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

ANNUAL REPORT

2007

CHOU ASSOCIATES FUND
(unaudited)

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	45,180	36,268	117,462
Dec.31, 2006	42,194	52,933	44,384	139,511
Dec.31, 2007	36,819	46,191	42,248	**125,258**

Note: Rates of return are historical total returns including changes in unit prices and assume the reinvestment of all distributions. These annual compounded returns do not take into account any sales charges, redemption fees, other optional expenses or income taxes that you have to pay and which could reduce these returns. The returns are not guaranteed. The Fund’s past performance does not necessarily indicate future performance.

CHOU FUNDS

PERFORMANCE OF THE FUNDS

December 31 (Series A units)	2007	2006	2005	2004	2003	2002	2001
Chou Associates Fund							
Total Return	-10.22%	18.77%	13.70%	9.02%	3.57%	29.99%	21.44%
Management Expense Ratio (MER)	1.70%	1.74%	1.75%	1.77%	1.86%	1.87%	2.02%
Portfolio turnover rate	16.61%	14.60%	10.00%	30.00%	33.40%	43.10%	38.90%
Net Assets, end of the year (in millions)	$ 697.1	$ 650.2	$ 345.8	$ 166.7	$ 122.7	$ 81.5	$ 15.4
Chou Asia Fund							
Total Return	16.25%	15.15%	7.00%	18.50%	2.82%		
Management Expense Ratio (MER)	1.72%	1.77%	1.76%	*0.77%	*0.49%		
Portfolio turnover rate	47.68%	35.00%	44.00%	22.09%	-		
Net Assets, end of the year (in millions)	$ 76.4	$ 43.8	$ 32.2	$ 16.3	$ 4.6		
Chou Europe Fund							
Total Return	-15.14%	10.70%	11.35%	13.61%	4.59%		
Management Expense Ratio (MER)	*1.63%	1.78%	1.84%	*0.87%	*0.40%		
Portfolio turnover rate	26.98%	36.80%	33.00%	9.55%	-		
Net Assets, end of the year (in millions)	$ 14.3	$ 17.4	$ 12.8	$ 4.5	$ 1.7		
Chou Bond Fund							
Total Return	-2.65%	22.00%					
Management Expense Ratio (MER)	1.34%	*0.40%					
Portfolio turnover rate	36.52%	5.30%					
Net Assets, end of the year (in millions)	$ 87.0	$ 36.4					
Chou RRSP Fund							
Total Return	-9.25%	9.63%	15.70%	13.36%	11.62%	31.85%	17.02%
Management Expense Ratio (MER)	*1.62%	1.74%	1.75%	1.79%	1.79%	1.83%	2.01%
Portfolio turnover rate	12.01%	24.40%	22.70%	15.40%	15.40%	33.20%	25.80%
Net Assets, end of the year (in millions)	$ 282.6	$ 333.7	$ 298.8	$ 172.0	$ 86.0	$ 15.9	$ 5.7

*Management fee after waivers and absorption

Please note that 'Net Assets' includes both Series A and Series F of the Funds.

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CHOU ASSOCIATES FUND

March 12, 2008

Dear Unitholders of Chou Associates Fund,

After the distribution of $2.31, the net asset value ("NAVPU" or "NAV") of a Series A unit of Chou Associates Fund at December 31, 2007 was $79.97 compared to $91.65 at December 31, 2006, a decrease of 10.2%, while the S&P 500 Total Return Index decreased 10.3% in Canadian dollars. In $US, a Series A unit of Chou Associates Fund returned 5.8% while the S&P 500 Total Return Index returned 5.5%.

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

December 31, 2007 (Series A unit)	**Past Year**	**Past 3 Years**	**Past 5 Years**	**Past 10 Years**	**Past 15 Years**
Chou Associates($Cdn)	-10.2%	6.6%	6.5%	10.1%	13.5%
S&P500 ($Cdn)	-10.3%	1.8%	2.8%	2.1%	8.6%
Chou Associates($US)[1]	5.8%	13.8%	16.8%	14.1%	15.4%
S&P500 ($US)	5.5%	8.6%	12.8%	5.9%	10.5%

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

Factors influencing the 2007 results

Canadian Dollar: The strength of the Canadian dollar against the U.S. dollar, the pound sterling, and the Euro had the biggest negative impact on the results of the Fund. The dramatic difference in performance results between the net asset value per unit (NAVPU) priced in Canadian dollars, versus U.S. dollars, is attributable to the fact that on December 31, 2006, one U.S. dollar was worth approximately $1.17 Canadian, whereas one year later, on December 31, 2007, one U.S. dollar was worth approximately $0.99 Cdn. Even if the price of an American security remained the same in 2007, it would have nonetheless shown a depreciation of roughly 15.1% at year end when priced in Canadian dollars. Similarly, a security denominated in the pound sterling and the Euro would have depreciated by roughly 13.5% and 6.1% respectively.

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

For the year 2007, the average monthly assets held by the Fund in non-Canadian securities was 86.6%. As such, the strength of the Canadian dollar had a significant impact on the Fund's results.

Round Trips: For the year 2007 we took more than our fair share of "round trips." Some of the undervalued stocks we bought did appreciate to close to fair value, but unfortunately we hung on for too long. In hindsight, it would have been better to sell them rather than wait for the last 5% to 10% of appreciation which would have brought them right up to fair value.

Major positive contributors to the Fund's performance were Royal Boskalis Westminster, Berkshire Hathaway and Flagstone Reinsurance Holdings. We suffered declines in Sears Holdings, King Pharmaceuticals, Biovail Corporation and XO Holdings.

Hedging Currency for the long term

We are long term investors and, in general, our bias has been to concentrate on stock selections and not worry about currency fluctuations. With years like 2007, the question arises as to whether there have been major disparities in annualized returns over the long term between a hedged portfolio and an unhedged portfolio; in other words, does one offer more advantageous performance results during currency fluctuations? Two studies, one covering the period from 1975 through 1988 and the other from 1988 through 2003, confirm that with respect to the long term there have been no material differences in returns.

The study for the period from 1975 to 1988 was conducted by Lee Thomas, and presented in a paper titled "The Performance of Currency – Hedged Foreign Equities". I first read about his findings in an article written by Tweedy Browne, a famous value investment firm in the United States. Excerpts from the Tweedy Browne article appear below.

"A study by Lee Thomas, 'The Performance of Currency – Hedged Foreign Equities', examined the performance of equities in Germany, France, Canada, the United Kingdom, Japan and Switzerland from 1975 through 1988, comparing unhedged results to hedged results for a U.S. dollar investor. These six stock markets accounted for about 88% of the world market capitalization, excluding the United States. The study used FT-Actuaries Indices returns, included dividends and assumed that the beginning of each month the investor hedged by selling forward (for U.S. dollars) for one-month delivery the foreign currency value of his equity shares. Over the 1975 through June 1988 study period, the compounded annual returns on hedged and unhedged foreign equities were **16.4%** and **16.5%** respectively."

The study for the period from 1988 to 2003 was done by Meir Statman, and Glenn Klimek, Professor of Finance at Santa Clara University. They wrote, "We examined hedged and unhedged portfolios during 1988 - 2003 and find that their realized returns and risk were virtually identical. Portfolio managers who care about the risk and expected returns of policy portfolios could have chosen to hedge or not to hedge by the toss of the coin. The mean monthly returns of unhedged global portfolios were higher than those of hedged ones in eight of the 16 years from 1988 through 2003 and lower in the other eight…. The **8.53%**

mean annualized return of the unhedged global portfolio was slightly lower than the **8.60%** mean annualized return of the hedged portfolio during the overall 1988-2003 period."

While the effect on long term results may be statistically insignificant, on a year-to-year basis, currency swings can truly distort results. These swings can be heart stopping, particularly for our unitholders, and especially when the currency goes against them. This was evident with the Fund in 2007. But in this situation the reactions were mixed. We received a number of calls regarding the results. Investors from Niagara Falls on the U.S. side of the border were quite pleased with the 2007 performance (+5.8%), whereas investors just half a mile away, in Niagara Falls, Canada, expressed concerns about the Fund's performance (-10.2%).

We don't know what the true value of the Canadian dollar is vis-à-vis the U.S. dollar but we would hazard a guess that it is somewhere between 80 cents and $1.20. Therefore, we believe that the Canadian dollar is trading in the range of fair value. However, on a short term basis, it is subject to many variables such as the current price of energy, monetary and fiscal policies of both countries, carry trades by currency speculators (they can swing it either way by 30%) and so on.

When deciding to hedge vs. not hedge, it is only in hindsight that there can ever be certainty that the right decision was made. It is virtually impossible to sustain any reliable degree of success in predicting which way to go. When measured on a year to year basis we have been wrong in the past and it is likely that we will be wrong again in the future. But there is little need for concern. The ramifications of such hedging decisions should only affect short term performance results for the Fund. We are long term investors and therefore, over the long term, whether we 'got it right' or not should be immaterial.

Our bias at this time is 'not' to hedge because we believe that the Canadian dollar is trading in the range of fair value. In the long run, it will be influenced significantly by energy prices. Based on the latest trade figures, Canada's trade with the world is at a deficit net of energy. With the dollar at parity with the U.S. dollar, all the numbers from exports, tourism, manufacturing and retail sales look appalling when compared to last year. The only time where we may be inclined to hedge the currency is during a period of extreme undervaluation. So for now, be prepared for a bit of a bumpy ride, and some extra volatility, but take into account the results of the aforementioned studies which indicate that (at least in the past) it all evens out in the long run. And remember, hedging currencies comes with a cost…about 1% a year.

One final thing to consider: As the Fund's perspective is long term, the fluctuations in performance should also be put into perspective. An 85 year old woman approached me recently and asked, "How would you define long term to me? Based on your definition, I will be dead anyway." I was flummoxed, obviously, and sheepishly replied, with great optimism, that perhaps she might live to be 115 and set the record for the longest living person on earth.

We do offer an alternative to investors who believe strongly that the Canadian dollar is going to strengthen considerably against the U.S. dollar. We offer units of the Fund in U.S. dollars, and investors can switch the units denominated in Canadian dollars to U.S. dollars without any penalty, charges, or incurring a capital gain or loss in so doing.

General comments on the market

Despite a decline of about 10% from its high, the market is not cheap, however it is not expensive either. For years we have been lamenting the fact that we cannot find any decent bargains, but lately four sectors have been hit hard and we can find plenty of companies in those sectors that are selling significantly below what they are worth. The four sectors are: retail, media, telecommunications and cable, and pharmaceuticals.

Repricing of risk

At the time of writing last year, preservation of capital was given almost zero consideration. However, this year there has been a huge repricing of risk. The following are some examples:

1) The spread between U.S. corporate high yield debt and 5 year U.S. treasuries was 270 basis points a year ago. Currently, it is 778. At its widest, in November 2002, it was 1,094 basis points (source: Citigroup).
2) The spread between U.S. corporate high yield debt and U.S. investment grade bonds was 187 basis points a year ago. Currently, it is 549. At its widest, in November 2002, it was 845 basis points (source: Citigroup).

Last year, we wrote that some of the greatest excesses of easy credit were committed by subprime lenders. Credit standards were so lax and liberal that homeowners didn't even need to produce verification of income to be able to borrow up to 100% or more of the appraised value of their houses.

