MEXICO FUND INC
Form N-30B-2
April 04, 2001

The Mexico Fund, Inc.

This report, including the financial statements herein, is transmitted to shareholders 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.

(Unaudited) 20th Anniversary 1981-2001

First Quarter Report
January 31, 2001

www.themexicofund.com

The Mexico Fund, Inc.
First Quarter Report
January 31, 2001
Highlights

- The Fund's first quarter of fiscal 2001 ended January 31, 2001.

- During the first quarter, the Fund's share price increased 7.87%. At the same time, the Fund's net asset value per share (NAV) increased 0.03%, while the IFCG Mexico Index increased 1.24%. The Bolsa Index increased 0.41% during the same period.

- The discount between the Fund's share price and its NAV at January 31, 2001 narrowed to 18.2% from 27.4% one year earlier.

- Additionally, the Fund continues to periodically repurchase shares in the open market under its Share Repurchase Program ("SRP"), which was announced on July 31, 2000 and is intended to enhance shareholder value.

- On March 2, 2001, the Fund filed applications with the US Securities and Exchange Commission (SEC) and the Internal Revenue Service (IRS) seeking necessary approvals for conducting periodic in-kind repurchases of Fund shares from shareholders at no less than 98% of NAV.

- In a Special Letter to Shareholders and Press Release dated March 5, 2001 the Board of Directors announced these filings and their approval of an amendment to the Fund's Investment Advisory and Management Agreement adopting a performance fee component to the Fund's investment advisory fee.

- The Fund intends to seek shareholder approval for the performance fee and the periodic repurchase policy after it has received comments from regulatory authorities regarding the proposed periodic repurchase policy.

The Mexico Fund, Inc. is a non-diversified closed-end management investment company with the investment objective of long-term capital appreciation through investments in securities, primarily equity, listed on the

Mexican Stock Exchange. The Fund provides a vehicle to investors who wish to invest in Mexican companies through a managed non-diversified portfolio as part of their overall investment program.

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

THE MEXICO FUND, INC.
TO OUR SHAREHOLDERS:

Economic Environment

Mexican economic activity continued to grow dynamically, as during 2000 the country's gross domestic product (GDP) increased by 6.9%. During that period, the services sector increased by 7.3%, led by the transportation segment, which grew 12.7%. The industrial sector expanded by 6.6%, and within this, the manufacturing industry by 7.1%, energy and water by 6.2%, construction by 5.0% and mining by 4.0%. Finally, the primary sector of the economy grew by 3.4%. Economic analysts estimate that Mexican exports will likely be negatively affected by the deceleration of the US economy, and, as a result, Mexico's GDP growth during 2001 is expected to slow to approximately 3%.

This performance of the Mexican economy continued to be accompanied by a declining trend in inflation rates. Mexico's inflation rate during 2000 was 8.96%, lower than 12.32% registered at the end of 1999, and below the 10% goal set by Banco de Mexico (Mexico's central bank). Strict adherence to a restrictive monetary policy and the strong performance of the peso contributed to this downward trend in inflation. Depending on the outcome of the fiscal reform to be approved by Congress, in which the elimination of the value added tax exemption for food and medicines was submitted, inflation is expected by analysts to further decline to between 7.1% and 9.0% during 2001, higher than the 6.5% goal set by the Central Bank.

Domestic interest rates, which at the end of March 2001 were at 15.4% for the 28-day Cetes, are not expected to decline substantially. Economic analysts estimate that, due to the restrictive monetary policy to be implemented during 2001, the yield of the 28-day Cetes will decline to approximately 14.2% by the end of this year.

The Mexican peso was stable against the US dollar during 2000. Although some pressure was present at the end of 2000, the peso dollar exchange rate remained below Ps. 10, ending the year at Ps. 9.60 per dollar, only 1% higher than one year earlier. While the exchange rate held at that level until the end of March 2001, economic analysts estimate that the peso will weaken in the months to come and expect the exchange rate to end 2001 at approximately Ps. 10.53 per dollar.

As a result of the North American Free Trade Agreement (NAFTA), Mexico continued to be the second largest trade partner of the United States. Total trade between Mexico and the US amounted to $247.6 billion during 2000 and was exceeded only by total trade between the United States and Canada ($405.6 billion). President Fox has announced his intention to further enhance trade relations with Central, South American and Asian countries in an effort to diversify Mexican exports and imports. A Free Trade Agreement was signed with the European Union last year, making Mexico one of the most open economies in the world. Ten international free trade agreements with 30 nations around the globe have been so far executed. Also, among the universe of developing nations, Mexico is one of the three most important recipients of direct foreign investment. Last year, direct foreign investment in Mexico increased 14% to $13.2 billion.

Mexico's external accounts continued to be healthy and manageable. During 2000, Mexico's exports increased 22% to $166.4 billion, and within this, oil exports increased 65.0%, while total imports increased 23% to $174.5 billion, resulting in a trade balance deficit of $8.0 billion, 44% higher than one year earlier. Although the trade balance deficit is significantly higher than the previous year, the amount of direct foreign investment into the country financed 74% of the current account deficit, which amounted to $17.7 billion during 2000 and was equivalent to 3.1% of GDP.

During 2000, Mexico's public sector deficit was equivalent to 1.10% of GDP, higher than the one percent originally budgeted by the authorities. The performance of the economy and higher international oil prices resulted in a 13% increase of government income but were not sufficient to compensate for higher than budgeted expenditures from the social security systems and additional debt. However, the public sector deficit continued to reflect healthy public sector finances and a prudent fiscal policy. The authorities have announced their intention to reduce the public sector deficit to 0.65% of GDP during 2001.

