



Harris Kupperman
CEO and Chairman of the Board

Letter to Shareholders

Q1 2019 Letter to Shareholders - MD&A

Dear Shareholders,

The first quarter of 2019 saw a continuation of the economic recovery that began in 2018. This recovery has led to a surprising increase in absorption of office and retail space in the downtown core of Ulaanbaatar, where all of our properties are located. This increased absorption has in turn led to almost no vacancy in our portfolio and rental rates on renewals are continuing to increase at a brisk pace. While this recovery has yet to lead to any asset sales during 2019, we have seen an uptick in interest for properties and our third party agency business has been particularly busy, with April being our best month ever in terms of deals closed.

MGG's first quarter, 2019 financial results were roughly in-line with expectations and saw a slight increase in overall revenues as a result of continued growth in our third party agency business offset by a slight decline in rental revenues due to fewer property assets. Offsetting this slight increase in revenue, we experienced higher expenses as we continued to invest in our third party agency business along with increased due diligence expenses as we look for potential acquisition targets outside of Mongolia.

Our securities portfolio produced a \$360,790 (9%) unrealized gain and a \$1,676 (0%) realized gain for the quarter. These returns were mostly related to the reversal of unrealized losses during the fourth quarter of 2018. Since the end of the quarter, we have continued to experience an increase in unrealized and realized gains in our public securities portfolio.

While our securities portfolio has performed admirably thus far in 2019, I recognize that a public company is not the right platform to own a basket of public securities. Therefore, we have continued to seek out an opportunity to buy some or all of an attractive business outside of Mongolia, in order for us to diversify MGG. To date, despite having spent substantial efforts on this endeavor, we have yet to identify a business that is available at a price that we are willing to pay. Fortunately, we are in no hurry to consummate a transaction and will only do so if the terms are attractive to us. In the interim, we expect to use proceeds from asset sales to increase the size of our public securities portfolio.

In summary, while we remain optimistic about Mongolia's long-term future, we are realistic about our own company's predicament. Our property business is subscale and despite an increase in rental rates, we expect that when combined with our corporate overhead, MGG will likely produce operating losses (excluding potential gains from our public securities portfolio) for the foreseeable future. Now that we have finally begun to see tangible signs of recovery in Mongolia, we are taking the necessary steps to grow our third party agency business. At the same time, we remain focused on selling non-core property assets (particularly in office and re-development) so that we can re-position the portfolio and diversify the business.

During the third quarter, the Company re-purchased 73,500 shares under our Normal Course Issuer Bid at an average price of \$0.32/share. This reduced pace of share re-purchases is primarily related to our desire to husband cash for future acquisitions.

Sincerely,

A handwritten signature in blue ink, appearing to read "H. Kupperman".

Harris Kupperman

CEO and Chairman of the Board