The chickens are coming home to roost for companies that were in any way associated with housing and housing related issues, and those companies include commercial and investment banks, mortgage lenders, monoline bond insurers, hedge funds, you name it. So far, they have announced $255 billion (source: Deutsche Bank) in losses. While the numbers may look awful, the reality is far worse. The problem started with subprime borrowers and it is spreading to Alternate A borrowers (between subprime and prime) and ultimately, although to a lesser degree, it will affect prime borrowers. The reason for the spreading is that credit standards were equally lax with Alternate A borrowers and prime borrowers. On top of that we have yet to factor in the impact of liquidity squeeze from financial deleveraging, and that of loans in leveraged buyouts, commercial real estate, automobiles, margin loans, structured products, and the like. Institutions were so driven by incentives to securitize assets into asset backed securities and CDOs (Collateralized Debt Obligation) that they were willing to overlook the true riskiness of the securities involved. Those securities were then morphed into derivatives or any number of exotic instruments that barely resemble the original loans. Credit standards did not matter but volume and liquidity did, and 'mortgages' was one product that easily satisfied that criteria.

In general, we find that executives who sugarcoat business realities and embellish results, downplay issues and disguise potential problems to investors may be trying to fool their audience, but eventually they end up fooling themselves. They start believing in their own world of make-believe.

We would be careful about buying any financial stock. It is virtually impossible to find out what toxic brew the financial companies may hold in their balance sheets (either because they may not want you to know the truth or because even they don't know the truth themselves). Financial companies use 'best estimates' for many line items on the balance sheet and when companies are in trouble, they frequently have a chance to downplay the seriousness of the problems. Most of them are honourable but there are a few who use, what I've coined, "the 'DROP' principle" on unsuspecting investors. (D is for dribbling out the bad news slowly, R is for raising money, and OP is for dishing out the most optimistic projections.) Once the money has been raised from investors, these companies will announce a few months later 'the big drop' – that is, to take a big writedown. Yet still, having said that, we are looking for companies that are not involved directly with financials but, instead, have been somewhat tainted by association.

Our historical returns and what we can learn from them

As we have stated in our past letters, the cardinal principle underlying the investments in the Fund is to pay far less than what the company is worth, measured by sustainable earning power and/or hard assets that are not depreciating in value. In other words, we want an adequate 'Margin of Safety' and this concept, while unappreciated and ignored by most, is what distinguishes investment from speculation. It is different from volatility, where stocks can go up or down in a given year.

Fortunately, we have over 20 years of performance to show what can be accomplished for investors while employing the "Margin of Safety" concept.

If you look at the following table, in 1999, 1994 and 1990 we had negative years but each time we bounced back. Even if you invested at the high, let's say in 1998, 1993 or 1989, you would still do reasonably well long term. When you are a value investor, you have no control on short term volatility. While the future is never certain, we have no reason to believe the statement "If you buy stocks that are undervalued, good things happen to you eventually", will not be as valid in the future as it has been in the past. The current environment reminds us of 1999 – stocks that were expensive became more expensive and stocks that were cheap became cheaper but eventually 'value will out' – as the expression goes. As the subprime (mortgage) meltdown and the bursting of the credit bubble play themselves out, they directly and indirectly affect the prices of almost all debt and equity securities, and the market will be highly volatile for a while. Therefore, the unit value of our Fund will also be volatile. So, this is not the time to get too anxious. Volatility is playing into our hands. We wouldn't be finding stocks or fixed income debts as cheap as they are now if it wasn't for this fear in the market. Market participants that invested in the toxic brew securities are dumping debt and equity securities indiscriminately as they are forced to raise cash to meet margin calls and redemptions. We would encourage our unitholders to review and understand the table as it may help them to not fret too much. As you can see, we have done reasonably well in the long run.

Notwithstanding, the amount of money that investors choose to invest in the Fund should only be to the extent that they can afford to **lose 40%** or more of their investment. This may sound drastic, but sleeping well and not getting too anxious are also important considerations both for the manager and the unitholder.

	Chou Associates Fund	
Period Ended	Growth in $10,000 Invested	Annual Return
Dec.31, 1986	10,000	
Dec.31, 1987	10,502	5.0%
Dec.31, 1988	12,001	14.3%
Dec.31, 1989	14,244	18.7%
Dec.31, 1990	**12,722**	**-10.7%**
Dec.31, 1991	15,681	23.3%
Dec.31, 1992	18,817	20.0%
Dec.31, 1993	21,863	16.2%
Dec.31, 1994	**21,300**	**-2.6%**
Dec.31, 1995	27,904	31.0%
Dec.31, 1996	34,235	22.7%
Dec.31, 1997	48,035	40.3%
Dec.31, 1998	59,187	23.2%
Dec.31, 1999	**53,489**	**-9.6%**
Dec.31, 2000	57,967	8.4%
Dec.31, 2001	70,397	21.4%
Dec.31, 2002	91,504	30.0%
Dec.31, 2003	94,773	3.6%
Dec.31, 2004	103,319	9.0%
Dec.31, 2005	117,462	13.7%
Dec.31, 2006	139,511	18.8%
Dec.31, 2007	**125,258**	**-10.2%**

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

Credit default swaps (CDS)

In last year's letter, we informed investors of our interest in CDS. We wrote, "In terms of investment ideas in derivatives, we believe that CDS are selling at prices that are compelling. At recent prices, they offer the cheapest form of insurance against market disruptions. In CDS, one party sells credit protection and the other party buys credit protection. Put another way, one party is selling insurance and the counterparty is buying insurance against the default of the third party's debt. The Chou Funds would be interested in buying this type of insurance…. To give you some sense of perspective, in October 2002, the 5 year CDS of General Electric Company was quoted at an annual price of 110 basis points. Recently, it was quoted at an annual price of 8 basis points. To make money in CDS, you don't need a default of the third party's debt. If there is any hiccup in the economy, the CDS price will rise from these low levels. The negative aspect is that, like insurance, the premium paid for the protection erodes over time and may expire worthless."

Subsequent to that letter it took until mid September 2007 for all of our compliance and regulatory approvals to be put into place and by then the prices of CDSs had moved appreciably. In accordance with our prospectus we could invest no more than 5% of the net assets of the Fund, at the time of purchase, in CDSs.

We missed the low hanging fruit, but the good thing is we now have these approvals in place and can exploit the situation next time. The current price of General Electric's 5 year CDS is at 168 basis points, and shows the potential for gain.

Other matters

Foreign Currency Hedging: None existed in 2006 and 2007.

U.S. dollar Valuation: Any investor who wishes to purchase the Chou Funds in $US is now able to do so.

Independent Review Committee: Under the provisions of National Instrument 81-107 Independent Review Committee for Investment Funds ("NI 81-107"), which came into force on November 1, 2006, it is now required that all publicly offered investment funds, such as the family of Chou Funds, establish an independent review committee ("IRC") to whom the Manager is to refer all conflict of interest matters for review. This instrument further mandates that the IRC be composed of at least three independent members and requires that they report, at least annually, to the Manager and shareholders in respect of the IRC's duties.

The Manager has established an IRC as required by NI 81-107. The members of the IRC are Sandford Borins, Bruce Kerr and Joe Tortolano.

The IRC report is posted on our website www.choufunds.com. Hardcopies are available, upon request, by contacting Chou Associates.

Management Fees Waived: We waived a portion of the management fees for the Chou RRSP Fund. The MER should have been 1.70% but instead it was 1.62%. We also waived the management fees for the months of November and December for the Chou Europe Fund. The MER should have been 1.87%, but instead it was 1.63%.

New Location: Effective Thursday, November 1, 2007, we have moved our corporate office to the following location:

110 Sheppard Avenue East
Suite 301, Box 18
Toronto, Ontario M2N 6Y8

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 March 7, 2008, the NAV of a Series A unit of the Fund was $73.90 and the cash position was 32.3% of net assets. The Fund is down 7.6% from the beginning of the year.

Except for the performance numbers of the Chou Associates Fund, this letter contains estimates and opinions of the Fund Manager and is not intended to be a forecast of future events, a guarantee of future returns or investment advice. Any recommendations contained or implied herein may not be suitable for all investors.

Yours truly,

Francis Chou

Francis Chou
Fund Manager

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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, 2007 and 2006, the statements of operations and changes in net assets for the years then ended and the statements of investments at December 31, 2007. 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, 2007 and 2006, their results of operations and changes in net assets for the years then ended and their statements of investments as at December 31, 2007, in accordance with Canadian generally accepted accounting principles.

Burns Hubley LLP

Markham, Ontario
February 29, 2008

Chartered Accountants
Licensed Public Accountants

CHOU ASSOCIATES FUND

STATEMENT OF NET ASSETS

AS AT DECEMBER 31, 2007

	2007	2006
ASSETS		
Cash and treasury bills	$ 243,115,775	$ 265,801,886
Accrued interest and dividend income	1,975,845	3,539,442
Receivable for units subscribed	467,639	5,598,961
Investments	460,987,931	386,650,787
	706,547,190	661,591,076
LIABILITIES		
Accrued expenses	1,038,776	996,756
Payable for units redeemed	805,047	769,324
Distributions payable	472,150	171,898
Liability for investment purchased	8,036,041	9,467,269
	10,352,014	11,405,247
NET ASSETS	$ 696,195,176	$ 650,185,829
NET ASSETS, BY SERIES		
Series A	$ 643,067,453	$ 614,043,756
Series F	53,127,723	36,142,073
	$ 696,195,176	$ 650,185,829
NUMBER OF UNITS OUTSTANDING (Note 3)		
Series A	8,051,058	6,700,136
Series F	667,640	395,408
NET ASSET VALUE PER UNIT		
Canadian dollars		
Series A	$ 79.87	$ 91.65
Series F	$ 79.58	$ 91.40
U.S. dollars		
Series A	$ 80.76	$ 78.65
Series F	$ 80.46	$ 78.45

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, 2007

	2007	2006
INVESTMENT INCOME		
Interest	$ 22,287,049	$ 12,991,896
Dividends	9,254,770	2,003,856
Interest from securities lending	1,342,820	2,377,870
Income (loss) from derivatives	1,184,415	(14,029)
	34,069,054	17,359,593
EXPENSES		
Management fees (Note 5)	11,626,395	7,555,233
Custodian fees	679,309	559,792
Foreign withholding taxes	368,233	318,790
Filing fees	72,409	42,840
FundSERV fees	31,876	35,036
Audit	30,408	24,000
Legal	13,000	18,655
	12,821,630	8,554,346
NET INVESTMENT INCOME FOR THE YEAR	21,247,424	8,805,247
NET REALIZED AND UNREALIZED GAIN (LOSS) AND TRANSACTION COSTS		
Transaction costs	(552,550)	-
Net realized gain (loss) on sale of investments	(344,818)	19,037,817
Unrealized gain (loss)	(104,758,374)	60,585,530
	(105,655,742)	79,623,347
INCREASE (DECREASE) IN NET ASSETS FROM OPERATIONS	$ (84,408,318)	$ 88,428,594
INCREASE (DECREASE) IN NET ASSETS FROM OPERATIONS		
Series A	$ (78,364,530)	$ 84,559,419
Series F	(6,043,788)	3,869,175
	$ (84,408,318)	$ 88,428,594
INCREASE (DECREASE) IN NET ASSETS FROM OPERATIONS, PER UNIT		
Series A	$ (10.05)	$ 15.45
Series F	$ (10.41)	$ 16.60

