

**MANAGEMENT REPORT OF FUND
PERFORMANCE**

December 31 2022

CHOU BOND FUND

CHOU ASSOCIATES MANAGEMENT INC.

MANAGEMENT REPORT OF FUND PERFORMANCE

December 31, 2022

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

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

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

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

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

CHOU BOND FUND

Management Discussion of Fund Performance

Investment Objective and Strategies

Chou Bond Fund's (the "Fund") objective is to provide conservation of principal and income production with capital appreciation as a secondary consideration. The Fund invests primarily in Canadian and U.S. fixed income instruments considered by Chou Associates Management Inc. (the "Manager") to be undervalued. These bonds include, but are not limited to, Government of Canada, provincial, municipal and corporate issues, including convertibles and high yield bonds. Investments may be made in bonds outside of Canada and the U.S. The Fund may also use derivatives such as, but not limited to, futures, options, swaps and forward contracts to gain exposure to securities and asset classes consistent with the objectives of the Fund, and to hedge portfolio exposure against losses from foreign currency and domestic currency exposure and changes in securities prices.

Risk

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

During the year ended December 31, 2022, there were no material changes that affected the Fund's overall level of risk.

Market Review

In 2022, the Bloomberg Barclays U.S. Corporate High Yield index, delivered a negative return of 11.2% in US dollars. U.S. high-yield bond issuance was down significantly year-on-year from US\$429.7 billion in 2021 to US\$106.5 billion in 2022. Bond issuance for buyouts in the US were the least impacted by market turbulence. Rising high yield bond costs made refinancing unattractive and only a limited number of issuers were willing to move forward with new deals.

The U.S. Federal Open Market Committee held eight scheduled meetings in 2022. In response to the growing threat of inflation and an improved job market, the Committee raised interest rates starting in March 2022. The Committee increased its target for the federal funds rate from a range of 0% to 0.25% in December 2021 to a range of 4.25% to 4.50% in December 2022.

Results of Operations

For the year ended December 31, 2022, the Fund increased by 8.0% for Series A units and 8.1% for Series F units after fees and expenses, while Barclays Capital U.S. Corporate High Yield Index fell 4.8% in Canadian dollars. In U.S. dollars, the Fund increased 0.9% for Series A units and 1.0% for Series F units, while Barclays Capital U.S. Corporate High Yield Index fell 11.2%.

The major advancer in 2022 was the equity holding of EXCO Resources Inc.

The decliner in the year was the fixed income holding of Avation Capital SA 8.25%.

The Canadian currency depreciated against the US dollar, which also positively affected the Fund.

CHOU BOND FUND

Portfolio Update

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 17th, 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 had no covered call options in its portfolio as at December 31, 2022.

In 2022, the Fund received \$7,143 in income from its securities lending program.

The Fund did not enter into any foreign currency contracts in 2022.

The Fund's net redemptions in 2022 were approximately \$4,017,880 for Series A units and the Fund's net purchases were approximately \$3,972,610 for Series F units. Out of the net purchases for Series F units, \$3,239,366 was switched from Series A units following the OEO trailer ban. The Fund's average month-end cash position for the year was 52.7% of the Fund's net assets.

Recent Developments

The ongoing Russian invasion of Ukraine and COVID-19 pandemic have continued to disrupt businesses around the world, adding volatility to both domestic and international markets. While governments and central banks have maintained their support of the economy through monetary and fiscal policies, the health of the economy remains unclear at this time. Based on this increased uncertainty, we expect the performance of the Fund's portfolio to be affected to some degree in the near term.

Related Party Transactions

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

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

The Manager, its officers and directors invest in units of the Fund from time to time in the normal course of business. As of December 31, 2022, the Manager, its officers and directors do not hold any units of the Fund. All transactions with the Manager are carried out at the Fund's net asset value as at the transaction date.

During the year ended December 31, 2022, there were no transactions with related parties except in the capacities and instances set out above.

CHOU BOND FUND

Financial Highlights

The following tables show selected key financial information about the Fund and are intended to help you understand the Fund's financial performance for the year ended December 31, 2022, and for each of the past five years ended December 31.

