

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

ANNUAL REPORT 2020

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

CHOU ASSOCIATES FUND

Period ended	Total value of shares	Period ended	Total value of shares
Dec.31, 1986	\$10,000	Dec.31, 2011	113,776
Dec.31, 1987	10,502	Dec.31, 2012	144,446
Dec.31, 1988	12,001	Dec.31, 2013	204,142
Dec.31, 1989	14,244	Dec.31, 2014	228,754
Dec.31, 1990	12,722	Dec.31, 2015	212,854
Dec.31, 1991	15,681	Dec.31, 2016	206,905
Dec.31, 1992	18,817	Dec.31, 2017	214,775
Dec.31, 1993	21,863	Dec.31, 2018	197,699
Dec.31, 1994	21,300	Dec.31, 2019	200,244
Dec.31, 1995	27,904	Dec.31, 2020	<u>\$181,288</u>
Dec.31, 1996	34,235		
Dec.31, 1997	48,035		
Dec.31, 1998	59,187		
Dec.31, 1999	53,489		
Dec.31, 2000	57,967		
Dec.31, 2001	70,397		
Dec.31, 2002	91,504		
Dec.31, 2003	94,773		
Dec.31, 2004	103,319		
Dec.31, 2005	117,462		
Dec.31, 2006	139,511		
Dec.31, 2007	125,258		
Dec.31, 2008	88,553		
Dec.31, 2009	114,854		
Dec.31, 2010	136,916		

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

The table is presented only to illustrate the effects of the compound growth rate and is not intended to reflect future values of the mutual funds or returns on the mutual funds. Commissions, trailing commissions, management fees and expenses all may be associated with mutual fund investments. Please read the prospectus before investing.

PERFORMANCE OF THE FUNDS
(unaudited)

(Series A units)		December 31					
	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Chou Associates Fund							
Total Return	-9.47%	1.29%	-7.95%	3.80%	-2.79%	-6.95%	12.06%
Management Expense Ratio (MER)	1.85%	1.87%	2.03%	1.89%	1.87%	1.82%	1.81%
Portfolio turnover rate	0.03%	14.98%	31.61%	26.03%	16.55%	4.06%	7.73%
Net Assets, end of the year (in millions)	\$ 153.2	\$ 209.0	\$ 285.8	\$ 376.8	\$ 448.8	\$ 513.7	\$ 557.5
Chou Asia Fund							
Total Return	66.11%	1.02%	-12.72%	21.12%	2.12%	5.49%	7.59%
Management Expense Ratio (MER)	1.86%	1.90%	2.08%	1.92%	1.90%	1.86%	1.80%
Portfolio turnover rate	0.37%	15.55%	0.00%	0.96%	0.00%	13.56%	0.00%
Net Assets, end of the year (in millions)	\$ 21.6	\$ 16.2	\$ 22.5	\$ 29.4	\$ 35.6	\$ 40.1	\$ 39.2
Chou Europe Fund							
Total Return	27.24%	-3.05%	-9.91%	3.59%	-18.71%	1.87%	0.94%
Management Expense Ratio (MER)	2.04%	1.96%	2.21%	1.95%	1.89%	1.95%	1.90%
Portfolio turnover rate	32.94%	13.94%	9.01%	21.06%	6.94%	0.00%	9.49%
Net Assets, end of the year (in millions)	\$ 5.5	\$ 6.8	\$ 7.4	\$ 7.6	\$ 13.7	\$ 21.8	\$ 23.3
Chou Bond Fund							
Total Return	24.88%	-25.10%	14.85%	-1.61%	9.10%	-3.58%	9.77%
Management Expense Ratio (MER)	1.42%	1.60%	1.85%	1.56%	1.54%	1.45%	1.41%
Portfolio turnover rate	54.84%	11.84%	13.97%	36.79%	50.15%	4.44%	23.91%
Net Assets, end of the year (in millions)	\$ 8.6	\$ 9.8	\$ 17.9	\$ 27.8	\$ 42.6	\$ 42.8	\$ 49.5
Chou RRSP Fund							
Total Return	13.52%	-17.67%	-7.15%	22.09%	-3.57%	-12.83%	14.20%
Management Expense Ratio (MER)	1.88%	1.89%	2.01%	1.92%	1.93%	1.84%	1.81%
Portfolio turnover rate	0.05%	15.25%	14.08%	23.45%	7.22%	16.76%	4.77%
Net Assets, end of the year (in millions)	\$ 37.5	\$ 42.8	\$ 66.2	\$ 80.4	\$ 88.8	\$ 104.1	\$ 128.5

*Management fee after waivers and absorption

Please note that 'Net Assets' include both Series A and Series F of the Fund.

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CHOU ASSOCIATES FUND

(unaudited)

March 15, 2021

Dear Unitholders of Chou Associates Fund,

The net asset value per unit (“NAVPU”) of a Series A unit of Chou Associates Fund at December 31, 2020 was \$93.50 compared to \$103.28 at December 31, 2019, a decrease of 9.5%; during the same period, the S&P 500 Total Return Index increased 16.4% in Canadian dollars. In U.S. dollars, a Series A unit of Chou Associates Fund decreased by 7.6% while the S&P 500 Total Return Index increased 18.3%.

The table shows our one-year, three-year, five-year, 10-year, 15-year and 20-year annual compound rates of return.

December 31, 2020 (Series A)	1 Year	3 Years	5 Years	10 Years	15 Years	20 Years
Chou Associates Fund (\$CAN)	-9.5%	-5.5%	-3.2%	2.8%	2.9%	5.9%
S&P 500 (\$CAN)	16.4%	14.9%	13.4%	16.7%	10.6%	6.6%
Chou Associates Fund (\$US) ¹	-7.6%	-5.9%	-1.5%	0.3%	2.3%	6.7%
S&P 500 (\$US)	18.3%	14.1%	15.2%	13.9%	9.9%	7.5%

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

Factors Influencing the 2020 Results

The equity holdings of Overstock.com Inc., DaVita Inc., Resolute Forest Products and Goldman Sachs Group contributed positively to the Fund’s performance during the year.

The main negative contributors to the Fund’s performance in 2020 were the equity holdings of Wells Fargo & Company, Bausch Health Companies Inc., MBIA Inc., Citigroup and EXCO Resources Inc. The Canadian currency appreciated against the US dollar, which also negatively affected the Fund.

During the period, the Fund reduced its holdings of DaVita Inc., Goldman Sachs Group, Berkshire Hathaway Inc., JPMorgan Chase & Co. and MBIA Inc. The Fund also sold the equity holdings of Allegiant Travel Company and Spirit Airlines Inc.

The Fund received units of Overstock.com Inc. Pref. Series A-1 as dividends in April 2020. The Fund wrote two covered call options on Resolute Forest Products as at December 31, 2020.

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

Portfolio Commentary

Financials – Banks and Insurance

Banks – In general, we do not think that the intrinsic values of the banks have depreciated much in the long-term. In the short-term, the revenues and net interest margins may take a hit due to low interest rates (close to zero), and defaults on bad loans will likely increase under the current anemic economic conditions. However, we think the loose monetary policy of today will benefit the banks in the long-term with its excessive printing of money, since banks are always the first beneficiary of easy money. Having endured the annual stress tests, banks are also in much better financial shape than they were during the Great Recession of 2008.

Resolute Forest Products (“RFP”)

As of December 31, 2020, the market price of RFP was US\$6.54 per share, up 55.7% from the price of US\$4.20 at year end 2019. In spite of that, RFP has been a huge disappointment since our initial purchase some eight years ago. It shows how tough it is to turn around a troubled company despite the best efforts of management. Having said that, it is quite comical to experience how a commodity stock can be hammered beyond all logical comprehension. RFP paid a special dividend of US\$1.50 a share in 2018, and it was trading as low as US\$1.17 per share in April 2020. Back in March 2020, the company announced that it would buy back 15% of its common shares for US\$100 million. At the lowest year-to-date price of US\$1.17, the whole market capitalization would be approximately US\$99 million. In other words, instead of buying back 15% of the company with US\$100 million, it could repurchase 100% of the company at one point. RFP shares have since recovered 459% to US\$6.54 at year-end. Patience has been rewarded.

One bright spot for the company has been its lumber operations. The high prices for lumber should make up for the declines in its newsprint and specialty papers business segments. The COVID-19 pandemic has shifted management’s focus more towards its lumber/pulp/tissue operations and we believe that should generate greater cash flow in the future.

In general, our experience with a commodity business that has virtually no pricing power is to be cautious when management talks about investing in new equipment or upgrades that would significantly lower the cost structure compared to its competitors. That may be true for six months to a couple of years, but in time, competitors will have a new cost structure that is as competitive if not superior to the company. It is the same treadmill where hardly anyone in the industry can make a decent return on the assets invested in the company. The same story can be seen repeatedly in various commoditized industries. There is no sustainable long-term advantage in a mediocre business with no pricing power. It is important not to get seduced by discount to book value. If the company cannot generate a decent return on book value over a long period of time, that book value is not worth much.

Bausch Health Companies Inc. (“Bausch Health”)

In early August 2020, Bausch Health announced that it is planning to spin off its eye care business, Bausch + Lomb, into an independent publicly traded company. This will allow the company to concentrate on its gastroenterology, aesthetics/dermatology, neurology and international pharma business.

Chairman and CEO Joseph Papa said, "We've looked at the value of our pure health companies like Alcon and Cooper and believe that Bausch + Lomb would compare very favorably when investors have an opportunity to make a judgment about the relative value of the stand-alone business".

Comparable companies like Cooper Companies and Alcon Inc. are currently trading between 18 and 20 times 2022 EBITDA estimates and 25-30 times trailing EBITDA estimates. If Bausch + Lomb trades at similar multiples as a stand-alone company, the total value of Bausch Health using a sum-of-the-parts method would be worth north of US\$45 per share (net of debt). We felt that Bausch was undervalued for a long time, but investors were not giving credit that management has done a good job in running the operations, selling non-core assets, as well as de-leveraging its balance sheet. They felt the process was too slow. We hope the spin-off of Bausch + Lomb unit will be the much-needed catalyst for investors to price the company closer to its intrinsic value.

EXCO Resources Inc. ("EXCO")

In early July of 2019, the company emerged from bankruptcy and the 1.75 lien term loans were converted into 28.38 equity shares for every US\$1,000 in par value, after netting out certain adjustments. We received 1,518,570 shares of EXCO in the Fund. The equivalent price is US\$9.51 per share of EXCO.

Looking back on this investment, we underestimated how long the price of natural gas would stay low for and how low it has been relative to the price of oil. Historically, there had been a strong relationship between the prices of oil and natural gas. Thinking about the two fuels in terms of energy equivalency, 6,000 cubic feet (6 mcf) of natural gas has the same amount of energy content as 1 barrel of oil. In the past, this 6 to 1 ratio guided the relationship between oil and natural gas prices but for the last few years the ratio between prices has gone up to as high as 50 to 1.

Long story short, it was not such a great idea in investing in the 1.75 lien term loans of EXCO.

MBIA Inc.

Our investment in MBIA Inc. dates back to 2012, with an initial cost at about US\$6.00 per share. It is one of the most interesting investments in a long time, and we have watched the company's development with great attention over the years. To use a baseball analogy, we believe that we are somewhere in the sixth or seventh inning of the game. We are much closer to a more definitive resolution on the company's various lawsuits with regards to the ongoing bankruptcy proceedings in restructuring the Puerto Rico bonds.

To understand the parent company MBIA Inc., one has to separate out its two principal subsidiaries – the "Good One" called National Public Finance Guarantee Corporation ("National") and the "Bad One" called MBIA Insurance Corporation ("MBIA Corp."). As far as our analysis shows, the parent company and National have been ring-fenced from the operations of MBIA Corp. since 2014. In the latest 10-K of MBIA Inc., the company stated that:

“Given the separation of MBIA Inc. and MBIA Corp. as distinct legal entities, the absence of any cross defaults between the entities, and the lack of reliance by MBIA Inc. on MBIA Corp. for the receipt of dividends, we do not believe that a rehabilitation or liquidation proceeding of MBIA Insurance Corporation by the NYSDFS would have any material economic impact on MBIA Inc.”

National’s primary business has been to provide financial guarantee insurance to the United States’ public finance markets, their financial guarantee insurance policies provide investors with unconditional and irrevocable guarantees of the payment of the principal, interest or other amounts owing on insured obligations when due. National has ceased pursuing the writing of new financial guarantee policies, and its primary activity today is to provide ongoing surveillance, including remediation activity where warranted, of its existing insured portfolio of US\$41.9 billion gross par outstanding as of December 31, 2020. This is the side of the business with exposure to the Puerto Rico bonds.

We won’t go into details of the “Bad One” MBIA Corp., but simply to highlight that its book value is negative US\$31.97 per share as of year-end 2020.

We would like you to forget the operations of the companies for a second and concentrate on the following: the ferocity of the company’s share buybacks, the change in adjusted book value per share (“adjusted BVPS”) and the change in GAAP book value per share (“GAAP BVPS”) over the years.

	2020	2019	2018	2017	2016	2015	2014
Shares Outstanding (Mils)	53.7	79.4	89.8	91.5	135.2	151.5	191.9
GAAP BVPS	\$2.53	\$10.40	\$12.46	\$15.44	\$23.87	\$24.61	\$20.47
Adjusted BVPS	\$35.95	\$31.96	\$27.38	\$29.32	\$31.88	\$28.98	\$24.21
Price Paid on Buybacks	\$7.50	\$9.10	\$8.28	\$7.56	\$6.33	\$7.30	\$9.44

Source: Capital IQ and company filings, all currencies in USD.

As seen from the chart above, the number of shares outstanding were reduced significantly from 191.9 million shares to 53.7 million shares from 2014 to 2020. Also, notice the increase of adjusted BVPS from US\$24.21 in 2014 to US\$35.95 in 2020 and a decrease in GAAP BVPS from US\$20.47 to US\$2.53 over the same period.

We want to pay special attention to the adjusted BVPS because the financial impact of the “Bad One” is subtracted from the calculation. In our view, it should more closely represent the intrinsic value of the company. The GAAP BVPS of the combined company has decreased due to the decrease of the GAAP BVPS of the “Bad One” over the years. It is interesting to note how management has shifted its focus from highlighting how high the adjusted BVPS was up until 2018, to showcasing how low the GAAP BVPS was from 2019 onwards.

While the company explained it as an accounting change, the timing conveniently suits their purposes. Compare the company’s presentation of its financials in the 10-K before and after 2018:

2018 and prior:

In millions except share and per share amounts	As of December 31, 2018	As of December 31, 2017
Total shareholders' equity of MBIA Inc.	\$ 1,119	\$ 1,413
Common shares outstanding	89,821,713	91,484,447
Book value per share	\$ 12.46	\$ 15.44
Book value per share adjustments:		
Remove negative book value of MBIA Corp.	10.93	8.84
Remove net unrealized (gains) losses on available-for-sale securities included in other comprehensive income (loss)	0.46	0.26
Add net unearned premium revenue in excess of expected losses	3.53	4.23
Total book value per share adjustments	14.92	13.33
Adjusted book value per share	\$ 27.38	\$ 28.77

After 2018 (Excluded total BVPS adjustment and adjusted BVPS lines):

In millions except share and per share amounts	As of December 31, 2020	As of December 31, 2019
Total shareholders' equity of MBIA Inc.	\$ 136	\$ 826
Common shares outstanding	53,677,148	79,433,293
GAAP book value per share	\$ 2.55	\$ 10.40
Management's adjustments described above:		
Remove negative book value per share of MBIA Corp.	(31.97)	(16.81)
Remove net unrealized gains (losses) on available-for-sale securities included in other comprehensive income (loss)	2.86	1.29
Include net unearned premium revenue in excess of expected losses	4.29	3.46

Source: MBIA Inc. 10-K company filings for 2018 and 2020.

Although the parent company has used up the authorization to buy back shares, it still has another US\$300 million at National that can be used for share buybacks. Assuming that management gets new authorization for more share buybacks at US\$10 per share, the adjusted BVPS could then jump to a whopping US\$68.80 per share. Such is the power of the buy backs when it is bought at such a low price relative to adjusted book value per share. What management is doing with the amount of buybacks and the significant discount to adjusted BVPS is unprecedented in corporate history.

As for National's business, it is an asset play that is in runoff. We believe the assets as presented by management are solid, and that there are potential tailwinds from the restructuring of the Puerto Rico bonds and the various lawsuits related to that.

In 2008, when MBIA Inc. got into trouble with its misadventures in toxic securities, MBIA was nicknamed "Management Brain Injury Association". In a few years, that nickname will be buried forever.

Caution to the Investors

Investors should be advised that we run a highly focused portfolio, frequently just three to five securities may comprise more than 50% of the assets of the Fund. In addition, the Fund has securities that are non-U.S. and could be subjected to geopolitical risks, which may trump or at least negatively influence the financial performance of the company. Also, we may enter into some derivative contracts, such as credit default swaps when we feel that the market conditions are right to use those instruments. Because of any or all of these factors, the net asset value of the Fund can be from time to time more volatile than at other times. However, we are not bothered by this volatility because our focus has always been, and continues to be, on how inexpensive we

believe the Fund's portfolio holdings are relative to what we believe to be their intrinsic value. The Fund did not have any excess cash as at December 31, 2020.

Other Matters

FOREIGN CURRENCY CONTRACTS: None existed at December 31, 2020.

CREDIT DEFAULT SWAPS: None existed at December 31, 2020.

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


REDEMPTION FEE: We have a redemption fee of 2% if unitholders redeem their units in less than 3 months. None of this fee goes to the Fund Manager. It is put back into the Fund for the benefit of the remaining unitholders.

INDEPENDENT REVIEW COMMITTEE: The Manager has established an IRC as required by NI 81-107. The members of the IRC are Sandford Borins, Peter Gregoire and Joe Tortolano. The 2020 IRC Annual Report is available on our website www.choufunds.com.

