

**MANAGEMENT REPORT OF FUND
PERFORMANCE**

December 31 2017

CHOU RRSP FUND

CHOU ASSOCIATES MANAGEMENT INC.

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December 31, 2017

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.

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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 considered by Chou Associates Management Inc. (the "Manager") to be undervalued. The Fund may invest in equity and debt instruments of U.S. and foreign businesses. The Fund's investments may include common and preferred shares, convertible debentures, 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 and SEDAR at www.sedar.com.

During the year ended December 31, 2017, there were no material changes that affected the Fund's overall level of risk.

Market Review

The performance of the Canadian equity market flattened in performance in the first half of 2017, but the market improved measurably during the second half of the year. We have seen a bounce-back in oil prices recently, however the worry remained that oil supply was not dropping fast enough amid increasing rig counts in the U.S. Banks and gold miners performed well, despite concerns about Canada's real estate problems in certain regions, and the attention Home Capital brought to the alternative mortgage market. The decision by the Bank of Canada to raise the bank's key lending rate by 0.25% twice to 1.00% may put additional pressure on the country's housing market and consumers, who are saddled with record levels of debt. Another issue adding to economic uncertainty in Canada is the potential re-negotiation of NAFTA.

Results of Operations

For the year ended December 31, 2017, the Fund increased 22.1% for Series A units and 22.7% for Series F units, after fees and expenses, while the S&P/TSX Total Return Index returned 9.1% in Canadian dollars. In U.S. dollars, the Fund increased by 30.4% for Series A units and 31.1% for Series F units, while the S&P/TSX Total Return Index returned 17.1%.

The equity holdings of Resolute Forest Products, BlackBerry, Canfor Pulp Products, Interfor Corp. and Valeant Pharmaceuticals, as well as Bank of America warrants were the major positive contributors to the Fund's performance in 2017.

The largest decliners in the same period were equities of Reitmans, Dundee Corp., Torstar Corp., and EXCO Resources 1.75 lien term loan.

During the year of 2017, the Fund reduced its holdings in Valeant Pharmaceuticals, Canfor Pulp Products, Interfor Corp. and Bank of America warrants. The Fund also sold equity positions in Sears Canada and Overstock, as well as the Fuel Industries term loans.

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Unsecured subordinated notes of Taiga Building Products 14%, due September 2020 were exchanged for an equivalent principal amount of the new 7% senior notes of Taiga, due November 2022, plus some common shares.

In 2017, the Fund received \$42,465 in income from its securities lending program.

The Fund had no covered call options in its portfolio as at December 31, 2017.

The Fund did not enter into any foreign currency contracts during the period ended December 31, 2017.

The Fund's net redemptions for year 2017 were approximately \$24,018,245 for Series A units and approximately \$55,572 for Series F units. The Fund's average month-end cash position for the period was 6.7% 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 undue 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 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. All transactions with the Manager are carried out at the Fund's net asset value as at the transaction date. As of December 31, 2017, the Manager does not hold any units of the Fund.

In March 2017, the Manager agreed to unconditionally guarantee the principal loan amount of \$6,429,765 (the "Guaranteed Amount") by Fuel Industries to the Fund. The Manager shall pay to the Fund an amount equal to the Guaranteed Amount less the amount actually received by the Fund in respect of the Guaranteed Amount from Fuel Industries on or before 5:00 p.m. on December 31, 2018 (the "Shortfall Amount"). The Guaranteed Amount is secured by all past, present and future entitlements of Fuel Industries to receive Ontario Interactive Digital Media Tax Credits (OIDMTC). In fiscal 2017, principal repayments of \$860,460 were received and the Manager purchased the remaining face value of the loan for cash proceeds of \$5,569,305. Accordingly, the guarantee was not exercised.

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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, 2017, and for each of the past five years ended December 31, as applicable.

