

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

**ANNUAL REPORT 2022**

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

**CHOU ASSOCIATES FUND**

<b>Period ended</b>	<b>Total value of shares</b>
Dec.31, 1986	\$10,000
Dec.31, 1987	10,502
Dec.31, 1988	12,001
Dec.31, 1989	14,244
Dec.31, 1990	12,722
Dec.31, 1991	15,681
Dec.31, 1992	18,817
Dec.31, 1993	21,863
Dec.31, 1994	21,300
Dec.31, 1995	27,904
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
Dec.31, 2011	113,776
Dec.31, 2012	144,446
Dec.31, 2013	204,142
Dec.31, 2014	228,754
Dec.31, 2015	212,854
Dec.31, 2016	206,905
Dec.31, 2017	214,775
Dec.31, 2018	197,699
Dec.31, 2019	200,244
Dec.31, 2020	181,288
Dec.31, 2021	276,407
<b>Dec.31, 2022</b>	<b><u>\$302,056</u></b>

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>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
<b>Chou Associates Fund</b>							
Total Return	9.28%	52.47%	-9.47%	1.29%	-7.95%	3.80%	-2.79%
Management Expense Ratio (MER)	2.02%	1.69%	1.85%	1.87%	2.03%	1.89%	1.87%
Portfolio turnover rate	15.76%	4.99%	0.03%	14.98%	31.61%	26.03%	16.55%
Net Assets, end of the year (in millions)	\$ 162.2	\$ 164.6	\$ 153.2	\$ 209.0	\$ 285.8	\$ 376.8	\$ 448.8
<b>Chou Asia Fund</b>							
Total Return	-6.58%	-1.70%	66.11%	1.02%	-12.72%	21.12%	2.12%
Management Expense Ratio (MER)	2.26%	1.76%	1.86%	1.90%	2.08%	1.92%	1.90%
Portfolio turnover rate	3.26%	7.00%	0.37%	15.55%	0.00%	0.96%	0.00%
Net Assets, end of the year (in millions)	\$ 15.3	\$ 18.6	\$ 21.6	\$ 16.2	\$ 22.5	\$ 29.4	\$ 35.6
<b>Chou Europe Fund</b>							
Total Return	8.00%	-4.46%	27.24%	-3.05%	-9.91%	3.59%	-18.71%
Management Expense Ratio (MER)	1.24%	1.73%	2.04%	1.96%	2.21%	1.95%	1.89%
Portfolio turnover rate	13.76%	12.10%	32.94%	13.94%	9.01%	21.06%	6.94%
Net Assets, end of the year (in millions)	\$ 2.4	\$ 3.5	\$ 5.5	\$ 6.8	\$ 7.4	\$ 7.6	\$ 13.7
<b>Chou Bond Fund</b>							
Total Return	7.96%	41.25%	24.88%	-25.10%	14.85%	-1.61%	9.10%
Management Expense Ratio (MER)	1.78%	1.37%	1.42%	1.60%	1.85%	1.56%	1.54%
Portfolio turnover rate	78.25%	44.47%	54.84%	11.84%	13.97%	36.79%	50.15%
Net Assets, end of the year (in millions)	\$ 11.2	\$ 10.5	\$ 8.6	\$ 9.8	\$ 17.9	\$ 27.8	\$ 42.6
<b>Chou RRSP Fund</b>							
Total Return	-8.73%	55.98%	13.52%	-17.67%	-7.15%	22.09%	-3.57%
Management Expense Ratio (MER)	2.04%	1.70%	1.88%	1.89%	2.01%	1.92%	1.93%
Portfolio turnover rate	33.81%	9.86%	0.05%	15.25%	14.08%	23.45%	7.22%
Net Assets, end of the year (in millions)	\$ 37.3	\$ 45.2	\$ 37.5	\$ 42.8	\$ 66.2	\$ 80.4	\$ 88.8

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

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## CHOU ASSOCIATES FUND (unaudited)

March 17, 2023

Dear Unitholders of Chou Associates Fund,

After the distribution of \$0.41, the net asset value per unit (“NAVPU”) of a Series A unit of Chou Associates Fund at December 31, 2022 was \$155.04 compared to \$142.25 at December 31, 2021, an increase of 9.3%; during the same period, the S&P 500 Total Return Index decreased 12.5% in Canadian dollars. In U.S. dollars, a Series A unit of Chou Associates Fund increased by 2.1% while the S&P 500 Total Return Index decreased 18.2%.

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

<b>December 31, 2022 (Series A)</b>	<b>1 Year</b>	<b>3 Years</b>	<b>5 Years</b>	<b>10 Years</b>	<b>15 Years</b>	<b>20 Years</b>
Chou Associates Fund (\$CAN)	9.3%	14.7%	7.1%	7.7%	6.0%	6.2%
S&P 500 (\$CAN)	-12.5%	9.2%	11.1%	16.1%	11.1%	9.0%
Chou Associates Fund (\$US)	2.1%	13.1%	5.5%	4.4%	3.8%	7.0%
S&P 500 (\$US)	-18.2%	7.6%	9.4%	12.5%	8.8%	9.8%

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 2022 Results**

The major advancers in the year were the equity holdings of EXCO Resources Inc., Resolute Forest Products Inc., and Berkshire Hathaway Inc. The decliners in the year were the equity holdings of Bausch Health Companies Inc., Citigroup Inc., MBIA Inc., and Wells Fargo & Company. The Canadian currency depreciated against the US dollar, which also positively affected the Fund.

During the year, the Fund reduced its holdings in Resolute Forest Products Inc., MBIA Inc., Berkshire Hathaway Inc., and Bausch Health Companies Inc. The Fund also sold off its holdings in JPMorgan Chase & Company and The Goldman Sachs Group Inc. The preferred shares of Overstock.com, Inc. were converted into common shares.

The Fund initiated investments in Ally Financial Inc., Synchrony Financial, and Liberty Global PLC. The Fund also invested in the warrants of Hertz Global Holdings Inc.

## **Portfolio Commentary**

### **Capital Gains Refund Mechanism**

The Capital gains refund mechanism (CGRM) is a benefit provided under the Income Tax Act to limit potential double taxation on capital gains. The Income Tax Act (ITA) states that the same economic gain should not be taxed twice, (i.e. a gain should not be taxed once within the fund and also once by the unitholder).

In practical terms, what it means for the Fund, is that if there are significant redemptions, there is a formula that calculates how much unrealized gains we can sell to make it realized so that current unitholders are not subjected to capital gains taxes in the future.

At the beginning of the fourth quarter, we found that the Fund had nearly \$68 million of unrealized gains. This is a big chunk, and it would have put a severe tax burden on unitholders in the future. There were also large redemptions from the Fund, so we looked into how much CGRM it had generated. The answer was approximately \$40 million. This meant that we could realize \$40 million of unrealized capital gains without any tax consequences for the year 2022, thus reducing large tax bills in the future for unitholders. As a result, we sold some shares of several securities such as Berkshire Hathaway, JPMorgan Chase & Company, The Goldman Sachs Group Inc., and Resolute Forest Products Inc. to utilize close to 100% of the CGRM.

### **The Common Theme In New Purchases**

We purchased shares in several new companies. They are half-decent companies that generate tons of free cash flow, sell at a low multiple of earnings, and have management that we can trust to make operating and capital allocation decisions wisely. But if there is a common theme in the new purchases, it is that they have been big buyers of their own stock over the last few years. We also believe that if their shares fall further, they will repurchase them in significant quantities in the market. What this entails is that their intrinsic value will increase on a per-share basis. That is music to my ears.

However, there is one caveat regarding companies buying back their shares. They should not be in a declining industry where new technology or processes will make their products less valuable. And as a corollary, the company should not buy back shares if it is a piece of CRAP (Cannot Realize A Profit). In this case, the remaining loyal shareholders are getting a larger piece of a crappy company.

I remember a time 20 years ago when the newspaper industry was in decline because of the advent of the internet. I thought it would take ten years before the newspaper industry faced a massive decline in advertising revenues. In a challenging industry, I was told a company goes bankrupt two ways; first slowly and then suddenly. But it is more like going quickly and then the bottom just falls out.

### **Be Careful with the Conventional Definition of Safety**

When 2021 ended, we were concerned that inflation would raise its ugly head. It is unprecedented how much money has been printed over the last 15 years, and we felt it was a matter of time before you had to pay the piper. We were happy to stay in cash/short-term treasury bills unless we found a mispriced equity. We were not enthused with buying long-duration treasury bills to gain an extra 50 basis points in yields, and we felt that any investor buying any A-rated paper with a long duration was playing with fire. An investor trades for a gain of 50 basis points (0.5%) in interest income for a potential capital loss of 40%. We were happy staying in cash equivalents which were virtually paying 0%. In 2022, our cash level was as high as 24% of the net assets of the Fund.

If you look at the chart below, you can see the devastation caused by buying a long-duration A-rated paper such as treasury bills, supposedly the safest security in the world.

## PIMCO 25+ Yr Zero Coupon US Treasury Index



At the beginning of 2022, it was trading at \$147.17 but dropped to \$87.32 at the end of 2022 for a loss of 40.7%. So much for being the safest security in the world!!

We are wary of buying any financials such as banks or insurance companies whose assets consist of large portions of long-duration treasury bills, fixed-income assets, or 30-year fixed residential mortgages.

### Resolute Forest Products Inc. (“RFP”)

In June 2022, RFP announced that Domtar would be purchasing the company. The transaction will be carried out by way of a merger between RFP and a newly created subsidiary of Domtar, providing for the conversion of each share of RFP common stock into the right to receive US\$20.50 per share, together with CVR (Contingent Value Rights) entitling the holder to a share of future softwood lumber duty deposit refunds. Each share, on a fully diluted basis at closing, will be entitled to receive one CVR.

Looking back on RFP, there is an important lesson for investors. RFP paid a special dividend of US\$1.50 a share in 2018. In 2020, the company announced that it would buy back 15% of its common shares for US\$100 million. In spite of all that information, the stock traded as low as \$1.17 per share – meaning the whole market capitalization was approximately US\$99 million. In other words, instead of buying back 15% of the company with US\$100 million, it could have repurchased 100%.

The investment in RFP shows you what it takes to have the mindset of a value investor. I wrote about it in 2021’s annual letter, but it’s worth repeating. “When the stock is that cheap, assuming that you don’t own any shares, a rational investor should back up the truck and buy every share that is offered in the market. But what makes it difficult for some investors to buy is not the rational side of their mind but more the psychological aspect of it. In the stock market, you are bombarded with noises that affect a person’s rationality. It can get radically altered. Stock prices can move unrelated to the fundamentals of a business. During a bull market, you may see several stocks trading at anywhere from 50 times to more than 100 times earnings, and conversely, there can be several stocks that sold at 10 times earnings going down to below five times earnings. The fundamentals of the company are ignored and instead, investors are transfixed on the price movements of the last couple of years. Then new narratives are written most convincingly on why these are the “new” paradigms, and why they are not worth giving weights and considerations to what the

assets are worth and what the company can earn over several years. I remember talking to one value manager in 1999 when the tech stocks were in full bloom. He said, *“I have a family to feed and I will keep losing assets if I don’t accept the new headlines and paradigms. Sticking to buying companies that are undervalued is not the way to be successful in the long run”*. He changed his philosophy before the tech stocks were about to go into a severe decline over the next couple of years.”

It proves that in investing, an accurate valuation of what a company is worth matters the most.

### **EXCO Resources Inc. (“EXCO”)**

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

Since it is a private company, I am not at liberty to divulge the latest financial statements, but what I can tell you is that my calculation of its PV-10 value was more than US\$2 billion (roughly \$38 per share) based on the New York Mercantile Exchange (NYMEX) forward pricing as of June 30, 2022, and the net proved reserves was 2.7 trillion cubic feet equivalent. Its number of outstanding shares was 51,584,500. We estimate its EBITDA for the year ending 2022 will be approximately US\$275 million to US\$300 million.

As a comparison, in 2018, the PV-10 value was US\$750 million.

### **Caution to the Investors**

Investors should be advised that we run a highly focused portfolio, frequently just three to five securities may comprise close to 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 24.0% of net assets as at December 31, 2022.

### **Other Matters**

FOREIGN CURRENCY CONTRACTS: None existed at December 31, 2022.

CREDIT DEFAULT SWAPS: None existed at December 31, 2022.

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 2022 IRC Annual Report is available on our website [www.choufunds.com](http://www.choufunds.com).

As of March 17, 2023, the NAVPU of a Series A unit of the Fund was \$151.93 and the cash position was



approximately 20.2% of net assets. The Fund is down 2.0% from the beginning of the year. In U.S. dollars, it is down 3.4%.

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,

*Francis Chou*

Francis Chou  
Fund Manager

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## Management's Responsibility for Financial Reporting

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To the unitholders of the Chou Funds:

The accompanying financial statements have been prepared by the management of Chou Associates Management Inc. 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 ("IFRS") and include certain amounts based on estimates and judgements. 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 Trusts 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. 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 17, 2023

# 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, 2022, and December 31, 2021 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, 2022 and December 31, 2021, 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.

## 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.

## Other Matter – Supplementary Information

Our audit was conducted for the purposes of forming an opinion on the financial statements taken as a whole. The Fund Manager's Letters on pages 1-5, 17-19, 27-29, 37-40 and 48-51 are presented for purposes of additional information and is not a required part of the financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the financial statements, and, accordingly, we express no opinion on it.

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

Management is responsible for the other information. Other information contained is 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, 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 29, 2023

Chartered Professional Accountants  
Licensed Public Accountants

# CHOU ASSOCIATES FUND

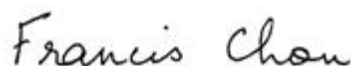
## Statements of Financial Position

Years ended December 31, 2022 and 2021

	2022	2021
<b>Assets</b>		
Current assets:		
Cash and cash equivalents	\$ 39,090,997	\$ 717,328
Investments (note 8)	117,244,713	169,975,659
Derivatives	6,063,911	-
Receivable for redeemable units subscribed	39,697	500
Due from broker	-	41,302
Dividends receivable	44,775	41,831
Total assets	162,484,093	170,776,620
<b>Liabilities</b>		
Current liabilities:		
Derivatives	-	5,350,739
Accrued expenses	243,297	278,713
Payable for units redeemed	20,270	481,052
Due to broker	-	40,988
Distributions payable	-	11,900
Total liabilities	263,567	6,163,392
Net assets attributable to unitholders of redeemable units	\$ 162,220,526	\$ 164,613,228
Net assets attributable to unitholders of redeemable units:		
Series A	\$ 119,424,698	\$ 152,105,748
Series F	42,795,828	12,507,480
	\$ 162,220,526	\$ 164,613,228
Number of redeemable units outstanding (note 4):		
Series A	770,337	1,069,315
Series F	279,359	87,893
Net assets attributable to unitholders of redeemable units per unit:		
Canadian dollars:		
Series A	\$ 155.04	\$ 142.25
Series F	153.20	142.30
U.S. dollars:		
Series A	114.50	112.46
Series F	113.15	112.49

The accompanying notes are an integral part of these financial statements.

