

**MANAGEMENT REPORT OF FUND
PERFORMANCE**

December 31 2020

CHOU BOND FUND

CHOU ASSOCIATES MANAGEMENT INC.

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December 31, 2020

This annual management report of fund performance contains financial highlights but does not contain the complete financial statements of the Fund. You can get a copy of the annual financial statements at your request, and at no cost, by calling Toll-free: 1-888-357-5070, by writing to us at 110 Sheppard Ave. East, Suite 301, Box 18, Toronto, Ontario M2N 6Y8 or by visiting our website at www.choufunds.com and SEDAR at www.sedar.com.

Unitholders may also contact us using one of these methods to request a copy of the Fund's proxy voting policies and procedures, proxy voting disclosure record, or quarterly portfolio disclosure.

This document may contain forward-looking statements relating to anticipated future events, results, circumstances, performance, or expectations that are not historical facts but instead represent our beliefs regarding future events. By their nature, forward-looking statements require us to make assumptions and are subject to inherent risks and uncertainties. There is significant risk that predictions and other forward-looking statements will not prove to be accurate. We caution readers of this document not to place undue reliance on our forward-looking statements as a number of factors could cause actual future results, conditions, actions or events to differ materially from the targets, expectations, estimates or intentions expressed or implied in the forward-looking statements.

Actual results may differ materially from management expectations as projected in such forward-looking statements for a variety of reasons including, but not limited to, market and general economic conditions, interest rates, regulatory and statutory developments, the effects of competition in the geographic and business areas in which the Fund may invest, and the risks detailed from time to time in the Fund's Simplified Prospectus. We caution that the foregoing list of factors is not exhaustive, and that when relying on forward-looking statements to make decisions with respect to investing in the Fund, investors and others should carefully consider these factors, as well as other uncertainties and potential events, and the inherent uncertainty of forward-looking statements. Due to the potential impact of these factors, the family of Chou Funds does not undertake, and specifically disclaims, any intention or obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise, unless required by applicable law.

Chou Associates Management Inc. ("the Manager") manages the overall business of the Fund, including the selection of the securities in the Fund's portfolio and promoting sales of the Fund's units. For the purposes of this document, the terms Chou Associates Management Inc. and "the Manager" are interchangeable. Full contact information for the Manager is located at the end of this report.

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Management Discussion of Fund Performance

Investment Objective and Strategies

Chou Bond Fund's (the "Fund") objective is to provide conservation of principal and income production with capital appreciation as a secondary consideration. The Fund invests primarily in Canadian and U.S. fixed income instruments considered by Chou Associates Management Inc. (the "Manager") to be undervalued. 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.

Risk

The risks of investing in the Fund are disclosed in the Fund's most recently filed Simplified Prospectus which can be found on the Fund's website at www.choufunds.com and SEDAR at www.sedar.com.

During the year ended December 31, 2020, there were no material changes that affected the Fund's overall level of risk.

Market Review

In 2020, the U.S. high-yield market delivered positive returns. The benchmark ICE Bank of America U.S. High Yield Constrained Index ended the year with a total annual return of 6.1% while the Bloomberg Barclays U.S. Aggregate Bond Index returned 7.5%.

During the year, the U.S. Federal Reserve slashed the Federal Funds rate to near zero and launched a massive USD\$700 billion quantitative easing program. The U.S. government also launched multiple programs, including the CARES Act, which provided USD\$2.3 trillion of support to individuals and businesses. The yield on the benchmark U.S. 10-year Treasury note ranged from a high of 1.92% in January to a low of 0.54% in March and ended the year at 0.93%.

The supply of high yield bonds saw a material pickup compared to the previous years, with corporations taking advantage of lower interest rates. US\$-denominated offerings of investment-grade corporate bonds rocketed higher by 54% to USD\$2.014 trillion.

Results of Operations

For the year ended December 31, 2020, the Fund increased by 24.9% for Series A units and 25.7% for Series F units after fees and expenses, while Barclays Capital U.S. Corporate High Yield Index returned 5.2% in Canadian dollars. In U.S. dollars, the Fund increased by 27.4% for Series A units and 28.2% for Series F units, while Barclays Capital U.S. Corporate High Yield Index increased 7.1%.

The 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% contributed positively to the Fund's performance during the year.

The main negative contributors to the Fund's performance in 2020 were the debt holdings of UrklandFarming PLC 10.875%, as well as the common shares of WOW Unlimited and EXCO Resources Inc.