As of March 15, 2021, the NAVPU of a Series A unit of the Fund was \$120.84 and the cash position was approximately 0.2% of net assets. The Fund is up 29.2% from the beginning of the year. In U.S. dollars, it is up 31.9%.

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

Yours truly,

A handwritten signature in cursive script that reads "Francis Chou".

Francis Chou
Fund Manager

Management's Responsibility for Financial Reporting

To the unitholders of the Chou Funds:

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

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

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

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

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



Francis Chou
Chou Associates Management Inc.
March 15, 2021

Independent auditor's report

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To the Unitholders of

Chou Associates Fund

Chou Asia Fund

Chou Europe Fund

Chou Bond Fund

Chou RRSP Fund

Collectively referred to as "the Funds"

Opinion

We have audited the financial statements of each of the Funds, which comprise the statements of financial position as at December 31, 2020, and December 31, 2019 and the statements of comprehensive income, statements of changes in net assets attributable to holders of redeemable units and statements of cash flows for the years then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the financial statements of each of the Funds, present fairly, in all material respects, the financial position of each of the Funds as at December 31, 2020 and December 31, 2019, and its financial performance and its cash flows of each of the Funds for the years then ended in accordance with International Financial Reporting Standards (IFRS).

Basis for Opinion

We conducted our audits in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Funds in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Information Other than the Financial Statements and Auditor's Report Thereon

Management is responsible for the other information. Other information contained in the Funds' Management Reports of Fund Performance to be filed with the relevant Canadian Securities Commissions.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audits of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

We obtained the Funds' Management Reports of Fund Performance to be filed with the relevant Canadian Securities Commissions as at the date of the auditor's report. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards (IFRS), and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Funds' ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Funds or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Funds' financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Funds' internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Funds' ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Funds to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audits.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

Grant Thornton LLP

Markham, Canada
March 25, 2021

Chartered Professional Accountants
Licensed Public Accountants

CHOU ASSOCIATES FUND

Statements of Financial Position

Years ended December 31, 2020 and 2019

	2020	2019
Assets		
Current assets:		
Cash and cash equivalents	\$ 18,151	\$ –
Investments (note 8)	154,714,419	209,926,956
Receivable for redeemable units subscribed	500	16,702
Due from broker	–	5,413,039
Dividends receivable	42,093	167,569
Total assets	154,775,163	215,524,266
Liabilities		
Current liabilities:		
Bank overdraft	–	1,032,848
Derivatives (note 8)	149,566	–
Accrued expenses	664,519	1,133,196
Payable for units redeemed	723,739	4,319,119
Distributions payable	–	73,106
Total liabilities	1,537,824	6,558,269
Net assets attributable to unitholders of redeemable units	\$ 153,237,339	\$ 208,965,997
Net assets attributable to unitholders of redeemable units:		
Series A	\$ 137,794,110	\$ 180,516,920
Series F	15,443,229	28,449,077
	\$ 153,237,339	\$ 208,965,997
Number of redeemable units outstanding (note 4):		
Series A	1,473,749	1,747,907
Series F	165,723	277,980
Net assets attributable to unitholders of redeemable units per unit:		
Canadian dollars:		
Series A	\$ 93.50	\$ 103.28
Series F	93.19	102.34
U.S. dollars:		
Series A	73.45	79.53
Series F	73.21	78.81

Approved on behalf of the Board of Directors of Chou Associates Management Inc.:

Francis Chou

CHOU ASSOCIATES FUND

Statements of Comprehensive Income (Loss)

Years ended December 31, 2020 and 2019

	2020	2019
Income:		
Dividends	\$ 888,217	\$ 2,201,462
Securities lending income (note 7)	11,727	35,860
Derivative loss	(1,200)	—
Foreign currency (loss) gain on cash and other net assets	(740,353)	31,613
Other net changes in fair value of financial assets and financial liabilities at fair value through profit or loss:		
Net realized gain (loss) on investments	18,474,948	(7,686,952)
Net realized gain on derivatives	—	2,073,619
Change in unrealized (depreciation) appreciation on investments	(38,991,505)	9,773,377
Change in unrealized depreciation on derivatives	(8,940)	(1,373,024)
	(20,367,106)	5,055,955
Expenses:		
Management fees (note 5)	2,536,084	4,137,327
Custodian fees	—	159,000
Audit fees	—	81,035
Filing fees	70,751	31,124
Independent review committee fees	—	51,072
FundSERV fees	36,444	27,285
Legal fees	18,300	18,250
Transaction costs (note 6)	84,365	209,684
Foreign withholding taxes	132,890	341,397
Other	44,266	22,955
	2,923,100	5,079,129
Decrease in net assets attributable to unitholders of redeemable units	\$ (23,290,206)	\$ (23,174)
(Decrease) increase in net assets attributable to unitholders of redeemable units per series:		
Series A	\$ (19,490,279)	\$ (564,530)
Series F	(3,799,927)	541,356
	\$ (23,290,206)	\$ (23,174)
Weighted average number of redeemable units outstanding for the year per series:		
Series A	1,596,331	2,147,433
Series F	229,817	334,869
(Decrease) increase in net assets attributable to unitholders of redeemable units per unit:		
Series A	\$ (12.21)	\$ (0.26)
Series F	(16.53)	1.62

See accompanying notes to financial statements.

CHOU ASSOCIATES FUND

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

Years ended December 31, 2020 and 2019

	2020	2019
Series A		
Net assets attributable to unitholders of redeemable units, beginning of year	\$ 180,516,920	\$ 250,374,883
Decrease in net assets attributable to unitholders of redeemable units	(19,490,279)	(564,530)
Proceeds from issue of redeemable units	659,169	1,422,606
Payments on redemption of redeemable units	(23,891,700)	(70,667,495)
Distributions of income to unitholders:		
Investment income	—	(2,262,197)
Reinvested distributions	—	2,213,653
Net assets attributable to unitholders of redeemable units, end of year	137,794,110	180,516,920
Series F		
Net assets attributable to unitholders of redeemable units, beginning of year	28,449,077	35,383,167
(Decrease) increase in net assets attributable to unitholders of redeemable units	(3,799,927)	541,356
Proceeds from issue of redeemable units	564,838	3,805,524
Payments on redemption of redeemable units	(9,770,759)	(11,256,408)
Distributions of income to unitholders:		
Investment income	—	(720,050)
Reinvested distributions	—	695,488
Net assets attributable to unitholders of redeemable units, end of year	15,443,229	28,449,077
Total net assets attributable to unitholders of redeemable units, end of year	\$ 153,237,339	\$ 208,965,997

See accompanying notes to financial statements.

CHOU ASSOCIATES FUND

Statements of Cash Flows

Years ended December 31, 2020 and 2019

	2020	2019
Cash flows from operating activities:		
Decrease in net assets attributable to unitholders of redeemable units	\$ (23,290,206)	\$ (23,174)
Adjustments for:		
Foreign currency loss (gain) on cash and other net assets	740,353	(31,613)
Net realized (gain) loss on disposal of investments and derivatives	(18,474,948)	5,586,219
Change in unrealized depreciation (appreciation) on investments and derivatives	39,000,445	(8,373,239)
Change in non-cash operating working capital:		
Decrease (increase) in dividends receivable	125,476	(36,544)
Decrease in accrued expenses	(468,677)	(258,110)
Purchases of investments and derivatives	(48,177)	(84,694)
Proceeds from sale and maturity of investments and derivatives	40,297,822	70,247,546
Net cash generated from operating activities	37,882,088	67,026,391
Cash flows from financing activities:		
Distributions paid to unitholders	(73,106)	(5,253)
Proceeds from redeemable units issued	1,240,209	5,243,633
Amount paid on redemption of redeemable units	(37,257,839)	(77,852,543)
Net cash used in financing activities	(36,090,736)	(72,614,163)
Foreign currency (loss) gain on cash and other net assets	(740,353)	31,613
Increase (decrease) in cash and cash equivalents	1,050,999	(5,556,159)
(Bank overdraft) cash and cash equivalents, beginning of year	(1,032,848)	4,523,311
Cash and cash equivalents (bank overdraft), end of year	\$ 18,151	\$ (1,032,848)
Supplemental information:		
Dividends received, net of withholding tax	880,803	1,823,521
Security lending income received	11,727	35,860

See accompanying notes to financial statements.

CHOU ASSOCIATES FUND

Schedule of Investments

December 31, 2020

	Number of securities	Cost	Fair value
Equities*			
Bausch Health Companies Inc.	1,325,000	\$ 28,636,079	\$ 35,081,124
Berkshire Hathaway Inc., Class 'A'	100	10,546,612	44,273,372
Citigroup Inc.	67,695	1,710,330	5,313,179
DaVita Inc.	10,743	740,134	1,605,417
EXCO Resources Inc.	1,281,244	31,646,701	13,414,115
JPMorgan Chase & Company	34,275	2,395,497	5,543,892
MBIA Inc.	619,530	4,287,325	5,188,986
Overstock.com Inc., Series 'A-1'	4,273	48,177	226,656
Overstock.com Inc., Series 'B'	42,730	883,805	2,106,292
Resolute Forest Products Inc.	3,347,772	50,233,049	27,869,419
The Goldman Sachs Group Inc.	18,000	2,252,194	6,042,176
Wells Fargo & Company	209,542	11,181,178	8,049,791
Total long		144,561,081	154,714,419
Total investments		144,561,081	154,714,419
Transaction costs		(122,553)	—
Total Investments in Non-Derivative Financial Assets		144,438,528	154,714,419
Derivative Liabilities		—	(149,566)
Portfolio total		\$ 144,438,528	\$ 154,564,853

Schedule of Derivative Instruments

Security Name	Strike Price	Expiry Date	Currency	No. of Contracts	Proceeds	Fair Value
Options						
<i>Written Call Options</i>						
Resolute Forest Products Inc.	10.00	07-17-21	USD	(1,500)	(81,703)	(85,921)
Resolute Forest Products Inc.	7.50	07-17-21	USD	(500)	(58,923)	(63,645)
Total Written Call Options					\$ (140,626)	\$ (149,566)
Derivative Assets and Liabilities – Options					\$ (140,626)	\$ (149,566)

* Common shares unless indicated otherwise

See accompanying notes to financial statements.

CHOU ASSOCIATES FUND

Discussion of Financial Risk Management

Years ended December 31, 2020 and 2019

Investment objective and strategies:

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

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

Financial risk management:

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

(a) Other price risk:

Other price risk is the risk that the value of financial instruments will fluctuate as a result of changes in market prices (other than those arising from interest rate risk or currency risk) caused by factors specific to a security, its issuer or all factors affecting a market or a market segment. Approximately 92.21% (2019 – 92.88%) of the Fund's net assets held at December 31, 2020 were publicly traded equities. If equity prices on the exchange had increased or decreased by 5% as at December 31, 2020, the net assets of the Fund would have increased or decreased by approximately \$7,065,015 or 4.61% (2019 – \$9,704,864 or 4.64%) of the net assets, all other factors remaining constant.

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

(b) Foreign currency risk:

Currencies to which the Fund had exposure as at December 31, 2020 and 2019 expressed in CAD are as follows:

2020	Investments and derivatives	Cash and cash equivalents	Other assets and liabilities	Total	Percentage of net asset value
United States dollar (USD)	\$ 154,564,853	\$ 18,617	\$ 42,093	\$ 154,625,563	100.9%

2019	Investments and derivatives	Cash and cash equivalents	Other assets and liabilities	Total	Percentage of net asset value
United States dollar (USD)	\$ 209,926,956	\$ 88,834	\$ 5,580,609	\$ 215,596,399	103.2%

CHOU ASSOCIATES FUND

Discussion of Financial Risk Management (continued)

Years ended December 31, 2020 and 2019

Financial risk management (continued):

(b) Foreign currency risk (continued):

The amounts in the above tables are based on the market value of the Fund's financial instruments. This includes cash and cash equivalents, investments, dividend receivable, receivable for redeemable units subscribed, due from broker, bank overdraft, derivatives, payable for units redeemed, distributions payable and due to brokers that are denominated in foreign currencies.

As at December 31, 2020, if the Canadian dollar had strengthened or weakened by 1% in relation to all currencies, with all other variables held constant, net assets would have decreased or increased by approximately \$1,546,256 (2019 – \$2,155,964).

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

CHOU ASIA FUND (unaudited)

March 15, 2021

Dear Unitholders of Chou Asia Fund,

The net asset value per unit (“NAVPU”) of a Series A unit of Chou Asia Fund at December 31, 2020 was \$28.66 compared to \$17.25 at December 31, 2019, an increase of 66.1%; during the same period, the MSCI AC (Morgan Stanley Capital International All Country) Asia Pacific Total Return Index in Canadian dollars increased 18.1%. In U.S. dollars, a Series A unit of Chou Asia Fund was up 69.5% while the MSCI AC Asia Pacific Total Return Index increased 20.0%.

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

December 31, 2020 (Series A)	1 Year	3 Years	5 Years	10 Years	15 Years
Chou Asia Fund (\$CAN)	66.1%	13.6%	12.6%	9.1%	8.8%
MSCI AC Asia Pacific TR (\$CAN)	18.1%	8.4%	10.0%	9.6%	6.9%
Chou Asia Fund (\$US) ¹	69.5%	13.1%	14.5%	6.4%	8.2%
MSCI AC Asia Pacific TR (\$US)	20.0%	7.7%	11.8%	6.9%	6.3%

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

Factors Influencing the 2020 Results

The major positive contributors to the Fund’s performance in 2020 were the equity holdings of BYD Company Limited, BYD Electronic Company Limited, Samsung Electronics Company, POSCO and China Yuchai International Ltd.

The largest decliners in the same period were the equity holdings of AirAsia Group, Shriram Transport Finance Company and IDFC Limited.

The Fund added to the equity holdings of Shriram Transport Finance Company in 2020. Shares of BYD Company Limited and Pyne Gould Corporation were reduced during the year. The Series H preferred shares of Seaspan Corporation were renamed to Atlas Corporation under a holding company reorganization in February 2020.

The Fund did not make any new investments or sell any covered call options in 2020.

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

Portfolio Commentary

BYD Company Limited and BYD Electronic Company

BYD Company Limited, together with its subsidiaries, engages in the rechargeable battery and photovoltaic, handset components and assembly, and automobile businesses worldwide. We first heard about the story of Wang Chuanfu, a person who combines two traits that are extremely rare in business: a brilliant chemist with a great business acumen. So, we kept track of the two companies that he founded — BYD Company Limited and BYD Electronic Company. The latter is an investment holding company that manufactures, assembles, and sells mobile handset components and modules. As it happens in the stock market, we felt that at some point in time, his two companies would fall out of favor and a buying opportunity may present itself with an undervalued price. The opportunity came in late 2011 and in 2012, we were able to buy 250,000 shares of BYD Company Limited at \$11.70 HKD per share and one million shares of BYD Electronic Company at \$1.58 HKD per share. You would not believe that we bought BYD Electronic at a discount to its net-net working capital. Both have worked out well since our purchase. On December 31, 2020, BYD Company Limited and BYD Electronic Company were trading at \$203.20 HKD and \$40.60 HKD per share, respectively.

India

As mentioned in previous letters, we have started to look closely at the market in India. With a current population of 1.3 billion, India is the world's second most populous country. It has one of Asia's youngest populations with the median age of 27.3 compared to China at 37.6 and Japan at 47.1.

In recent years, the Indian government has enacted reforms to further support the growth of India's economy. India's performance on the World Bank's Ease of Doing Business index, which ranks countries on parameters such as regulations for businesses and protections for private property, has increased from a rank of 132 out of 190 in 2016 to 63 out of 190 in 2019.

As with any foreign ventures, the investments in India will face the risk of negative currency movements. As a result, we are awaiting further developments and remain cautious of the market. Compared to other markets, the Indian stock market has not recovered anywhere close to the pre-COVID levels. In addition, we are also looking at the South Korean, Japanese, Singaporean, and Taiwanese markets for any potential bargains.

Caution to the Investors

Investors should be advised that we run a highly focused portfolio, frequently just three to five securities may comprise more than 50% of the assets of the Fund. In addition, the Fund has securities that are non-U.S. and could be subjected to geopolitical risks, which may trump or at least negatively influence the financial performance of the company. Also, we may enter into some derivative contracts, such as credit default swaps when we feel that the market conditions are right to use those instruments. Because of any or all of these factors, the net asset value of the Fund can be from time to time more volatile than at other times. However, we are not bothered by this volatility because our focus has always been, and continues to be, on how inexpensive we believe the Fund's portfolio holdings are relative to what we believe to be their intrinsic value.

Also, the Fund's cash position was approximately 6.4% of net assets as at December 31, 2020.

Other Matters

FOREIGN CURRENCY CONTRACTS: None existed at December 31, 2020.

CREDIT DEFAULT SWAPS: None existed at December 31, 2020.

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

REDEMPTION FEE: We have a redemption fee of 2% if unitholders redeem their units in less than 3 months. None of this fee goes to the Fund Manager. It is put back into the Fund for the benefit of the remaining unitholders.

INDEPENDENT REVIEW COMMITTEE: The Manager has established an IRC as required by NI 81-107. The members of the IRC are Sandford Borins, Peter Gregoire and Joe Tortolano. The 2020 IRC Annual Report is available on our website www.choufunds.com.

As of March 15, 2021, the NAVPU of a Series A unit of the Fund was \$28.76 and the cash position was approximately 8.1% of net assets. The Fund is up 0.4% from the beginning of the year. In U.S. dollars, it is up 2.4%.

