

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

SEMI-ANNUAL REPORT

2006

CHOU ASSOCIATES FUND

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	47,231	34,217	117,462
Jun. 30, 2006				<u>125,661</u>

Note: The indicated returns are the historical annual compounded total returns assuming reinvestment of distributions and do not take into account sales, redemption, distribution fees or income taxes payable by the investor. Those returns are not guaranteed. Mutual fund net asset values fluctuate and past performance may not be repeated.

CHOU FUNDS

PERFORMANCE OF THE FUNDS

Chou Associates Fund

6 months ended as of June 30, 2006

Class A \$Cdn	7.0%
Class A \$US	11.9%
Class F \$Cdn	7.3%
Class F \$US	12.2%

Chou Asia Fund

Class A \$Cdn	3.6%
Class A \$US	8.4%
Class F \$Cdn	3.9%
Class F \$US	8.6%

Chou Europe Fund

Class A \$Cdn	1.0%
Class A \$US	5.7%
Class F \$Cdn	1.3%
Class F \$US	6.0%

Chou Bond Fund

Class A \$Cdn	9.5%
Class A \$US	14.5%
Class F \$Cdn	9.5%
Class F \$US	14.6%

Chou RRSP Fund

Class A \$Cdn	-0.7%
Class A \$US	3.9%
Class F \$Cdn	-0.4%
Class F \$US	4.1%

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CHOU ASSOCIATES FUND

August 10, 2006

Dear Unitholders of Chou Associates Fund,

For the six months ended June 30, 2006, Chou Associates Fund returned 7.0% while the S&P 500 Total Return Index returned 0.6% in Canadian dollars. In \$US, Chou Associates Fund returned 11.9% while the S&P 500 Total Return Index returned 2.7%.

The table below shows our 6 month, 1 year, 3 year, 5 year, 10 year and 15 year annual compound rates of return for the period ended June 30, 2006. It also shows our results against the S&P 500 Index.

	6 Month	1 Year	3 Year	5 Year	10 Year	15 Year
Chou Associates(\$Cdn)	7.0%	13.0%	11.7%	14.6%	15.6%	15.8%
S&P500 (\$Cdn)	0.6%	-1.4%	4.2%	-3.6%	6.1%	10.5%
Chou Associates(\$US) ¹	11.9%	24.3%	19.0%	21.8%	-	-
S&P500 (\$US)	2.7%	8.6%	11.4%	2.4%	8.3%	10.7%

- The indicated returns are the historical annual compounded total returns assuming reinvestment of distributions and do not take into account sales, redemption, distribution or income taxes payable by the investor. Mutual funds are not guaranteed. Their values fluctuate and past performance may not be repeated.

Factors influencing the results for the six months ended June 30, 2006

Major positive contributors to the Fund's performance were XO Holdings, Level 3 Debts, Global Crossing Debts and Sears Holdings. Conversely, we suffered declines in Boskalis Westminster and UTStarcom.

Our average month-end cash balance of 34% of net assets has had a restraining effect on returns. We chose to maintain cash because we were not able to find investments meeting our Margin of Safety criteria.

General comments on the market

We continue to have problems finding compelling bargains in the market. In general, the stocks are not cheap and our experience has proven that it is foolhardy to chase stocks. It is important to exercise patience and discipline and to act only when a compelling bargain appears. Meanwhile holding cash is a wise option. Nonetheless, we remain quite concerned about the overvaluations and the potential negative impact on the Fund.

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

How a layman learned to invest successfully

Every successful investor probably has his own illuminating story of how he first learned to invest profitably. We find this particular story interesting because of its comments on buying stocks at bargain prices. What follows is a condensed version of the original story, adapted with the permission of the author. It is instructive and amusing and describes how Mr. Melvin Hogan, of Houston, Texas developed his formula for successful investing. The story, written by John Train, first appeared in a business magazine, on October 2, 1978 under the heading “How Mr. Womack made a killing”:

“Right after I was discharged from the Army at the close of World War II and went into the drilling-rig business, I began buying and selling stocks on the side (first as a hobby). At the end of each year I always had a net loss. I tried every approach I would read or hear about including technical, fundamental and combinations of all these.....but somehow I always ended up with a loss.

One day in 1961 when I was in a brokerage house in Houston feeling discouraged and frustrated, a senior account executive, whom I knew, was sitting at a front desk and observed the frown on my face that he had been seeing for so many years. He motioned me over to his desk.

‘Would you like to see a man,’ he asked wearily, ‘who has never lost money in the stock market?’

‘Never had a loss?’ I stammered.

‘Never had a loss on balance’, the broker drawled, ‘and I have handled his account for near 40 years. If you want to meet him, you’d better hurry.’

The stranger, to my surprise, was happy to talk about stocks. He pulled a sheet of paper from his pocket and scrawled in pencil on it was his list of stocks that he had just finished selling. He let me look at it.

I couldn’t believe my eyes! The man had made over 50% long-term capital gain profits on the whole group. One stock in the group of 30 stocks had been shot off the board, but others had gone up 100%, 200% and even 500%.

During the subsequent years as I cultivated Mr. Womack (and hunted ducks on his rice fields) until his death last year, I learned much of his investing philosophy.

He equated buying stocks with buying a truckload of pigs. The lower he could buy the pigs, when the pork market was depressed, the more profit he would make when the next seller’s market would come along. He claimed that he would rather buy stocks under such conditions than pigs because pigs did not pay a dividend. You must feed pigs.

Mr. Womack never seemed to buy a stock at its bottom or sell it at its top. He seemed happy to buy or sell at the bottom or top range of its fluctuations. He had no regard whatsoever for the old cliché – Never Send Good Money After Bad – when he was buying. For example when the bottom fell out of the bottom in the market of 1970, he added another \$25,000 to his previous bargain-price positions and made a virtual killing on the whole package.

During the market rise, you can sell too soon and make a profit, sell at the top and make a very good profit, or sell on the way down and still make a profit. So, with so many profit possibilities in your favour, the *best cost price possible* (italics added) is worth waiting for.

In sum, Mr. Womack didn't make anything complicated out of the stock market. He taught me that you can't be buying stocks every day, week or month of the year and make a profit, any more than you could plant rice every day, week or month and make a crop. He changed my investing lifestyle and I have made a profit ever since."

Even though this story was written almost thirty years ago, the moral remains relevant: Buy stocks when they are at bargain prices and you are likely to uncover a pearl that is merely disguised as a swine.

Other matters

Securities lending: The Fund earned interest income of \$476,180 from this activity.

Currency hedging: Several currency hedges expired during the previous six months but none existed as at June 30, 2006.

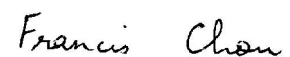
Possible higher MER for the Fund: As all funds in Canada face greater regulatory scrutiny and increased requirements found in National Instrument ("NI") 81-106 and possibly NI 81-107 in the future, the cost of running the Fund will increase and result in a higher MER. We hope to keep it below 2% which is still well below the industry average of approximately 2.73%.

Redemption fee: We have a redemption fee of 2% if unitholders redeem their units in less than 2 years. None of this fee goes to the Fund Manager. It is put back into the Fund for the benefit of the remaining unitholders. We hope this fee is enough to dissuade short-term investors from jumping in and out of the Fund to chase short-term performance

As of August 4, 2006, the NAV of the Fund was \$83.50 and the cash position was 39% of assets. The Fund is up 6.8% from the beginning of the year.

Except for the performance numbers of the Chou Associates Fund, the remainder of the above 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 herein may not be suitable for all investors.

