

Semi-Annual Report of

**CHOU ASSOCIATES FUND
CHOU ASIA FUND
CHOU EUROPE FUND
CHOU BOND FUND
CHOU RRSP FUND**

Six months ended June 30, 2015 and 2014
(Unaudited)

Illustration of an assumed investment of \$10,000 in Canadian dollars
(Unaudited)

CHOU ASSOCIATES FUND

Period ended	Total value of shares
Dec.31, 1986	10,000
Dec.31, 1987	10,502
Dec.31, 1988	12,001
Dec.31, 1989	14,244
Dec.31, 1990	12,722
Dec.31, 1991	15,681
Dec.31, 1992	18,817
Dec.31, 1993	21,863
Dec.31, 1994	21,300
Dec.31, 1995	27,904
Dec.31, 1996	34,235
Dec.31, 1997	48,035
Dec.31, 1998	59,187
Dec.31, 1999	53,489
Dec.31, 2000	57,967
Dec.31, 2001	70,397
Dec.31, 2002	91,504
Dec.31, 2003	94,773
Dec.31, 2004	103,319
Dec.31, 2005	117,462
Dec.31, 2006	139,511
Dec.31, 2007	125,258
Dec.31, 2008	88,553
Dec.31, 2009	114,854
Dec.31, 2010	136,916
Dec.31, 2011	113,776
Dec.31, 2012	144,446
Dec 31, 2013	204,142
Dec 31, 2014	228,754
June 30, 2015	\$222,812

NOTE: Rates of return are historical total returns, include changes in unit prices, and assume the reinvestment of all distributions. These annual compounded returns do not take into account any sales charges, redemption fees, other optional expenses or income taxes that you have to pay and that could reduce these returns. The returns are not guaranteed. The Fund's past performance does not necessarily indicate future performance.

The table is presented only to illustrate the effects of the compound growth rate and is not intended to reflect future values of the mutual funds or returns on the mutual funds.

Commissions, trailing commissions, management fees and expenses all may be associated with mutual fund investments. Please read the prospectus before investing.

CHOU FUNDS

Performance of the Funds

Six months ended June 30, 2015
(Unaudited)

Chou Associates Fund

Series A \$CAN	-2.4%
Series A \$US	-9.2%
Series F \$CAN	-2.1%
Series F \$US	-8.9%

Chou Asia Fund

Series A \$CAN	8.8%
Series A \$US	1.3%
Series F \$CAN	9.1%
Series F \$US	1.6%

Chou Europe Fund

Series A \$CAN	10.1%
Series A \$US	2.5%
Series F \$CAN	10.4%
Series F \$US	2.8%

Chou Bond Fund

Series A \$CAN	-0.1%
Series A \$US	-7.0%
Series F \$CAN	-0.1%
Series F \$US	-7.0%

Chou RRSP Fund

Series A \$CAN	-2.9%
Series A \$US	-9.6%
Series F \$CAN	-2.6%
Series F \$US	-9.4%

CHOU FUNDS

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(Unaudited)

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CHOU ASSOCIATES FUND (Unaudited)

August 14, 2015

Dear Unitholders of Chou Associates Fund,

The net asset value ("NAVPU" or "NAV") of a Series A unit of Chou Associates Fund at June 30, 2015 was \$121.07 compared to \$124.19 at December 31, 2014, a decrease of 2.4%, while the S&P 500 Total Return Index increased 8.8% in Canadian dollars. In \$US, a Series A unit of Chou Associates Fund was down 9.2% while the S&P 500 Total Return Index returned 1.2%.

The table shows our one-year, three-year, five-year, 10-year and 15-year annual compound rates of return.

June 30, 2015 (Series A)	1 Year	3 Years	5 Years	10 Years	15 Years
Chou Associates (\$CAN)	7.4%	20.0%	13.1%	7.2%	9.8%
S&P 500 (\$CAN)	25.7%	25.5%	21.2%	8.1%	3.2%
Chou Associates (\$US) ¹	-8.0%	12.2%	9.5%	7.0%	11.0%
S&P 500 (\$US)	7.4%	17.3%	17.3%	7.9%	4.4%

Rates of return are historical total returns that include changes in unit prices, and assume the reinvestment of all distributions. These annual compounded returns do not take into account any sales charges, redemption fees, other optional expenses or income taxes that you have to pay and that could reduce these returns. The returns are not guaranteed. The Fund's past performance does not necessarily indicate future performance. The table is used only to illustrate the effects of the compound growth rate and is not intended to reflect future values of the mutual funds or returns on the mutual funds. Commissions, trailing commissions, management fees and expenses all may be associated with mutual fund investments. Please read the prospectus before investing.

Please note there is a slight difference in NAV per unit values between our posted performance numbers and these in the Financial Statements due to the impact of bid/ask adjustments, according to new IFRS accounting standards. These percentage differences should be considered immaterial as they constitute less than one-tenth of a percent.

Factors Influencing the First Six Months Results

Positive contributors to the Fund's performance during the period ended June 30, 2015 included warrants of JP Morgan Chase & Company and Wells Fargo & Company and equity securities of Chicago Bridge & Iron Company and Sanofi ADR. The Canadian currency depreciated against the US dollar, which also contributed to the positive performance of the Fund.

Securities of Nokia Corporation ADR, Berkshire Hathaway Inc., Resolute Forest Product Inc., Sears Holding Corporation and MBIA Inc. were negative contributors to the Fund's performance during the same period.

The fund decreased its holdings of Nokia Corporation ADR by 25%.

Olympus Re Holdings Limited was dissolved in February of 2015, and the Fund received a final liquidating distribution in the amount of \$643,930.

Market Commentary

It is tough to find bargains at the present time. There is hardly anything to buy at a compelling price. The few stocks we own are cheap but when the general stock market level is not cheap, it makes us nervous. Our experience has taught us that it is better to sit on the sidelines and wait for developments. However, as we wrote earlier, we continue to worry about several issues:

- 1) How low can interest rates go? In Europe, some sovereign bonds are trading at negative yields.

¹The alternative method of purchasing Chou Associates Fund in \$US has been offered since September 2005. Performance for years prior to September 2005 is based on the \$US equivalent conversion of the results of the Chou Associates Fund (\$CAN). The investments in the Chou Associates Fund (\$CAN) are the same as the investments in Chou Associates Fund (\$US) except for the currency applied.

2) The Great Recession occurred in 2008, and now it is 2015 - that is seven long years. Although the recovery has been anemic, at least it's recovering.

3) The velocity of money for M2 is at an all-time low. This can be further highlighted if we hypothesize about what would happen if M2 moved back up to the historical average. If a regression to the mean were to occur – the price levels could be 25% higher than what it is today. Carrying this logic one step further, with the current levels of money-printing growing at approximately 7.2% annualized, this could see a potential price level increase of 50%, if the velocity of money were to move back up to the historical average.

No one can predict the future with any high degree of certainty, but you wonder: if the current policies continue for any extended period of time, when will the chickens come home to roost?

4) Deflationary forces are strong now; eventually, the supply and demand will bring everything into equilibrium as they work through their economic cycles, but you cannot 'un-print' money.

5) Stock prices are close to an all-time high if measured by price to earnings ratio, premium to book value or current dividend yield.

6) Junk bonds, the biggest beneficiary of easy money, should be trading at 70, not at 100 cents on a dollar with a 5.5% coupon rate.

7) What happens to the bond and stock markets if interest rates start to rise?

You can make a theoretical case that if interest rates stay as low as they are now for the next 20 years, the stock market is cheap based on the discounted method of valuation. However, when we look at Japan as an example, its stock markets have been at a slump since 1989 -- even though interest rates have stayed low for these 26-odd years.

The current conditions make me feel that investors are being set up for heartbreaking disappointment, especially for the unwary.

Europe and Greece

It appears that Greece has been a basket case forever. It is an eye opener to see that since the year 1800, Greece has spent roughly 50% of its time in default or debt rescheduling. It has too much debt and whatever deal it can strike with the Troika, (the European Commission, the International Monetary Fund, and the European Central Bank) it won't solve the problem; only give them some short-term relief. The people of Greece will pay to a degree with some austerity problems but in a few more years we will have another round of brinkmanship (negotiations) between the Troika and Greece.

Mark Grant, who is a Managing Director of Southwest Securities and one of the most colorful writers on the Greek recurring bailouts, captures the essence of what the bailout really means with this anecdote. Even when I disagree with his conclusions, he is enjoyable to read.

"It is a slow day in a little Greek Village. The rain is beating down and the streets are deserted. Times are tough, everybody is in debt, and everybody lives on credit.

On this particular day a rich German tourist is driving through the village, stops at the local hotel and lays a €100 note on the desk, telling the hotel owner he wants to inspect the rooms upstairs in order to pick one to spend the night. The owner gives him some keys and, as soon as the visitor has walked upstairs, the hotelier grabs the €100 note and runs next door to pay his debt to the butcher.

The butcher takes the €100 note and runs down the street to repay his debt to the pig farmer.

The pig farmer takes the €100 note and heads off to pay his bill at the supplier of feed and fuel.

The guy at the Farmers' Co-op takes the €100 note and runs to pay his drinks bill at the taverna.

The publican (tavern manager) slips the money along to the local lady of the night drinking at the bar, who has also been facing hard times and has had to offer him "services" on credit.

The hooker then rushes to the hotel and pays off her room bill to the hotel owner with the €100 note.

The hotel proprietor then places the €100 note back on the counter so the rich traveler will not suspect anything.

At that moment the traveler comes down the stairs, picks up the €100 note, states that the rooms are not satisfactory, pockets the money, and leaves town.

No one produced anything. No one earned anything. However, the whole village is now out of debt and looking to the future with a lot more optimism. And that, Ladies and Gentlemen, is how any new Greek bailout package is likely to work."

The Greek debt crisis and fiscal irresponsibility is truly a tragic case but most of it has been institutionalized and has been embedded into the Greek culture. A New York Times article published on May 1, 2010, cast a glaring light on how deep the problem lies.

"In the wealthy, northern suburbs of this city, where summer temperatures often hit the high 90s, just 324 residents checked the box on their tax returns admitting that they owned pools.

So tax investigators studied satellite photos of the area — a sprawling collection of expensive villas tucked behind tall gates — and came back with a decidedly different number: 16,974 pools.

That kind of wholesale lying about assets, and other eye-popping cases that are surfacing in the news media here, points to the staggering breadth of tax dodging that has long been a way of life here.

Such evasion has played a significant role in Greece's debt crisis...Various studies, including one by the Federation of Greek Industries last year, have estimated that the government may be losing as much as \$30 billion a year to tax evasion — a figure that would have gone a long way to solving its debt problems.

To get more attentive care in the country's national health system, Greeks routinely pay doctors cash on the side, a practice known as "fakelaki," Greek for little envelope. And bribing government officials to grease the wheels of bureaucracy is so standard that people know the rates. They say, for instance, that 300 euros, about \$400, will get you an emission inspection sticker.

Some of the most aggressive tax evaders, experts say, are the self-employed, a huge pool of people in this country of small businesses. It includes not just taxi drivers, restaurant owners and electricians, but engineers, architects, lawyers and doctors.

The cheating is often quite bold. When tax authorities recently surveyed the returns of 150 doctors with offices in the trendy Athens neighborhood of Kolonaki, where Prada and Chanel stores can be found, more than half had claimed an income of less than \$40,000. Thirty-four of them claimed less than \$13,300, a figure that exempted them from paying any taxes at all.

Such incomes defy belief, said Ilias Plaskovitis, the general secretary of the Finance Ministry, who has been in charge of revamping the country's tax laws. "You need more than that to pay your rent in that neighborhood," he said.

He said there were only a few thousand citizens in this country of 11 million who last year declared an income of more than \$132,000. Yet signs of wealth abound.

"There are many people with a house, with a cottage in the country, with two cars and maybe a small boat who claim they are earning 12,000 euros a year," Mr. Plaskovitis said, which is about \$15,900. "You cannot heat this house or buy the gas for the car with that kind of income."

It reminds me of a funny story of how the Greek people have learned how to dodge or minimize paying for any goods and services.

Three Greeks and three Germans were traveling by train to a conference. At the station, the three Germans each bought a ticket and watched as the three Greeks bought only a single ticket. "How are three people going to travel on only one ticket?" asked one German. "Watch and you'll see," answered one Greek.

They all boarded the train. The Germans took their respective seats but all three Greeks crammed into a restroom and closed the door behind them. Shortly after the train departed, the conductor came around collecting tickets.

He knocked on the restroom door and said, "Ticket, please." The door opened just a crack and a single arm emerged with a ticket in hand. The conductor took it and moved on. The Germans saw this and agreed it was quite a clever idea. So after the conference, the Germans decided to copy the Greeks on the return trip and save some Euros.

When they got to the station, they bought a single ticket for the return trip. To their astonishment, the Greeks did not buy a ticket at all. "How are you going to travel without a ticket?" asked one perplexed German. "Watch and you'll see," answered one Greek. When they boarded the train, the three Germans crammed into a restroom and the three Greeks crammed into another one nearby. The train departed shortly. A few minutes later, one of the Greeks walked over to the restroom where the Germans were hiding. He knocked on the door and yelled, "Ticket, please."

Debts at Negative Yields

I never thought that in my lifetime we would ever see a situation in a developed economy when there is a negative yield on interest rates. A few months ago, Finland floated a five-year note at a negative yield. It sold €1 billion worth of notes at an interest rate of negative 0.017%. In other words, noteholders or bondholders are willing to pay the government the privilege of holding its notes. And this is not an aberration. Countries like Germany, France, Sweden, Netherland, Belgium and Austria have seen their two-year sovereign debt trading at negative yields.

So, you have come to this ridiculous situation where you can borrow money for free.

The question now is, how can one capitalize on the situation? There are several possible ways of doing that, but one way of seeking to take advantage of this type of situation is through an interest rate swap. An interest rate swap is a derivative contract between two counterparties whereby they agree to exchange one stream of interest payments for another, over a set period of time.

We are still considering the use of interest rate swaps and other similar derivatives. If we do use these contracts, we will do our best to quantify the risk of loss from these contracts and minimize losses if interest rates do not move in the manner that we anticipate. Of course, there is no guarantee that our use of these interest rate derivatives will work as intended or that we will accurately predict or analyze the direction of future interest rates.

We are starting to look at credit default swaps (CDS)

One way of assessing investors' appetite for risk is to check the prices of credit default swaps (CDS). In a CDS, one party sells credit protection and the other party buys credit protection. Put another way, one party is selling insurance and the counterparty is buying insurance against the default of a specific third party's debt. If the protection buyer does not own debt issued by the third party, then CDS are more appropriately viewed as an investment transaction, rather than a hedging transaction, for the protection buyer notwithstanding the insurance-like features of a CDS. In most CDS, the protection buyer makes the premium payments over the life of the CDS, frequently on a quarterly basis.

We believe that CDS are starting to sell at prices that are becoming interesting. It is not as cheap as it was in 2006-2007. We are continuing to monitor CDS prices and may potentially invest in CDS in the future. We are looking at who deals in such investments and we want to examine carefully what counterparty risk we may be exposed to. The mechanics of investing in a CDS have changed somewhat from six years ago.

To make money in a CDS, you don't need a default of the third-party's debt. A dislocation in the economy or deterioration in the credit profile of the issuer may cause the CDS price to rise from these low levels. The negative aspect is that, like insurance, the premium paid for the protection erodes over time and may expire worthless. There is no guarantee that the Manager will make money for the Fund on any particular CDS or correctly predict an increase of value in any particular CDS.

Caution to the Investors

Investors should be advised that we run a highly focused portfolio. In addition, we may have securities that are non-U.S. and could be subject to geopolitical risks, which may trump or at least negatively influence the financial performance of the company. Also, we may enter into some derivative contracts with regard to CDS and interest rate swaps. Because of these factors, the net asset value of the Fund can be volatile. However, we are not bothered by this volatility because our focus has always been, and continues to be, on how inexpensive we believe the investments are relative to their intrinsic value.

Other Matters

COVERED CALL OPTIONS: The Fund had no covered call options in its portfolio as at June 30, 2015.

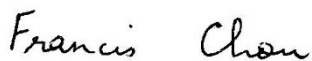
REDEMPTION FEE: We have a redemption fee of 2% if unitholders redeem their units in less than **12 months**. None of this fee goes to the Fund Manager. It is put back into the Fund for the benefit of the remaining unitholders. Please note this change will be in effect for all funds moving forward.

INDEPENDENT REVIEW COMMITTEE: The Manager has established an IRC as required by NI 81-107. The members of the IRC are Sanford Borins, Joe Tortolano and Peter Gregoire. The 2014 IRC Annual Report is available on our website www.choufunds.com.

As of August 14, 2015, the NAV of a Series A unit of the Fund was \$123.77 and the cash position was approximately 25.4% of net assets. The Fund is down 0.3% from the beginning of the year. In \$US, it is down 11.6%.

Except for the performance numbers of the Chou Associates Fund, this letter contains estimates and opinions of the Fund Manager and is not intended to be a forecast of future events, a guarantee of future returns or investment advice. Any recommendations contained or implied herein may not be suitable for all investors.

Yours truly,



Francis Chou
Fund Manager

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

To the Unitholders of the Chou Funds:

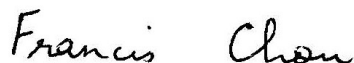
The accompanying financial statements have been prepared by the management of Chou Associates Management Inc. Management is responsible for the information and representations made in these financial statements.

Management has applied appropriate processes to ensure that the statements contain relevant and reliable financial information. The financial statements have been produced in accordance with accounting principles generally accepted in Canada and include certain amounts based on estimates and judgments. The significant accounting policies that management believes are appropriate for the Chou Funds are described in note 2 to the financial statements.

The Trustee of each of the Trusts is responsible for reviewing and approving the financial statements, and for overseeing management's performance of its financial reporting responsibilities. The Trustee reviews the financial statements, the adequacy of internal controls, the audit process and the financial data with management and the external auditors.

The Board of Directors of Chou Associates Management is responsible for reviewing and approving the financial statements, and for overseeing management's performance of its financial reporting responsibilities. It reviews the financial statements, the adequacy of internal controls, the audit process and the financial data with management and the external auditors. Once satisfied, the Board approves the financial statements.

