer, SA acts as the Fund's custodian for all Fund assets held in Mexico. Comerica Bank is the custodian for all assets held in the United States.

Transfer agent, dividend-paying agent and registrar

American Stock Transfer & Trust Company acts as the Fund's dividend-paying agent and as transfer agent and registrar for the Fund's common stock and Distribution Reinvestment and Stock Purchase Plan.

RISK FACTORS AND SPECIAL CONSIDERATIONS AT A GLANCE

Certain matters that you should consider, among others, in connection with the offer are summarized below. For a more complete discussion of the risk factors and special considerations involved in investing in the Fund's shares, see Risk factors and special considerations.

Foreign investments generally

Foreign investments may involve certain considerations and risks not typically associated with domestic investments as a result of, among others, the possibility of political and economic developments and the level of governmental supervision and regulation of foreign securities markets. In addition, certain foreign markets may be substantially more volatile than the major markets of the United States due to, among other things, the following factors: comparatively unstable political, social and economic conditions, and limited or ineffectual judicial systems; comparatively small market sizes, making securities less liquid and securities prices more sensitive to the movements of large investors and more vulnerable to manipulation; governmental policies or actions, such as high taxes, restrictions on currency movements, trade or diplomatic disputes, creation of monopolies, and the seizure of private property through confiscatory taxation and expropriation or nationalization of company assets; incomplete, outdated, or unreliable information about securities issuers due to less stringent market regulation and accounting standards; comparatively undeveloped markets and weak banking and financial systems; regulatory policies or actions; market inefficiencies, such as higher transaction costs, and administrative difficulties, such as delays in processing transactions; and fluctuations in foreign currency exchange rates, which could reduce gains or widen losses. In addition, foreign taxes could reduce the income available to distribute to shareholders, and special U.S. tax considerations could apply to foreign investments.

Mexico is considered to be an emerging market country. Foreign investment risks typically are greater in emerging markets than in developed markets, for such reasons as social or political unrest, heavy economic dependence on agriculture or exports (particularly commodities), undeveloped or overburdened infrastructures, vulnerability to natural disasters, significant and unpredictable government intervention in markets or the economy, currency devaluations, runaway inflation, environmental problems, and business practices that depart from norms for developed countries and less developed or liquid markets for securities generally.

Reduced market liquidity, as compared to U.S. markets, may also have an adverse effect on market price and the Fund's ability to dispose of particular instruments when necessary and may make it more difficult for the Fund to obtain accurate market quotations of portfolio securities for valuing the Fund's portfolio and calculating its net asset value. See Risk factors and special considerations Foreign investments generally.

Investment in Mexican securities

Investing in Mexican securities involves certain considerations not typically associated with investing in securities of U.S. issuers, including (1) less liquidity and smaller market capitalization; (2) greater 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.

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The Mexican securities market is not as large or as active as the securities markets in the United States. As of January 31, 2013, the Mexican equity market capitalization was approximately \$600 billion compared to the approximately \$20 trillion equity market capitalization of NYSE-listed equity securities. Generally, the Mexican securities market is characterized by a relatively small number of actively traded issuers and high price volatility. This may affect the rate at which the Fund is able to invest in listed Mexican securities, the purchase and sale prices for such securities and the timing of conversions, purchases and sales.

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There is less publicly available information about the issuers of certain Mexican securities than is regularly published by issuers in the United States, although some Mexican companies whose shares trade in U.S. markets comply with U.S. regulations. Further, financial statements and reported earnings of Mexican companies incorporate the effects of inflation and differ from those of U.S. companies in this respect as well as others. Also, there is generally less government supervision and regulation of exchanges, brokers and issuers in Mexico than there is in the United States. Mexican corporate laws regarding fiduciary responsibility and protection of stockholders are less developed than those in the United States.

The Fund is also subject to the risk of political and economic instability with respect to its investments in Mexico. Enrique Peña Nieto took office as the President of Mexico on December 1, 2012. Shortly thereafter, Mr. Peña Nieto and leaders of the three largest political parties signed the Pact for Mexico, in which they outlined a reform agenda and strategy for the next six years. Mr. Peña Nieto, a member of the Institutional Revolutionary Party (PRI) ended a 12-year period during which the National Action Party (PAN) held presidential office. The new presidential administration may have a strong influence over new policies and governmental actions regarding the Mexican economy and the current administration has implemented two important structural reforms: the Labor Reform and the Education Reform. Additionally, a third structural reform, the Telecommunications Reform, has been approved and will soon be enacted. Given these important recent developments, international investors are optimistic regarding the possibility of approval of a Fiscal Reform, under which the government may reduce its dependency on oil income, and an Energy Reform, which may include changes to allow the participation of the private sector in activities until now reserved to the government, and a Security Reform, aimed at reducing violence levels and enhancing the rule of law. All these structural reforms are expected to boost Mexico's economic growth in the medium- and long-term. However, the Investment Adviser cannot be assured that the Mexican political environment will be free of instability in the future. See Risk factors and special considerations Risks involved in Mexican investments.