Yours truly,



Francis Chou

Fund Manager

CHOU ASSOCIATES FUND
STATEMENT OF NET ASSETS
AS AT JUNE 30, 2006
(Unaudited)

	2006	DECEMBER 31, 2005
ASSETS		
Cash and treasury bills	\$ 153,683,907	\$ 83,143,768
Accrued interest and dividend income	1,480,949	1,312,936
Receivable for units subscribed	2,968,596	933,498
Unrealized gain on foreign exchange forward contracts	-	4,955,920
Investments at market value (average cost \$223,214,478; 2005 - \$210,684,511)	<u>280,560,936</u>	<u>256,431,773</u>
	<u>438,694,388</u>	<u>346,777,895</u>
LIABILITIES		
Accrued expenses	711,740	568,652
Payable for units redeemed	253,384	37,141
Covered call options at market value (average cost - \$ Nil; 2005 - \$ Nil)	<u>758,499</u>	<u>342,532</u>
	<u>1,723,623</u>	<u>948,325</u>
NET ASSETS AT MARKET VALUE	<u>\$ 436,970,765</u>	<u>\$ 345,829,570</u>

**NET ASSETS AT MARKET VALUE, BY
CLASS**

Class A	\$ 417,412,040	\$ 342,333,898
Class F	<u>19,558,725</u>	<u>3,495,672</u>
	<u>\$ 436,970,765</u>	<u>\$ 345,829,570</u>

NUMBER OF UNITS OUTSTANDING

Class A	4,988,229	4,376,444
Class F	233,136	44,689

NET ASSET VALUE PER UNIT

Canadian dollars

Class A	\$ 83.68	\$ 78.22
Class F	\$ 83.89	\$ 78.22

U.S. dollars

Class A	\$ 75.08	\$ 67.09
Class F	\$ 75.27	\$ 67.09

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

Francis Chou

Tracy Chou

CHOU ASSOCIATES FUND
STATEMENT OF OPERATIONS
FOR THE SIX MONTHS ENDED JUNE 30, 2006
(Unaudited)

	2006	2005
INVESTMENT INCOME		
Interest	\$ 5,162,630	\$ 2,147,925
Other Income	231,187	192,887
Interest earned on security lending	476,180	-
Dividends	960,318	640,657
	<u>6,830,315</u>	<u>2,981,469</u>
EXPENSES		
Management fees	3,269,548	1,836,842
Custodian fees	264,605	122,600
Foreign withholding taxes	200,880	88,172
Audit	20,000	2,500
Filing fees	16,000	12,000
FundSERV fees	9,886	9,366
Legal	4,990	-
	<u>3,785,909</u>	<u>2,071,480</u>
NET INVESTMENT INCOME FOR THE PERIOD	<u>3,044,406</u>	<u>909,989</u>
NET REALIZED AND UNREALIZED GAIN (LOSS)		
Net realized gain on sale of investments	10,885,828	977,149
Increase in unrealized appreciation in value of investments	11,599,195	15,680,007
Gain (loss) on covered call options	1,010,912	(3,351,670)
Unrealized gain on foreign exchange forward contracts	-	1,904,828
	<u>23,495,935</u>	<u>15,210,314</u>
INCREASE IN NET ASSETS FROM OPERATIONS	<u>\$ 26,540,341</u>	<u>\$16,120,303</u>
INCREASE IN NET ASSETS FROM OPERATIONS		
Class A	\$ 25,923,381	\$16,120,303
Class F	616,960	-
	<u>\$ 26,540,341</u>	<u>\$16,120,303</u>
INCREASE IN NET ASSETS FROM OPERATIONS, PER UNIT		
Class A	\$ 5.32	\$ 4.43
Class F	\$ 4.40	\$ -

CHOU ASSOCIATES FUND
STATEMENT OF CHANGES IN NET ASSETS
FOR THE PERIOD ENDED JUNE 30, 2006
(Unaudited)

	2006	2005
CLASS A		
NET ASSETS , beginning of the period	\$ 342,333,898	\$ 166,710,954
Increase in net assets from operations	25,923,381	16,120,303
Proceeds from issue of units	104,749,910	96,982,685
Payments on redemption of units	(55,595,149)	(5,467,867)
Distribution of income to unitholders		
Investment income	-	-
Capital gains	-	-
Reinvested distributions	-	-
NET ASSETS , end of the period	<u>417,412,040</u>	<u>274,346,075</u>
CLASS F		
NET ASSETS , beginning of the period	3,495,672	-
Increase in net assets from operations	616,960	-
Proceeds from issue of units	15,652,177	-
Payments on redemption of units	(206,084)	-
Distribution of income to unitholders		
Investment income	-	-
Capital gains	-	-
Reinvested distributions	-	-
NET ASSETS , end of the period	<u>19,558,725</u>	<u>-</u>
TOTAL NET ASSETS , end of the period	<u>\$ 436,970,765</u>	<u>\$ 274,346,075</u>

CHOU ASSOCIATES FUND
STATEMENT OF INVESTMENTS
AS AT JUNE 30, 2006
(Unaudited)

	No. of Shares or Par Value	Average Cost	Market Value
SHARES*			
Berkshire Hathaway Inc., Class A	210	\$ 21,727,432	\$ 21,453,845
Blue Ocean Reinsurance Holdings Ltd.	109,777	12,721,951	12,504,692
Boskalis Westminster NV	360,367	11,590,142	27,260,045
BT Group PLC	1,850,000	7,655,743	9,126,056
Cardinal Health Inc.	37,000	2,021,143	2,652,931
DirecTV Group Inc.	475,000	7,524,175	8,735,511
EchoStar Communications	50,000	1,689,844	1,717,008
Flagstone Reinsurance Holdings	1,500,000	17,535,000	16,835,711
GB Holdings Inc.	237,300	895,765	198,367
Global Crossing Ltd.	60,354	1,331,546	1,195,375
Interstate Bakeries Corp.	383,500	2,308,230	2,992,086
King Pharmaceuticals Inc.	1,190,000	14,588,878	22,547,927
North Fork Bancorporation	108,750	3,162,477	3,656,919
Olympus Reinsurance Holdings Ltd.	909,151	6,402,976	4,549,808
Overstock.com	344,269	9,272,673	8,157,779
Sears Holdings Corp.	133,700	4,101,890	23,142,677
Utah Medical Products Inc.	79,230	1,831,102	2,650,125
UTStarcom Inc.	1,050,000	7,528,654	9,116,697
Verizon Communications Inc.	315,727	11,601,225	11,785,218
XO Holdings Inc. ⁽¹⁾	3,407,554	13,898,979	15,485,107
		<u>159,389,825</u>	<u>205,763,884</u>
BONDS			
Adelphia Comm., 9.375%, Nov. 15, 2009	1,372,000	985,539	860,176
Adelphia Comm., 10.25%, Nov. 1, 2010	1,000,000	545,088	593,513
Adelphia Comm., 10.875%, Oct. 1, 2006	4,000,000	2,618,124	2,452,073
Global Crossing (UK), 10.75%, Dec. 15, 2014	16,660,000	18,976,677	19,636,592
Level 3 Comm., 6.0% convert, March 15, 2010	15,750,000	10,689,324	14,570,330
Level 3 Comm., 6.0% convert, Sep. 15, 2009	13,523,000	8,601,386	13,188,391
Level 3 Comm., 12.875%, March 15, 2010	8,398,000	8,521,211	9,407,033
Overstock.com, 3.75% convert, Dec.1, 2011	6,825,000	5,483,607	5,362,935
UTStarcom, 0.875% convert, March 1, 2008	9,130,000	7,403,697	8,726,009
		<u>63,824,653</u>	<u>74,797,052</u>
TOTAL		<u>\$ 223,214,478</u>	<u>\$ 280,560,936</u>

* Common Shares Unless Indicated Otherwise.

(1) Name change from XO Communications Inc.

CHOU ASSOCIATES FUND
SCHEDULE OF DERIVATIVES
AS AT JUNE 30, 2006
(Unaudited)

OPTIONS

	Number	Maturity	Unrealized Loss
Sears Holding Corp., \$190 covered call option	310	Jan 2007	\$ (200,402)
Sears Holding Corp., \$195 covered call option	825	Jan 2007	(450,569)
Overstock.com Inc., \$40 covered call option	400	Sep 2006	(4,458)
Global Crossing Ltd., \$20 covered call option	100	Sep 2006	(10,031)
Global Crossing Ltd., \$25 covered call options	130	Sep 2006	(2,898)
King Pharmaceuticals Inc., \$17.50 covered call option	200	Oct 2006	(10,031)
King Pharmaceuticals Inc., \$17.50 covered call option	625	Oct 2006	<u>(80,110)</u>
			<u>\$ (758,499)</u>

CHOU ASIA FUND

August 10, 2006

Dear Unitholders of Chou Asia Fund,

For the six months ended June 30, 2006, Chou Asia Fund returned 3.6% while the MSCI AC (Morgan Stanley Capital International All Country) Asia Pacific Total Return Index (\$Cdn) returned 0.0%.

