



**Value Investing
Congress**

Las Vegas, May 7, 2013

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Forward-looking statements are not guarantees of our future performance and involve risks, uncertainties and assumptions that may cause our actual results to differ materially from the expectations we describe in our forward-looking statements. For example, some risks, uncertainties and assumptions include: capital requirements; fluctuations in the international currency markets and in the rates of exchange of the currencies of Canada and the United States; price volatility in the spot and forward markets for commodities; impact of any hedging activities, including margin limits and margin calls; discrepancies between actual and estimated production and between actual and estimated reserves and resources; changes in national and local government legislation in Canada, the United States and Mongolia or any other country in which the Company currently or may in the future carry on business; taxation; controls, regulations and political or economic developments in the countries in which the Company does or may carry on business; the speculative nature of oil and natural gas exploration, production and development, including the risks of obtaining necessary licenses and permits; diminishing quantities or grades of reserves; competition; loss of key employees, additional funding requirements; stock market volatility and ability to access sufficient capital from internal and external sources; actual results of current exploration or reclamation activities; changes in project parameters as plans continue to be refined; accidents; labour disputes; and defective title to claims or property or contests over claims to oil and gas properties. In addition, there are risks and hazards associated with the business of oil and natural gas exploration, production and development, including environmental hazards, industrial accidents, unusual or unexpected formations, pressures, cave-ins and flooding (and the risk of inadequate insurance or inability to obtain insurance, to cover these risks). You should not place undue reliance on forward-looking statements.

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Fair Disclosure: I am the Chairman and CEO of Mongolia Growth Group

This presentation is specifically **not** a presentation on MGG. If you want to learn more about our company, please ask me **after** the presentation.

My Hedge Fund's Strategy

- Find the *best* bull markets in world
- Get in *early* & reduce risk
- Buy the *best* assets
- Ignore volatility
- Outcome for investors over past 10 years?
- Volatile—but very good

What Are The Current Difficulties With Being An Investor?



