

MEXICO FUND INC  
Form N-CSR  
December 30, 2008  
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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**

(Address of principal executive offices) (Zip code)

**José Luis Gómez Pimienta**

**77 ARISTOTELES STREET, 3<sup>RD</sup> FLOOR**

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**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, 2008

Date of reporting period: October 31, 2008

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**Item 1. Reports to Stockholders.**

A copy of the Registrant's annual report to stockholders for the period ending October 31, 2008 transmitted to stockholders pursuant to Rule 30e-1 under the Investment Company Act of 1940 is provided below.

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**The Mexico Fund, Inc.**

ANNUAL REPORT

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

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**The Mexico Fund, Inc.**

**Managed Distribution Plan (MDP)**

On September 4, 2008, the Fund announced that it had received authorization from the Securities and Exchange Commission (SEC) to distribute long-term capital gains to stockholders more frequently than once per year. Accordingly, the Board of Directors formally approved the implementation of a Managed Distribution Plan (MDP) to make quarterly cash distributions to stockholders.

On December 8, 2008, the Fund announced that in light of current market circumstances, the Fund's Board of Directors decided to reduce from 12% to 10% of net asset value (NAV) the amount of annual distributions that the Fund will pay to stockholders under the MDP during 2009. The Fund intends to pay quarterly cash dividends during April, July and October 2009 and January 2010, each for 2.5% of the NAV per share as of December 31, 2008. You should not draw any conclusions about the Fund's investment performance from the amount of these distributions or from the terms of the MDP. The MDP will be subject to regular periodic review by the Fund's Board of Directors.

With each distribution, the Fund will issue a notice to stockholders and an accompanying press release which will provide detailed information regarding the amount and composition of the distribution and other information required by the Fund's exemptive order. The Fund's Board of Directors may amend or terminate the MDP at any time without prior notice to stockholders; however, at this time, there are no reasonably foreseeable circumstances that might cause the termination of the MDP.

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**The Mexico Fund, Inc.**

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**The Mexico Fund, Inc.**

**The Fund's Management**

**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 and Chief Executive Officer*

Alberto Osorio *Senior Vice President, Treasurer and Chief Financial Officer*

Samuel García-Cuéllar *Secretary*

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**

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American Stock Transfer & Trust Company

### **Counsel**

Dechert LLP

Creel, García-Cuéllar, Aiza y Enríquez, S.C.

### **Independent Registered Public Accounting Firm**

PricewaterhouseCoopers LLP

This report, including the financial statements herein, is transmitted to stockholders of The Mexico Fund, Inc. for their information. It is not a prospectus, circular or representation intended for use in the purchase of shares of the Fund or any securities mentioned in the report.



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The Mexico Fund, Inc.

## Annual Report

October 31, 2008

## Highlights

The Fund's fiscal 2008 ended on October 31, 2008. This has been a particularly difficult period for world financial markets, affected by a credit crisis caused by the collapse of the sub-prime mortgage market in the United States and some European countries, and by the high prices of energy and food. The S&P500 Index and the Dow Jones Industrials Average lost 37.5% and 33.1%, respectively.

Losses extended to emerging markets, which suffered significantly during October 2008, and the Mexican equity market and the Fund were affected by this declining trend as well. During fiscal 2008, the Fund's market price and net asset value (NAV) per share registered total returns<sup>1</sup> of -54.4% and -55.1%, respectively, compared with -48.3% and -45.3% registered by the Morgan Stanley Capital International Mexico Index and Bolsa IPC Index, respectively.

At the end of October 2008, the Fund's market price and NAV per share were \$16.56 and \$19.41, respectively, reflecting a discount of 14.68%, compared with 11.77% at the end of fiscal 2007.

The Fund adopted a defensive strategy at the end of fiscal 2008, investing approximately 81.69% of its net assets in equity securities and 18.62% of its net assets in cash equivalent securities.

The Fund has had a non-fundamental investment policy of investing at least 80% of its total assets in equity securities listed on the Mexican Stock Exchange. In December 2008, the Fund's Board of Directors approved a change to this investment policy. Effective March 1, 2009, the Fund may 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.

On September 4, 2008, the Fund announced the implementation of an MDP to make quarterly cash distributions to stockholders. The first two distributions under the MDP were made during September and November 2008, for \$1.13 each. The Board has announced that the third dividend distribution of fiscal 2008, of \$1.2388 per share, will be paid on January 5, 2009 to stockholders of record on December 18, 2008. Together, these three dividends represent 21.1% of the Fund's market price at the end of fiscal 2008.

Mexico's gross domestic product (GDP) increased 1.6% during the third quarter of 2008, compared with 3.7% during the third quarter of 2007.

The Mexican country risk ended this period at 349 basis points, the second lowest after Chile within Latin America.

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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.

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

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

## **To Our Stockholders:**

*We present to you the Fund's 2008 Annual Report. In this Report, we summarize the period's prevailing economic, political and market conditions in Mexico and outline the Fund's investment strategy and resulting performance. We hope you find this Report useful and informative.*

## **Economic Environment**

The Mexican economic environment has been affected by several international factors such as a recessionary period in the United States, which is Mexico's most important economic partner, and, during most of fiscal 2008, high prices of energy and food. The Mexican gross domestic product (GDP) increased 1.6% during the third quarter of calendar 2008, compared with 3.7% during the same quarter of 2007, the lowest quarterly growth rate in the last five years, affected by a decline of 0.5% in the United States during the same period. Mexico's industrial production has declined during the last five months and for October 2008 it decreased by 1.8%. Analysts surveyed by Banco de México, Mexico's Central Bank, have adjusted their growth estimates due to the prevailing global economic situation, and now expect that the Mexican GDP will increase approximately 1.8%, 0.4% and 2.5% during 2008, 2009 and 2010, respectively. Under the current global economic environment, in which developed economies may already be suffering a contraction, we believe Mexico offers a relatively better economic outlook for the near future.

The high prices of food and energy that prevailed until mid-2008 and the recent devaluation of the peso against the dollar have affected inflation rates, and for the year ended October 31, 2008 the inflation rate amounted to 5.78%, higher than the 3%  $\pm$ 1% target rate set by the Central Bank. Analysts currently believe that Mexico's inflation rate will be 6.3%, 4.4% and 3.9%, during 2008, 2009 and 2010, respectively.

Domestic interest rates remained stable during this fiscal year and at the end of October 2008 ranged from 7.22% for the 28-day Cetes (Treasury Bills) to 8.80% for the 30-year government bonds, denominated in local currency. Emerging markets country risk levels increased during this period as a consequence of the negative impact felt in the financial sector from the credit crisis. As a result, Mexico's country risk, as measured by the spread between the yields of Mexican sovereign debt instruments denominated in dollars and traded abroad versus US Treasury bonds, increased from a minimum historical level of 70 basis points at the end of May 2007 to 349 basis points at the end of October 2008. Compared with other Latin American countries, Mexico's country risk continues to be, together with Chile, the lowest of the region. Analysts estimate that domestic interest rates will be relatively stable during the remainder of 2008 and 2009, and project that the rate of 28-day Cetes will be 8.0% and 7.4%, respectively, at the end of each year.

The Mexican peso suffered a devaluation of 15.8% versus the US dollar during this fiscal year, with most of the devaluation occurring during October 2008. Some factors that affected the value of the peso against the dollar were the volatile performance of global financial markets, in which aversion towards emerging markets currencies was present; important repatriations of financial assets held in Mexico by some international institutions; and a demand for dollars from Mexican corporations that needed to cover financial liabilities, including

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**The Mexico Fund, Inc.**

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

derivative positions. The rate of exchange ended this period at Ps. 12.71 per dollar, compared with Ps. 10.70 one year earlier. This decline in the value of the peso occurred despite intervention from the Central Bank, which used international reserves to auction dollars during the most volatile days of October 2008. Analysts estimate that the currency market will eventually stabilize and that the exchange rate may finish 2008 and 2009 at Ps. 12.84 and Ps. 12.67, respectively.

