

**INTERIM MANAGEMENT REPORT  
OF FUND PERFORMANCE**

**June 30 2020**

**CHOU ASIA FUND**

**CHOU ASSOCIATES MANAGEMENT INC.**

## **INTERIM MANAGEMENT REPORT OF FUND PERFORMANCE**

### **June 30, 2020**

This interim management report of fund performance contains financial highlights but does not contain the complete financial statements of the Fund. You can get a copy of the 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](http://www.choufunds.com) and SEDAR at [www.sedar.com](http://www.sedar.com).

Unitholders may also contact us 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, 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") manages the overall business of the Fund, including the 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 for the Manager is located at the end of this report.

# CHOU ASIA FUND

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## Management Discussion of Fund Performance

### Investment Objective and Strategies

Chou Asia Fund's (the "Fund") objective is to provide long-term growth of capital by investing primarily in the securities markets of Asia considered by Chou Associates Management Inc. (the "Manager") to be undervalued. The Fund may also invest in securities other than equities and in businesses located outside of Asia. The Fund's investments may also include common and preferred shares, convertible debentures, options, warrants, government and corporate bonds and short-term indebtedness.

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

### Risk

The risks of investing in the Fund are disclosed in the Fund's most recently filed Simplified Prospectus which can be found on the Fund's website at [www.choufunds.com](http://www.choufunds.com) and SEDAR at [www.sedar.com](http://www.sedar.com).

During the period ended June 30, 2020, there were no material changes that affected the Fund's overall level of risk.

### Market Review

Emerging market equities in Asia have been vulnerable to the progressive deterioration of U.S.-China trade relations, as well as the impacts of COVID-19. In the first half of the year, China has struggled to meet the quotas set in Phase One of the trade deal signed in January 2020. They blamed the shortfall on disruptions brought by pandemic-induced lockdowns, as Chinese companies were the first to be impacted by the pandemic. The narrative on U.S./China relations have moved into a Cold War territory, with political sanctions over the new national security law imposed on Hong Kong, as well as economic sanctions over Chinese technology companies like Huawei and potentially Wechat over national security concerns.

Similarly, other Asian economies like India and Japan were also negatively impacted by the pandemic.

### Results of Operations

For the period ended June 30, 2020, the Fund decreased by 0.4% for Series A units and 0.1% for Series F units after fees and expenses, while the MSCI AC Asia Pacific Total Return Index decreased by 1.6% in Canadian dollars. In U.S. dollars, the Fund was down 4.7% for Series A units and 4.5% for Series F units, while the MSCI AC Asia Pacific Total Return Index decreased 6.2%.

The major positive contributors to the Fund's performance in the first half of 2020 were the equity holdings of China Yuchai International, BYD Company Limited, and BYD Electronic (International) Company.

The largest decliners in the same period were the equity holdings of IDFC Limited, AirAsia Group, Shriram Transport Finance Company, and POSCO.

The Canadian currency depreciated against the Hong Kong dollar, which also positively affected the Fund.

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## **Portfolio Update**

During the period, the Fund reduced its holdings in BYD Company Limited. The Seaspac Corporation preferred Series H shares were converted to Atlas Corporation shares as a result of a holding company reorganization.

The Fund did not make any new investments, or enter into any foreign currency contracts during the period ended June 30, 2020. The Fund also had no covered call options in its portfolio as at June 30, 2020.

The Fund received \$82,267 in income from its securities lending program in the first half of 2020.

The Fund's net redemptions for the period ended June 30, 2020 were approximately \$2,276,218 for Series A units and approximately \$285,689 for Series F units. The Fund's average month-end cash position for the period was 12.6% of the Fund's net assets.

## **Recent Developments**

Since March 11, 2020, the outbreak of COVID-19 and related global responses have caused material disruptions to businesses around the world, leading to adverse impacts on domestic and international equity markets and fixed income yields.

While governments and central banks have reacted with monetary and fiscal interventions designed to stabilize economic conditions, the duration and extent of the impact of the COVID-19 pandemic, as well as the effectiveness of government and central bank responses, remains unclear at this time.

Based on this increased uncertainty, we expect the performance of the Fund's portfolio to be affected to some degree in the near term.

