



- There has been a recovery in the Mexican economy
- An M-III first closing was achieved with two new investments

### WAMEX NEWS

The first closing of M-III took place last June, as well as the first two investments of this fund: the first investment was made in **Ecofrío** in the cold storage industry; and the second, in the education industry in **GLBL ED**.

MIF-II portfolio companies continue to perform as planned. **Hoteles City Express (HCe)**, the leading business limited-service hotel chain in Mexico was operating 125 hotels at the close of the quarter with an occupancy rate of 60.3%. **Productos Medix (Medix)**, the leading anti-obesity and overweight pharma company in Mexico keeps working on the Consumer Division spin-off processes, and Medix is seeking to launch new products in the short and medium term, while continuing conversations with international companies interested in the Medix platform. **KUA Mex Foods (KUA)**, the unique consolidation platform in the Mexican Food & Beverage industry, continues in the search of companies that can grow the business through the consolidation of operational and commercial synergies which also have growth potential in the domestic and USA markets. The company is looking to grow its portfolio in the healthy, ethnic and gourmet categories. **Bodesa (BDS)**, the leading retailer in the Mexican Western area, commenced the year with various activities to celebrate the 130<sup>th</sup> anniversary of La Marina.

### THE ECONOMIC ENVIRONMENT

Mexican GDP growth was 1.8% in 2Q17, with a variation of +3% vs. 2Q16 GDP. The positive outlook for the country has led several institutions to improve their expectations of economic growth by estimating that GDP will grow between 2.0% and 3% in 2017. Inflation in July was registered at 6.44%, but slowing.

Favorable global macroeconomic conditions, as well as better prospects for a successful renegotiation of NAFTA, have led to an improvement in Mexico's economic indicators, and a stabilization of these indicators is expected during the second half of the year. The most obvious case of this is the exchange rate, which has had a revaluation of more than 15% so far this year, and is one of the most widely liquid currencies in the world.

The appreciation of the peso will lower inflation and bring greater price stability. Analysts believe that all this caused inflation to have reached its highest level and will decline for the remainder of the year.

The Mexican Stock Exchange has achieved multiple historical highs throughout 2Q17, demonstrating the confidence that investors have in the Mexican domestic market and its export capabilities.

The Mexican Central Bank has reached the decision to end the cycle of interest rate rises, finishing with a benchmark rate of 7%, due to expectations of lower inflation.

### THE POLITICAL LANDSCAPE

As startling as the continuous threats of President Trump against Mexico are, it has become clear not only to Mexicans but also to markets and investors that he most likely won't keep his threats, and less likely the ones that concern Mexico the most. This can be seen with the strengthening of the Mexican peso in the last few months.

As NAFTA renegotiation takes place, President Trump has once again pointed out that the United States may consider leaving the agreement. Although it is an unlikely scenario, Mexican representatives are doing their best to make the most out of this renegotiation, which is expected to end early next year before the 2018 Presidential elections.

Despite President Peña Nieto's low approval rate, it has been recently suggested that a solid and strong PRI candidate for next year's elections might be the Secretary of Finance, José Antonio Meade, former Secretary of Social Development, former Secretary of Foreign Affairs and former Secretary of Energy. Only the Morena party has announced the candidacy of Lopez Obrador.

The PAN is still undecided and may actually go into a coalition with the PRD, which could potentially attain the highest share of votes. The political environment is getting busy as Congress comes back from vacation and potential candidates try to win their party nominations.

