INTERIM MANAGEMENT REPORT OF FUND PERFORMANCE
June 30, 2008

CHOU ASSOCIATES FUND

This interim management report of fund performance contains financial highlights but does not contain the complete financial statements of the Fund. You can obtain a copy of the interim or annual financial statements at your request, and at no cost, by calling Toll-free: 1-888-357-5070, by writing to us at 110 Sheppard Ave. East, Suite 301, Box 18, Toronto, Ontario M2N 6Y8 or by visiting our website at www.choufunds.com or SEDAR at www.sedar.com.

Unitholders may also contact us by using one of these methods to request a copy of the Fund's proxy voting policies and procedures, proxy voting disclosure record, or quarterly portfolio disclosure.

This document may contain forward-looking statements relating to anticipated future events, results, circumstances, performance, or expectations that are not historical facts but instead represent our beliefs regarding future events. By their nature, forward-looking statements require us to make assumptions and are subject to inherent risks and uncertainties. There is significant risk that predictions and other forward-looking statements will not prove to be accurate. We caution readers of this document not to place undue reliance on our forward-looking statements as a number of factors could cause actual future results, conditions, actions or events to differ materially from the targets, expectations, estimates or intentions expressed or implied in the forward-looking statements.

Actual results may differ materially from management expectations as projected in such forward-looking statements for a variety of reasons including, but not limited to, market and general economic conditions, interest rates, regulatory and statutory developments, the effects of competition in the geographic and business areas in which the Fund may invest in, and the risks detailed from time to time in the Fund’s Simplified Prospectus. We caution that the foregoing list of factors is not exhaustive, and that when relying on forward-looking statements to make decisions with respect to investing in the Fund, investors and others should carefully consider these factors, as well as other uncertainties and potential events, and the inherent uncertainty of forward-looking statements. Due to the potential impact of these factors, the family of Chou Funds does not undertake, and specifically disclaims, any intention or obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise, unless required by applicable law.

Chou Associates Management Inc. (“the Manager”) provides management of the overall business of the Fund, including selection of the securities in the Fund’s portfolio and promoting sales of the Fund’s units. For the purposes of this document, the terms Chou Associates Management Inc. and “the Manager” are interchangeable. Full contact information is located at the end of this report.

Management Discussion of Fund Performance

Investment Objective and Strategies

The Fund's objective is to provide long-term growth of capital by investing primarily in equity securities of US 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 indebtedness.

The investment strategy follows a strong discipline with regard to price paid to acquire portfolio investments. The level of investments 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.

Risk

The risks of investing in the Fund are disclosed in the Prospectus. The principal risks associated with the Fund are liquidity risk, derivative risk, and repurchase and reverse repurchase transactions and securities lending risk.

In addition, the Fund faces the following risks. The foreign invested assets may decline in value if there are declines in the foreign markets in which they are invested. Because the Manager will follow a disciplined value investing style, the performance of the Fund may be less than the performance of the various global exchanges during periods of high market valuations. Conversely, the Fund may outperform these exchanges during periods of prolonged market weakness.

The use of covered call options has the risk that trading in the options may be interrupted if trading in the related security is halted. If this happens, the Fund would not be able to close out its options and would not be able to sell the related security until the term of the options expired. In this case the Fund would not be able to realize its profits or limit its losses.

As at June 30, 2008, Fairfax Financial Holdings holds 16.6% of the Series A Units of the Fund. If Fairfax redeems its securities, a significant portion of the Fund's investments will have to be liquidated in order to redeem these securities. The timing of such liquidation may not be appropriate and all investors may suffer a proportionate loss as a result of such liquidation.

For the reporting period, there were no material changes made that would have affected the Fund’s overall level of risk.

Results of Operations

For the six months ended June 30, 2008, Chou Associates Fund (the “Fund”) was down 2.3% for Series A units and 2.0% for Series F units while the S&P 500 Total Return Index was down 9.5% in Canadian dollars. In $US, the Fund was down 5.1% for Series A units and 4.8% for Series F units while the S&P 500 Total Return Index was down 11.9%.

Major positive contributors to the Fund’s performance were King Pharmaceuticals Inc., a pharmaceutical company; UTStarcom Inc., a telecommunications company; and Overstock.com Inc., an online retailer that offers merchandise at discount prices.