CHOU ASSOCIATES FUND
STATEMENT OF CHANGES IN NET ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2007

	2007	2006
SERIES A		
NET ASSETS, beginning of the year	$ 614,043,756	$ 342,333,898
Change in accounting policy (Note 2(a))	(1,169,994)	-
	612,873,762	342,333,898
Increase (decrease) in net assets from operations	(78,364,530)	84,559,419
Proceeds from issue of units	201,965,957	282,623,194
Payments on redemption of units	(92,990,912)	(95,309,201)
Distribution of income to unitholders		
Investment income	(18,090,966)	(8,286,419)
Reinvested distributions	17,674,142	8,122,865
NET ASSETS, end of the year	643,067,453	614,043,756
SERIES F		
NET ASSETS, beginning of the year	36,142,073	3,495,672
Change in accounting policy (Note 2(a))	(68,432)	-
	36,073,641	3,495,672
Increase (decrease) in net assets from operations	(6,043,788)	3,869,175
Proceeds from issue of units	29,435,222	29,602,583
Payments on redemption of units	(6,218,832)	(817,013)
Distribution of income to unitholders		
Investment income	(1,852,110)	(706,314)
Reinvested distributions	1,733,590	697,970
NET ASSETS, end of the year	53,127,723	36,142,073
TOTAL NET ASSETS, end of the year	$ 696,195,176	$ 650,185,829

CHOU ASSOCIATES FUND
STATEMENT OF INVESTMENTS
AS AT DECEMBER 31, 2007

	No. of Shares or Par Value	Cost	Market Value
SHARES*			
Berkshire Hathaway Inc., Class A	210	$ 21,727,432	$ 29,389,657
Biovail Corporation	1,276,377	19,935,191	16,979,310
Blue Ocean Re Holdings Ltd.	179,704	9,241,850	7,928,823
BT Group PLC	1,850,000	7,655,743	9,964,208
EchoStar Communications Corporation, Class A	50,000	1,689,844	1,855,955
Flagstone Reinsurance Holdings Ltd.	1,700,000	19,926,987	23,270,397
IDT Corporation, Class B	314,800	3,238,750	2,609,141
International Coal Group Inc.	500,000	3,027,804	2,645,712
King Pharmaceuticals Inc.	5,611,961	63,031,859	56,837,292
Royal Boskalis Westminster nv	761,100	8,159,512	45,454,873
Mannkind Corporation	438,989	3,734,116	3,447,410
Media General Inc., Class A	1,166,817	33,575,002	24,477,226
Olympus Re Holdings Ltd.	1,652,836	9,087,432	11,590,303
Overstock.com Inc.	1,504,209	31,016,174	22,970,701
RCN Corporation	1,200,884	15,555,082	18,421,782
Sears Holdings Corporation	183,700	9,377,109	18,541,332
Sprint Nextel Corporation	729,544	14,296,825	9,481,251
Sun-Times Media Group Inc., Class A	2,522,100	13,878,980	5,487,869
Utah Medical Products Inc.	61,070	1,411,403	1,787,880
UTStarcom Inc.	3,350,000	14,428,860	9,078,590
Watson Pharmaceuticals Inc.	900,000	26,148,981	24,131,860
Westwood One Inc.	280,600	2,082,593	552,280
XO Holdings Inc.	2,957,554	13,018,615	5,996,603
		345,246,144	352,900,455
BONDS			
Collins & Aikman Corp. bank debts	5,000,000	4,471,467	1,795,128
Collins & Aikman Corp. bank debts	5,000,000	4,668,324	1,795,128
Global Crossing (UK) Ltd., 10.75%, Dec 15, 2014	16,660,000	18,976,677	17,445,652
Level 3 Comm. Inc., 6.0%, Mar 15, 2010	15,750,000	10,689,324	14,177,134
Level 3 Comm. Inc., 6.0%, Sep 15, 2009	13,523,000	8,601,386	12,540,343
Overstock.com Inc., 3.75%, Dec 1, 2011	6,825,000	5,483,607	5,399,545
Primus Telecomm., 14.25%, May 20, 2011	21,500,000	25,218,537	21,264,601
UTStarcom Inc., 7.625%, Mar 1, 2008	34,430,000	33,634,205	33,726,123
		111,743,527	108,143,654
TOTAL EQUITIES AND BONDS		456,989,671	461,044,109
DERIVATIVES (Schedule 1)		(623,778)	(56,178)
TRANSACTION COSTS		(828,062)	-
PORTFOLIO TOTAL		$ 455,537,831	$ 460,987,931

* Common shares unless indicated otherwise

CHOU ASSOCIATES FUND
SCHEDULE OF DERIVATIVES
AS AT DECEMBER 31, 2007

Schedule 1

Written Call Options	Expiry Date	Strike Price	Number	Cost	Market Value
EchoStar Comm. Corp.	Jan 2008	$ 40.00	500	$ (245,362)	$ (32,144)
Overstock.com Inc.	Jan 2009	$ 45.00	810	(378,416)	(24,034)
				$ (623,778)	$ (56,178)

CHOU ASIA FUND

March 12, 2008

Dear Unitholders of Chou Asia Fund,

After the distribution of $1.28, the net asset value ("NAVPU" or "NAV") of a Series A unit of Chou Asia Fund at December 31, 2007 was $15.55 compared to $14.48 at December 31, 2006, an increase of 16.3%. The table below shows our results against the MSCI AC Asia Pacific Index Total Return Index (Morgan Stanley Capital Int'l All Country). In $US, the Fund returned 37.0% for Series A units while the MSCI AC Asia Pacific Total Return Index returned 14.6%.

December 31, 2007 (Series A unit)	**2007**	**2006**	**2005**	**2004**	**2003***
Chou Asia Fund	16.3%	15.2%	7.0%	18.5%	2.8%
MSCI AC Asia Pacific (Total Return) ($ Cdn)	-2.6%	17.1%	19.5%	9.6%	4.4%

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

* From September 19, 2003

The strength of the Canadian dollar against the U.S. dollar had the biggest negative impact on the results of the Fund. The dramatic difference in performance results between the net asset value per unit (NAVPU) priced in Canadian dollars, versus U.S. dollars, is attributable to the fact that on December 31, 2006, one U.S. dollar was worth approximately $1.17 Canadian, whereas one year later, on December 31, 2007, one U.S. dollar was worth approximately $0.99 Cdn. Even if the price of an American security remained the same in 2007, it would have nonetheless shown a depreciation of roughly 15.1% at year end when priced in Canadian dollars.

For the year 2007, the average monthly assets held by the Fund in non-Canadian securities was 68.6%. As such, the strength of the Canadian dollar had a significant impact on the Fund's results.

Major positive contributors to the Fund's performance were Hanfeng Evergreen and Glacier Ventures International. We suffered declines in UTStarcom and Sears Holdings.

Hanfeng is a leading provider of slow and controlled release fertilizer to the agriculture and urban greening markets in China. The shares of Hanfeng are listed on the Toronto Stock Exchange, but the company earns all of its revenues and incurs most of its expenses in Chinese Yuan ("RMB"). We therefore categorize it as an investment in Asian business.

We are finding that bargains are hard to come by in Asia, however we are happy with the results we have achieved so far. We are particularly concerned with the markets in China. Based on historical financial ratios they are overpriced, and if they suffer a correction this will have a detrimental affect on other markets in Asia. We would caution all investors that their chances of a large permanent loss of capital are high if they invest in China. As such, we are sitting on 62.5% cash and waiting for opportunities. Please 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 March 7, 2008, the NAV of a Series A unit of the Fund was $15.52 and the cash position was 62.5% of net assets. The Fund is down 0.2% from the beginning of the year.

Except for the performance numbers of the Chou Asia Fund, this letter contains estimates and opinions of the Fund Manager and is not intended to be a forecast of future events, a guarantee of future returns or investment advice. Any recommendations contained or implied herein may not be suitable for all investors.

Yours truly,

Francis Chou

Francis Chou
Fund Manager

CHOU ASIA FUND
STATEMENT OF NET ASSETS
AS AT DECEMBER 31, 2007

	2007	2006
ASSETS		
Cash and treasury bills	$ 48,419,104	$ 25,097,316
Accrued interest and dividend income	65,715	94,485
Receivable for units subscribed	42,500	214,357
Other receivable	50,914	-
Investments	27,814,567	18,542,020
	76,392,800	43,948,178
LIABILITIES		
Accrued expenses	117,142	71,040
Payable for units redeemed	148,419	22,462
Distributions payable	70,252	4,901
	335,813	98,403
NET ASSETS	$ 76,056,987	$ 43,849,775
NET ASSETS, BY SERIES		
Series A	$ 74,106,334	$ 41,889,091
Series F	1,950,653	1,960,684
	$ 76,056,987	$ 43,849,775
NUMBER OF UNITS OUTSTANDING (Note 3)		
Series A	4,784,598	2,892,966
Series F	125,524	136,072
NET ASSET VALUE PER UNIT		
Canadian dollars		
Series A	$ 15.49	$ 14.48
Series F	$ 15.54	$ 14.41
U.S. dollars		
Series A	$ 15.66	$ 12.43
Series F	$ 15.71	$ 12.37

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, 2007

	2007	2006
INVESTMENT INCOME		
Interest	$ 1,510,800	$ 745,979
Dividends	344,132	238,336
Interest from securities lending	154,233	-
Income from derivatives	124,625	-
	2,133,790	984,315
EXPENSES		
Management fees (Note 5)	994,071	595,438
Custodian fees	59,536	41,745
Foreign withholding taxes	54,904	28,431
Audit	17,496	11,200
Filing fees	5,479	5,500
FundSERV fees	3,343	3,717
Legal	1,914	2,000
	1,136,743	688,031
NET INVESTMENT INCOME FOR THE YEAR	997,047	296,284
NET REALIZED AND UNREALIZED GAIN AND TRANSACTION COSTS		
Transaction costs	(54,161)	-
Net realized gain on sale of investments	5,876,465	24,119
Unrealized gain	402,989	4,960,622
	6,225,293	4,984,741
INCREASE IN NET ASSETS FROM OPERATIONS	$ 7,222,340	$ 5,281,025
INCREASE IN NET ASSETS FROM OPERATIONS		
Series A	$ 6,881,491	$ 5,105,723
Series F	340,849	175,302
	$ 7,222,340	$ 5,281,025
INCREASE IN NET ASSETS FROM OPERATIONS, PER UNIT		
Series A	$ 1.85	$ 1.88
Series F	$ 1.98	$ 2.63

CHOU ASIA FUND
STATEMENT OF CHANGES IN NET ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2007

