

MANAGEMENT REPORT OF FUND PERFORMANCE

December 31, 2015

This annual 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 and SEDAR at 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 RRSP FUND

Management Discussion of Fund Performance

Investment Objective and Strategies

The Chou RRSP Fund's ("the Fund") objective is to provide long-term growth of capital by investing in equity and debt instruments of primarily Canadian businesses. The Fund may invest in equity and debt instruments of U.S. and foreign businesses. The Fund's investments may also include common and preferred shares, convertible debentures, government and corporate bonds and short-term debt.

The investment strategy follows a strong discipline with regard to 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

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 and SEDAR at www.sedar.com.

During the year ended December 31, 2015, there were no material changes that affected the Fund's overall level of risk.

Results of Operations

For the year ended December 31, 2015, the Fund was down 12.8% for Series A units and 12.3% for Series F units, after fees and expenses, while the S&P/TSX Total Return Index was down 8.3% in Canadian dollars. In U.S. dollars, the Fund was down 26.9% for Series A units and 26.4% for Series F units, while the S&P/TSX Total Return Index was down 23.0%.

The weakness of the Canadian dollar against the U.S. dollar had a positive impact on the results of the Fund. The difference in performance results between the net asset value per unit (NAVPU) priced in Canadian dollars, vs U.S. dollars is due to the fact that one U.S. dollar was worth approximately \$1.16 Canadian on December 31, 2014, compared with a year later, on December 31, 2015, when one U.S. dollar was worth approximately \$1.38 Canadian.

Equity markets in Canada were weak and experienced extreme volatility during the second half of 2015. The Chinese economy slowed, spilling over around the world as investors began to reduce their growth forecasts for the world's major economies. Commodity prices weakened substantially with oil prices falling more than 35% during the six-month period. The U.S. Federal Reserve Board raised interest rates in December which created further uncertainty in world currency markets. Investors began to shift their focus from inflationary risk to deflationary risk.

The equities of Blackberry Ltd., and Rainmaker Entertainment Inc., as well as the debt securities of Taiga Building Products Limited were positive contributors to the Fund's performance.

The largest equity decliners for the year ended December 31, 2015 included Resolute Forest Products, Interfor Corporation, Sears Canada Inc., Torstar Corporation and TVA Group Inc., as well as the warrants of Bank of America Corporation.

During 2015, the Fund decreased its holdings in Interfor Corporation and Rainmaker Entertainment Inc. Ridley Inc. was acquired by Alltech Inc. for \$40.75 per common share. Our average cost for Ridley Inc. was approximately \$8.02 per common share.

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The Fund increased its equity holdings in Dundee Corporation, Reitmans Canada Ltd. and Reitmans Canada Ltd. Class A shares.

The Fund also initiated a position in the Term Loan for Fuel Industries Inc. The interest rate is 14% and expires on February 9, 2016. The Fund also purchased equity securities of Canadian Oil Sands Ltd.

In 2015, the Fund received \$69,448 in income from its securities lending program.

The Fund had no covered call options in its portfolio as at December 31, 2015.

The Fund did not enter into any foreign currency contracts during the year ended December 31, 2015.

The Fund's net redemptions for the year ended December 31, 2015 were approximately \$8,668,000 for Series A units with net purchases of \$139,400 for Series F units. The Fund's average month-end cash position for the year was 28.8% of the Fund's net assets.

Recent Developments

There have been no recent market developments of particular note, aside from the normal fluctuations of the markets that are expected to have an influence on the portfolio of the Fund when compared to its benchmark.

Related Party Transactions

The Manager manages the overall business of the Fund, including the 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 Funds from time to time in the normal course of business. All transactions with the Manager are measured at the exchange amounts.

During the year ended December 31, 2015, 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 year ended December 31, 2015, and for each of the past four years ended December 31, as applicable.