The Fund's Net Assets per Unit¹ - Class A Units

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>
Net Assets, beginning of year	\$ 27.48	\$ 29.40	\$ 35.29	\$ 30.92	\$ 25.74	\$ 19.10
Increase (decrease) from operations:						
Total revenue	\$ 1.37	\$ 1.25	\$ 0.99	\$ 0.69	\$ 0.91	\$ 0.59
Total expenses	\$ (0.59)	\$ (0.52)	\$ (0.63)	\$ (0.61)	\$ (0.55)	\$ (0.40)
Realized gains (losses) for the year	\$ (0.97)	\$ 0.65	\$ 4.38	\$ 1.98	\$ 9.20	\$ 0.08
Unrealized gains (losses) for the year	\$ 5.65	\$ (2.78)	\$ (9.20)	\$ 2.34	\$ (4.08)	\$ 6.20
Total increase (decrease) from operations²	\$ 5.46	\$ (1.40)	\$ (4.46)	\$ 4.40	\$ 5.48	\$ 6.47
Distributions:						
From income (excluding dividends)	\$ 0.82	\$ (0.63)	\$ 0.37	\$ -	\$ -	\$ -
From dividends	\$ 0.18	\$ (0.23)	\$ -	\$ -	\$ 0.28	\$ 0.10
From capital gains	\$ -	\$ -	\$ 1.03	\$ -	\$ -	\$ -
Return of capital	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Total Distributions³	\$ 1.00	\$ (0.86)	\$ 1.40	\$ -	\$ 0.28	\$ 0.10
Net Assets, end of year	\$ 32.55	\$ 27.48	\$ 29.40	\$ 35.29	\$ 30.92	\$ 25.62
Net Assets, end of year (USD)	\$ 25.90	\$ 20.47	\$ 21.24	\$ 30.41	\$ 29.08	\$ 25.76

Ratios and Supplemental Data - Class A Units

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>
Total Net Asset Value (000s)⁴	\$ 73,105	\$ 82,833	\$ 99,334	\$ 123,181	\$ 117,929	\$ 110,170
Number of Redeemable Units Outstanding	2,245,919	3,013,777	3,379,086	3,486,572	3,811,998	4,279,790
Management Expense Ratio ⁵	1.92%	1.93%	1.84%	1.81%	1.82%	1.87%
Management Expense Ratio before waivers or absorptions ⁶	1.92%	1.93%	1.84%	1.81%	1.82%	1.87%
Trading Expense Ratio ⁷	0.12%	0.05%	0.04%	0.03%	0.08%	0.06%
Portfolio Turnover Rate ⁸	23.45%	7.22%	16.76%	4.77%	11.50%	1.43%
Net Asset Value per Unit	\$ 32.55	\$ 27.48	\$ 29.40	\$ 35.29	\$ 30.92	\$ 25.74

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The Fund's Net Assets per Unit¹ - Class F Units

	2017	2016	2015	2014	2013	2012
Net Assets, beginning of year	\$ 27.70	\$ 29.42	\$ 35.30	\$ 30.77	\$ 25.75	\$ 19.09
Increase (decrease) from operations:						
Total revenue	\$ 1.28	\$ 1.26	\$ 1.00	\$ 0.70	\$ 0.92	\$ 0.59
Total expenses	\$ (0.44)	\$ (0.38)	\$ (0.45)	\$ (0.43)	\$ (0.39)	\$ (0.28)
Realized gains (losses) for the year	\$ (2.18)	\$ 0.65	\$ 4.39	\$ 2.07	\$ 9.11	\$ 0.08
Unrealized gains (losses) for the year	\$ 7.62	\$ (1.66)	\$ (9.20)	\$ 2.12	\$ (3.94)	\$ 6.23
Total increase (decrease) from operations²	\$ 6.28	\$ (0.13)	\$ (4.26)	\$ 4.46	\$ 5.70	\$ 6.62
Distributions:						
From income (excluding dividends)	\$ 1.03	\$ (0.61)	\$ 0.55	\$ -	\$ -	\$ -
From dividends	\$ 0.23	\$ (0.22)	\$ -	\$ -	\$ 0.56	\$ 0.23
From capital gains	\$ -	\$ -	\$ 1.02	\$ -	\$ -	\$ -
Return of capital	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Total Distributions³	\$ 1.26	\$ (0.83)	\$ 1.57	\$ -	\$ 0.56	\$ 0.23
Net Assets, end of year	\$ 32.74	\$ 27.70	\$ 29.42	\$ 35.30	\$ 30.77	\$ 25.59
Net Assets, end of year (USD)	\$ 26.05	\$ 20.63	\$ 21.26	\$ 30.42	\$ 28.94	\$ 25.73

Ratios and Supplemental Data - Class F Units

	2017	2016	2015	2014	2013	2012
Total Net Asset Value (000s)⁴	\$ 7,279	\$ 5,932	\$ 4,750	\$ 5,325	\$ 4,763	\$ 2,675
Number of Redeemable Units Outstanding	222,317	214,149	161,443	150,685	154,729	104,004
Management Expense Ratio ⁵	1.39%	1.38%	1.29%	1.25%	1.26%	1.31%
Management Expense Ratio before waivers or absorptions ⁶	1.39%	1.38%	1.29%	1.25%	1.26%	1.31%
Trading Expense Ratio ⁷	0.12%	0.05%	0.04%	0.03%	0.08%	0.06%
Portfolio Turnover Rate ⁸	23.45%	7.22%	16.76%	4.77%	11.50%	1.43%
Net Asset Value per Unit	\$ 32.74	\$ 27.70	\$ 29.42	\$ 35.34	\$ 30.79	\$ 25.72

(1) This information is derived from the Fund's audited annual and unaudited semi-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.

