

**MANAGEMENT REPORT OF FUND  
PERFORMANCE**

**December 31 2020**

**CHOU EUROPE FUND**

**CHOU ASSOCIATES MANAGEMENT INC.**

## **MANAGEMENT REPORT OF FUND PERFORMANCE**

### **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](http://www.choufunds.com) and SEDAR at [www.sedar.com](http://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.

# CHOU EUROPE FUND

---

## Management Discussion of Fund Performance

### Investment Objective and Strategies

Chou Europe Fund's (the "Fund") objective is to provide long-term growth of capital by investing primarily in equity securities of European businesses considered by Chou Associates Management Inc. (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 Fund's investment strategy follows a strong discipline with regard to the prices paid to acquire portfolio investments. The level of investments in a particular entity's securities is generally commensurate with the current price of the company's securities in relation to the Manager's assessment of such entity's intrinsic value as determined by various factors. This approach is designed to provide an extra margin of safety, which in turn, serves to reduce the Fund's overall portfolio risk.

### 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](http://www.choufunds.com) and SEDAR at [www.sedar.com](http://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

For the year 2020, European equities ended mixed. The MSCI Europe Index rose 5.9% while the MSCI United Kingdom Index declined by 10.4%, and the MSCI Germany Index rose 11.6%. European equities gained sharply in Q4, on the news of effective vaccines. Sectors that had previously suffered most severely from the pandemic, such as energy and financials, were the top gainers in Q4.

Over the year, rising COVID-19 infections saw many European countries tighten restrictions. The European Central Bank (ECB) provided stimulus and ongoing bond buying to support the markets. The ECB increased its emergency bond-buying program to €1.85 trillion euros (\$2.3 trillion) in December and extended it through March 2022.

In 2020, the U.K. economy faced headwinds of rising COVID-19 rates, national lockdowns and an uncertain outlook on Brexit. According to the International Monetary Fund, the U.K. had suffered the deepest contraction out of the G7 group of rich countries in 2020, at 10%. Over the year, the Bank of England cut rates twice from 0.75% to 0.1% and expanded its target stock of asset purchases to £895 billion. In December, the EU agreed to a Brexit trade deal with the U.K. giving investors some hope of economic stability going into the new year.

### Results of Operations

For the year ended December 31, 2020, the Fund increased 27.2% for Series A units and 28.0% for Series F units, after fees and expenses, while the MSCI AC Europe Total Return Index increased 3.6% in Canadian dollars. In U.S. dollars, the Fund increased 29.8% for Series A units and 30.5% for Series F units, while the MSCI AC Europe Total Return Index increased 5.3%.

## CHOU EUROPE FUND

---

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 year, which also contributed positively to the performance of the Fund.

The Fund added the equity holdings of 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 still holds Cairo Mezz Plc, a Cypriot subsidiary of Eurobank Ergasias S.A. as a result of the re-organization.

The Fund's net redemptions for 2020 were approximately \$1,042,482 for Series A units and approximately \$1,463,415 for Series F units. The Fund's average month-end cash position for the year was 19.8% of the Fund's net assets.

During 2020, the Fund received \$1,865 in income from its securities lending program.

The Fund did not enter into any forward currency contracts for pounds sterling or Euros 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 held 1.8% of the Series A 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, there were no transactions with related parties except in the capacities and instances set out above.

# CHOU EUROPE FUND

---

## 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 Unit<sup>1</sup> - Series A Units

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
<b>Net Assets, beginning of year</b>	<b>\$ 8.78</b>	<b>\$ 9.06</b>	<b>\$ 10.05</b>	<b>\$ 9.70</b>	<b>\$ 11.94</b>	<b>\$ 11.70</b>
<b>Increase (decrease) from operations:</b>						
Total revenue	\$ 0.15	\$ 0.29	\$ 0.12	\$ 0.06	\$ (0.64)	\$ 0.24
Total expenses	\$ (0.19)	\$ (0.20)	\$ (0.24)	\$ (0.22)	\$ (0.20)	\$ (0.27)
Realized gains (losses) for the year	\$ (2.13)	\$ (1.16)	\$ (2.00)	\$ 3.57	\$ (0.21)	\$ (0.33)
Unrealized gains (losses) for the year	\$ 3.99	\$ 0.79	\$ 1.28	\$ (3.04)	\$ (1.32)	\$ 0.69
<b>Total increase (decrease) from operations<sup>2</sup></b>	<b>\$ 1.82</b>	<b>\$ (0.28)</b>	<b>\$ (0.84)</b>	<b>\$ 0.37</b>	<b>\$ (2.37)</b>	<b>\$ 0.33</b>
<b>Distributions:</b>						
From income (excluding dividends)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
From dividends	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
From capital gains	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Return of capital	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
<b>Total Distributions<sup>3</sup></b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Net Assets, end of year</b>	<b>\$ 11.17</b>	<b>\$ 8.78</b>	<b>\$ 9.06</b>	<b>\$ 10.05</b>	<b>\$ 9.70</b>	<b>\$ 11.94</b>
<b>Net Assets, end of year (USD)</b>	<b>\$ 8.78</b>	<b>\$ 6.76</b>	<b>\$ 6.64</b>	<b>\$ 8.00</b>	<b>\$ 7.22</b>	<b>\$ 8.63</b>