The table below shows our 6 month, 1 year and 2 year annual compound rates of return for the period ended June 30, 2006. It also shows our results against the MSCI AC Asia Pacific Index.

	6 Month	1 Year	2 Year
Chou Asia Fund	3.6%	6.5%	6.1%
MSCI AC Asia Pacific (Total Return) (\$ Cdn)	0.0%	16.5%	7.6%

- The indicated returns are the historical annual compounded total returns assuming reinvestment of distributions and do not take into account sales, redemption, distribution fees or income taxes payable by the investor. Those returns are not guaranteed. Mutual fund net asset values fluctuate and past performance may not be repeated.

Major contributors to the Fund's performance were Sears Holdings and Hanfeng Evergreen. We suffered declines in Takefuji, The Seiyu, and Nippon TV Network.

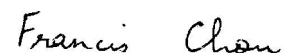
As all funds in Canada face greater regulatory scrutiny and increased requirements found in National Instrument ("NI") 81-106 and possibly NI 81-107 in the future, the cost of running the Fund will increase and result in a higher MER. We hope to keep it below 2%.

We have a redemption fee of 2% if unitholders redeem their units in less than 2 years. None of this fee goes to the Fund Manager. It is put back into the Fund for the benefit of the remaining unitholders. We hope this fee is enough to dissuade short-term investors from jumping in and out of the Fund to chase possible short-term performance.

The minimum initial amount to invest in the Fund is \$10,000, and the minimum for all subsequent investments is \$1,000.

As of August 4, 2006, the NAV of the Fund was \$13.12 and the cash position was 37.2% of assets. The Fund is up 3.5% from the beginning of the year.

Yours truly,



Francis Chou

CHOU ASIA FUND
STATEMENT OF NET ASSETS
AS AT JUNE 30, 2006
(Unaudited)

	2006	DECEMBER 31, 2005
ASSETS		
Cash and treasury bills	\$ 15,142,015	\$ 15,534,646
Accrued interest and dividend income	69,508	19,582
Receivable for units subscribed	61,000	43,504
Investments at market value (average cost \$18,328,344; 2005 - \$14,636,285)	<u>21,432,667</u>	<u>16,826,545</u>
	<u>36,705,190</u>	<u>32,424,277</u>
LIABILITIES		
Accrued expenses	66,364	54,983
Payable for units redeemed	46,545	64,324
Covered call options at market value (average cost - \$ Nil; 2005 - \$ Nil)	<u>90,504</u>	<u>122,420</u>
	<u>203,413</u>	<u>241,727</u>
NET ASSETS AT MARKET VALUE	\$ 36,501,777	\$ 32,182,550
NET ASSETS AT MARKET VALUE, BY CLASS		
Class A	\$ 35,918,906	\$ 32,042,452
Class F	<u>582,871</u>	<u>140,098</u>
	<u>\$ 36,501,777</u>	<u>\$ 32,182,550</u>
NUMBER OF UNITS OUTSTANDING		
Class A	2,736,854	2,528,888
Class F	44,298	11,057
NET ASSET VALUE PER UNIT		
Canadian dollars		
Class A	\$ 13.12	\$ 12.67
Class F	\$ 13.16	\$ 12.67
U.S. dollars		
Class A	\$ 11.78	\$ 10.87
Class F	\$ 11.81	\$ 10.87

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

Francis Chou

Tracy Chou

CHOU ASIA FUND
STATEMENT OF OPERATIONS
FOR THE SIX MONTHS ENDED JUNE 30, 2006
(Unaudited)

	2006	2005
INCOME		
Interest	\$ 336,087	\$ 325,485
Dividends	67,805	59,488
	<u>403,892</u>	<u>384,973</u>
EXPENSES		
Management fees	281,207	184,572
Custodian fees	17,661	11,880
Audit	7,490	500
Foreign withholding taxes	7,282	-
Filing fees	4,800	2,400
FundSERV fees	1,800	680
	<u>320,240</u>	<u>200,032</u>
NET INVESTMENT INCOME FOR THE PERIOD	<u>83,652</u>	<u>184,941</u>
NET REALIZED AND UNREALIZED GAIN (LOSS)		
Net realized loss on sale of investments	(44,955)	(6,740)
Increase in unrealized appreciation in value of investments	914,062	752,266
Gain (loss) on covered call options	157,327	(601,498)
	<u>1,026,434</u>	<u>144,028</u>
INCREASE IN NET ASSETS FROM OPERATIONS	<u>\$ 1,110,086</u>	<u>\$ 328,969</u>
INCREASE IN NET ASSETS FROM OPERATIONS		
Class A	\$ 1,106,351	\$ 328,969
Class F	3,735	-
	<u>\$ 1,110,086</u>	<u>\$ 328,969</u>
INCREASE IN NET ASSETS FROM OPERATIONS, PER UNIT		
Class A	\$ 0.41	\$ 0.15
Class F	\$ 0.18	\$ -

CHOU ASIA FUND
STATEMENT OF CHANGES IN NET ASSETS
FOR THE PERIOD ENDED JUNE 30, 2006
(Unaudited)

	2006	2005
CLASS A		
NET ASSETS , beginning of the period	\$ 32,042,452	\$ 16,320,646
Increase in net assets from operations	1,106,351	328,968
Proceeds from issue of units	5,278,436	11,958,815
Payments on redemption of units	(2,508,333)	(1,310,946)
Distribution of income to unitholders		
Investment income	-	-
Capital gains	-	-
Reinvested distributions	-	-
NET ASSETS , end of the period	<u>35,918,906</u>	<u>27,297,483</u>
CLASS F		
NET ASSETS , beginning of the period	140,098	-
Increase in net assets from operations	3,735	-
Proceeds from issue of units	449,365	-
Payments on redemption of units	(10,327)	-
Distribution of income to unitholders		
Investment income	-	-
Capital gains	-	-
Reinvested distributions	-	-
NET ASSETS , end of the period	<u>582,871</u>	<u>-</u>
TOTAL NET ASSETS , end of the period	<u>\$ 36,501,777</u>	<u>\$ 27,297,483</u>

CHOU ASIA FUND
STATEMENT OF INVESTMENTS
AS AT JUNE 30 2006
(Unaudited)

	No. of Shares or Par Value	Average Cost	Market Value
SHARES*			
Blue Ocean Reinsurance Holdings	11,941	\$ 1,383,845	\$ 1,360,199
Flagstone Reinsurance Holdings	144,000	1,683,360	1,616,228
Fuji Television	100	295,254	247,322
Glacier Ventures International Corp.	946,579	2,556,000	2,830,271
Hanfeng Evergreen	1,331,250	3,174,275	4,459,687
Metro One Telecommunications	350,000	665,000	257,468
Nippon Television Network	3,110	549,841	471,497
Sears Holding Corp.	14,000	447,496	2,423,317
Telecom Corp of New Zealand	60,000	1,379,202	1,330,138
The Seiyu	159,000	599,697	374,664
Takefuji Corporation	27,400	2,037,618	1,819,552
UTStarcom Inc.	230,000	1,528,112	1,996,991
Verizon Communications	34,548	1,269,448	1,289,582
		<u>17,569,148</u>	<u>20,476,916</u>
BONDS			
UTStarcom, 0.875% convert., March 1, 2008	1,000,000	<u>759,196</u>	<u>955,751</u>
TOTAL		<u><u>\$ 18,328,344</u></u>	<u><u>\$ 21,432,667</u></u>

* Common Shares Unless Indicated Otherwise.

