

**SIMPLIFIED PROSPECTUS**

**Chou Associates Fund  
Chou RRSP Fund  
Chou Europe Fund  
Chou Asia Fund  
Chou Bond Fund**

**SERIES A UNITS AND SERIES F UNITS**

**September 14, 2019**

*No securities regulatory authority has expressed an opinion about these units and it is an offence to claim otherwise.*

*The Funds and units of the Funds offered under this Simplified Prospectus are offered in each of the Provinces of Canada (excluding the Territories).*

*The Funds and units of the Funds described in this Simplified Prospectus are not registered with the United States Securities and Exchange Commission and they are sold in the United States only in reliance on exemptions from registration.*

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## **Part A – General Information**

### **INTRODUCTION**

This document contains selected important information to help you make an informed investment decision and to help you understand your rights as an investor.

This document is divided into two parts:

- Part A (from pages 1 to 21) contains general information applicable to all of the Chou Funds
- Part B (from pages 22 to 44) contains specific information about each of the Funds described in this document

Additional information about each Fund is available in the following documents:

- the Annual Information Form;
- the most recently filed Fund Facts;
- the most recently filed annual financial statements;
- any interim financial report filed after those annual financial statements;
- the most recently filed annual management report of fund performance; and
- any interim management report of fund performance filed after that annual management report of fund performance.

These documents are incorporated by reference into this document, which means they legally form part of this document, just as if they had been printed as part of this document. You can obtain copies of these documents, including a statement of portfolio transactions, at no cost by calling (416) 214-0675 in Greater Toronto or toll-free 1-888-357-5070 outside Greater Toronto, by facsimile at (416) 214-1733, contacting us by email at [admin@choufunds.com](mailto:admin@choufunds.com) or from your broker or dealer. Units of the Chou Funds are offered to investors in all provinces of Canada (excluding territories).

In this Simplified Prospectus "we", "us", "our" and "Manager" mean Chou Associates Management Inc., and the "Funds" or "Chou Funds" means the mutual funds offered under the Simplified Prospectus. "You" means purchasers of the Funds.

These documents and other information about the Funds are also available at [www.sedar.com](http://www.sedar.com).

### **WHAT IS A MUTUAL FUND AND WHAT ARE THE RISKS OF INVESTING IN A MUTUAL FUND?**

#### **What is a Mutual Fund?**

A mutual fund is an investment vehicle created to permit people with similar investment objectives to pool their money. People who contribute money become investors or unitholders of the mutual fund. The units represent the proportionate interest the unitholders have in a fund's income and expenses and in gains or losses a fund makes on its investments. Mutual fund

unitholders share the mutual fund's income, expenses and the gains and losses of the mutual fund in proportion to the units they own.

### **Series of Securities**

All of the Chou Funds issue securities in more than one series. A series of securities may be viewed as a subdivision of the Fund for certain purposes (e.g. calculation of fees), but for other purposes (e.g. investment activity), the Fund remains undivided. See **Purchases, Switches and Redemptions** on page 10 for more information.

### **What are the General Risks of Investing in Mutual Funds?**

Mutual funds own different types of investments - stocks, bonds, cash, derivatives - depending upon their investment objectives. The value of these investments will change from day to day, reflecting changes in interest rates, economic conditions, and market and company news. As a result, the value of each fund's units may go up and down, and the value of your investment in a mutual fund may be more or less when you redeem it than when you purchased it. Unprecedented turbulence in financial markets over the last years reduced liquidity in equity, credit and fixed-income markets and may negatively affect many investments worldwide, which could have an adverse effect on the Funds.

The full amount of your investment in any Chou Fund is not guaranteed. Unlike bank accounts or GIC's, mutual fund units are not covered by the Canada Deposit Insurance Corporation or any other government deposit insurer.

Under exceptional circumstances, a mutual fund may suspend redemptions. See **Redemptions** starting on page 12 for more information.

### **Different Mutual Funds have Different Risks**

All mutual funds involve some level of risk. Risk is the possibility you will either lose money or make no money on your investment. Generally, the higher an investment's anticipated return, the greater its risk. You should carefully review your tolerance for risk when reviewing an investment's anticipated return.

### **What are the Specific Risks associated with Mutual Funds?**

Below are some of the specific risks that may affect the value of your investment in a Fund.

#### **Below-Investment Grade Securities Risk**

Investments in securities rated below investment grade, or "junk bonds," generally involve significantly greater risks of loss of your money than an investment in investment grade bonds. Issuers of high-yield securities are not as strong financially as those with higher credit ratings, so the securities are usually considered speculative investments. These issuers are more vulnerable to financial difficulties and weak economic periods than more creditworthy issuers, which may impair their ability to make interest and principal payments. Rising interest rates may compound these difficulties and reduce an issuer's ability to repay principal and interest obligations. Issuers of lower-rated securities also have a greater risk of default or bankruptcy. Additionally, due to the greater number of considerations involved in the selection of a Fund's securities, the achievement of the Fund's objective depends more on the skills of the portfolio manager than investing only in higher rated securities. Therefore, your investment may experience greater

volatility in price and yield. High-yield securities may be less liquid than higher quality investments. A security whose credit rating has been lowered may be particularly difficult to sell.

### **Credit Risk**

The financial condition of an issuer of a debt security may cause it to default or become unable to pay interest or principal due on the security. If an issuer defaults, the affected security could lose all of its value, be renegotiated at a lower interest rate or principal amount, or become illiquid. Higher yielding debt securities of lower credit quality have greater credit risk than lower yielding securities with higher credit quality. The Funds may invest in debt securities that are issued by U.S. Government sponsored entities. Investments in these securities involve credit risk as they are not backed by the full faith and credit of the U.S. Government. The Funds may invest in Collateralized/Guaranteed Mortgage Obligations ("CMOs"). CMOs are divided into classes (often referred to as "tranches") and certain tranches of CMOs have priority over other classes. No payment of principal will be made on any tranche until all other tranches with earlier stated maturity or distribution dates have been paid in full.

### **Concentration Risk**

A Fund may hold more than 10% of its net assets in securities of a single issuer. In this situation, the Fund's assets may be less diversified. In addition, such concentration may make the Fund's unit price more volatile and may reduce the liquidity of the Fund's portfolio, which may make it more difficult for the Fund to satisfy a redemption request.

### **Covered Call Option Risk**

Because the Funds may write covered call options, the Funds may be exposed to risk stemming from changes in the value of the stock that the option is written against. While call option premiums may generate incremental portfolio income, they also can limit gains from market movements. When the Fund writes covered calls on existing positions, it is limiting the potential upside in those particular stocks.

### **Cyber Security Risk**

As the use of technology has become more prevalent in the course of business, the Funds have become potentially more susceptible to operational risks through breaches in cyber security. A breach in cyber security refers to both intentional and unintentional events that may cause the Fund to lose proprietary information, suffer data corruption, or lose operational capacity. This in turn could cause the Funds to incur regulatory penalties, reputational damage, additional compliance costs associated with corrective measures, and/or financial loss. Cyber security breaches may involve unauthorized access to the Funds' digital information systems (e.g., through "hacking" or malicious software coding), but may also result from outside attacks such as denial-of-service attacks (i.e., efforts to make network services unavailable to intended users). In addition, cyber security breaches of the Funds' third party service providers (e.g. administrators and custodians) or issuers that the Funds invest in can also subject the Funds to many of the same risks associated with direct cyber security breaches.

### **Derivatives Risk**

Derivatives risk occurs when a Fund enters into a derivatives transaction. A derivative is a contract between two parties, the value of which is based on the performance of other

investments, such as equities, bonds, currencies or a market index. Derivatives may be traded in the over-the-counter market or on a stock exchange. A derivative is commonly a future or a forward contract or an option, but there are other types of derivative instruments as well. Futures or forward contracts are agreements to buy or sell a security, commodity or currency for a certain price on a certain future date. Options give the buyer the right to buy or sell a security, commodity or currency for a certain price on a certain future date. Derivatives may be used to limit, or hedge against, losses that may occur because of a Fund's investment in a security or exposure to a currency or market. This is called hedging. Derivatives may also be used to obtain exposure to financial markets, reduce transaction costs, create liquidity or increase the speed of portfolio transactions. These investments are made for non-hedging purposes. The following risks are associated with using derivatives:

- a premium paid for the derivatives erodes over time and may expire worthless;
- the use of derivatives for hedging may not be effective;
- a derivative contract may not be obtained when desired by a Fund because: (i) there may be a lack of parties wanting to buy or sell a derivative contract; or (ii) the exchanges on which some derivatives are traded may set daily trading limits on future contracts, preventing the Fund from closing a contract;
- the other party to the derivative contract may not be able to meet its obligations and may default;
- if an exchange halts trading in a certain stock option, a Fund may not be able to close its position in an option;
- the cost of the derivative contract may increase;
- the price of a derivative may not accurately reflect the value of the underlying security or index;
- the *Income Tax Act* (Canada), or its interpretation, may change in respect of the tax treatment of derivatives; and
- a large percentage of the assets of the Fund may be placed on deposit with one or more counterparties which exposes the Fund to the credit risk of those counterparties.

### **Distressed Securities Risk**

Distressed securities frequently do not produce income while they are outstanding. A Fund may be required to incur certain extraordinary expenses in order to protect and recover its investment. Therefore, to the extent that a Fund seeks capital appreciation through investment in distressed securities, the Fund's ability to achieve current income may be diminished. A Fund also will be subject to significant uncertainty as to when, in what manner and for what value the obligations evidenced by the distressed securities will eventually be satisfied (e.g., through a liquidation of the obligor's assets, an exchange offer or plan or reorganization involving the distressed securities or a payment of some amount in satisfaction of the obligation). In addition, even if an exchange offer is made or a plan of reorganization is adopted with respect to the distressed securities held by a Fund, there can be no assurance that the securities or other assets received by the Fund in connection with such exchange offer or plan of reorganization will not have a lower value or income potential that may have been anticipated when the investment was made. Moreover, any securities received by a Fund upon completion of an exchange offer or plan of reorganization may be restricted as to resale. As a result of the Fund's participation in negotiations with respect to any exchange offer or plan of reorganization with respect to an issuer of distressed securities, a Fund may be restricted from disposing of such securities.

**Emerging Markets Risk**

Emerging markets risk occurs because emerging markets are generally smaller, less developed, less liquid and more volatile than securities markets in Canada and the U.S. The risk of political or social upheaval is greater in emerging securities markets. Inflation and rapid fluctuations in inflation rates have had and may continue to have negative effects on the economies and securities markets of certain emerging market countries. Moreover, many of the emerging securities markets are relatively small, have low trading volumes, suffer periods of relative illiquidity and are characterized by significant price volatility and high transaction costs.

**Equity Risk**

Funds which concentrate on equity investments are affected by specific company developments, by stock market conditions and by general economic and financial conditions in those countries where the investments are listed for trading. Equity funds generally tend to be more volatile than fixed income funds, and the value of their units may vary more widely than fixed income funds.

**Foreign Currency Risk**

Currency risk occurs when the Funds invest in securities denominated or traded in currencies other than the Canadian dollar (or the U.S. dollar for those investors who have purchased U.S. dollar denominated units). Changes in foreign currency exchange rates will affect the value of these securities.