## **Related Party Transactions**

The Manager manages the overall business of the Fund, including selection of the securities in the Fund's portfolio, and promoting the sale of the Fund's units.

The Manager is also the trustee of the Fund. Investors receive units of a trust when they invest in the Fund. The Manager, as trustee, holds actual title to the property in the Fund, the cash and portfolio securities, on behalf of the Fund's investors.

The Manager, its officers and directors invest in units of the Fund from time to time in the normal course of business. As of June 30, 2020, the Manager, its officers and directors does not hold any units of the Fund. All transactions with the Manager are carried out at the Fund's net asset value as at the transaction date.

During the period ended June 30, 2020, there were no transactions with related parties except in the capacities and instances set out above.

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## 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 period ended June 30, 2020, and for each of the past five years ended December 31, as applicable.

### The Fund's Net Assets per Unit<sup>1</sup> - Series A Units

	<u>Jun 2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
<b>Net Assets, beginning of period</b>	<b>\$ 17.25</b>	<b>\$ 17.52</b>	<b>\$ 20.08</b>	<b>\$ 16.58</b>	<b>\$ 16.23</b>	<b>\$ 17.70</b>
<b>Increase (decrease) from operations:</b>						
Total revenue	\$ 0.21	\$ 0.65	\$ 0.50	\$ 0.17	\$ 0.11	\$ (0.43)
Total expenses	\$ (0.17)	\$ (0.35)	\$ (0.41)	\$ (0.37)	\$ (0.32)	\$ (0.37)
Realized gains (losses) for the period	\$ 2.53	\$ 0.11	\$ 0.29	\$ 0.89	\$ (0.28)	\$ 3.73
Unrealized gains (losses) for the period	\$ (2.66)	\$ (0.47)	\$ (2.93)	\$ 2.76	\$ 0.82	\$ (1.95)
<b>Total increase (decrease) from operations<sup>2</sup></b>	<b>\$ (0.09)</b>	<b>\$ (0.06)</b>	<b>\$ (2.55)</b>	<b>\$ 3.45</b>	<b>\$ 0.33</b>	<b>\$ 0.98</b>
<b>Distributions:</b>						
From income (excluding dividends)	\$ -	\$ 0.45	\$ -	\$ -	\$ -	\$ -
From dividends	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
From capital gains	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2.44
Return of capital	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
<b>Total Distributions<sup>3</sup></b>	<b>\$ -</b>	<b>\$ 0.45</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 2.44</b>
<b>Net Assets, end of period</b>	<b>\$ 17.18</b>	<b>\$ 17.25</b>	<b>\$ 17.52</b>	<b>\$ 20.08</b>	<b>\$ 16.58</b>	<b>\$ 16.23</b>
<b>Net Assets, end of period (USD)</b>	<b>\$ 12.66</b>	<b>\$ 13.29</b>	<b>\$ 12.83</b>	<b>\$ 15.97</b>	<b>\$ 12.35</b>	<b>\$ 11.73</b>

### Ratios and Supplemental Data - Series A Units

	<u>Jun 2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
<b>Total Net Asset Value (000s)<sup>4</sup></b>	<b>\$ 12,383</b>	<b>\$ 14,730</b>	<b>\$ 20,300</b>	<b>\$ 26,508</b>	<b>\$ 33,072</b>	<b>\$ 37,671</b>
Number of Redeemable Units Outstanding	720,628	853,782	1,158,473	1,320,405	1,995,196	2,320,611
Management Expense Ratio <sup>5</sup>	1.79%	1.90%	2.08%	1.92%	1.90%	1.86%
Management Expense Ratio before waivers or absorption <sup>5</sup>	1.79%	1.90%	2.08%	1.92%	1.90%	1.86%
Trading Expense Ratio <sup>6</sup>	0.10%	0.03%	0.02%	0.03%	0.01%	0.07%
Portfolio Turnover Rate <sup>7</sup>	-%	15.55%	-%	0.96%	0%	13.56%
<b>Net Asset Value per Unit</b>	<b>\$ 17.18</b>	<b>\$ 17.25</b>	<b>\$ 17.52</b>	<b>\$ 20.08</b>	<b>\$ 16.58</b>	<b>\$ 16.23</b>