CHOU ASIA FUND
SCHEDULE OF DERIVATIVES
AS AT JUNE 30, 2006
(Unaudited)

	Number	Maturity	Unrealized Loss
Sears Holding Corp., \$190 covered call option	140	Jan 2007	\$ (90,504)

CHOU EUROPE FUND

August 10, 2006

Dear Unitholders of Chou Europe Fund,

For the six months ended June 30, 2006, Chou Europe Fund returned 1.0% while the MSCI AC (Morgan Stanley Capital International All Country) Europe Total Return Index (\$Cdn) returned 9.3%.

The table below shows our 6 month, 1 year and 2 year annual compound rates of return for the period ended June 30, 2006. It also shows our results against the MSCI AC Europe Index.

	6 Month	1 Year	2 Year
Chou Europe Fund	1.0%	2.9%	9.7%
MSCI AC Europe (Total Return)(\$ Cdn)	9.3%	14.5%	11.9%

- The indicated returns are the historical annual compounded total returns assuming reinvestment of distributions and do not take into account sales, redemption, distribution fees or income taxes payable by the investor. Those returns are not guaranteed. Mutual fund net asset values fluctuate and past performance may not be repeated.

Major contributors to the Fund's performance were Sears Holdings, Global Crossing Debts, and Level 3 Debts. We suffered declines in Boskalis Westminster, Talk America, and Clinton Cards.

As all funds in Canada face greater regulatory scrutiny and increased requirements found in National Instrument ("NI") 81-106 and possibly NI 81-107 in the future, the cost of running the Fund will increase and result in a higher MER. We hope to keep it below 2%.

We have a redemption fee of 2% if unitholders redeem their units in less than 2 years. None of this fee goes to the Fund Manager. It is put back into the Fund for the benefit of the remaining unitholders. We hope this fee is enough to dissuade short-term investors from jumping in and out of the Fund to chase possible short-term performance.

The minimum initial amount to invest in the Fund is \$10,000 and the minimum for all subsequent investments is \$1,000.

As of August 4, 2006, the NAV of the Fund was \$13.20 and the cash position was 21.1% of assets. The Fund is up 1.9% from the beginning of the year.

Yours truly,



Francis Chou

CHOU EUROPE FUND
STATEMENT OF NET ASSETS
AS AT JUNE 30, 2006
(Unaudited)

	2006	DECEMBER 31, 2005
ASSETS		
Cash and treasury bills	\$ 3,531,380	\$ 5,799,603
Accrued interest and dividend income	66,109	324,563
Receivable for units subscribed	11,000	20,000
Investments at market value (average cost \$9,599,511; 2005 - \$5,694,141)	10,718,112	6,686,540
	<u>14,326,601</u>	<u>12,830,706</u>
LIABILITIES		
Accounts payable and accrued charges	27,094	22,108
Covered call options at market value (average cost - \$ Nil; 2005 - \$ Nil)	32,323	43,722
	<u>59,417</u>	<u>65,830</u>
NET ASSETS AT MARKET VALUE	\$ 14,267,184	\$ 12,764,876
NET ASSETS AT MARKET VALUE, BY CLASS		
Class A	\$ 13,862,355	\$ 12,702,271
Class F	404,809	62,605
	<u>\$ 14,267,184</u>	<u>\$ 12,764,876</u>
NUMBER OF UNITS OUTSTANDING		
Class A	1,059,255	980,743
Class F	30,849	4,833
NET ASSET VALUE PER UNIT		
Canadian dollars		
Class A	\$ 13.09	\$ 12.95
Class F	\$ 13.12	\$ 12.95
U.S. dollars		
Class A	\$ 11.74	\$ 11.11
Class F	\$ 11.77	\$ 11.11

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

Francis Chou

Tracy Chou

CHOU EUROPE FUND
STATEMENT OF OPERATIONS
FOR THE SIX MONTHS ENDED JUNE 30, 2006
(Unaudited)

	2006	2005
INCOME		
Interest	\$ 242,853	\$ 98,705
Dividends	16,538	13,964
	<u>259,391</u>	<u>112,669</u>
EXPENSES		
Management fees	114,591	53,466
Audit	7,490	-
Custodian fees	7,251	4,966
Foreign withholding taxes	2,789	-
Filing fees	2,100	1,160
FundSERV fees	824	260
Legal	500	435
	<u>135,545</u>	<u>60,287</u>
NET INVESTMENT INCOME FOR THE PERIOD	<u>123,846</u>	<u>52,382</u>
NET REALIZED AND UNREALIZED GAIN (LOSS)		
Net realized gain (loss) on sale of investments	(203,224)	51,132
Increase in unrealized appreciation in value of investments	126,203	732,696
Gain (loss) on covered call options	56,189	(215,184)
	<u>(20,832)</u>	<u>568,644</u>
INCREASE IN NET ASSETS FROM OPERATIONS	<u>\$ 103,014</u>	<u>\$ 621,026</u>
INCREASE IN NET ASSETS FROM OPERATIONS		
Class A	\$ 108,220	\$ 621,026
Class F	(5,206)	-
	<u>\$ 103,014</u>	<u>\$ 621,026</u>
INCREASE IN NET ASSETS FROM OPERATIONS, PER UNIT		
Class A	\$ 0.10	\$ 0.92
Class F	\$ (0.47)	\$ -

CHOU EUROPE FUND
STATEMENT OF CHANGES IN NET ASSETS
FOR THE PERIOD ENDED JUNE 30, 2006
(Unaudited)

	2006	2005
CLASS A		
NET ASSETS, beginning of the period	\$ 12,702,271	\$ 4,480,967
Increase in net assets from operations	108,220	621,026
Proceeds from issue of units	2,836,896	3,800,699
Payments on redemption of units	(1,785,032)	(146,586)
Distribution of income to unitholders		
Investment income	-	-
Reinvested distributions	-	-
NET ASSETS, end of the period	13,862,355	8,756,106
CLASS F		
NET ASSETS, beginning of the period	62,605	-
Decrease in net assets from operations	(5,206)	-
Proceeds from issue of units	350,530	-
Payments on redemption of units	(3,100)	-
Distribution of income to unitholders		
Investment income	-	-
Reinvested distributions	-	-
NET ASSETS, end of the period	404,829	-
TOTAL NET ASSETS, end of the period	\$ 14,267,184	\$ 8,756,106

CHOU EUROPE FUND
STATEMENT OF INVESTMENTS
AS AT JUNE 30, 2006
(Unaudited)

	No. of Shares or Par Value	Average Cost	Market Value
SHARES*			
Blue Ocean Reinsurance Holdings	2,986	\$ 346,048	\$ 340,135
Boskalis Westminster NV	4,800	149,734	363,097
Clinton Cards PLC	650,000	826,716	703,463
Flagstone Reinsurance Holdings	56,000	654,640	628,533
Glacier Ventures International Corp.	462,328	1,123,820	1,382,361
Hollinger Inc.	648,748	1,331,519	1,297,496
Natuzzi S.p.A.	22,000	287,980	175,323
Penn Treaty American Corp.	100,000	870,350	822,559
Sears Holding Corp.	5,000	160,240	865,470
Talk America Holdings	85,197	679,860	587,795
Ultraframe PLC	200,000	255,941	121,625
		<u>6,686,848</u>	<u>7,287,857</u>
BONDS			
Global Crossing (UK), 11.75%, Dec. 15, 2014	180,000	420,378	404,453
Global Crossing (UK), 10.75%, Dec. 15, 2014	650,000	682,335	766,134
Level 3 Comm., 6.0% convert, Sep.15, 2009	1,737,000	1,155,876	1,694,020
Tembec, 7.75% Senior notes, Mar.15, 2012	1,000,000	654,074	565,648
		<u>2,912,663</u>	<u>3,430,255</u>
TOTAL		<u>\$ 9,599,511</u>	<u>\$ 10,718,112</u>

* Common Shares Unless Indicated Otherwise.