Securities that caused declines in the portfolio the most for the six month period were in the media, pharmaceutical, cable and telecom, and retail industries. The companies include the following:

1) Media General Inc. (Media)
2) Sun-Times Media Inc. (Media)
3) The McClatchy Company (Media)
4) Sears Holdings Corporation (Retail)
5) Office Depot Inc. (Retail)
6) Biovail Corporation (Pharmaceuticals)
7) XO Communications Inc. (Cable and Telecom)
8) RCN Corporation (Cable and Telecom)
9) Sprint Nextel Corporation (Cable and Telecom)

The weak U.S. economy and subprime crisis are impacting advertising and circulation revenues much more than expected and, as a result, investors are putting much lower valuations on media properties. The Fund holds equities in Media General, Sun-Times Media and McClatchy.

Biovail, a pharmaceutical company, declined in price as investors worried about patent expirations and the lack of promising pharmaceutical products.

Sears and Office Depot are retail companies and their declines in price could be attributed to a generally weak retail sales environment due to tight credit conditions, as well as increases in food and fuel costs for a typical family and a general reduction in consumer disposable income.

XO, RCN and Sprint are companies in the cable and telecommunications industry. Their weak stock performances could be attributed to investors' concern over increased competition in that market, weakness in the housing sector, as well as concern about the companies' financial flexibility due to their leveraged balance sheets.

The Fund added the following new names to the portfolio: The McClatchy Company, a leading newspaper and Internet publisher; Qwest Communications International Inc., a provider of voice, video and data services; Sanofi-Aventis ADR, a pharmaceutical company; Abitibi-Consolidated Inc., a Canadian pulp and paper company; Office Depot Inc., a supplier of office products and services; Gannett Company Inc., a media holding company; and K-Swiss Inc., an American footwear company.

On the sell side, the Fund eliminated the following positions from the portfolio: International Coal Group Inc., a leading producer of coal in Northern and Central Appalachia; EchoStar Corporation, a digital media equipment company; and Blue Ocean Reinsurance Holdings Ltd, a property catastrophe reinsurance company.

Recently, we entered into a forward currency contract in which we agreed to buy Canadian dollars and sell US dollars in December of 2008. The amount hedged is approximately 23% of the portfolio. This transaction will provide some protection for the Fund should the Canadian dollar continue to strengthen relative to the US dollar.

Net redemptions for the period were $27,324,460 and US $1,289,118. Our average month-end cash position was 24% of net assets.

Recent Developments

As the subprime (mortgage) meltdown and the bursting of the credit bubble play themselves out, they directly and indirectly affect the prices of almost all debt and equity securities, and the market will be highly volatile for a while. Therefore, the unit value of our Fund will also be volatile.

Independent Review Committee

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

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

The 2007 IRC Annual Report is available on our website www.choufund.com.

Accounting Policy Changes

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

National Instrument 81-106 (“NI 81-106”), Investment Fund Continuous Disclosure, requires the daily net asset value of an investment fund to be calculated in accordance with GAAP. Notwithstanding the prescribed implementation date of Section 3855, the Canadian Securities Administrators granted interim relief to investment funds from complying with Section 3855 when calculating the daily net asset value for the purpose of processing unitholder transactions. The relief was granted to permit further review of the impact of Section 3855 and is effective until the earlier of September 30, 2008 or the date on which proposed amendments to NI 81-106 come into effect. The net asset value calculated in accordance with Section 3855 is referred to as the Fund’s net asset value for financial reporting (“GAAP Net Asset Value”).

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

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

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

Related Party Transactions
The Manager provides management of the overall business of the Fund, including selection of the securities in the Fund's portfolio, and promoting sales of the Fund's units.

The Manager is also the trustee of the Fund. When you invest in the Fund, you are buying units of a trust. The trustee holds actual title to the property in the Fund - the cash and portfolio securities - on your behalf.

Citigroup Fund Services Canada (“CFSC”) is the custodian of the Fund and has physical custody of the securities in the Fund's portfolio.

CFSC is also the recordkeeper of the Fund. The recordkeeper provides or arranges for keeping all unitholder records, processing purchases and redemption orders, processing distributions, and issuing investor account statements and annual tax reporting information for the Fund.

There were no transactions with related parties except in the capacities set out above.

Financial Highlights
The following tables show selected key financial information about the Fund and are intended to help you understand the Fund's financial performance for the six months ended June 30, 2008 and the prior years as applicable. This information is derived from the Fund's audited annual financial statements and interim unaudited financial statements.