The Mexican trade balance deficit increased 17.1% during the first nine months of 2008, when exports and imports grew at rates near 15%. The Mexican government purchased derivative instruments to guarantee a minimum price of \$70 per barrel for its oil exports, a strategy that has proven successful given the current level of approximately \$33 per barrel for the Mexican oil mix. International reserves at the central bank continue growing as a result of this strategy and currently amount to \$83.4 billion.

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

For the reasons mentioned above, fiscal 2008 was a difficult period for the Fund and world financial markets alike. During this period, the S&P500 Index declined 37.5% while the Dow Jones Industrials Average lost 33.1%. Particularly during October 2008, emerging markets like Mexico suffered even more as a result of increased risk aversion from international investors and a severe contraction of credit availability, which significantly impacted the market prices of small and medium size listed companies. As a result, the Fund s market price and NAV registered negative total returns<sup>1</sup> of 54.4% and 55.1%, respectively, during fiscal 2008, compared with declines of 48.3% and 45.3% for the Morgan Stanley Capital International Mexico Index and the Bolsa IPC Index, respectively.

The Fund s five portfolio holdings that most contributed to the decline of the Fund s NAV per share during fiscal 2008 were: América Móvil (AMX), a telecommunications company; Grupo México, a mining company; Axtel, a domestic provider of fixed telephone lines; Empresas ICA (ICA), dedicated to infrastructure and construction; and Urbi Desarrollos Urbanos (Urbi), a housing company. During this period, the market prices of these five issuers decreased 48.6%, 69.7%, 80.9%, 79.3% and 62.7%, respectively. The negative performance of these five issuers, together with those of Grupo Cementos de Chihuahua (GCC), producer of cement and Tenaris, a pipe producer for the oil industry, generated most of the relative underperformance of the Fund s NAV against the indices during fiscal 2008, despite the fact that the Fund reduced its investments in these companies since July 2008. At the end of October 2008, the Fund had disposed of its holdings in Tenaris and Axtel.

As of October 31, 2008, the Fund had total net assets of \$351.3 million. The composite volume of Fund shares traded on all US consolidated markets during fiscal 2008 was 18,452,295 million shares, compared with 18,100,290 shares outstanding at the end of the period.

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

The following chart shows the Fund's portfolio composition by sector, expressed as a percentage of the Fund's net assets, as of October 31, 2008. The Fund adopted a defensive strategy at the end of this fiscal year by holding a higher than usual percentage in dollars which, at the same time, provided resources to pay stockholders the dividend distributions under the MDP. More detailed information about the Fund's portfolio is available below in this report.

## **Portfolio Composition by Sector**

### **Percentage of Net Assets,**

October 31, 2008

The economic recession in the United States and significant increases in energy and commodity prices during most of fiscal 2008 affected operating and net results of listed companies. For the first nine months of 2008, compared with the same period of 2007, sales of listed companies increased 10.1%, EBITDA<sup>2</sup> increased 2.5% and net income fell 14.7%. The average price earnings ratio (PER) of the market decreased from 17.86 times at the end of fiscal 2007, to 11.90 times at the end of October 2008 while the price to book value ratio decreased from 3.30 times to 2.14 times during the same period<sup>3</sup>.

Despite the negative outlook for the US economy and its inevitable impact on Mexico, we believe that the recent volatile and declining trend of the Mexican equity market represents an excellent investment opportunity in selected issuers, as it has resulted in low valuations of

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

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

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

listed companies with positive fundamentals and management quality. The Fund will continue looking for companies with strong balance sheets, positive free cash flow and proven business models.

### **Long Term Performance**

Notwithstanding the Fund's performance in fiscal 2008, it should be noted that during the previous five fiscal years, the Fund's performance has shown strong results, and has generally been competitive with the Morgan Stanley Capital International Mexico Index and the Bolsa IPC Index, as shown in the chart below.

### **Discount Reduction Efforts**

Discounts of closed-end funds increased to record levels during fiscal 2008 as a consequence of investors' aversion towards equity investments and the crisis facing funds that issue auction preferred rate shares. The discount between the Fund's market price and NAV ended October 31, 2008 at 14.68%, compared with 11.8% at the end of fiscal 2007. The Board of Directors closely analyzes and continues to monitor the Fund's discount levels, and has implemented an MDP, as described below.

### **Declaration of Dividends Under MDP**

On September 4, 2008, the Fund announced that it had received authorization from the SEC to distribute long-term capital gains to stockholders more frequently than once per year. Accordingly, the Board of Directors formally approved the implementation of a MDP to make quarterly cash distributions to stockholders. On September 24, 2008 and November 25, 2008, the Fund paid cash dividends each of \$1.13 per share, the equivalent of 3% of the Fund's NAV per share as of July 31, 2008. The Fund will pay another dividend of \$1.2388 per share on January 5, 2009 to stockholders of record on December 18, 2008. Together, these three distributions corresponding to fiscal 2008 represent 21.1% of the Fund's market price at the end of October 2008. These distributions were comprised entirely of realized long-term capital gains. You should not draw any conclusions about the Fund's investment performance from the amount of these distributions or from the terms of the MDP.

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

In light of current market circumstances, the Board has decided to reduce from 12% to 10% of NAV the amount of annual distributions that the Fund will pay to stockholders under the MDP during 2009. The Fund intends to pay quarterly cash dividends during April, July and October 2009 and January 2010, each for 2.5% of the NAV per share as of December 31, 2008. The MDP will be subject to regular periodic review by the Fund's Board of Directors.

With each distribution, the Fund will issue a notice to stockholders and an accompanying press release which will provide detailed information regarding the amount and composition of the distribution and other information required by the Fund's exemptive order. The Fund's Board of Directors may amend or terminate the MDP at any time without prior notice to stockholders; however, at this time, there are no reasonably foreseeable circumstances that might cause the termination of the MDP.

### **Non-Fundamental Investment Policy Change**

The Fund has had a non-fundamental investment policy of investing at least 80% of its total assets in equity securities listed on the Mexican Stock Exchange. In December 2008, the Fund's Board of Directors approved a change to this investment policy. Effective March 1, 2009, the Fund may 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.

### **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 2008, 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 85.32% of this industry group is comprised of stocks of telecommunications companies. At the end of October 2008, 30.69% of the Fund's net assets were invested in this industry group. This is compared with the communications industry group's weighting of approximately 39.77% of the IPC Index. The Fund's Investment Adviser will continue to evaluate the concentration in this industry and may, at its discretion, choose not to concentrate in this industry group in the future or to concentrate in other industries subject to the concentration policy described above.

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

## **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 twelve months. The Board of Directors of the Fund has announced that the Fund's next repurchase offer will occur during March 2009 for an amount not yet determined.

**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.**

## **Proxy Voting**

Information is available about how the Fund voted proxies during the twelve-month period ending June 30, 2008, 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).

## **Bylaw Amendments**

The Board of Director approved certain changes to the Fund's Bylaws at its September 18, 2008 meeting. The most significant changes are summarized herein:

**Special Meetings of Stockholders** These revision update the procedures required for stockholders to call a special meeting of stockholders, including provisions that (a) clarify which stockholders may call a special meeting, and (b) expand the information required to be provided by stockholders requesting a special meeting (such information could include information regarding a stockholder's ownership of shares or other information required to comply with the federal proxy rules).

**Voting and Inspector** These revisions empower the Board or the chairman of the stockholders' meeting to appoint an inspector for any matter, rather than solely with respect to the election of directors.



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**The Mexico Fund, Inc.**

**Advance Notice of Stockholder Nominations for Director and Other Stockholder Proposals** These revisions update the advance notice provisions for stockholder nominations for director and stockholder business proposals. The purpose of these provisions is to provide the Board with sufficient time and information to adequately consider and respond to a stockholder nomination or proposal.

