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

ANNUAL REPORT

2004

CHOU ASSOCIATES FUND

Illustration of an Assumed Investment of $10,000

Period Ended	Value of Initial $10,000 Investment	Value of Cumulative Reinvested Capital Distributions	Value of Cumulative Reinvested Dividends	Total Value of Shares
Dec.31, 1986	$10,000	0	0	10,000
Dec.31, 1987	9,259	506	737	10,502
Dec.31, 1988	9,765	1,129	1,106	12,001
Dec.31, 1989	10,861	1,601	1,783	14,244
Dec.31, 1990	8,973	1,322	2,427	12,722
Dec.31, 1991	10,213	2,269	3,198	15,681
Dec.31, 1992	12,030	2,843	3,944	18,817
Dec.31, 1993	13,343	4,147	4,374	21,863
Dec.31, 1994	12,863	3,998	4,440	21,300
Dec.31, 1995	15,281	6,960	5,663	27,904
Dec.31, 1996	18,370	8,367	7,498	34,235
Dec.31, 1997	21,068	14,882	12,085	48,035
Dec.31, 1998	23,975	19,892	15,320	59,187
Dec.31, 1999	21,216	18,470	13,803	53,489
Dec.31, 2000	21,345	18,891	17,731	57,967
Dec.31, 2001	23,975	24,377	22,045	70,397
Dec.31, 2002	29,775	33,657	28,072	91,504
Dec.31, 2003	30,194	36,111	28,467	94,773
Dec.31, 2004	32,241	40,446	30,632	**103,319**

Note: The indicated returns are the historical annual compounded total returns assuming reinvestment of distributions and do not take into account sales, redemption, distribution fees or income taxes payable by the investor. Those returns are not guaranteed. Mutual fund net asset values fluctuate and past performance may not be repeated.

CHOU FUNDS

PERFORMANCE OF THE FUNDS

Chou Associates Fund

December 31	2004	2003	2002	2001	2000	1999	1998
Total Return	9.02%	3.57%	29.99%	21.44%	8.37%	-9.63%	23.22%
Net Assets, end of the year (in millions)	$ 166.7	$ 122.7	$ 81.5	$ 15.4	$ 12.7	$ 12.2	$ 13.0
Management Expense Ratio (MER)	1.77%	1.86%	1.87%	2.02%	2.00%	1.85%	2.11%
Portfolio turnover rate	30.00%	33.40%	43.10%	38.90%	23.80%	31.50%	25.90%

Chou Asia Fund

	2004	2003
Total Return	18.50%	2.82%
Net Assets, end of the year (in millions)	$ 16.3	$ 4.6
Management Expense Ratio (MER)	0.77%	0.49%
Portfolio turnover rate	22.09%	-

Chou Europe Fund

	2004	2003
Total Return	13.61%	4.59%
Net Assets, end of the year (in millions)	$ 4.5	$ 1.7
Management Expense Ratio (MER)	0.87%	0.40%
Portfolio turnover rate	9.55%	-

Chou RRSP Fund

	2004	2003	2002	2001	2000	1999	1998
Total Return	13.36%	11.62%	31.85%	17.02%	16.49%	-6.67%	18.53%
Net Assets, end of the year (in millions)	$ 172.0	$ 86.0	$ 15.9	$ 5.7	$ 4.8	$ 4.0	$ 2.5
Management Expense Ratio (MER)	1.79%	1.79%	1.83%	2.01%	2.12%	1.74%	2.26%
Portfolio turnover rate	15.40%	15.40%	33.20%	25.80%	25.60%	46.10%	92.80%

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CHOU ASSOCIATES FUND

April 14, 2005

Dear Unitholders of Chou Associates Fund,

After the distribution of $1.47, the net asset value ("NAVPU" or "NAV") of Chou Associates Fund at December 31, 2004 was $70.03 compared to $65.58 at December 31, 2003, an increase of 9.0%. The table below shows our 1 year, 3 year, 5 year, 10 year and 15 year annual compound rates of return:

December 31, 2004	1 year	3 year	5 year	10 year	15 year
Chou Associates Fund	9.0%	13.6%	14.1%	17.1%	14.1%
S&P/TSX Total Return	14.5%	8.3%	3.6%	10.1%	7.6%
S&P 500 Total Return ($U.S.)	10.8%	3.5%	-2.4%	12.0%	10.9%
S&P 500 Total Return ($Cdn)	2.7%	-5.7%	-5.9%	10.3%	11.2%

- The indicated returns are the historical annual compounded total returns assuming reinvestment of distributions and do not take into account sales, redemption, distribution fees or income taxes payable by the investor. Those returns are not guaranteed. Mutual fund net asset values fluctuate and past performance may not be repeated.

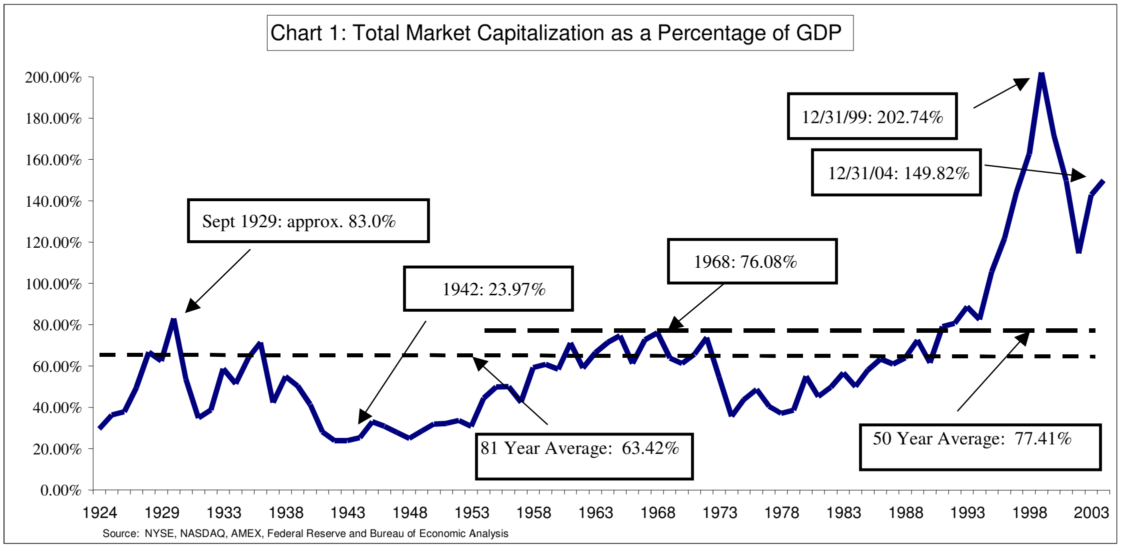
Factors influencing the 2004 results

Cash Position: Our average month-end cash position of 24.8% of net assets has had a restraining effect on returns. We chose to maintain cash because we were not able to find investments meeting our Margin of Safety criteria.

Foreign Exchange: The strength of the Canadian dollar had a negative impact on the 2004 results. If we had calculated the NAVPU in U.S. dollars, the Fund would have been up 17.7%; this valuation method highlights the return for 2004 in the most favourable manner and should, therefore, be taken with a grain of salt. The fairest method of valuation is to calculate all valuations in the same currency. We believe that fluctuation in foreign exchange rates should not have a material impact on long-term results.

General comments on the market

For years we have been saying that the market is overvalued based on P/E ratio, dividend yield and premium to book value. Another important yardstick for determining overvaluation of the market is the ratio of total market capitalization to Gross Domestic Product (GDP). Total market capitalization is determined by adding the market value of each company that trades on the NYSE, AMEX and NASDAQ stock exchanges. GDP is the total value of all goods and services produced in the United States for a specified period. The following chart shows the history of the total market capitalization to GDP ratio for the period from March 1925 to December 2004. Note how the current ratio compares with those of previous years.