KPMG LLP is the external auditor of the Chou Funds. They are appointed by the respective Boards and cannot be changed without the prior approval of the Independent Review Committee and on 60 days notice to the unitholders.



Francis Chou
Chou Associates Management Inc.

CHOU ASSOCIATES FUND

Statements of Financial Position

June 30, 2015 and December 31, 2014
(Unaudited)

	June 30, 2015	December 31, 2014
Assets		
Current assets:		
Financial assets at fair value through profit or loss*	\$ 310,867,583	\$ 345,994,347
Held-for-trading investments	63,608,188	51,653,088
Cash and cash equivalents	165,663,504	160,076,493
Receivable for units subscribed	1,116,243	368,864
Due from broker	3,609,220	—
Other receivable	138,436	361,591
Interest receivable	160,032	185,359
Total assets	545,163,206	558,639,742
Liabilities		
Current liabilities:		
Accrued expenses	1,128,551	1,171,148
Payable for units redeemed	606,236	528,777
Distributions payable	—	118,415
Total liabilities	1,734,787	1,818,340
Net assets attributable to unitholders of redeemable units	\$ 543,428,419	\$ 556,821,402
Net assets attributable to unitholders of redeemable units:		
Series A	\$ 499,122,688	\$ 513,815,498
Series F	44,305,731	43,005,904
	\$ 543,428,419	\$ 556,821,402
Number of units outstanding (note 4):		
Series A	4,122,651	4,142,334
Series F	366,988	348,701
Net assets attributable to unitholders of redeemable units per unit:		
Canadian dollars:		
Series A	\$ 121.07	\$ 124.04
Series F	120.73	123.33
U.S. dollars:		
Series A	97.09	106.88
Series F	96.82	106.27

*Cost of investments is reflected on the statement of investment portfolio.
See accompanying notes to financial statements.

Approved on behalf of the Board of Directors
of the Management Company:

Francis Chou



CHOU ASSOCIATES FUND

Statements of Comprehensive Income

Six months ended June 30, 2015 and 2014
(Unaudited)

	2015	2014
Income:		
Interest for distribution purposes and other	\$ 516,684	\$ 479,403
Dividends	1,838,961	3,722,812
Securities lending income	944,948	1,694,097
Foreign currency gain on cash and other net assets	3,722,616	1,773,975
Other net changes in fair value:		
Net realized gain on financial assets at fair value through profit or loss	13,062,578	1,564,696
Net realized gain on held-for-trading investments	—	1,046,620
Change in unrealized depreciation on financial assets at fair value through profit or loss	(39,671,344)	(3,111,702)
Change in unrealized appreciation on held-for-trading investments	11,955,100	6,596,380
	<u>(7,630,457)</u>	<u>13,766,281</u>
Expenses:		
Management fees (note 5)	4,605,716	4,154,689
Custodian fees	322,689	271,500
Audit	58,065	27,150
Filing fees	22,625	22,625
Independent Review Committee fees	22,793	22,509
FundSERV fees	15,477	16,892
Legal fees	9,050	9,050
Foreign withholding taxes	531,538	538,761
Transaction costs (note 6)	88,282	22,460
Total expenses before manager absorption	<u>5,676,235</u>	<u>5,085,636</u>
Total expenses after manager absorption	<u>5,676,235</u>	<u>5,085,636</u>
Increase (decrease) in net assets attributable to unitholders of redeemable units	<u>\$ (13,306,692)</u>	<u>\$ 8,680,645</u>
Increase (decrease) in net assets attributable to unitholders of redeemable units:		
Series A	\$ (12,257,362)	\$ 8,078,118
Series F	(1,049,330)	602,527
	<u>\$ (13,306,692)</u>	<u>\$ 8,680,645</u>
Increase (decrease) in net assets attributable to unitholders of redeemable units per unit:		
Series A	\$ (2.97)	\$ 1.93
Series F	(2.92)	1.81

See accompanying notes to financial statements.

CHOU ASSOCIATES FUND

Statements of Changes in Net Assets Attributable to Unitholders of Redeemable Units

Six months ended June 30, 2015 and 2014
(Unaudited)

	2015	2014
Series A		
Net assets attributable to unitholders of redeemable units, beginning of period	\$ 513,815,498	\$ 468,682,187
Increase (decrease) in net assets attributable to unitholders of redeemable units	(12,257,362)	8,078,118
Proceeds from issue of units	17,899,942	20,712,813
Payments on redemption of units	(20,335,390)	(23,739,779)
Distributions of income to unitholders:		
Investment income	-	(4,630)
Capital gains	-	-
Reinvested distributions	-	3,148
Net assets attributable to unitholders of redeemable units, end of period	499,122,688	473,731,857
Series F		
Net assets attributable to unitholders of redeemable units, beginning of period	43,005,904	33,830,915
Increase (decrease) in net assets attributable to unitholders of redeemable units	(1,049,330)	602,527
Proceeds from issue of units	5,664,199	8,665,245
Payments on redemption of units	(3,315,042)	(3,751,469)
Distributions of income to unitholders:		
Investment income	-	-
Capital gains	-	-
Reinvested distributions	-	-
Net assets attributable to unitholders of redeemable units, end of period	44,305,731	39,347,218
Total net assets, end of period	\$ 543,428,419	\$ 513,079,075

See accompanying notes to financial statements.

CHOU ASSOCIATES FUND

Statements of Cash Flows

Six months ended June 30, 2015 and 2014
(Unaudited)

	2015	2014
Cash flow from operating activities:		
Increase (decrease) in net assets attributable to unitholders of redeemable units	\$ (13,306,692)	\$ 8,680,645
Adjustments for:		
Foreign currency gain on cash and other net assets	(3,722,616)	(1,773,975)
Net realized gain on investments	(13,062,578)	(2,611,316)
Change in unrealized depreciation (appreciation) on investments and derivatives	27,716,244	(3,484,678)
Decrease (increase) in interest receivable	25,327	(101,732)
Increase in dividends receivable	-	(1,909,210)
Decrease (increase) in other receivable	223,155	(98,364)
Decrease in other payable and accrued liabilities	(42,597)	(99,082)
Purchase of investments	(7,587,535)	-
Proceeds from sales of investments	12,496,313	9,532,884
Net cash generated by operating activities	2,739,021	8,135,172
Cash flows from financing activities:		
Distributions to unitholders of redeemable units, net of reinvested distributions	(118,415)	(385,940)
Proceeds from redeemable units issued	22,816,762	29,305,099
Amount paid on redemption of redeemable units	(23,572,973)	(27,294,947)
Net cash generated (used) by financing activities	(874,626)	1,624,212
Foreign currency gain on cash and other net assets	3,722,616	1,773,975
Net increase in cash and cash equivalents	1,864,395	9,759,384
Cash and cash equivalents, beginning of period	160,076,493	168,851,994
Cash and cash equivalents, end of period	\$ 165,663,504	\$ 180,385,353
Cash and cash equivalents comprise:		
Cash at bank	\$ 165,663,504	\$ 180,385,353
	\$ 165,663,504	\$ 180,385,353
Supplemental information:		
Interest received, net of withholding tax	\$ 542,011	\$ 377,671
Dividends received, net of withholding tax	1,307,423	1,274,841
Security lending income received	1,168,103	1,595,733

See accompanying notes to financial statements.

CHOU ASSOCIATES FUND

Schedule of Investments

June 30, 2015
(Unaudited)

	Number of shares or par value	Cost	Fair value
Equities - long*			
Ascent Capital Group Inc. LLC	140,000	\$ 7,583,771	\$ 7,461,592
Berkshire Hathaway Inc., Class A	300	31,639,834	76,541,301
Chicago Bridge & Iron Company N.V.	67,446	2,967,433	4,208,647
Citigroup Inc.	410,000	10,358,742	28,242,717
International Automotive Components Group North America	1,094,922	120,506	955,763
MBIA Inc.	1,080,797	7,479,425	8,100,047
Nokia Corporation ADR	3,750,000	8,829,385	32,032,497
Overstock.com Inc.	430,295	8,660,596	12,094,535
Resolute Forest Products Inc.	3,065,567	51,050,651	43,006,321
Sanofi ADR	390,000	13,783,524	24,005,387
Sears Canada Inc.	482,319	5,170,600	3,662,863
Sears Holdings Corporation	896,088	32,418,538	34,297,730
Sears Hometown and Outlet Stores Inc.	1,322,209	24,776,606	15,663,639
The Goldman Sachs Group Inc.	75,000	9,384,141	19,530,938
		214,223,753	305,341,579
Held for trading**			
General Motors Company, warrants, Class B, July 10, 2019	13,019	211,015	260,568
JPMorgan Chase & Company, warrants, Oct 28, 2018	1,126,347	13,927,767	35,633,758
Wells Fargo & Company, warrants, Oct 28, 2018	997,500	7,995,397	27,713,862
		22,134,179	63,608,188
Bonds - long			
R.H. Donnelley Inc., term loans, Dec 31, 2016	8,032,288	6,271,062	5,526,004
Total long		220,494,815	310,867,583
Total held for trading		22,134,179	63,608,188
Total investments		242,628,994	374,475,771
Transaction costs		(535,446)	—
Portfolio total		\$ 242,093,548	\$ 374,475,771

* Common shares unless indicated otherwise

** Held for trading refers to equities - long

See accompanying notes to financial statements.

CHOU ASSOCIATES FUND

Discussion of Financial Risk Management

Six months ended June 30, 2015 and 2014
(Unaudited)

Investment objective and strategies:

The Fund's objective is to provide long-term growth of capital by investing primarily in equity securities of U.S. and foreign businesses considered by the Manager to be undervalued. The Fund may also invest in the equity securities of Canadian businesses. Investments may include common and preferred shares, convertible debentures, government and corporate bonds and short-term debt.

The investment process followed in selecting equity investments for the Fund is a value-oriented approach to investing. The level of investments in the company's securities is generally commensurate with the current price of the company's securities in relation to its intrinsic value as determined by the above factors. That approach is designed to provide an extra margin of safety, which in turn serves to reduce overall portfolio risk.

Risk management:

The Fund's investment activities expose it to various types of risk associated with the financial instruments and markets in which it invests. The Fund's risk management goals are to ensure that the outcome of activities involving risk is consistent with the Fund's objectives and risk tolerance.

(a) Credit risk:

Credit risk is the risk that a counterparty to a financial instrument will fail to discharge a commitment that it has entered into with the Funds. As of June 30, 2015, the Fund invested approximately 1.0% (December 31, 2014 - 1.2%) of its net assets in non-investment grade debt instruments. Non-investment grade is the term applied to bonds rated below Baa3 on the Moody's credit rating scale and below BBB- on the equivalent ratings systems from S&P and Fitch. These credit ratings denote that the company's financial position is weak and its bonds should be considered a speculative investment.

CHOU ASSOCIATES FUND

Discussion of Financial Risk Management (continued)

Six months ended June 30, 2015 and 2014
(Unaudited)

Risk management (continued):

(b) Interest rate risk:

Interest rate risk arises from the effect of changes in interest rates on future cash flows or the current value of financial instruments. The table below summarizes the Fund's exposure to interest rate risks by remaining term to maturity:

Debt instruments by maturity date:

	2015	2014
Less than 1 year	\$ –	\$ 6,557,951
1-3 years	5,526,004	–

As at June 30, 2015, should interest rates have decreased or increased by 0.25%, with all other variables remaining constant, the increase or decrease in net assets for the period would have amounted to approximately \$202,000 (December 31, 2014 - \$206,000).

In practice, the actual trading results may differ and the difference could be material.

(c) Market risk:

Market risk is the risk that the value of financial instruments will fluctuate as a result of changes in market prices (other than those arising from interest rate risk or foreign currency risk) caused by factors specific to a security, its issuer or all factors affecting a market or a market segment. Approximately 56.2% (December 31, 2014 – 60.9%) of the Fund's net assets held at June 30, 2015 were publicly traded equities. If equity prices on the exchange had increased or decreased by 5% as at June 30, 2015, the net assets of the Fund would have increased or decreased by approximately \$15,267,000 or 2.8% (December 31, 2014 - \$16,958,000, or 3.0%) of the net assets, all other factors remaining constant.

In practice, actual trading results may differ and the difference could be material.

CHOU ASSOCIATES FUND

Discussion of Financial Risk Management (continued)

Six months ended June 30, 2015 and 2014
(Unaudited)

Risk management (continued):

(d) Foreign currency risk:

Currencies to which the Fund had exposure as at June 30, 2015, December 31, 2014 are as follows:

June 30, 2015	Financial instruments	Percentage of NAV
United States dollar	\$ 432,390,301	79.6

December 31, 2014	Financial instruments	Percentage of NAV
United States dollar	\$ 444,637,610	79.8

The amounts in the above table are based on the market value of the Fund's financial instruments (including cash, cash equivalents and investments). Other financial assets (including accrued interest and dividend income, receivable for units subscribed, other receivable, and due from broker for investments sold) and financial liabilities (including accrued expenses, payable for units redeemed and distributions payable) that are denominated in foreign currencies do not expose the Fund to significant foreign currency risk.

If the Canadian dollar had strengthened or weakened by 1% in relation to all currencies, with all other variables held constant, net assets would have decreased or increased by approximately \$4,325,690 (December 31, 2014 - \$4,443,000).

In practice, the actual trading results may differ and the difference could be material.

CHOU ASIA FUND
(Unaudited)

August 14, 2015

Dear Unitholders of Chou Asia Fund,

The net asset value ("NAVPU" or "NAV") of a Series A unit of Chou Asia Fund at June 30, 2015 was \$19.26 compared to \$17.70 at December 31, 2014, an increase of 8.8%; during the same period, the MSCI AC (Morgan Stanley Capital International All Country) Asia Pacific Total Return Index in Canadian dollars returned 15.7%. In \$US, a Series A unit of Chou Asia Fund was up 1.3% while the MSCI AC Asia Pacific Total Return Index returned 7.6%.

The table shows our one-year, three-year, five-year and 10-year annual compound rates of return.

June 30, 2015 (Series A)	1 Year	3 Years	5 Years	10 Years
Chou Asia (\$CAN)	10.9%	13.4%	7.6%	7.8%
MSCI AC Asia Pacific TR (\$CAN)	21.0%	18.7%	12.1%	7.1%
Chou Asia (\$US) ²	-5.1%	6.1%	4.2%	7.6%
MSCI AC Asia Pacific TR (\$US)	3.4%	10.9%	8.6%	6.9%

Rates of return are historical total returns that include changes in unit prices, and assume the reinvestment of all distributions. These annual compounded returns do not take into account any sales charges, redemption fees, other optional expenses or income taxes that you have to pay and that could reduce these returns. The returns are not guaranteed. The Fund's past performance does not necessarily indicate future performance. The table is used only to illustrate the effects of the compound growth rate and is not intended to reflect future values of the mutual funds or returns on the mutual funds. Commissions, trailing commissions, management fees and expenses all may be associated with mutual fund investments. Please read the prospectus before investing.

Please note there is a slight difference in NAV per unit values between our posted performance numbers and these in the Financial Statements due to the impact of bid/ask adjustments, according to new IFRS accounting standards. These percentage differences should be considered immaterial as they constitute less than one-tenth of a percent.

Factors Influencing the First Six Months Results

BYD Electronic (International) Company Limited, BYD Company Limited, and AJIS Company Limited were positive contributors to the Fund's performance. The Canadian currency depreciated against the Renminbi, which also contributed to the positive performance of the Fund.

Most of the declines came from the equity security of Pyne Gould Corporation Limited.

The Fund sold all of its shares of Chunghwa Telecom Company Limited ADR, and Pronexus Inc.

China

We have been concerned with China's economy for a few years. It is not as healthy as the government wants us to believe. Huge sums of money have been put into building cities and highways, but all remain eerily empty. Any slowdown in China's economy will have a negative impact on Canada's economy. Our economy is based on commodities and energy and China imports a lot of our raw materials.

In addition, we are concerned with the heavy leverage that Chinese investors use when they invest in equity securities.

²The alternative method of purchasing Chou Asia Fund in \$US has been offered since September 2005. Performance for years prior to September 2005 is based on the \$US equivalent conversion of the results of the Chou Asia Fund (\$CAN). The investments in the Chou Asia Fund (\$CAN) are the same as the investments in Chou Asia Fund (\$US) except for the currency applied.

According to Bank of America, leveraged bets on Chinese stocks are more than double what you might expect:

Table 1: Key figures of the seven leverage channels

Leverage channel	Size (Rmb bn)	As of	Sources; basis of estimates	Common leverage	Common interest cost for borrowers (p.a.)	Main funding sources
Margin Financing (MF)	1,455	July 23	China Securities Finance Corp.	1x	8-9%	Bank WMP, broker (own fund + TAM)
Stock Collateralized Lending (SCL)	901	July 22	Wind; We assume a 40% average loan-to-asset value	0.3-0.5x	5-13%	Broker (own fund + TAM), bank loan, trust
Umbrella Trust (UT)	621	1H	China Trust Industry Associations; We assume 1) 80% of stock related trust AUM increase since mid-14 is for UT; and 2) 2Q15 increase in such AUM = 1Q15's.	2-3x	9-10%	Bank WMP, broker TAM, fund TAMC, P2P, offline private fund matching firms, HNWIs, corporations
Stock Benefits Swap (SBS)	123	1Q	Securities Association of China	2-4x	8-10%	Broker (own fund + TAM), bank WMP
Structured Mutual Fund (SMF)	473	1H	Fund Industry Association	2x	8-9%	Retail
P2P	20	1Q	Securities Times article on March 9th, citing local experts' estimate	3x	18-20%	Retail
Offline Private Fund Matching	150	1Q	As above	2-10x	15-20%	Retail & HNWIs
Subtotal	<u>3,743</u>					

Source: Various news, BofA Merrill Lynch Global Market

"We estimate that margin outstanding, only from the seven channels that we can estimate reasonably, easily exceeds 3.7 trillion Yuan," writes strategist David Cui. "Assuming an average one times leverage, it means that at least 7.5 trillion Yuan market positions are being carried on margin, equivalent to some 13 percent of A-share's market cap and 34 percent of its free float."

