

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

ANNUAL REPORT

2005

CHOU ASSOCIATES FUND

Illustration of an Assumed Investment of \$10,000 in Canadian dollars

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
Dec.31, 2005	36,014	47,231	34,217	117,462

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	<u>2005</u>	<u>2004</u>	<u>2003</u>	<u>2002</u>	<u>2001</u>	<u>2000</u>	<u>1999</u>
Total Return	13.70%	9.02%	3.57%	29.99%	21.44%	8.37%	-9.63%
Net Assets, end of the year (in millions)	\$ 345.8	\$ 166.7	\$ 122.7	\$ 81.5	\$ 15.4	\$ 12.7	\$ 12.2
Management Expense Ratio (MER)	1.75%	1.77%	1.86%	1.87%	2.02%	2.00%	1.85%
Portfolio turnover rate	10.00%	30.00%	33.40%	43.10%	38.90%	23.80%	31.50%

Chou Asia Fund

Total Return	7.00%	18.50%	2.82%
Net Assets, end of the year (in millions)	\$ 32.2	\$ 16.3	\$ 4.6
Management Expense Ratio (MER)	1.76%	0.77%	0.49%
Portfolio turnover rate	44.00%	22.09%	-

Chou Europe Fund

Total Return	11.35%	13.61%	4.59%
Net Assets, end of the year (in millions)	\$ 12.8	\$ 4.5	\$ 1.7
Management Expense Ratio (MER)	1.84%	0.87%	0.40%
Portfolio turnover rate	33.00%	9.55%	-

Chou RRSP Fund

Total Return	15.70%	13.36%	11.62%	31.85%	17.02%	16.49%	-6.67%
Net Assets, end of the year (in millions)	\$ 298.8	\$ 172.0	\$ 86.0	\$ 15.9	\$ 5.7	\$ 4.8	\$ 4.0
Management Expense Ratio (MER)	1.75%	1.79%	1.79%	1.83%	2.01%	2.12%	1.74%
Portfolio turnover rate	22.70%	15.40%	15.40%	33.20%	25.80%	25.60%	46.10%

TABLE OF CONTENTS

Chou Associates Fund Manager's Letter	1-4
Chou Funds Auditor's Report	5
Chou Associates Fund	
Statement of Net Assets	6
Statement of Operations	7
Statement of Changes in Net Assets	8
Statement of Investments	9
Schedule of Derivatives	10
Chou Asia Fund	
Fund Manager's Letter	11
Statement of Net Assets	12
Statement of Operations	13
Statement of Changes in Net Assets	14
Statement of Investments & Schedule of Derivatives	15
Chou Europe Fund	
Fund Manager's Letter	16
Statement of Net Assets	17
Statement of Operations	18
Statement of Changes in Net Assets	19
Statement of Investments & Schedule of Derivatives	20
Chou Bond Fund	
Fund Manager's Letter	21
Statement of Net Assets	22
Statement of Operations	23
Statement of Changes in Net Assets & Statement of Investments	24
Chou RRSP Fund	
Fund Manager's Letter	25-27
Statement of Net Assets	28
Statement of Operations	29
Statement of Changes in Net Assets	30
Statement of Investments	31
Schedule of Derivatives	32
Notes to Financial Statements	33-38

CHOU ASSOCIATES FUND

April 7, 2006

Dear Unitholders of Chou Associates Fund,

In 2005, Chou Associates Fund returned 13.7% while the S&P 500 Total Return Index returned 1.5% in Canadian dollars. In \$US, Chou Associates Fund returned 17.1% while the S&P 500 Total Return Index returned 4.9%.

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

December 31, 2005	Past Year	Past 3 Years	Past 5 Years	Past 10 Years	Past 15 Years
Chou Associates(\$Cdn)	13.7%	8.7%	15.2%	15.5%	16.0%
S&P500 (\$Cdn)	1.5%	3.3%	-4.5%	7.3%	11.5%
Chou Associates(\$US) ¹	17.1%	20.1%	21.1%	17.2%	15.9%
S&P500 (\$US)	4.9%	14.2%	0.5%	9.0%	11.5%

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

Factors influencing the 2005 results

Major positive contributors to the Fund's performance were Boskalis Westminster, King Pharmaceuticals, Criimi Mae, Cardinal Health and Utah Medical. Conversely, we suffered declines in OCA Inc., XO Communications, GB Holdings and Allegiance Telecom debt.

Our average month-end cash balance of 32% 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.

General comments on the market

We continue to have problems finding compelling bargains in the market. Although in the past we voiced deep reservations about the overvaluations in the market, the Fund has done reasonably well over the past 5, 10 and 15 years as we were able to find a few bargains each year. Nonetheless, we remain quite concerned about the overvaluations and the potential negative impact on the Fund.

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

Lately, we have been looking at stocks in the Pulp & Paper Industry. It is a highly cyclical industry and its operations have been negatively impacted by the strong Canadian dollar. Our experience has shown that unless stocks like these are bought dirt cheap, you risk being beaten to a pulp and the stocks will not be worth the paper they are written on.

No single factor is paramount when assessing a company

When hunting for a bargain, there are many factors that merit consideration. Some are macroeconomic, such as the magnitude and trend of trade deficits, interest rates and currencies. Some are company specific, such as fundamental valuations and significant insiders' ownership, to name a few. While each factor is important, placing undue emphasis on any single one can skew one's judgment and lead to significant errors in decision making.

By being aware of our individual biases and how we give different weights to various factors, we can significantly reduce, though not eliminate, the misjudgment that can occur when evaluating a stock.

A case in point pertains to a stock we held in 2005. The company had high cash holdings and its management had significant stock ownership. Accordingly, we felt that management would act rationally and strive to maximize shareholder value. We gave undue weight to this factor and not enough to compelling evidence suggesting that, historically, management had not managed the business for the benefit of shareholders. In fact, they suffered from a syndrome that is popularly known as the bladder problem, 'The more cash one holds, the greater the pressure to piss it away.'

Admit mistakes early, make corrections, then move on

We are fortunate that the Fund has had a satisfactory long-term track record despite some hiccups over the years. In instances, such as the one just mentioned, we are getting better, and faster, at realizing that an error has been made, especially considering that once a decision is made to purchase a stock it can take 3-5 times more evidence to admit that one has not made the best decision. The proper thing to do is to admit the mistake early on and avoid any temptation to justify or rationalize the decision along the way. After that, make the necessary correction and move on. When faced with overwhelming evidence, ignore the tempting retort, "Please, don't confuse me with the facts!"

Over the years I have learned to hold off purchasing a stock until I have assessed the company thoroughly. Only then is it wise to go to the decision making stage. My advice is to stay in the assessment stage as long as possible.

Lastly, it is ironic that decision making pitfalls in the stock market often involve stocks that appear to have the best long term prospects and which give you the feeling that you should buy them for your old age. As it turns out, those feelings can get confirmed fairly quickly. A year later I would feel very, very old.

Small capitalization ("cap") stocks are too small to make an impact on the Fund

The assets in the Fund have now increased to over \$400 million. As such, it does not make sense to hold small cap stocks as they, because of their small weighting, do not affect the portfolio materially even if one of them doubles. Therefore, we have started the process of disposing of them although they may be somewhat undervalued. We have found that selling them into the

market is not as easy as it sounds. One needs to wait patiently for a buyer and often times the price needs to be discounted by 15%-20% before a buyer will even bite. And this is in a benign environment!

