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

ANNUAL REPORT 2010

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
Dec.31, 2008	24,843	31,166	32,544	88,553
Dec.31, 2009	31,518	39,539	43,797	114,854
Dec.31, 2010	37,243	46,722	52,951	**$136,916**

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

The table is presented only to illustrate the effects of the compound growth rate and is not intended to reflect future values of the mutual funds or returns on the mutual funds.

Commissions, trailing commissions, management fees and expenses all may be associated with mutual fund investments. Please read the prospectus before investing.

CHOU FUNDS

PERFORMANCE OF THE FUNDS

(Series A units)	December 31						
	2010	2009	2008	2007	2006	2005	2004
Chou Associates Fund							
Total Return	19.21%	29.70%	-29.30%	-10.22%	18.77%	13.70%	9.02%
Management Expense Ratio (MER)	1.79%	1.76%	1.73%	1.70%	1.74%	1.75%	1.77%
Portfolio turnover rate	11.29%	13.73%	21.58%	16.61%	14.60%	10.00%	30.00%
Net Assets, end of the year (in millions)	$ 530.6	$ 497.5	$ 440.6	$ 697.1	$ 650.2	$ 345.8	$ 166.7
Chou Asia Fund							
Total Return	10.41%	21.71%	-17.60%	16.25%	15.15%	7.00%	18.50%
Management Expense Ratio (MER)	1.81%	1.76%	1.72%	1.72%	1.77%	1.76%	*0.77%
Portfolio turnover rate	9.48%	12.84%	13.51%	47.68%	35.00%	44.00%	22.09%
Net Assets, end of the year (in millions)	$ 62.1	$ 63.2	$ 57.8	$ 76.4	$ 43.8	$ 32.2	$ 16.3
Chou Europe Fund							
Total Return	-0.85%	34.67%	-44.00%	-15.14%	10.70%	11.35%	13.61%
Management Expense Ratio (MER)	1.91%	1.80%	*-2.88%	*1.63%	1.78%	1.84%	*0.87%
Portfolio turnover rate	11.29%	40.06%	29.71%	26.98%	36.80%	33.00%	9.55%
Net Assets, end of the year (in millions)	$ 8.2	$ 8.8	$ 7.3	$ 14.3	$ 17.4	$ 12.8	$ 4.5
Chou Bond Fund							
Total Return	32.69%	42.45%	-37.70%	-2.65%	22.00%		
Management Expense Ratio (MER)	1.43%	1.39%	*0.50%	1.34%	*0.40%		
Portfolio turnover rate	67.64%	61.00%	46.02%	36.52%	5.30%		
Net Assets, end of the year (in millions)	$ 76.9	$ 71.0	$ 52.7	$ 87.0	$ 36.4		
Chou RRSP Fund							
Total Return	46.62%	27.80%	-42.40%	-9.25%	9.63%	15.70%	13.36%
Management Expense Ratio (MER)	1.80%	1.77%	1.73%	*1.62%	1.74%	1.75%	1.79%
Portfolio turnover rate	9.94%	27.54%	26.85%	12.01%	24.40%	22.70%	15.40%
Net Assets, end of the year (in millions)	$ 149.6	$ 119.0	$ 118.9	$ 282.6	$ 333.7	$ 298.8	$ 172.0

*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 15, 2011

Dear Unitholders of Chou Associates Fund,

After the distribution of $0.71, the net asset value (“NAVPU” or “NAV”) of a Series A unit of Chou Associates Fund at December 31, 2010 was $80.89 compared to $68.46 at December 31, 2009, an increase of 19.2%; during the same period, the S&P 500 Total Return Index increased 8.3% in Canadian dollars. In $US, a Series A unit of Chou Associates Fund increased 25.5% while the S&P 500 Total Return Index increased 15.0%.

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

December 31, 2010 (Series A)	**1 Year**	**3 Years**	**5 Years**	**10 Years**	**15 Years**
Chou Associates ($CAN)	19.2%	3.0%	3.1%	9.0%	11.2%
S&P500 ($CAN)	8.3%	-2.8%	-0.9%	-2.7%	4.5%
Chou Associates ($US)[1]	25.5%	2.8%	6.5%	13.6%	13.6%
S&P500 ($US)	15.0%	-2.8%	2.3%	1.4%	6.8%

Rates of return are historical total returns that include changes in unit prices, and assume the reinvestment of all distributions. These annual compounded returns do not take into account any sales charges, redemption fees, other optional expenses or income taxes that you have to pay and that could reduce these returns. The returns are not guaranteed. The Fund’s past performance does not necessarily indicate future performance. The table is used only to illustrate the effects of the compound growth rate and is not intended to reflect future values of the mutual funds or returns on the mutual funds. Commissions, trailing commissions, management fees and expenses all may be associated with mutual fund investments. Please read the prospectus before investing.

Factors Influencing the 2010 Results

THE CANADIAN DOLLAR AGAINST THE U.S. DOLLAR: The strength of the Canadian dollar against the U.S. dollar had a negative impact on the results of the Fund. The difference in performance results between the net asset value per unit (NAVPU) priced in Canadian dollars, versus U.S. dollars, is attributable to the fact that on December 31, 2009, one U.S. dollar was worth approximately CAN$1.05, whereas one year later, on December 31, 2010, one U.S. dollar was worth approximately CAN$0.99. Even if the price of an American security remained the same in 2010, it would have shown a depreciation of roughly 5.7% at year end when priced in Canadian dollars. As at December 31, 2010, our investments in U.S. dollars were approximately 95.9% of assets.

After unprecedented interventions by governments around the world, the Fund continued to benefit from the recovery of the global equity and fixed income markets that began in March 2009.

Positive contributors to the Fund’s performance were International Coal Group, King Pharmaceuticals, Watson Pharmaceuticals, Valeant Pharmaceuticals, Overstock.com, Primus Telecommunications and debt securities of Abitibi-Consolidated. Securities that declined the most

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

in 2010 were Media General, Sears Holdings, Sanofi-Aventis, and debt securities of Level 3 Communications.

We believe that equities and debt securities, both investment and non-investment grade, are now close to fully priced.

In equities, we believe the financial, retail and pharmaceutical sectors are undervalued. We favour a basket approach versus concentrating on one or two stocks in those sectors.

Debt Securities Can Be As Volatile As Equities

There is a common misconception that debt securities, whether investment grade or non-investment grade, do not fluctuate as much as equities. The following table shows that is not the case.

Ratings	Price High 2007	Price Low 2008-2009	Price High 2010	Price at 12/31/2010
Investment Grade				
AAA	176.40	157.00	206.30	199.60
AA	169.50	153.70	202.50	198.10
A	173.20	149.20	215.70	210.10
BBB	169.70	142.40	221.70	215.40
Non-Investment Grade				
BB	298.50	232.02	404.91	401.16
B	277.18	182.63	322.30	321.82
CCC	196.09	87.13	242.31	242.31
NR	169.86	118.05	270.87	270.87

This table is not precise. During 2007-2010, many companies' ratings were changed by rating agencies. As an example, some companies included in the aggregate as BBB in 2007 were rated differently in 2008-2009 because of changes by rating agencies. (Source: JP Morgan)

As you can see, debt securities, whether investment grade or non-investment grade, can be as volatile as equities. Yet this is where opportunity lies for investors who understand the recovery value of bonds. Namely, bonds can provide a higher margin of safety without sacrificing equity-like returns. However, if your valuations are wrong, the punishment can be as severe as it can be with equities.

In cases where we were uncertain about the investment merits of buying a company's common shares, we had no hesitation buying its undervalued debt securities if it met our criteria, especially if the debt security was selling at a price that gave us at least 10% yield to maturity (YTM). This 10% return may not sound like much until you remember that equities, on average, have generated long-term returns of around 8%-9%.

Investing in Debt Securities

In aggregate, over the years, our returns for the family of Chou Funds from investment grade and non-investment grade debt securities have been satisfactory.

While the following focuses on our experience with non-investment grade debt securities, it is largely applicable to investment grade securities as well.

When we look at what happened in 2008, we learn that a number of investment grade securities were quickly downgraded to non-investment grade. We also learn that investors cannot rely on rating agencies for guidance, even for investment grade securities. Rather, that investors must do their own due diligence and rely on their own experience and judgement.

Many investors are afraid to touch non-investment grade debt securities fearing that such companies may soon need financing or refinancing. These investors especially fear that troubled companies may not be able to refinance their debt, or if the companies restructure their debts, they risk losing some or all of their investment.

While we agree that investing in non-investment grade securities can be tricky, we have not shied away from them when we believe their prices provide us with an attractive return and adequate margin of safety. Although we have made our share of mistakes, over the long-term, we have been pleased with our results. I would like to share with you what has worked for us and the pitfalls we try to avoid.

Before we invest in troubled companies we always ask questions and base our decisions on some of the criteria outlined below. It is impossible to list all the criteria but these are the main ones we look for:

1) *Where does the debt security we are considering rank in the company's capital structure? And what would the company be worth if it had to liquidate?*

We start by setting a desired target rate of return, and then try to buy the most senior security in the capital structure that meets the return target. We know that in a restructuring, it's a dog-eat-dog world, and senior holders will show no mercy to investors holding lower ranked securities. Experience proves it is prudent to give up some return by buying senior debt versus taking a chance on more junior securities even though they have the potential to earn a much higher return.

For example, imagine two scenarios with scenario-one offering the prospect of recovering 50 cents on the dollar for a junior security trading at 25 cents on the dollar, and scenario-two offering the possibility of recovering 100 cents on the dollar for a senior security that is trading at 80 cents and that is backed up by 200 cents of collateral. The wise course, in our view, is to invest in the second scenario and not succumb to the temptation of the first as we believe maximizing the margin of safety on the principal invested is just as important for debt securities as it is for equity securities.

2) *How competent is management?* Assessing the competence of management is as critical when buying debt securities as it is when buying equities. In the financial crisis of 2008, when money was tight, a lot of companies were facing liquidity issues. When companies need financing or refinancing, they are in a bind and require strong, competent managers who can run the operation while navigating the restructuring process. As a result, we seek management teams that are passionate about their work and own enough equity in their company to care deeply about its future. We are not interested in companies with managers who are just doing their job, collecting their salaries, stock options and other perks. And we are especially averse to CEOs who view their companies as a job for fear they'll do a job on investors, that is, deliver 'just over breakeven' (job) profits. We are always on the look-out for competent CEOs and management teams who think and act like owners. One of the best times to invest in a debt issue is when a company is facing a short-term liquidity issue rather than an operational issue.

3) *Is the underlying business strong and able to generate consistent free cash flow?* The economics of a business are important. Ultimately, a company has to repay or restructure its debt. In either scenario, having a strong underlying business that can generate strong cash flow can be vital. Strong cash flows make it easier for companies to repay or refinance debt, or sell assets at higher valuations. One must be careful when buying into an industry with excess capacity since overcapacity is normally equated with negative or below average return on capital.

4) *What do the bank and bond covenants look like? Is there a cash flow sweep recapture?* In some instances, debt comes with a cash flow sweep, which means that free cash flow left after all the needs of operations have been met can be used to buy back debt at par from debt holders. This cash flow sweep could be monthly, quarterly or yearly. For example, R.H. Donnelly's bank debt has a quarterly cash flow sweep and is trading at 77 cents. However, every quarter, whatever free cash flow that is left is used to buy back the bank debt at 100 cents.

5) *What does the company's balance sheet look like and what is its liquidity position? Will it need to raise additional capital?* It is important to understand the liquidity position of the company and know if it has adequate resources to pay interest on current debts and any debts that may be maturing. If the company has to raise capital to meet its financing and operational needs, oftentimes this capital is very expensive and dilutive to existing bondholders.

6) *If the company goes through a restructuring, will it cause permanent damage to the business by diminishing the value of the brand or by alienating customers?* If the company decides to restructure, it has implications not only for the company and its employees but also for its customers. It is critical to understand the impact on customers and if they will continue to do business with the company or move to a competitor instead. If it is the latter, there will be diminished revenues and possibly negative cash flows.

One of our best deals involved Brick Ltd., a retailer of largely lower-end household furniture, mattresses, appliances and home electronics, which we purchased for the Chou RRSP Fund. We attended a meeting during which an executive succinctly described the reasons for their operational problem thusly: 'We tried to go to the middle of the road, and the oncoming traffic killed us'.

Brick Ltd. had a financing/liquidity issue in 2009 and in May of that year, succeeded in raising $120 million to recapitalize their balance sheet, pay off senior notes and partially repay their Operating Credit Facility. We were already impressed with the company and were further impressed when the founder of the company said he was willing to invest $10 million on the same terms as the other debenture holders. The Debt Unit consisted of $1,000 principal amount 12% senior secured debentures maturing in five years, and 1,000 Class A Trust Unit purchase warrants. Each warrant entitled the holder to purchase one Class A Trust Unit for a strike price of $1.00, which was very close to the stock's trading price.

Under the able stewardship of Mr. Bill Gregson, Brick continues to make a remarkable turnaround. A $1,000 investment is now worth $2,925, not counting the 12% coupon that we have been clipping all along.

Uneasiness With the Government Policies

We went through a traumatic financial crisis in 2008 and 2009 and you can argue that under exceptional circumstances, the Government can, maybe should, intervene in the economy, as the U.S. Federal Reserve (Fed) did with massive quantitative easing starting in 2008. As we all know, governments everywhere have intervened in securities markets for decades by artificially lowering interest rates during declines and artificially supporting prices. That said, I'm always uneasy when this happens, primarily because such interventions skew the markets and make it difficult for investors to determine the soundness of a business and its prospects for future success.

In addition, government intervention puts investors in the dilemma of having to factor in how much quantitative easing the Fed will apply and for how long. For example, when analyzing some of our fixed income investments in 2008, we assumed the Fed would likely continue providing enough liquidity to keep financial institutions afloat. As a result, we bought Wells Fargo 7.7%, 2049, and Goldman Sachs 5.793%, 2043 for the Chou Bond Fund and paid $36.75 and $43.25, respectively. Interestingly both companies' debts were rated investment grade. At December 31, 2010, they were trading for $103.75 and $85.35, respectively. Our investment was predicated on the Fed providing the liquidity financial companies needed to stay solvent. It was okay in 2008 when we were facing a one-of-a-kind financial crisis, but continuing with that policy is unwise. We believe it is preferable that the Fed has soundly-based economic and monetary policies rather than have it open the tap at every hint of a slowdown. Let the market do its job!

Other Matters

FOREIGN CURRENCY CONTRACTS: None existed at December 31, 2010.

CREDIT DEFAULT SWAPS: None existed at December 31, 2010.

CONSTANT MATURITY SWAPS: None existed at December 31, 2010.

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

REDEMPTION FEE: We have a redemption fee of 2% if unitholders redeem their units in less than two years. None of this fee goes to the Fund Manager. It is put back into the Fund for the benefit of the remaining unitholders.

INDEPENDENT REVIEW COMMITTEE: The Manager has established an IRC as required by NI 81-107. The members of the IRC are Sandford Borins, Bruce Kerr and Joe Tortolano. The 2010 IRC Annual Report is available on our website www.choufunds.com.

