

MEXICO FUND INC
Form N-CSR
January 04, 2008

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
(Address of principal executive offices)

20006-2401
(Zip code)

José Luis Gómez Pimienta

77 ARISTOTELES STREET, 3RD FLOOR

POLANCO D.F. 11560 MEXICO

(Name and address of agent for service)

Copies to:

Sander M. Bieber

Dechert LLP

1775 I STREET, N.W.,

WASHINGTON, DC 20006-2401

Registrant's telephone number, including area code: 202-261-7941

Date of fiscal year end: October 31, 2007

Date of reporting period: October 31, 2007

Item 1. Reports to Stockholders.

A copy of the Registrant's annual report to stockholders for the period ending October 31, 2007 transmitted to stockholders pursuant to Rule 30e-1 under the Investment Company Act of 1940 is provided below.

The Mexico Fund, Inc.

Directors:

Emilio Carrillo Gamboa Chairman

Eugenio Clariond Reyes-Retana

José Luis Gómez Pimienta

Claudio X. González

Robert L. Knauss

Jaime Serra Puche

Marc J. Shapiro

Officers:

José Luis Gómez Pimienta President

Samuel García-Cuéllar Secretary

Alberto Osorio Treasurer

Carlos H. Woodworth Corporate Governance

Vice President,

Chief Compliance Officer

Eduardo Solano Investor Relations

Vice President

Sander M. Bieber Assistant Secretary

Investment Adviser

Impulsora del Fondo México, S.C.

Custodian

BBVA Bancomer, S.A.

Comerica Bank

Transfer Agent and Registrar

American Stock Transfer & Trust Company

Counsel

Dechert LLP

Creel, García-Cuellar y Muggenburg, 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.

The Mexico Fund, Inc.

Annual Report

October 31, 2007

www.themexicofund.com

INSERT TO THE ANNUAL REPORT OF THE MEXICO FUND, INC.

The Report of the Independent Registered Public Accounting Firm (the Report) contained in the Annual Report is dated incorrectly. Below please find the correctly dated Report. Please disregard the Report as contained in the Annual Report.

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, 2007, 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, 2007 by correspondence with the custodian and brokers, provide a reasonable basis for our opinion.

PricewaterhouseCoopers LLP

New York, New York

December 21, 2007

The Mexico Fund, Inc.

Annual Report

October 31, 2007

Highlights

- The Fund's fiscal year 2007 ended on October 31, 2007.
- During fiscal 2007, the Fund's market price and net asset value (NAV) per share registered total returns of 37.0% and 40.3%, respectively, compared with increases of 37.4% and 37.3% registered by the IFCG Mexico and IPC indices, respectively.
- At the end of this period, the discount between the Fund's market price and NAV per share was 11.8%, compared with 13.0% at the end of fiscal 2006.
- The Board of Directors has declared, for the third consecutive year, the payment of the Fund's largest dividend distribution per share since its inception in June 1981. The Board has declared a stock dividend of \$5.1443 per share, which stockholders may request be paid in cash, and a cash dividend of \$0.8975 per share. Together, these two dividend distributions are equivalent to 13.37% of the Fund's market price and to 11.79% of its net asset value per share as of the Fund's fiscal year end, October 31, 2007.
- On November 21, 2007, the Fund filed with the Securities and Exchange Commission an application for exemptive relief to permit the Fund to distribute long-term capital gains more frequently than once a year. This exemption would allow the Fund to make long-term capital gains distributions to stockholders as often as monthly. If its application is approved, and based upon information currently available, the Board of Directors intends to implement a Managed Distribution Plan with quarterly distributions to stockholders equivalent to 12% per annum of the Fund's net asset value per share.
- The Fund's ratio of total expenses to average net assets has been decreasing over the past four years, from 1.92% during fiscal 2003 to 1.07% during fiscal 2007.
- The Mexican Congress approved tax reforms proposed by President Felipe Calderón Hinojosa, which are based on a flat corporate tax rate and are intended to boost tax collections and reduce tax evasion and the dependence of the government's finances on oil revenues.
- Mexico's gross domestic product (GDP) increased 4.8% during 2006 and 3.7% during the third quarter of 2007, and is expected by analysts to grow 3.2% during 2007.

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.

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Notice is hereby given in accordance with Section 23(c) of the Investment Company Act of 1940 that the Fund may purchase, from time to time, shares of its common stock in the open market.

The Mexico Fund, Inc.