	2007	2006
SERIES A		
NET ASSETS, beginning of the year	$ 41,889,091	$ 32,042,452
Change in accounting policy (Note 2(a))	(39,439)	-
	41,849,652	32,042,452
Increase in net assets from operations	6,881,491	5,105,723
Proceeds from issue of units	32,772,773	9,199,690
Payments on redemption of units	(7,327,778)	(4,453,871)
Distribution of income to unitholders		
Investment income	(851,170)	(317,699)
Realized gains	(4,829,480)	-
Reinvested distributions	5,610,846	312,796
NET ASSETS, end of the year	74,106,334	41,889,091
SERIES F		
NET ASSETS, beginning of the year	1,960,684	140,098
Change in accounting policy (Note 2(a))	(1,832)	-
	1,958,852	140,098
Increase in net assets from operations	340,849	175,302
Proceeds from issue of units	1,711,741	1,679,997
Payments on redemption of units	(2,060,353)	(34,713)
Distribution of income to unitholders		
Investment income	(17,719)	(32,320)
Realized gains	(127,340)	-
Reinvested distributions	144,623	32,320
NET ASSETS, end of the year	1,950,653	1,960,684
TOTAL NET ASSETS, end of the year	$ 76,056,987	$ 43,849,775

CHOU ASIA FUND
STATEMENT OF INVESTMENTS
AS AT DECEMBER 31, 2007

	No. of Shares or Par Value	Cost	Market Value
SHARES*			
Chunghwa Telecom Company Ltd. ADR	163,409	$ 3,225,077	$ 3,394,017
Delta Electronics Public Company Ltd.	1,763,300	897,401	1,282,261
ElectroTech Investments Limited	647,000	231,496	209,297
Glacier Ventures International Corporation	946,579	2,556,000	4,183,879
Hanfeng Evergreen Inc.	495,750	1,182,082	7,237,950
Hutchison Telecomm. International Ltd. ADR	20,000	380,512	445,271
Nippon Television Network Corporation	3,110	549,841	415,402
Sankyo Company Ltd.	60,000	2,684,475	2,769,412
Sears Holdings Corporation	14,000	447,495	1,413,057
Telecom Corporation of New Zealand Ltd. ADR	113,777	1,568,746	1,863,518
UTStarcom Inc.	1,730,000	6,783,256	4,602,748
		20,506,381	27,816,812
TOTAL EQUITIES		20,506,381	27,816,812
DERIVATIVES (Schedule 1)		(62,764)	(2,245)
TRANSACTION COSTS		(44,464)	-
PORTFOLIO TOTAL		$ 20,399,153	$ 27,814,567

* Common shares unless indicated otherwise

CHOU ASIA FUND
SCHEDULE OF DERIVATIVES
AS AT DECEMBER 31, 2007

Schedule 1

Written Call Options	Expiry Date	Strike Price	Number	Cost	Market Value
UTStarcom Inc.	Jan 2008	$ 12.50	454	$ (62,764)	$ (2,245)

CHOU EUROPE FUND

March 12, 2008

Dear Unitholders of Chou Europe Fund,

After the distribution of $0.34, the net asset value ("NAVPU" or "NAV") of a Series A unit of Chou Europe Fund at December 31, 2007 was $11.54 compared to $14.00 at December 31, 2006, a decrease of 15.1%. The table below shows our results against the MSCI AC Europe Total Return Index (Morgan Stanley Capital Int'l All Country). In $US, the Fund returned 0% for Series A units while the MSCI AC Europe Total Return Index returned 15.8%.

December 31, 2007 (Series A unit)	**2007**	**2006**	**2005**	**2004**	**2003***
Chou Europe Fund	-15.1%	10.7%	11.4%	13.6%	4.6%
MSCI AC Europe (Total Return)($ Cdn)	-1.6%	34.8%	7.2%	12.8%	12.0%

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

* From September 19, 2003

The strength of the Canadian dollar against the U.S. dollar, the pound sterling, and the Euro had the biggest negative impact on the results of the Fund. The dramatic difference in performance results between the net asset value per unit (NAVPU) priced in Canadian dollars, versus U.S. dollars, is attributable to the fact that on December 31, 2006, one U.S. dollar was worth approximately $1.17 Canadian, whereas one year later, on December 31, 2007, one U.S. dollar was worth approximately $0.99 Cdn. Even if the price of an American security remained the same in 2007, it would have nonetheless shown a depreciation of roughly 15.1% at year end when priced in Canadian dollars. Similarly, a security denominated in the pound sterling and the Euro would have depreciated by roughly 13.5% and 6.1% respectively.

For the year 2007, the average monthly assets held by the Fund in non-Canadian securities was 80.7%. As such, the strength of the Canadian dollar had a significant impact on the Fund's results.

Major positive contributors to the Fund's performance were Glacier Ventures International and Royal Boskalis Westminster nv. We suffered declines in Alexon Group PLC, AstraZeneca PLC, Hollinger, Sears Holdings, SCS Upholstery PLC and Natuzzi S.p.A. ADR.

We did not have a good year. We purchased several stocks at bargain prices, but, in hindsight, realized that we bought them too early. However, at current prices, they are deeply undervalued and we feel optimistic that they will do well in the future. We are finding bargains in retailing and pharmaceuticals.

Please read the letter in Chou Associates Fund. It covers issues that should be of interest to you.

We did not charge management fees for November and December 2007.

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 March 7, 2008, the NAV of a Series A unit of the Fund was $10.64 and the cash position was 37.1% of net assets. The Fund is down 7.8% from the beginning of the year.

Except for the performance numbers of the Chou Europe Fund, this letter contains estimates and opinions of the Fund Manager and is not intended to be a forecast of future events, a guarantee of future returns or investment advice. Any recommendations contained or implied herein may not be suitable for all investors.

Yours truly,

Francis Chou

Francis Chou
Fund Manager

CHOU EUROPE FUND

STATEMENT OF NET ASSETS

AS AT DECEMBER 31, 2007

	2007	2006
ASSETS		
Cash and treasury bills	$ 5,176,421	$ 7,917,690
Accrued interest and dividend income	12,401	110,718
Receivable for units subscribed	-	99,107
Investments	9,310,816	9,314,217
	14,499,638	17,441,732
LIABILITIES		
Accrued expenses	6,319	21,166
Payable for units redeemed	301,160	18
Distributions payable	7,754	8,470
	315,233	29,654
NET ASSETS	$ 14,184,405	$ 17,412,078
NET ASSETS, BY SERIES		
Series A	$ 13,449,188	$ 15,919,121
Series F	735,217	1,492,957
	$ 14,184,405	$ 17,412,078
NUMBER OF UNITS OUTSTANDING (Note 3)		
Series A	1,173,236	1,137,019
Series F	63,862	107,261
NET ASSET VALUE PER UNIT		
Canadian dollars		
Series A	$ 11.46	$ 14.00
Series F	$ 11.51	$ 13.92
U.S. dollars		
Series A	$ 11.59	$ 12.02
Series F	$ 11.64	$ 11.95

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, 2007

	2007	2006
INVESTMENT INCOME		
Interest	$ 565,837	$ 483,847
Dividends	136,000	34,137
Income from derivatives	44,509	-
	746,346	517,984
EXPENSES		
Management fees (Note 5)	268,271	230,478
Custodian fees	31,671	17,630
Audit	12,960	11,200
Foreign withholding taxes	13,513	4,498
Legal	2,090	500
Filing fees	995	2,200
FundSERV fees	967	1,579
Total Expenses	330,467	268,085
Management fees waived by Manager (Note 5)	(39,883)	-
Net Expenses	290,584	268,085
NET INVESTMENT INCOME FOR THE YEAR	455,762	249,899
NET REALIZED AND UNREALIZED GAIN (LOSS) AND TRANSACTION COSTS		
Transaction costs	(18,689)	-
Net realized gain (loss) on sale of investments	(226,660)	432,118
Unrealized gain (loss)	(3,173,672)	850,866
	(3,419,021)	1,282,984
INCREASE (DECREASE) IN NET ASSETS FROM OPERATIONS	$ (2,963,259)	$ 1,532,883
INCREASE (DECREASE) IN NET ASSETS FROM OPERATIONS		
Series A	$ (2,680,429)	$ 1,431,999
Series F	(282,830)	100,884
	$ (2,963,259)	$ 1,532,883
INCREASE (DECREASE) IN NET ASSETS FROM OPERATIONS, PER UNIT		
Series A	$ (2.25)	$ 1.34
Series F	$ (2.18)	$ 2.17

CHOU EUROPE FUND
STATEMENT OF CHANGES IN NET ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2007

	2007	2006
SERIES A		
NET ASSETS, beginning of the year	$ 15,919,121	$ 12,702,271
Change in accounting policy (Note 2(a))	(7,866)	-
	15,911,255	12,702,271
Increase (decrease) in net assets from operations	(2,680,429)	1,431,999
Proceeds from issue of units	4,656,787	4,793,681
Payments on redemption of units	(4,430,744)	(3,000,282)
Distribution of income to unitholders		
Investment income	(388,803)	(216,112)
Realized gains	-	(156,042)
Reinvested distributions	381,122	363,606
NET ASSETS, end of the year	13,449,188	15,919,121
SERIES F		
NET ASSETS, beginning of the year	1,492,957	62,605
Change in accounting policy (Note 2(a))	(737)	-
	1,492,220	62,605
Increase (decrease) in net assets from operations	(282,830)	100,884
Proceeds from issue of units	752,601	1,349,374
Payments on redemption of units	(1,226,696)	(19,906)
Distribution of income to unitholders		
Investment income	(17,268)	(34,617)
Realized gains	-	(14,533)
Reinvested distributions	17,190	49,150
NET ASSETS, end of the year	735,217	1,492,957
TOTAL NET ASSETS, end of the year	$ 14,184,405	$ 17,412,078

CHOU EUROPE FUND
STATEMENT OF INVESTMENTS
AS AT DECEMBER 31, 2007

	No. of Shares or Par Value	Cost	Market Value
SHARES*			
Alexon Group PLC	317,738	$ 820,254	$ 552,151
AstraZeneca PLC	13,000	701,770	555,273
Clinton Cards PLC	650,000	826,716	693,128
CryptoLogic Limited	5,000	89,228	87,000
Glacier Ventures International Corporation	256,628	623,808	1,134,296
GlaxoSmithKline PLC	28,000	764,303	706,635
Hollinger Inc.	648,748	1,331,519	227,062
Royal Boskalis Westminster nv	14,400	149,734	860,004
Natuzzi S.p.A. ADR	72,000	706,248	327,574
Next PLC	20,000	646,019	636,651
Penn Treaty American Corporation	100,000	870,350	636,949
Sanofi-Aventis ADR	15,000	700,621	675,473
SCS Upholstery PLC	364,360	1,208,879	669,145
Sears Holdings Corporation	5,000	160,240	504,663
		9,599,689	8,266,004
BONDS			
Global Crossing (UK) Ltd., 10.75%, Dec 15, 2014	650,000	682,335	680,653
Global Crossing (UK) Ltd., 11.75%, Dec 15, 2014	180,000	420,378	364,159
		1,102,713	1,044,812
TOTAL EQUITIES AND BONDS		10,702,402	9,310,816
TRANSACTION COSTS		(29,982)	-
PORTFOLIO TOTAL		$ 10,672,420	$ 9,310,816

* Common shares unless indicated otherwise

CHOU BOND FUND

March 12, 2008

Dear Unitholders of Chou Bond Fund,

After the distribution of $0.43, the net asset value (“NAVPU” or “NAV”) of a Series A unit of Chou Bond Fund at December 31, 2007 was $11.46 compared to $12.21 at December 31, 2006, a decrease of 2.7% while Citigroup WGBI All Maturities was down 5.6% in Canadian dollars and S&P/TSX Broad Bond Market Total Return Index returned 2.0% in Canadian dollars. In $US, the Fund returned 14.7% for Series A units while Citigroup WGBI All Maturities returned 11.0% and S&P/TSX Broad Bond Market Total Return Index returned 19.9%. (Chou Bond Fund was open to investors on September 16, 2005. The return from September 16, 2005 to December 31, 2005 was 3.9%. The return for the year 2006 was 22.0%.)