Cui notes there are a number of other channels that, while difficult to pin down with much certainty, may boost this total by 3.5 trillion Yuan.

The second-largest channel for leverage, stock collateralized lending, enables shareholders to put up their stock as collateral to receive funds.

Cui believes this practice played a large role in the paralysis of many stocks while Chinese equities were in free fall.

"Although in theory the borrowers can use the obtained funds for many purposes, we suspect that in recent times most of them used the funds to invest in the stock market, sometimes by buying the very stocks they used as [collateral] to drive up their prices," he writes. "It appears to us that potential margin calls from this lending source is one of the main reasons why, at the height of the A-share market crash, close to half of the A-share companies had their stocks suspended from trading."

We have been very careful investing in Asia, particularly keeping an eye on China and Japan. Our cash balance of 74.8% reflects our caution.

Other Matters

FOREIGN CURRENCY CONTRACTS: None existed at June 30, 2015.

CREDIT DEFAULT SWAP: None existed at June 30, 2015.

CONSTANT MATURITY SWAPS: None existed at June 30, 2015.

U.S. DOLLAR VALUATION: Any investor who wishes to purchase the Chou Funds in \$US may do so.

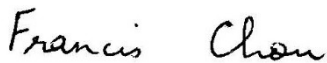
REDEMPTION FEE: We have a redemption fee of 2% if unitholders redeem their units in less than **12 months**. None of this fee goes to the Fund Manager. It is put back into the Fund for the benefit of the remaining unitholders. Please note this change will be in effect for all funds moving forward.

INDEPENDENT REVIEW COMMITTEE: The Manager has established an IRC as required by NI 81-107. The members of the IRC are Sandford Borins, Joe Tortolano and Peter Gregoire. The 2014 IRC Annual Report is available on our website www.choufunds.com.

As of August 14, 2015, the NAV of a Series A unit of the Fund was \$18.73 and the cash position was approximately 74.8% of net assets. The Fund is up 5.9% from the beginning of the year. In \$US, it is down 6.1%.

Except for the performance numbers of the Chou Asia Fund, this letter contains estimates and opinions of the Fund Manager and is not intended to be a forecast of future events, a guarantee of future returns or investment advice. Any recommendations contained or implied herein may not be suitable for all investors.

Yours truly,



Francis Chou
Fund Manager

CHOU ASIA FUND

Statements of Financial Position

June 30, 2015 and December 31, 2014
(Unaudited)

	June 30, 2015	December 31, 2014
Assets		
Current assets:		
Financial assets at fair value through profit or loss*	\$ 11,572,720	\$ 19,156,832
Cash and cash equivalents	31,455,809	20,023,286
Receivable for units subscribed	2,811	35,318
Other receivable	—	2,070
Dividends receivable	45,129	10,100
Total assets	43,076,469	39,227,606
Liabilities		
Current liabilities:		
Accrued expenses	63,200	61,732
Payable for units redeemed	11,100	5,673
Distributions payable	—	12,561
Total liabilities	74,300	79,966
Net assets attributable to unitholders of redeemable units	\$ 43,002,169	\$ 39,147,640
Net assets attributable to unitholders of redeemable units:		
Series A	\$ 40,342,184	\$ 37,324,196
Series F	2,659,985	1,823,444
	\$ 43,002,169	\$ 39,147,640
Number of units outstanding (note 4):		
Series A	2,094,344	2,109,279
Series F	136,389	102,055
Net assets attributable to unitholders of redeemable units per unit:		
Canadian dollars:		
Series A	\$ 19.26	\$ 17.70
Series F	19.50	17.87
U.S. dollars:		
Series A	15.44	15.25
Series F	15.64	15.40

*Cost of investments is reflected on the statement of investment portfolio.

See accompanying notes to financial statements.

Approved on behalf of the Board of Directors
of the Management Company:

Francis Chan



CHOU ASIA FUND

Statements of Comprehensive Income

Six months ended June 30, 2015 and 2014
(Unaudited)

	2015	2014
Income:		
Interest for distribution purposes and other	\$ 2,346	\$ 110
Dividends	124,821	212,003
Securities lending income	7,659	123,679
Foreign currency gain on cash and other net assets	1,154,869	260,092
Other net changes in fair value of financial assets and financial liabilities at fair value through profit or loss:		
Net realized gain on investments	4,312,886	9,631
Change in unrealized appreciation (depreciation) on investments and derivatives	(1,686,922)	1,924,210
	<u>3,915,659</u>	<u>2,529,725</u>
Expenses:		
Management fees (note 5)	347,053	326,894
Custodian fees	24,878	21,720
Audit	17,160	1,810
Filing fees	749	-
Independent Review Committee fees	1,778	1,808
FundSERV fees	1,165	-
Foreign withholding taxes	10,476	20,341
Transaction costs (note 6)	28,449	-
Total expenses before manager absorption	431,708	372,573
Less expense absorbed by the manager	-	-
Total expenses after manager absorption	431,708	372,573
Increase in net assets attributable to unitholders of redeemable units		
	<u>\$ 3,483,951</u>	<u>\$ 2,157,152</u>
Increase in net assets attributable to unitholders of redeemable units:		
Series A	\$ 3,297,509	\$ 2,081,623
Series F	186,442	75,529
	<u>\$ 3,483,951</u>	<u>\$ 2,157,152</u>
Increase in net assets attributable to unitholders of redeemable units per unit:		
Series A	\$ 1.57	\$ 0.94
Series F	1.47	0.95

See accompanying notes to financial statements.

CHOU ASIA FUND

Statements of Changes in Net Assets Attributable to Unitholders of Redeemable Units

Six months ended June 30, 2015 and 2014
(Unaudited)

	2015	2014
Series A		
Net assets attributable to unitholders of redeemable units, beginning of period	\$ 37,324,196	\$ 38,370,273
Increase in net assets attributable to unitholders of redeemable units	3,297,509	2,081,623
Proceeds from issue of units	977,614	1,025,968
Payments on redemption of units	(1,257,135)	(3,966,602)
Distributions of income to unitholders:		
Investment income	—	—
Capital gains	—	—
Reinvested distributions	—	—
Net assets attributable to unitholders of redeemable units, end of period	40,342,184	37,511,262
Series F		
Net assets attributable to unitholders of redeemable units, beginning of period	1,823,444	1,339,186
Increase in net assets attributable to unitholders of redeemable units	186,442	75,529
Proceeds from issue of units	691,692	258,834
Payments on redemption of units	(41,593)	(349,763)
Distributions of income to unitholders:		
Investment income	—	—
Capital gains	—	—
Reinvested distributions	—	—
Net assets attributable to unitholders of redeemable units, end of period	2,659,985	1,323,786
Total net assets, end of period	\$ 43,002,169	\$ 38,835,048

See accompanying notes to financial statements.

CHOU ASIA FUND

Statements of Cash Flows

Six months ended June 30, 2015 and 2014
(Unaudited)

	2015	2014
Cash flow from operating activities:		
Increase in net assets attributable to unitholders of redeemable units	\$ 3,483,951	\$ 2,157,152
Adjustments for:		
Foreign currency gain on cash and other net assets	(1,154,869)	(260,092)
Net realized gain on investments	(4,312,886)	(9,631)
Change in unrealized depreciation (appreciation) on investments and derivatives	1,686,922	(1,924,210)
Increase in interest receivable	—	(56,451)
Increase in dividends receivable	(35,029)	—
Decrease in other receivable	2,070	7,795
Increase (decrease) in other payable and accrued liabilities	1,468	(14,282)
Proceeds from sales of investments	10,210,076	—
Net cash generated (used) by operating activities	9,881,703	(99,719)
Cash flows from financing activities:		
Distributions to unitholders of redeemable units, net of reinvested distributions	(12,561)	—
Proceeds from redeemable units issued	1,701,813	1,309,967
Amount paid on redemption of redeemable units	(1,293,301)	(4,294,897)
Net cash generated (used) by financing activities	395,951	(2,984,930)
Foreign currency gain on cash and other net assets	1,154,869	260,092
Net increase (decrease) in cash and cash equivalents	10,277,654	(3,084,649)
Cash and cash equivalents, beginning of period	20,023,286	15,497,629
Cash and cash equivalents, end of period	\$ 31,455,809	\$ 12,673,072
Cash and cash equivalents comprise:		
Cash at bank	\$ 31,455,809	\$ 12,673,072
	\$ 31,455,809	\$ 12,673,072
Supplemental information:		
Interest received, net of withholding tax	\$ 2,346	\$ 110
Dividends received, net of withholding tax	79,316	135,211
Security lending income received	9,729	131,474

See accompanying notes to financial statements.

CHOU ASIA FUND

Schedule of Investments

June 30, 2015
(Unaudited)

	Number of shares or par value	Cost	Fair value
Equities - long*			
AJIS Company Limited	15,200	\$ 213,157	\$ 436,233
BYD Company Limited, Class H	573,000	989,812	4,290,605
BYD Electronic (International) Company Limited	1,798,000	436,061	3,036,849
China Yuchai International Limited	25,537	341,981	533,401
Glacier Media Inc.	505,007	1,363,645	585,808
Hanfeng Evergreen Inc.	95,850	228,548	4,793
Pyne Gould Corporation Limited	9,627,219	2,155,762	2,685,031
Total long		5,728,966	11,572,720
Total investments		5,728,966	11,572,720
Portfolio total		\$ 5,728,966	\$ 11,572,720

*Common shares unless indicated otherwise

See accompanying notes to financial statements.

CHOU ASIA FUND

Discussion of Financial Risk Management

Six months ended June 30, 2015 and 2014
(Unaudited)

Investment objective and strategies:

The Fund's objective is to provide long-term growth of capital by investing primarily in equity securities of Asian businesses considered by the Manager to be undervalued. Investments may be made in securities other than equities and in businesses located outside of Asia. Investments may include common and preferred shares, convertible debentures, government and corporate bonds and short-term debt.

The investment process followed in selecting equity investments for the Funds is a value-oriented approach to investing that focuses on the Asian market. The investment strategy follows strong disciplines with regard to price paid to acquire portfolio investments. The level of investments in the company's securities is generally commensurate with the current price of the company's securities in relation to its intrinsic value as determined by the above factors. That approach is designed to provide an extra margin of safety, which in turn serves to reduce overall portfolio risk.

Risk management:

The Fund's investment activities expose it to various types of risk associated with the financial instruments and markets in which it invests. The Fund's risk management goals are to ensure that the outcome of activities involving risk is consistent with the Fund's objectives and risk tolerance.

(a) Market risk:

Market risk is the risk that the value of financial instruments will fluctuate as a result of changes in market prices (other than those arising from interest rate risk or foreign currency risk) caused by factors specific to a security, its issuer or all factors affecting a market or a market segment. Approximately 26.9% (December 31, 2014 - 48.9%) of the Fund's net assets held at June 30, 2015 were publicly traded equities. If equity prices on the exchange had increased or decreased by 5% as at June 30, 2015, the net assets of the Fund would have increased or decreased by approximately \$580,000, or 1.3% (December 31, 2014 - \$958,000, or 2.4%) of the net assets, all other factors remaining constant.

In practice, actual trading results may differ and the difference could be material.

CHOU ASIA FUND

Discussion of Financial Risk Management (continued)

Six months ended June 30, 2015 and 2014
(Unaudited)

Risk management (continued):

(b) Foreign currency risk:

Currencies to which the Fund had exposure as at June 30, 2015 and December 31, 2014 are as follows:

June 30, 2015	Financial instruments	Percentage of NAV
Hong Kong dollar	\$ 16,983,721	39.5
United States dollar	\$ 8,607,099	20.0
Japanese yen	¥ 8,109,475	18.9
New Zealand dollar	\$ 2,801,551	6.5
Singapore dollar	\$ 161,445	0.4

December 31, 2014	Financial instruments	Percentage of NAV
Hong Kong dollar	\$ 13,606,569	34.8
United States dollar	\$ 7,745,128	19.8
Japanese yen	¥ 7,379,441	18.9
New Zealand dollar	\$ 3,784,805	9.7
Singapore dollar	\$ 152,822	0.4

The amounts in the previous table are based on the market value of the Fund's financial instruments (including cash, cash equivalents and investments). Other financial assets (including accrued interest and dividend income, receivable for units subscribed, and due from broker for investments sold) and financial liabilities (including accrued expenses, payable for units redeemed and distributions payable) that are denominated in foreign currencies do not expose the Fund to significant foreign currency risk.

If the Canadian dollar had strengthened or weakened by 1% in relation to all currencies, with all other variables held constant, net assets would have decreased or increased by approximately \$367,000 (December 31, 2014 - \$327,000).

In practice, the actual trading results may differ and the difference could be material.

CHOU EUROPE FUND

(Unaudited)

August 14, 2015

Dear Unitholders of Chou Europe Fund,

The net asset value ("NAVPU" or "NAV") of a Series A unit of Chou Europe Fund at June 30, 2015 was \$12.88 compared to \$11.72 at December 31, 2014, an increase of 10.1%; during the same period, the MSCI AC (Morgan Stanley Capital International All Country) Europe Total Return Index in Canadian dollars returned 12.2%. In \$US, a Series A unit of Chou Europe Fund was up 2.5% while the MSCI AC Europe Total Return Index returned 4.4%.

The table shows our one-year, three-year, five-year and 10-year annual compound rates of return.

June 30, 2015 (Series A)	1 Year	3 Years	5 Years	10 Years
Chou Europe (\$CAN)	-0.3%	22.0%	14.9%	3.1%
MSCI AC Europe TR (\$CAN)	8.0%	20.1%	13.8%	5.8%
Chou Europe (\$US) ³	-14.6%	13.6%	11.0%	2.8%
MSCI AC Europe TR (\$US)	-7.8%	12.3%	10.2%	5.6%

Rates of return are historical total returns that include changes in unit prices, and assume the reinvestment of all distributions. These annual compounded returns do not take into account any sales charges, redemption fees, other optional expenses or income taxes that you have to pay and that could reduce these returns. The returns are not guaranteed. The Fund's past performance does not necessarily indicate future performance. The table is used only to illustrate the effects of the compound growth rate and is not intended to reflect future values of the mutual funds or returns on the mutual funds. Commissions, trailing commissions, management fees and expenses all may be associated with mutual fund investments. Please read the prospectus before investing.

Please note there is a slight difference in NAV per unit values between our posted performance numbers and these in the Financial Statements due to the impact of bid/ask adjustments, according to new IFRS accounting standards. These percentage differences should be considered immaterial as they constitute less than one-tenth of a percent.

Factors Influencing the First Six Months Results

Positive contributors to the Fund's performance during the period ended June 30, 2015 included equity securities of Next PLC, Intralot S.A., Sanofi ADR, The Governor and Company of the Bank of Ireland, Trastor Real Estate Investment Company and OTCPharm PJSC. The Canadian currency depreciated against the pound sterling, which also contributed to the positive performance of the Fund.

The Fund's largest equity decliners during the period were Pharmstandard GDR, EFG Eurobank Ergasias and AstraZeneca PLC.

In the first six months of 2015, the Fund sold all its holdings in Heracles General Cement Company S.A.

Europe and Greece

It appears that Greece has been a basket case forever. It is an eye opener to see that since the year 1800, Greece has spent roughly 50% of its time in default or debt rescheduling. It has too much debt and whatever deal it can strike with the Troika, (the European Commission, the International Monetary Fund, and the European Central Bank) it won't solve the problem but only give them some short-term relief. The people of Greece will pay to a degree with some austerity problems but in a few more years we will have another round of brinkmanship (negotiations) between the Troika and Greece.

³The alternative method of purchasing Chou Europe Fund in \$US has been offered since September 2005. Performance for years prior to September 2005 is based on the \$US equivalent conversion of the results of the Chou Europe Fund (\$CAN). The investments in the Chou Europe Fund (\$CAN) are the same as the investments in Chou Europe Fund (\$US) except for the currency applied.

Mark Grant, who is a Managing Director of Southwest Securities and one of the most colorful writers on the Greek recurring bailouts, captures the essence of what the bailout really means with this anecdote. Even when I disagree with his conclusions, he is enjoyable to read.

"It is a slow day in a little Greek Village. The rain is beating down and the streets are deserted. Times are tough, everybody is in debt, and everybody lives on credit.

On this particular day a rich German tourist is driving through the village, stops at the local hotel and lays a €100 note on the desk, telling the hotel owner he wants to inspect the rooms upstairs in order to pick one to spend the night. The owner gives him some keys and, as soon as the visitor has walked upstairs, the hotelier grabs the €100 note and runs next door to pay his debt to the butcher.

The butcher takes the €100 note and runs down the street to repay his debt to the pig farmer.

The pig farmer takes the €100 note and heads off to pay his bill at the supplier of feed and fuel.

The guy at the Farmers' Co-op takes the €100 note and runs to pay his drinks bill at the taverna.

The publican (tavern manager) slips the money along to the local lady of the night drinking at the bar, who has also been facing hard times and has had to offer him "services" on credit.

The hooker then rushes to the hotel and pays off her room bill to the hotel owner with the €100 note.

The hotel proprietor then places the €100 note back on the counter so the rich traveler will not suspect anything.

At that moment the traveler comes down the stairs, picks up the €100 note, states that the rooms are not satisfactory, pockets the money, and leaves town.

No one produced anything. No one earned anything. However, the whole village is now out of debt and looking to the future with a lot more optimism. And that, Ladies and Gentlemen, is how any new Greek bailout package is likely to work."

The Greek debt crisis and fiscal irresponsibility is truly a tragic case but most of it has been institutionalized and has been embedded into the Greek culture. A New York Times article published on May 1, 2010, cast a glaring light on how deep the problem lies.

"In the wealthy, northern suburbs of this city, where summer temperatures often hit the high 90s, just 324 residents checked the box on their tax returns admitting that they owned pools.

So tax investigators studied satellite photos of the area — a sprawling collection of expensive villas tucked behind tall gates — and came back with a decidedly different number: 16,974 pools.

That kind of wholesale lying about assets, and other eye-popping cases that are surfacing in the news media here, points to the staggering breadth of tax dodging that has long been a way of life here.