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





# CHOU ASSOCIATES FUND

## Statements of Comprehensive Income (Loss)

Years ended December 31, 2022 and 2021

	2022	2021
<b>Income:</b>		
Dividends	\$ 394,029	\$ 4,021,164
Securities lending income (note 7)	4,170	6,596
Other income	-	85,636
Foreign currency gain on cash and other net assets	809,906	415,292
Other net changes in fair value of financial assets and financial liabilities at fair value through profit or loss:		
Net realized gain on disposal of investments	39,515,158	12,624,811
Net realized gain on derivatives	89,374	1,481,141
Change in unrealized (depreciation) appreciation on investments	(23,711,380)	61,509,994
Change in unrealized appreciation (depreciation) on derivatives	470,348	(1,469,864)
	17,570,795	78,674,770
<b>Expenses:</b>		
Management fees (note 5)	2,492,165	2,885,460
Custodial fees	247,252	-
Audit fees	146,701	23,292
Filing fees	79,540	79,057
Independent review committee fees	-	64,813
FundSERV fees	40,832	27,723
Legal fees	18,250	18,250
Transaction costs (note 6)	362,364	309,895
Foreign withholding taxes	60,411	597,159
Other	5,479	92
	3,452,994	4,005,741
Increase in net assets attributable to unitholders of redeemable units	\$ 14,117,801	\$ 74,669,029
Increase in net assets attributable to unitholders of redeemable units per series:		
Series A	\$ 9,600,252	\$ 67,982,317
Series F	4,517,549	6,686,712
	\$ 14,117,801	\$ 74,669,029
Average number of redeemable units outstanding for the year per the Series:		
Series A	862,783	1,380,925
Series F	230,026	120,969
Increase in net assets attributable to unitholders of redeemable units per unit:		
Series A	\$ 11.13	\$ 49.23
Series F	19.64	55.28

The accompanying notes are an integral part of these financial statements..

# CHOU ASSOCIATES FUND

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

Years ended December 31, 2022 and 2021

	2022	2021
<b>Series A</b>		
Net assets attributable to unitholders of redeemable units, beginning of year	\$ 152,105,748	\$ 137,794,110
Increase in net assets attributable to unitholders of redeemable units	9,600,252	67,982,317
Proceeds from issue of redeemable units	323,941	4,205,817
Payments on redemption of redeemable units	(42,599,620)	(57,868,909)
Distributions of income to unitholders:		
Investment income	-	(332,108)
Capital gains	(313,786)	-
Reinvested distributions	308,163	324,521
Net assets attributable to unitholders of redeemable units, end of year	\$ 119,424,698	\$ 152,105,748
<b>Series F</b>		
Net assets attributable to unitholders of redeemable units, beginning of year	\$ 12,507,480	\$ 15,443,229
Increase in net assets attributable to unitholders of redeemable units	4,517,549	6,686,712
Proceeds from issue of redeemable units	31,085,930	535,639
Payments on redemption of redeemable units	(5,267,767)	(10,153,787)
Distributions of income to unitholders:		
Investment income	-	(47,107)
Capital gains	(855,856)	-
Reinvested distributions	808,492	42,794
Net assets attributable to unitholders of redeemable units, end of year	\$ 42,795,828	\$ 12,507,480
Total net assets attributable to unitholders of redeemable units, end of year	\$ 162,220,526	\$ 164,613,228

The accompanying notes are an integral part of these financial statements.



# CHOU ASSOCIATES FUND

## Statements of Cash Flows

Years ended December 31, 2022 and 2021

	2022	2021
<b>Cash flows from operating activities:</b>		
Increase in net assets attributable to unitholders of redeemable units	\$ 14,117,801	\$ 74,669,029
Adjustments for:		
Foreign currency gain on cash and other net assets	(809,096)	(415,292)
Net realized gain on disposal of investments and derivatives	(39,604,532)	(14,105,952)
Change in unrealized depreciation (appreciation) on investments and derivatives	23,241,032	(60,040,130)
Change in non-cash operating working capital:		
(Increase) decrease in dividends receivable	(2,944)	262
Decrease in accrued expenses	(35,416)	(385,806)
Purchase of investments	(24,727,311)	(9,494,699)
Proceeds from sales of investments	82,407,421	73,580,400
Net cash generated from operating activities	54,586,955	63,807,812
<b>Cash flows from financing activities:</b>		
Distributions paid to unitholders	(64,887)	-
Proceeds from redeemable units issued	31,370,674	4,741,456
Amount paid on redemption of redeemable units	(48,328,169)	(68,265,383)
Net cash used in financing activities	(17,022,382)	(63,523,927)
Foreign currency gain on cash and other net assets	809,096	415,292
Increase in cash and cash equivalents	38,373,669	699,177
Cash and cash equivalents, beginning of year	717,328	18,151
<b>Cash and cash equivalents, end of year</b>	<b>\$ 39,090,997</b>	<b>\$ 717,328</b>
Supplemental information:		
Dividends received, net of withholding tax	330,674	3,424,267
Security lending income received	4,170	6,596

The accompanying notes are an integral part of these financial statements.

# CHOU ASSOCIATES FUND

## Schedule of Investments

December 31, 2022

	Number of securities	Cost	Fair value
<b>Equities*</b>			
Ally Financial Inc.	155,686	\$ 5,289,052	\$ 5,154,032
Bausch Health Companies Inc.	515,000	11,130,250	4,379,107
Berkshire Hathaway Inc., Class 'A'	80	8,437,289	50,770,775
Citigroup Inc.	57,695	1,457,677	3,533,324
EXCO Resources Inc.	1,281,244	31,646,701	36,569,676
Liberty Global PLC, Class 'A'	84,823	2,166,367	2,174,117
MBIA Inc.	199,530	1,380,805	3,471,602
Overstock.com Inc.	38,405	882,610	1,006,727
Resolute Forest Products Inc.	222,772	3,342,676	6,512,263
Synchrony Financial	58,000	2,717,564	2,580,562
Wells Fargo & Company	19,542	1,042,763	1,092,528
		69,493,754	117,244,713
<b>Derivatives</b>			
Hertz Global Holdings Inc., warrants, June 30, 2051	600,740	7,072,368	6,063,911
Total investments		76,566,122	123,308,624
Transaction costs		(323,546)	-
Portfolio total		\$ 76,242,576	\$ 123,308,624

\* Common shares unless indicated otherwise

The accompanying notes are an integral part of these financial statements.

# CHOU ASSOCIATES FUND

## Discussion of Financial Risk Management

Years ended December 31, 2022 and 2021

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### Investment objective and strategies:

Chou Associates 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 53.46% (2021 – 91.84%) of the Fund's net assets held at December 31, 2022 were publicly traded equities and derivative investments. If equity and derivative prices on the exchange had increased or decreased by 5.00% as at December 31, 2022, the net assets of the Fund would have increased or decreased by approximately \$4,336,947 or 2.67% (2021 - \$7,558,771 or 4.59%) 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, 2022 and 2021 expressed in CAD are as follows:

	Investments and derivatives	Cash and cash equivalents	Other assets and liabilities	Total	Percentage of net asset value
<b>2022</b>					
United States dollar (USD)	\$ 123,308,624	\$ 39,045,555	\$ 44,775	\$ 162,398,954	100.1%
<b>2021</b>					
United States dollar (USD)	\$ 164,624,920	\$ 100,633	\$ 41,830	\$ 164,767,383	100.1%

# CHOU ASSOCIATES FUND

## Discussion of Financial Risk Management

Years ended December 31, 2022 and 2021

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### 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, dividends receivable, receivable for units subscribed, derivatives and payable for units redeemed that are denominated in foreign currencies.

As at December 31, 2022, if the Canadian dollar had strengthened or weakened by 1.00% in relation to all currencies, with all other variables held constant, net assets would have decreased or increased by approximately \$1,623,990 (2021 - \$1,647,674).

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

## CHOU ASIA FUND

(unaudited)

March 17, 2023

Dear Unitholders of Chou Asia Fund

After the distribution of \$0.93, the net asset value per unit (“NAVPU”) of a Series A unit of Chou Asia Fund at December 31, 2022 was \$20.95 compared to \$23.42 at December 31, 2021, a decrease of 6.6%; during the same period, the MSCI AC (Morgan Stanley Capital International All Country) Asia Pacific Total Return Index in Canadian dollars decreased by 11.1%. In U.S. dollars, a Series A unit of Chou Asia Fund was down 12.7% while the MSCI AC Asia Pacific Total Return Index decreased by 16.9%.

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

<b>December 31, 2022 (Series A)</b>	<b>1 Year</b>	<b>3 Years</b>	<b>5 Years</b>	<b>10 Years</b>	<b>15 Years</b>
Chou Asia Fund (\$CAN)	-6.6%	15.1%	6.1%	8.9%	6.1%
MSCI AC Asia Pacific TR (\$CAN)	-11.1%	1.0%	2.2%	8.1%	5.0%
Chou Asia Fund (\$US)	-12.7%	13.5%	4.5%	5.6%	3.9%
MSCI AC Asia Pacific TR (\$US)	-16.9%	0.4%	0.6%	4.8%	2.9%

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 2022 Results

The major advancers in 2022 were the equity holdings of IDFC Limited and Shriram Transport Finance Company Limited.

The largest decliners in the year were the equity holdings of China Yuchai Intl Limited., Samsung Electronics Company Limited, AJIS Co Limited., Tencent Holdings Limited and BYD Electronic (International) Company Limited.

The Canadian currency depreciated against the Hong Kong dollar, which positively affected the Fund.

During the year, the Fund eliminated its holdings in BYD Company Limited and POSCO Holdings. The Fund reduced its holdings in BYD Electronic (International) Company Limited and Pyne Gould Corporation Limited. The Fund added to the equity holdings of Alibaba Group Holding Limited. The Fund received JD.com Inc. as a result of Tencent spinning off JD.com. The Fund received one share of JD.com for every 21 shares of Tencent.

The Fund did not enter into any foreign currency contracts during the year. The Fund also had no covered call options in its portfolio as at December 31, 2022.

## **Portfolio Commentary**

### **Capital Gains Refund Mechanism**

The Capital gains refund mechanism (CGRM) is a benefit provided under the Income Tax Act to limit potential double taxation on capital gains. The Income Tax Act (ITA) states that the same economic gain should not be taxed twice, (i.e. a gain should not be taxed once within the fund and also once by the unitholder).

In practical terms, what it means for the Fund, is that if there are significant redemptions, there is a formula that calculates how much unrealized gains we can sell to make it realized so that current unitholders are not subjected to capital gains taxes in the future.

At the beginning of the fourth quarter, we found that the Fund had nearly \$2.6 million of unrealized gains. This is a big chunk, and it would have put a severe tax burden on unitholders in the future. There were also large redemptions from the Fund, so we looked into how much CGRM it had generated. The answer was approximately \$2.8 million. This meant that we could realize \$2.8 million of unrealized capital gains without any tax consequences for the year 2022, thus reducing large tax bills in the future for unitholders. As a result, we sold some shares of several securities such as BYD Electronic (International) Company Limited, BYD Company Limited and POSCO Holdings to utilize close to 100% of the CGRM.

### **China**

1) The Rule of Law does not properly exist in China. Unlike in the United States where your grievances can be addressed by the impartial judicial system, in China, it is controlled by the Communist Party, and political decisions take precedence over the facts of the case.

2) You cannot trust the local auditors even if they are independent. Under the guise of “National security concerns”, foreign international auditors cannot work-- or if they do perform the work -- have to toe the party line. Therefore, it is hard to be comfortable with the numbers.

3) One of the most irritating aspects is the ownership of securities. As a shareholder, you do not own the companies you are investing in. You own a shell that has the right to the earnings of the company that you have supposedly invested in. It is called “Variable Interest Entity”. If such a system existed in the United States or Canada, you would call it, “A Total Bullshit System” that is meant to fleece the shareholders.

4) The Communist Party uses a provision that allows it to buy one per cent of the company’s outstanding shares. This one per cent share ownership has special rights and privileges (commonly called “Golden Shares”) and allows the Communist Party to influence and dictate what the companies can do.

Based on the above considerations, if you come to the conclusion that China is UNINVESTABLE, you are absolutely correct.

However, let us look at the positive side.

- 1) China has adopted pro-market reforms over 40 years ago and it has lifted the economy to become the second-biggest economy in the world just behind the USA. In 2002, according to the World Bank, its GDP was 13.4% of the USA; in 2020 it was 70.3%.
- 2) Its share of the growth in the world economy is over 50% since 2011, according to the World Bank.
- 3) This growth will continue in the future and at some point, its GDP will be greater than the USA.

The question is, how do we handicap the risk. We invested in China several years ago and we have done quite well, to say it modestly. For example, in late 2011 and in 2012, we purchased 250,000 shares of BYD Company Limited at \$11.70 HKD per share and one million shares of BYD Electronic (International) Company at \$1.58 HKD per share. On December 31, 2022, BYD Company Limited and BYD Electronic (International) Company closed at \$192.60 HKD and \$25.10 HKD per share, respectively.

I believe the best way to handicap the risk is to buy excellent Chinese companies at a considerable discount to comparable American companies. Caveat Emptor!!!

### **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 35.7% of net assets as at December 31, 2022.

### **Other Matters**

**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 2022 IRC Annual Report is available on our website [www.choufunds.com](http://www.choufunds.com).