As of March 11, 2011, the NAV of a Series A unit of the Fund was $83.16 and the cash position was 29.5% of net assets. The Fund is up 2.8% from the beginning of the year. In $US, it is up 5.0%.

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

Yours truly,

Francis Chou

Francis Chou
Fund Manager

Management's Responsibility for Financial Reporting

To the unitholders of the Chou Funds:

The accompanying financial statements have been prepared by the management of Chou Associates Management Inc. Management is responsible for the information and representations made in these financial statements.

Management has applied appropriate processes to ensure that the statements contain relevant and reliable financial information. The financial statements have been produced in accordance with accounting principles generally accepted in Canada and include certain amounts based on estimates and judgements. The significant accounting policies that management believes are appropriate for the Chou Funds are described in Note 2 to the financial statements.

The Trustee of each of the Trusts is responsible for reviewing and approving the financial statements, and for overseeing management's performance of its financial reporting responsibilities. The Trustee reviews the financial statements, the adequacy of internal controls, the audit process and the financial data with management and the external auditors.

The Board of Directors of Chou Associates Management is responsible for reviewing and approving the financial statements, and for overseeing management's performance of its financial reporting responsibilities. It reviews the financial statements, the adequacy of internal controls, the audit process and the financial data with management and the external auditors. Once satisfied, the Board approves the financial statements.

Burns Hubley LLP is the external auditor of the Chou Funds. They are appointed by the respective Boards and cannot be changed without the prior approval of the Independent Review Committee and on 60 days notice to the unitholders. Burns Hubley LLP audits the financial statements in accordance with generally accepted auditing standards in Canada to enable them to express their opinion on the financial statements. Their audit report is included as an integral part of the financial statements.

Francis Chou

Francis Chou
Chou Associates Management Inc.

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AUDITORS' REPORT

To the Trustee and Unitholders of
The Chou Funds

We have audited the accompanying financial statements of Chou Associates Fund, Chou Asia Fund, Chou Europe Fund, Chou RRSP Fund, and Chou Bond Fund (collectively referred to as "The Chou Funds"), which comprise the statements of net assets as at December 31, 2010 and 2009, and the statements of operations and changes in net assets for the years then ended and the statements of investments as at December 31, 2010, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements
Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian generally accepted accounting principles and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Chou Funds as at December 31, 2010 and 2009 and the results of their operations and changes in net assets for the years then ended and their statements of investments as at December 31, 2010 in accordance with Canadian generally accepted accounting principles.

BurnsHubley LLP

Markham, Ontario
March 18, 2011

Chartered Accountants
Licensed Public Accountants

CHOU ASSOCIATES FUND
STATEMENT OF NET ASSETS
AS AT DECEMBER 31, 2010

	2010	2009
ASSETS		
Cash	$ 60,091,227	$ 9,916,039
Accrued interest and dividend income	2,830,260	3,587,058
Receivable for units subscribed	701,146	91,590
Other receivable	208,978	-
Due from broker	-	261,605
Investments, at fair value	468,846,780	485,596,538
	532,678,391	499,452,830
LIABILITIES		
Accrued expenses	951,967	794,856
Payable for units redeemed	2,024,448	804,629
Distributions payable	194,430	317,796
	3,170,845	1,917,281
NET ASSETS	$ 529,507,546	$ 497,535,549
NET ASSETS, BY SERIES		
Series A	$ 497,541,704	$ 468,946,411
Series F	31,965,842	28,589,138
	$ 529,507,546	$ 497,535,549
NUMBER OF UNITS OUTSTANDING (Note 4)		
Series A	6,163,099	6,861,528
Series F	397,040	419,050
NET ASSET VALUE PER UNIT		
Canadian dollars		
Series A	$ 80.73	$ 68.34
Series F	$ 80.51	$ 68.22
U.S. dollars		
Series A	$ 81.20	$ 65.31
Series F	$ 80.98	$ 65.20

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, 2010

	2010	2009
INVESTMENT INCOME		
Interest	$ 10,586,005	$ 10,960,719
Dividends	3,287,399	5,574,095
Income from derivatives	2,305,204	1,907,625
Interest from securities lending	930,430	249,643
	17,109,038	18,692,082
EXPENSES		
Management fees (Note 6)	8,071,164	6,968,498
Custodian fees	695,471	721,529
Foreign withholding taxes	326,425	476,905
Filing fees	53,727	46,224
Audit	51,130	38,825
FundSERV fees	26,233	7,619
Legal	18,189	24,703
Independent Review Committee fees	16,238	17,102
	9,258,577	8,301,405
NET INVESTMENT INCOME FOR THE YEAR	7,850,461	10,390,677
NET REALIZED AND UNREALIZED GAIN (LOSS) AND TRANSACTION COSTS		
Transaction costs	(657,976)	(233,398)
Net realized gain (loss) on sale of investments	34,525,943	(62,583,881)
Unrealized gain	47,450,689	172,330,328
	81,318,656	109,513,049
INCREASE IN NET ASSETS FROM OPERATIONS	$ 89,169,117	$ 119,903,726
INCREASE IN NET ASSETS FROM OPERATIONS		
Series A	$ 83,902,694	$ 112,683,590
Series F	5,266,423	7,220,136
	$ 89,169,117	$ 119,903,726
INCREASE IN NET ASSETS FROM OPERATIONS, PER UNIT		
Series A	$ 12.95	$ 15.71
Series F	$ 13.53	$ 14.83

CHOU ASSOCIATES FUND
STATEMENT OF CHANGES IN NET ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2010

	2010	2009
SERIES A		
NET ASSETS, beginning of the year	$ 468,946,411	$ 409,872,495
Increase in net assets from operations	83,902,694	112,683,590
Proceeds from issue of units	20,042,293	11,701,426
Payments on redemption of units	(75,173,937)	(65,080,957)
Distribution of income to unitholders		
Investment income	(4,364,109)	(10,268,308)
Reinvested distributions	4,188,352	10,038,165
NET ASSETS, end of the year	497,541,704	468,946,411
SERIES F		
NET ASSETS, beginning of the year	28,589,138	30,740,768
Increase in net assets from operations	5,266,423	7,220,136
Proceeds from issue of units	8,178,485	4,116,672
Payments on redemption of units	(10,003,493)	(13,401,680)
Distribution of income to unitholders		
Investment income	(463,609)	(725,994)
Reinvested distributions	398,898	639,236
NET ASSETS, end of the year	31,965,842	28,589,138
TOTAL NET ASSETS, end of the year	$ 529,507,546	$ 497,535,549

CHOU ASSOCIATES FUND
STATEMENT OF INVESTMENTS
AS AT DECEMBER 31, 2010

	No. of Shares or Par Value	Cost	Market Value
SHARES*			
AbitibiBowater Inc.**	1,353,666	$ 27,535,230	$ 31,853,973
Bank of America Corporation, warrants, Class A	3,700,000	28,904,636	26,190,003
Berkshire Hathaway Inc., Class A	190	19,658,153	22,595,886
Flagstone Reinsurance Holdings Ltd.	1,500,000	17,582,635	18,774,605
Gannett Company Inc.	323,035	8,570,123	4,839,680
Int’l Automotive Components Group North America	1,094,922	120,506	108,852
International Coal Group Inc.	2,400,000	4,554,432	18,467,412
King Pharmaceuticals Inc.	5,209,361	58,509,979	72,763,670
Mannkind Corporation	2,438,989	16,023,849	19,494,842
Media General Inc., Class A	949,082	21,455,211	5,453,627
Office Depot Inc.	372,503	3,628,617	1,996,054
Olympus Re Holdings Ltd.	1,652,836	729,493	2,382,603
Overstock.com Inc.	1,504,209	31,016,174	24,629,501
Primus Telecommunications Group Inc.	551,922	2,782,930	6,529,478
Sanofi-Aventis ADR	390,000	13,783,524	12,496,222
Sears Holdings Corporation	333,700	17,250,089	24,466,512
Sprint Nextel Corporation	6,123,200	22,170,958	25,749,728
USG Corporation	400,000	2,784,260	6,692,647
Valeant Pharmaceuticals International Inc.	778,977	11,792,735	21,892,949
Watson Pharmaceuticals Inc.	635,400	18,447,292	32,620,249
Wells Fargo and Company, warrants	997,500	7,995,397	10,848,859
XO Holdings Inc.	2,746,729	12,090,601	1,802,244
		347,386,824	392,649,596
BONDS			
Abitibi-Consolidated Inc., debt stubs	41,552,000	-	619,637
Global Crossing (UK) Finance, 10.75%, Dec 15, 2014	16,200,000	18,452,711	16,712,471
Level 3 Comm. Inc., 15.0%, conv., Jan 15, 2013	37,000,000	44,900,188	41,050,255
Overstock.com Inc., 3.75%, Dec 1, 2011	6,825,000	5,483,607	6,764,952
Primus Telecomm., 14.25%, May 20, 2013	16,757,000	13,823,046	16,825,636
		82,659,552	81,972,951
TOTAL EQUITIES AND BONDS		430,046,376	474,622,547
DERIVATIVES (Schedule 1)		(2,631,977)	(5,775,767)
TRANSACTION COSTS		(1,176,772)	-
PORTFOLIO TOTAL		$ 426,237,627	$ 468,846,780

* Common shares unless indicated otherwise
** Shares received from debt restructuring

CHOU ASSOCIATES FUND
SCHEDULE OF DERIVATIVES
AS AT DECEMBER 31, 2010

Schedule 1

Written Call Options	Expiry Date	Strike Price	Number	Cost	Market Value
Mannkind Corporation	Feb 2011	$ 10.00	8,182	$ (978,727)	$ (935,430)
Mannkind Corporation	Feb 2011	$ 11.00	1,091	(111,337)	(97,616)
Mannkind Corporation	Feb 2011	$ 7.00	4,000	(732,569)	(898,716)
Sprint Nextel Corporation	Jan 2011	$ 5.00	412	(26,369)	(1,638)
Valeant Pharmaceuticals	Jan 2011	$ 20.00	4,026	(782,975)	(3,842,367)
				$ (2,631,977)	$ (5,775,767)

Risk Management

The Fund's objective is to provide long-term growth of capital by investing primarily in equity securities of U.S. and foreign businesses considered by the Manager to be undervalued. The Fund may also invest in the equity securities of Canadian businesses. Investments may include common and preferred shares, convertible debentures, government and corporate bonds and short-term debt.

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

The Fund's investment activities expose it to various types of risk associated with the financial instruments and markets in which it invests. The Fund's risk management goals are to ensure that the outcome of activities involving risk is consistent with the Fund's objectives and risk tolerance.

Credit Risk

Credit risk is the risk that a counterparty to a financial instrument will fail to discharge a commitment that it has entered into with the Funds. As of December 31, 2010, the Fund invested approximately 15% of its net assets in non-investment grade debt instruments. Non-investment grade is the term applied to bonds rated below Baa3 on the Moody’s credit rating scale and below BBB- on the equivalent ratings systems from S&P and Fitch. These credit ratings denote that the company’s financial position is weak and its bonds should be considered a speculative investment.

Interest Rate Risk

Interest rate risk arises from the effect of changes in interest rates on future cash flows or the current value of financial instruments. The table below summarizes the Fund’s exposure to interest rate risks by remaining term to maturity.

Debt Instruments by Maturity Date:

Less than 1 year	$ 7,384,589
1-3 years	$ 57,875,891
3-5 years	$ 16,712,471
Greater than 5 years	$ 0

As at December 31, 2010, should interest rates have decreased or increased by 0.25%, with all other variables remaining constant, the increase or decrease in Net Assets for the year would have amounted to approximately $1,455,000.

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

Other Price Risk

Other price risk is the risk that the value of financial instruments will fluctuate as a result of changes in market prices (other than those arising from interest rate risk or currency risk) caused by factors specific to a security, its issuer or all factors affecting a market or a market segment. Approximately 74% of the Fund's Net Assets held at December 31, 2010 were publicly traded equities. If equity prices on the exchange had increased or decreased by 5% as at December 31, 2010, the Net Assets of the Fund would have increased or decreased by approximately $19,632,000, or 3.7% of the Net Assets, all other factors remaining constant.

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

Foreign Currency Risk

Currencies to which the Fund had exposure as at December 31, 2010 are as follows:

	Financial Instruments ($)	Percentage of NAV (%)
United States Dollar	507,881,154	95.9%
Euro Currency	19,585,162	3.7%

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

If the Canadian dollar had strengthened or weakened by 1% in relation to all currencies, with all other variables held constant, net assets would have decreased or increased by approximately $5,274,000.

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

CHOU ASIA FUND

March 15, 2011

Dear Unitholders of Chou Asia Fund,

After the distribution of $1.30, the net asset value (“NAVPU” or “NAV”) of a Series A unit of Chou Asia Fund at December 31, 2010 was $14.85 compared to $14.64 at December 31, 2009, an increase of 10.4%; during the same period, the MSCI AC (Morgan Stanley Capital International All Country) Asia Pacific Total Return Index in Canadian dollars returned 10.4%. In $US, a Series A unit of Chou Asia Fund returned 16.2% while the MSCI AC Asia Pacific Total Return Index returned 17.3%.

The table shows our 1 year, 3 year, 5 year and since inception compound rates of return.

December 31, 2010 (Series A)	1 Year	3 Years	5 Years	Since Inception
Chou Asia ($CAN)	10.4%	3.4%	8.2%	9.5%
MSCI AC Asia Pacific TR ($CAN)	10.4%	-1.8%	1.6%	5.5%
Chou Asia ($US)[1]	16.2%	3.3%	11.7%	14.2%
MSCI AC Asia Pacific TR ($US)	17.3%	-1.9%	4.8%	10.1%

Rates of return are historical total returns that include changes in unit prices, and assume the reinvestment of all distributions. These annual compounded returns do not take into account any sales charges, redemption fees, other optional expenses or income taxes that you have to pay and that could reduce these returns. The returns are not guaranteed. The Fund’s past performance does not necessarily indicate future performance. The table is used only to illustrate the effects of the compound growth rate and is not intended to reflect future values of the mutual funds or returns on the mutual funds. Commissions, trailing commissions, management fees and expenses all may be associated with mutual fund investments. Please read the prospectus before investing.

Factors Influencing the 2010 Results

In 2010, economic growth across the region and corporate profits continued to be strong. Asian markets were impacted by sovereign debt concerns in Europe, as well as fiscal concerns in the United States. In addition, strong economic growth in the region and higher commodity prices heightened unease about inflation.

Positive contributors to the Fund’s performance were Able Chintai Holdings, Chunghwa Telecom, Delta Electronics and debt securities of Abitibi-Consolidated Inc. We suffered declines in Hanfeng Evergreen and UTStarcom Inc.