To Our Stockholders:

We present to you the Fund's 2007 Annual Report. The stabilization of the Mexican economy and the Fund's investment strategy produced favorable performance in the Fund's market price and net asset value (NAV) per share. In this Report, we summarize the period's prevailing economic, 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 and Political Environment

The Mexican economy continued to show signs of stability during the first year of office of President Felipe Calderón. According to official sources, Mexico's gross domestic product (GDP) increased 4.8% during 2006 and 3.7% during the third quarter of 2007. The Mexican and US economies are strongly correlated, mainly through trade, remittances, financial services and tourism, and the deceleration of the US economy has affected the growth of the Mexican economy. Developments in the US sub prime mortgage market also impacted Mexican financial markets and resulted in higher volatility on the Mexican Stock Exchange and in the currency market. However, figures released by US authorities indicate the US GDP grew 3.0% during the first nine months of 2007, suggesting that, until now, the impact of this crisis has been minimal in the real economy. Mexico does not have a sub-prime mortgage market, and analysts surveyed by Mexico's central bank estimate that Mexican GDP will grow 3.2% during 2007, and 3.4% during 2008.

Mexico's inflation rates continue to remain under control. According to information prepared by Banco de Mexico, the Central Bank, for the year ended on October 31, 2007, the Mexican inflation rate amounted to 3.74%. The Central Bank continues to implement the necessary measures to contain inflation and, at the end of October 2007, it increased the reference interest rate by 25 basis points to 7.50% in order to compensate for recent inflationary pressures coming mainly from high prices of agricultural products. Private sector analysts surveyed by the Central Bank during November 2007 estimate that annual inflation rate will be 3.85% by the end of 2007 and that it will remain at similar levels during next year and slightly decrease to 3.65% towards the end of 2009. Mexico's interest rates reacted to the increase in the reference interest rate and the 28-day Cetes increased to levels near 7.50%. However, a small spread between short- and long-term Mexican debt instruments persists, as the 30-year government bonds pay 8.1%, suggesting continued confidence of domestic and international investors towards Mexico. At the same time, Mexico's country risk, measured by the spread between the yields of Mexican sovereign debt instruments traded abroad and US Treasury bonds, was 107 basis points (1.07%) at the end of October 2007, the lowest of Latin America, and it reached a new historical minimum level of 68 basis points (0.68%) in May 2007. Private sector analysts estimate that interest rates will be relatively stable during the rest of 2007 and 2008, projected at 7.47% and 7.38%, respectively, at the end of each year.

The recent significant increase of international oil prices and the stable flow of dollars sent to Mexico by Mexicans living abroad, mostly in the United States, continued to contribute to the relative strength of the Mexican peso. Although the currency market experienced some volatility during this fiscal year, the exchange rate of the peso against the US dollar remained almost unchanged and it ended October 31, 2007 at Ps. 10.7023, marginally lower than one year earlier. During the first nine months of calendar 2007, remittances sent to Mexico from Mexicans living abroad amounted to \$18.2 billion, a similar level to that of the same period of 2006, while oil exports slightly decreased during the same period to \$30.10 billion. After the end of this fiscal period, international oil prices increased significantly, and the price of the Mexican oil mix increased to a record level of around \$82 dollars per barrel during the first days

of November 2007. Analysts estimate that the exchange rate will continue to be relatively stable, estimated at Ps. 10.90 and Ps. 11.17 at the end of 2007 and 2008, respectively.

Management Discussion of Fund's Performance and Portfolio Strategy

Throughout fiscal 2007, one of the main concerns of investors was tax reform. President Felipe Calderón Hinojosa submitted a proposal which was finally approved during September 2007. Most important of all, the final terms of the tax reforms do not modify the current value added tax scheme, but rather are intended to increase the current tax base through the incorporation of a flat corporate tax rate (referred to as IETU for its Spanish initials). The IETU starts at 16.5% in 2008, increases to 17.0% in 2009 and will be 17.5% from the year 2010. The tax reforms are expected to increase tax resources from their current level of 10.2% of GDP to 12.4% of GDP by the year 2012. The tax reforms are intended to reduce the country's dependence on oil revenues, which currently represent approximately one third of the government's total revenues.

In addition to the tax reforms, the Mexican Congress approved during fiscal 2007 the New Law of the Social Security Institute for State Workers, and Electoral Reform. The positive news derived from the political environment, the stability of the Mexican economy and the positive financial results of listed companies allowed for a continuation of the Mexican Bolsa rally. The Fund was able to capitalize on the results of its strategy of investing in leading Mexican corporations as well as attractive and growth-oriented small- and medium-capitalization companies. During this period, the Fund's market price and NAV per share registered total returns of 37.0% and 40.3%, respectively, increasing to \$45.20 and \$51.23, respectively. These figures compare with 37.4% for the IFCG Mexico Index, 37.3% for the Bolsa IPC Index, 29.5% for the Morgan Stanley Capital International Index and 43.8% for the Bolsa Index of Medium Size Companies.

