

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

**SEMI-ANNUAL REPORT 2019**

## Illustration of an assumed investment of \$10,000 in Canadian dollars (Unaudited)

### CHOU ASSOCIATES FUND

<b>Period ended</b>	<b>Total value of shares</b>
Dec.31, 1986	\$10,000
Dec.31, 1987	10,502
Dec.31, 1988	12,001
Dec.31, 1989	14,244
Dec.31, 1990	12,722
Dec.31, 1991	15,681
Dec.31, 1992	18,817
Dec.31, 1993	21,863
Dec.31, 1994	21,300
Dec.31, 1995	27,904
Dec.31, 1996	34,235
Dec.31, 1997	48,035
Dec.31, 1998	59,187
Dec.31, 1999	53,489
Dec.31, 2000	57,967
Dec.31, 2001	70,397
Dec.31, 2002	91,504
Dec.31, 2003	94,773
Dec.31, 2004	103,319
Dec.31, 2005	117,462
Dec.31, 2006	139,511
Dec.31, 2007	125,258
Dec.31, 2008	88,553
Dec.31, 2009	114,854
Dec.31, 2010	136,916
Dec.31, 2011	113,776
Dec.31, 2012	144,446
Dec.31, 2013	204,142
Dec.31, 2014	228,754
Dec.31, 2015	212,854
Dec.31, 2016	206,905
Dec.31, 2017	214,775
Dec.31, 2018	197,699
<b>June 30, 2019</b>	<b><u>\$192,187</u></b>

NOTE: Rates of return are historical total returns, include changes in unit prices, and assume the reinvestment of all distributions. These annual compounded returns do not take into account any sales charges, redemption fees, other optional expenses or income taxes that you have to pay and that could reduce these returns. The returns are not guaranteed. The Fund's past performance does not necessarily indicate future performance.

The table is presented only to illustrate the effects of the compound growth rate and is not intended to reflect future values of the mutual funds or returns on the mutual funds. Commissions, trailing commissions, management fees and expenses all may be associated with mutual fund investments. Please read the prospectus before investing.

## PERFORMANCE OF THE FUNDS

Six months ended June 30, 2019 (unaudited)

---

### **Chou Associates Fund**

Series A \$CAN (2.8%)

Series A \$US 1.3%

---

Series F \$CAN (2.5%)

Series F \$US 1.6%

### **Chou Asia Fund**

Series A \$CAN (1.4%)

Series A \$US 2.8%

---

Series F \$CAN (1.1%)

Series F \$US 3.1%

### **Chou Europe Fund**

Series A \$CAN (6.8%)

Series A \$US (2.9%)

---

Series F \$CAN (6.6%)

Series F \$US (2.6%)

### **Chou Bond Fund**

Series A \$CAN (16.2%)

Series A \$US (12.6%)

---

Series F \$CAN (16.1%)

Series F \$US (12.5%)

### **Chou RRSP Fund**

Series A \$CAN (7.7%)

Series A \$US (3.8%)

---

Series F \$CAN (7.5%)

Series F \$US (3.5%)

## TABLE OF CONTENTS

Chou Associates Fund Manager's Letter	1-4
Management's Responsibility for Financial Reporting	5
<b>Chou Associates Fund</b>	
Statements of Financial Position	6
Statements of Comprehensive Income	7
Statements of Changes in Net Assets	8
Statements of Cash Flows	9
Schedule of Investments	10
Discussion of Financial Risk Management	11-12
<b>Chou Asia Fund</b>	
Fund Manager's Letter	13-15
Statements of Financial Position	16
Statements of Comprehensive Income	17
Statements of Changes in Net Assets	18
Statements of Cash Flows	19
Schedule of Investments	20
Discussion of Financial Risk Management	21-22
<b>Chou Europe Fund</b>	
Fund Manager's Letter	23-25
Statements of Financial Position	26
Statements of Comprehensive Income	27
Statements of Changes in Net Assets	28
Statements of Cash Flows	29
Schedule of Investments	30
Discussion of Financial Risk Management	31-32
<b>Chou Bond Fund</b>	
Fund Manager's Letter	33-36
Statements of Financial Position	37
Statements of Comprehensive Income	38
Statements of Changes in Net Assets	39
Statements of Cash Flows	40
Schedule of Investments	41
Discussion of Financial Risk Management	42-43
<b>Chou RRSP Fund</b>	
Fund Manager's Letter	44-47
Statements of Financial Position	48
Statements of Comprehensive Income	49
Statements of Changes in Net Assets	50
Statements of Cash Flows	51
Schedule of Investments	52
Discussion of Financial Risk Management	53-54
<b>Notes to Financial Statements</b>	55-79

## CHOU ASSOCIATES FUND

(unaudited)

August 20, 2019

Dear Unitholders of Chou Associates Fund,

The net asset value per unit (“NAVPU”) of a Series A unit of Chou Associates Fund at June 30, 2019 was \$100.38 compared to \$103.26 at December 31, 2018, a decrease of 2.8%; during the same period, the S&P 500 Total Return Index increased 13.9% in Canadian dollars. In U.S. dollars, a Series A unit of Chou Associates Fund was increased by 1.3% while the S&P 500 Total Return Index returned 18.5%.

The table shows our one-year, three-year, five-year, 10-year, 15-year and 20-year annual compound rates of return.

<b>June 30, 2019 (Series A)</b>	<b>1 Year</b>	<b>3 Years</b>	<b>5 Years</b>	<b>10 Years</b>	<b>15 Years</b>	<b>20 Years</b>
Chou Associates (\$CAN)	(8.5%)	4.0%	(1.5%)	6.8%	4.5%	6.2%
S&P 500 (\$CAN)	10.0%	14.5%	15.4%	16.1%	8.6%	5.3%
Chou Associates (\$US) <sup>1</sup>	(8.2%)	3.5%	(5.5%)	5.6%	4.7%	6.8%
S&P 500 (\$US)	10.4%	14.2%	10.7%	14.7%	8.8%	5.9%

Rates of return are historical total returns that include changes in unit prices, and assume the reinvestment of all distributions. These annual compounded returns do not take into account any sales charges, redemption fees, other optional expenses or income taxes that you have to pay and that could reduce these returns. The returns are not guaranteed. The Fund’s past performance does not necessarily indicate future performance. The table is used only to illustrate the effects of the compound growth rate and is not intended to reflect future values of the mutual funds or returns on the mutual funds. Commissions, trailing commissions, management fees and expenses all may be associated with mutual fund investments. Please read the prospectus before investing.

### Factors Influencing the First Six-Month Results

The major positive contributors to the Fund’s performance in the first half of 2019 were the equity holdings of Bausch Health Companies, Citigroup, and Goldman Sachs Group.

The largest decliners in the same period were the equity holdings of Endo International PLC, Resolute Forest Products, and the EXCO Resources 1.75 lien term loan. The Canadian currency appreciated against the U.S. dollar, which also negatively affected the Fund.

During the period, the Fund exited its holdings in Sanofi and Sears Holdings Corporation, and reduced holdings in DaVita Inc.

Call options on the common shares of Resolute Forest Products and Sears Hometown and Outlet Stores expired in the first half of 2019. The Fund bought back call options of Endo International PLC expiring in January 2020 with a strike price of US\$15.00, and sold call options of Sears Hometown and Outlet Stores equity expiring in July 2019 with a strike price of US\$2.50.

---

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

## **Portfolio Commentary**

### **U.S. Banks**

Currently the Fund holds four U.S. bank stocks in its portfolio: JPMorgan Chase, Wells Fargo, Citigroup and Goldman Sachs. The common stocks (and their respective TARP warrants before conversion) have performed really well over the last several years and have appreciated significantly from their purchase or conversion price. That said, we continue to believe that the bank stocks as a group are selling at a cheap valuation. They are over capitalized and have been using the excessive capital to buy back shares and/or raise dividends.

The Fund is also a long-term investor in Berkshire Hathaway. The company, through the various portfolio holdings of its subsidiary insurance companies, also has significant investment exposure in the financial sector. As a result, we may reduce our holdings in some of the Fund's bank stocks.

### **EXCO Resources**

On January 15, 2018, EXCO filed voluntary petitions for a court-supervised reorganization under Chapter 11 of the U.S. Bankruptcy Code to facilitate a restructuring of its balance sheet, which was saddled with expensive transportation and other contracts. On November 5, 2018, EXCO filed a restructuring plan, stating that holders of the 1.75 lien term loan would receive 82% of the new common stock of the company, subject to dilution by a management incentive plan. However, this plan did not come into fruition due to the company's inability to raise enough capital and an amended plan of reorganization was offered to the creditors on April 10, 2019.

Based on the valuation analysis by EXCO's investment banking firm, PJT Partners Inc., under the amended plan, the 1.75 lien term loan holders would receive 38.8% of the new common shares resulting in a recovery of 27 cents on a dollar or 27% (given the total principal outstanding for the 1.75 lien term loan was US\$742.2 million).

### **Summary of Amended Valuation Analysis (as of May 31, 2019):**

<i>(US\$ in millions)</i>	<b>Low</b>	<b>Midpoint</b>	<b>High</b>
Total Enterprise Value	\$650	\$750	\$850
Less: Net Debt	(225)	(225)	(225)
Total Equity Value	\$425	\$525	\$625
38.8% of 1.75L term loan holders	\$165	\$204	\$243
Estimated Percentage Recovery	22%	27%	33%

*Source: Exhibit F – Valuation Analysis of Document 1233 for Case 18-30155.*

In early July of 2019, the company emerged from bankruptcy and the 1.75 lien term loans were converted into 28.38 equity shares for every \$1,000 in par value, after netting out certain adjustments.

We remain optimistic about EXCO's future over the long run. We are bullish in the oil and gas sector in the long-term, not withstanding the current bleak environment. Globally, less than 20%

of oil and gas reserves are being replaced simply because it does not make sense to drill for oil and gas when the price is below the cost of extracting oil and gas from the ground. We believe the demand for oil and gas should be higher in the future. In time the price equilibrium will be restored and EXCO is now better positioned given its post-bankruptcy cost structure.

### **Pharmaceutical Companies**

We continue to believe that the pharmaceutical stocks as a group are selling at attractive valuations. The companies generate their earnings in cash and were selling at less than 10 times earnings at the time of our purchase. In the latest opioid crises, a few companies have been tarred with the same brush and their stocks have been badly hit, even though their exposure may not be as great as some believe.

We have a small holding in Endo International PLC, a company embroiled in the opioid crisis. The legal uncertainties stemming from these lawsuits, combined with the company's large debt balance have led to a decrease in its stock price.

### **Resolute Forest Products**

As of June 30, 2019, the market price of Resolute Forest Products ("RFP") was US\$7.20 per share, giving a market capitalization of about US\$640 million dollars. This was after US\$1.50 per share in special dividends that we received in December 2018.

With the appointment of Yves Laflamme as RFP's new CEO in February 2018, there is more optimism on what the company can do with its four business segments. However, the stock continues to trade at less than five times earnings. It is a very cheap stock but the company competes in highly cyclical industries that are currently facing some head winds.

It has been a disappointment since our initial purchase some eight years ago. It shows how tough it is to turn around a troubled company in spite of the best efforts of management.

In general, our experience with a commodity business that has virtually no pricing power, is to be cautious when management talks about investing in new or modernizing existing equipment that would significantly lower the cost structure compared to its competitors. That may be true for six months to a couple of years, but in time competitors will have a new cost structure that is as competitive if not superior to the company. It is the same treadmill where hardly anyone in the industry can make a decent return for the assets invested in the company. The same story can be seen repeatedly in various commoditized industries. There is no sustainable long-term advantage in a mediocre business with no pricing power. It is important not to get seduced by discount to book value. If the company cannot generate a decent return on book value over a long period of time, that book value is not worth much.