**Foreign Market Risk**

The economic environment or the particular economic and political factors of the country or geographic region in which the foreign issuer operates may impact the value of its securities. There is often less available information about foreign companies than their North American counterparts due to less stringent reporting standards, government regulation and other disclosure requirements. This may make the price changes of investments in those companies increase or decrease more rapidly. Foreign stock markets may also be less liquid and more volatile, and may be subject to different financial, political or social factors which could negatively impact the value of a fund's investments. As a result, funds which specialize in foreign portfolio investments tend to be the most volatile funds in the short term, but may offer the potential of higher returns over the long term.

**General Market Risk**

General market risk occurs when markets go down in value on the basis of economic developments, political changes, changes in economic policy or catastrophes.

**Interest Rate Risk**

Interest rate risk is the risk that the value of the Fund's investments in fixed income securities will fall when interest rates rise. The effect of increasing interest rates is more pronounced for any intermediate-term or longer-term fixed income obligations owned by the Fund. In addition, spreads on certain fixed income investments can widen suddenly and sharply, negatively impacting the value of the underlying security. This can occur in both investment and non-investment grade securities.

**Issuer Risk**

Issuer risk is the risk that the value of a security may decline for reasons that directly relate to the issuer of the security.

**Legal and Regulatory Risk**

Legal and regulatory risk occurs as a result of the costs of complying with laws and regulations of governmental authorities or legal actions.

**Liquidity Risk**

Liquidity risk occurs when a fund is not able to sell securities in a timely manner. This could be the result of an insufficient number of buyers in the market for a particular security. Investments with lower liquidity generally will be more volatile.

**Political Risk**

Political risk is the risk that a certain industry or company within that industry may be negatively impacted by the current legislative environment. Examples of political risk include increased regulation and windfall taxes.

**Prepayment Risk**

Prepayment risk is the risk that, when interest rates decline, security issuers may experience an acceleration in prepayments of mortgage loans or other receivables which can shorten the maturity of the security and reduce the Fund's return. Issuers may also prepay their obligations on fixed rate debt securities when interest rates fall, forcing the Fund to invest in securities with lower interest rates.

**Regional Risk**

Regional risk occurs because adverse conditions in a certain region or country can adversely affect securities of issuers in other countries whose economies appear to be unrelated. To the extent that a Fund invests a significant portion of its assets in a specific geographic region or a particular country, the Fund will generally have more exposure to the specific regional or country economic risks. In the event of economic or political turmoil or a deterioration of diplomatic relations in a region or country where a substantial portion of the Fund's assets are invested, the Fund may experience substantial illiquidity or reduction in the value of the Fund's investments.

**Refinancing Risk**

Refinancing risk is the risk that a company will not be able to refinance its existing debt prior to the maturity date of that debt. Principal reasons this would occur include significant deterioration in the fundamentals of the issuer as well as economic and financial shocks that impact the ability of the capital markets to function properly.

**Securities Lending, Repurchase and Reverse Repurchase Risk**

Repurchase and reverse repurchase transactions and securities lending risk may occur if the Funds enter into repurchase and reverse repurchase transactions and/or securities lending agreements. Investors will be given 60 days prior written notice before a Fund starts to enter into these types of transactions.

A repurchase transaction is where a Fund sells portfolio securities that it owns to a third party for cash and simultaneously agrees to buy back the securities at a later date at a specified price using the cash received by the Fund from the third party. While the Fund retains its exposure to changes in the value of the portfolio securities, it also earns fees for participating in the repurchase transaction.

A reverse repurchase transaction is where a Fund purchases securities from a third party and simultaneously agrees to sell the securities back to the third party at a later date at a specified price. The difference between the Fund's purchase price for the securities and the resale price provides the Fund with additional income.

A securities lending agreement is similar to a repurchase agreement except that instead of selling the securities and agreeing to buy them back later, the Fund loans the securities for a fee and can demand the return of the securities at any time. While the securities are on loan, the borrower provides the Fund with collateral consisting of cash and/or securities.

The risks associated with these types of transactions arise if the other party to the agreement defaults or goes bankrupt and the Fund experiences losses or delays in recovering its investment. In a repurchase or securities lending transaction, the Fund could incur a loss if the value of the securities sold or loaned has increased in value relative to the value of the cash or collateral held by the Fund. In the case of a reverse repurchase transaction, the Fund could incur a loss if the value of the securities purchased by the Fund decreases in value relative to the value of the collateral held by the Fund.

To minimize these risks, a Fund will not enter into these types of transactions unless it is, at a minimum, fully collateralized by liquid securities with a value of at least 102% of the market value of the securities sold, purchased or loaned, as the case may be. A Fund will not enter into a repurchase or securities lending agreement if, immediately thereafter, the aggregate market value of all securities loaned by the Fund and not yet returned to it or sold by the Fund and not yet repurchased would exceed 50% of the total assets of the Fund, exclusive of cash held by the Fund. To minimize the risk of loss to the Fund, these transactions will only be entered into with parties that have adequate resources and financial strength to meet their obligations under the agreement.

### **Series Risk**

Series risk occurs in all of the Funds that issue units in series. Each series has its own fees and expenses, which the Fund tracks separately. If, for any reason, a Fund cannot pay the expenses of one series using its proportionate share of the Fund's assets, the Fund will be required to pay those expenses out of the other series' proportionate share of the assets. This could lower the investment return of the other series.

### **Short Selling Risk**

As one of their respective investment strategies, the Funds may engage in short selling securities. A short sale of a security may expose a Fund to losses if the price of the security sold short increases because the Fund may be required to purchase such securities in order to cover its short position at a higher price than the price at which such securities were sold short. The potential loss on the short sale of securities is unlimited. In addition, a short sale entails the borrowing of

the security in order that the short sale may be transacted. There is no assurance that the lender of the security will not require the security to be repaid before the relevant Fund wishes to do so, thereby requiring the Fund to borrow the security elsewhere or purchase the security in the market at an unattractive price. In addition, there is no assurance that the security sold short can be repurchased due to supply and demand constraints in the marketplace.

**Small Capitalization Risk**

Securities of smaller companies are usually traded less frequently and in smaller volumes than those of large companies. Funds that invest a significant portion of their assets in small companies are subject to small capitalization risk and may find it more difficult to buy and sell securities and tend to be more volatile than Funds that focus on larger capitalization companies.

**Value Stock Risk**

Value stock risk occurs when value securities do not increase in price as anticipated by us and may decline further in value if other investors fail to recognize the company's value or favour investing in faster-growing companies, or if the events or factors that we believe will increase a security's market value do not occur.

**ORGANIZATION AND MANAGEMENT OF THE FUNDS**

The table below tells you about the companies who are involved in managing or providing services to the Funds. The Manager is a registered portfolio manager and investment fund manager.

<p><b>Manager</b>          Chou Associates Management Inc.          110 Sheppard Avenue East          Suite 301, P.O. Box 18          Toronto, Ontario          M2N 6Y8          Tel: (416) 214-0675          Fax: (416) 214-1733          Tel: 1-888-357-5070</p>	<p>The Manager provides management of the overall business of the Funds, including selection of the securities in each Fund's portfolio, and promoting sales of the Fund's units.</p>
<p><b>Trustee</b>          Chou Associates Management Inc.          110 Sheppard Avenue East          Suite 301, P.O. Box 18          Toronto, Ontario          M2N 6Y8</p>	<p>The Manager is also the trustee of the Funds. When you invest in one of the Funds, you are buying units of a trust. The trustee holds actual title to the property in the Fund - the cash and portfolio securities - on your behalf.</p>
<p><b>Portfolio Advisor</b>          Chou Associates Management Inc.          Toronto, Ontario</p>	<p>The Manager is also the portfolio advisor. The portfolio advisor carries out all research, purchases and sales of the Funds' portfolio securities.</p>

<p><b>Principal Distributor</b></p>	<p>The Funds have no principal distributor. Investors must purchase units through independent brokers and mutual fund dealers. The Manager does not accept purchase orders directly from investors unless the purchase order would be an exempt trade under applicable securities legislation.</p>
<p><b>Independent Review Committee</b></p>	<p>In accordance with National Instrument 81-107 - <i>Independent Review Committee for Investment Funds</i> (also known as "Regulation 81-107 respecting Independent Review Committee for Investment Funds"), the Manager has established an Independent Review Committee ("IRC") to provide impartial judgement on conflicts of interest matters relating to the operations of the Funds. Under applicable securities laws, certain merger transactions involving the Funds may be completed without the approval of unitholders provided that, among other things, the transaction is approved by the IRC and we provide you with at least 60 days' notice of the proposed transaction. The IRC also approves any change in the auditor of the Funds. Unitholder consent will not be obtained for a change in the auditor of the Funds but you will be sent a written notice at least 60 days before the effective date of such change in auditor. Additional information about the IRC, including the names of its members, is available in the Funds' Annual Information Form. The IRC will prepare, at least annually, a report of its activities for unitholders which will be available on our website <a href="http://www.choufunds.com">www.choufunds.com</a> or, at your request and at no cost, by calling toll-free 1 (888) 357-5070 or by e-mail at <a href="mailto:admin@choufunds.com">admin@choufunds.com</a>.</p>
<p><b>Custodian</b> CIBC Mellon Trust Company Toronto, Ontario</p>	<p>The custodian has physical custody of the securities in the Fund's portfolio.</p>
<p><b>Securities Lending Agent</b> <b>The Bank Of New York Mellon</b> New York, N.Y., U.S.A.</p>	<p>The securities lending agent acts on behalf of the Funds to administer the securities lending transactions entered into by the Funds. The securities lending agent is independent of the Manager.</p>

<p><b>Registrar</b> CIBC Mellon Global Securities Services Company Toronto, Ontario</p>	<p>The registrar provides or arranges for keeping all unitholder records, processing purchases and redemption orders, processing distributions, issuing investor account statements and annual tax reporting information for the Funds and provides valuation and fund accounting services.</p>
<p><b>Auditor</b> Grant Thornton LLP, Chartered Professional Accountants, Licensed Public Accountants Toronto, Ontario</p>	<p>The auditor is an independent firm of Chartered Professional Accountants that annually audits the financial statements of the Funds to determine whether they fairly present, in all material respects, the Funds' financial position, financial performance and cash flows in accordance with International Financial Reporting Standards. Grant Thornton LLP is independent of the Funds in accordance with the relevant rules of professional conduct in Canada.</p>

## **PURCHASES, SWITCHES AND REDEMPTIONS**

### **How the Units are Valued**

When you buy units of the Funds, you pay the price or net asset value ("NAV") per unit plus any applicable sales charges. When you redeem (sell) units, you receive the NAV per unit less any applicable redemption charges.

The NAV per unit of the RRSP Fund, the Europe Fund and the Asia Fund is determined daily after the Toronto Stock Exchange ("TSX") closes. The NAV per unit of the Associates Fund is determined daily after the New York Stock Exchange ("NYSE") closes. The NAV per unit of the Bond Fund is determined daily. In some circumstances, we may calculate NAV at another time or more frequently. We calculate a separate NAV for each series of securities of a Fund.

The NAV per unit for a given series is computed by dividing the net assets attributable to that series by the total number of units of the series outstanding at the time.