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

Yours truly,

Francis Chou

Francis Chou
Fund Manager

CHOU ASIA FUND

Statements of Financial Position

December 31, 2020 and 2019

	2020	2019
Assets		
Current assets:		
Cash and cash equivalents	\$ 1,388,935	\$ 1,096,539
Investments (note 8)	20,328,918	14,230,953
Receivable for redeemable units subscribed	5,000	–
Due from broker	26,560	1,267,569
Interest receivable	1,288	139
Dividends receivable	15,834	12,255
Total assets	21,766,535	16,607,455
Liabilities		
Current liabilities:		
Accrued expenses	82,995	115,075
Payable for units redeemed	128,217	226,340
Distributions payable	–	24,258
Total liabilities	211,212	365,673
Net assets attributable to unitholders of redeemable units	\$ 21,555,323	\$ 16,241,782
Net assets attributable to unitholders of redeemable units:		
Series A	\$ 19,785,504	\$ 14,729,651
Series F	1,769,819	1,512,131
	\$ 21,555,323	\$ 16,241,782
Number of redeemable units outstanding (note 4):		
Series A	690,428	853,782
Series F	60,312	86,073
Net assets attributable to unitholders of redeemable units per unit:		
Canadian dollars:		
Series A	\$ 28.66	\$ 17.25
Series F	29.34	17.57
U.S. dollars:		
Series A	22.52	13.29
Series F	23.05	13.53

See accompanying notes to financial statements.

Approved on behalf of the Board of Directors of Chou Associates Management Inc.:

Francis Chou

CHOU ASIA FUND

Statements of Comprehensive Income (Loss)

Years ended December 31, 2020 and 2019

	2020	2019
Income:		
Interest for distribution purposes and other	\$ —	\$ 34,242
Dividends	240,027	563,487
Securities lending income (note 7)	85,632	143,180
Foreign currency loss on cash and other net assets	(243,962)	(16,997)
Other net changes in fair value of financial assets and financial liabilities at fair value through profit or loss:		
Net realized gain on investments	2,198,200	146,453
Change in unrealized appreciation (depreciation) on investments	6,751,649	(526,236)
	9,031,546	344,129
Expenses:		
Management fees (note 5)	271,945	329,241
Custodian fees	—	12,720
Audit fees	—	6,714
Filing fees	10,404	2,776
Independent review committee fees	—	3,954
FundSERV fees	4,241	6,608
Legal fees	2,283	—
Transaction costs (note 6)	7,095	5,488
Foreign withholding taxes	15,149	19,268
Other	4,194	2,089
	315,311	388,858
Increase (decrease) in net assets attributable to unitholders of redeemable units	\$ 8,716,235	\$ (44,729)
Increase (decrease) in net assets attributable to unitholders of redeemable units per series:		
Series A	\$ 7,948,575	\$ (57,475)
Series F	767,660	12,746
	\$ 8,716,235	\$ (44,729)
Weighted average number of redeemable units outstanding for the year per series:		
Series A	739,700	1,029,483
Series F	72,269	112,496
Increase (decrease) in net assets attributable to unitholders of redeemable units per unit:		
Series A	\$ 10.75	\$ (0.06)
Series F	10.62	0.11

See accompanying notes to financial statements.

CHOU ASIA FUND

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

Years ended December 31, 2020 and 2019

	2020	2019
Series A		
Net assets attributable to unitholders of redeemable units, beginning of year	\$ 14,729,651	\$ 20,300,189
Increase (decrease) in net assets attributable to unitholders of redeemable units	7,948,575	(57,475)
Proceeds from issue of redeemable units	803,288	62,747
Payments on redemption of redeemable units	(3,696,010)	(5,562,187)
Distributions of income to unitholders:		
Investment income	—	(374,534)
Reinvested distributions	—	360,911
Net assets attributable to unitholders of redeemable units, end of year	19,785,504	14,729,651
Series F		
Net assets attributable to unitholders of redeemable units, beginning of year	1,512,131	2,238,621
Increase in net assets attributable to unitholders of redeemable units	767,660	12,746
Proceeds from issue of redeemable units	100,357	40,818
Payments on redemption of redeemable units	(610,329)	(769,420)
Distributions of income to unitholders:		
Investment income	—	(57,102)
Reinvested distributions	—	46,468
Net assets attributable to unitholders of redeemable units, end of year	1,769,819	1,512,131
Total net assets attributable to unitholders of redeemable units, end of year	\$ 21,555,323	\$ 16,241,782

See accompanying notes to financial statements.

CHOU ASIA FUND

Statements of Cash Flows

Years ended December 31, 2020 and 2019

	2020	2019
Cash flows from operating activities:		
Increase (decrease) in net assets attributable to unitholders of redeemable units	\$ 8,716,235	\$ (44,729)
Adjustments for:		
Foreign currency loss on cash and other net assets	243,962	16,997
Net realized gain on disposal of investments and derivatives	(2,198,200)	(146,453)
Change in unrealized (appreciation) depreciation on investments	(6,751,649)	526,236
Change in non-cash operating working capital:		
(Increase) decrease in interest receivable	(1,149)	5,253
Increase in dividends receivable	(3,579)	(4,162)
Decrease in accrued expenses	(32,080)	(24,017)
Purchases of investments	(54,435)	(2,133,466)
Proceeds from sale of investments	4,147,328	—
Net cash generated from (used in) operating activities	4,066,433	(1,804,341)
Cash flows from financing activities:		
Distributions paid to unitholders	(24,258)	(2,371)
Proceeds from redeemable units issued	898,645	115,565
Amount paid on redemption of redeemable units	(4,404,462)	(6,105,443)
Net cash used in financing activities	(3,530,075)	(5,992,249)
Foreign currency loss on cash and other net assets	(243,962)	(16,997)
Increase (decrease) in cash and cash equivalents	292,396	(7,813,587)
Cash and cash equivalents, beginning of year	1,096,539	8,910,126
Cash and cash equivalents, end of year	\$ 1,388,935	\$ 1,096,539
Supplemental information:		
Interest received	\$ —	\$ 39,495
Dividends received, net of withholding tax	221,299	540,057
Security lending income received	85,632	143,180

See accompanying notes to financial statements.

CHOU ASIA FUND

Schedule of Investments

December 31, 2020

	Number of securities	Cost	Fair value
Equities*			
AirAsia Group Berhad	650,000	\$ 670,997	\$ 182,035
AJIS Company Limited	30,400	213,157	1,281,690
Atlas Corporation, Series 'H'	19,711	619,057	638,795
BYD Company Limited, Class 'H'	173,000	298,844	5,771,984
BYD Electronic (International) Company Limited	798,000	193,535	5,319,664
China Yuchai International Limited	73,364	1,242,575	1,525,911
Hanfeng Evergreen Inc.	95,850	228,548	—
IDFC Limited	1,010,000	750,376	651,018
POSCO, ADR	21,000	1,259,883	1,665,602
Pyne Gould Corporation Limited	5,177,219	1,157,555	1,375,058
Samsung Electronics Company Limited, GDR	420	500,073	975,678
Shriram Transport Finance Company Limited	51,642	942,938	941,483
Total long		8,077,538	20,328,918
Total investments		8,077,538	20,328,918
Transaction costs		(21,906)	—
Portfolio total		\$ 8,055,632	\$ 20,328,918

* Common shares unless indicated otherwise

See accompanying notes to financial statements.

CHOU ASIA FUND

Discussion of Financial Risk Management

Years ended December 31, 2020 and 2019

Investment objective and strategies:

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

The investment process followed in selecting equity investments for the Fund is a value-oriented approach to investing that focuses on the Asian market. The investment strategy follows strong disciplines with regard to price paid to acquire portfolio investments. The level of investments in the Fund'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.

Financial risk management:

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

(a) Other price risk:

Other price risk is the risk that the value of financial instruments will fluctuate as a result of changes in market prices (other than those arising from interest rate risk or currency risk) caused by factors specific to a security, its issuer or all factors affecting a market or a market segment. Approximately 94.31% (2019 – 95.42%) of the Fund's net assets held at December 31, 2020 were publicly traded equities. If equity prices on the exchange had increased or decreased by 5% as at December 31, 2020, the net assets of the Fund would have increased or decreased by approximately \$1,016,446 or 4.72% (2019 – \$711,548 or 4.38%) of the net assets, all other factors remaining constant.

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

(b) Foreign currency risk:

Currencies to which the Fund had exposure as at December 31, 2020 and 2019 expressed in CAD are as follows:

2020	Investments	Cash and cash equivalents	Other assets and liabilities	Total	Percentage of net asset value
Hong Kong dollar (HKD)	\$ 11,091,648	\$ 11,852	\$ –	\$ 11,103,500	51.5%
United States dollar (USD)	\$ 4,805,986	\$ 976,745	\$ 16,970	\$ 5,799,701	26.9%
New Zealand dollar (NZD)	\$ 1,375,058	\$ –	\$ 26,559	\$ 1,401,617	6.5%
Indian Rupee (₹)	\$ 1,592,501	\$ 158,435	\$ –	\$ 1,750,936	8.1%
Japanese yen (¥)	\$ 1,281,690	\$ 22,935	\$ 85	\$ 1,304,710	6.1%
Malaysian Ringgit (RM)	\$ 182,035	\$ –	\$ –	\$ 182,035	0.8%

CHOU ASIA FUND

Discussion of Financial Risk Management (continued)

Years ended December 31, 2020 and 2019

Financial risk management (continued):

(b) Foreign currency risk (continued):

2019	Investments and derivatives	Cash and cash equivalents	Other assets and liabilities	Total	Percentage of net asset value
Hong Kong dollar (HKD)	\$ 5,701,783	\$ 49,463	\$ –	\$ 5,751,246	35.4%
United States dollar (USD)	\$ 3,968,479	\$ (29,356)	\$ 12,255	\$ 3,951,378	24.3%
Indian Rupee (₹)	\$ 1,707,633	\$ 216,559	\$ –	\$ 1,924,192	11.8%
New Zealand dollar (NZD)	\$ 1,458,371	\$ 120,523	\$ –	\$ 1,578,894	9.7%
Japanese yen (¥)	\$ 1,164,422	\$ 55,705	\$ –	\$ 1,220,127	7.5%
Malaysian Ringgit (RM)	\$ 350,788	\$ 293,011	\$ –	\$ 643,799	4.0%
Singapore dollar (SGD)	\$ –	\$ 168,381	\$ –	\$ 168,381	1.0%

The amounts in the above tables are based on the market value of the Fund's financial instruments. This includes cash and cash equivalents, investments, dividends receivable, interest receivable, receivable for redeemable units subscribed, due from broker, payable for units redeemed, distributions payable and due to brokers that are denominated in foreign currencies.

As at December 31, 2020, if the Canadian dollar had strengthened or weakened by 1% in relation to all currencies, with all other variables held constant, net assets would have decreased or increased by approximately \$215,425 (2019 – \$152,380).

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

CHOU EUROPE FUND

(unaudited)

March 15, 2021

Dear Unitholders of Chou Europe Fund,

The net asset value per unit (“NAVPU”) of a Series A unit of Chou Europe Fund at December 31, 2020 was \$11.17 compared to \$8.78 at December 31, 2019, an increase of 27.2%; during the same period, the MSCI AC (Morgan Stanley Capital International All Country) Europe Total Return Index in Canadian dollars increased 3.6%. In U.S. dollars, a Series A unit of Chou Europe Fund was up 29.8% while the MSCI AC Europe Total Return Index increased 5.3%.

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

December 31, 2020 (Series A)	1 Year	3 Years	5 Years	10 Years	15 Years
Chou Europe Fund (\$CAN)	27.2%	3.6%	-1.3%	5.1%	1.0%
MSCI AC Europe TR (\$CAN)	3.6%	4.7%	5.8%	8.3%	5.5%
Chou Europe Fund (\$US) ²	29.8%	3.2%	0.3%	2.4%	0.3%
MSCI AC Europe TR (\$US)	5.3%	4.1%	7.5%	5.6%	4.9%

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

Factors Influencing the 2020 Results

The equity holdings of CPL Resources, Ryanair Holdings, Fiat Chrysler Automobiles NV and Abbey PLC contributed positively to the Fund’s performance during the year.

The Euro appreciated against the Canadian currency during the period, which also contributed positively to the performance of the Fund.

During the period, the Fund initiated investments in Jet2 PLC (formerly Dart Group plc) and Wizz Air Holdings. In addition, the fund sold holdings in Bank of Ireland, Eurobank Ergasias S.A., Sanofi and Intralot S.A.

The Fund had no covered call options in its portfolio as at December 31, 2020.

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

Portfolio Commentary

Ultra Low Cost Carriers (“ULCC”)

The airline industry got clobbered in this COVID-19 pandemic. With all the restrictions regarding social distancing and face masks to limit virus spread, it may be a while before revenues come back to pre-COVID levels. After the 9/11 incident it took the airline industry close to six years to return to normal. However, we believe there is bright spot in a small segment of the airline industry. It is called the Ultra Low Cost Carrier (ULCC) airlines. Their success depends on unbundling the services to focus on travel only. Most major airlines offer other services such as drinks, food, lounge and conveniences of major airports, however ULCCs are only interested in charging passengers for going from point A to point B with no frills. Everything else is eschewed. Airfares are substantially reduced as a result. For example, you can fly from Brussels, Belgium to Barcelona, Spain and back again for a total cost of less than €50. However, if you want to use the washroom while in flight, you have to pay one Euro for it. In spite of that, it is a terrific deal for the passengers. And they have made bundles of money doing that for the last 20 years.

We believe the ULCC will be the first ones to recover from the COVID pandemic. However, there are several things they have to do, chief among them are:

1. Passengers have to be assured about their personal safety from the virus. Airlines have to enhance cabin cleaning and air filtration systems and will require all passengers to wear masks or coverings.
2. Steps need to be taken to leave middle seats open or restrict ticket sales.
3. Initially they have to run the airlines as close as possible so as to not lose money. As time goes by and with the availability of vaccine, enough demand will come back to make the airlines financially viable. Meanwhile the government bailout will keep the ULCC afloat. The ULCC companies we have invested in have enough liquidity to last for a year.

Below are the companies we have invested in. We bought them cheap and at the point of maximum pessimism. We believe that they have a bright future.

ULCC Common Shares	Average Cost Base (“ACB”)	Price on December 31, 2020	% Increase from ACB
Ryanair Holdings	US\$27.61	US\$109.98	298%
Jet2 PLC	£4.00	£14.30	258%
easyJet	£4.90	£8.30	69%
Wizz Air Holdings	£19.83	£62.39	215%

Fiat Chrysler Automobiles (“FIAT”)

We initiated a position in FIAT back in late 2018 since it was a cheap stock with good amounts of cash. It caught our attention when the controlling shareholders wanted to unlock value either by paying special dividends, buybacks of shares or through strategic merger and acquisition. Since our purchase in December 2018, we have received US\$2.70 in regular and special

dividends, accounting for over 30% of the original price paid. We expect the regular and special dividend payments to continue once the COVID-19 crisis abates.

After much anticipation, the merger between Fiat and Peugeot S.A. was finally completed on January 16, 2021. The new company is called Stellantis N.V. (“Stellantis”).

We are excited with the merger, as it is of the reasons why we initially invested in Fiat – capital allocation skills of the executives. We liked what the CEO of Stellantis said in a recent interview, *“I don't know what the valuation will be, but I can tell you that we are not going to be a legacy carmaker cornered in legacy products ... We want to have a good result in 2021. We have also put a strong focus and a strong monitoring on the synergy plan. This is our commitment to you. We created this merger because it represents north of EUR 25 billion of value creation through the implementation of the synergies that were presented, which represents on a run rate EUR 5 billion per year. So we have a very detailed plan that we follow up with a specific dedicated team that we call the Synergy Implementation Office. So every decision we make is facing the synergy that is expected from that decision, and we are continuously trying to improve and make sure that we deliver on our commitments, and we will.”*

In other words, they are going to have cost savings of EUR 5 billion a year for a total of EUR 25 billion in 5 years. The market capitalization of Stellantis is currently at EUR 46 billion, with much room for upside if some of those cost savings come to pass.

Caution to the Investors

Investors should be advised that we run a highly focused portfolio, frequently just three to five securities may comprise more than 50% of the assets of the Fund. In addition, the Fund has securities that are non-U.S. and could be subjected to geopolitical risks, which may trump or at least negatively influence the financial performance of the company. Also, we may enter into some derivative contracts, such as credit default swaps when we feel that the market conditions are right to use those instruments. Because of any or all of these factors, the net asset value of the Fund can be from time to time more volatile than at other times. However, we are not bothered by this volatility because our focus has always been, and continues to be, on how inexpensive we believe the Fund's portfolio holdings are relative to what we believe to be their intrinsic value.

Also, the Fund's cash position was approximately 33.8% of net assets as at December 31, 2020. This large cash position may depress returns for a while as we hunt for undervalued securities. Obviously, if there is a severe correction in the market in the near future, it will cushion the Fund against losses while providing us with the wherewithal to find good investment opportunities. But for now, it could be a drag on returns. If we cannot find any bargains, the large cash position may stay for a long time.

Other Matters

FOREIGN CURRENCY CONTRACTS: None existed at December 31, 2020.

CREDIT DEFAULT SWAPS: None existed at December 31, 2020.

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

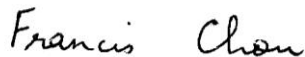
REDEMPTION FEE: We have a redemption fee of 2% if unitholders redeem their units in less than 3 months. None of this fee goes to the Fund Manager. It is put back into the Fund for the benefit of the remaining unitholders.

INDEPENDENT REVIEW COMMITTEE: The Manager has established an IRC as required by NI 81-107. The members of the IRC are Sandford Borins, Peter Gregoire and Joe Tortolano. The 2020 IRC Annual Report is available on our website www.choufunds.com.

As of March 15, 2021, the NAVPU of a Series A unit of the Fund was \$11.77 and the cash position was approximately 21.8% of net assets. The Fund is up 5.4% from the beginning of the year. In U.S. dollars, it is up 7.5%.

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

Yours truly,

A handwritten signature in black ink that reads "Francis Chou". The script is cursive and fluid.