Fund's Performance & Portfolio Strategy

During the first quarter of fiscal 2001, the Bolsa continued to be affected by the performance of US financial markets. The adjustments made by the Federal Reserve to US interest rates, first upwards and then downwards, created volatility in international financial markets. For the three months ended January 31, 2001, the Fund's market price and NAV per share increased 7.87% and 0.03%, respectively, compared with 1.24% for the Fund's benchmark, the IFCG Mexico index. At January 31, 2001, the Fund's market price per share was $17 and its NAV $20.79, reflecting a market discount of 18.23%, significantly lower than the 31% discount registered at the end of July 2000. Although liquidity of Fund shares continued to be high, it has decreased as a result of increased participation in the Fund by institutional investors. During calendar 2000, total traded volume of Fund shares on all consolidated markets amounted to 33.8 million, compared with 40.9 million during 1999 and with 61.0 million during 1998.

The Fund's 1.21% underperformance is mostly explained by the significant price appreciation of financial companies, particularly Banacci, in which the Fund was relatively underweighted during the period. With recent improvements in the financial sector and the passage of legislation impacting the sector, the Fund has been investing significant amounts in Banacci and Grupo BBV-Bancomer, the two leading Mexican financial groups, and the Fund intends to be overweighted relative to its benchmark in this sector in the near future. Other investments that contributed to the 1.21% underperformance were CIE (entertainment) and Femsa (beer and soft drinks producer), issuers in which the Fund is overweighed and that underperformed the IFCG Mexico index. The Fund's investment adviser intends to maintain an overweighted exposure to these two issuers because of the substantial growth potential of the entertainment market in Latin America, in which CIE is now the leading company, and due to the current low valuation of Femsa. As a result of its recently increased investments in the financial sector and other asset reallocations, the Fund's relative performance has improved. During the first two months of calendar 2001, the Fund's NAV increased 4.15% while the IFCG Mexico index increased 3.46%.

During the first quarter of fiscal 2001, the adviser reduced the Fund's investments in Grupo Modelo (beer producer) and Kimberly (consumer goods and paper), issuers in which the Fund was overweighted relative to its benchmark. The adviser decided to take profits on these issuers, as a deceleration of domestic consumption has already started. However, the Fund continues overweighted in these two issuers as the domestic sector may outperform export-oriented companies because of the deceleration of the US economy. Other "non-strategic" sales, especially in Cemex (cement producer) and Walmex (retail), were made towards the end of the quarter in order to comply with IRS diversification requirements.

The main use of the proceeds from the sale of these holdings was to repurchase Fund shares through the Fund's SRP. At the same time, the Fund increased its investments in the media/broadcast sector through the purchase of shares of Televisa and TV Azteca (TV producer and broadcasting companies). The adviser decided to take advantage of the recent weakness in the sector due to lower valuations in international markets.

As for the balance of 2001, the adviser anticipates a highly volatile market environment as a result of the deceleration of the US economy and the performance of international financial markets. Accordingly, the Fund manager will maintain overweighted positions in companies with greater exposure to the domestic economy and plans to avoid additional exposure to companies with closer links to international markets.

This Report includes for your reference a summary description of the Fund's ten largest holdings, which at the end of January 2001 represented 72.1% of its total net assets. The Fund's investments are categorized according to the sector classification provided by the Mexican Stock Exchange.

The Fund has adopted a concentration policy which permits the Fund to concentrate its investments in any industry or group of industries of 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,

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however, that the Fund will not exceed the IPC Index concentration by more than 5%.

Currently, the only industry group which represents 20% or more of the value of the securities included in the IPC Index is the communications industry group. This industry category includes local, long-distance, and cellular telephone companies, as well as broadcast and media companies. Approximately four-fifths of this industry group are telecommunications companies.

As of January 31, 2001, the Fund had 34.20% of its total assets invested in this industry category, compared with this sector's 41.5% representation in the IPC Index. The relatively high valuation of the companies in this industry versus other Mexican issuers, and the current negative sentiment in international markets towards telecom companies have caused the Fund's adviser to maintain an underweighted position relative to the Fund's benchmark in this industry. The investment adviser to the Fund will continue to evaluate its concentration in this industry category and may choose to not concentrate in this industry group in the future or to concentrate in other industry categories subject to the concentration policy described above.

The Fund publishes on its Web site, located at www.themexicofund.com, its investment portfolio as of the end of each fiscal quarter, updated within the first five business days after the closing of the quarter. Accordingly, the

Fund's investment portfolio, as reported on the Web site, is updated during the first five business days of February, May, August and November. The Fund's investment portfolio as of January 31, 2001 has been posted on the Web site since early February 2001.

Further Restructuring Efforts Taken by the Board of Directors

On March 5, 2001, the Board announced its intention to implement a periodic repurchase policy for the Fund which would allow shareholders to submit shares for repurchase by the Fund with proceeds being paid in actual portfolio securities of the Fund. The Board believes this policy allows the Fund to maintain its management strategy and to continue to make long-term investments in a relatively illiquid market while providing further liquidity to shareholders. Implementation of this policy is subject to regulatory approval.

The Fund has made filings with the SEC and the IRS to permit the Fund to conduct periodic, in-kind repurchases from shareholders at no less than 98% of net asset value. The Fund is seeking approval to conduct repurchases for between one and 25 percent of the Fund's outstanding shares, at least annually and as frequently as quarterly. The Fund is also seeking approval to require shareholders to submit a significant minimum number of shares for repurchase. Under the periodic repurchase policy, shareholders would be notified in advance of the amount to be repurchased and the procedures for submitting shares for repurchase. The periodic repurchase policy is intended to result in a long-term reduction of the discount at which the Fund's shares trade with respect to their net asset value, but there can be no assurance that this result will be obtained. The Fund intends to continue listing the Fund's shares on the NYSE both before and after the implementation of the periodic repurchase policy.