During the period that covers this Report, Mexican listed companies continued reporting strong financial results. For the first nine months of calendar 2007, compared with the same period of 2006, sales of listed companies increased 11.4%, EBITDA¹ increased 13.7% and net income grew 4.7%. The average Price Earnings Ratio (PER) of the market increased from 14.5 times at the end of fiscal 2006, to 17.9 times at the end of October 2007 while the price to book value increased from 3.0 times to 3.3 times during the same period.²

The Fund's five portfolio holdings that contributed the most to the growth of the Fund's NAV during this fiscal 2007 were: América Móvil (AMX), Grupo México (GMexico), Empresas Ica (ICA), Axtel and Mexichem, which together accounted for 44.77% of the Fund's net assets as of the end of October 2007. These five issuers provided 62.39% of the total return of the Fund's NAV during this period. AMX provides telecommunications services in Mexico and Latin America; GMexico is a mining company; ICA is dedicated to infrastructure and housing projects; Axtel provides telecommunications services, mostly fixed lines and Mexichem is a chemical company. During this fiscal year, the market prices of these five issuers increased 53.0%, 175.4%, 102.4%, 263.8% and 187.4%, respectively. Two other important contributors to the Fund's NAV performance were América Telecom (Amtel), which merged into AMX in January 2007, and Grupo Urbi Desarrollos Urbanos (Urbi), a housing construction company. The market prices of these two issuers increased 17.5% and 26.4%, respectively.

Until recently, companies listed on the Mexican Stock Exchange were organized under Mexican law. Lately, companies organized outside of Mexico have listed on the Mexican Stock Exchange, a consequence of the increasing globalization of the Mexican economy and its securities market. Be-

¹ EBITDA refers to earnings before interests, taxes, depreciation and amortization.

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

cause the Fund's investment adviser believes some of these issuers may present attractive investment opportunities, the Fund's Board of Directors approved an investment policy permitting the Fund to invest in securities of issuers listed on the Mexican Stock Exchange that are not organized in Mexico, provided that such issuers or their subsidiaries have a business presence in Mexico, and that, in the aggregate, they do not account for more than 20% of the Fund's NAV. Consistent with this policy, the Fund held in its portfolio shares of Tenaris, with positive results. Tenaris is a company operating in Mexico but organized in Luxembourg, which is listed on several stock exchanges, including the Mexican Stock Exchange. During fiscal 2007, the market price of Tenaris, which represented 2.58% of the Fund's net assets, increased by 41.2%.

Of the 33 equity issuers included in the Fund's portfolio at the end of October 2007, only three experienced negative total returns during fiscal 2007. These companies were Corporación Geo (Geo), which is dedicated to housing projects and represented 1.15% of net assets; Dine, a company dedicated to tourism and residential projects, and that represented 0.98% of net assets; and Maxcom Telecommunications (Maxcom), a company recently listed on the Bolsa which is dedicated to telecommunications services. The market prices of these three companies decreased 20.5%, 2.3% and 5.4%, respectively.

At the closing of October 2007, the Fund had 19,026,253 outstanding shares, with total net assets of \$974.75 million. The total number of Fund shares traded on all US consolidated markets during fiscal 2007 was 11.10 million shares. The discount between the Fund's market price and NAV ended October 2007 at 11.77%, compared with 13.01% at the end of fiscal 2006. The Board of Directors continues to closely monitor the Fund's expenses, and the Fund's ratio of total expenses to average net assets has been decreasing over the past four years, from 1.92% during fiscal 2003 to 1.07% during fiscal 2007.

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

Portfolio Composition by Sector

% of Net Assets

October 31, 2007

Discount Reduction Efforts

On a regular basis, the Board of Directors closely analyzes the Fund's discount levels and considers different alternatives to try to mitigate it. On November 21, 2007, the Fund filed with the Securities and Exchange Commission (SEC) an application for exemptive relief to permit the Fund to distribute long-term capital gains more frequently than once a year. This exemption would allow the Fund to make long-term capital gains distributions to stockholders as often as monthly. If its application is approved, and based upon information currently available, the Board of Directors intends to implement a Managed Distribution Plan with quarterly distributions to stockholders equivalent to 12% per annum of the Fund's net asset value per share. The Fund will continue conducting its periodic in-kind repurchase offer program.

Declaration of Dividend

The Board of Directors has declared, for the third consecutive year, the payment of the Fund's largest dividend distribution per share since its inception in June 1981. The Board has declared a stock dividend of \$5.1443 and a cash dividend of \$0.8975 per share. Together, these two dividend distributions are equivalent to 13.37% of the Fund's market price and to 11.79% of its net asset value per share as of the Fund's fiscal year end, October 31, 2007.

