

# **MANAGEMENT REPORT OF FUND PERFORMANCE**

**December 31 2020**

**CHOU RRSP 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 RRSP FUND

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## Management Discussion of Fund Performance

### Investment Objective and Strategies

The Chou RRSP Fund’s (“the Fund”) objective is to provide long-term growth of capital by investing in equity and debt instruments of primarily Canadian 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, Canadian equities ended in positive territory. The S&P/TSX Composite Index ended the year up over 5.6%. The top performing sectors for Canadian equities were Information Technology, Materials, and Consumer Discretionary, while the worst performing sectors were Energy, Health Care and Real Estate. However, Canadian equities still underperformed U.S. equities.

For investors, the year was characterized by sharp swings in the markets. As the pandemic worsened over Q1 and Q2, investors experienced a sharp market decline, negative oil prices, and trillions of dollars of global stimulus. This was followed by a fast recovery as a number of vaccine breakthroughs were announced towards the end of the year.

The Canadian government introduced the Canadian Emergency Response Benefit (CERB) program which gave \$2,000 a month to Canadians directly affected by COVID-19. The Bank of Canada cut interest rates by 150 basis points in three emergency meetings, taking the overnight rate to 0.25%.

### Results of Operations

For the year ended December 31, 2020, the Fund increased 13.5% for Series A units and 14.2% for Series F units, after fees and expenses, while the S&P/TSX Total Return Index increased 5.6% in Canadian dollars. In U.S. dollars, the Fund increased by 15.8% for Series A units and 16.5% for Series F units, while the S&P/TSX Total Return Index increased 7.3%.

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.

## **CHOU RRSP FUND**

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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 Inc. and BlackBerry Ltd.

The Fund sold the equity holdings in Fairfax Financial Holdings and Torstar Corporation in 2020.

As of December 31, 2020, the Fund had four covered call options of BlackBerry Ltd. and Resolute Forest Products.

In 2020, the Fund received \$5,982 in income from its securities lending program.

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

The Fund's net redemptions for year 2020 were approximately \$7,005,574 for Series A units and approximately \$1,487,286 for Series F units. The Fund's average month-end cash position for the period was 2.9% of the Fund's net assets.

### **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 2.7% 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 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 RRSP FUND

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## 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

	<b>2020</b>	<b>2019</b>	<b>2018</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>
<b>Net Assets, beginning of year</b>	\$ 22.79	\$ 30.08	\$ 32.55	\$ 27.48	\$ 29.40	\$ 35.29
<b>Increase (decrease) from operations:</b>						
Total revenue	\$ 0.20	\$ 1.20	\$ 1.89	\$ 1.37	\$ 1.25	\$ 0.99
Total expenses	\$ (0.39)	\$ (0.53)	\$ (0.85)	\$ (0.59)	\$ (0.52)	\$ (0.63)
Realized gains (losses) for the year	\$ (5.08)	\$ (11.43)	\$ 1.79	\$ (0.97)	\$ 0.65	\$ 4.38
Unrealized gains (losses) for the year	\$ 7.32	\$ 5.40	\$ (4.90)	\$ 5.65	\$ (2.78)	\$ (9.20)
<b>Total increase (decrease) from operations<sup>2</sup></b>	<b>\$ 2.05</b>	<b>\$ (5.36)</b>	<b>\$ (2.07)</b>	<b>\$ 5.46</b>	<b>\$ (1.40)</b>	<b>\$ (4.46)</b>
<b>Distributions:</b>						
From income (excluding dividends)	\$ -	\$ 0.82	\$ -	\$ 0.82	\$ (0.63)	\$ 0.37
From dividends	\$ -	\$ 1.15	\$ 0.15	\$ 0.18	\$ (0.23)	\$ -
From capital gains	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1.03
Return of capital	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
<b>Total Distributions<sup>3</sup></b>	<b>\$ -</b>	<b>\$ 1.97</b>	<b>\$ 0.15</b>	<b>\$ 1.00</b>	<b>\$ (0.86)</b>	<b>\$ 1.40</b>
<b>Net Assets, end of year</b>	<b>\$ 25.87</b>	<b>\$ 22.79</b>	<b>\$ 30.08</b>	<b>\$ 32.55</b>	<b>\$ 27.48</b>	<b>\$ 29.40</b>
<b>Net Assets, end of year (USD)</b>	<b>\$ 20.32</b>	<b>\$ 17.55</b>	<b>\$ 22.03</b>	<b>\$ 25.90</b>	<b>\$ 20.47</b>	<b>\$ 21.24</b>

