

**MANAGEMENT REPORT OF FUND
PERFORMANCE**

December 31 2022

CHOU EUROPE 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.

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Management Discussion of Fund Performance

Investment Objective and Strategies

Chou Europe Fund's (the "Fund") objective is to provide long-term growth of capital by investing primarily in the equity securities of European businesses considered by Chou Associates Management Inc. (the "Manager") to be undervalued. The Fund may also invest in securities other than equities and in businesses located outside of Europe. The Fund's investments may include common and preferred shares, convertible debentures, options, warrants, government and corporate bonds and short-term indebtedness. The Fund may also use derivatives such as, but not limited to, futures, options, swaps and forward contracts to gain exposure to securities and asset classes consistent with the objectives of the Fund, and to hedge portfolio exposure against losses from foreign currency and domestic currency exposure and changes in securities prices.

The Fund's investment strategy follows a strong discipline with regard to the prices paid to acquire portfolio investments. The level of investment in a particular entity's securities is generally commensurate with the current price of the company's securities in relation to the Manager's assessment of such entity's intrinsic value as determined by various factors. This approach is designed to provide an extra margin of safety, which in turn, serves to reduce the Fund's overall portfolio risk.

Risk

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

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

Market Review

In 2022, the MSCI AC Europe fell 16.54% in US dollars. Central banks around the world aggressively raised interest rates in an attempt to rein in higher than expected inflation. In addition, Russia invaded Ukraine in February creating tremendous uncertainty both politically and economically. This led to higher food and energy prices around the globe. These concerns weighed more heavily on European economies given their heavy reliance on Russia to meet their energy needs. Combined, all of these factors created a very uncertain investing landscape which caused investors to take less risk and sell equities.

Results of Operations

For the year ended December 31, 2022, the Fund increased by 8.0% for Series A units and 7.9% for Series F units, after fees and expenses, while the MSCI AC Europe Total Return Index decreased by 10.7% in Canadian dollars. In U.S. dollars, the Fund increased by 0.9% for Series A units and 0.8% for Series F units, while the MSCI AC Europe Total Return Index decreased by 16.5%.

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.

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Portfolio Update

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

The Fund initiated investments in Prosus NV shares.

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

The Fund received \$243 in income from its securities lending program in 2022.

The Fund did not enter into any forward currency contracts for pounds sterling or euros in 2022.

The Fund's net redemptions for the year ended December 31, 2022 were approximately \$1,352,157 for Series A units and net purchases of approximately \$354,844 for Series F units. Out of the net purchases for Series F units, \$721,679 was switched from Series A units following the OEO trailer ban. The Fund's average month-end cash position for the period was 9.1% 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 hold 6.5% 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.

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 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 Statement of Comprehensive Income (Loss).

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Financial Highlights

The following tables show selected key financial information about the Fund and are intended to help you understand the Fund's financial performance for the year ended December 31, 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	\$ 10.61	\$ 11.17	\$ 8.78	\$ 9.06	\$ 10.05	\$ 9.70
Increase (decrease) from operations:						
Total revenue	\$ 2.05	\$ 0.22	\$ 0.15	\$ 0.29	\$ 0.12	\$ 0.06
Total expenses	\$ (0.19)	\$ (0.19)	\$ (0.19)	\$ (0.20)	\$ (0.24)	\$ (0.22)
Realized gains (losses) for the year	\$ 1.52	\$ 1.28	\$ (2.13)	\$ (1.16)	\$ (2.00)	\$ 3.57
Unrealized gains (losses) for the year	\$ (4.96)	\$ (1.76)	\$ 3.99	\$ 0.79	\$ 1.28	\$ (3.04)
Total increase (decrease) from operations²	\$ (1.58)	\$ (0.45)	\$ 1.82	\$ (0.28)	\$ (0.84)	\$ 0.37
Distributions:						
From income (excluding dividends)	\$ 3.12	\$ 0.06	\$ -	\$ -	\$ -	\$ -
From dividends	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
From capital gains	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Return of capital	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Total Distributions³	\$ 3.12	\$ 0.06	\$ -	\$ -	\$ -	\$ -
Net Assets, end of year	\$ 8.34	\$ 10.61	\$ 11.17	\$ 8.78	\$ 9.06	\$ 10.05
Net Assets, end of year (USD)	\$ 6.16	\$ 8.39	\$ 8.78	\$ 6.76	\$ 6.64	\$ 8.00

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	\$ 1,102	\$ 2,733	\$ 3,045	\$ 3,481	\$ 4,325	\$ 6,695
Number of Redeemable Units Outstanding	132,133	257,504	272,660	396,577	477,657	666,094
Management Expense Ratio ⁵	1.78%	1.73%	2.04%	1.96%	2.21%	1.95%
Management Expense Ratio before waivers or absorption ⁵	1.78%	1.73%	2.04%	1.96%	2.21%	1.95%
Trading Expense Ratio ⁶	0.08%	0.02%	0.27%	0.05%	0.11%	0.14%
Portfolio Turnover Rate ⁷	13.76%	12.10%	32.94%	13.94%	9.01%	21.06%
Net Asset Value per Unit	\$ 8.34	\$ 10.61	\$ 11.17	\$ 8.78	\$ 9.06	\$ 10.05