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## The Fund's Net Assets per Unit<sup>1</sup> - Series F Units

	<u>Jun 2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
<b>Net Assets, beginning of period</b>	<b>\$ 17.57</b>	<b>\$ 17.90</b>	<b>\$ 20.52</b>	<b>\$ 16.84</b>	<b>\$ 16.41</b>	<b>\$ 17.87</b>
<b>Increase (decrease) from operations:</b>						
Total revenue	\$ 0.22	\$ 0.66	\$ 0.51	\$ 0.16	\$ 0.11	\$ (0.44)
Total expenses	\$ (0.13)	\$ (0.26)	\$ (0.31)	\$ (0.28)	\$ (0.23)	\$ (0.27)
Realized gains (losses) for the period	\$ 2.74	\$ 0.09	\$ 0.30	\$ 0.90	\$ (0.28)	\$ 3.78
Unrealized gains (losses) for the period	\$ (2.99)	\$ (0.38)	\$ (2.93)	\$ 2.87	\$ 0.85	\$ (2.23)
<b>Total increase (decrease) from operations<sup>2</sup></b>	<b>\$ (0.16)</b>	<b>\$ 0.11</b>	<b>\$ (2.43)</b>	<b>\$ 3.65</b>	<b>\$ 0.45</b>	<b>\$ 0.84</b>
<b>Distributions:</b>						
From income (excluding dividends)	\$ -	\$ 0.61	\$ -	\$ -	\$ -	\$ -
From dividends	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
From capital gains	\$ -	\$ -	\$ 0.11	\$ -	\$ -	\$ 2.56
Return of capital	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
<b>Total Distributions<sup>3</sup></b>	<b>\$ -</b>	<b>\$ 0.61</b>	<b>\$ 0.11</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 2.56</b>
<b>Net Assets, end of period</b>	<b>\$ 17.55</b>	<b>\$ 17.57</b>	<b>\$ 17.90</b>	<b>\$ 20.52</b>	<b>\$ 16.84</b>	<b>\$ 16.41</b>
<b>Net Assets, end of period (USD)</b>	<b>\$ 12.92</b>	<b>\$ 13.53</b>	<b>\$ 13.11</b>	<b>\$ 16.32</b>	<b>\$ 12.54</b>	<b>\$ 11.86</b>

## Ratios and Supplemental Data - Series F Units

	<u>Jun 2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
<b>Total Net Asset Value (000s)<sup>4</sup></b>	<b>\$ 1,214</b>	<b>\$ 1,512</b>	<b>\$ 2,239</b>	<b>\$ 2,931</b>	<b>\$ 2,549</b>	<b>\$ 2,446</b>
Number of Redeemable Units Outstanding	69,194	86,073	125,082	142,866	151,314	149,073
Management Expense Ratio <sup>5</sup>	1.23%	1.33%	1.52%	1.39%	1.35%	1.31%
Management Expense Ratio before waivers or absorption <sup>5</sup>	1.23%	1.33%	1.52%	1.39%	1.35%	1.31%
Trading Expense Ratio <sup>6</sup>	0.10%	0.03%	0.02%	0.03%	0.01%	0.07%
Portfolio Turnover Rate <sup>7</sup>	-%	15.55%	-%	0.96%	0%	13.56%
<b>Net Asset Value per Unit</b>	<b>\$ 17.55</b>	<b>\$ 17.57</b>	<b>\$ 17.90</b>	<b>\$ 20.52</b>	<b>\$ 16.84</b>	<b>\$ 16.41</b>

(<sup>1</sup>) This information is derived from the Fund's audited annual and unaudited semi-annual financial statements.

(<sup>2</sup>) Net assets and distributions are based on the actual number of redeemable units outstanding at the relevant time. The increase/decrease from operations is based on the weighted average number of redeemable units outstanding over the financial period.

(<sup>3</sup>) Distributions were reinvested in additional units of the Fund or paid in cash upon request.

(<sup>4</sup>) This information is provided as at period end shown and is rounded to the nearest thousand.