Net Asset Value (NAV) Per Unit Series A

	Six months ended June 30	Years ended December 31				
	2008	2007	2006	2005	2004	2003
Net asset value, beginning of period (1)	$ 79.87	$ 91.48	$ 78.22	$ 70.03	$ 65.58	$ 64.67
Increase(decrease) from operations						
Total revenue	$ 1.77	$ 4.07	$ 2.91	$ 2.62	$ 1.33	$ 1.03
Total expenses	(0.73)	(1.56)	(1.51)	(1.25)	(1.17)	(1.03)
Realized gains (losses) for the period	0.81	(0.12)	3.29	(0.79)	1.30	1.40
Unrealized gains (losses) for the period	(3.79)	(12.44)	10.76	7.04	4.45	0.91
Total increase (decrease) from operations	$ (1.94)	$ (10.05)	$ 15.45	$ 7.62	$ 5.91	$ 2.31
Distributions						
From income	$ 0	$ 2.19	$ 0.96	$ 0.29	$ 0	$ 0
From dividends	0	0.12	0.30	1.10	0.16	0
From capital gains	0	0	0	0	1.30	1.40
Total annual distributions (2)	$ 0	$ 2.31	$ 1.26	$ 1.39	$ 1.46	$ 1.40
Net asset value at end of period(4)	$ 78.02	$ 79.87	$ 91.65	$ 78.22	$ 70.03	$ 65.58
Net asset value at end of period in $US(4)	$ 76.64	$ 80.76	$ 78.65	$ 67.09		

Ratios/Supplemental Data Series A

	2008	2007	2006	2005	2004	2003
Net Assets (000's) (5)	$ 602,003	$ 643,874	$ 614,044	$ 342,334	$ 166,711	$ 122,773
Number of units outstanding	7,702,672	8,051,058	6,700,136	4,376,444	2,380,689	1,872,073
Management expense ratio (6)	1.66%	1.70%	1.74%	1.75%	1.77%	1.86%
Management expense ratio before waivers or absorptions	1.66%	1.70%	1.74%	1.75%	1.77%	1.86%
Portfolio turnover rate (7)	11.11%	16.61%	14.60%	10.03%	30.00%	33.40%
Trading expense ratio (8)	0.06%	0.07%	0.03%	0.11%	0.11%	0.27%
Net asset value per unit	$ 78.16	$ 79.97	$ 91.65	$ 78.22	$ 70.03	$ 65.58

Net Asset Value (NAV) Per Unit Series F

	Six months ended June 30	Years ended December 31		
	2008	2007	2006	[3] 2005
Net asset value, beginning of period [1]	$ 79.58	$ 91.23	$ 78.22	$ 75.56
Increase(decrease) from operations				
Total revenue	$ 1.78	$ 4.03	$ 6.31	$ 1.75
Total expenses	(0.53)	(1.08)	(1.20)	(0.26)
Realized gains (losses) for the period	0.81	0.05	4.23	0
Unrealized gains (losses) for the period	(3.73)	(13.41)	7.26	0.73
Total increase (decrease) from operations	$ (1.67)	$ (10.41)	$ 16.60	$ 2.22
Distributions				
From income	$ 0	$ 2.72	$ 1.39	$ 0.77
From dividends	0	0.15	0.44	0.72
From capital gains	0	0	0	0
Total annual distributions [2]	$ 0	$ 2.87	$ 1.83	$ 1.49
Net asset value at end of period[4]	$ 77.94	$ 79.58	$ 91.40	$ 78.22
Net asset value at end of period in $US[4]	$ 76.56	$ 80.46	$ 78.45	$ 67.09

Ratios/Supplemental Data Series F

	2008	2007	2006	2005
Net Assets (000's) [5]	$ 48,845	$ 53,194	$ 36,142	$ 3,496
Number of units outstanding	625,659	667,640	395,408	44,689
Management expense ratio [6]	1.18%	1.17%	1.20%	0.30%
Management expense ratio before waivers or absorptions	1.18%	1.17%	1.20%	0.30%
Portfolio turnover rate [7]	11.11%	16.61%	14.60%	10.00%
Trading expense ratio [8]	0.06%	0.07%	0.03%	0.11%
Net asset per unit	$ 78.07	$ 79.67	$ 91.40	$ 78.22

