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

ANNUAL REPORT **2016**

Illustration of an assumed investment of $10,000 in Canadian dollars (Unaudited)

CHOU ASSOCIATES FUND

Period ended	**Total value of shares**
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**

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						
	2016	**2015**	**2014**	**2013**	**2012**	**2011**	**2010**
Chou Associates Fund							
Total Return	-2.79%	-6.95%	12.06%	41.33%	26.96%	-16.90%	19.21%
Management Expense Ratio (MER)	1.87%	1.82%	1.81%	1.82%	1.86%	1.84%	1.79%
Portfolio turnover rate	16.55%	4.06%	7.73%	9.14%	16.58%	32.73%	11.29%
Net Assets, end of the year (in millions)	$ 448.8	$ 513.7	$ 557.5	$ 502.4	$ 426.9	$ 391.9	$ 530.6
Chou Asia Fund							
Total Return	2.12%	5.49%	7.59%	23.90%	-1.80%	-4.55%	10.41%
Management Expense Ratio (MER)	1.90%	1.86%	1.80%	1.81%	1.89%	1.84%	1.81%
Portfolio turnover rate	0.00%	13.56%	0.00%	1.55%	4.53%	8.36%	9.48%
Net Assets, end of the year (in millions)	$ 35.6	$ 40.1	$ 39.2	$ 39.7	$ 37.7	$ 48.1	$ 62.1
Chou Europe Fund							
Total Return	-18.71%	1.87%	0.94%	41.35%	27.24%	-4.90%	-0.85%
Management Expense Ratio (MER)	1.89%	1.95%	1.90%	*0.13%	*0.20%	*0.17%	1.91%
Portfolio turnover rate	6.94%	0.00%	9.49%	0.00%	10.49%	14.53%	11.29%
Net Assets, end of the year (in millions)	$ 13.7	$ 21.8	$ 23.3	$ 18.9	$ 7.8	$ 6.5	$ 8.2
Chou Bond Fund							
Total Return	9.10%	-3.58%	9.77%	23.75%	12.95%	-18.40%	32.69%
Management Expense Ratio (MER)	1.54%	1.45%	1.41%	1.52%	1.45%	1.47%	1.43%
Portfolio turnover rate	50.15%	4.44%	23.91%	13.42%	11.59%	33.88%	67.64%
Net Assets, end of the year (in millions)	$ 42.6	$ 42.8	$ 49.5	$ 42.2	$ 44.0	$ 50.1	$ 76.9
Chou RRSP Fund							
Total Return	-3.57%	-12.83%	14.20%	21.27%	34.15%	-20.73%	46.62%
Management Expense Ratio (MER)	1.93%	1.84%	1.81%	1.82%	1.87%	1.83%	1.80%
Portfolio turnover rate	7.22%	16.76%	4.77%	11.50%	1.43%	2.96%	9.94%
Net Assets, end of the year (in millions)	$ 88.8	$ 104.1	$ 128.5	$ 122.3	$ 112.3	$ 100.0	$ 149.6

*Management fee after waivers and absorption

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, 2017

Dear Unitholders of Chou Associates Fund,

After the distribution of $1.67, the net asset value per unit ("NAVPU") of a Series A unit of Chou Associates Fund at December 31, 2016 was $110.60 compared to $115.50 at December 31, 2015, a decrease of 2.8%; during the same period, the S&P 500 Total Return Index increased 8.9% in Canadian dollars. In U.S. dollars, a Series A unit of Chou Associates Fund was up 0.2% while the S&P 500 Total Return Index returned 12.0%.

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

December 31, 2016 (Series A)	1 Year	3 Years	5 Years	10 Years	15 Years	20 Years
Chou Associates ($CAN)	-2.8%	0.4%	12.7%	4.0%	7.5%	9.4%
S&P 500 ($CAN)	8.9%	17.8%	21.2%	8.5%	5.5%	7.6%
Chou Associates ($US)[1]	0.2%	-7.1%	6.6%	2.6%	8.6%	9.5%
S&P 500 ($US)	12.0%	8.9%	14.6%	6.9%	6.7%	7.7%

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 2016 Results

The strength of the Canadian dollar against the U.S. dollar had a negative impact on the results of the Fund. The difference in performance results between the NAVPU priced in Canadian dollars, versus U.S. dollars, is attributable to the fact that on December 31, 2015, one U.S. dollar was worth approximately $1.38 Canadian, whereas one year later, on December 31, 2016, one U.S. dollar was worth approximately $1.34 Canadian.

The biggest positive contributors to the Fund's performance in 2016 included JPMorgan Chase warrants expiring on October 2018, the equity securities of MBIA Inc., Overstock.com, Goldman Sachs Group, and the second-lien term loan of Exco Resources Inc.

Equities of Valeant Pharmaceuticals, Sears Holdings Corporation, Resolute Forest Products, and Nokia Corporation were the main negative contributors to the Fund's performance during the same period.

[1] The alternative method of purchasing Chou Associates Fund in $US has been offered since September 2005. Performance for years prior to September 2005 is based on the $US equivalent conversion of the results of the Chou Associates Fund ($CAN). The investments in the Chou Associates Fund ($CAN) are the same as the investments in Chou Associates Fund ($US) except for the currency applied.

The Fund decreased its holdings of Berkshire Hathaway by 50%, and exited all shares of International Automotive Components Group.

New additions during the year include an equity stake in Valeant Pharmaceuticals, debt securities of Exco Resources unsecured 8.5% due April 2022, Westmoreland Coal Company 8.75% due January 2022, and preferred shares of Overstock.com. The Fund also increased its position in Sears Holdings Corporation and the second-lien term loan of Exco Resources.

U.S. Bank TARP Warrants

Overall, investments in the TARP warrants and equities of the U.S. banks performed well in 2016, as reflected by the increases in prices of each position shown in the following table:

Security	Average Cost Base (ACB)*	Price as of Dec. 31, 2015	Price as of Dec. 31, 2016	% Increase From ACB
JPMorgan Chase Warrants (Oct. 28, 2018)	$12.64	$23.69	$44.27	250%
Wells Fargo Warrants (Oct. 28, 2018)	$7.73	$20.49	$21.33	176%
The Goldman Sachs Group	$127.85	$180.23	$239.45	87%
Citigroup Inc.	$24.60	$51.75	$59.43	142%

** As of December 31, 2016*

Note: Prices are in local currency $US.

In our 2010 semi-annual report we outlined our thesis on why we believed that these warrants were attractive long-term investments. We wrote:

> “So, what is so unique about these stock warrants?
>
> • They are long dated, with most expiring in 2018 or 2019. This time-frame of eight-plus years allows banks to grow their intrinsic value to a high enough level to have an appreciable impact on the strike price of the stock warrant.
>
> • The strike price is adjusted downward for any quarterly dividend that exceeds a set price. Normally, this is not seen in a stock warrant. This is a truly stringent condition. In this case, we should give the government credit for extracting a pound of flesh. An example: for Bank of America, class ‘A’ warrants, the strike price is adjusted downward for any quarterly dividend paid exceeding one cent a share.
>
> • Many of the banks have excess capital on their balance sheet. When the economy settles down, we expect the banks to use this excess capital either for buybacks or a one-time special dividend that may reduce the strike price on the stock warrants if this provision applies.”

Since the price of the TARP warrants is contingent on the stock price of the bank, it was important that we held the view that the banks in general were undervalued. This is what we said about the banks in 2010 and 2011:

- "It has been five years since the financial crisis began in 2007. As each year has gone by, the quality of earnings of the banks has gotten higher, the books have become cleaner, the risks have become lower, and bank management has become far more risk averse. It is too bad that we had to go through so much turmoil to get there.
- The financial institutions that survive will be the ultimate beneficiaries of any recovery in the economy.
- Bank valuations that were below 10 times earnings six months ago have decreased even further, with many bank stocks selling below book and some selling at big discounts to tangible book value."

In conclusion, we stated that:

- "For an economy to flourish, we need sound financial institutions that can generate reasonable profits.
- Our investing horizon is long-term – eight years or more remain for these bank warrants. Over that period, we believe that the odds are it will work out to be a decent investment, perhaps even more so for the better capitalized banks. We view it as the glass being more than half full rather than half empty. The bank TARP warrants are complex, with terms and conditions that are unique to each bank, and we encourage you to research them for yourself and draw your own conclusions."

We are now in the year 2017 and the maturity date for the TARP warrants is less than three years away. As the time element grows shorter, we believe the warrant is likely to become more speculative, and therefore we expect to reduce or eliminate the positions in the various TARP warrants. If we believe that the banks in question may still be undervalued, then we will be more likely to invest in the banks' common stock.

However, it is important to note that any future decision to sell the warrants or buy the common stock will be based on our view of the markets at the time, as well as the issues which exist when we make any such investment decision.

Exco Resources

Exco Resources is an independent oil and natural gas company that engages in the acquisition, exploration, development, and production of onshore oil and natural gas properties with a focus on shale resource plays in the United States.

We liked this security because it met our criteria for investing in the oil and gas sector. The criteria that we considered in analyzing this type of investment is that the security should be:

1. A first or second-lien loan or note;
2. Issued by a company with a significantly limited ability to add senior or pari-passu debt to its capital structure; and
3. Of a type that should the company restructure or go into bankruptcy, the recovery value of the bond is likely to be greater than the current price of the bond.

In 2015, we initiated a position in Exco Resources second-lien term loan 12.5%, maturing in 2020. This term loan did quite well in 2016, rising from 56.5 cents on the dollar at December 31, 2015 to 72.9 cents on the dollar at December 31, 2016, an increase of 29.0% excluding interest received.

As of December 31, 2016, the Fund owned about US$37.6 million worth of Exco's second-lien term loan (US$51.5 million in par value). This is one of the largest positions in the portfolio, comprising about 11% of the assets of the Fund (at market value). In addition to the security being very senior in the capital structure, we also hold the view that management seems to be making good decisions with respect to the allocation of capital in a tough environment.

Next we will discuss the three main culprits responsible for the Fund's lackluster recent performance.

Valeant Pharmaceuticals

Valeant has received a lot of bad press (some deservedly so) for the last couple of years. But in mid-March of this year, it announced that the company raised US$3.25 billion in debt maturing in 2022 and 2024, with covenants that are less stringent than the other term loans that the new debt will replace. The changes in covenants include the removal of the maintenance covenants from the Term B loans (consisting of a secured leverage ratio and an interest coverage ratio).

The company will use its net proceeds to repay shorter-term maturities. This is an important step for Valeant because it removes the threat of technical default in the short term, and it gives management time to fix the company and return it to sustainable profitability without looking behind their backs all the time.

In conclusion:

- Valeant could return to trading at normal multiples if its debt of approximately US$30 billion is significantly reduced and once the impact and costs of litigations are determined. Management has indicated that they hope to reduce its debt by as much as US$8 billion through a combination of organic earnings and the sale of non-core assets.
- The company appears to have good cash flow characteristics, generated from solid portfolio pipelines. We particularly like the Bausch and Lomb group and we believe that most of its revenues are less subjected to pricing pressures that are bedeviling the pharmaceutical industry.
- Because the company has almost US$30 billion of debt, it can be misleading just to take one valuation method like Price to Earnings (P/E) ratio to gauge whether Valeant is cheap or not. For example, the current P/E ratio is less than three times, and while this may indicate that Valeant is very cheap, the undervaluation is not as cheap as it appears. One must look at return on a fully capitalized basis (taking debt into account) to get the full picture. Nonetheless, the equity-based multiples are still good indicators, but they should not be used in isolation like any financial ratios.
- Another indicator to look at is how much free cash flow it is generating. It appears that Valeant can generate close to US$1.5-$2.0 billion of free cash flow per year. If that is the case, then with the market capitalization of less than US$4 billion, the company is selling at a

very cheap valuation of around two times free cash flow. Alternatively, one can also view it as a deleveraging play and as the free cash flow of US$1.5-$2.0 billion is used to repay debt, it proportionately raises the value for the common equity by that same amount.

Based on the information we now have, the average price we paid of less than seven times free cash flow is on the high side, but at less than two times free cash flow it is a totally different story. If these numbers hold, we believe that the intrinsic value is much higher than the current price of Valeant.

The Pharmaceutical Industry

As if Valeant has not given enough pain and anguish to our unitholders, we believe pharmaceutical stocks as a group are selling at attractive valuations, even when you take the debt into consideration. They generate their earnings in cash and some of them are down more than 50% from their highs, which is what caught our attention initially. It may look like we are adding more emotional fuel to the fire from our experience with Valeant but we look at mispriced stocks on a case-by-case basis. To avoid getting caught with Food and Drug Administration (FDA) approval and patent expiration issues, we will be using a basket approach.

Sears Holdings

In July 2015, Sears Holdings Corporation (SHLD) announced it had closed its rights offering and sale leaseback transactions with Seritage Growth Properties ("Seritage"), a newly formed, independent and publicly traded real estate investment trust ("REIT").

In the transaction, SHLD sold 235 Sears- and Kmart-branded stores to Seritage, along with SHLD's 50% interests in joint ventures with each of Simon Property Group Inc., General Growth Properties Inc. and The Macerich Company. The three entities combined hold an additional 31 SHLD properties. Based on our rough estimate, this represents less than 25% of the company's real estate assets and SHLD received aggregate gross proceeds from the transaction of $2.7 billion.

However, from our perspective, the most important thing that has happened is that Seritage is now a public company. A stock that trades daily provides a more reliable way of assessing the real estate value in SHLD indirectly. We also know that pre-Seritage and post-Seritage, the profile and the quality of the properties that are held in Seritage and SHLD are roughly the same.

Considering SHLD's brand collections and what we believe to be the value of the SHLD real estate portfolio (based in part upon our analysis of the Seritage valuation over the reporting period), it may appear that at the year-end price of $9.29 for SHLD (about US$994 million in market capitalization), the company is severely underpriced. However, given the company's net debt of approximately US$4 billion, a pension deficit of about US$2 billion, and the enormous losses it has taken to date to transform its business from a brick-and-mortar business to an asset-light business, we believe that the intrinsic value of SHLD may have been severely eroded (notwithstanding its real estate and brand portfolio).

It is hard to evaluate what kind of value you can assign to the company's "ShopYourWay" online program even though management has poured billions of dollars into it. From management's perspective, they can argue that "ShopYourWay" could be worth more than the capital invested. However, unless it generates significant amounts of cash or free cash flow relative to the capital invested, it is doubtful if it could be worth anything. It is hard to foresee why investors would give a similar valuation of Amazon.com to "ShopYourWay" even though SHLD's membership program has some characteristics similar to Amazon Prime. In conclusion, even if you take the best case scenario and "ShopYourWay" turns out to be profitable, it could be a Pyrrhic victory.