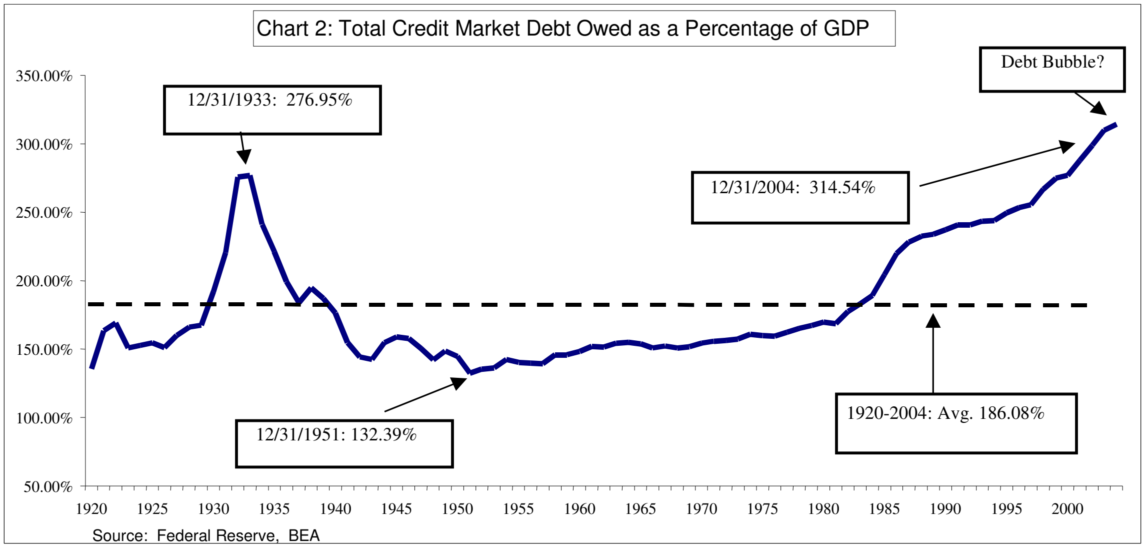


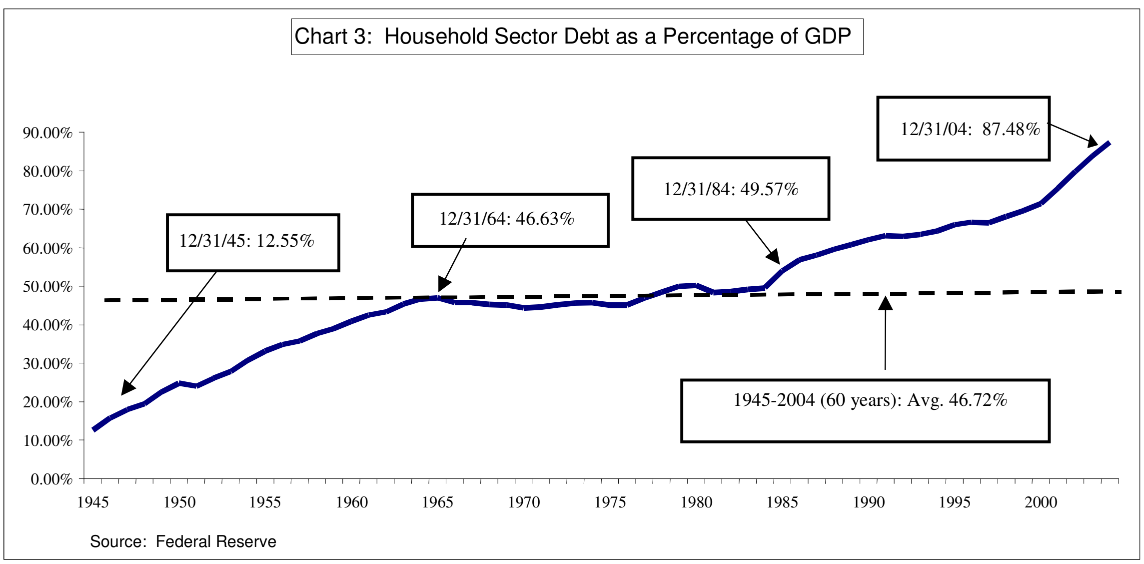
The chart shows that:

1) The last 81 year average is 63.4%.
2) The last 50 year average is 77.4%.
3) During the height of the bull market in 1929 before the great crash, the ratio was approximately 83%.
4) In 1968, another bull market, the ratio was 76.1%.
5) The highest ratio was in March 2000 at 202.7%.
6) The lowest ratio occurred in March 1942 at 24%.
7) At present the ratio is over 149.8%, a dangerous level to say the least, when compared to the historical average.

The two charts on the following page, Total Credit Market Debt as a percentage of GDP ("Total Debt"), and Household Sector Debt as a percentage of GDP ("Consumer Debt"), plainly show that Total Debt and Consumer Debt have increased significantly in recent years and that U.S. consumers are highly leveraged. As the charts indicate, the average Consumer Debt for the last 60 years was 46.7%; it is now 87.5% and rising. Consumer spending accounts for more than 70% of economic activity (the 60 year average is 60%) and this indicates that the current economic expansion has been fuelled significantly by debt. Also take into account that consumer spending has been financed by the enormous trade deficit with other nations, and that consumer debt has fuelled the housing boom as well as other financial assets, and we are left to speculate on a number of questions and potential repercussions:

1) How much more debt can the economy accommodate? At 314.5%, it is already much higher than the historical average (186%). See Chart 2.
2) What happens if and when interest rates go up, making consumers vulnerable?
3) Are we in a debt bubble?
4) If consumers stop borrowing and the ratios go back to the mean, how severely would the economy suffer?
5) Would the Federal Reserve Board use inflationary policies (historically, an easy way out for indebted countries) to get out of trouble?





We look at these issues in conjunction with other factors such as corporate and federal debts, fiscal and monetary policies, trade deficits and so on. While the issues are important, we do not put much emphasis on them unless they are outliers – that is, they have reached a threshold limit whereby the ratios, if not corrected or contained, should start to have an adverse effect on the economy. And while we can always exercise caution in these instances, we can never assume full control. As one government official[1] aptly stated when reflecting on handling the unexpected – “Condoms are not totally safe. My friend was wearing one and he got hit by a bus.”

[1] Robert Rubin, former Secretary of the Treasury

When investing, the issues mentioned do not mean much if plenty of bargains can be found. What makes us wary about the stock market is that we are not able to find investments meeting our Margin of Safety criteria. I cannot remember a time when bargains in general were so scarce.

As usual we believe that it is **not** a good policy to borrow money to invest in stocks or mutual funds. When there are imbalances in the economy and several key ratios show them to be outliers, I strongly urge our unitholders to be debt free. Whether you are short and the market continues to rise or you are long and the market continues to fall, it is important to remember that the market may well stay irrational longer than a debtor can stay solvent[2].

Concept of batting average in investment

In investing there are two kinds of mistakes: Omissions and Commissions. Omissions occur when the stocks you know and understand come down to your bargain price range and yet, for some reason, you defer purchasing them. Commissions are the more common type of mistakes whereby the stocks go down after you purchase them, entailing a permanent loss of capital.

Looking back on our 20 years plus of investing, we feel that our omissions have been far more painful than our commissions. Experience has shown us that it is better to purchase certain stocks that meet our Margin of Safety criteria, and risk making a mistake rather than not buy them. There is an opportunity cost involved when you miss buying a bargain that was in your circle of competence. Similar to baseball, if a batter gets a fat pitch right down the middle of the strike zone, he should take a swing. If he strikes out, so be it. He should not be flailing away, chasing balls out of the strike zone. However, if he strikes out, it should be in spite of his good hitting technique.

In investing there is an opportunity cost involved when you don't swing at a fat pitch. So when opportunity knocks, you should take advantage. From the 1980s to the mid 1990s, if an investor were to pass on a good deal, there were usually another five waiting in the wings. We were really spoiled. Over the last 8 years or so, if you missed out on a good deal, you had to wait for a while before finding the next one.

John Templeton's investment batting average was about .600, that is, 6 out of 10 stock selections did well. When he retired in 1992, he had one of the best mutual fund records spanning over 40 years. In baseball, a batting average of .300 is considered excellent. You don't need to be perfect to be considered a great hitter.

Expectations of future returns

In today's climate, almost all sectors are overvalued. As mentioned earlier, I cannot remember a time when bargains in general were so scarce. You can still make money in the market but you are doing so without having a large margin of safety. We would caution all investors that from these overvalued levels the chances of a large permanent loss of capital are extremely high. We feel that it would also be irresponsible to extrapolate the Fund's 3, 5, 10 or 15 year returns into the future. Those returns will be virtually impossible to duplicate.

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[2] John Maynard Keynes

In baseball, a high batting average depends crucially on waiting for the right pitches. Similarly, in investing, for us to do well, we have to wait for stocks that meet our Margin of Safety criteria. We said it before, we will not chase stocks to keep up with the market averages. If given a choice, we would prefer to lose half of our unitholders rather than half of our unitholders' money.

Companies subject to the whims of buyers including retail, restaurants etc
In general, we have done well with retail companies such as BMTC Group. But with retailing and restaurant companies it is difficult to get a handle on how the future will pan out, regardless of how well they may have done in the past. Retailing concepts that work well can be easily duplicated by competitors. Also, if consumer tastes change, the retailing companies are faced with serious financial and operational issues. Liabilities such as operating and capitalized leases suddenly become real short-term debt, much needed cash is used up in severance and closure costs, and a host of other problems crop up. In short, these consequences can quickly put a financially sound retailer into a serious short-term liquidity crisis.

This reminds us of a story of two young business women, named Gloria and Gisella who are owners of their own retailing companies. Gloria was asked what she would do if she were to win a million dollar lottery. Gloria said, "Well, I will pay down the mortgage on my house, take a tour of the world with my sweetheart, buy a villa in the Swiss Alps and live happily ever after." When Gisella was asked the same question, she replied: "Well, (scratching her head), I will keep on retailing until my million dollars are all gone."

In Chou RRSP Fund we took a loss in a retailing company called Denninghouse Inc. When its "A Buck or Two" store concept did not work, we were left with goods worth pennies. Fortunately, for Chou RRSP Fund, it was a small holding.

Our portfolio will have more international (Asia) content in the future
The world is opening up. Over the years we have looked at many companies outside of North America and can say that the best companies in Asia can easily compete with the best in North America. However, last year we warned of some of the problems inherent in China, and we believe that those problems are also applicable to other Asian and less developed countries. The warning is worth repeating:

1) Many of the laws in Asia and less developed countries, including investor protection laws that we are accustomed to, are non-existent or not enforced. Consider what happened to Yukos, a Russian oil and gas company in which Chou Europe Fund has a small holding. The criminal charges laid, and the taxes alleged to be owing (more than the revenues generated), raise serious questions about the motives of the government. Truth can be stranger than fiction.
2) There are no concrete rules established under Chinese GAAP or under other Asian GAAP; much is subject to interpretation and therefore open to extensive abuse. We know of two accounting firms (both belong to the Big Four) that were looking at the same company in China, yet each came up with substantially different numbers. There are enough examples of subterfuge in the books that makes you feel uncomfortable. When you examine the numbers, you are left wondering whether you are looking at the books

prepared for a) tax authorities, b) management, or c) shareholders (patsies?). For example, the profit margins often seem too good to be true. Some Chinese companies net an obscene 40% plus, versus just 5% in North America for a similar type of business. This is also true in other Asian countries. Their selling, general and administrative costs (SG&A) are sometimes unbelievably low.