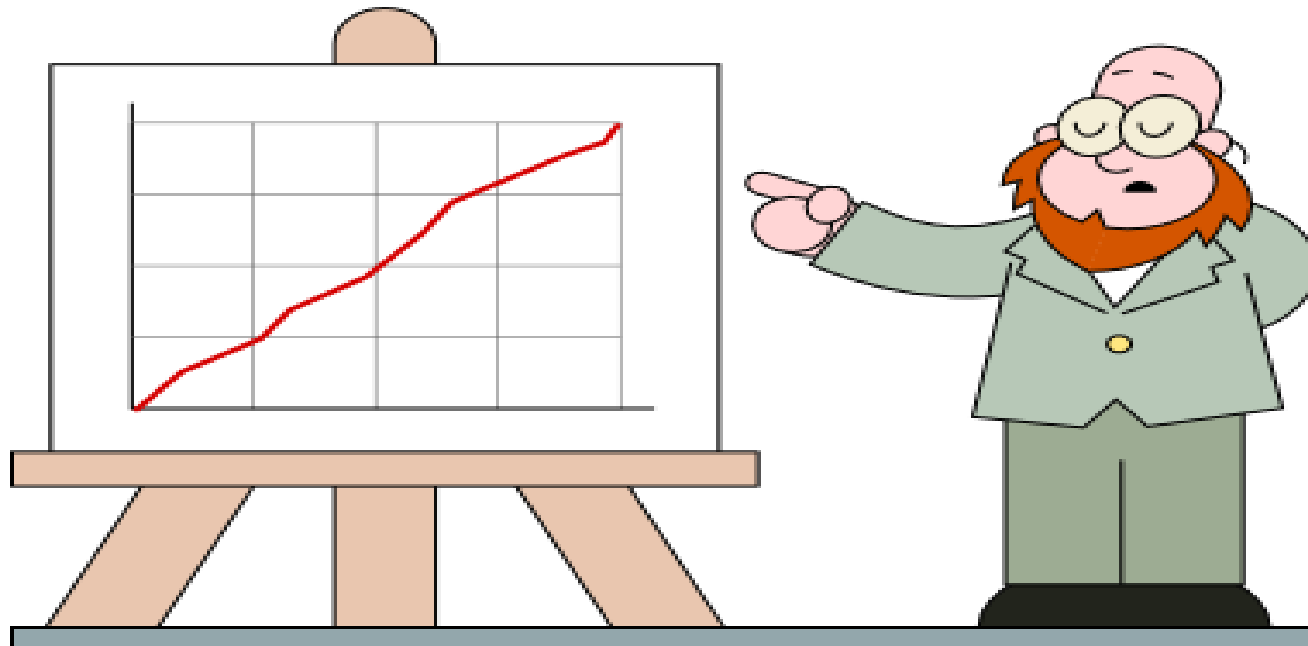
Risk Assets Are Increasingly Correlated



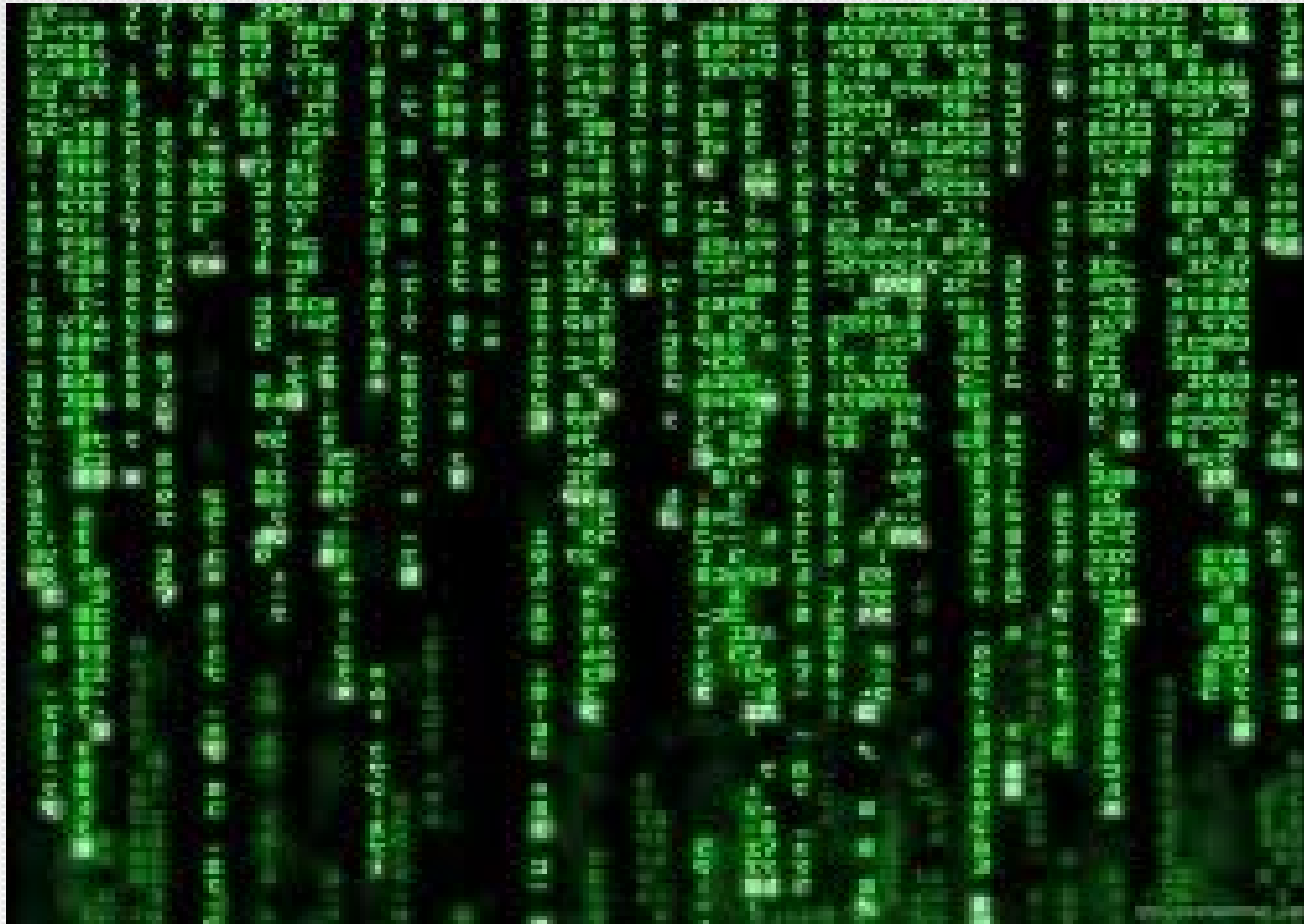
FLEA SNOBBERY

Andrés Diplotti

AFTER INTERVIEWING THOUSANDS OF PEOPLE, I
HAVE FOUND A STRONG CORRELATION EXISTS
BETWEEN BEING SMART AND AGREEING WITH ME.



Supercomputers Search For Opportunity



Too Many Other Investors Are Doing... ...The Same Thing As You



Result?

For most risk assets...



Where is the **CURRENT** Opportunity?

In assets that are NOT yet....

“FINANCIALIZED”

Missed Opportunity: Farmland



Why Agriculture in 2004?

- Increased food demand from emerging markets
- Tight existing stockpiles
- Ag prices depressed vs. inflation
- Mandated ethanol usage (catalyst)

The Question: How do you “*play*” it?

- Fertilizer Companies?

- Seed Companies?

- Irrigation and Pesticide Companies?

- Equipment manufacturers?

- Agricultural trading houses?