Such evasion has played a significant role in Greece's debt crisis...Various studies, including one by the Federation of Greek Industries last year, have estimated that the government may be losing as much as \$30 billion a year to tax evasion — a figure that would have gone a long way to solving its debt problems.

To get more attentive care in the country's national health system, Greeks routinely pay doctors cash on the side, a practice known as "fakelaki," Greek for little envelope. And bribing government officials to grease the wheels of bureaucracy is so standard that people know the rates. They say, for instance, that 300 euros, about \$400, will get you an emission inspection sticker.

Some of the most aggressive tax evaders, experts say, are the self-employed, a huge pool of people in this country of small businesses. It includes not just taxi drivers, restaurant owners and electricians, but engineers, architects, lawyers and doctors.

The cheating is often quite bold. When tax authorities recently surveyed the returns of 150 doctors with offices in the trendy Athens neighborhood of Kolonaki, where Prada and Chanel stores can be found, more than half had claimed an income of less than \$40,000. Thirty-four of them claimed less than \$13,300, a figure that exempted them from paying any taxes at all.

Such incomes defy belief, said Ilias Plaskovitis, the general secretary of the Finance Ministry, who has been in charge of revamping the country's tax laws. "You need more than that to pay your rent in that neighborhood," he said.

He said there were only a few thousand citizens in this country of 11 million who last year declared an income of more than \$132,000. Yet signs of wealth abound.

"There are many people with a house, with a cottage in the country, with two cars and maybe a small boat who claim they are earning 12,000 euros a year," Mr. Plaskovitis said, which is about \$15,900. "You cannot heat this house or buy the gas for the car with that kind of income."

It reminds me of a funny story of how the Greek people have learned how to dodge or minimize paying for any goods and services.

Three Greeks and three Germans were traveling by train to a conference. At the station, the three Germans each bought a ticket and watched as the three Greeks bought only a single ticket. "How are three people going to travel on only one ticket?" asked one German. "Watch and you'll see," answered one Greek.

They all boarded the train. The Germans took their respective seats but all three Greeks crammed into a restroom and closed the door behind them. Shortly after the train departed, the conductor came around collecting tickets.

He knocked on the restroom door and said, "Ticket, please." The door opened just a crack and a single arm emerged with a ticket in hand. The conductor took it and moved on. The Germans saw this and agreed it was quite a clever idea. So after the conference, the Germans decided to copy the Greeks on the return trip and save some Euros.

When they got to the station, they bought a single ticket for the return trip. To their astonishment, the Greeks did not buy a ticket at all. "How are you going to travel without a ticket?" asked one perplexed German. "Watch and you'll see," answered one Greek. When they boarded the train, the three Germans crammed into a restroom and the three Greeks crammed into another one nearby. The train departed shortly. A few minutes later, one of the Greeks walked over to the restroom where the Germans were hiding. He knocked on the door and yelled, "Ticket, please."

We have a few investments in Greece that could be hurt by what is happening in Greece. But by and large, we have kept a high cash balance, waiting for events to occur. Our results to date (as of August 14, 2015) reflect the hit we took on Eurobank Ergasias. Otherwise, the other Greek investments should work out fine.

Other Matters

FOREIGN CURRENCY CONTRACTS: None existed at June 30, 2015.

CREDIT DEFAULT SWAP: None existed at June 30, 2015.

CONSTANT MATURITY SWAPS: None existed at June 30, 2015.

U.S. DOLLAR VALUATION: Any investor who wishes to purchase the Chou Funds in \$US may do so.

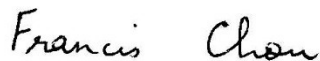
REDEMPTION FEE: We have a redemption fee of 2% if unitholders redeem their units in less than **12 months**. None of this fee goes to the Fund Manager. It is put back into the Fund for the benefit of the remaining unitholders. Please note this change will be in effect for all funds moving forward.

INDEPENDENT REVIEW COMMITTEE: The Manager has established an IRC as required by NI 81-107. The members of the IRC are Sandford Borins, Joe Tortolano and Peter Gregoire. The 2014 IRC Annual Report is available on our website www.choufunds.com.

As of August 14, 2015, the NAV of a Series A unit of the Fund was \$13.04 and the cash position was approximately 34.2% of net assets. The Fund is up 11.3% from the beginning of the year. In \$US, it is down 1.3%.

Except for the performance numbers of the Chou Europe Fund, this letter contains estimates and opinions of the Fund Manager and is not intended to be a forecast of future events, a guarantee of future returns or investment advice. Any recommendations contained or implied herein may not be suitable for all investors.

Yours truly,



Francis Chou
Fund Manager

CHOU EUROPE FUND

Statements of Financial Position

June 30, 2015 and December 31, 2014
(Unaudited)

	June 30, 2015	December 31, 2014
Assets		
Current assets:		
Financial assets at fair value through profit or loss*	\$ 16,455,189	\$ 14,151,438
Cash and cash equivalents	8,377,708	9,250,100
Receivable for units subscribed	105,850	39,335
Dividends receivable	75,918	25,667
Total assets	25,014,665	23,466,540
Liabilities		
Current liabilities:		
Accrued expenses	34,727	36,515
Payable for units redeemed	47,331	175,091
Distributions payable	—	4,762
Total liabilities	82,058	216,386
Net assets attributable to unitholders of redeemable units	\$ 24,932,607	\$ 23,250,172
Net assets attributable to unitholders of redeemable units:		
Series A	\$ 21,039,426	\$ 20,884,225
Series F	3,893,181	2,365,947
	\$ 24,932,607	\$ 23,250,172
Number of units outstanding (note 4):		
Series A	1,633,164	1,785,202
Series F	299,026	200,686
Net assets attributable to unitholders of redeemable units per unit:		
Canadian dollars:		
Series A	\$ 12.88	\$ 11.70
Series F	13.02	11.79
U.S. dollars:		
Series A	10.33	10.08
Series F	10.44	10.16

*Cost of investments is reflected on the statement of investment portfolio.

See accompanying notes to financial statements.

Approved on behalf of the Board of Directors
of the Management Company:

Francis Chou



CHOU EUROPE FUND

Statements of Comprehensive Income

Six months ended June 30, 2015 and 2014
(Unaudited)

	2015	2014
Income:		
Interest for distribution purposes and other	\$ 2,903	\$ (30)
Dividends	190,699	270,704
Foreign currency gain on cash and other net assets	28,779	89,703
Other net changes in fair value of financial assets and financial liabilities at fair value through profit or loss:		
Net realized gain (loss) on investments	(201)	2,638
Change in unrealized appreciation on investments and derivatives	2,304,043	2,036,631
	<u>2,526,223</u>	<u>2,399,646</u>
Expenses:		
Management fees (note 5)	195,979	195,062
Custodian fees	26,065	28,427
Audit	20,140	605
Filing fees	494	399
Independent Review Committee fees	1,021	971
FundSERV fees	670	673
Foreign withholding taxes	29,451	27,125
Transaction costs (note 6)	—	6,249
Total expenses before manager absorption	<u>273,820</u>	<u>259,511</u>
Total expenses after manager absorption	<u>273,820</u>	<u>259,511</u>
Increase in net assets attributable to unitholders of redeemable units	<u>\$ 2,252,403</u>	<u>\$ 2,140,135</u>
Increase in net assets attributable to unitholders of redeemable units:		
Series A	\$ 1,982,609	\$ 1,975,764
Series F	269,794	164,371
	<u>\$ 2,252,403</u>	<u>\$ 2,140,135</u>
Increase in net assets attributable to unitholders of redeemable units per unit:		
Series A	\$ 1.17	\$ 1.04
Series F	1.03	1.05

See accompanying notes to financial statements.

CHOU EUROPE FUND

Statements of Changes in Net Assets Attributable to Unitholders of Redeemable Units

Six months ended June 30, 2015 and 2014
(Unaudited)

	2015	2014
Series A		
Net assets attributable to unitholders of redeemable units, beginning of period	\$ 20,884,225	\$ 17,951,190
Increase in net assets attributable to unitholders of redeemable units	1,982,609	1,975,764
Proceeds from issue of units	1,205,742	7,062,320
Payments on redemption of units	(3,033,150)	(2,517,397)
Distributions of income to unitholders:		
Investment income	—	—
Capital gains	—	—
Reinvested distributions	—	—
Net assets attributable to unitholders of redeemable units, end of period	21,039,426	24,471,877
Series F		
Net assets attributable to unitholders of redeemable units, beginning of period	2,365,947	929,326
Increase in net assets attributable to unitholders of redeemable units	269,794	164,371
Proceeds from issue of units	1,612,927	1,242,934
Payments on redemption of units	(355,487)	(244,215)
Distributions of income to unitholders:		
Investment income	—	—
Capital gains	—	—
Reinvested distributions	—	—
Net assets attributable to unitholders of redeemable units, end of period	3,893,181	2,092,416
Total net assets, end of period	\$ 24,932,607	\$ 26,564,293

See accompanying notes to financial statements.

CHOU EUROPE FUND

Statements of Cash Flows

Six months ended June 30, 2015 and 2014
(Unaudited)

	2015	2014
Cash flow from operating activities:		
Increase in net assets attributable to unitholders of redeemable units	\$ 2,252,403	\$ 2,140,135
Adjustments for:		
Foreign currency gain on cash and other net assets	(28,779)	(89,703)
Net realized loss (gain) on investments	201	(2,638)
Change in unrealized appreciation on investments and derivatives	(2,304,043)	(2,036,631)
Decrease (increase) in dividends receivable	(50,251)	9,985
Increase (decrease) in other payable and accrued liabilities	(1,788)	34,964
Purchase of investments	-	(5,296,920)
Proceeds from sales of investments	91	25
Net cash used by operating activities	(132,166)	(5,240,783)
Cash flows from financing activities:		
Distributions to unitholders of redeemable units, net of reinvested distributions	(4,762)	(10,231)
Proceeds from redeemable units issued	2,752,154	8,523,024
Amount paid on redemption of redeemable units	(3,516,397)	(2,757,738)
Net cash generated (used) by financing activities	(769,005)	5,755,055
Foreign currency gain on cash and other net assets	28,779	89,703
Net increase (decrease) in cash and cash equivalents	(901,171)	514,272
Cash and cash equivalents, beginning of period	9,250,100	10,159,297
Cash and cash equivalents, end of period	\$ 8,377,708	\$ 10,763,272
Cash and cash equivalents comprise:		
Cash at bank	\$ 8,377,708	\$ 10,763,272
	\$ 8,377,708	\$ 10,763,272
Supplemental information:		
Interest received, net of withholding tax	\$ 2,908	\$ (30)
Dividends received, net of withholding tax	110,997	253,564

See accompanying notes to financial statements.

CHOU EUROPE FUND

Schedule of Investments

June 30, 2015
(Unaudited)

	Number of shares or par value	Cost	Fair value
Equities - long*			
Abbey PLC	33,005	\$ 237,128	\$ 565,393
AstraZeneca PLC	13,000	701,770	1,023,933
Avangardco Investments Public Limited	120,000	1,081,819	164,605
BP PLC ADR	10,000	313,497	498,304
EFG Eurobank Ergasias	5,000,000	2,356,029	988,032
GlaxoSmithKline PLC	18,000	491,338	466,984
Intralot S.A.	717,575	1,659,636	1,697,575
Next PLC	18,000	581,417	2,630,652
OTCPharm PJSC	235,938	—	1,309,903
Pharmstandard GDR	177,605	1,385,014	978,918
Ryanair Holdings PLC ADR	17,000	478,533	1,512,557
Sanofi ADR	20,000	884,092	1,231,045
The Governor and Company of the Bank of Ireland	3,400,000	383,114	1,722,238
Trastor Real Estate Investment Company	854,133	797,009	1,664,050
Total long		11,350,396	16,455,189
Total investments		11,350,396	16,455,189
Transaction costs		(2,623)	—
Portfolio total		\$ 11,347,773	\$ 16,455,189

*Common shares unless indicated otherwise

See accompanying notes to financial statements.

CHOU EUROPE FUND

Discussion of Financial Risk Management

Six months ended June 30, 2015 and 2014
(Unaudited)

Investment objective and strategies:

The Fund's objective is to provide long-term growth of capital by investing primarily in equity securities of European businesses considered by the Manager to be undervalued. Investments may be made in securities other than equities and in businesses located outside of Europe. Investments may include common and preferred shares, convertible debentures, government and corporate bonds and short-term debt.

The investment strategy follows strong disciplines with regard to price paid to acquire portfolio investments. The level of investments in the company's securities is generally commensurate with the current price of the company's securities in relation to its intrinsic value as determined by the above factors. That approach is designed to provide an extra margin of safety, which in turn serves to reduce overall portfolio risk.

Risk management:

The Fund's investment activities expose it to various types of risk associated with the financial instruments and markets in which it invests. The Fund's risk management goals are to ensure that the outcome of activities involving risk is consistent with the Fund's objectives and risk tolerance.

(a) Market risk:

Market risk is the risk that the value of financial instruments will fluctuate as a result of changes in market prices (other than those arising from interest rate risk or foreign currency risk) caused by factors specific to a security, its issuer or all factors affecting a market or a market segment. Approximately 66.0% (December 31, 2014 - 60.9%) of the Fund's net assets held at June 30, 2015 were publicly traded equities. If equity prices on the exchange had increased or decreased by 5% as at June 30, 2015, the net assets of the Fund would have increased or decreased by approximately \$823,000, or 3.3% (December 31, 2014 - \$707,000, or 3.0%) of the net assets, all other factors remaining constant.

In practice, actual trading results may differ and the difference could be material.

CHOU EUROPE FUND

Discussion of Financial Risk Management (continued)

Six months ended June 30, 2015 and 2014
(Unaudited)

Risk management (continued):

(b) Foreign currency risk:

Currencies to which the Fund had exposure as at June 30, 2015 and December 31, 2014 are as follows:

June 30, 2015	Financial instruments	Percentage of NAV
Euro currency	€ 6,818,145	27.4
United States dollar	\$ 5,946,141	23.9
Sterling pound	£ 4,225,773	17.0

December 31, 2014	Financial instruments	Percentage of NAV
Euro currency	€ 5,769,586	24.8
United States dollar	\$ 5,154,980	22.2
Sterling pound	£ 3,737,337	16.1

The amounts in the table as per the previous page are based on the market value of the Fund's financial instruments (including cash, cash equivalents and investments). Other financial assets (including accrued interest and dividend income, and due from broker for investments sold) and financial liabilities (including accrued expenses, payable for units redeemed and distributions payable) that are denominated in foreign currencies do not expose the Fund to significant foreign currency risk.

As at June 30, 2015, if the Canadian dollar had strengthened or weakened by 1% in relation to all currencies with all other variables held constant, net assets would have decreased or increased by approximately \$169,916 (December 31, 2014 - \$147,000).

In practice, the actual trading results may differ and the difference could be material.

CHOU BOND FUND
(Unaudited)

August 14, 2015

Dear Unitholders of Chou Bond Fund,

The net asset value per unit ("NAVPU") of a Series A unit of Chou Bond Fund at June 30, 2015 was \$9.95 compared to \$9.96 at December 31, 2014, a decrease of 0.1%; during the same period, Barclays U.S. Corporate High Yield Index (\$CAN) returned 10.5%. In \$US, a Series A unit of Chou Bond Fund was down 7.0% while Barclays U.S. Corporate High Yield Index returned 2.5%.

The table shows our 1 year, 3 year, 5 year and since inception annual compound rates of return.

June 30, 2015 (Series A)	1 Year	3 Years	5 Years	Since Inception
Chou Bond (\$CAN)	-1.9%	14.7%	6.4%	6.3%
Barclays U.S. Corp. High Yield (\$CAN)	16.7%	14.3%	12.2%	8.4%
Chou Bond (\$US) ⁴	-16.0%	7.2%	3.0%	5.7%
Barclays U.S. Corp. High Yield (\$US)	-0.4%	6.8%	8.6%	7.9%

Rates of return are historical total returns that include changes in unit prices, and assume the reinvestment of all distributions. These annual compounded returns do not take into account any sales charges, redemption fees, other optional expenses or income taxes that you have to pay and that could reduce these returns. The returns are not guaranteed. The Fund's past performance does not necessarily indicate future performance. The table is used only to illustrate the effects of the compound growth rate and is not intended to reflect future values of the mutual funds or returns on the mutual funds. Commissions, trailing commissions, management fees and expenses all may be associated with mutual fund investments. Please read the prospectus before investing.

Please note there is a slight difference in NAV per unit values between our posted performance numbers and these in the Financial Statements due to the impact of bid/ask adjustments, according to new IFRS accounting standards. These percentage differences should be considered immaterial as they constitute less than one-tenth of a percent.

Factors Influencing the First Six Months Results

During the first six months of 2015, the debt securities of Atlanticus Holdings Corporation and Rainmaker Entertainment Inc. contributed positively to the Fund's performance. The Canadian currency depreciated against the US dollar, which also contributed to the positive performance of the Fund.

The major decliners in the Fund's performance came from the equity holdings of Resolute Forest Products Inc., as well as the debt securities of UKRIlandfarming PLC and Avangardco Investments Public Limited, and RH Donnelley Inc. and Dex Media West LLC term loans. The term loan holdings of Dex Media West LLC and RH Donnelley Inc. were decreased due to a cash flow sweep, which means that any free cash flow remaining after all operational needs are met can be used to buy back debt at par from its holders. Our losses were somewhat mitigated by the cash flow sweep we received for the period.

The Fund purchased debt securities of Catalyst Paper Corporation 11.0%, due October 30, 2018.

We reduced holdings in the bonds of Atlanticus Holdings Corporation Inc.

Debts at Negative Yields

I never thought that in my lifetime that we would ever see a situation in a developed economy when there is a negative yield on interest rates. A few months ago, Finland floated a five-year note at a negative yield. It sold €1 billion worth of notes at an interest rate of negative 0.017%. In other words, noteholders or bondholders are willing to pay the government the privilege of holding its notes. And

⁴The alternative method of purchasing Chou Bond Fund in \$US has been offered since September 2005. The investments in the Chou Bond Fund (\$CAN) are the same as the investments in Chou Bond Fund (\$US) except for the currency applied.

this is not an aberration. Countries like Germany, France, Sweden, Netherland, Belgium and Austria have seen their two-year sovereign debt trading at negative yields. So, you have come to this ridiculous situation where you can borrow money for free.