As of March 17, 2023, the NAVPU of a Series A unit of the Fund was \$20.74 and the cash position was approximately 34.9% of net assets. The Fund is down 1.0% from the beginning of the year. In U.S. dollars, it is down 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  
Fund Manager

# CHOU ASIA FUND

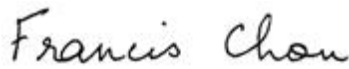
## Statements of Financial Position

December 31, 2022 and 2021

	2022	2021
<b>Assets</b>		
Current assets:		
Cash and cash equivalents	\$ 4,969,307	\$ 2,437,553
Investments (note 8)	9,852,232	15,788,374
Receivable for redeemable units subscribed	52,710	5,000
Due from broker	498,600	497,672
Interest receivable	5,302	2,723
Dividends receivable	30,558	22,011
Total assets	15,408,709	18,753,333
<b>Liabilities</b>		
Current liabilities:		
Accrued expenses	83,525	55,173
Payable for units redeemed	-	10,342
Distributions payable	-	114,515
Total liabilities	83,525	180,030
Net assets attributable to unitholders of redeemable units	\$ 15,325,184	\$ 18,573,303
Net assets attributable to unitholders of redeemable units:		
Series A	\$ 6,914,008	\$ 17,293,917
Series F	8,411,176	1,279,386
	\$ 15,325,184	\$ 18,573,303
Number of redeemable units outstanding (note 4):		
Series A	330,014	738,334
Series F	391,855	53,316
Net assets attributable to unitholders of redeemable units per unit:		
Canadian dollars:		
Series A	\$ 20.95	\$ 23.42
Series F	21.47	24.00
U.S. dollars:		
Series A	15.47	18.52
Series F	15.85	18.97

The accompanying notes are an integral part of these financial statements.

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







# CHOU ASIA FUND

## Statements of Comprehensive Income (Loss)

Years ended December 31, 2022 and 2021

	2022	2021
<b>Income:</b>		
Interest for distribution purposes and other	\$ 14,310	\$ 991
Dividends	291,731	423,234
Securities lending income (note 7)	5,071	23,029
Other income	-	5,687
Foreign currency gain (loss) on cash and other net assets	118,382	(13,529)
Other net changes in fair value of financial assets and financial liabilities at fair value through profit or loss:		
Net realized gain on investments	2,842,151	4,609,395
Change in unrealized depreciation on investments	(4,297,415)	(5,039,106)
	(1,025,770)	9,701
<b>Expenses:</b>		
Management fees (note 5)	224,086	336,542
Custodian fees	60,762	2,061
ADR Fees	817	-
Audit fees	12,555	10,082
Filing fees	7,302	11,554
Independent review committee fees	-	5,801
FundSERV fees	3,778	3,090
Legal fees	2,258	1,214
Transaction costs (note 6)	13,321	16,306
Foreign withholding taxes	25,887	30,789
Other	508	-
	351,274	417,439
Decrease in net assets attributable to unitholders of redeemable units	\$ (1,377,044)	\$ (407,738)
(Decrease) increase in net assets attributable to unitholders of redeemable units per series:		
Series A	\$ (1,886,323)	\$ (422,475)
Series F	509,279	14,737
	\$ (1,377,044)	\$ (407,738)
Average number of redeemable units outstanding for the year per series:		
Series A	437,639	665,766
Series F	291,223	51,614
(Decrease) increase in net assets attributable to unitholders of redeemable units per unit:		
Series A	\$ (4.31)	\$ (0.63)
Series F	1.75	0.29

The accompanying notes are an integral part of these financial statements.

# CHOU ASIA FUND

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

Years ended December 31, 2022 and 2021

	2022	2021
<b>Series A</b>		
Net assets attributable to unitholders of redeemable units, beginning of year	\$ 17,293,917	\$ 19,785,504
Decrease in net assets attributable to unitholders of redeemable units	(1,886,323)	(422,475)
Proceeds from issue of redeemable units	21,670	1,912,941
Payments on redemption of redeemable units	(8,515,256)	(3,892,928)
Distributions of income to unitholders:		
Investment income	-	(27,375)
Capital gains	(293,635)	(2,903,544)
Reinvested distributions	293,635	2,841,794
Net assets attributable to unitholders of redeemable units, end of year	6,914,008	17,293,917
<b>Series F</b>		
Net assets attributable to unitholders of redeemable units, beginning of year	1,279,386	1,769,819
Increase in net assets attributable to unitholders of redeemable units	509,279	14,737
Proceeds from issue of redeemable units	7,058,370	67,911
Payments on redemption of redeemable units	(417,467)	(547,691)
Distributions of income to unitholders:		
Investment income	-	(7,543)
Capital gains	(396,988)	(216,488)
Reinvested distributions	378,596	198,641
Net assets attributable to unitholders of redeemable units, end of year	8,411,176	1,279,386
Total net assets attributable to unitholders of redeemable units, end of year	\$ 15,325,184	\$ 18,573,303

The accompanying notes are an integral part of these financial statements.

# CHOU ASIA FUND

## Statements of Cash Flows

Years ended December 31, 2022 and 2021

	2022	2021
<b>Cash flows from operating activities:</b>		
Decrease in net assets attributable to unitholders of redeemable units	\$ (1,377,044)	\$ (407,738)
Adjustments for:		
Foreign currency (gain) loss on cash and other net assets	(118,382)	13,529
Net realized gain on disposal of investments and derivatives	(2,842,151)	(4,609,395)
Change in unrealized depreciation on investments	4,297,415	5,039,106
Change in non-cash operating working capital:		
Increase in interest receivable	(2,579)	(1,435)
Increase in dividends receivable	(8,547)	(6,177)
Increase (decrease) in accrued expenses	28,352	(27,822)
Purchases of investments	(415,452)	(1,335,173)
Proceeds from sale of investments	4,895,402	4,974,894
Net cash generated from operating activities	4,457,014	3,639,789
<b>Cash flows from financing activities:</b>		
Distributions paid to unitholders	(132,738)	-
Proceeds from redeemable units issued	7,032,161	1,980,852
Amount paid on redemption of redeemable units	(8,943,065)	(4,558,494)
Net cash used in financing activities	(2,043,642)	(2,577,642)
Foreign currency gain (loss) on cash and other net assets	118,382	(13,529)
Increase in cash and cash equivalents	2,531,754	1,048,618
Cash and cash equivalents, beginning of year	2,437,553	1,388,935
Cash and cash equivalents, end of year	\$ 4,969,307	\$ 2,437,553
<b>Supplemental information:</b>		
Dividends received, net of withholding tax	\$ 257,297	\$ 386,268
Security lending income received	5,071	23,029
Interest received	11,731	-

The accompanying notes are an integral part of these financial statements.

# CHOU ASIA FUND

## Schedule of Investments

December 31, 2022

	Number of securities	Cost	Fair value
<b>Equities*</b>			
AJIS Company Limited	30,400	213,157	688,431
Alibaba Group Holding Limited, ADR	3,400	\$ 406,470	\$ 405,531
Atlas Corporation, Series 'H'	19,711	619,056	575,809
BYD Electronic (International) Company Limited	648,000	157,156	2,821,431
Capital A Berhad	650,000	670,997	124,872
China Yuchai International Limited	73,364	1,242,575	702,794
Consun Pharmaceutical Group Limited	279,000	209,880	196,011
IDFC Limited	1,010,000	750,376	1,343,902
JD.com Inc., Class 'A'	219	9,997	8,365
Postal Savings Bank of China Company Limited	456,000	401,912	383,643
Pyne Gould Corporation Limited	2,177,219	486,797	542,780
Samsung Electronics Company Limited, GDR	420	500,073	628,392
Shriram Transport Finance Company Limited	51,642	942,551	1,163,754
Tencent Holdings Limited	4,600	320,965	266,517
<b>Total long</b>		<b>6,931,962</b>	<b>9,852,232</b>
<b>Total investments</b>		<b>6,931,962</b>	<b>9,852,232</b>
<b>Transaction costs</b>		<b>(16,495)</b>	<b>-</b>
<b>Portfolio total</b>		<b>\$ 6,915,467</b>	<b>\$ 9,852,232</b>

\* Common shares unless indicated otherwise

The accompanying notes are an integral part of these financial statements.

# CHOU ASIA FUND

## Discussion of Financial Risk Management (continued)

Years ended December 31, 2022 and 2021

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### **Investment objective and strategies:**

Chou Asia 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. 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 64.29% (2021 – 85.00%) of the Fund's net assets held at December 31, 2022 were publicly traded equities. If equity prices on the exchange had increased or decreased by 5.00% as at December 31, 2022, the net assets of the Fund would have increased or decreased by approximately \$492,612 or 3.21% (2021 - \$789,419 or 4.25%) of the net assets, all other factors remaining constant.

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

# CHOU ASIA FUND

## Discussion of Financial Risk Management (continued)

Years ended December 31, 2022 and 2021

### Financial risk management (continued):

#### (b) Foreign currency risk:

Currencies to which the Fund had exposure as at December 31, 2022 and 2021 expressed in CAD are as follows:

2022	Investments and derivatives	Cash and cash equivalents	Other assets and liabilities	Total	Percentage of net asset value
Hong Kong dollar (HKD)	\$ 3,675,967	\$ 111,769	\$ -	\$ 3,787,736	24.6%
United States dollar (USD)	\$ 2,312,525	\$ 4,175,176	\$ 35,599	\$ 6,523,300	42.6%
Indian Rupee (₹)	\$ 2,507,656	\$ 182,514	\$ -	\$ 2,690,170	17.6%
New Zealand dollar (NZD)	\$ 542,781	\$ 274,230	\$ 498,600	\$ 1,315,611	8.6%
Japanese yen (¥)	\$ 688,431	\$ 60,783	\$ 146	\$ 749,360	4.9%
Malaysian Ringgit (RM)	\$ 124,872	\$ -	\$ -	\$ 124,872	0.8%

2021	Investments and derivatives	Cash and cash equivalents	Other assets and liabilities	Total	Percentage of net asset value
Hong Kong dollar (HKD)	\$ 6,932,790	\$ 58,698	\$ -	\$ 6,991,488	37.7%
United States dollar (USD)	\$ 4,449,884	\$ 2,177,983	\$ 268,283	\$ 6,896,150	37.1%
Indian Rupee (₹)	\$ 2,152,248	\$ 168,131	\$ -	\$ 2,320,379	12.5%
New Zealand dollar (NZD)	\$ 1,049,506	\$ 25,125	\$ 251,245	\$ 1,325,876	7.1%
Japanese yen (¥)	\$ 1,048,029	\$ 42,055	\$ 76	\$ 1,090,160	5.9%
Malaysian Ringgit (RM)	\$ 155,917	\$ -	\$ -	\$ 155,917	0.8%

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 units subscribed, due from broker and payable for units redeemed that are denominated in foreign currencies.

As at December 31, 2022, if the Canadian dollar had strengthened or weakened by 1.00% in relation to all currencies, with all other variables held constant, net assets would have decreased or increased by approximately \$151,900 (2021 - \$187,800).

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

**CHOU EUROPE FUND**  
(unaudited)

March 17, 2023

Dear Unitholders of Chou Europe Fund,

After the distribution of \$3.12, the net asset value per unit (“NAVPU”) of a Series A unit of Chou Europe Fund at December 31, 2022 was \$8.34 compared to \$10.61 at December 31, 2021, an increase of 8.0%; during the same period, the MSCI AC (Morgan Stanley Capital International All Country) Europe Total Return Index in Canadian dollars decreased by 10.7%. In U.S. dollars, a Series A unit of Chou Europe Fund was down 0.9% while the MSCI AC Europe Total Return Index decreased by 16.5%.

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

<b>December 31, 2022 (Series A)</b>	<b>1 Year</b>	<b>3 Years</b>	<b>5 Years</b>	<b>10 Years</b>	<b>15 Years</b>
Chou Europe Fund (\$CAN)	8.0%	9.5%	2.8%	3.5%	1.6%
MSCI AC Europe TR (\$CAN)	-10.7%	2.3%	3.5%	7.9%	3.8%
Chou Europe Fund (\$US)	0.9%	8.0%	1.3%	0.3%	-0.5%
MSCI AC Europe TR (\$US)	-16.5%	0.9%	1.9%	4.7%	1.7%

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 2022 Results**

The largest decliners in the period were the equity holdings of Wizz Air Holdings PLC, Liberty Global PLC, Ryanair Holdings PLC, Stellantis NV and Rolls-Royce Holdings PLC.

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

During the period, the Fund reduced its holdings in Jet2 PLC.

The Fund initiated investments in Prosus NV shares.

The Fund did not enter into any forward currency contracts for pounds sterling or euros in 2022. The Fund also had no covered call options in its portfolio as at December 31, 2022.

## **Portfolio Commentary**

### **Prosus N V (“Prosus”)**

Prosus trades on the Netherland Stock Exchange. Although it is engaged in e-commerce and internet businesses, the best way to understand the company is to visualize that it owns a portfolio of private and public companies. Its biggest asset is Tencent which comprises more than 75% of the net asset value of Prosus based on current prices. Tencent itself is undervalued but Prosus also sells at more than a 50% discount to its net asset value. This piqued our interest.

The Board of Directors of Prosus announced a share repurchase programme on June 27, 2022:

“The Repurchase Programme is expected to efficiently unlock immediate value for the shareholders of Prosus.

Prosus will begin selling small numbers of ordinary shares in Tencent Holdings Limited (“**Tencent**”) held by the Group (“**Tencent Shares**”) regularly and in an orderly manner, while concurrently purchasing Prosus Shares pursuant to the Repurchase Programme, as long as the Group’s trading discount to net asset value is at elevated levels. Tencent is supportive of the withdrawal by Prosus of its voluntary restriction on the sale of its Tencent Shares.”

This is exactly what we want to hear from Prosus.

### **Fiat Chrysler Automobiles (“FIAT”), now called Stellantis**

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 its controlling shareholders stated that it wanted to unlock value either by paying special dividends, buying back shares, or through strategic mergers and acquisitions. Since our purchase in December 2018, we have received US\$5.89 in regular and special dividends, accounting for over 40.6% of the original price paid. We expect the regular and special dividend payments to continue once the COVID-19 crisis abates.

The company announced two years ago that they would 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 approximately EUR 51 billion, with much room for upside if some of those cost savings come to pass.

Stellantis is the biggest holding in the Fund. We are quite happy holding this stock. For the amount of cash earnings, it can generate from operations over the next few years, it sells at a low-earnings multiple. If management were wasting or misusing cash from operations, I would be concerned. But they are doing all the right things. The Board has approved an ordinary dividend of Euro 4.2 billion (Euro 1.34 per share) subject to shareholder approval, and a share buyback program of up to Euro 1.5 billion. We expect the buyback to be completed by the end of 2023.

### **Caution to the Investors**

Investors should be advised that we run a highly focused portfolio, frequently just three to five securities may comprise close to 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 9.9% of net assets as at December 31, 2022. 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, 2022.

CREDIT DEFAULT SWAPS: None existed at December 31, 2022.

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

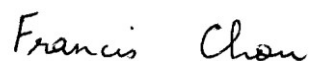
REDEMPTION FEE: We have a redemption fee of 2% if unitholders redeem their units in less than 3 months. None of this fee goes to the Fund Manager. It is put back into the Fund for the benefit of the remaining unitholders.