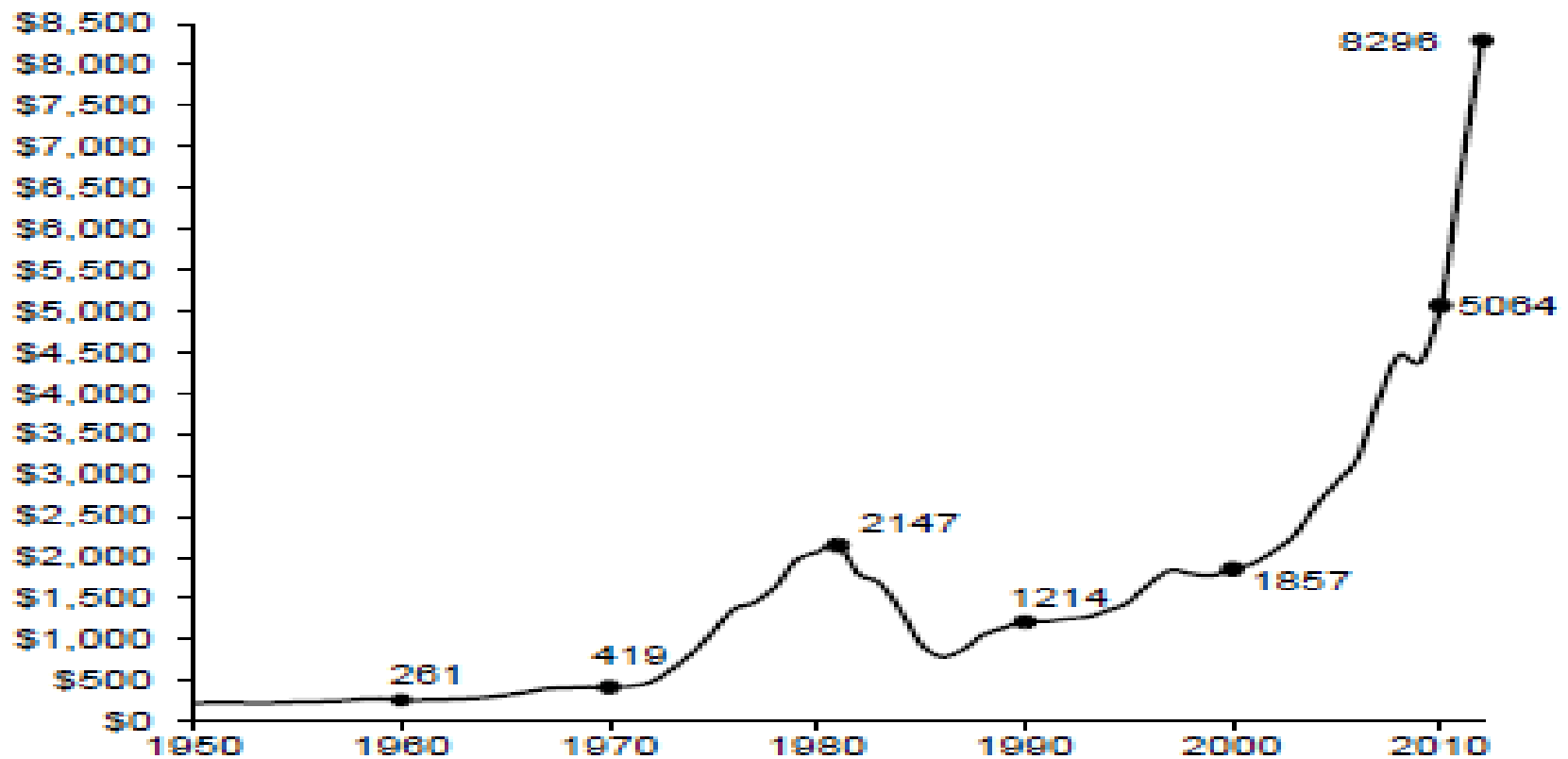
- None give pure leverage to ag prices

Buying Futures was NOT Solution

- **Contango ate up profits**
- **Slippage ate up profits**
- **No inherent leverage without financial leverage**

How You *Should* Have Played It?

Figure 1. Average value per acre of Iowa farmland.



Source: Iowa State University Extension and Outreach Land Values Survey

Why you could NOT play Ag in 2004?

2004: No publicly-traded “ag” vehicle *existed*

2012: Publicly-traded ag companies flood market. All launched “*a few years back*”

How you should have played ag?

You should have built a farmland company and locked in farmland at historically distressed prices



GLADSTONE LAND



The BIG Lesson?

STOP attending “ag” conferences and looking for ideas *if you know the answer*:

Build it yourself!!

Opportunity In Mongolia



Mongolia: When I Arrived in 2010

- Population: 2.7 million
- GDP: \$6.8 billion
- GDP per capita: \$2,450

- Mongolia was building ONE mine for \$8 billion
- That ONE mine will produce \$8 billion/yr in copper and gold
- *Building a few dozen other things that would total \$30-\$50 billion in aggregate*
- Commodity exports to grow from \$2 billion in 2010 to \$20-\$80 billion by 2020

How would it all fit in such a small economy?



How To Get Exposure?

Stock Market?

Private Deals?

Build It Myself!!

Why Mongolia Real Estate in 2010?

- Real estate has very **strong** leverage to the growth of an economy
- Rents **increase** in a growing economy.
- High-Teen cap rates should eventually compress with a functioning mortgage market
- Mongolian Real Estate was valued at LESS than 10% of comparable real estate in Kazakhstan or 3rd tier cities in China

Where Is Real Estate In 2013?

- Mid-teen cap rates due to *immature* banking system
- Prime rents have more than **DOUBLED** since 2010
- Mongolia real estate is *still cheaper* than most of Asia.
- Real estate prices have **INCREASED** at a few times the rate of GDP for past 3 years

Why I Built MGG?

- 1) To invest my OWN money.
- 2) Capitalize on *this* trend.



You Can Do It Too!