The Fund's Net Asset Value (NAV) per unit Series A

The Fund's Net Assets per unit ⁽¹⁾⁽⁸⁾

	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>
Net assets, beginning of period	\$ 35.29	\$ 30.92	\$ 25.74	\$ 19.10	\$ 24.56
<i>Increase (decrease) from operations:</i>					
Total revenue	\$ 0.99	\$ 0.69	\$ 0.91	\$ 0.59	\$ 0.65
Total expenses	(0.63)	(0.61)	(0.55)	(0.40)	(0.42)
Realized gains (losses) for the period	4.38	1.98	9.20	0.08	0.76
Unrealized gains (losses) for the period	(9.20)	2.34	(4.08)	6.20	(6.10)
Total increase (decrease) from operations ⁽²⁾	\$ (4.46)	\$ 4.40	\$ 5.48	\$ 6.47	\$ (5.11)
<i>Distributions:</i>					
From income (excluding dividends)	\$ 0.37	\$ -	\$ -	\$ -	\$ -
From dividends	-	-	0.28	0.10	0.30
From capital gains	1.03	-	-	-	-
Return of capital	-	-	-	-	-
Total annual distributions ⁽³⁾	\$ 1.40	\$ -	\$ 0.28	\$ 0.10	\$ 0.30
<i>Net assets at end of period shown</i>	\$ 29.40	\$ 35.29	\$ 30.92	\$ 25.62	\$ 19.10
<i>Net assets at end of period shown in \$US</i>	\$ 21.24	\$ 30.41	\$ 29.08	\$ 25.76	\$ 18.78

Ratios and Supplemental Data Series A

Ratios and Supplemental Data

	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>
Total net asset value (000's) ⁽⁴⁾	\$ 99,334	\$ 123,181	\$ 117,929	\$ 110,170	\$ 98,536
Number of units outstanding	3,379,086	3,486,572	3,811,998	4,279,790	5,114,462
Management expense ratio ⁽⁵⁾	1.84%	1.81%	1.82%	1.87%	1.83%
Management expense ratio before waivers or absorptions	1.84%	1.81%	1.82%	1.87%	1.83%
Trading expense ratio ⁽⁶⁾	0.04%	0.03%	0.08%	0.06%	0.03%
Portfolio turnover rate ⁽⁷⁾	16.76%	4.77%	11.50%	1.43%	2.96%
Net asset value per unit	\$ 29.40	\$ 35.29	\$ 30.92	\$ 25.74	\$ 19.27

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The Fund's Net Asset Value (NAV) per unit Series F

The Fund's Net Assets per unit ⁽¹⁾⁽⁸⁾

	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>
Net assets, beginning of period	\$ 35.30	\$ 30.77	\$ 25.75	\$ 19.09	\$ 24.54
<i>Increase (decrease) from operations:</i>					
Total revenue	\$1.00	\$ 0.70	\$ 0.92	\$ 0.59	\$ 0.65
Total expenses	(0.45)	(0.43)	(0.39)	(0.28)	(0.29)
Realized gains (losses) for the period	4.39	2.07	9.11	0.08	0.72
Unrealized gains (losses) for the period	(9.20)	2.12	(3.94)	6.23	(6.14)
Total increase (decrease) from operations ⁽²⁾	\$ (4.26)	\$ 4.46	\$ 5.70	\$ 6.62	\$ (5.06)
<i>Distributions:</i>					
From income (excluding dividends)	\$ 0.55	\$ -	\$ -	\$ -	\$ -
From dividends	-	-	0.56	0.23	0.43
From capital gains	1.02	-	-	-	-
Return of capital	-	-	-	-	-
Total annual distributions ⁽³⁾	\$ 1.57	\$ -	\$ 0.56	\$ 0.23	\$ 0.43
<i>Net assets at end of period shown</i>	\$29.42	\$ 35.30	\$ 30.77	\$ 25.59	\$ 19.09
<i>Net assets at end of period shown in \$US</i>	\$21.26	\$ 30.42	\$ 28.94	\$ 25.73	\$ 18.77

Ratios and Supplemental Data Series F

Ratios and Supplemental Data

	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>
Total net asset value (000's) ⁽⁴⁾	\$ 4,750	\$ 5,325	\$ 4,763	\$ 2,675	\$ 2,582
Number of units outstanding	161,443	150,658	154,729	104,004	134,107
Management expense ratio ⁽⁵⁾	1.29%	1.25%	1.26%	1.31%	1.27%
Management expense ratio before waivers or absorptions	1.29%	1.25%	1.26%	1.31%	1.27%
Trading expense ratio ⁽⁶⁾	0.04%	0.03%	0.08%	0.06%	0.03%
Portfolio turnover rate ⁽⁷⁾	16.76%	4.77%	11.50%	1.43%	2.96%
Net asset value per unit	\$ 29.42	\$ 35.34	\$ 30.79	\$ 25.72	\$ 19.25

⁽¹⁾ This information is derived from the Fund's audited annual financial statements. For financial reporting purposes, prior to January 1, 2013, under Canadian GAAP, the net assets per security presented in the financial statements differ from the net asset value calculated for fund pricing purposes due to the provisions of Section 3855 of the CPA Handbook.