(2) 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.

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

(4) This information is provided as at year 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 year.

(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 2013 and thereafter 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

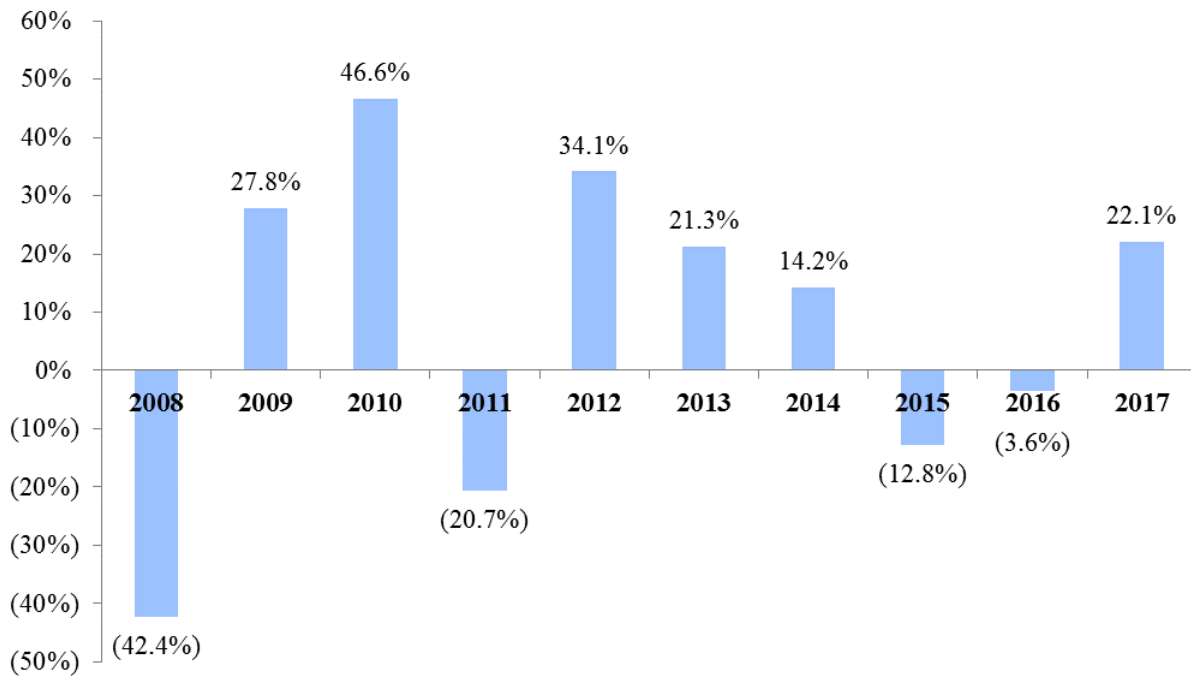
General

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

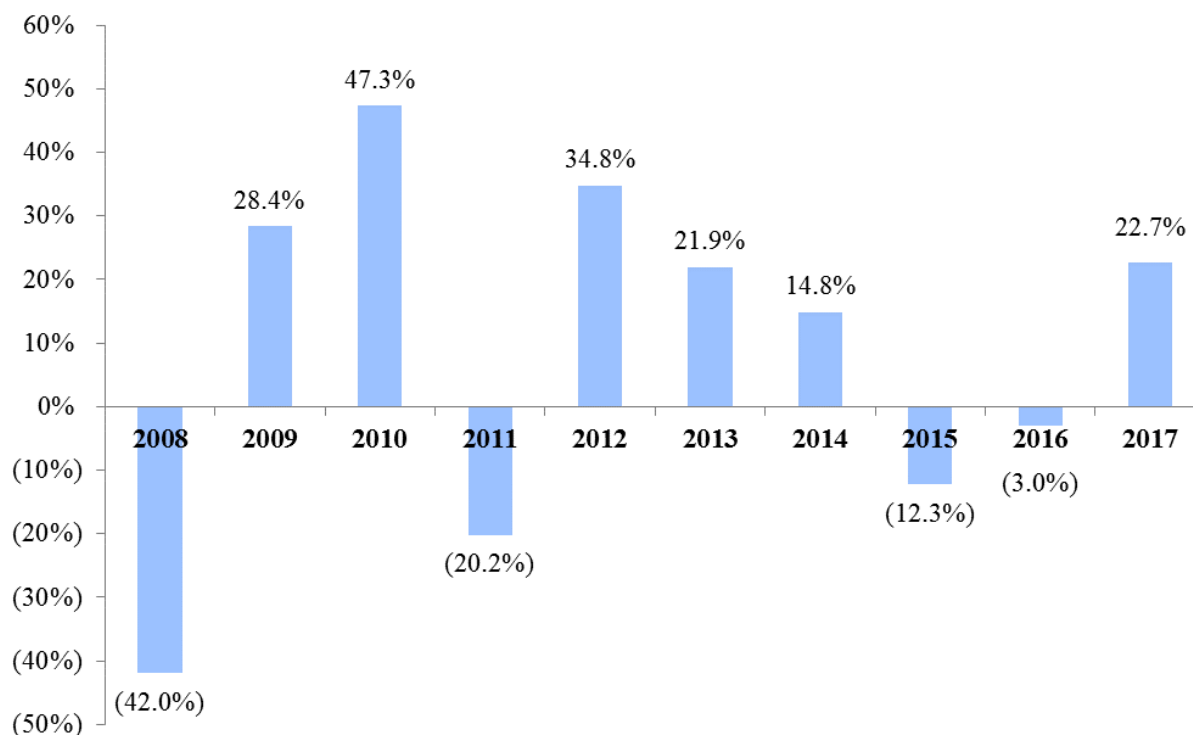
The following bar charts show the annual performance for each of the Series A and Series F units of the Fund for each of the years shown. Each chart shows, in percentage terms, how an investment on January 1 would have increased or decreased by December 31 for each of the years, and how the performance 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-, ten-, and fifteen-year periods ended on December 31, 2017 for Series A units and since inception and for the one-, three-, five- and ten-year periods ended on December 31, 2017 for Series F units. Also shown for the same periods are the respective historical annual compound total returns 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, 2017	Past Year	Past 3 Years	Past 5 Years	Past 10 Years	Past 15 Years
Chou RRSP Fund	22.09%	0.87%	7.28%	5.02%	5.94%
S&P/TSX (\$CAN)	9.08%	6.59%	8.63%	4.64%	8.99%

Series F

December 31, 2017	Past Year	Past 3 Years	Past 5 Years	Past 10 Years	Since Inception