### Ratios and Supplemental Data - Series A Units

	<b>2020</b>	<b>2019</b>	<b>2018</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>
<b>Total Net Asset Value (000s)<sup>4</sup></b>	<b>\$ 34,909</b>	<b>\$ 38,865</b>	<b>\$ 59,989</b>	<b>\$ 73,105</b>	<b>\$ 82,833</b>	<b>\$ 99,334</b>
Number of Redeemable Units Outstanding	1,349,151	1,705,179	1,994,527	2,245,919	3,013,777	3,379,086
Management Expense Ratio <sup>5</sup>	1.88%	1.89%	2.01%	1.92%	1.93%	1.84%
Management Expense Ratio before waivers or absorption <sup>5</sup>	1.88%	1.89%	2.01%	1.92%	1.93%	1.84%
Trading Expense Ratio <sup>6</sup>	0.11%	0.03%	0.03%	0.12%	0.05%	0.04%
Portfolio Turnover Rate <sup>7</sup>	0.05%	15.25%	14.08%	23.45%	7.22%	16.76%
<b>Net Asset Value per Unit</b>	<b>\$ 25.87</b>	<b>\$ 22.79</b>	<b>\$ 30.08</b>	<b>\$ 32.55</b>	<b>\$ 27.48</b>	<b>\$ 29.40</b>

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

	<b>2020</b>	<b>2019</b>	<b>2018</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>
<b>Net Assets, beginning of year</b>	\$ 22.77	\$ 30.21	\$ 32.74	\$ 27.70	\$ 29.42	\$ 35.30
<b>Increase (decrease) from operations:</b>						
Total revenue	\$ 0.20	\$ 1.27	\$ 1.92	\$ 1.28	\$ 1.26	\$ 1.00
Total expenses	\$ (0.28)	\$ (0.38)	\$ (0.66)	\$ (0.44)	\$ (0.38)	\$ (0.45)
Realized gains (losses) for the year	\$ (5.12)	\$ (12.49)	\$ 1.81	\$ (2.18)	\$ 0.65	\$ 4.39
Unrealized gains (losses) for the year	\$ 6.44	\$ 6.30	\$ (5.09)	\$ 7.62	\$ (1.66)	\$ (9.20)
<b>Total increase (decrease) from operations<sup>2</sup></b>	<b>\$ 1.24</b>	<b>\$ (5.30)</b>	<b>\$ (2.02)</b>	<b>\$ 6.28</b>	<b>\$ (0.13)</b>	<b>\$ (4.26)</b>
<b>Distributions:</b>						
From income (excluding dividends)	\$ -	\$ 0.93	\$ -	\$ 1.03	\$ (0.61)	\$ 0.55
From dividends	\$ -	\$ 1.31	\$ 0.36	\$ 0.23	\$ (0.22)	\$ -
From capital gains	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1.02
Return of capital	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
<b>Total Distributions<sup>3</sup></b>	<b>\$ -</b>	<b>\$ 2.24</b>	<b>\$ 0.36</b>	<b>\$ 1.26</b>	<b>\$ (0.83)</b>	<b>\$ 1.57</b>
<b>Net Assets, end of year</b>	<b>\$ 26.00</b>	<b>\$ 22.77</b>	<b>\$ 30.21</b>	<b>\$ 32.74</b>	<b>\$ 27.70</b>	<b>\$ 29.42</b>
<b>Net Assets, end of year (USD)</b>	<b>\$ 20.43</b>	<b>\$ 17.54</b>	<b>\$ 22.13</b>	<b>\$ 26.05</b>	<b>\$ 20.63</b>	<b>\$ 21.26</b>

## Ratios and Supplemental Data - Series F Units

	<b>2020</b>	<b>2019</b>	<b>2018</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>
<b>Total Net Asset Value (000s)<sup>4</sup></b>	<b>\$ 2,611</b>	<b>\$ 3,922</b>	<b>\$ 6,233</b>	<b>\$ 7,279</b>	<b>\$ 5,932</b>	<b>\$ 4,750</b>
Number of Redeemable Units Outstanding	100,434	172,209	206,334	222,317	214,149	161,443
Management Expense Ratio <sup>5</sup>	1.31%	1.32%	1.44%	1.39%	1.38%	1.29%
Management Expense Ratio before waivers or absorption <sup>5</sup>	1.31%	1.32%	1.44%	1.39%	1.38%	1.29%
Trading Expense Ratio <sup>6</sup>	0.11%	0.03%	0.03%	0.12%	0.05%	0.04%
Portfolio Turnover Rate <sup>7</sup>	0.05%	15.25%	14.08%	23.45%	7.22%	16.76%
<b>Net Asset Value per Unit</b>	<b>\$ 26.00</b>	<b>\$ 22.77</b>	<b>\$ 30.21</b>	<b>\$ 32.74</b>	<b>\$ 27.70</b>	<b>\$ 29.42</b>

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

<sup>(2)</sup> 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.