The question now is, how can one capitalize on the situation? There are several possible ways of doing that, but one way of seeking to take advantage of this type of situation is through an interest rate swap. An interest rate swap is a derivative contract between two counterparties whereby they agree to exchange one stream of interest payments for another, over a set period of time.

We are still considering the use of interest rate swaps and other similar derivatives. If we do use these contracts, we will do our best to quantify the risk of loss from these contracts and minimize losses if interest rates do not move in the manner that we anticipate. Of course, there is no guarantee that our use of these interest rate derivatives will work as intended or that we will accurately predict or analyze the direction of future interest rates.

We are starting to look at credit default swaps (CDS)

One way of assessing investors' appetite for risk is to check the prices of credit default swaps (CDS). In a CDS, one party sells credit protection and the other party buys credit protection. Put another way, one party is selling insurance and the counterparty is buying insurance against the default of a specific third party's debt. If the protection buyer does not own debt issued by the third party, then CDS are more appropriately viewed as an investment transaction, rather than a hedging transaction, for the protection buyer notwithstanding the insurance-like features of a CDS. In most CDS, the protection buyer makes the premium payments over the life of the CDS, frequently on a quarterly basis.

We believe that CDS are starting to sell at prices that are becoming interesting. It is not as cheap as it was in 2006-2007. We are continuing to monitor CDS prices and may potentially invest in CDS in the future. We are looking at who deals in such investments and we want to examine carefully what counterparty risk we may be exposed to. The mechanics of investing in a CDS have changed somewhat from six years ago.

To make money in a CDS, you don't need a default of the third-party's debt. A dislocation in the economy or deterioration in the credit profile of the issuer may cause the CDS price to rise from these low levels. The negative aspect is that, like insurance, the premium paid for the protection erodes over time and may expire worthless. There is no guarantee that the Manager will make money for the Fund on any particular CDS or correctly predict an increase of value in any particular CDS.

Non-Investment Grade Debt Securities

Currently, there isn't much to buy in the non-investment grade debt securities, but one sector that seems interesting to us is in the second-lien bonds of several oil and gas companies. These bonds are trading at half of the proved amounts of reserves, which I believe provides plenty of coverage. Additionally, the reserves are heavily weighted towards natural gas rather than oil. Their yield-to-maturity rate is about 15%. If a bankruptcy or a restructuring were to occur in any of these companies, there is a high probability that we will get our money back. We believe it is still too risky to buy the unsecured debt of these companies even if yield-to maturity is approaching 40%. When you buy debt securities, it is important to make sure that if the worst were to occur, your principal is safe.

Chasing yields is too dangerous a game to play.

Other Matters

FOREIGN CURRENCY CONTRACTS: None existed at June 30, 2015.

COVERED CALL OPTION: The Fund had no covered call options in its portfolio as at June 30, 2015.

CONSTANT MATURITY SWAPS: None existed at June 30, 2015.

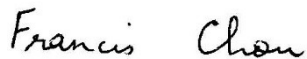
REDEMPTION FEE: We have a redemption fee of 2% if unitholders redeem their units in less than **12 months**. None of this fee goes to the Fund Manager. It is put back into the Fund for the benefit of the remaining unitholders. Please note this change will be in effect for all funds moving forward.

INDEPENDENT REVIEW COMMITTEE: The Manager has established an IRC as required by NI 81-107. The members of the IRC are Sandford Borins, Joe Tortolano and Peter Gregoire. The 2014 IRC Annual Report is available on our website www.choufunds.com.

As of August 14, 2015, the NAV of a Series A unit of the Fund was \$9.94 and the cash position was approximately 26.5% of net assets. The Fund is down 0.2% from the beginning of the year. In \$US, it is down 11.4%.

Except for the performance numbers of the Chou Bond Fund, this letter contains estimates and opinions of the Fund Manager and is not intended to be a forecast of future events, a guarantee of future returns or investment advice. Any recommendations contained or implied herein may not be suitable for all investors.

Yours truly,



Francis Chou
Fund Manager

CHOU BOND FUND

Statements of Financial Position

June 30, 2015 and December 31, 2014
(Unaudited)

	June 30, 2015	December 31, 2014
Assets		
Current assets:		
Financial assets at fair value through profit or loss*	\$ 33,284,652	\$ 36,301,542
Cash and cash equivalents	12,342,388	12,395,193
Receivable for units subscribed	—	20,687
Due from broker	17,494	—
Interest receivable	942,019	941,428
Total assets	46,586,553	49,658,850
Liabilities		
Current liabilities:		
Accrued expenses	55,534	65,334
Payable for units redeemed	46,949	23,337
Distributions payable	—	68,010
Total liabilities	102,483	156,681
Net assets attributable to unitholders of redeemable units	\$ 46,484,070	\$ 49,502,169
Net assets attributable to unitholders of redeemable units:		
Series A	\$ 42,981,230	\$ 45,810,611
Series F	3,502,840	3,691,558
	\$ 46,484,070	\$ 49,502,169
Number of units outstanding (note 4):		
Series A	4,320,066	4,599,226
Series F	348,784	367,482
Net assets attributable to unitholders of redeemable units per unit:		
Canadian dollars:		
Series A	\$ 9.95	\$ 9.96
Series F	10.04	10.05
U.S. dollars:		
Series A	7.98	8.58
Series F	8.05	8.66

*Cost of investments is reflected on the statement of investment portfolio.

See accompanying notes to financial statements.

Approved on behalf of the Board of Directors
of the Management Company:

Francis Chau



CHOU BOND FUND

Statements of Comprehensive Income

Six months ended June 30, 2015 and 2014
(Unaudited)

	2015	2014
Income:		
Interest for distribution purposes and other	\$ 2,248,223	\$ 1,560,127
Foreign currency gain on cash and other net assets	195,057	325,415
Other net changes in fair value of financial assets and financial liabilities at fair value through profit or loss:		
Net realized gain on financial assets at fair value through profit or loss	705,991	1,709,078
Net realized loss on held-for-trading investments	–	(429,087)
Change in unrealized appreciation (depreciation) on investments and derivatives	(2,782,090)	2,287,444
	<u>367,181</u>	<u>5,452,977</u>
Expenses:		
Management fees (note 5)	311,117	311,078
Custodian fees	27,150	27,150
Audit	8,799	2,715
Filing fees	646	–
Independent Review Committee fees	2,006	2,110
FundSERV fees	1,356	–
Legal fees	–	557
Transaction costs (note 6)	–	23,878
Total expenses before manager absorption	<u>351,074</u>	<u>367,488</u>
Total expenses after manager absorption	<u>351,074</u>	<u>367,488</u>
Increase in net assets attributable to unitholders of redeemable units	<u>\$ 16,107</u>	<u>\$ 5,085,489</u>
Increase in net assets attributable to unitholders of redeemable units:		
Series A	\$ 13,217	\$ 4,662,826
Series F	2,890	422,663
	<u>\$ 16,107</u>	<u>\$ 5,085,489</u>
Increase in net assets attributable to unitholders of redeemable units per unit:		
Series A	\$ 0.00	\$ 1.08
Series F	0.01	1.18

See accompanying notes to financial statements.

CHOU BOND FUND

Statements of Changes in Net Assets Attributable to Unitholders of Redeemable Units

Six months ended June 30, 2015 and 2014
(Unaudited)

	2015	2014
Series A		
Net assets attributable to unitholders of redeemable units, beginning of period	\$ 45,810,611	\$ 38,761,019
Increase in net assets attributable to unitholders of redeemable units	13,217	4,662,826
Proceeds from issue of units	877,951	6,776,733
Payments on redemption of units	(3,720,549)	(3,161,513)
Distributions of income to unitholders:		
Investment income	—	—
Capital gains	—	—
Reinvested distributions	—	—
Net assets attributable to unitholders of redeemable units, end of period	42,981,230	47,039,065
Series F		
Net assets attributable to unitholders of redeemable units, beginning of period	3,691,558	3,527,244
Increase in net assets attributable to unitholders of redeemable units	2,890	422,663
Proceeds from issue of units	46,902	425,679
Payments on redemption of units	(238,510)	(478,265)
Distributions of income to unitholders:		
Investment income	—	—
Capital gains	—	—
Reinvested distributions	—	—
Net assets attributable to unitholders of redeemable units, end of period	3,502,840	3,897,321
Total net assets, end of period	\$ 46,484,070	\$ 50,936,386

See accompanying notes to financial statements.

CHOU BOND FUND

Statements of Cash Flows

Six months ended June 30, 2015 and 2014
(Unaudited)

	2015	2014
Cash flow from operating activities:		
Increase in net assets attributable to unitholders of redeemable units	\$ 16,107	\$ 5,085,489
Adjustments for:		
Foreign currency gain on cash and other net assets	(195,057)	(325,415)
Net realized gain on investments	(705,991)	(1,279,991)
Change in unrealized depreciation (appreciation) on investments and derivatives	2,782,090	(2,287,444)
Increase in interest receivable	(591)	(198,244)
Decrease in other payable and accrued liabilities	(9,800)	(2,673)
Purchase of investments	(356,930)	(8,887,353)
Proceeds from sales of investments	1,280,227	5,807,026
Net cash generated (used) by operating activities	2,810,055	(2,088,605)
Cash flows from financing activities:		
Distributions to unitholders of redeemable units, net of reinvested distributions	(68,010)	(76,467)
Proceeds from redeemable units issued	945,540	7,202,412
Amount paid on redemption of redeemable units	(3,935,447)	(3,648,778)
Net cash generated (used) by financing activities	(3,057,917)	3,477,167
Foreign currency gain on cash and other net assets	195,057	325,415
Net increase (decrease) in cash and cash equivalents	(247,862)	1,388,562
Cash and cash equivalents, beginning of period	12,395,193	12,164,529
Cash and cash equivalents, end of period	\$ 12,342,388	\$ 13,878,506
Cash and cash equivalents comprise:		
Cash at bank	\$ 12,342,388	\$ 13,878,506
	\$ 12,342,388	\$ 13,878,506
Supplemental information:		
Interest received, net of withholding tax	\$ 2,247,632	\$ 1,361,883

See accompanying notes to financial statements.

CHOU BOND FUND

Schedule of Investments

June 30, 2015
(Unaudited)

	Number of units or par value	Cost	Fair value
Equities - long*			
Catalyst Paper Corporation**	108,606	\$ 47,448	\$ 173,770
Resolute Forest Products Inc.**	391,463	3,529,372	5,491,768
		3,576,820	5,665,538
Bonds - long			
Ascent Capital Group Inc, 4.000% con., July 15, 2020	2,683,000	2,776,137	2,762,795
Atlanticus Holdings Corporation, 5.875% Nov 30, 2035	10,300,000	4,559,401	6,036,762
Avangardco Investments Public Limited, 10.000% Oct 29, 2015	2,725,000	2,665,927	1,563,124
Catalyst Paper Corporation, 11.000% Oct 30, 2017	1,946,981	1,549,757	2,100,133
Catalyst Paper Corporation, 11.000%, Oct 30, 2018	206,686	195,309	222,944
Dex Media, Inc., 14.000% Jan 29, 2017	3,638,594	2,880,924	1,327,402
Dex Media West LLC, term loans Dec 31, 2016	1,212,131	728,388	1,035,403
Fortress Paper Limited, 6.500% Dec 31, 2016	100,000	63,230	70,890
Fortress Paper Limited, 7.000%, conv., Dec 31, 2019	4,659,000	2,621,102	2,282,444
Rainmaker Entertainment Inc., 8.000%, conv., Mar 31, 2016	2,612,000	2,612,000	3,134,400
R.H. Donnelley Inc., term loans, Dec 31, 2016	3,905,948	3,190,698	2,687,190
Taiga Building Products Limited, 14.000% Sep 01, 2020	1,712,000	1,705,899	1,883,200
Ukrlandfarming PLC, 10.875% Mar 26, 2018	6,000,000	5,305,314	3,511,098
		31,015,707	27,619,114
Total long		34,592,527	33,284,652
Total investments		34,592,527	33,284,652
Transaction costs		(11,990)	—
Portfolio total		\$ 34,580,537	\$ 33,284,652

* Common shares unless indicated otherwise

** Shares received from debt restructuring

See accompanying notes to financial statements.

CHOU BOND FUND

Discussion of Financial Risk Management

Six months ended June 30, 2015 and 2014
(Unaudited)

Investment objective and strategies:

The Fund's objective is to provide conservation of principal and income production with capital appreciation as a secondary consideration. The Fund invests primarily in Canadian and U.S. bonds. These bonds include, but are not limited to, Government of Canada, provincial, municipal and corporate issues, including convertibles and high yield bonds. Investments may be made in bonds outside of Canada and the U.S.

The Fund seeks to achieve its investment objectives by investing in securities that it believes are undervalued. The Fund will generally be fully invested. A combination of investment strategies will be utilized in managing the portfolio including relative value trades, yield enhancement strategies and interest rate anticipation trades. Investments made by the Fund are not guaranteed. Fixed income securities issued by governments may decrease in value as a result of changes in interest rates. Fixed income securities issued by corporations may decrease in value due to general market conditions or credit risks associated with the issuer.

Risk management:

The Fund's investment activities expose it to various types of risk associated with the financial instruments and markets in which it invests. The Fund's risk management goals are to ensure that the outcome of activities involving risk is consistent with the Fund's objectives and risk tolerance.

(a) Credit risk:

Credit risk is the risk that counterparty to a financial instrument will fail to discharge a commitment that it has entered into with the Funds. As of June 30, 2015, the Fund invested approximately 59.4% (December 31, 2014 - 56.5%) of its net assets in non-investment grade debt instruments. Non-investment grade is the term applied to bonds rated below Baa3 on the Moody's credit rating scale and below BBB- on the equivalent ratings systems from S&P and Fitch. These credit ratings denote that the company's financial position is weak and its bonds should be considered a speculative investment.

CHOU BOND FUND

Discussion of Financial Risk Management (continued)

Six months ended June 30, 2015 and 2014
(Unaudited)

Risk management (continued):

(b) Interest rate risk:

Interest rate risk arises from the effect of changes in interest rates on future cash flows or the current value of financial instruments. The table below summarizes the Fund's exposure to interest rate risks by remaining term to maturity:

Debt instruments by maturity date:

	June 30, 2015	December 31, 2014
Less than 1 year	\$ 4,697,524	\$ 1,957,398
1-3 years	9,956,389	11,530,808
3-5 years	2,282,444	4,693,496
Greater than 5 years	10,682,757	9,788,147

As at June 30, 2015, should interest rates have decreased or increased by 0.25%, with all other variables remaining constant, the increase or decrease in net assets for the period would have amounted to approximately \$2,174,000 (December 31, 2014 - \$1,487,000).

In practice, the actual trading results may differ and the difference could be material.

(c) Market risk:

Market risk is the risk that the value of financial instruments will fluctuate as a result of changes in market prices (other than those arising from interest rate risk or foreign currency risk) caused by factors specific to a security, its issuer or all factors affecting a market or a market segment. Approximately 12.2% (December 31, 2014 - 16.8%) of the Fund's net assets held at June 30, 2015 were publicly traded equities. If equity prices on the exchange had increased or decreased by 5% as at June 30, 2015, the net assets of the Fund would have increased or decreased by approximately \$283,000, or 0.6% (December 31, 2014 - \$417,000, or 0.8%) of the net assets, all other factors remaining constant.

In practice, actual trading results may differ and the difference could be material.

CHOU BOND FUND

Discussion of Financial Risk Management (continued)

Six months ended June 30, 2015 and 2014
(Unaudited)

Risk management (continued):

(d) Foreign currency risk:

Currencies to which the Fund had exposure as at June 30, 2015 and December 31, 2014 are as follows:

June 30, 2015	Financial instruments	Percentage of NAV
United States dollar	\$ 31,296,462	67.3

December 31, 2014	Financial instruments	Percentage of NAV
United States dollar	\$ 32,614,905	65.9

The amounts in the above table are based on the market value of the Fund's financial instruments (including cash, cash equivalents and investments). Other financial assets (including accrued interest income, receivable for units subscribed, and other receivable) and financial liabilities (including accrued expenses, payable for units redeemed and distributions payable) that are denominated in foreign currencies do not expose the Fund to significant foreign currency risk.

If the Canadian dollar had strengthened or weakened by 1% in relation to all currencies, with all other variables held constant, net assets would have decreased or increased by approximately \$313,000 (December 31, 2014 - \$326,000).

In practice, the actual trading results may differ and the difference could be material.

CHOU RRSP FUND

(Unaudited)

August 14, 2015

Dear Unitholders of Chou RRSP Fund,

The net asset value ("NAVPU" or "NAV") of a Series A unit of Chou RRSP Fund at June 30, 2015 was \$34.27 compared to \$35.33 at December 31, 2014, a decrease of 2.9%; during the same period, the S&P/TSX Total Return Index returned 0.9% in Canadian dollars. In \$US, a Series A unit of Chou RRSP Fund was down 9.6% while the S&P/TSX Total Return Index was down 6.1%.

The table shows our 1 year, 3 year, 5 year, 10 year and 15 year annual compound rates of return.

June 30, 2015 (Series A)	1 Year	3 Years	5 Years	10 Years	15 Years
Chou RRSP (\$CAN)	3.0%	18.2%	12.0%	5.2%	9.5%
S&P/TSX (\$CAN)	-1.2%	11.1%	8.3%	6.8%	4.9%
Chou RRSP (\$US) ⁵	-11.8%	10.5%	8.5%	5.0%	10.7%
S&P/TSX (\$US)	-15.6%	3.8%	4.8%	6.6%	6.1%

Rates of return are historical total returns that include changes in unit prices, and assume the reinvestment of all distributions. These annual compounded returns do not take into account any sales charges, redemption fees, other optional expenses or income taxes that you have to pay and that could reduce these returns. The returns are not guaranteed. The Fund's past performance does not necessarily indicate future performance. The table is used only to illustrate the effects of the compound growth rate and is not intended to reflect future values of the mutual funds or returns on the mutual funds. Commissions, trailing commissions, management fees and expenses all may be associated with mutual fund investments. Please read the prospectus before investing.