Francis Chou
Fund Manager

CHOU EUROPE FUND

Statements of Financial Position

December 31, 2020 and 2019

	2020	2019
Assets		
Current assets:		
Cash and cash equivalents	\$ 1,854,244	\$ 2,889,903
Investments (note 8)	3,758,191	5,179,958
Receivable for redeemable units subscribed	25,248	5,262
Due from broker	17,628	189,215
Interest receivable	2,235	2,052
Dividends receivable	—	6,391
Total assets	5,657,546	8,272,781
Liabilities		
Current liabilities:		
Accrued expenses	13,148	21,360
Payable for units redeemed	145,622	1,034,435
Distributions payable	—	18
Due to broker	17,748	383,847
Total liabilities	176,518	1,439,660
Net assets attributable to unitholders of redeemable units	\$ 5,481,028	\$ 6,833,121
Net assets attributable to unitholders of redeemable units:		
Series A	\$ 3,045,434	\$ 3,481,204
Series F	2,435,594	3,351,917
	\$ 5,481,028	\$ 6,833,121
Number of redeemable units outstanding (note 4):		
Series A	272,660	396,577
Series F	210,388	370,498
Net assets attributable to unitholders of redeemable units per unit:		
Canadian dollars:		
Series A	\$ 11.17	\$ 8.78
Series F	11.58	9.05
U.S. dollars:		
Series A	8.77	6.76
Series F	9.09	6.97

See accompanying notes to financial statements.

Approved on behalf of the Board of Directors of Chou Associates Management Inc.:

Francis Chou

[Signature]

CHOU EUROPE FUND

Statements of Comprehensive Income (Loss)

Years ended December 31, 2020 and 2019

	2020	2019
Income:		
Interest for distribution purposes and other	\$ 3,435	\$ 17,313
Dividends	89,303	220,258
Securities lending income (note 7)	1,865	283
Derivative loss	(115)	—
Foreign currency loss on cash and other net assets	(54,060)	(5,235)
Other net changes in fair value of financial assets and financial liabilities at fair value through profit or loss:		
Net realized loss on investments	(1,275,333)	(1,289,236)
Net realized gain on derivatives	—	168,749
Change in unrealized appreciation on investments	2,501,328	984,929
Change in unrealized appreciation (depreciation) on derivatives	—	(125,172)
	1,266,423	(28,111)
Expenses:		
Management fees (note 5)	80,599	108,809
Custodian fees	8,626	4,240
ADR fees	61	—
Audit fees	—	2,904
Filing fees	4,224	1,006
Independent review committee fees	—	1,627
FundSERV fees	1,485	5,720
Legal fees	1,115	—
Transaction costs (note 6)	14,880	3,616
Foreign withholding taxes	331	16,167
Other	1,308	683
	112,629	144,772
Increase (decrease) in net assets attributable to unitholders of redeemable units	\$ 1,153,794	\$ (172,883)
Increase (decrease) in net assets attributable to unitholders of redeemable units per series:		
Series A	\$ 606,712	\$ (119,520)
Series F	547,082	(53,363)
	\$ 1,153,794	\$ (172,883)
Weighted average number of redeemable units outstanding for the year per series:		
Series A	332,777	428,608
Series F	324,095	415,977
Increase (decrease) in net assets attributable to unitholders of redeemable units per unit:		
Series A	\$ 1.82	\$ (0.28)
Series F	1.69	(0.13)

See accompanying notes to financial statements.

CHOU EUROPE FUND

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

Years ended December 31, 2020 and 2019

	2020	2019
Series A		
Net assets attributable to unitholders of redeemable units, beginning of year	\$ 3,481,204	\$ 4,325,387
Increase (decrease) in net assets attributable to unitholders of redeemable units	606,712	(119,520)
Proceeds from issue of redeemable units	78,183	261,992
Payments on redemption of redeemable units	(1,120,665)	(986,646)
Distributions of income to unitholders:		
Investment income	—	(410)
Reinvested distributions	—	401
Net assets attributable to unitholders of redeemable units, end of year	3,045,434	3,481,204
Series F		
Net assets attributable to unitholders of redeemable units, beginning of year	3,351,917	3,101,742
Increase (decrease) in net assets attributable to unitholders of redeemable units	547,082	(53,363)
Proceeds from issue of redeemable units	111,304	1,525,596
Payments on redemption of redeemable units	(1,574,719)	(1,222,049)
Distributions of income to unitholders:		
Investment income	—	(43,915)
Reinvested distributions	10	43,906
Net assets attributable to unitholders of redeemable units, end of year	2,435,594	3,351,917
Total net assets attributable to unitholders of redeemable units, end of year	\$ 5,481,028	\$ 6,833,121

See accompanying notes to financial statements.

CHOU EUROPE FUND

Statements of Cash Flows

Years ended December 31, 2020 and 2019

	2020	2019
Cash flows from operating activities:		
Increase (decrease) in net assets attributable to unitholders of redeemable units	\$ 1,153,794	\$ (172,883)
Adjustments for:		
Foreign currency loss on cash and other net assets	54,060	5,235
Net realized loss on disposal of investments and derivatives	1,275,333	1,120,454
Change in unrealized appreciation on investments and derivatives	(2,501,328)	(858,767)
Change in non-cash operating working capital:		
Increase in interest receivable	(183)	(270)
Decrease in dividends receivable	6,391	328
Decrease in accrued expenses	(8,212)	(4,630)
Purchases of investments and derivatives	(1,422,564)	(933,272)
Proceeds from sale and maturity of investments and derivatives	3,875,814	441,426
Net cash generated from (used in) operating activities	2,433,105	(402,379)
Cash flows from financing activities:		
Distributions paid to unitholders	(8)	—
Proceeds from redeemable units issued	169,502	1,811,646
Amount paid on redemption of redeemable units	(3,584,198)	(1,200,466)
Net cash (used in) generated from financing activities	(3,414,704)	611,180
Foreign currency loss on cash and other net assets	(54,060)	(5,235)
(Decrease) increase in cash and cash equivalents	(1,035,659)	203,566
Cash and cash equivalents, beginning of year	2,889,903	2,686,337
Cash and cash equivalents, end of year	\$ 1,854,244	\$ 2,889,903
Supplemental information:		
Interest received, net of withholding tax	\$ 3,252	\$ 17,043
Dividends received, net of withholding tax	95,302	204,419
Security lending income received	1,865	283

See accompanying notes to financial statements.

CHOU EUROPE FUND

Schedule of Investments

December 31, 2020

	Number of securities	Cost	Fair value
Equities*			
Abbey Public Limited Company	9,371	\$ 67,327	\$ 240,441
Cairo Mezz PLC	20,833	1,130	3,991
CPL Resources PLC	35,000	329,565	611,247
Jet2 PLC	30,000	201,224	746,758
Rolls-Royce Holdings PLC	56,666	244,269	109,735
Ryanair Holdings PLC, ADR	4,575	132,084	640,470
Stellantis NV	30,000	594,276	690,803
Wizz Air Holdings PLC	9,000	303,145	714,746
Total long		1,873,020	3,758,191
Total investments		1,873,020	3,758,191
Transaction costs		(4,918)	—
Portfolio total		\$ 1,868,102	\$ 3,758,191

* Common shares unless indicated otherwise

See accompanying notes to financial statements.

CHOU EUROPE FUND

Discussion of Financial Risk Management

Years ended December 31, 2020 and 2019

Investment objective and strategies:

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

The investment strategy follows strong disciplines with regard to price paid to acquire portfolio investments. The level of investments in the Fund's securities is generally commensurate with the current price of the Fund'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.

Financial risk management:

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

(a) Other price risk:

Other price risk is the risk that the value of financial instruments will fluctuate as a result of changes in market prices (other than those arising from interest rate risk or currency risk) caused by factors specific to a security, its issuer or all factors affecting a market or a market segment. Approximately 68.57% (2019 – 70.19%) of the Fund's net assets held at December 31, 2020 were publicly traded equities. If equity prices on the exchange had increased or decreased by 5% as at December 31, 2020, the net assets of the Fund would have increased or decreased by approximately \$187,910 or 3.43% (2019 – \$239,806 or 3.51%) of the net assets, all other factors remaining constant.

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

(b) Foreign currency risk:

Currencies to which the Fund had exposure as at December 31, 2020 and 2019 expressed in CAD are as follows:

2020	Investments	Cash and cash equivalents	Other assets and liabilities	Total	Percentage of net asset value
United States dollar (USD)	\$ 2,657,266	\$ 1,788,656	\$ 2,236	\$ 4,448,158	81.2%
Euro currency (€)	\$ 244,432	\$ 5,617	\$ –	\$ 250,049	4.6%
Sterling pound (£)	\$ 856,493	\$ 49,049	\$ –	\$ 905,542	16.5%

CHOU EUROPE FUND

Discussion of Financial Risk Management

Years ended December 31, 2020 and 2019

Financial risk management (continued):

(b) Foreign currency risk (continued):

2019	Investments	Cash and cash equivalents	Other assets and liabilities	Total	Percentage of net asset value
United States dollar (USD)	\$ 3,671,159	\$ –	\$ 196,231	\$ 3,867,390	56.6%
Euro currency (€)	\$ 2,008,753	\$ 106,422	\$ –	\$ 2,115,175	31.0%
Sterling pound (£)	\$ –	\$ 308	\$ –	\$ 308	0.0%

The amounts in the above tables are based on the market value of the Fund's financial instruments. This includes cash and cash equivalents, investments, dividends receivable, interest receivable, receivable for redeemable units subscribed, payable for units redeemed, distributions payable and due to brokers that are denominated in foreign currencies.

As at December 31, 2020, if the Canadian dollar had strengthened or weakened by 1% in relation to all currencies, with all other variables held constant, net assets would have decreased or increased by approximately \$56,037 (2019 – \$59,829).

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

CHOU BOND FUND

(unaudited)

March 15, 2021

Dear Unitholders of Chou Bond Fund,

After the distribution of \$0.85, the net asset value per unit (“NAVPU”) of a Series A unit of Chou Bond Fund at December 31, 2020 was \$6.53 compared to \$5.91 at December 31, 2019, an increase of 24.9%; during the same period, Barclays U.S. Corporate High Yield Index (\$CAN) returned 5.2% in Canadian dollars. In U.S. dollars, a Series A unit of Chou Bond Fund returned 27.4% while Barclays U.S. Corporate High Yield Index increased 7.1%.

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

December 31, 2020 (Series A)	1 Year	3 Years	5 Years	10 Years
Chou Bond Fund (\$CAN)	24.9%	2.4%	2.9%	3.4%
Barclays’ U.S. High Yield (\$CAN)	5.2%	6.8%	6.7%	9.5%
Chou Bond Fund (\$US) ¹	27.4%	2.0%	4.6%	0.8%
Barclays’ U.S High Yield (\$US)	7.1%	6.2%	8.6%	6.8%

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

Factors Influencing the 2020 Results

The major positive contributors to the Fund’s performance in 2020 were debt holdings of Athabasca Oil Corporation 9.875%, Continental Resources Inc. 3.8%, PDC Energy Inc. (6.25% and 5.75%), and Southwestern Energy Company 7.5%.

The largest decliners during the same period were the debt holdings of UrklandFarming PLC 10.875%, as well as the common shares of WOW Unlimited and EXCO Resources Inc.

The Fund added several bonds of energy companies, including Athabasca Oil Corporation 9.875%, Continental Resources Inc. 3.8%, PDC Energy (6.25% and 5.75%), Southwestern Energy Company 7.5%, Antero Resources 5.625%, and Occidental Petroleum 2.7%.

During the year, the Fund sold debt holdings in Atlanticus Holdings 5.875%, Avangardco Investments Public Limited 10.00%, and Antero Resources 5.625%. In addition, Occidental Petroleum 2.7% bonds were sold as part of tender offers.

The Fund did not enter into any foreign currency contracts during the period, and had no covered call options in its portfolio as at December 31, 2020.

¹ The alternative method of purchasing Chou Bond Fund in \$US has been offered since September 2005. The investments in the Chou Bond Fund (\$CAN) are the same as the investments in Chou Bond Fund (\$US) except for the currency applied.

Portfolio Commentary

EXCO Resources Inc. (“EXCO”)

In early July of 2019, the company emerged from bankruptcy and the 1.75 lien term loans were converted into 28.38 equity shares for every US\$1,000 in par value, after netting out certain adjustments. We received 117,864 shares of EXCO in the Fund. The equivalent price is US\$9.51 per share of EXCO.

Looking back on this investment, we underestimated how long the price of natural gas would stay low for and how low it has been relative to the price of oil. Historically, there had been a strong relationship between the prices of oil and natural gas. Thinking about the two fuels in terms of energy equivalency, 6,000 cubic feet (6 mcf) of natural gas has the same amount of energy content as 1 barrel of oil. In the past, this 6 to 1 ratio guided the relationship between oil and natural gas prices but for the last few years the ratio between prices has gone up to as high as 50 to 1.

Long story short, it was not such a great idea in investing in the 1.75 lien term loans of EXCO.

During the year ended December 31, 2020, an affiliate of the Manager purchased 60,136 units of EXCO shares from the Fund to reduce the Fund’s exposure to illiquid securities. The security was sold for \$780,567, which was deemed to be the fair market value at the time of the trade as determined by an independent pricing company. This related party transaction was approved by the Independent Review Committee and received exemption relief from the Ontario Securities Commission to record a trade transaction with an affiliate. As at December 31, 2020, EXCO comprised 2.4% of the net assets of the Fund.

Oil & Gas Bond Purchases During the COVID-19 Pandemic

At the end of 2019, the Fund had excess cash and they amounted to close to 35% of the net assets of the Fund. In addition, at the beginning of the year 2020 we sold a big chunk of bonds, which raised our cash to almost 55% of the assets of the Fund. We were able to deploy most of that to fixed income instruments ranging from investment grade to below investment grade bonds. We looked at securities with sufficient margin of safety to recover the original prices paid, even in the event of a bankruptcy or restructuring. We also kept an eye on Washington and invested in companies where we believe the government is likely to provide support through relief funds. Most of the time, we limited the bond duration to less than 3 years since the bailout money would most likely be used to pay off the bonds as they mature.

In early 2020, we were able to deploy a significant amount of the cash into the bonds of oil and gas companies, whose prices have been severely beaten down due to the recent oil price war between Russia and Saudi Arabia, and the COVID-19 pandemic. Many of the recent investments have worked out well so far, with some of the bond prices up as much as 85% since our purchase. Below is the table of our purchases of all the oil and gas companies and their current prices as of December 31, 2020.

Company	Maturity	Coupon	Par value	ACB	YE 2020 Price	% Change
Continental Resources	2024-06-01	3.800%	\$ 1,000,000	\$50.50	\$103.45	104.8%
Athabasca Oil	2022-02-24	9.875%	\$ 2,000,000	\$23.50	\$37.35	58.9%
Southwestern Energy	2026-04-01	7.500%	\$ 800,000	\$75.75	\$105.05	38.7%
PDC Energy	2025-12-01	6.250%	\$ 500,000	\$55.25	\$99.00	79.2%
PDC Energy	2026-05-15	5.750%	\$ 303,000	\$58.25	\$103.44	77.6%
Antero Resources	2023-06-01	5.625%	\$ 100,000	\$42.25	\$75.00	77.5%
Occidental Petroleum ⁽¹⁾	2022-08-15	2.700%	\$ 500,000	\$75.50	\$96.25	27.5%

Note: All dollar values are in local price USD.

⁽¹⁾ Occidental Petroleum bonds were sold as part of tender offers.

Caution to the Investors

Investors should be advised that we run a highly focused portfolio, frequently just three to five securities may comprise more than 50% of the assets of the Fund. In addition, the Fund has securities that are non-U.S. and could be subjected to geopolitical risks, which may trump or at least negatively influence the financial performance of the company. Also, we may enter into some derivative contracts, such as credit default swaps when we feel that the market conditions are right to use those instruments. Because of any or all of these factors, the net asset value of the Fund can be from time to time more volatile than at other times. However, we are not bothered by this volatility because our focus has always been, and continues to be, on how inexpensive we believe the Fund's portfolio holdings are relative to what we believe to be their intrinsic value.

Also, the Fund's cash position was approximately 21.9% of net assets as at December 31, 2020. This large cash position may depress returns for a while as we hunt for undervalued securities. Obviously, if there is a severe correction in the market in the near future, it will cushion the Fund against losses while providing us with the wherewithal to find good investment opportunities. But for now, it could be a drag on returns. If we cannot find any bargains, the large cash position may stay for a long time.

Other Matters

FOREIGN CURRENCY CONTRACTS: None existed at December 31, 2020.

CREDIT DEFAULT SWAPS: None existed at December 31, 2020.

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

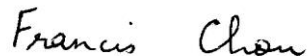
REDEMPTION FEE: We have a redemption fee of 2% if unitholders redeem their units in less than 3 months. None of this fee goes to the Fund Manager. It is put back into the Fund for the benefit of the remaining unitholders.

INDEPENDENT REVIEW COMMITTEE: The Manager has established an IRC as required by NI 81-107. The members of the IRC are Sandford Borins, Peter Gregoire and Joe Tortolano. The 2020 IRC Annual Report is available on our website www.choufunds.com.

As of March 15, 2021, the NAVPU of a Series A unit of the Fund was \$7.43 and the cash position was approximately 7.0% of net assets. The Fund is up 13.7% from the beginning of the year. In U.S. dollars, it is up 16.0%.

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

Yours truly,

A handwritten signature in cursive script that reads "Francis Chou".

Francis Chou
Fund Manager

CHOU BOND FUND

Statements of Financial Position

December 31, 2020 and 2019

	2020	2019
Assets		
Current assets:		
Investments (note 8)	\$ 6,797,361	\$ 6,628,655
Cash and cash equivalents	1,892,281	3,732,711
Receivable for redeemable units subscribed	882	—
Interest receivable	130,438	120,156
Total assets	8,820,962	10,481,522
Liabilities		
Current liabilities:		
Accrued expenses	89,382	124,827
Payable for units redeemed	61,800	520,298
Distributions payable	38,038	29,189
Total liabilities	189,220	674,314
Net assets attributable to unitholders of redeemable units	\$ 8,631,742	\$ 9,807,208
Net assets attributable to unitholders of redeemable units:		
Series A	\$ 7,223,793	\$ 7,713,187
Series F	1,407,949	2,094,021
	\$ 8,631,742	\$ 9,807,208
Number of redeemable units outstanding (note 4):		
Series A	1,105,932	1,305,522
Series F	209,838	345,626
Net assets attributable to unitholders of redeemable units per unit (note 10):		
Canadian dollars:		
Series A	\$ 6.53	\$ 5.91
Series F	6.71	6.06
U.S. dollars:		
Series A	5.13	4.55
Series F	5.27	4.67

See accompanying notes to financial statements.