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 2022 IRC Annual Report is available on our website [www.choufunds.com](http://www.choufunds.com).

As of March 17, 2023, the NAVPU of a Series A unit of the Fund was \$9.82 and the cash position was approximately 13.0% of net assets. The Fund is up 17.7% from the beginning of the year. In U.S. dollars, it is up 16.0%.

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,



Francis Chou  
Fund Manager

# CHOU EUROPE FUND

## Statements of Financial Position

December 31, 2022 and 2021

	2022	2021
<b>Assets</b>		
Current assets:		
Cash and cash equivalents	\$ 243,312	\$ 450,105
Investments (note 8)	2,191,679	3,065,822
Dividends receivable	491	-
Interest receivable	186	269
Total assets	2,435,668	3,516,196
<b>Liabilities</b>		
Current liabilities:		
Accrued expenses	4,337	5,992
Payable for units redeemed	-	18,172
Distributions payable	-	312
Total liabilities	4,337	24,476
Net assets attributable to unitholders of redeemable units	\$ 2,431,331	\$ 3,491,720
Net assets attributable to unitholders of redeemable units:		
Series A	\$ 1,102,160	\$ 2,733,000
Series F	1,329,171	758,720
	\$ 2,431,331	\$ 3,491,720
Number of redeemable units outstanding (note 4):		
Series A	132,133	257,504
Series F	155,116	68,565
Net assets attributable to unitholders of redeemable units per unit:		
Canadian dollars:		
Series A	\$ 8.34	\$ 10.61
Series F	8.57	11.07
U.S. dollars:		
Series A	6.16	8.39
Series F	6.33	8.75

The accompanying notes are an integral part of these financial statements.

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

Francis Chou



# CHOU EUROPE FUND

## Statements of Comprehensive Income (Loss)

Years ended December 31, 2022 and 2021

	2022	2021
<b>Income:</b>		
Interest for distribution purposes and other	\$ 8,038	\$ -
Dividends	44,537	99,871
Securities lending income (note 7)	243	940
Derivative loss	-	2
Other income (Note 5)	677,257	1,975
Foreign currency gain (loss) on cash and other net assets	11,179	(32,923)
Other net changes in fair value of financial assets and financial liabilities at fair value through profit or loss:		
Net realized gain on investments	315,234	499,094
Change in unrealized depreciation on investments	(1,058,845)	(658,317)
	(2,357)	(89,358)
<b>Expenses:</b>		
Management fees (note 5)	24,077	55,133
Custodian fees	8,960	1,859
ADR fees	4,460	-
Filing fees	1,209	4,551
Independent review committee fees	-	2,018
FundSERV fees	730	730
Legal fees	382	216
Transaction costs (note 6)	1,962	921
Foreign withholding taxes	6,537	-
Other	85	-
	48,402	65,428
Decrease in net assets attributable to unitholders of redeemable units	\$ (50,759)	\$ (154,786)
(Decrease) increase in net assets attributable to unitholders of redeemable units per series:		
Series A	\$ (275,476)	\$ (109,179)
Series F	224,717	(45,607)
	\$ (50,759)	\$ (154,786)
Average number of redeemable units outstanding for the year per series:		
Series A	174,199	245,286
Series F	95,759	108,251
(Decrease) increase in net assets attributable to unitholders of redeemable units per unit:		
Series A	\$ (1.58)	\$ (0.45)
Series F	2.35	(0.42)

The accompanying notes are an integral part of these financial statements.

# CHOU EUROPE FUND

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

Years ended December 31, 2022 and 2021

	2022	2021
<b>Series A</b>		
Net assets attributable to unitholders of redeemable units, beginning of year	\$ 2,733,000	\$ 3,045,434
Decrease in net assets attributable to unitholders of redeemable units	(275,476)	(109,179)
Proceeds from issue of redeemable units	375,001	818,072
Payments on redemption of redeemable units	(1,727,158)	(1,021,015)
Distributions of income to unitholders:		
Investment income	(300,965)	(14,686)
Reinvested distributions	297,758	14,374
Net assets attributable to unitholders of redeemable units, end of year	1,102,160	2,733,000
<b>Series F</b>		
Net assets attributable to unitholders of redeemable units, beginning of year	758,720	2,435,594
Increase (decrease) in net assets attributable to unitholders of redeemable units	224,717	(45,607)
Proceeds from issue of redeemable units	1,138,176	19,560
Payments on redemption of redeemable units	(783,332)	(1,650,827)
Distributions of income to unitholders:		
Investment income	(378,083)	(3,133)
Reinvested distributions	368,973	3,133
Net assets attributable to unitholders of redeemable units, end of year	1,329,171	758,720
Total net assets attributable to unitholders of redeemable units, end of year	\$ 2,431,331	\$ 3,491,720

The accompanying notes are an integral part of these financial statements.

# CHOU EUROPE FUND

## Statements of Cash Flows

Years ended December 31, 2022 and 2021

	2022	2021
<b>Cash flows from operating activities:</b>		
Decrease in net assets attributable to unitholders of redeemable units	\$ (50,759)	\$ (154,786)
Adjustments for:		
Foreign currency (gain) loss on cash and other net assets	(11,179)	32,923
Net realized gain on disposal of investments and derivatives	(315,234)	(499,094)
Change in unrealized depreciation on investments and derivatives	1,058,845	658,317
Change in non-cash operating working capital:		
Decrease in interest receivable	83	1,966
Increase in dividends receivable	(491)	-
Decrease in accrued expenses	(1,655)	(7,156)
Purchases of investments and derivatives	(318,195)	(426,116)
Proceeds from sale and maturity of investments and derivatives	448,727	959,142
Net cash generated from operating activities	810,142	565,196
<b>Cash flows from financing activities:</b>		
Distributions paid to unitholders	(12,629)	-
Proceeds from redeemable units issued	1,513,177	862,880
Amount paid on redemption of redeemable units	(2,528,662)	(2,799,292)
Net cash used in financing activities	(1,028,114)	(1,936,412)
Foreign currency gain (loss) on cash and other net assets	11,179	(32,923)
Decrease in cash and cash equivalents	(206,793)	(1,404,139)
Cash and cash equivalents, beginning of year	450,105	1,854,244
Cash and cash equivalents, end of year	\$ 243,312	\$ 450,105
<b>Supplemental information:</b>		
Interest received, net of withholding tax	\$ 685,378	\$ 1,966
Dividends received, net of withholding tax	37,509	99,871
Security lending income received	243	940

The accompanying notes are an integral part of these financial statements.

# CHOU EUROPE FUND

## Schedule of Investments

December 31, 2022

	<b>Number of securities</b>	<b>Cost</b>	<b>Fair value</b>
<b>Equities*</b>			
Cairo Mezz PLC	20,833	1,130	2,681
Jet2 PLC	10,000	67,075	156,883
Liberty Global PLC, Class 'A'	12,000	373,934	307,575
Prosus NV	3,400	319,086	317,604
Rolls-Royce Holdings PLC	56,666	244,269	86,450
Ryanair Holdings PLC, ADR	4,575	132,084	463,105
Stellantis NV	30,000	583,249	576,804
Wizz Air Holdings PLC	9,000	303,145	280,577
<b>Total long</b>		<b>2,023,972</b>	<b>2,191,679</b>
<b>Total investments</b>		<b>2,023,972</b>	<b>2,191,679</b>
Transaction costs		(5,220)	-
<b>Portfolio total</b>		<b>\$ 2,018,752</b>	<b>\$ 2,191,679</b>

\* Common shares unless indicated otherwise

The accompanying notes are an integral part of these financial statements.

# CHOU EUROPE FUND

## Discussion of Financial Risk Management

Years ended December 31, 2022 and 2021

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### Investment objective and strategies:

Chou Europe 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. 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 90.14% of the Fund's net assets held at December 31, 2022 were publicly traded equities (2021 - 87.80%). If equity prices on the exchange had increased or decreased by 5.00% as at December 31, 2022, the net assets of the Fund would have increased or decreased by approximately \$109,584 or 4.51% (2021 - \$153,291 or 4.39%) 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, 2022 and 2021 expressed in CAD are as follows:

2022	Investments and derivatives	Cash and cash equivalents	Other assets and liabilities	Total	Percentage of net asset value
United States dollar (USD)	\$ 1,628,061	\$ 46,328	\$ 58	\$ 1,674,447	68.8%
Sterling pound (£)	\$ 243,333	\$ 1,266	\$ 491	\$ 245,090	10.1%
Euro currency (€)	\$ 320,285	\$ 2,117	\$ -	\$ 322,402	13.3%

# CHOU EUROPE FUND

## Discussion of Financial Risk Management

Years ended December 31, 2022 and 2021

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### Financial risk management (continued):

#### (b) Foreign currency risk (continued):

2021	Investments and derivatives	Cash and cash equivalents	Other assets and liabilities	Total	Percentage of net asset value
United States dollar (USD)	\$ 2,297,910	\$ 1,300	\$ 2	\$ 2,299,212	65.8%
Sterling pound (£)	\$ 763,586	\$ 1,322	\$ -	\$ 764,908	21.9%
Euro currency (€)	\$ 4,326	\$ 1,418	\$ -	\$ 5,744	0.2%

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 and due to broker that are denominated in foreign currencies.

As at December 31, 2022, if the Canadian dollar had strengthened or weakened by 1.00% in relation to all currencies, with all other variables held constant, net assets would have decreased or increased by approximately \$22,419 (2021 - \$30,699).

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



## CHOU BOND FUND

(unaudited)

March 17, 2023

Dear Unitholders of Chou Bond Fund,

After the distribution of \$0.17, the net asset value per unit (“NAVPU”) of a Series A unit of Chou Bond Fund at December 31, 2022 was \$9.33 compared to \$8.79 at December 31, 2021, an increase of 8.0%; during the same period, Barclays U.S. Corporate High Yield Index (\$CAN) decreased 4.8% in Canadian dollars. In U.S. dollars, a Series A unit of Chou Bond Fund returned 0.9% while Barclays U.S. Corporate High Yield Index decreased 11.2%.

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

<b>December 31, 2022 (Series A)</b>	<b>1 Year</b>	<b>3 Years</b>	<b>5 Years</b>	<b>10 Years</b>	<b>15 Years</b>
Chou Bond Fund (\$CAN)	8.0%	23.9%	10.4%	8.7%	6.3%
Barclays’ U.S. High Yield (\$CAN)	-4.8%	1.5%	3.9%	7.3%	8.4%
Chou Bond Fund (\$US)	0.9%	22.2%	8.7%	5.4%	4.1%
Barclays’ U.S High Yield (\$US)	-11.2%	0.1%	2.3%	4.0%	6.1%

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 2022 Results

The major advancer in 2022 was the equity holding of EXCO Resources Inc. The Canadian currency depreciated against the US dollar, which also positively affected the Fund.

During the year, the Fund sold its equity holding in WOW Unlimited Media Inc. and its debt holdings in Peabody Energy Corporation, PDC Energy Inc., PIC AU Holdings LLC, and MBIA Inc. The 7% subordinated notes of Taiga Building Products Limited matured on November 17<sup>th</sup>, 2022.

The Fund made a new bond investment in MBIA Global Funding LLC, Zero Coupon, due December 15, 2031. The Fund added the following fixed income holdings from the exchange offers by Bausch Health Companies on the existing note of Bausch Health Companies, 6.25%, February 15, 2029:

- Bausch Health Companies, 11.000%, September 30, 2028;
- Bausch Health Companies, 14.000%, October 15, 2030;
- 1375209 BC Limited, 9.000%, January 30, 2028.

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, 2022.

## Portfolio Commentary

### **2022 was a very different year from 2020.**

At the end of 2019, the Fund had excess cash that amounted to close to 35% of the net assets of the Fund. In addition, at the beginning of the 2020 year, we sold a big chunk of bonds, which raised our cash to almost 59% 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 a sufficient margin of safety to recover the original prices paid, even in the event of bankruptcy or restructuring. We also monitored Washington and invested in companies where the government would likely provide support through relief funds. We usually limited the bond duration to less than three years since the bailout money would most likely be used to pay off these bonds as they matured.

In early 2020, we were able to deploy a significant amount of the cash into the bonds of oil and gas companies, whose prices had been severely beaten down due to the oil price war between Russia and Saudi Arabia, and the COVID-19 pandemic. Many of these 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, 2021.

Company	Maturity	Coupon	Par value	Average Cost Base	Dec 31, 21 Price	% Change
PDC Energy	2026-05-15	5.750%	\$ 303,000	\$58.25	\$103.38	77.5%
Athabasca Oil <sup>(1)</sup>	2022-02-24	9.875%	\$ 2,000,000	\$23.50	\$100.38	327.1%
Continental Resources <sup>(1)</sup>	2024-06-01	3.800%	\$ 1,000,000	\$50.50	\$103.63	105.2%
PDC Energy <sup>(1)</sup>	2025-12-01	6.250%	\$ 500,000	\$55.25	\$102.00	84.6%
Antero Resources <sup>(1)</sup>	2023-06-01	5.625%	\$ 100,000	\$42.25	\$75.00	77.5%
Southwestern Energy <sup>(2)</sup>	2026-04-01	7.500%	\$ 800,000	\$75.75	\$106.00	39.9%
Occidental Petroleum <sup>(2)</sup>	2022-08-15	2.700%	\$ 500,000	\$75.50	\$96.25	27.5%

*Note: All dollar values are in local price USD.*

*(1) Prices at which the bonds were sold.*

*(2) Southwestern Energy bonds were sold as part of tender offers in 2021 and Occidental Petroleum bonds were sold as part of tender offers in 2020.*

When 2021 ended, we were concerned that inflation would raise its ugly head. It is unprecedented how much money has been printed over the last 15 years, and we felt it was a matter of time before you pay the piper. We were happy to stay in cash/short-term treasury bills unless we found a mispriced bond. We were not enthused with buying long-duration treasury bills to gain an extra 50 basis points in yields, and we felt that any investor buying any A-rated paper with a long duration was playing with fire. An investor trades for a gain of 50 basis points (0.5%) in interest income for a potential capital loss of 40%. We were happy staying in cash equivalents which were virtually paying 0%. In 2022, our cash level was as high as 72% of the net assets of the Fund.

If you look at the chart below, you can see the devastation caused by buying a 25-year A-rated paper such as the treasury bills, supposedly the safest security in the world.

## PIMCO 25+ Yr Zero Coupon US Treasury Index



At the beginning of 2022, it was trading at \$147.17 but dropped to \$87.32 at the end of 2022 for a loss of 40.7%. So much for being the safest security in the world!!

