

June 2013 Monthly Newsletter

Dear Shareholders of Mongolia Growth Group Ltd.,

During the month of June, we made one small addition to one of our redevelopment land packages and we sold one apartment unit as part of our plan to continue disposing of residential apartments. We anticipate that by year end, we will have disposed of almost all of our apartments with the exception of those needed for our employee housing needs. We remain focused on a number of sizable potential acquisitions—but there can be no certainty that any of these transactions will happen.

The big news this month is the newly created government program to issue 8% residential mortgages with 20 year duration. For a point of reference, previously most Mongolian Togrog denominated mortgages were at rates of around 20% annually with amortization schedules of 5-15 years. The reduced interest rates and substantially elongated principal repayment structure of these new 8% mortgages means that most borrowers will see their monthly mortgage payments drop by 50% to 70%.

This reduced monthly payment now allows families that previously could not afford a mortgage to enter the property market. It will also allow families with existing mortgages to be able to pay down their mortgages and build up equity. Of all of the news stories thus far during 2013, this is probably the biggest one for Mongolia—yet it has gotten very little attention from the foreign media. Here at MGG, we are watching this 8% mortgage plan closely as we believe that a liquid and functioning residential mortgage market is a harbinger of the creation of a sizable middle class in Mongolia. In addition, in the shorter term, it has unleashed quite a lot of capital into the consumer economy—which is good for everybody, particularly our retail tenants.

While we've seen the consumer economy spring to life, it is worth noting that we are in the very early stages of this re-invention of the consumer with access to affordable credit. According to government data, the 8% mortgages only became available starting on June 17th. In the first 15 days of their existence, 327.1 billion (\$228 million USD) of existing mortgages were refinanced and 61.5 billion (\$43 million USD) of new mortgages were issued. This brings the total size of the program in the first 15 days to 388.6 billion MNT (approximately \$268 million USD). While accurate data on the size of the consumer economy is not available, it cannot be much larger than USD \$3 billion and it is likely a good deal smaller. Needless to say, the magnitude of this program is truly massive and bound to have many very positive knock-on effects for any business that is tied to the consumer economy. It goes without saying, that given our heavy exposure to retail space, our company is already seeing sizable benefits from the added liquidity in the economy.

On a side note, we built this company based on the very firm belief that the mines being built in Mongolia would have an unexpectedly large impact on the wealth and disposable incomes of the majority of its citizens. We felt that this increase in wealth would be most evident in an increased level of spending power for the Mongolian consumer. Recent declines in mortgage rates seem to have accelerated this trend—even before the large mineral assets could spread their wealth into the consumer economy. If recent evidence on the streets of Ulaanbaatar is indicative of the future trajectory of consumer spending growth, these 8% mortgages are going to accelerate our thesis's timeline. For a point of reference for investors who do not spend much time in Mongolia: the first two weeks of July were the most crowded and busy that I have seen the restaurants, bars and shops of Ulaanbaatar since I started spending time there in 2010. These 8% mortgages are creating their own consumer boom.

Returning to our portfolio, June saw us hit a new monthly high in revenue collected—even as we continue to slowly sell off non-core property assets. The increase in revenues is largely the result of leasing up certain assets that were undergoing substantial re-development. We have just begun one very sizable additional re-development and are in the planning stages of an even more substantial one. In total, we intend to spend in excess of USD \$1 million during 2013 on renovations and re-developments. These projects will complete the program that we began in late 2012 to modernize 5 sizable assets to substantially improve their yields.

By year-end, we expect that these last two re-developments will be completed and that the properties will be leased up. In Mongolian Togrog terms, by year end, we expect our monthly rental revenues to increase by approximately 40% from the June level and over 50% from our January, 2013 level due to a combination of leasing-up these properties plus some moderate rental increases on other assets. This rental increase also takes into account the fact that we intend to continue selling non-core assets. Moreover, this increase in revenue will come without any substantial increase in expenses. Based on our current expense levels and assuming that these two properties are leased at market rates; we would expect to become cash flow positive on a monthly basis by year end.



Sincerely,

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:

Genevieve Walkden
GWalkden@mongoliagrowthgroup.com

Forward-looking Information Cautionary Statement

Information and statements contained in this Letter to Shareholders that are not historical facts are “forward-looking information” within the meaning of applicable Canadian securities legislation and involve risks and uncertainties. Examples of forward-looking information and statements contained in this Letter to Shareholders include information with respect to: our belief that our listing on the TSXV will increase the liquidity of our shares and our ability to continue to attract new investors; our prospects for being able to agree upon acceptable terms for the purchase of properties that we are researching; our anticipation that our current small recurring losses will become small gains; our expectation that our three office assets under renovation, when fully leased, will substantially increase revenue rentals with minimal additional costs; and our plans for 2013.

Forward-looking information is necessarily based upon a number of assumptions that, while considered reasonable by management, are inherently subject to significant business, economic and competitive uncertainties and contingencies. MGG cautions the reader that such forward-looking information involves known and unknown risks, uncertainties and other factors that may cause actual results and developments to differ materially from those expressed or implied by such forward-looking information. Such risks and uncertainties include, but are not limited to: risks associated with investment in and development of real property in Mongolia and the insurance business in Mongolia; competition, financing and refinancing risks; risks related to economic conditions; risks related to regulation of the real estate and insurance business in Mongolia; political risk in Mongolia; changes in Mongolian taxation rules; claims against our insurance policies differing from our assumptions; reliance on key personnel; environmental matters; tenant and policyholder risks; risk of insurance fraud; and other risk factors more particularly described in in MGG’s filings with Canadian securities regulators, which filings are available at www.sedar.com. Additional risks and uncertainties not presently known to MGG or that MGG currently believes to be less significant may also adversely affect MGG. Forward-looking information is designed to help you understand management’s current views of our near and longer term prospects, and it may not be appropriate for other purposes. MGG does not undertake any obligation to update or revise forward-looking information, whether as a result of new information, future events or otherwise, except to the extent legally required.

The TSXV has not reviewed and does not accept responsibility for the adequacy or accuracy of this Letter to Shareholders.