Approved on behalf of the Board of Directors of Chou Associates Management Inc.:

Francis Chou



CHOU BOND FUND

Statements of Comprehensive Income (Loss)

Years ended December 31, 2020 and 2019

	2020	2019
Income:		
Interest for distribution purposes and other	\$ 584,297	\$ 623,265
Securities lending income (note 7)	7,537	5,104
Foreign currency gain (loss) on cash and other net assets	290,511	(56,423)
Derivative loss	(250)	—
Other income (note 5)	—	1,427,832
Other net changes in fair value of financial assets and financial liabilities at fair value through profit or loss:		
Net realized (loss) gain on investments	(2,010,618)	2,239,052
Change in unrealized appreciation (depreciation) on investments	3,420,569	(8,168,190)
	2,292,046	(3,929,360)
Expenses:		
Management fees (note 5)	126,907	174,612
Custodian fees	—	15,900
Audit fees	—	7,538
Filing fees	—	2,974
Independent review committee fees	—	2,635
FundSERV fees	3,294	5,014
Legal fees	1,321	—
Transaction costs (note 6)	—	6,164
Foreign withholding taxes	—	—
Other	1,798	1,379
	133,320	216,216
Increase (decrease) in net assets attributable to unitholders of redeemable units	\$ 2,158,726	\$ (4,145,576)
Increase (decrease) in net assets attributable to unitholders of redeemable units per series:		
Series A	\$ 1,683,552	\$ (3,393,161)
Series F	475,174	(752,415)
	\$ 2,158,726	\$ (4,145,576)
Weighted average number of redeemable units outstanding for the year per series:		
Series A	1,129,861	1,465,534
Series F	285,324	350,081
Increase (decrease) in net assets attributable to unitholders of redeemable units per unit:		
Series A	\$ 1.49	\$ (2.32)
Series F	1.67	(2.15)

See accompanying notes to financial statements.

CHOU BOND FUND

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

Years ended December 31, 2020 and 2019

	2020	2019
Series A		
Net assets attributable to unitholders of redeemable units, beginning of year	\$ 7,713,187	\$ 15,015,703
Increase (decrease) in net assets attributable to unitholders of redeemable units	1,683,552	(3,393,161)
Proceeds from issue of redeemable units	75,549	1,651,131
Payments on redemption of redeemable units	(2,211,536)	(5,533,949)
Distributions of income to unitholders:		
Investment income	(832,607)	(965,649)
Reinvested distributions	795,648	939,112
Net assets attributable to unitholders of redeemable units, end of year	7,223,793	7,713,187
Series F		
Net assets attributable to unitholders of redeemable units, beginning of year	2,094,021	2,863,208
Increase (decrease) in net assets attributable to unitholders of redeemable units	475,174	(752,415)
Proceeds from issue of redeemable units	31,039	1,236,820
Payments on redemption of redeemable units	(1,191,414)	(1,250,940)
Distributions of income to unitholders:		
Investment income	(167,663)	(311,913)
Reinvested distributions	166,792	309,261
Net assets attributable to unitholders of redeemable units, end of year	1,407,949	2,094,021
Total net assets attributable to unitholders of redeemable units, end of year	\$ 8,631,742	\$ 9,807,208

See accompanying notes to financial statements.

CHOU BOND FUND

Statements of Cash Flows

Years ended December 31, 2020 and 2019

	2020	2019
Cash flows from operating activities:		
Increase (decrease) in net assets attributable to unitholders of redeemable units	\$ 2,158,726	\$ (4,145,576)
Adjustments for:		
Foreign currency (gain) loss on cash and other net assets	(290,511)	56,423
Net realized loss (gain) on disposal of investments and derivatives	2,010,618	(2,239,052)
Change in unrealized (appreciation) depreciation on investments and derivatives	(3,420,569)	8,168,190
Change in non-cash operating working capital:		
(Increase) decrease in interest receivable	(10,282)	44,670
Decrease in accrued expenses	(35,445)	(9,656)
Purchases of investments and derivatives	(4,000,573)	(1,240,150)
Proceeds from sale and maturity of investments and derivatives	5,241,818	6,747,867
Net cash generated from operating activities	1,653,782	7,382,716
Cash flows from financing activities:		
Distributions paid to unitholders	(28,981)	(16,574)
Proceeds from redeemable units issued	105,706	2,892,951
Amount paid on redemption of redeemable units	(3,861,448)	(6,285,591)
Net cash used in financing activities	(3,784,723)	(3,409,214)
Foreign currency gain (loss) on cash and other net assets	290,511	(56,423)
(Decrease) increase in cash and cash equivalents	(1,840,430)	3,917,079
Cash and cash equivalents, beginning of year	3,732,711	(184,368)
Cash and cash equivalents, end of year	\$ 1,892,281	\$ 3,732,711
Supplemental information:		
Interest received, net of withholding tax	\$ 574,015	\$ 667,935
Other income, received	—	1,427,832
Security lending income received	7,537	5,104

See accompanying notes to financial statements.

CHOU BOND FUND

Schedule of Investments

December 31, 2020

	Number of shares	Cost	Fair value
Equities*			
EXCO Resources Inc.**	20,046	\$ 693,989	\$ 209,874
Wow Unlimited Media Inc.**	1,165,742	2,675,093	524,584
		3,369,082	734,458
Bonds			
Athabasca Oil Corporation, 9.875%, February 24, 2022, Callable	2,000,000	680,865	950,894
Continental Resources Inc., 3.80%, June 1, 2024, Callable	1,000,000	718,059	1,316,796
Fortress Global Enterprises Inc., 9.75%, December 31, 2021, Convertible Bonds, Callable 3,659,000		2,058,513	366
GameStop Corporation, Series '144A', 6.75%, March 15, 2021, Callable	186,000	246,115	237,470
PDC Energy Inc., 5.75%, May 15, 2026, Callable	303,000	251,271	398,947
PDC Energy Inc., 6.25%, December 1, 2025, Callable	500,000	398,546	630,086
Signet UK Finance PLC, 4.70%, June 15, 2024, Callable	500,000	584,714	613,566
Southwestern Energy Company, 7.50%, April 1, 2026, Callable	800,000	810,980	1,069,745
Taiga Building Products Limited, 7.00%, November 17, 2022, Callable	467,000	482,761	471,964
Ukrlandfarming PLC, 10.875%, March 26, 2018	6,513,021	5,984,450	373,069
		12,216,274	6,062,903
Total long		15,585,356	6,797,361
Total investments		15,585,356	6,797,361
Transaction costs		(11,994)	—
Portfolio total	\$	15,573,362	\$ 6,797,361

* Common shares unless indicated otherwise

** Shares received from debt restructuring

See accompanying notes to financial statements.

CHOU BOND FUND

Discussion of Financial Risk Management

Years ended December 31, 2020 and 2019

Investment objective and strategies:

The Fund's objective is to invest in securities that it believes are undervalued in order to achieve capital appreciation over the long-term. Conservation of principal and interest production will be fundamental considerations in this objective. The Fund invests primarily in Canadian and U.S. bonds. These bonds include, but are not limited to, Government of Canada, provincial, municipal and corporate issues, including convertibles and high yield bonds. Investments may be made in bonds outside of Canada and the U.S. The Fund may also 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 and domestic currency exposure and changes in securities prices.

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 traces. 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.

Financial risk management:

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

(a) Credit risk:

Credit risk is the risk that a counterparty to a financial instrument will fail to discharge a commitment that it has entered into with the Fund. As at December 31, 2020, the Fund invested approximately 60.45% (2019 – 12.76%) of its net assets in non-investment grade instruments. Non-investment grade is the term applied to bonds rated below Baa3 on the Moody's credit rating scale and below BBB- on the equivalent ratings systems from Standard & Poor's and Fitch. The credit ratings could denote that the company's financial position is weak and its bonds should be considered a speculative investment. As at December 31, 2020, the Fund invested approximately 9.79% (2019 – 38.37%) of its net assets in non-rated bonds.

(b) Interest rate risk:

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

Debt instruments by maturity date:

	2020	2019
Less than 1 year	\$ 610,539	\$ 847,920
1 - 3 years	1,423,224	1,123,247
3 - 5 years	2,560,448	612,211
Greater than 5 years	1,468,692	2,430,963

CHOU BOND FUND

Discussion of Financial Risk Management (continued)

Years ended December 31, 2020 and 2019

Financial risk management (continued):

(b) Interest rate risk (continued):

As at December 31, 2020, had interest rates decreased or increased by 0.25%, with all other variables remaining constant, the increase or decrease in net assets for the year would have amounted to approximately \$37,960 (2019 – \$63,178).

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

(c) Other price risk:

Other price risk is the risk that the value of financial instruments will fluctuate as a result of changes in market prices (other than those arising from interest rate risk or currency risk) caused by factors specific to a security, its issuer or all factors affecting a market or a market segment. Approximately 6.08% (2019 – 6.36%) of the Fund's net assets held at December 31, 2020 were publicly traded equities. If equity prices on the exchange had increased or decreased by 5% as at December 31, 2020, the net assets of the Fund would have increased or decreased by approximately \$26,229 or 0.30% (2019 – 31,184 or 0.32%) of the net assets, all other factors remaining constant.

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

(d) Foreign currency risk:

Currencies to which the Fund had exposure as at December 31, 2020 and 2019 expressed in CAD are as follows:

2020		Investments	Cash and cash equivalents	Other assets and liabilities	Total	Percentage of net asset value
United States dollar (USD)	\$	5,800,447	\$ 2,001,074	\$ 126,496	\$ 7,928,017	91.8%

2019		Investments	Cash and cash equivalents	Other assets and liabilities	Total	Percentage of net asset value
United States dollar (USD)	\$	8,521,300	\$ –	\$ 115,757	\$ 8,637,057	88.1%

The amounts in the above tables are based on the market value of the Fund's financial instruments. This includes cash and cash equivalents, investments, interest receivable, dividends receivable, receivable for units subscribed, payable for units redeemed and due to brokers that are denominated in foreign currencies.

As at December 31, 2020, if the Canadian dollar had strengthened or weakened by 1% in relation to all currencies, with all other variables held constant, net assets would have decreased or increased by approximately \$79,280 (2019 – \$86,371).

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

CHOU RRSP FUND

(unaudited)

March 15, 2021

Dear Unitholders of Chou RRSP Fund,

The net asset value per unit (“NAVPU”) of a Series A unit of Chou RRSP Fund at December 31, 2020 was \$25.87 compared to \$22.79 at December 31, 2019, an increase of 13.5%; during the same period, the S&P/TSX Total Return Index increased 5.6% in Canadian dollars. In U.S. dollars, a Series A unit of Chou RRSP Fund was up 15.8% while the S&P/TSX Total Return Index increased 7.3%.

The table shows our 1-year, 3-year, 5-year, 10-year, 15-year and 20-year annual compound rates of return.

December 31, 2020 (Series A)	1 Year	3 Years	5 Years	10 Years	15 Years	20 Years
Chou RRSP Fund (\$CAN)	13.5%	-4.6%	0.4%	2.8%	2.3%	6.0%
S&P/TSX (\$CAN)	5.6%	5.7%	9.3%	5.7%	6.0%	6.1%
Chou RRSP Fund (\$US) ¹	15.8%	-5.0%	2.1%	0.2%	1.7%	6.8%
S&P/TSX (\$US)	7.3%	5.1%	11.1%	3.1%	5.3%	7.0%

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

Factors Influencing the 2020 Results

The equity holdings of Overstock.com Inc., Interfor Corporation, Resolute Forest Products Inc., TVA Group, Linamar Corporation, Magna International Inc. and TWC Enterprises Ltd. contributed positively to the Fund’s performance during the year.

The main negative contributors to the Fund’s performance in 2020 were the equity holdings of Reitmans (Canada) Ltd., Bausch Health Companies, WOW Unlimited Inc., Bank of America Corporation and EXCO Resources Inc.

During the period, the Fund reduced its holdings of EXCO Resources Inc., Bank of America Corporation, Bausch Health Companies, Overstock.com Inc., TVA Group and Blackberry Ltd.

The Fund sold holdings in Fairfax Financial Holdings and Torstar Corporation in 2020. As of December 31, 2020, the Fund had four covered call options on Blackberry Ltd. and Resolute Forest Products.

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

Portfolio Commentary

Resolute Forest Products (“RFP”)

As of December 31, 2020, the market price of RFP was US\$6.54 per share, up 55.7% from the price of US\$4.20 at year end 2019. In spite of that, RFP has been a huge disappointment since our initial purchase some eight years ago. It shows how tough it is to turn around a troubled company despite the best efforts of management. Having said that, it is quite comical to experience how a commodity stock can be hammered beyond all logical comprehension. RFP paid a special dividend of US\$1.50 a share in 2018, and it was trading as low as US\$1.17 per share in April 2020. Back in March 2020, the company announced that it would buy back 15% of its common shares for US\$100 million. At the lowest year-to-date price of US\$1.17, the whole market capitalization would be approximately US\$99 million. In other words, instead of buying back 15% of the company with US\$100 million, it could repurchase 100% of the company at one point. RFP shares have since recovered 459% to US\$6.54 at year-end. Patience has been rewarded.

One bright spot for the company has been its lumber operations. The high prices for lumber should make up for the declines in its newsprint and specialty papers business segments. The COVID-19 pandemic has shifted management’s focus more towards its lumber/pulp/tissue operations and we believe that should generate greater cash flow in the future.

In general, our experience with a commodity business that has virtually no pricing power is to be cautious when management talks about investing in new equipment or upgrades that would significantly lower the cost structure compared to its competitors. That may be true for six months to a couple of years, but in time, competitors will have a new cost structure that is as competitive if not superior to the company. It is the same treadmill where hardly anyone in the industry can make a decent return on the assets invested in the company. The same story can be seen repeatedly in various commoditized industries. There is no sustainable long-term advantage in a mediocre business with no pricing power. It is important not to get seduced by discount to book value. If the company cannot generate a decent return on book value over a long period of time, that book value is not worth much.

Bausch Health Companies Inc. (“Bausch Health”)

In early August 2020, Bausch Health announced that it is planning to spin off its eye care business, Bausch + Lomb, into an independent publicly traded company. This will allow the company to concentrate on its gastroenterology, aesthetics/dermatology, neurology and international pharma business.

Chairman and CEO Joseph Papa said, "We've looked at the value of our pure health companies like Alcon and Cooper and believe that Bausch + Lomb would compare very favorably when investors have an opportunity to make a judgment about the relative value of the stand-alone business".

Comparable companies like Cooper Companies and Alcon Inc. are currently trading between 18 and 20 times 2022 EBITDA estimates and 25-30 times trailing EBITDA estimates. If Bausch + Lomb trades at similar multiples as a stand-alone company, the total value of Bausch Health

using sum-of-the-parts method would be worth north of US\$45 per share (net of debt). We felt that Bausch was undervalued for a long time, but investors were not giving credit that management has done a good job in running the operations, selling non-core assets, as well as de-leveraging its balance sheet. They felt the process was too slow. We hope the spin-off of Bausch + Lomb unit will be the catalyst that is needed for investors to price the company closer to its intrinsic value.

EXCO Resources Inc. (“EXCO”)

In early July of 2019, the company emerged from bankruptcy and the 1.75 lien term loans were converted into 28.38 equity shares for every US\$1,000 in par value, after netting out certain adjustments. We received 357,285 shares of EXCO in the Fund. The equivalent price is US\$9.51 per share of EXCO.

Looking back on this investment, we underestimated how long the price of natural gas would stay low for and how low it has been relative to the price of oil. Historically, there had been a strong relationship between the prices of oil and natural gas. Thinking about the two fuels in terms of energy equivalency, 6,000 cubic feet (6 mcf) of natural gas has the same amount of energy content as 1 barrel of oil. In the past, this 6 to 1 ratio guided the relationship between oil and natural gas prices but for the last few years the ratio between prices has gone up to as high as 50 to 1.

Long story short, it was not such a great idea in investing in the 1.75 lien term loans of EXCO.

During the year ended December 31, 2020, an affiliate of the Manager purchased 242,914 units of EXCO shares from the Fund to reduce the Fund’s exposure to illiquid securities. The security was sold for \$3,153,029, which was deemed to be the fair market value at the time of the trade as determined by an independent pricing company. This related party transaction was approved by the Independent Review Committee and received exemption relief from the Ontario Securities Commission to record a trade transaction with an affiliate. As at December 31, 2020, EXCO comprised 3.2% of the net assets of the Fund.

Caution to the Investors

Investors should be advised that we run a highly focused portfolio, frequently just three to five securities may comprise more than 50% of the assets of the Fund. In addition, the Fund has securities that are non-U.S. and could be subjected to geopolitical risks, which may trump or at least negatively influence the financial performance of the company. Also, we may enter into some derivative contracts, such as credit default swaps when we feel that the market conditions are right to use those instruments. Because of any or all of these factors, the net asset value of the Fund can be from time to time more volatile than at other times. However, we are not bothered by this volatility because our focus has always been, and continues to be, on how inexpensive we believe the Fund’s portfolio holdings are relative to what we believe to be their intrinsic value.

The Fund’s net cash position was approximately 1.3% of net assets as at December 31, 2020.

Other Matters

FOREIGN CURRENCY CONTRACTS: None existed at December 31, 2020.

CREDIT DEFAULT SWAPS: None existed at December 31, 2020.

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

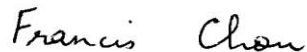
REDEMPTION FEE: We have a redemption fee of 2% if unitholders redeem their units in less than 3 months. None of this fee goes to the Fund Manager. It is put back into the Fund for the benefit of the remaining unitholders.