In hindsight, our initial assessment of SHLD being worth more than $50 per share a few years ago was most likely too optimistic. This is taking into consideration that we received roughly $13-$17 per share in distribution from various spin-offs and later received proceeds from selling them into the stock markets. Nevertheless, we believe that the stock may still be cheap at the current valuation, albeit not at the level that we initially anticipated.

Resolute Forest Products

Resolute Forest Products (RFP) is primarily involved in newsprints, specialty papers, wood products and market pulp. As the downturn in global commodities intensified, RFP was not spared as all four of the company's business segments got hit. Management concentrated on lowering the cost of every segment but these actions were not enough to compensate for the deterioration of prices in their respective markets.

At year-end 2016, the market price of RFP was $5.35 per share with a market capitalization of roughly US$480 million. As we have explained in the past, the company continues to have consolidated sales of close to US$3.6 billion and in each of its major business segments, it is a global leader. It continues to be the biggest volume producer of wood products east of the Rockies, the third largest in North America for market pulp, the number one producer of newsprint in the world and the largest producer in North America of uncoated mechanical paper and an emerging tissue producer. The wood products segment of the company has ongoing revenues of approximately US$500 million, while the other three segments each continue to have revenues of approximately US$1 billion. We believe that each of the four business segments could fetch at least US$400 million in a normal market, and as a result, RFP may be undervalued.

Short Term Performance Impacts Long Term Returns

A lot of investors are not aware that short-term results can have a huge bearing on the five and ten-year annualized compounded returns. For example, let's take Fund A and Fund B. Fund A consistently returns 7% per year for 10 years and therefore its compound rate of return over the 10 year period is 7%. Fund B, on the other hand, returns 8% for the first nine years but suffers a loss of 20% in the tenth year. Its compound rate of return for the 10-year period drops significantly to 4.8%. The impact is more pronounced for the five year returns, a similar decline of 20% in the fifth year would have decreased the 5-year compound return from 8% to merely 1.7% for Fund B versus 7% for Fund A.

We've had to answer the same kind of question in 1999. The S&P 500 index was up close to 13.9%, whereas the Fund was down 9.6%. Again, our ten and five-year annualized returns looked horrible in comparison to the index, but that is how the math works.

The Current Market

The current market keeps reminding me of the period when I started managing money in 1981. The market was incredibly cheap: approximately six times earnings and roughly 6% dividend yield. The Dow had been earning on average 13% on its equity for quite a while and there was nothing to suggest the future would be any different.

However, there was one important caveat. Stocks were incredibly cheap based on what you would pay for a business historically when interest rates were at normal rates.

But by June 1981, the federal fund's rate rose to 20%. Eventually in June 1982, a highly important economic measure – the prime interest rate – reached 21.5%. The 30-year bond yield hit a high of 15.2%. If interest rates stayed at these levels for 10 years or more, then stocks would not be considered cheap, but instead trading closer to fair value.

The reverse is true today. Based on historical ratios, the current prices for stocks are not cheap but if interest rates stay at these levels for an extended period of time, the stocks are not expensive at all.

Suffice to say that we are not comfortable with the current market levels and we are not convinced that interest rates will stay this low for an extended period of time.

Other Matters

REDEMPTION FEE: We have a redemption fee of 2% if unitholders redeem their units in less than 12 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 2016 IRC Annual Report is available on our website www.choufunds.com.

As of March 17, 2017, the NAVPU of a Series A unit of the Fund was $111.61 and the cash position was approximately 8.9% of net assets. The Fund is up 0.9% from the beginning of the year. In U.S. dollars, it is up 1.6%.

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

Management's Responsibility for Financial Reporting

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 accounting principles generally accepted in Canada 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.

KPMG 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

Francis Chou
Chou Associates Management Inc.
March 17, 2017

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INDEPENDENT AUDITORS' REPORT

To the Trustee and Unitholders of:

Chou Associates Fund
Chou Asia Fund
Chou Europe Fund
Chou Bond Fund
Chou RRSP Fund
(collectively the "Funds")

We have audited the accompanying financial statements of the Funds, which comprise the statements of financial position as at December 31, 2016 and 2015, the statements of comprehensive income (loss), changes in net assets attributable to holders of redeemable units and cash flows for the years then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these 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.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Funds as at December 31, 2016 and 2015, and their financial performance and their cash flows for the years then ended in accordance with International Financial Reporting Standards.

KPMG LLP

Chartered Professional Accountants, Licensed Public Accountants

March 29, 2017
Toronto, Canada

CHOU ASSOCIATES FUND

Statements of Financial Position

December 31, 2016 and 2015

	2016	2015
Assets		
Current assets:		
Financial assets designated at fair value through profit or loss (note 8)	$ 323,337,876	$ 309,568,539
Held-for-trading investments (note 8)	95,815,629	65,497,338
Cash and cash equivalents	29,731,822	147,614,159
Receivable for units subscribed	52,712	442,190
Due from broker	906,261	–
Interest receivable	229,071	160,380
Total assets	450,073,371	523,282,606
Liabilities		
Current liabilities:		
Accrued expenses	851,347	785,661
Payable for units redeemed	464,886	474,015
Distributions payable	–	43,666
Due to broker	4,873	4,499,169
Unrealized loss on forward contracts (note 8)	–	3,768,750
Total liabilities	1,321,106	9,571,261
Net assets attributable to unitholders of redeemable units	$ 448,752,265	$ 513,711,345
Net assets attributable to unitholders of redeemable units:		
Series A	$ 403,677,931	$ 468,191,243
Series F	45,074,334	45,520,102
	$ 448,752,265	$ 513,711,345
Number of units outstanding (note 4):		
Series A	3,650,048	4,053,774
Series F	409,648	396,647
Net assets attributable to unitholders of redeemable units per unit (note 4):		
Canadian dollars:		
Series A	$ 110.60	$ 115.50
Series F	110.03	114.76
U.S. dollars:		
Series A	82.37	83.47
Series F	81.95	82.94

See accompanying notes to financial statements.

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

Francis Chou

CHOU ASSOCIATES FUND

Statements of Comprehensive Loss

Years ended December 31, 2016 and 2015

	2016	2015
Income:		
Interest for distribution purposes and other	$ 9,507,473	$ 1,543,444
Dividends	2,681,085	2,249,106
Securities lending income (note 7)	3,195,369	2,228,828
Derivative loss	(6,391,325)	(5,985,832)
Foreign currency gain on cash and other net assets	2,147,494	9,463,423
Other net changes in fair value of financial assets and financial liabilities at fair value through profit or loss:		
Net realized gain on financial assets designated at fair value through profit or loss	15,677,106	13,182,511
Change in unrealized appreciation on financial assets designated at fair value through profit or loss	(72,502,509)	(60,021,725)
Change in unrealized appreciation on held-for-trading investments	34,087,036	10,075,506
	(11,598,271)	(27,264,739)
Expenses:		
Management fees (note 5)	6,935,287	8,949,782
Custodian fees	549,000	595,820
Audit	96,705	90,515
Filing fees	98,202	63,563
Independent Review Committee fees	–	22,793
FundSERV fees	26,805	–
Legal fees	18,300	20,802
Transaction costs (note 6)	220,337	129,305
Valuation fees	–	27,067
Foreign withholding taxes	585,326	518,088
Other	29,227	–
	8,559,189	10,417,735
Decrease in net assets attributable to unitholders of redeemable units	$ (20,157,460)	$ (37,682,474)
Decrease in net assets attributable to unitholders of redeemable units per series:		
Series A	$ (19,069,984)	$ (34,597,578)
Series F	(1,087,476)	(3,084,896)
	$ (20,157,460)	$ (37,682,474)
Decrease in net assets attributable to unitholders of redeemable units per unit:		
Series A	$ (4.95)	$ (8.41)
Series F	(2.66)	(8.30)

See accompanying notes to financial statements.

CHOU ASSOCIATES FUND

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

Years ended December 31, 2016 and 2015

	2016	2015
Series A		
Net assets attributable to unitholders of redeemable units, beginning of year	$ 468,191,243	$ 513,815,498
Decrease in net assets attributable to unitholders of redeemable units	(19,069,984)	(34,597,578)
Proceeds from issue of units	17,584,975	30,002,576
Payments on redemption of units	(62,882,131)	(41,026,329)
Distributions of income to unitholders:		
Investment income	(5,783,399)	–
Capital gains	(237,292)	(265,211)
Reinvested distributions	5,874,519	262,287
Net assets attributable to unitholders of redeemable units, end of year	403,677,931	468,191,243
Series F		
Net assets attributable to unitholders of redeemable units, beginning of year	45,520,102	43,005,904
Decrease in net assets attributable to unitholders of redeemable units	(1,087,476)	(3,084,896)
Proceeds from issue of units	14,021,311	12,203,597
Payments on redemption of units	(13,284,993)	(6,565,419)
Distributions of income to unitholders:		
Investment income	(842,354)	–
Capital gains	(24,991)	(328,980)
Reinvested distributions	772,735	289,896
Net assets attributable to unitholders of redeemable units, end of year	45,074,334	45,520,102
Total net assets attributable to unitholders of redeemable units, end of year	$ 448,752,265	$ 513,711,345

See accompanying notes to financial statements.

CHOU ASSOCIATES FUND

Statements of Cash Flows

Years ended December 31, 2016 and 2015

	2016	2015
Cash flows from operating activities:		
Decrease in net assets attributable to unitholders of redeemable units	$ (20,157,460)	$ (37,682,474)
Adjustments for:		
Foreign currency gain on cash and other net assets	(2,147,494)	(9,463,423)
Net realized gain on financial assets designated at fair value through profit or loss	(15,677,106)	(13,182,511)
Change in unrealized appreciation on investments and derivatives	38,415,473	49,946,219
Change in non-cash operating working capital:		
Decrease (increase) in interest receivable	(68,691)	24,979
Decrease in other receivable	–	361,591
Increase (decrease) in accrued expenses	65,686	(385,487)
Purchase of investments	(135,873,197)	(28,895,849)
Proceeds from sales of investments	59,877,896	22,981,618
Net cash used in operating activities	(75,564,893)	(16,295,337)
Cash flows from financing activities:		
Distributions paid to unitholders	(284,449)	(116,757)
Proceeds from redeemable units issued	31,995,764	42,132,847
Amount paid on redemption of redeemable units	(76,176,253)	(47,646,510)
Net cash used in financing activities	(44,464,938)	(5,630,420)
Foreign currency gain on cash and other net assets	2,147,494	9,463,423
Decrease in cash and cash equivalents	(117,882,337)	(12,462,334)
Cash and cash equivalents, beginning of year	147,614,159	160,076,493
Cash and cash equivalents, end of year	$ 29,731,822	$ 147,614,159
Supplemental information:		
Interest received, net of withholding tax	$ 9,438,782	$ 1,568,423
Dividends received, net of withholding tax	2,680,500	2,248,588

See accompanying notes to financial statements.

CHOU ASSOCIATES FUND

Schedule of Investments

December 31, 2016

	Number of shares	Cost	Fair value
Equities*			
Ascent Capital Group Inc., Series 'A'	306,000	$ 14,141,686	$ 6,680,436
Berkshire Hathaway Inc., Class 'A'	150	15,819,918	49,165,359
Chicago Bridge & Iron Co.	67,446	2,967,433	2,875,165
Citigroup Inc.	410,000	10,358,742	32,715,413
MBIA Inc.	1,080,797	7,479,425	15,527,113
Nokia OYJ, ADR	3,750,000	8,829,385	24,218,049
Overstock.com Inc.	430,295	8,660,596	10,110,373
Overstock.com Inc. Preferred	43,030	890,010	982,162
Resolute Forest Products Inc.	3,347,772	50,233,049	24,047,641
Sanofi, ADR	390,000	13,783,524	21,175,739
Sears Canada	482,319	5,170,600	1,100,895
Sears Holdings Corporation	1,131,610	32,759,977	14,114,819
Sears Hometown and Outlet Stores Inc.	1,322,209	24,776,606	8,343,740
The Goldman Sachs Group Inc.	75,000	9,384,141	24,112,316
Valeant Pharmaceuticals International Inc.	1,600,843	80,505,840	31,208,879
		285,760,932	266,378,099
Bonds			
Dex Media West Inc., term loans, December 31, 2017	1,872,649	2,483,039	2,511,169
Exco Resources Inc., term loans, October 20, 2020	51,536,520	35,070,898	50,426,227
Exco Resources Inc., 8.500%, April 15, 2022, Callable	1,362,000	359,034	914,344
Westmoreland Coal Company, 8.75%, January 1, 2022, Callable	2,523,000	2,033,711	3,108,037
		39,946,682	56,959,777
Total long		325,707,614	323,337,876
Held-for-trading			
General Motors Company, warrants, October 07, 2019	13,019	211,015	299,432
JPMorgan Chase & Company, warrants, October 28, 2018	1,126,347	13,927,766	66,949,069
Wells Fargo & Company, warrants, October 28, 2018	997,500	7,995,397	28,567,128
		22,134,178	95,815,629
Total held-for-trading		22,134,178	95,815,629
Total investments		347,841,792	419,153,505
Transaction costs		(425,063)	–
Portfolio total		$ 347,416,729	$ 419,153,505

* Common shares unless indicated otherwise
See accompanying notes to financial statements.

Investment objective and strategies:

The 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 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 as determined by the above factors. That approach is designed to provide an extra margin of safety, which in turn serves to reduce overall portfolio risk.

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, 2016, the Fund invested approximately 12.16% (2015 - 1.66%) of its net assets in non-investment grade debt instruments. 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 denote that the company's financial position is weak and its bonds should be considered a speculative investment. As at December 31, 2016, the Fund invested approximately 0.56% 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:

	2016	**2015**
Less than 1 year	$ 2,511,169	$ –
1 - 3 years	–	4,599,133
3 - 5 years	50,426,227	3,908,953
Greater than 5 years	4,022,381	–

As at December 31, 2016, 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 $518,861 (2015 - $58,518).

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

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 59.36% (2015 - 58.60%) of the Fund's net assets held at December 31, 2016 were publicly traded equities. If equity prices on the exchange had increased or decreased by 5% as at December 31, 2016, the net assets of the Fund would have increased or decreased by approximately $13,318,905 or 2.97% (2015 - $15,053,023, or 2.93%) 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, 2016 and 2015 are as follows:

2016	Foreign currency forward contract	Financial instruments	Percentage of net asset value
United States dollar	$ –	$ 430,181,228	95.6

2015	Foreign currency forward contract	Financial instruments	Percentage of net asset value
United States dollar	$ 50,000,000	$ 347,988,204	67.7

The amounts in the above tables are based on the market value of the Fund's financial instruments (including cash and cash equivalents and investments). Other financial assets (including interest receivable, receivable for units subscribed and other receivable and financial liabilities (including accrued expenses, payable for units redeemed, distributions payable and due to broker) that are denominated in foreign currencies do not expose the Fund to significant foreign currency risk.