Additionally, in order to further align the interests of the Fund's investment adviser with the interests of shareholders, the Board has approved implementation of a performance fee component to the Fund's investment advisory fee that would provide the adviser with an additional incentive to outperform the Fund's benchmarket index. The Board hopes (depending on the SEC and IRS responses to the periodic repurchase policy proposal) to submit these two initiatives for shareholder approval at a special shareholders meeting later this year. Once the periodic repurchase policy is approved by shareholders, it may not be terminated without subsequent shareholder approval.

The periodic repurchase policy and proposed performance fee are further measures to restructure the Fund with the goal of increasing shareholder value and acting in the best interests of long-term shareholders. Within the last 12 months, the Board has implemented a share repurchase program (SRP) and has proposed the conversion of the Fund to a non-diversified fund and the adop-

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tion of a concentration policy. Since the commencement of the SRP in August 2000, the Fund has repurchased 3.9 million of its own shares in the open market, equivalent to 77% of the authorized total amount of the program. The Fund's investment adviser has also taken advantage of the additional flexibility granted to it at the special shareholders meeting in October 2000. As a non-diversified fund and with the adoption of a concentration policy, the Fund may concentrate its investments in certain sectors of the Mexican Stock Exchange depending on their representation on a relevant Mexican securities index. Unlike an index fund which will attempt to replicate the representation of a sector on the index in the fund, the Fund, which is actively managed and has a concentration policy, can concentrate in a sector and not match the representation in the Fund of that sector on the index. The Fund has the discretion to invest its assets so that the Fund under-represents, matches or over-represents (by no more than 5%) the representation of the sector on the index.

Annual Shareholders' Meeting

On March 22, 2001, the Fund held its Annual Shareholders' Meeting. Shareholders of the Fund elected Robert Knauss, Jose Luis Gomez Pimienta and Claudio X. Gonzalez as directors of the Fund for a three-year term and ratified the selection of Arthur Andersen LLP as the Fund's independent public accountants for fiscal year 2001. The exact percentage of votes cast in favor of these proposals is as follows:

Proposal 1: Election of Directors	
Robert L. Knauss	29,410,801
% of outstanding	63.15%
% of votes cast	70.70%
Jose Luis Gomez Pimienta	29,417,811
% of outstanding	63.17%
% of votes cast	70.72%
Claudio X. Gonzalez	29,398,013
% of outstanding	63.12%
% of votes cast	70.67%
Proposal 2: Ratification of Auditors	31,616,092
% of outstanding	67.89%
% of votes cast	77.10%

The third item of business for the Annual Shareholders' Meeting was a proposal submitted by a shareholder of the Fund. In accordance with the requirements of the federal proxy rules, this matter was not presented at the meeting and no vote was taken.

A copy of the presentation made by the President of the Fund at the Meeting, which deals with relevant matters of the Mexican economy, the Bolsa and the Fund is available at the Fund's Web site located at www.themexicofund.com.

Investor Relations

The Fund's Web site presents the Fund's market price and NAV per share on a same-day basis and provides a downloadable database containing the most important historical figures for the Fund. Also available is the complete history of dividend distributions made by the Fund and additional links to useful sites of Mexican government agencies, capital markets and listed companies. Web site visitors may now request online to receive via regular mail a copy of this Annual Report and the most recent Quarterly and Monthly Summary Reports. We hope that the Fund's Web site is a useful resource for information and we will continue working to improve it.

The Fund also offers shareholders and the general public the ability to contact the Fund via e-mail with questions or requests for additional information about the Fund. Please direct your e-mail inquiries to:

Investor Relations Office
investor-relations@themexicofund.com

In addition to the quarterly reports published by the Fund, the Investment Adviser distributes a Monthly Summary Report with information about the Fund, the Mexican economy and the Bolsa. Interested persons may either access this report on the Fund's Web site or receive it via regular mail. Please request this report through the Fund's Web site or write to the Investment Adviser at:

Impulsora del Fondo Mexico, sa de cv.
77 Aristoteles St. 3rd Floor
Polanco
11560 Mexico, D.F.
Mexico

The Fund also has a toll free telephone number and an information agent, Morrow & Co. Inc., in the United States. Upon request, this office will be pleased to provide you with the Fund's current NAV, quarterly reports and other Fund materials. Please refer your information requests to:

Morrow & Co., Inc.
14755 Preston Road - Suite 725
One Signature Place
Dallas, TX 75240
(800) 224-4134

In addition to the Fund's Web site, information on the Fund's NAV and market price per share is published weekly in The Wall Street Journal, The New York Times and other newspapers in a table called "Closed-End Funds". Daily market price for the Fund's shares is published in the NYSE Composite Transactions under the designations "MexFd" or "MexicoFd". The Fund's NYSE trading symbol is MXF.

The Fund's shares are also listed and traded on the Third Section ("Freiverkehr") of the Stuttgart Stock Exchange. The Fund's German Domestic Tax Representative is:

ARTHUR ANDERSEN
Wirtschaftsprufungsgesellschaft
Steuerberatungsgesellschaft mbH
Mergenthalerallee 10-12
65760 Eschborn/Frankfurt/M.
Postfach 53 23
65728 Eschborn/Frankfurt/M.
Germany
Telefon: 06196-99-6264
Telefax: 06196-99-6419

The Fund's dividend reinvestment plan and transfer agent is:

American Stock Transfer & Trust Company
40 Wall Street
New York, NY 10005
(212) 936-5100

Dividend Reinvestment Plan

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

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 priced at NAV. If on the valuation date, the market price of the Common Stock plus estimated brokerage commis-

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sions 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 shareholder 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
40 Wall Street
New York, NY 10005
(212) 936-5100

Sincerely yours,

/s/ Jose Luis Gomez Pimienta	/s/ Juan Gallardo T.
Jose Luis Gomez Pimienta	Juan Gallardo T.
President	Chairman of the Board

April 3, 2001.