### Ratios and Supplemental Data - Series A Units

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
<b>Total Net Asset Value (000s)<sup>4</sup></b>	<b>\$ 3,045</b>	<b>\$ 3,481</b>	<b>\$ 4,325</b>	<b>\$ 6,695</b>	<b>\$ 12,165</b>	<b>\$ 17,974</b>
Number of Redeemable Units Outstanding	272,660	396,577	477,657	666,094	1,253,703	1,505,730
Management Expense Ratio <sup>5</sup>	2.04%	1.96%	2.21%	1.95%	1.89%	1.95%
Management Expense Ratio before waivers or a	2.04%	1.96%	2.21%	1.95%	1.89%	1.95%
Trading Expense Ratio <sup>6</sup>	0.27%	0.05%	0.11%	0.14%	0.01%	0.00%
Portfolio Turnover Rate <sup>7</sup>	32.94%	13.94%	9.01%	21.06%	6.94%	0.00%
<b>Net Asset Value per Unit</b>	<b>\$ 11.17</b>	<b>\$ 8.78</b>	<b>\$ 9.06</b>	<b>\$ 10.05</b>	<b>\$ 9.70</b>	<b>\$ 11.94</b>

# CHOU EUROPE FUND

## The Fund's Net Assets per Unit<sup>1</sup> - Series F Units

	2020	2019	2018	2017	2016	2015
<b>Net Assets, beginning of year</b>	<b>\$ 9.05</b>	<b>\$ 9.37</b>	<b>\$ 10.34</b>	<b>\$ 9.92</b>	<b>\$ 12.10</b>	<b>\$ 11.79</b>
<b>Increase (decrease) from operations:</b>						
Total revenue	\$ 0.14	\$ 0.27	\$ 0.08	\$ 0.03	\$ (0.65)	\$ 0.24
Total expenses	\$ (0.15)	\$ (0.14)	\$ (0.18)	\$ (0.16)	\$ (0.15)	\$ (0.20)
Realized gains (losses) for the year	\$ (1.92)	\$ (1.51)	\$ (1.10)	\$ 3.13	\$ (0.22)	\$ (0.34)
Unrealized gains (losses) for the year	\$ 3.62	\$ 1.25	\$ (1.24)	\$ (2.74)	\$ (1.73)	\$ 0.22
<b>Total increase (decrease) from operations<sup>2</sup></b>	<b>\$ 1.69</b>	<b>\$ (0.13)</b>	<b>\$ (2.44)</b>	<b>\$ 0.26</b>	<b>\$ (2.75)</b>	<b>\$ (0.08)</b>
<b>Distributions:</b>						
From income (excluding dividends)	\$ -	\$ 0.09	\$ -	\$ -	\$ -	\$ -
From dividends	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
From capital gains	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Return of capital	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
<b>Total Distributions<sup>3</sup></b>	<b>\$ -</b>	<b>\$ 0.09</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Net Assets, end of year</b>	<b>\$ 11.58</b>	<b>\$ 9.05</b>	<b>\$ 9.37</b>	<b>\$ 10.34</b>	<b>\$ 9.92</b>	<b>\$ 12.10</b>
<b>Net Assets, end of year (USD)</b>	<b>\$ 9.10</b>	<b>\$ 6.97</b>	<b>\$ 6.86</b>	<b>\$ 8.23</b>	<b>\$ 7.39</b>	<b>\$ 8.75</b>