The NAV is the price for all sales of units of a series (including on the reinvestment of distributions) and for redemptions. The issue and redemption price of units of a Fund is based on the Fund's NAV next determined after the receipt of a purchase order and a redemption order.

### **Foreign Currencies**

Each Fund is valued in Canadian dollars for the purposes of purchases, switches and redemptions. Units of all of the Funds offered under this Simplified Prospectus are available for purchase in both U.S. and Canadian dollars. All purchases, switches, redemptions and distribution with respect to U.S. dollar-based units are made in U.S. dollars based on a conversion from the Canadian dollar at the then current exchange rate. If you chose to purchase or redeem securities in a currency other than the one in which the Fund is denominated, you may experience a foreign exchange gain or loss due to a fluctuation in the relative value of the

currencies between the date the purchase or redemption order is made and the date that the order is settled or paid.

### **Series of Securities**

Each Fund is permitted to have an unlimited number of series of securities and may issue an unlimited number of securities of each series. Please refer to **Fund Details** in the description of each Fund to determine what series of securities each Fund offers.

Series A securities of all of the Funds are available to all investors. Series F securities are available to investors who participate in fee-based programs through their dealer and whose dealer has signed a Series F agreement with us. Instead of paying sales charges, these investors pay an annual fee to their dealer for investment advice and other services. We do not pay any commission to a dealer who sells Series F securities which means that we can charge a lower management fee. Series F securities are also available to other groups of investors for whom we do not incur distribution costs.

The consideration that you and other investors pay to purchase securities of any series is tracked on a series by series basis in your Fund's administration records. However, the assets of all series of a Fund are combined in a single pool to create one portfolio for investment purposes.

### **How to Buy, Redeem and Switch**

You can buy, redeem or switch units of the Funds directly with the Funds or through your registered broker or dealer.

Once you place your order to buy, redeem or switch units, your broker or dealer will forward your order to us the same day.

We will process the purchase, redemption or switch order the same day instructions are received and if properly notified by 4:00 p.m. (Eastern Time) on any valuation date. If we receive proper instructions after 4:00 p.m. (Eastern Time), we will process the order on the next valuation date. All orders are processed within three business days. Refer to the Fund's Annual Information Form for more information about buying, redeeming and switching units of the Funds.

These are the rules for buying mutual fund units. These rules were established by regulatory authorities:

- We must receive payment for the units within three business days of receiving your order (or before such other deadline as we may establish from time to time in accordance with applicable securities laws).
- If we do not receive payment before the applicable deadline, we are required to sell your units. If the proceeds are greater than the payment you owe, the Fund will keep the difference. If the proceeds are less than the payment you owe, we must pay the Fund the difference, and we will collect this amount from your dealer, who may have the right to collect it from you.
- We have the right to reject any order to buy units within one business day of receiving it. If we reject your order, we will return your money immediately.

## **Purchases**

If you purchase units from your broker or dealer, you negotiate the sales charge you pay with your broker or dealer. Your broker or dealer will generally deduct the sales charge and forward the net amount of the order to be invested in the Fund or Funds selected.

We do not issue a certificate when you buy units of a Fund, but you will be sent a confirmation which is proof of your purchase.

Units of all of the Funds offered under this Simplified Prospectus are available for purchase in both U.S. and Canadian dollars. All purchases, switches, redemptions and distributions with respect to U.S. dollar-based units are made in U.S. dollars.

## **Minimum Amount you can Invest**

Your first purchase of units of each of the Funds, unless otherwise agreed by the Manager, must be at least \$5,000. Each purchase thereafter must be at least \$500.

## **Automatic Reinvestment of Dividends or Distributions**

We automatically reinvest all dividends or distributions of a Fund in additional units of the Fund unless you tell us in writing you want to receive cash. Distributions are made effective December 31 in each year.

## **Switches**

You can switch units from one Fund to another. A switch is usually a transfer of your investment money from one Fund to another within the Chou group of mutual funds. You must maintain a minimum account balance of \$5,000, and you must switch at least \$500 worth of units. When you want to switch units, we will switch the units of one Fund to units of a new Fund having an equivalent value. Switching units of one Fund to units of a new Fund is a disposition for tax purposes. If you hold your units outside a registered plan, you may realize a capital gain or capital loss, which will have tax implications in respect of the disposition of units held in a non-registered account. Please see **Income Tax Considerations for Investors** on page 18.

When we receive your order to switch, we will sell units of the current Fund and use the proceeds to buy units of the new Fund.

If you switch your units of a Fund to units of another Fund, your broker or dealer may charge you a negotiable fee for a switch. Otherwise, the fees which are ordinarily charged in connection with a redemption are not applicable.

You may generally switch one series of a Fund for another series of the same Fund. Switching units from one series to another series of the same Fund is not a disposition for tax purposes. We do not charge any fees to switch between series of the same Fund.

## **Redemptions**

You may redeem (sell) your units on any day the TSX or NYSE is open for business. You or your broker or dealer will forward your redemption order to us. Unless a redemption order is received by us before 4:00 p.m. (Eastern Standard Time) on a valuation date, it will be processed for redemption as of the following valuation date.

You must provide us with all the documents we need to process your redemption request within three business days of placing your order. Generally, this will include:

- the Fund name and account number;
- the amount of the transaction (in dollars or number of units);
- signatures of all owners exactly as registered on the account;
- any signature guarantee by a bank, trust company or member of a recognized stock exchange or otherwise guaranteed to our satisfaction;
- any supporting legal documentation that may be required; and
- any outstanding certificates (if any) representing units to be redeemed.

If we do not receive all the documents within three business days, we are required to notify you that your redemption order is incomplete. If, within 10 business days, we still have not received all the documentation, we are required to repurchase your units. If the repurchase amount is less than the redemption proceeds, the Fund will keep the difference. If the repurchase amount is greater than the redemption proceeds, we must pay the Fund the difference, and we will collect this amount from your broker or dealer. Your broker or dealer may have the right to collect it from you.

If you are redeeming units, we will pay the redemption proceeds to you within two business days of receiving the information described above. If a unitholder requests redemption of units representing more than 10% of the outstanding units, payment of the redemption price may be made by transfer of a proportionate number of securities in lieu of cash.

If you redeem units within the applicable minimum hold period shown in the table under **Fees and Expenses**, a redemption fee may be deducted from your redemption proceeds. To reduce the fees you pay when redeeming units of a Fund, the Fund will first sell units that are not subject to the redemption fee (including any dividends or distributions on those units which have been reinvested).

Under extraordinary circumstances, the rights of investors to redeem units may be suspended by the Fund. The circumstances in which this might occur are when normal trading is suspended on any stock exchange, on which securities representing more than 50% of the total value of the assets of the Fund, and those securities or derivatives are not traded on any other exchange that represents a reasonable practical alternative, or otherwise with the consent of Canadian securities administrators.

### **Involuntary Redemptions**

Due to the relatively high cost of maintaining small accounts, we reserve the right to redeem all your holdings in a Fund if, at any time, the aggregate market value of your holdings in a Fund falls below \$3,000. We will, however, give you 30 days notice before closing out your account, so that you can buy more units to raise your balance above the minimum.

**Short-Term Trading**

Short-Term trading activities in the Funds may adversely affect unitholders. Frequent trading can hurt a Fund's performance by forcing the Portfolio Advisor to keep more cash in a Fund that would otherwise be needed, or to sell investments at an inappropriate time. It may also increase a Fund's transaction costs. A Fund will charge you 2% of the value of the units you redeem within 90 days of purchase. This fee is paid to the Fund and is retained for the benefit of unitholders of the Fund.

**OPTIONAL SERVICE**

We offer the following service:

**U.S. Dollar Purchase Option**

You may choose to purchase Class A units or Class F units in U.S. dollars. The ability to purchase Funds in U.S. dollars is offered as a convenience for investors and does not act as a currency hedge between Canadian and U.S. dollars. For purchases in U.S. dollars, the NAV per unit is computed by converting the Canadian dollar value into U.S. dollars based on exchange rates at the time the NAV is calculated. For Fund units purchased in U.S. dollars, switches will be processed in U.S. dollars and redemption proceeds and distributions will be paid in U.S. dollars. You must calculate your income and net realized gains for tax purposes in Canadian dollars. The performance of the U.S. dollar units of the Funds may differ from the performance of units of that same series of the Fund purchased in Canadian dollars due to fluctuations in the Canadian dollar and U.S. dollar exchange rate, and as such purchasing a U.S. dollar series of the Fund may not shield an investor from, or act as a hedge against, such currency fluctuations.

## FEES AND EXPENSES

This table outlines the fees and expenses you may have to pay directly, or indirectly, when you invest in a Fund. You may have to pay some of these fees and expenses directly. The Funds pay some fees and expenses which reduce the value of your investment in the Fund.

### Fees and Expenses Payable by the Funds

<b>Management Fees</b>	<p>Each Fund pays the Manager an annual management fee which is unique to each Fund as set out in Part B.</p> <p>The following services are provided to clients in exchange for this annual management fee, including but not limited to:</p> <ul style="list-style-type: none"><li>• the day-to-day management of each Fund;</li><li>• making investment portfolio decisions and arranging for the execution of portfolio transactions;</li><li>• providing for or arranging for advice and assistance in connection with investment programmes;</li><li>• dealing with the purchase and redemption of units of each Fund;</li><li>• negotiating contractual arrangements with, and supervising, third party service providers, including the custodian, auditors and legal counsel;</li><li>• providing office accommodation, personnel, office supplies and internal accounting services in respect of each Fund; and</li><li>• monitoring compliance with applicable laws.</li></ul> <p>The fee is calculated and accrued daily and paid monthly based on the average NAV of the Fund. The fee differs among series of securities. The Fund is required to pay HST on the fees paid to the Manager.</p>
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<p><b>Operating Expenses</b></p>	<p>Each Fund pays its proportionate share of operating expenses other than compensation of any portfolio advisors and expenses paid in connection with the distribution of units of the Funds. The main services provided at the Funds' expense include legal, audit, recordkeeping, unit transfer, custodian services and, the costs of financial reporting, prospectus printing, unitholder servicing costs and regulatory filing fees and associated legal costs. The fees and expenses of the IRC members and all expenses of operations of the IRC form part of operating expenses. As of the date of this Simplified Prospectus, each member of the IRC receives an annual retainer of \$5,000 (\$8,000 for the chair) and \$1,000 for each meeting that the member attends. This fee is allocated among the series of the Funds in a manner that is considered by the Manager to be fair and reasonable to all of the Funds. The compensation of the IRC may change from time to time. Refer to the Annual Information Form for more information on the IRC. No expenses are charged directly to unitholders. From time to time, we may reduce the management fees or pay some operating expenses directly, at our discretion. The expenses of a Fund will be allocated between the series, as applicable. Each series will bear separately any expenses that can be attributed directly to that series. The decision to waive or absorb expenses is reviewed annually and determined at the discretion of the Manager, without notice to unitholders.</p> <p>If the Funds use derivative contracts they may pay certain additional transactional costs. Such costs will be negotiated but will generally be in the range of 0.40% to 1.00% of the notional value of the derivative contract.</p>
<p><b>Effect of HST on Management Expense Ratio</b></p>	<p>As of July 1, 2010, certain provinces replaced the goods and services tax with a harmonized sales tax ("HST"). A Fund is required to pay HST of up to 15%, depending on the residence of a Fund's unitholders, on management fees and administration fees charged to the Fund. This will result in an increase in the operating expenses of the Fund when compared to a period prior to July 1, 2010.</p>

**Fees and Expenses Payable directly by an Investor**

<p><b>Sales Charges</b></p>	<p>If you purchase units through your broker or dealer, you negotiate the sales charge you pay with such broker or dealer. The range for sales charges is generally from 0% to 2% of the purchase order. Your broker or dealer will generally deduct the sales charge and forward the net amount of the order to be invested in the Fund or Funds selected.</p>
<p><b>Switch Fees</b></p>	<p>A dealer may charge from 0% to 2% for switches between Funds.</p>

<b>Short-term Trading Fee</b>	We will charge a short-term trading fee of 2% of the NAV, at the time of redemption, of the units redeemed by you, if you hold the units for less than 90 days. The short-term trading fee is payable to the Fund and is retained by the Fund for the benefit of unitholders of the Fund.
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### Impact of Sales Charges

The following table shows the impact of sales charges you would pay under the different purchase options available to you if you made an investment of \$1,000 in a Fund, and if you held that investment for one, three, five or ten years and redeemed your investment immediately before the end of that period. This table assumes that you pay the maximum sales commission. See the redemption schedule under **Fees and Expenses** above.