Description of the Fund's Ten Largest Holdings as of January 31, 2001.

1. Telefonos de Mexico/1/ ("Telmex") (18.67%)

On February 7, 2001, America Movil, a new Mexican corporation resulting from the spin-off of Telmex's wireless business and from most of its international operations, started trading in the Mexican Bolsa and on the NYSE. Therefore, America Movil is now Mexico's leading provider of wireless telecommunications services with 10.1 million customers and a 70.6% share of the Mexican market. Since its inception, America Movil has business operations in Argentina, Brazil, Ecuador, Guatemala, Puerto Rico and the United States.

Telmex is the major telecommunications company in Mexico and provides local, domestic and international long-distance telephone service, internet access, wireless, data, audio and video transmission services. Since its privatization in 1990, Telmex has aggressively modernized and has emerged as a leader in telecommunication services in Latin America. Starting in 1999, Telmex also provides telecommunication services in the United States.

2. Wal-Mart de Mexico ("Walmex") (10.24%)

Walmex is the largest chain of retail stores in Mexico and has the dominant market position in the commercial sector of the country. The company is a subsidiary of the US firm Wal-Mart Stores, Inc (NYSE: WMT). Walmex has a total of 499 units in 46 cities in Mexico, which includes supermarkets, retail stores and restaurants.

3. Carso Global Telecom ("Telecom") (7.76%)

Telecom is dedicated to the telecommunications business and is the holding company of Telmex (see above) and Prodigy Inc. (Nasdaq: PRGY) (US), and has a stock participation in McLeod USA, Inc. (Nasdaq: MCLD) (US). The shares of Prodigy Inc., an important Internet service provider in the United States, have traded on the NASDAQ since February 1999.

/1/On February 7, 2001, America Movil, a new Mexican corporation resulting from the spin-off of Telmex's wireless business and from most of its international operations, started trading in the Mexican Bolsa and on the NYSE. Therefore, America Movil is now Mexico's leading provider of wireless telecommunications services with 10.1 million customers and a 70.6% share of the Mexican market. Since its inception, America Movil has business operations in Argentina, Brazil, Ecuador, Guatemala, Puerto Rico and the United States.

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4. Grupo Financiero Banamex Accival ("Banacci") (6.93%)

Banacci is one of the three largest financial institutions in Mexico, offering mainly banking, brokerage, insurance and pension funds management in Mexico. Through two of its subsidiaries, Banacci is also engaged in financial activities in Argentina and California, USA, and participates in the Mexican telecommunications sector through its investment in Avantel.

5. Grupo Televisa ("Televisa") (6.07%)

Televisa is the largest media company in the Spanish-speaking world and a major participant in the international entertainment industry. Televisa has interests in television production and broadcasting, international distribution of television programming, direct-to-home satellite services, publishing, music recording, cable television, radio production and broadcasting, professional sports and show business promotion, paging services, feature film production and distribution and special events promotion and dubbing. Televisa also has an unconsolidated equity stake in Univision (NYSE: UVN), the leading Spanish-language television company in the United States, and owns the "esmas.com" internet portal.

6. Grupo Modelo ("Gmodelo") (4.95%)

Founded in 1925, Gmodelo is the leader in the production, distribution and sale of beer in Mexico with a market share in the domestic and export markets of approximately 59%. The group exports its products to 150 countries and owns 10 brand names, including Corona, the most popular beer imported from Mexico, Victoria and Modelo. The company also imports and distributes in Mexico brand names of beer produced by its partner Anheuser-Busch, including Budweiser and Bud Light.

7. Grupo Financiero BBVA--Bancomer ("GFBB")(4.82%)

GFBB is one of Mexico's two largest financial groups. In terms of deposits and number of clients, GFBB is the largest private financial institution in Latin America. Grupo Banco Bilbao Vizcaya Argentaria (BBVA), the largest financial group in Spain in terms of market capitalization, is GFBB's main stockholder. GFBB's principal subsidiary is Bancomer, one of Mexico's leading commercial banks, which operates as a universal bank and offers products and services to individuals and corporations. Through its network of 2,276 branches and 4,057 automated teller machines (ATMs) in Mexico, as of the end of 2000 (including BBV-Mexico and Banca Promex), Bancomer engages in a wide variety of commercial and retail banking activities. The bank has overseas branches in London and Grand Cayman Island, agencies in New York and Los Angeles and a representative office in Sao Paulo, Brazil. Additionally, Bancomer has a subsidiary bank in the Cayman Islands, Mercury Bank & Trust Limited.

8. Cemex (4.64%)

Cemex is the world's third largest cement producer. The company and its subsidiaries are dedicated to the production, distribution, commercialization and sale of cement, concrete, mix, clinker and value added products. Cemex produces and operates in 30 countries around the world and has commercial relations with 60 countries. Cemex is the leader in the cement markets of Mexico, Spain, Venezuela, Panama, Costa Rica, the Dominican Republic, Egypt and Colombia, and has important market presence in the Caribbean, Indonesia, the Philippines and the southwest region of the United States.