**Timing of Notice for Annual Meetings** The Bylaws formerly required advance notice of director nominations and other stockholder proposals to be brought at an annual stockholders meeting at least 90 and not more than 120 days prior to the first anniversary of the previous year's annual stockholders meeting. The Bylaws now require advance notice of director nominations and other stockholder proposals to be brought at an annual stockholders meeting not earlier than the 150th day and not later than 5:00 p.m., Eastern Time, on the 120th day prior to the first anniversary of the date of the preceding year's proxy statement.

**Timing of Notice for Special Meetings** The Bylaws formerly required a 90/120-day advance notice period for director nominations to be brought at a special stockholders meeting. The Bylaws now require notice of director nominations at a special meeting to be delivered not earlier than the 150th day and not later than 5:00 p.m., Eastern Time, on the 120th day prior to the date of any special meeting or, if later, the tenth day after announcement of the meeting date and the Board's nominees.

**Content of Notice** The revisions (a) expand the information required to be provided by the stockholder making the proposal or nomination, including information regarding the hedging activities and investment strategies of such stockholder and the stockholder's affiliates, and (b) establish procedures for verifying and updating information provided by the stockholder making the proposal. These revisions are intended to promote good corporate governance by providing the Board and stockholders with important information about a proposing stockholder's economic interest in the Fund and whether it is aligned with the interests of other stockholders.

**Reliance** This revision clarifies that directors and officers may rely on information prepared or presented by others whom the director or officer reasonably believes to be reliable and competent in the matters presented.

**Ratification** This revision clarifies the power of the Board and stockholders to ratify prior actions or inactions by the Fund, and provide that matters questioned in litigation may be ratified, and that any such ratification bars any claim or execution of any judgment as to such questioned matter.

**Emergency Provisions** This revision provides the Board with procedural flexibility in the event of an emergency (e.g., a shorter prior notice period and reduced quorum requirement for Board meetings).

**Delegation of Board Power to Committees** This revision eliminate unnecessary language restricting the Board's power to delegate various matters to committees so that the Bylaws will be no more restrictive than required by applicable law.

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

**Fixing of Record Date** Under Maryland law, a meeting of stockholders may be adjourned to a date not more than 120 days after the original record date without notice other than announcement at the meeting. The revisions clarify that if a meeting of stockholders is adjourned to a date more than 120 days after the original record date, a new record date must be set for the same meeting. If this procedure is followed, any proxies previously solicited from stockholders who continue to be stockholders as of the new record date remain valid.

**Indemnification and Insurance** The Bylaws now provide that directors and officers are entitled to indemnification, and that the Fund may pay or reimburse expenses of directors and officers, to the maximum extent permitted by Maryland law and the Investment Company Act of 1940, as amended ( 1940 Act ).

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

We are working on an updated and improved version of the Fund's website to now offer additional information about dividend distributions and the recently implemented MDP. We continue to offer a daily update of the Fund's market price and NAV per share and a downloadable database containing the most important historical figures for the Fund. Documentation of the Fund's most recent in-kind repurchase offer and rights offering are available at the website section titled Corporate Actions . The website section Insiders Filings provides direct hyperlinks to filings made by Directors, Officers of the Fund and its Investment Adviser regarding transactions in Fund shares, which are available at the Securities and Exchange Commission's website (<http://www.sec.gov>). The Fund also has placed governance documents on the website under the section titled Corporate Governance , including the Fund's Articles, By-laws and committee charters.

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 under the tab 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, Monthly Summary Reports and Proxy Statements are published on the Fund's website under 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, electronically upon their dissemination, public reports and press releases regarding the Fund should contact the Fund's Investor Relations Office via e-mail (see address below). 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

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

questions are regularly available from 10:00 am to 3:00 pm and from 5:00 pm to 7:00 pm ET. The Fund recently appointed The Altman Group as its Public Relations and Proxy Solicitation Agent. The Fund has developed a database of investors who have opted-in to receive periodic updates about the Fund via e-mail. You can fax or e-mail your request to be included in this list to:

Patricia Baronowski

### **The Altman Group**

(860) 204-9468

pbaronowski@altmangroup.com

If you prefer to directly contact the Fund via e-mail, please direct your e-mail inquiries to:

### **Investor Relations Office**

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

(800) 937-5449

### **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 along with 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

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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

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

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**

Attention: Dividend Reinvestment Department

59 Maiden Lane Plaza Level

New York, NY 10038

(800) 937-5449

### **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 2008 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.

\* \* \*

Despite the negative performance of fiscal 2008, the Fund has experienced five prior fiscal years of positive performance. We will continue working hard to offer stockholders our best efforts to find the most attractive investment opportunities in the Mexican equity market. We hope you find this report useful and informative, and we thank you for your continued confidence in the Fund.

**Sincerely yours,**

**José Luis Gómez Pimienta**  
President

**Emilio Carrillo Gamboa**  
Chairman of the Board

December 29, 2008

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The Mexico Fund, Inc.

**Directors and Officers Biographical Data**

(as of November 1, 2008)

**Independent Directors**

<b>Name, Address and Age</b>	<b>Position(s) Held With the Fund*, Term of Office and Length of Time Served</b>	<b>Principal Occupation for Past Five Years and Other Directorships</b>	<b>Other Directorships Held by Director</b>
Jaime Serra Puche+ Edificio Plaza Prolongación Paseo de la Reforma 600-103 Santa Fe Peña Blanca 01210 México, D.F. México Age: 57	Class I Director; Term expires 2009; 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. Dr. Serra also serves as Co-Chairman of the President's Council on International Activities of Yale University.	Director, Vitro, S.A. de C.V. (glass manufacturer); Director, Tenaris (tube producer); Director, Chiquita Brands, Inc. (fruit producer).
Marc J. Shapiro+ 707 Travis, 11th Floor Houston, TX 77002 Age: 61	Class I Director; Term expires 2009; 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).

**Table of Contents****The Mexico Fund, Inc.****Independent Directors, continued**

<b>Name, Address and Age</b>	<b>Position(s) Held With the Fund*, Term of Office and Length of Time Served</b>	<b>Principal Occupation for Past Five Years and Other Directorships</b>	<b>Other Directorships Held by Director</b>
Claudio X. González+	Class II Director; Term expires 2010; Director since 1981.	Mr. González was President of the Business Coordinating Council of Mexico. He has served as Chairman of the Board (from March 1973 to the present) and Chief Executive Officer (from March 1973 to March 2007) of Kimberly-Clark de México S.A. de C.V., a consumer products company. Mr. González is also on the Board of Directors of several prominent U.S. and Mexican companies, including General Electric Co.	Director, General Electric Co. (industrial and financial products); Director, Investment Company of America (investment fund).
Jaime Balmes 8 Los Morales Polanco México, D.F. 11510 México Age: 74			
Robert L. Knauss+ c/o Aristóteles 77, 3rd Floor Col. Polanco 11560 México, D.F. México Age: 77	Class II Director; Term expires 2010; 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).



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**The Mexico Fund, Inc.**

**Independent Directors, continued**

<b>Name, Address and Age</b>	<b>Position(s) Held With the Fund*, Term of Office and Length of Time Served</b>	<b>Principal Occupation for Past Five Years and Other Directorships</b>	<b>Other Directorships Held by Director</b>
<p>Eugenio Clariond Reyes-Retana+</p> <p>Av. Vasconcelos #220 Ote.</p> <p>Col. Santa Engracia</p> <p>66220 Garza Garcia, N.L.</p> <p>Mexico</p> <p>Age: 65</p>	<p>Class III Director; Term expires 2011; Director since 2005.</p>	<p>From January 1981 to November 2006, Mr. Clariond was 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.</p> <p>From December 2004 to the present, he has served as the Non-Executive Chairman of Verzatec, S. de R.L. de C.V., a manufacturer of aluminum and plastic products. From June 2007 to the present, Mr. Clariond has served as Chairman of Amanco, a producer of pipe systems, connections and plastic accessories for the conduction of fluids, electricity and gas.</p> <p>Mr. Clariond also acts as Chairman of the Mexico- United States Business Committee of the Mexican Business Council for Foreign Trade, Investment &amp; Technology, and he</p> <p>serves on the boards of various other U.S. and Mexican non-profit organizations and educational institutions.</p>	<p>Director, Navistar International Corp. (truck and engine manufacturer); Director, Johnson Controls, Inc. (automotive components, air conditioning, controls).</p>

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**The Mexico Fund, Inc.**

**Independent Directors, concluded**

Name, Address and Age	Position(s) Held With the Fund*, Term of Office and Length of Time Served	Principal Occupation for Past Five Years and Other Directorships	Other Directorships Held by Director
Emilio Carrillo Gamboa+  Blvd. Manuel Avila  Camacho No. 1, Ste. 609  Polanco 011009 México, D.F.  México  Age: 71	Class III Director; Term expires 2011; Director 1981-1987 and 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.	Director, Southern Copper Corporation (copper mining).