### **Caution to the Investors**

Investors should be advised that we run a highly focused portfolio, frequently just three to five securities may comprise close to 50% of the assets of the Fund. In addition, the Fund has securities that are non-U.S. and could be subjected to geopolitical risks, which may trump or at least negatively influence the financial performance of the company. Also, we may enter into

some derivative contracts, such as credit default swaps when we feel that the market conditions are right to use those instruments. Because of any or all of these factors, the net asset value of the Fund can be from time to time more volatile than at other times. However, we are not bothered by this volatility because our focus has always been, and continues to be, on how inexpensive we believe the Fund's portfolio holdings are relative to what we believe to be their intrinsic value.

### **Other Matters**

FOREIGN CURRENCY CONTRACTS: None existed at June 30, 2019.

CREDIT DEFAULT SWAPS: None existed at June 30, 2019.

U.S. DOLLAR VALUATION: Any investor who wishes to purchase the Chou Funds in U.S. dollars may do so.

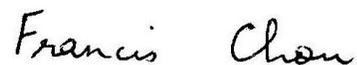
REDEMPTION FEE: We have a redemption fee of 2% if unitholders redeem their units in less than 3 months. None of this fee goes to the Fund Manager. It is put back into the Fund for the benefit of the remaining unitholders.

INDEPENDENT REVIEW COMMITTEE: The Manager has established an IRC as required by NI 81-107. The members of the IRC are Sandford Borins, Peter Gregoire and Joe Tortolano. The 2018 IRC Annual Report is available on our website [www.choufunds.com](http://www.choufunds.com).

As of August 20, 2019, the NAVPU of a Series A unit of the Fund was \$90.89 and the cash position was approximately 0% of net assets. The Fund is down 9.5% from the beginning of the year. In U.S. dollars, it is down 11.0%.

Except for the performance numbers of the Chou Associates Fund, this 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 or implied herein may not be suitable for all investors.

Yours truly,



Francis Chou  
Fund Manager

---

## Management's Responsibility for Financial Reporting

---

To the unitholders of the Chou Funds:

The accompanying financial statements have been prepared by the management of Chou Associates Management Inc. Management is responsible for the information and representations made in these financial statements.

Management has applied appropriate processes to ensure that the statements contain relevant and reliable financial information. The financial statements have been produced in accordance with accounting principles generally accepted in Canada and include certain amounts based on estimates and judgements. The significant accounting policies that management believes are appropriate for the Chou Funds are described in Note 2 to the financial statements.

The Trustee of each of the Trusts is responsible for reviewing and approving the financial statements, and for overseeing management's performance of its financial reporting responsibilities. The Trustee reviews the financial statements, the adequacy of internal controls, the audit process and the financial data with management and the external auditors.

The Board of Directors of Chou Associates Management Inc. is responsible for reviewing and approving the financial statements, and for overseeing management's performance of its financial reporting responsibilities. It reviews the financial statements, the adequacy of internal controls, the audit process and the financial data with management and the external auditors. Once satisfied, the Board approves the financial statements.

Grant Thornton LLP is the external auditor of the Chou Funds. They are appointed by the respective Boards and cannot be changed without the prior approval of the Independent Review Committee and on 60 days notice to the unitholders.



Francis Chou  
Chou Associates Management Inc.  
August 20, 2019

# CHOU ASSOCIATES FUND

## Statements of Financial Position

June 30, 2019 (Unaudited) and December 31, 2018

	June 30, 2019	December 31, 2018
<b>Assets</b>		
Current assets:		
Financial assets designated at fair value through profit or loss (note 8)	\$ 259,340,306	\$ 283,172,255
Cash and cash equivalents	–	4,523,311
Receivable for redeemable units subscribed	29,801	32,205
Due from broker	–	145,648
Dividends receivable	168,989	131,025
Total assets	259,539,096	288,004,444
<b>Liabilities</b>		
Current liabilities:		
Financial liabilities at fair value through profit or loss (Note 8)	16,762	600,688
Bank overdraft	833,092	–
Accrued expenses	1,362,068	1,391,306
Payable for units redeemed	1,322,751	247,759
Distributions payable	–	5,253
Due to broker	–	1,388
Total liabilities	3,534,673	2,246,394
Net assets attributable to unitholders of redeemable units	\$ 256,004,423	\$ 285,758,050
Net assets attributable to unitholders of redeemable units:		
Series A	\$ 222,825,117	\$ 250,374,883
Series F	33,179,306	35,383,167
	\$ 256,004,423	\$ 285,758,050
Number of redeemable units outstanding (note 4):		
Series A	2,220,076	2,424,781
Series F	331,139	344,195
Net assets attributable to unitholders of redeemable units per unit (note 4):		
Canadian dollars:		
Series A	\$ 100.37	\$ 103.26
Series F	100.20	102.80
U.S. dollars:		
Series A	76.64	75.64
Series F	76.51	75.30

See accompanying notes to financial statements.

Approved on behalf of the Board of Directors of Chou Associates Management Inc.:

Francis Chou



# CHOU ASSOCIATES FUND

## Statements of Comprehensive Income (Loss)

Six months ended June 30, 2019 and 2018 (Unaudited)

	2019	2018
<b>Income:</b>		
Interest for distribution purposes and other	\$ –	\$ 219,281
Dividends	1,314,125	1,477,359
Securities lending income (note 7)	14,406	834,145
Foreign currency (loss) gain on cash and other net assets	(42,090)	877,685
Other net changes in fair value of financial assets and financial liabilities at fair value through profit or loss:		
Net realized (loss) gain on financial assets designated at fair value through profit or loss	(3,488,151)	1,142,511
Change in unrealized depreciation on financial assets designated at fair value through profit or loss	(2,770,802)	(3,727,860)
Change in unrealized depreciation on held-for-trading investments	(1,366,590)	(5,749,324)
Realized gain (loss) on held-for-trading investments	1,890,191	(15,143)
	(4,448,911)	(4,941,346)
<b>Expenses:</b>		
Management fees (note 5)	2,297,368	2,834,334
Custodian fees	159,000	271,500
Audit	81,035	138,371
Filing fees	31,124	53,145
Independent review committee fees	24,367	–
FundSERV fees	12,777	14,384
Legal fees	9,050	9,050
Transaction costs (note 6)	37,824	93,576
Foreign withholding taxes	205,997	124,519
Other	13,758	25,944
	2,872,300	3,564,823
Decrease in net assets attributable to unitholders of redeemable units	\$ (7,321,211)	\$ (8,506,169)
Decrease in net assets attributable to unitholders of redeemable units per series:		
Series A	\$ (6,465,477)	\$ (7,765,532)
Series F	(855,734)	(740,637)
	\$ (7,321,211)	\$ (8,506,169)
Average number of redeemable units outstanding for the period for the Series:		
Series A	2,347,502	2,884,730
Series F	340,450	348,483
Decrease in net assets attributable to unitholders of redeemable units per unit:		
Series A	\$ (2.75)	\$ (2.70)
Series F	(2.51)	(2.12)

See accompanying notes to financial statements.

# CHOU ASSOCIATES FUND

## Statements of Changes in Net Assets Attributable to Unitholders of Redeemable Units

Six months ended June 30, 2019 and 2018 (Unaudited)

	2019	2018
<b>Series A</b>		
Net assets attributable to unitholders of redeemable units, beginning of period	\$ 250,374,883	\$ 336,324,537
Decrease in net assets attributable to unitholders of redeemable units	(6,465,477)	(7,765,532)
Proceeds from issue of redeemable units	912,465	8,902,496
Payments on redemption of redeemable units	(21,996,754)	(31,153,318)
Reinvested distributions	—	—
Net assets attributable to unitholders of redeemable units, end of period	\$ 222,825,117	\$ 306,308,183
<b>Series F</b>		
Net assets attributable to unitholders of redeemable units, beginning of period	35,383,167	40,483,520
Decrease in net assets attributable to unitholders of redeemable units	(855,734)	(740,637)
Proceeds from issue of redeemable units	1,443,100	2,187,635
Payments on redemption of redeemable units	(2,791,227)	(3,781,370)
Reinvested distributions	—	—
Net assets attributable to unitholders of redeemable units, end of period	\$ 33,179,306	\$ 38,149,148
Total net assets attributable to unitholders of redeemable units, end of period	\$ 256,004,423	\$ 344,457,331

See accompanying notes to financial statements.

# CHOU ASSOCIATES FUND

## Statements of Cash Flows

Six months ended June 30, 2019 and 2018 (Unaudited)

	2019	2018
<b>Cash flows from operating activities:</b>		
Decrease in net assets attributable to unitholders of redeemable units	\$ (7,321,211)	\$ (8,506,169)
Adjustments for:		
Foreign currency loss (gain) on cash and other net assets	42,090	(877,685)
Net realized loss (gain) on financial assets designated at fair value through profit or loss	1,597,960	(1,127,368)
Change in unrealized depreciation on investments and derivatives	4,137,392	9,477,184
Change in non-cash operating working capital:		
Increase in interest receivable	–	(13,701)
Increase in dividends receivable	(37,964)	(5,533)
(Decrease) increase in accrued expenses	(29,238)	185,572
Purchase of investments	(84,695)	(37,414,213)
Proceeds from sales of investments	17,741,626	1,755,930
Net cash generated from (used in) operating activities	16,045,960	(36,525,983)
<b>Cash flows from financing activities:</b>		
Distributions reinvested	(5,253)	–
Proceeds from redeemable units issued	2,357,969	11,061,234
Amount paid on redemption of redeemable units	(23,712,989)	(34,800,171)
Net cash used in financing activities	(21,360,273)	(23,738,937)
Foreign currency (loss) gain on cash and other net assets	(42,090)	877,685
Decrease in cash and cash equivalents	(5,356,403)	(59,387,235)
Cash and cash equivalents, beginning of period	4,523,311	73,223,175
<b>Cash and cash equivalents, end of period</b>	<b>\$ (833,092)</b>	<b>\$ 13,835,940</b>
<b>Supplemental information:</b>		
Interest received, net of withholding tax	\$ –	\$ 205,580
Dividends received, net of withholding tax	1,070,164	1,347,307
Security lending income received	14,406	834,145

See accompanying notes to financial statements.

# CHOU ASSOCIATES FUND

## Schedule of Investments

June 30, 2019 (Unaudited)

	Number of securities	Cost	Fair value
<b>Equities*</b>			
Allegiant Travel Company	4,317	\$ 794,549	\$ 811,252
Bausch Health Companies Inc.	1,350,000	29,176,383	44,586,249
Berkshire Hathaway Inc., Class 'A'	150	15,819,918	62,534,286
Citigroup Inc.	130,000	3,284,479	11,922,012
DaVita Inc.	120,743	8,318,526	8,895,774
Endo International PLC	800,000	6,522,335	4,316,277
JPMorgan Chase & Company	109,275	7,637,285	15,998,700
MBIA Inc.	952,531	6,591,788	11,613,173
Overstock.com Inc., Class 'B'	43,030	890,011	684,652
Resolute Forest Products Inc.	3,347,772	50,233,049	31,565,339
Sears Hometown and Outlet Stores Inc.	1,296,960	24,303,470	4,042,273
Spirit Airlines Inc.	50,000	2,334,425	3,125,241
The Goldman Sachs Group Inc.	50,000	6,256,094	13,396,697
Wells Fargo & Company	434,542	23,187,196	26,927,658
		185,349,508	240,419,583
<b>Bonds</b>			
Exco Resources Inc., term loans, October 26, 2020	53,512,087	37,508,648	18,920,723
Total long		222,858,156	259,340,306
Total investments		222,858,156	259,340,306
Transaction costs		(241,066)	—
Total Investments in Non-Derivative Financial Assets		222,617,090	259,340,306
Derivative Liabilities		—	(16,762)
Portfolio total		\$ 222,617,090	\$ 259,323,544

## Schedule of Derivative Instruments

Security Name	Strike Price	Expiry Date	Currency	No. of Contracts	Proceeds	Fair Value
<b>Options</b>						
<i>Written Call Options</i>						
Sears Hometown and Outlet Stores Inc.	\$2.50	07-19-19	USD	640	(23,197)	(16,762)
<b>Total Written Call Options</b>					<b>\$ (23,197)</b>	<b>\$ (16,762)</b>
<b>Derivative Assets and Liabilities – Options</b>					<b>\$ (23,197)</b>	<b>\$ (16,762)</b>

\* Common shares unless indicated otherwise

See accompanying notes to financial statements.