INDEPENDENT REVIEW COMMITTEE: The Manager has established an IRC as required by NI 81-107. The members of the IRC are Sandford Borins, Peter Gregoire and Joe Tortolano. The 2020 IRC Annual Report is available on our website www.choufunds.com.

As of March 15, 2021, the NAVPU of a Series A unit of the Fund was \$33.66 and the cash position was approximately 2.9% of net assets. The Fund is up 30.1% from the beginning of the year. In U.S. dollars, it is up 32.7%.

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

Yours truly,

A handwritten signature in cursive script that reads "Francis Chou".

Francis Chou
Fund Manager

CHOU RRSP FUND

Statements of Financial Position

December 31, 2020 and 2019

	2020	2019
Assets		
Current assets:		
Cash and cash equivalents	\$ 490,742	\$ 210,276
Investments (note 8)	37,798,206	42,415,096
Due from broker	—	1,238,866
Interest receivable	26,726	26,362
Total assets	38,315,674	43,890,600
Liabilities		
Current liabilities:		
Financial liabilities at fair value through profit or loss	524,753	—
Accrued expenses	173,128	273,014
Payable for units redeemed	97,669	756,561
Distributions payable	—	74,671
Total liabilities	795,550	1,104,246
Net assets attributable to unitholders of redeemable units	\$ 37,520,124	\$ 42,786,354
Net assets attributable to unitholders of redeemable units:		
Series A	\$ 34,909,078	\$ 38,864,778
Series F	2,611,046	3,921,576
	\$ 37,520,124	\$ 42,786,354
Number of redeemable units outstanding (note 4):		
Series A	1,349,151	1,705,179
Series F	100,434	172,209
Net assets attributable to unitholders of redeemable units per unit:		
Canadian dollars:		
Series A	\$ 25.87	\$ 22.79
Series F	26.00	22.77
U.S. dollars:		
Series A	20.32	17.55
Series F	20.43	17.54

See accompanying notes to financial statements.

Approved on behalf of the Board of Directors of Chou Associates Management Inc.:

Francis Chou

CHOU RRSP FUND

Statements of Comprehensive Loss

Years ended December 31, 2020 and 2019

	2020	2019
Income:		
Interest for distribution purposes and other	\$ 164,397	\$ 338,841
Dividends	148,534	2,095,005
Securities lending income (note 7)	5,982	14,407
Foreign currency loss on cash and other net assets	(77,543)	(96,181)
Other net changes in fair value of financial assets and financial liabilities at fair value through profit or loss:		
Net realized loss on investments	(8,231,349)	(23,503,694)
Net realized gain on derivatives	—	204,268
Change in unrealized appreciation on investments	11,478,256	11,336,350
Change in unrealized appreciation (depreciation) on derivatives	353,715	(194,029)
	3,841,992	(9,805,033)
Expenses:		
Management fees (note 5)	535,818	934,882
Custodian fees	—	40,280
Audit fees	—	16,428
Filing fees	23,871	17,638
Independent review committee fees	—	10,712
FundSERV fees	7,258	—
Legal fees	3,369	2,435
Transaction costs (note 6)	33,823	16,005
Foreign withholding taxes	2,436	9,920
Other	8,787	5,543
	615,362	1,053,843
Increase (decrease) in net assets attributable to unitholders of redeemable units	\$ 3,226,630	\$ (10,858,876)
Increase (decrease) in net assets attributable to unitholders of redeemable units per series:		
Series A	\$ 3,049,874	\$ (9,793,070)
Series F	176,756	(1,065,806)
	\$ 3,226,630	\$ (10,858,876)
Weighted average number of redeemable units outstanding for the year per series:		
Series A	1,490,981	1,826,554
Series F	142,559	200,961
Increase (decrease) in net assets attributable to unitholders of redeemable units per unit:		
Series A	\$ 2.05	\$ (5.36)
Series F	1.24	(5.30)

See accompanying notes to financial statements.

CHOU RRSP FUND

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

Years ended December 31, 2020 and 2019

	2020	2019
Series A		
Net assets attributable to unitholders of redeemable units, beginning of year	\$ 38,864,778	\$ 59,989,119
Increase (decrease) in net assets attributable to unitholders of redeemable units	3,049,874	(9,793,070)
Proceeds from issue of redeemable units	155,729	278,594
Payments on redemption of redeemable units	(7,161,303)	(11,545,645)
Distributions of income to unitholders:		
Investment income	—	(3,096,558)
Reinvested distributions	—	3,032,338
Net assets attributable to unitholders of redeemable units, end of year	34,909,078	38,864,778
Series F		
Net assets attributable to unitholders of redeemable units, beginning of year	3,921,576	6,232,573
Increase (decrease) in net assets attributable to unitholders of redeemable units	176,756	(1,065,806)
Proceeds from issue of redeemable units	233,147	546,340
Payments on redemption of redeemable units	(1,720,433)	(1,781,080)
Distributions of income to unitholders:		
Investment income	—	(416,124)
Reinvested distributions	—	405,673
Net assets attributable to unitholders of redeemable units, end of year	2,611,046	3,921,576
Total net assets attributable to unitholders of redeemable units, end of year	\$ 37,520,124	\$ 42,786,354

See accompanying notes to financial statements.

CHOU RRSP FUND

Statements of Cash Flows

Years ended December 31, 2020 and 2019

	2020	2019
Cash flows from operating activities:		
Increase (decrease) in net assets attributable to unitholders of redeemable units	\$ 3,226,630	\$ (10,858,876)
Adjustments for:		
Foreign currency loss on cash and other net assets	77,543	96,181
Net realized loss on disposal of investments and derivatives	8,231,349	23,299,426
Change in unrealized appreciation on investments and derivatives	(11,831,971)	(11,142,321)
Change in non-cash operating working capital:		
(Increase) decrease in interest receivable	(364)	6,100
Decrease in accrued expenses	(99,886)	(81,697)
Purchase of investments and derivatives	(17,135)	(780,002)
Proceeds from sale and maturity of investments and derivatives	9,998,266	4,410,840
Net cash generated from operating activities	9,584,432	4,949,651
Cash flows from financing activities:		
Distributions paid to unitholders	(74,671)	(7,023)
Proceeds from redeemable units issued	388,876	834,934
Amount paid on redemption of redeemable units	(9,540,628)	(12,598,060)
Net cash used in financing activities	(9,226,423)	(11,770,149)
Foreign currency loss on cash and other net assets	(77,543)	(96,181)
Increase (decrease) in cash and cash equivalents	280,466	(6,916,679)
Cash and cash equivalents, beginning of year	210,276	7,126,955
Cash and cash equivalents, end of year	\$ 490,742	\$ 210,276
Supplemental information:		
Interest received, net of withholding tax	\$ 164,033	\$ 344,941
Dividends received, net of withholding tax	146,098	2,085,085
Security lending income received	5,982	14,407

See accompanying notes to financial statements.

CHOU RRSP FUND

Schedule of Investments

December 31, 2020

	Number of securities	Cost	Fair value
Equities*			
Bank of America Corporation	18,376	\$ 378,881	\$ 708,975
Bausch Health Companies Inc.	213,992	6,796,714	5,665,721
BlackBerry Limited	429,040	3,343,385	3,621,098
Canfor Pulp Products Inc.	293,900	836,324	2,404,102
EXCO Resources Inc.	114,371	2,373,080	1,197,419
Interfor Corporation	125,500	746,362	2,983,135
Linamar Corporation	24,000	1,332,040	1,618,080
Magna International Inc., Class 'A'	20,000	1,249,419	1,802,426
Overstock.com Inc., Class 'B'	9,440	195,252	465,326
Reitmans (Canada) Limited	348,600	1,914,063	88,893
Resolute Forest Products Inc.	1,224,188	13,844,859	10,191,079
TVA Group Inc.	305,028	4,410,334	643,609
TWC Enterprises Limited	201,944	1,077,639	3,222,017
Wow Unlimited Media Inc.	93,680	1,930,473	42,156
		40,428,825	34,654,036
Bonds			
Fortress Paper Limited, 7.000%, December 31, 2021, Convertible Bonds, Callable	1,000,000	780,000	100
Taiga Building Products Ltd., 7.000%, November 17, 2022, Callable	3,111,000	3,215,996	3,144,070
		3,995,996	3,144,170
Total long		44,424,821	37,798,206
Total investments		44,424,821	37,798,206
Transaction costs		(36,320)	—
Total Investments in Non-Derivative Financial Assets		44,388,501	37,798,206
Derivative Liabilities		—	(524,753)
Portfolio total		\$ 44,388,501	\$ 37,273,453

Schedule of Derivative Instruments

Security Name	Strike Price	Expiry Date	Currency	No. of Contracts	Proceeds	Fair Value
Options						
<i>Written Call Options</i>						
BlackBerry Limited	15.00	01-22-22	USD	(2,000)	(337,741)	(137,473)
BlackBerry Limited	10.00	09-18-21	USD	(2,000)	(379,804)	(188,389)
Resolute Forest Products Inc.	7.50	04-17-21	USD	(1,000)	(55,996)	(70,010)
Resolute Forest Products Inc.	10.00	07-17-21	USD	(2,250)	(104,927)	(128,881)
Total Written Call Options					\$ (878,468)	\$ (524,753)
Derivative Assets and Liabilities – Options					\$ (878,468)	\$ (524,753)

* Common shares unless indicated otherwise
See accompanying notes to financial statements.

CHOU RRSP FUND

Discussion of Financial Risk Management

Years ended December 31, 2020 and 2019

Investment objective and strategies:

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

The investment strategy follows strong disciplines with regard to price paid to acquire portfolio investments. The level of investments in the Fund's securities is generally commensurate with the current price of the Fund'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.

Financial risk management:

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

(a) Credit risk:

Credit risk is the risk that a counterparty to a financial instrument will fail to discharge a commitment that it has entered into with the Fund. As at December 31, 2020, the Fund did not invest of its net assets in non-investment grade debt instruments (2019 – 0.0%). Non-investment grade is the term applied to bonds rated below Baa3 on the Moody's credit rating scale and below BBB- on the equivalent ratings systems from Standard & Poor's and Fitch. These credit ratings could denote that the company's financial position is weak and its bonds should be considered a speculative investment. As at December 31, 2020, the Fund invested approximately 8.38% (2019 – 7.53%) of its net assets in non-rated debt instruments.

(b) Interest rate risk:

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

Debt instruments by maturity date:

	2020	2019
Less than 1 year	\$ –	\$ –
1 - 3 years	3,144,170	3,219,985
3 - 5 years	–	–
Greater than 5 years	–	–

As at December 31, 2020, had interest rates decreased or increased by 0.25%, with all other variables remaining constant, the increase or decrease in net assets for the year would have amounted to approximately \$13,976 (2019 – \$21,249).

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

CHOU RRSP FUND

Discussion of Financial Risk Management (continued)

Years ended December 31, 2020 and 2019

Financial risk management (continued):

(c) Other price risk:

Other price risk is the risk that the value of financial instruments will fluctuate as a result of changes in market prices (other than those arising from interest rate risk or currency risk) caused by factors specific to a security, its issuer or all factors affecting a market or a market segment. Approximately 89.17% (2019 – 81.29%) of the Fund's net assets held at December 31, 2020 were publicly traded equities. If equity prices on the exchange had increased or decreased by 5% as at December 31, 2020, the net assets of the Fund would have increased or decreased by approximately \$1,672,831 or 4.46% (2019 – \$1,739,044 or 4.06%) of the net assets, all other factors remaining constant.

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

(d) Foreign currency risk:

Currencies to which the Fund had exposure as at December 31, 2020 and 2019 expressed in CAD are as follows:

2020	Investments and derivatives	Cash and cash equivalents	Other assets and liabilities	Total	Percentage of net asset value
United States dollar (USD)	\$ 19,506,194	\$ 365,117	\$ 456	\$ 19,871,767	53.0%

2019	Investments and derivatives	Cash and cash equivalents	Other assets and liabilities	Total	Percentage of net asset value
United States dollar (USD)	\$ 24,381,354	\$ —	\$ 1,145,111	\$ 25,526,465	59.7%

The amounts in the above tables are based on the market value of the Fund's financial instruments. This includes cash and cash equivalents, investments, interest receivable, receivable for units subscribed, due from broker, payable for units redeemed, distribution payable and due to brokers that are denominated in foreign currencies.

As at December 31, 2020, if the Canadian dollar had strengthened or weakened by 1% in relation to all currencies, with all other variables held constant, net assets would have decreased or increased by approximately \$198,718 (2019 – \$255,265).

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

CHOU FUNDS

Notes to Financial Statements

Years ended December 31, 2020 and 2019

1. Formation of the Chou Funds:

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

The Funds were formed on the following dates:

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

2. Significant accounting policies:

These financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS").

The policies applied in these financial statements are based on IFRS issued and outstanding as of December 31, 2020. The financial statements are presented in Canadian dollars, which is also the Chou Funds' functional currency. These financial statements were authorized for issue by the Manager on March 25, 2021.

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

(a) Financial instruments:

The Funds applied IFRS 9, Financial Instruments ("IFRS 9"). The standard requires financial assets to be classified as amortized cost, fair value through profit or loss ("FVTPL"), or fair value through other comprehensive income ("FVOCI") based on the entity's business model for managing the financial assets and the contractual cash flow characteristics of these assets. Assessment and decision on the business model approach used is an accounting judgement.

The Funds' investments and derivative assets and liabilities are classified and measured at FVTPL.

The classification and measurements of financial assets and liabilities are at amortized cost with the exception of financial assets and liabilities recorded at FVTPL. For financial liabilities, fair value changes attributable to changes in the entity's own credit risk are to be presented in other comprehensive income unless they affect amounts recorded in income. Under amortized cost, financial assets and liabilities reflect the amounts to be received or paid, discounted when appropriate at the financial instrument's effective interest rate. The fair value of the Funds' financial assets and liabilities that are not carried at FVTPL approximate their carrying amounts due to their short-term nature.

CHOU FUNDS

Notes to Financial Statements (continued)

Years ended December 31, 2020 and 2019

2. Significant accounting policies (continued):

(b) Recognition, initial measurement and classification:

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

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

Financial assets at FVTPL:

- Derivatives: warrants and options; and
- Investments: debt securities and equity investments.

Financial liabilities at FVTPL:

- Derivatives: securities sold short, warrants, and options.

All other financial assets and financial liabilities are classified and measured at amortized cost. The amortized cost of a financial asset or financial liability is the amount at which the financial asset or financial liability is measured at initial recognition, minus principal repayments, plus or minus the cumulative amortization using the effective interest rate method of any difference between the initial amount recognized and the maturity amount, minus any reduction for impairment. The Funds' obligations for net assets attributable to unitholders is measured at FVTPL, with fair value being the redemption amount as of the reporting dates.

(c) Fair value measurement:

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

Bonds and debentures are valued at the mid-point of their last evaluated bid price and their last evaluated ask price received from recognized investment dealers and their last evaluated price for short positions.

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

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

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

CHOU FUNDS

Notes to Financial Statements (continued)

Years ended December 31, 2020 and 2019

2. Significant accounting policies (continued):

(c) Fair value measurement (continued):

Derecognition:

The Funds derecognize a financial asset when the contractual rights to the cash flows from the financial asset expire, or they transfers the right to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Funds neither transfer nor retain substantially all of the risks and rewards of ownership and do not retain control of the financial asset.

The Funds derecognize a financial liability when their contractual obligations are discharged, cancelled, or expired.

(d) Critical accounting estimates and judgments:

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

(i) Fair value measurement of derivatives and securities not quoted in an active market:

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

Models use observable data, to the extent practicable. However, areas such as credit risk (both own and counterparty), volatilities and correlations require the Manager to make estimates. Changes in assumptions about these factors could affect the reported fair values of financial instruments. The Funds consider observable data to be market data that is readily available, regularly distributed and updated, reliable and verifiable, not proprietary, and provided by independent sources that are actively involved in the relevant market. Refer to note 8 for further information about the fair value measurement of the Fund's financial instruments.

CHOU FUNDS

Notes to Financial Statements (continued)

Years ended December 31, 2020 and 2019

2. Significant accounting policies (continued):

(d) Critical accounting estimates and judgments (continued):

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

In classifying and measuring financial instruments held by the Funds, the Manager is required to make significant judgments in determining the most appropriate classification in accordance with IFRS 9. The Manager has assessed the Funds' business models, the manner in which all financial assets and financial liabilities are managed and performance evaluated as a group on a fair value basis, and concluded that FVTPL in accordance with IFRS 9 provides the most appropriate classification of the Funds' financial instruments.

These financial statements are presented in Canadian dollars, which is the Funds' functional currency.

(e) Cost of investments:

The cost of investments represents the amount paid for each security, and is determined on an average cost basis excluding transaction costs. Investment transactions are accounted for as of the trade date.

(f) Offsetting financial instruments:

Financial assets and liabilities are offset and the net amount reported in the statements of financial position where the Funds have a legally enforceable right to set-off the recognized amounts and there is an intention to settle on a net basis or realize the asset and settle the liability simultaneously.

Income and expenses are presented on a net basis for gains and losses from financial instruments at fair value through profit or loss and foreign exchange gains and losses.

(g) Transaction costs:

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

(h) Cash and cash equivalents:

Cash and cash equivalents consist of cash on deposit and short-term debt instruments with terms to maturity less than 90 days. Cash and cash equivalents are reported at fair value which closely approximates their amortized cost due to the nature of being highly liquid and having short terms to maturity. Where cash and cash equivalents are in net bank overdraft positions, these are presented as current liabilities in the Statements of Financial Position.

CHOU FUNDS

Notes to Financial Statements (continued)

Years ended December 31, 2020 and 2019

2. Significant accounting policies (continued):

(i) Investment transactions and income recognition:

All investment transactions are accounted for on the trade date.

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

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

(j) Foreign exchange:

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

(k) Derivative transactions:

Options:

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

Warrants:

The cost of warrants is included in derivatives on the statements of financial position. The unrealized gain or loss is reflected in the statements of comprehensive income (loss) in unrealized gain (loss) on derivatives.