Concerns about Japan and China

It is tragic what happened in Japan. It was a trifecta of disaster - the most powerful earthquake ever recorded in Japan, a tsunami and a potential nuclear meltdown. From an investment point of view, most people would say "three strikes and you are out". We disagree. With the Japanese market down approximately 18% since the tragic events, we think there are several good investment opportunities. The Japanese are resilient people who survived two nuclear bombings during the Second World War, and who over the ensuing 50 years built the second largest economy in the world.

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

That said, Japan faces some huge challenges, not least of which is continuing to service its enormous and growing government debt while recovering from its recent woes. In 2010, the OECD estimated Japan’s gross debt to GDP at 197%, and net of foreign currency reserves, at a more manageable level of about 100%.

We are also concerned about China, primarily because its stimulus measures in 2010 were three times greater than those of the U.S.A. With most of its stimulus funds going into infrastructure, we believe China now suffers from massive overproduction in all sectors, rampant speculation in real estate and that we must question all government supplied economic numbers.

We are especially uncomfortable about investing in regions of Asia where we suspect a 'bubble'. We are not as concerned about bubbles per se, but rather that bubbles generally make it difficult to determine the soundness of a business and its prospect for future success.

For this reason, the Fund, on a monthly average, had approximately 44.7% of its portfolio in cash and cash equivalents during the year 2010. We are in a 'wait and see' position and watching for events to unfold.

Other Matters

FOREIGN CURRENCY CONTRACTS, CREDIT DEFAULT SWAPS and CONSTANT MATURITY SWAPS: None existed at December 31, 2010.

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

REDEMPTION FEE: We have a redemption fee of 2% if unitholders redeem their units in less than two years. None of this fee goes to the Fund Manager. It is put back into the Fund for the benefit of the remaining unitholders.

INDEPENDENT REVIEW COMMITTEE: The Manager has established an IRC as required by NI 81-107. The members of the IRC are Sandford Borins, Bruce Kerr and Joe Tortolano. The 2010 IRC Annual Report is available on our website www.choufunds.com.

As of March 11, 2011, the NAV of a Series A unit of the Fund was $14.42 and the cash position was 52% of net assets. The Fund is down 2.9% from the beginning of the year. In $US, it is down 0.8%.

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, 2010

	2010	2009
ASSETS		
Cash	$ 31,808,770	$ 24,928,445
Accrued interest and dividend income	83,241	389,497
Receivable for units subscribed	193,552	36,893
Due from broker	669,013	-
Investments, at fair value	29,716,567	38,139,997
	62,471,143	63,494,832
LIABILITIES		
Accrued expenses	110,715	94,877
Payable for units redeemed	204,522	117,280
Distributions payable	86,760	19,129
	401,997	231,286
NET ASSETS	$ 62,069,146	$ 63,263,546
NET ASSETS, BY SERIES		
Series A	$ 58,921,609	$ 60,788,240
Series F	3,147,537	2,475,306
	$ 62,069,146	$ 63,263,546
NUMBER OF UNITS OUTSTANDING (Note 4)		
Series A	3,970,464	4,183,867
Series F	211,782	169,765
NET ASSET VALUE PER UNIT		
Canadian dollars		
Series A	$ 14.84	$ 14.53
Series F	$ 14.86	$ 14.58
U.S. dollars		
Series A	$ 14.93	$ 13.88
Series F	$ 14.95	$ 13.93

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, 2010

	2010	2009
INVESTMENT INCOME		
Dividends	$ 737,554	$ 1,240,744
Income from derivatives	646,531	-
Interest	544,418	1,080,021
Interest from securities lending	997	-
	1,929,500	2,320,765
EXPENSES		
Management fees (Note 6)	1,021,582	916,584
Foreign withholding taxes	95,484	165,518
Custodian fees	87,637	91,563
Audit	16,621	3,854
Filing fees	6,696	4,535
FundSERV fees	3,677	2,623
Legal	2,727	4,003
Independent Review Committee fees	1,780	2,377
	1,236,204	1,191,057
NET INVESTMENT INCOME FOR THE YEAR	693,296	1,129,708
NET REALIZED AND UNREALIZED GAIN (LOSS) AND TRANSACTION COSTS		
Transaction costs	(58,592)	(51,537)
Net realized gain (loss) on sale of investments	7,954,792	(3,082,365)
Unrealized gain (loss)	(1,810,408)	13,163,595
	6,085,792	10,029,693
INCREASE IN NET ASSETS FROM OPERATIONS	$ 6,779,088	$ 11,159,401
INCREASE IN NET ASSETS FROM OPERATIONS		
Series A	$ 6,483,573	$ 10,872,236
Series F	295,515	287,165
	$ 6,779,088	$ 11,159,401
INCREASE IN NET ASSETS FROM OPERATIONS, PER UNIT		
Series A	$ 1.66	$ 2.51
Series F	$ 1.64	$ 2.37

CHOU ASIA FUND
STATEMENT OF CHANGES IN NET ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2010

	2010	2009
SERIES A		
NET ASSETS, beginning of the year	$ 60,788,240	$ 56,589,172
Increase in net assets from operations	6,483,573	10,872,236
Proceeds from issue of units	3,753,900	4,940,015
Payments on redemption of units	(12,033,091)	(11,594,095)
Distribution of income to unitholders		
Investment income	(81,319)	(1,139,156)
Capital gains	(4,684,998)	-
Reinvested distributions	4,695,304	1,120,068
NET ASSETS, end of the year	58,921,609	60,788,240
SERIES F		
NET ASSETS, beginning of the year	2,475,306	1,160,381
Increase in net assets from operations	295,515	287,165
Proceeds from issue of units	1,644,917	1,447,711
Payments on redemption of units	(1,252,455)	(419,911)
Distribution of income to unitholders		
Investment income	(27,367)	(65,890)
Capital gains	(249,158)	-
Reinvested distributions	260,779	65,850
NET ASSETS, end of the year	3,147,537	2,475,306
TOTAL NET ASSETS, end of the year	$ 62,069,146	$ 63,263,546

CHOU ASIA FUND
STATEMENT OF INVESTMENTS
AS AT DECEMBER 31, 2010

	No. of Shares or Par Value	Cost	Market Value
SHARES*			
AbitibiBowater Inc.**	90,635	$ 2,469,280	$ 2,132,790
Able Chintai Holdings Inc.***	811,700	2,026,824	4,157,085
AJIS Company Limited	7,200	106,136	115,740
Chunghwa Telecom Company Ltd. ADR	165,111	3,050,511	4,146,323
Delta Electronics Public Company Ltd.	1,763,300	897,401	2,028,512
Glacier Media Inc.	594,107	1,604,237	1,396,151
Hanfeng Evergreen Inc.	495,750	1,182,082	2,949,713
PRONEXUS Inc.	647,500	3,045,134	3,506,541
Sankyo Company Ltd.	60,000	2,684,475	3,370,602
SK Telecom Company Ltd. ADR	170,000	3,795,157	3,143,516
UTStarcom Inc.	1,247,051	4,817,390	2,541,510
		25,678,627	29,488,483
BONDS			
Abitibi-Consolidated Inc., debt stubs	15,295,000	-	228,084
TOTAL EQUITIES AND BONDS		25,678,627	29,716,567
TRANSACTION COSTS		(7,721)	-
PORTFOLIO TOTAL		$ 25,670,906	$ 29,716,567

* Common shares unless indicated otherwise
** Shares received from debt restructuring
*** Chintai changed name to Able Chintai after merger

Risk Management

The Fund's objective is to provide long-term growth of capital by investing primarily in equity securities of Asian businesses considered by the Manager to be undervalued. Investments may be made in securities other than equities and in businesses located outside of Asia. Investments may include common and preferred shares, convertible debentures, government and corporate bonds and short-term debt.

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

The Fund's investment activities expose it to various types of risk associated with the financial instruments and markets in which it invests. The Fund's risk management goals are to ensure that the outcome of activities involving risk is consistent with the Fund's objectives and risk tolerance.

Credit Risk

Credit risk is the risk that a counterparty to a financial instrument will fail to discharge a commitment that it has entered into with the Funds. As of December 31, 2010, the Fund invested approximately 0.4% of its net assets in non-investment grade debt instruments. Non-investment grade is the term applied to bonds rated below Baa3 on the Moody’s credit rating scale and below BBB- on the equivalent ratings systems from S&P and Fitch. These credit ratings denote that the company’s financial position is weak and its bonds should be considered a speculative investment.

Interest Rate Risk

Interest rate risk arises from the effect of changes in interest rates on future cash flows or the current value of financial instruments. The table below summarizes the Fund’s exposure to interest rate risks by remaining term to maturity.

Debt Instruments by Maturity Date:

Less than 1 year	$ 228,084
1-3 years	$ 0
3-5 years	$ 0
Greater than 5 years	$ 0

As at December 31, 2010, the Manager does not believe that the Fund is exposed to any interest rate risk as the debts stubs do not earn any interest. They represent possible interim distributions of the shares held in reserve pending settlements with disputed claims.

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

Other Price Risk

Other price risk is the risk that the value of financial instruments will fluctuate as a result of changes in market prices (other than those arising from interest rate risk or currency risk) caused by factors specific to a security, its issuer or all factors affecting a market or a market segment. Approximately 48% of the Fund's Net Assets held at December 31, 2010 were publicly traded equities. If equity prices on the exchange had increased or decreased by 5% as at December 31, 2010, the Net Assets of the Fund would have increased or decreased by approximately $1,474,000, or 2.4% of the Net Assets, all other factors remaining constant.

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

Foreign Currency Risk

Currencies to which the Fund had exposure as at December 31, 2010 are as follows:

	Financial Instruments ($)	Percentage of NAV (%)
United States Dollar	38,842,496	62.6%
Japanese Yen	11,285,420	18.2%
Thailand Baht	2,028,512	3.3%
Singapore Dollar	135,103	0.2%

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

If the Canadian dollar had strengthened or weakened by 1% in relation to all currencies, with all other variables held constant, net assets would have decreased or increased by approximately $523,000.

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

CHOU EUROPE FUND

March 15, 2011

Dear Unitholders of Chou Europe Fund,

After the distribution of $0.08, the net asset value ("NAVPU" or "NAV") of a Series A unit of Chou Europe Fund at December 31, 2010 was $7.33 compared to $7.47 at December 31, 2009, a decrease of 0.9%; during the same period, the MSCI AC (Morgan Stanley Capital International All Country) Europe Total Return Index in Canadian dollars was down 0.9%. In $US, a Series A unit of Chou Europe Fund returned 4.4% while the MSCI AC Europe Total Return Index returned 5.3%.

The table shows our 1 year, 3 year, 5 year and since inception compound rates of return.

December 31, 2010 (Series A)	1 Year	3 Years	5 Years	Since Inception
Chou Europe ($CAN)	-0.9%	-9.2%	-6.8%	-1.0%
MSCI AC Europe TR ($CAN)	-0.9%	-8.3%	0.4%	4.5%
Chou Europe ($US)[1]	4.4%	-9.4%	-3.8%	3.2%
MSCI AC Europe TR ($US)	5.3%	-8.4%	3.6%	9.0%

Rates of return are historical total returns that include changes in unit prices, and assume the reinvestment of all distributions. These annual compounded returns do not take into account any sales charges, redemption fees, other optional expenses or income taxes that you have to pay and that could reduce these returns. The returns are not guaranteed. The Fund's past performance does not necessarily indicate future performance. The table is used only to illustrate the effects of the compound growth rate and is not intended to reflect future values of the mutual funds or returns on the mutual funds. Commissions, trailing commissions, management fees and expenses all may be associated with mutual fund investments. Please read the prospectus before investing.

Factors Influencing the 2010 Results

THE CANADIAN DOLLAR AGAINST THE U.S. DOLLAR: In 2010, markets across Europe experienced extreme volatility that climaxed in the spring with concerns about the safety of sovereign debt across the continent. What started in Greece, quickly spread to Spain and Portugal, causing a loss of investor confidence. Governments swiftly stepped in to stabilize markets. We believe it will take a while for European countries to successfully emerge from the financial crisis. The next few years will be rocky, with economies lurching from one crisis to another. Lingering concerns over sovereign debts may lead to continued market volatility and provide us with attractive investment opportunities.

The Fund did not enter into any forward currency contracts for Pound Sterling or Euros during the year. As such, even if the price of a security denominated in Pound Sterling or Euros remained the same on December 31, 2010, compared to a year ago, it would have shown a depreciation of roughly 8.3% and 11.2% respectively when priced in Canadian dollars.

Securities in the portfolio that declined most in 2010 were Alexon Group PLC, CryptoLogic, GlaxoSmithKline, Sanofi-Aventis and Next PLC.

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

Other Matters

MANAGEMENT FEE: Our record since inception has not been as stellar as we would have liked. As a result, I will not be charging management fees for the next three years, starting from January 1, 2011 through December 31, 2013.

FOREIGN CURRENCY CONTRACTS: None existed at December 31, 2010.

CREDIT DEFAULT SWAPS: None existed at December 31, 2010.

CONSTANT MATURITY SWAPS: None existed at December 31, 2010.

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

REDEMPTION FEE: We have a redemption fee of 2% if unitholders redeem their units in less than two years. None of this fee goes to the Fund Manager. It is put back into the Fund for the benefit of the remaining unitholders.

INDEPENDENT REVIEW COMMITTEE: The Manager has established an IRC as required by NI 81-107. The members of the IRC are Sandford Borins, Bruce Kerr and Joe Tortolano. The 2010 IRC Annual Report is available on our website www.choufunds.com.

As of March 11, 2011, the NAV of a Series A unit of the Fund was $7.08 and the cash position was 38% of net assets. The Fund is down 3.4% from the beginning of the year. In $US, it is down 1.3%.