(<sup>5</sup>) Management expense ratio ("MER") is based on total expenses (excluding commissions and other portfolio transaction costs) for the stated period and is expressed as an annualized percentage of weekly average net asset value during the period. The Manager may, at its discretion, waive or absorb certain operating expenses. MER includes the waiver or absorption by the Manager of certain operating expenses, while the MER before absorption shows the MER prior to operating expenses being waived or absorbed by the Manager.

(<sup>6</sup>) The trading expense ratio represents total commissions and other portfolio transaction costs expressed as an annualized percentage of weekly average net asset value during the period.

(<sup>7</sup>) The Fund's portfolio turnover rate indicates how actively the Fund's portfolio adviser 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 financial period. 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.

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## Management Fees

The Manager manages the Fund. The Manager is entitled to an investment management fee calculated daily as a percentage of the market value of the net assets equal to 1.5% per annum for Series A units and 1.0% per annum for Series F units, payable monthly. 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

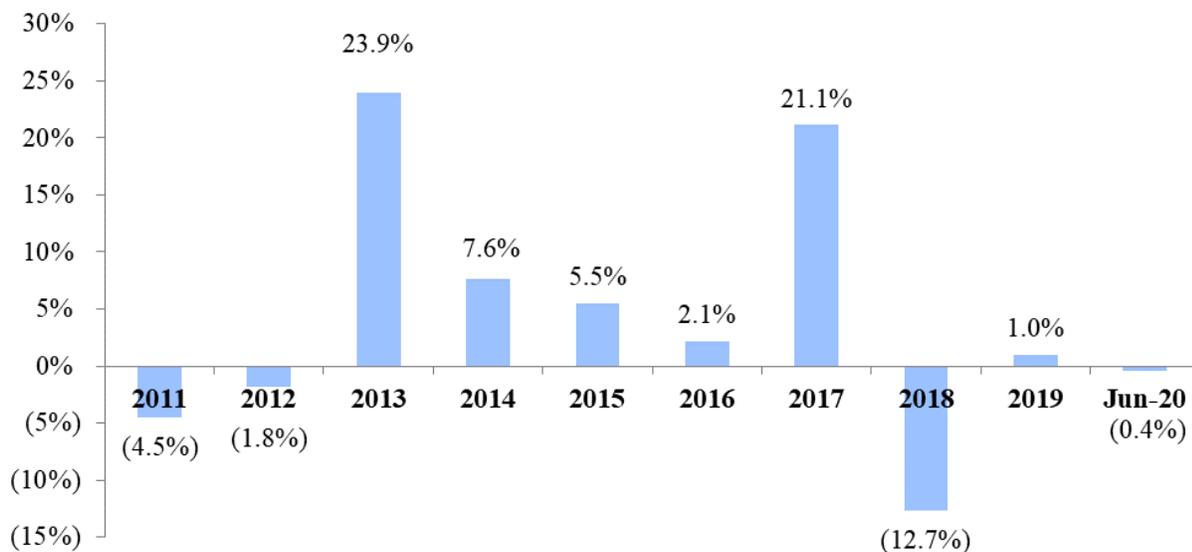
### General

The following charts and tables show the Fund's past performance. Rates of return are historical total returns that include 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 the Fund's investors have to pay and which could reduce these returns. The Fund's past performance does not necessarily indicate its future performance.