Generally, we do not sell securities between the Chou Funds. But occasionally we sell a small cap stock to either Chou Asia Fund, Chou Europe Fund or Chou Bond Fund if it makes sense to do so for both parties at the prevailing market price.

Management Expense Ratio (MER) is as low as it is going to be

The Chou Associates Fund pays a 1.5% management fee plus other expenses such as custodial, recordkeeping, legal, audit, regulatory fees and filing fees, to name a few. As the assets of the Fund have grown, the MER has trended down from 2.11% in 1998 to 1.75% in 2005.

The average MER for a fund in the U.S. equity category is approximately 2.73%.

We believe the MER for the Fund is as low as it can be. As all funds face greater regulatory scrutiny and increased requirements found in National Instrument (“NI”) 81-106 and possibly NI 81-107 in the future, the cost of running the Fund will increase and result in a higher MER. We hope to keep it below 2% which is still well below the industry average of approximately 2.73%, but if the Sarbanes-Oxley Act in the U.S. is any indication (complying with the Act will cost businesses listed on U.S. stock exchanges an estimated \$28 billion in 2007), the costs will escalate as we move forward. At some point, the regulators will have to assess whether the costs borne by the unitholders, as well as the management time and human resources required by fund companies to meet the compliance requirements, are worth the debatable intended benefits.

What may also be affected are the style and manner in which letters to the unitholders are written. We believe that our investors would like to hear from their portfolio manager in a straightforward and forthright manner on how he or she is looking at the investment landscape rather than have the letter drastically rewritten by public relations or legal counsel.

Chou Bond Fund

Chou Bond Fund was opened to investors on September 16, 2005. The minimum initial investment is \$10,000, as with the other Chou Funds. The Fund has done quite well from inception to date (2006 year-to-date return of 11.9%) but investors should keep that performance in perspective. Be aware of the risks involved including that of the Manager who does not have a long history of investing heavily in that area. Caveat emptor!! Having said that, we feel optimistic that if we apply the same value principles we have used in the past in investing in equities, we have the potential to do reasonably well in the future.

As with the launch of the Chou Asia Fund and Chou Europe Fund, we will not charge the full management fee of 1.15% to the end of 2006. We will charge a fee only to cover the trailer fees paid to dealers and financial planners (0.15%).

Other matters

Quebec: The Chou Funds are now open to Quebec residents.

Fee Based (“F”) Class shares: Due to consistent requests from financial planners and dealers, we have introduced a new class of shares called F class shares. In this class the dealers will not receive any trailer fees but they can charge any fee with the consent of their client.

Foreign Currency Hedging: Chou Associates Fund has hedged \$US 60 million of its U.S. assets.

\$US Dollar Valuation: Any investor who requests to purchase the Chou Funds in \$US will now be able to do so.

Redemption fee: 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 possible short-term performance.

As of April 7, 2006, the NAV of the Fund was \$84.89 and the cash position was 33.4% of assets. The Fund is up 8.5% from the beginning of the year.

Except for the performance numbers of the Chou Associates 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 or implied herein may not be suitable for all investors.

Yours truly,

Francis Chou

Francis Chou

Fund Manager



2800 – 14th Avenue, Suite 406
Markham ON L3R 0E4
(905) 479-1300 Toronto Line: (416) 495-1755
Fax: (416) 495-1838 E-mail: bh@burnshubley.com

AUDITORS' REPORT

To the Trustee and the Unitholders of
Chou Associates Fund
Chou Asia Fund
Chou Europe Fund
Chou Bond 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, 2005 and 2004, the statements of operations and changes in net assets for the years then ended (except Chou Bond Fund which was as at December 31, 2005 and for the period from August 10, 2005 to December 31, 2005) and the statements of investments at December 31, 2005. 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, 2005 and 2004, 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, 2005, in accordance with Canadian generally accepted accounting principles.

Burns Hubley LLP

Chartered Accountants

Markham, Ontario
February 28, 2006

CHOU ASSOCIATES FUND
STATEMENT OF NET ASSETS
AS AT DECEMBER 31, 2005

	2005	2004
ASSETS		
Cash and treasury bills	\$ 83,143,768	\$ 39,374,632
Accrued interest and dividend income	1,312,936	260,590
Receivable for units subscribed	933,498	291,087
Unrealized gain on foreign exchange forward contracts	4,955,920	-
Investments at market value (average cost \$210,684,511; 2004 - \$107,702,260)	<u>256,431,773</u>	<u>128,762,717</u>
	<u>346,777,895</u>	<u>168,689,026</u>
LIABILITIES		
Accrued expenses	568,652	322,863
Payable for units redeemed	37,141	53,815
Covered call options at market value (average cost - \$ Nil; 2004 - \$ Nil)	<u>342,532</u>	<u>1,601,394</u>
	<u>948,325</u>	<u>1,978,072</u>
NET ASSETS AT MARKET VALUE	<u>\$ 345,829,570</u>	<u>\$ 166,710,954</u>
NET ASSETS AT MARKET VALUE, BY CLASS		
Class A	\$ 342,333,898	\$ 166,710,954
Class F	<u>3,495,672</u>	<u>-</u>
	<u>\$ 345,829,570</u>	<u>\$ 166,710,954</u>
NUMBER OF UNITS OUTSTANDING (Note 3)		
Class A	4,376,444	2,380,689
Class F	44,689	-
NET ASSET VALUE PER UNIT		
Canadian dollars		
Class A	\$ 78.22	\$ 70.03
Class F	\$ 78.22	n/a
U.S. dollars		
Class A	\$ 67.09	n/a
Class F	\$ 67.09	n/a

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

Francis Chou

Tracy Chou

CHOU ASSOCIATES FUND
STATEMENT OF OPERATIONS
AS AT DECEMBER 31, 2005

	2005	2004
INCOME		
Interest	\$ 5,954,109	\$ 1,761,664
Dividends	5,622,462	1,350,781
	<u>11,576,571</u>	<u>3,112,445</u>
EXPENSES		
Management fees (Note 5)	4,302,532	2,300,475
Foreign withholding taxes	863,841	198,595
Custodian fees	292,600	175,870
Filing fees	34,617	17,233
FundSERV fees	22,259	21,780
Audit	16,585	12,259
Legal	14,150	7,700
	<u>5,546,584</u>	<u>2,733,912</u>
NET INVESTMENT INCOME FOR THE YEAR	<u>6,029,987</u>	<u>378,533</u>
NET REALIZED AND UNREALIZED GAIN (LOSS)		
Net realized gain (loss) on sale of investments	(3,488,842)	4,267,233
Increase in unrealized appreciation in value of investments	24,686,806	10,089,179
Unrealized gain on foreign exchange forward contracts	4,955,920	-
Decrease (increase) in covered call options	1,258,861	(1,599,773)
	<u>27,412,745</u>	<u>12,756,639</u>
INCREASE IN NET ASSETS FROM OPERATIONS	<u>\$ 33,442,732</u>	<u>\$ 13,135,172</u>
INCREASE IN NET ASSETS FROM OPERATIONS		
Class A	\$ 33,343,393	\$ 13,135,172
Class F	99,339	-
	<u>\$ 33,442,732</u>	<u>\$ 13,135,172</u>
INCREASE IN NET ASSETS FROM OPERATIONS, PER UNIT		
Class A	\$ 7.62	\$ 5.52
Class F	\$ 2.22	\$ -