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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	\$ 11.07	\$ 11.58	\$ 9.05	\$ 9.37	\$ 10.34	\$ 9.92
Increase (decrease) from operations:						
Total revenue	\$ 3.90	\$ 0.44	\$ 0.14	\$ 0.27	\$ 0.08	\$ 0.03
Total expenses	\$ (0.15)	\$ (0.17)	\$ (0.15)	\$ (0.14)	\$ (0.18)	\$ (0.16)
Realized gains (losses) for the year	\$ 0.64	\$ 1.41	\$ (1.92)	\$ (1.51)	\$ (1.10)	\$ 3.13
Unrealized gains (losses) for the year	\$ (2.04)	\$ (2.10)	\$ 3.62	\$ 1.25	\$ (1.24)	\$ (2.74)
Total increase (decrease) from operations²	\$ 2.35	\$ (0.42)	\$ 1.69	\$ (0.13)	\$ (2.44)	\$ 0.26
Distributions:						
From income (excluding dividends)	\$ 3.37	\$ 0.05	\$ -	\$ 0.09	\$ -	\$ -
From dividends	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
From capital gains	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Return of capital	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Total Distributions³	\$ 3.37	\$ 0.05	\$ -	\$ 0.09	\$ -	\$ -
Net Assets, end of year	\$ 8.57	\$ 11.07	\$ 11.58	\$ 9.05	\$ 9.37	\$ 10.34
Net Assets, end of year (USD)	\$ 6.33	\$ 8.75	\$ 9.09	\$ 6.97	\$ 6.86	\$ 8.23

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	\$ 1,329	\$ 759	\$ 2,436	\$ 3,352	\$ 3,102	\$ 864
Number of Redeemable Units Outstanding	155,116	68,565	210,389	370,498	330,952	83,511
Management Expense Ratio ⁵	1.24%	1.32%	1.48%	1.36%	1.62%	1.30%
Management Expense Ratio before waivers or absorption ⁵	1.24%	1.32%	1.48%	1.36%	1.62%	1.30%
Trading Expense Ratio ⁶	0.08%	0.02%	0.27%	0.05%	0.11%	0.14%
Portfolio Turnover Rate ⁷	13.76%	12.10%	32.94%	13.94%	9.01%	21.06%
Net Asset Value per Unit	\$ 8.57	\$ 11.07	\$ 11.58	\$ 9.05	\$ 9.37	\$ 10.34

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

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

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Management Fees

The Manager manages the Fund. The Manager is entitled to an investment management fee calculated daily as a percentage of the market value of the net assets equal to 1.5% per annum for Series A units and 1.0% per annum for Series F units, payable monthly. The Manager pays 50 basis points per year trailer fees to dealers out of management fees for Series A units. There is no trailer fee paid out for Series F units.