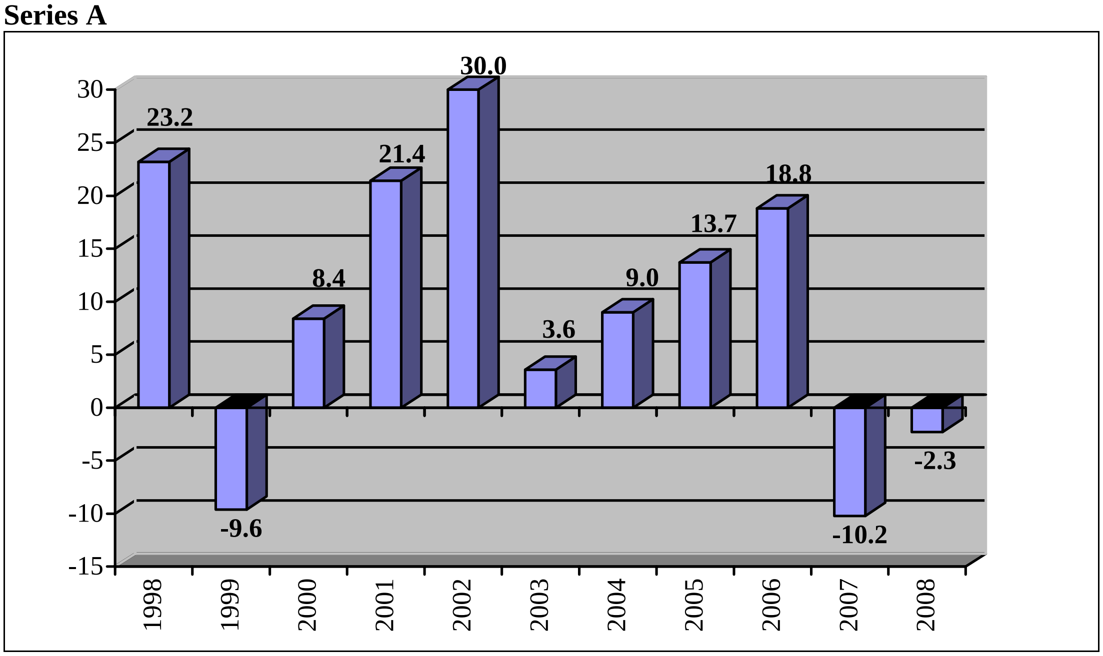
[1] Net asset value and distributions are based on the actual number of units outstanding at the relevant time. The increase/decrease from operations is based on the weighted average number of units outstanding over the financial period. This schedule is not a reconciliation of the beginning and ending net asset value per unit.
[2] Distributions were reinvested in additional units of the Fund or paid in cash upon request.
[3] The numbers for 2005 are for the period from September 30 to December 31.
[4] The net assets at the end of the period is not a cumulative amount, but rather the value of the Fund's units, in accordance with Canadian GAAP.
[5] This information is provided as at period end shown and is rounded to the nearest thousand.
[6] Management expense ratio is based on total expenses for the stated period and is expressed as an annualized percentage of weekly average net assets during the period. The 2005 management expense ratio for Series F is for the period from September 30 to December 31.
[7] The Fund's portfolio turnover rate indicates how actively the Fund's portfolio advisor manages its portfolio investments. A portfolio turnover rate of 100% is equivalent to the Fund buying and selling all of the securities in its portfolio once in the course of the year. The higher a fund's portfolio turnover rate in a year, the greater the trading costs payable by the fund in the year, and the greater the chance of an investor receiving taxable capital gains in the year. There is not necessarily a relationship between a high turnover rate and the performance of a fund.
[8] The trading expense ratio represents total commissions and other portfolio transaction costs expressed as an annualized percentage of weekly average net assets during the period.

Management Fees
The Manager manages the Fund. The Manager is entitled to an investment management fee calculated as a percentage of the market value of the net assets equal to 0.125% per month for Series A units and 0.083% per month for Series F units. The Manager pays 50 basis points per year trailer fees to dealers out of management fees for Series A units. There is no trailer fee paid out for Series F units.