The strength of the Canadian dollar against the U.S. dollar had the biggest negative impact on the results of the Fund. The dramatic difference in performance results between the net asset value per unit (NAVPU) priced in Canadian dollars, versus U.S. dollars, is attributable to the fact that on December 31, 2006, one U.S. dollar was worth approximately $1.17 Canadian, whereas one year later, on December 31, 2007, one U.S. dollar was worth approximately $0.99 Cdn. Even if the price of an American security remained the same in 2007, it would have nonetheless shown a depreciation of roughly 15.1% at year end when priced in Canadian dollars.

For the year 2007, the average monthly assets held by the Fund in non-Canadian securities was 69.0%. As such, the strength of the Canadian dollar had a significant impact on the Fund’s results.

Major positive contributors to the Fund’s performance were James River Coal Company debts and Catalyst Paper (Norske Skog) debts. We suffered declines in Hollinger and UTStarcom debts.

In 2008, we started the year with 58% cash, consisting of cash and treasury bills (we hold no asset backed securities or any “toxic” cash that has hurt so many companies). As the subprime meltdown and bursting of the credit bubble play themselves out, they are directly and indirectly affecting the prices of all convertible and straight debt securities. We are finding plenty of opportunities and have started to deploy our cash. The fixed income market is highly volatile currently but that volatility is playing into our hands. So, when you see the NAV of the Fund being volatile, don’t get too anxious. Please 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 March 7, 2008, the NAV of a Series A unit of the Fund was $11.17 and the cash position was 49.7% of net assets. The Fund is down 2.5% from the beginning of the year.

Except for the performance numbers of the Chou Bond Fund, this letter contains estimates and opinions of the Fund Manager and is not intended to be a forecast of future events, a guarantee of future returns or investment advice. Any recommendations contained or implied herein may not be suitable for all investors.

Yours truly,

Francis Chou

Francis Chou
Fund Manager

CHOU BOND FUND

STATEMENT OF NET ASSETS

AS AT DECEMBER 31, 2007

	2007	2006
ASSETS		
Cash and treasury bills	$ 51,045,510	$ 14,375,820
Accrued interest income	497,824	446,523
Receivable for units subscribed	94,679	1,851,266
Investments	35,498,731	19,743,098
	87,136,744	36,416,707
LIABILITIES		
Accrued expenses	101,168	15,308
Payable for units redeemed	112,158	12,337
Distributions payable	67,192	17,669
	280,518	45,314
NET ASSETS	$ 86,856,226	$ 36,371,393
NET ASSETS, BY SERIES		
Series A	$ 76,252,319	$ 31,776,231
Series F	10,603,907	4,595,162
	$ 86,856,226	$ 36,371,393
NUMBER OF UNITS OUTSTANDING (Note 3)		
Series A	6,660,305	2,602,344
Series F	925,972	376,179
NET ASSET VALUE PER UNIT		
Canadian dollars		
Series A	$ 11.45	$ 12.21
Series F	$ 11.45	$ 12.22
U.S. dollars		
Series A	$ 11.58	$ 10.48
Series F	$ 11.58	$ 10.48

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

Francis Chou

Tracy Chou

CHOU BOND FUND

STATEMENT OF OPERATIONS

FOR THE YEAR ENDED DECEMBER 31, 2007

	2007	2006
INVESTMENT INCOME		
Interest	$ 4,069,439	$ 1,042,464
Dividends	146,947	-
	4,216,386	1,042,464
EXPENSES		
Management fees (Note 5)	909,396	178,015
Custodian fees	69,309	21,186
Audit	13,339	8,260
Foreign withholding taxes	9,456	-
Filing fees	5,652	5,269
FundSERV fees	4,101	2,714
Legal	2,720	1,500
Total Expenses	1,013,973	216,944
Management fees waived by Manager (Note 5)	-	(154,990)
Net Expenses	1,013,973	61,954
NET INVESTMENT INCOME FOR THE YEAR	3,202,413	980,510
NET REALIZED AND UNREALIZED GAIN (LOSS) AND TRANSACTION COSTS		
Transaction costs	(11,467)	-
Net realized gain (loss) on sale of investments	(3,291,400)	250,062
Unrealized gain (loss)	(4,042,582)	1,572,441
	(7,345,449)	1,822,503
INCREASE (DECREASE) IN NET ASSETS FROM OPERATIONS	$ (4,143,036)	$ 2,803,013
INCREASE (DECREASE) IN NET ASSETS FROM OPERATIONS		
Series A	$ (3,670,159)	$ 2,527,880
Series F	(472,877)	275,133
	$ (4,143,036)	$ 2,803,013
INCREASE (DECREASE) IN NET ASSETS FROM OPERATIONS, PER UNIT		
Series A	$ (0.67)	$ 2.00
Series F	$ (0.63)	$ 2.12

CHOU BOND FUND
STATEMENT OF CHANGES IN NET ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2007

	2007	2006
SERIES A		
NET ASSETS, beginning of the year	$ 31,776,231	$ 2,933,119
Change in accounting policy (Note 2(a))	(17,854)	-
	31,758,377	2,933,119
Increase (decrease) in net assets from operations	(3,670,159)	2,527,880
Proceeds from issue of units	59,791,374	27,805,521
Payments on redemption of units	(11,567,742)	(1,472,631)
Distribution of income to unitholders		
Investment income	(2,771,866)	(1,000,908)
Reinvested distributions	2,712,335	983,250
NET ASSETS, end of the year	76,252,319	31,776,231
SERIES F		
NET ASSETS, beginning of the year	4,595,162	22,609
Change in accounting policy (Note 2(a))	(2,582)	-
	4,592,580	22,609
Increase (decrease) in net assets from operations	(472,877)	275,133
Proceeds from issue of units	7,987,288	4,363,530
Payments on redemption of units	(1,495,755)	(66,099)
Distribution of income to unitholders		
Investment income	(401,965)	(150,429)
Reinvested distributions	394,636	150,418
NET ASSETS, end of the year	10,603,907	4,595,162
TOTAL NET ASSETS, end of the year	$ 86,856,226	$ 36,371,393

CHOU BOND FUND
STATEMENT OF INVESTMENTS
AS AT DECEMBER 31, 2007

	No. of Units or Par Value	Cost	Market Value
SHARES*			
Blue Ocean Re Holdings Ltd., preferred	255	$ 295,858	$ 252,208
Doral Financial Corporation, preferred	5,000	806,956	652,774
Rainmaker Income Fund, trust units	200,000	664,000	546,000
SFK Pulp Fund, trust units	950,000	1,950,772	2,099,500
Thornburg Mortgage Inc., preferred	35,500	782,841	837,405
		4,500,427	4,387,887
BONDS			
Abitibi-Consolidated Inc., 7.75%, Jun 15, 2011	2,000,000	1,617,322	1,562,701
Catalyst Paper (Norske Skog) 8.625%, Jun 15, 2011	3,775,000	2,841,825	3,159,990
Clarke Inc., 6.0%, convertible, Dec. 31, 2013	300,000	370,746	312,750
Glacier Ventures Int’l Corp., 13.0%, Sep 15, 2011	1,670,000	1,670,000	1,670,000
Global Crossing (UK) Ltd., 10.75%, Dec 15, 2014	190,000	199,872	198,960
GMAC, 4.10%, Mar 15, 2009	95,000	89,354	87,068
GMAC, 5.10%, Aug 15, 2009	67,000	63,614	61,041
GMAC, 5.20%, Nov 15, 2009	100,000	94,299	90,181
GMAC, 5.25%, Aug 15, 2009	100,000	95,854	91,321
GMAC, 5.25%, Jun 15, 2009	78,000	74,855	72,111
Hollinger Inc., 11.875%, Mar 1, 2011	680,000	771,244	100,883
Hollinger Inc., 12.875%, Mar 1, 2011	1,192,000	1,303,069	660,211
Interstate Bakeries Inc., 6.0%, Aug 15, 2014	500,000	506,645	197,810
James River Coal Co., 9.375%, Jun 1, 2012	3,000,000	2,525,876	2,707,528
Overstock.com Inc., 3.75%, Dec 1, 2011	1,125,000	936,100	890,035
Primus Telecomm. Group, 3.75%, Sep 15, 2010	5,500,000	3,189,832	3,220,351
Primus Telecomm. Group, 14.25%, May 20, 2011	2,716,000	3,185,746	2,686,263
Rewards Network Inc., 3.25%, Oct 15, 2023	3,750,000	3,386,601	3,500,129
Taiga Building Products Ltd., 14.0%, Sep 1, 2020	1,712,000	1,705,899	1,626,571
Tembec Industries Inc., 8.50%, Feb 1, 2011	2,500,000	1,190,644	1,162,135
UTStarcom Inc., 7.625%, Mar 1, 2008	7,200,000	7,601,139	7,052,805
		33,420,536	31,110,844
TOTAL EQUITIES AND BONDS		37,920,963	35,498,731
TRANSACTION COSTS		(11,407)	-
PORTFOLIO TOTAL		$ 37,909,556	$ 35,498,731

* Common shares unless indicated otherwise

CHOU RRSP FUND

March 12, 2008

Dear Unitholders of Chou RRSP Fund,

After the distribution of $2.42, the net asset value ("NAVPU" or "NAV") of a Series A unit of Chou RRSP Fund at December 31, 2007 was $28.28 compared to $33.83 at December 31, 2006, a decrease of 9.3%, while the S&P TSX Total Return Index returned 9.8%. In $US, the Fund returned 6.9% for Series A units while the S&P/TSX Total Return Index returned 29.1%.

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

December 31, 2007 (Series A unit)	**Past Year**	**Past 3 Years**	**Past 5 Years**	**Past 10 Years**	**Past 15 Years**
Chou RRSP Fund($Cdn)	-9.3%	4.8%	7.8%	11.2%	13.3%
S&P TSX ($Cdn)	9.8%	16.9%	18.3%	9.5%	12.1%
Chou RRSP Fund($US)[1]	6.9%	11.8%	18.3%	15.3%	15.2%
S&P TSX ($US)	29.1%	24.7%	29.8%	13.5%	13.9%

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

Factors influencing the 2007 results

Canadian Dollar: The strength of the Canadian dollar against the U.S. dollar, the pound sterling, and the Euro had the biggest negative impact on the results of the Fund. The dramatic difference in performance results between the net asset value per unit (NAVPU) priced in Canadian dollars, versus U.S. dollars, is attributable to the fact that on December 31, 2006, one U.S. dollar was worth approximately $1.17 Canadian, whereas one year later, on December 31, 2007, one U.S. dollar was worth approximately $0.99 Cdn. Even if the price of an American security remained the same in 2007, it would have nonetheless shown a depreciation of roughly 15.1% at year end when priced in Canadian dollars. Similarly, a security denominated in the pound sterling and the Euro would have depreciated by roughly 13.5% and 6.1% respectively.