CHOU ASSOCIATES FUND
STATEMENT OF CHANGES IN NET ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2005

	2005	2004
CLASS A		
NET ASSETS , beginning of the year	\$ 166,710,954	\$ 122,773,166
Increase in net assets from operations	33,343,393	13,135,172
Proceeds from issue of units	155,315,502	41,420,122
Payments on redemption of units	(12,862,223)	(10,583,415)
Distribution of income to unitholders		
Investment income	(5,967,990)	(378,533)
Capital gains	-	(3,042,144)
Reinvested distributions	5,794,262	3,386,586
NET ASSETS , end of the year	342,333,898	166,710,954
CLASS F		
NET ASSETS , beginning of the year	-	-
Increase in net assets from operations	99,339	-
Proceeds from issue of units	3,396,722	-
Distribution of income to unitholders		
Investment income	(61,997)	-
Reinvested distributions	61,608	-
NET ASSETS , end of the year	3,495,672	-
TOTAL NET ASSETS , end of year	\$ 345,829,570	\$ 166,710,954

CHOU ASSOCIATES FUND
STATEMENT OF INVESTMENTS
AS AT DECEMBER 31, 2005

	No. of Shares or Par Value	Average Cost	Market Value
SHARES*			
Berkshire Hathaway Inc., Class A	210	\$ 21,727,432	\$ 21,697,796
Blue Ocean Reinsurance Holdings Ltd.	65,000	7,566,650	7,578,407
Boskalis Westminster NV	360,367	11,590,142	27,967,224
BT Group PLC	1,850,000	7,655,743	8,228,812
Cardinal Health Inc.	67,000	3,659,907	5,370,468
Criimi Mae Inc., REITS	396,479	3,463,901	9,152,716
DirecTV Group Inc.	450,000	7,134,580	7,408,185
Flagstone Reinsurance Holdings	150,000	17,535,000	17,488,632
GB Holdings Inc.	258,000	973,904	195,523
Global Crossing Ltd.	371,854	8,203,943	6,949,772
Interstate Bakeries Corp.	383,500	2,308,230	3,331,089
King Pharmaceuticals Inc.	1,190,000	14,588,878	23,475,341
MCI Inc.	549,761	12,057,374	12,646,362
North Fork Bancorporation	108,750	3,162,477	3,469,045
Olympus Reinsurance Holdings Ltd.	297,800	6,402,976	6,412,925
Sears Holdings Corp.	133,700	4,101,890	18,009,049
Utah Medical Products Inc.	79,230	1,831,102	2,951,380
UTStarcom Inc.	1,050,000	7,528,654	9,867,086
XO Communications Inc.	3,407,554	14,999,433	7,230,673
		<u>156,492,216</u>	<u>199,430,485</u>
BONDS			
Global Crossing (UK), 10.75%, Dec. 15, 2014	16,660,000	18,976,677	17,870,118
Level 3 Comm., 6.0% convert, March 15, 2010	15,750,000	10,689,324	11,568,730
Level 3 Comm., 6.0% convert, Sep. 15, 2009	13,523,000	8,601,386	10,248,280
Level 3 Comm., 12.875%, March 15, 2010	8,398,000	8,521,211	8,665,303
UTStarcom, 0.875% convert, March 1, 2008	9,130,000	7,403,697	8,648,857
		<u>54,192,295</u>	<u>57,001,288</u>
TOTAL		<u>\$ 210,684,511</u>	<u>\$ 256,431,773</u>

* Common Shares Unless Indicated Otherwise.

CHOU ASSOCIATES FUND
SCHEDULE OF DERIVATIVES
AS AT DECEMBER 31, 2005

OPTIONS

	Number	Maturity	Unrealized Loss
Sears Holding Corp., \$110 covered call option	310	Jan 2006	\$ (271,074)
Sears Holding Corp., \$120 covered call option	200	Jan 2006	(37,309)
Sears Holding Corp., \$125 covered call option	250	Jan 2006	(16,031)
Sears Holding Corp., \$130 covered call option	300	Jan 2006	(6,995)
Sears Holding Corp., \$155 covered call option	200	Jan 2006	(1,166)
King Pharmaceuticals, \$17.50 covered call option	427	Jan 2006	<u>(9,957)</u>
			<u>\$ (342,532)</u>

FOREIGN CURRENCY FORWARD CONTRACTS

Amount sold USD	Amount bought CDN	Maturity	Contract Cost	Market Value	Unrealized Gain
\$ 40,192,926	\$ 50,000,000	May 3, 2006	50,000,000	\$ 46,843,567	\$ 3,156,433
<u>20,000,000</u>	<u>25,112,000</u>	May 30, 2006	25,112,000	<u>23,312,513</u>	<u>1,799,487</u>
\$ 60,192,926	\$ 75,112,000			\$ 70,156,080	\$ 4,955,920

CHOU ASIA FUND

April 7, 2006

Dear Unitholders of Chou Asia Fund,

After the distribution of \$0.28, the net asset value (“NAVPU” or “NAV”) of Chou Asia Fund at December 31, 2005 was \$12.67 compared to \$12.10 at December 31, 2004, an increase of 7.0%. The table below shows our results against the MSCI AC Asia Pacific Index (Morgan Stanley Capital International All Country).

December 31, 2005	2005	2004	2003*
Chou Asia Fund	7.0%	18.5%	2.8%
MSCI AC Asia Pacific (Total Return) (\$ Cdn)	19.5%	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 54% of assets. We encourage you to read the letter in Chou Associates Fund. It covers issues that should be of interest to you.

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 possible 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 7, 2006, the NAV of the Fund was \$13.70 and the cash position was 43.1% of assets. The Fund is up 8.2% from the beginning of the year.

Yours truly,

Francis Chou

Francis Chou

CHOU ASIA FUND
STATEMENT OF NET ASSETS
AS AT DECEMBER 31, 2005

	2005	2004
ASSETS		
Cash and treasury bills	\$ 15,534,646	\$ 9,193,724
Accrued interest and dividend income	19,582	12,522
Receivable for units subscribed	43,504	96,386
Investments at market value (average cost \$14,636,285; 2004 - \$5,812,688)	<u>16,826,545</u>	<u>7,227,573</u>
	<u>32,424,277</u>	<u>16,530,205</u>
LIABILITIES		
Accrued expenses	54,983	16,142
Payable for units redeemed	64,324	-
Covered call options at market value (average cost - \$ Nil; 2004 - \$ Nil)	122,420	193,417
	<u>241,727</u>	<u>209,559</u>
NET ASSETS AT MARKET VALUE	\$ 32,182,550	\$ 16,320,646
NET ASSETS AT MARKET VALUE, BY CLASS		
Class A	\$ 32,042,452	\$ 16,320,646
Class F	<u>140,098</u>	<u>-</u>
	\$ 32,182,550	\$ 16,320,646
NUMBER OF UNITS OUTSTANDING (Note 3)		
Class A	2,528,888	1,348,857
Class F	<u>11,057</u>	<u>-</u>
NET ASSET VALUE PER UNIT		
Canadian dollars		
Class A	\$ 12.67	\$ 12.10
Class F	\$ 12.67	n/a
U.S. dollars		
Class A	\$ 10.87	n/a
Class F	\$ 10.87	n/a