We are wary of buying any financials such as banks or insurance companies whose assets consist of large portions of long-duration treasury bills, fixed-income assets, or 30-year fixed residential mortgages.

### **EXCO Resources Inc. (“EXCO”)**

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

Since it is a private company, I am not at liberty to divulge the latest financial statements, but what I can tell you is that my calculation of its PV-10 value was more than US\$2 billion (roughly \$38 per share) based on the New York Mercantile Exchange (NYMEX) forward pricing as of June 30, 2022, and the net proved reserves was 2.7 trillion cubic feet equivalent. Its number of outstanding shares was 51,584,500. We estimate its EBITDA for the year ending 2022 will be approximately US\$275 million to US\$300 million.

As a comparison, in 2018, the PV-10 value was US\$750 million.

### **Caution to the Investors**

Investors should be advised that we run a highly focused portfolio, frequently just three to five securities may comprise close to 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 72.4% of net assets as at December 31, 2022. 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, 2022.

CREDIT DEFAULT SWAPS: None existed at December 31, 2022.

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

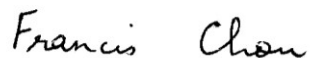
REDEMPTION FEE: We have a redemption fee of 2% if unitholders redeem their units in less than 3 months. None of this fee goes to the Fund Manager. It is put back into the Fund for the benefit of the remaining unitholders.

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 2022 IRC Annual Report is available on our website [www.choufunds.com](http://www.choufunds.com).

As of March 17, 2023, the NAVPU of a Series A unit of the Fund was \$9.33 and the cash and cash equivalent position was approximately 48.1% of net assets. The Fund is up 0.05% from the beginning of the year. In U.S. dollars, it is down 1.37%.

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,



Francis Chou  
Fund Manager

# CHOU BOND FUND

## Statements of Financial Position

Years ended December 31, 2022 and 2021

	2022	2021
<b>Assets</b>		
Current assets:		
Cash and cash equivalents	\$ 8,089,756	\$ 4,001,115
Investments (note 8)	3,088,442	6,427,933
Receivable for redeemable units subscribed	11,283	35,532
Interest receivable	40,181	49,582
Total assets	11,229,662	10,514,162
<b>Liabilities</b>		
Current liabilities:		
Accrued expenses	37,812	24,449
Payable for units redeemed	-	8,761
Distributions payable	-	17,100
Total liabilities	37,812	50,310
Net assets attributable to unitholders of redeemable units	\$ 11,191,850	\$ 10,463,852
Net assets attributable to unitholders of redeemable units:		
Series A	\$ 5,648,071	\$ 9,235,250
Series F	5,543,779	1,228,602
	\$ 11,191,850	\$ 10,463,852
Number of redeemable units outstanding (note 4):		
Series A	605,477	1,050,115
Series F	582,040	135,676
Net assets attributable to unitholders of redeemable units per unit :		
Canadian dollars:		
Series A	\$ 9.33	\$ 8.79
Series F	9.52	9.06
U.S. dollars:		
Series A	6.89	6.95
Series F	7.03	7.16

The accompanying notes are an integral part of these 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, 2022 and 2021

	2022	2021
<b>Income:</b>		
Interest for distribution purposes and other	\$ 415,432	\$ 541,285
Dividend	-	-
Securities lending income (Note 7)	7,143	173
Other income	3,040	37,104
Foreign currency gain on cash and other net assets	339,319	44,012
Other net changes in fair value of financial assets and financial liabilities at fair value through profit or loss:		
Net realized loss on disposal of investments	(381,671)	(2,940,652)
Change in unrealized appreciation on investments	578,927	5,770,641
	962,190	3,452,563
<b>Expenses:</b>		
Management fees (note 5)	127,818	121,112
Custodial fees	25,240	-
Audit	15,060	-
Filing fees	5,021	4,939
Independent review committee fees	-	2,975
FundSERV fees	3,285	3,285
Legal fees	1,577	595
Transaction costs	4,229	-
	182,230	132,906
Increase in net assets attributable to unitholders of redeemable units	\$ 779,960	\$ 3,319,657
Increase in net assets attributable to unitholders of redeemable units per Series:		
Series A	\$ 433,262	\$ 2,899,191
Series F	346,698	420,466
	\$ 779,960	\$ 3,319,657
Average number of redeemable units outstanding for the year per the Series:		
Series A	709,320	1,074,328
Series F	403,525	146,376
Increase in net assets attributable to unitholders of redeemable units per unit:		
Series A	\$ 0.61	\$ 2.70
Series F	0.86	2.87

The accompanying notes are an integral part of these financial statements.

# CHOU BOND FUND

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

Years ended December 31, 2022 and 2021

	2022	2021
<b>Series A</b>		
Net assets attributable to unitholders of redeemable units, beginning of year	\$ 9,235,250	\$ 7,223,793
Increase in net assets attributable to unitholders of redeemable units	433,262	2,899,191
Proceeds from issue of redeemable units	428,287	852,408
Payments on redemption of redeemable units	(4,446,167)	(1,723,463)
Distribution of income to unitholders:		
Investment income	(98,715)	(432,861)
Reinvested distributions	96,154	416,182
Net assets attributable to unitholders of redeemable units, end of year	\$ 5,648,071	\$ 9,235,250
<b>Series F</b>		
Net assets attributable to unitholders of redeemable units, beginning of year	\$ 1,228,602	\$ 1,407,949
Increase in net assets attributable to unitholders of redeemable units	346,698	420,466
Proceeds from issue of redeemable units	4,875,432	204,699
Payments on redemption of redeemable units	(902,822)	(804,091)
Distribution of income to unitholders:		
Investment income	(148,495)	(56,534)
Reinvested distributions	144,364	56,113
Net assets attributable to unitholders of redeemable units, end of year	\$ 5,543,779	\$ 1,228,602
Total net assets attributable to unitholders of redeemable units, end of year	\$ 11,191,850	\$ 10,463,852

The accompanying notes are an integral part of these financial statements.

# CHOU BOND FUND

## Statements of Cash Flows

Years ended December 31, 2022 and 2021

	2022	2021
<b>Cash flows from operating activities:</b>		
Increase in net assets attributable to unitholders of redeemable units	\$ 779,960	\$ 3,319,657
Adjustments for:		
Foreign currency gain on cash and other net assets	(339,319)	(44,012)
Net realized loss on disposal of investments	381,671	2,940,652
Change in unrealized appreciation on investments	(578,927)	(5,770,641)
Change in non-cash operating working capital:		
Decrease in interest receivable	9,401	80,856
Increase (decrease) in accrued expenses	13,363	(64,933)
Purchase of investments	(3,861,017)	(3,278,492)
Proceeds from sales of investments	7,397,764	6,477,909
Net cash generated from operating activities	3,802,896	3,660,996
<b>Cash flows from financing activities:</b>		
Distributions paid to unitholders	(23,792)	(38,038)
Proceeds from redeemable units issued	5,327,968	1,022,457
Amount paid on redemption of redeemable units	(5,357,750)	(2,580,593)
Net cash used in financing activities	(53,574)	(1,596,174)
Foreign currency gain on cash and other net assets	339,319	44,012
Increase in cash and cash equivalents	4,088,641	2,108,834
Cash and cash equivalents, beginning of year	4,001,115	1,892,281
Cash and cash equivalents, end of year	\$ 8,089,756	\$ 4,001,115
Supplemental information:		
Interest received, net of withholding tax	\$ 424,833	\$ 622,141
Security lending income received	7,143	173

The accompanying notes are an integral part of these financial statements.



# CHOU BOND FUND

## Schedule of Investments

December 31, 2022

	Number of shares	Cost	Fair value
<b>Equities*</b>			
EXCO Resources Inc.**	20,046	\$ 693,989	\$ 572,159
<b>Bonds</b>			
1375209 BC Limited, 9.00%, January 30, 2028, Callable	183,000	348,350	242,517
Avation Capital SA, 8.250%, October 31, 2026, Callable	759,375	813,943	814,098
Bausch Health Companies Inc., 11.000%, September 30, 2028	326,000	508,750	346,433
Bausch Health Companies Inc., 14.000%, October 15, 2030, Callable	65,000	73,373	52,687
Fortress Global Enterprises Inc., 9.750%, December 31, 2022, Convertible Bonds, Callable	3,659,000	2,058,513	366
MBIA Global Funding LLC, Zero Coupon, December 15, 2031	1,800,000	1,017,958	1,060,182
		4,820,887	2,516,283
Total long		5,514,876	3,088,442
Total investments		5,514,876	3,088,442
Transaction costs		-	-
Portfolio total		\$ 5,514,876	\$ 3,088,442

\* Common shares unless indicated otherwise

\*\*Shares received from debt restructuring

The accompanying notes are an integral part of these financial statements.

# CHOU BOND FUND

## Discussion of Financial Risk Management

Years ended December 31, 2022 and 2021

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### Investment objective and strategies:

Chou Bond 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, 2022, the Fund invested 10.84% of its net assets in non-investment grade debt instruments (2021 – 30.48%). 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, 2022, the Fund invested approximately 11.65% (2021 – 12.09%) 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:

	2022	2021
Less than 1 year	\$ 366	\$ 1,347,793
1 - 3 years	-	992,805
3 - 5 years	814,098	1,194,126
Greater than 5 years	1,701,819	920,397

# CHOU BOND FUND

## Discussion of Financial Risk Management

Years ended December 31, 2022 and 2021

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### Financial risk management (continued):

#### (b) Interest rate risk (continued):

As at December 31, 2022, 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 \$66,428 (2021 - \$22,077).

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. Nil (2021 – 16.04%) of the Fund's net assets held at December 31, 2022 were publicly traded equities. If equity prices on the exchange had increased or decreased by 5.00% as at December 31, 2022, the net assets of the Fund would have increased or decreased by \$nil or 0.00% (2021 - \$83,933 or 0.80%) 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, 2022 and 2021 expressed in CAD are as follows:

2022	Investments and derivatives	Cash and cash equivalents	Other assets and liabilities	Total	Percentage of net asset value
United States dollar (USD)	\$ 3,088,077	\$ 5,524,523	\$ 38,573	\$ 8,651,173	77.3%

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2021	Investments and derivatives	Cash and cash equivalents	Other assets and liabilities	Total	Percentage of net asset value
United States dollar (USD)	\$ 4,281,898	\$ 3,823,990	\$ 45,515	\$ 8,151,403	77.9%

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, payable for units redeemed and distributions payable that are denominated in foreign currencies.

As at December 31, 2022, if the Canadian dollar had strengthened or weakened by 1.00% in relation to all currencies, with all other variables held constant, net assets would have decreased or increased by approximately \$86,512 (2021 - \$81,514).

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

## CHOU RRSP FUND

(unaudited)

March 17, 2023

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, 2022 was \$36.24 compared to \$39.70 at December 31, 2021, a decrease of 8.7%; during the same period, the S&P/TSX Total Return Index decreased by 5.8% in Canadian dollars. In U.S. dollars, a Series A unit of Chou RRSP Fund was down 14.7% while the S&P/TSX Total Return Index decreased by 11.9%.

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

<b>December 31, 2022 (Series A)</b>	<b>1 Year</b>	<b>3 Years</b>	<b>5 Years</b>	<b>10 Years</b>	<b>15 Years</b>	<b>20 Years</b>
Chou RRSP Fund (\$CAN)	-8.7%	17.4%	4.3%	5.8%	4.8%	5.5%
S&P/TSX (\$CAN)	-5.8%	7.6%	6.9%	7.8%	5.4%	8.5%
Chou RRSP Fund (\$US)	-14.7%	15.7%	2.8%	2.6%	2.6%	6.3%
S&P/TSX (\$US)	-11.9%	6.1%	5.2%	4.5%	3.2%	9.3%

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 2022 Results

The major advancers in 2022 were the equity holdings of Exco Resources Inc., Reitmans (Canada) Limited and Resolute Forest Products Inc.

The largest decliners in the period were the equity holdings of BlackBerry Limited, Interfor Corporation, Canfor Pulp Products Inc. and Magna International Inc.

During the year, the Fund eliminated Genius Brands International Inc. and Overstock.com Inc. The Fund reduced its holdings in Magna International Inc., Resolute Forest Products Inc. and BlackBerry Limited. The 7% subordinated notes of Taiga Building Products Limited matured on Nov 17<sup>th</sup>, 2022.

The Fund initiated investments in Parex Resources Inc., Home Capital Group Inc., Onex Corporation, CI Financial Corporation and Methanex Corporation. The Fund also invested in the warrants of Hertz Global Holdings Inc.

The Fund had no covered call options in its portfolio as at December 31, 2022.

## Portfolio Commentary

### **The Common Theme In New Purchases**

We purchased shares in several new companies. They are half-decent companies that generate tons of free cash flow, sell at a low multiple of earnings, and have management that we can trust to make operating and capital allocation decisions wisely. But if there is a common theme in the new purchases, it is that they have been big buyers of their own stock over the last few years. We also believe that if their shares fall further, they will repurchase them in significant quantities in the market. What this entails is that their intrinsic value will increase on a per-share basis. That is music to my ears.

However, there is one caveat regarding companies buying back their shares. They should not be in a declining industry where new technology or processes will make their products less valuable. And as a corollary, the company should not buy back shares if it is a piece of CRAP (Cannot Realize A Profit). In this case, the remaining loyal shareholders are getting a larger piece of a crappy company.

I remember a time 20 years ago when the newspaper industry was in decline because of the advent of the internet. I thought it would take ten years before the newspaper industry faced a massive decline in advertising revenues. In a challenging industry, I was told a company goes bankrupt two ways; first slowly and then suddenly. But it is more like going quickly and then the bottom just falls out.

### **Resolute Forest Products Inc. (“RFP”)**

In June 2022, RFP announced that Domtar would be purchasing the company. The transaction will be carried out by way of a merger between RFP and a newly created subsidiary of Domtar, providing for the conversion of each share of RFP common stock into the right to receive US\$20.50 per share, together with CVR (Contingent Value Rights) entitling the holder to a share of future softwood lumber duty deposit refunds. Each share, on a fully diluted basis at closing, will be entitled to receive one CVR.

Looking back on RFP, there is an important lesson for investors. RFP paid a special dividend of US\$1.50 a share in 2018. In 2020, the company announced that it would buy back 15% of its common shares for US\$100 million. In spite of all that information, the stock traded as low as \$1.17 per share – meaning the whole market capitalization was approximately US\$99 million. In other words, instead of buying back 15% of the company with US\$100 million, it could have repurchased 100%.