	At time of Purchase	1 Year	3 Years	5 Years	10 Years
Sales Charge	\$20	-	-	-	-

<sup>1</sup>There is no redemption fee. However, a short-term trading fee may apply only if you redeem your units within 90 days of purchasing them.

## DEALER COMPENSATION

### Sales Charges

Your broker or dealer may receive a sales charge at the time you purchase Series A units. The range for sales charges is generally from 0% to 2% of the purchase price payable at the time of purchase. There are no sales charges payable on purchases of Series F units. Purchasers of Series F units will generally be required to pay their dealers a fee under a "fee-for service" or wrap program.

Your broker or dealer may charge you a switch fee of 0% to 2% of the purchase price of the Series A units you acquire when you switch from one Fund to another or transfer between types of accounts in which you hold your Series A units. There are no switch fees payable on purchases of Series F units. Purchasers of Series F units will generally be required to pay their dealers a fee under a "fee-for service" or wrap program. You may have to pay a fee to your dealer when you switch units of the Funds for units of another mutual fund.

### Trailing Commission

The Manager pays trailing commissions to dealers at the end of each quarter, in relation to units. We also pay trailing commissions to discount brokers for securities you purchase through your discount brokerage account. The trailing commission is a percentage of the total NAV per unit of all units of the Funds held by the dealer's clients for an entire quarter. The maximum annual trailing commission paid for the Funds, other than the Chou Bond Fund, is 0.5%. The trailing commission for the Chou Bond Fund is 0.15%. We may change or cancel the terms of the trailing commission at any time. We do not pay trailing commissions in relation to units bought directly from us. No trailing commission is paid on Series F units of the Funds.

### Switch Fees

A dealer may charge from 0% to 2% for switches between Funds.

### **Dealer Compensation from Management Fees**

For the financial year ended December 31, 2018, the Manager paid cash compensation (sales charges and trailing commissions) to dealers who distributed units of the Funds representing approximately 14.0% of the total management fees received by it from all of the Funds.

## **INCOME TAX CONSIDERATIONS FOR INVESTORS**

The following is a general summary of the principal Canadian federal income tax consequences to you of distributions from the Fund and the disposition of units of the Fund. This summary applies to Canadian residents who are individuals (not trusts) who deal with the Fund at arm's length and are not affiliated with the Fund and who hold units of the Fund as capital property for tax purposes. This summary assumes that at all material times the Fund qualifies, and will continue to qualify, as a "mutual fund trust" under the *Income Tax Act (Canada)* (the "Tax Act"). A more detailed summary is set forth in the Annual Information Form for the Funds.

This summary is based on the current provisions of the Tax Act and the regulations thereunder, specific proposals to amend the Tax Act and the regulations thereunder announced by the Minister of Finance (Canada) prior to the date of this Simplified Prospectus and the current published administrative practices and assessing policies of Canada Revenue Agency. This summary does not take into account or anticipate any other changes in law whether by legislative, regulatory, administrative or judicial action. Furthermore, this summary does not generally take into account provincial or foreign income tax legislation or considerations.

This summary is general in nature, is not exhaustive of all possible tax considerations and does not constitute tax advice to anyone. Please consult your own tax advisor with respect to the tax implications of purchasing, holding and selling units of the Fund.

Generally, each Fund distributes enough income and capital gains each year to ensure that the Fund pays no income tax.

### **For Units held in a Registered Plan**

Generally, you pay no tax on earnings we distribute to you from Funds held in a registered tax plan such as a Registered Retirement Savings Plan (RRSP), Registered Retirement Income Fund (RRIF), Registered Disability Savings Plan (RDSP), Deferred Profit Sharing Plan (DPSP), Registered Education Savings Plan (RESP) or held in a Tax Free Savings Account (TFSA) (referred to individually as a "Registered Plan" and collectively as "Registered Plans"), nor on any capital gains the plan makes from redeeming units or switching between Funds, as long as the proceeds remain in the plan. However, even when units of the Fund are a qualified investment for your Registered Plans, you may be subject to tax if a unit held in your RRSP, RRIF, RDSP, RESP or TFSA is a "prohibited investment". Generally, units of a Fund will not be a "prohibited investment" for your RRSP, RRIF, RDSP, RESP or TFSA if you, your family (including your parents, spouse, children, siblings and in-laws) and other people or entities that do not deal at arm's length with you, in total, own directly or indirectly less than 10% of the value of the Fund. Distributions from a Fund may affect the tax costs of units of a Fund held by a Registered Plan under the Tax Act.

Any amount withdrawn from a Registered Plan (other than an RESP, RDSP or TFSA) is fully taxable. Generally, amounts withdrawn from a RESP or RDSP are taxable to the extent they are not refunds of contributions. Amounts withdrawn from a TFSA are not taxable. You should consult your tax advisor regarding specific rules relating to withdrawals of amounts rolled into a RDSP from certain other Registered Plans, as well as regarding the impact of TFSA withdrawals on TFSA contribution room.

In the case of a Fund, if any, that would not qualify as a mutual fund trust for a particular period, we intend to file an election for the fund to be a registered investment under the Tax Act.

You should consult your tax advisor about the special rules that apply to each particular Registered Plan, including whether or not an investment in a Fund would be a "prohibited investment" for your RRSP, RRIF, TFSA, RESP or RDSP.

### **For Units not held in a Registered Plan**

You must report for income tax purposes all distributions paid to you during the year, whether you receive these distributions as cash or whether reinvested in additional units of the Fund. Distributions paid by a Fund may consist of capital gains, ordinary Canadian dividends, foreign source income, other income and/or returns of capital. Amounts paid on the redemption of units may be treated by a Fund as a payment of net income and/or net capital gains to the unitholder, rather than as proceeds of redemption.

One-half of a capital gain distribution is included in income. You may be entitled to offset any capital losses you have incurred against these or other capital gains. A change between series of units of the same Fund will not result in a capital gain or loss.

Ordinary Canadian dividends are subject to the dividend gross-up and tax credit rules. Steps will be taken to pass on to you the benefit of the enhanced dividend tax credit when it is available. You may be eligible for foreign tax credits in respect of foreign taxes paid by a Fund. Returns of capital are not immediately taxable to you but will reduce the adjusted cost base of your units in the Fund. If the adjusted cost base of your units is reduced to a negative amount while you continue to hold them, you will be deemed to realize an immediate capital gain equal to the negative amount and your adjusted cost base will be increased to zero.

If you buy Fund units just before the distribution date (typically in December of each year), you will be taxed on the distribution you receive in cash or units. The adjusted cost base of your units will be generally increased by the amount of the distribution, if the distribution is satisfied by the issuance of additional units, to reduce any capital gains when you redeem. If you purchase your units in U.S. dollars, you must convert the purchase price into Canadian dollars at the exchange rate in effect at the time of purchase. The adjusted cost base of your units is equal to:

- the cost of your initial investment  
**plus**
- the cost of any additional investments  
**plus**
- the amount of any distributions that were reinvested

- **less**  
the amount of any return of capital
- **less**  
the adjusted cost base of any previously switched or redeemed units.

For tax purposes, your capital gain or loss when you redeem your units is generally the difference between the amount you receive for units, less the adjusted cost base of your units and any reasonable costs you incurred to redeem your units. Reclassification of units of one class to another class will not be a disposition for tax purposes.

If you pay management fees directly in respect of units of a Fund held outside a registered plan, you should consult your own tax advisor with respect to the deductibility of such management fees in your own particular circumstances.

### **Tax Reporting**

We will issue a tax statement to you each year identifying the taxable portion of your distributions. You should keep detailed records of the purchase cost, sales charges and distributions related to your Fund units in order to calculate the adjusted cost base of those units. You may wish to consult a tax advisor to help you with these calculations.

### **Tax Information Reporting**

Pursuant to the Intergovernmental Agreement for the Enhanced Exchange of Tax Information under the Canada-United States Tax Convention entered into between Canada and the U.S. on February 5, 2014 (the "IGA"), and related Canadian legislation, each Fund and the Manager are required to report certain information with respect to unitholders who are U.S. residents and U.S. citizens (including U.S. citizens who are residents or citizens of Canada), and certain other "U.S. Persons" as defined under the IGA (excluding registered plans such as RRSPs), to Canada Revenue Agency. It is expected that the Canada Revenue Agency will then exchange the information with the U.S. Internal Revenue Service. In addition, to meet the objectives of the Organisation for Economic Co-operation and Development Common Reporting Standard (the "CRS"), each Fund and the Manager are required under Canadian legislation to identify and report to the Canada Revenue Agency details and certain financial information relating to unitholders in the Funds who are residents in a country outside of Canada and the U.S. which has adopted the CRS. The Canada Revenue Agency is expected to provide that information to the tax authorities of the relevant jurisdiction that has adopted the CRS.

### **Portfolio Turnover Rate**

In general, the higher a Fund's portfolio turnover rate, the greater the likelihood the Fund will incur capital gains or losses. In the event a Fund realizes capital gains, the gains will, in most cases, be distributed to investors and must be included in computing their income for tax purposes for that year. There is not necessarily a relationship between a high turnover rate and the performance of a Fund. Investors should contact their own tax advisors with respect to the income tax consequences of an investment in units of a Fund.

**The foregoing briefly summarizes certain federal income tax considerations relevant to certain investors in the Funds. The Annual Information Form of the Funds contains a more detailed explanation of the Canadian federal income tax considerations relating to**

**acquiring, holding, and disposing of units. The foregoing summary is qualified in its entirety by the discussion in the Annual Information Form.**

### **WHAT ARE YOUR LEGAL RIGHTS?**

Securities legislation in some provinces and territories gives you the right to withdraw from an agreement to buy mutual funds within two business days of receiving the Simplified Prospectus or Fund Facts, or to cancel your purchase within 48 hours of receiving confirmation of your order.

Securities legislation in some provinces and territories also allows you to cancel an agreement to buy mutual fund units and get your money back, or to make a claim for damages, if the Simplified Prospectus, Annual Information Form, Fund Facts or financial statements misrepresent any facts about the funds. These rights must usually be exercised within certain time limits.