# CHOU ASSOCIATES FUND

## Discussion of Financial Risk Management

Six months ended June 30, 2019 and 2018 (Unaudited)

---

### Investment objective and strategies:

The Fund's objective is to provide long-term growth of capital by investing primarily in equity securities of U.S. and foreign businesses considered by the Manager to be undervalued. The Fund may also invest in the equity securities of Canadian businesses. Investments may include common and preferred shares, convertible debentures, warrants, government and corporate bonds and short-term indebtedness.

The investment process followed in selecting equity investments for the Fund is a value-oriented approach to investing. The level of investments in the Fund's securities is generally commensurate with the current price of the Fund's securities in relation to its intrinsic value as determined by various factors. That approach is designed to provide an extra margin of safety, which in turn serves to reduce overall portfolio risk.

### Financial risk management:

The Fund's investment activities expose it to various types of risk associated with the financial instruments and markets in which it invests. The Fund's risk management goals are to ensure that the outcome of activities involving risk is consistent with the Fund's objectives and risk tolerance.

#### (a) Credit risk:

Credit risk is the risk that a counterparty to a financial instrument will fail to discharge a commitment that it has entered into with the Fund. As at June 30, 2019, the Fund did not invest any of its net assets in non-investment grade debt instruments (December 31, 2018 – \$Nil). Non-investment grade is the term applied to bonds rated below Baa3 on the Moody's credit rating scale and below BBB- on the equivalent ratings systems from Standard & Poor's and Fitch. These credit ratings denote that the company's financial position is weak and its bonds should be considered a speculative investment. As at June 30, 2019, the Fund invested approximately 7.39% (December 31, 2018 - 11.34%) of its net assets in non-rated bonds.

#### (b) Interest rate risk:

Interest rate risk arises from the effect of changes in interest rates on future cash flows or the current value of financial instruments. The table below summarizes the Fund's exposure to interest rate risk by remaining term to maturity:

Debt instruments by maturity date:

	June 30, 2019	December 31, 2018
Less than 1 year	\$ –	\$ –
1 - 3 years	18,920,723	32,407,065
3 - 5 years	–	–
Greater than 5 years	–	–

As at June 30, 2019, had interest rates decreased or increased by 0.25%, with all other variables remaining constant, the increase or decrease in net assets would have amounted to approximately \$62,723 (December 31, 2018 - \$147,608).

In practice, the actual trading results may differ and the difference could be material.

# CHOU ASSOCIATES FUND

## Discussion of Financial Risk Management

Six months ended June 30, 2019 and 2018 (Unaudited)

---

### Financial risk management (continued):

(c) **Other price risk:**

Other price risk is the risk that the value of financial instruments will fluctuate as a result of changes in market prices (other than those arising from interest rate risk or currency risk) caused by factors specific to a security, its issuer or all factors affecting a market or a market segment. Approximately 93.91% (December 31, 2018 – 87.75%) of the Fund's net assets held at June 30, 2019 were publicly traded equities. If equity prices on the exchange had increased or decreased by 5% as at June 30, 2019, the net assets of the Fund would have increased or decreased by approximately \$12,020,979 or 4.70% (December 31, 2018 - \$12,538,260 or 4.39%) of the net assets, all other factors remaining constant.

In practice, the actual trading results may differ and the difference could be material.

(d) **Foreign currency risk:**

Currencies to which the Fund had exposure as at June 30, 2019 and December 31, 2018 expressed in CAD are as follows:

---

<b>June 30, 2019</b>	<b>Financial instruments</b>	<b>Percentage of net asset value</b>
United States dollar	\$ 259,493,267	101.4%

---

---

<b>December 31, 2018</b>	<b>Financial instruments</b>	<b>Percentage of net asset value</b>
United States dollar	\$ 283,722,795	99.3%

---

The amounts in the above tables are based on the market value of the Fund's financial instruments (including cash and cash equivalents and investments). Other financial assets (including interest receivable, receivable for units subscribed and other receivable) and financial liabilities (including accrued expenses, payable for units redeemed, distributions payable and due to broker) that are denominated in foreign currencies do not expose the Fund to significant foreign currency risk.

As at June 30, 2019, if the Canadian dollar had strengthened or weakened by 1% in relation to all currencies, with all other variables held constant, net assets would have decreased or increased by approximately \$2,594,933 (December 31, 2018 - \$2,837,228).

In practice, the actual trading results may differ and the difference could be material.

**CHOU ASIA FUND**  
(unaudited)

August 20, 2019

Dear Unitholders of Chou Asia Fund,

The net asset value per unit (“NAVPU”) of a Series A unit of Chou Asia Fund at June 30, 2019 was \$17.29 compared to \$17.52 at December 31, 2018, a decrease of 1.4%; during the same period, the MSCI AC (Morgan Stanley Capital International All Country) Asia Pacific Total Return Index in Canadian dollars returned 6.5%. In U.S. dollars, a Series A unit of Chou Asia Fund was up 2.8% while the MSCI AC Asia Pacific Total Return Index increased 10.8%.

The table shows our one-year, three-year, five-year and 10-year annual compound rates of return.

<b>June 30, 2019 (Series A)</b>	<b>1 Year</b>	<b>3 Years</b>	<b>5 Years</b>	<b>10 Years</b>
Chou Asia (\$CAN)	(7.9%)	2.4%	2.7%	6.4%
MSCI AC Asia Pacific TR (\$CAN)	(1.0%)	10.9%	9.3%	8.9%
Chou Asia (\$US) <sup>1</sup>	(7.5%)	1.9%	(1.4%)	5.1%
MSCI AC Asia Pacific TR (\$US)	(0.6%)	10.6%	4.9%	7.6%

Rates of return are historical total returns that include changes in unit prices, and assume the reinvestment of all distributions. These annual compounded returns do not take into account any sales charges, redemption fees, other optional expenses or income taxes that you have to pay and that could reduce these returns. The returns are not guaranteed. The Fund’s past performance does not necessarily indicate future performance. The table is used only to illustrate the effects of the compound growth rate and is not intended to reflect future values of the mutual funds or returns on the mutual funds. Commissions, trailing commissions, management fees and expenses all may be associated with mutual fund investments. Please read the prospectus before investing.

**Factors Influencing the First Six-Month Results**

The major positive contributors to the Fund’s performance in the first half of 2019 were the equity holdings of China Yuchai International, Samsung Electronics Company, and BYD Electronic (International) Company.

The largest decliners in the same period were the equity holdings of AirAsia Group and BYD Company Limited. The Canadian currency appreciated against the U.S. dollar, which also negatively affected the Fund.

During the period, the Fund initiated positions in the Indian securities of Shriram Transport Finance Company and IDFC Limited.

The Fund had no covered call options in its portfolio as at June 30, 2019.

---

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

## **Portfolio Commentary**

### **China**

The slowdown in China's economy following decades of growth continued to weigh heavily on Asian markets. In the second quarter of 2019, China's GDP growth rate slowed to 6.2%. Optimism levels at Chinese businesses also fell to a record low in the latest IHS Markit Business Outlook survey. Trade tensions between the U.S. and China also continued to add volatility to the Asian market. We continue to look into the Chinese markets for any potential bargains.

### **India**

As mentioned in previous letters, we began looking closely at the Indian equity market. With a current population of 1.3 billion, India is the world's second most populous country. It has one of Asia's youngest populations with the median age of 27.3 compared to China at 37.6 and Japan at 47.1.

In recent years, the Indian government has enacted reforms to further support the growth of India's economy. India's performance on the World Bank's *Ease of Doing Business* index, which ranks countries on parameters such as regulations for businesses and protections for private property, has increased from a rank of 132 out of 190 in 2016 to 77 out of 190 in 2018. Indian stocks posted slim gains as Prime Minister Modi's Bharatiya Janata Party was re-elected with a stronger mandate in 2019.

As with any foreign venture, investments in India may face the risk of negative currency movements. So far, we have purchased two Indian stocks: Shriram Transport and IDFC Limited. We think both companies will likely prosper along with the economic developments of India.

### **Caution to the Investors**

Investors should be advised that we run a highly focused portfolio, frequently just three to five securities may comprise more than 50% of the assets of the Fund. In addition, the Fund has securities that are non-U.S. and could be subjected to geopolitical risks, which may trump or at least negatively influence the financial performance of the company. Also, we may enter into some derivative contracts, such as credit default swaps when we feel that the market conditions are right to use those instruments. Because of any or all of these factors, the net asset value of the Fund can be from time to time more volatile than at other times. However, we are not bothered by this volatility because our focus has always been, and continues to be, on how inexpensive we believe the Fund's portfolio holdings are relative to what we believe to be their intrinsic value.

Also, the Fund's cash position was approximately 26% of net assets as at June 30, 2019. This large cash position may depress returns for a while as we hunt for undervalued securities. Obviously, if there is a severe correction in the market in the near future, it will cushion the Fund against losses while providing us with the wherewithal to find good investment opportunities. But for now, it could be a drag on returns. If we cannot find any bargains, the large cash position may stay for a long time.

**Other Matters**

FOREIGN CURRENCY CONTRACTS: None existed at June 30, 2019.

CREDIT DEFAULT SWAPS: None existed at June 30, 2019.

U.S. DOLLAR VALUATION: Any investor who wishes to purchase the Chou Funds in U.S. dollars may do so.

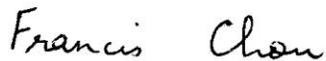
REDEMPTION FEE: We have a redemption fee of 2% if unitholders redeem their units in less than 3 months. None of this fee goes to the Fund Manager. It is put back into the Fund for the benefit of the remaining unitholders.

INDEPENDENT REVIEW COMMITTEE: The Manager has established an IRC as required by NI 81-107. The members of the IRC are Sandford Borins, Peter Gregoire and Joe Tortolano. The 2018 IRC Annual Report is available on our website [www.choufunds.com](http://www.choufunds.com).

As of August 20, 2019, the NAVPU of a Series A unit of the Fund was \$16.90 and the cash position was approximately 23.8% of net assets. The Fund is down 2.2% from the beginning of the year. In U.S. dollars, it is down 3.9%.

Except for the performance numbers of the Chou Asia Fund, this 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 or implied herein may not be suitable for all investors.

Yours truly,



Francis Chou  
Fund Manager

# CHOU ASIA FUND

## Statements of Financial Position

June 30, 2019 (Unaudited) and December 31, 2018

	June 30, 2019	December 31, 2018
<b>Assets</b>		
Current assets:		
Financial assets designated at fair value through profit or loss (note 8)	\$ 15,185,011	\$ 14,244,912
Cash and cash equivalents	5,291,753	8,910,126
Receivable for redeemable units subscribed	–	12,000
Interest receivable	2,945	5,392
Dividends receivable	63,820	8,093
Total assets	20,543,529	23,180,523
<b>Liabilities</b>		
Current liabilities:		
Accrued expenses	140,753	139,092
Payable for units redeemed	110,753	176
Distribution payable	–	2,372
Due to broker	–	500,073
Total liabilities	251,506	641,713
Net assets attributable to unitholders of redeemable units	\$ 20,292,023	\$ 22,538,810
Net assets attributable to unitholders of redeemable units:		
Series A	\$ 18,248,865	\$ 20,300,189
Series F	2,043,158	2,238,621
	\$ 20,292,023	\$ 22,538,810
Number of redeemable units outstanding (note 4):		
Series A	1,055,791	1,158,473
Series F	115,413	125,082
Net assets attributable to unitholders of redeemable units per unit (note 4):		
Canadian dollars:		
Series A	\$ 17.28	\$ 17.52
Series F	17.70	17.90
U.S. dollars:		
Series A	13.20	12.83
Series F	13.52	13.11

See accompanying notes to financial statements.

