

Allocation Mexico

Economic recovery slowly materializing

We are increasingly positive on the Mexican market, although we await further hard data to confirm our expectations. We see many indications of a recovery, which are already reflecting on the local stock market. However, we believe that the continuation of a positive news flow might support further appreciation.

We continue to base our portfolio strategy on specific catalysts for the companies we find attractive. First quarter results have already started to influence some of our choices. For April, we maintained the core of our March portfolio, with weight unchanged for America Movil, Cemex, Genomma LAB, Grupo Mexico, Mexichem and Walmex, which together account for 70% of our portfolio's total weight. For the remaining 30%, the changes were the inclusion of Femsas, Peñoles ICA and Tlevisa, a reduction in weight of ARA and the withdrawal of Autlan, Axtel and GEO.

Our estimated GDP may need another upward revision

Recent statements from the Finance Minister suggest that the Mexican economy might grow 5% in 2010, while the official government estimate remains at 4.2%. If hard data confirm this trend, we might find our own 4.1% growth estimate demanding a further upward revision, although we increased our figure just last month. Recently released statistics, such as the creation of new jobs, the reduction in the rate of unemployment to 5.3% from 5.9%, and industrial production growth, support this economic strength. Expectations are for local consumption to recover, and demand in the US for Mexican products has already begun increasing. Additionally, data released for February show that vehicle sales grew nearly 100% YoY.

Expectations for interest rate and inflation remain unchanged

Expectations for interest rates, currently at 4.5% pa, continue unchanged, as we continue to foresee increases of 0.25% applied only in September and in October. This is in line with expectations for 2010's inflation, which we continue to estimate at 4.94%.

Suggested Portfolio – April/10

LONG/OVERWEIGHT

Stock	Ticker	Traded Vol.*	Weight %
America Movil	AMXL	1,217.4	20
Ara	ARA	28.1	5
Cemex	CEMEXCPO	341.9	5
Femsas	FEMSAUBD	236.8	5
GMexico	GMEXICOB	475.3	20
GenommaLAB	LABB	85.0	10
ICA	ICA*	160.9	5
Mexichem	MEXCHEM	92.8	5
Peñoles	PE&OLES*	52.1	10
Tlevisa	TLEVICPO	220.9	5
Walmex	WALMEXV	458.3	10
Total	-		100

Source: Banif - Ixe Securities Research

* Average trading volume (P\$ mn) in the past 90 days

“LONG”/Overweight – Suggested Portfolio

Company	Ticker	Current Price	52 - week High	52 - week Low	Performance YTD	Performance 12M
America Movil	AMXL	31.13	32.03	18.90	1.1%	65.7%

Catalyst: We expect positive results for 1Q10, as the economy is recovering and the data transmission market is growing. We also estimate a modest growth in margins, as the company could reduce its costs with subscribers' acquisition.

Company	Ticker	Current Price	52 - week High	52 - week Low	Performance YTD	Performance 12M
Ara	ARA	8.31	9.95	3.86	-8.8%	122.2%

Catalyst: We are keeping Ara on the portfolio due to its attractive valuation and as it is the only homebuilder that incorporated the new accounting changes in 2009. Therefore, comparisons will be easier.

Company	Ticker	Current Price	52 - week High	52 - week Low	Performance YTD	Performance 12M
Cemex	CEMEXCPO	12.74	19.19	9.23	-18.2%	48.5%

Catalyst: The company issued convertible notes with a dilution effect close to 5% to improve its debt profile and because of the strong possibility of reporting a consolidated net loss during 1Q10. However, we believe that the market has priced in these issues recently.