3) Although we might have worried more earlier, we now feel cautiously comfortable that there is no turning back to Communism in spite of the rhetoric we still hear from the Politburo. When we asked one government official about the chances of China reverting back to the old ways, he intoned, "When we talk, we talk left, left, left but we are going right, right, right."

The upside is that these countries have huge labor cost advantages and most of the executives are educated in Western countries. These young executives have gone back to their native countries and have been responsible for changing the political climate for people in business. The changes, if maintained for a few decades, have the potential to make these nations economic powerhouses in the future. Recent changes of one Asian country include the following:

1) Corporate taxes have been reduced to 35%.
2) There is no capital gains tax.
3) There is no tax on dividends.
4) Free enterprise zones are being established where businesses will not be subjected to the huge number of approvals otherwise required and the ruinous delays involved in getting them. At one time it took 32 agencies to get an approval.
5) Other tariffs and roadblocks are being dismantled.

A number of companies in Asia produce free cash flow and some managements are well attuned to the concept of generating cash and deploying it wisely. As one manager[3] said: "Sales are vanity, Earnings are sanity, but Cash is reality."

The key is to buy companies that are soundly financed and well managed. Companies that are mediocre or not soundly financed would be more inclined to hide problems knowing that the investor protection laws we take for granted in North America are virtually non-existent in their own country. We are looking seriously in Asia and less developed countries and hope to buy some companies with honest management and honest numbers, at a cheap price.

Investment awards

Please forgive me for this shameful display of self-promotion but I was honoured to receive the 'The Fund Manager of the Decade' award at the Investment Awards ceremony held December 3, 2004 in Toronto. Morningstar Canada, which hosted the event, introduced this award in 2004 to honour the Canadian mutual fund manager who had produced the best performance over the past 10 years. Essentially, Morningstar sought to answer the question, "If we had to choose only one manager with whom to invest our money - who would it be?" Only a manager with a 10 year record managing a Canadian mutual fund or segregated fund recognized by the Canadian Investment Funds Standards Committee was considered. Based on those criteria, Chou RRSP Fund was ranked first and Chou Associates Fund was ranked third.

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[3] A Godrej from Godrej Group

Other matters
We launched both the Chou Asia Fund and Chou Europe Fund on August 26, 2003. In 2004, we have not charged the full management fee of 1.5%. We have charged a fee only to cover the trailer fees paid to dealers and financial planners (0.5%).

The Chou Associates Fund pays a 1.5% management fee plus other expenses such as custodial, recordkeeping, legal, audit and filing fees. As the assets of the Fund have grown, the management expense ratio (MER) has trended down from 2.11% in 1998 to 1.77% in 2004.

We have a redemption fee of 2% if unitholders redeem their units in less than 2 years. None of this fee goes to the Fund Manager. It is put back into the Fund for the benefit of the remaining unitholders. We hope this fee is enough to dissuade short-term investors from jumping in and out of the Fund to chase short-term performance.

The minimum initial amount to invest in the Fund is $10,000 and the minimum subsequent investment is $1,000.

We previously indicated that the Chou RRSP Fund was closing to new investors after March 18, 2005. The decision to close was based on the 30% foreign content restriction and the limited value investments available in Canada. Since it is now expected that the federal government will eliminate the RRSP foreign content restrictions, the Chou RRSP Fund will continue to accept new unitholders for the foreseeable future.

As of April 8, 2005, the NAV of the Fund was $72.19 and the cash position was 37% of assets. The Fund is up 3.1% from the beginning of the year.

Except for the audited NAVs and performance numbers of the Fund, the remainder of the above 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 herein may not be suitable for all investors.

Yours truly,

Francis Chou

Francis Chou

Fund Manager

BurnsHubley LLP
CHARTERED ACCOUNTANTS

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AUDITORS' REPORT

To the Trustee and the Unitholders of
Chou Asia Fund
Chou Associates Fund
Chou Europe Fund
Chou RRSP Fund
(collectively referred to as the "Chou Funds")

We have audited the statements of net assets of the Chou Funds as at December 31, 2004 and 2003, the statements of income and changes in net assets for the years then ended (except Chou Asia Fund and Chou Europe Fund which were for the year ended December 31, 2004 and the period from August 26, 2003 to December 31, 2003) and the statements of investments at December 31, 2004. These financial statements are the responsibility of the Chou Funds' management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Chou Funds as at December 31, 2004 and 2003, their results of operations and changes in net assets for the years, or periods then ended and their statements of investments as at December 31, 2004, in accordance with Canadian generally accepted accounting principles.

BurnsHubley LLP

Chartered Accountants

Markham, Ontario
February 28, 2005

CHOU ASSOCIATES FUND

STATEMENT OF NET ASSETS

AS AT DECEMBER 31, 2004

	2004	2003
ASSETS		
Cash and treasury bills	$ 39,374,632	$ 45,056,549
Accounts receivable	497,863	267,665
Investments at market value (average cost - $107,702,260; 2003 - $68,824,122)	128,762,717	79,795,400
	168,635,212	125,119,614
LIABILITIES		
Accounts payable and accrued charges	322,864	2,344,827
Covered call options at market value (average cost - $ Nil; 2003 - $ Nil)	1,601,394	1,621
	1,924,258	2,346,448
NET ASSETS AT MARKET VALUE	$ 166,710,954	$ 122,773,166
NET ASSETS ATTRIBUTABLE TO UNITHOLDERS		
Capital	$ 147,251,892	$ 111,803,510
Unrealized appreciation in the value of investments	21,060,456	10,971,277
Unrealized loss in covered call options	(1,601,394)	(1,621)
	$ 166,710,954	$ 122,773,166
NUMBER OF UNITS OUTSTANDING (Note 3)	2,380,689	1,872,073
NET ASSET VALUE PER UNIT	$ 70.03	$ 65.58

APPROVED ON BEHALF OF THE BOARD OF DIRECTORS
OF THE MANAGEMENT COMPANY

Francis Chou

Tracy Chou

CHOU ASSOCIATES FUND

STATEMENT OF OPERATIONS

FOR THE YEAR ENDED DECEMBER 31, 2004

	2004	2003
INCOME		
Interest	$ 1,761,664	$ 1,339,720
Dividends	1,350,781	544,766
	3,112,445	1,884,486
EXPENSES		
Management fees (Note 4)	2,300,475	1,585,514
Foreign withholding taxes	198,595	49,098
Custodian fees	175,870	157,117
Fundserv fees	21,780	11,397
Filing fees	17,233	38,102
Audit	12,259	15,000
Legal	7,700	28,258
	2,733,912	1,884,486
NET INVESTMENT INCOME	378,533	-
REALIZED GAIN FROM INVESTMENTS SOLD	3,042,144	2,567,239
NET INCOME FROM OPERATIONS	$ 3,420,677	$ 2,567,239
NET INVESTMENT INCOME PER UNIT (based upon the number of units outstanding at the year end prior to reinvested distributions of income)	$ 0.16	$ -
REALIZED GAIN PER UNIT	$ 1.31	$ 1.40
DISTRIBUTION PER UNIT	$ 1.47	$ 1.40

CHOU ASSOCIATES FUND

STATEMENT OF CHANGES IN NET ASSETS

FOR THE YEAR ENDED DECEMBER 31, 2004

	2004	2003
NET ASSETS, beginning of the year	$ 122,773,166	$ 81,549,066
INCREASED BY		
Net investment income	378,533	-
Net realized gains from investments sold	3,042,144	2,567,239
Unrealized appreciation in value of investments	10,089,179	1,943,119
Capital gain refund	1,225,089	144,066
Proceeds from sale of units	41,420,122	39,279,847
	56,155,067	43,934,271
	178,928,233	125,483,337
DECREASED BY		
Payments on redemption of units	10,583,415	2,698,028
Unrealized loss on covered call options	1,599,773	1,621
Distribution of income to unitholders	34,091	10,522
	12,217,279	2,710,171
NET ASSETS, end of the year	$ 166,710,954	$ 122,773,166

CHOU ASSOCIATES FUND

STATEMENT OF INVESTMENTS

AS AT DECEMBER 31, 2004

	Number of Shares	Average Cost	Market Value
SHARES*			
Berkshire Hathaway Inc., Class A	75	$ 8,122,588	$ 7,919,870
Boskalis Westminster	360,367	11,590,142	14,611,852
BT Group PLC, ADR	48,700	1,994,631	2,312,723
BT Group PLC	1,850,000	7,655,743	8,653,226
Cable & Wireless Publications Ltd.,ADR	25,600	216,524	209,130
Cable & Wireless Publications Ltd., PLC	500,000	577,936	1,373,848
Cardinal Health Inc.	75,000	4,096,911	5,239,368
Criimi Mae Inc., REITS	396,479	3,463,901	7,668,563
GB Holdings Inc.	297,500	1,123,010	1,358,121
Global Crossing	501,702	11,068,684	10,933,294
Interstate Bakeries Corp.	476,400	2,867,381	3,662,854
King Pharmaceuticals Inc.	390,000	6,366,921	5,809,707
Kmart Holding Corp.	133,700	4,101,890	15,893,340
MCI Inc.	587,201	11,795,176	14,221,495
North Fork Bancorporation	108,750	3,162,477	3,769,146
OCA Inc.[1]	676,600	7,270,300	5,161,473
Utah Medical Products Inc.	71,480	1,558,626	1,929,548
World Acceptance Corp.	105,113	1,212,155	3,473,881
XO Communications Inc.	1,440,500	9,310,058	5,260,836
		97,555,054	119,462,275
BONDS			
Allegiance Telecom Inc. 12.875%, May 15, 2008	2,425,000	1,649,660	954,094
Global Crossing UK Fin 10.75%, Dec. 15, 2014	7,000,000	8,497,546	8,346,348
		10,147,206	9,300,442
TOTAL		$ 107,702,260	$ 128,762,717

* Common Shares Unless Indicated Otherwise.