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

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Net Assets, beginning of year	\$ 8.79	\$ 6.53	\$ 5.91	\$ 9.01	\$ 8.21	\$ 8.79
Increase (decrease) from operations:						
Total revenue	\$ 0.37	\$ 0.47	\$ 0.41	\$ 1.08	\$ 0.48	\$ 0.45
Total expenses	\$ (0.17)	\$ (0.11)	\$ (0.10)	\$ (0.12)	\$ (0.15)	\$ (0.14)
Realized gains (losses) for the year	\$ 0.03	\$ (2.35)	\$ (1.29)	\$ 1.26	\$ (0.33)	\$ 0.41
Unrealized gains (losses) for the year	\$ 0.38	\$ 4.69	\$ 2.47	\$ (4.54)	\$ 0.42	\$ (0.93)
Total increase (decrease) from operations²	\$ 0.61	\$ 2.70	\$ 1.49	\$ (2.32)	\$ 0.42	\$ (0.21)
Distributions:						
From income (excluding dividends)	\$ 0.17	\$ 0.43	\$ 0.85	\$ 0.84	\$ 0.42	\$ 0.44
From dividends	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
From capital gains	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Return of capital	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Total Distributions³	\$ 0.17	\$ 0.43	\$ 0.85	\$ 0.84	\$ 0.42	\$ 0.44
Net Assets, end of year	\$ 9.33	\$ 8.79	\$ 6.53	\$ 5.91	\$ 9.01	\$ 8.21
Net Assets, end of year (USD)	\$ 6.89	\$ 6.95	\$ 5.13	\$ 4.55	\$ 6.60	\$ 6.53

Ratios and Supplemental Data - Series A Units

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Total Net Asset Value (000s)⁴	\$ 5,648	\$ 9,235	\$ 7,224	\$ 7,713	\$ 15,016	\$ 25,485
Number of Redeemable Units Outstanding	605,477	1,050,115	1,105,932	1,305,522	1,666,054	3,104,049
Management Expense Ratio ⁵	1.78%	1.37%	1.42%	1.60%	1.85%	1.56%
Management Expense Ratio before waivers or absorption ⁵	1.78%	1.37%	1.42%	1.60%	1.85%	1.56%
Trading Expense Ratio ⁶	0.04%	0.00%	0.00%	0.05%	0.05%	0.05%
Portfolio Turnover Rate ⁷	78.25%	44.47%	54.84%	11.84%	13.97%	36.79%
Net Asset Value per Unit	\$ 9.33	\$ 8.79	\$ 6.53	\$ 5.91	\$ 9.01	\$ 8.21

CHOU BOND FUND

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

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Net Assets, beginning of year	\$ 9.06	\$ 6.71	\$ 6.06	\$ 9.17	\$ 8.41	\$ 8.94
Increase (decrease) from operations:						
Total revenue	\$ 0.41	\$ 0.49	\$ 0.45	\$ 1.32	\$ 0.49	\$ 0.46
Total expenses	\$ (0.16)	\$ (0.10)	\$ (0.09)	\$ (0.11)	\$ (0.14)	\$ (0.12)
Realized gains (losses) for the year	\$ (0.16)	\$ (2.52)	\$ (0.91)	\$ 0.98	\$ (0.11)	\$ 0.40
Unrealized gains (losses) for the year	\$ 0.77	\$ 5.00	\$ 2.22	\$ (4.34)	\$ 1.16	\$ (0.99)
Total increase (decrease) from operations²	\$ 0.86	\$ 2.87	\$ 1.67	\$ (2.15)	\$ 1.40	\$ (0.25)
Distributions:						
From income (excluding dividends)	\$ 0.26	\$ 0.44	\$ 0.91	\$ 0.82	\$ 0.50	\$ 0.40
From dividends	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
From capital gains	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Return of capital	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Total Distributions³	\$ 0.26	\$ 0.44	\$ 0.91	\$ 0.82	\$ 0.50	\$ 0.40
Net Assets, end of year	\$ 9.52	\$ 9.06	\$ 6.71	\$ 6.06	\$ 9.17	\$ 8.41
Net Assets, end of year (USD)	\$ 7.03	\$ 7.16	\$ 5.27	\$ 4.67	\$ 6.72	\$ 6.69

Ratios and Supplemental Data - Series F Units

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Total Net Asset Value (000s)⁴	\$ 5,544	\$ 1,229	\$ 1,408	\$ 2,094	\$ 2,863	\$ 2,273
Number of Redeemable Units Outstanding	582,040	135,676	209,838	345,626	312,347	270,473
Management Expense Ratio ⁵	1.66%	1.18%	1.25%	1.40%	1.71%	1.37%
Management Expense Ratio before waivers or absorption ⁵	1.66%	1.18%	1.25%	1.40%	1.71%	1.37%
Trading Expense Ratio ⁶	0.04%	0.00%	0.00%	0.05%	0.05%	0.05%
Portfolio Turnover Rate ⁷	78.25%	44.47%	54.84%	11.84%	13.97%	36.79%
Net Asset Value per Unit	\$ 9.52	\$ 9.06	\$ 6.71	\$ 6.06	\$ 9.17	\$ 8.41