(l) Multi-series funds:

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

CHOU FUNDS

Notes to Financial Statements (continued)

Years ended December 31, 2020 and 2019

2. Significant accounting policies (continued):

(m) Valuation of Fund units:

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

(n) Securities lending income:

The Funds lend portfolio securities from time to time in order to earn additional income. Income from securities lending is included in the statements of comprehensive income (loss) of the Funds and is recognized on an accrual basis. Any securities on loan continue to be displayed in the schedule of investments and the market value of the securities loaned and collateral held is determined daily (note 7).

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

The Funds' outstanding redeemable units' entitlements include a contractual obligation to distribute any net income and net realized gains annually in cash (at the request of the unitholder) and therefore the ongoing redemption feature is not the units' only contractual obligation. Consequently, the Funds' outstanding redeemable units are classified as financial liabilities in accordance with the requirements of IAS 32, *Financial Instruments: Presentation*. The Funds' obligation for net assets attributable to unitholders is measured at FVTPL, with fair value being the redemption amounts as of the reporting date.

(p) Impairments:

IFRS 9 requires that an entity recognize a loss allowance for expected credit losses on financial assets which are measured at amortized cost or FVOCI. Financial assets held by the Fund which are measured at FVTPL will not be subject to the impairment requirements.

With respect to financial assets classified and measured at cost, the Funds consider both historical analysis and forward-looking information in determining any expected credit loss. As at the financial statement date, financial assets classified and measured at cost are due to be settled within the short term. The Funds consider the probability of default to be close to zero as these instruments have a low risk of default and the counterparties have a strong capacity to meet their contractual obligation in the near term. Given the limited exposure of the Funds to credit risk, no loss allowance has been recognized as any such impairment will not have a significant impact on the financial statements.

3. Financial risk management:

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

CHOU FUNDS

Notes to Financial Statements (continued)

Years ended December 31, 2020 and 2019

3. Financial risk management (continued):

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

On March 11, 2020, the World Health Organization declared the global outbreak of COVID-19 a pandemic. Market disruptions associated with the COVID-19 pandemic have had a global impact, and uncertainty exists as to the long-term implications. Such disruptions can adversely impact the financial instrument risks and the fair values of each of the Funds' portfolios.

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

(a) Credit risk:

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

The Funds have provided the prime broker with a general lien over the financial assets held in custody as security for the prime broker's exposure relating to provision of custody services to the Funds. The terms under which the general lien is provided are usual and customary for prime broker agreements.

(b) Liquidity risk:

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

CHOU FUNDS

Notes to Financial Statements (continued)

Years ended December 31, 2020 and 2019

3. Financial risk management (continued):

(c) Market risk:

(i) Interest rate risk:

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

(ii) Other price risk:

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

(iii) Currency risk:

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

4. Holders of redeemable units:

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

CHOU FUNDS

Notes to Financial Statements (continued)

Years ended December 31, 2020 and 2019

4. Holders of redeemable units (continued):

	Series A		Series F	
	2020	2019	2020	2019
Chou Associates Fund				
Redeemable units outstanding, beginning of year	1,747,907	2,424,781	277,980	344,195
Add redeemable units issued during the year	8,269	13,994	6,909	38,482
Deduct redeemable units redeemed during the year	(282,427)	(712,302)	(119,166)	(111,493)
Redeemable units outstanding before income distribution	1,473,749	1,726,473	165,723	271,184
Add redeemable units issued on reinvested income	–	21,434	–	6,796
Redeemable units outstanding, end of year	1,473,749	1,747,907	165,723	277,980
Chou Asia Fund				
Redeemable units outstanding, beginning of year	853,782	1,158,473	86,073	125,082
Add redeemable units issued during the year	31,594	3,541	5,161	2,274
Deduct redeemable units redeemed during the year	(194,948)	(329,152)	(30,922)	(43,928)
Redeemable units outstanding before income distribution	690,428	832,862	60,312	83,428
Add redeemable units issued on reinvested income	–	20,920	–	2,645
Redeemable units outstanding, end of year	690,428	853,782	60,312	86,073
Chou Europe Fund				
Redeemable units outstanding, beginning of year	396,577	477,657	370,498	330,952
Add redeemable units issued during the year	7,888	29,774	13,496	170,909
Deduct redeemable units redeemed during the year	(131,805)	(110,900)	(173,607)	(136,216)
Redeemable units outstanding before income distribution	272,660	396,531	210,387	365,645
Add redeemable units issued on reinvested income	–	46	1	4,853
Redeemable units outstanding, end of year	272,660	396,577	210,388	370,498

CHOU FUNDS

Notes to Financial Statements (continued)

Years ended December 31, 2020 and 2019

4. Holders of redeemable units (continued):

	Series A		Series F	
	2020	2019	2020	2019
Chou Bond Fund				
Redeemable units outstanding, beginning of year	1,305,522	1,666,054	345,626	312,347
Add redeemable units issued during the year	9,875	254,094	4,337	167,123
Deduct redeemable units redeemed during the year	(331,276)	(773,581)	(166,631)	(184,889)
Redeemable units outstanding before income distribution	984,121	1,146,567	183,332	294,581
Add redeemable units issued on reinvested income	121,811	158,955	26,506	51,045
Redeemable units outstanding, end of year	1,105,932	1,305,522	209,838	345,626
Chou RRSP Fund				
Redeemable units outstanding, beginning of year	1,705,179	1,994,527	172,209	206,334
Add redeemable units issued during the year	7,882	9,718	12,317	19,970
Deduct redeemable units redeemed during the year	(363,910)	(432,109)	(84,092)	(71,909)
Redeemable units outstanding before income distribution	1,349,151	1,572,136	100,434	154,395
Add redeemable units issued on reinvested income	–	133,043	–	17,814
Redeemable units outstanding, end of year	1,349,151	1,705,179	100,434	172,209

5. Related party transactions:

(a) Management fees

The Manager manages the Funds under a management agreement dated August 10, 2005. The Manager is entitled to an annual investment management fee equal to 1.5% of the net asset value of Series A units and 1.0% of the net asset value of Series F units for all Funds other than the Chou Bond Fund on which the Manager is entitled to an annual investment management fee equal to 1.15% of the net asset value of Series A units and 1.0% of the net asset value of Series F units. All other expenses attributable to the Funds are also payable out of the assets of the Funds.

CHOU FUNDS

Notes to Financial Statements (continued)

Years ended December 31, 2020 and 2019

5. Related party transactions (continued):

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

	2020	2019
Chou Associates Fund	\$ 2,536,084	\$ 4,137,327
Chou Asia Fund	271,945	329,241
Chou Europe Fund	80,599	108,809
Chou Bond Fund	126,907	174,612
Chou RRSP Fund	535,818	934,882

As at year end, included in accrued expenses of each Fund are the following amounts due to the Manager, for management fees payable:

	2020	2019
Chou Associates Fund	\$ 182,771	\$ 260,388
Chou Asia Fund	25,911	19,707
Chou Europe Fund	6,211	8,191
Chou Bond Fund	8,577	9,683
Chou RRSP Fund	45,527	53,826

(b) Investments by the Manager and related parties

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

As at December 31, 2020, the following amounts of Series A redeemable units were held by the Manager, its employees, and directors. No amount of Series F redeemable units was held by the Manager, its employees, and directors.

	2020	2019
Chou Associates Fund	73,669	74,051
Chou Asia Fund	—	—
Chou Europe Fund	4,924	4,924
Chou Bond Fund	—	—
Chou RRSP Fund	36,660	36,660

CHOU FUNDS

Notes to Financial Statements (continued)

Years ended December 31, 2020 and 2019

5. Related party transactions (continued):

(i) Chou Associates Fund:

As at December 31, 2020, 5.0% of Series A redeemable units (2019 – 4.3%) were held by the Manager, its employees, and directors.

(ii) Chou Europe Fund:

As at December 31, 2020, 1.8% of Series A redeemable units (2019 – 1.2%) were held by the Manager, its employees, and directors.

(iii) Chou RRSP Fund:

As at December 31, 2020, 2.7% of Series A redeemable units (2019 – 2.3%) were held by the Manager, its employees, and directors.

(c) Other Related Party Transactions

Chou Bond Fund

During the year ended December 31, 2020, an affiliate of the Manager purchased 60,136 units of EXCO Resources Inc. shares from the Fund to reduce the Fund's exposure to illiquid securities. The security was sold for \$780,567, which was deemed to be the fair market value at the time of the trade as determined by an independent pricing company. This transaction resulted in a \$1,301,330 net realized loss on sale by the Fund. This related party transaction was approved by the Independent Review Committee and received exemption relief from the Ontario Securities Commission to record a trade transaction with an affiliate. As at December 31, 2020, EXCO Resources Inc. comprised 2.4% of the net assets of the Fund.

Chou RRSP Fund

During the year ended December 31, 2020, an affiliate of the Manager purchased 242,914 units of EXCO Resources Inc. shares from the Fund to reduce the Fund's exposure to illiquid securities. The security was sold for \$3,153,029, which was deemed to be the fair market value at the time of the trade as determined by an independent pricing company. This transaction resulted in a \$1,887,185 net realized loss on sale by the Fund. This related party transaction was approved by the Independent Review Committee and received exemption relief from the Ontario Securities Commission to record a trade transaction with an affiliate. As at December 31, 2020, EXCO Resources Inc. comprised 3.2% of the net assets of the Fund.

CHOU FUNDS

Notes to Financial Statements (continued)

Years ended December 31, 2020 and 2019

6. Brokers' commissions:

Total commissions paid to brokers in connection with portfolio transactions for the years ended December 31, 2020 and 2019 are as follows:

	2020	2019
Chou Associates Fund	\$ 84,365	\$ 209,684
Chou Asia Fund	7,095	5,488
Chou Europe Fund	14,880	3,616
Chou Bond Fund	—	6,164
Chou RRSP Fund	33,823	16,005

7. Securities lending:

The Funds has an ongoing securities lending program with CIBC Mellon. In the past, the Funds receive collateral of at least 102% of the value of the securities on loan. Collateral may be comprised of cash and obligations of or guaranteed by, the Government of Canada or a province thereof, or by the United States Government or its agencies, but may include bonds of other governments with appropriate credit ratings. The aggregate dollar values of the securities that are on loan and the collateral received by the Funds as at December 31, 2020 and 2019 are as follows:

2020	Market value of securities on loan	Market value of collateral received
Chou Associates Fund	\$ —	\$ —
Chou Asia Fund	—	—
Chou Europe Fund	—	—
Chou Bond Fund	1,302	1,369
Chou RRSP Fund	206	216

2019	Market value of securities on loan	Market value of collateral received
Chou Associates Fund	\$ 12,914,218	\$ 13,631,412
Chou Asia Fund	5,499,059	5,860,340
Chou Europe Fund	190,371	200,153
Chou Bond Fund	572,275	615,367
Chou RRSP Fund	3,776,402	4,008,515

CHOU FUNDS

Notes to Financial Statements (continued)

Years ended December 31, 2020 and 2019

7. Securities lending (continued):

The tables below present a reconciliation of the securities lending income as presented in the statements of comprehensive income for the years ended December 31, 2020 and 2019. They show the gross amount of securities lending revenues generated from the securities lending transactions of the Fund, less any taxes withheld and amounts due to parties entitled to receive payments out of the gross amount as part of any securities lending agreements.

Chou Associates Fund:

	December 31, 2020	
Gross securities lending revenue	\$ 16,872	100 %
Withholding taxes	(2,214)	(13)%
Agent fees	(2,931)	(17)%
Securities lending revenue	\$ 11,727	70 %

	December 31, 2019	
Gross securities lending revenue	\$ 58,263	100 %
Withholding taxes	(13,440)	(23)%
Agent fees	(8,963)	(15)%
Securities lending revenue	\$ 35,860	62 %

Chou Asia Fund:

	December 31, 2020	
Gross securities lending revenue	\$ 107,040	100%
Withholding taxes	—	0%
Agent fees	(21,408)	(20)%
Securities lending revenue	\$ 85,632	80%

	December 31, 2019	
Gross securities lending revenue	\$ 179,285	100%
Withholding taxes	(311)	0%
Agent fees	(35,794)	(20)%
Securities lending revenue	\$ 143,180	80%

CHOU FUNDS

Notes to Financial Statements (continued)

Years ended December 31, 2020 and 2019

7. Securities lending (continued):

Chou Europe Fund:

	December 31, 2020	
Gross securities lending revenue	\$ 2,354	100%
Withholding taxes	(23)	(1)%
Agent fees	(466)	(20)%
Securities lending revenue	\$ 1,865	79%

	December 31, 2019	
Gross securities lending revenue	\$ 359	100%
Withholding taxes	(5)	(1)%
Agent fees	(71)	(20)%
Securities lending revenue	\$ 283	79%

Chou Bond Fund:

	December 31, 2020	
Gross securities lending revenue	\$ 13,411	100%
Withholding taxes	(3,990)	(30)%
Agent fees	(1,884)	(14)%
Securities lending revenue	\$ 7,537	56%

	December 31, 2019	
Gross securities lending revenue	\$ 8,951	100%
Withholding taxes	(2,571)	(29)%
Agent fees	(1,276)	(14)%
Securities lending revenue	\$ 5,104	57%

CHOU FUNDS

Notes to Financial Statements (continued)

Years ended December 31, 2020 and 2019

7. Securities lending (continued):

Chou RRSP Fund:

	December 31, 2020	
Gross securities lending revenue	\$ 7,641	100%
Withholding taxes	(166)	(2)%
Agent fees	(1,493)	(20)%
Securities lending revenue	\$ 5,982	78%

	December 31, 2019	
Gross securities lending revenue	\$ 18,651	100%
Withholding taxes	(645)	(4)%
Agent fees	(3,599)	(19)%
Securities lending revenue	\$ 14,407	77%

8. Fair value measurement:

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

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

CHOU FUNDS

Notes to Financial Statements (continued)

Years ended December 31, 2020 and 2019

8. Fair value measurement (continued):

(a) Chou Associates Fund:

2020	Level 1	Level 2	Level 3	Total
Financial Assets				
Equities	\$ 139,194,012	\$ 2,106,292	\$ 13,414,115	\$ 154,714,419
Bonds	—	—	—	—
Warrants	—	—	—	—
Total	\$ 139,194,012	\$ 2,106,292	\$ 13,414,115	\$ 154,714,419
Financial Liabilities				
Equities	\$ —	\$ —	\$ —	\$ —
Bonds	—	—	—	—
Options	—	149,566	—	149,566
Warrants	—	—	—	—
Total	\$ —	\$ 149,566	\$ —	\$ 149,566

2019	Level 1	Level 2	Level 3	Total
Financial Assets				
Equities	\$ 194,097,284	\$ —	\$ 15,829,672	\$ 209,926,956
Bonds	—	—	—	—
Warrants	—	—	—	—
Total	\$ 194,097,284	\$ —	\$ 15,829,672	\$ 209,926,956
Financial Liabilities				
Equities	\$ —	\$ —	\$ —	\$ —
Bonds	—	—	—	—
Options	—	—	—	—
Warrants	—	—	—	—
Total	\$ —	\$ —	\$ —	\$ —

The following tables reconcile the Fund's Level 3 fair value measurement of financial instruments as at December 31, 2020 and December 31, 2019.

	Equities	Bonds	Total
Balance, December 31, 2019	\$ 15,829,672	\$ —	\$ 15,829,672
Purchase of investments	—	—	—
Proceeds from sales during the year	—	—	—
Net transfers in (out) during the year	—	—	—
Net realized gain on sale of investments	—	—	—
Change in unrealized depreciation in value of investments	(2,415,557)	—	(2,415,557)
Balance, December 31, 2020	\$ 13,414,115	\$ —	\$ 13,414,115

CHOU FUNDS

Notes to Financial Statements (continued)

Years ended December 31, 2020 and 2019

8. Fair value measurement (continued):

(a) Chou Associates Fund (continued):

	Equities	Bonds	Total
Balance, December 31, 2018	\$ —	\$ 32,407,065	\$ 32,407,065
Purchase of investments	—	—	—
Net transfers in (out) during the year	37,508,649	(37,508,649)	—
Proceeds from sales during the year	(2,999,998)	—	(2,999,998)
Net realized loss on sale of investments	(2,861,949)	—	(2,861,949)
Change in unrealized (depreciation) appreciation in value of investments	(15,817,030)	5,101,584	(10,715,446)
Balance, December 31, 2019	\$ 15,829,672	\$ —	\$ 15,829,672

Financial instruments classified as Level 2 investments are valued based on the prices provided by an independent pricing services company who prices the securities based on recent transactions and quotes received from market participants and through incorporating observable market data.

Equities valued at \$2,106,292 at December 31, 2020 were transferred from Level 1 to Level 2 during 2020 due to a decrease in liquidity and trading values. During the year ended December 31, 2019, there were no significant transfers between Level 1, Level 2.

During 2019, term loans valued at \$37,508,649 were exchanged for common shares of the same company as a result of a restructuring proceeding.

Level 3 additional disclosures:

The table below sets out information about significant unobservable inputs used at December 31, 2020 and 2019 in measuring financial instruments categorized as Level 3 in the fair value hierarchy.

December 31, 2020

Securities/Instruments	Line item on the hierarchy table	Fair value (\$)	Valuation technique	Unobserv-able input	Range of input value	Possible shift +/- (absolute value/%)	Change in valuation (\$ +/-)
Equity – Private Company	Equity Security	13,414,115	Market Approach & Income Approach	Third party	N/A	10%	1,341,412/ (1,341,412)

CHOU FUNDS

Notes to Financial Statements (continued)

Years ended December 31, 2020 and 2019

8. Fair value measurement (continued):

(a) Chou Associates Fund (continued):

December 31, 2019							
Securities/Instruments	Line item on the hierarchy table	Fair value (\$)	Valuation technique	Unobservable input	Range of input value	Possible shift +/- (absolute value/%)	Change in valuation (\$ +/-)
Equity – Private Company	Equity Security	15,829,672	Market Approach & Income Approach	Third party	N/A	10%	158,297/(158,297)

Third party source

The price for this security was received from a third-party source whose valuation methodology was model driven and included proxy security to capture interest rate and credit risk. Although the Fund believes that its estimates of fair value are appropriate, different methodologies or assumptions could lead to different measurements of fair value.