The \$5.1443 dividend is payable in Fund shares unless the stockholder elects to receive the distribution in cash. This dividend is fully comprised of long-term capital gains. Fund stockholders will receive the stock dividend in additional shares of common stock of the Fund unless they elect to receive a cash payment. Instructions for making an election for a cash distribution will be available on the Fund's website, www.themexicofund.com under the heading "Corporate Actions", will be mailed to record date shareholders on or about December 28, 2007 and must be received by the Fund's transfer agent by 4:00 p.m. (EST) on January 11, 2008. Stockholders whose election is not received before this deadline will receive this dividend in shares of common stock of the Fund. The number of Fund shares to be received by those shareholders not electing to receive cash will be based on the closing price of Fund shares on the New York Stock Exchange on January 15, 2008 and the dividend will be paid in cash or in the appropriate number of Fund shares on January 22, 2008. Cash will be paid in lieu of fractional shares to which a shareholder might otherwise be entitled.

The \$0.8975 cash dividend per share is comprised of \$0.6486 net investment income and \$0.2489 short-term capital gains. This dividend is also payable on January 22, 2008 to stockholders of record on December 28, 2007.

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

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

A separate notice has been sent to shareholders with details regarding the stock dividend, which should be reviewed carefully. As part of their commitment and support of the Fund, all Directors and the Investment Adviser have chosen to receive their dividend in stock. Stockholders not desiring to receive this dividend in additional Fund shares must notify the Fund's transfer agent, American

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Stock Transfer and Trust Company, not later than 4:00 pm (EST) on January 11, 2008. Although the Fund has enacted a Dividend Reinvestment Plan, the terms of this plan do not apply to stock dividends like the one to be paid on January 22, 2007. Participants in the Dividend Reinvestment Plan who elect to receive this dividend in cash will receive cash.

Possible Listing of Fund Shares on the Mexican Stock Exchange

As previously disclosed, the Board of Directors of the Fund continues to consider the registration of the Fund's shares with the Registro Nacional de Valores (National Securities Registry) of the Comisi3n Nacional Bancaria y de Valores (Mexican Banking and Securities Commission) and their listing on the Bolsa (Mexican Stock Exchange), although the Board has determined to defer registration and listing at this time.

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 2007, the only industry group that represented 20% or more of the value of the securities included in the IPC Index was the communications industry group. This industry includes local, long-distance, and cellular telephone companies, as well as broadcast and media companies. Approximately 88.30% of this industry group is comprised of stocks of telecommunications companies. At the end of October 2007, 34.50% of the Fund's net assets were invested in this industry group. This is compared with the communications industry group's weighting of approximately 39.48% of the IPC Index. The Fund's Investment Adviser will continue to evaluate the concentration in this industry and may choose not to concentrate in this industry group in the future or to concentrate in other industries subject to the concentration policy described above.

Periodic Repurchase Offer Authority

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

The Board of Directors of the Fund anticipates that the Fund's next repurchase offer will occur during March 2008 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, 2007, 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. The Fund's and the Fund's Investment Adviser's proxy voting policies

and procedures are on the Fund's website, www.themexicofund.com under the heading "Corporate Governance", the SEC's website at www.sec.gov or are available without charge, upon request, by calling Mr. Eduardo Solano. Mr. Solano can be contacted at (+52 55) 5282-8900, during Mexico City business hours (10:00 am to 3:00 pm and 5:00 to 7:00 pm ET).

Investor Relations; Reports to Stockholders

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

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

Stockholders may contact the Investment Adviser via telephone, in Mexico City, at (+52 55) 5282-8900. Please ask for Mr. Eduardo Solano, the Fund's Investor Relations Vice President. Personnel to answer your questions are regularly available from 10:00 am to 3:00 pm and from 5:00 pm to 7:00 pm ET.

The Fund also offers stockholders and the general public the ability to contact the Fund via e-mail with questions or requests for additional information about the Fund. **Stockholders may also direct any concerns regarding financial information to this e-mail address.** Please direct your e-mail inquiries to:

Investor Relations Office

investor-relations@themexicofund.com

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.

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

American Stock Transfer & Trust Company

59 Maiden Lane Plaza Level

New York, NY 10038

(212) 936-5100

Distribution Policies and Dividend Reinvestment Plan

Under current Fund policies, distributions of long-term capital gains will be made, as described above, payable in Fund shares unless the stockholder elects to receive the distribution in cash. This policy allows stockholders to remain invested in the Fund, without the transaction costs that would be incurred if stockholders received a dividend in cash and reinvested the dividend proceeds in shares of the Fund. This is beneficial to investors who, consistent with the Fund's investment policy, seek long-term capital appreciation through investment in securities, primarily equity, listed on the Mexican Stock Exchange. Furthermore, the policy lessens the likelihood that the Fund must sell portfolio securities in less favorable market conditions in order to generate cash for long-term capital gains distributions.