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

+ Audit Committee, Contract Review Committee, and Nominating and Corporate Governance Committee member. Member or alternate member of the Valuation Committee.

The directorships required to be reported under this column are those held in a company with a class of securities (1) registered pursuant to Section 12 of the Exchange Act, (2) subject to the reporting requirements of Section 15(d) of the Exchange Act, or (3) registered as an investment company under the 1940 Act.

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

<b>Name, Address and Age</b>	<b>Position(s) Held With the Fund*, Term of Office and Length of Time Served</b>	<b>Principal Occupation for Past Five Years and Other Directorships</b>	<b>Other Directorships Held by Director</b>
José Luis Gómez Pimienta**+ Aristóteles 77, 3rd Floor Col. Polanco 11560 México, D.F. México Age: 69	President of the Fund; Class II Director; Term expires 2010; 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.	None.

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

\*\* Director is an interested director (as defined in the 1940 Act). Mr. Gómez Pimienta is deemed to be an interested director by reason of his affiliation with the Investment Adviser.

+ Member or alternate member of the Valuation Committee.

The directorships required to be reported under this column are those held in a company with a class of securities (1) registered pursuant to Section 12 of the Exchange Act, (2) subject to the reporting requirements of Section 15(d) of the Exchange Act, or (3) registered as an investment company under the 1940 Act.

**Officers Who Are Not Directors**

<b>Name, Address and Age</b>	<b>Position(s) Held With the Fund*, Term of Office+ and Length of Time Served</b>	<b>Principal Occupation(s) During Past Five Years</b>
Samuel García-Cuéllar Creel, García-Cuéllar, Aiza y Enríquez, S.C., Paseo de los Tamarindos 60-3er piso Bosques de las Lomas 05120 México, D.F.	Secretary since 1981.	Mr. García-Cuéllar is a partner of Creel, García-Cuéllar, Aiza y Enríquez, S.C., Mexican counsel to the Fund; 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).

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México

Age: 66

Alberto Osorio Morales

Senior Vice President since  
2008;

Mr. Osorio currently serves as Deputy Director of the Fund's investment  
adviser, Impulsora del Fondo México, S.C. and has been an employee of the  
Adviser since 1991.

Aristóteles 77, 3rd Floor

Treasurer since 2002;

Col. Polanco

formerly, Vice President of  
Finance from 1999 to 2002.

11560 México, D.F.

México

Age: 40

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**The Mexico Fund, Inc.**

**Officers Who Are Not Directors, concluded**

Name, Address and Age	Position(s) Held With the Fund*, Term of Office+ and Length of Time Served	Principal Occupation(s) During Past Five Years
Carlos H. Woodworth Ortiz Aristóteles 77, 3rd Floor	Chief Compliance Officer and Corporate Governance Vice President since 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.
Col. Polanco 11560 México, D.F. México Age: 65	formerly, Treasurer from 1992 to 2002.	
Eduardo Solano Arroyo Aristóteles 77, 3rd Floor Col. Polanco 11560 México, D.F. México Age: 40	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 employee of the Adviser since 1991.
Sander M. Bieber 1775 I Street, N.W. Washington, DC 20006 Age: 58	Assistant Secretary since 1989.	Partner of Dechert LLP, U.S. counsel to the Fund and the Independent Directors.

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

+ Officers of the Fund are appointed by the directors and serve at the pleasure of the Board.



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The Mexico Fund, Inc.

**Schedule of Investments**

as of October 31, 2008

Shares Held		Value (Note 1)	Percent of Net Assets
<b>COMMON STOCK - 81.69%</b>			
<b>Building Materials</b>			
1,956,700	Grupo Lamosa, S.A.B. de C.V. Series * (a)	\$ 2,305,712	0.66%
<b>Cement Industry</b>			
3,946,900	Grupo Cementos de Chihuahua, S.A.B. de C.V. Series * (b)	9,932,061	2.83
<b>Chemical and Petrochemicals</b>			
11,860,772	Mexichem, S.A.B. de C.V. Series *	11,877,100	3.38
<b>Communications</b>			
11,190,800	América Móvil, S.A.B. de C.V. Series A	17,473,934	4.97
37,221,966	América Móvil, S.A.B. de C.V. Series L	58,237,554	16.58
4,047,000	Grupo Televisa, S.A.B. Series CPO	14,239,710	4.05
5,635,900	Megacable Holdings S.A.B. de C.V. Series CPO (a)	8,751,439	2.49
7,455,700	Telmex Internacional, S.A.B. de C.V. Series A	3,806,292	1.08
6,155,600	Teléfonos de México, S.A.B. de C.V. Series A	5,326,380	1.52
		107,835,309	30.69
<b>Construction</b>			
9,107,833	Empresas ICA, S.A.B. de C.V. Series * (a)	13,096,652	3.73
<b>Consumer Products</b>			
3,029,580	Kimberly-Clark de México, S.A.B. de C.V. Series A	10,214,183	2.91
<b>Financial Groups</b>			
6,468,500	Grupo Financiero Banorte, S.A.B. de C.V. Series O	12,624,070	3.59
<b>Food and Beverages</b>			
4,910,200	Fomento Económico Mexicano, S.A.B. de C.V. Series UBD	12,734,654	3.62
2,824,200	Grupo Modelo, S.A.B. de C.V. Series C	8,713,087	2.48
		21,447,741	6.10
<b>Holding Companies</b>			
1,872,900	Alfa, S.A.B. de C.V. Series A	3,737,697	1.06
<b>Housing</b>			

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3,537,900	Corporación Geo, S.A.B. de C.V. Series B (a)	4,873,048	1.39
9,532,400	Urbi Desarrollos Urbanos, S.A.B. de C.V. Series * (a)	13,752,151	3.91
		18,625,199	5.30
	<b>Mining Industry</b>		
21,591,268	Grupo México, S.A.B. de C.V. Series B	18,580,804	5.29
	<b>Retail Firms</b>		
4,920,400	Grupo Pochteca, S.A.B. de C.V. Series B (a)	630,895	0.18
5,820,800	Organización Soriana, S.A.B. de C.V. Series B (a)	11,671,362	3.32
9,166,593	Wal-Mart de México, S.A.B. de C.V. Series V	24,905,732	7.09
		37,207,989	10.59

See Notes to Financial Statements.