[1] Name changed from Orthodontic Centers of America

CHOU ASIA FUND

April 14, 2005

Dear Unitholders of Chou Asia Fund,

After the distribution of $0.08, the net asset value ("NAVPU" or "NAV") of Chou Asia Fund at December 31, 2004 was $12.10 compared to $10.28 at December 31, 2003, an increase of 18.5%. The table below shows our results against the MSCI AC Asia Pacific Index (Morgan Stanley Capital International All Country).

December 31, 2004	**2004**	**2003***
Chou Asia Fund	18.5%	2.8%
MSCI AC Asia Pacific ($ Cdn) (Total Return)	9.8%	4.4%

- The indicated returns are the historical annual compounded total returns assuming reinvestment of distributions and do not take into account sales, redemption, distribution fees or income taxes payable by the investor. Those returns are not guaranteed. Mutual fund net asset values fluctuate and past performance may not be repeated.

* From September 19, 2003

It is too early to comment on Asia. We are finding that bargains are hard to come by in Asia, however we are happy with the results we have achieved so far in spite of the high average month-end cash position of 64.4% of assets. We encourage you to read the letter in Chou Associates Fund and in particular the section on 'Our portfolio will have more international (Asia) content in the future'. It covers issues that should be of interest to you.

In 2004, we have not charged the full management fee of 1.5%. We have charged a fee only to cover the trailer fees paid to dealers and financial planners (0.5%). If we had charged the full management fee, the management expense ratio (MER) would have been 1.85% in 2004 instead of 0.77% and the returns would have been 17.4% instead of 18.5%.

We have a redemption fee of 2% if unitholders redeem their units in less than 2 years. None of this fee goes to the Fund Manager. It is put back into the Fund for the benefit of the remaining unitholders. We hope this fee is enough to dissuade short-term investors from jumping in and out of the Fund to chase short-term performance.

The minimum initial amount to invest in the Fund is $10,000 and the minimum subsequent investment is $1,000.

As of April 8, 2005, the NAV of the Fund was $12.49 and the cash position was 57.7% of assets. The Fund is up 3.3% from the beginning of the year.

Yours truly,

Francis Chou

Francis Chou

Fund Manager

CHOU ASIA FUND

STATEMENT OF NET ASSETS

AS AT DECEMBER 31, 2004

	2004	2003
ASSETS		
Cash and treasury bills	$ 9,193,724	$ 3,583,384
Subscriptions receivable	96,401	41,901
Accounts receivable	12,507	5,514
Investments at market value (average cost- $5,812,688; 2003- $988,105)	7,227,573	966,825
	16,530,205	4,597,624
LIABILITIES		
Accounts payable and accrued charges	16,142	13,272
Covered call options at market value (average cost- $ Nil; 2003- $ Nil)	193,417	-
	209,559	13,272
NET ASSETS AT MARKET VALUE	$ 16,320,646	$ 4,584,352
NET ASSETS ATTRIBUTABLE TO UNITHOLDERS		
Capital	$ 15,099,178	$ 4,605,632
Unrealized appreciation (depreciation) in the value of investments	1,414,885	(21,280)
Unrealized loss in covered call options	(193,417)	-
	$ 16,320,646	$ 4,584,352
NUMBER OF UNITS OUTSTANDING (Note 3)	1,348,857	445,880
NET ASSET VALUE PER UNIT	$ 12.10	$ 10.28

APPROVED ON BEHALF OF THE BOARD OF DIRECTORS
OF THE MANAGEMENT COMPANY

Francis Chou

Tracy Chou

CHOU ASIA FUND

STATEMENT OF OPERATIONS

FOR THE YEAR ENDED DECEMBER 31, 2004

	2004	2003
INCOME		
Interest	$ 136,478	$ 14,517
Dividends	31,581	-
	168,059	14,517
EXPENSES		
Management fees (Note 4)	55,314	2,753
Custodian fees	18,966	4,815
Foreign withholding taxes	7,100	-
Filing fees	2,643	2,497
Audit	1,889	1,535
Legal	1,118	2,150
Fundserv fees	803	767
	87,833	14,517
NET INVESTMENT INCOME	80,226	-
REALIZED GAIN FROM INVESTMENTS SOLD	31,766	-
NET INCOME FROM OPERATIONS	$ 111,992	$ -
NET INVESTMENT INCOME PER UNIT (based upon the number of units outstanding at the year end prior to reinvested distributions of income)	$ 0.06	$ -
REALIZED GAIN PER UNIT	$ 0.02	$ -
DISTRIBUTION PER UNIT	$ 0.08	$ -

CHOU ASIA FUND

STATEMENT OF CHANGES IN NET ASSETS

FOR THE YEAR ENDED DECEMBER 31, 2004

	2004	2003
NET ASSETS, beginning of the year	$ 4,584,352	$ -
INCREASED BY		
Proceeds from sale of units	11,105,688	4,716,477
Unrealized appreciation in value of investments	1,436,165	-
Net investment income	80,226	-
Capital gain refund	53,000	-
Net realized gains from investments sold	31,766	-
	12,706,845	4,716,477
DECREASED BY		
Payments on redemption of units	775,994	110,845
Unrealized loss on covered call options	193,417	-
Distribution of income to unit holders	1,140	-
Unrealized depreciation in value of investments	-	21,280
	970,551	132,125
NET ASSETS, end of the year	$ 16,320,646	$ 4,584,352

CHOU ASIA FUND

STATEMENT OF INVESTMENTS

AS AT DECEMBER 31, 2004

	Number of Shares	Average Cost	Market Value
SHARES*			
Boskalis Westminster	16,000	$ 501,149	$ 648,754
Fuji Television	100	295,254	260,197
Hanfeng Evergreen Inc.	221,000	457,295	607,750
Hanfeng Evergreen Inc., purchase warrants [1]	163,500	-	-
Hanfeng Evergreen Inc., purchase warrants [2]	28,750	-	7,187
Kmart Holding Corp.	14,000	447,495	1,664,224
MCI Inc.	40,200	943,608	973,609
Metro One Telecommunications	350,000	665,000	668,549
Nippon TV Network	3,110	549,841	560,981
Takefuji Corp.	17,400	1,353,349	1,413,291
The Seiyu	159,000	599,697	423,031
		$ 5,812,688	$ 7,227,573

* Common Shares Unless Indicated Otherwise.

[1] Warrants excisable at $ 3.50
[2] Warrants excisable at $ 2.50

CHOU EUROPE FUND

April 14, 2005

Dear Unitholders of Chou Europe Fund,

After the distribution of $0.05, the net asset value ("NAVPU" or "NAV") of Chou Europe Fund at December 31, 2004 was $11.83 compared to $10.46 at December 31, 2003, an increase of 13.6%. The table below shows our results against the MSCI AC Europe Index (Morgan Stanley Capital International All Country).

December 31, 2004	**2004**	**2003***
Chou Europe Fund	13.6%	4.6%
MSCI AC Europe ($ Cdn)(Total Return)	12.8%	12.0%

- The indicated returns are the historical annual compounded total returns assuming reinvestment of distributions and do not take into account sales, redemption, distribution fees or income taxes payable by the investor. Those returns are not guaranteed. Mutual fund net asset values fluctuate and past performance may not be repeated.

* From September 19, 2003

It is too early to comment on Europe. We are finding that bargains are hard to come by in Europe, however we are happy with the results we have achieved so far in spite of the high average month-end cash position of 62.8% of assets. We encourage you to read the letter in Chou Associates Fund. It covers issues that should be of interest to you.

In 2004, we have not charged the full management fee of 1.5%. We have charged a fee only to cover the trailer fees paid to dealers and financial planners (0.5%). If we had charged the full management fee, the management expense ratio (MER) would have been 1.94% in 2004 instead of 0.87% and the returns would have been 12.5% instead of 13.6%.

We have a redemption fee of 2% if unitholders redeem their units in less than 2 years. None of this fee goes to the Fund Manager. It is put back into the Fund for the benefit of the remaining unitholders. We hope this fee is enough to dissuade short-term investors from jumping in and out of the Fund to chase short-term performance.

The minimum initial amount to invest in the Fund is $10,000 and the minimum subsequent investment is $1,000.

As of April 8, 2005, the NAV of the Fund was $12.37 and the cash position was 43.4% of assets. The Fund is up 4.5% from the beginning of the year.

