



Dear Shareholders

The first quarter of 2020 began reasonably strongly with high occupancy and continued momentum in our 3rd party agency business. However, as COVID-19 hit China, the Mongolian government took extra-ordinary measures to protect the Mongolian people by shutting borders and restricting numerous business activities. As you can imagine, our business suffered as a result of these measures. For some backstory, we had previously outperformed many other property owners during the economic crisis by tilting our tenancy towards the much more stable educational sector, either through private educational centers within our buildings or our Tuguldur Center which focuses on amenities for the university population around the center. As these verticals had previously been insulated, we were able to outperform during the extreme economic volatility of the past few years. Unfortunately, when the government shuttered all schools in Ulaanbaatar, we were unusually exposed to a decline in revenue — particularly at our Tuguldur Center.

During the recurring years of economic crisis within Mongolia, our focus has been on retaining stable tenants and working with them when they have short-term difficulties as we know how difficult it is to find tenants who are reliable, as we always want to avoid the costs associated with vacancy. COVID-19 has added a new dimension to this struggle. We have selectively worked with many of our best tenants to keep occupancy high and achieve any revenue where we can, despite the fact that their businesses are also suffering. While bad debt expense has been low thus far, we anticipate an increase in bad debt in future quarters. Unfortunately, during the first quarter, our revenues were greatly reduced while our expenses stayed roughly constant, hence our losses from operations increased substantially. We are focused on reducing expenses where possible, but there simply isn't much to cut. While we are hopeful that things recover over the next few months, April and May look rather similar to February and March in terms of revenue. If there is an upside thus far, it is that most of our tenants are committed to continuing their current business operations and we hope that rental rates can return to prior levels at some point in the future.

As long-term investors in Mongolia, we understand that there are many Mongolians who are exposed to the risk of COVID. Therefore, during the quarter, we acquired 20,000 masks to donate to the National Center for Communicable Diseases and to the National Center for Maternal and Child Health. Our marketing team produced a video about our donation for our social media channels. Please visit the following link https://youtu.be/GbgO6y_rtu0 to see the video with English language subtitles.

Our securities portfolio produced a \$907,972 unrealized loss and a \$130,538 realized loss, along with a \$55,789 foreign exchange loss for the quarter. I would like to note that our portfolio is invested in a highly concentrated manner and often a handful of positions comprise the majority of the portfolio. Therefore, I would expect the portfolio to be substantially more volatile than an index fund and focus your attention on realized gains — which are indicative of where investments were underwritten compared to fair value. Unrealized gains can and will fluctuate wildly based on movements in our holdings — however if we purchased these investments at an attractive enough valuation, they should eventually accrete towards fair value and allow us to continue realizing gains. During the quarter, global equity markets experienced one of the sharpest declines in the past century and our portfolio was not immune. Additionally, we liquidated one large position and a number of smaller ones at losses due to their businesses being impacted negatively by COVID-19 or the effects of it. Subsequent to quarter end, the portfolio recovered in value quite dramatically and even showed a gain on the year at one point in April. The portfolio's value has since declined moderately in May. Currently, the portfolio's largest exposures are a number of companies that transport crude oil, refined products and propane along with natural gas producers, a telecom equipment manufacturer, a life settlement company and a financial services company.

Overall, I'm unhappy with how our returns have been over the past five quarters. I style myself as a value investor, which means that I often invest in companies that trade at large discounts to tangible book value or a low single-digit multiple on cash flows. Investment trends go in cycles and currently value investing is highly out of favor. As a result, these securities have suffered. I believe strongly that there will come a part of the cycle where these securities once again appreciate towards fair value. Until then, our results will be at the mercy of the markets.

Returning back to our overall business, my hope remains that as we successfully monetize certain property assets in Mongolia, we can increase the size of our public securities portfolio and begin to actually increase book value through future realized gains on our securities portfolio along with the economic benefits of any business in North America that we may start or acquire.

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 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. As a result, we remain focused on selling non-core property assets (particularly in office and re-development) so that we can diversify the business, while keeping our core portfolio and management team so that we can pivot back to Mongolia if the government ever takes a stance that is supportive of economic growth.

I remain of the opinion that our shares are undervalued. During the third quarter, the Company repurchased 334,000 shares under our Normal Course Issuer Bid at a cost of \$72,406. This reduced pace of share repurchases is primarily related to our desire to husband cash for future acquisitions.

Sincerely,

A handwritten signature in blue ink, appearing to read 'HKA', is positioned above the printed name.

Harris Kupperman
CEO