CHOU EUROPE FUND
SCHEDULE OF DERIVATIVES
AS AT JUNE 30, 2006
(Unaudited)

	Number	Maturity	Unrealized Loss
Sears Holding Corp., \$190 covered call option	50	Jan 2007	\$ (32,323)

CHOU BOND FUND

August 10, 2006

Dear Unitholders of Chou Bond Fund,

For the six months ended June 30, 2006, Chou Bond Fund returned 9.5% while the Citigroup WGBI (World Government Bond Index) All Maturities Total Return Index (\$Cdn) returned -1.5% and the S&P/TSX Bond Broad Market All Corporates Total Return Index (\$Cdn) returned -3.7%.

Chou Bond Fund was opened to investors on September 16, 2005. The minimum initial investment is \$10,000, as with the other Chou Funds. The Fund has done quite well from inception to date but investors should keep that performance in perspective. Be aware of the risks involved including that of the Manager who does not have a long history of investing heavily in that area. Caveat emptor!! Having said that, we feel optimistic that if we apply the same value principles we have used in the past in investing in equities, we have the potential to do reasonably well in the future.

Major contributors to the Fund's performance were Allegiance Debt, Level 3 Debts, and Global Crossing Debts. We suffered declines in Tembec Debts and Adelpia Debts.

As with the launch of the Chou Asia Fund and Chou Europe Fund, we will not charge the full management fee of 1.15% to the end of 2006. We will charge a fee only to cover the trailer fees paid to dealers and financial planners (0.15%).

As all funds in Canada face greater regulatory scrutiny and increased requirements found in National Instrument ("NI") 81-106 and possibly NI 81-107 in the future, the cost of running the Fund will increase and result in a higher MER.

We have a redemption fee of 2% if unitholders redeem their units in less than 2 years. None of this fee goes to the Fund Manager. It is put back into the Fund for the benefit of the remaining unitholders. We hope this fee is enough to dissuade short-term investors from jumping in and out of the Fund to chase possible short-term performance.

The minimum initial amount to invest in the Fund is \$10,000 and the minimum for all subsequent investments is \$1,000.

As of August 4, 2006, the NAV of the Fund was \$11.53 and the cash position was 54% of assets. The Fund is up 11.5% from the beginning of the year.

Yours truly,

Francis Chou

Francis Chou

CHOU BOND FUND
STATEMENT OF NET ASSETS
AS AT JUNE 30, 2006
(Unaudited)

	2006	DECEMBER 31, 2005
ASSETS		
Cash and treasury bills	\$ 7,954,855	\$ 1,951,010
Receivable for units subscribed	247,198	63,500
Accrued interest income	138,490	7,989
Investments at market value (average cost \$ 6,799,253; 2005-\$860,680)	6,696,190	934,987
	<u>15,036,733</u>	<u>2,957,486</u>
LIABILITIES		
Accrued expenses	<u>83,593</u>	<u>1,758</u>
NET ASSETS AT MARKET VALUE	<u>\$ 14,953,140</u>	<u>\$ 2,955,728</u>
NET ASSETS AT MARKET VALUE, BY CLASS		
Class A	\$ 13,585,461	\$ 2,933,119
Class F	<u>1,367,679</u>	<u>22,609</u>
	<u>\$ 14,953,140</u>	<u>\$ 2,955,728</u>
NUMBER OF UNITS OUTSTANDING (Note 3)		
Class A	1,200,304	283,682
Class F	<u>120,776</u>	<u>2,186</u>
NET ASSET VALUE PER UNIT		
Canadian dollars		
Class A	\$ 11.32	\$ 10.34
Class F	\$ 11.32	\$ 10.34
U.S. dollars		
Class A	\$ 10.15	\$ 8.87
Class F	<u>\$ 10.16</u>	<u>\$ 8.87</u>

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

Francis Chou

Tracy Chou

CHOU BOND FUND
STATEMENT OF OPERATIONS
FOR THE SIX MONTHS ENDED JUNE 30, 2006
(Unaudited)

	2006	2005
INVESTMENT INCOME		
Interest	\$ 231,301	\$ -
EXPENSES		
Custodian fees	8,000	-
Management fees	6,926	-
Filing fees	2,250	-
Audit	2,140	-
FundSERV fees	1,550	-
	<u>20,866</u>	<u>-</u>
NET INVESTMENT INCOME FOR THE PERIOD	<u>210,435</u>	<u>-</u>
NET REALIZED AND UNREALIZED GAIN (LOSS)		
Net realized gain on sale of investments	199,105	-
Decrease in unrealized appreciation in value of investments	(177,370)	-
	<u>21,735</u>	<u>-</u>
INCREASE IN NET ASSETS FROM OPERATIONS	<u>\$ 232,170</u>	<u>\$ -</u>
INCREASE IN NET ASSETS FROM OPERATIONS		
Class A	\$ 240,744	\$ -
Class F	(8,574)	-
	<u>\$ 232,170</u>	<u>\$ -</u>
INCREASE IN NET ASSETS FROM OPERATIONS, PER UNIT		
Class A	\$ 0.32	\$ -
Class F	\$ (0.18)	\$ -

CHOU BOND FUND
STATEMENT OF CHANGES IN NET ASSETS
FOR THE PERIOD ENDED JUNE 30, 2006
(Unaudited)

	2006	2005
CLASS A		
NET ASSETS, beginning of the period	\$ 2,933,119	-
Increase in net assets from operations	240,744	-
Proceeds from issue of units	11,407,529	-
Payments on redemption of units	(995,931)	-
Distribution of income to unitholders		
Investment income	-	-
Reinvested distributions	-	-
NET ASSETS, end of the period	\$ 13,585,461	-
CLASS F		
NET ASSETS, beginning of the period	22,609	-
Decrease in net assets from operations	(8,574)	-
Proceeds from issue of units	1,391,053	-
Payments on redemption of units	(37,409)	-
Distribution of income to unitholders		
Investment income	-	-
Reinvested distributions	-	-
NET ASSETS, end of the period	1,367,679	-
TOTAL NET ASSETS, end of the period	\$ 14,953,140	-

CHOU BOND FUND
STATEMENT OF INVESTMENTS
AS AT JUNE 30, 2006
(Unaudited)

	No. of Units or Par Value	Average Cost	Market Value
SHARES*			
Arriscraft International, Income Fund Trust Units	16,800	\$ 66,871	\$ 70,560
Blue Ocean Reinsurance Holdings Preferred	255	295,858	284,218
Menu Foods, Income Fund Trust Units	39,300	129,649	174,885
Rainmaker Income Fund	200,000	664,000	620,000
		<u>1,156,378</u>	<u>1,149,663</u>
BONDS			
Adephia Comm., 7.5%, Jan 15, 2004	605,000	409,538	372,562
Adephia Comm., 9.375%, Nov 15, 2009	800,000	574,659	501,560
GMAC, 4.1%, Mar 15, 2009	95,000	89,354	92,788
GMAC, 5.25%, Jun 15, 2009	78,000	74,854	77,859
GMAC, 5.25%, Aug 15, 2009	100,000	95,853	99,361
GMAC, 5.1%, Aug 15, 2009	67,000	63,615	66,276
GMAC, 5.2%, Nov 15, 2009	100,000	94,298	98,170
Global Crossing (UK), 10.75%, Dec, 2014	190,000	199,872	223,947
Hollinger Inc., 12.875% senior nt, Mar 01, 2011	516,000	596,599	603,879
Hollinger Inc., 11.875%, Mar 01, 2011	680,000	771,244	765,493
Level 3 Comm. Finance, 10.75%, Oct 15, 2011	20,000	19,226	22,737
Level 3 Comm., 6.0% convert, Sep., 2009	150,000	91,673	146,289
Overstock.com, 3.75% convert, Dec. 01, 2011	1,125,000	936,101	884,000
Tembec Industries, 8.5% senior nt, Feb 01, 2011	500,000	259,134	288,397
Tembec Industries, 7.75% nt, Mar 15, 2012	1,000,000	654,074	565,649
UTStarcom, 0.875% convert, March 1, 2008	200,000	170,629	191,150
Taiga Building Products, 14% nt, Sep 1, 2020	541,000	542,152	546,410
		<u>5,642,875</u>	<u>5,546,527</u>
TOTAL		<u>\$ 6,799,253</u>	<u>\$ 6,696,190</u>

* Common Shares Unless Indicated Otherwise

CHOU RRSP FUND

August 10, 2006

Dear Unitholders of Chou RRSP Fund,

For the six months ended June 30, 2006, Chou RRSP Fund returned -0.7% while the S&P/TSX Total Return Index returned 4.2% in Canadian dollars.