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

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

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

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

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

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

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

CHOU BOND FUND

Management Fees

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

Past Performance

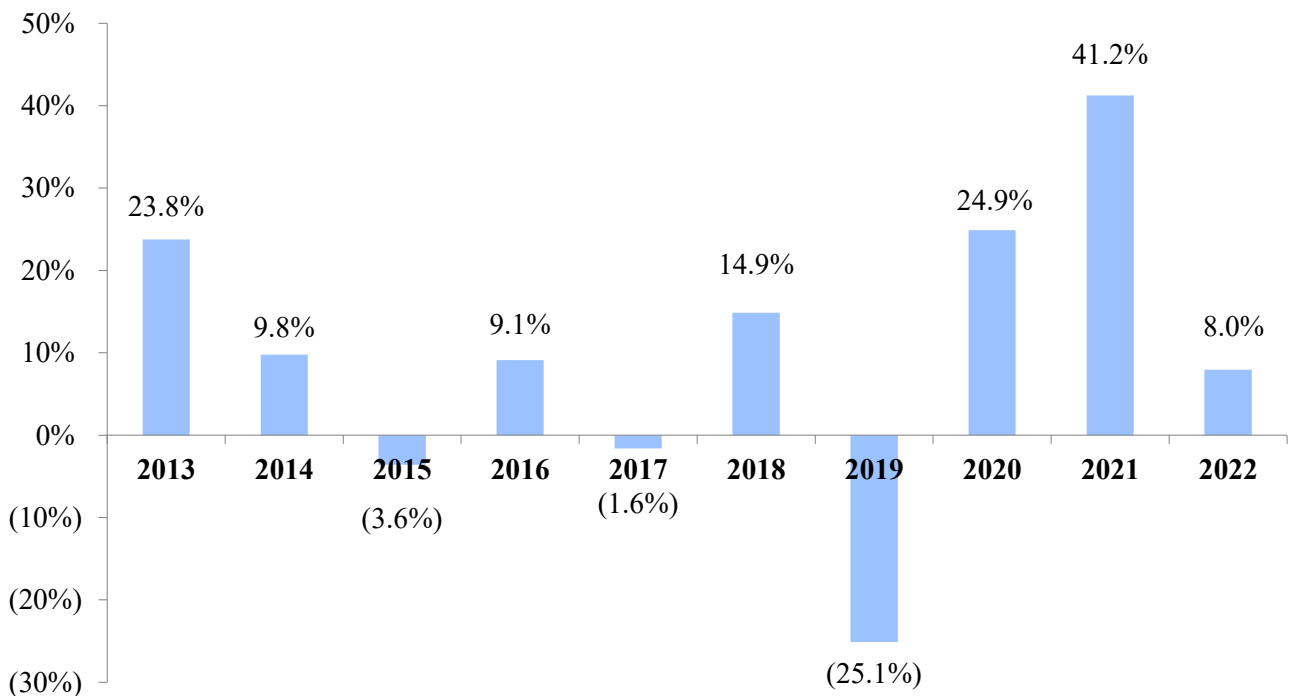
General

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

Year-by-Year Returns

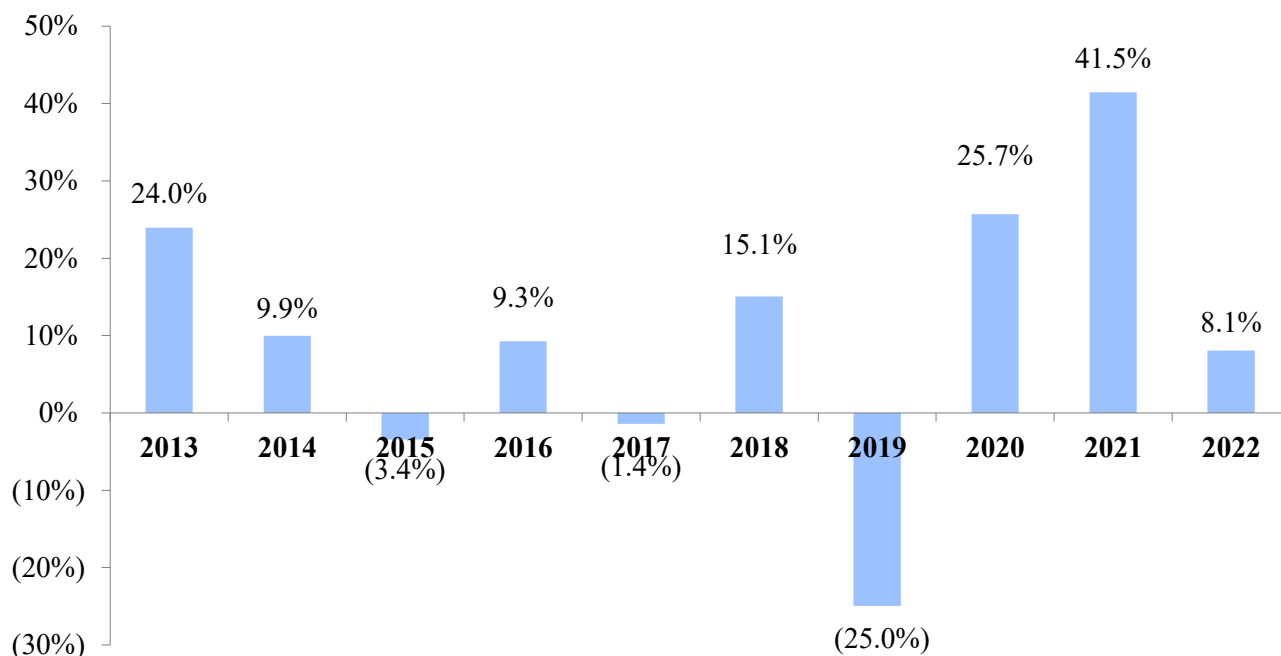
The following bar charts show the annual performance for each of the Series A and Series F units of the Fund for each of the years shown. Each chart shows, in percentage terms, how an investment on January 1 would have increased or decreased by December 31 for each of the years, and how the performance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

Series A



CHOU BOND FUND

Series F



Annual Compound Returns

The following tables⁽¹⁾ show the annual compound total return for each of the Series A and Series F units of the Fund. The tables outline the Fund's past performance for the one-, three-, five-, ten-, and fifteen-year periods ended on December 31, 2022. Also shown for the same periods are the respective historical annual compound total returns of the Barclays U.S. Corporate High Yield Index (the "Index"). The Index is a broad-based benchmark that measures the non-investment grade, fixed-rate, corporate bond market. It includes \$U.S.-denominated securities publicly issued by U.S. and non-U.S. industrial, utility and financial issuers that meet specified maturity, liquidity, and quality requirements. The Index is calculated without the deduction of management fees and fund expenses, whereas the performance of the Fund is calculated after deducting such fees and expenses.