Please note there is a slight difference in NAV per unit values between our posted performance numbers and these in the Financial Statements due to the impact of bid/ask adjustments, according to new IFRS accounting standards. These percentage differences should be considered immaterial as they constitute less than one-tenth of a percent.

Factors Influencing the First Six Months Results

Canfor Pulp Products and Taiga Building Products were major positive contributors to the Fund's performance.

The largest equity decliners for the six months ended June 30, 2015 were Resolute Forest Products, Blackberry Limited, Torstar Corporation and Interfor Corporation, as well as the Bank of America Corporation warrants.

During the first six months of 2015, the Fund decreased it's holdings in Interfor Corporation and Rainmaker Entertainment Inc.

China

We have been concerned with China's economy for a few years. It is not as healthy as the government wants us to believe. Huge sums of money have been put into building cities and highways, but all remain eerily empty. Any slowdown in China's economy will have a negative impact on Canada's economy. Our economy is based on commodities and energy and China imports a lot of our raw materials.

In addition, we are concerned with the heavy leverage that Chinese investors use when they invest in equity securities.

⁵The alternative method of purchasing Chou RRSP Fund in \$US has been offered since September 2005. Performance for years prior to September 2005 is based on the \$US equivalent conversion of the results of the Chou RRSP Fund (\$CAN). The investments in the Chou RRSP Fund (\$CAN) are the same as the investments in Chou RRSP Fund (\$US) except for the currency applied.

According to Bank of America, leveraged bets on Chinese stocks are more than double what you might expect:

Table 1: Key figures of the seven leverage channels

Leverage channel	Size (Rmb bn)	As of	Sources; basis of estimates	Common leverage	Common interest cost for borrowers (p.a.)	Main funding sources
Margin Financing (MF)	1,455	July 23	China Securities Finance Corp.	1x	8-9%	Bank WMP, broker (own fund + TAM)
Stock Collateralized Lending (SCL)	901	July 22	Wind; We assume a 40% average loan-to-asset value	0.3-0.5x	5-13%	Broker (own fund + TAM), bank loan, trust
Umbrella Trust (UT)	621	1H	China Trust Industry Associations; We assume 1) 80% of stock related trust AUM increase since mid-14 is for UT; and 2) 2Q15 increase in such AUM = 1Q15's.	2-3x	9-10%	Bank WMP, broker TAM, fund TAMC, P2P, offline private fund matching firms, HNWIs, corporations
Stock Benefits Swap (SBS)	123	1Q	Securities Association of China	2-4x	8-10%	Broker (own fund + TAM), bank WMP
Structured Mutual Fund (SMF)	473	1H	Fund Industry Association	2x	8-9%	Retail
P2P	20	1Q	Securities Times article on March 9th, citing local experts' estimate	3x	18-20%	Retail
Offline Private Fund Matching	150	1Q	As above	2-10x	15-20%	Retail & HNWIs
Subtotal	<u>3,743</u>					

Source: Various news, BofA Merrill Lynch Global Market

"We estimate that margin outstanding, only from the seven channels that we can estimate reasonably, easily exceeds 3.7 trillion yuan," writes strategist David Cui. "Assuming an average one times leverage, it means that at least 7.5 trillion yuan market positions are being carried on margin, equivalent to some 13 percent of A-share's market cap and 34 percent of its free float."

Cui notes there are a number of other channels that, while difficult to pin down with much certainty, may boost this total by 3.5 trillion yuan.

The second-largest channel for leverage, stock collateralized lending, enables shareholders to put up their stock as collateral to receive funds.

Cui believes this practice played a large role in the paralysis of many stocks while Chinese equities were in free fall.

"Although in theory the borrowers can use the obtained funds for many purposes, we suspect that in recent times most of them used the funds to invest in the stock market, sometimes by buying the very stocks they used as [collateral] to drive up their prices," he writes. "It appears to us that potential margin calls from this lending source is one of the main reasons why, at the height of the A-share market crash, close to half of the A-share companies had their stocks suspended from trading."

If there is any positive out of this, we are starting to see oil and gas, as well as commodity stocks, starting to trade at prices that look interesting. We have carefully avoided this sector for the last 20 years but whenever we see a sector that has dropped by 60% or more, it definitely will pique our interest.

We are starting to look at credit default swaps (CDS)

One way of assessing investors' appetite for risk is to check the prices of credit default swaps (CDS). In a CDS, one party sells credit protection and the other party buys credit protection. Put another way, one party is selling insurance and the counterparty is buying insurance against the default of a specific third party's debt. If the protection buyer does not own debt issued by the third party, then CDS are more appropriately viewed as an investment transaction, rather than a hedging transaction, for the protection buyer notwithstanding the insurance-like features of a CDS. In most CDS, the protection buyer makes the premium payments over the life of the CDS, frequently on a quarterly basis.

We believe that CDS are starting to sell at prices that are becoming interesting. It is not as cheap as it was in 2006-2007. We are continuing to monitor CDS prices and may potentially invest in CDS in the future. We are looking at who deals in such investments and we want to examine carefully what counterparty risk we may be exposed to. The mechanics of investing in a CDS have changed somewhat from six years ago.

To make money in a CDS, you don't need a default of the third-party's debt. A dislocation in the economy or deterioration in the credit profile of the issuer may cause the CDS price to rise from these low levels. The negative aspect is that, like insurance, the premium paid for the protection erodes over time and may expire worthless. There is no guarantee that the Manager will make money for the Fund on any particular CDS or correctly predict an increase of value in any particular CDS.

Other Matters

COVERED CALL OPTIONS: The Fund had no covered call options in its portfolio as at June 30, 2015.

FOREIGN CURRENCY CONTRACTS: None existed at June 30, 2015.

CREDIT DEFAULT SWAP: None existed at June 30, 2015.

U.S. DOLLAR VALUATION: Any investor who wishes to purchase the Chou Funds in \$US may do so.

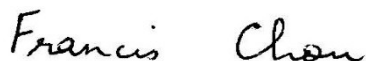
REDEMPTION FEE: We have a redemption fee of 2% if unitholders redeem their units in less than **12 months**. None of this fee goes to the Fund Manager. It is put back into the Fund for the benefit of the remaining unitholders. Please note this change will be in effect for all funds moving forward.

INDEPENDENT REVIEW COMMITTEE: The Manager has established an IRC as required by NI 81-107. The members of the IRC are Sandford Borins, Joe Tortolano and Peter Gregoire. The 2014 IRC Annual Report is available on our website www.choufunds.com.

As of August 14, 2015, the NAV of a Series A unit of the Fund was \$32.59 and the cash position was approximately 34.9% of net assets. The Fund is down 7.8% from the beginning of the year. In \$US, it is down 18.2%.

Except for the performance numbers of the Chou RRSP Fund, this letter contains estimates and opinions of the Fund Manager and is not intended to be a forecast of future events, a guarantee of future returns or investment advice. Any recommendations contained or implied herein may not be suitable for all investors.

Yours truly,



Francis Chou
Fund Manager

CHOU RRSP FUND

Statements of Financial Position

June 30, 2015 and December 31, 2014
(Unaudited)

	June 30, 2015	December 31, 2014
Assets		
Current assets:		
Financial assets at fair value through profit or loss*	\$ 74,352,062	\$ 89,336,509
Held for trading investments	6,417,690	6,778,821
Cash and cash equivalents	39,764,094	32,417,012
Receivable for units subscribed	7,530	47,500
Other receivable	3,203	12,895
Interest receivable	296,383	38,157
Total assets	120,840,962	128,630,894
Liabilities		
Current liabilities:		
Accrued expenses	208,332	220,187
Payable for units redeemed	186,060	64,712
Total liabilities	394,392	284,899
Net assets attributable to unitholders of redeemable units	\$ 120,446,570	\$ 128,345,995
Net assets attributable to unitholders of redeemable units:		
Series A	\$ 114,813,324	\$ 123,027,948
Series F	5,633,246	5,318,047
	\$ 120,446,570	\$ 128,345,995
Number of units outstanding (note 4):		
Series A	3,350,554	3,486,572
Series F	163,874	150,658
Net assets attributable to unitholders of redeemable units per unit:		
Canadian dollars:		
Series A	\$ 34.27	\$ 35.29
Series F	34.38	35.30
U.S. dollars:		
Series A	27.48	30.41
Series F	27.57	30.42

*Cost of investments is reflected on the statement of investment portfolio.

See accompanying notes to financial statements.

Approved on behalf of the Board of Directors
of the Management Company:

Francis Chau



CHOU RRSP FUND

Statements of Comprehensive Income

Six months ended June 30, 2015 and 2014
(Unaudited)

	2015	2014
Income:		
Interest for distribution purposes and other	\$ 884,666	\$ 472,356
Dividends	457,944	1,072,225
Securities lending income	56,039	28,853
Foreign currency gain on cash and other net assets	732,541	36,973
Other net changes in fair value:		
Net realized gain on financial assets at fair value through profit or loss	12,989,977	5,250,263
Net realized gain on held-for-trading investments	–	222,557
Change in unrealized appreciation (depreciation) on financial assets at fair value through profit or loss	(17,233,121)	2,863,416
Change in unrealized appreciation (depreciation) on held-for-trading investments	(361,131)	406,885
	<u>(2,473,085)</u>	<u>10,353,528</u>
Expenses:		
Management fees (note 5)	1,021,182	1,032,698
Custodian fees	68,779	68,779
Audit	24,486	5,430
Filing fees	7,240	7,240
Independent Review Committee fees	5,172	5,698
FundSERV fees	5,430	5,430
Legal fees	1,207	2,200
Transaction costs (note 6)	11,175	16,484
Total expenses before manager absorption	<u>1,144,671</u>	<u>1,143,959</u>
Total expenses after manager absorption	1,144,671	1,143,959
Increase (decrease) in net assets attributable to unitholders of redeemable units		
	<u>\$ (3,617,756)</u>	<u>\$ 9,209,569</u>
Increase (decrease) in net assets attributable to unitholders of redeemable units:		
Series A	\$ (3,470,028)	\$ 8,844,916
Series F	(147,728)	364,653
	<u>\$ (3,617,756)</u>	<u>\$ 9,209,569</u>
Increase (decrease) in net assets attributable to unitholders of redeemable units per unit:		
Series A	\$ (1.01)	\$ 2.40
Series F	(0.91)	2.30

See accompanying notes to financial statements.

CHOU RRSP FUND

Statements of Changes in Net Assets Attributable to Unitholders of Redeemable Units

Six months ended June 30, 2015 and 2014
(Unaudited)

	2015	2014
Series A		
Net assets attributable to unitholders of redeemable units, beginning of period	\$ 123,027,948	\$ 117,867,041
Increase (decrease) in net assets attributable to unitholders of redeemable units	(3,470,028)	8,844,916
Proceeds from issue of units	1,796,735	2,185,842
Payments on redemption of units	(6,541,331)	(9,121,976)
Distributions of income to unitholders:		
Investment income	—	—
Capital gains	—	—
Reinvested distributions	—	—
Net assets attributable to unitholders of redeemable units, end of period	114,813,324	119,775,823
Series F		
Net assets attributable to unitholders of redeemable units, beginning of period	5,318,047	4,760,990
Increase (decrease) in net assets attributable to unitholders of redeemable units	(147,728)	364,653
Proceeds from issue of units	715,766	587,285
Payments on redemption of units	(252,839)	(941,968)
Distributions of income to unitholders:		
Investment income	—	—
Capital gains	—	—
Reinvested distributions	—	—
Net assets attributable to unitholders of redeemable units, end of period	5,633,246	4,770,960
Total net assets, end of period	\$ 120,446,570	\$ 124,546,783

See accompanying notes to financial statements.

CHOU RRSP FUND

Statements of Cash Flows

Six months ended June 30, 2015 and 2014
(Unaudited)

	2015	2014
Cash flow from operating activities:		
Increase (decrease) in net assets attributable to unitholders of redeemable units	\$ (3,617,756)	\$ 9,209,569
Adjustments for:		
Foreign currency gain on cash and other net assets	(732,541)	(36,973)
Net realized gain on investments	(12,989,977)	(5,472,820)
Change in unrealized depreciation (appreciation) on investments and derivatives	17,594,252	(3,270,301)
Decrease (increase) in interest receivable	(258,226)	1,357
Decrease in other receivable	9,692	764
Decrease in other payable and accrued liabilities	(11,855)	(9,638)
Purchase of investments	(8,622,017)	(1,722,220)
Proceeds from sales of investments	19,363,320	11,118,795
Net cash generated by operating activities	10,734,892	9,818,533
Cash flows from financing activities:		
Distributions to unitholders of redeemable units, net of reinvested distributions	–	(14,669)
Proceeds from redeemable units issued	2,552,471	2,771,638
Amount paid on redemption of redeemable units	(6,672,822)	(9,944,802)
Net cash used by financing activities	(4,120,351)	(7,187,833)
Foreign currency gain on cash and other net assets	732,541	36,973
Net increase in cash and cash equivalents	6,614,541	2,630,700
Cash and cash equivalents, beginning of period	32,417,012	33,720,588
Cash and cash equivalents, end of period	\$ 39,764,094	\$ 36,388,261
Cash and cash equivalents comprise:		
Cash at bank	\$ 39,764,094	\$ 36,388,261
	\$ 39,764,094	\$ 36,388,261
Supplemental information:		
Interest received, net of withholding tax	\$ 626,440	\$ 473,713
Dividends received, net of withholding tax	457,944	1,072,225
Security lending income received	65,731	29,617

See accompanying notes to financial statements.

CHOU RRSP FUND

Schedule of Investments

June 30, 2015
(Unaudited)

	Number of shares or par value	Cost	Fair value
Equities - long*			
Blackberry Limited	529,040	\$ 4,122,657	\$ 5,401,498
Canfor Pulp Products Inc.	493,900	1,405,445	7,734,474
Danier Leather Inc.	679,200	6,453,777	2,241,360
Dundee Corporation, Class A	200,000	2,306,367	2,508,000
Interfor Corporation	425,500	2,530,493	8,718,495
Overstock.com Inc.	151,976	3,166,145	4,271,672
Rainmaker Entertainment Inc.	936,800	1,930,473	243,568
Reitmans (Canada) Limited	215,300	1,241,858	1,293,953
Reitmans (Canada) Limited, Class A	440,800	2,557,439	2,869,608
Resolute Forest Products Inc.	624,188	10,166,745	8,756,628
Sears Canada Inc.	292,830	2,667,681	2,213,795
Taiga Building Products Limited	159,700	212,401	127,760
Torstar Corporation, Class B	1,259,416	27,484,475	7,292,019
TVA Group Inc., Class B	783,128	11,323,079	3,759,014
TWC Enterprises Limited	197,624	1,077,639	1,985,133
		78,646,674	59,416,977
Held-for-trading**			
Bank of America Corporation, warrants, Class A, Jan 16, 2019	836,825	2,984,789	6,417,690
Bonds - long			
Fuel Industries Inc., term loans, Jan 31, 2016	7,500,000	7,500,000	7,500,000
Taiga Building Products Limited 14.000% Sep 01, 2020	6,759,168	6,759,168	7,435,085
Total long		92,905,842	74,352,062
Total held for trading		2,984,789	6,417,690
Total investments		95,890,631	80,769,752
Transaction costs		(452,820)	—
Portfolio total		\$ 95,437,811	\$ 80,769,752

* Common shares unless indicated otherwise

** Held-for-trading refers to equities - long

See accompanying notes to financial statements.

CHOU RRSP FUND

Discussion of Financial Risk Management

Six months ended June 30, 2015 and 2014
(Unaudited)

Investment objective and strategies:

The Fund's objective is to provide long-term growth of capital by investing primarily in equity securities of Canadian businesses considered by the Manager to be undervalued. The Fund may also invest in equity and debt instruments of U.S. and foreign businesses. Investments may include common and preferred shares, convertible debentures, government and corporate bonds and short-term debt.

The investment strategy follows strong disciplines with regard to price paid to acquire portfolio investments. The level of investments in the company's securities is generally commensurate with the current price of the company's securities in relation to its intrinsic value as determined by the above factors. That approach is designed to provide an extra margin of safety, which in turn serves to reduce overall portfolio risk.

Risk management:

The Fund's investment activities expose it to various types of risk associated with the financial instruments and markets in which it invests. The Fund's risk management goals are to ensure that the outcome of activities involving risk is consistent with the Fund's objectives and risk tolerance.

(a) Credit risk:

Credit risk is the risk that a counterparty to a financial instrument will fail to discharge a commitment that it has entered into with the Funds. As of June 30, 2015, the Fund invested approximately 12.4% (December 31, 2014 - 5.7%) of its net assets in non-investment grade debt instruments. Non-investment grade is the term applied to bonds rated below Baa3 on the Moody's credit rating scale and below BBB- on the equivalent ratings systems from S&P and Fitch. These credit ratings denote that the company's financial position is weak and its bonds should be considered a speculative investment.

CHOU RRSP FUND

Discussion of Financial Risk Management (continued)

Six months ended June 30, 2015 and 2014
(Unaudited)

Risk management (continued):

(b) Interest rate risk:

Interest rate risk arises from the effect of changes in interest rates on future cash flows or the current value of financial instruments. The table below summarizes the Fund's exposure to interest rate risks by remaining term to maturity:

Debt instruments by maturity date:

	June 30, 2015	December 31, 2014
Less than 1 year	\$ 7,500,000	\$ –
Greater than 5 years	7,435,085	7,333,697

As at June 30, 2015, should interest rates have decreased or increased by 0.25%, with all other variables remaining constant, the increase or decrease in net assets for the period would have amounted to approximately \$558,047 (December 31, 2014 - \$119,000).

In practice, the actual trading results may differ and the difference could be material.

(c) Market risk:

Market risk is the risk that the value of financial instruments will fluctuate as a result of changes in market prices (other than those arising from interest rate risk or foreign currency risk) caused by factors specific to a security, its issuer or all factors affecting a market or a market segment. Approximately 49.3% (December 31, 2014 - 63.9%) of the Fund's net assets held at June 30, 2015 were publicly traded equities. If equity prices on the exchange had increased or decreased by 5% as at June 30, 2015, the net assets of the Fund would have increased or decreased by approximately \$2,971,000, or 2.5% (December 31, 2014 - \$4,100,000, or 3.2%) of the net assets, all other factors remaining constant.