The table below shows our 6 month, 1 year, 3 year, 5 year, 10 year and 15 year annual compound rates of return for the period ended June 30, 2006. It also shows our results against the S&P/TSX Index.

	6 Month	1 Year	3 Year	5 Year	10 Year	15 Year
Chou RRSP (\$Cdn)	-0.7%	7.6%	11.5%	15.1%	17.3%	14.1%
S&P/TSX (\$Cdn)	4.2%	19.7%	20.7%	10.5%	10.6%	10.5%

- The indicated returns are the historical annual compounded total returns assuming reinvestment of distributions and do not take into account sales, redemption, distribution or income taxes payable by the investor. Mutual funds are not guaranteed. Their values fluctuate and past performance may not be repeated.

Factors influencing the results for the six months ended June 30, 2006

Major positive contributors to the Fund's performance were Level 3 Debts, Corus Entertainment and Liquidation World. Conversely, we suffered declines in Biovail, Boskalis Westminster, Wescast and Fraser Paper.

Our average month-end cash balance of 19.4% of net assets has had a restraining effect on returns. We chose to maintain cash because we were not able to find investments meeting our Margin of Safety criteria.

General comments on the market

We continue to have problems finding compelling bargains in the market. In general, the stocks are not cheap and our experience has proven that it is foolhardy to chase stocks. It is important to exercise patience and discipline and to act only when a compelling bargain appears. Meanwhile holding cash is a wise option. Nonetheless, we remain quite concerned about the overvaluations and the potential negative impact on the Fund.

How a layman learned to invest successfully

Every successful investor probably has his own illuminating story of how he first learned to invest profitably. We find this particular story interesting because of its comments on buying stocks at bargain prices. What follows is a condensed version of the original story, adapted with the permission of the author. It is instructive and amusing and describes how Mr. Melvin Hogan, of Houston, Texas developed his formula for successful investing. The story, written by John Train, first appeared in a business magazine, on October 2, 1978 under the heading "How Mr. Womack made a killing":

"Right after I was discharged from the Army at the close of World War II and went into the drilling-rig business, I began buying and selling stocks on the side (first as a hobby). At the end of each year I always had a net loss. I tried every approach I would read or hear about including technical, fundamental and combinations of all these.....but somehow I always ended up with a loss.

One day in 1961 when I was in a brokerage house in Houston feeling discouraged and frustrated, a senior account executive, whom I knew, was sitting at a front desk and observed the frown on my face that he had been seeing for so many years. He motioned me over to his desk.

‘Would you like to see a man,’ he asked wearily, ‘who has never lost money in the stock market?’

‘Never had a loss?’ I stammered.

‘Never had a loss on balance’, the broker drawled, ‘and I have handled his account for near 40 years. If you want to meet him, you’d better hurry.’

The stranger, to my surprise, was happy to talk about stocks. He pulled a sheet of paper from his pocket and scrawled in pencil on it was his list of stocks that he had just finished selling. He let me look at it.

I couldn’t believe my eyes! The man had made over 50% long-term capital gain profits on the whole group. One stock in the group of 30 stocks had been shot off the board, but others had gone up 100%, 200% and even 500%.

During the subsequent years as I cultivated Mr. Womack (and hunted ducks on his rice fields) until his death last year, I learned much of his investing philosophy.

He equated buying stocks with buying a truckload of pigs. The lower he could buy the pigs, when the pork market was depressed, the more profit he would make when the next seller’s market would come along. He claimed that he would rather buy stocks under such conditions than pigs because pigs did not pay a dividend. You must feed pigs.

Mr. Womack never seemed to buy a stock at its bottom or sell it at its top. He seemed happy to buy or sell at the bottom or top range of its fluctuations. He had no regard whatsoever for the old cliché – Never Send Good Money After Bad – when he was buying. For example when the bottom fell out of the bottom in the market of 1970, he added another \$25,000 to his previous bargain-price positions and made a virtual killing on the whole package.

During the market rise, you can sell too soon and make a profit, sell at the top and make a very good profit, or sell on the way down and still make a profit. So, with so many profit possibilities in your favour, the *best cost price possible* (italics added) is worth waiting for.

In sum, Mr. Womack didn’t make anything complicated out of the stock market. He taught me that you can’t be buying stocks every day, week or month of the year and make a profit, any more than you could plant rice every day, week or month and make a crop. He changed my investing lifestyle and I have made a profit ever since.”

Even though this story was written almost thirty years ago, the moral remains relevant: Buy stocks when they are at bargain prices and you are likely to uncover a pearl that is merely disguised as a swine.

Other matters

Securities lending: The Fund earned interest income of \$67,808 from this activity.

Currency hedging: Several currency hedges expired during the previous six months but none existed as at June 30, 2006.


Possible higher MER for the Fund: As all funds in Canada face greater regulatory scrutiny and increased requirements found in National Instrument (“NI”) 81-106 and possibly NI 81-107 in the future, the cost of running the Fund will increase and result in a higher MER. We hope to keep it below 2% which is still well below the industry average of approximately 2.84%.

Redemption fee: We have a redemption fee of 2% if unitholders redeem their units in less than 2 years. None of this fee goes to the Fund Manager. It is put back into the Fund for the benefit of the remaining unitholders. We hope this fee is enough to dissuade short-term investors from jumping in and out of the Fund to chase short-term performance

As of August 4, 2006, the NAV of the Fund was \$31.09 and the cash position was 15% of assets. The Fund is down 2% from the beginning of the year.

Except for the performance numbers of the Chou RRSP Fund, the remainder of the above 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 herein may not be suitable for all investors.

Yours truly,



Francis Chou

Fund Manager

CHOU RRSP FUND
STATEMENT OF NET ASSETS
AS AT JUNE 30, 2006
(Unaudited)

	2006	DECEMBER 31, 2005
ASSETS		
Cash and treasury bills	\$ 47,660,656	\$ 53,871,227
Accrued interest and dividend income	716,993	1,046,650
Receivable for units subscribed	505,570	285,662
Unrealized gain on foreign exchange forward contract	-	1,799,487
Investments at market value (average cost - \$242,635,760; 2005 - \$198,417,544)	<u>271,477,685</u>	<u>242,405,583</u>
	<u>320,360,904</u>	<u>299,408,609</u>
LIABILITIES		
Accrued expenses	536,566	494,595
Payable for units redeemed	370,983	151,135
Covered call options at market value (average cost - \$ Nil; 2005 - \$ Nil)	<u>1,036,101</u>	<u>-</u>
	<u>1,943,650</u>	<u>645,730</u>
NET ASSETS AT MARKET VALUE	<u>\$ 318,417,254</u>	<u>\$ 298,762,879</u>
NET ASSETS AT MARKET VALUE, BY CLASS		
Class A	\$ 305,835,544	\$ 294,865,823
Class F	<u>12,581,710</u>	<u>3,897,056</u>
	<u>\$ 318,417,254</u>	<u>\$ 298,762,879</u>
NUMBER OF UNITS OUTSTANDING (Note 3)		
Class A	9,708,810	9,293,546
Class F	<u>398,287</u>	<u>122,827</u>
NET ASSET VALUE PER UNIT		
Canadian dollars		
Class A	\$ 31.50	\$ 31.73
Class F	\$ 31.59	\$ 31.73
U.S. dollars		
Class A	\$ 28.26	\$ 27.22
Class F	\$ 28.34	\$ 27.22

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

Francis Chou

Tracy Chou

CHOU RRSP FUND
STATEMENT OF OPERATIONS
FOR THE SIX MONTHS END JUNE 30, 2006
(Unaudited)