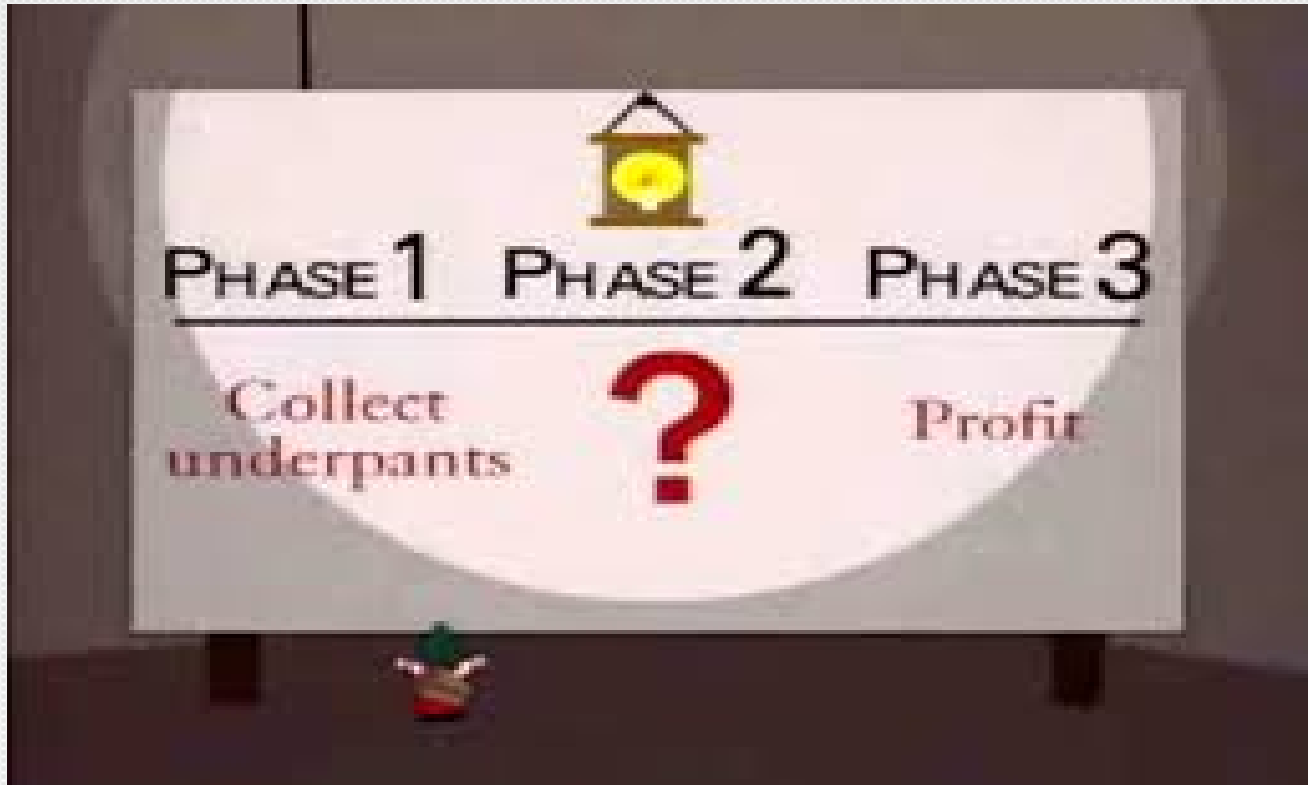
Step 1

Don't be scared of risk. (Rewards are worth it!)



Step 2

Realistic business plan



Step 3

Friends You Can Count On.