(b) Chou Asia Fund:

2020	Level 1	Level 2	Level 3	Total
Financial Assets				
Equities	\$ 17,672,170	\$ 2,656,748	\$ —	\$ 20,328,918
Bonds	—	—	—	—
Options	—	—	—	—
Total	\$ 17,672,170	\$ 2,656,748	\$ —	\$ 20,328,918

2019	Level 1	Level 2	Level 3	Total
Financial Assets				
Equities	\$ 12,893,106	\$ 1,337,847	\$ —	\$ 14,230,953
Bonds	—	—	—	—
Options	—	—	—	—
Total	\$ 12,893,106	\$ 1,337,847	\$ —	\$ 14,230,953

During 2020, equities valued at \$1,281,690 were transferred from Level 1 to Level 2 due to a decrease in liquidity and trading volumes. During 2019, equities valued at \$1,337,847 were transferred from Level 1 to Level 2 due to a decrease in liquidity and trading volumes.

Financial instruments classified as Level 2 investments are valued based on prices by an independent pricing services company who prices the securities based on recent transactions and quotes received from market participants and through incorporating observable market data.

CHOU FUNDS

Notes to Financial Statements (continued)

Years ended December 31, 2020 and 2019

8. Fair value measurement (continued):

c) Chou Europe Fund:

2020	Level 1	Level 2	Level 3	Total
Financial Assets				
Equities	\$ 2,432,198	\$ 1,325,993	\$ —	\$ 3,758,191
Bonds	—	—	—	—
Options	—	—	—	—
Total	\$ 2,432,198	\$ 1,325,993	\$ —	\$ 3,758,191
Financial Liabilities				
Equities	\$ —	\$ —	\$ —	\$ —
Bonds	—	—	—	—
Options	—	—	—	—
Total	\$ —	\$ —	\$ —	\$ —
2019				
	Level 1	Level 2	Level 3	Total
Financial Assets				
Equities	\$ 4,789,094	\$ 390,864	\$ —	\$ 5,179,958
Bonds	—	—	—	—
Options	—	—	—	—
Total	\$ 4,789,094	\$ 390,864	\$ —	\$ 5,179,958
Financial Liabilities				
Equities	\$ —	\$ —	\$ —	\$ —
Bonds	—	—	—	—
Options	—	—	—	—
Total	\$ —	\$ —	\$ —	\$ —

During 2020, equities valued at \$714,746 were transferred from Level 1 to Level 2 due to a decrease in liquidity and trading volumes. During the year ended December 31, 2019, there were no significant transfers between Level 1, Level 2.

Financial instruments classified as Level 2 investments are valued based on prices by an independent reportable pricing services company who prices the securities based on recent transactions and quotes received from market participants and through incorporating observable market data.

CHOU FUNDS

Notes to Financial Statements (continued)

Years ended December 31, 2020 and 2019

8. Fair value measurement (continued):

(d) Chou Bond Fund:

2020		Level 1		Level 2		Level 3		Total
Financial Assets								
Equities	\$	524,584	\$	—	\$	209,874	\$	734,458
Bonds		—		6,062,537		366		6,062,903
Options		—		—		—		—
Total	\$	524,584	\$	6,062,537	\$	210,240	\$	6,797,361

2019		Level 1		Level 2		Level 3		Total
Financial Assets								
Equities	\$	623,672	\$	—	\$	990,642	\$	1,614,314
Bonds		—		5,013,975		366		5,014,341
Options		—		—		—		—
Total	\$	623,672	\$	5,013,975	\$	991,008	\$	6,628,655

The following tables reconcile the Fund's Level 3 fair value measurement of financial instruments as at December 31, 2020 and December 31, 2019.

		Equities		Bonds		Total
Balance, December 31, 2019	\$	990,642	\$	366	\$	991,008
Investment purchases during the period		—		—		—
Proceeds from sales during the year		(780,567)		—		(780,567)
Net realized loss on sale of investments		(1,301,330)		—		(1,301,330)
Change in unrealized appreciation in value of investments		1,301,129		—		1,301,129
Balance, December 31, 2020	\$	209,874	\$	366	\$	210,240

		Equities		Bonds		Total
Balance, December 31, 2018	\$	2,928,934	\$	3,956,223	\$	6,885,157
Net transfers in (out) during the year		4,080,429		(4,080,063)		366
Proceeds from sales during the year		(3,409,253)		(1,405,172)		(4,814,425)
Net realized gain on sale of investments		910,202		877,976		1,788,178
Change in unrealized (depreciation) appreciation in value of investments		(3,519,670)		651,402		(2,868,268)
Balance, December 31, 2019	\$	990,642	\$	366	\$	991,008

During 2019, term loans valued at \$4,080,429 were exchanged for common shares of the same company as a result of a restructuring proceeding.

During the years ended December 31, 2019 and 2020, there were no significant transfers between Level 1 and Level 2.

CHOU FUNDS

Notes to Financial Statements (continued)

Years ended December 31, 2020 and 2019

8. Fair value measurement (continued):

(d) Chou Bond Fund (continued):

Financial instruments classified as Level 2 investments are valued based on prices by an independent reportable pricing services company who prices the securities based on recent transactions and quotes received from market participants and through incorporating observable market data.

Level 3 additional disclosures:

The table below sets out information about significant unobservable inputs used at December 31, 2020 and 2019 in measuring financial instruments categorized as Level 3 in the fair value hierarchy.

December 31, 2020

Securities/Instruments	Line item on the hierarchy table	Fair value (\$)	Valuation technique	Unobservable input	Range of input value	Possible shift +/- (absolute value/%)	Change in valuation (\$ +/-)
Equity – Private Company	Equity Security	209,874	Market Approach & Income Approach	Third party	N/A	10%	20,987/ (20,987)
Convertible loan	Convertible Loan	366	Market Approach	Market value of company	N/A	10%	36/ (36)

December 31, 2019

Securities/Instruments	Line item on the hierarchy table	Fair value (\$)	Valuation technique	Unobservable input	Range of input value	Possible shift +/- (absolute value/%)	Change in valuation (\$ +/-)
Equity – Private Company	Equity Security	990,642	Market Approach & Income Approach	Third party	N/A	10%	99,064/ (99,064)
Convertible loan	Convertible Loan	366	Market Approach	Market value of company	N/A	10%	36/ (36)

Third party source

The price for this security was received from a third-party source whose valuation methodology was model driven and included proxy security to capture interest rate and credit risk. Although the Fund believes that its estimates of fair value are appropriate, different methodologies or assumptions could lead to different measurements of fair value.

CHOU FUNDS

Notes to Financial Statements (continued)

Years ended December 31, 2020 and 2019

8. Fair value measurement (continued):

(e) Chou RRSP Fund:

2020	Level 1	Level 2	Level 3	Total
Financial Assets				
Equities	\$ 29,769,274	\$ 3,687,343	\$ 1,197,419	\$ 34,654,036
Bonds	—	3,144,070	100	3,144,170
Options	—	—	—	—
Total	\$ 29,769,274	\$ 6,831,413	\$ 1,197,519	\$ 37,798,206
Financial Liabilities				
Equities	\$ —	\$ —	\$ —	\$ —
Bonds	—	—	—	—
Options	—	524,753	—	524,753
Total	\$ —	\$ 524,753	\$ —	\$ 524,753

2019	Level 1	Level 2	Level 3	Total
Financial Assets				
Equities	\$ 34,780,882	\$ —	\$ 4,414,229	\$ 39,195,111
Bonds	—	3,219,885	100	3,219,985
Options	—	—	—	—
Total	\$ 34,780,882	\$ 3,219,885	\$ 4,414,329	\$ 42,415,096
Financial Liabilities				
Equities	\$ —	\$ —	\$ —	\$ —
Bonds	—	—	—	—
Options	—	—	—	—
Total	\$ —	\$ —	\$ —	\$ —

The following tables reconcile the Fund's Level 3 fair value measurement of financial instruments as at December 31, 2020 and December 31, 2019.

	Equities	Bonds	Total
Balance, December 31, 2019	\$ 4,414,229	\$ 100	\$ 4,414,329
Net transfers in (out) during the year	—	—	—
Proceeds from sales during the year	(3,153,029)	—	(3,153,029)
Net realized loss on sale of investments	(1,887,185)	—	(1,887,185)
Change in unrealized appreciation in value of investments	1,823,404	—	1,823,404
Balance, December 31, 2020	\$ 1,197,419	\$ 100	\$ 1,197,519

CHOU FUNDS

Notes to Financial Statements (continued)

Years ended December 31, 2020 and 2019

8. Fair value measurement (continued):

(e) Chou RRSP Fund (continued):

	Equities	Bonds	Total
Balance, December 31, 2018	\$ —	\$ 7,624,651	\$ 7,624,651
Net transfers in (out) during the year	7,413,295	(7,413,195)	100
Proceeds from sales during the year	—	—	—
Net realized gain (loss) on sale of investments	—	—	—
Change in unrealized depreciation in value of investments	(2,999,066)	(211,356)	(3,210,422)
Balance, December 31, 2019	\$ 4,414,229	\$ 100	\$ 4,414,329

During 2020, equities valued at \$3,687,343 were transferred from Level 1 to Level 2. During 2019, there was no significant transfers between Level 1, Level 2.

During 2019, term loans valued at \$7,413,295 were exchanged for common shares of the same company as a result of a restructuring proceeding.

Financial instruments classified as Level 2 investments are valued based on prices by an independent pricing services company who prices the securities based on recent transactions and quotes received from market participants and through incorporating observable market data.

Level 3 additional disclosures:

The table below sets out information about significant unobservable inputs used at December 31, 2020 and 2019 in measuring financial instruments categorized as Level 3 in the fair value hierarchy.

December 31, 2020

Securities/Instruments	Line item on the hierarchy table	Fair value (\$)	Valuation technique	Unobservable input	Range of input value	Possible shift +/- (absolute value/%)	Change in valuation (\$ +/-)
Equity – Private Company	Equity Security	1,197,419	Market Approach & Income Approach	Third party	N/A	10%	119,742/ (119,742)
Convertible loan	Convertible Loan	100	Market Approach	Market value of company	N/A	10%	10/ (10)

December 31, 2019

Securities/Instruments	Line item on the hierarchy table	Fair value (\$)	Valuation technique	Unobservable input	Range of input value	Possible shift +/- (absolute value/%)	Change in valuation (\$ +/-)
Equity – Private Company	Equity Security	4,419,229	Market Approach & Income Approach	Third party	N/A	10%	441,923/ (441,923)
Convertible loan	Convertible Loan	100	Market Approach	Market value of company	N/A	10%	10/ (10)

CHOU FUNDS

Notes to Financial Statements (continued)

Years ended December 31, 2020 and 2019

8. Fair value measurement (continued):

(e) Chou RRSP Fund (continued):

Third party source

The price for this security was received from a third-party source whose valuation methodology was model driven and included proxy security to capture interest rate and credit risk. Although the Fund believes that its estimates of fair value are appropriate, different methodologies or assumptions could lead to different measurements of fair value.

9. Income taxes:

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

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

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

	2020	2019
Chou Associates Fund		
Capital loss carryforward	\$ 6,267,002	\$ 12,981,174
Chou Europe Fund		
Capital loss carryforward	4,347,415	3,451,693
Non-capital loss carryforward	19,105	50,174
Chou Bond Fund		
Capital loss carryforward	9,501,944	9,681,833
Chou RRSP Fund		
Capital loss carryforward	15,671,493	2,773,197
Non-capital loss carryforward	216,570	-
Chou Asia Fund		
Capital loss carryforward	167,964	167,964

CHOU FUNDS

Notes to Financial Statements (continued)

Years ended December 31, 2020 and 2019

10. Fund valuation adjustment:

December 31, 2020

For the period between February 18, 2020 to July 3, 2020, the Chou Bond Fund identified an interest income accrued amount of \$178,377 from a Level 3 term loan investment that did not meet the IFRS interest income recognition criteria. This resulted in an overstatement of the Net Asset Value ("NAV") for the period noted. As a result, the Chou Bond Fund did not accurately reflect the actual NAV at the time of computation for transactional purposes for all capital stock transactions in the Fund with a trade date of February 18, 2020 to July 3, 2020. No other transactions were impacted by this error.

In July 2020, the error was retroactively corrected, and the NAV was restated for the affected period, February 18, 2020 to July 3, 2020. The financial statements of the Chou Bond Fund correctly reflect the Net Assets Attributable to Unitholders of Redeemable Units as at December 31, 2020. Adjustments were made in accordance with Chou Bond Fund's NAV error procedures.

December 31, 2019

Subsequent to December 31, 2019, the Chou Bond Fund identified an interest income accrued amount of \$178,377 from a Level 3 term loan investment that did not meet the IFRS interest income recognition criteria as at December 31, 2019. This resulted in an overstatement of the Net Asset Value ("NAV") as at December 31, 2019. As a result, the Chou Bond Fund did not accurately reflect the actual NAV at the time of computation for transactional purposes for all capital stock transactions in the Fund with a trade date of December 31, 2019 to January 9, 2020. No other transactions were impacted by this error.

In March 2020, the error was retroactively corrected, and the NAV was restated for the affected period, December 31, 2019 to January 9, 2020. The financial statements of the Chou Bond Fund correctly reflect the Net Assets Attributable to Unitholders of Redeemable Units as at December 31, 2019. Adjustments were made in accordance with Chou Bond Fund's NAV error procedures.

The following table illustrates the adjustments made to the NAV to reflect the correction in the interest income from the Level 3 investment on December 31, 2019:

Class:	Unadjusted Net Asset Value per Unit as at Dec. 31, 2019	Adjustment to reflect the effects of over valuation:	Adjusted Net Asset Value per Unit as at Dec.31, 2019
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Canadian Dollars:

Bond Fund (series A)	\$6.02	(\$0.12)	\$5.91
Bond Fund (series F)	\$6.18	(\$0.12)	\$6.06

U.S. Dollars:

Bond Fund (series A)	\$4.64	(\$0.09)	\$4.55
Bond Fund (series F)	\$4.76	(\$0.09)	\$4.67

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

CHOU ASIA FUND

Period ended	Total value of shares
Dec.31, 2003	\$10,000
Dec.31, 2004	11,850
Dec.31, 2005	12,678
Dec.31, 2006	14,598
Dec.31, 2007	16,972
Dec.31, 2008	13,979
Dec.31, 2009	17,015
Dec.31, 2010	18,786
Dec.31, 2011	17,931
Dec.31, 2012	17,609
Dec.31, 2013	21,799
Dec.31, 2014	23,472
Dec.31, 2015	24,760
Dec.31, 2016	25,284
Dec.31, 2017	30,625
Dec.31, 2018	26,728
Dec.31, 2019	27,001
Dec.31, 2020	<u>\$44,850</u>

CHOU EUROPE FUND

Period ended	Total value of shares
Dec.31, 2003	\$10,000
Dec.31, 2004	11,361
Dec.31, 2005	12,650
Dec.31, 2006	14,002
Dec.31, 2007	11,881
Dec.31, 2008	6,655
Dec.31, 2009	8,962
Dec.31, 2010	8,885
Dec.31, 2011	8,451
Dec.31, 2012	10,753
Dec.31, 2013	15,199
Dec.31, 2014	15,342
Dec.31, 2015	15,629
Dec.31, 2016	12,705
Dec.31, 2017	13,161
Dec.31, 2018	11,856
Dec.31, 2019	11,495
Dec.31, 2020	<u>\$14,626</u>

CHOU BOND FUND

Period ended	Total value of shares
Dec.31, 2005	\$10,000
Dec.31, 2006	12,200
Dec.31, 2007	11,870
Dec.31, 2008	7,396
Dec.31, 2009	10,534
Dec.31, 2010	13,980
Dec.31, 2011	11,408
Dec.31, 2012	12,884
Dec.31, 2013	15,944
Dec.31, 2014	17,502
Dec.31, 2015	16,875
Dec.31, 2016	18,411
Dec.31, 2017	18,114
Dec.31, 2018	20,805
Dec.31, 2019	15,582
Dec.31, 2020	<u>\$19,458</u>

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

CHOU RRSP FUND

Period ended	Total value of shares	Period ended	Total value of shares
Dec.31, 1986	\$10,000	Dec.31, 2011	81,150
Dec.31, 1987	10,818	Dec.31, 2012	108,860
Dec.31, 1988	12,281	Dec.31, 2013	132,029
Dec.31, 1989	14,350	Dec.31, 2014	150,763
Dec.31, 1990	12,722	Dec.31, 2015	131,417
Dec.31, 1991	13,284	Dec.31, 2016	126,719
Dec.31, 1992	14,500	Dec.31, 2017	154,716
Dec.31, 1993	16,727	Dec.31, 2018	143,655
Dec.31, 1994	14,961	Dec.31, 2019	118,267
Dec.31, 1995	17,808	Dec.31, 2020	<u>\$134,262</u>
Dec.31, 1996	21,735		
Dec.31, 1997	32,741		
Dec.31, 1998	38,806		
Dec.31, 1999	36,217		
Dec.31, 2000	42,188		
Dec.31, 2001	49,370		
Dec.31, 2002	65,095		
Dec.31, 2003	72,658		
Dec.31, 2004	82,362		
Dec.31, 2005	95,294		
Dec.31, 2006	104,479		
Dec.31, 2007	94,817		
Dec.31, 2008	54,629		
Dec.31, 2009	69,818		
Dec.31, 2010	102,367		

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

The table is presented only to illustrate the effects of the compound growth rate and is not intended to reflect future values of the mutual funds or returns on the mutual funds. Commissions, trailing commissions, management fees and expenses all may be associated with mutual fund investments. Please read the prospectus before investing.

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