## Ratios and Supplemental Data - Series F Units

	2020	2019	2018	2017	2016	2015
<b>Total Net Asset Value (000s)<sup>4</sup></b>	<b>\$ 2,436</b>	<b>\$ 3,352</b>	<b>\$ 3,102</b>	<b>\$ 864</b>	<b>\$ 1,524</b>	<b>\$ 3,827</b>
Number of Redeemable Units Outstanding	210,389	370,498	330,952	83,511	153,653	316,204
Management Expense Ratio <sup>5</sup>	1.48%	1.36%	1.62%	1.30%	1.32%	1.37%
Management Expense Ratio before waivers or a	1.48%	1.36%	1.62%	1.30%	1.32%	1.37%
Trading Expense Ratio <sup>6</sup>	0.27%	0.05%	0.11%	0.14%	0.01%	0.00%
Portfolio Turnover Rate <sup>7</sup>	32.94%	13.94%	9.01%	21.06%	6.94%	0.00%
<b>Net Asset Value per Unit</b>	<b>\$ 11.58</b>	<b>\$ 9.05</b>	<b>\$ 9.37</b>	<b>\$ 10.34</b>	<b>\$ 9.92</b>	<b>\$ 12.10</b>

(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.

# CHOU EUROPE FUND

---

## 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 1.5% per annum for Series A units and 1.0% per annum for Series F units, payable monthly. The Manager pays 50 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