On November 21, 2007, the Fund filed with the Securities and Exchange Commission an application for exemptive relief to permit the Fund to distribute long-term capital gains more frequently than once a year. This exemption would allow the Fund to make long-term capital gains distributions to stockholders as often as monthly. If its application is approved, and based upon information currently available, the Board of Directors intends to implement a Managed Distribution Plan with quarterly distributions to stockholders equivalent to 12% per annum of the Fund's net asset value per share.

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

Under the terms of the Plan, whenever the Fund declares a distribution, Plan participants will receive their distribution entirely in shares of Common Stock purchased either in the open market or from the Fund. If, on the date a distribution becomes payable or such other date as may be specified by the Fund's Board of Directors (the valuation date), the market price of the Common Stock plus estimated brokerage commissions is equal to or exceeds the NAV per share of Common Stock, the Plan Agent will invest the distribution in newly issued shares of Common Stock, which will be valued at the greater of NAV per share or the current market price on the valuation date. If on the valuation date, the market price of the Common Stock plus estimated brokerage commissions is lower than the NAV per share, the Plan Agent will buy Common Stock in the open market. As a participant in the Plan, you will be charged a *pro-rata* portion of brokerage commissions on all open market purchases.

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

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

American Stock Transfer & Trust Company

Attention: Dividend Reinvestment Department

59 Maiden Lane Plaza Level

New York, NY 10038

(212) 936-5100

New York Stock Exchange Certifications

The Fund is listed on the New York Stock Exchange (NYSE). As a result, it is subject to certain corporate governance rules and related interpretations issued by the NYSE. Pursuant to those requirements, the Fund must include information in this report regarding certain certifications. The Fund's President and Treasurer have filed certifications with the SEC regarding the quality of the Fund's public disclosure. Those certifications were made pursuant to Section 302 of the Sarbanes-Oxley Act (Section 302 Certifications). The Section 302 Certifications were filed as exhibits to the Fund's annual report on Form N-CSR, which included a copy of this annual report along with other information about the Fund. After the Fund's 2007 annual meeting of stockholders, it filed a certification with the NYSE stating that its President was unaware of any violation of the NYSE's Corporate Governance listing standards.

Sincerely yours,

José Luis Gómez Pimienta

President

December 20, 2007

Emilio Carrillo Gamboa

Chairman of the Board

Directors and Officers Biographical Data (as of November 1, 2007)

Independent Directors

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 or Nominee for Director
Eugenio Clariond Reyes-Retana Av. Vasconcelos #220 Ote. Col. Santa Engracia 66220 Garza Garcia, N.L. Mexico Age: 64	Class III Director	Term expires 2008, Director since 2005.	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. 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. Mr. Clariond also acts as Chairman of the Mexico United States Business Committee of the Mexican Business Council for Foreign Trade, Investment & Technology, and he serves on the boards of various other U.S. and Mexican non-profit organizations and educational institutions.	Director, Grupo Industrial Saltillo S.A. (manufacturer of metal products, construction products and cooking materials); Director, Mexichem, S.A.B. de C.V. (manufacturer of petrochemical products); Director, Navistar International Corp. (truck and engine manufacturer); Director, Johnson Controls, Inc. (automotive components, air conditioning, controls); Director, Grupo Financiero Banorte S.A. (banking).

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 or Nominee for Director
<p>Emilio Carrillo Gamboa</p> <p>Bld. Manuel Avila</p> <p>Camacho No. 1, Ste. 609</p> <p>Polanco 011009 México, D.F.</p> <p>México</p>	<p>Class III Director</p>	<p>Term expires 2008; Director 1981-1987 and since 2002.</p>	<p>Mr. Carrillo Gamboa served as a director of the Fund from inception of the Fund in 1981 to 1987. He resigned as director in 1987 to become Mexico's Ambassador to Canada. Mr. Carrillo Gamboa was reelected as a Director of the Fund in 2002.</p> <p>Mr. Carrillo Gamboa is a prominent lawyer in Mexico with extensive business experience and has been a partner of the Bufete Carrillo Gamboa, S.C. law firm since 1989. He has also served or currently serves on the boards of many Mexican charitable organizations.</p>	<p>Chairman of the Board; Holcim Apasco (cement company); Director, ICA (Sociedad Controladora, S.A. de C.V. (construction company); Director, Grupo Modelo, S.A. de C.V. (beer brewing); Director, Grupo Mexico S.A. de C.V. (copper mining and rail transportation); Director, Kimberly-Clark de México, S.A. de C.V. (consumer products); Director, Sanluis Corporación, S.A. de C.V. (automotive parts); Director, Southern Copper Corporation (copper mining); Director, Posadas de Mexico, S.A. de C.V. (hotel/hospitality); Director, Gasoductos de Chihuahua, S. de R.L. de C.V. (public utility-gas transportation); Director, Medica Integral GNP, S.A. de C.V. (medical clinics); Profuturo GNP, S.A. de C.V. Afore (life insurance); Grupo Nacional Provincial, S.A.B. (insurance).</p>
<p>Age: 70</p>				
<p>Robert L. Knauss</p> <p>c/o Aristóteles 77, 3rd Floor</p> <p>Col. Polanco</p> <p>11560 México, D.F.</p> <p>México</p>	<p>Class II Director</p>	<p>Term expires 2010; Director since 1985.</p>	<p>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.</p>	<p>Director, Equus Total Return Inc. (investment company); Director, XO Holdings, Inc. (telecommunications); Director, Westpoint International Inc. (home products).</p>
<p>Age: 76</p>				