Approved on behalf of the Board of Directors of Chou Associates Management Inc.:

*Francis Chan*

*[Signature]*

# CHOU ASIA FUND

## Statements of Comprehensive Income (Loss)

Six months ended June 30, 2019 and 2018 (Unaudited)

	2019	2018
<b>Income:</b>		
Interest for distribution purposes and other	\$ 24,652	\$ 2,507
Dividends	177,478	320,225
Securities lending income (note 7)	71,067	98,160
Foreign currency (loss) gain on cash and other net assets	(13,234)	485,526
Other net changes in fair value of financial assets and financial liabilities at fair value through profit or loss:		
Net realized gain (loss) on financial assets designated at fair value through profit or loss	7,925	(6,448)
Change in unrealized depreciation on financial assets designated at fair value through profit or loss	(299,133)	(2,430,516)
	(31,245)	(1,530,546)
<b>Expenses:</b>		
Management fees (note 5)	179,978	230,900
Custodian fees	12,720	21,720
Audit	6,714	11,465
Filing fees	2,776	4,741
Independent review committee fees	1,922	-
FundSERV fees	3,354	3,523
Legal fees	-	465
Transaction costs (note 6)	4,137	2,961
Foreign withholding taxes	13,717	10,132
Other	1,272	3,500
	226,590	289,407
Decrease in net assets attributable to unitholders of redeemable units	\$ (257,835)	\$ (1,819,953)
Decrease in net assets attributable to unitholders of redeemable units per Series:		
Series A	\$ (234,334)	\$ (1,666,085)
Series F	(23,501)	(153,868)
	\$ (257,835)	\$ (1,819,953)
Average number of redeemable units outstanding for the period for the Series:		
Series A	1,112,021	1,285,991
Series F	119,243	127,229
Decrease in net assets attributable to unitholders of redeemable units per unit:		
Series A	\$ (0.21)	\$ (1.29)
Series F	(0.20)	(1.21)

See accompanying notes to financial statements.

# CHOU ASIA FUND

## Statements of Changes in Net Assets Attributable to Unitholders of Redeemable Units

Six months ended June 30, 2019 and 2018 (Unaudited)

	2019	2018
<b>Series A</b>		
Net assets attributable to unitholders of redeemable units, beginning of period	\$ 20,300,189	\$ 26,507,737
Decrease in net assets attributable to unitholders of redeemable units	(234,334)	(1,666,085)
Proceeds from issue of redeemable units	53,306	172,336
Payments on redemption of redeemable units	(1,870,296)	(1,383,214)
Net assets attributable to unitholders of redeemable units, end of period	\$ 18,248,865	\$ 23,630,774
<b>Series F</b>		
Net assets attributable to unitholders of redeemable units, beginning of period	2,238,621	2,931,172
Decrease in net assets attributable to unitholders of redeemable units	(23,501)	(153,868)
Proceeds from issue of redeemable units	32,150	173,379
Payments on redemption of redeemable units	(204,112)	(644,589)
Net assets attributable to unitholders of redeemable units, end of period	\$ 2,043,158	\$ 2,306,094
Total net assets attributable to unitholders of redeemable units, end of period	\$ 20,292,023	\$ 25,936,868

See accompanying notes to financial statements.

# CHOU ASIA FUND

## Statements of Cash Flows

Six months ended June 30, 2019 and 2018 (Unaudited)

	2019	2018
<b>Cash flows from operating activities:</b>		
Decrease in net assets attributable to unitholders of redeemable units	\$ (257,835)	\$ (1,819,953)
Adjustments for:		
Foreign currency loss (gain) on cash and other net assets	13,234	(485,526)
Net realized (gain) loss on financial assets designated at fair value through profit or loss	(7,925)	6,448
Change in unrealized depreciation on investments and derivatives	299,133	2,430,516
Change in non-cash operating working capital:		
Decrease (increase) in interest receivable	2,447	(112)
Increase in dividends receivable	(55,727)	(267,314)
Increase in accrued expenses	1,661	16,228
Purchase of investments	(4,029,226)	(1,287,092)
Proceeds from sales of investments	2,297,846	–
Net cash used in operating activities	(1,736,392)	(1,406,805)
<b>Cash flows from financing activities:</b>		
Distributions paid to unitholders	(2,372)	–
Proceeds from redeemable units issued	97,456	346,215
Amount paid on redemption of redeemable units	(1,963,831)	(2,061,124)
Net cash used in financing activities	(1,868,747)	(1,714,909)
Foreign currency (loss) gain on cash and other net assets	(13,234)	485,526
Decrease in cash and cash equivalents	(3,618,373)	(2,636,188)
Cash and cash equivalents, beginning of period	8,910,126	13,088,779
Cash and cash equivalents, end of period	\$ 5,291,753	\$ 10,452,591
<b>Supplemental information:</b>		
Interest received, net of withholding tax	\$ 27,099	\$ 2,395
Dividends received, net of withholding taxes	108,034	42,779
Security lending income received	71,067	98,160

See accompanying notes to financial statements.

# CHOU ASIA FUND

## Schedule of Investments

June 30, 2019 (Unaudited)

	Number of securities	Cost	Fair value
<b>Equities*</b>			
AirAsia Group Berhad	650,000	670,997	562,322
AJIS Company Limited	30,400	213,157	1,176,050
BYD Company Limited, Class 'H'	573,000	989,812	4,529,110
BYD Electronic (International) Company Limited	798,000	193,535	1,492,944
China Yuchai International Limited	73,364	1,242,575	1,440,147
Hanfeng Evergreen Inc.	95,850	228,548	–
IDFC Limited	1,010,000	750,376	664,891
POSCO, ADR	21,000	1,259,883	1,459,179
Pyne Gould Corporation Limited	10,277,219	2,297,846	2,169,944
Samsung Electronics Company Limited, GDR	420	500,073	559,361
Seaspan Corporation, Preferred Perpetual	19,711	619,056	639,119
Shriram Transport Finance Company Limited	24,000	485,068	491,944
<b>Total long</b>		<b>9,450,926</b>	<b>15,185,011</b>
<b>Total investments</b>		<b>9,450,926</b>	<b>15,185,011</b>
Transaction costs		(14,654)	–
<b>Portfolio total</b>		<b>\$ 9,436,272</b>	<b>\$ 15,185,011</b>

\* Common shares unless indicated otherwise

See accompanying notes to financial statements.

# CHOU ASIA FUND

## Discussion of Financial Risk Management

Six months ended June 30, 2019 and 2018 (Unaudited)

---

### Investment objective and strategies:

The Fund's objective is to provide long-term growth of capital by investing primarily in the securities of Asian businesses considered by the Manager to be undervalued. Investments may be made in securities other than equities and in businesses located outside of Asia. Investments may include common and preferred shares, convertible debentures, warrants, government and corporate bonds and short-term indebtedness.

The investment process followed in selecting equity investments for the Fund is a value-oriented approach to investing that focuses on the Asian market. The investment strategy follows strong disciplines with regard to price paid to acquire portfolio investments. The level of investments in the Fund's securities is generally commensurate with the current price of the company's securities in relation to its intrinsic value as determined by various factors. That approach is designed to provide an extra margin of safety, which in turn serves to reduce overall portfolio risk.

### Financial risk management:

The Fund's investment activities expose it to various types of risk associated with the financial instruments and markets in which it invests. The Fund's risk management goals are to ensure that the outcome of activities involving risk is consistent with the Fund's objectives and risk tolerance.

#### (a) Other price risk:

Other price risk is the risk that the value of financial instruments will fluctuate as a result of changes in market prices (other than those arising from interest rate risk or currency risk) caused by factors specific to a security, its issuer or all factors affecting a market or a market segment. Approximately 74.83% (December 31, 2018 – 63.20%) of the Fund's net assets held at June 30, 2019 were publicly traded equities. If equity prices on the exchange had increased or decreased by 5% as at June 30, 2019, the net assets of the Fund would have increased or decreased by approximately \$759,251 or 3.74% (December 31, 2018 - \$712,246 or 3.16%) of the net assets, all other factors remaining constant.

In practice, the actual trading results may differ and the difference could be material.

#### (b) Foreign currency risk:

Currencies to which the Fund had exposure as at June 30, 2019 and December 31, 2018 expressed in CAD are as follows:

---

June 30, 2019	Financial instruments	Percentage of net asset value
Hong Kong dollar	\$ 6,051,658	29.8%
United States dollar	4,200,195	20.7%
New Zealand dollar	2,291,235	11.3%
Japanese Yen	1,232,665	6.1%
Indian Rupee	1,216,186	6.0%
Malaysian Ringgit	669,431	3.3%
Singapore dollar	168,797	0.8%
China Reminbi	20,059	0.1%

---

# CHOU ASIA FUND

## Discussion of Financial Risk Management (continued)

Six months ended June 30, 2019 and 2018 (Unaudited)

### Financial risk management (continued):

<b>December 31, 2018</b>	<b>Financial instruments</b>	<b>Percentage of net asset value</b>
Hong Kong dollar	\$ 6,358,962	28.2%
United States dollar	3,572,740	15.8%
New Zealand dollar	2,386,470	10.6%
Japanese yen	1,100,767	4.9%
Malaysian Ringgit	723,647	3.2%
Singapore dollar	174,685	0.8%

The amounts in the above tables are based on the market value of the Fund's financial instruments (including cash and cash equivalents and investments). Other financial assets (including dividends receivable, other receivable and receivable for redeemable units subscribed) and financial liabilities (including accrued expenses, payable for redeemable units redeemed and distributions payable) that are denominated in foreign currencies do not expose the Fund to significant foreign currency risk.

As at June 30, 2019, if the Canadian dollar had strengthened or weakened by 1% in relation to all currencies, with all other variables held constant, net assets would have decreased or increased by approximately \$158,502 (December 31, 2018 - \$143,173).

In practice, the actual trading results may differ and the difference could be material.

**CHOU EUROPE FUND**  
(unaudited)

August 20, 2019

Dear Unitholders of Chou Europe Fund,

The net asset value per unit (“NAVPU”) of a Series A unit of Chou Europe Fund at June 30, 2019 was \$8.44 compared to \$9.06 at December 31, 2018, an decrease of 6.8%; during the same period, the MSCI AC (Morgan Stanley Capital International All Country) Europe Total Return Index in Canadian dollars increased 12.0%. In U.S. dollars, a Series A unit of Chou Europe Fund was down 2.9% while the MSCI AC Europe Total Return Index increased 16.6%.

The table shows our one-year, three-year, five-year and 10-year annual compound rates of return.

<b>June 30, 2019 (Series A)</b>	<b>1 Year</b>	<b>3 Years</b>	<b>5 Years</b>	<b>10 Years</b>
Chou Europe (\$CAN)	(21.0%)	(2.8%)	(8.2%)	3.3%
MSCI AC Europe TR (\$CAN)	2.6%	10.2%	6.0%	8.7%
Chou Europe (\$US) <sup>1</sup>	(20.7%)	(3.2%)	(11.9%)	2.0%
MSCI AC Europe TR (\$US)	3.0%	9.9%	1.8%	7.4%

Rates of return are historical total returns that include changes in unit prices, and assume the reinvestment of all distributions. These annual compounded returns do not take into account any sales charges, redemption fees, other optional expenses or income taxes that you have to pay and that could reduce these returns. The returns are not guaranteed. The Fund’s past performance does not necessarily indicate future performance. The table is used only to illustrate the effects of the compound growth rate and is not intended to reflect future values of the mutual funds or returns on the mutual funds. Commissions, trailing commissions, management fees and expenses all may be associated with mutual fund investments. Please read the prospectus before investing.

**Factors Influencing the First Six-Month Results**

The major positive contributors to the Fund’s performance in the first half of 2019 were the equity holdings of Eurobank Ergasias and Intralot.

