



- MIF II finished strong 2015 and delivered robust growth in Q1-16
- MIF I will be fully realized in H1 2016

WAMEX NEWS

2015 was a positive year for MIF II. Despite only moderate growth in the Mexican economy and limited financial stability worldwide, MIF II portfolio companies outperformed the broader market. All portfolio companies achieved a minimum of 22% sales growth in local currency. On another positive note, MIF I is expected to be fully realized in 1H16.

MIF II portfolio companies have delivered excellent results this year. **Hoteles City Express** now has almost 110 hotels in operation and continues to enhance relationships with its guests through an optimized frequent traveler program, whilst continuing to expand the chain. **Productos Medix** has continued to diversify its portfolio across products as well as channels to ensure both profitability and growth throughout 2016, with a budget forecasting further EBITDA growth. **KUA** has successfully exported several product lines across the border into California and Texas with the help of its most recent acquisition: Del Norte Foods in the US. KUA's 100% natural juice, Frutos de Vida, is now being sold in Costco Wholesale. This breakthrough into the US market creates significant new opportunities for other portfolio brands to begin export sales in the near future. Finally, **Bodesa** also had an excellent year with the completion of its expansion plan, doubling its footprint as projected at the time of initial investment. The development of its financial products business line is on track, with positive results since implementation. The company is also reinforcing its top executive team.

THE ECONOMIC ENVIRONMENT

The efforts undertaken by the Mexican government to maintain a stable economic environment contributed to a historic low in headline inflation of 2.13% in 2015, and better than anticipated GDP growth of 2.9% in 1Q16 where primary, secondary and tertiary economic activities grew by 3.0%, 2.2% and 3.7% respectively. Other factors that contributed to this low inflation rate were reductions in the price of commodities, energy products and telecommunication services, the latter two largely due to the Structural Reforms.

The favorable evolution of inflation occurred despite the depreciation of the national currency, which so far has only been reflected in the prices of some goods. The Mexican currency depreciated as a response to declining oil prices.

In view of increased volatility in international financial markets and deterioration in the external macro environment, Mexican authorities acted in a timely and coordinated manner, implementing a series of adjustment measures, such as increasing the reference interest rate by 50 bps to 3.75%. Adjusting expenses will help to maintain a low budget deficit, along with coordinated central bank action to keep the peso stable.

THE POLITICAL LANDSCAPE

As mentioned in prior updates, the President's agenda has been focused on pending reforms, which have been approved in Congress and are now being implemented. The energy reform has been adjusted to account for the new oil trends but continues to move forward, with various auctions underway. Other reforms aimed at education, transparency, and accountability have also advanced in most states.

Political parties are now occupied with supporting their candidates for upcoming five state governor elections between the governing party (PRI), right-wing party (PAN) and left-wing parties (PRD and Morena). In addition, the Mexico City federal district will now become a full state, and a constitutional assembly is being formed.

In terms of foreign affairs, President Peña has kept a very active international profile to continue attracting foreign direct investment, delivering frequent positive news about additional auto-industry and other investment flowing into Mexico. Mr. Peña has made two more trips to Europe and to the United Nations, to drive a positive message centered on developments in imports, exports, tourism, and political stability.

In summary, the political environment remains stable, predictable and attractive for private equity investments.