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 or Nominee for Director
<p>Claudio X. González</p> <p>Jaime Balmes 8</p> <p>Los Morales Polanco</p> <p>México, D.F. 11510</p> <p>México</p> <p>Age: 73</p>	<p>Class II Director</p>	<p>Term expires 2010; Director since 1981.</p>	<p>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.</p>	<p>Chairman of the Board and Director, Kimberly-Clark de México, S.A. de C.V. (consumer products); Director, General Electric Co. (industrial and financial products); Director, Investment Company of America (investment fund); Director, Kellogg Co. (food products); Director, Home Depot (home improvement); Director, Grupo Alfa, S.A. de C.V. (conglomerate); Director, Grupo Carso, S.A. de C.V.; Director, Grupo México, S.A. de C.V. (copper mining and rail transportation); Director, Grupo Financiero Inbursa (investment and banking); Director, Televisa (broadcasting); Director, Grupo Integral de Seguridad (security systems).</p>
<p>Jaime Serra Puche</p> <p>Edificio Plaza</p> <p>Prolongación Paseo de la</p> <p>Reforma 600-103</p> <p>Santa Fe Peña Blanca</p> <p>01210 México, D.F.</p> <p>México</p> <p>Age: 56</p>	<p>Class I Director</p>	<p>Term expires 2009; Director since 1997.</p>	<p>Dr. Serra is a Senior Partner of the law and economics consulting firm SAI Consultores, S.C.</p> <p>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.</p> <p>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.</p>	<p>Director, Vitro, S.A. de C.V. (glass manufacturer); Director, Tenaris (tube producer); Director, Chiquita Brands, Inc. (fruit producer); Director, Grupo Modelo, S.A. de C.V. (beer brewing); Director, Grupo Financiero BBVA Bancomer, S.A. de C.V. (banking); Co-Chairman, President's Council on International Activities of Yale University.</p>

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 or Nominee for Director
Marc J. Shapiro 707 Travis, 11th Floor Houston, TX 77002	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).

Age: 60

* 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.

Interested Director

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 or Nominee for Director
José Luis Gómez Pimienta** Aristóteles 77, 3rd Floor Col. Polanco 11560 México, D.F. México	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.	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).

Age: 67

* 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.
Alternate member of the Valuation Committee.

Officers Who Are Not Directors

Name, Address and Age	Position(s) Held With the Fund	Term of Office and Length of Time Served	Principal Occupation(s) During Past Five Years
<p>Samuel García-Cuellar</p> <p>Creel, García-Cuellar y</p> <p>Muggenburg, S.C.,</p> <p>Paseo de los Tamarindos 60</p> <p>3er piso</p> <p>Bosques de las Lomas</p> <p>05120 México, D.F.</p> <p>México</p> <p>Age: 65</p>	<p>Secretary</p>	<p>Since 1981.</p>	<p>Mr. García-Cuellar is a partner of Creel, García-Cuellar y Muggenburg, 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).</p>
<p>Alberto Osorio Morales</p> <p>Aristóteles 77, 3rd Floor</p> <p>Col. Polanco</p> <p>11560 México, D.F.</p> <p>México</p> <p>Age: 39</p>	<p>Treasurer</p> <p>(formerly, Vice President of Finance)</p>	<p>Since 2002.</p> <p>From 1999 to 2002.</p>	<p>Mr. Osorio currently serves as Director of Finance of the Fund's investment adviser, Impulsora del Fondo México, S.C. and has been an employee of the Adviser since 1991.</p>
<p>Carlos H. Woodworth Ortiz</p> <p>Aristóteles 77, 3rd Floor</p> <p>Col. Polanco</p> <p>11560 México, D.F.</p> <p>México</p> <p>Age: 64</p>	<p>Chief Compliance Officer and Corporate Governance Vice President (formerly, Treasurer)</p>	<p>Since 2002.</p> <p>From 1992 to 2002.</p>	<p>Mr. Woodworth has served on the Board of Directors of the Fund's investment adviser, Impulsora del Fondo México, S.C., as well as Deputy Director of the Adviser since 1981.</p>
<p>Eduardo Solano Arroyo</p> <p>Aristóteles 77, 3rd Floor</p> <p>Col. Polanco</p> <p>11560 México, D.F.</p>	<p>Investor Relations Vice President</p>	<p>Since 1997.</p>	<p>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.</p>

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México

Age: 39

Sander M. Bieber

Assistant Secretary

Since 1989.

