



- The MIF II portfolio saw continuous growth across all companies in 2017
- Elections across Latin America will come to play in our political landscape

WAMEX NEWS

MIF-II portfolio companies continue to perform as planned. **Hoteles City Express (HCE)**, the leading business hotel chain in Mexico, announced its intention to create a lodging REIT through a Primary Public Offering. **Productos Medix (Medix)**, the leading anti-obesity and overweight pharma company in Mexico is seeking to launch new products in the short to medium-term, and continues conversations with international companies interested in the Medix platform. **KUA Mex Foods (KUA)**, the unique consolidation platform in the Mexican Food & Beverage industry, continues to search for companies to acquire that offer operational and commercial synergies as well as growth potential in the domestic and USA markets. **Bodesa (BDS)**, a leading retailer in the West Coast, is currently working on a spin-off of its financial products into a new subsidiary and the launching of new products.

THE ECONOMIC ENVIRONMENT

This year, it is estimated that the economy will grow at a level similar to that of 2017; however, key risks include the status of the commercial relationship with the USA and national elections in July.

Results for 4Q17 showed a rebound in Mexico's growth due to the recovery of consumption and a boost in construction following earthquakes in September. Total GDP growth was 2.1% in 2017.

In 2017, a primary fiscal surplus was achieved, representing 1.4% of GDP. This means that debt as a percentage of GDP was down for the first time in ten years, reducing the likelihood of a downgrade in the sovereign rating of Mexico.

Inflation in 2017 was 6.8%, its highest since 2000, mainly due to exchange rates and energy prices. Regarding inflation in 2018, we believe that the base effect will have a favorable impact, leading to a drop in headline inflation. Analysts expect inflation to close at around 4% in 2018, close to the central bank's target range. Banxico will monitor inflation in the coming months and is expected to act with caution, which is why a drop in interest rates is not expected in the short-term.

2018 looks promising for foreign investment. According to a Bloomberg research report, analysts believe that interest rates in Mexico undervalue assets. Other emerging economies are less attractive with lower interest rates causing bonds and assets to be more expensive. Analysts also believe that the Mexican peso is undervalued due to temporary political uncertainty.

In the latest round of NAFTA negotiations, progress was achieved in telecommunications, commerce and sanitary export measures. Two further rounds were agreed between the parties, indicating that there are pending issues to address. President Trump's recent State of the Union address didn't even mention NAFTA, but he did mention that adjustments for commercial agreements were needed; thus, an immediate withdrawal is unexpected and improbable.

THE POLITICAL LANDSCAPE

2018 marks a year of important elections across Latin America amid corruption scandals, unpopular governments and slow economic growth. Elections are scheduled in Costa Rica, Paraguay, Colombia, Mexico, Brazil and Venezuela.

Elections in Brazil, Colombia and Mexico are expected to be dominated by a reaction to traditional politics and a firm call for change. In Mexico, as pre-campaigns take place, Andrés Manuel Lopez Obrador (Morena) leads the polls against Ricardo Anaya (PAN) and José Antonio Meade (PRI). The election will take place on July 1st.

Lopez Obrador has gained voters through his populist speech, promising radical change in his third stand for President. Meade, the third most popular candidate, has had problems winning the public trust following Peña Nieto's unpopular term. Despite this, with the electoral muscle of the PRI party, analysts expect Meade to be in a close battle for Presidency, currently almost tied with Anaya.

Besides offering an alternative to corruption and insecurity, a critical consideration amongst the electorate is the candidates' ability to stand up to Trump's constant threats, including his intention to reinforce immigration policies and to build a Border Wall. We will keep you posted on news surrounding the Presidential elections.