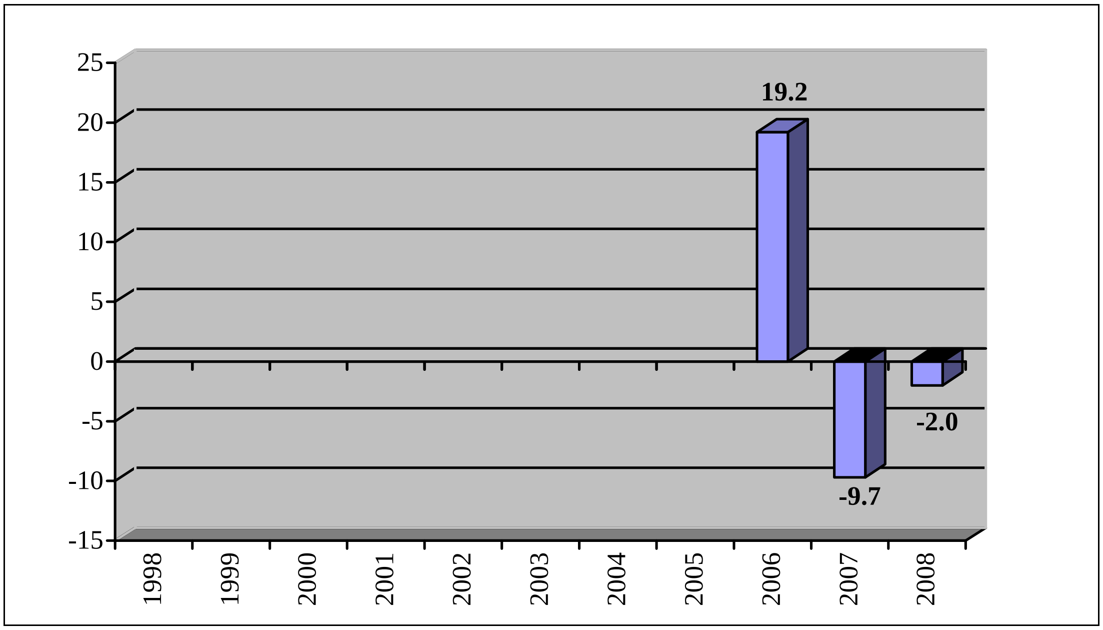
Past Performance
The following charts and tables show the Fund's past performance. Rates of return are historical total returns including changes in unit prices and assume the reinvestment of all distributions. These returns do not take into account any sales charges, redemption fees, other optional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

Year-by-Year Returns
The bar charts show the annual performance for Series A and Series F units of the Fund for each of the years shown. Each chart shows, in percentage terms, how an investment on January 1 would have increased or decreased by December 31 for each of the years, and how the performance varied from year to year. The return for 2008 is for the six month period from January 1 to June 30.

Series A



Series F



Annual Compound Returns
The following tables [1] show the annual compound total return for Series A and Series F units of Chou Associates Fund. The returns are for the period ended June 30, 2008. Below each return is a benchmark comparison.

Series A

June 30, 2008	**Past Year**	**Past 3 Years**	**Past 5 Years**	**Past 10 Years**	**Past 15 Years**	**Since Inception**
Associates Fund	-12.3%	3.3%	6.3%	9.0%	12.7%	12.3%
S&P500 ($Cdn)	-16.6%	-1.9%	1.6%	-0.8%	7.5%	8.8%

Series F

June 30, 2008	**Past Year**	**Since Inception**
Associates Fund	-11.8%	4.0%
S&P500 ($Cdn)	-16.6%	-1.4%

[1] Tables assume the reinvestment of all dividends.

Summary of Investment Portfolio as at June 30, 2008

Portfolio by Category

Consumer Services	21.2%
Health Care	18.5%
Telecommunications	18.3%
Financials	8.5%
Basic Material	7.0%
Industrials	6.4%
Technology	2.9%
Consumer Goods	0.5%
Net Cash & Equivalents	16.7%
Total Portfolio	100.0%

Top Twenty-Five Holdings

(excluding cash equivalents)

King Pharmaceuticals Inc.	9.2%
Abitibi-Consolidated Inc. debts	7.0%
Overstock.com Inc. shares & debts	6.9%
Royal Boskalis Westminster nv	6.4%
Level 3 Communications Inc. debts	5.7%
Berkshire Hathaway Inc., Class A	4.0%
Media General Inc., Class A	3.8%
Watson Pharmaceuticals Inc.	3.8%
The McClatchy Company, Class A, shares & debts	3.6%
Primus Telecommunications Group Inc. debts	3.3%
Flagstone Reinsurance Holdings Ltd.	3.1%
RCN Corporation	2.9%
UTStarcom Inc.	2.9%
Sears Holdings Corporation	2.7%
Global Crossing (UK) Ltd., finance debts	2.6%
Sanofi-Aventis ADR	2.6%
Biovail Corporation	2.4%
Office Depot Inc.	1.7%
Olympus Re Holdings Ltd.	1.5%
BT Group PLC	1.2%
Qwest Communications International Inc.	1.2%
K-Swiss Inc., Class A	1.1%
Sprint Nextel Corporation	1.1%
Gannett Company Inc.	0.9%
Collins & Aikman Corporation bank debts	0.6%
Top Twenty-Five Holdings	82.2%

The Summary of Investment Portfolio will change due to ongoing portfolio transactions of the Fund. The next quarterly update as at September 30, 2008 will be in the Quarterly Portfolio Disclosure which will be posted on our website www.choufunds.com on or before November 30, 2008.

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