Company	Ticker	Current Price	52 - week High	52 - week Low	Performance YTD	Performance 12M
Femsa	FEMSAUBD	59.03	64.48	33.91	-5.8%	73.5%

Catalyst: We have a positive view for this year's results, already starting in 1Q10. In addition, there is an easy YoY comparison. KOF and Oxxo stores, Femsa's two main business divisions, show great potential for growth, not only in Mexico, but also in Latin America. Expectations are for KOF to announce the acquisition of a local bottler during the year (maybe Arca or Contal) and then turn to Latin America (mainly Brazil). OXXO is likely to continue with an aggressive opening plan, aiming to reach 12,000 stores in 4 years, from its current number of around 7,000.

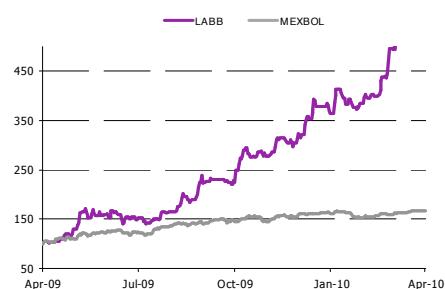
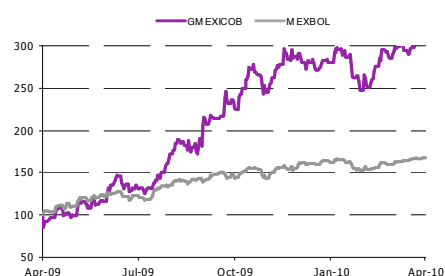
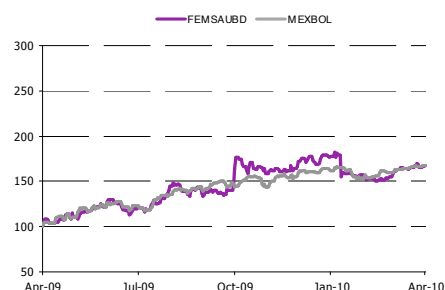
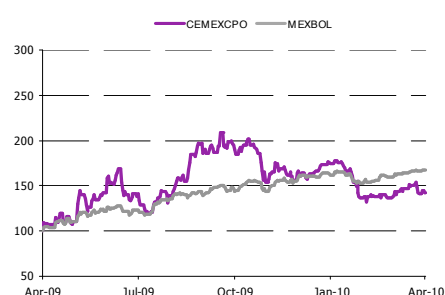
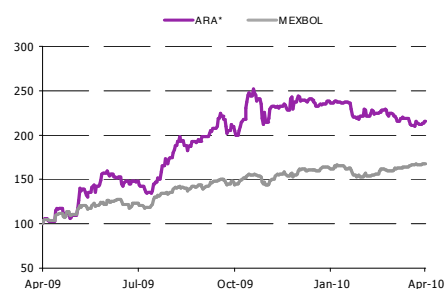
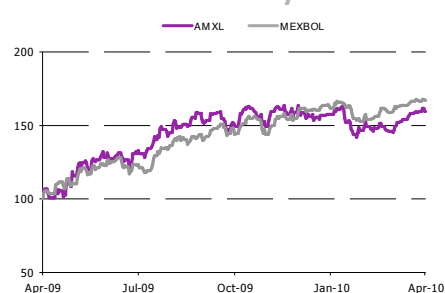
Company	Ticker	Current Price	52 - week High	52 - week Low	Performance YTD	Performance 12M
GMexico	GMEXICOB	33.11	33.80	8.99	10.8%	228.7%

Catalyst: Remarkable growth expected for FY2010, with Sales up 63% and EBITDA up 80% YoY due to a higher Sales volume (Asarco) and better copper prices vs. 2009.

Company	Ticker	Current Price	52 - week High	52 - week Low	Performance YTD	Performance 12M
Genomma LAB	LABB	42.97	44.20	7.80	49.3	479.9

Catalyst: We expect continued strong results for 1Q10, as its publicity initiatives have proved very effective in increasing sales. The initiation of operations in the USA at the end of 2009 has a large positive potential.

