



## Mongolia Growth Group Ltd. October 2015 Monthly Letter to Shareholders

TORONTO, CANADA, December 2, 2015 /FSC/ Mongolia Growth Group Ltd. (YAK – TSXV and MNGGF – USA), (“MGG”) or (“the Company”) a commercial real estate investment and development company participating in the dynamic growth of the Mongolian economy announces the release of its October 2015 Shareholder Letter.

### October 2015 Shareholder Letter

#### To the Shareholders of Mongolia Growth Group Ltd.,

In October 2015, MGG’s core commercial property portfolio\* experienced a same-store rental decline of 15.4% relative to October 2014 on properties owned 12 months or longer, as measured in Mongolian Togrog (MNT). Total billed revenue for October 2015 was 239.2 million MNT, as compared to 251.1 million MNT in October of 2014 or a 4.7% decrease.\*\* The occupancy rate for the core portfolio in October of 2015 was 85.1% including an occupancy rate of 81.7% for core retail properties and an occupancy rate of 89.9% for core office properties\*\*\*.

#### October Revenue

##### *October Revenue*

Our rents in October would have shown a third consecutive monthly increase if not for the sudden departure of a large retail tenant who decided to exit the Mongolian retail market. Despite this decline in rent, other initiatives to increase rent are moving forward and we have recently signed a number of leases for space that previously did not have tenants. Following periods of discounted rent, we believe that these new tenants will add to our overall rental revenue.

As can be seen from our comparable numbers, overall rental rates in Mongolia are rapidly declining. Given the state of the economy, we consider ourselves to be fortunate that we are doing as well as we are and our team in Mongolia is doing an excellent job of rapidly re-leasing vacant properties and keeping our unpaid rent to a minimum.



## Mongolian Economic Update

Since the most recent letter:

- Mongolia climbs 3 spots on World Bank's Doing Business Index 2016 to 56th (GoGo Mongolia)
- The **World Economics Headline Sales Managers' Index** (SMI) for November' reading stood at 34.1, down from 36.1 in October, signaling the sharpest deterioration in business conditions since March. The SMI has now been in contraction territory for the past twenty-one months, with the latest decline reflecting all five of its components. (World Economics)
- As of Oct 2015 the **total cumulative trade turnover decreased by 21.9%** (USD 1,990.0 millions) from that of the previous year and **reached USD 7,090.0 million**. The decrease in the trade turnover was mainly due to the decrease in imports by USD 1,311.0 million. (Bank of Mongolia)
- As of Oct 2015, the **cumulative trade balance improved by USD 632.0 million** from that of the previous year and reached USD 763.4 million. During the reporting period even though the **total exports decreased by 14.7%** from that of the previous year, **imports decreased by 29.3%** from that of the previous year, thus the trade balance improved by USD 632.0 million. (Bank of Mongolia)
- Mongolia Rapid-Bus System Set to Begin in 2017. Project to tackle pollution and gridlock in Ulaanbaatar. Asian Development Bank to provide \$218 million in funding. (Bloomberg)

We look forward to updating you again on our progress and new developments in the Mongolian economy next month.

Sincerely,

**Harris Kupperman**

*Chairman & CEO*

*Mongolia Growth Group Ltd.*

\*The core commercial property portfolio is defined as those commercial assets that are held for long term investment and excludes certain development assets which produce minimal rental revenues, certain assets that are actively being marketed and all residential properties. One property included in the calculation is accounted for as PP&E assets in the Company's financial statements as filed with SEDAR.

\*\*Billed revenue represents the revenue billed to tenants, net of VAT. It does not take into account bad debt expense, late payment penalties, interest income or management fee revenue.

\*\*\*Ground floor retail locations inside of office buildings are classified as office space in terms of rental revenue and meters available to rent.

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](http://www.MongoliaGrowthGroup.com)

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Mongolia Growth Group Ltd. is a publicly traded and leading property investment and development company in Ulaanbaatar, Mongolia. MGG owns an extensive property portfolio, in diversified segments of the property market, with an emphasis on institutional-grade commercial assets.

MGG undertakes its own property acquisitions, develops brownfield land assets and repositions outdated properties, relying on in-house services for all facets of both the investment portfolio and development side of the business. In addition, MGG acts as a full-service third party provider for institutional clients and tailors transactions covering acquisition-to-suit, build-to-suit, as well as refurbish-to-suit, for property owners and major tenants.

#### **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.

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 redevelopment of real property in Mongolia; competition, financing and refinancing risks; risks to the consumer mortgage market; a lack of correlation between disposable income and consumption; risks related to economic conditions; risks related to mining and mining development in Mongolia; risks related to regulation of the real estate in Mongolia; political risk in Mongolia; changes in Mongolian taxation rules; reliance on key personnel; environmental matters; tenant risks; and other risk factors more particularly described in in MGG's filings with Canadian securities regulators, which filings are available at [www.sedar.com](http://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.