The largest decliners in the same period were the equity holdings of Endo International, Teva Pharmaceutical Industries, and Ryanair Holdings. The Euro depreciated against the Canadian currency during the period, which also contributed negatively to the performance of the Fund.

The Fund initiated an equity position in CPL Resources PLC.

The Fund bought back call options of Endo International PLC expiring in January 2020 with a strike price of US\$15.00. The Fund did not write any new covered call options during the first half of 2019.

---

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

## **Portfolio Commentary**

### **Pharmaceutical Companies**

We believe pharmaceutical stocks as a group are selling at attractive valuations. The companies generate their earnings in cash and were selling at less than 10 times earnings at the time of our purchase. Some companies were down more than 50% from their highs, which is what initially caught our attention. As discussed in past reports, we invested in more than two pharmaceutical companies (that is, we utilized a so-called “basket approach”) to reduce the potential risks from issues relating to Food and Drug Administration approval and patent expiration that may be faced by a single company.

However, opioid related lawsuits continue to hit the pharmaceutical industry. Pharmaceutical manufacturers and distributors have been in part blamed for the U.S. opioid crisis, accused of deceptively marketing opioids in ways that downplayed their risks. The legal uncertainties stemming from these lawsuits, combined with the companies’ large debt balances have led to a decrease in their stock prices. As a result, Teva Pharmaceutical is trading at less than three times normalized 2018 earnings and Endo International PLC is trading at less than one times normalized 2018 earnings.

### **Eurobank Ergasias SA**

Eurobank Ergasias SA (“Eurobank”) is the third largest bank in Greece by total assets with more than 650 branches globally. Greek banks face continuing challenges with the non-performing loans left over from the multi-year debt crisis. Eurobank’s management team has embarked on a plan to face the issue head on. By securitizing some of the loans and entering a deal to buy real estate firm, Grivalia Properties, Eurobank will increase its capital and reduce its non-performing loan portfolio significantly. Eurobank’s stock price increased 60% from €0.54 as of December 31, 2018 to €0.87 on June 30, 2019. We think the stock continues to be undervalued when compared to its book value of approximately €2.30 - €2.50 per share.

### **Caution to the Investors**

Investors should be advised that we run a highly focused portfolio, frequently just three to five securities may comprise close to 50% of the assets of the Fund. In addition, the Fund has securities that are non-U.S. and could be subjected to geopolitical risks, which may trump or at least negatively influence the financial performance of the company. Also, we may enter into some derivative contracts, such as credit default swaps when we feel that the market conditions are right to use those instruments. Because of any or all of these factors, the net asset value of the Fund can be from time to time more volatile than at other times. However, we are not bothered by this volatility because our focus has always been, and continues to be, on how inexpensive we believe the Fund’s portfolio holdings are relative to what we believe to be their intrinsic value.

Also, the Fund’s cash position was approximately 30% of net assets as at June 30, 2019. This large cash position may depress returns for a while as we hunt for undervalued securities. Obviously, if there is a severe correction in the market in the near future, it will cushion the Fund against losses while providing us with the wherewithal to find good investment opportunities.

But for now, it could be a drag on returns. If we cannot find any bargains, the large cash position may stay for a long time.

**Other Matters**

FOREIGN CURRENCY CONTRACTS: None existed at June 30, 2019.

CREDIT DEFAULT SWAPS: None existed at June 30, 2019.

U.S. DOLLAR VALUATION: Any investor who wishes to purchase the Chou Funds in U.S. dollars may do so.

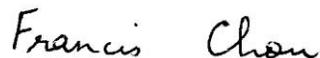
REDEMPTION FEE: We have a redemption fee of 2% if unitholders redeem their units in less than 3 months. None of this fee goes to the Fund Manager. It is put back into the Fund for the benefit of the remaining unitholders.

INDEPENDENT REVIEW COMMITTEE: The Manager has established an IRC as required by NI 81-107. The members of the IRC are Sandford Borins, Peter Gregoire and Joe Tortolano. The 2018 IRC Annual Report is available on our website [www.choufunds.com](http://www.choufunds.com).

As of August 20, 2019, the NAVPU of a Series A unit of the Fund was \$7.83 and the cash position was approximately 36.6% of net assets. The Fund is down 7.1% from the beginning of the year. In U.S. dollars, it is down 8.7%.

Except for the performance numbers of the Chou Europe Fund, this 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 or implied herein may not be suitable for all investors.

Yours truly,

A handwritten signature in cursive script that reads "Francis Chou".

Francis Chou  
Fund Manager

# CHOU EUROPE FUND

## Statements of Financial Position

June 30, 2019 (Unaudited) and December 31, 2018

	June 30, 2019	December 31, 2018
<b>Assets</b>		
Current assets:		
Financial assets designated at fair value through profit or loss (note 8)	\$ 4,971,578	\$ 5,403,768
Cash and cash equivalents	2,095,536	2,686,337
Receivable for redeemable units subscribed	17,000	29,320
Interest receivable	1,296	1,782
Dividends receivable	6,445	6,719
<b>Total assets</b>	<b>7,091,855</b>	<b>8,127,926</b>
<b>Liabilities</b>		
Current liabilities:		
Financial liabilities at fair value through profit or loss (Note 8)	–	54,608
Accrued expenses	28,485	25,990
Payable for units redeemed	17,269	26,206
Due to broker	–	593,993
<b>Total liabilities</b>	<b>45,754</b>	<b>700,797</b>
<b>Net assets attributable to unitholders of redeemable units</b>	<b>\$ 7,046,101</b>	<b>\$ 7,427,129</b>
Net assets attributable to unitholders of redeemable units:		
Series A	\$ 3,595,832	\$ 4,325,387
Series F	3,450,269	3,101,742
	<b>\$ 7,046,101</b>	<b>\$ 7,427,129</b>
Number of redeemable units outstanding (note 4):		
Series A	426,198	477,657
Series F	394,014	330,952
Net assets attributable to unitholders of redeemable units per unit (note 4):		
Canadian dollars:		
Series A	\$ 8.44	\$ 9.06
Series F	8.76	9.37
U.S. dollars:		
Series A	6.44	6.64
Series F	6.69	6.86

See accompanying notes to financial statements.

Approved on behalf of the Board of Directors of Chou Associates Management Inc.:

*Francis Chou*

*[Signature]*

# CHOU EUROPE FUND

## Statements of Comprehensive Income (Loss)

Six months ended June 30, 2019 and 2018 (Unaudited)

	2019	2018
<b>Income:</b>		
Interest for distribution purposes and other	\$ 6,699	\$ –
Dividends	209,890	69,575
Securities lending income (note 7)	133	574
Foreign currency gain (loss) on cash and other net assets	7,859	(9,377)
Other net changes in fair value of financial assets and financial liabilities at fair value through profit or loss:		
Net realized loss on financial assets designated at fair value through profit or loss	(3,971)	(1,297,857)
Net realized gain on held-for-trading investments	168,749	–
Change in unrealized (depreciation) appreciation on financial assets designated at fair value through profit or loss	(685,169)	1,724,656
Change in unrealized depreciation on held-for-trading investments	(125,172)	–
	(420,982)	487,571
<b>Expenses:</b>		
Management fees (note 5)	55,233	60,841
Custodian fees	4,240	7,240
Audit	2,904	4,959
Filing fees	1,006	1,718
Independent review committee fees	634	–
FundSERV fees	2,821	2,855
Legal fees	–	128
Transaction costs (note 6)	1,119	2,639
Foreign withholding taxes	19,894	1,852
Other	571	1,997
	88,422	84,229
(Decrease) increase in net assets attributable to unitholders of redeemable units	\$ (509,404)	\$ 403,342
(Decrease) increase in net assets attributable to unitholders of redeemable units per Series:		
Series A	\$ (253,614)	\$ 322,953
Series F	(255,790)	80,389
	\$ (509,404)	\$ 403,342
Average number of redeemable units outstanding for the period for the Series:		
Series A	447,372	608,483
Series F	365,761	103,678
(Decrease) increase in net assets attributable to unitholders of redeemable units per unit:		
Series A	\$ (0.57)	\$ 0.53
Series F	(0.70)	0.77

See accompanying notes to financial statements.

# CHOU EUROPE FUND

## Statements of Changes in Net Assets Attributable to Unitholders of Redeemable Units

Six months ended June 30, 2019 and 2018 (Unaudited)

	2019	2018
<b>Series A</b>		
Net assets attributable to unitholders of redeemable units, beginning of period	\$ 4,325,387	\$ 6,694,564
(Decrease) increase in net assets attributable to unitholders of redeemable units	(253,614)	322,953
Proceeds from issue of redeemable units	150,934	490,583
Payments on redemption of redeemable units	(626,875)	(2,223,011)
Net assets attributable to unitholders of redeemable units, end of period	\$ 3,595,832	5,285,089
<b>Series F</b>		
Net assets attributable to unitholders of redeemable units, beginning of period	3,101,742	863,749
(Decrease) increase in net assets attributable to unitholders of redeemable units	(255,790)	80,389
Proceeds from issue of redeemable units	654,829	976,989
Payments on redemption of redeemable units	(50,512)	(277,772)
Net assets attributable to unitholders of redeemable units, end of period	\$ 3,450,269	1,643,355
Total net assets attributable to unitholders of redeemable units, end of period	\$ 7,046,101	\$ 6,928,444

See accompanying notes to financial statements.

# CHOU EUROPE FUND

## Statements of Cash Flows

Six months ended June 30, 2019 and 2018 (Unaudited)

	2019	2018
<b>Cash flows from operating activities:</b>		
(Decrease) increase in net assets attributable to unitholders of redeemable units	\$ (509,404)	\$ 403,342
Adjustments for:		
Foreign currency (gain) loss on cash and other net assets	(7,859)	9,377
Net realized loss (gain) loss on financial assets designated at fair value through profit or loss	(164,778)	1,297,857
Change in unrealized depreciation (appreciation) on investments and derivatives	810,341	(1,724,656)
Change in non-cash operating working capital:		
Decrease in interest receivable	486	–
Decrease in dividends receivable	274	15,736
Increase in accrued expenses	2,495	467
Purchase of investments	(861,974)	–
Proceeds from sales of investments	–	1,018,879
Net cash (used in) generated from operating activities	(730,419)	1,021,002
<b>Cash flows from financing activities:</b>		
Proceeds from redeemable units issued	818,083	1,448,072
Amount paid on redemption of redeemable units	(686,324)	(2,504,879)
Net cash generated from (used in) financing activities	131,759	(1,056,807)
Foreign currency loss on cash and other net assets	7,859	(9,377)
Decrease in cash and cash equivalents	(590,801)	(45,182)
Cash and cash equivalents, beginning of period	2,686,337	777,391
Cash and cash equivalents, end of period	\$ 2,095,536	\$ 732,209
<b>Supplemental information:</b>		
Interest received, net of withholding tax	\$ 7,185	\$ –
Dividends received, net of withholding taxes	190,270	83,459
Security lending income received	133	574

See accompanying notes to financial statements.

# CHOU EUROPE FUND

## Schedule of Investments

June 30, 2019 (Unaudited)

	Number of securities	Cost	Fair value
<b>Equities*</b>			
Abbey Public Limited Company	29,371	\$ 211,019	\$ 603,558
Bank of Ireland	113,333	1,112,510	775,635
CPL Resources PLC	27,088	258,070	260,905
Endo International PLC	80,000	1,254,127	431,628
Eurobank Ergasias SA	250,000	960,458	322,015
Fiat Chrysler Automobiles N.V.	30,000	594,276	542,939
Intralot A.E.	517,575	1,197,068	336,032
Ryanair Holdings PLC, ADR	4,575	132,084	384,275
Sanofi, ADR	20,000	884,092	1,133,284
Teva Pharmaceutical Industries Limited, ADR	15,000	666,215	181,307
Total long		7,269,919	4,971,578
Total investments		7,269,919	4,971,578
Transaction costs		(17,003)	—
Portfolio total		\$ 7,252,916	\$ 4,971,578

\* Common shares unless indicated otherwise

See accompanying notes to financial statements.