Series A

December 31, 2022	Past Year	Past 3 Years	Past 5 Years	Past 10 Years	Past 15 Years
Chou Bond Fund	7.96%	23.95%	10.37%	8.70%	6.30%
Barclays U.S. Corp. High Yield Index (\$CAN)	-4.75%	1.52%	3.92%	7.28%	8.35%

Series F

December 31, 2022	Past Year	Past 3 Years	Past 5 Years	Past 10 Years	Past 15 Years
Chou Bond Fund	8.08%	24.33%	10.66%	8.93%	6.49%
Barclays U.S. Corp. High Yield Index (\$CAN)	-4.75%	1.52%	3.92%	7.28%	8.35%

⁽¹⁾ Tables assume the reinvestment of all distributions.

CHOU BOND FUND

Summary of Investment Portfolio

The following tables provide a summary of the Fund's portfolio as at December 31, 2022.

<u>Geographic Distribution</u>	<u>% of Fund's Net Assets</u>
United States	18.2%
Luxembourg	7.3%
Canada	2.1%
Net Cash Equivalents	72.4%
Total Portfolio	100.0%

<u>Total Issuers</u> <i>(excluding cash equivalents)</i>	<u>% of Fund's Net Assets</u>
Equities	
EXCO Resources Inc.	5.1%
Fixed Income	
MBIA Global Funding LLC, Zero Coupon, December 15, 2031	9.5%
Avation Capital SA, 8.250%, October 31, 2026, Callable	7.3%
Bausch Health Companies Inc., 11.000%, September 30, 2028	3.1%
1375209 BC Limited, 9.000%, January 30, 2028, Callable	2.1%
Bausch Health Companies Inc., 14.000%, October 15, 2030, Callable	0.5%
Fortress Global Enterprises Inc., 9.750%, December 31, 2022, Convertible Bonds, Callable	0.0%
Total Fixed Income	22.5%
Total Holdings	27.6%

The summary of the Fund's investment portfolio may change due to ongoing portfolio transactions of the Fund. The next quarterly update as at March 31, 2023 will be in the Quarterly Portfolio Disclosure and will be posted on our website www.choufunds.com on or before May 31, 2023.

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