As at December 31, 2016, if the Canadian dollar had strengthened or weakened by 1% in relation to all currencies, with all other variables held constant, net assets would have decreased or increased by approximately $4,301,812 (2015 - $3,479,882).

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

CHOU ASIA FUND
(unaudited)

March 17, 2017

Dear Unitholders of Chou Asia Fund,

As there were no distributions, the net asset value per unit (“NAVPU”) of a Series A unit of Chou Asia Fund at December 31, 2016 was $16.58 compared to $16.23 at December 31, 2015, an increase of 2.1%; during the same period, the MSCI AC (Morgan Stanley Capital International All Country) Asia Pacific Total Return Index in Canadian dollars returned 2.5%. In U.S. dollars, a Series A unit of Chou Asia Fund was up 5.2% while the MSCI AC Asia Pacific Total Return Index returned 5.4%.

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

December 31, 2016 (Series A)	**1 Year**	**3 Years**	**5 Years**	**10 Years**
Chou Asia ($CAN)	2.1%	5.0%	7.1%	5.6%
MSCI AC Asia Pacific TR ($CAN)	2.5%	9.7%	12.7%	4.0%
Chou Asia ($US)[1]	5.2%	-2.8%	1.3%	4.2%
MSCI AC Asia Pacific TR ($US)	5.4%	1.4%	6.6%	2.5%

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 2016 Results

The strength of the Canadian dollar against the U.S. dollar and the Chinese renminbi had a negative impact on the results of the Fund. The difference in performance results between the NAVPU priced in Canadian dollars, versus U.S. dollar, is attributable to the fact that on December 31, 2015, one U.S. dollar was worth approximately $1.38 Canadian, whereas one year later, on December 31, 2016, one U.S. dollar was worth approximately $1.34 Canadian. On December 15, 2015, one Chinese renminbi was worth approximately $0.21 Canadian, whereas one year later, on December 31, 2016, one Chinese renminbi was worth approximately $0.19 Canadian.

Top gainers during 2016 were the equity holdings of AJIS Company Limited, POSCO Sponsored ADR and BYD Company Limited.

Most of the declines came from the equity securities of Pyne Gould Corporation.

The Fund sold all shares in Glacier Media Inc.

[1] The alternative method of purchasing Chou Asia Fund in $US has been offered since September 2005. Performance for years prior to September 2005 is based on the $US equivalent conversion of the results of the Chou Asia Fund ($CAN). The investments in the Chou Asia Fund ($CAN) are the same as the investments in Chou Asia Fund ($US) except for the currency applied.

Portfolio Commentary

The average month-end cash balance for 2016 was approximately 69.0%, and at year-end 2016, the net cash balance was approximately 67.6% – which tells its own story. We continue to be concerned with economies in Asia. We are not sure how President Trump's purported trade policies will affect the economies in those regions.

We are awaiting developments and remain cautious. In addition, we are also looking at the South Korean, Indian, and Chinese markets for any potential bargains.

Other Matters

FOREIGN CURRENCY CONTRACTS: None existed at December 31, 2016.

CREDIT DEFAULT SWAPS: None existed at December 31, 2016.

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 12 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 2016 IRC Annual Report is available on our website www.choufunds.com.

As of March 17, 2017, the NAVPU of a Series A unit of the Fund was $17.91 and the cash position was approximately 60.3% of net assets. The Fund is up 8.0% from the beginning of the year. In U.S. dollars, it is up 8.7%.

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

Francis Chou
Fund Manager

CHOU ASIA FUND

Statements of Financial Position

December 31, 2016 and 2015

	2016	2015
Assets		
Current assets:		
Financial assets designated at fair value through profit or loss (note 8)	$ 11,591,550	$ 11,071,797
Cash and cash equivalents	24,109,087	29,197,185
Receivable for units subscribed	1,000	4,958
Dividends receivable	970	–
Total assets	35,702,607	40,273,940
Liabilities		
Current liabilities:		
Accrued expenses	82,044	60,228
Distributions payable	–	97,499
Total liabilities	82,044	157,727
Net assets attributable to unitholders of redeemable units	$ 35,620,563	$ 40,116,213
Net assets attributable to unitholders of redeemable units:		
Series A	$ 33,071,841	$ 37,670,566
Series F	2,548,722	2,445,647
	$ 35,620,563	$ 40,116,213
Number of units outstanding (note 4):		
Series A	1,995,196	2,320,612
Series F	151,314	149,073
Net assets attributable to unitholders of redeemable units per unit (note 4):		
Canadian dollars:		
Series A	$ 16.58	$ 16.23
Series F	16.84	16.41
U.S. dollars:		
Series A	12.35	11.73
Series F	12.54	11.86

See accompanying notes to financial statements.

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

Francis Chou

CHOU ASIA FUND

Statements of Comprehensive Income

Years ended December 31, 2016 and 2015

	2016	2015
Income:		
Interest for distribution purposes and other	$ –	$ 8,264
Dividends	203,508	122,012
Securities lending income (note 7)	44,996	19,724
Derivative loss	(3,275)	(1,103,315)
Foreign currency gain on cash and other net assets	369,272	3,949,178
Other net changes in fair value of financial assets and financial liabilities at fair value through profit or loss:		
Net realized gain (loss) on financial assets designated at fair value through profit or loss	(1,007,133)	4,307,143
Change in unrealized appreciation (depreciation) on financial assets designated at fair value through profit or loss	1,883,200	(4,339,978)
	1,490,568	2,963,028
Expenses:		
Management fees (note 5)	620,039	685,538
Custodian fees	43,920	46,847
Audit	21,781	24,321
Filing fees	9,548	4,192
Independent Review Committee fees	–	1,778
FundSERV fees	2,173	–
Legal fees	–	1,708
Transaction costs (note 6)	2,630	31,050
Valuation fees	–	2,062
Foreign withholding taxes	15,218	9,892
Other	4,947	–
	720,256	807,388
Increase in net assets attributable to unitholders of redeemable units	$ 770,312	$ 2,155,640
Increase in net assets attributable to unitholders of redeemable units per series:		
Series A	$ 701,688	$ 2,046,393
Series F	68,624	109,247
	$ 770,312	$ 2,155,640
Increase in net assets attributable to unitholders of redeemable units per unit:		
Series A	$ 0.33	$ 0.98
Series F	0.45	0.84

See accompanying notes to financial statements.

CHOU ASIA FUND

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

Years ended December 31, 2016 and 2015

	2016	2015
Series A		
Net assets attributable to unitholders of redeemable units, beginning of year	$ 37,670,566	$ 37,324,196
Increase in net assets attributable to unitholders of redeemable units	701,688	2,046,393
Proceeds from issue of units	780,342	1,403,686
Payments on redemption of units	(6,080,911)	(3,021,776)
Distributions of income to unitholders:		
Capital gains	–	(4,926,625)
Reinvested distributions	156	4,844,692
Net assets attributable to unitholders of redeemable units, end of year	33,071,841	37,670,566
Series F		
Net assets attributable to unitholders of redeemable units, beginning of year	2,445,647	1,823,444
Increase in net assets attributable to unitholders of redeemable units	68,624	109,247
Proceeds from issue of units	569,373	822,950
Payments on redemption of units	(535,035)	(294,830)
Distributions of income to unitholders:		
Capital gains	–	(331,743)
Reinvested distributions	113	316,579
Net assets attributable to unitholders of redeemable units, end of year	2,548,722	2,445,647
Total net assets attributable to unitholders of redeemable units, end of year	$ 35,620,563	$ 40,116,213

See accompanying notes to financial statements.

CHOU ASIA FUND

Statements of Cash Flows

Years ended December 31, 2016 and 2015

	2016	2015
Cash flows from operating activities:		
Increase in net assets attributable to unitholders of redeemable units	$ 770,312	$ 2,155,640
Adjustments for:		
Foreign currency gain on cash and other net assets	(369,272)	(3,949,178)
Net realized loss (gain) on financial assets designated at fair value through profit or loss	1,007,133	(4,307,143)
Change in unrealized appreciation (depreciation) on investments and derivatives	(1,883,200)	4,339,978
Change in non-cash operating working capital:		
Decrease (increase) in dividends receivable	(970)	10,100
Decrease in other receivable	–	2,070
Increase (decrease) in accrued expenses	21,816	(1,504)
Purchase of investments	–	(2,157,782)
Proceeds from sales of investments	356,313	10,209,981
Net cash generated from (used in) operating activities	(97,868)	6,302,162
Cash flows from financing activities:		
Distributions paid to unitholders	(97,229)	(12,159)
Proceeds from redeemable units issued	1,353,673	2,256,997
Amount paid on redemption of redeemable units	(6,615,946)	(3,322,279)
Net cash used in financing activities	(5,359,502)	(1,077,441)
Foreign currency gain on cash and other net assets	369,272	3,949,178
Increase (decrease) in cash and cash equivalents	(5,088,098)	9,173,899
Cash and cash equivalents, beginning of year	29,197,185	20,023,286
Cash and cash equivalents, end of year	$ 24,109,087	$ 29,197,185
Supplemental information:		
Interest received, net of withholding tax	$ –	$ 8,264
Dividends received, net of withholding tax	202,523	132,102

See accompanying notes to financial statements.

CHOU ASIA FUND

Schedule of Investments

December 31, 2016

	Number of shares	Cost	Fair value
Equities*			
AJIS Company Limited	15,200	$ 213,157	$ 956,897
BYD Company Limited	573,000	989,812	4,052,805
BYD Electronic (International) Company Limited	1,798,000	436,061	1,899,016
China Yuchai International Limited	73,364	1,242,575	1,360,315
Hanfeng Evergreen Inc.	95,850	228,548	–
POSCO Sponsored ADR	21,000	1,259,883	1,481,682
Pyne Gould Corporation Limited	9,627,219	2,155,761	1,840,835
Total long		6,525,797	11,591,550
Total investments		6,525,797	11,591,550
Transaction costs		(8,144)	–
Portfolio total		$ 6,517,653	$ 11,591,550

*Common shares unless indicated otherwise

See accompanying notes to financial statements.

Investment objective and strategies:

The 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 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 as determined by the above factors. That approach is designed to provide an extra margin of safety, which in turn serves to reduce overall portfolio risk.

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 32.54% (2015 - 27.60%) of the Fund's net assets held at December 31, 2016 were publicly traded equities. If equity prices on the exchange had increased or decreased by 5% as at December 31, 2016, the net assets of the Fund would have increased or decreased by approximately $579,577 or 1.63% (2015 - $553,590, or 1.38%) 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, 2016 and 2015 are as follows:

2016		Financial instruments	Percentage of net asset value
Hong Kong dollar	$	16,407,456	46.1
United States dollar	$	8,089,524	22.7
New Zealand dollar	$	1,969,431	5.5
Japanese yen	¥	962,948	2.7
Singapore dollar	$	161,692	0.5

Risk management (continued):

2015		Financial instruments	Percentage of net asset value
Hong Kong dollar	$	16,416,408	40.9
United States dollar	$	7,666,272	19.1
New Zealand dollar	$	2,362,672	5.9
Japanese yen	¥	9,296,467	23.2
Singapore dollar	$	170,191	0.4

The amounts in the above tables are based on the market value of the Fund's financial instruments (including cash and cash equivalents and investments). Other financial assets (including dividends receivable, other receivable and receivable for units subscribed) and financial liabilities (including accrued expenses, payable for units redeemed and distributions payable) that are denominated in foreign currencies do not expose the Fund to significant foreign currency risk.

As at December 31, 2016, if the Canadian dollar had strengthened or weakened by 1% in relation to all currencies, with all other variables held constant, net assets would have decreased or increased by approximately $275,911 (2015 - $359,120).

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

CHOU EUROPE FUND
(unaudited)

March 17, 2017

Dear Unitholders of Chou Europe Fund,

As there were no distributions, the net asset value per unit ("NAVPU") of a Series A unit of Chou Europe Fund at December 31, 2016 was $9.70 compared to $11.94 at December 31, 2015, a decrease of 18.7%; during the same period, the MSCI AC (Morgan Stanley Capital International All Country) Europe Total Return Index in Canadian dollars decreased 1.8%. In U.S. dollars, a Series A unit of Chou Europe Fund was down 16.2% while the MSCI AC Europe Total Return Index returned 1.0%.

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

December 31, 2016 (Series A)	**1 Year**	**3 Years**	**5 Years**	**10 Years**
Chou Europe ($CAN)	-18.7%	-5.8%	8.5%	-1.0%
MSCI AC Europe TR ($CAN)	-1.8%	5.1%	12.6%	2.1%
Chou Europe ($US)[1]	-16.2%	-12.8%	2.4%	-2.5%
MSCI AC Europe TR ($US)	1.0%	-2.9%	6.5%	0.7%

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 2016 Results

The biggest negative impact on the results of the Fund stemmed from the strength of the Canadian dollar against three major currencies: the U.S. dollar, the pound sterling, and the Euro. The difference in performance results between the NAVPU priced in Canadian dollars, versus U.S. dollars, is attributable to the fact that on December 31, 2015, one U.S. dollar was worth approximately $1.38 Canadian, whereas one year later, on December 31, 2016, one U.S. dollar was worth approximately $1.34 Canadian. On December 31, 2015, one pound sterling was worth approximately $2.04 Canadian, whereas on December 31, 2016, one pound sterling was worth approximately $1.66 Canadian. And on December 31, 2015, one Euro was worth approximately $1.50 Canadian, whereas on December 31, 2016, one Euro was worth approximately $1.42 Canadian.

[1] The alternative method of purchasing Chou Europe Fund in $US has been offered since September 2005. Performance for years prior to September 2005 is based on the $US equivalent conversion of the results of the Chou Europe Fund ($CAN). The investments in the Chou Europe Fund ($CAN) are the same as the investments in Chou Europe Fund ($US) except for the currency applied.

Contributing to the Fund’s performance positively in 2016 were equity holdings of GlaxoSmithKline PLC.

The Fund’s largest decliners during the period were equities of Bank of Ireland, Next PLC, Abbey PLC and Trastor Real Estate Investment.

The Fund exited equity positions in Avangardco Investments, Pharmstandard, and BP PLC. It significantly increased holdings of Eurobank Ergasias S.A.

