MEXICO FUND INC
Form N-CSRS
June 30, 2010
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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, 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, 2010

Date of reporting period: April 30, 2010

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

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

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Item 1. Reports to Stockholders.

A copy of the Registrant s Semi-Annual Report to Stockholders for the period ending April 30, 2010 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.

Managed Distribution Plan (MDP)

The Board of Directors of the Fund has authorized quarterly distributions under the MDP at an annual rate of 10% of the Fund s net asset value (NAV) as of December 31, 2009. 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 MDP 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. You should not draw any conclusions about the Fund s investment performance from the amount of distributions or from the terms of the Fund s MDP.

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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*

Eduardo Solano *Investor Relations Vice President*

Alberto Gómez Pimienta *Operations Vice President*

Carlos H. Woodworth *Chief Compliance Officer*

Samuel García-Cuéllar *Secretary*

Sander M. Bieber *Assistant Secretary*

Investment Adviser

Impulsora del Fondo México, S.C.

Custodian

BBVA Bancomer, S.A.

Comerica Bank

Transfer Agent and Registrar

American Stock Transfer & Trust Company

Counsel

Dechert LLP

Creel, García-Cuéllar, 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.

2010 Semi Annual Report

April 30, 2010

Highlights

The Fund s first half of fiscal 2010 ended on April 30, 2010. During the last three months of this period, the Mexican economy began to recover from the severe economic recession that resulted from the global economic crisis that began in 2008 and continued into 2009. The Mexican gross domestic product (GDP) increased 4.3% during the first quarter of calendar 2010, its first positive rate of growth since the third quarter of 2008.

The Mexican equity market and the Fund also recovered during the first half of fiscal 2010; the Fund s market price registered a total return[1] of 29.47%, while the Fund s NAV per share registered a total return[1] of 27.34%. The total return registered by the Fund s NAV per share compares with total returns of 20.38% and 22.33% registered by the Morgan Stanley Capital International (MSCI) Mexico Index and Bolsa IPC Index, respectively.

The Fund has taken the following actions as part of its ongoing discount reduction efforts:

- Pursuant to the Fund s Managed Distribution Plan (MDP), under which the Fund pays quarterly distributions at an annual rate of 10% of NAV as of December 31, 2009, the Board of Directors has declared a dividend distribution of $0.63 per share, payable in cash on July 22, 2010 to stockholders of record on July 7, 2010.

- From July 31, 2009 until April 30, 2010, the Fund repurchased and cancelled 1,012,812 Fund shares in open market transactions, equivalent to 6.85% of the Fund s average number of outstanding shares during this period. These shares were purchased at an average price of $22.50 per share, which represented an average discount of 11.40% to the NAV per share.

As of April 30, 2010, the Fund s market price and NAV per share were $24.85 and $28.12, respectively, reflecting a discount of 11.63%, compared with 12.63% at the end of fiscal 2009.

1 Performance figures consider reinvestment of dividend distributions.

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.

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The Mexico Fund, Inc.

To Our Stockholders:

We present to you the Fund s 2010 Semi Annual Report for the six-month period ended April 30, 2010. 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

During the first half of fiscal 2010, the Mexican economy has shown signs that it is well positioned to recover from the global financial crisis and to cope with the recent selling trend generated by solvency concerns in some members of the Eurozone, such as Greece and Spain. Mexico has healthy public sector finances, with a modest fiscal deficit that during 2009 was equivalent to 2.3% of gross domestic product (GDP). The Mexican manufacturing industry is contributing to the country s economic recovery, through an increase in exports of 40% during April 2010 over April 2009. Also, current levels of domestic interest rates, discussed below in this report, have attracted important amounts of foreign investment, which in turn have strengthened the Mexican peso. These and other factors are indications that the Mexican economy has begun to turn around, as shown by the fact that GDP recovered from a decrease of 6.5% during 2009 over the prior year, to a positive growth rate of 4.3% during the first quarter of 2010 compared with the same period of 2009. Analysts surveyed by the Mexican Central Bank at the end of May 2010 estimate that this recovery trend will continue and that the GDP will grow 4.3% and 3.6%, during 2010 and 2011, respectively, over the prior calendar year.