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

Francis Chou

Tracy Chou

CHOU ASIA FUND
STATEMENT OF OPERATIONS
AS AT DECEMBER 31, 2005

	2005	2004
INCOME		
Interest	\$ 612,021	\$ 136,478
Dividends	518,610	31,581
	<u>1,130,631</u>	<u>168,059</u>
EXPENSES		
Management fees (Note 5)	419,986	55,314
Foreign withholding taxes	67,941	7,100
Custodian fees	29,296	18,966
Audit	5,510	1,889
Filing fees	4,100	2,643
FundSERV fees	2,630	803
Legal	2,369	1,118
	<u>531,832</u>	<u>87,833</u>
NET INVESTMENT INCOME FOR THE YEAR	<u>598,799</u>	<u>80,226</u>
NET REALIZED AND UNREALIZED GAIN		
Net realized gain on sale of investments	377,561	84,766
Increase in unrealized appreciation in value of investments	775,376	1,436,165
Decrease (increase) in covered call options	70,996	(193,417)
	<u>1,223,933</u>	<u>1,327,514</u>
INCREASE IN NET ASSETS FROM OPERATIONS	<u>\$ 1,822,732</u>	<u>\$ 1,407,740</u>
INCREASE IN NET ASSETS FROM OPERATIONS		
Class A	\$ 1,818,159	\$ 1,407,740
Class F	4,573	-
	<u>\$ 1,822,732</u>	<u>\$ 1,407,740</u>
INCREASE IN NET ASSETS FROM OPERATIONS, PER UNIT		
Class A	\$ 0.72	\$ 1.04
Class F	\$ 0.41	\$ -

CHOU ASIA FUND
STATEMENT OF CHANGES IN NET ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2005

	2005	2004
CLASS A		
NET ASSETS , beginning of the year	\$ 16,320,646	\$ 4,584,352
Increase in net assets from operations	1,818,159	1,407,740
Proceeds from issue of units	18,606,881	11,105,688
Payments on redemption of units	(4,694,604)	(775,994)
Distribution of income to unitholders		
Investment income	(596,890)	(80,226)
Capital gains	(87,296)	(31,766)
Reinvested distributions	<u>675,556</u>	<u>110,852</u>
NET ASSETS , end of the year	<u>32,042,452</u>	<u>16,320,646</u>
CLASS F		
NET ASSETS , beginning of the year	-	-
Increase in net assets from operations	4,573	-
Proceeds from issue of units	135,525	-
Distribution of income to unitholders		
Investment income	(1,909)	-
Capital gains	(265)	-
Reinvested distributions	<u>2,174</u>	<u>-</u>
NET ASSETS , end of the year	<u>140,098</u>	<u>-</u>
TOTAL NET ASSETS , end of year	<u>\$ 32,182,550</u>	<u>\$ 16,320,646</u>

CHOU ASIA FUND
STATEMENT OF INVESTMENTS
AS AT DECEMBER 31, 2005

	No. of Shares or Par Value	Average Cost	Market Value
SHARES*			
Flagstone Reinsurance Holdings	14,400	\$ 1,683,360	\$ 1,678,909
Fuji Television	100	295,254	293,615
Glacier Ventures International Corp.	815,000	2,181,000	2,591,700
Hanfeng Evergreen	1,287,500	3,064,900	3,257,375
Hanfeng Evergreen warrants	543,750	-	16,312
MCI Inc.	60,160	1,509,080	1,383,883
Metro One Telecommunications	350,000	665,000	146,905
Nippon Television Network	3,110	549,841	557,416
Sears Holding Corp.	14,000	447,495	1,885,764
The Seiyu	159,000	599,697	528,150
Takefuji Corporation	17,400	1,353,349	1,377,853
UTStarcom Inc.	230,000	1,528,113	2,161,362
		<u>13,877,089</u>	<u>15,879,244</u>
BONDS			
UTStarcom, 0.875% convert., March 1, 2008	1,000,000	759,196	947,301
TOTAL		<u>\$ 14,636,285</u>	<u>\$ 16,826,545</u>

* Common Shares Unless Indicated Otherwise.

CHOU ASIA FUND
SCHEDULE OF DERIVATIVES
AS AT DECEMBER 31, 2005

	Number	Maturity	Unrealized Loss
Sears Holding Corp., \$110 covered call option	140	Jan 2006	\$ (122,420)

CHOU EUROPE FUND

April 7, 2006

Dear Unitholders of Chou Europe Fund,

After the distribution of \$0.23, the net asset value (“NAVPU” or “NAV”) of Chou Europe Fund at December 31, 2005 was \$12.95 compared to \$11.83 at December 31, 2004, an increase of 11.4%. The table below shows our results against the MSCI AC Europe Index (Morgan Stanley Capital International All Country).

December 31, 2005	2005	2004	2003*
Chou Europe Fund	11.4%	13.6%	4.6%
MSCI AC Europe (Total Return)(\$ Cdn)	7.2%	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

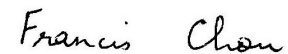
It is too early to comment on Europe. We are finding that bargains are hard to come by in Europe, however we are happy with the results we have achieved so far in spite of the high average month-end cash position of 49.0% of assets. We encourage you to read the letter in Chou Associates Fund. It covers issues that should be of interest to you.

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 possible 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 7, 2006, the NAV of the Fund was \$13.54 and the cash position was 49.6% of assets. The Fund is up 4.6% from the beginning of the year.

Yours truly,



Francis Chou

CHOU EUROPE FUND
STATEMENT OF NET ASSETS
AS AT DECEMBER 31, 2005

	2005	2004
ASSETS		
Cash and treasury bills	\$ 5,799,603	\$ 1,982,246
Accrued interest and dividend income	324,563	23,785
Receivable for units subscribed	20,000	-
Investments at market value (average cost \$5,694,141; 2004 - \$1,835,073)	<u>6,686,540</u>	<u>2,548,236</u>
	<u>12,830,706</u>	<u>4,554,267</u>
LIABILITIES		
Accrued expenses	22,108	4,223
Covered call options at market value (average cost - \$ Nil; 2004 - \$ Nil)	<u>43,722</u>	<u>69,077</u>
	<u>65,830</u>	<u>73,300</u>
NET ASSETS AT MARKET VALUE	\$ 12,764,876	\$ 4,480,967
NET ASSETS AT MARKET VALUE, BY CLASS		
Class A	\$ 12,702,271	\$ 4,480,967
Class F	<u>62,605</u>	<u>-</u>
	<u>\$ 12,764,876</u>	<u>\$ 4,480,967</u>
NUMBER OF UNITS OUTSTANDING (Note 3)		
Class A	980,743	378,650
Class F	4,833	-
NET ASSET VALUE PER UNIT		
Canadian dollars		
Class A	\$ 12.95	\$ 11.83
Class F	\$ 12.95	n/a
U.S. dollars		
Class A	\$ 11.11	n/a
Class F	\$ 11.11	n/a