For more information, refer to the securities legislation of your province or territory or consult with a lawyer.

## Part B – Fund Specific Information

### INTRODUCTION

The Chou group of mutual funds is currently made up of five Funds.

The following information applies to each Fund and may be helpful when you are reviewing Part B of this document.

#### What Does the Fund Invest In?

##### Investment Objectives

The fundamental investment objectives of each Fund are disclosed under **Investment Objectives**. If there is a change in these objectives, you should consider whether the Fund remains an appropriate investment in light of your current financial position and needs. There can be no assurance that the Fund's investment objectives will be met.

##### Investment Strategies

This section outlines the process by which the Fund will achieve the investment objectives. We may change a Fund's investment strategies from time to time at our discretion without notice or unitholder approval.

#### What are the Risks of Investing in the Fund?

Risks specific to individual Funds are identified in this section. General information about risks is outlined starting on page 2 in **What is a Mutual Fund and What are the Risks of Investing in a Mutual Fund?**

##### Investment Risk Classification Methodology

The investment risk level of this mutual fund is required to be determined in accordance with a standardized risk classification methodology that is based on the mutual fund's historical volatility as measured by the 10-year standard deviation of the returns of the mutual fund. A Fund will be assigned a risk rating in one of the following categories: low; low to medium; medium; medium to high; or high. The Manager assigns a risk rating category that is at the applicable rating indicated by the standard deviation ranges in the Investment Risk Classification Methodology, as outlined in the table below under Investment Risk Level standard deviation ranges and risk ratings:

Standard Deviation Range	Investment Risk Level
0 to less than 6	Low
6 to less than 11	Low to Medium
11 to less than 16	Medium
16 to less than 20	Medium to High
20 or greater	High

We review the risk levels on an annual basis. Historical performance may not be indicative of future returns and a fund's historical volatility may not be an indication of its future volatility.

A more detailed explanation of the risk classification methodology the Manager uses to determine the risk rating of the Fund is available on request, at no cost, by calling (416) 214-0675 in Greater Toronto or 1-888-357-5070 outside Toronto, or by email at [admin@choufunds.com](mailto:admin@choufunds.com).

### **Who Should Invest in this Fund?**

This section identifies the suitability of the Fund for particular investors and the particular investors for whom the Fund is not suitable. It also identifies the type of risk level for a Fund to help you determine which Fund is best for you given your risk tolerance.

### **Distribution Policy**

Each year, the Funds distribute sufficient net income and net realized capital gains to all unitholders who own units on the record date for the distribution in order that the Funds will not be liable for tax under Part I of the Tax Act after taking into account applicable losses and capital gains tax refunds applicable to mutual fund trusts, if any. A portion of a distribution may include a return of capital. Generally, a return of capital represents a return to the unitholder of a portion of their own invested capital. This amount will not be included in your income but will reduce the adjusted cost base of your units in a Fund, unless the Fund elects to treat such amounts as a distribution of income. Distributions are automatically reinvested in additional units of the same series of the Fund unless you notify your dealer, in advance, that you want to receive your distribution in cash. The Funds will elect to have a taxation year-end of December 15 and will make an annual distribution of net income and net realized capital gains between December 15 and December 31 of each year. The Funds may also make distributions at other times during the year.

### **Fund Expenses Indirectly Borne by Investors**

The information in this table is intended to assist you in comparing the cost of investing in a Fund with the cost of investing in other mutual funds. The costs reflected in this table are indirect, because they are paid out of the Fund's assets instead of being paid directly by you. As a result, they have the effect of lowering the return you receive on an investment in the Fund. Details of both these costs borne by the Funds, and the fees and expenses payable by you directly are provided starting on page 16.

The table shows the cumulative expenses indirectly paid by you over the time periods shown if:

- you invested \$1,000 in the Fund
- the Fund earned a total return of 5% each year (this return is used only for purposes of this table and does not reflect the Fund's actual return in any year)
- the Fund paid the same management expenses each year as it did in 2018, so that its management expense ratio for each of the years shown in the table was its ratio for 2018.

Additional information about the Funds is available in the Annual Information Form, Fund Facts, management reports of fund performance and financial statements. These documents are incorporated by reference into this Simplified Prospectus, which means that they legally form part of this document just as if they were printed as part of this document.

You can obtain a copy of these documents free of cost by calling (416) 214-0675 in Greater Toronto or 1-888-357-5070 outside Toronto, or from your broker or dealer, or by email at [admin@choufunds.com](mailto:admin@choufunds.com).

These documents and other information about the Funds, such as information circulars and material contracts, are also available on the Chou Associates Management Inc. internet site at [www.choufunds.com](http://www.choufunds.com) or at the internet site at [www.sedar.com](http://www.sedar.com)

**MANAGER OF THE FUNDS:**

Chou Associates Management Inc.  
110 Sheppard Avenue East  
Suite 301, P.O. Box 18  
Toronto, Ontario  
M2N 6Y8  
Tel: (416) 214-0675  
Fax: (416) 214-1733  
[admin@choufunds.com](mailto:admin@choufunds.com)

## CHOU ASSOCIATES FUND

### FUND DETAILS

<b>Type of Fund</b>	Equity
<b>Date the Fund was Started</b>	Series A: September 1, 1986 Series F: August 10, 2005
<b>Securities Offered</b>	Series A and Series F units of a mutual fund trust
<b>Registered tax plan status</b>	Eligible for RRSP's, RRIF's, RDSP's, DPSP's, RESP's and TFSA's
<b>Fees and expenses</b>	Series A: Management Fee of 1.5% per annum plus the Fund's operating expenses, payable monthly. Series F: Management Fee of 1% per annum plus the Fund's operating expenses, payable monthly.

### WHAT DOES CHOU ASSOCIATES FUND INVEST IN?

#### Investment Objectives

- 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 invest in the equity securities of Canadian businesses.
- Investments may include common and preferred shares, convertible debentures, warrants, government and corporate bonds and short-term indebtedness.
- The fundamental investment objectives of the Fund may only be changed with the approval of the holders of a majority of the units of the Fund given at a meeting called for that purpose.

#### Investment Strategies

##### *The Chou Funds Investment Process*

The investment process followed in selecting equity investments, convertible debentures, warrants, government and corporate bonds and short-term indebtedness for the Funds is a value-oriented approach to investing. This involves a detailed analysis of the strengths of individual companies, with much less emphasis on short-term market factors. Far greater importance is placed upon an assessment of a company's balance sheet, cash flow characteristics, profitability, industry position, special strengths, future growth potential and management ability. No more than 35% of the net assets of the Fund, at the time of purchase, will be invested in equity securities of Canadian businesses.

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.

Once an investment is made, the Fund is expected to be a patient, long-term investor, which results in low portfolio turnover, reduced transaction costs and deferred realization of accrued capital gains. Portfolio holdings are typically concentrated within a limited number of companies,

## CHOU ASSOCIATES FUND

usually 25 to 35 per Fund portfolio. This helps to maintain awareness of corporate developments and communication for each company.

The Manager may decide to maintain a larger portion of the Fund's assets in short-term fixed income securities during periods of high market valuations and volatility.

### *Investments in Derivative Instruments*

The Fund currently uses short term covered call options. The use of covered call options is intended to increase the return on investment by the amount of premium received. The Fund uses covered call options to improve returns by accepting a more certain, lower return rather than seeking a less certain, higher potential return. The Fund has provided the appropriate notice to investors that it may invest in Credit Default Swaps ("CDS"). The use of CDS's is to hedge against general market risks, including market turmoil. No more than 5% of the net assets of the Fund, at the time of purchase, will be invested in CDS's. The Fund has provided the appropriate notice to investors that it may invest in Constant Maturity Swaps ("CMS"). The use of CMS's is to hedge against interest rate increases by central banks as a result of inflationary pressures. No more than 5% of the net assets of the Fund, at the time of purchase, will be invested in CMS's. The Fund may use derivatives such as, but not limited to, futures, options, swaps and forward contracts to gain exposure to securities and asset classes consistent with the objectives of the Fund, and to hedge portfolio exposure against losses from foreign currency exposure and changes in securities prices. The Fund may use derivatives to hedge portfolio exposure against losses from Canadian dollar exposure. The Fund may enter into other derivative transactions after giving investors 60 days prior written notice. For a description of these transactions and the strategies to be used by the Fund to minimize the risks associated with these transactions, please see the discussion under **Derivatives Risk** at page 3.

### *Short Selling Overvalued Securities*

The Fund may engage in short selling of securities which it believes are overvalued based on its traditional fundamental research and analysis of such securities. These may include, in particular, securities of issuers with deteriorating fundamentals and weak balance sheets. The Fund may also take a short position in securities of a particular issuer while taking a long position in securities of another issuer in an attempt to take advantage of relative valuation differences between the two issuers. The Fund may make such a "pairs trade" when it believes that the fundamentals of the issuer in which the Fund holds a long position will become increasingly attractive as compared to those of the issuer in which the Fund holds a short position.

The Manager will manage the relative weightings of the long and short positions in the Fund's portfolio to achieve its investment objective. The Fund's net market exposure will depend on, among other things, the Manager's view of domestic and international economic and market trends. The total market value of the Fund's short positions at any time will not exceed the total market value of its long positions. As a result, the Fund will at no time have negative market exposure. For a description of these transactions and the risks associated therewith, please see the discussion under **Short Selling Risk** at page 7.

## CHOU ASSOCIATES FUND

### *Interim Investments*

While waiting to invest or disburse cash reserves in the Funds, we may buy short-term debt securities and money market instruments, or we may deposit cash in interest-bearing accounts with a bank or trust company.

### *Securities Lending, Repurchase and Reverse Repurchase Transactions*

The Fund may enter into repurchase and reverse repurchase and securities lending agreements in order to earn additional income and manage its portfolio after giving investors 60 days prior written notice. For a description of these transactions and the strategies to be used by the Fund to minimize the risks associated with these transactions, please see the discussion under **Securities Lending, Repurchase and Reverse Repurchase Risk** at page 6.

## WHAT ARE THE RISKS OF INVESTING IN CHOU ASSOCIATES FUND?

In addition to the above risks which apply to the Funds generally, investors in Chou Associates Fund face the following additional risks. See page 2 and following for a full discussion of these risks:

- Below-Investment Grade Securities Risk
- Credit Risk
- Concentration Risk
- Covered Call Option Risk
- Cyber Security Risk
- Derivatives Risk
- Distressed Securities Risk
- Equity Risk
- Foreign Currency Risk
- Foreign Market Risk
- General Market Risk
- Interest Rate Risk
- Issuer Risk
- Legal and Regulatory Risk
- Liquidity Risk
- Political Risk
- Prepayment Risk
- Regional Risk
- Refinancing Risk
- Securities Lending, Repurchase and Reverse Repurchase Risk
- Series Risk
- Short Selling Risk
- Small Capitalization Risk
- Value Stock Risk

## CHOU ASSOCIATES FUND

As at August 31, 2019, Fairfax Financial Holdings holds approximately 34.6% of the Series A units of the Fund. If Fairfax redeems its securities, a significant portion of the Fund's investments may have to be liquidated in order to redeem these securities unless a proportionate amount of the investments can be transferred to Fairfax. The timing of such liquidation may not be appropriate and all investors may suffer a proportionate loss as a result of such liquidation. Fairfax Financial agreed in 2002 that it would not exercise any voting rights attaching to units of Chou Associates Fund or otherwise in any manner attempt to influence the affairs of the Chou Funds. This agreement remains in full force and effect and has been complied with by Fairfax Financial to date.