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

1775 I Street, N.W.

Washington, DC 20006

Age: 57

The Mexico Fund, Inc.

Schedule of Investments as of October 31, 2007

				Percent	
	Shares Held	Common Stock (98.44%)	Series	Value (Note 1)	of Net Assets
Building Materials	(a) 2,186,300	Grupo Lamosa, S.A.B. de C.V.	* \$	4,698,513	0.48%
Cement Industry	10,041,249	Cemex, S.A.B. de C.V.	CPO	30,361,214	3.12
	5,300,700	Grupo Cementos de Chihuahua, S.A.B. de C.V.	*	29,563,625	3.03
				59,924,839	6.15
Chemicals and Petrochemicals	6,677,824	Mexichem, S.A.B. de C.V.	*	27,379,434	2.81
Communications	12,507,200	América Móvil, S.A.B. de C.V.	A	39,441,802	4.05
	57,966,666	América Móvil, S.A.B. de C.V.	L	183,449,443	18.82
(a)	23,820,100	Axtel, S.A.B. de C.V.	CPO	61,718,637	6.33
	4,523,800	Grupo Televisa, S.A.B.	CPO	22,077,317	2.27
(a)	5,721,300	Maxcom Telecomunicaciones, S.A.B. de C.V.	CPO	14,460,552	1.48
	8,333,900	Teléfonos de México, S.A.B. de C.V.	A	15,106,815	1.55
				336,254,566	34.50
Construction	(a) 8,765,200	Dine, S.A.B. de C.V.	B	9,582,318	0.98
	(a) 7,740,033	Empresas ICA, S.A.B. de C.V.	*	53,712,964	5.51
				63,295,282	6.49
Consumer Products	4,550,680	Kimberly-Clark de México, S.A.B. de C.V.	A	19,465,921	2.00
Financial Groups	8,857,000	Grupo Financiero Banorte, S.A.B. de C.V.	O	40,683,790	4.17
Food and Beverages	2,952,900	Gruma, S.A.B. de C.V.	B	10,553,659	1.08
	2,585,500	Grupo Bimbo, S.A.B. de C.V.	A	14,649,629	1.50
				25,203,288	2.58
Holding Companies	(a) 2,651,700	Alfa, S.A.B. de C.V.	A	17,594,089	1.81
	15,926,000	Carso Infraestructura y Construcción, S.A.B. de C.V.	B-1	17,142,812	1.76
	2,163,100	Verzatec, S.A.B. de C.V.	*	1,243,010	0.13
				35,979,911	3.70
Housing	(a) 3,044,800	Corporación Geo, S.A.B. de C.V.	B	11,186,524	1.15
	(a) 7,342,582	Sare Holding, S.A.B. de C.V.	B	12,712,972	1.30
	(a) 12,483,400	Urbi Desarrollos Urbanos, S.A.B. de C.V.	*	48,301,542	4.96
				72,201,038	7.41
Mining Industry	7,851,653	Grupo México, S.A.B. de C.V.	B	70,935,811	7.28
Retail Firms	10,048,828	Alsea, S.A.B. de C.V.	*	14,919,772	1.53
(a)	2,881,500	Grupo Famsa, S.A.B. de C.V.	A	11,744,301	1.20
	8,982,300	Organización Soriana, S.A.B. de C.V.	B	28,435,040	2.92
	11,628,693	Wal-Mart de México, S.A.B. de C.V.	V	46,950,265	4.82
				102,049,378	10.47
Service	4,522,248	Grupo Aeroportuario del Centro Norte, S.A.B. de C.V.	B	17,387,898	1.78
	5,399,200	Grupo Aeroportuario del Pacífico, S.A.B. de C.V.	B	28,281,692	2.90
(a)	3,364,700	Promotora Ambiental, S.A.B. de C.V.	B	11,978,273	1.23
				57,647,863	5.91

The Mexico Fund, Inc.

Schedule of Investments as of October 31, 2007 (Continued)

				Percent
				of Net
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The Mexico Fund, Inc.