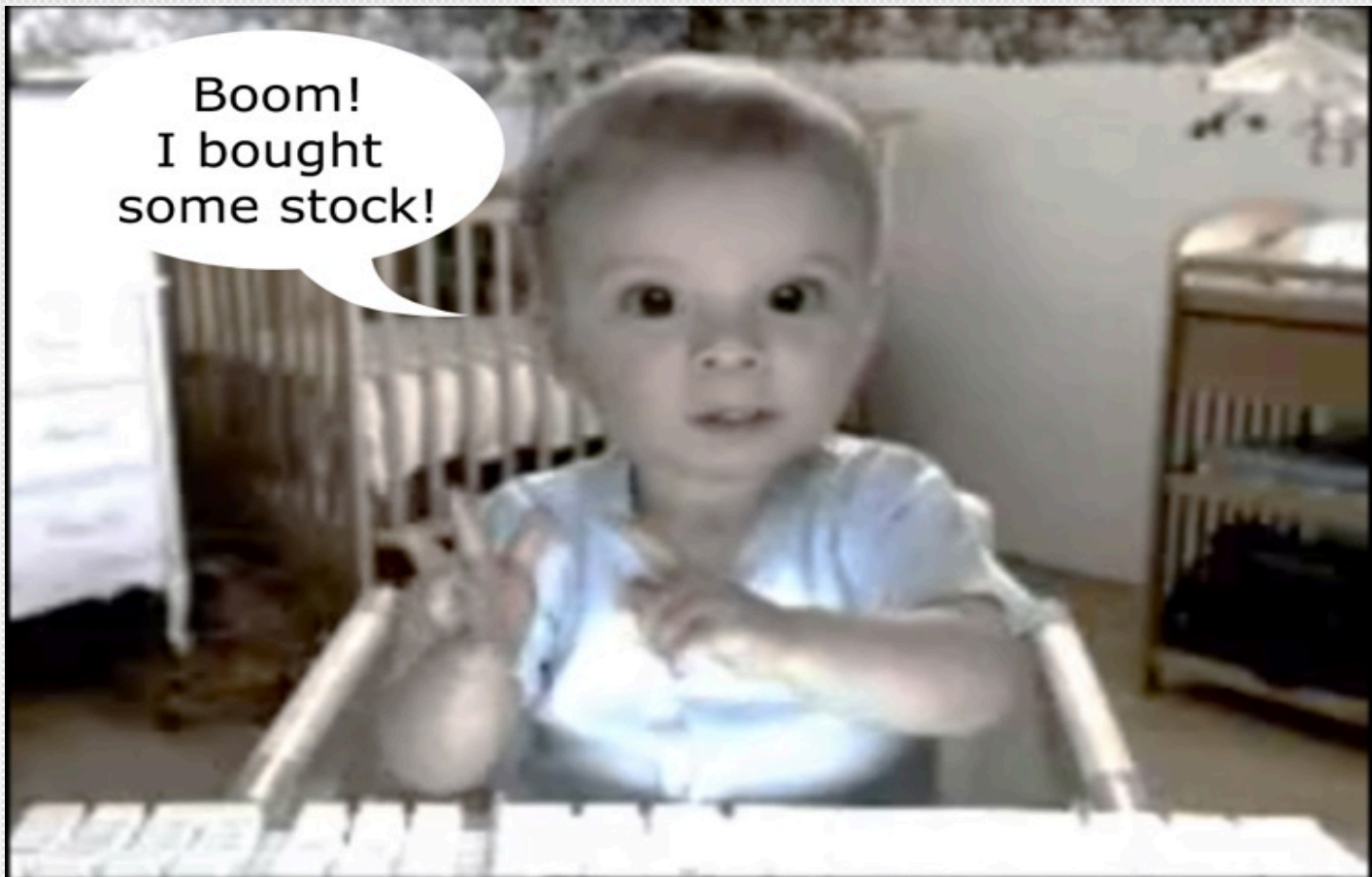
Step 4

A Good Lawyer.



Step 5

You need Investors



Going Public - The Facts

- Total Cost: \$300,000 (to go public)
- Time: Less than 3 months
- Capital Needed: Few million
- Which Exchange: Dozens
- Small Company Regulations: Reducing

Where Are Opportunities Today?

- Assets that are *not* “financialized”
- Assets not yet leveraged
- Assets that are small, illiquid, politically-sensitive, or difficult for large institutions to manage
- Sectors with low visibility

Best Places To Find Value

- Emerging markets not tied to global financial system
- Assets difficult to borrow against
- New ways to “*financialize*” existing assets & revenue streams.

Final Thoughts

- Value exists in places where no one is looking
- Co-invest (Don't act like a CEO)
- Treat investors fairly - don't overpay yourself
- Build something you are proud of
- Have fun