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, 2010

	2010	2009
ASSETS		
Cash	$ 2,520,146	$ 942,537
Accrued interest and dividend income	27,950	84,730
Due from brokers	-	502,281
Investments, at fair value	5,739,027	7,291,607
	8,287,123	8,821,155
LIABILITIES		
Accrued expenses	20,775	14,714
Payable for units redeemed	36,537	17,069
Distributions payable	385	7,861
	57,697	39,644
NET ASSETS	$ 8,229,426	$ 8,781,511
NET ASSETS, BY SERIES		
Series A	$ 7,344,730	$ 8,493,485
Series F	884,696	288,026
	$ 8,229,426	$ 8,781,511
NUMBER OF UNITS OUTSTANDING (Note 4)		
Series A	1,003,677	1,141,295
Series F	120,856	38,357
NET ASSET VALUE PER UNIT		
Canadian dollars		
Series A	$ 7.32	$ 7.44
Series F	$ 7.32	$ 7.51
U.S. dollars		
Series A	$ 7.36	$ 7.11
Series F	$ 7.36	$ 7.18

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, 2010

	2010	2009
INVESTMENT INCOME		
Dividends	$ 210,541	$ 160,537
Interest	84,054	289,635
Interest from securities lending	43	-
	294,638	450,172
EXPENSES		
Management fees (Note 6)	130,050	126,944
Foreign withholding taxes	30,777	22,798
Custodian fees	13,411	12,973
Audit	6,960	3,836
Filing fees	1,015	500
FundSERV fees	475	80
Legal	454	906
Independent Review Committee fees	229	309
	183,371	168,346
NET INVESTMENT INCOME FOR THE YEAR	111,267	281,826
NET REALIZED AND UNREALIZED GAIN (LOSS) AND TRANSACTION COSTS		
Transaction costs	(5,093)	(6,422)
Net realized gain (loss) on sale of investments	574,340	(4,080,827)
Unrealized gain (loss)	(754,305)	6,250,211
	(185,058)	2,162,962
INCREASE (DECREASE) IN NET ASSETS FROM OPERATIONS	$ (73,791)	$ 2,444,788
INCREASE (DECREASE) IN NET ASSETS FROM OPERATIONS		
Series A	$ (67,628)	$ 2,352,947
Series F	(6,163)	91,841
	$ (73,791)	$ 2,444,788
INCREASE (DECREASE) IN NET ASSETS FROM OPERATIONS, PER UNIT		
Series A	$ (0.06)	$ 2.13
Series F	$ (0.17)	$ 2.26

CHOU EUROPE FUND

STATEMENT OF CHANGES IN NET ASSETS

FOR THE YEAR ENDED DECEMBER 31, 2010

	2010	2009
SERIES A		
NET ASSETS, beginning of the year	$ 8,493,485	$ 7,008,560
Increase (decrease) in net assets from operations	(67,628)	2,352,947
Proceeds from issue of units	177,214	328,757
Payments on redemption of units	(1,258,082)	(1,188,918)
Distribution of income to unitholders		
Investment income	(79,659)	(786,401)
Reinvested distributions	79,400	778,540
NET ASSETS, end of the year	7,344,730	8,493,485
SERIES F		
NET ASSETS, beginning of the year	288,026	263,079
Increase (decrease) in net assets from operations	(6,163)	91,841
Proceeds from issue of units	682,208	5,601
Payments on redemption of units	(79,375)	(72,495)
Distribution of income to unitholders		
Investment income	(21,924)	(27,549)
Reinvested distributions	21,924	27,549
NET ASSETS, end of the year	884,696	288,026
TOTAL NET ASSETS, end of the year	$ 8,229,426	$ 8,781,511

CHOU EUROPE FUND
STATEMENT OF INVESTMENTS
AS AT DECEMBER 31, 2010

	No. of Shares or Par Value	Cost	Market Value
SHARES*			
Aer Lingus Group PLC	300,000	$ 273,841	$ 431,362
Alexon Group PLC	492,738	1,075,544	93,588
AstraZeneca PLC	13,000	701,770	588,866
BP PLC ADR	10,000	313,497	439,118
CryptoLogic Limited	60,000	828,212	84,600
GlaxoSmithKline PLC	28,000	764,303	538,328
Next PLC	20,000	646,019	612,441
Nokia Corporation ADR	30,000	361,778	307,790
Ryanair Holdings PLC ADR	20,000	574,892	611,604
Sanofi-Aventis ADR	20,000	884,092	640,832
Topps Tiles PLC	370,000	513,589	474,719
Vodafone Group PLC ADR	10,000	198,082	262,755
		7,135,619	5,086,003
BONDS			
Global Crossing (UK) Finance, 10.75%, Dec 15, 2014	633,000	664,489	653,024
TOTAL EQUITIES AND BONDS		7,800,108	5,739,027
TRANSACTION COSTS		(10,639)	-
PORTFOLIO TOTAL		$ 7,789,469	$ 5,739,027

* Common shares unless indicated otherwise

Risk Management

The Fund's objective is to provide long-term growth of capital by investing primarily in equity securities of European businesses considered by the Manager to be undervalued. Investments may be made in securities other than equities and in businesses located outside of Europe. Investments may include common and preferred shares, convertible debentures, government and corporate bonds and short-term debt.

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

The Fund's investment activities expose it to various types of risk associated with the financial instruments and markets in which it invests. The Fund's risk management goals are to ensure that the outcome of activities involving risk is consistent with the Fund's objectives and risk tolerance.

Credit Risk

Credit risk is the risk that a counterparty to a financial instrument will fail to discharge a commitment that it has entered into with the Funds. As of December 31, 2010, the Fund invested approximately 8% of its net assets in non-investment grade debt instruments. Non-investment grade is the term applied to bonds rated below Baa3 on the Moody’s credit rating scale and below BBB- on the equivalent ratings systems from S&P and Fitch. These credit ratings denote that the company’s financial position is weak and its bonds should be considered a speculative investment.

Interest Rate Risk

Interest rate risk arises from the effect of changes in interest rates on future cash flows or the current value of financial instruments. The table below summarizes the Fund’s exposure to interest rate risks by remaining term to maturity.

Debt Instruments by Maturity Date:

Less than 1 year	$ 0
1-3 years	$ 0
3-5 years	$ 653,024
Greater than 5 years	$ 0

As at December 31, 2010, should interest rates have decreased or increased by 0.25%, with all other variables remaining constant, the increase or decrease in Net Assets for the year would have amounted to approximately $14,400.

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

Other Price Risk

Other price risk is the risk that the value of financial instruments will fluctuate as a result of changes in market prices (other than those arising from interest rate risk or currency risk) caused by factors specific to a security, its issuer or all factors affecting a market or a market segment. Approximately 62% of the Fund's Net Assets held at December 31, 2010 were publicly traded equities. If equity prices on the exchange had increased or decreased by 5% as at December 31, 2010, the Net Assets of the Fund would have increased or decreased by approximately $254,000, or 3.1% of the Net Assets, all other factors remaining constant.

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

Foreign Currency Risk

Currencies to which the Fund had exposure as at December 31, 2010 are as follows:

	Financial Instruments ($)	Percentage of NAV (%)
United States Dollar	3,706,711	45.0%
Sterling Pound	2,674,607	32.5%
Euro Currency	1,033,686	12.6%

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

If the Canadian dollar had strengthened or weakened by 1% in relation to all currencies with all other variables held constant, net assets would have decreased or increased by approximately $74,000.

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

CHOU BOND FUND

March 15, 2011

Dear Unitholders of Chou Bond Fund,

After the distribution of $0.51, the net asset value (“NAVPU” or “NAV”) of a Series A unit of Chou Bond Fund at December 31, 2010 was $10.78 compared to $8.51 at December 31, 2009, an increase of 32.7%; during the same period, Citigroup WGBI (World Government Bond Index) All Maturities ($CAN) was down 1.0% and Barclays U.S. Corporate High Yield Index ($CAN) returned 9.1%. In $US, a Series A unit of Chou Bond Fund returned 39.7% while Citigroup WGBI All Maturities returned 5.2% and Barclays U.S. Corporate High Yield Index returned 15.1%.

The table shows our 1 year, 3 year, 5 year and since inception annual compound rates of return.

December 31, 2010 (Series A)	**1 Year**	**3 Years**	**5 Years**	**Since Inception**
Chou Bond ($CAN)	32.7%	5.6%	6.9%	7.3%
Citigroup WGBI ($CAN)	-1.0%	5.2%	3.8%	2.4%
Barclays’ U.S. High Yield ($CAN)	9.1%	10.6%	5.4%	4.8%
Chou Bond ($US) [1]	39.7%	5.4%	10.4%	10.8%
Citigroup WGBI ($US)	5.2%	5.4%	7.1%	6.0%
Barclays’ U.S High Yield ($US)	15.1%	10.4%	8.9%	8.9%

Rates of return are historical total returns that include changes in unit prices, and assume the reinvestment of all distributions. These annual compounded returns do not take into account any sales charges, redemption fees, other optional expenses or income taxes that you have to pay and that could reduce these returns. The returns are not guaranteed. The Fund’s past performance does not necessarily indicate future performance. The table is used only to illustrate the effects of the compound growth rate and is not intended to reflect future values of the mutual funds or returns on the mutual funds. Commissions, trailing commissions, management fees and expenses all may be associated with mutual fund investments. Please read the prospectus before investing.

Factors Influencing the 2010 Results

NON-INVESTMENT AND INVESTMENT GRADE BONDS ARE FULLY PRICED NOW: The historically high spread between U.S. corporate debt and U.S. treasuries narrowed in 2010 from 2009 and was a major reason for the gain in the Chou Bond Fund. The spread between U.S. corporate high-yield debt and U.S. treasuries at December 31, 2010 was 577 basis points, down from 657 basis points at December 31, 2009. The spread between U.S. investment grade bonds and U.S. treasuries at December 31, 2010 was 147.2 basis points, down from 162 basis points at December 31, 2009. (Source: JP Morgan)

Given the above, we believe that investment and non-investment grade corporate bonds are now fully priced. Although we won't likely see the lows that we saw in February/March of 2009, the risks of investing in fixed income securities are greater now.

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

Positive contributors to the Fund's performance were debt securities of Abitibi-Consolidated, ATP Oil & Gas Corporation, CompuCredit, Fibrek, Taiga Building Products and MEGA Brands. We suffered declines in the debt securities of Texas Comp. Electric and Dex One Corporation.

Debt Securities Can Be As Volatile As Equities

There is a common misconception that debt securities, whether investment grade or non-investment grade, do not fluctuate as much as equities. The following table shows that is not the case.

Ratings	Price High 2007	Price Low 2008-2009	Price High 2010	Price at 12/31/2010
Investment Grade				
AAA	176.40	157.00	206.30	199.60
AA	169.50	153.70	202.50	198.10
A	173.20	149.20	215.70	210.10
BBB	169.70	142.40	221.70	215.40
Non-Investment Grade				
BB	298.50	232.02	404.91	401.16
B	277.18	182.63	322.30	321.82
CCC	196.09	87.13	242.31	242.31
NR	169.86	118.05	270.87	270.87

This table is not precise. During 2007-2010, many companies' ratings were changed by rating agencies. As an example, some companies included in the aggregate as BBB in 2007 were rated differently in 2008-2009 because of changes by rating agencies. (Source: JP Morgan)

As you can see, debt securities, whether investment grade or non-investment grade, can be as volatile as equities. Yet this is where opportunity lies for investors who understand the recovery value of bonds. Namely, bonds can provide a higher margin of safety without sacrificing equity-like returns. However, if your valuations are wrong, the punishment can be as severe as it can be with equities.

In cases where we were uncertain about the investment merits of buying a company's common shares, we had no hesitation buying its undervalued debt securities if it met our criteria, especially if the debt security was selling at a price that gave us at least 10% yield to maturity (YTM). This 10% return may not sound like much until you remember that equities, on average, have generated long-term returns of around 8%-9%.

Investing in Debt Securities

In aggregate, over the years, our returns for the family of Chou Funds from investment grade and non-investment grade debt securities have been satisfactory.

While the following focuses on our experience with non-investment grade debt securities, it is largely applicable to investment grade securities as well.

When we look at what happened in 2008, we learn that a number of investment grade securities were quickly downgraded to non-investment grade. We also learn that investors cannot rely on rating agencies for guidance, even for investment grade securities. Rather, that investors must do their own due diligence and rely on their own experience and judgement.

Many investors are afraid to touch non-investment grade debt securities fearing that such companies may soon need financing or refinancing. These investors especially fear that troubled companies may not be able to refinance their debt, or if the companies restructure their debts, they risk losing some or all of their investment.

While we agree that investing in non-investment grade securities can be tricky, we have not shied away from them when we believe their prices provide us with an attractive return and adequate margin of safety. Although we have made our share of mistakes, over the long-term, we have been pleased with our results. I would like to share with you what has worked for us and the pitfalls we try to avoid.

Before we invest in troubled companies we always ask questions and base our decisions on some of the criteria outlined below. It is impossible to list all the criteria but these are the main ones we look for:

1) *Where does the debt security we are considering rank in the company's capital structure? And what would the company be worth if it had to liquidate?*

We start by setting a desired target rate of return, and then try to buy the most senior security in the capital structure that meets the return target. We know that in a restructuring, it's a dog-eat-dog world, and senior holders will show no mercy to investors holding lower ranked securities. Experience proves it is prudent to give up some return by buying senior debt versus taking a chance on more junior securities even though they have the potential to earn a much higher return.

For example, imagine two scenarios with scenario-one offering the prospect of recovering 50 cents on the dollar for a junior security trading at 25 cents on the dollar, and scenario-two offering the possibility of recovering 100 cents on the dollar for a senior security that is trading at 80 cents and that is backed up by 200 cents of collateral. The wise course, in our view, is to invest in the second scenario and not succumb to the temptation of the first as we believe maximizing the margin of safety on the principal invested is just as important for debt securities as it is for equity securities.

2) *How competent is management?* Assessing the competence of management is as critical when buying debt securities as it is when buying equities. In the financial crisis of 2008, when money was tight, a lot of companies were facing liquidity issues. When companies need financing or refinancing, they are in a bind and require strong, competent managers who can run the operation while navigating the restructuring process. As a result, we seek management teams that are passionate about their work and own enough equity in their company to care deeply about its future. We are not interested in companies with managers who are just doing their job, collecting their salaries, stock options and other perks. And we are especially averse to CEOs who view their companies as a job for fear they'll do a job on investors, that is, deliver 'just over breakeven' (job) profits. We are always on the look-out for competent CEOs and management teams who think and act like owners. One of the best times to invest in a debt issue is when a company is facing a short-term liquidity issue rather than an operational issue.

3) *Is the underlying business strong and able to generate consistent free cash flow?* The economics of a business are important. Ultimately, a company has to repay or restructure its debt. In either scenario, having a strong underlying business that can generate strong cash flow can be vital. Strong

cash flows make it easier for companies to repay or refinance debt, or sell assets at higher valuations. One must be careful when buying into an industry with excess capacity since overcapacity is normally equated with negative or below average return on capital.

4) *What do the bank and bond covenants look like? Is there a cash flow sweep recapture?* In some instances, debt comes with a cash flow sweep, which means that free cash flow left after all the needs of operations have been met can be used to buy back debt at par from debt holders. This cash flow sweep could be monthly, quarterly or yearly. For example, R.H. Donnelly's bank debt has a quarterly cash flow sweep and is trading at 77 cents. However, every quarter, whatever free cash flow that is left is used to buy back the bank debt at 100 cents.

5) *What does the company's balance sheet look like and what is its liquidity position? Will it need to raise additional capital?* It is important to understand the liquidity position of the company and know if it has adequate resources to pay interest on current debts and any debts that may be maturing. If the company has to raise capital to meet its financing and operational needs, oftentimes this capital is very expensive and dilutive to existing bondholders.

6) *If the company goes through a restructuring, will it cause permanent damage to the business by diminishing the value of the brand or by alienating customers?* If the company decides to restructure, it has implications not only for the company and its employees but also for its customers. It is critical to understand the impact on customers and if they will continue to do business with the company or move to a competitor instead. If it is the latter, there will be diminished revenues and possibly negative cash flows.

One of our best deals involved Brick Ltd., a retailer of largely lower-end household furniture, mattresses, appliances and home electronics, which we purchased for the Chou RRSP Fund. We attended a meeting during which an executive succinctly described the reasons for their operational problem thusly: 'We tried to go to the middle of the road, and the oncoming traffic killed us'.