The investment in RFP shows you what it takes to have the mindset of a value investor. I wrote about it in 2021’s annual letter, but it’s worth repeating. “When the stock is that cheap, assuming that you don’t own any shares, a rational investor should back up the truck and buy every share that is offered in the market. But what makes it difficult for some investors to buy is not the rational side of their mind but more the psychological aspect of it. In the stock market, you are bombarded with noises that affect a person’s rationality. It can get radically altered. Stock prices can move unrelated to the fundamentals of a business. During a bull market, you may see several stocks trading at anywhere from 50 times to more than 100 times earnings, and conversely, there can be several stocks that sold at 10 times earnings going down to below five times earnings. The fundamentals of the company are ignored and instead, investors are transfixed on the price movements of the last couple of years. Then new narratives are written most convincingly on why these are the “new” paradigms, and why they are not worth giving weights and considerations to what the assets are worth and what the company can earn over several years. I remember talking to one value manager in 1999 when the tech stocks were in full bloom. He said, *“I have a family to feed and I will keep losing assets if I don’t accept the new headlines and paradigms. Sticking to buying companies that are undervalued is not the way to be successful in the long run”*. He changed his philosophy before the tech stocks were about to go into a severe decline over the next couple of years.”

It proves that in investing, an accurate valuation of what a company is worth matters the most.

## EXCO Resources Inc. (“EXCO”)

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

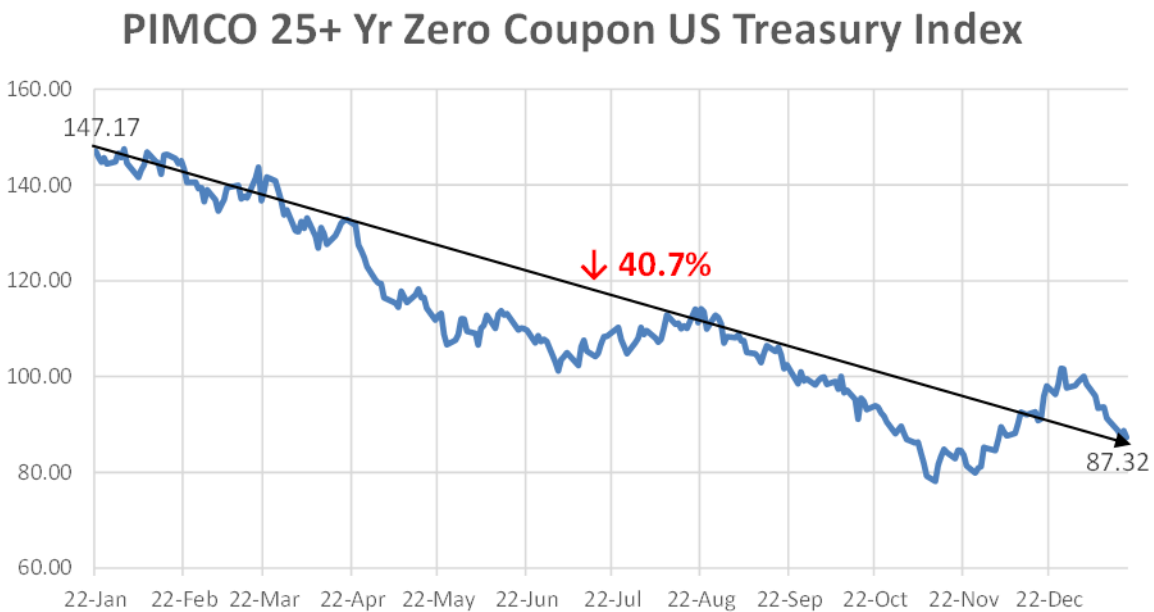
Since it is a private company, I am not at liberty to divulge the latest financial statements, but what I can tell you is that my calculation of its PV-10 value was more than US\$2 billion (roughly \$38 per share) based on the New York Mercantile Exchange (NYMEX) forward pricing as of June 30, 2022, and the net proved reserves was 2.7 trillion cubic feet equivalent. Its number of outstanding shares was 51,584,500. We estimate its EBITDA for the year ending 2022 will be approximately US\$275 million to US\$300 million.

As a comparison, in 2018, the PV-10 value was US\$750 million.

## Be Careful with the Conventional Definition of Safety

When 2021 ended, we were concerned that inflation would raise its ugly head. It is unprecedented how much money has been printed over the last 15 years, and we felt it was a matter of time before you pay the piper. We were happy to stay in cash/short-term treasury bills unless we found a mispriced equity. We were not enthused with buying long-duration treasury bills to gain an extra 50 basis points in yields, and we felt that any investor buying any A-rated paper with a long duration was playing with fire. An investor trades for a gain of 50 basis points (0.5%) in interest income for a potential capital loss of 40%. We were happy staying in cash equivalents which were virtually paying 0%. In 2022, our cash level was as high as 45% of the net assets of the Fund.

If you look at the chart below, you can see the devastation caused by buying a 25-year A-rated paper such as the treasury bills, supposedly the safest security in the world.



At the beginning of 2022, it was trading at \$147.17 but dropped to \$87.32 at the end of 2022 for a loss of 40.7%. So much for being the safest security in the world!!

We are wary of buying any financials such as banks or insurance companies whose assets consist of large portions of long-duration treasury bills, fixed-income assets, or 30-year fixed residential mortgages.

### **Caution to the Investors**

Investors should be advised that we run a highly focused portfolio, frequently just three to five securities may comprise close to 50% of the assets of the Fund. In addition, the Fund has securities outside of Canada 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 net cash position was approximately 40% of net assets as at December 31, 2022.

### **Other Matters**

FOREIGN CURRENCY CONTRACTS: None existed at December 31, 2022.

CREDIT DEFAULT SWAPS: None existed at December 31, 2022.

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

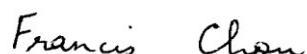
REDEMPTION FEE: We have a redemption fee of 2% if unitholders redeem their units in less than 3 months. None of this fee goes to the Fund Manager. It is put back into the Fund for the benefit of the remaining unitholders.

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 2022 IRC Annual Report is available on our website [www.choufunds.com](http://www.choufunds.com).

As of March 17, 2023, the NAVPU of a Series A unit of the Fund was \$38.08 and the cash position was approximately 36.4% of net assets. The Fund is up 5.1% from the beginning of the year. In U.S. dollars, it is up 3.6%.

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,



Francis Chou  
Fund Manager

# CHOU RRSP FUND

## Statements of Financial Position

December 31, 2022 and 2021

	2022	2021
<b>Assets</b>		
Current assets:		
Cash and cash equivalents	\$ 14,922,825	\$ 2,481,299
Investments (note 8)	20,971,845	46,988,541
Derivatives	1,421,679	-
Interest receivable	18,357	29,163
Dividends receivable	5,166	-
Total assets	37,339,872	49,499,003
<b>Liabilities</b>		
Current liabilities:		
Derivatives	-	4,089,678
Accrued expenses	48,355	64,135
Payable for units redeemed	-	107,173
Distributions payable	-	32,606
Total liabilities	48,355	4,293,592
Net assets attributable to unitholders of redeemable units	\$ 37,291,517	\$ 45,205,411
Net assets attributable to unitholders of redeemable units:		
Series A	\$ 20,165,056	\$ 42,647,812
Series F	17,126,461	2,557,599
	\$ 37,291,517	\$ 45,205,411
Number of redeemable units outstanding (note 4):		
Series A	556,521	1,074,198
Series F	467,565	64,041
Net assets attributable to unitholders of redeemable units per unit:		
Canadian dollars:		
Series A	\$ 36.24	\$ 39.70
Series F	36.63	39.94
U.S. dollars:		
Series A	26.76	31.38
Series F	27.05	31.57

The accompanying notes are an integral part of these financial statements.

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

Francis Chou





# CHOU RRSP FUND

## Statements of Comprehensive Income (Loss)

Years ended December 31, 2022 and 2021

	2022	2021
<b>Income:</b>		
Interest for distribution purposes and other	\$ 243,683	\$ 211,943
Dividends	114,649	1,648,119
Securities lending income (note 7)	996	861
Other income	-	46,301
Foreign currency loss on cash and other net assets	(232,614)	(55,733)
Other net changes in fair value of financial assets and financial liabilities at fair value through profit or loss:		
Net realized gain on investments	12,836,226	1,144,680
Net realized loss on derivatives	(1,398,760)	(1,451,378)
Change in unrealized (depreciation) appreciation on investments	(13,749,052)	18,416,177
Change in unrealized (depreciation) appreciation on derivatives	(829,447)	234,276
	(3,014,319)	20,195,246
<b>Expenses:</b>		
Management fees (note 5)	578,977	674,149
Custodial fees	75,692	-
Audit fees	34,268	16,069
Filing fees	18,977	20,276
Independent review committee fees	-	13,440
FundSERV fees	10,110	6,213
Legal fees	5,664	2,601
Transaction costs (note 6)	180,066	141,808
Foreign withholding taxes	-	208,113
Other	1,135	-
	904,889	1,082,669
(Decrease) increase in net assets attributable to unitholders of redeemable units	\$ (3,919,208)	\$ 19,112,577
(Decrease) increase in net assets attributable to unitholders of redeemable units per series:		
Series A	\$ (4,124,861)	\$ 17,859,845
Series F	205,653	1,252,732
	\$ (3,919,208)	\$ 19,112,577
Average number of redeemable units outstanding for the year per series:		
Series A	697,436	1,162,011
Series F	369,877	83,246
(Decrease) increase in net assets attributable to unitholders of redeemable units per unit:		
Series A	\$ (5.91)	\$ 15.37
Series F	0.56	15.05

The accompanying notes are an integral part of these financial statements.

# CHOU RRSP FUND

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

Years ended December 31, 2022 and 2021

	2022	2021
<b>Series A</b>		
Net assets attributable to unitholders of redeemable units, beginning of year	\$ 42,647,812	\$ 34,909,078
(Decrease) increase in net assets attributable to unitholders of redeemable units	(4,124,861)	17,859,845
Proceeds from issue of redeemable units	337,006	1,143,226
Payments on redemption of redeemable units	(18,694,901)	(11,250,701)
Distributions of income to unitholders:		
Investment income	-	(694,963)
Reinvested distributions	-	681,327
Net assets attributable to unitholders of redeemable units, end of year	20,165,056	42,647,812
<b>Series F</b>		
Net assets attributable to unitholders of redeemable units, beginning of year	2,557,599	2,611,046
Increase in net assets attributable to unitholders of redeemable units	205,653	1,252,732
Proceeds from issue of redeemable units	15,593,125	801,413
Payments on redemption of redeemable units	(1,229,916)	(2,088,622)
Distributions of income to unitholders:		
Investment income	-	(52,537)
Reinvested distributions	-	33,567
Net assets attributable to unitholders of redeemable units, end of year	17,126,461	2,557,599
Total net assets attributable to unitholders of redeemable units, end of year	\$ 37,291,517	\$ 45,205,411

The accompanying notes are an integral part of these financial statements.

# CHOU RRSP FUND

## Statements of Cash Flows

Years ended December 31, 2022 and 2021

	2022	2021
<b>Cash flows from operating activities:</b>		
(Decrease) increase in net assets attributable to unitholders of redeemable units	\$ (3,919,208)	\$ 19,112,577
Adjustments for:		
Foreign currency loss on cash and other net assets	232,614	55,733
Net realized (gain) loss on disposal of investments and derivatives	(11,437,466)	306,698
Change in unrealized depreciation (appreciation) on investments and derivatives	14,578,499	(18,650,453)
Change in non-cash operating working capital:		
Decrease (increase) in interest receivable	10,806	(2,437)
Increase in dividends receivable	(5,166)	-
Decrease in accrued expenses	(15,780)	(108,993)
Purchase of investments and derivatives	(13,726,345)	(4,962,161)
Proceeds from sale and maturity of investments and derivatives	31,090,651	17,680,506
Net cash generated from operating activities	16,808,605	13,431,470
<b>Cash flows from financing activities:</b>		
Distributions paid to unitholders	(32,606)	-
Proceeds from redeemable units issued	15,930,131	1,944,639
Amount paid on redemption of redeemable units	(20,031,990)	(13,329,819)
Net cash used in financing activities	(4,134,465)	(11,385,180)
Foreign currency loss on cash and other net assets	(232,614)	(55,733)
Increase in cash and cash equivalents	12,441,526	1,990,557
Cash and cash equivalents, beginning of year	2,481,299	490,742
Cash and cash equivalents, end of year	\$ 14,922,825	\$ 2,481,299
<b>Supplemental information:</b>		
Interest received, net of withholding tax	\$ 254,489	\$ 209,506
Dividends received, net of withholding tax	109,483	1,440,006
Security lending income received	996	861

The accompanying notes are an integral part of these financial statements.

# CHOU RRSP FUND

## Schedule of Investments

December 31, 2022

	Number of securities	Cost	Fair value
<b>Equities*</b>			
Bausch Health Companies Inc.	200,000	\$ 6,352,306	\$ 1,700,624
BlackBerry Limited	312,900	2,438,340	1,379,889
Canfor Pulp Products Inc.	293,900	836,324	1,216,746
CI Financial Corporation	28,700	375,660	387,737
EXCO Resources Inc.	114,371	2,373,080	3,264,414
Home Capital Group Inc.	25,000	952,447	1,064,500
Interfor Corporation	61,500	365,747	1,291,500
Linamar Corporation	24,000	1,332,040	1,471,200
Magna International Inc., Class 'A'	10,000	624,709	760,677
Methanex Corporation	4,000	198,000	205,040
Onex Corporation	13,900	925,774	907,531
Parex Resources Inc.	60,000	1,116,400	1,209,000
Reitmans (Canada) Limited	526,100	1,993,539	1,346,816
Resolute Forest Products Inc.	38,688	437,539	1,130,961
TVA Group Inc.	53,028	766,721	90,678
TWC Enterprises Limited	202,539	1,168,826	3,544,432
		22,257,452	20,971,745
<b>Bonds</b>			
Fortress Global Enterprises Inc., 9.750%, December 31, 2022, Convertible Bonds, Callable	1,000,000	780,000	100
<b>Derivatives</b>			
Hertz Global Holdings Inc., warrants, June 30, 2051	140,843	1,663,136	1,421,679
Total investments		24,700,588	22,393,524
Transaction costs		(142,437)	-
Portfolio total		\$ 24,558,151	\$ 22,393,524

\* Common shares unless indicated otherwise

The accompanying notes are an integral part of these financial statements.

# CHOU RRSP FUND

## Discussion of Financial Risk Management (continued)

Years ended December 31, 2022 and 2021

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### 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. 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, 2022, the Fund did not invest any of its net assets in non-investment grade debt instruments (2021 - 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, 2022, the Fund did not invest any of its net assets in non-rated debt instruments (2021 - 6.88%).