Europe

The last couple of years were particularly interesting times to invest in Europe. We studied the companies of interest and thought that we understood the economics of the businesses, and yet unforeseen geopolitical events can occur that force us to re-evaluate the valuations. Let's take Greece as an example.

We are aware that since the year 1800, Greece has spent roughly 50% of its time in default or debt rescheduling. It has too much debt and it seems that the Greek citizens have finally decided to implement the reform program required by the Troika (the European Commission, the International Monetary Fund, and the European Central Bank). However, based on the evidence of history, the programs will only give Greece some short-term relief, while leaving the problem of over-leverage unresolved.

With this in mind, it was not a surprise that 2015 and 2016 year-to-date have been difficult periods for us in Greece, as we experienced (unrealized) losses of almost our initial entire investment in Eurobank Ergasias SA. This goes to show that sometimes politics can trump economics.

In the same vein, Brexit took us by surprise. The British stocks in general declined by approximately 6% and the pound sterling depreciated against the $CAD by approximately 8% the same week after the announcement of the vote. Our major investment in Ryanair and Next also declined but we are not too worried as they are excellent companies with highly capable management teams and are selling at an undervalued price.

In the long run, valuations will trump politics. What counts is the accuracy of your assessment of the companies and how cheap the price you paid in relation to their appraised value.

The Pharmaceutical Industry

We believe the pharmaceutical stocks as a group are selling at attractive valuations, even when you take the debt into consideration. They generate their earnings in cash and some of them are down more than 50% from their highs. We already have some pharmaceutical stocks and we may be adding or swapping some of them for the ones that are more undervalued. To avoid getting caught with Food and Drug Administration (FDA) approval and patent expiration issues, we will be using a basket approach.

Other Matters

FOREIGN CURRENCY CONTRACTS: None existed at December 31, 2016.

CREDIT DEFAULT SWAPS: None existed at December 31, 2016.

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 12 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 2016 IRC Annual Report is available on our website www.choufunds.com.

As of March 17, 2017, the NAVPU of a Series A unit of the Fund was $9.64 and the cash position was approximately 4.8% of net assets. The Fund is down 0.7% from the beginning of the year. In U.S. dollars, it is down 0.02%.

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

Francis Chou
Fund Manager

CHOU EUROPE FUND

Statements of Financial Position

December 31, 2016 and 2015

	2016	2015
Assets		
Current assets:		
Financial assets designated at fair value through profit or loss (note 8)	$ 11,230,159	$ 15,348,759
Cash and cash equivalents	2,458,245	7,184,135
Receivable for units subscribed	–	844
Dividends receivable	21,445	104,008
Total assets	13,709,849	22,637,746
Liabilities		
Current liabilities:		
Accrued expenses	21,192	32,305
Payable for units redeemed	–	51,123
Unrealized loss on forward contracts (note 8)	–	753,750
Total liabilities	21,192	837,178
Net assets attributable to unitholders of redeemable units	$ 13,688,657	$ 21,800,568
Net assets attributable to unitholders of redeemable units:		
Series A	$ 12,164,662	$ 17,973,621
Series F	1,523,995	3,826,947
	$ 13,688,657	$ 21,800,568
Number of units outstanding (note 4):		
Series A	1,253,703	1,505,731
Series F	153,653	316,203
Net assets attributable to unitholders of redeemable units per unit (note 4):		
Canadian dollars:		
Series A	$ 9.70	$ 11.94
Series F	9.92	12.10
U.S. dollars:		
Series A	7.22	8.59
Series F	7.39	8.71

See accompanying notes to 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, 2016 and 2015

	2016	2015
Income:		
Interest for distribution purposes and other	$ 6,960	$ 67,848
Dividends	236,560	399,844
Securities lending income	231	–
Derivative income (loss)	(1,279,723)	62
Foreign currency gain on cash and other net assets	56,634	114,892
Other net changes in fair value of financial assets and financial liabilities at fair value through profit or loss:		
Net realized loss on financial assets designated at fair value through profit or loss	(1,152,370)	(8,071)
Change in unrealized appreciation (depreciation) on fair value of financial assets designated at fair value through profit or loss	(2,240,000)	1,205,483
Change in unrealized appreciation (depreciation) on held-for-trading investments	753,750	(753,750)
	(3,617,958)	1,026,308
Expenses:		
Management fees (note 5)	262,648	389,547
Custodian fees	15,941	38,344
Audit	11,452	22,800
Filing fees	3,853	2,685
Independent Review Committee fees	–	1,021
FundSERV fees	1,052	–
Legal fees	–	1,029
Transaction costs (note 6)	1,842	–
Valuation fees	–	1,208
Foreign withholding taxes	20,440	46,072
Other	(708)	–
	316,520	502,706
Increase (decrease) in net assets attributable to unitholders of redeemable units	$ (3,934,478)	$ 523,602
Increase (decrease) in net assets attributable to unitholders of redeemable units per series:		
Series A	$ (3,237,697)	$ 545,086
Series F	(696,781)	(21,484)
	$ (3,934,478)	$ 523,602
Increase (decrease) in net assets attributable to unitholders of redeemable units per unit:		
Series A	$ (2.37)	$ 0.33
Series F	(2.75)	(0.08)

See accompanying notes to financial statements.

CHOU EUROPE FUND

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

Years ended December 31, 2016 and 2015

	2016	2015
Series A		
Net assets attributable to unitholders of redeemable units, beginning of year	$ 17,973,621	$ 20,884,225
Increase (decrease) in net assets attributable to unitholders of redeemable units	(3,237,697)	545,086
Proceeds from issue of units	476,339	1,577,995
Payments on redemption of units	(3,047,601)	(5,033,694)
Reinvested distributions	–	9
Net assets attributable to unitholders of redeemable units, end of year	12,164,662	17,973,621
Series F		
Net assets attributable to unitholders of redeemable units, beginning of year	3,826,947	2,365,947
Decrease in net assets attributable to unitholders of redeemable units	(696,781)	(21,484)
Proceeds from issue of units	276,492	1,979,379
Payments on redemption of units	(1,882,663)	(497,094)
Reinvested distributions	–	199
Net assets attributable to unitholders of redeemable units, end of year	1,523,995	3,826,947
Total net assets attributable to unitholders of redeemable units, end of year	$ 13,688,657	$ 21,800,568

See accompanying notes to financial statements.

CHOU EUROPE FUND

Statements of Cash Flows

Years ended December 31, 2016 and 2015

		2016		2015
Cash flows from operating activities:				
Increase (decrease) in net assets attributable to unitholders of redeemable units	$	(3,934,478)	$	523,602
Adjustments for:				
Foreign currency gain on cash and other net assets		(56,634)		(114,892)
Net realized loss on financial assets designated at fair value through profit or loss		1,152,370		8,071
Change in unrealized depreciation (appreciation) on investments and derivatives		1,486,250		(451,733)
Change in non-cash operating working capital:				
Increase in interest receivable		–		(1)
Decrease (increase) in dividends receivable		82,563		(78,340)
Decrease in accrued expenses		(11,113)		(4,210)
Purchase of investments		(909,527)		–
Proceeds from sales of investments		1,635,758		91
Net cash used in operating activities		(554,811)		(117,412)
Cash flows from financing activities:				
Distributions paid to unitholders		–		(4,554)
Proceeds from redeemable units issued		753,674		3,595,865
Amount paid on redemption of redeemable units		(4,981,387)		(5,654,756)
Net cash used in financing activities		(4,227,713)		(2,063,445)
Foreign currency gain on cash and other net assets		56,634		114,892
Decrease in cash and cash equivalents		(4,725,890)		(2,065,965)
Cash and cash equivalents, beginning of year		7,184,135		9,250,100
Cash and cash equivalents, end of year	$	2,458,245	$	7,184,135
Supplemental information:				
Interest received, net of withholding tax	$	6,960	$	67,847
Dividends received, net of withholding tax		319,103		321,458

See accompanying notes to financial statements.

CHOU EUROPE FUND

Schedule of Investments

December 31, 2016

	Number of shares	Cost	Fair value
Equities*			
Abbey Public Limited Company	31,639	$ 227,314	$ 581,319
AstraZeneca PLC	13,000	701,770	954,550
Bank of Ireland	3,400,000	383,114	1,124,458
EFG Eurobank Ergasias	850,000	3,265,557	774,867
GlaxoSmithKline PLC	18,000	491,338	465,233
Intralot A.E.	717,575	1,659,636	1,024,323
Next PLC	18,000	581,417	1,484,160
OTCPharm PJSC	235,938	–	931,150
Ryanair Holdings PLC	16,575	478,532	1,852,903
Sanofi, ADR	20,000	884,092	1,085,935
Trastor Real Estate Investment Company	854,133	797,009	948,847
Trastor Real Estate Investment Company, Rights	854,133	–	2,414
		9,469,779	11,230,159
Total long		9,469,779	11,230,159
Total investments		9,469,779	11,230,159
Transaction costs		(5,852)	
Portfolio total		$ 9,463,927	$ 11,230,159

*Common shares unless indicated otherwise

See accompanying notes to financial statements.

CHOU EUROPE FUND

Discussion of Financial Risk Management

Years ended December 31, 2016 and 2015

Investment objective and strategies:

The 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 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 as determined by the above factors. 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 82.04% (2015 - 70.41%) of the Fund's net assets held at December 31, 2016 were publicly traded equities. If equity prices on the exchange had increased or decreased by 5% as at December 31, 2016, the net assets of the Fund would have increased or decreased by approximately $561,508 or 4.1% (2015 - $767,438, or 3.52%) 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, 2016 and 2015 are as follows:

2016	Foreign currency forward contract	Financial instruments	Percentage of net asset value
Sterling pound	–	£ 5,594,998	40.9
Euro currency	–	€ 4,465,755	32.6
United States dollar	–	$ 3,239,326	23.7

Financial risk management (continued):

2015	Foreign currency forward contract	Financial instruments	Percentage of net asset value
Sterling pound	–	£ 4,651,254	21.3
Euro currency	–	€ 5,094,251	23.4
United States dollar	$ 10,000,000	$ (6,058,985)	(27.8)

The amounts in the above tables are based on the market value of the Fund's financial instruments (including cash and cash equivalents and investments). Other financial assets (including dividends receivable and receivable for units subscribed) and financial liabilities (including accrued expenses, payable for units redeemed and distributions payable) that are denominated in foreign currencies do not expose the Fund to significant foreign currency risk.

As at December 31, 2016, if the Canadian dollar had strengthened or weakened by 1% in relation to all currencies, with all other variables held constant, net assets would have decreased or increased by approximately $133,001 (2015 - $36,865).

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

CHOU BOND FUND

(unaudited)

March 17, 2017

Dear Unitholders of Chou Bond Fund,

After the distribution of $0.78, the net asset value per unit (“NAVPU”) of a Series A unit of Chou Bond Fund at December 31, 2016 was $8.79 compared to $8.78 at December 31, 2015, an increase of 9.1%; during the same period, Barclays U.S. Corporate High Yield Index ($CAN) returned 13.9%. In U.S. dollars, a Series A unit of Chou Bond Fund was up 12.4% while Barclays U.S. Corporate High Yield Index returned 17.1%.

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

December 31, 2016 (Series A)	1 Year	3 Years	5 Years	10 Years
Chou Bond ($CAN)	9.1%	4.9%	10.0%	4.2%
Barclays’ U.S. High Yield ($CAN)	13.9%	13.2%	13.5%	9.0%
Chou Bond ($US) [1]	12.4%	-2.9%	4.1%	2.7%
Barclays’ U.S High Yield ($US)	17.1%	4.7%	7.4%	7.4%

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 2016 Results

The strength of the Canadian dollar against the U.S. dollar had a negative impact on the results of the Fund. The difference in performance results between the NAVPU priced in Canadian dollars, versus U.S. dollars, is attributable to the fact that on December 31, 2015, one U.S. dollar was worth approximately $1.38 Canadian, whereas one year later, on December 31, 2016, one U.S. dollar was worth approximately $1.34 Canadian.

Contributing to the positive performance of the Fund in 2016 were the debt securities of Exco Resources second-lien term loan and its 8.50% unsecured loan due April 2022, as well as Fortress Paper Limited 7.00% due December 2019 and Ascent Capital Group 4.00% due July 2020.

The major declines in the Fund’s performance resulted from the equity holdings of Resolute Forest Products Inc., the debt securities of UkrLandFarming PLC 10.875%, due March 2018, and Avangardco Investments Public Limited 10.00%, due October 2018, as well as the term loan of

[1] The alternative method of purchasing Chou Bond Fund in $US has been offered since September 2005. The investments in the Chou Bond Fund ($CAN) are the same as the investments in Chou Bond Fund ($US) except for the currency applied.

RH Donnelley Inc., due December 2016 (converted to Dex Media first-lien term loan and warrants in May due to Chapter 11 reorganization).

New additions to the Fund in 2016 were Valeant Pharmaceuticals 6.125% due April 2025, Exco Resources 2nd lien term loan, and Resolute Forest Products 5.875% due May 2023.

The Fund sold all the debt securities of Fortress Paper Limited 6.50% due December 2016 and Dex Media's private equity shares received from the company's Chapter 11 reorganization. The Fund also significantly reduced holdings in the bonds of Taiga Building Products Limited 14.00% due September 2020 and Exco Resources 8.50% unsecured loan due April 2022.

Portfolio Commentary

Fund losses came mainly from positions in debt securities of two Ukrainian companies, Avangardco Investments and UkrLandFarming Company. Avangardco fell from 50.5 cents on the dollar on December 31, 2015 to 29.0 cents on December 31, 2016. Avangardco is one of the leading agro-industrial companies in Ukraine, focusing on the production of shell eggs and egg products. According to a Pro Consulting Report, Avangardco had a market share of approximately 57% of all industrially produced shell eggs and 91% of all dry egg products produced in Ukraine in 2013.

UkrLandFarming fell from 50.0 cents on the dollar on December 31, 2015 to 31.7 cents on December 31, 2016. UkrLandFarming operates as an integrated agricultural producer and distributor. The company engages in crop farming, eggs and egg product production, sugar production, as well as cattle and meat production and distribution.

We believe the bonds of those two companies are down from their purchase price in large part because Ukraine is a highly volatile region of the world, subject to serious geopolitical risk. As a result, we expect the prices of the bonds we purchased to be volatile and they could subject the Fund to a permanent loss of capital. It's true that strong balance sheets and decent financial operations count. But when investing in companies in a region embroiled in a civil war fueled by Russian President Vladimir Putin, geopolitics can easily trump solid financials.

It is still too early to tell whether our foray into Ukraine was an unfortunate mistake. So far, we think being in Ukraine is a short-term quotational loss and not a permanent loss of capital.