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

Shares Held		Value (Note 1)	Percent of Net Assets
<b>COMMON STOCK, concluded</b>			
<b>Services</b>			
2,661,148	Grupo Aeroportuario del Centro Norte, S.A.B de C.V. Series B	\$ 2,846,931	0.81%
3,010,800	Promotora Ambiental, S.A.B. de C.V. Series B (a)	2,664,425	0.76
		5,511,356	1.57
<b>Steel</b>			
4,440,900	Industrias CH, S.A.B. de C.V. Series B (a)	9,327,200	2.66
<b>Stock Exchange</b>			
7,527,333	Bolsa Mexicana de Valores, S.A.B. de C.V. Series A (a)	4,665,910	1.33
	Total Common Stock (Identified cost - \$351,789,913)	\$ 286,988,983	81.69
<b>Securities      SHORT-TERM SECURITIES - 18.62%</b>			
<b>Principal Amount</b>			
<b>Repurchase Agreements</b>			
\$23,392,834	BBVA Bancomer, S.A., 7.40%, dated 10/31/08, due 11/03/08 repurchase price \$23,407,260 collateralized by Bonos del Gobierno Federal. Value of collateral \$23,552,183	\$ 23,392,834	6.66
<b>U.S. Government</b>			
22,014,000	U.S. Treasury Bill, 0%, due 11/20/08	22,012,838	6.27
20,005,000	U.S. Treasury Bill, 0%, due 11/28/08	20,001,844	5.69
	Total Short-Term Securities (Identified cost - \$65,407,516)	\$ 65,407,516	18.62
	<b>Total Investments</b> (Identified cost - \$417,197,429)	352,396,499	100.31
	Other Liabilities in Excess of Assets	(1,085,863)	(0.31)
	<b>Net Assets</b> Equivalent to \$19.41 per share on 18,100,290 shares of capital stock outstanding	\$ 351,310,636	100.00%

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

(b) This security was fair valued.

See Notes to Financial Statements.

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The Mexico Fund, Inc.

**Statement of Assets and Liabilities**

as of October 31, 2008

<b>Assets:</b>	
Investments:	
Securities, at value:	
Common stock (identified cost - \$351,789,913)	\$ 286,988,983
Short term securities (identified cost - \$65,407,516)	65,407,516
Total investments (identified cost - \$417,197,429)	\$ 352,396,499
Cash	53
Receivables from securities sold	2,339,912
Interest receivable	4,809
Prepaid expenses	113,847
Total assets	354,855,120
<b>Liabilities:</b>	
Payable to Investment Adviser (Notes 2 and 3)	342,175
Accrued expenses and other liabilities	433,627
Payables for securities purchased	2,768,682
Total liabilities	3,544,484
<b>Net Assets - Equivalent to \$19.41 per share on 18,100,290 shares of capital stock outstanding</b>	<b>\$ 351,310,636</b>
<b>Composition of Net Assets:</b>	
Common Stock	\$ 18,100,290
Additional paid-in capital	360,652,011
Accumulated net realized gain on investments	36,823,803
Unrealized depreciation of investments and translation of assets and liabilities in foreign currency	(64,265,468)
	\$ 351,310,636

See Notes to Financial Statements.

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

For the Year Ended October 31, 2008

**Net Investment Income:****Income:**

Dividends	\$ 9,566,538
Interest	1,830,019
<b>Total income</b>	<b>\$ 11,396,557</b>

**Expenses:**

Investment advisory fee	5,880,995
Administrative services	815,779
Legal fees	667,588
Directors fees	315,000
Insurance	217,377
Printing, distribution and mailing of stockholder reports	145,809
Audit and tax fees	145,000
Directors and Officers expenses	103,249
Miscellaneous	75,010
Stockholders information	71,178
Custodian fees	53,710
Stock exchange fees	25,000
Transfer agent and dividend disbursement fees	21,000
<b>Operating expenses</b>	<b>8,536,695</b>
<b>Net investment income</b>	<b>2,859,862</b>

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

Net realized gain (loss) on investments and foreign currency transactions:	
Net realized gain on investments	87,930,085
Net realized loss from foreign currency transactions	(13,165,528)
<b>Net realized gain on investments and foreign currency transactions</b>	<b>74,764,557</b>
Decrease in net unrealized appreciation on investments and translation of assets and liabilities in foreign currency:	
Decrease in net unrealized appreciation on investments	(538,524,826)
Increase in net unrealized appreciation on translation of assets and liabilities in foreign currency	454,409
<b>Decrease in net unrealized appreciation on investments and translation of assets and liabilities in foreign currency</b>	<b>(538,070,417)</b>
<b>Net Decrease in Net Assets Resulting from Operations</b>	<b>\$ (460,445,998)</b>

See Notes to Financial Statements.

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The Mexico Fund, Inc.

**Statement of Changes in Net Assets**

	For the Year Ended October 31, 2008	For the Year Ended October 31, 2007
<b>Increase (Decrease) in Net Assets:</b>		
From Operations		
Net investment income	\$ 2,859,862	\$ 10,573,660
Net realized gain on investments and foreign currency transactions	74,764,557	163,916,356
(Decrease) increase in net unrealized appreciation on investments and translation of assets and liabilities in foreign currency	(538,070,417)	89,371,913
Net (decrease) increase in net assets resulting from operations	(460,445,998)	263,861,929
Dividends to stockholders from net investment income	(12,340,428)	(5,232,662)
Distributions to stockholders from net realized gain on investments	(124,142,206)	(55,442,196)
	(596,928,632)	203,187,071
<b>From Capital Share Transactions:</b>		
Net increase in capital stock (Note 5)	33,890,041	208,046,352
Repurchase of stock, at cost (Note 7)	(60,396,594)	(83,459,022)
	(26,506,553)	124,587,330
Total (decrease) increase in net assets	(623,435,185)	327,774,401
<b>Net Assets:</b>		
Beginning of year	974,745,821	646,971,420
End of year (including accumulated net investment income of \$0 and \$12,339,732, respectively)	\$ 351,310,636	\$ 974,745,821

See Notes to Financial Statements.

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

	<b>For the Year Ended October 31,</b>				
	<b>2008</b>	<b>2007</b>	<b>2006</b>	<b>2005</b>	<b>2004</b>
<b>Per Share Operating Performance:</b>					
Net asset value, beginning of period	\$ 51.23	\$ 42.43	\$ 31.65	\$ 21.92	\$ 17.36
Net investment income*	0.15	0.54	0.30	0.23	0.03
Net (loss) gain on investments and translation of foreign currency*	(24.61)	15.45	13.37	10.20	6.72
Total from investment operations*	(24.46)	15.99	13.67	10.43	6.75
<b>Less Dividends:</b>					
Dividends to stockholders from net investment income	(0.65)	(0.34)	(0.63)	(0.13)	
Distributions to stockholders from net realized gain on investments	(6.52)	(3.64)	(2.28)	(0.58)	(0.31)
Total dividends and distributions	(7.17)	(3.98)	(2.91)	(0.71)	(0.31)
<b>Capital Share Transactions:</b>					
Effect on NAV of stock repurchased	0.01	0.03	0.02	0.01	0.01
Capital charge resulting from issuance of fund shares	(0.20)	(3.24)			(1.89)
Total capital share transactions	(0.19)	(3.21)	0.02	0.01	(1.88)
Net asset value, end of period	\$ 19.41	\$ 51.23	\$ 42.43	\$ 31.65	\$ 21.92
Market value per share, end of period	\$ 16.56	\$ 45.20	\$ 36.91	\$ 28.10	\$ 18.65
Total investment return based on market value per share**	(54.43)%	37.03%	44.14%	55.64%	27.39%
<b>Ratios to Average Net Assets:</b>					
Expenses	1.15%	1.07%	1.20%	1.38%	1.64%
Net investment income	0.38%	1.26%	0.87%	0.84%	0.15%
<b>Supplemental Data:</b>					
Net assets at end of period (in 000 s)	\$ 351,311	\$ 974,746	\$ 646,971	\$ 534,654	\$ 410,373
Portfolio turnover rate	23.91%	35.70%	14.50%	29.24%	26.84%

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

\*\* Total investment return is calculated assuming a purchase of common stock on the opening of the first day and a sale on the last business day of each period reported. Dividends and distributions, if any, are assumed to be reinvested at the lower of the net asset value or the closing market price on the dividend/distribution day. For fiscal 2004, the total return was calculated assuming a sale of the rights received on September 22, and reinvested in stock at the closing market price of that date. For fiscal, 2007, the total return was calculated assuming a sale of the rights received on March 26, and reinvested in stock at the closing market price of that date. If the distribution corresponding to long-term capital gains in fiscal 2007 were taken in stock, which was issued at \$38.95 per share, the total return would have been 37.16%. If the distribution corresponding to long-term capital gains in fiscal 2008 were taken in stock, which was issued at \$32.92 per share, the total return would have been (56.64)%.