⁽²⁾ Net assets 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.

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

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

⁽⁵⁾ 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.

⁽⁶⁾ 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.

⁽⁷⁾ 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 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⁾ Information from 2015, 2014 and 2013 is in accordance with IFRS. Information for years prior to 2013 is reported under Canadian GAAP.

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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

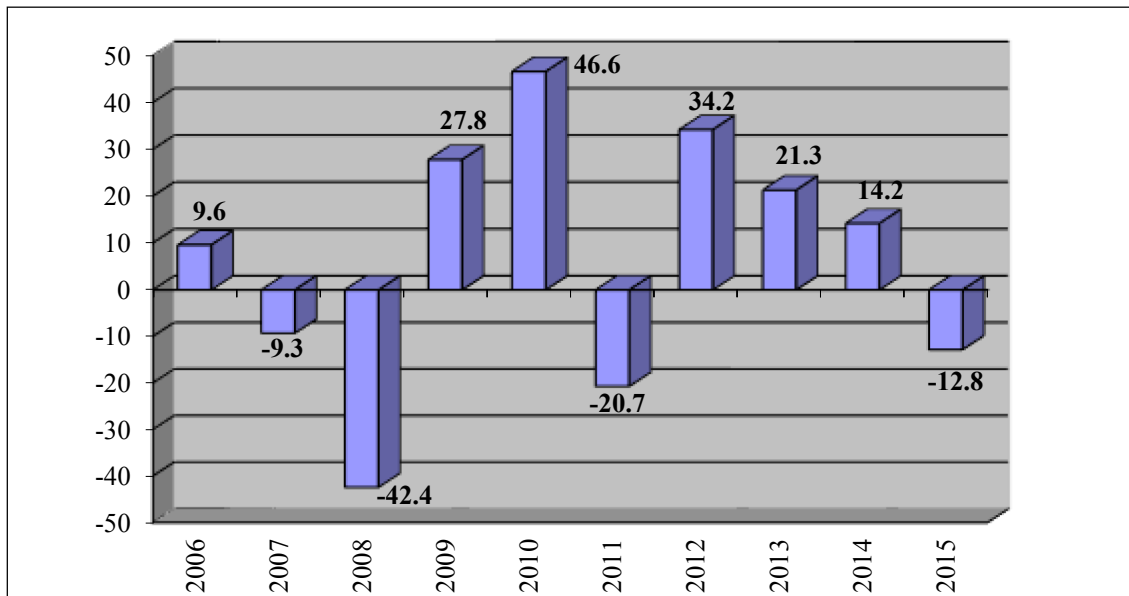
General

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

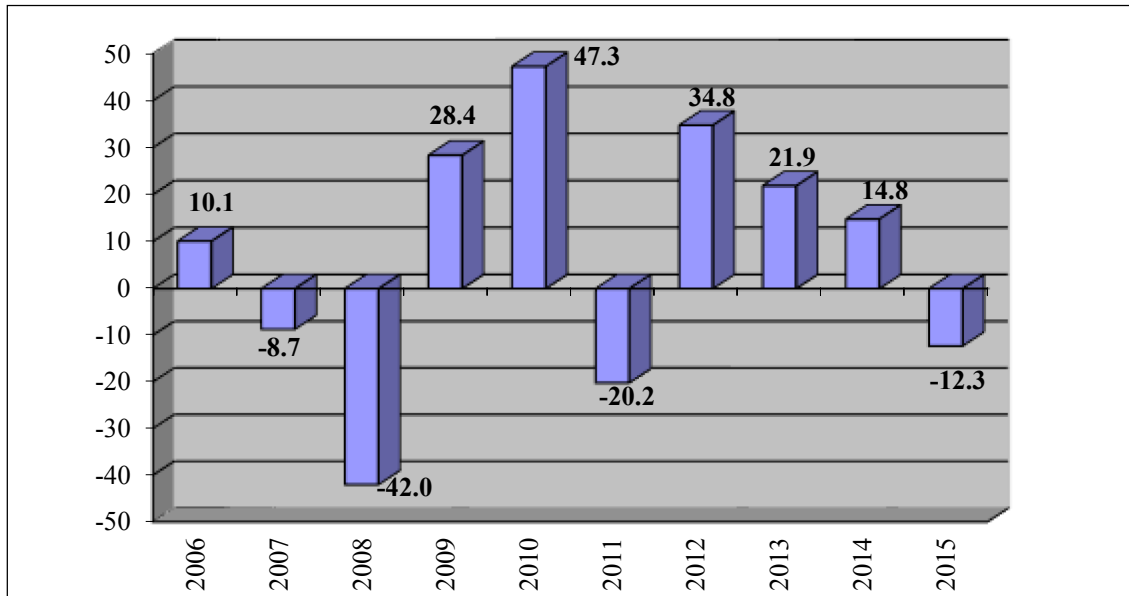
The following bar charts show the annual performance for each of the Series A and Series F units of the Fund for each of the years shown. Each chart shows, in percentage terms, how an investment on January 1 would have increased or decreased by December 31 for each of the years, and how the performance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

Series A



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Series F



Annual Compound Returns

The following tables ⁽¹⁾ 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 for the one-, three-, five- and ten-year periods ended on December 31, 2015 for Series A units and since inception, and for the one-, three- and five-year periods ended on December 31, 2015 for Series F units. Also shown for the same periods are the respective historical annual compound total returns or changes of the S&P/TSX (the "Index"). The Index is the headline index for the Canadian equity market. The Toronto Stock Exchange serves as the distributor of this index. 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

December 31, 2015	Past Year	Past 3 Years	Past 5 Years	Past 10 Years