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

Francis Chou

Tracy Chou

CHOU EUROPE FUND
STATEMENT OF OPERATIONS
AS AT DECEMBER 31, 2005

	2005	2004
INCOME		
Interest	\$ 247,351	\$ 36,840
Dividends	156,159	10,965
	<u>403,510</u>	<u>47,805</u>
EXPENSES		
Management fees (Note 5)	143,243	16,906
Foreign withholding taxes	21,632	2,037
Custodian fees	11,237	5,972
Audit	5,510	1,862
Filing fees	1,720	1,995
FundSERV fees	1,348	360
Legal	1,000	500
	<u>185,690</u>	<u>29,632</u>
NET INVESTMENT INCOME FOR THE YEAR	<u>217,820</u>	<u>18,173</u>
NET REALIZED AND UNREALIZED GAIN		
Net realized gain on sale of investments	324,998	(234,846)
Increase in unrealized appreciation in value of investments	279,237	701,728
Decrease (increase) in covered call options	25,355	(69,077)
	<u>629,590</u>	<u>397,805</u>
INCREASE IN NET ASSETS FROM OPERATIONS	<u>\$ 847,410</u>	<u>\$ 415,978</u>
INCREASE IN NET ASSETS FROM OPERATIONS		
Class A	\$ 844,801	\$ 415,978
Class F	2,609	-
	<u>\$ 847,410</u>	<u>\$ 415,978</u>
INCREASE IN NET ASSETS FROM OPERATIONS, PER UNIT		
Class A	\$ 0.86	\$ 1.10
Class F	\$ 0.54	\$ -

CHOU EUROPE FUND
STATEMENT OF CHANGES IN NET ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2005

	2005	2004
CLASS A		
NET ASSETS, beginning of the year	\$ 4,480,967	\$ 1,736,103
Increase in net assets from operations	844,801	415,978
Proceeds from issue of units	8,665,414	2,671,136
Payments on redemption of units	(1,284,798)	(342,164)
Distribution of income to unitholders		
Investment income	(216,855)	(18,173)
Reinvested distributions	212,742	18,087
NET ASSETS, end of the year	12,702,271	4,480,967
CLASS F		
NET ASSETS, beginning of the year	-	-
Increase in net assets from operations	2,609	-
Proceeds from issue of units	69,968	-
Payments on redemption of units	(9,972)	-
Distribution of income to unitholders		
Investment income	(965)	-
Reinvested distributions	965	-
NET ASSETS, end of the year	62,605	-
TOTAL NET ASSETS, end of year	\$ 12,764,876	\$ 4,480,967

CHOU EUROPE FUND
STATEMENT OF INVESTMENTS
AS AT DECEMBER 31, 2005

	No. of Shares or Par Value	Average Cost	Market Value
SHARES*			
Boskalis Westminster NV	4,800	\$ 149,734	\$ 372,517
Clinton Cards PLC	400,000	538,695	532,559
Flagstone Reinsurance Holdings	5,600	654,640	652,909
Glacier Ventures International Corp.	462,328	1,123,820	1,470,203
Sears Holding Corp.	5,000	160,240	673,487
Natuzzi S.p.A.	22,000	287,980	179,550
Talk America Holdings	35,197	264,502	354,145
Ultraframe PLC	200,000	255,941	102,184
		<u>3,435,552</u>	<u>4,337,554</u>
BONDS			
Global Crossing (UK), 11.75%, Dec., 2014	180,000	420,378	335,404
Level 3 Comm., 6.0% convert, Sep., 2009	1,737,000	1,155,876	1,316,369
Global Crossing (UK), 10.75%, Dec., 2014	650,000	682,335	697,213
		<u>2,258,589</u>	<u>2,348,986</u>
TOTAL		<u>\$ 5,694,141</u>	<u>\$ 6,686,540</u>

* Common Shares Unless Indicated Otherwise.

CHOU EUROPE FUND
SCHEDULE OF DERIVATIVES
AS AT DECEMBER 31, 2005

	Number	Maturity	Unrealized Loss
Sears Holding Corp., \$110 covered call option	50	Jan 2006	\$ (43,722)

CHOU BOND FUND

April 7, 2006

Dear Unitholders of Chou Bond Fund,

After the distribution of \$0.05, the net asset value (“NAVPU” or “NAV”) of Chou Bond Fund at December 31, 2005 was \$10.34 compared to \$10.00 at September 16, 2005, an increase of 3.9%.

Chou Bond Fund was opened to investors on September 16, 2005. The minimum initial investment is \$10,000, as with the other Chou Funds. The Fund has done quite well from inception to date (2006 year-to-date return of 11.9%) but investors should keep that performance in perspective. Be aware of the risks involved including that of the Manager who does not have a long history of investing heavily in that area. Caveat emptor!! Having said that, we feel optimistic that if we apply the same value principles we have used in the past in investing in equities, we have the potential to do reasonably well in the future.

As with the launch of the Chou Asia Fund and Chou Europe Fund, we will not charge the full management fee of 1.15% to the end of 2006. We will charge a fee only to cover the trailer fees paid to dealers and financial planners (0.15%).

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 possible 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 7, 2006, the NAV of the Fund was \$11.57 and the cash position was 54% of assets. The Fund is up 11.9% from the beginning of the year.

Yours truly,

Francis Chou

Francis Chou

CHOU BOND FUND
STATEMENT OF NET ASSETS
AS AT DECEMBER 31, 2005

ASSETS	
Cash and treasury bills	\$ 1,951,010
Receivable for units subscribed	63,500
Accrued interest income	7,989
Investments at market value (average cost \$860,680)	<u>934,987</u>
	2,957,486

LIABILITIES	
Accrued expenses	<u>1,758</u>

NET ASSETS AT MARKET VALUE	\$ 2,955,728
-----------------------------------	---------------------

**NET ASSETS AT MARKET VALUE,
BY CLASS**

Class A	\$ 2,933,119
Class F	<u>22,609</u>
	\$ 2,955,728

NUMBER OF UNITS OUTSTANDING

(Note 3)

Class A	283,682
Class F	<u>2,186</u>

NET ASSET VALUE PER UNIT

Canadian dollars

Class A	\$ 10.34
Class F	\$ 10.34

U.S. dollars

Class A	\$ 8.87
Class F	<u>\$ 8.87</u>

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

Francis Chou

Tracy Chou

CHOU BOND FUND
STATEMENT OF OPERATIONS
FOR THE PERIOD FROM AUGUST 10, 2005 TO DECEMBER 31, 2005

INVESTMENT INCOME	
Interest	\$ 16,622
 EXPENSES	
Custodian fees	1,000
Audit	749
Management fees (Note 5)	603
Filing fees	500
	2,852
NET INVESTMENT INCOME FOR THE PERIOD	13,770
 UNREALIZED APPRECIATION IN VALUE OF INVESTMENTS	 74,307
INCREASE IN NET ASSETS FROM OPERATIONS	\$ 88,077
 INCREASE IN NET ASSETS FROM OPERATIONS	
Class A	\$ 87,216
Class F	861
	\$ 88,077
 INCREASE IN NET ASSETS FROM OPERATIONS, PER UNIT	
Class A	\$ 0.31
Class F	\$ 0.39

CHOU BOND FUND
STATEMENT OF CHANGES IN NET ASSETS
FOR THE PERIOD FROM AUGUST 10, 2005 TO DECEMBER 31, 2005

CLASS A	
NET ASSETS, beginning of the period	\$ -
Increase in net assets from operations	87,216
Proceeds from issue of units	2,845,903
Distribution of income to unitholders	
Investment income	(13,657)
Reinvested distributions	13,657
NET ASSETS, end of the period	<u>2,933,119</u>
CLASS F	
NET ASSETS, beginning of the period	-
Increase in net assets from operations	861
Proceeds from issue of units	21,748
Distribution of income to unitholders	
Investment income	(113)
Reinvested distributions	113
NET ASSETS, end of the period	<u>22,609</u>
TOTAL NET ASSETS, end of the period	<u><u>\$ 2,955,728</u></u>