9. Fomento Economico Mexicano ("Femsa") (4.15%)

Femsa is Latin America's largest beverage company with exports to the United States, Canada and selected countries in Latin America, Europe and the Far East. Founded in 1890, Femsa is the largest totally integrated producer of soft drinks and beer in Mexico and is the controlling company of Coca-Cola Femsa (KOF), one of the leading bottlers in Latin America. Femsa also operates the largest chain of convenience stores in Mexico (Oxxo), produces packaging materials and is an important bottler in Argentina. Brand names produced by Femsa include Sol beer and Coca Cola, among others.

10. Kimberly Clark de Mexico ("Kimber") (3.87%)

The company is dedicated to the manufacturing, marketing and sale of paper and consumer products for personal care. Kimber has the leading market position in every product category where in which it competes. Products sold by the company include tissue paper, diapers, feminine care products, notebooks, office paper and specialty products.

The Mexico Fund, Inc.
Schedule of Investments as of January 31, 2001 (Unaudited)

Industries	Shares Held	Common Stock (95.92%)	Series	Value (Note 1)	Percent of Net Assets

Cement Industry		4,840,000	Apasco, S.A. de C.V. ...	*	$ 25,015,505	2.58%
		10,500,000	Cemex, S.A. de C.V.	CPO	44,956,585	4.64
					69,972,090	7.22
Communications	(a)	34,000,000	Carso Global Telecom, S.A. de C.V.	A1	75,282,200	7.76
	(a)	22,000,000	Grupo Televisa, S.A. ...	CPO	58,877,403	6.07
		19,000,000	Telefonos de Mexico, S.A. de C.V.	A	52,439,529	5.41
		47,500,000	Telefonos de Mexico, S.A. de C.V.	L	128,545,586	13.26
		25,515,000	TV Azteca, S.A. de C.V.	CPO	16,537,012	1.70
					331,681,730	34.20
Financial Groups	(a)	35,000,000	Grupo Financiero Banamex Accival, S.A. de C.V. .	O	67,221,418	6.93
	(a)	71,000,000	Grupo Financiero BBVA-Bancomer, S.A. de C.V.	O	46,710,771	4.82
	(a)	4,827,000	Grupo Financiero Inbursa, S.A. de C.V. .	O	19,559,479	2.02
	(a)(b)	--	Grupo Financiero Inverlat Recovery Trust..................		--	0.00
					133,491,668	13.77
Food, Beverages and Tobacco		12,670,000	Fomento Economico Mexicano, S.A. de C.V.	UBD	40,207,670	4.15
		23,000,000	Grupo Bimbo, S.A. de C.V.	A	31,335,539	3.23
		17,500,000	Grupo Modelo, S.A. de C.V.	C	48,010,130	4.95
					119,553,339	12.33
Holding Companies		6,000,000	Alfa, S.A. de C.V..	A	8,490,800	0.88
	(a)	6,100,000	Corporacion Interamericana de Entretenimiento, S.A. de C.V.	B	23,910,688	2.47
		23,000,000	Desc, S.A. de C.V.	B	9,153,401	0.94
	(a)	8,900,000	Grupo Carso, S.A. de C.V.	A1	27,020,157	2.79
	(a)	2,640,000	Grupo Sanborns, S.A. de C.V.	B-1	3,962,456	0.40
					72,537,502	7.48
Housing	(a)	6,370,600	Consorcio ARA, S.A. de C.V.	*	7,770,631	0.80
	(a)	2,290,000	Corporacion Geo, S.A. de C.V.	B	2,509,200	0.25
					10,279,831	1.05

Mining Industry	5,940,000	Nuevo Grupo Mexico, S.A. de C.V.	B	19,218,731	1.98
Pulp and Paper	14,200,000	Kimberly-Clark de Mexico, S.A. de C.V. ..	A	37,562,332	3.87

The Mexico Fund, Inc.
Schedule of Investments as of January 31, 2001 (Unaudited) -- (Continued)

Industries	Shares Held	Common Stock (Continued)	Series	Value (Note 1)	Percent of Net Assets
Retail Stores	11,770,000	Controladora Comercial Mexicana, S.A. de C.V.	UBC	$ 9,964,472	1.03%
	7,450,000	Grupo Elektra, S.A. de C.V.	CPO	7,716,456	0.80
	4,650,000	Organizacion Soriana, S.A. de C.V.	B	12,060,006	1.24
	(a) 13,370,000	Wal-Mart de Mexico, S.A. de C.V.	C	28,926,411	2.98
	(a) 30,000,000	Wal-Mart de Mexico, S.A. de C.V.	V	70,363,862	7.26
				129,031,207	13.31
Steel	431,000	Tubos de Acero de Mexico, S.A.	*	6,902,950	0.71
		Total Common Stock (Identified Cost-- $577,630,022)..........		$ 930,231,380	95.92%

Securities	Fair Value	Short-Term Securities (3.95%)	Value (Note 1)	Percent of Net Assets
Repurchase Agreements	$38,307,905	Bancomer, S.A., 17.50%, dated 01/31/01, due 02/01/01, repurchase price $38,326,527, collateralized by Bondes.................	$ 38,307,905	3.95%
		Total Short-Term Securities (Identified cost--$38,307,905).....	38,307,905	3.95
		Total Investments (Identified cost-- $615,937,927)..........	968,539,285	99.87
		Other Assets in Excess		

of Liabilities.........	1,228,331	0.13
Net Assets Equivalent to $20.79 per share on 46,635,525 shares of capital stock outstanding (Note 7)...	$ 969,767,616	100.00%

(a) Shares of these securities are currently non-income producing. Equity investments that have not paid dividends within the last twelve months are considered to be non-income producing.
(b) See Note 10 to Financial Statements.

See Notes to Financial Statements.