Fund gains were principally driven by investment in the oil and gas sector. The price of oil and gas recovered somewhat in 2016 and that helped Fund investments in Exco Resources and Sandridge Energy.

Our initial investment was in the 8.5% 2012 senior unsecured security of Exco Resources and that security rebounded from 18.5 cents on December 31, 2015 to 50.0 cents on December 31, 2016. The company made a tender offer for the 8.5% at 40 cents on the dollar on July 27, 2016. We tendered to the company and about 86.5% of the bonds were taken up under the offer.

In addition, as indicated in the past, we decided that our analysis of investment opportunities in oil and gas bonds would focus on securities that met these criteria:

1) First or second-lien loans or notes;
2) Situations where the ability to add senior or pari-passu debt is significantly limited; and
3) If the company restructures or goes into bankruptcy, the recovery value of the bond is greater than the current price of the bond.

We were able to buy Sandridge Energy's second-lien bonds. It worked out well even though Sandridge had to go through a bankruptcy proceeding before we eventually realized the value of the investment. When Sandridge emerged from bankruptcy in October 2016, the Fund received $206.20 worth of the new common stock and $241.70 worth of the new convertible bonds for every $1,000 par value of the bonds at the time of conversion. At December 31, 2016, the combined value of the common stock plus the new bond received was equivalent to 52.6 cents on the dollar compared to 30.5 cents on a dollar as of December 31, 2015. This was an increase of 72.6% from the previous year.

Another big holding that benefitted the Fund was an investment in the 4% convertible security of Ascent Capital Group Inc. Through its subsidiary, Monitronics International Inc., Ascent Capital provides security alarm monitoring and related services to residential and business subscribers in the United States and Canada. The convertible went up from 65.8 cents on the dollar on December 31, 2015 to 76.0 cents on the dollar on December 31, 2016. At the price of 76.0 cents, the yield to maturity is 12.6%. We feel comfortable holding this debt security based on our expectation that the company will continue to generate free cash flow and be able to service the debt.

Lastly, Rainmaker Entertainment has gone through a two-part merger to acquire Frederator Networks and Ezrin Hirsh Entertainment for $22 million in stock, and created the new entity Wow Unlimited Media Inc. According to a news release sent out in October 2016, the business combination aims to create a North American pure-play kids and youth entertainment company poised to capitalize on favourable industry trends. As a result of the corporate restructuring, the Fund received 100 cents on the dollar in cash for 20% of the bonds that it held in December, and approximately 5,555 shares of the new equities were received for every $1,000 for the rest of the bonds. This is equivalent to converting the debentures at 18 cents per share. The company then did a reverse 10 for 1 split. On December 31, 2016, the common stock traded at $1.89, which is equivalent to a debenture price of 105 cents on the dollar.

We also want to take this opportunity to thank Craig Graham first for accepting the job as the CEO of the Rainmaker Entertainment and working tirelessly to create some value for the shareholders and the convertible debenture holders. He was dealt a terrible hand, and in spite of facing setback after setback, he made the most of a bad situation. In the end, we were able to tender 20% of the convertible debentures at par to the company in December and the rest were converted to common shares at 18 cents (pre-split). Without Craig's steadying hand, the debenture holders could have ended up with only 50 cents on the dollar. This is what great management can do – make lemonade out of a lemon.

Conclusion

We believe that most of the bonds held in the Fund's portfolio are somewhat underpriced. Most of them are yielding close to 10% yield to maturity, and we believe that even if some of them go through bankruptcy, the recovery value will be at least close to the level where bonds are trading.

Other Matters

FOREIGN CURRENCY CONTRACTS: None existed at December 31, 2016.

CREDIT DEFAULT SWAPS: None existed at December 31, 2016.

REDEMPTION FEE: We have a redemption fee of 2% if unitholders redeem their units in less than 12 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 2016 IRC Annual Report is available on our website www.choufunds.com.

As of March 17, 2017, the NAVPU of a Series A unit of the Fund was \$8.62 and the cash position was approximately 16.7% of net assets. The Fund is down 2.0% from the beginning of the year. In U.S. dollars, it is down 1.3%.

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

Francis Chou
Fund Manage

CHOU BOND FUND

Statements of Financial Position

December 31, 2016 and 2015

	2016	2015
Assets		
Current assets:		
Financial assets designated at fair value through profit or loss (note 8)	$ 36,688,801	$ 39,205,914
Held-for-trading investments	10,765	–
Cash and cash equivalents	7,621,140	3,961,937
Due from broker	661,041	–
Interest receivable	710,104	1,404,310
Total assets	45,691,851	44,572,161
Liabilities		
Current liabilities:		
Accrued expenses	78,614	57,325
Payable for units redeemed	99,851	64,158
Distributions payable	–	61,619
Due to broker	2,920,264	–
Unrealized loss on forward contracts (note 8)	–	1,584,500
Total liabilities	3,098,729	1,767,602
Net assets attributable to unitholders of redeemable units	$ 42,593,122	$ 42,804,559
Net assets attributable to unitholders of redeemable units:		
Series A	$ 38,981,802	$ 39,630,967
Series F	3,611,320	3,173,592
	$ 42,593,122	$ 42,804,559
Number of units outstanding (note 4):		
Series A	4,432,708	4,515,187
Series F	403,615	358,475
Net assets attributable to unitholders of redeemable units per unit (note 4):		
Canadian dollars:		
Series A	$ 8.79	$ 8.78
Series F	8.94	8.85
U.S. dollars:		
Series A	6.55	6.35
Series F	6.66	6.40

See accompanying notes to 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, 2016 and 2015

	2016	2015
Income:		
Interest for distribution purposes and other	$ 3,728,579	$ 4,634,026
Securities lending income	7	–
Derivative loss	(2,633,858)	(105)
Foreign currency gain on cash and other net assets	471,115	637,769
Other net changes in fair value of financial assets and financial liabilities at fair value through profit or loss:		
Net realized gain (loss) on financial assets designated at fair value through profit or loss	(1,682,986)	832,300
Change in unrealized appreciation (depreciation) on financial assets designated at fair value through profit or loss	2,765,154	(5,383,241)
Change in unrealized appreciation (depreciation) on held-for-trading investments	1,595,265	(1,584,500)
	4,243,276	(863,751)
Expenses:		
Management fees (note 5)	501,739	601,532
Custodian fees	54,940	51,640
Audit	19,585	14,462
Filing fees	8,984	4,532
Independent Review Committee fees	–	2,006
FundSERV fees	3,111	–
Legal fees	–	1,895
Transaction costs (note 6)	17,853	–
Valuation fees	–	2,345
Other	7,666	–
	613,878	678,412
Increase (decrease) in net assets attributable to unitholders of redeemable units	$ 3,629,398	$ (1,542,163)
Increase (decrease) in net assets attributable to unitholders of redeemable units per series:		
Series A	$ 3,273,001	$ (1,429,635)
Series F	356,397	(112,528)
	$ 3,629,398	$ (1,542,163)
Average number of units outstanding for period per class:		
Series A	4,365,107	4,354,553
Series F	369,917	352,861
Increase (decrease) in net assets attributable to unitholders of redeemable units per unit:		
Series A	$ 0.75	$ (0.33)
Series F	0.96	(0.32)

See accompanying notes to financial statements.

CHOU BOND FUND

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

Years ended December 31, 2016 and 2015

	2016	2015
Series A		
Net assets attributable to unitholders of redeemable units, beginning of year	$ 39,630,967	$ 45,810,611
Increase (decrease) in net assets attributable to unitholders of redeemable units	3,273,001	(1,429,635)
Proceeds from issue of units	1,832,128	1,233,503
Payments on redemption of units	(5,710,443)	(5,938,448)
Distributions of income to unitholders:		
Investment income	(3,195,318)	(3,412,872)
Reinvested distributions	3,151,467	3,367,808
Net assets attributable to unitholders of redeemable units, end of year	38,981,802	39,630,967
Series F		
Net assets attributable to unitholders of redeemable units, beginning of year	3,173,592	3,691,558
Increase (decrease) in net assets attributable to unitholders of redeemable units	356,397	(112,528)
Proceeds from issue of units	733,052	46,706
Payments on redemption of units	(633,961)	(436,320)
Distributions of income to unitholders:		
Investment income	(276,476)	(278,867)
Reinvested distributions	258,716	263,043
Net assets attributable to unitholders of redeemable units, end of year	3,611,320	3,173,592
Total net assets attributable to unitholders of redeemable units, end of year	$ 42,593,122	$ 42,804,559

See accompanying notes to financial statements.

CHOU BOND FUND

Statements of Cash Flows

Years ended December 31, 2016 and 2015

	2016	2015
Cash flows from operating activities:		
Increase (decrease) in net assets attributable to unitholders of redeemable units	$ 3,629,398	$ (1,542,163)
Adjustments for:		
Foreign currency gain on cash and other net assets	(471,115)	(637,769)
Net realized loss (gain) on financial assets designated at fair value through profit or loss	1,682,986	(832,300)
Change in unrealized depreciation (appreciation) on investments and derivatives	(4,360,419)	6,967,741
Change in non-cash operating working capital:		
Decrease (increase) in interest receivable	694,206	(462,882)
Increase (decrease) in accrued expenses	21,289	(8,009)
Purchase of investments	(13,230,157)	(9,023,044)
Proceeds from sales of investments	19,088,660	1,567,731
Net cash generated from (used in) operating activities	7,054,848	(3,970,695)
Cash flows from financing activities:		
Distributions paid to unitholders	(123,229)	(67,279)
Proceeds from redeemable units issued	2,565,180	1,300,896
Amount paid on redemption of redeemable units	(6,308,711)	(6,333,947)
Net cash used in financing activities	(3,866,760)	(5,100,330)
Foreign currency gain on cash and other net assets	471,115	637,769
Increase (decrease) in cash and cash equivalents	3,659,203	(8,433,256)
Cash and cash equivalents, beginning of year	3,961,937	12,395,193
Cash and cash equivalents, end of year	$ 7,621,140	$ 3,961,937
Supplemental information:		
Interest received, net of withholding tax	$ 4,422,785	$ 4,171,144

See accompanying notes to financial statements.

CHOU BOND FUND

Schedule of Investments

December 31, 2016

	Number of units	Cost	Fair value
Equities*			
Catalyst Paper Corporation	108,606	$ 47,448	$ 53,217
Resolute Forest Products Inc.	391,463	3,529,372	2,811,948
Sandridge Energy Inc.	48,240	1,142,265	1,525,320
Wow Unlimited Media Inc.	1,184,742	2,089,600	2,015,246
		6,808,685	6,405,731
Bonds			
Ascent Capital Group Inc., 4.000%, July 15, 2020	2,683,000	2,776,137	2,737,771
Atlanticus Holdings Corporation, 5.875%, November 30, 2035	7,800,000	3,452,750	4,895,973
Avangardco Investments Public Limited, 10.000%, October 29, 2018	3,021,203	3,051,716	1,176,361
Catalyst Paper Corporation, 11.000%, October 30, 2017	206,686	195,309	131,816
Catalyst Paper Corporation, 11.000%, October 30, 2017	2,047,969	1,634,406	1,581,081
Dex Media West Inc., term loans, December 31, 2017	1,264,145	1,676,193	1,695,183
Exco Resources Inc., term loans, October 20, 2020	3,000,000	2,918,089	2,935,368
Exco Resources Inc., 8.500%, April 15, 2022	628,000	198,203	421,592
Fortress Paper Limited, 7.000%, December 31, 2019	4,659,000	2,621,102	4,193,100
Resolute Forest Products Inc., 5.875%, May 15, 2023	1,000,000	1,025,330	1,215,098
Sandridge Energy Inc., Zero Coupon, October 3, 2020	2,033,132	2,580,417	3,413,937
Taiga Building Products Limited, 14.000%, September 1, 2020	934,000	930,671	1,086,709
Ukrlandfarming PLC, 10.875%, Mar 26, 2018	6,513,021	5,984,449	2,771,679
Valeant Pharmaceuticals International Inc., 6.125%, April 15, 2025	2,000,000	1,971,190	2,027,402
		31,015,962	30,283,070
Total long		37,824,647	36,688,801
Held-for-trading			
Dex Media West Inc., Warrants, August 15, 2023	160,356	–	10,765
Total held-for-trading		–	10,765
Total investments		37,824,647	36,699,566
Transaction costs		(492)	
Portfolio total		$ 37,824,155	$ 36,699,566

* Common shares unless indicated otherwise
** Shares received from debt restructuring
See accompanying notes to financial statements.

Investment objective and strategies:

The Fund's 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. 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 seeks to achieve its investment objectives by investing in securities that it believes are undervalued. 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, 2016, the Fund invested approximately 15.49% (2015 - 33.56%) of its net assets in non-investment grade debt instruments. 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. As at December 31, 2016, the Fund invested approximately 55.61% (2015 - 47.85%) 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:

	2016	2015
Less than 1 year	$ 3,408,080	$ 3,134,400
1 - 3 years	8,141,140	11,473,982
3 - 5 years	10,173,785	10,894,732
Greater than 5 years	8,560,065	9,347,153

Financial risk management (continued):

As at December 31, 2016, 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 $281,861 (2015 - $279,164).

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. Approximately 10.31% (2015 - 10.18%) of the Fund's net assets held at December 31, 2016 were publicly traded equities. If equity prices on the exchange had increased or decreased by 5% as at December 31, 2016, the net assets of the Fund would have increased or decreased by approximately $219,524 or 0.52% (2015 - $216,782, or 0.51%) 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, 2016 and 2015 are as follows:

2016	Foreign currency forward contract	Financial instruments	Percentage of net asset value
United States dollar	$ –	$ 35,317,018	82.9%

2015	Foreign currency forward contract	Financial instruments	Percentage of net asset value
United States dollar	$ 20,000,000	$ 8,659,317	20.2%

The amounts in the above tables are based on the market value of the Fund's financial instruments (including cash and cash equivalents and investments). Other financial assets (including interest receivable and receivable for units subscribed) and financial liabilities (including accrued expenses, payable for units redeemed and distributions payable) that are denominated in foreign currencies do not expose the Fund to significant foreign currency risk.

If the Canadian dollar had strengthened or weakened by 1% in relation to all currencies, with all other variables held constant, net assets would have decreased or increased by approximately $353,170 (2015 - $86,593).

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

CHOU RRSP FUND

(unaudited)

March 17, 2017

Dear Unitholders of Chou RRSP Fund,

After the distribution of $0.86, the net asset value per unit ("NAVPU") of a Series A unit of Chou RRSP Fund at December 31, 2016 was $27.48 compared to $29.40 at December 31, 2015, a decrease of 3.6%; during the same period, the S&P/TSX Total Return Index increased 21.1% in Canadian dollars. In U.S. dollars, a Series A unit of Chou RRSP Fund was down 0.6% while the S&P/TSX Total Return Index returned 24.5%.