Yours truly,

Francis Chou

Francis Chou

Fund Manager

CHOU EUROPE FUND

STATEMENT OF NET ASSETS

AS AT DECEMBER 31, 2004

	2004	2003
ASSETS		
Cash and treasury bills	$ 1,982,246	$ 1,275,564
Subscriptions receivable	-	30,000
Accounts receivable	23,785	2,503
Investments at market value (average cost $1,835,073; 2003 - $419,875)	2,548,236	431,310
	4,554,267	1,739,377
LIABILITIES		
Accounts payable and accrued charges	4,223	3,274
Covered call options at market value (average cost - $ Nil; 2003 - $ Nil)	69,077	-
	73,300	3,274
NET ASSETS AT MARKET VALUE	$ 4,480,967	$ 1,736,103
NET ASSETS ATTRIBUTABLE TO UNITHOLDERS		
Capital	$ 3,836,882	$ 1,724,668
Unrealized appreciation in the value of investments	713,162	11,435
Unrealized loss in covered call options	(69,077)	-
	$ 4,480,967	$ 1,736,103
NUMBER OF UNITS OUTSTANDING (Note 3)	378,650	165,995
NET ASSET VALUE PER UNIT	$ 11.83	$ 10.46

APPROVED ON BEHALF OF THE BOARD OF DIRECTORS
OF THE MANAGEMENT COMPANY

Francis Chou

Tracy Chou

CHOU EUROPE FUND

STATEMENT OF OPERATIONS

FOR THE YEAR ENDED DECEMBER 31, 2004

		2004		2003
INCOME				
Interest	$	36,840	$	3,613
Dividends		10,965		906
		47,805		4,519
EXPENSES				
Management fees (Note 4)		16,906		760
Custodian fees		5,972		1,427
Foreign withholding taxes		2,037		-
Filing fees		1,995		250
Audit		1,862		1,562
Legal		500		150
Fundserv fees		360		370
		29,632		4,519
NET INVESTMENT INCOME		18,173		-
REALIZED LOSS FROM INVESTMENTS SOLD		(234,845)		-
NET LOSS FROM OPERATIONS	$	(216,672)	$	-
NET INVESTMENT INCOME PER UNIT (based upon the number of units outstanding at the year end prior to reinvested distributions of income)	$	0.05	$	-
REALIZED GAIN PER UNIT	$	-	$	-
DISTRIBUTION PER UNIT	$	0.05	$	-

CHOU EUROPE FUND

STATEMENT OF CHANGES IN NET ASSETS

FOR THE YEAR ENDED DECEMBER 31, 2004

	2004	2003
NET ASSETS, beginning of the year	$ 1,736,103	$ -
INCREASED BY		
Proceeds from sale of units	2,671,136	1,724,668
Unrealized appreciation in value of investments	701,728	11,435
Net investment income	18,173	-
	3,391,037	1,736,103
DECREASED BY		
Payments on redemption of units	342,164	-
Distribution of income to unitholders	86	-
Net realized losses from investments sold	234,846	-
Unrealized loss on covered call options	69,077	-
	646,173	-
NET ASSETS, end of the year	$ 4,480,967	$ 1,736,103

CHOU EUROPE FUND

STATEMENT OF INVESTMENTS

AS AT DECEMBER 31, 2004

	Number of Shares	Average Cost	Market Value
SHARES*			
Boskalis Westminster	4,800	$ 149,734	$ 194,626
BT Group PLC, ADR	1,300	53,830	61,736
Hanfeng Evergreen Inc.	66,500	133,000	182,875
Hanfeng Evergreen Inc., purchase warrants [1]	36,500	-	-
Hanfeng Evergreen Inc., purchase warrants [2]	15,000	-	3,750
Interstate Bakeries Corp.	30,000	158,099	230,658
Kmart Holding Corp.	5,000	160,240	594,366
MCI Inc.	15,000	261,435	363,287
Natuzzi SPA	22,000	287,980	286,761
Ryanair Holdings	25,000	150,564	214,949
Yukos Corp., ADR	1,000	59,813	3,592
		1,414,695	2,136,600
BONDS			
Global Crossing UK Fin 11.75%, Dec. 15, 2014	180,000	420,378	411,636
		$ 1,835,073	$ 2,548,236

* Common Shares Unless Indicated Otherwise

[1] Warrants exercisable at $ 3.50
[2] Warrants exercisable at $ 2.50

CHOU RRSP FUND

April 14, 2005

Dear Unitholders of Chou RRSP Fund,

After the distribution of $0.30, the net asset value ("NAVPU" or "NAV") of Chou RRSP Fund at December 31, 2004 was $28.31 compared to $25.24 at December 31, 2003, an increase of 13.4%. The table below shows our 1 year, 3 year, 5 year, 10 year and 15 year annual compound rates of return:

December 31, 2004	1 year	3 year	5 year	10 year	15 year
Chou RRSP Fund	13.4%	18.6%	17.9%	18.6%	12.4%
S&P/TSX Total Return	14.5%	8.3%	3.6%	10.1%	7.6%

- The indicated returns are the historical annual compounded total returns assuming reinvestment of distributions and do not take into account sales, redemption, distribution fees or income taxes payable by the investor. Those returns are not guaranteed. Mutual fund net asset values fluctuate and past performance may not be repeated.

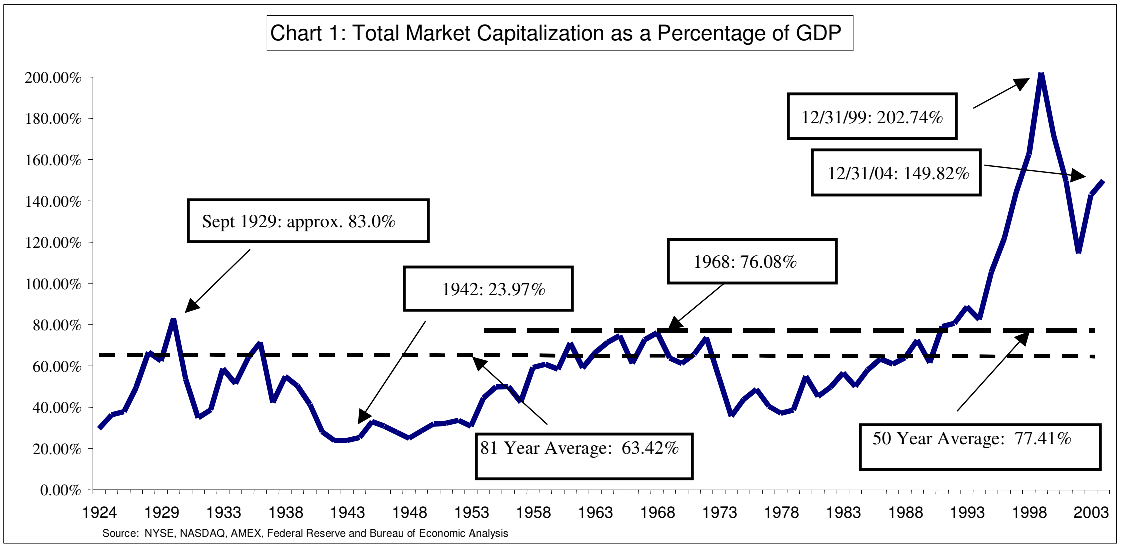
Factors influencing the 2004 results

Cash Position: Our average month-end cash position of 38.4% of net assets has had a restraining effect on returns. We chose to maintain cash because we were not able to find investments meeting our Margin of Safety criteria.

Denninghouse Inc.: We took a loss in a retailing company called Denninghouse Inc. When its "A Buck or Two" store concept did not work, we were left with goods worth pennies. Fortunately, it was a small holding. Please read the section on "Companies subject to the whims of buyers including retail, restaurants etc".

General comments on the market

For years we have been saying that the market is overvalued based on P/E ratio, dividend yield and premium to book value. Another important yardstick for determining overvaluation of the market is the ratio of total market capitalization to Gross Domestic Product (GDP). Total market capitalization is determined by adding the market value of each company that trades on the NYSE, AMEX and NASDAQ stock exchanges. GDP is the total value of all goods and services produced in the United States for a specified period. The following chart shows the history of the total market capitalization to GDP ratio for the period from March 1925 to December 2004. Note how the current ratio compares with those of previous years.