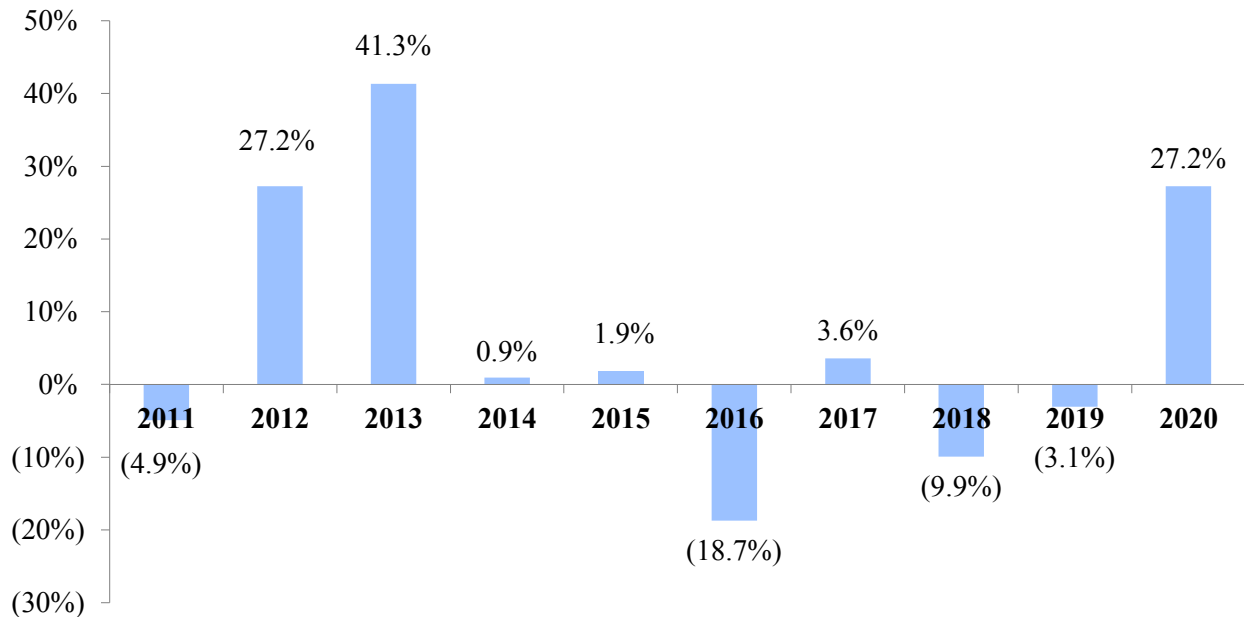
### General

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

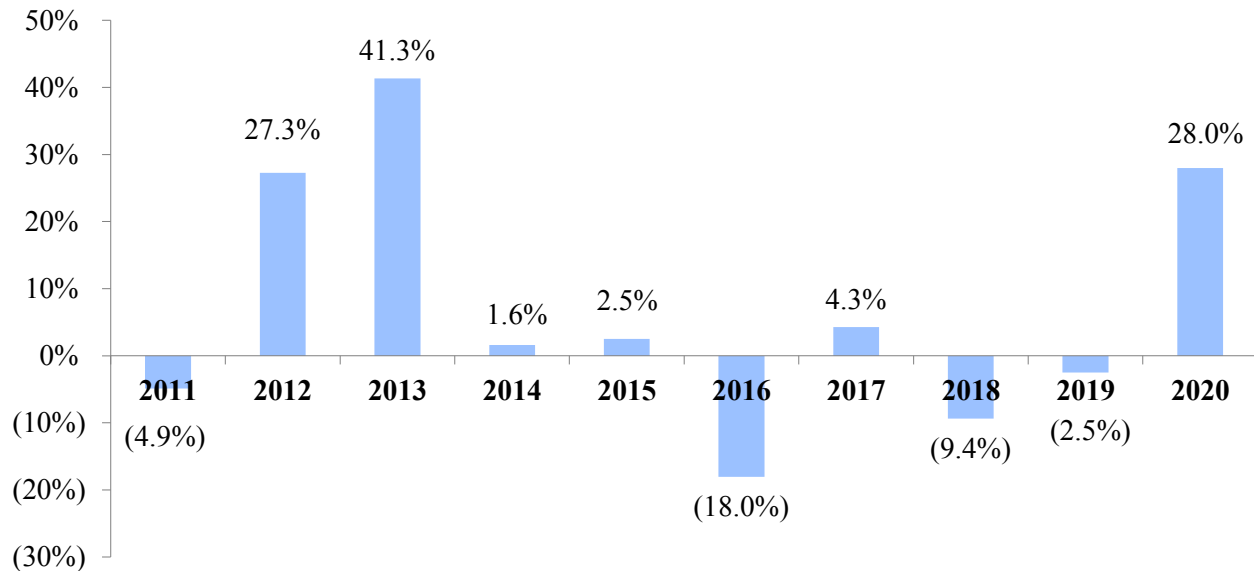
The following bar charts show the annual performance for each of the Series A and Series F units of the Fund for each of the years shown. Each chart shows, in percentage terms, how an investment on January 1 would have increased or decreased by December 31 for each of the years, and how the performance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

### Series A



# CHOU EUROPE FUND

## Series F



## Annual Compound Returns

The following tables<sup>(1)</sup> 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 MSCI AC Europe Index (the "Index"). The Index is a free-float weighted equity index. The benchmark 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 <sup>(2)</sup>
Chou Europe Fund	27.24%	3.58%	-1.32%	5.11%	2.49%
MSCI AC Europe (\$CAN)	3.58%	4.71%	5.75%	8.25%	6.84%

### Series F

December 31, 2020	Past Year	Past 3 Years	Past 5 Years	Past 10 Years	Since Inception <sup>(2)</sup>
Chou Europe Fund	27.96%	4.17%	-0.69%	5.58%	1.60%
MSCI AC Europe (\$CAN)	3.58%	4.71%	5.75%	8.25%	5.59%

(1) Tables assume the reinvestment of all distributions.

(2) The inception date is 09/30/2003 for Series A and 09/30/2005 for Series F.



## CHOU EUROPE FUND

---

### Summary of Investment Portfolio

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

<b><u>Sector Mix</u></b>	<b><u>% of Fund's Net Assets</u></b>
Consumer Staples	26.7%
Industrials	24.8%
Consumer Discretionary	17.1%
Net Cash & Equivalents	31.4 %
<b>Total Portfolio</b>	<b>100.0%</b>

<b><u>Total Issuers</u></b>	<b><u>% of Fund's Net Assets</u></b>
<i>(excluding cash equivalents)</i>	
<b>Equities</b>	
Jet2 PLC	13.6%
Wizz Air Holdings PLC	13.0%
Stellantis NV	12.6%
Ryanair Holdings PLC, ADR	11.7%
Cpl Resources PLC	11.2%
Abbey PLC	4.4%
Rolls-Royce Holdings PLC	2.0%
Cairo Mezz PLC	0.1%
<b>Total Equities</b>	<b>68.6%</b>
<b>Total Holdings</b>	<b>68.6%</b>

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](http://www.choufunds.com) on or before May 31, 2021.

**Chou Associates Management Inc.**

110 Sheppard Ave. East  
Suite 301, Box 18  
Toronto, Ontario  
M2N 6Y8

Tel: 416-214-0675

Toll-free: 1-888-357-5070

Fax: 416-214-1733

Web: [www.choufunds.com](http://www.choufunds.com)

E-mail: [admin@choufunds.com](mailto:admin@choufunds.com)

**Recordkeeping and Custodian**

CIBC Mellon  
1 York Street, Suite 900  
Toronto, Ontario  
M5J 0B6

Tel: 416-643-5540

Toll-free: 1-866-379-3266

Fax: 1-855-884-0493

**Auditors**

Grant Thornton LLP  
15 Allstate Parkway, Suite 200  
Markham, Ontario  
L3R 5B4

**Legal Counsel**

Owens Wright LLP  
20 Holly Street, Suite 300  
Toronto, Ontario  
M4S 3B1