	2006	2005
INCOME		
Interest	\$ 3,136,551	\$ 991,661
Interest earned on security lending	67,808	-
Dividends	4,586,725	1,412,924
	<u>7,791,084</u>	<u>2,404,585</u>
EXPENSES		
Management fees (Note 5)	2,543,024	1,752,412
Custodian fees	204,057	124,500
Foreign withholding taxes	141,911	75,855
Audit	17,655	3,502
FundSERV fees	14,650	9,217
Filing fees	12,100	9,500
Legal	3,000	-
	<u>2,936,397</u>	<u>1,974,986</u>
NET INVESTMENT INCOME FOR THE PERIOD	<u>4,854,687</u>	<u>429,599</u>
NET REALIZED AND UNREALIZED GAIN (LOSS)		
Net realized gain (loss) on sale of investments	6,627,677	(1,075,374)
Increase (decrease) in unrealized appreciation in value of investments	(15,146,114)	14,491,390
Gain on covered call options	608,570	27,595
Unrealized gain on foreign exchange forward contracts	-	793,974
	<u>(7,909,867)</u>	<u>14,237,585</u>
INCREASE (DECREASE) IN NET ASSETS FROM OPERATIONS	<u>\$ (3,055,180)</u>	<u>\$ 14,667,185</u>
INCREASE (DECREASE) IN NET ASSETS FROM OPERATIONS		
Class A	\$ (2,770,216)	\$ 14,667,185
Class F	(284,964)	-
	<u>\$ (3,055,180)</u>	<u>\$ 14,667,185</u>
INCREASE (DECREASE) IN NET ASSETS FROM OPERATIONS, PER UNIT		
Class A	\$ (0.29)	\$ 1.77
Class F	\$ (1.03)	\$ -

CHOU RRSP FUND
STATEMENT OF CHANGES IN NET ASSETS
FOR THE PERIOD ENDED JUNE 30, 2006
(Unaudited)

	2006	2005
CLASS A		
NET ASSETS, beginning of the period	\$ 294,865,823	\$ 172,034,214
Decrease in net assets from operations	(2,770,216)	14,667,185
Proceeds from issue of units	41,825,295	73,198,687
Payments on redemption of units	(28,085,358)	(9,080,426)
Distribution of income to unitholders		
Investment income	-	-
Capital gains	-	-
Reinvested distributions	-	-
NET ASSETS, end of the period	305,835,544	250,819,660
CLASS F		
NET ASSETS, beginning of the period	3,897,056	-
Decrease in net assets from operations	(284,964)	-
Proceeds from issue of units	9,750,495	-
Payments on redemption of units	(780,877)	-
Distribution of income to unitholders		
Investment income	-	-
Capital gains	-	-
Reinvested distributions	-	-
NET ASSETS, end of the period	12,581,710	-
TOTAL NET ASSETS, end of the period	\$ 318,417,254	\$ 250,819,660

CHOU RRSP FUND
STATEMENT OF INVESTMENTS
AS AT JUNE 30, 2006
(Unaudited)

	No. of Shares or Par Value	Average Cost	Market Value
SHARES*			
Amisco Industries Ltd.	80,800	\$ 449,437	\$ 133,320
Berkshire Hathaway Inc., Class A	180	18,417,665	18,389,010
Biovail Corp.	1,014,500	19,440,987	26,437,870
Blue Ocean Reinsurance Holdings	55,000	6,402,550	6,265,047
BMTC Group Inc., Class A	678,956	6,584,918	12,356,999
Boskalis Westminster NV	250,000	7,948,014	18,911,308
BT Group PLC	1,150,000	4,660,963	5,672,954
Caldwell Partners Int'l Inc., Class A	7,400	14,174	12,062
Canwest Global Communications	2,046,600	19,455,263	16,986,780
Consolidated Tomoka Ltd.	74,600	4,260,768	4,584,757
Corus Entertainment Inc., Class B	96,700	2,276,339	3,505,375
Danier Leather Inc.	969,800	9,215,066	7,186,218
Flagstone Reinsurance Holdings	1,300,000	15,197,000	14,590,950
Fraser Papers Inc.	233,200	2,272,186	1,772,320
Int'l Forest Products Ltd., Class A	590,600	2,945,568	4,134,200
Interstate Bakeries Corp.	420,000	2,217,531	3,276,861
Isotechnika Inc.	939,700	1,774,242	1,362,565
King Pharmaceuticals Inc.	1,000,000	10,499,384	18,947,838
Liquidation World Inc.	1,155,000	5,100,958	6,225,450
Magna International, Class A	80,000	6,318,894	6,371,200
MRRM Inc.	57,200	287,430	408,980
Olympus Reinsurance Holdings	743,685	5,237,626	3,721,740
Overstock.com	380,302	8,888,665	9,011,614
Rainmaker Income Fund	2,345,800	7,690,157	7,271,980
Ridley Inc.	37,800	358,599	302,400
Symetra Financial	20,000	2,673,000	2,767,945
Taiga Building Products	1,272,400	1,692,292	2,799,280
Torstar Corp., Class B	1,146,900	25,532,374	22,949,469
Tri-White Corporation	427,500	2,379,600	3,313,125
TVA Group, Class B	158,300	2,482,478	2,414,075
Verizon Communications	312,005	11,464,462	11,646,286
Wecast Industries Inc., Class A	176,900	5,756,255	2,593,354
		219,894,845	246,323,332

CHOU RRSP FUND
STATEMENT OF INVESTMENTS (Continued)
AS AT JUNE 30, 2006
(Unaudited)

	No. of Shares or Par Value	Average Cost	Market Value
BONDS			
Hollinger Inc., 11.875%, Mar 01, 2011	1,450,000	\$ 1,637,018	\$ 1,632,300
Level 3 Comm. Finance, 10.75%, Oct 15, 2011	7,670,000	7,484,717	8,719,795
Level 3 Comm., 12.875%, March 15, 2010	7,111,000	6,850,012	7,965,398
Taiga Building Products, 14% nt, Sep 1, 2020	6,769,168	6,769,168	6,836,860
		<u>22,740,915</u>	<u>25,154,353</u>
TOTAL		<u>\$ 242,635,760</u>	<u>\$ 271,477,685</u>

* Common Shares Unless Indicated Otherwise.

CHOU RRSP FUND
SCHEDULE OF DERIVATIVES
AS AT JUNE 30, 2006
(Unaudited)

OPTIONS

	Number	Maturity	Unrealized Loss
Biovail Corp., \$30 covered call option	250	Jul 2006	\$ (1,393)
Biovail Corp., \$25 covered call option	1,260	Oct 2006	(266,830)
Biovail Corp., \$30 covered call option	790	Oct 2006	(48,428)
Biovail Corp., \$25 covered call option	1,725	Jan 2007	(471,049)
Biovail Corp., \$30 covered call option	26	Jan 2007	(3,333)
King Pharmaceuticals Inc., \$17.50 covered call option	625	Oct 2006	(80,110)
King Pharmaceuticals Inc., \$17.50 covered call option	800	Jan 2007	<u>(164,958)</u>
			<u>\$ (1,036,101)</u>

CHOU FUNDS

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2006

(Unaudited)

1. FORMATION OF CHOU FUNDS

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

The Funds were formed on the following dates:

Chou Associates Fund	September 1, 1986
Chou Asia Fund	August 26, 2003
Chou Europe Fund	August 26, 2003
Chou Bond Fund	August 10, 2005
Chou RRSP Fund	September 1, 1986

2. SIGNIFICANT ACCOUNTING POLICIES

The financial statements, prepared in accordance with Canadian generally accepted accounting principles, include estimates and assumptions by management that could affect the reported amount of assets, liabilities, income and expenses during the reported period. Actual results could differ from those estimated. The following is a summary of significant accounting policies followed by the Funds.

(a) Valuation of Investments

Investments in securities are recorded at market values based on the period-end closing sale price or, if the security did not trade, the closing bid price. Securities not listed on any exchange are valued in the same manner as above, based upon any available public quotation in common use or at a price estimated to be the true value thereof on such basis and in such manner as may be approved by the Manager.