As of August 31, 2019, the Fund invested as much as 26.2% of its net assets in Berkshire Hathaway Inc., Class "A" common shares and as much as 16.6% of its net assets in Bausch Health Companies Inc. common shares. See page 3 for a description of the Concentration Risk.

### WHO SHOULD INVEST IN CHOU ASSOCIATES FUND?

The Fund is suitable for investors seeking capital gains over the long term, with a medium tolerance for risk. The Fund is not appropriate for an investor with a short-term investment horizon.

### DISTRIBUTION POLICY

The Fund's distribution policy is described on page 23.

### FUND EXPENSES INDIRECTLY BORNE BY INVESTORS

Mutual funds pay for some expenses out of the Fund's assets. This means that investors in a mutual fund indirectly pay for these expenses through lower returns.

The table below is intended to help you compare the cumulative costs of investing in the Fund with the cost of investing in other mutual funds. The table shows the amount of the fees and expenses of the Fund which would be attributable to each \$1,000 investment which you make assuming that the Fund's annual performance is a constant 5% per year and that the Fund's management expense ratio remained the same as in its last financial year for the complete 10 years. See page 16 for information on **Fees and Expenses Payable directly by an Investor** which are not included in the calculation of the management expense ratio.

Although your actual costs may be higher or lower, based on these assumptions, your costs would be:

	<b>One Year</b>	<b>Three Years</b>	<b>Five Years</b>	<b>Ten Years</b>
Series A	\$20.81	\$65.60	\$114.97	\$261.71
Series F	\$14.97	\$47.18	\$82.69	\$188.23

## **CHOU ASSOCIATES FUND**

Any decision to waive the management fee, in whole or in part, is reviewed annually and determined at the discretion of the Manager without notice to unitholders.

## CHOU RRSP FUND

### FUND DETAILS

<b>Type of Fund</b>	Equity
<b>Date the Fund was Started</b>	Series A: September 1, 1986 Series F: August 10, 2005
<b>Securities Offered</b>	Series A and Series F units of a mutual fund trust
<b>Registered tax plan status</b>	Eligible for RRSP's, RRIF's, RDSP's, DPSP's, RESP's and TFSA's
<b>Fees and expenses</b>	Series A: Management Fee of 1.5% per annum plus the Fund's operating expenses, payable monthly. Series F: Management Fee of 1% per annum plus the Fund's operating expenses, payable monthly.

### WHAT DOES CHOU RRSP FUND INVEST IN?

#### Investment Objectives

- The Fund's objective is to provide long-term growth of capital by investing in equity and debt instruments of primarily Canadian businesses. The Fund may invest in equity and debt instruments of U.S. and foreign businesses.
- Investments may include common and preferred shares, convertible debentures, warrants, government and corporate bonds and short-term indebtedness.
- The fundamental investment objectives of the Fund may only be changed with the approval of the holders of a majority of the units of the Fund given at a meeting called for that purpose.

#### Investment Strategies

##### *The Chou Funds Investment Process*

The investment process followed in selecting equity investments, convertible debentures, warrants, government and corporate bonds and short-term indebtedness for the Funds is a value-oriented approach to investing. This involves a detailed analysis of the strengths of individual companies, with much less emphasis on short-term market factors. Far greater importance is placed upon an assessment of a company's balance sheet, cash flow characteristics, profitability, industry position, special strengths, future growth potential and management ability. No more than 49% of the net assets of the Fund, at the time of purchase, will be invested in equity and debt instruments of U.S. and foreign businesses.

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.

Once an investment is made, the Fund is expected to be a patient, long-term investor, which results in low portfolio turnover, reduced transaction costs and deferred realization of accrued capital gains. Portfolio holdings are typically concentrated within a limited number of companies,

## CHOU RRSP FUND

usually 25 to 35 per Fund portfolio. This helps to maintain awareness of corporate developments and communication for each company.

The Manager may decide to maintain a larger portion of the Fund's assets in short-term fixed income securities during periods of high market valuations and volatility.

### *Investments in Derivative Instruments*

The Fund currently uses short term covered call options. The use of covered call options is intended to increase the return on investment by the amount of premium received. The Fund uses covered call options to improve returns by accepting a more certain, lower return rather than seeking a less certain, higher potential return. The Fund has provided the appropriate notice to investors that it may invest in CDS's. The use of CDS's is to hedge against general market risks, including market turmoil. No more than 5% of the net assets of the Fund, at the time of purchase, will be invested in CDS's. The Fund has provided the appropriate notice to investors that it may invest in CMS's. The use of CMS's is to hedge against interest rate increases by central banks as a result of inflationary pressures. No more than 5% of the net assets of the Fund, at the time of purchase, will be invested in CMS's. The Fund may use derivatives such as, but not limited to, futures, options, swaps and forward contracts to gain exposure to securities and asset classes consistent with the objectives of the Fund, and to hedge portfolio exposure against losses from foreign currency exposure and changes in securities prices. The Fund may use derivatives to hedge portfolio exposure against losses from Canadian dollar exposure. The Fund may enter into other derivative transactions after giving investors 60 days prior written notice. For a description of these transactions and the strategies to be used by the Fund to minimize the risks associated with these transactions, please see the discussion under **Derivatives Risk** at page 3.

### *Short Selling Overvalued Securities*

The Fund may engage in short selling of securities which it believes are overvalued based on its traditional fundamental research and analysis of such securities. These may include, in particular, securities of issuers with deteriorating fundamentals and weak balance sheets. The Fund may also take a short position in securities of a particular issuer while taking a long position in securities of another issuer in an attempt to take advantage of relative valuation differences between the two issuers. The Fund may make such a "pairs trade" when it believes that the fundamentals of the issuer in which the Fund holds a long position will become increasingly attractive as compared to those of the issuer in which the Fund holds a short position.

The Manager will manage the relative weightings of the long and short positions in the Fund's portfolio to achieve its investment objective. The Fund's net market exposure will depend on, among other things, the Manager's view of domestic and international economic and market trends. The total market value of the Fund's short positions at any time will not exceed the total market value of its long positions. As a result, the Fund will at no time have negative market exposure. For a description of these transactions and the risks associated therewith, please see the discussion under **Short Selling Risk** at page 7.

## CHOU RRSP FUND

### *Interim Investments*

While waiting to invest or disburse cash reserves in the Funds, we may buy short-term debt securities and money market instruments, or we may deposit cash in interest-bearing accounts with a bank or trust company.

### *Securities Lending, Repurchase and Reverse Repurchase Transactions*

The Fund may enter into repurchase and reverse repurchase and securities lending agreements in order to earn additional income and manage its portfolio after giving investors 60 days prior written notice. For a description of these transactions and the strategies to be used by the Fund to minimize the risks associated with these transactions, please see the discussion under **Securities Lending, Repurchase and Reverse Repurchase Risk** at page 6.

## WHAT ARE THE RISKS OF INVESTING IN CHOU RRSP FUND?

In addition to the above risks which apply to the Funds generally, investors in Chou RRSP Fund face the following additional risks. See page 2 and following for a full discussion of these risks:

- Below-Investment Grade Securities Risk
- Credit Risk
- Concentration Risk
- Covered Call Option Risk
- Cyber Security Risk
- Derivatives Risk
- Distressed Securities Risk
- Equity Risk
- Foreign Currency Risk
- Foreign Market Risk
- General Market Risk
- Interest Rate Risk
- Issuer Risk
- Legal and Regulatory Risk
- Liquidity Risk
- Political Risk
- Prepayment Risk
- Regional Risk
- Refinancing Risk
- Securities Lending, Repurchase and Reverse Repurchase Risk
- Series Risk
- Short Selling Risk
- Small Capitalization Risk
- Value Stock Risk

## CHOU RRSP FUND

As of August 31, 2019, the Fund invested as much as 17.8% of its net assets in Bausch Health Companies Inc., and as much as 14.6% of its net assets in Resolute Forest Product Inc. common shares, and as much as 10.1% of its net assets in BlackBerry Limited common shares. See page 3 for a description of the Concentration Risk.

### WHO SHOULD INVEST IN CHOU RRSP FUND?

The Fund is suitable for investors seeking capital gains over the long term, with a medium to high tolerance for risk. The Fund is not appropriate for an investor with a short-term investment horizon.

### DISTRIBUTION POLICY

The Fund's distribution policy is described on page 23.

### FUND EXPENSES INDIRECTLY BORNE BY INVESTORS

Mutual funds pay for some expenses out of the Fund's assets. This means that investors in a mutual fund indirectly pay for these expenses through lower returns.

The table below is intended to help you compare the cumulative costs of investing in the Fund with the cost of investing in other mutual funds. The table shows the amount of the fees and expenses of the Fund which would be attributable to each \$1,000 investment which you make assuming that the Fund's annual performance is a constant 5% per year and that the Fund's management expense ratio remained the same as in its last financial year for the complete 10 years. See page 16 for information on **Fees and Expenses Payable directly by an Investor** which are not included in the calculation of the management expense ratio.

Although your actual costs may be higher or lower, based on these assumptions, your costs would be:

	<b>One Year</b>	<b>Three Years</b>	<b>Five Years</b>	<b>Ten Years</b>
Series A	\$20.60	\$64.95	\$113.84	\$259.14
Series F	\$14.76	\$46.53	\$81.56	\$185.65

Any decision to waive the management fee, in whole or in part, is reviewed annually and determined at the discretion of the Manager without notice to unitholders.

## CHOU EUROPE FUND

### FUND DETAILS

<b>Type of Fund</b>	Equity
<b>Date the Fund was Started</b>	Series A: August 26, 2003 Series F: August 10, 2005
<b>Securities Offered</b>	Series A and Series F units of a mutual fund trust
<b>Registered tax plan status</b>	Eligible for RRSP's, RRIF's, RDSP's, DPSP's, RESP's and TFSA's
<b>Fees and expenses</b>	Series A: Management Fee of 1.5% per annum plus the Fund's operating expenses, payable monthly. Series F: Management Fee of 1% per annum plus the Fund's operating expenses, payable monthly.

### WHAT DOES CHOU EUROPE FUND INVEST IN?

#### Investment Objectives

- The Fund's objective is to provide long-term growth of capital by investing primarily in the securities markets of Europe considered by the Manager to be undervalued. Investments may be made in securities markets outside of Europe.
- Investments may include common and preferred shares, convertible debentures, warrants, government and corporate bonds and short-term indebtedness.
- The fundamental investment objectives of the Fund may only be changed with the approval of the holders of a majority of the units of the Fund given at a meeting called for that purpose.

#### Investment Strategies

##### *The Chou Funds Investment Process*

The investment process followed in selecting equity investments, convertible debentures, warrants, government and corporate bonds and short-term indebtedness for the Funds is a value-oriented approach to investing that focuses on the European market. This involves a detailed analysis of the strengths of individual companies, with much less emphasis on short-term market factors. Far greater importance is placed upon an assessment of a company's balance sheet, cash flow characteristics, profitability, industry position, special strengths, future growth potential and management ability.