Risk also exists in regards to 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. The Fund's Investment Adviser 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 are decoupling 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. However, the Investment Adviser cannot state that this will continue to be the case in the future. See Risk factors and special considerations Security in Mexico.

Currency exchange rate fluctuations

The Fund is subject to the risk of a decline in the value of the peso against the U.S. dollar. Because almost all of the securities in the Fund's portfolio are quoted in pesos, these securities must increase in value at a rate in excess of any rate of decline of the peso against the U.S. dollar in order to avoid a decline in their equivalent U.S. dollar value. Accordingly, a future decline in the value of the peso against the U.S. dollar may result in a corresponding decline in the value of the securities held by the Fund that are denominated in pesos. Adverse developments in the political environment mentioned above could create further fluctuations in the valuation of the peso against the U.S. dollar. The peso has been subject to significant devaluations in the past, although not in the recent past, and there can be no assurance that similar devaluations will not take place in the future. The Fund does not generally hedge against a decline in the value of the peso. Thus, any decline in the value of the peso may have a direct negative impact on the valuation of the Fund's securities. See Risk factors and special considerations Currency exchange rate fluctuations.

Discount from net asset value

The Fund's Shares have historically traded in the market at a price which is below the Fund's NAV. This characteristic of shares of closed-end investment companies is a risk separate and distinct from the risk that the Fund's NAV will decrease. In the 12-month period ended December 31, 2012, the Fund's Shares traded in the market at an average discount to NAV of 8.1%. Since January 18, 2013, the Fund began trading at a premium. As of June 4, 2013, the premium was 5.64%. See Risk factors and special considerations Net asset value discount.

Investments in U.S. dollar-denominated instruments

The Fund may invest in dollar-denominated investments such as U.S. Treasuries, U.S. Agency Securities, Agency Mortgage Backed Securities and Mexican Sovereign Debt. Regarding certain U.S. federal agency securities or government sponsored-entity securities (such as debt securities or mortgage-backed securities issued by Freddie Mac, Fannie Mae, Federal Home Loan Banks, and other government-sponsored entities), although the issuer may be chartered or sponsored by Acts of Congress, the issuer is not funded by congressional appropriations and its securities are neither issued nor guaranteed by the United States Treasury. The U.S. government may not provide financial support to U.S. government agencies, instrumentalities or sponsored enterprises if it is not obligated to do so by law. See Risk factors and special considerations Dollar-denominated investments risk.

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Foreign custody

Investment companies generally hold foreign securities and cash in foreign banks and securities depositories, and regulatory oversight over such entities may be limited. The laws of certain countries may put limits on a fund's ability to recover its assets if a foreign bank, depository or issuer of a security, or any of their agents, goes bankrupt. In addition, it is often more expensive for a fund to buy, sell and hold securities in certain foreign markets than in the United States.

BBVA Bancomer, SA (Bancomer), acts as the Fund's custodian, and S.D. Indeval, S.A. de C.V. (Indeval) acts as a securities depository for securities or equivalent book-entries in Mexico. It is the Investment Adviser's view that Bancomer and Indeval are stable financial institutions unlikely to be subject to the risks described herein. In addition, the Board of Directors reviews and evaluates the Fund's foreign custody arrangements on an annual basis. See Risk factors and special considerations Foreign custody.

Non-diversified status

The Fund is classified as a non-diversified management investment company under the 1940 Act, which means that the Fund is not limited by the 1940 Act as to the proportion of its assets that may be invested in the securities of a single issuer. As a non-diversified investment company, the Fund may invest a greater proportion of its assets in common stock of a smaller number of issuers and, as a result, will be subject to greater risk with respect to its portfolio securities. Although the Fund must diversify its holdings in order to be treated as a regulated investment company under the provisions of the Internal Revenue Code of 1986, as amended (Code), the Fund may be more susceptible to any single economic, political or regulatory occurrence than would be the case if it had elected to diversify its holdings sufficiently to be classified as a diversified management investment company under the 1940 Act. See Risk factors and special considerations Non-diversified status.

Tax considerations

A portion of the Fund's net assets is comprised of unrealized capital gains due to the investment performance of many of the Fund's portfolio holdings over the last several years. Such gains, when realized and distributed, will become taxable to stockholders. Furthermore, there can be no assurance that the investment performance giving rise to such unrealized gains will continue, or that such gains will, in fact, be realized.