The Mexican Central Bank has maintained domestic reference interest rates at 4.50% since July 17, 2009. Similarly, the yield paid by 28-day Cetes (Treasury Bills) ended April 2010 at 4.45%. The Mexican government continues to auction 30-year bonds, denominated in local currency, once every quarter, which paid a yield of 8.46% at the end of March 2010. Emerging markets country risk levels declined during this period and 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, declined from 193 basis points at the end of October 2009 to 155 basis points at the end of April 2010, only higher among Latin American countries than Chile s country risk of 112 basis points, and lower than 196 basis points for Brazil and 654 basis points for Argentina. Analysts estimate that the Mexican Central Bank will begin to increase reference interest rates during the last quarter of calendar 2010 and project that the rate of 28-day Cetes will be 5.00% at the end of 2010 and 6.06% at the end of 2011.

The Mexican currency has also recovered during the first half of fiscal 2010, as the Mexican peso revalued 7.2% against the US dollar. The exchange rate declined from Ps. 13.20 per dollar at the end of October 2009 to Ps. 12.31 per dollar at the end of April 2010. Some of the factors that explain the recent strength of the peso are: i) a flow of foreign investment to debt instruments due to the attractive spread between US and Mexican interest rates, ii) a recovery trend of remittances sent from Mexican citizens living abroad, and iii) a recovery of international oil prices. Analysts surveyed by the Central Bank at the end of May 2010

The Mexico Fund, Inc.

estimate that the Mexican peso will continue to remain strong and that the exchange rate will be Ps. 12.48 and Ps. 12.81, at the end of 2010 and 2011, respectively.

For the first time in the recent history of Mexico, the devaluation of the peso immediately after the peak of the global financial crisis in October 2008 affected Mexican inflation rates only slightly and temporarily. For the year ended April 30, 2010, Mexico s inflation rate amounted to 4.27%, compared with 6.53% and 3.57% at the end of calendar 2008 and 2009, respectively. Analysts estimate that inflation will be of around 4.94% and 3.95% at the end of calendar 2010 and 2011, respectively.

During the last two months of calendar 2009, Fitch Ratings Ltd. (Fitch) and Standard & Poor s (S&P) downgraded Mexico s long-term foreign and local currency debt ratings. The new ratings are still considered investment grade, and both agencies assigned a stable outlook to these ratings. The agencies mentioned that their decisions mainly stemmed from the impact of the global financial crisis, falling oil production and fiscal challenges. As of the date of this report, Moody s, the other leading rating agency, has not modified its ratings of Mexico s sovereign debt. In an attempt to increase investors confidence in Mexico, the Mexican Central Bank has implemented a policy to accumulate over $20 billion of international reserves within the next two years. The results of this policy are already evident, as international reserves increased 7.2% during the first four months of calendar 2010 to a historical maximum level of $97.40 billion at the end of April 2010.

A recovery trend is also evident in Mexico s foreign trade figures. Mexican exports increased 39.0% during March 2010, while imports grew 39.8% during the same period, resulting in a trade balance surplus of $237 million for this month. The Mexican government purchased derivative instruments to guarantee a minimum price of $57 per barrel for its 2010 oil exports. However, during the first four months of calendar 2010, the average price of the Mexican oil mix was $72.33 per barrel. Mexico s current account deficit continued to be modest, as it registered a level of $5.2 billion during calendar 2009, equivalent to 0.6% of GDP. Last year, foreign direct investment declined 38.4% to $11.4 billion, but it is estimated by analysts to recover to $17.0 billion during calendar 2010.