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

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

<sup>(5)</sup> 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.

<sup>(6)</sup> 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.

<sup>(7)</sup> 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 1.5% 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

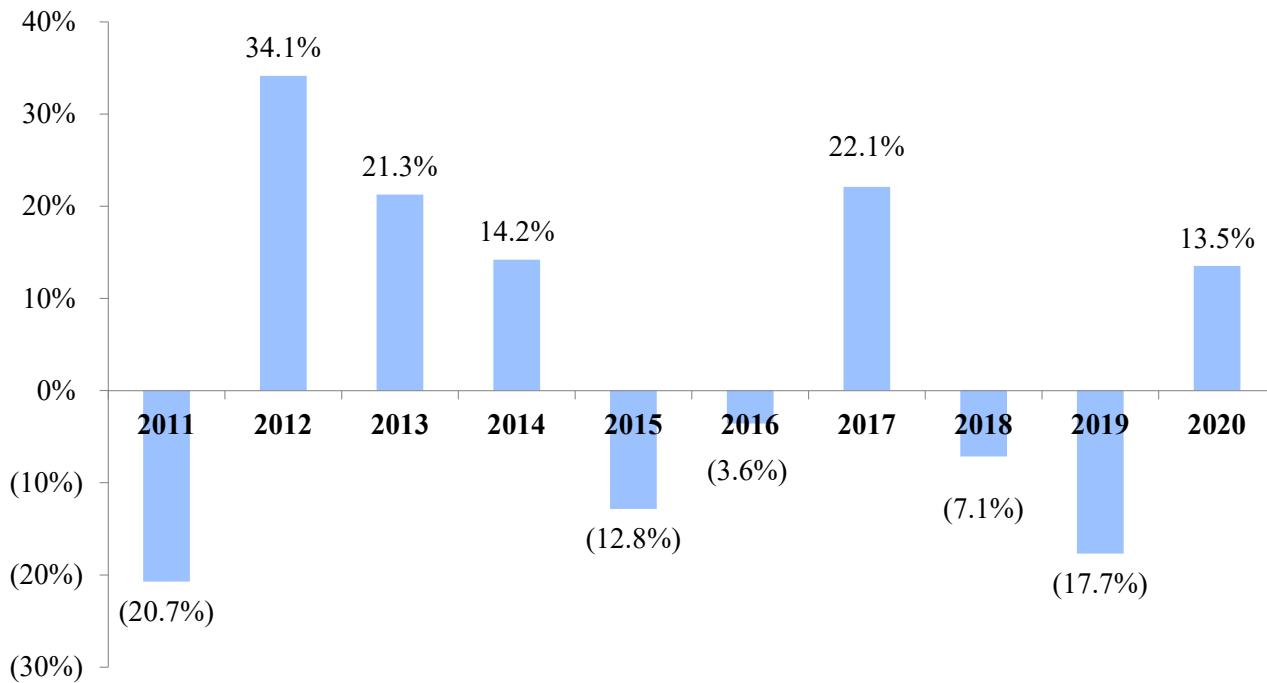
### **General**

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.