For the year 2007, the average monthly assets held by the Fund in non-Canadian securities was 46.4%. As such, the strength of the Canadian dollar had a significant impact on the Fund's results.

Round Trips: For the year 2007 we took more than our fair share of "round trips." Some of the undervalued stocks we bought did appreciate to close to fair value, but unfortunately we hung on

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

for too long. In hindsight, it would have been better to sell them rather than wait for the last 5% to 10% of appreciation which would have brought them right up to fair value.

Major positive contributors to the Fund's performance were Danier Leather, Berkshire Hathaway and BMTC Group. We suffered declines in King Pharmaceuticals, Biovail Corporation, Liquidation World, CanWest Global Communications and Hollinger debts.

Hedging Currency for the long term

We are long term investors and, in general, our bias has been to concentrate on stock selections and not worry about currency fluctuations. With years like 2007, the question arises as to whether there have been major disparities in annualized returns over the long term between a hedged portfolio and an unhedged portfolio; in other words, does one offer more advantageous performance results during currency fluctuations? Two studies, one covering the period from 1975 through 1988 and the other from 1988 through 2003, confirm that with respect to the long term there have been no material differences in returns.

The study for the period from 1975 to 1988 was conducted by Lee Thomas, and presented in a paper titled "The Performance of Currency – Hedged Foreign Equities". I first read about his findings in an article written by Tweedy Browne, a famous value investment firm in the United States. Excerpts from the Tweedy Browne article appear below.

"A study by Lee Thomas, 'The Performance of Currency – Hedged Foreign Equities', examined the performance of equities in Germany, France, Canada, the United Kingdom, Japan and Switzerland from 1975 through 1988, comparing unhedged results to hedged results for a U.S. dollar investor. These six stock markets accounted for about 88% of the world market capitalization, excluding the United States. The study used FT-Actuaries Indices returns, included dividends and assumed that the beginning of each month the investor hedged by selling forward (for U.S. dollars) for one-month delivery the foreign currency value of his equity shares. Over the 1975 through June 1988 study period, the compounded annual returns on hedged and unhedged foreign equities were **16.4%** and **16.5%** respectively."

The study for the period from 1988 to 2003 was done by Meir Statman, and Glenn Klimek, Professor of Finance at Santa Clara University. They wrote, "We examined hedged and unhedged portfolios during 1988 - 2003 and find that their realized returns and risk were virtually identical. Portfolio managers who care about the risk and expected returns of policy portfolios could have chosen to hedge or not to hedge by the toss of the coin. The mean monthly returns of unhedged global portfolios were higher than those of hedged ones in eight of the 16 years from 1988 through 2003 and lower in the other eight…. The **8.53%** mean annualized return of the unhedged global portfolio was slightly lower than the **8.60%** mean annualized return of the hedged portfolio during the overall 1988-2003 period."

While the effect on long term results may be statistically insignificant, on a year-to-year basis, currency swings can truly distort results. These swings can be heart stopping, particularly for our unitholders, and especially when the currency goes against them. This was evident with the Fund in 2007. But in this situation the reactions were mixed. We received a number of calls regarding the results. Investors from Niagara Falls on the U.S. side of the border were quite pleased with the 2007 performance (+6.9%), whereas investors just half a mile away, in Niagara Falls, Canada, expressed concerns about the Fund's performance (-9.3%).

We don't know what the true value of the Canadian dollar is vis-à-vis the U.S. dollar but we would hazard a guess that it is somewhere between 80 cents and $1.20. Therefore, we believe that the Canadian dollar is trading in the range of fair value. However, on a short term basis, it is subject to many variables such as the current price of energy, monetary and fiscal policies of both countries, carry trades by currency speculators (they can swing it either way by 30%) and so on.

When deciding to hedge vs. not hedge, it is only in hindsight that there can ever be certainty that the right decision was made. It is virtually impossible to sustain any reliable degree of success in predicting which way to go. When measured on a year to year basis we have been wrong in the past and it is likely that we will be wrong again in the future. But there is little need for concern. The ramifications of such hedging decisions should only affect short term performance results for the Fund. We are long term investors and therefore, over the long term, whether we 'got it right' or not should be immaterial.

Our bias at this time is 'not' to hedge because we believe that the Canadian dollar is trading in the range of fair value. In the long run, it will be influenced significantly by energy prices. Based on the latest trade figures, Canada's trade with the world is at a deficit net of energy. With the dollar at parity with the U.S. dollar all the numbers from exports, tourism, manufacturing and retail sales look appalling when compared to last year. The only time where we may be inclined to hedge the currency is during a period of extreme undervaluation. So for now, be prepared for a bit of a bumpy ride, and some extra volatility, but take into account the results of the aforementioned studies which indicate that (at least in the past) it all evens out in the long run. And remember, hedging currencies comes with a cost …about 1% a year.

One final thing to consider: As the Fund's perspective is long term, the fluctuations in performance should also be put into perspective. An 85 year old woman approached me recently and asked, "How would you define long term to me? Based on your definition, I will be dead anyway." I was flummoxed, obviously, and sheepishly replied, with great optimism, that perhaps she might live to be 115 and set the record for the longest living person on earth.

We do offer an alternative to investors who believe strongly that the Canadian dollar is going to strengthen considerably against the U.S. dollar. We offer units of the Fund in U.S. dollars, and investors can switch the units denominated in Canadian dollars to U.S. dollars without any penalty, charges or incurring a capital gain or loss in so doing.

General comments on the market

Despite a decline of about 10% from its high, the market is not cheap, however it is not expensive either. For years we have been lamenting the fact that we cannot find any decent bargains, but lately three sectors have been hit hard and we can find plenty of companies in those sectors that are selling significantly below what they are worth. The three sectors are: retail, media and pharmaceuticals.

Repricing of risk

At the time of writing last year, preservation of capital was given almost zero consideration. However, this year there has been a huge repricing of risk. The following are some examples:

1) The spread between U.S. corporate high yield debt and 5 year U.S. treasuries was 270 basis points a year ago. Currently, it is 778. At its widest, in November 2002, it was 1,094 basis points (source: Citigroup).
2) The spread between U.S. corporate high yield debt and U.S. investment grade bonds was 187 basis points a year ago. Currently, it is 549. At its widest, in November 2002, it was 845 basis points (source: Citigroup).

Last year, we wrote that some of the greatest excesses of easy credit were committed by subprime lenders. Credit standards were so lax and liberal that homeowners didn't even need to produce verification of income to be able to borrow up to 100% or more of the appraised value of their houses.

The chickens are coming home to roost for companies that were in any way associated with housing and housing related issues, and those companies include banks, mortgage lenders, monoline bond insurers, hedge funds, you name it. So far, they have announced $255 billion (source: Deutsche Bank) in losses. While the numbers may look awful, the reality is far worse. The problem started with subprime borrowers and it is spreading to Alternate A borrowers (between subprime and prime) and ultimately, although to a lesser degree, it will affect prime borrowers. The reason for the spreading is that credit standards were equally lax with Alternate A borrowers and prime borrowers. On top of that we have yet to factor in the impact of liquidity squeeze from financial deleveraging, and that of loans in leveraged buyouts, commercial real estate, automobiles, margin loans, structured products, and the like. Institutions were so driven by incentives to securitize assets into asset backed securities and CDOs (Collateralized Debt Obligation) that they were willing to overlook the true riskiness of the securities involved. Those securities were then morphed into derivatives or any number of exotic instruments that barely resemble the original loans. Credit standards did not matter but volume and liquidity did, and 'mortgages' was one product that easily satisfied that criteria.

In general, we find that executives who sugarcoat business realities and embellish results, downplay issues and disguise potential problems to investors may be trying to fool their audience, but eventually they end up fooling themselves. They start believing in their own world of make-believe.

We would be careful about buying any financial stock. It is virtually impossible to find out what toxic brew the financial companies may hold in their balance sheets (either because they may not want you to know the truth or because even they don't know the truth themselves). Financial companies use 'best estimates' for many line items on the balance sheet and when companies are in trouble, they frequently have a chance to downplay the seriousness of the problems. Most of them are honourable but there are a few who use, what I've coined, "the 'DROP' principle" on unsuspecting investors. (D is for dribbling out the bad news slowly, R is for raising money, and OP is for dishing out the most optimistic projections.) Once the money has been raised from investors, these companies will announce a few months later 'the big drop' – that is, to take a big writedown. Yet still, having said that, we are looking for companies that are not involved directly with financials but, instead, have been somewhat tainted by association.

Our historical returns and what we can learn from them

As we have stated in our past letters, the cardinal principle underlying the investments in the Fund is to pay far less than what the company is worth, measured by sustainable earning power and/or hard assets that are not depreciating in value. In other words, we want an adequate 'Margin of Safety' and this concept, while unappreciated and ignored by most, is what distinguishes investment from speculation. It is different from volatility, where stocks can go up or down in a given year.

Fortunately, we have over 20 years of performance to show what can be accomplished for investors while employing the "Margin of Safety" concept.

If you look at the following table, in 1999, 1994 and 1990 we had negative years but each time we bounced back. Even if you invested at the high, let's say in 1998, 1993 or 1989, you would still do reasonably well long term. When you are a value investor, you have no control on short term volatility. While the future is never certain, we have no reason to believe the statement, "If you buy stocks that are undervalued, good things happen to you eventually", will not be as valid in the future as it has been in the past.

	Chou RRSP Fund	
Period Ended	Growth in $10,000 Invested	Annual Return
Dec.31, 1986	10,000	
Dec.31, 1987	10,818	8.2%
Dec.31, 1988	12,281	13.5%
Dec.31, 1989	14,350	16.9%
Dec.31, 1990	**12,722**	**-11.3%**
Dec.31, 1991	13,284	4.4%
Dec.31, 1992	14,500	9.2%
Dec.31, 1993	16,727	15.4%
Dec.31, 1994	**14,961**	**-10.6%**
Dec.31, 1995	17,808	19.0%
Dec.31, 1996	21,735	22.1%
Dec.31, 1997	32,741	50.6%
Dec.31, 1998	38,806	18.5%
Dec.31, 1999	**36,217**	**-6.7%**
Dec.31, 2000	42,188	16.5%
Dec.31, 2001	49,370	17.0%
Dec.31, 2002	65,095	31.9%
Dec.31, 2003	72,658	11.6%
Dec.31, 2004	82,362	13.4%
Dec.31, 2005	95,294	15.7%
Dec.31, 2006	104,479	9.6%
Dec.31, 2007	**94,817**	**-9.3%**

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

The current environment reminds us of 1999 – stocks that were expensive became more expensive and stocks that were cheap became cheaper but eventually 'value will out' – as the expression goes. As the subprime (mortgage) meltdown and the bursting of the credit bubble play themselves out, they directly and indirectly affect the prices of almost all debt and equity securities, and the market will be highly volatile for a while. Therefore, the unit value of our Fund will also be volatile. So, this is not the time to get too anxious. Volatility is playing into our hands. We wouldn't be finding stocks or fixed income debts as cheap as they are now if it wasn't for this fear in the market. Market participants that invested in the toxic brew securities are dumping debt and equity securities indiscriminately as they are forced to raise cash to meet margin calls and redemptions. We would encourage our unitholders to review and understand the table as it may help them to not fret too much. As you can see, we have done reasonably well in the long run.