The Mexico Fund, Inc.
Statement of Assets and Liabilities as of January 31, 2001 (Unaudited)

Assets:		
Investments:		
Securities, at value (Note 1):		
Common stock (identified cost -- $577,630,022)......	$930,231,380	
Short term securities (identified cost -- $38,307,905)......................................	38,307,905	
Total investments (identified cost -- $615,937,927)....................................		$968,539,285
Receivables from securities sold....................		2,856,916
Prepaid Mexican withholding taxes (Note 1)..........		93,857
Interest receivable.................................		18,622
Total assets..		971,508,680
Liabilities:		
Payable for repurchase of Fund's shares (Note 9).....		995,786
Payable to Investment Advisor (Notes 2 and 3)........		634,359
Accrued expenses and other liabilities..............		110,919
Total liabilities...................................		1,741,064
Net Assets -- Equivalent to $20.79 per share on 46,635,525 shares of capital stock outstanding (Note 7)..		$969,767,616

See Notes to Financial Statements.

The Mexico Fund, Inc.
Statement of Operations (Unaudited) For the Three Months Ended January 31, 2001

Net Investment Income:

Income (Note 1):		
Dividends	$ 1,416,294	
Interest and discounts earned	712,768	
Total income		$ 2,129,062
Expenses:		
Investment advisory fee (Note 2)	1,582,327	
Administrative services (Note 3)	90,478	
Value-added taxes (Note 1)	263,475	
Printing, distribution and mailing of shareholder reports	54,192	
Legal fees	99,446	
Directors' fees	60,395	
Directors' and Officers' expenses	32,122	
Accounting and audit fees	27,726	
Custodian fees (Note 5)	24,284	
Transfer agent and dividend disbursement fees	5,250	
Shareholders' information	54,399	
Stock exchange fees	12,202	
Insurance	32,516	
Miscellaneous	22,566	
Operating expenses		2,361,378
Net investment loss (Note 1)		(232,316)
Net Realized and Unrealized Gain (Loss) on Investments and Foreign Currency Transactions:		
Net realized gain on investments and foreign currency transactions (Notes 1 and 6):		
Proceeds from sales	78,577,539	
Cost of securities sold	27,335,207	
Net realized gain on investments	51,242,332	
Net realized loss from foreign currency transactions	(147,795)	
Net realized gain on investments and foreign currency transactions		51,094,537
Decrease in net unrealized gain on investments and translation of assets and liabilities in foreign currency:		
Investments:		
End of period (Note 6)	352,601,357	
Beginning of period	416,636,993	
Decrease in net unrealized gain on investments	(64,035,636)	
Translation of assets and liabilities in foreign currency:		
End of period	488,800	
Beginning of period	35,585	
Increase in net unrealized gain on translation of assets and liabilities in foreign currency	453,215	
Decrease in net unrealized gain on investments and translation of assets and liabilities in foreign currency		(63,582,421)
Net Decrease in Net Assets Resulting from Operations		$(12,720,200)

See Notes to Financial Statements.

The Mexico Fund, Inc.
Statements of Changes in Net Assets

	For the Three Months Ended January 31, 2001 (Unaudited)	For the Year Ended October 31, 2000
Increase (Decrease) in Net Assets:		
From Operations		
Net investment (loss) income...........	$ (232,316)	$ 8,893,385
Net realized gain on investments and foreign currency transactions.........	51,094,537	59,717,615
Decrease in net unrealized gain on investments and translation of assets and liabilities in foreign currency...	(63,582,421)	(2,934,353)
Net (decrease) increase in net assets resulting from operations.............	(12,720,200)	65,676,647
Dividends to shareholders from net realized gain on investments..........	(2,348,286)	--
Dividends to shareholders from net investment income....................	(87,660)	(9,429,937)
	(15,156,146)	56,246,710
From Capital Share Transactions (Note 9)		
Repurchase of stock, at cost..........	(37,212,173)	(22,737,565)
Total increase in net assets..........	(52,368,319)	33,509,145
Net Assets:		
Beginning of period...................	1,022,135,935	988,626,790
End of period.........................	$ 969,767,616 (A)	$1,022,135,935 (A)

See Notes to Financial Statements.

(A) Including accumulated net investment loss of $(11,319,838) as of January 31, 2001 and $(10,852,067) as of October 31, 2000.

The Mexico Fund, Inc. Financial Highlights	For the Three Months Ended January 31, 2001 (Unaudited)	For the Year Ended October 31, 2000	1999	1998	1997	1996
Per Share Operating						

Performance:						
Net asset value, beginning of period....	$ 20.84	$ 19.57	$ 15.52	$ 23.49	$ 17.33	$ 13.80
Net investment (loss) income (Note 1).......	(0.00)**	0.18**	0.40	0.39**	0.40	0.50
Net (loss) gain on investments and translation of foreign currency (Note1)......	(0.27)**	1.10**	4.10	(7.48)**	6.16	3.46
Total from investment operations.............	(0.27)**	1.28**	4.50	(7.09)**	6.56	3.96
Less Dividends and Distributions:						
Dividends to shareholders from net investment income.....	(0.00)	(0.19)	(0.45)	(0.23)	(0.38)	(0.43
Distributions to shareholders from net capital gains.........	(0.05)	--	--	(0.60)	(0.02)	--
Total dividends and distributions..........	(0.05)	(0.19)	(0.45)	(0.83)	(0.40)	(0.43
Capital Share Transactions:						
Effect on NAV of stock repurchased...........	0.27	0.18	--	--	--	--
Capital charge resulting from issuance of fund shares...............	--	--	--	(0.05)	--	--
Net asset value, end of period................	$ 20.79	$ 20.84	$ 19.57	$ 15.52	$ 23.49	$ 17.33
Market value per share, end of period.........	$ 17.00	$ 15.81	$ 14.31	$ 11.25	$ 18.69	$ 14.13
Total investment return based on market value per share.............	7.83%	11.82%	31.92%	(36.70%)	35.03%	18.77%
Ratios to Average Net Assets:						
Expenses...............	1.01%*	0.96%	0.98%	0.93%	0.91%	1.00%
Net investment (loss) income................	(0.10%)*	0.78%	2.14%	1.87%	1.80%	2.93%
Supplemental Data:						
Net assets at end of period (in 000's).....	$969,768	$1,022,136	$988,627	$783,775	$1,167,893	$861,750
Portfolio turnover rate..................	2.92%	22.27%	6.40%	3.69%	7.58%	9.57%

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*Annualized

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

See Notes to Financial Statements.