Chou RRSP Fund	-12.8%	6.5%	5.1%	3.3%
S&P/TSX (\$CAN)	-8.3%	4.6%	2.3%	4.4%

Series F

December 31, 2015	Past Year	Past 3 Years	Past 5 Years	Since Inception
Chou RRSP Fund	-12.3%	7.1%	5.7%	4.0%
S&P/TSX (\$CAN)	-8.3%	4.6%	2.3%	4.5%

⁽¹⁾ Tables assume the reinvestment of all dividends.

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Summary of Investment Portfolio

The following tables provide a summary of the Fund's portfolio as at December 31, 2015.

<u>Sector Mix</u>	<u>% of Fund's Net Assets</u>
Basic Materials	25.6%
Consumer Services	18.1%
Financials	7.8%
Information Technology	6.5%
Energy	2.8%
Industrials	0.1%
Net Cash & Equivalents	<u>39.1%</u>
Total Portfolio	100.0%

<u>Total Issuers</u> (excluding cash equivalents)	<u>% of Fund's Net Assets</u>
Blackberry Ltd.	6.5%
Canfor Pulp Products Inc.	6.4%
Resolute Forest Products	6.3%
Interfor Corporation	5.7%
Torstar Corporation, Class "B" NV	3.4%
TVA Group Inc.	3.0%
Canadian Oil Sands Limited	2.8%
Reitmans (Canada) Limited, Class "A" NV	2.7%
Overstock.com Inc.	2.5%
TWC Enterprises Ltd.	2.0%
Sears Canada Inc.	2.0%
Reitmans (Canada) Limited	1.3%
Dundee Corporation, Class "A" SV	1.3%
Danier Leather Inc.	1.0%
Rainmaker Entertainment Inc.	0.2%
Taiga Building Products Ltd.	<u>0.1%</u>
Total Equities - Long	47.3%

Held for Trading - Long	
Bank of America Corporation warrants, Class A	6.5%

Bonds - Long	
Taiga Building Products Limited debts	7.2%
Fuel Industries Inc., Term Loan	<u>7.1%</u>
	14.3%

Total Holdings	<u>68.1%</u>
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The summary of the Fund's investment portfolio may change due to ongoing portfolio transactions of the Fund. The next quarterly update as at March 31, 2016 will be in the Quarterly Portfolio Disclosure and will be posted on our website www.choufunds.com on or before May 31, 2016.

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