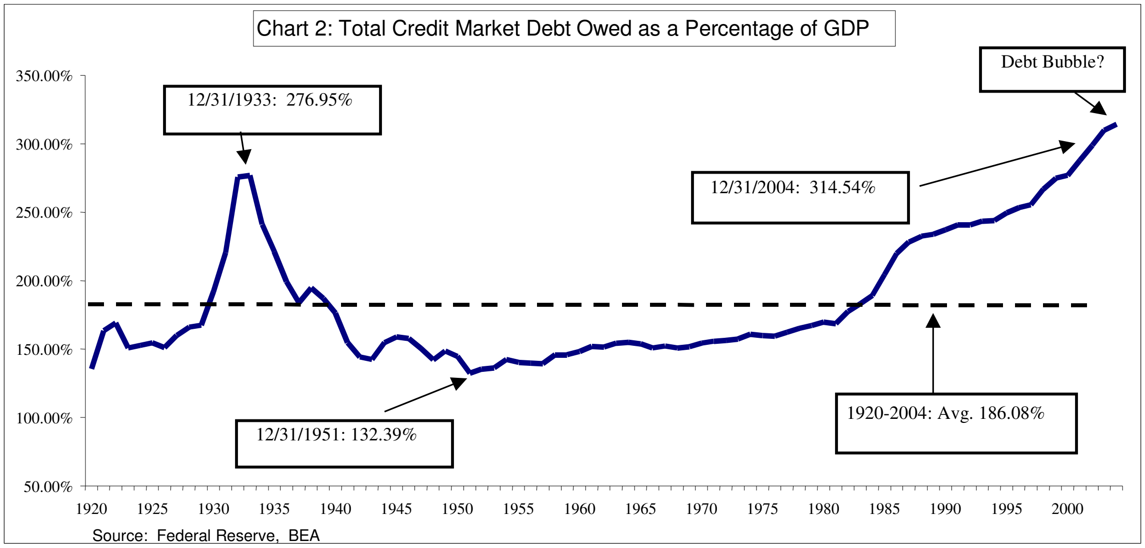


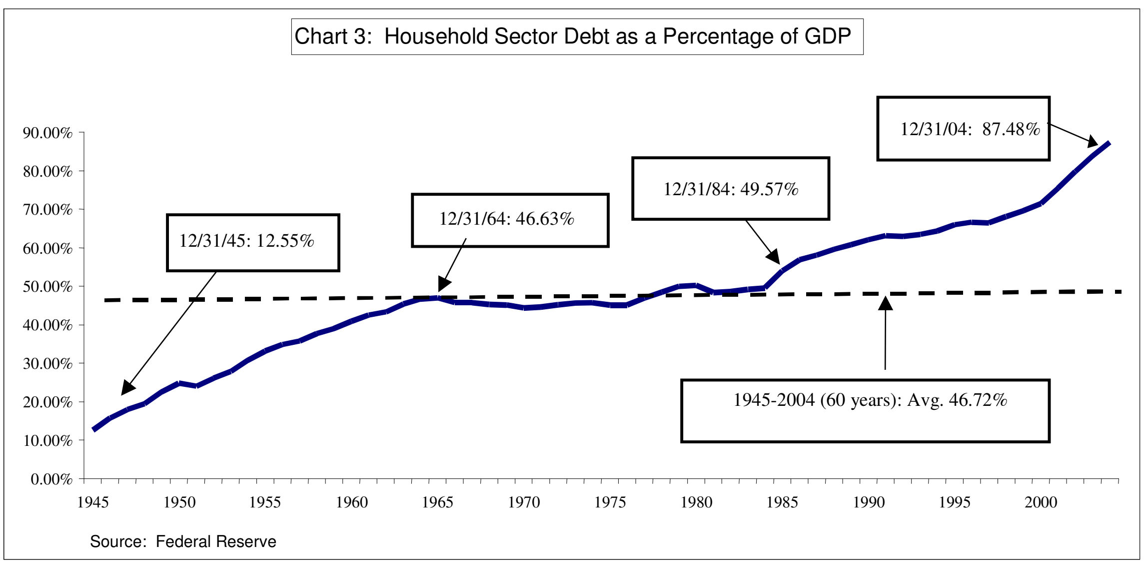
The chart shows that:

1) The last 81 year average is 63.4%.
2) The last 50 year average is 77.4%.
3) During the height of the bull market in 1929 before the great crash, the ratio was approximately 83%.
4) In 1968, another bull market, the ratio was 76.1%.
5) The highest ratio was in March 2000 at 202.7%.
6) The lowest ratio occurred in March 1942 at 24%.
7) At present the ratio is over 149.8%, a dangerous level to say the least, when compared to the historical average.

The two charts on the following page, Total Credit Market Debt as a percentage of GDP ("Total Debt"), and Household Sector Debt as a percentage of GDP ("Consumer Debt"), plainly show that Total Debt and Consumer Debt have increased significantly in recent years and that U.S. consumers are highly leveraged. As the charts indicate, the average Consumer Debt for the last 60 years was 46.7%; it is now 87.5% and rising. Consumer spending accounts for more than 70% of economic activity (the 60 year average is 60%) and this indicates that the current economic expansion has been fuelled significantly by debt. Also take into account that consumer spending has been financed by the enormous trade deficit with other nations, and that consumer debt has fuelled the housing boom as well as other financial assets, and we are left to speculate on a number of questions and potential repercussions:

1) How much more debt can the economy accommodate? At 314.5%, it is already much higher than the historical average (186%). See Chart 2.
2) What happens if and when interest rates go up, making consumers vulnerable?
3) Are we in a debt bubble?
4) If consumers stop borrowing and the ratios go back to the mean, how severely would the economy suffer?
5) Would the Federal Reserve Board use inflationary policies (historically, an easy way out for indebted countries) to get out of trouble?





We look at these issues in conjunction with other factors such as corporate and federal debts, fiscal and monetary policies, trade deficits and so on. While the issues are important, we do not put much emphasis on them unless they are outliers – that is, they have reached a threshold limit whereby the ratios, if not corrected or contained, should start to have an adverse effect on the economy. And while we can always exercise caution in these instances, we can never assume full control. As one government official[1] aptly stated when reflecting on handling the unexpected – "Condoms are not totally safe. My friend was wearing one and he got hit by a bus."

[1] Robert Rubin, former Secretary of the Treasury

When investing, the issues mentioned do not mean much if plenty of bargains can be found. What makes us wary about the stock market is that we are not able to find investments meeting our Margin of Safety criteria. I cannot remember a time when bargains in general were so scarce.

As usual we believe that it is **not** a good policy to borrow money to invest in stocks or mutual funds. When there are imbalances in the economy and several key ratios show them to be outliers, I strongly urge our unitholders to be debt free. Whether you are short and the market continues to rise or you are long and the market continues to fall, it is important to remember that the market may well stay irrational longer than a debtor can stay solvent[2].

Concept of batting average in investment

In investing there are two kinds of mistakes: Omissions and Commissions. Omissions occur when the stocks you know and understand come down to your bargain price range and yet, for some reason, you defer purchasing them. Commissions are the more common type of mistakes whereby the stocks go down after you purchase them, entailing a permanent loss of capital.

Looking back on our 20 years plus of investing, we feel that our omissions have been far more painful than our commissions. Experience has shown us that it is better to purchase certain stocks that meet our Margin of Safety criteria, and risk making a mistake rather than not buy them. There is an opportunity cost involved when you miss buying a bargain that was in your circle of competence. Similar to baseball, if a batter gets a fat pitch right down the middle of the strike zone, he should take a swing. If he strikes out, so be it. He should not be flailing away, chasing balls out of the strike zone. However, if he strikes out, it should be in spite of his good hitting technique.

In investing there is an opportunity cost involved when you don't swing at a fat pitch. So when opportunity knocks, you should take advantage. From the 1980s to the mid 1990s, if an investor were to pass on a good deal, there were usually another five waiting in the wings. We were really spoiled. Over the last 8 years or so, if you missed out on a good deal, you had to wait for a while before finding the next one.

John Templeton's investment batting average was about .600, that is, 6 out of 10 stock selections did well. When he retired in 1992, he had one of the best mutual fund records spanning over 40 years. In baseball, a batting average of .300 is considered excellent. You don't need to be perfect to be considered a great hitter.

Expectations of future returns

In today's climate, almost all sectors are overvalued. As mentioned earlier, I cannot remember a time when bargains in general were so scarce. You can still make money in the market but you are doing so without having a large margin of safety. We would caution all investors that from these overvalued levels the chances of a large permanent loss of capital are extremely high. We feel that it would also be irresponsible to extrapolate the Fund's 3, 5, 10 or 15 year returns into the future. Those returns will be virtually impossible to duplicate.

---

[2] John Maynard Keynes

In baseball, a high batting average depends crucially on waiting for the right pitches. Similarly, in investing, for us to do well, we have to wait for stocks that meet our Margin of Safety criteria. We said it before, we will not chase stocks to keep up with the market averages. If given a choice, we would prefer to lose half of our unitholders rather than half of our unitholders' money.

Companies subject to the whims of buyers including retail, restaurants etc
In general, we have done well with retail companies such as BMTC Group. But with retailing and restaurant companies it is difficult to get a handle on how the future will pan out, regardless of how well they may have done in the past. Retailing concepts that work well can be easily duplicated by competitors. Also, if consumer tastes change, the retailing companies are faced with serious financial and operational issues. Liabilities such as operating and capitalized leases suddenly become real short-term debt, much needed cash is used up in severance and closure costs, and a host of other problems crop up. In short, these consequences can quickly put a financially sound retailer into a serious short-term liquidity crisis.

This reminds us of a story of two young business women, named Gloria and Gisella who are owners of their own retailing companies. Gloria was asked what she would do if she were to win a million dollar lottery. Gloria said, "Well, I will pay down the mortgage on my house, take a tour of the world with my sweetheart, buy a villa in the Swiss Alps and live happily ever after." When Gisella was asked the same question, she replied: "Well, (scratching her head), I will keep on retailing until my million dollars are all gone."

We took a loss in a retailing company called Denninghouse Inc. When its "A Buck or Two" store concept did not work, we were left with goods worth pennies. Fortunately, it was a small holding.