Management Discussion of Fund s Performance and Portfolio Strategy

Increased investor optimism regarding the economic recovery resulted in an important increase in the performance of the Mexican equity market during this six-month period. We are pleased to report that the Fund was able to achieve positive results that outperformed those of the most representative indices of the Mexican equity market. During the first half of fiscal 2010, the Bolsa IPC Index and MSCI Mexico Index registered returns of 22.33% and 20.38%, respectively, while the Fund s market price and NAV registered returns[1] of 29.47% and 27.32%, respectively. The Fund obtained these positive results through over-weighted

1 Performance figures consider reinvestment of dividend distributions.

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To Our Stockholders:

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investments in selected companies with strong fundamentals and attractive growth potential.

The following table shows the top five contributors to the outperformance of the Fund s NAV relative to the IPC Index during the first half of fiscal 2010 as well as their market price returns during such period, when the Fund maintained an overweight exposure to these companies.

Issuer	Industry	Return
Genomma Lab	Health Care	96.9%
Mexichem	Chemical Products	76.4%
Bolsa Mexicana de Valores	Stock Exchange	51.0%
Kimberly-Clark de México	Consumer Products	50.6%
Grupo Cementos de Chihuahua	Cement	26.4%

The following table shows the top five contributors to the underperformance of the IPC Index relative to the Fund s NAV during the first half of fiscal 2010 as well as their respective market price returns during such period, when the Fund maintained an underweight exposure or no exposure to these companies. The Fund did not invest in Global Telecom, Grupo Elektra, Telmex International and Grupo Financiero Inbursa during this six-month period, and it maintained an underweight exposure to Peñoles.

Issuer	Industry	Return
Carso Global Telecom	Telecommunications	29.5%
Grupo Elektra	Retail	17.4%
Telmex Internacional	Telecommunications	47.8%
Grupo Financiero Inbursa	Financial Groups	18.8%
Industrias Peñoles	Mining	14.0%

As of April 30, 2010, the Fund had total net assets of $383.24 million. The composite volume of Fund shares traded on all US consolidated markets during the first half of fiscal 2010 was 4,336,576 shares, compared with 13,630,464 shares outstanding at the end of the period.

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The following chart shows the Fund s portfolio composition by sector, expressed as a percentage of the Fund s net assets, as of April 30, 2010. More detailed information about the Fund s portfolio is available below in this report.

Portfolio Composition by Sector

Percentage of Net Assets,

April 30, 2010

Although the global economic recession affected the performance of most listed companies, financial results began to improve significantly since the third quarter of calendar 2009 and listed companies continued to perform better than the rest of the economy. For the first quarter of calendar 2010, sales of listed companies increased 7.3%, EBITDA [2] increased 13.1% and net income increased 54.4%, all compared with the same period of 2009. The average price-to-earnings ratio (PER) of the market at the end of April 2010 was 18.43 times, while the price-to-book value ratio was 2.78 times[3].

We believe that the recovery of the Mexican economy will bring about attractive investment opportunities in selected issuers. However, we will continue to be cautious and look for companies with strong balance sheets, positive free cash flows, corporate governance policies, and proven business models.

2 EBITDA refers to earnings before interests, taxes, depreciation and amortization.
3 **Source**: Impulsora del Fondo México, S.C. with figures provided by the Mexican Stock Exchange.

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Annual Meeting of Stockholders

The Fund held its Annual Meeting of Stockholders on March 9, 2010 at 1:00 p.m. Central Time at the 1st floor conference room of the JPMorgan Chase Bank, located in San Felipe Plaza, 5847 San Felipe, Houston, Texas, 77057. Stockholders re-elected José Luis Gómez Pimienta, Claudio X. González and Robert L. Knauss as Directors of the Fund. A total of 11,034,896 Fund shares were represented at the meeting, constituting a quorum of 78.79%. The results of the Annual Meeting were as follows:

	For	% Outstanding	% of Voted	Withheld	% Outstanding	% of Voted
José Luis Gómez Pimienta	9,518,246	67.96%	86.26%	1,516,650	10.83%	13.74%
Claudio X. González	10,725,654	76.58%	97.20%	309,242	2.20%	2.20%
Robert L. Knauss	10,670,776	76.19%	96.70%	364,120	2.60%	3.30%