The table shows our 1-year, 3-year, 5-year, 10-year, 15-year and 20-year annual compound rates of return.

December 31, 2016 (Series A)	1 Year	3 Years	5 Years	10 Years	15 Years	20 Years
Chou RRSP ($CAN)	-3.6%	-1.4%	9.3%	1.9%	6.5%	9.2%
S&P/TSX ($CAN)	21.1%	7.1%	8.2%	4.7%	7.4%	7.3%
Chou RRSP ($US)[1]	-0.6%	-8.7%	3.4%	0.5%	7.7%	9.3%
S&P/TSX ($US)	24.5%	-1.0%	2.4%	3.2%	8.6%	7.4%

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 2016 Results

The strength of the Canadian dollar against the U.S. dollar had a negative impact on the results of the Fund. The difference in performance results between the NAVPU priced in Canadian dollars, versus U.S. dollars, is attributable to the fact that on December 31, 2015, one U.S. dollar was worth approximately $1.38 Canadian, whereas one year later, on December 31, 2016, one U.S. dollar was worth approximately $1.34 Canadian.

The equity holdings of Overstock.com and Reitmans Limited, as well as the Bank of America warrants and the second-lien term loan of Exco Recourses were the major positive contributors to the Fund's performance in 2016.

The largest equity decliners in 2016 were Resolute Forest Products, Torstar Corporation, BlackBerry Limited, Canfor Pulp Products and Valeant Pharmaceuticals.

In the first half of the year, the Fund exited holdings in Canadian Oil Sands Limited.

[1] The alternative method of purchasing Chou RRSP Fund in $US has been offered since September 2005. Performance for years prior to September 2005 is based on the $US equivalent conversion of the results of the Chou RRSP Fund ($CAN). The investments in the Chou RRSP Fund ($CAN) are the same as the investments in Chou RRSP Fund ($US) except for the currency applied.

The Fund purchased shares of Valeant Pharmaceuticals International Inc, and the second-lien term loan of Exco Resources Inc. due October 2020. Equity stakes in Resolute Forest Products were significantly increased in 2016.

Bank of America TARP Warrants

Overall, the investments in the Bank of America TARP warrants performed well in 2016, as reflected by the increases in prices of the position shown in the following table:

Security	Average Cost Base (ACB)*	Price as of Dec. 31, 2015	Price as of Dec. 31, 2016	% Increase From ACB
Bank of America Warrants (Jan. 16, 2019)	$3.43	$5.81	$9.95	190%

** As of December 31, 2016*

Note: Prices are in local currency $US.

In our 2010 semi-annual report we outlined our thesis on why we believed that these warrants were attractive long-term investments. We wrote:

> "So, what is so unique about these stock warrants?
>
> • They are long dated, with most expiring in 2018 or 2019. This time-frame of eight-plus years allows banks to grow their intrinsic value to a high enough level to have an appreciable impact on the strike price of the stock warrant.
>
> • The strike price is adjusted downward for any quarterly dividend that exceeds a set price. Normally, this is not seen in a stock warrant. This is a truly stringent condition. In this case, we should give the government credit for extracting a pound of flesh. An example: for Bank of America, class 'A' warrants, the strike price is adjusted downward for any quarterly dividend paid exceeding one cent a share.
>
> • Many of the banks have excess capital on their balance sheet. When the economy settles down, we expect the banks to use this excess capital either for buybacks or a one-time special dividend that may reduce the strike price on the stock warrants if this provision applies."

Since the price of the TARP warrants is contingent on the stock price of the bank, it was important that we held the view that the banks in general were undervalued. This is what we said about the banks in 2010 and 2011:

• "It has been five years since the financial crisis began in 2007. As each year has gone by, the quality of earnings of the banks has gotten higher, the books have become cleaner, the risks have become lower, and bank management has become far more risk averse. It is too bad that we had to go through so much turmoil to get there.

• The financial institutions that survive will be the ultimate beneficiaries of any recovery in the economy.

- Bank valuations that were below 10 times earnings six months ago have decreased even further, with many bank stocks selling below book and some selling at big discounts to tangible book value."

In conclusion, we stated that:

- "For an economy to flourish, we need sound financial institutions that can generate reasonable profits.
- Our investing horizon is long-term – eight years or more remain for these bank warrants. Over that period, we believe that the odds are it will work out to be a decent investment, perhaps even more so for the better capitalized banks. We view it as the glass being more than half full rather than half empty. The bank TARP warrants are complex, with terms and conditions that are unique to each bank, and we encourage you to research them for yourself and draw your own conclusions."

We are now in the year 2017 and the maturity date for the TARP warrants is less than three years away. As the time element grows shorter, we believe the warrant is likely to become more speculative, and therefore we expect to reduce or eliminate our positions in the TARP warrants. If we believe that Bank of America may still be undervalued, then we will be more likely to invest in the bank's common stock.

However, it is important to note that any future decision to sell the warrants or buy the common stock will be based on our view of the markets at the time, as well as the issues which exist when we make any such investment decision.

Exco Resources

Exco Resources is an independent oil and natural gas company that engages in the acquisition, exploration, development, and production of onshore oil and natural gas properties with a focus on shale resource plays in the United States.

We liked this security because it met our criteria for investing in the oil and gas sector. The criteria that we considered in analyzing this type of investment is that the security should be:

1. A first or second-lien loan or note;
2. Issued by a company with a significantly limited ability to add senior or pari-passu debt to its capital structure; and
3. Of a type that should the company restructure or go into bankruptcy, the recovery value of the bond is likely to be greater than the current price of the bond.

In 2015, we initiated a position in Exco Resources second-lien term loan 12.5%, maturing in 2020. This term loan did quite well in 2016, rising from 56.5 cents on the dollar at December 31, 2015 to 72.9 cents on the dollar at December 31, 2016, an increase of 29.0% excluding interest received.

As of December 31, 2016, the Fund owned about US$8.8 million worth of Exco's second-lien term loan (US$12.1 million in par value). This is the largest position in the portfolio, comprising about 13% of the assets of the Fund (at market value). In addition to the security being very senior in the capital structure, we also hold the view that management seems to be making good decisions with respect to the allocation of capital in a tough environment.

Next we will discuss two of the main culprits responsible for the Fund's lackluster recent performance.

Valeant Pharmaceuticals

Valeant has received a lot of bad press (some deservedly so) for the last couple of years. But in mid-March of this year, it announced that the company raised US$3.25 billion in debt maturing in 2022 and 2024, with covenants that are less stringent than the other term loans that the new debt will replace. The changes in covenants include the removal of the maintenance covenants from the Term B loans (consisting of a secured leverage ratio and an interest coverage ratio).

The company will use its net proceeds to repay shorter-term maturities. This is an important step for Valeant because it removes the threat of technical default in the short term, and it gives management time to fix the company and return it to sustainable profitability without looking behind their backs all the time.

In conclusion:

- Valeant could return to trading at normal multiples if its debt of approximately US$30 billion is significantly reduced and once the impact and costs of litigations are determined. Management has indicated that they hope to reduce its debt by as much as US$8 billion through a combination of organic earnings and the sale of non-core assets.
- The company appears to have good cash flow characteristics, generated from solid portfolio pipelines. We particularly like the Bausch and Lomb group and we believe most of its revenues are less subjected to pricing pressures that are bedeviling the pharmaceutical industry.
- Because the company has almost US$30 billion of debt, it can be misleading just to take one valuation method like Price to Earnings (P/E) ratio to gauge whether Valeant is cheap or not. For example, the current P/E ratio is less than three times, and while this may indicate that Valeant is very cheap, the undervaluation is not as cheap as it appears. One must look at return on a fully capitalized basis (taking debt into account) to get the full picture. Nonetheless, the equity-based multiples are still good indicators, but they should not be used in isolation like any financial ratios.
- Another indicator to look at is how much free cash flow it is generating. It appears that Valeant can generate close to US$1.5-2.0 billion of free cash flow per year. If that is the case, then with the market capitalization of less than US$4 billion, the company is selling at a very cheap valuation of around two times free cash flow. Alternatively, one can also view it as a deleveraging play and as the free cash flow of US$1.5-2.0 billion is used to repay debt, it proportionately raises the value for the common equity by that same amount.

Based on the information we now have, the average price we paid of less than seven times free cash flow is on the high side, but at less than two times free cash flow it is a totally different story. If these numbers hold, we believe that the intrinsic value is much higher than the current price of Valeant.

Resolute Forest Products

Resolute Forest Products (RFP) is primarily involved in newsprints, specialty papers, wood products and market pulp. As the downturn in global commodities intensified, RFP was not spared as all four of the company's business segments got hit. Management concentrated on lowering the cost of every segment but these actions were not enough to compensate for the deterioration of prices in their respective markets.

At year-end 2016, the market price of RFP was $5.35 per share with a market capitalization of roughly US$480 million. As we have explained in the past, the company continues to have consolidated sales of close to US$3.6 billion and in each of its major business segments, it is a global leader. It continues to be the biggest volume producer of wood products east of the Rockies, the third largest in North America for market pulp, the number one producer of newsprint in the world and the largest producer in North America of uncoated mechanical paper and an emerging tissue producer. The wood products segment of the company has ongoing revenues of approximately US$500 million, while the other three segments each continue to have revenues of approximately US$1 billion. We believe that each of the four business segments could fetch at least US$400 million in a normal market, and as a result, RFP may be undervalued.

Short Term Performance Impacts Long Term Returns

A lot of investors are not aware that short-term results can have a huge bearing on the five and ten-year annualized compounded returns. For example, let’s take Fund A and Fund B. Fund A consistently returns 7% per year for 10 years and therefore its compound rate of return over the 10 year period is 7%. Fund B, on the other hand, returns 8% for the first nine years but suffers a loss of 20% in the tenth year. Its compound rate of return for the 10-year period drops significantly to 4.8%. The impact is more pronounced for the five year returns, a similar decline of 20% in the fifth year would have decreased the 5-year compound return from 8% to merely 1.7% for Fund B versus 7% for Fund A.

We’ve had to answer the same kind of question in 1999. The S&P/TSX index was up close to 31.7%, whereas the Fund was down 6.7%. Again, our ten and five-year annualized returns looked horrible in comparison to the index, but that is how the math works.

The Current Market

The current market keeps reminding me of the period when I started managing money in 1981. The market was incredibly cheap: approximately six times earnings and roughly 6% dividend yield. The Dow had been earning on average 13% on its equity for quite a while and there was nothing to suggest the future would be any different.

However, there was one important caveat. Stocks were incredibly cheap based on what you would pay for a business historically when interest rates were at normal rates.

But by June 1981, the federal fund's rate rose to 20%. Eventually in June 1982, a highly important economic measure – the prime interest rate – reached 21.5%. The 30-year bond yield hit a high of 15.2%. If interest rates stayed at these levels for 10 years or more, then stocks would not be considered cheap, but instead trading closer to fair value.

The reverse is true today. Based on historical ratios, the current prices for stocks are not cheap but if interest rates stay at these levels for an extended period of time, the stocks are not expensive at all.

Suffice to say that we are not comfortable with the current market levels and we are not convinced that interest rates will stay this low for an extended period of time.

Other Matters

FOREIGN CURRENCY CONTRACTS: None existed at December 31, 2016.

CREDIT DEFAULT SWAPS: None existed at December 31, 2016.

REDEMPTION FEE: We have a redemption fee of 2% if unitholders redeem their units in less than 12 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 2016 IRC Annual Report is available on our website www.choufunds.com.

As of March 17, 2017, the NAVPU of a Series A unit of the Fund was $28.26 and the cash position was approximately 3.6% of net assets. The Fund is up 2.8% from the beginning of the year. In U.S. dollars, it is up 3.5%.

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

Francis Chou
Fund Manager

CHOU RRSP FUND

Statements of Financial Position

December 31, 2016 and 2015

	2016	2015
Assets		
Current assets:		
Financial assets designated at fair value through profit or loss (note 8)	$ 74,050,452	$ 64,126,157
Held-for-trading investments (note 8)	11,179,453	6,727,484
Cash and cash equivalents	452,846	33,273,551
Receivable for units subscribed	26,000	35,230
Guarantee asset (note 5)	2,935,439	0
Interest receivable	504,799	298,796
Total assets	89,148,989	104,461,218
Liabilities		
Current liabilities:		
Accrued expenses	244,145	199,692
Payable for units redeemed	139,802	91,258
Distributions payable	–	85,967
Total liabilities	383,947	376,917
Net assets attributable to unitholders of redeemable units	$ 88,765,042	$104,084,301
Net assets attributable to unitholders of redeemable units:		
Series A	$ 82,832,921	$ 99,334,071
Series F	5,932,121	4,750,230
	$ 88,765,042	$104,084,301
Number of units outstanding (note 4):		
Series A	3,013,777	3,379,086
Series F	214,149	161,443
Net assets attributable to unitholders of redeemable units per unit (note 4):		
Canadian dollars:		
Series A	$ 27.48	$ 29.40
Series F	27.70	29.42
U.S. dollars:		
Series A	20.47	21.25
Series F	20.63	21.26

See accompanying notes to financial statements.

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

Francis Chou

CHOU RRSP FUND

Statements of Comprehensive Loss

Years ended December 31, 2016 and 2015

	2016	2015
Income:		
Interest for distribution purposes and other	$ 3,613,470	$ 1,919,380
Dividends	576,080	1,510,491
Securities lending income (note 7)	12,992	69,448
Derivative income (loss)	160	(132)
Foreign currency gain on cash and other net assets	353,773	2,367,327
Guarantee recovery income (note 5)	2,935,439	0
Other net changes in fair value of financial assets and financial liabilities at fair value through profit or loss:		
Net realized gain (loss) on financial assets designated at fair value through profit or loss	(2,626,324)	13,108,293
Change in unrealized appreciation (depreciation) on financial assets designated at fair value through profit or loss	(12,091,639)	(32,377,900)
Change in unrealized appreciation (depreciation) on held-for-trading investments	4,451,969	(51,337)
	(2,773,810)	(13,454,430)
Expenses:		
Management fees (note 5)	1,457,647	1,934,147
Custodian fees	139,080	138,501
Audit	29,726	32,910
Filing fees	14,640	14,600
Independent Review Committee fees	–	5,172
FundSERV fees	10,980	–
Legal fees	2,441	9,107
Transaction costs (note 6)	43,897	47,233
Valuation fees	–	10,950
Other	26,194	–
	1,724,605	2,192,620
Decrease in net assets attributable to unitholders of redeemable units	$ (4,498,415)	$ (15,647,050)
Decrease in net assets attributable to unitholders of redeemable units per series:		
Series A	$ (4,474,597)	$ (14,964,822)
Series F	(23,818)	(682,228)
	$ (4,498,415)	$ (15,647,050)
Average number of units outstanding for period per class:		
Series A	3,180,682	3,358,491
Series F	185,390	160,395
Increase (decrease) in net assets attributable to unitholders of redeemable units per unit:		
Series A	$ (1.41)	$ (4.46)
Series F	(0.13)	(4.26)

See accompanying notes to financial statements.