CHOU BOND FUND
STATEMENT OF INVESTMENTS
AS AT DECEMBER 31, 2005

	No. of Units or Par Value	Average Cost	Market Value
SHARES			
Arriscraft International, Income Fund Trust Units	6,600	\$ 23,215	\$ 39,864
Menu Foods, Income Fund Trust Units	39,300	129,649	141,480
		<u>152,864</u>	<u>181,344</u>
BONDS			
Allegiance Telecom Inc., 12.875%, May 15, 2008	2,425,000	226,417	226,187
Global Crossing (UK), 10.75%, Dec., 2014	190,000	199,872	203,800
Level 3 Comm. Finance, 10.75%, Oct., 2011	20,000	19,226	20,520
Level 3 Comm., 6.0% convert, Sep., 2009	150,000	91,673	113,676
UTStarcom, 0.875% convert, March 1, 2008	200,000	170,628	189,460
		<u>707,816</u>	<u>753,643</u>
TOTAL		<u><u>\$ 860,680</u></u>	<u><u>\$ 934,987</u></u>

CHOU RRSP FUND

April 7, 2006

Dear Unitholders of Chou RRSP Fund,

After the distribution of \$1.03, the net asset value (“NAVPU” or “NAV”) of Chou RRSP Fund at December 31, 2005 was \$31.73 compared to \$28.31 at December 31, 2004, an increase of 15.7%, while the S&P TSX Total Return Index returned 24.2%.

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

December 31, 2005	Past Year	Past 3 Years	Past 5 Years	Past 10 Years	Past 15 Years
Chou RRSP Fund(\$Cdn)	15.7%	13.5%	17.7%	18.3%	14.4%
S&P TSX (\$Cdn)	24.2%	21.7%	6.6%	11.0%	10.7%

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

Factors influencing the 2005 results

Major contributors to the Fund’s performance were Boskalis Westminster, Consolidated Tomoka, and GSW. We suffered declines in OCA Inc., Liquidation World and Westcast.

Our average month-end cash balance of 26% 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.

General comments on the market

We continue to have problems finding compelling bargains in the market. Although in the past we voiced deep reservations about the overvaluations in the market, the Fund has done reasonably well over the past 5, 10 and 15 years as we were able to find a few bargains each year. Nonetheless, we remain quite concerned about the overvaluations and the potential negative impact on the Fund.

Lately, we have been looking at stocks in the Pulp & Paper Industry. It is a highly cyclical industry and its operations have been negatively impacted by the strong Canadian dollar. Our experience has shown that unless stocks like these are bought dirt cheap, you risk being beaten to a pulp and the stocks will not be worth the paper they are written on.

No single factor is paramount when assessing a company

When hunting for a bargain, there are many factors that merit consideration. Some are macroeconomic, such as the magnitude and trend of trade deficits, interest rates and currencies. Some are company specific, such as fundamental valuations and significant insiders’ ownership, to name a few. While each factor is important, placing undue emphasis on any single one can skew one’s judgment and lead to significant errors in decision making.

By being aware of our individual biases and how we give different weights to various factors, we can significantly reduce, though not eliminate, the misjudgment that can occur when evaluating a stock.

A case in point pertains to a stock we held in 2005. The company had high cash holdings and its management had significant stock ownership. Accordingly, we felt that management would act rationally and strive to maximize shareholder value. We gave undue weight to this factor and not enough to compelling evidence suggesting that, historically, management had not managed the business for the benefit of shareholders. In fact, they suffered from a syndrome that is popularly known as the bladder problem, ‘The more cash one holds, the greater the pressure to piss it away.’

Admit mistakes early, make corrections, then move on

We are fortunate that the Fund has had a satisfactory long-term track record despite some hiccups over the years. In instances, such as the one just mentioned, we are getting better, and faster, at realizing that an error has been made, especially considering that once a decision is made to purchase a stock it can take 3-5 times more evidence to admit that one has not made the best decision. The proper thing to do is to admit the mistake early on and avoid any temptation to justify or rationalize the decision along the way. After that, make the necessary correction and move on. When faced with overwhelming evidence, ignore the tempting retort, “Please, don’t confuse me with the facts!”

Over the years I have learned to hold off purchasing a stock until I have assessed the company thoroughly. Only then is it wise to go to the decision making stage. My advice is to stay in the assessment stage as long as possible.

Lastly, it is ironic that decision making pitfalls in the stock market often involve stocks that appear to have the best long term prospects and which give you the feeling that you should buy them for your old age. As it turns out, those feelings can get confirmed fairly quickly. A year later I would feel very, very old.

Small capitalization (“cap”) stocks are too small to make an impact on the Fund

The assets in the Fund have now increased to over \$300 million. As such, it does not make sense to hold small cap stocks as they, because of their small weighting, do not affect the portfolio materially even if one of them doubles. Therefore, we have started the process of disposing of them although they may be somewhat undervalued. We have found that selling them into the market is not as easy as it sounds. One needs to wait patiently for a buyer and often times the price needs to be discounted by 15%-20% before a buyer will even bite. And this is in a benign environment!

Generally, we do not sell securities between the Chou Funds. But occasionally we sell a small cap stock to either Chou Asia Fund, Chou Europe Fund or Chou Bond Fund if it makes sense to do so for both parties at the prevailing market price.

Management Expense Ratio (MER) is as low as it is going to be

The Chou RRSP Fund pays a 1.5% management fee plus other expenses such as custodial, recordkeeping, legal, audit, regulatory fees and filing fees, to name a few. As the assets of the Fund have grown, the MER has trended down from 2.26% in 1998 to 1.75% in 2005.

The average MER for a fund in the Canadian equity category is approximately 2.84%.

We believe the MER for the Fund is as low as it can be. As all funds face greater regulatory scrutiny and increased requirements found in National Instrument (“NI”) 81-106 and possibly NI 81-107 in the future, the cost of running the Fund will increase and result in a higher MER. We hope to keep it below 2% which is still well below the industry average of approximately 2.84%, but if the Sarbanes-Oxley Act in the U.S. is any indication (complying with the Act will cost businesses listed on U.S. stock exchanges an estimated \$28 billion in 2007), the costs will escalate as we move forward. At some point, the regulators will have to assess whether the costs borne by the unitholders, as well as the management time and human resources required by fund companies to meet the compliance requirements, are worth the debatable intended benefits.

What may also be affected are the style and manner in which letters to the unitholders are written. We believe that our investors would like to hear from their portfolio manager in a straightforward and forthright manner on how he or she is looking at the investment landscape rather than have the letter drastically rewritten by public relations or legal counsel.

Other matters

Quebec: The Chou Funds are now open to Quebec residents.

Fee Based (“F”) Class shares: Due to consistent requests from financial planners and dealers, we have introduced a new class of shares called F class shares. In this class the dealers will not receive any trailer fees but they can charge any fee with the consent of their client.

Foreign Currency Hedging: Chou RRSP Fund has hedged \$US 20 million of its U.S. assets.

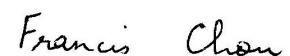
\$US Dollar Valuation: Any investor who requests to purchase the Chou Funds in \$US will now be able to do so.

Redemption fee: 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 possible short-term performance.

As of April 7, 2006, the NAV of the Fund was \$33.27 and the cash position was 23.1% of assets. The Fund is up 4.9% from the beginning of the year.

Except for the performance numbers of the Chou RRSP 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 or implied herein may not be suitable for all investors.

