



- MIF II companies sustain a trend of solid growth
- M-III First Closing and Upcoming Investments

WAMEX NEWS

MIF-II portfolio companies have shown quarter after quarter strong financial and operational results. **Hoteles City Express (HCE)**, the leading business limited-service hotel chain in Mexico, is now operating 125 hotels and achieving increases in rates and occupancy. The company has developed a friendly user online platform to boost the number of rooms booked. **Productos Medix (MEDIX)**, the leading anti-obesity and overweight pharmaceutical company in Mexico, continues working on the strategy of rebranding and refurbishing weight control centers in order to offer additional solutions to address the overweight and obesity illness through a customized plan. Also management and shareholders are prepping a potential liquidity event for Q4 of 2017. **KUA Mex Foods (KUA)**, the unique consolidation platform in the Mexican Food & Beverage industry, recently launched to the market its new product called “*Mitad Mitad*”, which combines the benefits of the coconut water and citrus juices like orange or grapefruit. Along with the juice combination the company introduced its new flavor *chipotle* cactus snacks. **Bodesa (BDS)**, the leading retailer in the Mexican Western area, was recognized again with a “Best Mexican Companies” distinction.

Wamex made a successful first closing of its third Fund M-III and is deploying its first investment into a logistics platform called EcoFrío, a cold storage facility provider to the food and beverage industry. A second investment is being negotiated into the education market where talks are under way with a potential international partner to roll out a Mexican education platform. MIII has a very active pipeline promising an agile investment process.

THE ECONOMIC ENVIRONMENT

Mexico’s economic panorama has improved substantially since President Trump’s election on November 8. Analysts are revising their growth forecasts for this year upwards, due mainly to the change in tone of President Trump’s speech, which leads to believe that the renegotiation of NAFTA will be for the benefit of all parties; another important support factor, is the good performance of the US manufacturing sector, which is very important for Mexico’s development.

Since the beginning of the year, the peso has appreciated 10%, basically because of the markets’ expectations, which assign a higher probability to the event that NAFTA will be renegotiated with successful outcomes for all. This year, growth in exports is expected to lead total growth, offsetting the slight decline in domestic consumption.

Because of the total depreciation of the peso since last year, the price of imports rose significantly, causing an increase in inflation that could reach 5% per year, higher than the Central Bank’s target rate. In response to inflationary pressure among other reasons, the Mexican Central Bank increased the local peso reference rate by 100 bps from 5.75% to 6.75%.

THE POLITICAL LANDSCAPE

Mexico’s political agenda and actors now have to manoeuvre unpredictable Trump initiatives. For now, some of his key campaign themes regarding Mexico have been tamed: basically building the famous border wall and scraping NAFTA. Although NAFTA in the end will likely be modernized without earth-shattering implications for the Mexican economy, the immigration angles of the bilateral relationship (including the wall) will recur over time.

The timing of NAFTA negotiations is important, as they could become a contentious topic next year among Mexican Presidential candidates, so that a technical discussion can become politicized in the 2018 campaigns. It is in the interest of all governments involved to proceed swiftly to negotiations to avoid economic volatility in Mexico, which seems to be the chosen path amongst Canada, Mexico and the US (reluctantly). Technical arguments support the orderly modernization of a pact that can fortify the world’s largest trading bloc.

In the short term, focus is on various state elections, most importantly the State of Mexico, which has a large electoral weight on all parties’ positioning towards the Presidential elections next year. Currently, the PRI candidate has a slight advantage in State of Mexico over Morena’s, with both PAN and PRD candidates relatively out of contention. A PRI win would show the party’s historical resiliency in the face of various PRI ex-governor corruption scandals.

For the second half of this year, attention will then shift towards likely candidates for succeeding President Peña Nieto in 2018. As everywhere else, the Mexican electorate is tired of all traditional parties, but a successful independent candidate is extremely unlikely.

Although the PRI has a large negative baggage, it has the strongest party machinery, and both the PAN and PRD are divided within. Only Morena has announced its founder Lopez Obrador’s candidacy (his third try at being President), so that he is practically pre-campaigning nationwide. However, he still has a populist profile, which can either help - or hurt - his prospects.