Renewal of Investment Advisory and Management Agreement

On March 9, 2010, the Board of the Fund, including all independent Directors, approved the continuation of the Investment Advisory and Management Agreement (Agreement) with Impulsora del Fondo México, SC (Impulsora) based on its consideration of various factors, including (1) the nature, extent and quality of services provided by Impulsora to the Fund; (2) the investment performance of the Fund; (3) the costs and services provided, including a comparison of such costs to other comparable funds; (4) profits to be realized by Impulsora from its relationship with the Fund; and (5) the extent to which economies of scale have been realized as the Fund grows and whether fee levels reflect these economies of scale for the benefit of Fund investors. In response to a specific request by the Independent Directors, Impulsora provided detailed information concerning the foregoing factors. The Board also evaluated information consisting of comparative figures of overall expenses, management and other fees, of a group of substantially similar funds. As discussed more fully below, the Board considered the Fund s historical performance through the end of January 2010, as well as the Fund s current advisory fee rate, which is below both the median and average for regional closed-end funds followed by Lipper, Inc. The Board determined that the fees payable to Impulsora were reasonable, especially in light of the quality of the services provided, as well as the level of advisory fees paid by comparable funds.

The following discussion is not intended to be all-inclusive. The Board reviewed a variety of factors and considered a significant amount of information, including information received on an ongoing basis at meetings of the Board and Board committees. In view of the broad scope and variety of these factors and information, the Board did not find it practicable, and did not make specific assessments of, quantify or otherwise assign relative weights to the specific factors in reaching their conclusions and determination to approve the continuance of the Agreement.

The nature, extent and quality of the advisory services provided. The Board considered the nature, extent and quality of advisory services

The Mexico Fund, Inc.

provided under the Agreement during the past year. The Board noted that it received information at regular meetings throughout the year regarding the services rendered by Impulsora concerning the management of the Fund and Impulsora s role in coordinating providers of other services to the Fund. The Board further noted that Impulsora provides all facilities and services necessary to analyze, execute and maintain investments consistent with the Fund s objectives, and has done so since the Fund s inception in 1981. The Board had available to it the qualifications, backgrounds and responsibilities of the personnel primarily responsible for the day-to-day portfolio management of the Fund and recognized that these individuals report to the Board regularly and provide a detailed report on the Fund s performance at each regular meeting of the Board. The Board also received and considered financial information regarding Impulsora, including Impulsora s operating results during the last three years and efforts made by Impulsora to reduce its operating expenses during 2009 through reductions in variable compensation and other measures. The Board concluded that overall, it was satisfied with the nature, quality and extent of services that Impulsora provides to the Fund under the Agreement.

The investment performance of the Fund. The Board received and considered information regarding Fund performance relative to the leading Mexican equity indices, including the Bolsa IPC Index (IPC) and the Morgan Stanley Capital International Mexico Index (MSCI), as well as comparable funds. The Board was provided with a description of the rationale for the use of a performance matrix rather than a single benchmark to evaluate Fund performance, a practice that has been used with respect to the Fund s performance since 2002. The Board noted that it had received information throughout the year at periodic intervals regarding the Fund s performance, including with respect to the leading Mexican equity indices. The performance matrix as of January 31, 2010 showed outperformance by the Fund relative to the IPC and the MSCI indices for the one-month, three-month, six-month and one-year trailing periods, which Impulsora explained was due to the defensive and active trading position taken by the Fund as well as the decision to reduce the Fund s exposure to small- and medium-sized companies as a result of the global economic crisis that began in 2008 and continued into 2009. In addition, Impulsora noted that the Fund s trailing three- and five-year performance showed a recovery trend, although still below that of the IPC and MSCI indices. The Board also considered the continuing efforts made by Impulsora to address the discount between the Fund s net asset value and market price, including efforts relating to the Fund s MDP, the open market repurchases conducted by the Fund, and the conditional in-kind tender offer conducted in September 2009. Based on its review and Impulsora s explanation, the Board concluded that the Fund s performance has been positive and competitive.