Chou RRSP Fund	22.74%	1.43%	7.87%	5.59%	4.83%
S&P/TSX (\$CAN)	9.08%	6.59%	8.63%	4.64%	6.17%

⁽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, 2017.

<u>Sector Mix</u>	<u>% of Fund's Net Assets</u>
Materials	31.1%
Consumer Discretionary	16.2%
Oil & Gas	12.1%
Information Technology	9.2%
Financials	5.0%
Health Care	4.8%
Industrials	4.3%
Net Cash & Equivalents	17.3%
Total Portfolio	100.0%

<u>Total Issuers</u>	<u>% of Fund's Net Assets</u>
<i>(excluding cash equivalents)</i>	
Equities	
Resolute Forest Products Inc.	21.2%
BlackBerry Limited	9.2%
Canfor Pulp Products Inc.	6.6%
Valeant Pharmaceuticals International Inc.	4.8%
TVA Group Inc.	3.9%
Reitmans (Canada) Limited, Class 'A'	3.7%
Interfor Corporation	3.3%
TWC Enterprises Limited	3.0%
Torstar Corporation, Class 'B'	2.3%
Reitmans (Canada) Limited	1.8%
Overstock.com Inc., Class 'B'	1.3%
Dundee Corporation, Class 'A'	1.0%
Taiga Building Products Limited	0.2%
WOW Unlimited Media Inc.	0.2%
Danier Leather Inc.	0.0%
Total Equities	62.5%
Warrants	
Bank of America Corporation Warrants, January 16, 2019	4.1%
Bonds	
Exco Resources, Inc. Term Loan 1.75 Lien, October 26, 2020	12.1%
Taiga Building Products Limited, 7.000%, November 17, 2022	4.0%
Total Bonds	16.1%
Total Holdings	82.7%

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, 2018 will be in the Quarterly Portfolio Disclosure and will be posted on our website www.choufunds.com on or before May 31, 2018.

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