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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.

In 2020, the Fund added several debt holdings of energy companies, including Athabasca Oil Corporation 9.875%, Continental Resources Inc. 3.8%, PDC Energy Inc. (6.25% and 5.75%), Southwestern Energy Company 7.5%, Antero Resources 5.625% and Occidental Petroleum 2.7%.

The Fund's net redemptions for the year 2020 were approximately \$2,135,987 for Series A units and approximately \$1,160,375 for Series F units. The Fund's average month-end cash position for the period was 23.0% of the Fund's net assets.

In 2020, the Fund received \$7,537 in income from its securities lending program.

The Fund did not enter into any foreign currency contracts in 2020.

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

Recent Developments

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.

Related Party Transactions

The Manager manages the overall business of the Fund, including selection of the securities in the Fund's portfolio, and promoting the sale of the Fund's units.

The Manager is also the trustee of the Fund. Investors receive units of a trust when they invest in the Fund. The Manager, as trustee, holds actual title to the property in the Fund, the cash and portfolio securities, on behalf of the Fund's investors.

The Manager, its employees and directors invest in units of the Fund from time to time in the normal course of business. As of December 31, 2020, the Manager, its employees and directors did not hold any units of the Fund. All transactions with the Manager are carried out at the Fund's net asset value as at the transaction date.

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.

Fund Valuation Adjustment

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.

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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.

Financial Highlights

The following tables show selected key financial information about the Fund and are intended to help you understand the Fund's financial performance for the year ended December 31, 2020, and for each of the past five years ended December 31.

The Fund's Net Assets per Unit¹ - Series A Units

	2020	2019	2018	2017	2016	2015
Net Assets, beginning of year	\$ 5.91	\$ 9.01	\$ 8.21	\$ 8.79	\$ 8.78	\$ 9.96
Increase (decrease) from operations:						
Total revenue	\$ 0.41	\$ 1.08	\$ 0.48	\$ 0.45	\$ 0.23	\$ 0.98
Total expenses	\$ (0.10)	\$ (0.12)	\$ (0.15)	\$ (0.14)	\$ (0.13)	\$ (0.15)
Realized gains (losses) for the year	\$ (1.29)	\$ 1.26	\$ (0.33)	\$ 0.41	\$ 0.08	\$ (0.02)
Unrealized gains (losses) for the year	\$ 2.47	\$ (4.54)	\$ 0.42	\$ (0.93)	\$ 0.57	\$ (1.14)
Total increase (decrease) from operations²	\$ 1.49	\$ (2.32)	\$ 0.42	\$ (0.21)	\$ 0.75	\$ (0.33)
Distributions:						
From income (excluding dividends)	\$ 0.85	\$ 0.84	\$ 0.42	\$ 0.44	\$ 0.77	\$ 0.83
From dividends	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
From capital gains	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Return of capital	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Total Distributions³	\$ 0.85	\$ 0.84	\$ 0.42	\$ 0.44	\$ 0.77	\$ 0.83
Net Assets, end of year	\$ 6.53	\$ 5.91	\$ 9.01	\$ 8.21	\$ 8.79	\$ 8.78
Net Assets, end of year (USD)	\$ 5.13	\$ 4.55	\$ 6.60	\$ 6.53	\$ 6.55	\$ 6.34

Ratios and Supplemental Data - Series A Units

	2020	2019	2018	2017	2016	2015
Total Net Asset Value (000s)⁴	\$ 7,224	\$ 7,713	\$ 15,016	\$ 25,485	\$ 38,982	\$ 39,631
Number of Redeemable Units Outstanding	1,105,932	1,305,522	1,666,054	3,104,049	4,432,708	4,515,187
Management Expense Ratio ⁵	1.42%	1.60%	1.85%	1.56%	1.54%	1.45%
Management Expense Ratio before waivers or a	1.42%	1.60%	1.85%	1.56%	1.54%	1.45%
Trading Expense Ratio ⁶	-	0.05%	0.05%	0.05%	0.05%	0.00%
Portfolio Turnover Rate ⁷	54.84%	11.84%	13.97%	36.79%	50.15%	4.44%
Net Asset Value per Unit	\$ 6.53	\$ 5.91	\$ 9.01	\$ 8.21	\$ 8.79	\$ 8.78

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The Fund's Net Assets per Unit¹ - Series F Units