Brick Ltd. had a financing/liquidity issue in 2009 and in May of that year, succeeded in raising $120 million to recapitalize their balance sheet, pay off senior notes and partially repay their Operating Credit Facility. We were already impressed with the company and were further impressed when the founder of the company said he was willing to invest $10 million on the same terms as the other debenture holders. The Debt Unit consisted of $1,000 principal amount 12% senior secured debentures maturing in five years, and 1,000 Class A Trust Unit purchase warrants. Each warrant entitled the holder to purchase one Class A Trust Unit for a strike price of $1.00, which was very close to the stock's trading price.

Under the able stewardship of Mr. Bill Gregson, Brick continues to make a remarkable turnaround. A $1,000 investment is now worth $2,925, not counting the 12% coupon that we have been clipping all along.

Uneasiness With the Government Policies

We went through a traumatic financial crisis in 2008 and 2009 and you can argue that under exceptional circumstances, the Government can, maybe should, intervene in the economy, as the U.S. Federal Reserve (Fed) did with massive quantitative easing starting in 2008. As we all know, governments everywhere have intervened in securities markets for decades by artificially lowering interest rates during declines and artificially supporting prices. That said, I'm always uneasy when this happens, primarily because such interventions skew the markets and make it difficult for investors to determine the soundness of a business and its prospects for future success.

In addition, government intervention puts investors in the dilemma of having to factor in how much quantitative easing the Fed will apply and for how long. For example, when analyzing some of our fixed income investments in 2008, we assumed the Fed would likely continue providing enough liquidity to keep financial institutions afloat. As a result, we bought Wells Fargo 7.7%, 2049, and Goldman Sachs 5.793%, 2043 for the Chou Bond Fund and paid $36.75 and $43.25, respectively. Interestingly both companies' debts were rated investment grade. At December 31, 2010, they were trading for $103.75 and $85.35, respectively. Our investment was predicated on the Fed providing the liquidity financial companies needed to stay solvent. It was okay in 2008 when we were facing a one-of-a-kind financial crisis, but continuing with that policy is unwise. We believe it is preferable that the Fed has soundly-based economic and monetary policies rather than have it open the tap at every hint of a slowdown. Let the market do its job!

Other Matters

FOREIGN CURRENCY CONTRACTS: None existed at December 31, 2010.

CREDIT DEFAULT SWAPS: None existed at December 31, 2010.

CONSTANT MATURITY SWAPS: None existed at December 31, 2010.

REDEMPTION FEE: We have a redemption fee of 2% if unitholders redeem their units in less than two years. None of this fee goes to the Fund Manager. It is put back into the Fund for the benefit of the remaining unitholders.

INDEPENDENT REVIEW COMMITTEE: The Manager has established an IRC as required by NI 81-107. The members of the IRC are Sandford Borins, Bruce Kerr and Joe Tortolano. The 2010 IRC Annual Report is available on our website www.choufunds.com.

INVESTMENT AWARDS: The Chou Bond Fund won the Lipper Fund Award 2011 for the best one year fund in the High Yield Fixed Income category.

As of March 11, 2011, the NAV of a Series A unit of the Fund was $10.87 and the cash position was 7% of net assets. The Fund is up 0.9% from the beginning of the year. In $US, it is up 3.1%.

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, 2010

	2010	2009
ASSETS		
Cash	$ 12,320,503	$ 21,426,300
Accrued interest income	765,323	921,893
Receivable for units subscribed	88,016	10,800
Other receivable	2,952	-
Investments, at fair value	63,929,847	49,073,381
	77,106,641	71,432,374
LIABILITIES		
Accrued expenses	104,837	83,983
Payable for units redeemed	177,304	219,074
Distributions payable	125,323	120,393
	407,464	423,450
NET ASSETS	$ 76,699,177	$ 71,008,924
NET ASSETS, BY SERIES		
Series A	$ 59,957,942	$ 57,792,220
Series F	16,741,235	13,216,704
	$ 76,699,177	$ 71,008,924
NUMBER OF UNITS OUTSTANDING (Note 4)		
Series A	5,575,084	6,801,007
Series F	1,559,793	1,556,801
NET ASSET VALUE PER UNIT		
Canadian dollars		
Series A	$ 10.75	$ 8.50
Series F	$ 10.73	$ 8.49
U.S. dollars		
Series A	$ 10.82	$ 8.12
Series F	$ 10.80	$ 8.11

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, 2010

	2010	2009
INVESTMENT INCOME		
Interest	$ 4,590,145	$ 4,321,435
Income from derivatives	1,492,972	-
Interest from securities lending	15,379	-
Dividends	-	18,639
	6,098,496	4,340,074
EXPENSES		
Management fees (Note 6)	923,447	754,148
Custodian fees	102,025	99,995
Audit	17,621	4,300
Filing fees	8,507	4,689
FundSERV fees	4,188	2,652
Legal	3,183	4,353
Independent Review Committee fees	1,992	2,293
Foreign withholding taxes	-	947
	1,060,963	873,377
NET INVESTMENT INCOME FOR THE YEAR	5,037,533	3,466,697
NET REALIZED AND UNREALIZED GAIN (LOSS) AND TRANSACTION COSTS		
Transaction costs	(203,753)	(6,994)
Net realized gain (loss) on sale of investments	419,079	(9,051,479)
Unrealized gain	16,034,689	27,692,858
	16,250,015	18,634,385
INCREASE IN NET ASSETS FROM OPERATIONS	$ 21,287,548	$ 22,101,082
INCREASE IN NET ASSETS FROM OPERATIONS		
Series A	$ 16,936,246	$ 18,278,309
Series F	4,351,302	3,822,773
	$ 21,287,548	$ 22,101,082
INCREASE IN NET ASSETS FROM OPERATIONS, PER UNIT		
Series A	$ 2.82	$ 2.67
Series F	$ 2.79	$ 2.73

CHOU BOND FUND
STATEMENT OF CHANGES IN NET ASSETS
FOR THE YEAR ENDED DECEMBER 31 2010

	2010	2009
Series A		
NET ASSETS, beginning of the year	$ 57,792,220	$ 45,350,117
Increase in net assets from operations	16,936,246	18,278,309
Proceeds from issue of units	4,816,631	5,109,392
Payments on redemption of units	(19,476,781)	(10,834,168)
Distribution of income to unitholders		
Investment income	(2,734,589)	(3,340,732)
Reinvested distributions	2,624,215	3,229,302
NET ASSETS, end of the year	59,957,942	57,792,220
Series F		
NET ASSETS, beginning of the year	13,216,704	7,388,193
Increase in net assets from operations	4,351,302	3,822,773
Proceeds from issue of units	1,666,163	4,257,323
Payments on redemption of units	(2,477,986)	(2,240,064)
Distribution of income to unitholders		
Investment income	(802,519)	(733,480)
Reinvested distributions	787,571	721,959
NET ASSETS, end of the year	16,741,235	13,216,704
TOTAL NET ASSETS, end of the year	$ 76,699,177	$ 71,008,924

CHOU BOND FUND
STATEMENT OF INVESTMENTS
AS AT DECEMBER 31, 2010

	No. of Units or Par Value	Cost	Market Value
SHARES*			
AbitibiBowater Inc.**	534,597	$ 4,834,708	$ 12,579,941
BONDS			
Abitibi-Consolidated Inc., debt stubs	7,000,000	-	104,386
ATP Oil & Gas Corp., 11.875%, May 1, 2015	2,000,000	1,438,358	1,859,069
CanWest MediaWorks LP, 9.25%, Aug 1, 2015	3,500,000	2,902,733	692,568
Catalyst Paper Co., 11.0%, Dec 15, 2016	2,900,000	2,371,087	2,733,360
Clarke Inc., 6.0%, conv., Dec. 31, 2013	300,000	370,746	293,250
CompuCredit Holdings, 5.875%, Nov 30, 2035	8,950,000	3,686,123	4,957,699
Dex One Corp., 12.0%, Jan 29, 2017	2,960,000	2,169,071	2,001,034
Fibrek Inc., 7.0%, conv., Dec 31, 2011	1,400,000	833,375	1,401,400
Global Crossing (UK) Finance, 10.75%, Dec 15, 2014	185,000	194,612	190,852
Goldman Sachs Capital Inc., 5.793%, Jun 1, 2043	7,000,000	3,270,604	5,939,575
Level 3 Comm., 15.0%, conv., Jan 15, 2013	2,000,000	2,447,675	2,218,933
Level 3 Comm., 6.50%, Oct 1, 2016	1,470,000	1,489,209	1,589,280
Mannkind Corp., 3.75%, conv., Dec 15, 2013	8,963,000	5,452,549	5,860,060
McClatchy Company, 11.50%, Feb 15, 2017	1,000,000	1,059,593	1,120,909
MEGA Brands Inc., 10.0%, Mar 31, 2015	6,004,000	4,735,460	6,304,199
Overstock.com Inc., 3.75%, Dec 1, 2011	3,295,000	2,418,789	3,266,010
Primus Telecomm. Group, 14.25%, May 20, 2013	3,409,158	2,812,255	3,423,122
RH Donnelley Inc., term loan	1,935,370	1,656,420	1,520,005
Taiga Building Products Ltd., 14.0%, Sep 1, 2020	1,712,000	1,705,899	1,686,320
Texas Competitive Electric, 10.25%, Nov 1, 2015	2,000,000	1,932,609	1,093,570
Wells Fargo Capital XIII, 7.7%, Dec 29, 2049	3,000,000	1,416,549	3,094,305
		44,363,716	51,349,906
TOTAL EQUITIES AND BONDS		49,198,424	63,929,847
TRANSACTION COSTS		(42,231)	-
PORTFOLIO TOTAL		$ 49,156,193	$ 63,929,847

* Common shares unless indicated otherwise
** Shares received from debt restructuring

Risk Management

The Fund's objective is to provide conservation of principal and income production with capital appreciation as a secondary consideration. The Fund invests primarily in Canadian and US bonds. These bonds include, but are not limited to, Government of Canada, provincial, municipal and corporate issues, including convertibles and high yield bonds. Investments may be made in bonds outside of Canada and the U.S.

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

The Fund's investment activities expose it to various types of risk associated with the financial instruments and markets in which it invests. The Fund's risk management goals are to ensure that the outcome of activities involving risk is consistent with the Fund's objectives and risk tolerance.

Credit Risk

Credit risk is the risk that a counterparty to a financial instrument will fail to discharge a commitment that it has entered into with the Funds. As of December 31, 2010, the Fund invested approximately 55% of its net assets in non-investment grade debt instruments. Non-investment grade is the term applied to bonds rated below Baa3 on the Moody’s credit rating scale and below BBB- on the equivalent ratings systems from S&P and Fitch. These credit ratings denote that the company’s financial position is weak and its bonds should be considered a speculative investment.

Interest Rate Risk

Interest rate risk arises from the effect of changes in interest rates on future cash flows or the current value of financial instruments. The table below summarizes the Fund’s exposure to interest rate risks by remaining term to maturity.

Debt Instruments by Maturity Date:

Less than 1 year	$ 4,771,796
1-3 years	$ 11,795,364
3-5 years	$ 11,660,264
Greater than 5 years	$ 23,122,482

As at December 31, 2010, should interest rates have decreased or increased by 0.25%, with all other variables remaining constant, the increase or decrease in Net Assets for the year would have amounted to approximately $1,910,000.

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

Other Price Risk

Other price risk is the risk that the value of financial instruments will fluctuate as a result of changes in market prices (other than those arising from interest rate risk or currency risk) caused by factors specific to a security, its issuer or all factors affecting a market or a market segment. Approximately 16.4% of the Fund's Net Assets held at December 31, 2010 were publicly traded equities. If equity prices on the exchange had increased or decreased by 5% as at December 31, 2010, the Net Assets of the Fund would have increased or decreased by approximately $629,000, or 0.8% of the Net Assets, all other factors remaining constant.

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

Foreign Currency Risk

Currencies to which the Fund had exposure as at December 31, 2010 are as follows:

	Financial Instruments ($)	Percentage of NAV (%)
United States Dollar	65,395,699	85.3%

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

If the Canadian dollar had strengthened or weakened by 1% in relation to all currencies, with all other variables held constant, net assets would have decreased or increased by approximately $654,000.

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

CHOU RRSP FUND

March 15, 2011

Dear Unitholders of Chou RRSP Fund,

After the distribution of $0.62, the net asset value ("NAVPU" or "NAV") of a Series A unit of Chou RRSP Fund at December 31, 2010 was $24.68 compared to $17.25 at December 31, 2009, an increase of 46.6%; during the same period, the S&P/TSX Total Return Index increased 17.6% in Canadian dollars. In $US, a Series A unit of Chou RRSP Fund increased 54.3% while the S&P/TSX Total Return Index increased 24.9%.

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

December 31, 2010 (Series A)	1 Year	3 Years	5 Years	10 Years	15 Years
Chou RRSP ($CAN)	46.6%	2.6%	1.4%	9.3%	12.4%
S&P/TSX ($CAN)	17.6%	2.1%	6.5%	6.6%	9.5%
Chou RRSP ($US)[1]	54.3%	2.4%	4.7%	13.8%	14.8%
S&P/TSX ($US)	24.9%	1.9%	9.8%	11.0%	11.7%

Rates of return are historical total returns that include changes in unit prices, and assume the reinvestment of all distributions. These annual compounded returns do not take into account any sales charges, redemption fees, other optional expenses or income taxes that you have to pay and that could reduce these returns. The returns are not guaranteed. The Fund's past performance does not necessarily indicate future performance. The table is used only to illustrate the effects of the compound growth rate and is not intended to reflect future values of the mutual funds or returns on the mutual funds. Commissions, trailing commissions, management fees and expenses all may be associated with mutual fund investments. Please read the prospectus before investing.

Factors Influencing the 2010 Results

THE CANADIAN DOLLAR AGAINST THE U.S. DOLLAR: The strength of the Canadian dollar against the U.S. dollar had a negative impact on the results of the Fund. The difference in performance results between the net asset value per unit (NAVPU) priced in Canadian dollars, versus U.S. dollars, is attributable to the fact that on December 31, 2009, one U.S. dollar was worth approximately CAN$1.05, whereas one year later, on December 31, 2010, one U.S. dollar was worth approximately CAN$0.99. As at December 31, 2010, our investments in U.S. dollars were approximately 28.6% of assets.

After unprecedented interventions by governments around the world, the Fund continued to benefit from the recovery of the global equity and fixed income markets that began in March 2009.

Positive contributors to the Fund's performance were Danier Leather, Torstar Corporation, Overstock.com, Canfor Pulp Income Fund, Brick warrants and debt securities of Taiga Building Products and Abitibi-Consolidated. Securities in the portfolio that declined the most in 2010 were Rainmaker Entertainment Inc. and Symetra Financial.

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

We believe that equities and debt securities, both investment and non-investment grade, are now close to fully priced.

In equities, we believe the financial, retail and pharmaceutical sectors are undervalued. We favour a basket approach versus concentrating on one or two stocks in those sectors.