# CHOU EUROPE FUND

## Discussion of Financial Risk Management

Six months ended June 30, 2019 and 2018 (Unaudited)

---

### Investment objective and strategies:

The Fund's objective is to provide long-term growth of capital by investing primarily in equity securities of European businesses considered by the Manager to be undervalued. Investments may be made in securities other than equities and in businesses located outside of Europe. Investments may include common and preferred shares, convertible debentures, warrants, government and corporate bonds and short-term indebtedness.

The investment strategy follows strong disciplines with regard to price paid to acquire portfolio investments. The level of investments in the Fund's securities is generally commensurate with the current price of the Fund's securities in relation to its intrinsic value as determined by various factors. That approach is designed to provide an extra margin of safety, which in turn serves to reduce overall portfolio risk.

### Financial risk management:

The Fund's investment activities expose it to various types of risk associated with the financial instruments and markets in which it invests. The Fund's risk management goals are to ensure that the outcome of activities involving risk is consistent with the Fund's objectives and risk tolerance.

#### (a) Other price risk:

Other price risk is the risk that the value of financial instruments will fluctuate as a result of changes in market prices (other than those arising from interest rate risk or currency risk) caused by factors specific to a security, its issuer or all factors affecting a market or a market segment. Approximately 70.56% (December 31, 2018 – 72.76%) of the Fund's net assets held at June 30, 2019 were publicly traded equities. If equity prices on the exchange had increased or decreased by 5% as at June 30, 2019, the net assets of the Fund would have increased or decreased by approximately \$248,579 or 3.53% (December 31, 2018 - \$270,188 or 3.64%) of the net assets, all other factors remaining constant.

In practice, the actual trading results may differ and the difference could be material.

#### (b) Foreign currency risk:

Currencies to which the Fund had exposure as at June 30, 2019 and December 31, 2018 expressed in CAD are as follows:

June 30, 2019	Foreign currency forward contract	Financial instruments	Percentage of net asset value
United States dollar	\$ –	\$ 3,088,438	43.8%
Euro currency	–	2,135,492	30.3%
Sterling pound	–	298	0.0%

# CHOU EUROPE FUND

## Discussion of Financial Risk Management (continued)

Six months ended June 30, 2019 and 2018 (Unaudited)

### Financial risk management (continued):

<b>December 31, 2018</b>	<b>Foreign currency forward contract</b>	<b>Financial instruments</b>	<b>Percentage of net asset value</b>
United States dollar	\$ –	\$ 2,896,142	39.0%
Euro currency	–	2,092,422	28.2%
Sterling pound	–	312	0.0%

The amounts in the above tables are based on the market value of the Fund's financial instruments (including cash and cash equivalents and investments). Other financial assets (including dividends receivable and receivable for units subscribed) and financial liabilities (including accrued expenses, payable for units redeemed and distributions payable) that are denominated in foreign currencies do not expose the Fund to significant foreign currency risk.

As at June 30, 2019, if the Canadian dollar had strengthened or weakened by 1% in relation to all currencies, with all other variables held constant, net assets would have decreased or increased by approximately \$52,242 (December 31, 2018 - \$49,889).

In practice, the actual trading results may differ and the difference could be material.

## CHOU BOND FUND

(unaudited)

August 20, 2019

Dear Unitholders of Chou Bond Fund,

The net asset value per unit (“NAVPU”) of a Series A unit of Chou Bond Fund at June 30, 2019 was \$7.55 compared to \$9.01 at December 31, 2018, a decrease of 16.2%; during the same period, Barclays U.S. Corporate High Yield Index (\$CAN) returned 5.2% in Canadian dollars. In U.S. dollars, a Series A unit of Chou Bond Fund was down 12.6% while Barclays U.S. Corporate High Yield Index returned 9.9%.

The table shows our one-year, three-year, five-year and 10-year annual compound rates of return.

<b>June 30, 2019 (Series A)</b>	<b>1 Year</b>	<b>3 Years</b>	<b>5 Years</b>	<b>10 Years</b>
Chou Bond (\$CAN)	(1.4%)	3.7%	(0.4%)	6.1%
Barclays’ U.S. High Yield (\$CAN)	6.8%	7.8%	9.1%	10.5%
Chou Bond (\$US) <sup>1</sup>	(1.0%)	3.2%	(4.4%)	4.8%
Barclays’ U.S High Yield (\$US)	7.5%	7.5%	4.7%	9.2%

Rates of return are historical total returns that include changes in unit prices, and assume the reinvestment of all distributions. These annual compounded returns do not take into account any sales charges, redemption fees, other optional expenses or income taxes that you have to pay and that could reduce these returns. The returns are not guaranteed. The Fund’s past performance does not necessarily indicate future performance. The table is used only to illustrate the effects of the compound growth rate and is not intended to reflect future values of the mutual funds or returns on the mutual funds. Commissions, trailing commissions, management fees and expenses all may be associated with mutual fund investments. Please read the prospectus before investing.

### Factors Influencing the First Six-Month Results

The major decliners in the Fund’s performance include the EXCO 1.75 lien term loan, the debt holdings of Avangardco Investments, Fortress Global Enterprises, as well as the equity holdings of WOW Unlimited Inc.

No new additions were made to the Fund during the first half of the year.

The Fund had no covered call options in its portfolio as at June 30, 2019.

---

<sup>1</sup> The alternative method of purchasing Chou Bond Fund in \$US has been offered since September 2005. The investments in the Chou Bond Fund (\$CAN) are the same as the investments in Chou Bond Fund (\$US) except for the currency applied.

## **Portfolio Commentary**

### **Avangardco Investments and Ukrlandfarming PLC**

Avangardco Investments' 10% unsecured bond (due in October 2018) fell from 18.12 cents on a dollar on December 31, 2018 to 12.75 cents on June 30, 2019. Ukrlandfarming's 10.875% unsecured bond (due in March 2018) decreased slightly from 15.97 cents on a dollar on December 31, 2018 to 15.37 cents on June 30, 2019.

As mentioned in previous reports, we believe that the bonds of those companies are down from their purchase price in large part because the Ukrainian regions are highly volatile and is subject to serious geopolitical risk. As a result, we expect the prices of the bonds we purchased to be volatile and they could subject the Fund to a permanent loss of capital.

Both bonds defaulted on maturity in 2018 and were unable to repay their principals. We are waiting for an updated restructuring plan from Avangardco and Ukrlandfarming PLC for bondholders.

### **EXCO Resources**

On January 15, 2018, EXCO filed voluntary petitions for a court-supervised reorganization under Chapter 11 of the U.S. Bankruptcy Code to facilitate a restructuring of its balance sheet, which was saddled with expensive transportation and other contracts. On November 5, 2018, EXCO filed a restructuring plan, stating that holders of the 1.75 lien term loan would receive 82% of the new common stock of the company, subject to dilution by a management incentive plan. However, this plan did not come into fruition due to the company's inability to raise enough capital and an amended plan of reorganization was offered to the creditors on April 10, 2019.

Based on the valuation analysis by EXCO's investment banking firm, PJT Partners Inc., under the amended plan, the 1.75 lien term loan holders would receive 38.8% of the new common shares resulting in a recovery of 27 cents on a dollar or 27% (given the total principal outstanding for the 1.75 lien term loan was US\$742.2 million).

### **Summary of Amended Valuation Analysis (as of May 31, 2019):**

<i>(US\$ in millions)</i>	<b>Low</b>	<b>Midpoint</b>	<b>High</b>
Total Enterprise Value	\$650	\$750	\$850
Less: Net Debt	(225)	(225)	(225)
Total Equity Value	\$425	\$525	\$625
38.8% of 1.75L term loan holders	\$165	\$204	\$243
Estimated Percentage Recovery	22%	27%	33%

*Source: Exhibit F – Valuation Analysis of Document 1233 for Case 18-30155.*

In early July of 2019, the company emerged from bankruptcy and the 1.75 lien term loans were converted into 28.38 equity shares for every \$1,000 in par value, after netting out certain adjustments.

We remain optimistic about EXCO's future over the long run. We are bullish in the oil and gas sector in the long-term, notwithstanding the current bleak environment. Globally, less than 20% of oil and gas reserves are being replaced simply because it does not make sense to drill for oil and gas when the price is below the cost of extracting oil and gas from the ground. We believe the demand for oil and gas should be higher in the future. In time the price equilibrium will be restored and EXCO is now better positioned given its post-bankruptcy cost structure.

### **Catalyst Paper**

In October 2018, Catalyst Paper was acquired by Paper Excellence Canada Holdings Corporation for a price of \$1.2260 per share for common shareholders and 100 cents on a dollar for debtholders. The deal was closed in March 2019.

### **Caution to the Investors**

Investors should be advised that we run a highly focused portfolio, frequently just three to five securities may comprise close to 50% of the assets of the Fund. In addition, the Fund has securities that are non-U.S. and could be subjected to geopolitical risks, which may trump or at least negatively influence the financial performance of the company. Also, we may enter into some derivative contracts, such as credit default swaps when we feel that the market conditions are right to use those instruments. Because of any or all of these factors, the net asset value of the Fund can be from time to time more volatile than at other times. However, we are not bothered by this volatility because our focus has always been, and continues to be, on how inexpensive we believe the Fund's portfolio holdings are relative to what we believe to be their intrinsic value.

Also, the Fund's cash position was approximately 18% of net assets as at June 30, 2019. This large cash position may depress returns for a while as we hunt for undervalued securities. Obviously, if there is a severe correction in the market in the near future, it will cushion the Fund against losses while providing us with the wherewithal to find good investment opportunities. But for now, it could be a drag on returns. If we cannot find any bargains, the large cash position may stay for a long time.

### **Other Matters**

**FOREIGN CURRENCY CONTRACTS:** None existed at June 30, 2019.

**CREDIT DEFAULT SWAPS:** None existed at June 30, 2019.

**U.S. DOLLAR VALUATION:** Any investor who wishes to purchase the Chou Funds in U.S. dollars may do so.

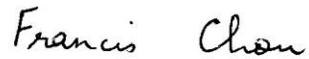
**REDEMPTION FEE:** We have a redemption fee of 2% if unitholders redeem their units in less than 3 months. None of this fee goes to the Fund Manager. It is put back into the Fund for the benefit of the remaining unitholders.

**INDEPENDENT REVIEW COMMITTEE:** The Manager has established an IRC as required by NI 81-107. The members of the IRC are Sandford Borins, Peter Gregoire and Joe Tortolano. The 2018 IRC Annual Report is available on our website [www.choufunds.com](http://www.choufunds.com).

As of August 20, 2019, the NAVPU of a Series A unit of the Fund was \$5.96 and the cash position was approximately 41.9% of net assets. The Fund is down 21.1% from the beginning of the year. In U.S. dollars, it is down 22.4%.

Except for the performance numbers of the Chou Bond Fund, this 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 or implied herein may not be suitable for all investors.

Yours truly,

A handwritten signature in cursive script that reads "Francis Chou".

Francis Chou  
Fund Manager

# CHOU BOND FUND

## Statements of Financial Position

June 30, 2019 (Unaudited) and December 31, 2018

	June 30, 2019	December 31, 2018
<b>Assets</b>		
Current assets:		
Financial assets designated at fair value through profit or loss (note 8)	\$ 9,987,692	\$ 18,065,510
Cash and cash equivalents	2,248,209	–
Receivable for units subscribed	25,200	5,000
Interest receivable	160,046	164,826
Total assets	12,421,147	18,235,336
<b>Liabilities</b>		
Current liabilities:		
Bank overdraft	–	184,368
Accrued expenses	142,750	134,483
Payable for units redeemed	1,000	21,000
Distributions payable	–	16,574
Total liabilities	143,750	356,425
Net assets attributable to unitholders of redeemable units	\$ 12,277,397	\$ 17,878,911
Net assets attributable to unitholders of redeemable units:		
Series A	\$ 9,708,136	\$ 15,015,703
Series F	2,569,261	2,863,208
	\$ 12,277,397	\$ 17,878,911
Number of redeemable units outstanding (note 4):		
Series A	1,284,601	1,666,054
Series F	333,908	312,347
Net assets attributable to unitholders of redeemable units per unit (note 4):		
Canadian dollars:		
Series A	\$ 7.56	\$ 9.01
Series F	7.69	9.17
U.S. dollars:		
Series A	5.77	6.60
Series F	5.87	6.72

See accompanying notes to financial statements.