Past Performance

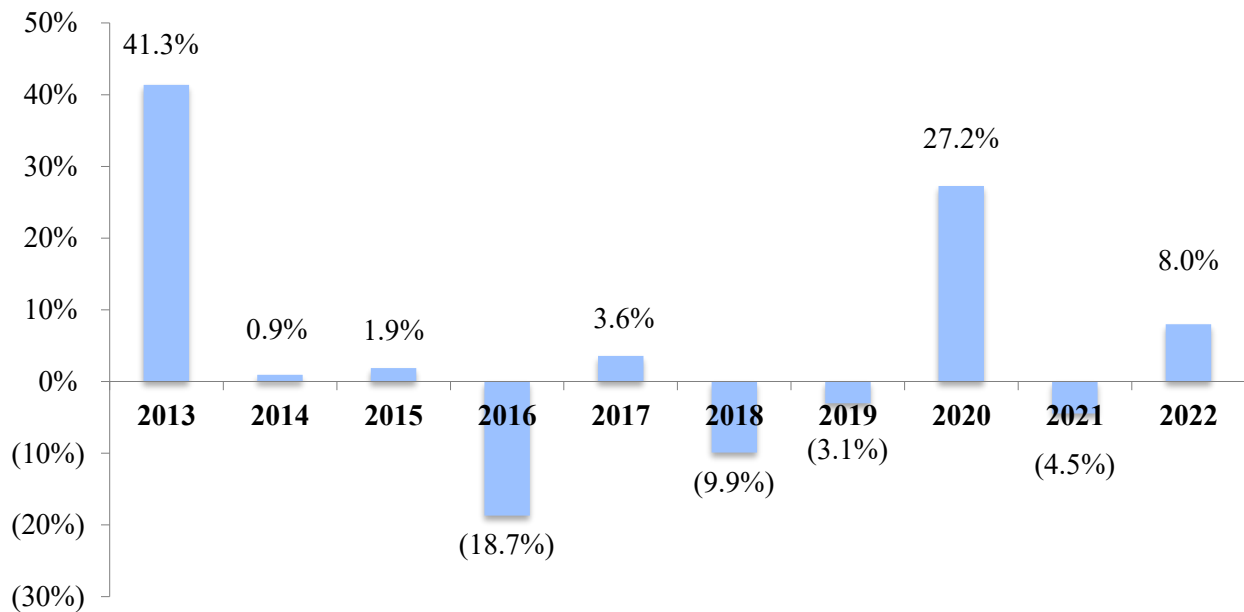
General

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

Year-by-Year Returns

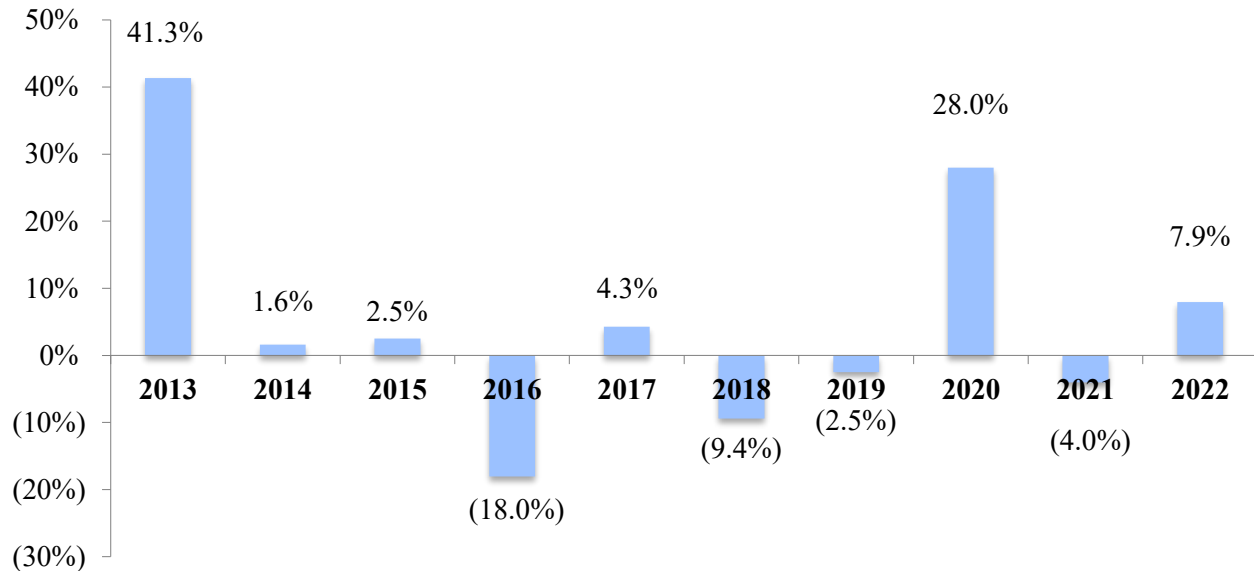
The following bar charts show the annual performance for each of the Series A and Series F units of the Fund for each of the years shown. Each chart shows, in percentage terms, how an investment on January 1 would have increased or decreased by December 31 for each of the years, and how the performance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

Series A



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Series F



Annual Compound Returns

The following tables⁽¹⁾ show the annual compound total return for each of the Series A and Series F units of the Fund. The tables outline the Fund’s past performance 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 MSCI AC Europe Index (the “Index”). The Index is a free-float weighted equity index. The benchmark Index is calculated without the deduction of management fees and fund expenses, whereas the performance of the Fund is calculated after deducting such fees and expenses.

Series A

December 31, 2022	Past Year	Past 3 Years	Past 5 Years	Past 10 Years	Past 15 Years
Chou Europe Fund	8.00%	9.50%	2.77%	3.45%	1.61%
MSCI AC Europe (\$CAN)	-10.71%	2.32%	3.49%	7.94%	3.84%

Series F

December 31, 2022	Past Year	Past 3 Years	Past 5 Years	Past 10 Years	Past 15 Years
Chou Europe Fund	7.93%	9.85%	3.21%	3.95%	2.05%
MSCI AC Europe (\$CAN)	-10.71%	2.32%	3.49%	7.94%	3.84%

⁽¹⁾ Tables assume the reinvestment of all distributions.

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Summary of Investment Portfolio

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

<u>Sector Mix</u>	<u>% of Fund's Net Assets</u>
Consumer Discretionary	36.9%
Industrials	22.6%
Consumer Staples	18.0%
Communication Services	12.6%
Net Cash & Equivalents	9.9%
Total Portfolio	100.0%

<u>Total Issuers</u>	<u>% of Fund's Net Assets</u>
<i>(excluding cash equivalents)</i>	
Equities	
Stellantis NV	23.7%
Ryanair Holdings PLC, ADR	19.0%
Prosus NV	13.1%
Liberty Global PLC, Class 'A'	12.6%
Wizz Air Holdings PLC	11.5%
JET2 PLC	6.5%
Rolls-Royce Holdings PLC	3.6%
Cairo Mezz PLC	0.1%
Total Equities	90.1%
Total Holdings	90.1%

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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