In practice, actual trading results may differ and the difference could be material.

CHOU RRSP FUND

Discussion of Financial Risk Management (continued)

Six months ended June 30, 2015 and 2014
(Unaudited)

Risk management (continued):

(d) Foreign currency risk:

Currencies to which the Fund had exposure as at June 30, 2015 and December 31, 2014 are as follows:

June 30, 2015	Financial instruments	Percentage of NAV
United States dollar	\$ 34,409,327	28.6

December 31, 2014	Financial instruments	Percentage of NAV
United States dollar	\$ 34,100,324	26.6

The amounts in the above table are based on the market value of the Fund's financial instruments (including cash, cash equivalents and investments). Other financial assets (including accrued interest and dividend income, receivable for units subscribed and other receivable) and financial liabilities (including accrued expenses, payable for units redeemed and distributions payable) that are denominated in foreign currencies do not expose the Fund to significant foreign currency risk.

As at June 30, 2015, if the Canadian dollar had strengthened or weakened by 1% in relation to all currencies, with all other variables held constant, net assets would have decreased or increased by approximately \$344,000 (December 31, 2014 - \$341,000).

In practice, the actual trading results may differ and the difference could be material.

CHOU FUNDS

Notes to Financial Statements

Six months ended June 30, 2015 and 2014
(Unaudited)

1. Formation of Chou Funds:

The individual funds comprising the family of Chou Funds (the "Chou Funds" or the "Funds") are open-ended investment mutual fund trusts formed pursuant to Declarations of Trust under the laws of the Province of Ontario. Chou Associates Management Inc. is the Manager and Trustee of the Chou Funds. The address of the Funds' registered office is: 110 Sheppard Avenue East, Suite 301, Box 18, Toronto, Ontario, M2N 6Y8. The unaudited financial statements were authorized for issue by the Manager on August 24, 2015.

The Funds were formed on the following dates:

Chou Associates Fund	September 1, 1986
Chou Asia Fund	August 26, 2003
Chou Europe Fund	August 26, 2003
Chou Bond Fund	August 10, 2005
Chou RRSP Fund	September 1, 1986

2. Significant accounting policies:

These financial statements have been prepared in compliance with International Financial Reporting Standards ("IFRS") and in accordance with International Accounting Standard 34 Interim Financial Reporting ("IAS 34") as published by the International Accounting Standards Board ("IASB") and as required by Canadian securities legislation and the Canadian Accounting Standards board.

CHOU FUNDS

Notes to Financial Statements (continued)

Six months ended June 30, 2015 and 2014
(Unaudited)

2. Significant accounting policies (continued):

The policies applied in these interim financial statements are based on IFRS issued and outstanding as of August 24, 2015, which is the date on which the interim financial statements have been authorized for issue by the Manager.

The following is a summary of significant accounting policies used by the Funds:

(a) Recognition, initial measurement and classification:

Financial assets and financial liabilities at fair value through profit or loss ("FVTPL") are initially recognized on the trade date, at fair value, with transaction costs recognized in profit or loss. Other financial assets and financial liabilities are recognized on the date on which they are originated at fair value.

The Funds classify financial assets and financial liabilities into the following categories:

Financial assets at fair value through profit or loss:

- Held-for-trading: derivative financial instruments; and
- Designated as at fair value through profit or loss: debt securities and equity investments.

Financial liabilities at fair value through profit or loss:

- Held-for-trading: securities sold short and derivative financial instruments.

All other financial assets and financial liabilities, are measured at amortized cost, and are classified as loans and receivables and other financial liabilities, respectively. The amortized cost of a financial asset or financial liability is the amount at which the financial asset or financial liability is measured at initial recognition, minus principal repayments, plus or minus the cumulative amortization using the effective interest rate method of any difference between the initial amount recognized and the maturity amount, minus any reduction for impairment.

CHOU FUNDS

Notes to Financial Statements (continued)

Six months ended June 30, 2015 and 2014
(Unaudited)

2. Significant accounting policies (continued):

(b) Fair value measurement:

When available, the Fund measures the fair value of a financial instrument using the quoted price in an active market for that instrument. The Fund measures instruments quoted in an active market at the last traded market price.

If there is no quoted price in an active market, then the Fund uses valuation techniques that maximize the use of relevant observable inputs and minimize the use of unobservable inputs. The chosen valuation technique incorporates all of the factors that market participants would take into account in pricing a transaction.

The Fund recognizes transfers between levels of the fair value hierarchy as at the end of the reporting period during which the change has occurred.

Financial assets classified as loans and receivables are carried at amortised cost using the effective interest rate method, less impairment losses, if any.

There are no differences between the Fund's method for measuring fair value for financial reporting purposes and that for the purposes of calculating net asset value for unitholder transactions.

Derecognition:

The Fund derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the right to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Fund neither transfers nor retains substantially all of the risks and rewards of ownership and does not retain control of the financial asset.

The Fund derecognizes a financial liability when its contractual obligations are discharged or cancelled, or expire.

CHOU FUNDS

Notes to Financial Statements (continued)

Six months ended June 30, 2015 and 2014
(Unaudited)

2. Significant accounting policies (continued):

(c) Critical accounting estimates and judgments:

The preparation of financial statements requires management to use judgment in applying its accounting policies and to make estimates and assumptions about the future. The following discusses the most significant accounting judgments and estimates that the Fund has made in preparing the financial statements:

(i) Fair value measurement of held-for-trading securities and securities not quoted in an active market:

The Fund holds financial instruments that are not quoted in active markets, including held-for-trading securities. Fair values of such instruments are determined using valuation techniques and may be determined using reputable pricing sources (such as pricing agencies) or indicative prices from market makers. Broker quotes as obtained from the pricing sources may be indicative and not executable or binding. Where no market data is available, the Fund may value positions using its own models, which are usually based on valuation methods and techniques generally recognized as standard within the industry. The models used to determine fair values are validated and periodically reviewed by experienced personnel of the Manager, independent of the party that created them. The models used for private equity securities are based mainly on earnings multiples adjusted for a lack of marketability, as appropriate.

Models use observable data, to the extent practicable. However, areas such as credit risk (both own and counterparty), volatilities and correlations require the Manager to make estimates. Changes in assumptions about these factors could affect the reported fair values of financial instruments. The Fund considers observable data to be market data that is readily available, regularly distributed and updated, reliable and verifiable, not proprietary, and provided by independent sources that are actively involved in the relevant market. Refer to note 4 for further information about the fair value measurement of the Fund's financial instruments.

CHOU FUNDS

Notes to Financial Statements (continued)

Six months ended June 30, 2015 and 2014
(Unaudited)

2. Significant accounting policies (continued):

(ii) Classification and measurement of investments and application of the fair value option:

In classifying and measuring financial instruments held by the Fund, the Manager is required to make significant judgments about whether or not the business of the Fund is to invest on a total return basis for the purpose of applying the fair value option for financial assets under IAS 39, Financial Instruments - Recognition and Measurement. The most significant judgments made include the determination that certain investments are held-for-trading and that the fair value option can be applied to those which are not.

(d) Cost of investments:

The cost of investments represents the amount paid for each security, and is determined on an average cost basis excluding transaction costs. Investment transactions are accounted for as of the trade date. These financial statements are presented in Canadian dollars, which is the Fund's functional currency.

(e) Transaction costs:

Transaction costs are incremental costs directly attributable to the acquisition, issue or disposal of an investment, which include fees and commissions paid to agents, advisors, brokers and dealers, levies by regulatory agencies and securities exchanges and transfer taxes and duties. In accordance with IFRS, transaction costs are expensed and are included in transaction costs in the statements of comprehensive income.

(f) Cash and cash equivalents:

Cash and cash equivalents consist of cash on deposit and short-term debt instruments with terms to maturity less than 90 days.

(g) Investment transactions and income recognition:

All investment transactions are reported on the business day the order to buy or sell is executed.

CHOU FUNDS

Notes to Financial Statements (continued)

Six months ended June 30, 2015 and 2014
(Unaudited)

2. Significant accounting policies (continued):

Income from investments held is recognized on an accrual basis. Interest income is accrued as earned and dividend income and distributions from investment trusts are recognized on the ex-dividend dates.

Distributions received from investment trusts are recorded as income, capital gains or a return of capital, based on the best information available to the Manager. Due to the nature of these investments, actual allocations could vary from this information. Distributions from investment trusts that are treated as a return of capital for income tax purposes reduce the average cost of the underlying investment trust on the statement of investments.

(h) Foreign exchange:

Securities and other assets and liabilities denominated in foreign currencies are translated into Canadian dollars at the exchange rates prevailing on each valuation day. Purchases and sales of investments, income and expenses are translated into Canadian dollars at the exchange rates prevailing on the respective dates of such transactions. Realized and unrealized foreign exchange gains (losses) on investments are included in realized gain (loss) on sale of investments and change in unrealized appreciation (depreciation) on investments, respectively, in the statements of comprehensive income.

(i) Derivative transactions:

The Manager may use options to hedge against losses from changes in the prices of the Funds' investments instead of buying and selling securities directly. There can be no assurance that the hedging strategies will be effective. Losses may also arise if the counterparty does not perform under the contract.

Options:

The premium paid for purchased warrants is included in held-for-trading investments on the statements of financial position. The unrealized gain or loss is reflected in the statements of comprehensive income in unrealized gain (loss) on held-for-trading investments.

CHOU FUNDS

Notes to Financial Statements (continued)

Six months ended June 30, 2015 and 2014
(Unaudited)

2. Significant accounting policies (continued):

The premium received upon writing an option on futures or an over-the-counter option is recorded at cost in investments, at fair value in the statements of financial position. As long as the position of the written option is maintained, the liability for written options is revalued at an amount equal to the current market value of the option, which would have the effect of closing the position. Any gain or loss resulting from revaluation is reflected in the statements of comprehensive income in net realized and unrealized gain (loss) on held-for-trading investments.

The gain or loss on sale or expiry of options and warrants is reflected in the statements of comprehensive income in change in unrealized appreciation (depreciation) on held-for-trading investments.

(j) Multi-series funds:

Where a Fund offers more than one series of units, the realized gains/losses from the sale of investments, changes in unrealized gains on investments, income and expenses that are common to the Fund as a whole, are allocated daily to each series based on the proportionate share of the net asset value of the series. The proportionate share of each series is determined by adding the current day's net unitholder subscriptions of the series to the prior day's net asset value of the series. Any income or expense amounts that are unique to a particular series (for example, management fees) are accounted for separately in that particular series so as to not affect the net asset value of the other series.

(k) Valuation of Fund units:

The net assets attributable to holders of redeemable units of each Fund are computed by dividing the net assets attributable to holders of series of units by the total number of units of the series outstanding at the time. The net assets attributable to holders of redeemable units are determined at the close of business each Friday.

(l) Securities lending:

The Funds lend portfolio securities from time to time in order to earn additional income. Income from securities lending is included in the statement of operations of the Funds and is recognized on an accrual basis.

CHOU FUNDS

Notes to Financial Statements (continued)

Six months ended June 30, 2015 and 2014
(Unaudited)

2. Significant accounting policies (continued):

(m) Classification of redeemable units issued by the Fund:

Under Canadian GAAP, the Fund accounted for its redeemable units as equity. Under IFRS, IAS 32 requires that units or shares of an entity which include a contractual obligation for the issuer to repurchase or redeem them for cash or another financial asset be classified as financial liabilities. The Fund's units do not meet the criteria in IAS 32 for classification as equity and therefore have been reclassified as financial liabilities on transition to IFRS.

(n) Future accounting standards:

IFRS 9 was issued by the IASB in November 2009 and will replace International Accounting Standard 39, Financial Instruments - Recognition and Measurement ("IAS 39"). IFRS 9 uses a single approach to determine whether a financial asset is measured at amortised cost or fair value, replacing the multiple rules in IAS 39. The approach in IFRS 9 is based on how an entity manages its financial instruments in the context of its business model and the contractual cash flow characteristics of the financial assets. The new standard also requires a single impairment method to be used, replacing the multiple impairment methods in IAS 39. In October 2010, the IASB issued a revised version of IFRS 9. The revised standard adds guidance on the classification and measurement of financial liabilities. The issued installments of IFRS 9 have an effective date of January 1, 2018. The Manager continues to evaluate the impact of IFRS 9 on its financial statements, particularly with regard to the recording of its investments.

3. Financial instruments and risk management:

Investment activities of the Funds expose them to a variety of financial risks: credit risk, liquidity risk and market risk (including interest rate risk and foreign currency risk). The level of risk depends on each of the Funds' investment objectives and the type of securities each Fund invests in. Funds that invest in underlying funds are also exposed to indirect financial risks in the event that the underlying funds are exposed to these risks.

The Manager of the Funds seeks to minimize these risks by managing the security portfolios of the Funds on a daily basis according to market events and the investment objectives of the Funds. CPA Handbook disclosures that are specific to each of the Funds are presented in the discussion on financial risk management under the schedule of investments. The sensitivity analysis shown in the discussion on financial risk management may differ from actual results and the difference could be significant.

CHOU FUNDS

Notes to Financial Statements (continued)

Six months ended June 30, 2015 and 2014
(Unaudited)

3. Financial instruments and risk management (continued):

The Manager maintains a risk management practice that includes monitoring compliance with investment restrictions to ensure that the Funds are being managed in accordance with the Funds' stated investment objectives, strategies and securities regulations. The risk positions noted below are monitored by the Manager on a regular basis.

(a) Credit risk:

Credit risk is the risk that a counterparty to a financial instrument will fail to discharge a commitment that it has entered into with the Funds. The fair value of a financial instrument takes into account the credit rating of its issuer, and accordingly, represents the maximum credit risk exposure of a Fund. The Fund's main credit risk concentration is in debt securities and trading derivative instruments which are disclosed in the respective Fund's schedule of investments. All transactions in securities are settled or paid for upon delivery through brokers. As such, credit risk is considered minimal in the Funds on investment transactions, as delivery of securities sold is made once the broker has received payment. Payment is made on a purchase once the securities have been received by the broker. The trade will fail if either party fails to meet its obligations.

(b) Interest rate risk:

Interest rate risk is the risk that the fair value of the Funds' interest-bearing investments will fluctuate due to changes in the prevailing levels of market interest rates. The Funds' exposure to interest rate risk is concentrated in investments in debt securities (such as bonds and debentures or short-term instruments) and interest rate held-for-trading instruments, if any. Other assets and liabilities are short-term in nature and are non-interest bearing. There is minimal sensitivity to interest rate fluctuations on cash and cash equivalents invested at short-term market interest rates.

(c) Foreign currency risk:

Foreign currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. Foreign currency risk arises from financial instruments (including cash and equivalents and foreign currency derivative instruments) that are denominated in a currency other than Canadian dollars, which represents the functional currency of the Funds. Therefore the Funds' financial instruments that are denominated in other currencies will fluctuate due to changes in the foreign exchange rates of those currencies in relation to the Funds' functional currency.

CHOU FUNDS

Notes to Financial Statements (continued)

Six months ended June 30, 2015 and 2014
(Unaudited)

3. Financial instruments and risk management (continued):

(d) Liquidity risk:

Liquidity risk is the risk that a Fund may not be able to settle or meet its obligation on time or at a reasonable price. The Funds are exposed to redemptions as units are redeemable on demand and unitholders may redeem their units on each valuation date. Therefore, in accordance with the Funds' Simplified Prospectus, the Funds invest their assets in investments that are traded in an active market and can be readily disposed. In addition, each Fund aims to retain sufficient cash and cash equivalent positions to maintain liquidity. The Funds may, from time to time, invest in securities that are not traded in an active market and may be illiquid.

(e) Market risk:

Market risk is the risk that the value of financial instruments will fluctuate as a result of changes in market prices (other than those arising from interest rate risk or foreign currency risk) caused by factors specific to a security, its issuer or all factors affecting a market or a market segment. The Funds are exposed to market risk since all financial instruments held by the Funds present a risk of loss of capital. The maximum risk resulting from financial instruments is equivalent to their fair value, except for options written and future contracts where possible losses can be unlimited.

4. Holders of redeemable units' capital:

The Manager considers the Funds' capital to consist of holders of redeemable units' representing the net assets attributable to holders of redeemable units. The Funds' capital is managed in accordance with each of the Funds' investment objectives, policies, and restrictions, as outlined in the Funds' prospectus. Changes in the Funds' capital during the period are reflected in the statements of changes in net assets. The Funds have no specific restrictions or specific capital requirements on the subscriptions and redemptions of redeemable units, other than minimum subscription requirements. The Funds endeavor to invest the subscriptions received in appropriate investments while maintaining sufficient liquidity to meet redemptions. Holders of redeemable units are entitled to distributions when declared. Distributions on redeemable units of a Fund are reinvested in additional redeemable units of the Fund or at the option of the holders of redeemable units, paid in cash. Redeemable units of the Funds are redeemable at the option of the holders of redeemable units in accordance with the prospectus. The following unit transactions took place during the periods ended June 30, 2015 and 2014.