See Notes to Financial Statements.





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**The Mexico Fund, Inc.**

## **Notes to Financial Statements**

October 31, 2008

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

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

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

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

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

*Foreign Currency* The market value of Mexican securities, currency holdings and other assets and liabilities denominated in Pesos ( Ps. ) was recorded in the financial statements after being translated into U.S. dollars based on the open market exchange rate prevailing in Mexico City at the end of the period. The open market exchange rate at October 31, 2008 was Ps.12.7125 to \$1.00.

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

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

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

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

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

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

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

*Taxes* No provision has been made for U.S. income or excise taxes for the year ended October 31, 2008 on net investment company taxable income or net long-term capital gains as defined by the Internal Revenue Code (the Code), since the Fund intends to comply with the requirements of the Code applicable to regulated investment companies and to distribute substantially all of such income to its stockholders.

In July 2006, the Financial Accounting Standards Board issued Interpretation 48, Accounting for Uncertainty in Income Taxes an Interpretation of FASB Statement 109 (FIN 48). FIN 48 clarifies the accounting for income taxes prescribing the minimum recognition threshold a tax position must meet before being recognized in the financial statements. The Fund adopted FIN 48 on November 1, 2007. An assessment of the Fund's tax positions has determined that there is no impact to the Fund's financial statements.

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

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

*Dividends to stockholders* Cash dividends are recorded by the Fund on the ex-dividend date. Dividends paid to stockholders may be subject to Mexican withholding taxes.

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**The Mexico Fund, Inc.**

## **Notes to Financial Statements**

October 31, 2008

*Continued*

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

The Mexican Stock Exchange is a concentrated market. A large percentage of the value of the Mexican securities market is currently represented by certain industry sectors, in particular, the communications industry. Also, a certain individual has a controlling interest in companies representing over 40% of the market capitalization of the Mexican Stock Exchange. The value of the Mexican Stock Exchange may be subject to greater volatility than markets that are less concentrated. Any factors or events which impact this individual could have negative repercussions for the issuers in which he holds a controlling interest, including certain Fund investments and the Mexican Stock Exchange as a whole.

*Recently Issued Accounting Pronouncements* In September 2006, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards ( SFAS ) 157, Fair Value Measurements, which clarifies the definition of fair value and requires companies to expand their disclosure about the use of fair value to measure assets and liabilities in interim and annual periods subsequent to initial recognition. Adoption of SFAS 157 requires the use of the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. SFAS 157 is effective for financial statements issued for fiscal years beginning after November 15, 2007, and interim periods within those fiscal years. At this time, the Fund is in the process of reviewing the Standard against its current valuation policies to determine future applicability.

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

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

### **3. Administrative Services Agreement:**

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

The Fund has entered into an Administrative Services Agreement with the Adviser, which provides for certain services to be performed by the Adviser,

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

including among other administrative activities, the determination and publication of the net asset value of the Fund, the maintenance of the Fund's books and records in accordance with applicable U.S. and Mexican Laws and assistance in the preparation and filing of annual reports and tax returns. The Fund pays to the Adviser a monthly fee at the annual rate of 0.11% on the first \$600 million of average daily net assets, and 0.09% on the excess over \$600 million, with a minimum amount of \$450,000 per year. Additionally, the Adviser receives a fee of \$75,000 per repurchase offer made by the Fund under the program, which is recorded as part of the total expenses of each offer. See Note 7.

**4. Purchases and Sales of Investments:**

Purchases and sales of investments, excluding short-term securities, for the year ended October 31, 2008 were as follows:

<b>Purchases</b>		
Common Stock	\$	177,442,860
<b>Total Purchases</b>	<b>\$</b>	<b>177,442,860</b>
<b>Proceeds from Investments Sold</b>		
Common Stock	\$	399,359,058
<b>Total Sales</b>	<b>\$</b>	<b>399,359,058</b>

Included in proceeds from investments sold is \$59,374,857 representing the value of securities disposed of in payment of redemptions in-kind, resulting in realized gains of \$16,602,485. Pursuant to a private letter ruling from the Internal Revenue Service, granted to the Fund, these gains are not recognized by the Fund for tax purposes. As a result, net realized gains differ for financial statement and tax purposes. These realized gains have been reclassified from undistributed realized gains on investments to additional paid in capital in the accompanying financial statements

**5. Capital Stock:**

At October 31, 2008, there were 150,000,000 shares of \$1.00 par value common stock authorized, of which 18,100,290 shares were outstanding.

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

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

On December 5, 2006, the Board of Directors declared a stock dividend of \$54,234,101. This dividend was paid in shares of common stock of the Fund, and in cash by specific election. Some stockholders selected the stock dividend, therefore on January 23, 2007 the Fund issued 520,120

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**The Mexico Fund, Inc.**

**Notes to Financial Statements**

October 31, 2008

*Continued*

shares, which amounted to \$20,258,664. The net asset value per share of the Fund's common stockholders was reduced by approximately \$0.18 per share as a result of this issuance.

In connection with a rights offering by the Fund, stockholders of record on March 22, 2007 were issued one transferable right for each share of common stock owned. The rights entitled the holders to purchase one new share for every three rights held at a subscription price equal to 95% of the lower of (i) the average of the last reported sale prices of a share of the Fund's common stock on the NYSE on the expiration date (April 20, 2007) and the four preceding trading days and (ii) the net asset value per share on the expiration date. On April 30, 2007, the Fund issued 5,021,908 shares of common stock at a weighted average price of \$38.872 per share. Rights offering costs of \$591,673 (\$0.03 per share) and dealer manager commissions of \$6,832,412 (\$0.34 per share) were charged to paid in capital of common stockholders resulting in net proceeds to the Fund of \$187,787,688. The net asset value per share of the Fund's common stockholders was reduced by approximately \$3.06 per share as a result of this issuance, which includes the effect of the dealer manager commissions and rights offering costs.

On December 4, 2007, the Board of Directors declared a stock dividend of \$97,876,754. This dividend was paid in shares of common stock of the Fund, and in cash by specific election. Some stockholders selected the stock dividend, therefore on January 22, 2008 the Fund issued 1,029,467 shares, which amounted to \$33,890,041. The net asset value per share of the Fund's common stockholders was reduced by approximately \$0.20 per share as a result of this issuance.

**6. Distributions to Stockholders:**

On August 12, 2008, the Fund received authorization from the Securities and Exchange Commission (SEC) which permits the Fund to distribute long-term capital gains to stockholders more than once per year. Accordingly, the Board of Directors approved the implementation of a Managed Distribution Plan (MDP) to make quarterly cash distributions to stockholders. Under the policy, distributions will be made from current income, supplemented by realized capital gains and, to the extent necessary, paid-in capital. The first distribution for \$1.13 per share was paid on September 24, 2008 and a second distribution for the same amount was paid on November 25, 2008, each the equivalent of 3% of the Fund's net asset value (NAV) per share as of July 31, 2008. In light of current market circumstances, the Board has decided to reduce from 12% to 10% of NAV the amount of annual distributions that the Fund will pay to stockholders under the MDP during 2009. The Fund intends to pay quarterly dividends distributions during the months of April, July and October 2009 and January 2010, each for 2.5% of the NAV per share as of December 31, 2008. The MDP will be subject to regular periodic review by the Fund's Board of Directors.

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The tax character of distributions paid during the fiscal year ended October 31, 2008 and October 31, 2007 were as follows:

	2008	2007
Distributions paid from:		
Ordinary income	\$ 17,076,007	\$ 6,441,465
Long term capital gains	119,406,627	54,233,393
Total distributions paid	\$ 136,482,634	\$ 60,674,858

As of October 31, 2008, the components of accumulated earnings (deficit) on a tax basis were as follows:

Accumulated capital gains	\$ 42,875,848
Unrealized depreciation	(70,317,513)
Total accumulated earnings	\$ (27,441,665)

At October 31, 2008, the cost of investments for federal income tax purposes was \$423,249,471. Gross unrealized appreciation of investments was \$48,456,825 and gross unrealized depreciation of investments was \$119,309,797 resulting in net unrealized depreciation on investments of \$70,852,972 excluding foreign currency transactions. The difference between book-basis and tax basis unrealized appreciation/(depreciation) is attributable primarily to different book and tax treatment on corporate reorganizations to securities held by the Fund.