Yours truly,



Francis Chou

CHOU RRSP FUND
STATEMENT OF NET ASSETS
AS AT DECEMBER 31, 2005

	2005	2004
ASSETS		
Cash and treasury bills	\$ 53,871,227	\$ 54,974,265
Accrued interest and dividend income	1,046,650	278,552
Receivable for units subscribed	285,662	588,413
Unrealized gain on foreign exchange forward contract	1,799,487	-
Investments at market value (average cost - \$198,417,544; 2004 - \$97,142,004)	242,405,583	116,743,425
	<u>299,408,609</u>	<u>172,584,655</u>
LIABILITIES		
Accrued expenses	494,595	496,163
Payable for units redeemed	151,135	54,278
	<u>645,730</u>	<u>550,441</u>
NET ASSETS AT MARKET VALUE	<u>\$298,762,879</u>	<u>\$172,034,214</u>
NET ASSETS AT MARKET VALUE, BY CLASS		
Class A	\$294,865,823	\$172,034,214
Class F	3,897,056	-
	<u>\$298,762,879</u>	<u>\$172,034,214</u>
NUMBER OF UNITS OUTSTANDING (Note 3)		
Class A	9,293,546	6,075,893
Class F	122,827	-
NET ASSET VALUE PER UNIT		
Canadian dollars		
Class A	\$ 31.73	\$ 28.31
Class F	\$ 31.73	n/a
U.S. dollars		
Class A	\$ 27.22	n/a
Class F	\$ 27.22	n/a

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

Francis Chou

Troy Chou

CHOU RRSP FUND
STATEMENT OF OPERATIONS
AS AT DECEMBER 31, 2005

	2005	2004
INCOME		
Interest	\$ 3,451,930	\$ 1,383,572
Dividends	7,087,397	1,712,539
	<u>10,539,327</u>	<u>3,096,111</u>
EXPENSES		
Management fees (Note 5)	3,964,230	2,086,951
Foreign withholding taxes	753,453	141,638
Custodian fees	285,600	167,096
Filing fees	31,000	28,272
FundSERV fees	21,790	18,816
Audit	17,087	13,160
Legal	16,100	10,536
	<u>5,089,260</u>	<u>2,466,469</u>
NET INVESTMENT INCOME FOR THE YEAR	<u>5,450,067</u>	<u>629,642</u>
NET REALIZED AND UNREALIZED GAIN		
Net realized gain (loss) on sale of investments	5,071,563	1,992,441
Increase in unrealized appreciation in value of investments	24,386,617	13,638,823
Unrealized gain on foreign exchange forward contracts	1,799,487	-
	<u>31,257,667</u>	<u>15,631,264</u>
INCREASE IN NET ASSETS FROM OPERATIONS	<u>\$ 36,707,734</u>	<u>\$ 16,260,906</u>
INCREASE IN NET ASSETS FROM OPERATIONS		
Class A	\$ 36,588,005	\$ 16,260,906
Class F	119,729	-
	<u>\$ 36,707,734</u>	<u>\$ 16,260,906</u>
INCREASE IN NET ASSETS FROM OPERATIONS, PER UNIT		
Class A	\$ 3.94	\$ 2.68
Class F	\$ 0.97	\$ -

CHOU RRSP FUND
STATEMENT OF CHANGES IN NET ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2005

	2005	2004
CLASS A		
NET ASSETS , beginning of the year	\$ 172,034,214	\$ 86,041,657
Increase in net assets from operations	36,588,005	16,260,906
Proceeds from issue of units	106,352,368	76,919,731
Payments on redemption of units	(20,002,882)	(7,161,013)
Distribution of income to unitholders		
Investment income	(5,375,247)	(629,642)
Capital gains	(3,910,223)	(1,180,441)
Reinvested distributions	9,179,588	1,783,016
NET ASSETS , end of the year	294,865,823	172,034,214
CLASS F		
NET ASSETS , beginning of the year	-	-
Increase in net assets from operations	119,729	-
Proceeds from issue of units	3,782,157	-
Payments on redemption of units	(4,500)	-
Distribution of income to unitholders		
Investment income	(74,820)	-
Capital gains	(50,827)	-
Reinvested distributions	125,317	-
NET ASSETS , end of the year	3,897,056	-
TOTAL NET ASSETS , end of year	\$ 298,762,879	\$ 172,034,214

CHOU RRSP FUND
STATEMENT OF INVESTMENTS
AS AT DECEMBER 31, 2005

	No. of Shares or Par Value	Average Cost	Market Value
SHARES*			
Amisco Industries Ltd.	80,800	\$ 449,437	\$ 226,240
Berkshire Hathaway Inc., Class A	180	18,417,665	18,598,111
Biovail Corp.	1,014,500	19,440,987	27,929,185
Blue Ocean Reinsurance Holdings Ltd.	55,000	6,402,550	6,412,498
BMTC Group Inc., Class A	678,956	6,584,918	10,863,296
Boskalis Westminster NV	250,000	7,948,014	19,401,904
BT Group PLC	1,150,000	4,660,963	5,115,207
Caldwell Partners International Inc., Class A	143,100	274,094	248,994
Consolidated Tomoka Ltd.	23,000	1,010,455	1,901,248
Corus Entertainment Inc., Class B	96,700	2,276,339	3,017,040
Danier Leather Inc.	702,800	6,998,736	7,238,840
Flagstone Reinsurance Holdings	130,000	15,197,000	15,156,815
Fraser Papers Inc.	233,200	2,272,186	2,334,332
GSW Inc., Class A	2,600	210,520	254,800
GSW Inc., Class B	58,700	1,720,517	6,046,100
Heroux Devtek Inc.	78,900	383,867	276,150
Hollinger Inc., Retractable Common	348,448	1,506,957	871,120
Int'l Forest Products Ltd., Class A	465,400	2,177,466	3,350,880
Interstate Bakeries Corp.	420,000	2,217,531	3,648,130
Isotechnika Inc.	939,700	1,774,242	1,832,415
King Pharmaceuticals Inc.	1,000,000	10,499,384	19,727,177
Liquidation World Inc.	1,155,000	5,100,958	4,527,600
Magna International, Class A	80,000	6,318,894	6,720,000
MCI Inc.	543,280	11,761,712	12,497,277
MRRM Inc.	57,200	287,430	443,300
Olympus Reinsurance Holdings Ltd.	243,600	5,237,626	5,245,764
Rainmaker Income Fund	2,345,800	7,690,157	7,623,850
Ridley Inc.	37,800	358,599	340,200
Symetra Financial	20,000	2,673,000	2,705,608
Taiga Building Products Ltd., Stapled Units	1,272,400	6,182,210	8,423,288
Torstar Corp., Class B	685,000	15,363,300	15,165,900
Tri-White Corporation	427,500	2,379,600	3,484,125
Velan Inc.	214,200	2,549,246	2,463,300
Wecast Industries Inc., Class A	176,900	5,756,255	3,108,133
		184,082,815	227,198,827

CHOU RRSP FUND
STATEMENT OF INVESTMENTS (Continued)
AS AT DECEMBER 31, 2005

	No. of Shares or Par Value	Average Cost	Market Value
BONDS			
Level 3 Comm. Finance, 10.75%, Oct., 2011	7,670,000	7,484,717	7,869,418
Level 3 Comm., 12.875%, March, 2010	7,111,000	6,850,012	7,337,338
		<u>14,334,729</u>	<u>15,206,756</u>
TOTAL		<u>\$ 198,417,544</u>	<u>\$ 242,405,583</u>

* Common Shares Unless Indicated Otherwise.