Selected Quarterly Financial Data (Unaudited)

	(Amounts in thousands, except per share amounts) Quarter Ended January 31, 2001	
	Total	Per Share
Investment Income	$ 2,129	$ 0.05
Net investment loss	$ (232)	$ (0.00)
Net realized gain on investments	$ 51,242	$ 1.10
Net realized loss from foreign currency transactions	$ (148)	$ (0.00)
Decrease in net unrealized gain on investments	$ (64,036)	$ (1.37)
Increase in net unrealized gain on translation of assets and liabilities in foreign currency	$ 453	$ 0.01
Net assets	$ 969,768	$ 20.79

See Notes to Financial Statements.

The Mexico Fund, Inc.
Notes to Financial Statements-
January 31, 2001 (Unaudited)

1. Operations and Significant Accounting Policies:

The Fund is registered under the Investment Company Act of 1940, as amended (the "1940 Act"), as closed-end management investment company. On October 16, 2000, the Fund received shareholder approval to convert from a diversified to a non diversified investment company under the 1940 Act. The investment objective of the Fund is to seek long term capital appreciation through investment in securities, primarily equity, listed on the Mexican Stock Exchange.

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

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

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

Foreign Currency -- The market value of Mexican securities, currency holdings and other assets and liabilities denominated in Pesos ("Ps.") was recorded in the financial statements after translation into U.S. dollars based on the open market exchange rate prevailing in Mexico City at the end of the period. The open market exchange rate at January 31, 2001 was Ps. 9.674 to $1.00.

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

Since the net assets of the Fund are determined based on the currency exchange rate and market values at the close of each business day, it is not practicable to isolate that portion of the results of operations arising as a result of changes in the foreign exchange rates from the fluctuations arising from changes in the market prices of securities during the year. Accordingly, the net realized and unrealized gain on investments presented in the accompanying financial statements include the effects of both such changes.

Reported net realized foreign exchange gains or losses arise from sales of short-term securities in

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exchange of property, payment of services or functional currency denominated assets, currency gains or losses realized between the trade and settlement dates on securities transactions, the difference between the amounts of dividends, interest, and foreign withholding taxes recorded by the Fund, and the U.S. dollar equivalent of the amount actually received or paid.

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

Repurchase Agreements -- The Fund enters into repurchase agreements with approved institutions. The Fund's repurchase agreements are fully collateralized by Mexican or U.S. Government securities. The Fund takes possession of the collateral and the Fund's investment advisor monitors the credit standing of repurchase agreement counterparties. The fair value of the collateral exceeds the principal amount of the repurchase transaction, including accrued interest, at all times. If the counterparty defaults, and the fair value of the collateral declines, realization of the collateral by the Fund may be delayed or limited. As of January 31, 2001, the Company has received collateral of $38,307,905 related to these repurchase agreements.

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

Taxes -- No provision has been made for U.S. income taxes for the three months ended January 31, 2001, on net investment company taxable income or net long-term capital gains as defined by the Internal Revenue Code (the "Code"), since the Fund intends to comply with the requirements of the Code applicable to regulated investment companies and to distribute substantially all of such income to its shareholders.

The Fund is subject to Mexican withholding taxes in accordance with the Mexican Income Tax Law and with the provisions included in the treaty to avoid double taxation signed between Mexico and the United States, on specific sources of income. Such taxes will be applied to the shareholders upon payment of dividends by the Fund.

The provision for value-added taxes represents Mexican value-added tax on certain services rendered by Mexican corporations to the Fund.

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

Lending of portfolio securities -- During fiscal year 1998, the Board of Directors approved a securities lending program for the Fund. Merrill Lynch Portfolio Services, Inc. served as the lending agent for the Fund from August 1998 through August 1999.

In March 2000, the Board appointed Cantor Fitzgerald & Co. ("Cantor"), as the lending agent for the Fund. Since March 7, 2000, the Fund has been lending part of its portfolio securities to approved financial institutions, provided that the market value of securities loaned will not at any time exceed one-third of the Fund's total assets. The Fund continues to receive dividends on the securities loaned. Any gain or loss in the value of the securities loaned that may occur during the term of the loan will be accounted for by the Fund. The Fund earns interest on the investment of the collateral received for the securities loaned. The Fund may rebate a portion of the interest earned on the investment of collateral to the borrower, and may pay a commission to the lending agent. Under the agreement, Cantor may also reimburse to the

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Fund the custodian fees. In order to protect against the risk of failure by the borrower to return the securities loaned or any delay in the delivery of such securities, each loan is collateralized by U.S. dollars (cash), securities issued or guaranteed by the U.S. government or its agencies or instrumentalities, or irrevocable stand-by letters of credit issued by U.S. banks. Portfolio securities loaned are initially collateralized at 105 percent of its market value. If the collateral value falls below 105 percent, at the close of any business day, Comerica Bank, the Fund's custodian of the collateral received, will obtain additional collateral from the borrower, on the following business day, in an amount sufficient to restore the collateral to 105 percent.