#### (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:

	2022	2021
Less than 1 year	\$ 100	\$ 3,111,100
1 - 3 years	-	-
3 - 5 years	-	-
Greater than 5 years	-	-

As at December 31, 2022, 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 \$nil (2021 - \$6,689).

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, 2022 and 2021

### 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 51.30% (2021 - 93.35%) of the Fund's net assets held at December 31, 2022 were publicly traded equities and derivative investments. If equity and derivative prices on the exchange had increased or decreased by 5.00% as at December 31, 2022, the net assets of the Fund would have increased or decreased by approximately \$956,451 or 2.57% (2021 - \$2,109,961 or 4.67%) 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, 2022 and 2021 expressed in CAD are as follows:

<b>2022</b>	<b>Investments and derivatives</b>	<b>Cash and cash equivalents</b>	<b>Other assets and liabilities</b>	<b>Total</b>	<b>Percentage of net asset value</b>
United States dollar (USD)	\$ 8,278,355	\$ 14,448,403	\$ 18,060	\$ 22,744,818	61.0%

<b>2021</b>	<b>Investments and derivatives</b>	<b>Cash and cash equivalents</b>	<b>Other assets and liabilities</b>	<b>Total</b>	<b>Percentage of net asset value</b>
United States dollar (USD)	\$ 23,990,592	\$ 2,271,885	\$ 2,840	\$ 26,265,317	58.1%

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, derivatives, payable for units redeemed and bank overdraft that are denominated in foreign currencies.

As at December 31, 2022, if the Canadian dollar had strengthened or weakened by 1.00% in relation to all currencies, with all other variables held constant, net assets would have decreased or increased by approximately \$227,448 (2021 - \$262,653).

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

# CHOU FUNDS

## Notes to the Financial Statements

Years ended December 31, 2022 and 2021

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### 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 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:

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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

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### 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, 2022. 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 29, 2023.

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

#### (a) Financial instruments:

The Funds apply 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 the Financial Statements

Years ended December 31, 2022 and 2021

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### 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 the Financial Statements

Years ended December 31, 2022 and 2021

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### 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 the Financial Statements

Years ended December 31, 2022 and 2021

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### 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.

#### (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 the Financial Statements

Years ended December 31, 2022 and 2021

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### 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 redeemable 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 the Financial Statements

Years ended December 31, 2022 and 2021

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### 2. Significant accounting policies (continued):

#### (m) Valuation of Funds redeemable 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 holders of redeemable units 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.

# CHOU FUNDS

## Notes to the Financial Statements

Years ended December 31, 2022 and 2021

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### 2. Significant accounting policies (continued):

#### (q) Adoption of New Accounting Standards

Certain pronouncements were issued by the IASB or International Financial Reporting Interpretations Committee (IFRIC) and have been adopted in the current year. Many are not applicable or do not have a significant impact on the Funds, and have therefore been excluded:

- Amendments to References to Conceptual Framework in IFRS Standards;
- Definition of a Business (Amendments to IFRS 3);
- COVID-19 Related Rent Concessions; and
- Onerous contracts- Cost of Fulfilling a Contract (Amendments to IAS 37).

#### Future accounting policy changes

Certain pronouncements were issued by the IASB or IFRIC. Many are not applicable or do not have a significant impact on the Company and have been excluded. The following amended standards and interpretations have not yet been adopted and are not expected to have a significant impact on the Funds' financial statements:

- Classification of Liabilities as Current or Non-current (Amendments to IAS 1);
- Deferred Tax related to Assets and Liabilities arising from a Single Transaction;
- Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2);
- Definition of Accounting Estimates (Amendments to IAS 8); and
- IFRS 17 Insurance Contracts.

### 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.

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.

# CHOU FUNDS

## Notes to the Financial Statements

Years ended December 31, 2022 and 2021

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### 3. Financial risk management (continued):

#### (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 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.

#### (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.

# CHOU FUNDS

## Notes to the Financial Statements

Years ended December 31, 2022 and 2021

### 3. Financial risk management (continued):

#### (c) Market risk (continued):

##### (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.

	Series A		Series F	
	2022	2021	2022	2021
<b>Chou Associates Fund</b>				
Redeemable units outstanding, beginning of year	1,069,315	1,473,749	87,893	165,722
Add redeemable units issued during the year	2,196	33,531	222,551	4,219
Deduct redeemable units redeemed during the year	(303,162)	(440,246)	(36,363)	(82,349)
Redeemable units outstanding before income distribution	768,349	1,067,034	274,081	87,592
Add redeemable units issued on reinvested income	1,988	2,281	5,278	301
Redeemable units outstanding, end of year	770,337	1,069,315	279,359	87,893
<b>Chou Asia Fund</b>				
Redeemable units outstanding, beginning of year	738,334	690,428	53,316	60,312
Add redeemable units issued during the year	976	58,304	340,881	2,212
Deduct redeemable units redeemed during the year	(423,315)	(131,723)	(19,979)	(17,486)
Redeemable units outstanding before income distribution	315,995	617,009	374,218	45,038
Add redeemable units issued on reinvested income	14,019	121,325	17,637	8,278
Redeemable units outstanding, end of year	330,014	738,334	391,855	53,316

# CHOU FUNDS

## Notes to the Financial Statements

Years ended December 31, 2022 and 2021

### 4. Holders of redeemable units (continued):

	Series A		Series F	
	2022	2021	2022	2021
<b>Chou Europe Fund</b>				
Redeemable units outstanding, beginning of year	257,504	272,661	68,565	210,388
Add redeemable units issued during the year	50,551	75,351	113,342	1,805
Deduct redeemable units redeemed during the year	(211,618)	(91,862)	(69,850)	(143,911)
Redeemable units outstanding before income distribution	96,437	256,150	112,057	68,282
Add redeemable units issued on reinvested income	35,696	1,354	43,059	283
Redeemable units outstanding, end of year	132,133	257,504	155,116	68,565
<b>Chou Bond Fund</b>				
Redeemable units outstanding, beginning of year	1,050,115	1,105,932	135,676	209,838
Add redeemable units issued during the year	45,955	102,683	527,370	24,040
Deduct redeemable units redeemed during the year	(500,901)	(205,822)	(96,163)	(104,399)
Redeemable units outstanding before income distribution	595,169	1,002,793	566,883	129,479
Add redeemable units issued on reinvested income	10,308	47,322	15,157	6,197
Redeemable units outstanding, end of year	605,477	1,050,115	582,040	135,676
<b>Chou RRSP Fund</b>				
Redeemable units outstanding, beginning of year	1,074,198	1,349,151	64,041	100,434
Add redeemable units issued during the year	9,215	31,285	437,454	22,591
Deduct redeemable units redeemed during the year	(526,892)	(323,399)	(33,930)	(59,824)
Redeemable units outstanding before income distribution	556,521	1,057,037	467,565	63,201
Add redeemable units issued on reinvested income	-	17,161	-	840
Redeemable units outstanding, end of year	556,521	1,074,198	467,565	64,041

### 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 redeemable units and 1.0% of the net asset value of Series F redeemable 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 redeemable units and 1.0% of the net asset value of Series F redeemable units. All other expenses attributable to the Funds are also payable out of the assets of the Funds.



# CHOU FUNDS

## Notes to the Financial Statements

Years ended December 31, 2022 and 2021

### 5. Related party transactions (continued):

#### (a) Management fees (continued):

The Manager has elected to reduce the management fees for the Chou Europe Fund in August 2022 under the Simplified Prospectus. The management fee rates presented above relate to the contractual rates prior to any reduction. Management fees and related reductions are presented on a gross basis in the statements of comprehensive income (loss).

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

	2022	2021
Chou Associates Fund	\$ 2,492,165	\$ 2,885,460
Chou Asia Fund	224,086	336,542
Chou Europe Fund	24,077	55,133
Chou Bond Fund	127,818	121,112
Chou RRSP Fund	578,977	674,149

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

	2022	2021
Chou Associates Fund	\$ 194,772	\$ 226,722
Chou Asia Fund	16,020	23,298
Chou Europe Fund	-	3,692
Chou Bond Fund	10,122	10,261
Chou RRSP Fund	41,471	54,294

#### (b) Investments by the Manager and related parties:

The Manager, its officers and directors invest in redeemable 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, 2022, the following amounts of Series A redeemable units were held by the Manager, its officers, and directors. No amounts of Series F redeemable units were held by the Manager, its officers, and directors.

	2022	2021
Chou Associates Fund	74,598	73,988
Chou Asia Fund	-	-
Chou Europe Fund	18,810	58,411
Chou Bond Fund	-	-
Chou RRSP Fund	43,791	36,820

# CHOU FUNDS

## Notes to the Financial Statements

Years ended December 31, 2022 and 2021

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### 5. Related party transactions (continued):

#### (b) Investments by the Manager and related parties (continued):

(i) Chou Associates Fund:

As at December 31, 2022, 7.1% of total redeemable units (2021 – 6.9%) were held by the Manager, its officers, and directors.

(ii) Chou Europe Fund:

As at December 31, 2022, 6.5% of total redeemable units (2021 – 22.7%) were held by the Manager, its officers, and directors.

(iii) Chou RRSP Fund:

As at December 31, 2022, 4.3% of total redeemable units (2021 – 3.4%) were held by the Manager, its officers, and directors.

In September 2022, the Manager redeemed 95,274 units of the Chou Europe Fund for total proceeds of \$677,257. The Manager subsequently contributed the total proceeds to the Chou Europe Fund with no corresponding increase in the number of units held by the Manager of the Fund. The contribution, which was meant as a payback of prior management fees earned by the Manager, was non-reciprocal and non-recurring in nature and at the Manager's sole discretion. The \$677,257 contribution was recorded as other income in the statements of comprehensive income (loss).

### 6. Brokers' commissions:

Total commissions paid to brokers in connection with portfolio transactions for the years ended December 31, 2022 and 2021 are as follows:

	2022	2021
Chou Associates Fund	\$ 362,364	\$ 309,895
Chou Asia Fund	13,321	16,306
Chou Europe Fund	1,962	921
Chou Bond Fund	-	-
Chou RRSP Fund	180,066	141,808

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# CHOU FUNDS

## Notes to the Financial Statements

Years ended December 31, 2022 and 2021

### 7. Securities lending:

The Funds have entered into a securities lending program with CIBC Mellon. 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 obligations 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, 2022 and 2021 are as follows:

	<b>Market value of securities on loan</b>	<b>Market value of collateral received</b>
<b>2022</b>		
Chou Associates Fund	\$ 3,306,290	\$ 3,471,679
Chou Asia Fund	-	-
Chou Europe Fund	178,396	199,542
Chou Bond Fund	-	-
Chou RRSP Fund	1,449,422	1,521,926
	<b>Market value of securities on loan</b>	<b>Market value of collateral received</b>
<b>2021</b>		
Chou Associates Fund	\$ 4,537,547	\$ 4,846,155
Chou Asia Fund	1,232,106	1,303,289
Chou Europe Fund	657,879	695,849
Chou Bond Fund	-	-
Chou RRSP Fund	578	607

# CHOU FUNDS

## Notes to the Financial Statements

Years ended December 31, 2022 and 2021

### 7. Securities lending (continued):

The tables below present a reconciliation of the securities lending income as presented in the statements of comprehensive income (loss) for the years ended December 31, 2022 and 2021. It shows 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, 2022	
Gross securities lending revenue	\$ 5,249	100 %
Withholding taxes	(37)	(1)%
Agent fees	(1,042)	(20)%
Securities lending revenue	\$ 4,170	79 %

	December 31, 2021	
Gross securities lending revenue	\$ 7,925	100 %
Withholding taxes	(200)	(3)%
Agent fees	(1,129)	(14)%
Securities lending revenue	\$ 6,596	83 %

#### Chou Asia Fund:

	December 31, 2022	
Gross securities lending revenue	\$ 6,419	100%
Withholding taxes	(80)	(1)%
Agent fees	(1,268)	(20)%
Securities lending revenue	\$ 5,071	79%

	December 31, 2021	
Gross securities lending revenue	\$ 28,876	100%
Withholding taxes	(90)	0%
Agent fees	(5,757)	(20)%
Securities lending revenue	\$ 23,029	80%

# CHOU FUNDS

## Notes to the Financial Statements

Years ended December 31, 2022 and 2021

### 7. Securities lending (continued):

#### Chou Europe Fund:

	December 31, 2022	
Gross securities lending revenue	\$ 320	100%
Withholding taxes	(17)	(5)%
Agent fees	(60)	(19)%
Securities lending revenue	\$ 243	76%

	December 31, 2021	
Gross securities lending revenue	\$ 1,393	100%
Withholding taxes	(218)	(16)%
Agent fees	(235)	(17)%
Securities lending revenue	\$ 940	67%

#### Chou Bond Fund:

	December 31, 2022	
Gross securities lending revenue	\$ 12,756	100%
Withholding taxes	(3,827)	(30)%
Agent fees	(1,786)	(14)%
Securities lending revenue	\$ 7,143	56%

	December 31, 2021	
Gross securities lending revenue	\$ 306	100%
Withholding taxes	(90)	(29)%
Agent fees	(43)	(14)%
Securities lending revenue	\$ 173	57%

# CHOU FUNDS

## Notes to the Financial Statements

Years ended December 31, 2022 and 2021

### 7. Securities lending (continued):

#### Chou RRSP Fund:

	December 31, 2022	
Gross securities lending revenue	\$ 1,261	100%
Withholding taxes	(16)	(1)%
Agent fees	(249)	(20)%
Securities lending revenue	\$ 996	79%

	December 31, 2021	
Gross securities lending revenue	\$ 1,058	100%
Withholding taxes	(21)	(2)%
Agent fees	(176)	(17)%
Securities lending revenue	\$ 861	81%

### 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 the Financial Statements

Years ended December 31, 2022 and 2021

### 8. Fair value measurement (continued):

#### (a) Chou Associates Fund:

2022	Level 1	Level 2	Level 3	Total
<b>Financial Assets</b>				
Equities	\$ 80,675,037	\$ -	\$ 36,569,676	\$ 117,244,713
Bonds	-	-	-	-
Options	-	-	-	-
Warrants	6,063,911	-	-	6,063,911
Total	\$ 86,738,948	\$ -	\$ 36,569,676	\$ 123,308,624
<b>Financial Liabilities</b>				
Equities	\$ -	\$ -	\$ -	\$ -
Bonds	-	-	-	-
Options	-	-	-	-
Total	\$ -	\$ -	\$ -	\$ -
2021	Level 1	Level 2	Level 3	Total
<b>Financial Assets</b>				
Equities	\$ 147,797,221	\$ 3,378,207	\$ 18,800,231	\$ 169,975,659
Bonds	-	-	-	-
Options	-	-	-	-
Total	\$ 147,797,221	\$ 3,378,207	\$ 18,800,231	\$ 169,975,659
<b>Financial Liabilities</b>				
Equities	\$ -	\$ -	\$ -	\$ -
Bonds	-	-	-	-
Options	-	5,350,739	-	5,350,739
Total	\$ -	\$ 5,350,739	\$ -	\$ 5,350,739

The following table reconciles the Fund's Level 3 fair value measurement of financial instruments for as at December 31, 2022 and December 31, 2021.