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.

Once an investment is made, the Fund is expected to be a patient, long-term investor, which results in low portfolio turnover, reduced transaction costs and deferred realization of accrued capital gains. Portfolio holdings are typically concentrated within a limited number of companies,

## CHOU EUROPE FUND

usually 25 to 35 per Fund portfolio. This helps to maintain awareness of corporate developments and communication for each company.

The Manager may decide to maintain a larger portion of the Fund's assets in short-term fixed income securities during periods of high market valuations and volatility.

### *Investments in Derivative Instruments*

The Fund currently uses short term covered call options. The use of covered call options is intended to increase the return on investment by the amount of premium received. The Fund uses covered call options to improve returns by accepting a more certain, lower return rather than seeking a less certain, higher potential return. The Fund has provided the appropriate notice to investors that it may invest in CDS's. The use of CDS's is to hedge against general market risks, including market turmoil. No more than 5% of the net assets of the Fund, at the time of purchase, will be invested in CDS's. The Fund has provided the appropriate notice to investors that it may invest in CMS's. The use of CMS's is to hedge against interest rate increases by central banks as a result of inflationary pressures. No more than 5% of the net assets of the Fund, at the time of purchase, will be invested in CMS's. The Fund may use derivatives such as, but not limited to, futures, options, swaps and forward contracts to gain exposure to securities and asset classes consistent with the objectives of the Fund, and to hedge portfolio exposure against losses from foreign currency exposure and changes in securities prices. The Fund may use derivatives to hedge portfolio exposure against losses from Canadian dollar exposure. The Fund may enter into other derivative transactions after giving investors 60 days prior written notice. For a description of these transactions and the strategies to be used by the Fund to minimize the risks associated with these transactions, please see the discussion under **Derivatives Risk** at page 3.

### *Short Selling Overvalued Securities*

The Fund may engage in short selling of securities which it believes are overvalued based on its traditional fundamental research and analysis of such securities. These may include, in particular, securities of issuers with deteriorating fundamentals and weak balance sheets. The Fund may also take a short position in securities of a particular issuer while taking a long position in securities of another issuer in an attempt to take advantage of relative valuation differences between the two issuers. The Fund may make such a "pairs trade" when it believes that the fundamentals of the issuer in which the Fund holds a long position will become increasingly attractive as compared to those of the issuer in which the Fund holds a short position.

The Manager will manage the relative weightings of the long and short positions in the Fund's portfolio to achieve its investment objective. The Fund's net market exposure will depend on, among other things, the Manager's view of domestic and international economic and market trends. The total market value of the Fund's short positions at any time will not exceed the total market value of its long positions. As a result, the Fund will at no time have negative market exposure. For a description of these transactions and the risks associated therewith, please see the discussion under **Short Selling Risk** at page 7.

## CHOU EUROPE FUND

### *Interim Investments*

While waiting to invest or disburse cash reserves in the Funds, we may buy short-term debt securities and money market instruments, or we may deposit cash in interest-bearing accounts with a bank or trust company.

### *Securities Lending, Repurchase and Reverse Repurchase Transactions*

The Fund may enter into repurchase and reverse repurchase and securities lending agreements in order to earn additional income and manage its portfolio after giving investors 60 days prior written notice. For a description of these transactions and the strategies to be used by the Fund to minimize the risks associated with these transactions, please see the discussion under **Securities Lending, Repurchase and Reverse Repurchase Risk** at page 6.

## WHAT ARE THE RISKS OF INVESTING IN CHOU EUROPE FUND?

In addition to the above risks which apply to the Funds generally, investors in Chou Europe Fund face the following additional risks. See page 2 and following for a full discussion of these risks:

- Below-Investment Grade Securities Risk
- Credit Risk
- Concentration Risk
- Covered Call Option Risk
- Cyber Security Risk
- Derivatives Risk
- Emerging Markets Risk
- Distressed Securities Risk
- Equity Risk
- Foreign Currency Risk
- Foreign Market Risk
- General Market Risk
- Interest Rate Risk
- Issuer Risk
- Legal and Regulatory Risk
- Liquidity Risk
- Political Risk
- Prepayment Risk
- Regional Risk
- Refinancing Risk
- Securities Lending, Repurchase and Reverse Repurchase Risk
- Series Risk
- Short Selling Risk
- Small Capitalization Risk
- Value Stock Risk

## CHOU EUROPE FUND

As of August 31, 2019, the Fund invested as much as 16.1% of its net assets in Sanofi common shares. See page 3 for a description of the Concentration Risk.

### WHO SHOULD INVEST IN CHOU EUROPE FUND?

The Fund is suitable for investors seeking capital gains over the long term, with a medium tolerance for risk. The Fund is not appropriate for an investor with a short-term investment horizon. The Fund is generally suitable to diversify asset classes within a larger portfolio rather than as a core holding.

### DISTRIBUTION POLICY

The Fund's distribution policy is described on page 23.

### FUND EXPENSES INDIRECTLY BORNE BY INVESTORS

Mutual funds pay for some expenses out of the Fund's assets. This means that investors in a mutual fund indirectly pay for these expenses through lower returns.

The table below is intended to help you compare the cumulative costs of investing in the Fund with the cost of investing in other mutual funds. The table shows the amount of the fees and expenses of the Fund which would be attributable to each \$1,000 investment which you make assuming that the Fund's annual performance is a constant 5% per year and that the Fund's management expense ratio remained the same as in its last financial year for the complete 10 years. See page 16 for information on **Fees and Expenses Payable directly by an Investor** which are not included in the calculation of the management expense ratio.

Although your actual costs may be higher or lower, based on these assumptions, your costs would be:

	<b>One Year</b>	<b>Three Years</b>	<b>Five Years</b>	<b>Ten Years</b>
Series A	\$22.65	\$71.41	\$125.17	\$284.92
Series F	\$16.61	\$52.35	\$91.75	\$208.86

Any decision to waive the management fee, in whole or in part, is reviewed annually and determined at the discretion of the Manager without notice to the unitholders.

## CHOU ASIA FUND

### FUND DETAILS

<b>Type of Fund</b>	Equity
<b>Date the Fund was Started</b>	Series A: August 26, 2003 Series F: August 10, 2005
<b>Securities Offered</b>	Series A and Series F units of a mutual fund trust
<b>Registered tax plan status</b>	Eligible for RRSP's, RRIF's, RDSP's, DPSP's, RESP's and TFSA's
<b>Fees and expenses</b>	Series A: Management Fee of 1.5% per annum plus the Fund's operating expenses, payable monthly. Series F: Management Fee of 1% per annum plus the Fund's operating expenses, payable monthly.

### WHAT DOES CHOU ASIA FUND INVEST IN?

#### Investment Objectives

- The Fund's objective is to provide long-term growth of capital by investing primarily in the securities markets of Asia considered by the Manager to be undervalued. Investments may be made in securities markets outside of Asia.
- Investments may include common and preferred shares, convertible debentures, warrants, government and corporate bonds and short-term indebtedness.
- The fundamental investment objectives of the Fund may only be changed with the approval of the holders of a majority of the units of the Fund given at a meeting called for that purpose.

#### Investment Strategies

##### *The Chou Funds Investment Process*

The investment process followed in selecting equity investments, convertible debentures, warrants, government and corporate bonds and short-term indebtedness for the Funds is a value-oriented approach to investing that focuses on the Asian market. This involves a detailed analysis of the strengths of individual companies, with much less emphasis on short-term market factors. Far greater importance is placed upon an assessment of a company's balance sheet, cash flow characteristics, profitability, industry position, special strengths, future growth potential and management ability.

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.

Once an investment is made, the Fund is expected to be a patient, long-term investor, which results in low portfolio turnover, reduced transaction costs and deferred realization of accrued capital gains. Portfolio holdings are typically concentrated within a limited number of companies, usually 5 to 35 per Fund portfolio. This helps to maintain awareness of corporate developments and communication for each company.

## CHOU ASIA FUND

The Manager may decide to maintain a larger portion of the Fund's assets in short-term fixed income securities during periods of high market valuations and volatility. Short-term fixed income securities means evidences of indebtedness that have a remaining term to maturity of 365 days or less. The Manager may decide to hold cash or other short-term fixed income securities for a long duration of time depending on market conditions. The possible range of the portion of the Fund's assets that may be held in cash or other short-term fixed income securities in such circumstances is from 10% to 40%.

### *Investments in Derivative Instruments*

The Fund currently uses short term covered call options. The use of covered call options is intended to increase the return on investment by the amount of premium received. The Fund uses covered call options to improve returns by accepting a more certain, lower return rather than seeking a less certain, higher potential return. The Fund has provided the appropriate notice to investors that it may invest in CDS's. The use of CDS's is to hedge against general market risks, including market turmoil. No more than 5% of the net assets of the Fund, at the time of purchase, will be invested in CDS's. The Fund has provided the appropriate notice to investors that it may invest in CMS's. The use of CMS's is to hedge against interest rate increases by central banks as a result of inflationary pressures. No more than 5% of the net assets of the Fund, at the time of purchase, will be invested in CMS's. The Fund may use derivatives such as, but not limited to, futures, options, swaps and forward contracts to gain exposure to securities and asset classes consistent with the objectives of the Fund, and to hedge portfolio exposure against losses from foreign currency exposure and changes in securities prices. The Fund may use derivatives to hedge portfolio exposure against losses from Canadian dollar exposure. The Fund may enter into other derivative transactions after giving investors 60 days prior written notice. For a description of these transactions and the strategies to be used by the Fund to minimize the risks associated with these transactions, please see the discussion under **Derivatives Risk** at page 3.

### *Short Selling Overvalued Securities*

The Fund may engage in short selling of securities which it believes are overvalued based on its traditional fundamental research and analysis of such securities. These may include, in particular, securities of issuers with deteriorating fundamentals and weak balance sheets. The Fund may also take a short position in securities of a particular issuer while taking a long position in securities of another issuer in an attempt to take advantage of relative valuation differences between the two issuers. The Fund may make such a "pairs trade" when it believes that the fundamentals of the issuer in which the Fund holds a long position will become increasingly attractive as compared to those of the issuer in which the Fund holds a short position.

The Manager will manage the relative weightings of the long and short positions in the Fund's portfolio to achieve its investment objective. The Fund's net market exposure will depend on, among other things, the Manager's view of domestic and international economic and market trends. The total market value of the Fund's short positions at any time will not exceed the total market value of its long positions. As a result, the Fund will at no time have negative market exposure. For a description of these transactions and the risks associated therewith, please see the discussion under **Short Selling Risk** at page 7.

## CHOU ASIA FUND

### *Interim Investments*

While waiting to invest or disburse cash reserves in the Funds, we may buy short-term debt securities and money market instruments, or we may deposit cash in interest-bearing accounts with a bank or trust company.

### *Securities Lending, Repurchase and Reverse Repurchase Transactions*

The Fund may enter into repurchase and reverse repurchase and securities lending agreements in order to earn additional income and manage its portfolio after giving investors 60 days prior written notice. For a description of these transactions and the strategies to be used by the Fund to minimize the risks associated with these transactions, please see the discussion under **Securities Lending, Repurchase and Reverse Repurchase Risk** at page 6.