**7. Stock Repurchase Program:**

On March 6, 2002, the Board of Directors of the Fund announced a policy contemplating in-kind repurchase offers at no less than 98% of net asset value for up to 100% of the Fund's outstanding shares.

The repurchases carried out by the Fund during the years ended October 31, 2008 and October 31, 2007 were as follows:

An offer for up to 5% of the Fund's outstanding shares commenced on December 22, 2006 and expired on January 16, 2007. The amount paid for redeemed shares was 98.75% of the Fund's net asset value on January 23, 2007 and was paid on January 30, 2007. A total of 4,277,046 shares participated in the offer, of which 762,401 were repurchased by the Fund equivalent to a total repurchase price of \$33,383,506 including \$213,595 of expenses related to the offer.

An offer for up to 5% of the Fund's outstanding shares commenced on September 4, 2007 and expired on September 26, 2007. The amount paid for redeemed shares was 99.00% of the Fund's net asset value on October 3, 2007 and was paid on October 10, 2007. A total of 7,137,465





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**The Mexico Fund, Inc.**

**Notes to Financial Statements**

October 31, 2008

*Concluded*

shares participated in the offer, of which 1,001,378 were repurchased by the Fund equivalent to a total repurchase price of \$50,075,516 including \$246,326 of expenses related to the offer.

An offer for up to 5% of the Fund's outstanding shares commenced on March 10, 2008 and expired on April 1, 2008. The amount paid for redeemed shares was 99.00% of the Fund's net asset value on April 8, 2008 and was paid on April 15, 2008. A total of 6,413,949 shares participated in the offer, of which 1,002,785 were repurchased by the Fund equivalent to a total repurchase price of \$42,381,336 including \$208,368 of expenses related to the offer.

An offer for up to 5% of the Fund's outstanding shares commenced on September 18, 2008 and expired on October 9, 2008. The amount paid for redeemed shares was 99.00% of the Fund's net asset value on October 16, 2008 and was paid on October 23, 2008. A total of 5,880,766 shares participated in the offer, of which 952,645 were repurchased by the Fund equivalent to a total repurchase price of \$18,015,258 including \$198,720 of expenses related to the offer.

**8. Investments:**

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

**9. Commitments and Contingencies:**

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



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**The Mexico Fund, Inc.**

**Report of Independent Registered Public Accounting Firm**

To the Board of Directors and Shareholders of

The Mexico Fund, Inc.

In our opinion, the accompanying statement of assets and liabilities, including the schedule of investments, and the related statements of operations and of changes in net assets and the financial highlights present fairly, in all material respects, the financial position of The Mexico Fund, Inc. (the Fund ) at October 31, 2008, the results of its operations for the year then ended, the changes in its net assets for each of the two years in the period then ended and the financial highlights for each of the five years in the period then ended, in conformity with accounting principles generally accepted in the United States of America. These financial statements and financial highlights (hereafter referred to as financial statements ) are the responsibility of the Fund s management. Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits of these financial statements in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits, which included confirmation of securities at October 31, 2008 by correspondence with the custodian and brokers, provide a reasonable basis for our opinion.

**PricewaterhouseCoopers LLP**

New York, New York

December 18, 2008

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**The Mexico Fund, Inc.**

**Tax Information**

(Unaudited)

In order to meet certain requirements of the Internal Revenue Code, we are advising you that the Fund designates \$125,608,987 as long term capital gain distributions made during the fiscal year ended October 31, 2008, subject to the maximum tax rate of 15%. Of this amount 97,875,831 was attributable to gains from the fiscal year ended October 31, 2007.

Under Section 854(b)(2) of the Internal Revenue Code (the Code), the Fund designates 100% of the ordinary income dividends as qualified dividends for purposes of the maximum rate under Section 1(h)(11) of the Code for the fiscal year ended October 31, 2008. The information reported herein may differ from the information and distributions taxable to the stockholders for the calendar year ending December 31, 2008. The information necessary to complete your income tax returns will be included with your form 1099-DIV to be received under separate cover in January 2009.

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**Item 2. Code of Ethics.**

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

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

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

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

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

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

(c) During the period covered by this report, no amendments were made to the provisions of the code of ethics adopted in 2(a) above.

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

(e) Not applicable.

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

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

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

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**Item 4. Principal Accountant Fees and Services.**

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

	Audit Fees	Audit-Related Fees	Tax Fees	All Other Fees
Fiscal Year 2007	\$ 119,000	\$ 10,000	\$ 22,000	\$ 0
Fiscal Year 2008	\$ 122,340	\$ 0	\$ 22,660	\$ 0

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

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

**PRE-APPROVAL POLICIES AND PROCEDURES**

as adopted by the

**AUDIT COMMITTEE**

of

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

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

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

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



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

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

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

### **A. General**

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

**F. Amendment; Annual Review**

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

**G. Recordkeeping**

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

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**APPENDIX A**

**AUDIT SERVICES**

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

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

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**APPENDIX B**

**NON-AUDIT SERVICES**

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

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

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

Tax Services

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

Other Non-Audit Services

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

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**APPENDIX C**

**PROHIBITED SERVICES**

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

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

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

The following entities are Investment Company Complex Entities.

Impulsora del Fondo México, SC

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

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

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

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

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

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

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

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

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

**4. Actuarial services.**

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

**5. Internal audit outsourcing services.**

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

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

**6. Management functions.**

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

**7. Human resources.**

Services in this category are:

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

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

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



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

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

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

Services in this category are:

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

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

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

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

**9. Legal services.**

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

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

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

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**APPENDIX D**

**SERVICE AFFILIATES**

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

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

**Item 4 (cont d)**

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

(f) Not applicable.

(g) None

(h) Not applicable.

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

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

**Item 6. Schedule of Investments.**

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

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

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

**THE MEXICO FUND, INC.**

**PROXY VOTING POLICY AND PROCEDURES**

**I. Statement of Policy**

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

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### II. Definitions

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

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

### III. Delegation of Responsibility for Proxy Voting

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

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

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

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

### IV. Conflicts of Interest

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

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

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

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

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

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

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

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

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

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

The name of the issuer of the portfolio security;

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

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

The stockholder meeting date;

A brief identification of the matter voted on;

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

Whether the Fund cast its vote on the matter;

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

Whether the Fund cast its vote for or against management.

Adopted effective June 9, 2003.

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IMPULSORA DEL FONDO MÉXICO, SC

PROXY VOTING POLICIES AND PROCEDURES

I. Introduction.-

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

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

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

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II. Stockholders Meetings and Proxy Voting in Mexico

In Mexico, issuers typically do not send proxy voting materials to their stockholders. A stockholders meeting is called through the publication of the call and the agenda in a major newspaper in Mexico or the Official Bulletin. The calls are issued by the Board of Directors of the issuers and, occasionally by the Statutory Auditors. The only information disclosed to stockholders is the Agenda for the meeting. Materials addressing some of the topics included in the Agenda are generally available at the offices of the issuer.

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

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

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

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

III. Policies.- (Principles)

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

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

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

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

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



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IV. Proxy Voting Procedures.-

A. The Adviser's Compliance Officer ( Contralor Normativo ) will have the responsibility of monitoring corporate events of all of the issuers in a client's investment portfolio. The Adviser's Compliance Officer is responsible for (1) implementing and updating these policies and procedures; (2) overseeing the proxy voting process; (3) consulting with the portfolio manager for the relevant portfolio security; and (4) overseeing voting execution and recordkeeping.