The costs of advisory services provided and the level of profitability. The Board reviewed the fees charged by Impulsora for investment advisory services, as well as the gross revenues and pre-tax profits earned by Impulsora. The Board also reviewed and considered comparative information supplied by Lipper Inc., which the Board noted showed that the effective investment advisory fee of the Fund remained competitive and lower than the weighted average of other comparable regional

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closed-end funds. The Board also reviewed and considered comparative information regarding investment advisory fees, including asset breakpoints, charged by comparable investment advisers. The Board also reviewed the actual dollar amount of the fees payable under the Agreement, as well as the fee as a percentage of assets under management. On the basis of this information, the Board concluded that the level of investment advisory fee is appropriate in light of the nature, extent and quality of services provided to the Fund, and that the overall expense ratio compared favorably to other similar funds and the anticipated profitability of the relationship between the Fund and Impulsora.

Whether the advisory fees reflect economies of scale and the extent to which economies of scale will be realized as the Fund grows. The Board determined that the investment advisory fees payable under the advisory arrangements already reflect potential future economies of scale through the existing fee structure, which includes the imposition of breakpoints as Fund assets increase, of 1.00% of average net assets for assets up to and including $200 million, 0.90% of average net assets in excess of $200 million and up to $400 million, and 0.60% of average net assets for assets in excess of $400 million.

Benefits to Impulsora from relationships with the Fund (and any corresponding benefit to the Fund). The Board determined that other benefits described by Impulsora are reasonable and fair, and are consistent with industry practice and the best interest of the Fund and its stockholders. In this regard, the Board specifically considered the benefits to Impulsora due to the fact that it also serves, and receives an additional fee from, the Fund in its role as administrator to the Fund. In addition, the Board considered the fact that until June 2009, Impulsora had been receiving $75,000 for each in-kind repurchase offer conducted by the Fund under its former periodic in-kind repurchase offer policy (with such amount payable through an adjustment to the repurchase price paid to shareholders participating in the repurchase offer in order to reimburse the Fund for repurchase offer related expenses). With regard to brokerage, the Board noted that some brokers provide Impulsora with research in addition to brokerage services. With regard to benefits to the Fund, the Board considered the fact that Impulsora has been able to obtain from Mexican brokerage houses, on behalf of the Fund, one of the lowest commission rates in Mexico.

Discount Reduction Efforts During the Period

The discount between the Fund s market price and NAV as of April 30, 2010 was 11.63%, compared with 12.63% at the end of fiscal 2009.

Declaration of Distributions Under MDP

Under the MDP, the Fund pays quarterly distributions at an annual rate of 10% of the Fund s NAV as of December 31, 2009. The Fund has maintained distributions at an annual rate of 10% of the Fund s NAV as of the close of the previous calendar year since May 2009. All of the distributions corresponding to the fiscal year 2009 were comprised of net investment income and long-term realized capital gains.

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Pursuant to the MDP, the Board of Directors has declared a distribution of $0.63 per share, payable in cash on July 22, 2010 to stockholders of record on July 7, 2010.

For each distribution under the MDP, 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. 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. You should not draw any conclusions about the Fund s investment performance from the amount of distributions or from the terms of the Fund s MDP.

Open Market Repurchases

Under the Fund s open market share repurchase policy, the Fund may repurchase up to 10% of the Fund s outstanding common stock in open market transactions during any 12-month period if and when Fund shares trade at a price which is at a discount of at least 10% to NAV.

From July 31, 2009 until April 30, 2010, the Fund repurchased and cancelled 1,012,812 Fund shares in open market transactions, equivalent to 6.85% of the Fund s average number of outstanding shares during this period. These shares were purchased at an average price of $22.50 per share, which represented an average discount of 11.40% to the NAV per share.

Investment Policy Relating to Temporary Defensive Investments

As previously disclosed, 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.