Debt Securities Can Be As Volatile As Equities

There is a common misconception that debt securities, whether investment grade or non-investment grade, do not fluctuate as much as equities. The following table shows that is not the case.

Ratings	Price High 2007	Price Low 2008-2009	Price High 2010	Price at 12/31/2010
Investment Grade				
AAA	176.40	157.00	206.30	199.60
AA	169.50	153.70	202.50	198.10
A	173.20	149.20	215.70	210.10
BBB	169.70	142.40	221.70	215.40
Non-Investment Grade				
BB	298.50	232.02	404.91	401.16
B	277.18	182.63	322.30	321.82
CCC	196.09	87.13	242.31	242.31
NR	169.86	118.05	270.87	270.87

This table is not precise. During 2007-2010, many companies' ratings were changed by rating agencies. As an example, some companies included in the aggregate as BBB in 2007 were rated differently in 2008-2009 because of changes by rating agencies. (Source: JP Morgan)

As you can see, debt securities, whether investment grade or non-investment grade, can be as volatile as equities. Yet this is where opportunity lies for investors who understand the recovery value of bonds. Namely, bonds can provide a higher margin of safety without sacrificing equity-like returns. However, if your valuations are wrong, the punishment can be as severe as it can be with equities.

In cases where we were uncertain about the investment merits of buying a company's common shares, we had no hesitation buying its undervalued debt securities if it met our criteria, especially if the debt security was selling at a price that gave us at least 10% yield to maturity (YTM). This 10% return may not sound like much until you remember that equities, on average, have generated long-term returns of around 8%-9%.

Investing in Debt Securities

In aggregate, over the years, our returns for the family of Chou Funds from investment grade and non-investment grade debt securities have been satisfactory.

While the following focuses on our experience with non-investment grade debt securities, it is largely applicable to investment grade securities as well.

When we look at what happened in 2008, we learn that a number of investment grade securities were quickly downgraded to non-investment grade. We also learn that investors cannot rely on rating agencies for guidance, even for investment grade securities. Rather, that investors must do their own due diligence and rely on their own experience and judgement.

Many investors are afraid to touch non-investment grade debt securities fearing that such companies may soon need financing or refinancing. These investors especially fear that troubled companies may not be able to refinance their debt, or if the companies restructure their debts, they risk losing some or all of their investment.

While we agree that investing in non-investment grade securities can be tricky, we have not shied away from them when we believe their prices provide us with an attractive return and adequate margin of safety. Although we have made our share of mistakes, over the long-term, we have been pleased with our results. I would like to share with you what has worked for us and the pitfalls we try to avoid.

Before we invest in troubled companies we always ask questions and base our decisions on some of the criteria outlined below. It is impossible to list all the criteria but these are the main ones we look for:

1) *Where does the debt security we are considering rank in the company's capital structure? And what would the company be worth if it had to liquidate?*

We start by setting a desired target rate of return, and then try to buy the most senior security in the capital structure that meets the return target. We know that in a restructuring, it's a dog-eat-dog world, and senior holders will show no mercy to investors holding lower ranked securities. Experience proves it is prudent to give up some return by buying senior debt versus taking a chance on more junior securities even though they have the potential to earn a much higher return.

For example, imagine two scenarios with scenario-one offering the prospect of recovering 50 cents on the dollar for a junior security trading at 25 cents on the dollar, and scenario-two offering the possibility of recovering 100 cents on the dollar for a senior security that is trading at 80 cents and that is backed up by 200 cents of collateral. The wise course, in our view, is to invest in the second scenario and not succumb to the temptation of the first as we believe maximizing the margin of safety on the principal invested is just as important for debt securities as it is for equity securities.

2) *How competent is management?* Assessing the competence of management is as critical when buying debt securities as it is when buying equities. In the financial crisis of 2008, when money was tight, a lot of companies were facing liquidity issues. When companies need financing or refinancing, they are in a bind and require strong, competent managers who can run the operation while navigating the restructuring process. As a result, we seek management teams that are passionate about their work and own enough equity in their company to care deeply about its future. We are not interested in companies with managers who are just doing their job, collecting their salaries, stock options and other perks. And we are especially averse to CEOs who view their companies as a job for fear they'll do a job on investors, that is, deliver 'just over breakeven' (job) profits. We are always on the look-out for competent CEOs and management teams who think and act like owners. One of the best times to invest in a debt issue is when a company is facing a short-term liquidity issue rather than an operational issue.

3) *Is the underlying business strong and able to generate consistent free cash flow?* The economics of a business are important. Ultimately, a company has to repay or restructure its debt. In either scenario, having a strong underlying business that can generate strong cash flow can be vital. Strong cash flows make it easier for companies to repay or refinance debt, or sell assets at higher valuations. One must be careful when buying into an industry with excess capacity since overcapacity is normally equated with negative or below average return on capital.

4) *What do the bank and bond covenants look like? Is there a cash flow sweep recapture?* In some instances, debt comes with a cash flow sweep, which means that free cash flow left after all the needs of operations have been met can be used to buy back debt at par from debt holders. This cash flow sweep could be monthly, quarterly or yearly. For example, R.H. Donnelly's bank debt has a quarterly cash flow sweep and is trading at 77 cents. However, every quarter, whatever free cash flow that is left is used to buy back the bank debt at 100 cents.

5) *What does the company's balance sheet look like and what is its liquidity position? Will it need to raise additional capital?* It is important to understand the liquidity position of the company and know if it has adequate resources to pay interest on current debts and any debts that may be maturing. If the company has to raise capital to meet its financing and operational needs, oftentimes this capital is very expensive and dilutive to existing bondholders.

6) *If the company goes through a restructuring, will it cause permanent damage to the business by diminishing the value of the brand or by alienating customers?* If the company decides to restructure, it has implications not only for the company and its employees but also for its customers. It is critical to understand the impact on customers and if they will continue to do business with the company or move to a competitor instead. If it is the latter, there will be diminished revenues and possibly negative cash flows.

One of our best deals involved Brick Ltd., a retailer of largely lower-end household furniture, mattresses, appliances and home electronics, which we purchased for the Chou RRSP Fund. We attended a meeting during which an executive succinctly described the reasons for their operational problem thusly: 'We tried to go to the middle of the road, and the oncoming traffic killed us'.

Brick Ltd. had a financing/liquidity issue in 2009 and in May of that year, succeeded in raising $120 million to recapitalize their balance sheet, pay off senior notes and partially repay their Operating Credit Facility. We were already impressed with the company and were further impressed when the founder of the company said he was willing to invest $10 million on the same terms as the other debenture holders. The Debt Unit consisted of $1,000 principal amount 12% senior secured debentures maturing in five years, and 1,000 Class A Trust Unit purchase warrants. Each warrant entitled the holder to purchase one Class A Trust Unit for a strike price of $1.00, which was very close to the stock's trading price.

Under the able stewardship of Mr. Bill Gregson, Brick continues to make a remarkable turnaround. A $1,000 investment is now worth $2,925, not counting the 12% coupon that we have been clipping all along.

Uneasiness With the Government Policies

We went through a traumatic financial crisis in 2008 and 2009 and you can argue that under exceptional circumstances, the Government can, maybe should, intervene in the economy, as the

U.S. Federal Reserve (Fed) did with massive quantitative easing starting in 2008. As we all know, governments everywhere have intervened in securities markets for decades by artificially lowering interest rates during declines and artificially supporting prices. That said, I'm always uneasy when this happens, primarily because such interventions skew the markets and make it difficult for investors to determine the soundness of a business and its prospects for future success.

In addition, government intervention puts investors in the dilemma of having to factor in how much quantitative easing the Fed will apply and for how long. For example, when analyzing some of our fixed income investments in 2008, we assumed the Fed would likely continue providing enough liquidity to keep financial institutions afloat. As a result, we bought Wells Fargo 7.7%, 2049, and Goldman Sachs 5.793%, 2043 for the Chou Bond Fund and paid $36.75 and $43.25, respectively. Interestingly both companies' debts were rated investment grade. At December 31, 2010, they were trading for $103.75 and $85.35, respectively. Our investment was predicated on the Fed providing the liquidity financial companies needed to stay solvent. It was okay in 2008 when we were facing a one-of-a-kind financial crisis, but continuing with that policy is unwise. We believe it is preferable that the Fed has soundly-based economic and monetary policies rather than have it open the tap at every hint of a slowdown. Let the market do its job!

Other Matters

FOREIGN CURRENCY CONTRACTS, CREDIT DEFAULT SWAPS & CONSTANT MATURITY SWAPS: None existed at December 31, 2010.

REDEMPTION FEE: We have a redemption fee of 2% if unitholders redeem their units in less than two years. None of this fee goes to the Fund Manager. It is put back into the Fund for the benefit of the remaining unitholders.

INDEPENDENT REVIEW COMMITTEE: The Manager has established an IRC as required by NI 81-107. The members of the IRC are Sandford Borins, Bruce Kerr and Joe Tortolano. The 2010 IRC Annual Report is available on our website www.choufunds.com.

INVESTMENT AWARDS: The Chou RRSP Fund won the Lipper Fund Award 2011 for the best one year fund in the Canadian Focused Small/Mid Cap Equity category.

As of March 11, 2011, the NAV of a Series A unit of the Fund was $25.38 and the cash position was 10% of net assets. The Fund is up 2.8% from the beginning of the year. In $US, it is up 5.1%.

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, 2010

	2010	2009
ASSETS		
Cash	$ 4,474,655	$ 2,316,088
Accrued interest and dividend income	416,901	568,082
Receivable for units subscribed	148,298	2,000
Other receivable	1,574	-
Investments, at fair value	144,652,476	116,541,173
	149,693,904	119,427,343
LIABILITIES		
Accrued expenses	266,854	189,083
Payable for units redeemed	459,679	209,724
Distributions payable	48,984	24,570
	775,517	423,377
NET ASSETS	$ 148,918,387	$ 119,003,966
NET ASSETS, BY SERIES		
Series A	$ 145,169,805	$ 116,081,678
Series F	3,748,582	2,922,288
	$ 148,918,387	$ 119,003,966
NUMBER OF UNITS OUTSTANDING (Note 4)		
Series A	5,910,060	6,815,996
Series F	152,729	171,637
NET ASSET VALUE PER UNIT		
Canadian dollars		
Series A	$ 24.56	$ 17.03
Series F	$ 24.54	$ 17.03
U.S. dollars		
Series A	$ 24.71	$ 16.28
Series F	$ 24.69	$ 16.27

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, 2010

	2010	2009
INVESTMENT INCOME		
Interest	$ 3,465,352	$ 1,398,649
Dividends	2,727,555	1,974,586
Income from derivatives	67,011	655,835
Interest from securities lending	9,769	-
	6,269,687	4,029,070
EXPENSES		
Management fees (Note 6)	2,211,922	1,727,699
Custodian fees	191,011	199,495
Audit	23,315	15,844
Filing fees	11,731	4,069
FundSERV fees	7,910	2,248
Foreign withholding taxes	5,512	37,854
Legal	5,455	6,199
Independent Review Committee fees	3,291	4,320
	2,460,147	1,997,728
NET INVESTMENT INCOME FOR THE YEAR	3,809,540	2,031,342
NET REALIZED AND UNREALIZED GAIN (LOSS) AND TRANSACTION COSTS		
Transaction costs	(105,803)	(105,951)
Net realized loss on sale of investments	(16,730,518)	(41,002,475)
Unrealized gain	65,551,084	65,501,808
	48,714,763	24,393,382
INCREASE IN NET ASSETS FROM OPERATIONS	$ 52,524,303	$ 26,424,724
INCREASE IN NET ASSETS FROM OPERATIONS		
Series A	$ 51,203,778	$ 25,705,975
Series F	1,320,525	718,749
	$ 52,524,303	$ 26,424,724
INCREASE IN NET ASSETS FROM OPERATIONS, PER UNIT		
Series A	$ 8.20	$ 3.43
Series F	$ 8.31	$ 3.49

CHOU RRSP FUND

STATEMENT OF CHANGES IN NET ASSETS

FOR THE YEAR ENDED DECEMBER 31, 2010

	2010	2009
SERIES A		
NET ASSETS, beginning of the year	$ 116,081,678	$ 114,555,564
Increase in net assets from operations	51,203,778	25,705,975
Proceeds from issue of units	6,208,462	2,419,992
Payments on redemption of units	(28,277,980)	(26,576,942)
Distribution of income to unitholders		
Investment income	(3,550,089)	(1,852,062)
Reinvested distributions	3,503,956	1,829,151
NET ASSETS, end of the year	145,169,805	116,081,678
SERIES F		
NET ASSETS, beginning of the year	2,922,288	3,590,059
Increase in net assets from operations	1,320,525	718,749
Proceeds from issue of units	239,518	226,761
Payments on redemption of units	(730,899)	(1,611,355)
Distribution of income to unitholders		
Investment income	(109,917)	(57,403)
Reinvested distributions	107,067	55,477
NET ASSETS, end of the year	3,748,582	2,922,288
TOTAL NET ASSETS, end of the year	$ 148,918,387	$ 119,003,966

CHOU RRSP FUND

STATEMENT OF INVESTMENTS

AS AT DECEMBER 31, 2010

	No. of Shares or Par Value	Cost	Market Value
SHARES*			
AbitibiBowater Inc.**	401,580	$ 8,033,380	$ 9,449,834
Bank of America Corp, warrants, Class A	500,000	3,719,077	3,539,190
Canfor Pulp Income Fund	692,000	1,969,160	9,930,200
Clublink Enterprises Ltd.	193,600	1,077,639	1,273,888
Danier Leather Inc.	679,200	6,453,777	9,203,160
E-L Financial Corporation Ltd.	5,500	2,513,503	2,697,750
Fibrek Inc.	715,000	729,375	779,350
International Forest Products Ltd., Class A	1,025,500	6,098,755	5,742,800
King Pharmaceuticals Inc.	815,939	8,491,144	11,396,929
Liquidation World Inc.	462,500	2,042,591	518,000
MEGA Brands Inc.	9,618,000	4,732,518	6,155,520
MEGA Brands Inc., warrants	8,987,500	1,177,166	2,336,750
Overstock.com Inc.	715,500	14,906,146	11,715,398
Rainmaker Entertainment Inc.	2,536,800	5,227,610	659,568
Ridley Canada Ltd.	313,200	2,511,607	2,897,100
Symetra Financial Corporation	174,000	2,673,000	2,369,865
Taiga Building Products Ltd.	501,700	667,261	526,785
The Brick Ltd.***, warrants	10,000,000	1,150,000	17,900,000
Torstar Corporation, Class B	1,254,716	27,459,812	15,244,799
TVA Group Inc., Class B	733,128	10,931,044	10,344,436
Valeant Pharmaceuticals International Inc.	60,823	1,125,084	1,713,992
		113,689,649	126,395,314
BONDS			
Abitibi-Consolidated Inc., debt stubs	50,447,000	-	752,282
Taiga Building Products Ltd., 14.0%, Sep 1, 2020	6,759,168	6,759,168	6,657,780
The Brick Ltd.***, 12.0%, May 30, 2014	9,861,000	8,726,985	10,847,100
		15,486,153	18,257,162
TOTAL EQUITIES AND BONDS		129,175,802	144,652,476
TRANSACTION COSTS		(83,766)	-
PORTFOLIO TOTAL		$ 129,092,036	$ 144,652,476

* Common shares unless indicated otherwise
** Shares received from debt restructuring
*** Converted from an income trust

Risk Management

The Fund's objective is to provide long-term growth of capital by investing primarily in equity securities of Canadian businesses considered by the Manager to be undervalued. The Fund may also invest in equity and debt instruments of U.S. and foreign businesses. Investments may include common and preferred shares, convertible debentures, government and corporate bonds and short-term debt.