### Year-by-Year Returns

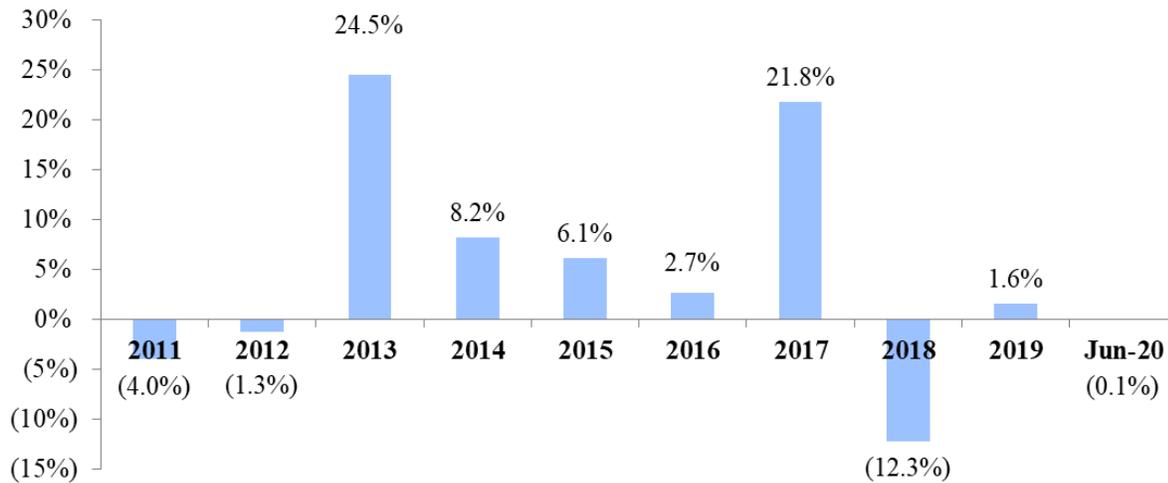
The following bar charts show the annual performance for each of the Series A and Series F units of the Fund for each of the years shown. Each chart shows, in percentage terms, how an investment on January 1 would have increased or decreased by December 31 for each of the years, and how the performance of the Fund varied from year to year. The return for 2020 is for the six-month period from January 1 to June 30.

### Series A



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## Series F



## Annual Compound Returns

The following tables<sup>(1)</sup> show the annual compound total return for each of the Series A and Series F units of the Fund. The tables outline the Fund's past performance since inception and for the one-, three-, five- and ten-year periods ended on June 30, 2020. Also shown for the same periods are the respective historical annual compound total returns of the MSCI Asia Pacific Index (the "Index"). The Index is based on the market capitalizations of approximately 900 leading companies publicly traded in the three developed market countries and eight emerging market countries in Asia. The benchmark Index is calculated without the deduction of management fees and fund expenses, whereas the performance of the Fund is calculated after deducting such fees and expenses.

### Series A

June 30, 2020	Past Year	Past 3 Years	Past 5 Years	Past 10 Years	Since Inception
Chou Asia Fund	2.00%	(0.85%)	1.03%	4.28%	6.25%
MSCI Asia Pacific (\$CAN)	5.53%	5.30%	6.34%	9.20%	7.22%

### Series F

June 30, 2020	Past Year	Past 3 Years	Past 5 Years	Past 10 Years	Since Inception
Chou Asia Fund	2.58%	(0.30%)	1.60%	4.85%	6.06%
MSCI Asia Pacific (\$CAN)	5.53%	5.30%	6.34%	9.20%	6.36%

<sup>(1)</sup> Tables assume the reinvestment of all dividends.

# CHOU ASIA FUND

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## Summary of Investment Portfolio

The following tables provide a summary of the Fund's portfolio as at June 30, 2020.

<b><u>Geographic Distribution</u></b>	<b><u>% of Fund's Net Assets</u></b>
China	31.6%
South Korea	12.4%
Singapore	10.5%
New Zealand	9.9%
Japan	7.2%
India	6.7%
Hong Kong	4.1%
Malaysia	1.3%
Net Cash Equivalents	16.3%
<b>Total Portfolio</b>	<b>100.0%</b>

<b><u>Total Issuers</u></b> <i>(excluding cash equivalents)</i>	<b><u>% of Fund's Net Assets</u></b>
<b>Equities</b>	
BYD Electronic (International) Company Limited	18.2%
BYD Company Limited, Class 'H'	13.3%
China Yuchai International Limited	10.6%
Pyne Gould Corporation Limited	9.9%
POSCO, ADR	7.8%
AJIS Company Limited	7.2%
Samsung Electronics Company Limited, GDR	4.6%
Shriram Transport Finance Company Limited	4.2%
Atlas Corporation, Series 'H'	4.1%
IDFC Limited	2.5%
AirAsia Group Berhad	1.3%
<b>Total Equities</b>	<b>83.7%</b>
<b>Total Holdings</b>	<b>83.7%</b>

The summary of the Fund's investment portfolio may change due to ongoing portfolio transactions of the Fund. The next quarterly update as at September 30, 2020 will be in the Quarterly Portfolio Disclosure and will be posted on our website [www.choufunds.com](http://www.choufunds.com) on or before October 31, 2020.

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