Our portfolio will have more international (Asia) content in the future
The world is opening up. Over the years we have looked at many companies outside of North America and can say that the best companies in Asia can easily compete with the best in North America. However, last year we warned of some of the problems inherent in China, and we believe that those problems are also applicable to other Asian and less developed countries. The warning is worth repeating:

1) Many of the laws in Asia and less developed countries, including investor protection laws that we are accustomed to, are non-existent or not enforced. Consider what happened to Yukos, a Russian oil and gas company in which Chou Europe Fund has a small holding. The criminal charges laid, and the taxes alleged to be owing (more than the revenues generated), raise serious questions about the motives of the government. Truth can be stranger than fiction.
2) There are no concrete rules established under Chinese GAAP or under other Asian GAAP; much is subject to interpretation and therefore open to extensive abuse. We know of two accounting firms (both belong to the Big Four) that were looking at the same company in China, yet each came up with substantially different numbers. There are enough examples of subterfuge in the books that makes you feel uncomfortable. When you examine the numbers, you are left wondering whether you are looking at the books

prepared for a) tax authorities, b) management, or c) shareholders (patsies?). For example, the profit margins often seem too good to be true. Some Chinese companies net an obscene 40% plus, versus just 5% in North America for a similar type of business. This is also true in other Asian countries. Their selling, general and administrative costs (SG&A) are sometimes unbelievably low.

3) Although we might have worried more earlier, we now feel cautiously comfortable that there is no turning back to Communism in spite of the rhetoric we still hear from the Politburo. When we asked one government official about the chances of China reverting back to the old ways, he intoned, "When we talk, we talk left, left, left but we are going right, right, right."

The upside is that these countries have huge labor cost advantages and most of the executives are educated in Western countries. These young executives have gone back to their native countries and have been responsible for changing the political climate for people in business. The changes, if maintained for a few decades, have the potential to make these nations economic powerhouses in the future. Recent changes of one Asian country include the following:

1) Corporate taxes have been reduced to 35%.
2) There is no capital gains tax.
3) There is no tax on dividends.
4) Free enterprise zones are being established where businesses will not be subjected to the huge number of approvals otherwise required and the ruinous delays involved in getting them. At one time it took 32 agencies to get an approval.
5) Other tariffs and roadblocks are being dismantled.

A number of companies in Asia produce free cash flow and some managements are well attuned to the concept of generating cash and deploying it wisely. As one manager[3] said: "Sales are vanity, Earnings are sanity, but Cash is reality."

The key is to buy companies that are soundly financed and well managed. Companies that are mediocre or not soundly financed would be more inclined to hide problems knowing that the investor protection laws we take for granted in North America are virtually non-existent in their own country. We are looking seriously in Asia and less developed countries and hope to buy some companies with honest management and honest numbers, at a cheap price.

Investment awards

Please forgive me for this shameful display of self-promotion but I was honoured to receive the 'The Fund Manager of the Decade' award at the Investment Awards ceremony held December 3, 2004 in Toronto. Morningstar Canada, which hosted the event, introduced this award in 2004 to honour the Canadian mutual fund manager who had produced the best performance over the past 10 years. Essentially, Morningstar sought to answer the question, "If we had to choose only one manager with whom to invest our money - who would it be?" Only a manager with a 10 year record managing a Canadian mutual fund or segregated fund recognized by the Canadian Investment Funds Standards Committee was considered. Based on those criteria, Chou RRSP Fund was ranked first and Chou Associates Fund was ranked third.

---

[3] A Godrej from Godrej Group

Other matters
We launched both the Chou Asia Fund and Chou Europe Fund on August 26, 2003. In 2004, we have not charged the full management fee of 1.5%. We have charged a fee only to cover the trailer fees paid to dealers and financial planners (0.5%).

The Chou RRSP Fund pays a 1.5% management fee plus other expenses such as custodial, recordkeeping, legal, audit and filing fees. As the assets of the Fund have grown, the management expense ratio (MER) has trended down from 2.26% in 1998 to 1.79% in 2004.

We have a redemption fee of 2% if unitholders redeem their units in less than 2 years. None of this fee goes to the Fund Manager. It is put back into the Fund for the benefit of the remaining unitholders. We hope this fee is enough to dissuade short-term investors from jumping in and out of the Fund to chase short-term performance.

The minimum initial amount to invest in the Fund is $10,000 and the minimum subsequent investment is $1,000.

We previously indicated that the Chou RRSP Fund was closing to new investors after March 18, 2005. The decision to close was based on the 30% foreign content restriction and the limited value investments available in Canada. Since it is now expected that the federal government will eliminate the RRSP foreign content restrictions, the Chou RRSP Fund will continue to accept new unitholders for the foreseeable future.

As of April 8, 2005, the NAV of the Fund was $28.96 and the cash position was 31.2% of assets. The Fund is up 2.3% from the beginning of the year.

Except for the audited NAVs and performance numbers of the Fund, the remainder of the above 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 herein may not be suitable for all investors.

Yours truly,

Francis Chou

Francis Chou

Fund Manager

CHOU RRSP FUND

STATEMENT OF NET ASSETS

AS AT DECEMBER 31, 2004

	2004	2003
ASSETS		
Cash and treasury bills	$ 54,974,265	$ 32,636,547
Accounts receivable	812,687	139,825
Investments at market value (average cost - $97,142,004; 2003 - $47,536,656)	116,743,425	53,499,255
	172,530,377	86,275,627
LIABILITIES		
Accounts payable and accrued charges	496,163	233,970
NET ASSETS AT MARKET VALUE	$ 172,034,214	$ 86,041,657
NET ASSETS ATTRIBUTABLE TO UNITHOLDERS		
Capital	$ 152,432,793	$ 80,079,059
Unrealized appreciation in the value of investments	19,601,421	5,962,598
	$ 172,034,214	$ 86,041,657
NUMBER OF UNITS OUTSTANDING (Note 3)	6,075,893	3,408,311
NET ASSET VALUE PER UNIT	$ 28.31	$ 25.24

APPROVED ON BEHALF OF THE BOARD OF DIRECTORS
OF THE MANAGEMENT COMPANY

Francis Chou

Tracy Chou

CHOU RRSP FUND

STATEMENT OF OPERATIONS

FOR THE YEAR ENDED DECEMBER 31, 2004

	2004	2003
INCOME		
Interest	$ 1,383,572	$ 897,504
Dividends	1,712,539	724,197
	3,096,111	1,621,701
EXPENSES		
Management fees (Note 4)	2,086,951	772,304
Foreign withholding taxes	141,638	55,810
Custodian fees	167,096	51,791
Filing fees	28,272	19,000
Fundserv fees	18,816	18,349
Legal	10,536	8,000
Audit	13,160	4,313
	2,466,469	929,567
NET INVESTMENT INCOME	629,642	692,134
REALIZED GAIN FROM INVESTMENTS SOLD	1,180,441	1,019,595
NET INCOME FROM OPERATIONS	$ 1,810,083	$ 1,711,729
NET INVESTMENT INCOME PER UNIT (based upon the number of units outstanding at the year end prior to reinvested distributions of income)	$ 0.10	$ 0.21
REALIZED GAIN PER UNIT	$ 0.20	$ 0.31
DISTRIBUTION PER UNIT	$ 0.30	$ 0.52

CHOU RRSP FUND

STATEMENT OF CHANGES IN NET ASSETS

FOR THE YEAR ENDED DECEMBER 31, 2004

	2004	2003
NET ASSETS, beginning of the year	$ 86,041,657	$ 15,859,486
INCREASED BY		
Net investment income	629,642	692,134
Net realized gains from investments sold	1,180,441	1,019,595
Unrealized appreciation in value of investments	13,638,823	4,044,966
Capital gain refund	812,000	145,951
Proceeds from sale of units	76,919,731	66,430,680
	93,180,637	72,333,326
	179,222,294	88,192,812
DECREASED BY		
Payments on redemption of units	7,161,013	2,117,720
Distribution of income to unitholders	27,067	33,435
	7,188,080	2,151,155
NET ASSETS, end of the year	$ 172,034,214	$ 86,041,657

CHOU RRSP FUND

STATEMENT OF INVESTMENTS

AS AT DECEMBER 31, 2004

	Number of Shares	Average Cost	Market Value
SHARES*			
Akita Drilling Ltd., Class A	80,000	1,535,003	2,140,000
Amisco Industries Ltd.	97,700	543,440	529,534
Atco Ltd., Class I	11,800	545,724	690,300
Berkshire Hathaway Inc., Class A	15	1,606,722	1,583,974
Biovail Corp.	249,500	5,095,822	4,937,605
BMTC Group Inc., Class A	628,056	5,928,817	7,976,311
Boskalis Westminster	250,000	7,948,014	10,136,785
BT Group PLC	1,150,000	4,660,963	5,379,032
Caldwell Partners Int'l Inc., Class A	572,900	1,097,335	1,082,781
Consolidated Tomoka Ltd.	23,000	1,010,455	1,188,131
Corus Entertainment Inc., Class B	96,700	2,276,339	2,417,500
Danier Leather Inc.	546,300	5,435,920	7,019,955
Descartes Systems Group Inc.	2,809,600	4,578,431	6,686,848
Glacier Ventures Int'l Corp.	147,328	118,452	287,290
GSW Inc., Class B	51,000	1,099,050	2,295,000
Hanfeng Evergreen Inc.	1,000,000	2,000,000	2,750,000
Hanfeng Evergreen Inc., purchase warrants	500,000	-	125,000
Heroux Devtek Inc.	122,800	597,451	580,844
Hollinger Inc., Retractable Common	80,248	411,601	530,439
Int'l Forest Products Ltd., Class A	465,400	2,177,466	3,211,260
Interstate Bakeries Corp.	420,000	2,217,531	3,229,217
Isotechnika Inc.	839,700	1,557,842	1,973,295
Liquidation World Inc.	1,155,000	5,100,958	6,756,750
MCI Inc.	505,700	9,610,846	12,247,612
MRRM Inc.	63,800	320,595	526,350
Norwall Group Inc.	53,300	200,265	106,600
Symetra Financial [1]	20,000	2,673,000	2,459,635
OCA Inc.[2]	460,500	4,199,670	3,512,944
Rainmaker Income Fund	269,400	883,030	1,061,436
Rogers Sugar Income Fund	274,500	996,515	1,235,250
Rothmans Canada Inc.	61,800	1,709,148	2,465,820
Royal Group Technologies Ltd.	125,100	1,227,253	1,575,009
Samuel Manu-Tech Inc.	28,800	188,795	364,320
Smithfield Foods Inc.	39,900	1,433,790	1,418,358
Taiga Forest Products Ltd.	318,100	3,825,065	4,421,590
Tri-White Corporation	427,500	2,379,600	3,184,875
Velan Inc.	223,200	2,656,357	3,013,200
Wescast Industries Inc., Class A	119,200	3,984,773	3,860,888
XO Communications Inc.	487,854	3,309,966	1,781,687
		$ 97,142,004	$ 116,743,425

* Common Shares Unless Indicated Otherwise.