CHOU RRSP FUND

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

Years ended December 31, 2016 and 2015

	2016	2015
Series A		
Net assets attributable to unitholders of redeemable units, beginning of year	$ 99,334,071	$ 123,027,948
Decrease in net assets attributable to unitholders of redeemable units	(4,474,597)	(14,964,822)
Proceeds from issue of units	2,694,357	2,943,979
Payments on redemption of units	(14,680,248)	(11,612,056)
Distributions of income to unitholders:		
Investment income	(2,523,868)	(1,196,736)
Capital gains	–	(3,322,461)
Reinvested distributions	2,483,206	4,458,219
Net assets attributable to unitholders of redeemable units, end of year	82,832,921	99,334,071
Series F		
Net assets attributable to unitholders of redeemable units, beginning of year	4,750,230	5,318,047
Decrease in net assets attributable to unitholders of redeemable units	(23,818)	(682,228)
Proceeds from issue of units	2,295,323	1,130,436
Payments on redemption of units	(1,085,912)	(991,036)
Distributions of income to unitholders:		
Investment income	(172,812)	(85,198)
Capital gains	–	(156,615)
Reinvested distributions	169,110	216,824
Net assets attributable to unitholders of redeemable units, end of year	5,932,121	4,750,230
Total net assets attributable to unitholders of redeemable units, end of year	$ 88,765,042	$ 104,084,301

See accompanying notes to financial statements.

CHOU RRSP FUND

Statements of Cash Flows

Years ended December 31, 2016 and 2015

	2016	2015
Cash flows from operating activities:		
Decrease in net assets attributable to unitholders of redeemable units	$ (4,498,415)	$ (15,647,050)
Adjustments for:		
Foreign currency gain on cash and other net assets	(353,773)	(2,367,327)
Net realized loss (gain) on financial assets designated at fair value through profit or loss	2,626,324	(13,108,293)
Change in unrealized depreciation on investments and derivatives	7,639,400	32,429,237
Change in non-cash operating working capital:		
Increase in interest receivable	(206,003)	(260,639)
Decrease in other receivable	–	12,895
Increase (decrease) in accrued expenses	44,453	(20,495)
Purchase of investments	(30,085,828)	(14,581,316)
Proceeds from sales of investments	5,443,840	20,522,061
Guarantee asset	2,935,439	0
Net cash generated from (used in) operating activities	(22,325,441)	6,979,073
Cash flows from financing activities:		
Distributions paid to unitholders	(130,331)	–
Proceeds from redeemable units issued	4,998,910	4,086,685
Amount paid on redemption of redeemable units	(15,717,616)	(12,576,546)
Net cash used in financing activities	(10,849,037)	(8,489,861)
Foreign currency gain on cash and other net assets	353,773	2,367,327
Increase (decrease) in cash and cash equivalents	(32,820,705)	856,539
Cash and cash equivalents, beginning of year	33,273,551	32,417,012
Cash and cash equivalents, end of year	$ 452,846	$ 33,273,551
Supplemental information:		
Interest received, net of withholding tax	$ 3,407,467	$ 1,658,741
Dividends received, net of withholding tax	576,000	1,510,491

See accompanying notes to financial statements.

CHOU RRSP FUND

Schedule of Investments

December 31, 2016

	Number of shares	Cost	Fair value
Equities*			
Blackberry Ltd.	529,040	$ 4,122,657	$ 4,888,329
Canfor Pulp Products Inc.	493,900	1,405,445	4,993,329
Danier Leather Inc.	679,200	6,453,777	–
Dundee Corporation, Class 'A'	300,000	3,060,351	1,785,000
Interfor Corporation	425,500	2,530,493	6,395,265
Overstock.com Inc.	151,976	3,166,145	3,570,885
Overstock.com Inc., Preferred	15,198	314,348	346,895
Reitmans (Canada) Limited	348,600	1,914,063	1,934,730
Reitmans (Canada) Limited, Class 'A'	690,800	3,758,099	4,027,364
Resolute Forest Products Inc.	1,224,188	13,844,859	8,793,560
Sears Canada Inc.	292,830	2,667,681	650,083
Taiga Building Products Limited	159,700	212,401	167,685
Torstar Corporation, Class 'B'	1,077,116	23,506,107	2,057,291
TVA Group Inc.	783,128	11,323,079	2,545,166
TWC Enterprises Limited	201,944	1,077,639	2,120,412
Valeant Pharmaceuticals International Inc.	360,000	18,960,036	7,018,300
Wow Unlimited Media Inc.	93,680	1,930,473	159,350
		100,247,653	51,453,644
Bonds			
Exco Resources Inc., term loans, October 20, 2020	12,125,380	6,839,746	11,864,153
Fuel Industries Inc., term loans, March 31, 2017	6,429,765	6,429,765	3,494,326
Taiga Building Products Ltd. Callable, 14.000%, September 1, 2020	6,221,168	6,221,168	7,238,329
		19,490,679	22,596,808
Total long		119,738,332	74,050,452
Held-for-trading			
Bank of America Corporation, warrants, Class A, Jan, 16, 2019	836,825	2,984,789	11,179,453
Total held-for-trading	836,825	2,984,789	11,179,453
Total investments		122,723,121	85,229,905
Transaction costs		(231,579)	–
Portfolio total		$ 122,491,542	$ 85,229,905

* Common shares unless indicated otherwise
See accompanying notes to financial statements.

Investment objective and strategies:

The Fund's objective is to provide long-term growth of capital by investing primarily in equity securities 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 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 as determined by the above factors. 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, 2016, the Fund invested approximately 13.42% (2015 - nil) of its net assets in non-investment grade debt instruments. 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. As at December 31, 2016, the Fund invested approximately 12.09% (2015 - 14.35%) of its net assets in non-rated debt instruments. These credit ratings could denote that the company's financial position is weak and its bonds should be considered a speculative investment.

(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:

	2016	2015
Less than 1 year	$ 3,494,326	$ 7,500,000
1 - 3 years	–	–
3 - 5 years	19,102,482	–
Greater than 5 years	–	7,435,085

As at December 31, 2016, 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 $191,025 (2015 - $66,688).

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

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 70.19% (2015 - 47.26%) of the Fund's net assets held at December 31, 2016 were publicly traded equities. If equity prices on the exchange had increased or decreased by 5% as at December 31, 2016, the net assets of the Fund would have increased or decreased by approximately $3,115,153 or 3.51% (2015 - $2,549,554, or 2.36%) 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, 2016 and 2015 are as follows:

2016	Financial instruments	Percentage of net asset value
United States dollar	$ 43,390,282	48.9%

2015	Financial instruments	Percentage of net asset value
United States dollar	$ 32,325,174	31.1%

The amounts in the above tables are based on the market value of the Fund's financial instruments (including cash and cash equivalents and investments). Other financial assets (including interest receivable, receivable for units subscribed and other receivable) and financial liabilities (including accrued expenses, payable for units redeemed and distributions payable) that are denominated in foreign currencies do not expose the Fund to significant foreign currency risk.

As at December 31, 2016, if the Canadian dollar had strengthened or weakened by 1% in relation to all currencies, with all other variables held constant, net assets would have decreased or increased by approximately $433,903 (2015 - $323,252).

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

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:

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

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 March 29, 2017, which is the date on which the financial statements were authorized for issue by the Manager.

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

(a) Recognition, initial measurement and classification:

Financial assets and financial liabilities at fair value through profit or loss ("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:

- Held-for-trading: derivative financial instruments; and
- Designated as at FVTPL: debt securities and equity investments.

Financial liabilities at FVTPL:

- Held-for-trading: securities sold short and derivative financial instruments.

2. Significant accounting policies (continued):

All other financial assets and financial liabilities are measured at amortized cost and are classified as loans and receivables and other financial liabilities, respectively. 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.

(b) 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 their last evaluated bid price received from recognized investment dealers for long positions and their last evaluated ask 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 Fund recognizes transfers between levels of the fair value hierarchy as at the end of the reporting period during which the change has occurred.

Financial assets classified as loans and receivables are carried at amortized cost using the effective interest rate method, less impairment losses, if any.

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.

Derecognition:

The Fund derecognizes a financial asset when the contractual rights to the cash flows from the financial asset expire, or it 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 its contractual obligations are discharged, or cancelled, or expired.

2. Significant accounting policies (continued):

(c) 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 held-for-trading securities and securities not quoted in an active market:

The Fund holds financial instruments that are not quoted in active markets, including held-for-trading 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 Fund considers 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.

(ii) Classification and measurement of investments and application of the fair value option:

In classifying and measuring financial instruments held by the Fund, the Manager is required to make significant judgments about whether or not the business of the Fund is to invest on a total return basis for the purpose of applying the fair value option for financial assets under IAS 39, Financial Instruments - Recognition and Measurement. The most significant judgments made include the determination that certain investments are held-for-trading and that the fair value option can be applied to those which are not.

(d) 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. These financial statements are presented in Canadian dollars, which is the Funds' functional currency.

2. Significant accounting policies (continued):

(e) 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.

(f) 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).

(g) 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.

(h) Investment transactions and income recognition:

All investment transactions are reported on the business day the order to buy or sell is executed.

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.

(i) 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, 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 are included in realized gain (loss) on sale of investments and change in unrealized appreciation (depreciation) on investments, respectively, in the statements of comprehensive income (loss).

2. Significant accounting policies (continued):

(j) Derivative transactions:

The Manager may use options to hedge against 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 held-for-trading investments 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 held-for-trading investments.

(k) Multi-series funds:

Where a Fund offers more than one series of 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.

(l) Valuation of Fund 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 units by the total number of 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.

(m) 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).

(n) Classification of redeemable units issued by the Fund:

Under Canadian generally accepted accounting principles, the Funds accounted for its redeemable units as equity. International Accounting Standard ("IAS") 32, Financial Instruments - Presentation, requires that units or shares of an entity which include a contractual obligation for the issuer to repurchase or redeem them for cash or another financial asset be classified as financial liabilities. The Funds' units do not meet the criteria in IAS 32 for classification as equity and, therefore, have been reclassified as financial liabilities on transition to IFRS.

(o) Chou Associates Management Inc. Guarantee

The RRSP Fund recognizes a guarantee asset on its statement of financial position in relation to the loan losses expected on the Fuel Industries term loan investment and records a recovery of its provision for expected recovery on the statement of comprehensive income at the same time as the related change in fair value is recorded.

2. Significant accounting policies (continued):

(p) Future accounting standards:

IFRS 9, Financial Instruments ("IFRS 9"):

On July 24, 2014, the IASB issued the complete IFRS 9 (IFRS 9 (2014)). The mandatory effective date of IFRS 9 is for annual periods beginning on or after January 1, 2018 and must be applied retrospectively with some exemptions. Early adoption is permitted. The restatement of prior periods is not required and is only permitted if information is available without the use of hindsight.

IFRS 9 (2014) introduces new requirements for the classification and measurement of financial assets. Under IFRS 9 (2014), financial assets are classified and measured based on the business model in which they are held and the characteristics of their contractual cash flows.

The standard introduces additional changes relating to financial liabilities.

The Funds intend to adopt IFRS 9 (2014) in their financial statements for the annual period beginning on January 1, 2018. The extent of the impact of adoption of the standard has not yet been determined.

3. Financial instruments and 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.

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.

3. Financial instruments and 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.

Margin has been deposited with a highly credit worth financial institution with respect to currency forwards. The amounts have not been offset against the value of the derivatives. The margin of 5% is included in cash and cash equivalents.

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.

3. Financial instruments and risk management (continued):

(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 interest rates held-for-trading 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.

(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 period 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**	
	2016	**2015**	**2016**	**2015**
Chou Associates Fund				
Units outstanding, beginning of year	4,053,774	4,142,334	396,647	348,701
Add units issued during the year	177,312	242,232	142,063	99,218
Deduct units redeemed during the year	(634,156)	(333,062)	(136,085)	(53,797)
Units outstanding before income distribution	3,596,930	4,051,504	402,625	394,122
Add units issued on reinvested income	53,118	2,270	7,023	2,525
Units outstanding, end of year	3,650,048	4,053,774	409,648	396,647
Chou Asia Fund				
Units outstanding, beginning of year	2,320,612	2,109,279	149,073	102,055
Add units issued during the year	48,512	73,927	34,604	43,463
Deduct units redeemed during the year	(373,938)	(161,023)	(32,370)	(15,737)
Units outstanding before income distribution	1,995,186	2,022,183	151,307	129,781
Add units issued on reinvested income	10	298,429	7	19,292
Units outstanding, end of year	1,995,196	2,320,612	151,314	149,073
Chou Europe Fund				
Units outstanding, beginning of year	1,505,731	1,785,202	316,203	200,686
Add units issued during the year	47,106	124,449	27,745	154,503
Deduct units redeemed during the year	(299,734)	(403,922)	(190,295)	(39,002)
Units outstanding before income distribution	1,253,103	1,505,729	153,653	316,187
Add units issued on reinvested income	–	2	–	16
Units outstanding, end of year	1,253,103	1,505,731	153,653	316,203

4. Holders of redeemable units (continued):

	Series A		Series F	
	2016	2015	2016	2015
Chou Bond Fund				
Units outstanding, beginning of year	4,515,187	4,599,226	358,475	367,482
Add units issued during the year	241,329	121,797	93,306	4,470
Deduct units redeemed during the year	(682,174)	(589,482)	(77,115)	(43,185)
Units outstanding before income distribution	4,074,342	4,131,541	374,666	328,767
Add units issued on reinvested income	358,366	383,646	28,949	29,708
Units outstanding, end of year	4,432,708	4,515,187	403,615	358,475
Chou RRSP Fund				
Units outstanding, beginning of year	3,379,086	3,486,572	161,443	150,658
Add units issued during the year	104,737	86,667	88,578	33,415
Deduct units redeemed during the year	(560,397)	(345,808)	(41,977)	(29,999)
Units outstanding before income distribution	2,923,426	3,227,431	208,044	154,074
Add units issued on reinvested income	90,351	151,655	6,105	7,369
Units outstanding, end of year	3,013,777	3,379,086	214,149	161,443

5. Related party transactions:

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

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

	2016	2015
Chou Associates Fund	$ 6,935,287	$ 8,949,782
Chou Asia Fund	620,039	685,538
Chou Europe Fund	262,648	389,547
Chou Bond Fund	501,739	601,532
Chou RRSP Fund	1,457,647	1,934,147

5. Related party transactions (continued):

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

	2016	2015
Chou Associates Fund	$ 547,984	$ 638,834
Chou Asia Fund	44,588	50,229
Chou Europe Fund	17,059	27,175
Chou Bond Fund	40,045	42,001
Chou RRSP Fund	109,545	131,455

The Manager, its officers and directors invest in 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, 2016, the following amounts of Series A redeemable units were held by employees of the Manager. No amounts of Series F redeemable units were held by employees of the Manager.