Investment Policy Relating to Issuers Listed on the Mexican Stock Exchange and Organized Outside of Mexico

Pursuant to a non-fundamental investment policy adopted by the Board of Directors in September 2005, the Fund may invest up to 20% of its assets in issuers that are listed on the Mexican Stock Exchange, but which are organized outside of Mexico, provided they have subsidiaries organized in Mexico. Effective March 9, 2010, the issuers in which the Fund may invest pursuant to this policy are required to have only one subsidiary organized in Mexico, rather than multiple subsidiaries.

Concentration Policy

The Fund has 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 to be an appropriate measure of the Mexican market) if, at the time of

To Our Stockholders:

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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 April 2010, 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 85.15% of this industry group is comprised of stocks of telecommunications companies. At the end of April 2010, 19.23% of the Fund s net assets were invested in this industry group. This is compared with the communications industry group s weighting of approximately 36.17% 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.

Proxy Voting

Information about how the Fund voted proxies during the twelve-month period ending June 30, 2009 is available, without charge, upon request by calling collect Mr. Eduardo Solano, the Fund s Investor Relations Vice President, or on the SEC s website at www.sec.gov. The Fund s and its Investment Adviser s proxy voting policies and procedures are on the Fund s website, www.themexicofund.com under the heading Corporate Governance , on 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

Reports and Proxy Statements are published on the Fund s website, www.themexicofund.com, under the section Investor Reports. Stockholders will receive printed versions of the Fund s semi-annual and annual reports. This information is also available in the Fund s quarterly electronic Form N-Q filings submitted to the SEC. Stockholders who wish 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). The Fund publishes a Monthly Summary Report which is distributed via e-mail to interested investors and available on the Fund s website; effective March 2010, the Fund also files the Monthly Summary Report with the SEC on Form 8-K.

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

Investor Relations Office

investor-relations@themexicofund.com

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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 Distribution Reinvestment Plan and Transfer Agent is:

American Stock Transfer & Trust Company

59 Maiden Lane Plaza Level

New York, NY 10038

(877) 573-4007

(718) 921-8124

Distribution Reinvestment and Stock Purchase Plan

On October 29, 2009, the Fund announced in a letter to stockholders that its Board of Directors approved certain changes to the Fund s Dividend Reinvestment Plan (as amended, Distribution Reinvestment and Stock Purchase Plan) (the Plan). These changes became effective as of February 1, 2010.

The Plan provides a convenient way to increase your holdings in the common stock of the Fund through the reinvestment of distributions paid by the Fund. In addition, the Plan as amended now includes the following changes:

(1) **Voluntary Stock Purchase Option.** All registered stockholders (regardless of whether they are Plan participants) can now make monthly voluntary cash investments in Fund shares through the Plan Agent, American Stock Transfer & Trust Company (AST). The minimum investment for a voluntary cash investment is $25.00; you may vary the amount of your investment as long as it equals or exceeds this $25.00 minimum. There is a transaction fee of $2.50 and $0.10 commission for this service. Optional cash payments can be made online or by mail, as described further in the enclosed brochure. Stockholders can also authorize AST to make automatic withdrawals from a bank account.

(2) **Clarification Regarding Reinvestment of Distributions.** Distributions received through the Fund s Managed Distribution Plan can be reinvested directly in additional Fund shares, regardless of the character of such distributions for accounting and tax reporting purposes.

(3) **Online Enrollment in the Plan.** As an alternative to mailing an authorization card to AST, stockholders may now enroll in the Plan through AST s website at www.amstock.com. To have distributions reinvested, stockholder authorization must be received by AST by the record date for a given distribution.

(4) **Withdrawal from the Plan.** Stockholders may withdraw from the Plan by notifying AST. If a request for withdrawal is received by AST more than three (3) business days before a distribution payment date that distribution will be paid out in cash.

(5) **Amendment of Plan.** The Fund reserves the right to amend or supplement the Plan at any time, but only by mailing to participants

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The Mexico Fund, Inc.