	2020	2019	2018	2017	2016	2015
Net Assets, beginning of year	\$ 6.06	\$ 9.17	\$ 8.41	\$ 8.94	\$ 8.85	\$ 10.05
Increase (decrease) from operations:						
Total revenue	\$ 0.45	\$ 1.32	\$ 0.49	\$ 0.46	\$ 0.23	\$ 0.99
Total expenses	\$ (0.09)	\$ (0.11)	\$ (0.14)	\$ (0.12)	\$ (0.12)	\$ (0.13)
Realized gains (losses) for the year	\$ (0.91)	\$ 0.98	\$ (0.11)	\$ 0.40	\$ 0.08	\$ (0.02)
Unrealized gains (losses) for the year	\$ 2.22	\$ (4.34)	\$ 1.16	\$ (0.99)	\$ 0.77	\$ (1.16)
Total increase (decrease) from operations²	\$ 1.67	\$ (2.15)	\$ 1.40	\$ (0.25)	\$ 0.96	\$ (0.32)
Distributions:						
From income (excluding dividends)	\$ 0.91	\$ 0.82	\$ 0.50	\$ 0.40	\$ 0.74	\$ 0.85
From dividends	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
From capital gains	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Return of capital	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Total Distributions³	\$ 0.91	\$ 0.82	\$ 0.50	\$ 0.40	\$ 0.74	\$ 0.85
Net Assets, end of year	\$ 6.71	\$ 6.06	\$ 9.17	\$ 8.41	\$ 8.94	\$ 8.85
Net Assets, end of year (USD)	\$ 5.27	\$ 4.67	\$ 6.72	\$ 6.69	\$ 6.66	\$ 6.40

Ratios and Supplemental Data - Series F Units

	2020	2019	2018	2017	2016	2015
Total Net Asset Value (000s)⁴	\$ 1,408	\$ 2,094	\$ 2,863	\$ 2,273	\$ 3,611	\$ 3,174
Number of Redeemable Units Outstanding	209,838	345,626	312,347	270,473	403,615	358,475
Management Expense Ratio ⁵	1.25%	1.40%	1.71%	1.37%	1.37%	1.28%
Management Expense Ratio before waivers or a	1.25%	1.40%	1.71%	1.37%	1.37%	1.28%
Trading Expense Ratio ⁶	-	0.05%	0.05%	0.05%	0.05%	0.00%
Portfolio Turnover Rate ⁷	54.84%	11.84%	13.97%	36.79%	50.15%	4.44%
Net Asset Value per Unit	\$ 6.71	\$ 6.06	\$ 9.17	\$ 8.41	\$ 8.94	\$ 8.85

⁽¹⁾ This information is derived from the Fund's audited annual financial statements.

⁽²⁾ Net assets and distributions are based on the actual number of redeemable units outstanding at the relevant time. The increase/decrease from operations is based on the weighted average number of redeemable units outstanding over the financial period.

⁽³⁾ Distributions were reinvested in additional units of the Fund or paid in cash upon request.

⁽⁴⁾ This information is provided as at year end shown and is rounded to the nearest thousand.

⁽⁵⁾ Management expense ratio ("MER") is based on total expenses (excluding commissions and other portfolio transaction costs) for the stated period and is expressed as an annualized percentage of daily average net asset value during the period. The Manager may, at its discretion, waive or absorb certain operating expenses. MER includes the waiver or absorption by the Manager of certain operating expenses, while the MER before absorption shows the MER prior to operating expenses being waived or absorbed by the Manager.

⁽⁶⁾ The trading expense ratio represents total commissions and other portfolio transaction costs expressed as an annualized percentage of weekly average net asset value during the year.

⁽⁷⁾ The Fund's portfolio turnover rate indicates how actively the Fund's portfolio adviser manages its portfolio investments. A portfolio turnover rate of 100% is equivalent to the Fund buying and selling all of the securities in its portfolio once in the course of the year. The higher a fund's portfolio turnover rate in a year, the greater the trading costs payable by the fund in the year, and the greater the chance of an investor receiving taxable capital gains in the year. There is not necessarily a relationship between a high turnover rate and the performance of a fund.

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Management Fees

The Manager manages the Fund. The Manager is entitled to an investment management fee calculated daily as a percentage of the market value of the net assets equal to 1.15% per annum for Series A units and 1.0% per annum for Series F units, payable monthly. The Manager pays 15 basis points per year trailer fees to dealers out of management fees for Series A units. There is no trailer fee paid out for Series F units.