## WHAT ARE THE RISKS OF INVESTING IN CHOU ASIA FUND?

In addition to the above risks which apply to the Funds generally, investors in Chou Asia Fund face the following additional risks. See page 2 and following for a full discussion of these risks:

- Below-Investment Grade Securities Risk
- Credit Risk
- Concentration Risk
- Covered Call Option Risk
- Cyber Security Risk
- Derivatives Risk
- Emerging Markets Risk
- Distressed Securities Risk
- Equity Risk
- Foreign Currency Risk
- Foreign Market Risk
- General Market Risk
- Interest Rate Risk
- Issuer Risk
- Legal and Regulatory Risk
- Liquidity Risk
- Political Risk
- Prepayment Risk
- Regional Risk
- Refinancing Risk
- Securities Lending, Repurchase and Reverse Repurchase Risk
- Series Risk
- Short Selling Risk
- Small Capitalization Risk
- Value Stock Risk

## CHOU ASIA FUND

As of August 31, 2019, the Fund invested as much as 21.2% of its net assets in BYD Company Limited common shares, and as much as 11.1% of its net assets in Pyne Gould Corp. Ltd. common shares. See page 3 for a description of the Concentration Risk.

### WHO SHOULD INVEST IN CHOU ASIA FUND?

The Fund is suitable for investors seeking capital gains over the long term, with a low to medium tolerance for risk. The Fund is not appropriate for an investor with a short-term investment horizon. The Fund is generally suitable to diversify asset classes within a larger portfolio rather than as a core holding.

### DISTRIBUTION POLICY

The Fund's distribution policy is described on page 23.

### FUND EXPENSES INDIRECTLY BORNE BY INVESTORS

Mutual funds pay for some expenses out of the Fund's assets. This means that investors in a mutual fund indirectly pay for these expenses through lower returns.

The table below is intended to help you compare the cumulative costs of investing in the Fund with the cost of investing in other mutual funds. The table shows the amount of the fees and expenses of the Fund which would be attributable to each \$1,000 investment which you make assuming that the Fund's annual performance is a constant 5% per year and that the Fund's management expense ratio remained the same as in its last financial year for the complete 10 years. See page 16 for information on **Fees and Expenses Payable directly by an Investor** which are not included in the calculation of the management expense ratio.

Although your actual costs may be higher or lower, based on these assumptions, your costs would be:

	<b>One Year</b>	<b>Three Years</b>	<b>Five Years</b>	<b>Ten Years</b>
Series A	\$21.32	\$67.21	\$117.81	\$268.16
Series F	\$15.58	\$49.12	\$86.09	\$195.96

Any decision to waive the management fee, in whole or in part, is reviewed annually and determined at the discretion of the Manager without notice to unitholders.

## CHOU BOND FUND

### FUND DETAILS

<b>Type of Fund</b>	Foreign Bond
<b>Date the Fund was Started</b>	Series A and Series F: August 10, 2005
<b>Securities Offered</b>	Series A and Series F units of a mutual fund trust
<b>Registered tax plan status</b>	Eligible for RRSP's, RRIF's, RDSP's, DPSP's, RESP's and TFSA's
<b>Fees and expenses</b>	Series A: Management Fee of 1.15% per annum plus the Fund's operating expenses, payable monthly. Series F: Management Fee of 1% per annum plus the Fund's operating expenses, payable monthly.

### WHAT DOES CHOU BOND FUND INVEST IN?

#### Investment Objectives

- The Fund's objective is to provide conservation of principal and income production, along with capital appreciation.
- The Fund invests primarily in Canadian and U.S. fixed income instruments. These fixed income instruments include, but are not limited to Government of Canada, provincial, municipal and corporate issues, including convertibles and high yield fixed income instruments. Investments may be made in fixed income instruments outside of Canada and U.S.
- The fundamental investment objectives of the Fund may only be changed with the approval of the holders of a majority of the units of the Fund given at a meeting called for that purpose.

#### Investment Strategies

##### *The Chou Funds Investment Process*

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. The Fund will primarily invest in securities issued by governments, municipalities, provinces and corporations in Canada and the United States but can invest anywhere in the world. The Fund may invest in a wide variety of fixed income instruments including government bonds, corporate bonds (both investment grade and non-investment grade), preferred securities, income trusts, bank debt, commercial paper, repurchase agreements, mortgage backed securities, convertible securities and credit default swaps. No more than 35% of the net assets of the Fund, at the time of purchase, will be invested in fixed income securities outside of Canada and U.S. 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.

##### *Investments in Derivative Instruments*

The Fund uses short term covered call options. The use of covered call options is intended to increase the return on investment by the amount of premium received. The Fund uses covered call options to improve returns by accepting a more certain, lower return rather than seeking a

## CHOU BOND FUND

less certain, higher potential return. In order to fulfill its obligation under a covered call option, the Fund will have to purchase the corresponding equity security. Any purchase of equity securities by the Fund will be limited to covering its position under a covered call option. The Fund has provided the appropriate notice to investors that it may invest in CDS's. The use of CDS's is to hedge against general market risks, including market turmoil. No more than 5% of the net assets of the Fund, at the time of purchase, will be invested in CDS's. The Fund has provided the appropriate notice to investors that it may invest in CMS's. The use of CMS's is to hedge against interest rate increases by central banks as a result of inflationary pressures. No more than 5% of the net assets of the Fund, at the time of purchase, will be invested in CMS's. The Fund may use derivatives such as, but not limited to, futures, options, swaps and forward contracts to gain exposure to securities and asset classes consistent with the objectives of the Fund, and to hedge portfolio exposure against losses from foreign currency exposure and changes in securities prices. The Fund may use derivatives to hedge portfolio exposure against losses from Canadian dollar exposure. For a description of these transactions and the strategies to be used by the Fund to minimize the risks associated with these transactions, please see the discussion under **Derivatives Risk** at page 3.

### *Short Selling Overvalued Securities*

The Fund may engage in short selling of securities which it believes are overvalued based on its traditional fundamental research and analysis of such securities. These may include, in particular, securities of issuers with deteriorating fundamentals and weak balance sheets. The Fund may also take a short position in securities of a particular issuer while taking a long position in securities of another issuer in an attempt to take advantage of relative valuation differences between the two issuers. The Fund may make such a "pairs trade" when it believes that the fundamentals of the issuer in which the Fund holds a long position will become increasingly attractive as compared to those of the issuer in which the Fund holds a short position.

The Manager will manage the relative weightings of the long and short positions in the Fund's portfolio to achieve its investment objective. The Fund's net market exposure will depend on, among other things, the Manager's view of domestic and international economic and market trends. The total market value of the Fund's short positions at any time will not exceed the total market value of its long positions. As a result, the Fund will at no time have negative market exposure. For a description of these transactions and the risks associated therewith, please see the discussion under **Short Selling Risk** at page 7.

### *Interim Investments*

While waiting to invest or disburse cash reserves in the Funds, we may buy short-term debt securities and money market instruments, or we may deposit cash in interest-bearing accounts with a bank or trust company.

### *Securities Lending, Repurchase and Reverse Repurchase Transactions*

The Fund may enter into repurchase and reverse repurchase and securities lending agreements in order to earn additional income and manage its portfolio after giving investors 60 days prior written notice. For a description of these transactions and the strategies to be used by the Fund to minimize the risks associated with these transactions, please see the discussion under **Securities Lending, Repurchase and Reverse Repurchase Risk** at page 6.

## **CHOU BOND FUND**

### **WHAT ARE THE RISKS OF INVESTING IN CHOU BOND FUND?**

In addition to the above risks which apply to the Funds generally, investors in Chou Bond Fund face the following additional risks. See page 2 and following for a full discussion of these risks:

- Below-Investment Grade Risk
- Credit Risk
- Concentration Risk
- Covered Call Option Risk
- Cyber Security Risk
- Derivatives Risk
- Distressed Securities Risk
- Foreign Currency Risk
- Foreign Market Risk
- General Market Risk
- Interest Rate Risk
- Issuer Risk
- Legal and Regulatory Risk
- Liquidity Risk
- Political Risk
- Prepayment Risk
- Regional Risk
- Refinancing Risk
- Securities Lending, Repurchase and Reverse Repurchase Risk
- Series Risk
- Short Selling Risk
- Small Capitalization Risk

As of August 31, 2019, Chou Associates Management Inc. holds approximately 3.8% of the Series A units of the Fund. If the Manager redeems its securities, a significant portion of the Fund's investments may have to be liquidated in order to redeem these securities unless a proportionate amount of the investments can be transferred to the Manager. The timing of such liquidation may not be appropriate and all investors may suffer a proportionate loss as a result of such liquidation.

As of August 31, 2019, the Fund invested as much as 19.6% of its net assets in Atlanticus Holdings Corporation 5.875 convertible bond. See page 3 for a description of the Concentration Risk.

### **WHO SHOULD INVEST IN CHOU BOND FUND?**

The Fund is suitable for investors seeking income while preserving invested capital with a medium tolerance for risk. The Fund is not appropriate for an investor with a short-term investment horizon.

## CHOU BOND FUND

### DISTRIBUTION POLICY

The Fund's distribution policy is described on page 23.

#### FUND EXPENSES INDIRECTLY BORNE BY INVESTORS

Mutual funds pay for some expenses out of the Fund's assets. This means that investors in a mutual fund indirectly pay for these expenses through lower returns.

The table below is intended to help you compare the cumulative costs of investing in the Fund with the cost of investing in other mutual funds. The table shows the amount of the fees and expenses of the Fund which would be attributable to each \$1,000 investment which you make assuming that the Fund's annual performance is a constant 5% per year and that the Fund's management expense ratio remained the same as in its last financial year for the complete 10 years. See page 16 for information on **Fees and Expenses Payable directly by an Investor** which are not included in the calculation of the management expense ratio.

Although your actual costs may be higher or lower, based on these assumptions, your costs would be:

	<b>One Year</b>	<b>Three Years</b>	<b>Five Years</b>	<b>Ten Years</b>
Series A	\$18.96	\$59.78	\$104.78	\$238.51
Series F	\$17.53	\$55.26	\$96.85	\$220.46

Any decision to waive the management fee, in whole or in part, is reviewed annually and determined at the discretion of the Manager without notice to the unitholders.

**CHOU MUTUAL FUNDS**

**CHOU ASSOCIATES FUND**

**CHOU RRSP FUND**

**CHOU EUROPE FUND**

**CHOU ASIA FUND**

**CHOU BOND FUND**

**Chou Associates Management Inc.  
110 Sheppard Avenue East  
Suite 301, P.O. Box 18  
Toronto, Ontario  
M2N 6Y8**

Additional information about the Funds is available in the Funds' Annual Information Form, Fund Facts, management reports of fund performance and financial statements of the Fund. These documents are incorporated by reference into this Simplified Prospectus, which means that they legally form part of this document just as if they were printed as a part of this document.

You can get a copy of these documents, at your request, and at no cost, by calling toll-free at 1-888-357-5070, or from your dealer or by e-mail at [admin@choufunds.com](mailto:admin@choufunds.com).

These documents and other information about the Funds, such as information circulars and material contracts, are also available on the internet site at [www.sedar.com](http://www.sedar.com).