CHOU RRSP FUND
SCHEDULE OF DERIVATIVES
AS AT DECEMBER 31, 2005

FOREIGN CURRENCY FORWARD CONTRACTS

Amount sold USD	Amount bought CDN	Maturity	Contract Cost	Market Value	Unrealized Gain
\$20,000,000	\$25,112,000	May 30, 2006	\$25,112,000	\$23,312,513	\$1,799,487

CHOU FUNDS

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2005

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 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

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. Securities not listed on any exchange are valued in the same manner as above, based upon any available public quotation in common use or at a price estimated to be the true value thereof on such basis and in such manner as may be approved by the Manager.

(b) Security transactions, investment income, expenses and distributions

Security transactions are recorded on the trade date. Realized gains and losses on security transactions are determined on an average cost basis. Interest income and expenses are recorded on an accrual basis. Dividend income and distributions to unitholders are recorded on the ex-dividend date and are gross of withholding taxes.

CHOU FUNDS

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2005

2. SIGNIFICANT ACCOUNTING POLICIES continued

(c) 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.
- (iii) The Funds do not separately report the effect of changes in foreign exchange rates from changes in market prices on securities held. Such changes are included in the change in unrealized appreciation (depreciation) in value of investments in the statement of operations.

(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 operations as “realized gain (loss) on sale of investments”.

Forward currency contracts manage exposure to foreign currency gains and losses arising from short and long-term investments denominated in foreign currencies.

CHOU FUNDS

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2005

a. **SIGNIFICANT ACCOUNTING POLICIES** continued

(e) 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.

(f) Multi-Class Funds

Where a Fund offers more than one class of units, the realized gains/losses from sale of investments, changes in unrealized appreciation (depreciation) on investments, income and expenses that are common to the Fund as a whole are allocated daily to each class based on the proportionate share of the net asset value of the class. The proportionate share of each class is determined by adding the current day's net unitholder subscriptions of the class to the prior day's net asset value of the class. Any income or expense amounts that are unique to a particular class (for example, management fees) are accounted for separately in that particular class so as to not affect the net asset value of the other classes.

(g) Valuation of Fund Units

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

CHOU FUNDS

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2005

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.

	Class A		Class F	
	2005	2004	2005	2004
CHOU ASSOCIATES FUND				
Units outstanding, beginning of the year	2,380,689	1,872,073	-	-
Add: Units issued during the year	2,095,757	620,443	43,902	-
Deduct: Units redeemed during the year	(174,068)	(160,189)	-	-
Units outstanding before income distribution	4,302,378	2,332,327	43,902	-
Add: Units issued on reinvested income	74,066	48,362	787	-
Units outstanding, end of the year	4,376,444	2,380,689	44,689	-
 CHOU ASIA FUND				
Units outstanding, beginning of the year	1,348,857	445,880	-	-
Add: Units issued during the year	1,510,336	961,754	10,885	-
Deduct: Units redeemed during the year	(383,639)	(67,935)	-	-
Units outstanding before income distribution	2,475,554	1,339,699	10,885	-
Add: Units issued on reinvested income	53,334	9,158	172	-
Units outstanding, end of the year	2,528,888	1,348,857	11,057	-
 CHOU EUROPE FUND				
Units outstanding, beginning of the year	378,650	165,995	-	-
Add: Units issued during the year	687,574	242,646	5,537	-
Deduct: Units redeemed during the year	(101,905)	(31,520)	(778)	-
Units outstanding before income distribution	964,319	377,121	4,759	-
Add: Units issued on reinvested income	16,424	1,529	74	-
Units outstanding, end of the year	980,743	378,650	4,833	-

CHOU FUNDS

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2005

3. UNITS OF THE FUND continued

	Class A		Class F	
	2005	2004	2005	2004
CHOU BOND FUND				
Units outstanding, beginning of the period	-	-	-	-
Add: Units issued during the period	282,362	-	2,175	-
Deduct: Units redeemed during the period	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Units outstanding before income distribution	282,362	-	2,175	-
Add: Units issued on reinvested income	<u>1,320</u>	<u>-</u>	<u>11</u>	<u>-</u>
Units outstanding, end of the period	<u><u>283,682</u></u>	<u><u>-</u></u>	<u><u>2,186</u></u>	<u><u>-</u></u>
CHOU RRSP FUND				
Units outstanding, beginning of the year	6,075,893	3,408,310	-	-
Add: Units issued during the year	3,592,782	2,876,664	119,019	-
Deduct: Units redeemed during the year	<u>(664,472)</u>	<u>(272,054)</u>	<u>(142)</u>	<u>-</u>
Units outstanding before income distribution	9,004,203	6,012,920	118,877	-
Add: Units issued on reinvested income	<u>289,343</u>	<u>62,973</u>	<u>3,950</u>	<u>-</u>
Units outstanding, end of the year	<u><u>9,293,546</u></u>	<u><u>6,075,893</u></u>	<u><u>122,827</u></u>	<u><u>-</u></u>

4. DUE TO RELATED PARTY

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

	2005	2004
Chou Associates Fund	\$ 463,152	\$ 222,813
Chou Asia Fund	40,669	6,543
Chou Europe Fund	17,435	1,923
Chou Bond Fund	258	-
Chou RRSP Fund	398,595	230,011

CHOU FUNDS

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2005

5. MANAGEMENT FEES AND EXPENSES

Chou Associates Management Inc. (“the Manager”) manages the Chou 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 class A units and 1.0% of the net asset value of class 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 class A units and 1.0% of the net asset value of class F units. All other expenses attributable to the Funds are also payable out of the assets of the Funds.

The amount of the investment management fee is discretionary and is subject to the limits above. The investment management fee charged to Chou Bond Fund by the Manager was less than the maximum amount permitted.

6. BROKERS’ COMMISSIONS

Total commissions paid to brokers in connection with portfolio transactions for the years ended December 31, 2005 and 2004, and the period from August 10, 2005 to December 31, 2005 for Chou Bond Fund are as follows:

	<u>2005</u>	<u>2004</u>
Chou Associates Fund	\$ 297,750	\$ 154,499
Chou Asia Fund	33,805	17,407
Chou Europe Fund	12,979	7,585
Chou Bond Fund	1,329	N/a
Chou RRSP Fund	374,137	245,877

CHOU RRSP FUND

Illustration of an Assumed Investment of \$10,000 in Canadian dollars

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
Dec.31, 2005	31,259	37,164	26,871	<u>95,294</u>

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 Associates Management Inc.

Suite 710
95 Wellington Street West
P.O. Box 27
Toronto, Ontario
M5J 2N7

Email: admin@choufunds.com
Web site: www.choufunds.com

Tel: (416) 214 0675
Toll Free: (888) 357 5070
Fax: (416) 214 1733

Recordkeeping and Custodian

Citigroup Corporate and Investment Banking
2920 Matheson Boulevard East
Mississauga, Ontario
L4W 5J4

Tel: (866) 379 3266
Fax: (866) 877 9477

Auditors

Burns Hubley *LLP*
Suite 406
2800 – 14th Avenue
Markham, Ontario
L3R 0E4

Legal Counsel

Owens, Wright *LLP*
Suite 300
20 Holly Street
Toronto, Ontario
M4S 3B1