Past Performance

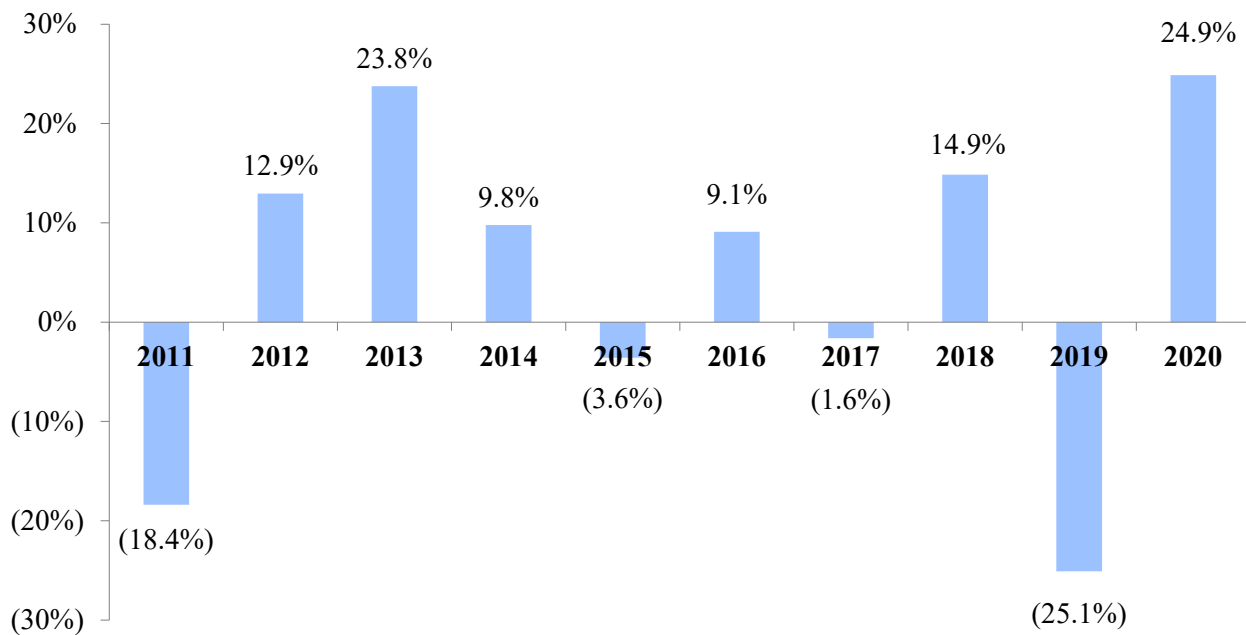
General

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

Year-by-Year Returns

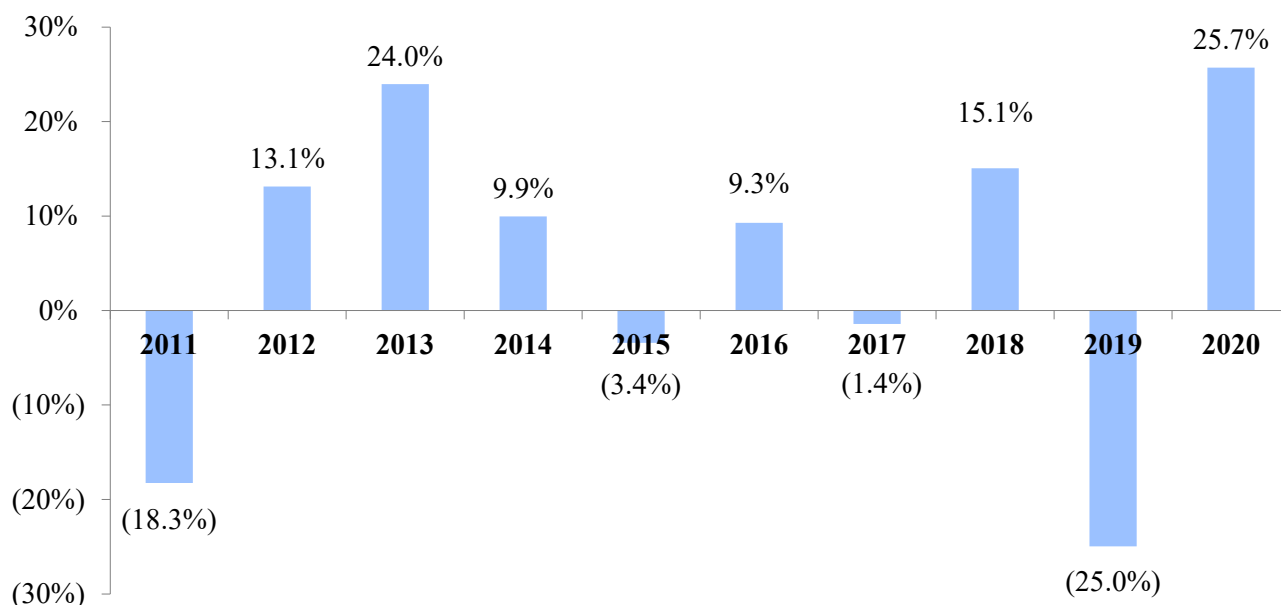
The following bar charts show the annual performance for each of the Series A and Series F units of the Fund for each of the years shown. Each chart shows, in percentage terms, how an investment on January 1 would have increased or decreased by December 31 for each of the years, and how the performance of the Fund varied from year to year.