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appropriate written notice at least thirty (30) days prior to the effective date thereof, except when necessary to comply with applicable laws or the rules or policies of the Securities and Exchange Commission or other regulatory authority.

The amended Plan brochure can also be accessed through AST s or the Fund s website, at www.amstock.com or www.themexicofund.com. If you have any questions, please contact AST at 1-877-573-4007 or 1-718-921-8124. You may also contact AST via mail at:

American Stock Transfer & Trust Company

Attention: Plan Administration Department

P.O. Box 922, Wall Street Station

New York, NY 10269-0560

If you are a Fund shareholder of record, you may enroll in the Plan by mail or online at www.amstock.com. Please contact AST for further information, or to request an authorization card for enrollment. If your shares are held in nominee or street name through a broker, bank or other nominee who does not provide an automatic reinvestment service and you wish to have distributions reinvested in shares of the Fund, you must notify such nominee and request that the change be made on your behalf or that your shares be re-registered in your own name**.**

You may withdraw from the Plan without penalty at any time by notice to AST. If your request to withdraw from the Plan is received more than three business days before any distribution payment date then that distribution will be paid out in cash. If your request to withdraw from the Plan is received less than three business days prior to any distribution payment date then that distribution will be reinvested. However, all subsequent distributions would be paid out in cash on all balances. Should you choose to withdraw any shares from the Plan or discontinue your participation in the Plan, you will receive a certificate or certificates for the appropriate number of full shares, along with a check in payment for any fractional share interest you may have. The payment for the fractional shares will be valued at the market price of the Fund s shares on the date your termination is effective. In lieu of receiving a certificate, you may request the Plan Agent to sell part or all of your shares at market price and remit the proceeds to you, net of any brokerage commissions.

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 (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.

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The Mexico Fund, Inc.

If you have any questions concerning the Plan or would like a hard copy of the Plan brochure, please contact AST using the contact information listed above.

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 2010 annual meeting of stockholders, it filed an annual certification with the NYSE stating that its President was unaware of any violation of the NYSE s Corporate Governance listing standards.

* * *

We are pleased with the positive results obtained by the Fund during the first half of fiscal 2010 and 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
June 29, 2010

Emilio Carrillo Gamboa
Chairman of the Board

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The Mexico Fund, Inc.

Schedule of Investments

as of April 30, 2010

(Unaudited)

Shares Held		Value (Note 1)	Percent of Net Assets
	COMMON STOCK - 91.79%		
	Airports		
2,000,000	Grupo Aeroportuario del Centro Norte, S.A.B de C.V. Series B	$ 3,783,639	0.99%
838,500	Grupo Aeroportuario del Sureste, S.A.B. de C.V. Series B	4,656,025	1.21
		8,439,664	2.20
	Beverages		
3,405,000	Fomento Económico Mexicano, S.A.B. de C.V. Series UBD	16,149,749	4.21
1,047,500	Grupo Modelo, S.A.B. de C.V. Series C	5,777,421	1.51
		21,927,170	5.72
	Building Materials		
12,000,000	Cemex, S.A.B. de C.V. Series CPO (a)	14,348,260	3.74
1,693,000	Grupo Cementos de Chihuahua, S.A.B. de C.V. (a)	6,158,164	1.61
		20,506,424	5.35
	Chemical Products		
5,000,033	Mexichem, S.A.B. de C.V.	14,316,676	3.74
	Commercial Banks		
1,039,700	Banco Compartamos, S.A., Institución de Banca Múltiple. Series O	5,970,871	1.56
	Construction and Infrastructure		
3,000,000	Empresas ICA, S.A.B. de C.V. (a)	7,922,248	2.07
	Consumer Products		
2,666,280	Kimberly-Clark de México, S.A.B. de C.V. Series A	15,465,892	4.04
	Financial Groups		

3,076,000	Grupo Financiero Banorte, S.A.B. de C.V. Series O	12,772,837	3.33
	Food		
1,800,000	Grupo Bimbo, S.A.B. de C.V. Series A	14,387,250	3.75
	Health Care		
2,500,			