Stock x IPyC



“LONG”/Overweight – Suggested Portfolio

Company	Ticker	Current	52 – week		Performance	
		Price	High	Low	YTD	12M
ICA	ICA*	31.62	35.50	15.59	3.7%	68.5%

Catalyst: We believe ICA’s bid for the Mitla-Tehuantepec road and its attractive valuation should fuel the stock performance during the month.

Company	Ticker	Current	52 – week		Performance	
		Price	High	Low	YTD	12M
Mexichem	MEXCHEM	36.80	37.00	9.89	47.6%	284.1%

Catalyst: Due to its high cash position, we believe there is a strong potential for acquisitions ahead. Additionally, the projects started last year (Sulfur and Aluminum Fluorine plants), should improve 2010 results.

Company	Ticker	Current	52 – week		Performance	
		Price	High	Low	YTD	12M
Peñoles	PE&OLES*	260.76	316.01	136.84	-6.5%	83.9%

Catalyst: One of the best reports expected for 1Q10 (EBITDA up aprox. 250% YoY), a consequence of an exceptionally low 1Q09 comparison base (66 day strike)

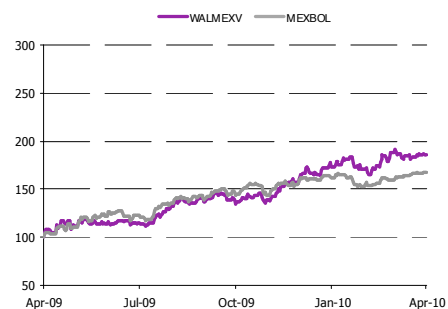
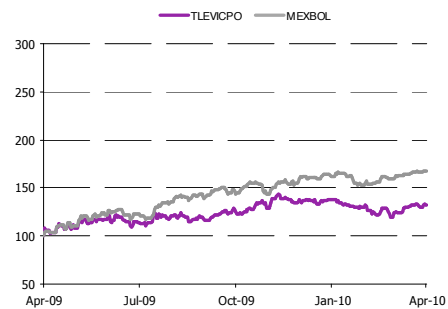
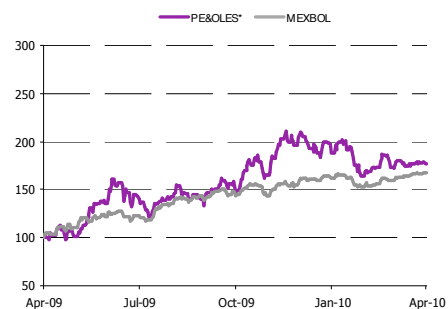
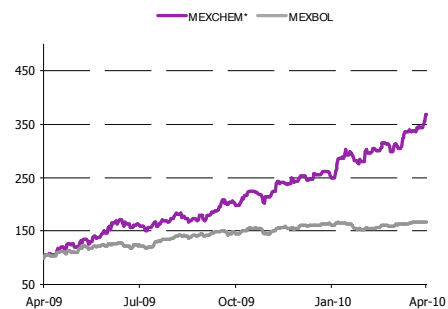
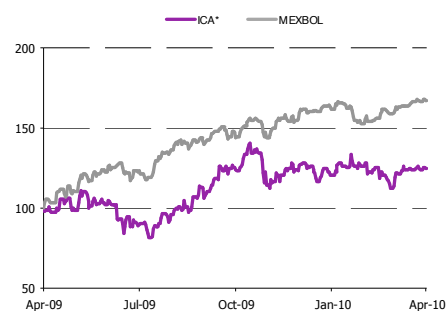
Company	Ticker	Current	52 – week		Performance	
		Price	High	Low	YTD	12M
Tlevisa	TLEVICO	52.28	57.00	36.85	-3.6%	40.2%

Catalyst: The company has reached some agreements (Nextel stake and JV to bid in dark fiber offer) that could strengthen its position in the telecom business and improve its position relative to the incumbent. We also see positive results from the advertising business due to a better economic scenario.

