

# **CHOU ASSOCIATES FUND**

## **SEMI-ANNUAL REPORT**

**June 30, 2000**

August 25, 2000

Dear Unitholders:

The net asset value per unit of Chou Associates Fund at June 30, 2000 was \$ 47.25 compared to \$ 46.08 at December 31, 1999, an increase of 2.5%. As at August 25, 2000, the net asset value was \$ 48.59, an increase of 5.4%.

We are concerned with the market, particularly with matters pertaining to the valuation of high technology companies. Anyone who is buying at current prices, and is unaware of the risks involved, is vulnerable to a major and permanent loss of capital. Valuation in this sector borders on the untenable: There are companies whose market capitalization exceeds \$ 10 billion, yet their borrowing capacity remains well below \$ 100 million; even more ridiculous, some of the executives of these individual companies are allowed to borrow \$ 1 billion or more on their stock!!

We, on the other hand, are drawn to a number of fine companies, each selling at bargain prices, in other sectors such as property and casualty insurance, banks, home builders, unit trusts, and the like. These selling prices are as low as I have seen them for quite some time; in fact, many are down by as much as 70% from highs of 25 times earnings.

Yours truly,

"signed"

Francis Chou

( Manager of the Fund )

**CHOU ASSOCIATES FUND**

**FINANCIAL STATEMENTS**

**FOR THE SIX MONTHS ENDED JUNE 30, 2000**

## **Chou Associates Fund**

### Statement of Income and Expense For the Six months Ended June 30, 2000

(Unaudited) (Stated in \$ Canadian)	
<u>Income:</u>	
Dividends	\$ 899,709
Interest	<u>17,370</u>
	\$ 917,079
<u>Expense:</u>	
Management fees	93,892
Custodian fees	15,646
Audit & Legal	<u>700</u>
	\$110,238
Net Investment Income	\$ 806,841
Realized gains	679,354
Total Income	\$1,486,195
Net Investment Income per Unit	\$ 3.18
Total Income per Unit	\$ 5.87

## **Chou Associates Fund**

### Statement of Net Assets As at June 30, 2000

(Unaudited)	
	<u>ASSETS</u>
Cash and Treasury Bills	\$ 884,775
Accounts receivable	12,284
Investment at market value(avg. cost \$9,090,306)	<u>11,971,818</u>
Total Assets	\$12,868,877
Less:	
Accounts payable	36,649
Premium Call Option(cost \$149,285)	<u>860,430</u>
Total Net Assets	\$ 11,971,798
Unitholders' Equity	
Contributed Capital	9,090,286
Unrealized gains in investments	<u>2,881,512</u>
Total Unitholders' Equity	\$11,971,798
Net Asset Value per Unit	\$ 47.25
NAVPU, December 31, 1999	\$46.08
Percentage Change from December 31, 1999	+2.5%
Units Outstanding, June 30, 2000	253,355

## **Chou Associates Fund**

### Statement of Investments Held As at June 30, 2000

Shares-Common	Number of Shares	Market Value
Akita Drilling, Class A	60,000	\$ 660,000
Berkshire Hathaway, Class B	400	1,038,042
BMTC Group, Class A	23,200	461,680
Cavalier Homes	200,000	479,210
Citigroup	28,500	2,531,886
Freddie Mac	14,000	863,036
Golden West Financial	12,000	722,132
Goldfarb, Class A	137,300	535,470
Hollinger Inc. Retractable	69,900	926,175
Loews Corp.	5,200	460,041
Metromedia Int'l, Preferred	6,000	247,714
Progressive Corp.	5,500	600,625
Reebok Int'l	20,600	484,094
Reliance Group Holding	100,000	110,587
Rothmans Canada	48,600	886,950
Surrey Metro Savings	60,600	636,300
Wesco Financial	1,000	302,271
Westshore Income Fund	16,700	52,605
Investments at market value		\$11,971,818

**Chou Associates Management Inc.**

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**Recordkeeping and Custodian**

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