Approved on behalf of the Board of Directors of Chou Associates Management Inc.:

Francis Chou



# CHOU BOND FUND

## Statements of Comprehensive Income (Loss)

Six months ended June 30, 2019 and 2018 (Unaudited)

	2019	2018
<b>Income:</b>		
Interest for distribution purposes and other	\$ 375,731	\$ 712,451
Dividends	–	15,232
Securities lending income (Note 7)	44	1,531
Foreign currency loss on cash and other net assets	(31,533)	(28,015)
Other net changes in fair value of financial assets and financial liabilities at fair value through profit or loss:		
Net realized gain (loss) on financial assets designated at fair value through profit or loss	2,826,937	(951,786)
Change in unrealized depreciation on financial assets designated at fair value through profit or loss	(5,790,649)	(938,277)
	(2,619,470)	(1,188,864)
<b>Expenses:</b>		
Management fees (note 5)	103,861	151,876
Custodian fees	15,900	27,150
Audit	7,538	12,729
Filing fees	2,974	5,023
Independent review committee fees	1,459	–
FundSERV fees	3,358	4,087
Legal fees	–	436
Transaction costs (note 6)	–	10,383
Other expenses	855	2,741
	135,945	214,425
Decrease in net assets attributable to unitholders of redeemable units	\$ (2,755,415)	\$ (1,403,289)
Decrease in net assets attributable to unitholders of redeemable units per Series:		
Series A	\$ (2,278,157)	\$ (1,359,510)
Series F	(477,258)	(43,779)
	\$ (2,755,415)	\$ (1,403,289)
Average number of redeemable units outstanding for the period for the Series:		
Series A	1,587,882	2,699,203
Series F	324,573	273,156
Decrease in net assets attributable to unitholders of redeemable units per unit:		
Series A	\$ (1.43)	\$ (0.51)
Series F	(1.47)	(0.16)

See accompanying notes to financial statements.

# CHOU BOND FUND

## Statements of Changes in Net Assets Attributable to Unitholders of Redeemable Units

Six months ended June 30, 2019 and 2018 (Unaudited)

	2019	2018
<b>Series A</b>		
Net assets attributable to unitholders of redeemable units, beginning of period	\$ 15,015,703	\$ 25,485,449
Decrease in net assets attributable to unitholders of redeemable units	(2,278,157)	(1,359,510)
Proceeds from issue of redeemable units	372,520	54,283
Payments on redemption of redeemable units	(3,401,930)	(9,865,438)
Net assets attributable to unitholders of redeemable units, end of period	\$ 9,708,136	\$ 14,314,784
<b>Series F</b>		
Net assets attributable to unitholders of redeemable units, beginning of period	2,863,208	2,273,345
Decrease in net assets attributable to unitholders of redeemable units	(477,258)	(43,779)
Proceeds from issue of redeemable units	613,170	254,781
Payments on redemption of redeemable units	(429,859)	(86,053)
Net assets attributable to unitholders of redeemable units, end of period	\$ 2,569,261	\$ 2,398,294
Total net assets attributable to unitholders of redeemable units, end of period	\$ 12,277,397	\$ 16,713,078

See accompanying notes to financial statements.

# CHOU BOND FUND

## Statements of Cash Flows

Six months ended June 30, 2019 and 2018 (Unaudited)

	2019	2018
<b>Cash flows from operating activities:</b>		
Decrease in net assets attributable to unitholders of redeemable units	\$ (2,755,415)	\$ (1,403,289)
Adjustments for:		
Foreign currency loss on cash and other net assets	31,533	28,015
Net realized (gain) loss on financial assets designated at fair value through profit or loss	(2,826,937)	951,786
Change in unrealized depreciation on investments and derivatives	5,790,649	938,277
Change in non-cash operating working capital:		
Decrease in interest receivable	4,780	87,957
Decrease in dividends receivable	–	13,556
Increase in accrued expenses	8,267	7,066
Purchase of investments	–	(2,721,377)
Proceeds from sales of investments	5,114,106	11,756,169
Net cash flows generated from operating activities	5,366,983	9,658,160
<b>Cash flows from financing activities:</b>		
Distributions paid to unitholders	(16,574)	–
Proceeds from redeemable units issued	965,490	309,064
Amount paid on redemption of redeemable units	(3,851,789)	(9,948,787)
Net cash used in financing activities	(2,902,873)	(9,639,723)
Foreign currency loss on cash and other net assets	(31,533)	(28,015)
Increase (decrease) in cash and cash equivalents	2,432,577	(9,578)
Cash and cash equivalents, beginning of period	(184,368)	610,696
Cash and cash equivalents, end of period	\$ 2,248,209	\$ 601,118
<b>Supplemental information:</b>		
Interest received, net of withholding tax	\$ 380,511	\$ 800,408
Dividends received, net of withholding taxes	–	28,788
Security lending income received	44	1,531

See accompanying notes to financial statements.

# CHOU BOND FUND

## Schedule of Investments

June 30, 2019 (Unaudited)

	Number of shares	Cost	Fair value
<b>Equities*</b>			
Wow Unlimited Media Inc.**	1,165,742	2,675,094	932,594
<b>Bonds</b>			
Atlanticus Holdings Corporation, 5.875%, November 30, 2035, Convertible Bonds	4,800,000	2,124,769	3,206,404
Avangardco Investments Public Limited, 10.000%, October 29, 2018	2,340,267	2,406,889	390,749
Exco Resources Inc., 1.75L term loans, October 26, 2020	4,153,333	4,080,429	1,468,529
Fortress Global Enterprises Inc., 7.000%, December 31, 2021, Convertible Bonds, Callable	3,659,000	2,058,513	2,195,400
Taiga Building Products Limited, 7.000%, November 17, 2022, Callable	467,000	482,761	483,345
UKRLANDFARMING Public Company Limited, 10.875%, July 30, 2018	6,513,021	5,984,448	1,310,671
		17,137,809	9,055,098
<b>Total long</b>		19,812,903	9,987,692
<b>Total investments</b>		19,812,903	9,987,692
<b>Transaction costs</b>		(6,183)	-
<b>Portfolio total</b>		\$ 19,806,720	\$ 9,987,692

\* Common shares unless indicated otherwise

\*\*Shares received from debt restructuring

See accompanying notes to financial statements.

# CHOU BOND FUND

## Discussion of Financial Risk Management

Six months ended June 30, 2019 and 2018 (Unaudited)

---

### Investment objective and strategies:

The Fund's objective is to provide conservation of principal and income production, along with capital appreciation. The Fund invests primarily in Canadian and U.S. fixed income instruments. These fixed income instruments include, but are not limited to, Government of Canada, provincial, municipal and corporate issues, including convertibles and high yield fixed income instruments. Investments may be made in fixed income instruments outside of Canada and the U.S.

The Fund seeks to achieve its investment objectives by investing in securities that it believes are undervalued. The Fund will generally be fully invested. A combination of investment strategies will be utilized in managing the portfolio including relative value trades, yield enhancement strategies and interest rate anticipation trades. Investments made by the Fund are not guaranteed. Fixed income securities issued by governments may decrease in value as a result of changes in interest rates. Fixed income securities issued by corporations may decrease in value due to general market conditions or credit risks associated with the issuer.

### Financial risk management:

The Fund's investment activities expose it to various types of risk associated with the financial instruments and markets in which it invests. The Fund's risk management goals are to ensure that the outcome of activities involving risk is consistent with the Fund's objectives and risk tolerance.

#### (a) Credit risk:

Credit risk is the risk that a counterparty to a financial instrument will fail to discharge a commitment that it has entered into with the Fund. As at June 30, 2019, the Fund did not invest any of its net assets in non-investment grade debt instruments (December 31, 2018 - \$Nil). Non-investment grade is the term applied to bonds rated below Baa3 on the Moody's credit rating scale and below BBB- on the equivalent ratings systems from Standard & Poor's and Fitch. As at June 30, 2019, the Fund invested approximately 73.75% (December 31, 2018 - 76.84%) of its net assets in non-rated bonds.

#### (b) Interest rate risk:

Interest rate risk arises from the effect of changes in interest rates on future cash flows or the current value of financial instruments. The table below summarizes the Fund's exposure to interest rate risk by remaining term to maturity:

Debt instruments by maturity date:

---

	<b>June 30, 2019</b>	<b>December 31, 2018</b>
Less than 1 year	\$ 3,896,820	\$ 1,998,355
1 - 3 years	1,468,529	7,619,735
3 - 5 years	483,345	483,345
Greater than 5 years	3,206,404	3,636,251

---

# CHOU BOND FUND

## Discussion of Financial Risk Management (continued)

Six months ended June 30, 2019 and 2018 (Unaudited)

### Financial risk management (continued):

As at June 30, 2019, had interest rates decreased or increased by 0.25%, with all other variables remaining constant, the increase or decrease in net assets would have amounted to approximately \$74,777 (December 31, 2018 - \$110,923).

In practice, the actual trading results may differ and the difference could be material.

#### (c) Other price risk:

Other price risk is the risk that the value of financial instruments will fluctuate as a result of changes in market prices (other than those arising from interest rate risk or currency risk) caused by factors specific to a security, its issuer or all factors affecting a market or a market segment. Approximately 7.60% (December 31, 2018 - 7.82%) of the Fund's net assets held at June 30, 2019 were publicly traded equities. If equity prices on the exchange had increased or decreased by 5% as at June 30, 2019, the net assets of the Fund would have increased or decreased by approximately \$46,630 or 0.38% (December 31, 2018 - \$69,945 or 0.39%) of the net assets, all other factors remaining constant.

In practice, the actual trading results may differ and the difference could be material.

#### (d) Foreign currency risk:

Currencies to which the Fund had exposure as at June 30, 2019 and December 31, 2018 expressed in CAD are as follows:

<b>June 30, 2019</b>	<b>Foreign currency forward contract</b>	<b>Financial instruments</b>	<b>Percentage of net asset value</b>
United States dollar	\$ -	\$ 8,107,568	66.0%

<b>December 31, 2018</b>	<b>Foreign currency forward contract</b>	<b>Financial instruments</b>	<b>Percentage of net asset value</b>
United States dollar	\$ -	\$ 9,716,139	54.3%

The amounts in the above tables are based on the market value of the Fund's financial instruments (including cash and cash equivalents and investments). Other financial assets (including interest receivable and receivable for units subscribed) and financial liabilities (including accrued expenses, payable for units redeemed and distributions payable) that are denominated in foreign currencies do not expose the Fund to significant foreign currency risk.

As at June 30, 2019, if the Canadian dollar had strengthened or weakened by 1% in relation to all currencies, with all other variables held constant, net assets would have decreased or increased by approximately \$81,076 (December 31, 2018 - \$97,161).

In practice, the actual trading results may differ and the difference could be material.

## CHOU RRSP FUND

(unaudited)

August 20, 2019

Dear Unitholders of Chou RRSP Fund,

The net asset value per unit (“NAVPU”) of a Series A unit of Chou RRSP Fund at June 30, 2019 was \$27.76 compared to \$30.08 at December 31, 2018, a decrease of 7.7%; during the same period, the S&P/TSX Total Return Index increased 16.2% in Canadian dollars. In U.S. dollars, a Series A unit of Chou RRSP Fund was down 3.8% while the S&P/TSX Total Return Index increased 20.9%.

The table shows our 1-year, 3-year, 5-year, 10-year, 15-year and 20-year annual compound rates of return.