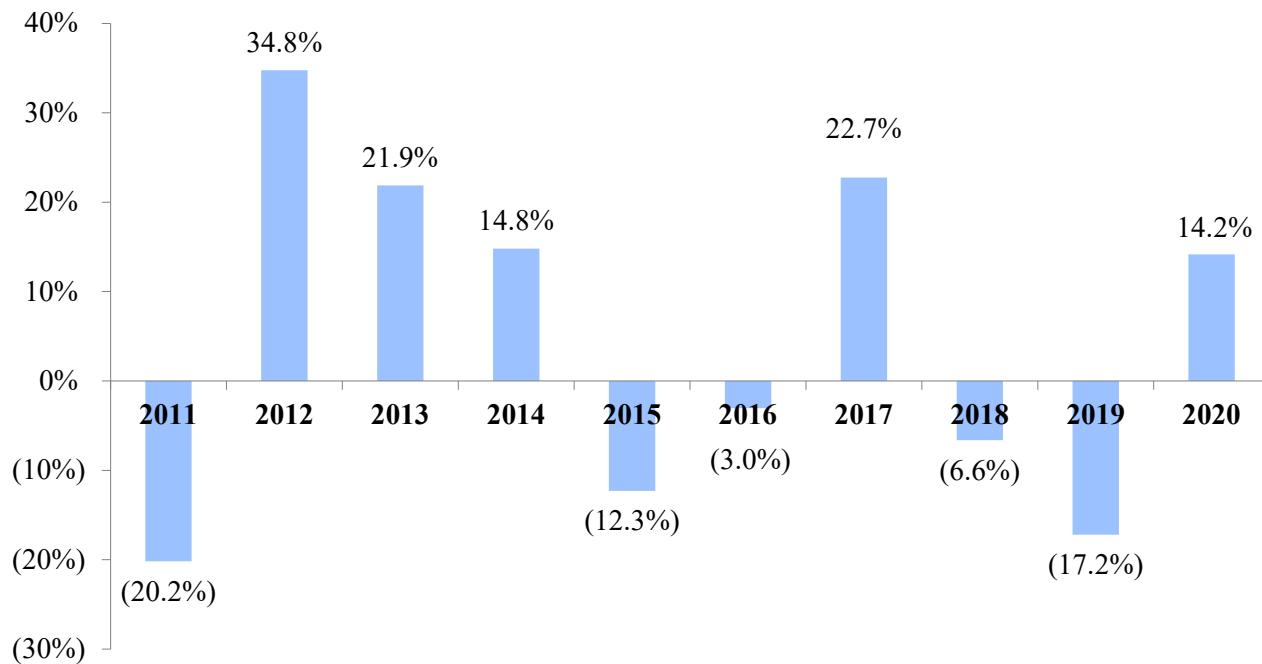
#### **Series A**



## CHOU RRSP FUND

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### 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 for the one-, three-, five-, ten-, and fifteen-year periods ended on December 31, 2020 for Series A units and the one-, three-, five- ten-, and fifteen-year periods ended on December 31, 2020 for Series F units. Also shown for the same periods are the respective historical annual compound total returns of the S&P/TSX (the "Index"). The Index is the headline index for the Canadian equity market. The Toronto Stock Exchange serves as the distributor of this 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	Past 15 Years
Chou RRSP Fund	13.52%	-4.62%	0.43%	2.75%	2.31%
S&P/TSX (\$CAN)	5.58%	5.71%	9.31%	5.74%	5.99%

### Series F

December 31, 2020	Past Year	Past 3 Years	Past 5 Years	Past 10 Years	Past 15 Years
Chou RRSP Fund	14.16%	-4.08%	0.99%	3.32%	2.87%
S&P/TSX (\$CAN)	5.58%	5.71%	9.31%	5.74%	5.99%

<sup>(1)</sup>Tables assume the reinvestment of all distributions.

# CHOU RRSP FUND

## Summary of Investment Portfolio

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

<u>Sector Mix</u>	<u>% of Fund's Net Assets</u>
Materials	41.4%
Consumer Discretionary	21.0%
Health Care	15.1%
Information Technology	9.7%
Corporate	8.4%
Energy	3.2%
Financials	1.9%
Options	-1.4%
Net Cash & Equivalents	0.7%
<b>Total Portfolio</b>	<b>100.0%</b>
<u>Total Issuers</u>	<u>% of Fund's Net Assets</u>
<i>(excluding cash equivalents)</i>	
<b>Equities</b>	
Resolute Forest Products Inc.	27.1%
Bausch Health Companies Inc.	15.1%
BlackBerry Limited	9.7%
TWC Enterprises Limited	8.6%
Interfor Corporation	8.0%
Canfor Pulp Products Inc.	6.4%
Magna International Inc., Class 'A'	4.8%
Linamar Corporation	4.3%
EXCO Resources Inc.	3.2%
Bank of America Corporation	1.9%
TVA Group Inc.	1.7%
Overstock.com Inc., Class 'B'	1.2%
Reitmans (Canada) Limited	0.2%
Wow Unlimited Media Inc.	0.1%
<b>Total Equities</b>	<b>92.3%</b>
<b>Fixed Income</b>	
Taiga Building Products Ltd.	8.4%
Fortress Global Enterprises Inc., 9.750%, December 31, 2021	0.0%
<b>Total Fixed Income</b>	<b>8.4%</b>
<b>Written Call Options - Short</b>	
Resolute Forest Products Inc.	-0.2%
Resolute Forest Products Inc.	-0.3%
BlackBerry Limited	-0.4%
BlackBerry Limited	-0.5%
<b>Total Written Call Options</b>	<b>-1.4%</b>
<b>Total Holdings</b>	<b>99.3%</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.

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