Series A



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Series F



Annual Compound Returns

The following tables⁽¹⁾ show the annual compound total return for each of the Series A and Series F units of the Fund. The tables outline the Fund's past performance since inception and for the one-, three-, five- and ten-year periods ended on December 31, 2020. Also shown for the same periods are the respective historical annual compound total returns of the Barclays U.S. Corporate High Yield Index (the "Index"). The Index is a broad-based benchmark that measures the non-investment grade, fixed-rate, corporate bond market. It includes \$US-denominated securities publicly issued by U.S. and non-U.S. industrial, utility and financial issuers that meet specified maturity, liquidity, and quality requirements. The Index is calculated without the deduction of management fees and fund expenses, whereas the performance of the Fund is calculated after deducting such fees and expenses.

Series A

December 31, 2020	Past Year	Past 3 Years	Past 5 Years	Past 10 Years	Since Inception
Chou Bond Fund	24.88%	2.41%	2.89%	3.36%	4.72%
Barclays U.S. Corp. High Yield Index (\$CAN)	5.22%	6.81%	6.72%	9.48%	8.11%

Series F

December 31, 2020	Past Year	Past 3 Years	Past 5 Years	Past 10 Years	Since Inception
Chou Bond Fund	25.71%	2.76%	3.17%	3.59%	4.91%
Barclays U.S. Corp. High Yield Index (\$CAN)	5.22%	6.81%	6.72%	9.48%	8.11%

⁽¹⁾ Tables assume the reinvestment of all distributions.

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Summary of Investment Portfolio

The following tables provide a summary of the Fund's portfolio as at December 31, 2020.

<u>Geographic Distribution</u>	<u>% of Fund's Net Assets</u>
United States	44.7%
Canada	22.6%
United Kingdom	7.1%
Continental Europe	4.3%
Net Cash Equivalents	21.3%
Total Portfolio	100.0%

<u>Total Issuers</u> <i>(excluding cash equivalents)</i>	<u>% of Fund's Net Assets</u>
Equities	
Wow Unlimited Media Inc.	6.1%
EXCO Resources Inc.	2.4%
Total Equities	8.5%

Fixed Income	
Continental Resources Inc., 3.800%, June 1, 2024, Callable	15.3%
Southwestern Energy Company, 7.500%, April 1, 2026, Callable	12.4%
Athabasca Oil Corporation, 9.875%, February 24, 2022, Callable	11.0%
PDC Energy Inc., 6.250%, December 1, 2025, Callable	7.3%
Signet UK Finance PLC, 4.700%, June 15, 2024, Callable	7.1%
Taiga Building Products Limited, 7.000%, November 17, 2022, Callable	5.5%
PDC Energy Inc., 5.750%, May 15, 2026, Callable	4.6%
UkrLandFarming PLC, 10.875%, March 26, 2018	4.3%
GameStop Corporation, Series '144A', 6.750%, March 15, 2021, Callable	2.7%
Fortress Global Enterprises Inc., 9.750%, December 31, 2021, Convertible	0.0%
Total Fixed Income	70.2%
Total Holdings	78.7%

The summary of the Fund's investment portfolio may change due to ongoing portfolio transactions of the Fund. The next quarterly update as at March 31, 2021 will be in the Quarterly Portfolio Disclosure and will be posted on our website www.choufunds.com on or before May 31, 2021.

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