Since September 29, 2000, the Fund has not been actively lending portfolio securities under this Program.

2. Investment Advisory Agreement:

The Fund has a management contract with Impulsora del Fondo Mexico, S.A. de C.V. (the "Adviser"), a Mexican corporation registered under the U.S. Investment Advisers Act of 1940. The Adviser furnishes investment research and portfolio management services consistent with the Fund's stated investment policies. The Fund pays to the Adviser a monthly fee at the annual rate of 0.85% on the first $200 million of average daily net assets, 0.70% on the excess over $200 million up to $400 million and 0.60% on the excess over $400 million.

3. Administrative Services Agreement:

Effective April 1, 1994, the Fund entered into an Administrative Services

Agreement with the Adviser, which provides for certain services to be performed by the Adviser, including the determination and publication of the net asset value of the Fund, the maintenance of the Fund's books and records in accordance with applicable U.S. and Mexican Laws and assistance in the preparation and filing of annual reports and tax returns. The term of this agreement was renewed by the Board of Directors through August 31, 2001. The annual fee payable to the Adviser by the Fund under this agreement is $350,000.

4. Trust Agreement and Trustee:

BBVA Bancomer, S.A. ("Bancomer") was the trustee for the Mexican Trust through which the Fund invested. During 1997 and 1998, the Mexican governmental authorities gave approval to the Trustee for the transfer of the total assets and liabilities of the Trust to the Fund. On February 27, 1998, the Fund's shareholders approved matters in connection with the termination of the Trust Agreement with Bancomer. The termination was effective on March 31, 1998.

5. Mandate Agreement and Mandatory Party:

In connection with the termination of the Trust Agreement discussed in the preceding note, on March 31, 1998, the Fund signed a Mandate Agreement with Bancomer. Under this Agreement, Bancomer acts as the Mandatory Party, performing certain activities related to the custody of the Fund's securities, that were previously performed under the trust agreement.

The annual fee payable to Bancomer under this Agreement is denominated in Mexican pesos, which currently translates to approximately $49,244. Due to the nature of this Agreement, the fees paid to Bancomer are consolidated with the Fund's custodian fees.

6. Purchases and Sales of Investments:

Purchases and sales of investments, excluding short-term securities, for the three months ended January 31, 2001 were as follows:

Purchases	
Common Stock	$26,950,933
Total Purchases	$26,950,933
Proceeds from Investments Sold	
Common Stock	$78,577,539
Total Sales	$78,577,539

As of January 31, 2001, net unrealized gains on investments in common stocks for Federal income tax purposes aggregated to approximately $353 million, of which approximately $408 million related to appreciated securities and approximately $55 million related to depreciated securities. The aggregate cost of investments in common stocks at January 31, 2001 for Federal income tax purposes was approximately $578 million.

7. Capital Stock:

At January 31, 2001, there were 150,000,000 shares of $1.00 par value common stock authorized, of which 50,758,750 shares were issued, 46,635,525 shares were outstanding and 4,123,225 shares were held in treasury.

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

On December 10, 1997, the Board of Directors declared a stock dividend of $ 29,625,602. This dividend was paid in shares of common stock of the Fund, and in cash by specific election. Some shareholders selected the stock dividend, therefore, on January 31, 1998 the Company issued 791,018 shares, which amounted to $ 15,078,787.

As of January 31, 20010, net assets were comprised of the following:

Common stock..	$ 46,635,525
Additional paid-in capital..................................	520,387,963
Accumulated net investment loss..............................	(11,319,838)
Undistributed net realized gain on investments...	60,973,809(A)
Unrealized appreciation of investments and translation of assets and liabilities in foreign currency..................	353,090,157
	$969,767,616

(A) ($51,256,350) for Federal Income Taxes.

Dividends to shareholders from net investment income are determined based on Federal income tax regulations, whereas the corresponding net investment income as reflected in the accompanying financial statements, is presented in accordance with accounting principles generally accepted in the United States.

Accumulated net realized losses from foreign currency transactions have been netted against undistributed net investment income to be consistent with the tax treatment for distributions from net investment income per the tax code.

8. Capital Gains:

Net realized gains from security transactions, are distributed annually to shareholders. Capital loss carryforwards, if any will be used to offset future capital gains available for distribution.

9. Stock Repurchase Program:

On July 31, 2000, the Board of Directors announced a Stock Repurchase Program pursuant

to which the Fund may purchase in the open market up to 5,050,693 shares of its stock at prevailing market prices. The Program started on August 7, 2000. As of January 31, 2001, the Fund has repurchased 3,871,400 of its shares at a cost of $59,949,738.

10. Investments:

As a result of significant losses incurred by Grupo Financiero Inverlat, S.A. de C.V. ("Inverlat"), certain significant shareholders, together with the financial authorities, developed a recapitalization program. On July 23, 1996, after the absorption of accumulated losses through the total reduction of capital stock, shareholders of Inverlat approved a cash contribution by FOBAPROA (Banking Fund for Savings Protection) to cover such losses. As a consequence, all shares outstanding prior to July 23, 1996, were cancelled . The Fund has received an interest in a Recovery Trust set up to manage the recovery assets of Inverlat. Through the trust agreement, the Company may receive shares equal to 9% and up to 36% of their ownership interest. Management has assigned the market value of the Fund's holdings in the Recovery Trust at $0 as of January 31, 2001, due to the uncertainty regarding its ultimate realization.

According to the Bank Savings Protection Law, which was enacted on January 20, 1999, all assets of FOBAPROA have been transfered to a new entity called IPAB (Bank Savings Protection Institute). This transfer will not modify the market value assigned to the Recovery Trust.