Statement of Assets and Liabilities as of October 31, 2007

Assets:		
Investments:		
Securities, at value:		
Common stock (identified cost \$485,776,027)		\$ 959,499,923
Short term securities (identified cost \$11,732,190)		11,732,190
Total investments (identified cost \$497,508,217)		\$ 971,232,113
Cash		835
Dividends receivable		6,584,927
Interest receivable		1,892
Prepaid expenses		84,406
Total assets		977,904,173
Liabilities:		
Payable to Investment Adviser (Notes 2 and 3)		703,085
Accrued expenses and other liabilities		350,863
Payables for securities purchased		2,104,404
Total liabilities		3,158,352
Net Assets Equivalent to \$51.23 per share on 19,026,253 shares of capital stock outstanding		\$ 974,745,821
Composition of Net Assets:		
Common Stock		\$ 19,026,253
Additional paid-in capital		367,691,657
Accumulated net investment income		12,339,732
Undistributed net realized gain on investments		101,883,230
Unrealized appreciation of investments and translation of assets and liabilities in foreign currency		473,804,949
		\$ 974,745,821

See Notes to Financial Statements.

The Mexico Fund, Inc.

Statement of Operations For the Year Ended October 31, 2007

Net Investment Income:

Income:	
Dividends	\$ 17,646,857
Interest	1,863,868

Total income \$ 19,510,725

Expenses:

Investment advisory fee	6,428,633
Administrative services	901,467
Legal fees	560,759
Directors' fees	285,000
Insurance	183,728
Audit and tax fees	149,940
Printing, distribution and mailing of stockholder reports	110,308
Directors' and Officers' expenses	83,009
Miscellaneous	80,281
Stockholders' information	55,214
Custodian fees	52,726
Stock exchange fees	25,000
Transfer agent and dividend disbursement fees	21,000

Operating expenses 8,937,065

Net investment income 10,573,660

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

Net realized gain on investments and foreign currency transactions:	
Net realized gain on investments	162,736,833
Net realized gain from foreign currency transactions	1,179,523

Net realized gain on investments and foreign currency transactions 163,916,356

Increase (decrease) in net unrealized gain on investments and translation of assets and liabilities in foreign currency:

Increase in net unrealized gain on investments	89,480,833
Decrease in net unrealized gain on translation of assets and liabilities in foreign currency	(108,920)

Increase in net unrealized gain on investments and translation of assets and liabilities in foreign currency 89,371,913

Net Increase in Net Assets Resulting from Operations \$ 263,861,929

See Notes to Financial Statements.

The Mexico Fund, Inc.

	For the Year Ended	For the Year Ended
	October 31, 2007	October 31, 2006
Statement of Changes in Net Assets		
Increase (Decrease) in Net Assets:		
From Operations		
Net investment income	\$ 10,573,660	\$ 4,999,621
Net realized gain on investments and foreign currency transactions	163,916,356	96,787,508
Increase in net unrealized gain on investments and translation of assets and liabilities in foreign currency	89,371,913	117,128,252
Net increase in net assets resulting from operations	263,861,929	218,915,381
Dividends to stockholders from net investment income	(5,232,662)	(10,556,280)
Distributions to stockholders from net realized gain on investments	(55,442,196)	(38,590,309)
	203,187,071	169,768,792
From Capital Share Transactions:		
Net increase in capital stock (Note 5)	208,046,352	
Repurchase of stock, at cost (Note 7)	(83,459,022)	(57,451,725)
	124,587,330	(57,451,725)
Total increase in net assets	327,774,401	112,317,067
Net Assets:		
Beginning of year	646,971,420	534,654,353
End of year (including undistributed net investment income of \$12,339,732 and \$5,232,663, respectively)	\$ 974,745,821	\$ 646,971,420

See Notes to Financial Statements.

The Mexico Fund, Inc.
Financial Highlights
Per Share Operating Performance:

	For the Year Ended October 31,				
	2007	2006	2005	2004	2003
Net asset value, beginning of period	\$ 42.43	\$ 31.65	\$ 21.92	\$ 17.36	\$ 15.46
Net investment income*	0.54	0.30	0.23	0.03	0.03
Net gain on investments and translation of foreign currency*	15.45	13.37	10.20	6.72	3.63
Total from investment operations*	15.99	13.67	10.43	6.75	3.66

Less Dividends:

Dividends to stockholders from net investment income	(0.34)	(0.63)	(0.13)		(0.45)
Distributions to stockholders from net realized gain on investments	(3.64)	(2.28)	(0.58)	(0.31)	(1.34)
Total dividends and distributions	(3.98)	(2.91)	(0.71)	(0.31)	(1.79)

Capital Share Transactions:

Effect on NAV of stock repurchased	0.03	0.02	0.01	0.01	0.06
Capital charge resulting from issuance of fund shares	(3.24)			(1.89)	(0.03)
Total capital share transactions	(3.21)				