[1] Name changed from Occum Acquisition Corp.

[2] Name changed from Orthodontic Centers of America

1. FORMATION OF CHOU FUNDS

The individual funds comprising the Chou family of Funds (the Chou 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 Funds were formed on the following dates:

Chou Asia Fund	August 26, 2003
Chou Associates Fund	September 1, 1986
Chou Europe Fund	August 26, 2003
Chou RRSP Fund	September 1, 1986

2. SIGNIFICANT ACCOUNTING POLICIES

The financial statements, prepared in accordance with Canadian generally accepted accounting principles, include estimates and assumptions by management that could affect the reported amount of assets, liabilities, income and expenses during the reported period. Actual results could differ from those estimated. The following is a summary of significant accounting policies followed by the Funds.

(a) Valuation of Investments

Investments in securities are recorded at market values based on the year-end closing sale price or, if the security did not trade, the closing bid price.

(b) Investment Transactions

Investment transactions are recorded on the trade date.

(c) Income Recognition

Interest income is recorded on the accrual basis. Dividend income is recorded on the ex-dividend date and is gross of withholding taxes. Realized gains and losses on investment transactions are determined on an average cost basis.

(d) Forward Contracts

Forward contracts are agreements to purchase or sell financial instruments at a specified future date. As forward contracts are not traded on the exchange, the agreements between counter parties are not standardized. Changes in value of forward contracts are settled only on termination of the contract. Open forward contracts are revalued to fair value in the statement of changes in net assets, based on the difference between the contract rate and the applicable forward rate to close out the contract. Gains and losses associated with the revaluation of open forward contracts are recorded in the statement of changes in net assets as “Unrealized gain (loss) in value of forward contracts”.

2. SIGNIFICANT ACCOUNTING POLICIES continued

(e) Net Asset Value per Unit

The net asset value per unit of each Fund is computed by dividing the net asset value of the Fund by the number of units outstanding at the time. The net asset value per unit is determined at the close of business each Friday.

(f) Foreign Currency Translation

Foreign currency amounts have been expressed in Canadian dollars on the financial statements as follows:

(i) investments held at the year end are converted at the Bank of Canada rate of exchange on that date; and

(ii) purchases and sales of investments as well as income and expenses throughout the year are recorded at the Bank of Canada exchange rate prevailing on the respective dates of such transactions.

(g) 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 net 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 fund 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.

3. UNITS OF THE FUND

The units of the Chou Funds are voting, without any par value and an unlimited number may be issued. All units must be fully paid for and fractional units may be issued.

Chou Asia Fund	**2004**	**2003**
Units outstanding, beginning of the year	445,880	-
Add: Units issued during the year	961,754	456,477
Deduct: Units redeemed during the year	(67,935)	(10,597)
Units outstanding before income distribution	1,339,699	445,880
Add: Units issued on reinvested income	9,158	-
Units outstanding, end of the year	1,348,857	445,880

Chou Associates Fund	**2004**	**2003**
Units outstanding, beginning of the year	1,872,073	1,260,979
Add: Units issued during the year	620,443	614,896
Deduct: Units redeemed during the year	(160,189)	(42,788)
Units outstanding before income distribution	2,332,327	1,833,087
Add: Units issued on reinvested income	48,362	38,986
Units outstanding, end of the year	2,380,689	1,872,073

Chou Europe Fund	**2004**	**2003**
Units outstanding, beginning of the year	165,995	-
Add: Units issued during the year	242,646	165,995
Deduct: Units redeemed during the year	(31,520)	-
Units outstanding before income distribution	377,121	165,995
Add: Units issued on reinvested income	1,529	-
Units outstanding, end of the year	378,650	165,995

Chou RRSP Fund	**2004**	**2003**
Units outstanding, beginning of the year	3,408,311	687,280
Add: Units issued during the year	2,876,664	2,740,892
Deduct: Units redeemed during the year	(272,055)	(86,323)
Units outstanding before income distribution	6,012,920	3,341,849
Add: Units issued on reinvested income	62,973	66,462
Units outstanding, end of the year	6,075,893	3,408,311

4. MANAGEMENT FEES AND EXPENSES

Chou Associates Management Inc. ("the Manager") manages the Chou Funds under a management agreement dated August 26, 2003. The Manager is entitled to an investment management fee calculated as a percentage of the market value of net assets equal to 0.125% per month. All other expenses attributable to the Funds are also payable out of the assets of the Funds.

The Management expense ratio ("MER") is based on all expenses charged to the Funds (other than brokerage commissions on portfolio transactions and including GST) expressed as a percentage of each Funds' average net asset value.

The following table summarizes the MER relating to each of the Chou Funds:

	2004	2003	2002
Chou Asia Fund	0.77%	0.49%	N/a
Chou Associates Fund	1.77%	1.86%	1.87%
Chou Europe Fund	0.87%	0.40%	N/a
Chou RRSP Fund	1.79%	1.79%	1.83%

The amount of the investment management fee is discretionary and is subject to the limit above.

The investment management fee charged to Chou Asia Fund and Chou Europe Fund in 2004 and 2003 by the Manager was less than the maximum amount permitted.

5. DUE TO RELATED PARTY

Included in accounts payable of each fund are amounts due to Chou Associates Management Inc. for management fees payable.

	2004	2003
Chou Asia Fund	$ 6,543	$ 2,753
Chou Associates Fund	$222,813	$291,790
Chou Europe Fund	$1,923	$760
Chou RRSP Fund	$230,011	$196,979

6. BROKERS' COMMISSIONS

Total commissions paid to brokers in connection with portfolio transactions for the year ended December 31, 2004 and 2003, and the period from August 31, 2003 to December 31, 2003 for Chou Asia Fund and Chou Europe Fund:

	2004	2003
Chou Asia Fund	$ 17,407	$ 1,838
Chou Associates Fund	$154,499	$270,612
Chou Europe Fund	$7,585	$1,056
Chou RRSP Fund	$245,877	$167,200

7. INCOME TAXES

At December 31, 2004 Chou Europe Fund had capital losses of $234,846 available for utilization against future net realized capital gains.

8. STATEMENT OF PORTFOLIO TRANSACTIONS

A statement of portfolio transactions (unaudited) for the year ended December 31, 2004 (for any Fund) will be provided, without charge, upon request made to Chou Associates Management Inc., 95 Wellington Street West, Suite 710, P.O. Box 27, Toronto, Ontario M5J 2N7

CHOU RRSP FUND

Illustration of an Assumed Investment of $10,000

Period Ended	Value of Initial $10,000 Investment	Value of Cumulative Reinvested Capital Distributions	Value of Cumulative Reinvested Dividends	Total Value of Shares
Dec.31, 1986	$10,000	0	0	10,000
Dec.31, 1987	9,980	187	650	10,818
Dec.31, 1988	10,709	553	1,018	12,281
Dec.31, 1989	11,530	1,308	1,512	14,350
Dec.31, 1990	9,272	1,314	2,136	12,722
Dec.31, 1991	9,342	1,324	2,618	13,284
Dec.31, 1992	10,069	1,427	3,004	14,500
Dec.31, 1993	11,616	1,646	3,465	16,727
Dec.31, 1994	10,131	1,436	3,394	14,961
Dec.31, 1995	11,764	1,667	4,377	17,808
Dec.31, 1996	14,335	2,032	5,368	21,735
Dec.31, 1997	19,953	4,048	8,740	32,741
Dec.31, 1998	17,421	12,259	9,126	38,806
Dec.31, 1999	15,467	11,914	8,836	36,217
Dec.31, 2000	16,931	13,580	11,677	42,188
Dec.31, 2001	19,135	16,493	13,742	49,370
Dec.31, 2002	22,735	24,861	17,499	65,095
Dec.31, 2003	24,871	28,059	19,728	72,658
Dec.31, 2004	27,896	32,038	22,429	**82,362**

Note: The indicated returns are the historical annual compounded total returns assuming reinvestment of distributions and do not take into account sales, redemption, distribution fees or income taxes payable by the investor. Those returns are not guaranteed. Mutual fund net asset values fluctuate and past performance may not be repeated.

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