Notwithstanding, the amount of money that investors choose to invest in the Fund should only be to the extent that they can afford to **lose 40%** or more of their investment. This may sound drastic, but sleeping well and not getting too anxious are also important considerations both for the manager and the unitholder.

Credit default swaps (CDS)
In last year's letter, we informed investors of our interest in CDS. We wrote, "In terms of investment ideas in derivatives, we believe that CDS are selling at prices that are compelling. At recent prices, they offer the cheapest form of insurance against market disruptions. In CDS, one party sells credit protection and the other party buys credit protection. Put another way, one party is selling insurance and the counterparty is buying insurance against the default of the third party's debt. The Chou Funds would be interested in buying this type of insurance…. To give you some sense of perspective, in October 2002, the 5 year CDS of General Electric Company was quoted at an annual price of 110 basis points. Recently, it was quoted at an annual price of 8 basis points. To make money in CDS, you don't need a default of the third party's debt. If there is any hiccup in the economy, the CDS price will rise from these low levels. The negative aspect is that, like insurance, the premium paid for the protection erodes over time and may expire worthless."

Subsequent to that letter it took until mid September 2007 for all of our compliance and regulatory approvals to be put into place and by then the prices of CDSs had moved appreciably. In accordance with our prospectus we could invest no more than 5% of the net assets of the Fund, at the time of purchase, in CDSs.

We missed the low hanging fruit, but the good thing is we now have these approvals in place and can exploit the situation next time. The current price of General Electric's 5 year CDS is at 168 basis points, and shows the potential for gain.

Other matters
Foreign Currency Hedging: None existed in 2006 and 2007.

U.S. dollar Valuation: Any investor who wishes to purchase the Chou Funds in $US is now able to do so.

Independent Review Committee: Under the provisions of National Instrument 81-107 Independent Review Committee for Investment Funds ("NI 81-107"), which came into force on November 1, 2006, it is now required that all publicly offered investment funds, such as the family of Chou Funds, establish an independent review committee ("IRC") to whom the Manager is to refer all conflict of interest matters for review. This instrument further mandates that the IRC be composed of at least three independent members and requires that they report, at least annually, to the Manager and shareholders in respect of the IRC's duties.

The Manager has established an IRC as required by NI 81-107. The members of the IRC are Sandford Borins, Bruce Kerr and Joe Tortolano.

The IRC report is posted on our website www.choufunds.com. Hardcopies are available, upon request, by contacting Chou Associates.

Management Fees Waived: We waived a portion of the management fees for the Chou RRSP Fund. The MER should have been 1.70% but instead it was 1.62%.

New Location: Effective Thursday, November 1, 2007, we have moved our corporate office to the following location:

110 Sheppard Avenue East
Suite 301, Box 18
Toronto, Ontario M2N 6Y8

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 March 7, 2008, the NAV of a Series A unit of the Fund was $24.64 and the cash position was 2.1% of net assets. The Fund is down 12.9% from the beginning of the year.

Except for the performance numbers of the Chou RRSP Fund, this letter contains estimates and opinions of the Fund Manager and is not intended to be a forecast of future events, a guarantee of future returns or investment advice. Any recommendations contained or implied herein may not be suitable for all investors.

Yours truly,

Francis Chou

Francis Chou
Fund Manager

CHOU RRSP FUND
STATEMENT OF NET ASSETS
AS AT DECEMBER 31, 2007

	2007	2006
ASSETS		
Cash and treasury bills	$ 18,527,380	$ 16,856,792
Accrued interest and dividend income	589,031	2,329,326
Receivable for units subscribed	22,170	550,528
Investments	263,384,677	315,449,136
	282,523,258	335,185,782
LIABILITIES		
Accrued expenses	437,797	500,713
Payable for units redeemed	619,179	833,116
Distributions payable	332,525	108,779
	1,389,501	1,442,608
NET ASSETS	$ 281,133,757	$ 333,743,174
NET ASSETS, BY SERIES		
Series A	$ 269,331,056	$ 317,282,443
Series F	11,802,701	16,460,731
	$ 281,133,757	$ 333,743,174
NUMBER OF UNITS OUTSTANDING (Note 3)		
Series A	9,573,239	9,379,824
Series F	419,985	488,221
NET ASSET VALUE PER UNIT		
Canadian dollars		
Series A	$ 28.13	$ 33.83
Series F	$ 28.10	$ 33.72
U.S. dollars		
Series A	$ 28.44	$ 29.03
Series F	$ 28.41	$ 28.94

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, 2007

	2007	2006
INVESTMENT INCOME		
Dividends	$ 5,783,233	$ 6,820,578
Interest	5,139,172	7,145,547
Income from derivatives	1,699,553	810,954
Interest from securities lending	517,688	1,277,830
	13,139,646	16,054,909
EXPENSES		
Management fees (Note 5)	5,490,382	5,006,494
Custodian fees	286,706	377,043
Foreign withholding taxes	245,298	262,529
Audit	35,266	20,655
Filing fees	28,933	28,133
FundSERV fees	16,439	21,090
Legal	6,000	15,102
Total Expenses	6,109,024	5,731,046
Management fees waived by Manager (Note 5)	(263,357)	-
Net Expenses	5,845,667	5,731,046
NET INVESTMENT INCOME FOR THE YEAR	7,293,979	10,323,863
NET REALIZED AND UNREALIZED GAIN (LOSS) AND TRANSACTION COSTS		
Transaction costs	(216,250)	-
Net realized gain on sale of investments	15,509,068	8,524,946
Unrealized gain (loss)	(54,087,609)	9,640,200
	(38,794,791)	18,165,146
INCREASE (DECREASE) IN NET ASSETS FROM OPERATIONS	$ (31,500,812)	$ 28,489,009
INCREASE (DECREASE) IN NET ASSETS FROM OPERATIONS		
Series A	$ (29,981,546)	$ 27,182,294
Series F	(1,519,266)	1,306,715
	$ (31,500,812)	$ 28,489,009
INCREASE (DECREASE) IN NET ASSETS FROM OPERATIONS, PER UNIT		
Series A	$ (3.20)	$ 2.86
Series F	$ (3.08)	$ 3.40

CHOU RRSP FUND

STATEMENT OF CHANGES IN NET ASSETS

FOR THE YEAR ENDED DECEMBER 31, 2007

	2007	2006
SERIES A		
NET ASSETS, beginning of the year	$ 317,282,443	$ 294,865,823
Change in accounting policy (Note 2(a))	(742,333)	-
	316,540,110	294,865,823
Increase (decrease) in net assets from operations	(29,981,546)	27,182,294
Proceeds from issue of units	35,492,318	51,607,847
Payments on redemption of units	(52,421,216)	(56,268,202)
Distribution of income to unitholders		
Investment income	(5,027,250)	(8,720,694)
Realized gains	(16,344,494)	-
Reinvested distributions	21,073,134	8,615,375
NET ASSETS, end of the year	269,331,056	317,282,443
SERIES F		
NET ASSETS, beginning of the year	16,460,731	3,897,056
Change in accounting policy (Note 2(a))	(38,512)	-
	16,422,219	3,897,056
Increase (decrease) in net assets from operations	(1,519,266)	1,306,715
Proceeds from issue of units	4,167,961	13,466,641
Payments on redemption of units	(7,234,606)	(2,206,221)
Distribution of income to unitholders		
Investment income	(262,730)	(571,681)
Realized gains	(714,898)	-
Reinvested distributions	944,021	568,221
NET ASSETS, end of the year	11,802,701	16,460,731
TOTAL NET ASSETS, end of the year	$ 281,133,757	$ 333,743,174

CHOU RRSP FUND

STATEMENT OF INVESTMENTS

AS AT DECEMBER 31, 2007

	No. of Shares or Par Value	Cost	Market Value
SHARES*			
Berkshire Hathaway Inc., Class A	180	$ 18,417,665	$ 25,191,134
Biovail Corporation	1,310,823	24,247,186	17,499,488
BMTC Group Inc., Class A	678,956	6,584,918	15,106,771
BT Group PLC	1,150,000	4,660,963	6,193,967
CanWest Global Comm. Corporation	3,045,500	26,905,093	21,683,960
Consolidated-Tomoka Land Company	35,700	2,039,000	2,193,756
Danier Leather Inc.	969,800	9,215,066	9,698,000
Flagstone Reinsurance Holdings Ltd.	1,300,000	15,197,000	17,795,009
Fraser Papers Inc.	1,096,100	6,442,700	2,937,548
Fraser Papers Inc. rights	1,096,100	-	5,481
International Forest Products Ltd., Class A	1,025,500	6,098,755	6,153,000
Isotechnika Inc.	939,700	1,774,242	930,303
King Pharmaceuticals Inc.	2,199,139	22,885,542	22,272,626
Royal Boskalis Westminster nv	353,247	3,743,483	21,096,830
Liquidation World Inc.	1,155,000	5,100,958	4,054,050
Magna International Inc., Class A	13,400	1,058,415	1,069,990
MRRM Inc.	44,400	223,110	250,860
Overstock.com Inc.	715,500	14,906,146	10,926,365
Rainmaker Income Fund, trust units	2,345,800	7,690,157	6,404,034
Ridley Canada Ltd.	347,400	2,785,863	2,789,622
Symetra Financial Corporation	174,000	2,673,000	2,307,793
Taiga Building Products Ltd.	1,272,400	1,692,292	2,035,840
Torstar Corporation, Class B	1,259,616	27,567,050	23,554,819
Tri-White Corporation	193,600	1,077,639	1,606,880
TVA Group Inc., Class B	1,031,800	15,407,096	14,981,736
Wescast Industries Inc., Class A	88,700	2,886,263	777,012
		231,279,602	239,516,874
BONDS			
Glacier Ventures Int'l Corp., 13.0%, Sep 15, 2011	10,330,000	10,330,000	10,330,000
Hollinger Inc., 11.875%, Mar 1, 2011	1,450,000	1,637,018	215,119
Hollinger Inc., 12.875%, Mar 1, 2011	12,568,000	14,169,351	6,961,021
Taiga Building Products Ltd., 14.0% Sep 1, 2020	6,769,168	6,769,168	6,431,387
		32,905,537	23,937,527
TOTAL EQUITIES AND BONDS		264,185,139	263,454,401
DERIVATIVES (Schedule 1)		(1,350,479)	(69,724)
TRANSACTION COSTS		(914,110)	-
PORTFOLIO TOTAL		$ 261,920,550	$ 263,384,677

* Common shares unless indicated otherwise

CHOU RRSP FUND
SCHEDULE OF DERIVATIVES
AS AT DECEMBER 31, 2007

Schedule 1

Written Call Options	**Expiry Date**	**Strike Price**	**Number**	**Cost**	**Market Value**
Biovail Corp.	Jan 2008	$ 25.00	2,014	$ (296,193)	$ (9,960)
King Pharmaceuticals Inc.	Jan 2008	17.50	475	(129,015)	(2,349)
King Pharmaceuticals Inc.	Jan 2008	20.00	1,500	(235,393)	(7,418)
Overstock.com Inc.	Jan 2008	20.00	234	(50,562)	(5,786)
Overstock.com Inc.	Jan 2009	40.00	300	(118,996)	(16,319)
Overstock.com Inc.	Jan 2009	45.00	650	(291,388)	(19,287)
Overstock.com Inc.	Mar 2009	35.00	580	(228,932)	(8,605)
				$ (1,350,479)	$ (69,724)

CHOU FUNDS

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2007

1. FORMATION OF CHOU FUNDS

The individual funds comprising the family of Chou 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 (GAAP), include estimates and assumptions by management that could affect the reported amount of assets, liabilities, income and expenses during the reported year. Actual results could differ from those estimated. The following is a summary of significant accounting policies followed by the Funds.