	2016	2015
Chou Associates Fund	178,401	175,537
Chou Asia Fund	405,999	405,999
Chou Europe Fund	535,761	535,761
Chou Bond Fund	2,305,784	2,117,414
Chou RRSP Fund	318,441	308,747

(a) Chou Associates Fund:

As at December 31, 2016, 5.0% of Class A redeemable units (2015 - 4.3%) were held by employees of the Manager.

(b) Chou Asia Fund:

As at December 31, 2016, 20.3% of Class A redeemable units (2015 - 20.1%) were held by employees of the Manager.

(c) Chou Europe Fund:

As at December 31, 2016, 42.7% of Class A redeemable units (2015 - 35.5%) were held by employees of the Manager.

(d) Chou Bond Fund:

As at December 31, 2016, 56.5% of Class A redeemable units (2015 - 51.2%) were held by employees of the Manager.

5. Related party transactions (continued):

(e) Chou RRSP Fund:

As at December 31, 2016, 10.9% of Class A redeemable units (2015 - 9.6%) were held by employees of the Manager.

No amounts of Series F redeemable units were held by employees of the Manager.

Investments:

During the year, the Manager has entered into an agreement with Fuel Industries Inc. ("Fuel") to extend an additional credit facility to Fuel on June 22, 2016 for an amount of $1,100,000 CAD. Part of the amount of credit extended to Fuel was used during the year ended December 31, 2016 towards an interest repayment of $543,673 on the Fuel term loan held by Chou RRSP fund.

Chou Management Inc. Guarantee:

In March 2017, the Manager agreed to unconditionally guarantee the principal loan amount of $6,429,765 (the "Guaranteed Amount") by Fuel Industries Inc. to Chou RRSP Fund. The Manager shall pay to the Fund an amount equal to the Guaranteed Amount less the amount actually received by the Fund in respect of the Guaranteed Amount from Fuel Industries on or before 5:00 p.m. on December 31, 2018 (the "Shortfall Amount"). The Guaranteed Amount is secured by all past, present and future entitlements of Fuel Industries Inc. to receive Ontario Interactive Digital Media Tax Credits. The current Shortfall Amount is estimated to be $2,935,439 as reflected in the write down of Fuel term loan investment. The expected amount is an estimate and actual amount to be received at December 31, 2018 may differ.

Brokers' commissions:

Total commissions paid to brokers in connection with portfolio transactions for the years ended December 31, 2016 and 2015 are as follows:

	2016	2015
Chou Associates Fund	$ 220,337	$ 129,306
Chou Asia Fund	2,630	31,050
Chou Europe Fund	1,842	–
Chou Bond Fund	17,853	–
Chou RRSP Fund	43,897	47,233

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, 2015 are as follows:

2016	Market value of securities on loan	Market value of collateral received
Chou Associates Fund	$ 43,054,579	$ 45,372,346
Chou Asia Fund	3,710,933	4,000,930
Chou RRSP Fund	5,456,817	6,169,131

The tables below presents a reconciliation of the securities lending income as presented in the statements of comprehensive income for the years ended December 31, 2016 and 2015. 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, 2016	
Gross securities lending revenue	$ 5,647,794	100 %
Withholding taxes	(1,653,584)	(29)%
Agent fees	(798,841)	(14)%
Securities lending revenue	$ 3,195,369	57 %

Chou Asia Fund:

	December 31, 2016	
Gross securities lending revenue	$ 57,193	100 %
Withholding taxes	(948)	(1)%
Agent fees	(11,249)	(20)%
Securities lending revenue	$ 44,996	79 %

Chou Europe Fund:

	December 31, 2016	
Gross securities lending revenue	$ 413	100 %
Withholding taxes	(124)	(30)%
Agent fees	(58)	(14)%
Securities lending revenue	$ 231	56 %

7. Securities lending (continued):

Chou Bond Fund:

	December 31, 2016	
Gross securities lending revenue	$ 9	100 %
Agent fees	(2)	(22)%
Securities lending revenue	$ 7	78 %

Chou RRSP Fund:

	December 31, 2016	
Gross securities lending revenue	$ 18,277	100 %
Withholding taxes	(2,039)	(11)%
Agent fees	(3,246)	(18)%
Securities lending revenue	$ 12,992	71 %

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.

8. Fair value measurement (continued):

(a) Chou Associates Fund:

2016	Level 1	Level 2	Level 3	Total
Equities	$ 265,395,937	$ –	$ 982,162	$ 266,378,099
Bonds	–	56,959,777	–	56,959,777
Held-for-trading assets	95,815,629	–	–	95,815,629
Held-for-trading liabilities	–	–	–	–
Total	$ 361,211,566	$ 56,959,777	$ 982,162	$ 419,153,505

2015	Level 1	Level 2	Level 3	Total
Equities	$ 300,302,932	$ –	$ 757,522	$ 301,060,454
Bonds	–	8,508,085	–	8,508,085
Held-for-trading assets	65,497,338	–	–	65,497,338
Held-for-trading liabilities	(3,768,750)	–	–	(3,768,750)
Total	$ 362,031,520	$ 8,508,085	$ 757,522	$ 371,297,127

During the years ended December 31, 2016 and 2015, there were no significant transfers between Level 1, Level 2, and Level 3.

Fair value measurements using Level 3 inputs:

	Equities	Total
Balance, December 31, 2015	$ 757,522	$ 757,522
Purchase of investments	982,162	982,162
Proceeds from sales during the year	(737,947)	(737,947)
Net realized gain on sale of investments	617,440	617,440
Change in unrealized depreciation in value of investments	(637,015)	(637,015)
Balance, December 31, 2016	$ 982,162	$ 982,162

The transfer out of Level 3 investments during the year ended December 31, 2016 is due to the sale of an investment.

Level 3 investments held at December 31, 2016 were valued at cost.

8. Fair value measurement (continued):

Fair value measurements using Level 3 inputs:

	Equities	Total
Balance, December 31, 2014	$ 1,884,536	$ 1,884,536
Proceeds from sales during the year	(817,211)	(817,211)
Net realized gain on sale of investments	817,211	817,211
Change in unrealized depreciation in value of investments	(1,127,014)	(1,127,014)
Balance, December 31, 2015	$ 757,522	$ 757,522

Level 3 securities were valued using third party broker quotes.

(b) Chou Asia Fund:

2016	Level 1	Level 2	Level 3	Total
Equities	$ 11,591,550	$ –	$ –	$ 11,591,550

2015	Level 1	Level 2	Level 3	Total
Equities	$ 8,839,604	$ –	$ 2,232,193	$ 11,071,797

During the year ended December 31, 2016, $1,840,835 was transferred from Level 3 to Level 1 as the underlying security became publicly listed.

Fair value measurements using Level 3 inputs:

	Equities	Total
Balance, December 31, 2015	$ 2,232,193	$ 2,232,193
Net transfers out during the year	(1,840,835)	(1,840,835)
Net realized loss on sale of investments	(391,358)	(391,358)
Balance, December 31, 2016	$ –	$ –

8. Fair value measurement (continued):

Fair value measurements using Level 3 inputs:

	Equities	Total
Balance, December 31, 2014	$ 4,792	$ 4,792
Net transfer in during the year	2,232,193	2,232,193
Change in unrealized appreciation in value of investments	(4,792)	(4,792)
Balance, December 31, 2015	$ 2,232,193	$ 2,232,193

Level 3 securities were valued using the latest available price before the security was delisted.

(c) Chou Europe Fund:

2016	Level 1	Level 2	Level 3	Total
Equities	$ 11,230,159	$ –	$ –	$ 11,230,159

2015	Level 1	Level 2	Level 3	Total
Equities	$ 14,579,031	$ 769,728	$ –	$ 15,348,759
Held-for-trading liabilities	(753,750)	–	–	(753,750)

During the year ended December 31, 2016, there were no significant transfers between Level 1, Level 2 and Level 3.

There were no Level 3 investments held at December 31, 2016.

	Equities	Total
Balance, December 31, 2015	$ –	$ –
Net transfers out during the year	–	–
Net realized loss on sale of investments	–	–
Balance, December 31, 2016	$ –	$ –

Fair value measurements using Level 3 inputs:

	Equities	Total
Balance, December 31, 2014	$ 410,727	$ 410,727
Net transfer out during the year	(410,727)	(410,727)
Balance, December 31, 2015	$ –	$ –

8. Fair value measurement (continued):

(d) Chou Bond Fund:

2016	Level 1	Level 2	Level 3	Total
Equities	$ 6,405,731	$ –	$ –	$ 6,405,731
Bonds	–	30,283,070	–	30,283,070
Held-for-trading assets	–	–	10,765	10,765
Total	$ 6,405,731	$ 30,283,070	$ 10,765	$ 36,699,566

2015	Level 1	Level 2	Level 3	Total
Equities	$ 4,355,646	$ –	$ –	$ 4,355,646
Bonds	–	34,850,268	–	34,850,268
Held-for-trading liabilities	(1,584,500)	–	–	(1,584,500)
Total	$ 2,771,146	$ 34,850,268	$ –	$ 37,621,414

During the year, 10,765 of private warrants were issued to the Fund as a part of a corporate action.

There were no significant transfers between Level 1, Level 2, and Level 3 during the year ended December 31, 2015.

Fair value measurements using Level 3 inputs:

Level 3 securities were valued using broker quotes.

	Equities	Total
Balance, December 31, 2015	$ –	$ –
Net transfers in during the period	10,765	10,765
Balance, December 31, 2016	$ 10,765	$ 10,765

	Equities	Total
Balance, December 31, 2014	$ –	$ –
Net transfer out during the year	–	–
Balance, December 31, 2015	$ –	$ –

8. Fair value measurement (continued):

(e) Chou RRSP Fund:

2016	Level 1	Level 2	Level 3	Total
Equities	$ 51,106,749	$ –	$ 346,895	$ 51,453,644
Bonds	–	19,102,482	3,494,326	23,051,808
Held-for-trading assets	11,179,453	–	–	11,179,453
Total	$ 62,286,202	$ 19,102,482	$ 3,841,221	$ 85,229,905

2015	Level 1	Level 2	Level 3	Total
Equities	$ 49,191,072	$ –	$ –	$ 49,191,072
Bonds	–	7,435,085	7,500,000	14,935,085
Held-for-trading assets	6,727,484	–	–	6,727,484
Total	$ 55,918,556	$ 7,435,085	$ 7,500,000	$ 70,853,641

During the years ended December 31, 2016 and 2015, there were no significant transfers between Level 1, Level 2, and Level 3.

Fair value measurements using Level 3 inputs:

Level 3 securities were valued using comparable securities, and valuation on collateral assets secured against the loan, consisting of Ontario Interactive Digital Media Tax Credits.

	Equities	Bonds	Total
Balance, December 31, 2015	$ –	$ 7,500,000	$ 7,500,000
Investments purchased during the year	159,350	–	159,350
Proceeds from sale during the year	–	(1,070,235)	(1,070,235)
Unrealized appreciation (depreciation) on financial assets designated at fair value through profit or loss	0	(2,935,439)	(2,935,439)
Balance, December 31, 2016	$ 159,350	$ 3,494,326	$ 3,653,680

	Equities	Bonds	Total
Balance, December 31, 2014	$ –	$ –	$ –
Investments purchased during the year	–	7,500,000	7,500,000
Balance, December 31, 2015	$ –	$ 7,500,000	$ 7,500,000

9. Net gain (loss) from financial assets at fair value through profit or loss:

(a) Chou Associates Fund:

	2016	2015
Financial instruments at FVTPL:		
Held-for-trading	$ 27,695,711	$ 4,089,674
Designated at inception	(42,489,351)	(33,583,241)
	$ (14,793,640)	$ (29,493,567)

(b) Chou Asia Fund:

	2016	2015
Financial assets at FVTPL:		
Held-for-trading	$ (3,275)	$ (1,103,315)
Designated at inception	1,448,847	4,046,619
	$ 1,445,572	$ 2,943,304

(c) Chou Europe Fund:

	2016	2015
Financial instruments at FVTPL:		
Held-for-trading	$ (525,973)	$ (753,688)
Designated at inception	(3,091,985)	1,779,996
	$ (3,617,958)	$ 1,026,308

(d) Chou Bond Fund:

	2016	2015
Financial instruments at FVTPL:		
Held-for-trading	$ (1,038,593)	$ –
Designated at inception	5,281,869	367,181
	$ 4,243,276	$ 367,181

9. Net gain (loss) from financial assets at fair value through profit or loss (continued):

(e) Chou RRSP Fund:

	2016	2015
Financial instruments at FVTPL:		
Held-for-trading	$ 4,452,129	$ (51,469)
Designated at inception	(10,174,370)	(13,472,409)
	$ (5,722,241)	$ (13,523,878)

The realized gain (loss) from financial assets/liabilities at FVTPL represents the difference between the carrying amount of the financial asset/liability at the beginning of the reporting year, or the transaction price if it was purchased during the reporting year, and the sale or settlement price.

The unrealized gain (loss) represents the difference between the carrying amount of a financial asset/liability at the beginning of the reporting period, or the transaction price if it was purchased during the reporting year, and its carrying amount at the end of the reporting year.

10. 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 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:

	2016	2015
Chou Europe Fund		
Capital loss carryforward	$ 4,130,112	$ 3,265,651
Non-capital loss carryforward	127,668	–
Chou Bond Fund		
Capital loss carryforward	11,885,290	10,137,200
Chou RRSP Fund		
Capital loss carryforward	133,455	5,826,579

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

CHOU ASIA FUND

Period ended	**Total value of shares**
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**

CHOU EUROPE FUND

Period ended	**Total value of shares**
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**

CHOU BOND FUND

Period ended	**Total value of shares**
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**

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

CHOU RRSP FUND

Period ended	**Total value of shares**
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**

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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