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

The Fund's investment activities expose it to various types of risk associated with the financial instruments and markets in which it invests. The Fund's risk management goals are to ensure that the outcome of activities involving risk is consistent with the Fund's objectives and risk tolerance.

Credit Risk

Credit risk is the risk that a counterparty to a financial instrument will fail to discharge a commitment that it has entered into with the Funds. As of December 31, 2010, the Fund invested approximately 12% of its net assets in non-investment grade debt instruments. Non-investment grade is the term applied to bonds rated below Baa3 on the Moody’s credit rating scale and below BBB- on the equivalent ratings systems from S&P and Fitch. These credit ratings denote that the company’s financial position is weak and its bonds should be considered a speculative investment.

Interest Rate Risk

Interest rate risk arises from the effect of changes in interest rates on future cash flows or the current value of financial instruments. The table below summarizes the Fund’s exposure to interest rate risks by remaining term to maturity.

Debt Instruments by Maturity Date:

Less than 1 year	$ 752,282
1-3 years	$ 0
3-5 years	$ 10,847,100
Greater than 5 years	$ 6,657,780

As at December 31, 2010, should interest rates have decreased or increased by 0.25%, with all other variables remaining constant, the increase or decrease in Net Assets for the year would have amounted to approximately $318,000.

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

Other Price Risk

Other price risk is the risk that the value of financial instruments will fluctuate as a result of changes in market prices (other than those arising from interest rate risk or currency risk) caused by factors specific to a security, its issuer or all factors affecting a market or a market segment. Approximately 85% of the Fund's Net Assets held at December 31, 2010 were publicly traded equities. If equity prices on the exchange had increased or decreased by 5% as at December 31, 2010, the Net Assets of the Fund would have increased or decreased by approximately $6,320,000, or 4.2% of the Net Assets, all other factors remaining constant.

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

Foreign Currency Risk

Currencies to which the Fund had exposure as at December 31, 2010 are as follow:

	Financial Instruments ($)	Percentage of NAV (%)
United States Dollar	42,567,404	28.6%

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

As at December 31, 2010, if the Canadian dollar had strengthened or weakened by 1% in relation to all currencies, with all other variables held constant, net assets would have decreased or increased by approximately $426,000.

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

1. FORMATION OF CHOU FUNDS

The individual funds comprising the family of Chou Funds (the “Chou Funds” or the “Funds”) are open-ended investment mutual fund trusts formed pursuant to Declarations of Trust under the laws of the Province of Ontario. Chou Associates Management Inc. is the Manager and Trustee of the Chou Funds.

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

(a) Basis of Presentation

These financial statements, prepared in accordance with Canadian generally accepted accounting principles, include estimates and assumptions made by the Manager that may affect the reported amount of assets, liabilities, income and expenses during the reporting period. Actual results could materially differ from those estimates.

(b) Valuation of Investments

In accordance with CICA Handbook Section 3855, “Financial Instruments – Recognition and Measurement”, investments are deemed to be held for trading, and are required to be recorded at fair value. The main impact of Section 3855 relates to the determination of the fair value of financial assets listed on an active market using the bid price for a long position and the ask price for a short position instead of the closing prices.

National Instrument 81-106 – Investment Fund Continuous Disclosure (“NI 81-106”) requires all investment funds to calculate net asset value for all purposes other than financial statements in accordance with part 14.2. This requirement allows the Funds to report two distinct net asset values: one for the financial statements, which is calculated in accordance with Canadian GAAP called “GAAP Net Assets” (or “net assets”), and another called “ Transactional NAV” (or “net asset value”). A reconciliation between GAAP Net Assets per unit and Transactional NAV per unit is provided in Note 7.

2. SIGNIFICANT ACCOUNTING POLICIES, continued

The fair value of the Funds' investments as at the financial reporting date is determined as follows:

All long securities listed on a recognized public stock exchange are valued at their last bid price at the end of each valuation date. All short securities listed on a recognized public stock exchange are valued at the last ask price on the valuation date. Securities that are traded on an over-the-counter market basis are priced at the last bid price as quoted by a major dealer.

Investments in securities having no quoted market values or in illiquid securities are valued using valuation techniques. Valuation techniques include, but are not limited to, referencing the current value of similar instruments, using recent arm's length market transactions, discounted cash flow analyses or other valuation models.

The fair value of certain securities may be estimated using valuation techniques based on assumptions that are not supported by observable market inputs. In a situation where, in the opinion of the Manager, a market quotation for a security is inaccurate, not readily available or does not accurately reflect fair value, the fair value is determined by the Manager.

Bonds and debentures are valued at their last evaluated bid price received from recognized investment dealers for long positions and their last evaluated ask price for short positions.

Investments in underlying funds are valued at the series' net asset value per unit. If the net asset value is unavailable, the investment fund holdings are valued using the last published net asset value or at the fair value as determined by the Manager.

Short-term securities are valued using market quotations or amortized costs plus accrued interest, both of which approximate fair value.

Unlisted warrants are valued based on a pricing model which considers factors such as the market value of the underlying security, strike price, volatility and terms of the warrant.

Forward contracts are marked to market using last bid prices for long positions and the last ask price for short positions. Last trade price is used where bid and ask prices are not available.

The fair value of interest rate swap agreements is the estimated amount that the Funds would receive or pay to terminate the swap, taking into account current interest rates and the current credit worthiness of the swap counterparties.

2. SIGNIFICANT ACCOUNTING POLICIES, continued

Futures are valued using the last bid price for long positions and the last ask price for short positions. The settlement price is used where bid and ask prices are not available.

The fair value of investments and other assets and liabilities denominated in foreign currencies are translated into Canadian dollars at the rate of exchange established at noon on each valuation date. Under the Funds' fair pricing policy, when the rates of exchange established at 3 p.m. are materially different from the noon exchange rates on a given valuation date, the market value of investments and other assets and liabilities denominated in foreign currencies will be translated at the 3 p.m. exchange rates for that valuation date.

(c) Other Assets and Liabilities

Accrued interest and dividends receivable, receivable for units issued, amount due from brokers and other assets are designated as loans and receivables and are recorded at amortized cost. Similarly, accrued expenses, accounts payable for units redeemed, amounts due to brokers and other liabilities are designated as other financial liabilities and are reported at amortized cost. These balances are short-term in nature and therefore, amortized cost approximates fair value for these assets and liabilities.

(d) Cost of Investments

The cost of investments represents the amount paid for each security, and is determined on an average cost basis excluding transaction costs. Investment transactions are accounted for as of the trade date.

(e) Transaction Costs

Transaction costs are incremental costs directly attributable to the acquisition, issue or disposal of an investment, which include fees and commissions paid to agents, advisors, brokers and dealers, levies by regulatory agencies and securities exchanges and transfer taxes and duties. In accordance with CICA Handbook Section 3855, transaction costs are expensed and are included in the Statements of Operation in "Transaction Costs".

(f) Cash and Cash Equivalents

Cash and cash equivalents consist of cash on deposit and short-term debt instruments with terms to maturity less than 90 days.

2. SIGNIFICANT ACCOUNTING POLICIES, continued

(g) Investment Transactions and Income Recognition

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

Income from investments held is recognized on an accrual basis. Interest income is accrued as earned and dividend income and distributions from investment trusts are recognized on the ex-dividend dates.

Distributions received from investment trusts are recorded as income, capital gains or a return of capital, based on the best information available to the Manager. Due to the nature of these investments, actual allocations could vary from this information. Distributions from investment trusts that are treated as a return of capital for income tax purposes reduce the average cost of the underlying investment trust on the Statements of Investments.

Distributions from investments sold short are accrued as earned and are reported as a liability in the Statements of Net Assets in “Interest and dividends payable on investments sold short” and as an expense in the Statements of Operations in “Interest and dividend expense on investments sold short”. The gain or loss that would be realized if, on the valuation date the short position were to be closed out, is reflected in the Statements of Operations in “Unrealized gain (loss) on investments” and in the Statements of Net Assets in “ Investments sold short, at fair value”. When the short position is closed out, gains and losses are realized and included in the Statements of Operations in “Net realized gain (loss) on sale of investments”.

(h) Translation of Foreign Currency

The reporting currency for all the Funds is the Canadian dollar which is the functional currency since subscriptions and redemptions of units are primarily denominated in Canadian dollars. Any currency other than Canadian dollars represents foreign currency to the Funds. All funds offer series to the public in US dollars and the net assets attributed to these units are translated into US dollars at the exchange rate for that valuation day. The Canadian dollar and US dollar series net assets per unit as at the financial reporting date are reported in the Statements of Net Assets.

The fair value of investments and other assets and liabilities denominated in a foreign currency are translated into Canadian dollars at the rate of exchange which is current on the valuation date. Transactions denominated in a foreign currency are translated into Canadian dollars at the rate of exchange prevailing at the date of the transactions. Realized and unrealized foreign currency gains or losses on investments are included in the Statements of Operations in “Net realized gain (loss) on sale of investments” and “Unrealized gain (loss) on investments”, respectively. Realized and unrealized foreign currency gains or losses on monetary assets and liabilities other than investments denominated in foreign currencies are included in the Statements of Operations in “Net realized and unrealized gain (loss) on investments”.

2. SIGNIFICANT ACCOUNTING POLICIES, continued

(i) Derivative Transactions

The Manager may choose to use options, forward currency contracts, future contracts, and swaps to hedge against losses from changes in the prices of the Funds' investments and from exposure to foreign currencies or gain exposure to individual securities and markets instead of buying and selling securities directly. There can be no assurance that the hedging strategies will be effective. Losses may also arise if the counterparty does not perform under the contract.

Options

The premium paid for purchased options is included in the "Investments, at fair value" on the Statements of Net Assets. The unrealized gain or loss is reflected in the Statements of Operations in "Unrealized gain (loss) on investments".

The premium received upon writing an option on futures or an over-the-counter option is recorded at cost in "Investments, at fair value" in the Statements of Net Assets. As long as the position of the written option is maintained, the liability for written options is revalued at an amount equal to the current market value of the option, which would have the effect of closing the position. Any gain or loss resulting from revaluation is reflected in the Statements of Operations in "Net realized and unrealized gain (loss) on investments".

The gain or loss on sale or expiry of options is reflected in the Statements of Operations in "Income (loss) from derivatives".

Forward Currency Contracts

The change in value of forward currency contracts is included in the Statements of Operations in "Unrealized gain (loss) on investments" and in the Statements of Net Assets in "Unrealized gain (loss) on forward currency contracts". When a forward currency contract is closed out, gains and losses are realized and included in the Statements of Operations in "Net realized foreign exchange gain (loss).

Future Contracts

The value of futures contracts fluctuates daily and cash settlements made daily by the Funds are equal to the unrealized gains or losses on a "mark to market" basis. All gains or losses are recorded and reported in the Statements of Operations in "Income (loss) from derivatives". Margin paid or deposited in respect of futures contracts is reflected in the Statements of Net Assets in "Margin deposited on derivatives". Any change in the variation margin requirement is settled daily.

2. SIGNIFICANT ACCOUNTING POLICIES, continued

Interest Rate Swaps

The value of a swap contract is the gain or loss that would be realized if, on the valuation date, the position were to be closed out. It is reflected in the Statements of Operations in “Unrealized gain (loss) on investments” and in the Statements of Net Assets in “Unrealized gain (loss) on other derivatives”. When swap contracts are closed out, gains or losses are realized and are included in the Statements of Operations in “Income (loss) from derivatives”.

Credit Default Swaps

The change in value of a swap contract is included in the Statements of Operations in “Unrealized gain (loss) on investments” and in the Statements of Net Assets in “Unrealized gain (loss) on other derivatives. When swap contracts are closed out, gains or losses are realized and included in the Statements of Operations in “Income (loss) from derivatives”.

(j) Multi-Series Funds

Where a Fund offers more than one series of units, the realized gains/losses from the sale of investments, changes in unrealized gains 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.

(k) Valuation of Fund Units

The net asset value per unit of each series of units 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.

(l) 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. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

Investment activities of the Funds expose them to a variety of financial risks: credit risk, liquidity risk and market risk (including interest rate risk, other price risk and currency risk). The level of risk depends on each of the Funds' investment objectives and the type of securities each Fund invests in. Funds that invest in underlying funds are also exposed to indirect financial risks in the event that the underlying funds are exposed to these risks.

The Manager of the Funds seeks to minimize these risks by managing the security portfolios of the Funds on a daily basis according to market events and the investment objectives of the Funds. CICA Handbook Section 3862 and Section 3863 disclosures that are specific to each of the Funds are presented in the Discussion on Financial Risk Management under the Statement of Investments. The sensitivity analysis shown in the Discussion on Financial Risk Management may differ from actual results and the difference could be significant.

The Manager maintains a risk management practice that includes monitoring compliance with investment restrictions to ensure that the Funds are being managed in accordance with the Funds' stated investment objectives, strategies and securities regulations. The risk positions noted below are monitored by the Manager on a regular basis.

(a) Credit Risk

Credit risk is the risk that a counterparty to a financial instrument will fail to discharge a commitment that it has entered into with the Funds. The fair value of a financial instrument takes into account the credit rating of its issuer, and accordingly, represents the maximum credit risk exposure of a Fund. The Fund's main credit risk concentration is in debt securities and trading derivative instruments which are disclosed in the respective Fund's Statement of Investments. All transactions in securities are settled or paid for upon delivery through brokers. As such, credit risk is considered minimal in the Funds on investment transactions, as delivery of securities sold is made once the broker has received payment. Payment is made on a purchase once the securities have been received by the broker. The trade will fail if either party fails to meet its obligations.

(b) Interest Rate Risk

Interest rate risk is the risk that the fair value of the Funds' interest-bearing investments will fluctuate due to changes in the prevailing levels of market interest rates. The Funds' exposure to interest rate risk is concentrated in investments in debt securities (such as bonds and debentures or short-term instruments) and interest rate derivatives instruments, if any. Other assets and liabilities are short-term in nature and are non-interest bearing. There is minimal sensitivity to interest rate fluctuations on cash and cash equivalents invested at short-term market interest rates.

3. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT, continued

(c) Currency Risk

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. Currency risk arises from financial instruments (including cash and equivalents and foreign currency derivative instruments) that are denominated in a currency other than Canadian dollars, which represents the functional currency of the Funds. Therefore the Funds' financial instruments that are denominated in other currencies will fluctuate due to changes in the foreign exchange rates of those currencies in relation to the Funds' functional currency.

(d) Liquidity Risk

Liquidity risk is the risk that a Fund may not be able to settle or meet its obligation on time or at a reasonable price. The Funds are exposed to redemptions as units are redeemable on demand and unitholders may redeem their units on each valuation date. Therefore, in accordance with the Funds' Simplified Prospectus, the Funds invest their assets in investments that are traded in an active market and can be readily disposed. In addition, each Fund aims to retain sufficient cash and cash equivalent positions to maintain liquidity. The Funds may, from time to time, invest in securities that are not traded in an active market and may be illiquid.

(e) Other Price Risk

Other price risk is the risk that the value of financial instruments will fluctuate as a result of changes in market prices (other than those arising from interest rate risk or currency risk) caused by factors specific to a security, its issuer or all factors affecting a market or a market segment. The Funds are exposed to market risk since all financial instruments held by the Funds present a risk of loss of capital. The maximum risk resulting from financial instruments is equivalent to their fair value, except for options written and future contracts where possible losses can be unlimited.

4. UNITHOLDER CAPITAL

The Manager considers the Funds' capital to consist of unitholders' equity representing the net assets. The Funds' capital is managed in accordance with each of the Funds' investment objectives, policies, and restrictions, as outlined in the Funds' prospectus. Changes in the Funds' capital during the period are reflected in the Statements of Changes in Net Assets. The Funds have no specific restrictions or specific capital requirements on the subscriptions and redemptions of units, other than minimum subscription requirements. The Funds endeavor to invest the subscriptions received in appropriate investments while maintaining sufficient liquidity to meet redemptions. Unitholders are entitled to distributions when declared. Distributions on units of a Fund are reinvested in additional units of the Fund or at the option of the unitholders, paid in cash. Units of the Funds are redeemable at the option of the unitholders in accordance with the prospectus.

	Series A		Series F	
	Dec-10	**Dec-09**	**Dec-10**	**Dec-09**
CHOU ASSOCIATES FUND				
Units outstanding, beginning of the year	6,861,528	7,620,577	419,050	573,132
Add: Units issued during the year	270,586	198,277	109,428	71,767
Deduct: Units redeemed during the year	(1,020,689)	(1,103,965)	(136,383)	(235,203)
Units outstanding before income distribution	6,111,425	6,714,889	392,095	409,696
Add: Units issued on reinvested income	51,674	146,639	4,945	9,354
Units outstanding, end of the year	6,163,099	6,861,528	397,040	419,050
CHOU ASIA FUND				
Units outstanding, beginning of the year	4,183,867	4,626,077	169,765	94,206
Add: Units issued during the year	239,344	370,829	104,497	103,128
Deduct: Units redeemed during the year	(768,825)	(889,566)	(80,009)	(32,052)
Units outstanding before income distribution	3,654,386	4,107,340	194,253	165,282
Add: Units issued on reinvested income	316,078	76,527	17,529	4,483
Units outstanding, end of the year	3,970,464	4,183,867	211,782	169,765
CHOU EUROPE FUND				
Units outstanding, beginning of the year	1,141,295	1,157,290	38,357	43,097
Add: Units issued during the year	23,514	45,875	90,226	928
Deduct: Units redeemed during the year	(171,953)	(166,111)	(10,719)	(9,323)
Units outstanding before income distribution	992,856	1,037,054	117,864	34,702
Add: Units issued on reinvested income	10,821	104,241	2,992	3,655
Units outstanding, end of the year	1,003,677	1,141,295	120,856	38,357

4. UNITHOLDER CAPITAL, continued

	Series A		Series F	
	Dec-10	Dec-09	Dec-10	Dec-09
CHOU BOND FUND				
Units outstanding, beginning of the year	6,801,007	7,153,342	1,556,801	1,170,405
Add: Units issued during the year	479,543	672,766	175,138	592,000
Deduct: Units redeemed during the year	(1,948,916)	(1,404,564)	(245,357)	(290,413)
Units outstanding before income distribution	5,331,634	6,421,544	1,486,582	1,471,992
Add: Units issued on reinvested income	243,450	379,463	73,211	84,809
Units outstanding, end of the year	5,575,084	6,801,007	1,559,793	1,556,801
CHOU RRSP FUND				
Units outstanding, beginning of the year	6,815,996	8,407,207	171,637	263,736
Add: Units issued during the year	279,539	173,249	10,815	16,545
Deduct: Units redeemed during the year	(1,327,471)	(1,870,494)	(34,065)	(111,861)
Units outstanding before income distribution	5,768,064	6,709,962	148,387	168,420
Add: Units issued on reinvested income	141,996	106,034	4,342	3,217
Units outstanding, end of the year	5,910,060	6,815,996	152,729	171,637

5. DUE TO RELATED PARTY

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

	Dec 2010	Dec 2009
Chou Associates Fund	$ 737,112	$ 655,474
Chou Asia Fund	85,757	83,390
Chou Europe Fund	11,038	11,645
Chou Bond Fund	81,298	71,742
Chou RRSP Fund	208,019	145,256

6. 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.

7. RECONCILIATION OF TRANSACTIONAL NAV TO GAAP NET ASSETS

The table below provides a comparison of the GAAP Net Assets per unit and Transactional NAV per unit. The primary reason for the difference between the GAAP Net Assets per unit and Transactional NAV per unit is described in Note 2.

		Net Asset Value ($)			Net Asset Value per Unit ($)		
	Series	Transactional NAV	Section 3855 Adjustment	GAAP Net Assets	Transactional NAV	Section 3855 Adjustment	GAAP Net Assets
Chou Associates	A	498,539,950	(998,246)	497,541,704	80.89	(0.16)	80.73
Fund	F	32,029,699	(63,857)	31,965,842	80.67	(0.16)	80.51
Chou Asia	A	58,980,710	(59,101)	58,921,609	14.85	(0.01)	14.84
Fund	F	3,150,685	(3,148)	3,147,537	14.88	(0.02)	14.86
Chou Europe	A	7,352,956	(8,226)	7,344,730	7.33	(0.01)	7.32
Fund	F	885,673	(977)	884,696	7.33	(0.01)	7.32
Chou Bond	A	60,095,262	(137,320)	59,957,942	10.78	(0.03)	10.75
Fund	F	16,779,475	(38,240)	16,741,235	10.76	(0.03)	10.73
Chou RRSP	A	145,839,741	(669,936)	145,169,805	24.68	(0.12)	24.56
Fund	F	3,765,791	(17,209)	3,748,582	24.66	(0.12)	24.54

8. BROKERS' COMMISSIONS

Total commissions paid to brokers in connection with portfolio transactions for the year ended December 31, 2010 and for the year ended December 31, 2009 are as follows:

	2010	2009
Chou Associates Fund	$ 657,976	$ 233,398
Chou Asia Fund	58,592	51,537
Chou Europe Fund	5,093	6,422
Chou Bond Fund	203,753	6,994
Chou RRSP Fund	105,803	105,951

9. SECURITIES LENDING

The Funds have entered into a securities lending program with Citibank N.A. 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, 2010 are as follows:

	Market Value of Securities on Loan	Market Value of Collateral Received
Chou Associates Fund	$ 37,339,932	$ 38,622,992
Chou Bond Fund	4,940,457	5,123,422
Chou RRSP Fund	1,454,870	1,527,260

10. 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.

11. FAIR VALUE MEASUREMENT

In June 2009, the Canadian Accounting Standards Board incorporated amendments to International Financial Reporting Standards 7, Financial Instruments: Disclosures, into CICA Handbook Section 3862, "Financial Instruments – Disclosures". The amendments expand the disclosures required in respect of fair value measurements recognized in the financial statements. The fair value hierarchy has the following levels:

- Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: Inputs other than quoted prices included within Level 1 that are observable for the assets or liabilities, either directly (i.e. as prices) or indirectly (i.e. derived from prices)
- Level 3: Inputs for the assets or liabilities that are not based on observable market data. Additional quantitative disclosures are required for Level 3 securities.

Chou Associates Fund	Level 1	Level 2	Level 3	Total
Equities - Long	$ 390,158,143	$ -	$ 2,491,454	$ 392,649,597
Bonds	-	81,353,313	619,637	81,972,950
	390,158,143	81,353,313	3,111,091	474,622,547
Options - Short	(5,775,767)	-	-	(5,775,767)
Total	**$ 384,382,376**	**$ 81,353,313**	**$ 3,111,091**	**$ 468,846,780**

Fair value measurements using level 3 inputs:	Equities – Long	Bonds	Total
Balance at December 31, 2009	$ 6,583,126	$ 3,955,465	$ 10,538,591
Net purchases and sales	(3,552,938)	(5,276,550)	(8,829,488)
Net transfer in (out)	-	-	-
Gains (losses)			
Realized	-	883,244	883,244
Unrealized	(538,734)	1,057,478	518,744
Balance at December 31, 2010	**$ 2,491,454**	**$ 619,637**	**$ 3,111,091**

Chou Asia Fund	Level 1	Level 2	Level 3	Total
Equities - Long	$ 29,488,483	$ -	$ -	$ 29,488,483
Bonds	-	-	228,084	228,084
	29,488,483	-	228,084	29,716,567
Options - Short	-	-	-	-
Total	**$ 29,488,483**	**$ -**	**$ 228,084**	**$ 29,716,567**

11. FAIR VALUE MEASUREMENT, continued

Fair value measurements using level 3 inputs:	Equities – Long	Bonds	Total
Balance at December 31, 2009	$ -	$ -	$ -
Net purchases and sales	-	-	-
Net transfer in (out)	-	-	-
Gains (losses)			
Realized	-	-	-
Unrealized	-	228,084	228,084
Balance at December 31, 2010	**$ -**	**$ 228,084**	**$ 228,084**

Chou Europe Fund	Level 1	Level 2	Level 3	Total
Equities - Long	$ 5,086,003	$ -	$ -	$ 5,086,003
Bonds	-	653,024	-	653,024
	5,086,003	653,024	-	5,739,027
Options - Short	-	-	-	-
Total	**$ 5,086,003**	**$ 653,024**	**$ -**	**$ 5,739,027**

Fair value measurements using level 3 input	Equities – Long	Bonds	Total
Balance at December 31, 2009	$ -	$ -	$ -
Net purchases and sales	-	-	-
Net transfer in (out)	-	-	-
Gains (losses)			
Realized	-	-	-
Unrealized	-	-	-
Balance at December 31, 2010	**$ -**	**$ -**	**$ -**

Chou Bond Fund	Level 1	Level 2	Level 3	Total
Equities - Long	$ 12,579,941	$ -	$ -	$ 12,579,941
Bonds	-	49,032,947	2,316,959	51,349,906
	12,579,941	49,032,947	2,316,959	63,929,847
Options - Short	-	-	-	-
Total	**$ 12,579,941**	**$ 49,032,947**	**$ 2,316,959**	**$ 63,929,847**

11. FAIR VALUE MEASUREMENT, continued

Fair value measurements using level 3 inputs:	Equities – Long	Bonds	Total
Balance at December 31, 2009	$ -	$ 552,771	$ 552,771
Net purchases and sales	-	836,329	836,329
Net transfer in (out)	-	2,902,733	2,902,733
Gains (losses)			
Realized	-	(1,945,639)	(1,945,639)
Unrealized	-	(29,235)	(29,235)
Balance at December 31, 2010	**$ -**	**$ 2,316,959**	**$ 2,316,959**

Chou RRSP Fund	Level 1	Level 2	Level 3	Total
Equities - Long	$ 122,224,326	$ 4,170,988	$ -	$ 126,395,314
Bonds	-	17,504,880	752,282	18,257,162
	122,224,326	21,675,868	752,282	144,652,476
Options - Short	-	-	-	-
Total	**$ 122,224,326**	**$ 21,675,868**	**$ 752,282**	**$ 144,652,476**

Fair value measurements using level 3 inputs:	Equities – Long	Bonds	Total
Balance at December 31, 2009	$ 2,851,325	$ 1,554,979	$ 4,406,304
Net purchases and sales	-	(2,074,326)	(2,074,326)
Net transfer in (out)	(2,673,000)	-	(2,673,000)
Gains (losses)			
Realized	-	(15,459,205)	(15,459,205)
Unrealized	(178,325)	16,730,834	16,552,509
Balance at December 31, 2010	**$ -**	**$ 752,282**	**$ 752,282**

12. TAXES

(a) 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.

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

12. TAXES, continued

The Funds have the following net realized capital losses available for utilization against net realized capital gains in future years:

Chou Associates Fund	$ 36,713,143
Chou Europe Fund	2,337,308
Chou RRSP Fund	30,958,030

(b) Harmonized Sales Tax

Effective July 1, 2010, the Government of Ontario and the Government of British Columbia replaced the provincial sales tax (“PST”) with a single harmonized sales tax (“HST”). The HST combines the federal goods and services tax (“GST”) rate of 5% with the respective PST rate. The harmonization results in an HST rate of 13% in Ontario.

Investment funds in Canada are required to calculate the HST rate using specific rules. The specific rules and guidance require HST to be calculated using the residency of unitholders and the current value of their interests, rather than the physical location of the Fund Manager.

The new HST has resulted in higher overall management expense ratios as management fees and certain other expenses charged to the Fund are now subject to the new HST.

13. CHANGEOVER TO INTERNATIONAL FINANCIAL REPORTING STANDARDS

In accordance with the Canadian Accounting Standards Board proposals, effective January 1, 2011, International Financial Reporting Standards (“IFRS”) will replace Canadian GAAP for publicly accountable enterprises, which includes investment funds. However, in January 2011, the Canadian Accounting Standards Board approved a deferral of the effective date for the changeover to IFRS for investment funds to January 1, 2013.

The Manager has already initiated the process of developing its IFRS changeover plan by performing an impact assessment and identifying differences between current Canadian GAAP and IFRS. The process of evaluating the potential impact of IFRS on the financial statements is ongoing as the International Accounting Standards Board and the Canadian Accounting Standards Board continue to issue new standards and recommendations.

The Manager will continue to evaluate potential changes to the financial statements along with the impact on accounting policies, business functions, information technology and internal controls.

Based on the Manager’s current evaluation of the differences between Canadian GAAP and IFRS, the Manager expects that the impact of IFRS on the Fund’s financial statements will be additional disclosures and potentially different presentation of certain items. Further, the value used to determine the price of the Fund’s units for purchase and redemption by clients (Transactional NAV) is not expected to be affected.

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
Dec.31, 2008	13,510	18,836	22,283	54,629
Dec.31, 2009	16,995	23,693	29,130	69,818
Dec.31, 2010	24,312	33,895	44,160	**$102,367**

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

The table is presented only to illustrate the effects of the compound growth rate and is not intended to reflect future values of the mutual funds or returns on the mutual funds.

Commissions, trailing commissions, management fees and expenses all may be associated with mutual fund investments. Please read the prospectus before investing.

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