(a) Valuation of Investments

The Canadian Institute of Chartered Accountants (CICA) Handbook Section 3855, Financial Instruments – Recognition and Measurement, which applies to the interim periods and fiscal years beginning on or after October 1, 2006, requires that the fair value of financial instruments, which are actively traded, be measured based on the bid/ask price for the security. Prior to that, fair value for GAAP was based on the last traded price for the day, when available. For financial reporting purposes, starting from January 1, 2007, the Funds adopted the amended valuation policy for actively traded securities held by the Funds on a retroactive basis without restatement of prior periods. Accordingly, the opening net asset value in the Statements of Changes in Net Assets for the year ended December 31, 2007 has been adjusted.

National Instrument 81-106 (“NI 81-106”), Investment Fund Continuous Disclosure, requires the daily net asset value of an investment fund to be calculated in accordance with GAAP. Notwithstanding the prescribed implementation date of Section 3855, the Canadian Securities Administrators granted interim relief to investment funds from complying with Section 3855 when calculating the daily net asset value for the purpose of processing unitholder transactions. The relief was granted to permit further

2. SIGNIFICANT ACCOUNTING POLICIES, continued

(a) Valuation of Investments (continued)

review of the impact of Section 3855 and is effective until the earlier of September 30, 2008 or the date on which proposed amendments to NI 81-106 come into effect. The net asset value calculated in accordance with Section 3855 is referred to as the Fund's net asset value for financial reporting ("GAAP Net Asset Value"). A reconciliation between the Fund's GAAP Net Asset Value and the Fund's net asset value for purposes other than financial reporting ("Transactional Net Asset Value") is given in Note 6.

Section 3855 also requires that transaction costs, such as brokerage commissions, incurred in the purchase and sale of securities by the Fund be charged to net income in the year. Accordingly, these costs are expensed and are included in "Transaction costs" in the Statement of Operations. Until December 31, 2006, the Fund's policy had been to add these expenses to the cost of the securities purchased or deduct from proceeds of sale. Effective January 1, 2007, the Fund adopted the new accounting policy retroactively, without restatement of prior periods.

Securities listed upon a recognized public stock exchange are valued at their bid/ask prices on the valuation date. Securities with no bid/ask prices are valued at their closing sale prices. Securities not listed upon a recognized public stock exchange are valued using valuation techniques, on such basis and in such manner established by the Manager.

Short-term investments are recorded at cost, which approximates market value.

(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.

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 unrealized gain 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 net assets, based on the difference between the contract rate and the applicable forward rate to close out the contract. Change in unrealized gains and losses associated with the revaluation of open forward contracts are recorded in the statement of operations as “unrealized gain (loss)”.

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

(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 investment income and/or net realized capital gains which are distributed to unitholders. In addition, income taxes payable on undistributed net realized capital gains are refundable on a formula basis when units of the 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.

2. SIGNIFICANT ACCOUNTING POLICIES, continued

(e) Income Taxes (continued)

Capital losses for income tax purposes may be carried forward indefinitely and applied against capital gains in future years.

(f) Multi-Series Funds

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

(g) Valuation of Fund Units

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

(h) Securities Lending

The Funds lend portfolio securities from time to time in order to earn additional income. Income from securities lending is included in the Statement of Operations of the Funds and is recognized on an accrual basis.

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.

	Series A		Series F	
	2007	**2006**	**2007**	**2006**
CHOU ASSOCIATES FUND				
Units outstanding, beginning of the year	6,700,136	4,376,444	395,408	44,689
Add: Units issued during the year	2,190,743	3,346,335	332,118	352,722
Deduct: Units redeemed during the year	(1,060,748)	(1,111,277)	(71,630)	(9,639)
Units outstanding before income distribution	7,830,131	6,611,502	655,896	387,772
Add: Units issued on reinvested income	220,927	88,634	21,744	7,636
Units outstanding, end of the year	8,051,058	6,700,136	677,640	395,408
CHOU ASIA FUND				
Units outstanding, beginning of the year	2,892,966	2,528,888	136,072	11,057
Add: Units issued during the year	1,975,863	680,666	103,452	125,352
Deduct: Units redeemed during the year	(444,990)	(338,191)	(123,269)	(2,580)
Units outstanding before income distribution	4,423,839	2,871,363	116,255	133,829
Add: Units issued on reinvested income	360,759	21,603	9,269	2,243
Units outstanding, end of the year	4,784,598	2,892,966	125,524	136,072
CHOU EUROPE FUND				
Units outstanding, beginning of the year	1,137,019	980,743	107,261	4,833
Add: Units issued during the year	345,926	356,347	54,491	100,381
Deduct: Units redeemed during the year	(342,732)	(226,041)	(99,373)	(1,490)
Units outstanding before income distribution	1,140,213	1,111,049	62,379	103,724
Add: Units issued on reinvested income	33,023	25,970	1,483	3,537
Units outstanding, end of the year	1,173,236	1,137,019	63,862	107,261

3. UNITS OF THE FUND, continued

	Series A		Series F	
	2007	2006	2007	2006
CHOU BOND FUND				
Units outstanding, beginning of the year	2,602,344	283,682	376,179	2,186
Add: Units issued during the year	4,778,179	2,366,625	639,652	367,407
Deduct: Units redeemed during the year	(956,905)	(128,487)	(124,262)	(5,728)
Units outstanding before income distribution	6,423,618	2,521,820	891,569	363,865
Add: Units issued on reinvested income	236,687	80,524	34,403	12,314
Units outstanding, end of the year	6,660,305	2,602,344	925,972	376,179

	Series A		Series F	
	2007	2006	2007	2006
CHOU RRSP FUND				
Units outstanding, beginning of the year	9,379,824	9,293,546	488,221	122,827
Add: Units issued during the year	1,019,475	1,592,697	118,731	417,553
Deduct: Units redeemed during the year	(1,571,273)	(1,761,115)	(220,388)	(69,012)
Units outstanding before income distribution	8,828,026	9,125,128	386,564	471,368
Add: Units issued on reinvested income	745,213	254,696	33,421	16,853
Units outstanding, end of the year	9,573,239	9,379,824	419,985	488,221

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:

	2007	2006
Chou Associates Fund	$ 945,284	$ 886,641
Chou Asia Fund	101,878	62,146
Chou Europe Fund	-	17,101
Chou Bond Fund	88,759	4.217
Chou RRSP Fund	385,143	431,985

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 Series A units and 1.0% of the net asset value of Series F units for all Funds other than the Chou Bond Fund on which the Manager is entitled to an annual investment management fee equal to 1.15% of the net asset value of Series A units and 1.0% of the net asset value of Series F units. All other expenses attributable to the Funds are also payable out of the assets of the Funds.

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

6. RECONCILIATION OF TRANSACTIONAL NAV TO GAAP NAV

		Net Asset Value ($)			Net Asset Value per Unit ($)		
	Series	Transactional NAV	Section 3855 Adjustment	GAAP NAV	Transactional NAV	Section 3855 Adjustment	GAAP NAV
Chou Associates	A	643,874,111	806,658	643,067,453	79.97	0.10	79.87
Fund	F	53,194,024	66,301	53,127,723	79.67	0.09	79.58
Chou Asia	A	74,393,855	287,521	74,106,334	15.55	0.06	15.49
Fund	F	1,958,234	7,581	1,950,653	15.60	0.06	15.54
Chou Europe	A	13,538,856	89,668	13,449,188	11.54	0.08	11.46
Fund	F	740,144	4,927	735,217	11.59	0.08	11.51
Chou Bond	A	76,295,167	42,848	76,252,319	11.46	0.01	11.45
Fund	F	10,609,859	5,952	10,603,907	11.46	0.01	11.45
Chou RRSP	A	270,703,660	1,372,604	269,331,056	28.28	0.15	28.13
Fund	F	11,862,738	60,037	11,802,701	28.25	0.15	28.10

7. BROKERS' COMMISSIONS

Total commissions paid to brokers in connection with portfolio transactions for the year ended December 31, 2007 and for the year ended December 31, 2006 are as follows:

	2007	2006
Chou Associates Fund	$ 552,550	$ 132,040
Chou Asia Fund	54,161	19,896
Chou Europe Fund	18,689	12,563
Chou Bond Fund	11,467	5,799
Chou RRSP Fund	216,250	261,242

8. SECURITIES LENDING

The Funds have entered into a securities lending program with Citigroup Global Markets Inc. The Funds receive collateral of at least 102% of the value of the securities on loan. Collateral may be comprised of cash and obligations of, or guaranteed by, the Government of Canada or a province thereof, or by the United States Government or its agencies, but may include obligations of other governments with appropriate credit ratings. The aggregate dollar values of the securities that are on loan and the collateral received by the Funds as at December 31, 2007 are as follows:

Fund	Market value of securities on loan	Market value of collateral received
Chou Associates Fund	$ 7,411,586	$ 8,308,112
Chou RRSP Fund	$ 1,877,350	$ 2,077,028
Chou Asia Fund	$ 3,683,795	$ 4,450,774

9. RELATED PARTY TRANSACTIONS

The Manager, its officers and directors invest in units of the Funds from time to time in the normal course of business. All transactions with the Manager are measured at the exchange amounts.

10. INDEPENDENT REVIEW COMMITTEE

Under the provisions of National Instrument 81-107 Independent Review Committee for Investment Funds ("NI 81-107"), which came into force on November 1, 2006, it is now required that all publicly offered investment funds establish an independent review committee ("IRC") to whom the Manager is to refer all conflict of interest matters for review.

In January 2008, the Funds paid the following fees in respect of the IRC duties for the year ended 2007:

Chou Associates Fund	$	16,578
Chou Asia Fund		1,738
Chou Europe Fund		361
Chou Bond Fund		1,972
Chou RRSP Fund		6,751

NOTES

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CHOU RRSP FUND
(unaudited)

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	95,294
Dec.31, 2006	33,326	39,622	31,531	104,479
Dec.31, 2007	27,859	38,841	28,117	**94,817**

Note: Rates of return are historical total returns including changes in unit prices and assume the reinvestment of all distributions. These annual compounded returns do not take into account any sales charges, redemption fees, other optional expenses or income taxes that you have to pay and which could reduce these returns. The returns are not guaranteed. The Fund’s past performance does not necessarily indicate future performance.

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