	Equities	Bonds	Total
Balance, December 31, 2021	\$ 18,800,231	\$ -	\$ 18,800,231
Purchase of investments	-	-	-
Net transfers in (out) during the year	-	-	-
Proceeds from sales during the year	-	-	-
Net realized gain (loss) on sale of investments	-	-	-
Change in unrealized appreciation in value of investments	17,769,445	-	17,769,445
Balance, December 31, 2022	\$ 36,569,676	\$ -	\$ 36,569,676

# CHOU FUNDS

## Notes to the Financial Statements

Years ended December 31, 2022 and 2021

### 8. Fair value measurement (continued):

#### (a) Chou Associates Fund (continued):

	Equities	Bonds	Total
Balance, December 31, 2020	\$ 13,414,115	\$ -	\$ 13,414,115
Purchase of investments	-	-	-
Net transfers in (out) during the year	-	-	-
Proceeds from sales during the year	-	-	-
Net realized gain (loss) on sale of investments	-	-	-
Change in unrealized depreciation in value of investments	5,386,116	-	5,386,116
Balance, December 31, 2021	\$ 18,800,231	\$ -	\$ 18,800,231

For fiscal 2022 and 2021, there were no significant transfers between Level 1 and Level 2.

Financial instruments classified as Level 2 investments are valued based on the prices provided by an independent reputable 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, 2022 and 2021 in measuring financial instruments categorized as Level 3 in the fair value hierarchy.

#### December 31, 2022

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	36,569,676	Market Approach & Income Approach	Third party, WACC	N/A	10%	3,656,968/ (3,656,968)

#### December 31, 2021

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	18,800,231	Market Approach & Income Approach	Third party, WACC	N/A	10%	1,880,023/ (1,880,023)

#### 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 the Financial Statements

Years ended December 31, 2022 and 2021

### 8. Fair value measurement (continued):

#### (b) Chou Asia Fund:

2022	Level 1	Level 2	Level 3	Total
<b>Financial Assets</b>				
Equities	\$ 9,309,452	\$ 542,780	\$ -	\$ 9,852,232
Bonds	-	-	-	-
Options	-	-	-	-
Total	\$ 9,309,452	\$ 542,780	\$ -	\$ 9,852,232

2021	Level 1	Level 2	Level 3	Total
<b>Financial Assets</b>				
Equities	\$ 14,738,868	\$ 1,049,506	\$ -	\$ 15,788,374
Bonds	-	-	-	-
Options	-	-	-	-
Total	\$ 14,738,868	\$ 1,049,506	\$ -	\$ 15,788,374

For fiscal 2022, there was no transfers between Level 1 and Level 2. For fiscal 2021, equities valued at \$1,048,029 were transferred from Level 2 to Level 1 due to an increase in liquidity and trading volumes.

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

#### (c) Chou Europe Fund:

2022	Level 1	Level 2	Level 3	Total
<b>Financial Assets</b>				
Equities	\$ 2,191,679	\$ -	\$ -	\$ 2,191,679
Bonds	-	-	-	-
Options	-	-	-	-
Total	\$ 2,191,679	\$ -	\$ -	\$ 2,191,679

2021	Level 1	Level 2	Level 3	Total
<b>Financial Assets</b>				
Equities	\$ 3,065,822	\$ -	\$ -	\$ 3,065,822
Bonds	-	-	-	-
Options	-	-	-	-
Total	\$ 3,065,822	\$ -	\$ -	\$ 3,065,822

For fiscal 2022, there was no transfers between Level 1 and Level 2. For fiscal 2021, equities valued at \$644,366 were transferred from Level 2 to Level 1 due to an increase in liquidity and trading volumes.

Financial instruments classified as Level 2 investments are valued based on the prices provided by an independent reputable 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 the Financial Statements

Years ended December 31, 2022 and 2021

### 8. Fair value measurement (continued):

#### (d) Chou Bond Fund:

2022	Level 1	Level 2	Level 3	Total
<b>Financial Assets</b>				
Equities	\$ -	\$ -	\$ 572,159	\$ 572,159
Bonds	-	2,515,917	366	2,516,283
Options	-	-	-	-
<b>Total</b>	<b>\$ -</b>	<b>\$ 2,515,917</b>	<b>\$ 572,525</b>	<b>\$ 3,088,442</b>

2021	Level 1	Level 2	Level 3	Total
<b>Financial Assets</b>				
Equities	\$ 1,678,669	\$ -	\$ 294,143	\$ 1,972,812
Bonds	-	4,454,755	366	4,455,121
Options	-	-	-	-
<b>Total</b>	<b>\$ 1,678,669</b>	<b>\$ 4,454,755</b>	<b>\$ 294,509</b>	<b>\$ 6,427,933</b>

The following table reconciles the Fund's Level 3 fair value measurement of financial instruments as at December 31, 2022 and December 31, 2021.

	Equities	Bonds	Total
Balance, December 31, 2021	\$ 294,143	\$ 366	\$ 294,509
Net transfers in during the year	-	-	-
Proceeds from sales during the year	-	-	-
Net realized gain (loss) on sale of investments	-	-	-
Change in unrealized appreciation in value of investments	278,016	-	278,016
<b>Balance, December 31, 2022</b>	<b>\$ 572,159</b>	<b>\$ 366</b>	<b>\$ 572,525</b>

	Equities	Bonds	Total
Balance, December 31, 2020	\$ 209,874	\$ 366	\$ 210,240
Net transfers in during the year	-	-	-
Proceeds from sales during the year	-	-	-
Net realized loss on sale of investments	-	-	-
Change in unrealized appreciation in value of investments	84,269	-	84,269
<b>Balance, December 31, 2021</b>	<b>\$ 294,143</b>	<b>\$ 366</b>	<b>\$ 294,509</b>

For fiscal 2022 and 2021, there were no significant transfers between Level 1 and Level 2.

Financial instruments classified as Level 2 investments are valued based on the prices provided by an independent reputable 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 the Financial Statements

Years ended December 31, 2022 and 2021

### 8. Fair value measurement (continued):

#### (d) Chou Bond Fund (continued):

##### Level 3 additional disclosures:

The table below sets out information about significant unobservable inputs used at December 31, 2022 and 2021 in measuring financial instruments categorized as Level 3 in the fair value hierarchy.

##### December 31, 2022

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	572,159	Market Approach & Income Approach	Third party	N/A	10%	57,216/(57,216)
Convertible loan	Convertible Loan	366	Market Approach	Market value of company	N/A	10%	37/(37)

##### December 31, 2021

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	294,143	Market Approach & Income Approach	Third party	N/A	10%	29,414/(29,414)
Convertible loan	Convertible Loan	366	Market Approach	Market value of company	N/A	10%	37/(37)

##### 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.

#### (e) Chou RRSP Fund:

2022	Level 1	Level 2	Level 3	Total
<b>Financial Assets</b>				
Equities	\$ 17,707,331	\$ -	\$ 3,264,414	\$ 20,971,745
Bonds	-	-	100	100
Warrants	1,421,679	-	-	1,421,679
Total	\$ 19,129,010	\$ -	\$ 3,264,514	\$ 22,393,524
<b>Financial Liabilities</b>				
Equities	\$ -	\$ -	\$ -	\$ -
Bonds	-	-	-	-
Options	-	-	-	-
Total	\$ -	\$ -	\$ -	\$ -

# CHOU FUNDS

## Notes to the Financial Statements

Years ended December 31, 2022 and 2021

### 8. Fair value measurement (continued):

#### (e) Chou RRSP Fund (continued):

2021	Level 1	Level 2	Level 3	Total
<b>Financial Assets</b>				
Equities	\$ 38,111,294	\$ 4,087,934	\$ 1,678,213	\$ 43,877,441
Bonds	-	3,111,000	100	3,111,100
Options	-	-	-	-
Total	\$ 38,111,294	\$ 7,198,934	\$ 1,678,313	\$ 46,988,541
<b>Financial Liabilities</b>				
Equities	\$ -	\$ -	\$ -	\$ -
Bonds	-	-	-	-
Options	-	4,089,678	-	4,089,678
Total	\$ -	\$ 4,089,678	\$ -	\$ 4,089,678

The following table reconciles the Fund's Level 3 fair value measurement of financial instruments as at December 31, 2022 and December 31, 2021.

	Equities	Bonds	Total
Balance, December 31, 2021	\$ 1,678,213	\$ 100	\$ 1,678,313
Net transfers in during the year	-	-	-
Proceeds from sales during the year	-	-	-
Net realized gain (loss) on sale of investments	-	-	-
Change in unrealized appreciation in value of investments	1,586,201	-	1,586,201
Balance, December 31, 2022	\$ 3,264,414	\$ 100	\$ 3,264,514

	Equities	Bonds	Total
Balance, December 31, 2020	\$ 1,197,419	\$ 100	\$ 1,197,519
Net transfers in during the year	-	-	-
Proceeds from sales during the year	-	-	-
Net realized loss on sale of investments	-	-	-
Change in unrealized appreciation in value of investments	480,794	-	480,794
Balance, December 31, 2021	\$ 1,678,213	\$ 100	\$ 1,678,313

For fiscal 2022, equities valued at \$3,544,432 were transferred from Level 2 to Level 1 due to an increase in liquidity and trading volumes. For fiscal 2021, there were no significant transfer between Level 1 and Level 2.

Financial instruments classified as Level 2 investments are valued based on the prices provided by an independent reputable 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 the Financial Statements

Years ended December 31, 2022 and 2021

### 8. Fair value measurement (continued):

#### (e) Chou RRSP Fund (continued):

##### Level 3 additional disclosures:

The table below sets out information about significant unobservable inputs used at December 31, 2022 and 2021 in measuring financial instruments categorized as Level 3 in the fair value hierarchy.

##### December 31, 2022

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	3,264,414	Market Approach & Income Approach	Third party	N/A	10%	326,441/ (326,441)
Convertible Loan	Convertible Loan	100	Market Approach	Market value of company	N/A	10%	10/ (10)

##### December 31, 2021

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	1,678,213	Market Approach & Income Approach	Third party	N/A	10%	167,821/ (167,821)
Convertible Loan	Convertible Loan	100	Market Approach	Market value of company	N/A	10%	10/ (10)

##### 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 the Financial Statements

Years ended December 31, 2022 and 2021

### 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 redeemable 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 net realized capital losses available for utilization against net realized capital gains in future years:

	2022	2021
Chou Associates Fund:		
Capital loss carryforward	\$ -	\$ 3,157,106
Chou Asia Fund:		
Capital loss carryforward	-	-
Chou Europe Fund:		
Capital loss carryforward	4,304,019	4,347,415
Non-capital loss carryforward	-	-
Chou Bond Fund:		
Capital loss carryforward	12,176,055	12,049,992
Chou RRSP Fund:		
Capital loss carryforward	12,414,964	15,671,493
Non-capital loss carryforward	-	-

# CHOU FUNDS

## Notes to the Financial Statements

Years ended December 31, 2022 and 2021

### 10. Fund valuation adjustments:

The Chou Associates Fund identified an overstatement of investments in the amount of \$4,083,714 on July 18, 2022. This resulted in an overstatement of the Net Asset Value ("NAV") as at July 18, 2022. As a result, the Chou Associates Fund did not accurately reflect the NAV at the time of computation for transactional purposes for all capital stock transactions in the Fund with a trade date of July 18, 2022. No other transactions were impacted by this error.

On July 19, 2022, the error was retroactively corrected. Chou Associates Management Inc. reimbursed unitholders who transacted on July 18, 2022 and were impacted by the NAV error. Adjustments were made in accordance with the Chou Associates Fund's NAV error procedures.

The following table illustrates the adjustments made to the NAV to reflect the correction in investments on July 18, 2022:

<b>Class</b>	<b>Unadjusted Net Asset Value per Unit as at July 18, 2022</b>	<b>Adjustment to reflect the effects of over valuation</b>	<b>Adjusted Net Asset Value per Unit as at July 18, 2022</b>
<b>Canadian Dollars:</b>			
Chou Associates (series A)	\$ 152.32	\$ 3.78	\$ 148.54
Chou Associates (series F)	152.85	3.79	149.06
<b>U.S. Dollars:</b>			
Chou Associates (series A)	117.64	2.92	114.72
Chou Associates (series F)	118.05	2.93	115.12

### 11. Post-reporting date events

No adjusting events have occurred between the reporting date and date of authorization.

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

**CHOU ASIA FUND**

<b>Period ended</b>	<b>Total value of shares</b>
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	44,850
Dec.31, 2021	44,087
<b>December 31, 2022</b>	<b><u>\$41,185</u></b>

**CHOU EUROPE FUND**

<b>Period ended</b>	<b>Total value of shares</b>
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	14,626
Dec.31, 2021	13,973
<b>December 31, 2022</b>	<b><u>\$15,090</u></b>

**CHOU BOND FUND**

<b>Period ended</b>	<b>Total value of shares</b>
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	19,458
Dec.31, 2021	27,484
<b>December 31, 2022</b>	<b><u>\$29,671</u></b>



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

**CHOU RRSP FUND**

<b>Period ended</b>	<b>Total value of shares</b>
Dec.31, 1986	\$10,000
Dec.31, 1987	10,818
Dec.31, 1988	12,281
Dec.31, 1989	14,350
Dec.31, 1990	12,722
Dec.31, 1991	13,284
Dec.31, 1992	14,500
Dec.31, 1993	16,727
Dec.31, 1994	14,961
Dec.31, 1995	17,808
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
Dec.31, 2011	81,150
Dec.31, 2012	108,860
Dec.31, 2013	132,029
Dec.31, 2014	150,763
Dec.31, 2015	131,417
Dec.31, 2016	126,719
Dec.31, 2017	154,716
Dec.31, 2018	143,655
Dec.31, 2019	118,267
Dec.31, 2020	134,262
Dec.31, 2021	209,422
<b>Dec.31, 2022</b>	<b><u>\$191,136</u></b>

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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