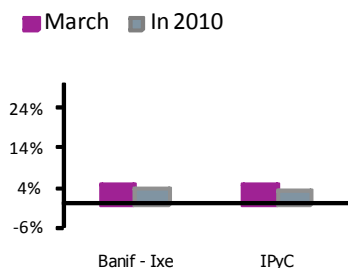
Company	Ticker	Current	52 – week		Performance	
		Price	High	Low	YTD	12M
Walmex	WALMEXV	63.12	65.27	33.75	7.5%	93.8%

Catalyst: We continue optimistic on the company because: 1) It keeps gaining market share and 2) we expect good figures in 1Q10, with a strong SSS and because of the incorporation of Wal-Mart Central America in March 2010.

Stock x IPyC

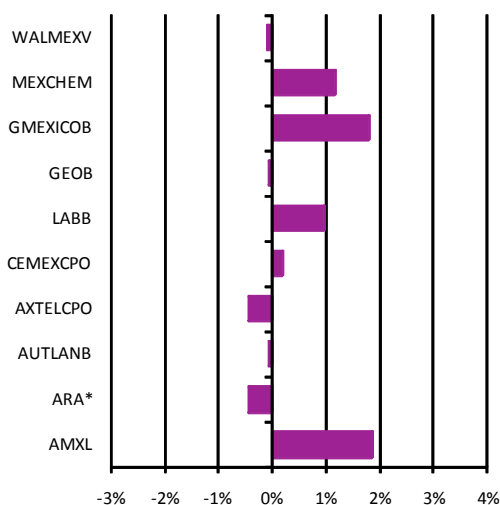


Banif - Ixe (LONG) x IPyC



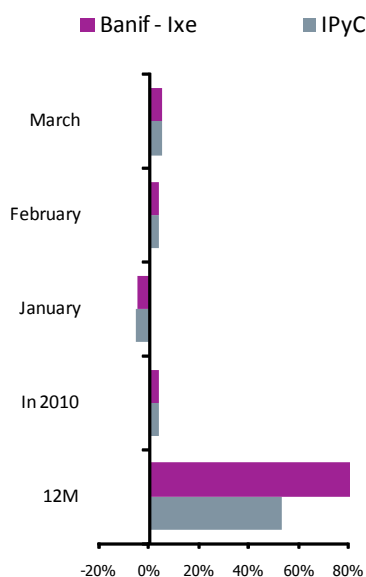
Source: Economática

Weighted performance in March '10



Source: Economática, weighted performance of the stocks from the recommended portfolio

Banif-Ixe x IPyC



<u>2008</u>	Banif-Ixe	IPyC
Sep-08	-16.7%	-5.3%
Oct-08	-19.6%	-17.9%
Nov-08	0.4%	0.4%
Dec-08	8.4%	9.0%
<u>2009</u>	Banif-Ixe	IPyC
Jan-09	-8.1%	-12.6%
Feb-09	-8.7%	-9.3%
Mar-09	4.3%	10.6%
Apr-09	13.4%	11.6%
May-09	15.6%	11.1%
Jun-09	3.6%	0.2%
Jul-09	11.6%	11.0%
Aug-09	6.6%	4.0%
Sep-09	8.7%	3.9%
Oct-09	0.2%	-2.0%
Nov-09	-1.7%	-2.0%
Dec-09	0.8%	3.8%
<u>2010</u>	Banif-Ixe	IPyC
Jan-10	-4.9%	-5.4%
Feb-10	3.9%	4.1%
Mar-10	4.9%	5.2%
In 2010	3.7%	3.6%
12M	81.0%	53.7%
18M	81.1%	21.2%

Source: Economática and Banif - Ixe Securities Research

Short Ideas Performance

<u>2010</u>	Banif-Ixe
Jan-10	8.8%
Feb-10	-9.47%
Mar-10	-

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Rating	Coverage	Banking Relationship Last 12 Months
BUY	51.0%	2.0%
NEUTRAL	21.0%	0%
SELL	28.0%	0%

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