CHOU FUNDS

Notes to Financial Statements (continued)

Six months ended June 30, 2015 and 2014
(Unaudited)

4. Holders of redeemable units' capital (continued):

	Series A		Series F	
	2015	2014	2015	2014
Chou Associates Fund				
Units outstanding, beginning of period	4,142,334	4,208,995	348,701	305,457
Add units issued during the period	140,175	181,152	44,729	75,959
Deduct units redeemed during the period	(159,869)	(207,946)	(26,444)	(33,177)
Units outstanding before income distribution	4,122,640	4,182,201	366,986	348,239
Add units issued on reinvested income	11	28	2	–
Units outstanding, end of period	4,122,651	4,182,229	366,988	348,239
Chou Asia Fund				
Units outstanding, beginning of period	2,109,279	2,291,643	102,055	79,004
Add units issued during the period	50,881	59,125	36,493	14,616
Deduct units redeemed during the period	(65,817)	(229,227)	(2,181)	(19,864)
Units outstanding before income distribution	2,094,343	2,121,541	136,367	73,756
Add units issued on reinvested income	1	–	22	–
Units outstanding, end of period	2,094,344	2,121,541	136,389	73,756
Chou Europe Fund				
Units outstanding, beginning of period	1,785,202	1,544,393	200,686	2,180
Add units issued during the period	91,679	522,841	126,104	76,058
Deduct units redeemed during the period	(243,718)	(197,927)	(27,781)	–
Units outstanding before income distribution	1,633,163	1,899,307	299,009	156,287
Add units issued on reinvested income	1	110	17	–
Units outstanding, end of period	1,633,164	1,899,417	299,026	156,287
Chou Bond Fund				
Units outstanding, beginning of period	4,599,226	4,020,643	367,482	362,911
Add units issued during the period	84,178	642,527	4,470	40,247
Deduct units redeemed during the period	(363,411)	(297,730)	(23,168)	(44,690)
Units outstanding before income distribution	4,319,993	4,365,440	348,784	358,468
Add units issued on reinvested income	73	–	–	–
Units outstanding, end of period	4,320,066	4,365,440	348,784	358,468
Chou RRSP Fund				
Units outstanding, beginning of period	3,486,572	3,811,998	150,658	154,729
Add units issued during the period	50,836	65,440	20,430	17,664
Deduct units redeemed during the period	(186,854)	(276,401)	(7,214)	(28,650)
Units outstanding before income distribution	3,350,554	3,601,037	163,874	143,743
Add units issued on reinvested income	–	5	–	–
Units outstanding, end of period	3,350,554	3,601,042	163,874	143,743

CHOU FUNDS

Notes to Financial Statements (continued)

Six months ended June 30, 2015 and 2014
(Unaudited)

5. Related party transactions:

Management fees:

Chou Associates Management Inc. (the "Manager") manages the Chou Funds under a management agreement dated August 10, 2005. The Manager is entitled to an annual investment management fee equal to 1.5% of the net asset value of Series A units and 1.0% of the net asset value of Series F units for all Funds other than the Chou Bond Fund on which the Manager is entitled to an annual investment management fee equal to 1.5% of the net asset value of Series A units and 1.0% of the net asset value of Series F units. All other expenses attributable to the Funds are also payable out of the assets of the Funds.

During the period, management fees for each Fund are as follows:

	June 30, 2015	June 30, 2014
Chou Associates Fund	\$ 4,605,716	\$ 4,154,689
Chou Asia Fund	347,053	326,894
Chou Europe Fund	195,979	195,062
Chou Bond Fund	311,117	311,078
Chou RRSP Fund	1,021,182	1,032,698

As at June 30, 2015 included in accrued expenses of each fund are the following amounts due to Chou Associates Management Inc., for management fees payable:

	June 30, 2015	December 31, 2014
Chou Associates Fund	\$ 792,517	\$ 811,746
Chou Asia Fund	62,424	58,424
Chou Europe Fund	34,576	36,120
Chou Bond Fund	52,074	56,625
Chou RRSP Fund	175,075	184,008

The Manager, its officers and directors invest in units of the Funds from time to time in the normal course of business. All transactions with the Manager are measured at the exchange amounts.

CHOU FUNDS

Notes to Financial Statements (continued)

Six months ended June 30, 2015 and 2014
(Unaudited)

5. Related party transactions (continued):

As at June 30, 2015, the following amounts of Series A redeemable units held by employees of the Manager. No amounts of Series F redeemable units were held by employees of the Manager.

	June 30, 2015	December 31, 2014
Chou Associates Fund	175,437	175,287
Chou Asia Fund	353,013	353,013
Chou Europe Fund	535,761	535,761
Chou Bond Fund	1,935,292	1,935,292
Chou RRSP Fund	294,713	294,713

(a) Chou Associates Fund:

As at June 30, 2015, 4.3% of Series A redeemable units (December 31, 2014 - 4.2%) were held by employees of the Manager.

(b) Chou Asia Fund:

As at June 30, 2015, 16.9% of Series A redeemable units (December 31, 2014 - 16.6%) were held by employees of the Manager.

(c) Chou Europe Fund:

As at June 30, 2015, 32.8% of Series A redeemable units (December 31, 2014 - 28.2%) were held by employees of the Manager.

(d) Chou Bond Fund:

As at June 30, 2015, 44.8% of Series A redeemable shares (December 31, 2014 - 44.3%) were held by employees of the Manager.

(e) Chou RRSP Fund:

As at June 30, 2015, 8.8% of Series A redeemable shares (December 31, 2014 - 8.2%) were held by employees of the Manager.

CHOU FUNDS

Notes to Financial Statements (continued)

Six months ended June 30, 2015 and 2014
(Unaudited)

6. Brokers' commissions:

Total commissions paid to brokers in connection with portfolio transactions for the periods ended June 30, 2015 and June 30, 2014 are as follows:

	2015	2014
Chou Associates Fund	\$ 88,282	\$ 22,460
Chou Asia Fund	28,449	–
Chou Europe Fund	–	6,249
Chou Bond Fund	–	23,878
Chou RRSP Fund	11,175	16,484

7. Securities lending:

The Funds have entered into a securities lending program with Citibank N.A. The Funds receive collateral of at least 102% of the value of the securities on loan. Collateral may be comprised of cash and obligations of or guaranteed by, the Government of Canada or a province thereof, or by the United States Government or its agencies, but may include obligations of other governments with appropriate credit ratings. The aggregate dollar values of the securities that are on loan and the collateral received by the Funds as at June 30, 2015 and December 31, 2014 are as follows:

	Market value of securities on loan	Market value of collateral received
June 30, 2015		
Chou Associates Fund	\$ 84,568,801	\$ 86,367,727
Chou Asia Fund	40,349	42,385
Chou RRSP Fund	12,787,732	13,426,929

	Market value of securities on loan	Market value of collateral received
December 31, 2014		
Chou Associates Fund	\$ 78,705,537	\$ 80,379,741
Chou Asia Fund	37,551	39,447
Chou RRSP Fund	11,901,142	12,496,022

CHOU FUNDS

Notes to Financial Statements (continued)

Six months ended June 30, 2015 and 2014
(Unaudited)

8. Fair value measurement:

The Funds' redeemable securities entitle securityholders the right to redeem their interest in the Funds for cash equal to their proportionate share of the net asset value of the Funds, amongst other contractual rights. These redeemable securities involve multiple contractual obligations on the part of the Funds and therefore meet the criteria for classification as financial liabilities. The Fund's obligation for net assets attributable to securityholders is measured at FVTPL, with fair value being the redemption amount as of the reporting date.

Below is a classification of fair measurements of the Funds' investments based on a three level fair value hierarchy and a reconciliation of transactions and transfers within that hierarchy. The hierarchy of fair valuation inputs is summarized as follows:

- Level 1 - quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 - inputs other than quoted prices included within Level 1 that are observable for the assets or liabilities, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3 - inputs for the assets or liabilities that are not based on observable market data. Additional quantitative disclosures are required for Level 3 securities.

(a) Chou Associates Fund:

June 30, 2015	Level 1	Level 2	Level 3	Total
Equities - long	\$ 367,994,004	\$ –	\$ 955,763	\$ 368,949,767
Bonds	–	5,526,004	–	5,526,004
Total	\$ 367,994,004	\$ 5,526,004	\$ 955,763	\$ 374,475,771

December 31, 2014	Level 1	Level 2	Level 3	Total
Equities - long	\$ 388,925,413	\$ –	\$ 1,884,536	\$ 390,809,949
Bonds	–	6,837,486	–	6,837,486
Total	\$ 388,925,413	\$ 6,837,486	\$ 1,884,536	\$ 397,647,435

During the periods ended June 30, 2015 and December 31, 2014, there were no significant transfers between Level 1, Level 2, and Level 3.

CHOU FUNDS

Notes to Financial Statements (continued)

Six months ended June 30, 2015 and 2014
(Unaudited)

8. Fair value measurement (continued):

Fair value measurements using Level 3 inputs:

	Equities - long	Bonds	Total
Balance, December 31, 2014	\$ 1,884,536	\$ –	\$ 1,884,536
Investments purchased during the period			
Proceeds from sales during the period	(817,211)	–	(817,211)
Net realized gain on sale of investments	817,211	–	817,211
Change in unrealized appreciation (depreciation) in value of investments	(928,773)	–	(928,773)
Balance, June 30, 2015	\$ 955,763	\$ –	\$ 955,763

(b) Chou Asia Fund:

June 30, 2015	Level 1	Level 2	Level 3	Total
Equities - long	\$ 11,567,928	\$ –	\$ 4,792	\$ 11,572,720
Total	\$ 11,567,928	\$ –	\$ 4,792	\$ 11,572,720

December 31, 2014	Level 1	Level 2	Level 3	Total
Equities - long	\$ 19,152,040	\$ –	\$ 4,792	\$ 19,156,832
Total	\$ 19,152,040	\$ –	\$ 4,792	\$ 19,156,832

During the periods ended June 30, 2015 and December 31, 2014, there were no significant transfers between Level 1, Level 2, and Level 3.

Fair value measurements using Level 3 inputs:

	Equities - long	Bonds	Total
Balance, December 31, 2014	\$ 4,792	\$ –	\$ 4,792
Net transfer in during the period	–	–	–
Change in unrealized depreciation in value of investments	–	–	–
Balance, June 30, 2015	\$ 4,792	\$ –	\$ 4,792

CHOU FUNDS

Notes to Financial Statements (continued)

Six months ended June 30, 2015 and 2014
(Unaudited)

8. Fair value measurement (continued):

(c) Chou Europe Fund:

June 30, 2015	Level 1	Level 2	Level 3	Total
Equities - long	\$ 15,145,286	\$1,309,903	\$ –	\$ 16,455,189
Total	\$ 15,145,286	\$1,309,903	\$ –	\$ 16,455,189

December 31, 2014	Level 1	Level 2	Level 3	Total
Equities - long	\$ 13,236,471	\$ 504,240	\$ 410,727	\$ 14,151,438
Total	\$ 13,236,471	\$ 504,240	\$ 410,727	\$ 14,151,438

Fair value measurements using Level 3 inputs:

	Equities - long	Bonds	Total
Balance, December 31, 2014	\$ 410,727	\$ –	\$ 410,727
Investments purchased during the period	–	–	–
Proceeds from sales during the period	–	–	–
Net transfer in during the period	(410,727)	–	(410,727)
Net realized gain on sale of investments	–	–	–
Change in unrealized appreciation in value of investments	–	–	–
Balance, June 30, 2015	\$ –	\$ –	\$ –

During the period ended June 30, 2015 and December 31, 2014, there were no significant transfers between Level 1, Level 2, and Level 3.

CHOU FUNDS

Notes to Financial Statements (continued)

Six months ended June 30, 2015 and 2014
(Unaudited)

8. Fair value measurement (continued):

(d) Chou Bond Fund:

June 30, 2015	Level 1	Level 2	Level 3	Total
Equities - long	\$ 5,491,768	\$ 173,770	\$ –	\$ 5,665,538
Bonds	–	24,484,714	3,134,400	27,619,114
Total	\$ 5,491,768	\$ 24,658,484	\$ 3,134,400	\$ 33,284,652

December 31, 2014	Level 1	Level 2	Level 3	Total
Equities - long	\$ 8,331,693	\$ –	\$ –	\$ 8,331,693
Bonds	–	27,969,849	–	27,969,849
Total	\$ 8,331,693	\$ 27,969,849	\$ –	\$ 36,301,542

During the periods ended June 30, 2015 and December 31, 2014, there were no significant transfers between Level 1, Level 2, and Level 3.

Fair value measurements using Level 3 inputs:

	Equities - long	Bonds	Total
Balance, December 31, 2014	\$ –	\$ –	\$ –
Investments purchased during the period	–	–	–
Proceeds from sales during the period	–	(3,734)	(3,734)
Net transfer out during the period	–	2,612,000	2,612,000
Net realized gain on sale of investments	–	3,734	3,734
Change in unrealized appreciation in value of investments	–	522,400	522,400
Balance, June 30, 2015	\$ –	\$ 3,134,400	\$ 3,134,400

CHOU FUNDS

Notes to Financial Statements (continued)

Six months ended June 30, 2015 and 2014
(Unaudited)

8. Fair value measurement (continued):

(e) Chou RRSP Fund:

June 30, 2015	Level 1	Level 2	Level 3	Total
Equities - long	\$ 63,593,307	\$ 2,241,360	\$ –	\$ 65,834,667
Bonds	–	7,435,085	7,500,000	14,935,085
Total	\$ 63,593,307	\$ 9,676,445	\$ 7,500,000	\$ 80,769,752

December 31, 2014	Level 1	Level 2	Level 3	Total
Equities - long	\$ 88,781,633	\$ –	\$ –	\$ 88,781,633
Bonds	–	7,333,697	–	7,333,697
Total	\$ 88,781,633	\$ 7,333,697	\$ –	\$ 96,115,330

During the periods ended June 30, 2015 and December 31, 2014, there were no significant transfers between Level 1, Level 2, and Level 3.

9. Taxes:

(a) Income taxes:

The Chou Funds qualify as mutual fund trusts under the provisions of the Income Tax Act (Canada). General income tax rules apply to the Chou Funds; however, no income tax is payable by the Chou Funds on investment income and/or net realized capital gains which are distributed to unitholders. In addition, income taxes payable on undistributed net realized capital gains are refundable on a formula basis when units of the Fund are redeemed. Sufficient net income and realized capital gains of the Chou Funds, have been, or will be distributed to the unitholders such that no tax is payable by the Chou Funds and accordingly no provision for taxes has been made in the financial statements.

Capital losses for income tax purposes may be carried forward indefinitely and applied against capital gains in future years.

CHOU FUNDS

Notes to Financial Statements (continued)

Six months ended June 30, 2015 and 2014
(Unaudited)

9. Taxes (continued):

The Funds have the following net realized capital losses available for utilization against net realized capital gains in future years:

Chou Europe Fund	\$	3,265,651
Chou Bond Fund		1,741,128
Chou RRSP Fund		5,826,579

(b) Harmonized sales tax:

Effective July 1, 2010, the Government of Ontario replaced the provincial sales tax ("PST") with a single harmonized sales tax ("HST"). The HST combines the federal goods and services tax ("GST") rate of 5% with the respective PST rate. The harmonization results in an HST rate of 13% in Ontario.

Investment funds in Canada are required to calculate the HST rate using specific rules. The specific rules and guidance require HST to be calculated using the residency of unitholders and the current value of their interests, rather than the physical location of the Fund Manager.

The new HST has resulted in higher overall management expense ratios as management fees and certain other expenses charged to the Fund are now subject to the new HST.

Illustration of an assumed investment of \$10,000 in Canadian dollars
(Unaudited)

CHOU ASIA FUND

Period ended	Total value of shares
Dec.31, 2003	10,000
Dec.31, 2004	11,361
Dec.31, 2005	12,650
Dec.31, 2006	14,002
Dec.31, 2007	11,881
Dec.31, 2008	6,655
Dec.31, 2009	8,962
Dec.31, 2010	8,885
Dec.31, 2011	8,451
Dec.31, 2012	10,753
Dec. 31, 2013	15,199
Dec. 31, 2014	15,342
June 30, 2015	\$16,873

CHOU EUROPE FUND

Period ended	Total value of shares
Dec.31, 2003	10,000
Dec.31, 2004	11,850
Dec.31, 2005	12,678
Dec.31, 2006	14,598
Dec.31, 2007	16,972
Dec.31, 2008	13,979
Dec.31, 2009	17,015
Dec.31, 2010	18,786
Dec.31, 2011	17,931
Dec.31, 2012	17,609
Dec. 31, 2013	21,799
Dec. 31, 2014	23,472
June 30, 2015	\$25,547

CHOU BOND FUND

Period ended	Total value of shares
Dec.31, 2005	10,000
Dec.31, 2006	12,200
Dec.31, 2007	11,870
Dec.31, 2008	7,396
Dec.31, 2009	10,534
Dec.31, 2010	13,980
Dec.31, 2011	11,408
Dec.31, 2012	12,884
Dec. 31, 2013	15,944
Dec. 31, 2014	17,502
June 30, 2015	\$17,480

NOTE: Rates of return are historical total returns, include changes in unit prices, and assume the reinvestment of all distributions. These annual compounded returns do not take into account any sales charges, redemption fees, other optional expenses or income taxes that you have to pay and that could reduce these returns. The returns are not guaranteed. The Fund's past performance does not necessarily indicate future performance.

The table is presented only to illustrate the effects of the compound growth rate and is not intended to reflect future values of the mutual funds or returns on the mutual funds.

Commissions, trailing commissions, management fees and expenses all may be associated with mutual fund investments. Please read the prospectus before investing.

Illustration of an assumed investment of \$10,000 in Canadian dollars
(Unaudited)

CHOU RRSP FUND

Period ended	Total value of shares
Dec.31, 1986	10,000
Dec.31, 1987	10,818
Dec.31, 1988	12,281
Dec.31, 1989	14,350
Dec.31, 1990	12,722
Dec.31, 1991	13,284
Dec.31, 1992	14,500
Dec.31, 1993	16,727
Dec.31, 1994	14,961
Dec.31, 1995	17,808
Dec.31, 1996	21,735
Dec.31, 1997	32,741
Dec.31, 1998	38,806
Dec.31, 1999	36,217
Dec.31, 2000	42,188
Dec.31, 2001	49,370
Dec.31, 2002	65,095
Dec.31, 2003	72,658
Dec.31, 2004	82,362
Dec.31, 2005	95,294
Dec.31, 2006	104,479
Dec.31, 2007	94,817
Dec.31, 2008	54,629
Dec.31, 2009	69,818
Dec.31, 2010	102,367
Dec.31, 2011	81,150
Dec.31, 2012	108,860
Dec. 31, 2013	132,029
Dec. 31, 2014	150,763
June 30, 2015	\$146,248

NOTE: Rates of return are historical total returns, include changes in unit prices, and assume the reinvestment of all distributions. These annual compounded returns do not take into account any sales charges, redemption fees, other optional expenses or income taxes that you have to pay and that could reduce these returns. The returns are not guaranteed. The Fund's past performance does not necessarily indicate future performance.

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