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

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

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

1) Support existing management on votes on the financial statements of the issuer and the election of the Board of Directors;

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2) Vote for the acceptance of the accounts unless there are grounds to suspect that either the accounts as presented or audit procedures used, do not present an accurate picture of company results; and

3) Support routine issues such as the appointment of independent auditors, allocation of income and the declaration of dividends.

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

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

(1) where the effect on stockholders' economic interests or the value of the portfolio holding is indeterminable or insignificant;

(2) where the costs of voting the proxy are prohibitive; and

(3) in some cases, if the securities are on loan.

V. Disclosure

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

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

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

**VI. Records**

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

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

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

**VII. Review of Policies and Procedures**

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

**VIII. Effective Date**

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

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

(a)(1) A committee of persons associated with the Fund or the Investment Adviser of the Fund (the Portfolio Management Committee) is jointly and primarily responsible for the day-to-day management of the Fund's portfolio. Below is a table reflecting the information requested for each member of the Portfolio Management Committee. This information is current as of December 30, 2008.

Name	Title	Length of Service with Investment Adviser	Business Experience	Role on Portfolio Management
			During Past 5 Years	Committee
José Luis Gómez	Chief Executive Officer	Since Inception	Mr. Gómez Pimienta has over two decades of experience investing in the Mexican securities market. He has been Chairman of the Board of the Fund's Investment Adviser, Impulsora del Fondo México, S.C., since 1987 and Chief Executive Officer of the Fund since inception.	Mr. Gómez Pimienta oversees the full operation of the Fund's Investment Adviser, and any determinations made by the Portfolio Management Committee.
Alberto Osorio	Senior Vice President and Finance Director	Since 1991	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). Mr. Osorio currently serves as Deputy Director of the Fund's Investment Adviser, Impulsora del Fondo México, S.C. and has been an employee of the Investment Adviser since 1991.	Mr. Osorio participates in the investment decision-making processes of the Portfolio Management Committee. He also oversees the analysis of financial and quantitative information of equity issuers listed on the Bolsa Mexicana de Valores (Mexican Stock Exchange), and makes recommendations to the Committee regarding purchases or sales of portfolio securities.

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Name	Title	Length of Service with Investment Adviser	Business Experience	Role on Portfolio
				Management
			During Past 5 Years	Committee
Carlos H. Woodworth	Deputy Director	Since 1981	Mr. Woodworth has served on the Board of Directors of the Fund's Investment Adviser, Impulsora del Fondo México, S.C., and has served as Deputy Director of the Investment Adviser since 1981.	Mr. Woodworth participates in the investment decision-making processes of the Portfolio Management Committee and monitors the trading and reporting activities of the brokerage houses used in connection with the Fund's investments.
Eduardo Solano	Director of Economic Research	Since 1991	Mr. Solano has served as Director of Economic Research of the Fund's Investment Adviser, Impulsora del Fondo México, S.C. since 1997 and has been an employee of the Investment Adviser since 1991.	Mr. Solano participates in the investment decision-making processes of the Portfolio Management Committee, and also analyzes the Mexican economic environment and its potential impact on the Fund's portfolio.
Guadalupe Villar	Research Analyst	Since 1998	Ms. Villar serves as research analyst of the Fund's Investment Adviser, Impulsora del Fondo México, S.C., since 2001 and has been an employee of the Investment Adviser since 1998.	Ms. Villar participates in the investment decision-making processes of the Portfolio Management Committee, and analyzes equity issuers listed on the Bolsa Mexicana de Valores (Mexican Stock Exchange). She also serves as Secretary of the Portfolio Management Committee.

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(a)(2) Not applicable.

(a)(3) Compensation.

**Components of compensation.**

As of October 31, 2008, all of the individuals identified in the table above in response to paragraph (a)(1) are compensated through a base salary and a variable bonus that is paid in December of each year. There are no deferred compensation or pension/retirement plans. All of the individuals identified in the table above in response to paragraph (a)(1) participate in a stock option plan maintained by the Investment Adviser. Additionally, all members of the Committee are entitled to the use of a company car, owned by Impulsora.

**Criteria on which compensation is based.**

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

The annual bonus paid to the individuals identified in the table above in response to paragraph (a)(1) is variable, and depends on the annual performance results of the Investment Adviser. The total amount of bonus paid annually equals 40% of the difference between the Investment Adviser's total income and its fixed costs (operating profit before tax and bonuses). The bonus is distributed in December of each year. Half of the bonus is distributed among all personnel employed by the Investment Adviser, and is paid on the basis of each person's base salary. The other half of the bonus is distributed among certain key officers of the Investment Adviser. All of the individuals identified in the table above in response to paragraph (a)(1), as well as the Systems Manager of the Investment Adviser, are considered key officers. The portion of the bonus paid to key officers is determined on the basis of each key officer's contribution to the performance of the Investment Adviser.

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

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

As of the end of the Fund's most recently completed fiscal year, October 31, 2008, Mr. Gómez Pimienta was the beneficial owner of \$100,001-\$500,000 of equity securities of the Fund and Mr. Osorio was the beneficial owner of \$10,001-\$50,000 of equity securities of the Fund. None of the other individuals identified in the table above in response to paragraph (a)(1) had beneficial ownership of any equity securities of the Fund.

**Table of Contents****Item 9. Purchases of Equity Securities by Closed-End Management Investment Company and Affiliated Purchasers.  
REGISTRANT PURCHASES OF EQUITY SECURITIES**

Period from April 30, 2008 to	(a) Total Number of Shares (or Units) Purchased	(b) Average Price Paid per Share (or Unit)	(c) Total Number of Shares (or Units) Purchased as Part of Publicly Announced Plans or Programs	(d) Maximum Number (or Approximate Dollar Value) of Shares (or Units) that May Yet Be Purchased Under the Plans or Programs
<b>October 31, 2008</b>				
Month # 1				
May 1, 2008 to May 31, 2008	0	0	0	0
Month # 2				
June 1, 2008 to June 30, 2008	0	0	0	0
Month # 3				
July 1, 2008 to July 31, 2008	0	0	0	0
Month # 4				
August 1, 2008 to August 31, 2008	0	0	0	0
Month # 5				
September 1, 2008 to September 30, 2008	0	0	0	0
Month # 6				
October 1, 2008 to October 31, 2008	952,645	\$ 18.75	952,645	(A)

(A) On September 18, 2008, the Fund offered to repurchase up to 5% of its outstanding shares (total outstanding of 19,052,935) in kind at 99.00% of the Fund's NAV as of October 16, 2008. The September 2008 Repurchase Offer expired at 5:00 p.m. on October 9, 2008. This Repurchase Offer is part of a fundamental policy of the Fund adopted pursuant to Rule 23c-3 of the Investment Company Act of 1940 to offer to repurchase in kind at least 5% of the Fund's outstanding shares on an annual basis. For more information, see the Fund's Annual Report in Item 1.

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

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

**Item 11. Controls and Procedures.**

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

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

**Item 12. Exhibits.**

(a)(1) Not applicable.

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

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

(c) A copy of the Registrant's notices to stockholders, which accompanied distributions paid during the fiscal year ended October 31, 2008 pursuant to the Registrant's Managed Distribution Plan, are filed herewith as Exhibits (c)(1) and (c)(2), as required by the terms of the Fund's SEC exemptive order.



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**SIGNATURES**

Pursuant to the requirements of the Securities Exchange Act of 1934 and the Investment Company Act of 1940, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

THE MEXICO FUND, INC.

By\* /s/ José Luis Gómez Pimienta  
José Luis Gómez Pimienta  
President and Principal Executive Officer  
Date: December 30, 2008

Pursuant to the requirements of the Securities Exchange Act of 1934 and the Investment Company Act of 1940, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

By\* /s/ José Luis Gómez Pimienta  
José Luis Gómez Pimienta  
President and Principal Executive Officer  
Date: December 30, 2008

By\* /s/ Alberto Osorio  
Alberto Osorio  
Senior Vice President, Treasurer and Principal  
Financial Officer  
Date December 30, 2008

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