

March 2011 Monthly Newsletter

Dear Shareholders of Mongolia Growth Group Ltd.,

Jordan and I recently spent three weeks in Mongolia setting up infrastructure, investigating opportunities, and negotiating on our first significant transaction. In every way, this trip was a success—particularly as we were able to partner with an outstanding group of individuals for the creation of an insurance company.

Upon landing in Ulaanbaatar (UB) in early February, the first thing you notice is the cold. I had been mentally prepared, but the human body isn't quite physically prepared for the 100 degree temperature change from Miami to UB. The other thing you notice is just how much economic activity is going on around you. Written accounts cannot convey the feel of a true boomtown. In UB, people are largely oblivious to the cold—they are focused on commerce and the success of Mongolia.

Our mandate at Mongolia Growth Group Ltd. (MGG) is simple: find ways to gain leverage to the growth of the Mongolian economy. There are many avenues towards achieving this goal. As we strolled around the downtown of UB, we constantly explored our options and tried to focus our opportunity set. We have a broad mandate, but we cannot do everything—the Mongolian economy is just too diverse. Rather, we want to focus on sectors that are undeveloped and where we can deploy significant quantities of capital in an intelligent manner. Fortunately, we have a roadmap to use in our quest for opportunities.

Mongolia isn't the first country to experience rapid growth in the past few decades—there are plenty of examples to learn from and use as templates. If history is any guide, excluding the resource sector which is leading the boom, the sectors we should focus on are financial services and the real estate sector. Of course, we will not exclude a good opportunity just because it falls outside of our targeted sectors.

Over time, real estate prices are correlated with changes in wealth and disposable income. As the Mongolian economy expands, real estate should be a sector that will take advantage of such trends. While we are open to attractive construction opportunities, our preference is to purchase and rent out existing properties. We see rental yield as a tangible metric in determining the value of a property portfolio. More importantly, existing properties produce cash flow almost immediately after you acquire them. As a young company, we are determined to achieve profitability and reduce funding risk. Unfortunately, we are limited by the number of properties that are currently available for sale at attractive prices.

As an economy grows, the need for financial services grows with it. Our research shows that this process isn't exactly linear—rather, the demand for financial services should eventually grow at a faster pace than the overall economy. If we can partner with good operators, this should produce substantial operating leverage for MGG, particularly as financial services tend to have high returns on capital to begin with.

As consumers and businesses acquire more valuable assets, they naturally want to find ways to mitigate losses due to exogenous events. It is said that you don't realize the need for insurance until you have to file an insurance claim. The recent earthquake in Japan reminds us all of the need for insurance. We intend for insurance to be the first business of what we hope will be an integrated financial services company. We did not set out to build an insurance company first— instead, we happened to find an insurance management team that we admired first.

As Jordan and I strolled around UB, we were constantly reminded of two facts—it's quite cold— but more importantly, MGG will only be as successful as our Mongolian partners can make it. Jordan and I would be challenged to run an insurance company in America—we would find it impossible in Mongolia; the same goes for many other enterprises. The barriers of culture, customs, relationships and especially language are not quickly overcome.

We are allocators of capital and over the past decade, we have been very successful at investing in others. I don't see any reason to adjust a proven model just because we are in a different country. We have no desire to bring hordes of Western managers with us. There is more than enough entrepreneurial talent in Mongolia. We just need to find it. As investors, we feel that we bring Western knowledge and a decade of investment experience to the table, but primarily, we bring capital. We actively seek out potential partners in need of capital.



Our foray into insurance is our first such partnership. We structured it in a creative way that allows management of the insurance company to use their bonuses to acquire part of that company. Naturally, they can add their own capital as well and we are hopeful that they will. Finally, our partners, through options, have the ability to benefit from the success of MGG. We believe this is an ideal model for future partnerships.

As we continue to explore the Mongolian economy, we are constantly struck by how being undercapitalized can hold back business growth. Our desire is to partner with other successful entrepreneurs so that they can grow their businesses more rapidly and invest in the latest equipment and technology to increase productivity. It's good for Mongolia, it's good for the businesses, and hopefully it's good for us as investors.

It bears repeating that MGG will only be as successful as our Mongolian partners can make it. We feel very confident in the integrity and experience of our insurance partners. I have invested in lots of businesses during my career; I cannot think of an investment that started off with more confidence. I welcome our new friends at UMC Group to MGG and hope that this is the start of a very successful partnership.

Harris Kupperman
Chairman & CEO
Mongolia Growth Group Ltd.

For further details on the foregoing document, please refer to the Corporation's filing on SEDAR. For more information on Mongolia Growth Group Ltd., please see our website: www.MongoliaGrowthGroup.com

Or contact:

Jordan Calonego jcalonego@MongoliaGrowthGroup.com or
Harris Kupperman hkuppy@MongoliaGrowthGroup.com

Forward-looking Information Cautionary Statement

Except for statements of historic fact, this news release contains certain forward-looking information within the meaning of applicable securities law. Forward-looking information is frequently characterized by words such as “plan”, “expect”, “project”, “intend”, “believe”, “anticipate”, “estimate” and other similar words, or statements that certain events or conditions “may” or “will” occur. Forward-looking statements are based on the opinions and estimates at the date the statements are made, and are subject to a variety of risks, uncertainties and other factors that could cause actual events or results to differ materially from those anticipated in the forward-looking statements including, but not limited to delays or uncertainties with regulatory approvals, including that of the CNSX. There are uncertainties inherent in forward-looking information, including factors beyond MGG’s control. MGG undertakes no obligation to update forward-looking information if circumstances or management’s estimates or opinions should change except as required by law. The reader is cautioned not to place undue reliance on forward-looking statements. Additional information identifying risks and uncertainties that could affect financial results is contained in MGG’s filings with Canadian securities regulators, which filings are available at www.sedar.com. The CNSX has not reviewed and does not accept responsibility for the adequacy or accuracy of this release. Source: Mongolia Growth Group Ltd. (CNSX – YAK)

Maximum News Dissemination by Filing Services Canada Inc. <http://www.usetdas.com>