(b) Security transactions, investment income, expenses and distributions

Security transactions are recorded on the trade date. Realized gains and losses on security transactions are determined on an average cost basis. Interest income and expenses are recorded on an accrual basis. Dividend income and distributions to unitholders are recorded on the ex-dividend date and are gross of withholding taxes.

CHOU FUNDS

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2006

(Unaudited)

2. SIGNIFICANT ACCOUNTING POLICIES continued

(c) Foreign Currency Translation

Foreign currency amounts have been expressed in Canadian dollars on the financial statements as follows:

- (i) investments held at the period end are converted at the Bank of Canada rate of exchange on that date; and
- (ii) purchases and sales of investments as well as income and expenses throughout the year are recorded at the Bank of Canada exchange rate prevailing on the respective dates of such transactions.
- (iii) The Funds do not separately report the effect of changes in foreign exchange rates from changes in market prices on securities held. Such changes are included in the change in unrealized appreciation (depreciation) in value of investments in the statement of operations.

(d) Forward Contracts

Forward contracts are agreements to purchase or sell financial instruments at a specified future date. As forward contracts are not traded on the exchange, the agreements between counter parties are not standardized. Changes in value of forward contracts are settled only on termination of the contract. Open forward contracts are revalued to fair value in the statement of changes in net assets, based on the difference between the contract rate and the applicable forward rate to close out the contract. Gains and losses associated with the revaluation of open forward contracts are recorded in the statement of operations as "realized gain (loss) on sale of investments".

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

CHOU FUNDS

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2006

(Unaudited)

2 SIGNIFICANT ACCOUNTING POLICIES continued

(e) Income Taxes

The Chou Funds qualify as mutual fund trusts under the provisions of the Income Tax Act (Canada). General income tax rules apply to the Chou Funds; however, no income tax is payable by the Chou Funds on net 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.

(f) Multi-Class Funds

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

(g) Valuation of Fund Units

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

(h) Securities Lending

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

CHOU FUNDS

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2006

(Unaudited)

3. UNITS OF THE FUND

The units of the Chou Funds are voting, without any par value and an unlimited number may be issued. All units must be fully paid for and fractional units may be issued.

	Class A		Class F	
	2006	2005	2006	2005
CHOU ASSOCIATES FUND				
Units outstanding, beginning of the period	4,376,444	2,380,689	44,689	-
Add: Units issued during the period	1,280,968	2,095,757	191,015	43,902
Deduct: Units redeemed during the period	<u>(669,182)</u>	<u>(174,068)</u>	<u>(2,568)</u>	<u>-</u>
Units outstanding before income distribution	4,988,230	4,302,378	233,136	43,902
Add: Units issued on reinvested income	<u>-</u>	<u>74,066</u>	<u>-</u>	<u>787</u>
Units outstanding, end of the period	<u><u>4,988,230</u></u>	<u><u>4,376,444</u></u>	<u><u>233,136</u></u>	<u><u>44,689</u></u>
CHOU ASIA FUND				
Units outstanding, beginning of the period	2,528,888	1,348,857	11,057	-
Add: Units issued during the period	400,292	1,510,336	34,019	10,885
Deduct: Units redeemed during the period	<u>(192,326)</u>	<u>(383,639)</u>	<u>(778)</u>	<u>-</u>
Units outstanding before income distribution	2,736,854	2,475,554	44,298	10,885
Add: Units issued on reinvested income	<u>-</u>	<u>53,334</u>	<u>-</u>	<u>172</u>
Units outstanding, end of the period	<u><u>2,736,854</u></u>	<u><u>2,528,888</u></u>	<u><u>44,298</u></u>	<u><u>11,057</u></u>
CHOU EUROPE FUND				
Units outstanding, beginning of the period	980,743	378,650	4,833	-
Add: Units issued during the period	213,252	687,574	26,252	5,537
Deduct: Units redeemed during the period	<u>(134,740)</u>	<u>(101,905)</u>	<u>(236)</u>	<u>(778)</u>
Units outstanding before income distribution	1,059,255	964,319	30,849	4,759
Add: Units issued on reinvested income	<u>-</u>	<u>16,424</u>	<u>-</u>	<u>74</u>
Units outstanding, end of the period	<u><u>1,059,255</u></u>	<u><u>980,743</u></u>	<u><u>30,849</u></u>	<u><u>4,833</u></u>

CHOU FUNDS

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2006

(Unaudited)

3. UNITS OF THE FUND continued

	Class A		Class F	
	2006	2005	2006	2005
CHOU BOND FUND				
Units outstanding, beginning of the period	283,682	-	2,186	-
Add: Units issued during the period	1,004,851	282,362	121,878	2,175
Deduct: Units redeemed during the period	<u>(88,229)</u>	<u>-</u>	<u>(3,288)</u>	<u>-</u>
Units outstanding before income distribution	1,200,304	282,362	120,776	2,175
Add: Units issued on reinvested income	<u>-</u>	<u>1,320</u>	<u>-</u>	<u>11</u>
Units outstanding, end of the period	<u>1,200,304</u>	<u>283,682</u>	<u>120,776</u>	<u>2,186</u>
 CHOU RRSP FUND				
Units outstanding, beginning of the period	9,293,546	6,075,893	122,827	-
Add: Units issued during the period	1,284,195	3,592,782	299,846	119,019
Deduct: Units redeemed during the period	<u>(868,931)</u>	<u>(664,472)</u>	<u>(24,386)</u>	<u>(142)</u>
Units outstanding before income distribution	9,708,810	9,004,203	398,287	118,877
Add: Units issued on reinvested income	<u>-</u>	<u>289,343</u>	<u>-</u>	<u>3,950</u>
Units outstanding, end of the period	<u>9,708,810</u>	<u>9,293,546</u>	<u>398,287</u>	<u>122,827</u>

4. DUE TO RELATED PARTY

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

	2006	2005
Chou Associates Fund	\$ 575,300	\$ 463,152
Chou Asia Fund	45,950	40,669
Chou Europe Fund	19,120	17,435
Chou Bond Fund	1,760	258
Chou RRSP Fund	421,600	398,595

CHOU FUNDS

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2006

(Unaudited)

5. MANAGEMENT FEES AND EXPENSES

Chou Associates Management Inc. (“the Manager”) manages the Chou Funds under a management agreement dated August 10, 2005. The Manager is entitled to an annual investment management fee equal to 1.5% of the net asset value of class A units and 1.0% of the net asset value of class 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 class A units and 1.0% of the net asset value of class F units. All other expenses attributable to the Funds are also payable out of the assets of the Funds.

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

6. BROKERS' COMMISSIONS

Total commissions paid to brokers in connection with portfolio transactions for the period ended June 30, 2006 and for the year ended December 31, 2005, and the period from August 10, 2005 to December 31, 2005 for Chou Bond Fund are as follows:

	<u>2006</u>	<u>2005</u>
Chou Associates Fund	\$ 54,867	\$ 297,750
Chou Asia Fund	6,412	33,805
Chou Europe Fund	12,563	12,979
Chou Bond Fund	993	1,329
Chou RRSP Fund	162,958	374,137

CHOU FUNDS

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2006

(Unaudited)

7. SECURITIES LENDING

The Funds have entered into a securities lending program with Citigroup Global Markets Inc. The Funds receive collateral of as least 102% of the value of the securities on loan. Collateral may comprise 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 June 30, 2006 are as follows:

<u>Fund</u>	<u>Market value of securities on loan</u>	<u>Market value of collateral received</u>
Chou Associates Fund	\$ 6,919,215	\$ 7,579,135
Chou RRSP Fund	\$ 7,582,702	\$ 8,359,340

CHOU RRSP FUND

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
Jun.30, 2006				94,598

Note: The indicated returns are the historical annual compounded total returns assuming reinvestment of distributions and do not take into account sales, redemption, distribution fees or income taxes payable by the investor. Those returns are not guaranteed. Mutual fund net asset values fluctuate and past performance may not be repeated.

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