



October 18, 2012

## September 2012 Monthly Newsletter

Dear Shareholders of Mongolia Growth Group Ltd.,

During September, our company sold two non-core property assets without making any purchases, which served to slightly reduce the size of our portfolio. Once again, I do not see this as any sort of trend—rather it is a reflection of our patience in regard to acquiring top quality assets. Despite not making any acquisitions for two months, we have been remarkably busy at the property division. We are currently undertaking pretty thorough renovations of three office buildings to better position them for the current market and increase the economic returns on them. All of these renovations began in the past few weeks, though the planning for them has gone on for substantially longer.

**Corporate Headquarters**—We are working to redo our lobby, repaint the exterior and do general maintenance on our interior spaces. The goal is to complete the renovations that we started last winter. In addition, by reorganizing the layout of one floor, we should almost double the leasable space on that floor.

**Pink Building**—We are repainting the exterior, improving the lobby and staircases and also re-modeling two of the five floors that were just vacated. We had wanted to do these renovations during the early summer, but chose to instead wait four months for a tenant that occupied half of the building to vacate in order to make these renovations more effective. In addition, by converting the garage into leasable space, we should add roughly 100 meters of highly desirable ground floor retail space. Overall, we think that following these renovations, we should be able to nearly triple the yield that we were previously receiving.

**White Building**—During the summer, we purchased this very well located building which had not been occupied for a number of years. We are in the process of completely gutting and renovating the building. This involves redoing the roof, repainting the exterior, redoing the heating and water, repairing the elevator and finally designing and refurbishing all of the interior spaces. Naturally, given the scope of the work required, we got a very good price on our acquisition.

In the next few months as these projects are completed, I hope to have images to share with you that show “before and after.” In addition to these projects, the reduced pace of acquisitions has let us focus on improving our operations at the property division. In any company that grows as rapidly as ours has, there are areas that need improvement and we are focusing our attention on these areas. We have already seen remarkable progress in terms of our ability to reduce vacancies and improve our turn-around time when vacancies do occur. Our next area of focus is on our costs. In this regard, despite running a pretty lean operation, I think that there are areas that we can improve upon. In particular, I think that better oversight of maintenance and repair work will yield nice rewards starting next year. The unfortunate truth is that many of the assets that we are acquiring have been poorly maintained. Often, we try to catch up on years of inactivity and mid-way through the process learn that we would have been better off just completely overhauling whatever we are focused on. For instance, rather than patch roofs, it’s usually cheaper to just redo the whole thing. As we get more experienced at this, I think that we will increasingly make the correct decisions earlier in the repair process.

While I expect to see some savings on the cost side, these will probably be offset by increased spending as our business continues to grow. Fortunately, on the revenue side, we continue to see a lot of low hanging fruit. In past letters I have spoken about how we expect to see our rents increase in the future based on leases resetting to current market rates. What I haven’t mentioned is that we have a lot of room to add whole new sources of revenue. We are in the initial stages of charging for signage on certain assets—we are also exploring the installation of cellular towers on certain buildings. While it is hard to estimate the ultimate result, I think these could eventually become quite substantial to our overall results.

In summary, the lull in acquisitions has given us time to refocus on operations and process improvement.

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:

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## Forward-looking Information Cautionary Statement

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