June 30, 2019 (Series A)	1 Year	3 Years	5 Years	10 Years	15 Years	20 Years
Chou RRSP (\$CAN)	(20.2%)	6.8%	(1.4%)	9.3%	3.7%	6.3%
S&P/TSX (\$CAN)	3.9%	8.4%	4.7%	7.8%	7.4%	7.0%
Chou RRSP (\$US) <sup>1</sup>	(19.8%)	6.3%	(5.3%)	8.0%	3.8%	6.9%
S&P/TSX (\$US)	4.3%	8.1%	0.5%	6.5%	7.5%	7.6%

Rates of return are historical total returns that include changes in unit prices, and assume the reinvestment of all distributions. These annual compounded returns do not take into account any sales charges, redemption fees, other optional expenses or income taxes that you have to pay and that could reduce these returns. The returns are not guaranteed. The Fund’s past performance does not necessarily indicate future performance. The table is used only to illustrate the effects of the compound growth rate and is not intended to reflect future values of the mutual funds or returns on the mutual funds. Commissions, trailing commissions, management fees and expenses all may be associated with mutual fund investments. Please read the prospectus before investing.

### Factors Influencing the First Six-Month Results

The major positive contributors to the Fund’s performance in the first half of 2019 were the equity holdings of Bausch Health Companies, TVA Group, and Bank of America Corporation.

The largest decliners in the same period were the equity holdings of Canfor Pulp Products, Reitmans (Canada) Limited, and the EXCO Resources 1.75 lien term loan.

During the first half of the year, the Fund purchased Fortress Paper Limited’s 7% bond, due on December 31, 2019.

The call options of Resolute Forest Products with a strike price of US\$11.00 expired in January 2019. The Fund did not write any new covered call options during the first half of 2019.

---

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

## **Portfolio Commentary**

### **EXCO Resources**

On January 15, 2018, EXCO filed voluntary petitions for a court-supervised reorganization under Chapter 11 of the U.S. Bankruptcy Code to facilitate a restructuring of its balance sheet, which was saddled with expensive transportation and other contracts. On November 5, 2018, EXCO filed a restructuring plan, stating that holders of the 1.75 lien term loan would receive 82% of the new common stock of the company, subject to dilution by a management incentive plan. However, this plan did not come into fruition due to the company's inability to raise enough capital and an amended plan of reorganization was offered to the creditors on April 10, 2019.

Based on the valuation analysis by EXCO's investment banking firm, PJT Partners Inc., under the amended plan, the 1.75 lien term loan holders would receive 38.8% of the new common shares resulting in a recovery of 27 cents on a dollar or 27% (given the total principal outstanding for the 1.75 lien term loan was US\$742.2 million).

### **Summary of Amended Valuation Analysis (as of May 31, 2019):**

<i>(US\$ in millions)</i>	<b>Low</b>	<b>Midpoint</b>	<b>High</b>
Total Enterprise Value	\$650	\$750	\$850
Less: Net Debt	(225)	(225)	(225)
Total Equity Value	\$425	\$525	\$625
38.8% of 1.75L term loan holders	\$165	\$204	\$243
Estimated Percentage Recovery	22%	27%	33%

*Source: Exhibit F – Valuation Analysis of Document 1233 for Case 18-30155.*

In early July of 2019, the company emerged from bankruptcy and the 1.75 lien term loans were converted into 28.38 equity shares for every \$1,000 in par value, after netting out certain adjustments.

We remain optimistic about EXCO's future over the long run. We are bullish in the oil and gas sector in the long-term, notwithstanding the current bleak environment. Globally, less than 20% of oil and gas reserves are being replaced simply because it does not make sense to drill for oil and gas when the price is below the cost of extracting oil and gas from the ground. We believe the demand for oil and gas should be higher in the future. In time the price equilibrium will be restored and EXCO is now better positioned given its post-bankruptcy cost structure.

### **Pharmaceutical Companies**

We believe pharmaceutical stocks as a group are selling at attractive valuations. The companies generate their earnings in cash and were selling at less than 10 times earnings at the time of our purchase. Some companies were down more than 50% from their highs, which is what initially caught our attention. As discussed in past reports, we invested in more than two pharmaceutical companies (that is, we utilized a so-called "basket approach") to reduce the potential risks from issues relating to Food and Drug Administration approval and patent expiration that may be faced by a single company.

## **Resolute Forest Products**

As of June 30, 2019, the market price of Resolute Forest Products (“RFP”) was US\$7.20 per share, giving a market capitalization of about US\$640 million dollars. This was after US\$1.50 per share in special dividends that we received in December 2018.

With the appointment of Yves Laflamme as RFP’s new CEO in February 2018, there is more optimism on what the company can do with its four business segments. However, the stock continues to trade at less than five times earnings. It is a very cheap stock but the company competes in highly cyclical industries that are currently facing some head winds.

It has been a disappointment since our initial purchase some eight years ago. It shows how tough it is to turn around a troubled company in spite of the best efforts of management.

In general, our experience with a commodity business that has virtually no pricing power, is to be cautious when management talks about investing in new or modernizing existing equipment that would significantly lower the cost structure compared to its competitors. That may be true for six months to a couple of years, but in time competitors will have a new cost structure that is as competitive if not superior to the company. It is the same treadmill where hardly anyone in the industry can make a decent return for the assets invested in the company. The same story can be seen repeatedly in various commoditized industries. There is no sustainable long-term advantage in a mediocre business with no pricing power. It is important not to get seduced by discount to book value. If the company cannot generate a decent return on book value over a long period of time, that book value is not worth much.

## **Auto Parts Industry**

The auto parts industry appears cheap due to slowing demand and the ongoing trade dispute between the U.S. and China. We have purchased shares in Linamar Corporation and Magna International Inc. Both companies have management teams with a history of delivering strong long-term results and returning value to shareholders. Although the holdings are small, we may add more if prices stay as low as they have been currently.

## **Caution to the Investors**

Investors should be advised that we run a highly focused portfolio, frequently just three to five securities may comprise close to 50% of the assets of the Fund. In addition, the Fund has securities outside of Canada and could be subjected to geopolitical risks, which may trump or at least negatively influence the financial performance of the company. Also, we may enter into some derivative contracts, such as credit default swaps when we feel that the market conditions are right to use those instruments. Because of any or all of these factors, the net asset value of the Fund can be from time to time more volatile than at other times. However, we are not bothered by this volatility because our focus has always been, and continues to be, on how inexpensive we believe the Fund’s portfolio holdings are relative to what we believe to be their intrinsic value.

## **Other Matters**

**FOREIGN CURRENCY CONTRACTS:** None existed at June 30, 2019.

**CREDIT DEFAULT SWAPS:** None existed at June 30, 2019.

**U.S. DOLLAR VALUATION:** Any investor who wishes to purchase the Chou Funds in U.S. dollars may do so.

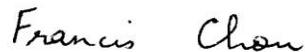
**REDEMPTION FEE:** We have a redemption fee of 2% if unitholders redeem their units in less than 3 months. None of this fee goes to the Fund Manager. It is put back into the Fund for the benefit of the remaining unitholders.

**INDEPENDENT REVIEW COMMITTEE:** The Manager has established an IRC as required by NI 81-107. The members of the IRC are Sandford Borins, Peter Gregoire and Joe Tortolano. The 2018 IRC Annual Report is available on our website [www.choufunds.com](http://www.choufunds.com).

As of August 20, 2019, the NAVPU of a Series A unit of the Fund was \$23.90 and the cash position was approximately 4.1% of net assets. The Fund is down 13.9% from the beginning of the year. In U.S. dollars, it is down 15.3%.

Except for the performance numbers of the Chou RRSP Fund, this 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 or implied herein may not be suitable for all investors.

Yours truly,



Francis Chou  
Fund Manager

# CHOU RRSP FUND

## Statements of Financial Position

June 30, 2019 (Unaudited) and December 31, 2018

	June 30, 2019	December 31, 2018
<b>Assets</b>		
Current assets:		
Financial assets designated at fair value through profit or loss (note 8)	\$ 55,771,919	\$ 59,452,144
Cash and cash equivalents	1,064,266	7,126,955
Receivable for units subscribed	6,800	10,000
Interest receivable	27,405	32,462
Total assets	56,870,390	66,621,561
<b>Liabilities</b>		
Current liabilities:		
Financial liabilities at fair value through profit or loss (note 8)	–	10,239
Accrued expenses	333,104	354,711
Payable for units redeemed	54,583	27,896
Distributions payable	–	7,023
Total liabilities	387,687	399,869
Net assets attributable to unitholders of redeemable units	\$ 56,482,703	\$ 66,221,692
Net assets attributable to unitholders of redeemable units:		
Series A	\$ 50,826,378	\$ 59,989,119
Series F	5,656,325	6,232,573
	\$ 56,482,703	\$ 66,221,692
Number of redeemable units outstanding (note 4):		
Series A	1,830,681	1,994,527
Series F	202,298	206,334
Net assets attributable to unitholders of redeemable units per unit (note 4):		
Canadian dollars:		
Series A	\$ 27.76	\$ 30.08
Series F	27.96	30.21
U.S. dollars:		
Series A	21.20	22.03
Series F	21.35	22.13

See accompanying notes to financial statements.

Approved on behalf of the Board of Directors of Chou Associates Management Inc.:

*Francis Chou*

*[Signature]*

# CHOU RRSP FUND

## Statements of Comprehensive Income (Loss)

Six months ended June 30, 2019 and 2018 (Unaudited)

	2019	2018
<b>Income:</b>		
Interest for distribution purposes and other	\$ 178,168	\$ 621,161
Dividends	283,431	214,528
Securities lending income (note 7)	8,694	8,418
Foreign currency (loss) gain on cash and other net assets	(76,464)	547,926
Other net changes in fair value of financial assets and financial liabilities at fair value through profit or loss:		
Net realized gain on financial assets designated at fair value through profit or loss	12,119	2,731,112
Change in unrealized (depreciation) appreciation on financial assets designated at fair value through profit or loss	(4,472,344)	2,306,755
Change in unrealized depreciation on held-for-trading investments	(194,028)	(81,151)
Realized gain (loss) on held-for-trading investments	204,268	(8,150)
	(4,056,156)	6,340,599
<b>Expenses:</b>		
Management fees (note 5)	533,244	647,842
Custodian fees	40,280	68,780
Audit	16,428	27,741
Filing fees	4,783	1,711
Independent review committee fees	5,618	–
FundSERV fees	–	–
Legal fees	1,207	1,207
Transaction costs (note 6)	–	12,259
Foreign withholding taxes	5,090	–
Other expenses	3,546	7,102
	610,196	766,642
(Decrease) increase in net assets attributable to unitholders of redeemable units	\$ (4,666,352)	\$ 5,573,957
(Decrease) increase in net assets attributable to unitholders of redeemable units per Series:		
Series A	\$ (4,209,160)	\$ 5,060,255
Series F	(457,192)	513,702
	\$ (4,666,352)	\$ 5,573,957
Average number of redeemable units outstanding for the period for the Series:		
Series A	1,918,484	2,175,946
Series F	204,284	217,040
(Decrease) increase in net assets attributable to unitholders of redeemable units per unit:		
Series A	\$ (2.19)	\$ 2.33
Series F	(2.24)	2.37

See accompanying notes to financial statements.

# CHOU RRSP FUND

## Statements of Changes in Net Assets Attributable to Unitholders of Redeemable Units

Six months ended June 30, 2019 and 2018 (Unaudited)

	2019	2018
<b>Series A</b>		
Net assets attributable to unitholders of redeemable units, beginning of period	\$ 59,989,119	\$ 73,104,943
(Decrease) increase in net assets attributable to unitholders of redeemable units	(4,209,160)	5,060,255
Proceeds from issue of redeemable units	146,031	324,705
Payments on redemption of redeemable units	(5,099,612)	(4,803,637)
Reinvested distributions	—	—
Net assets attributable to unitholders of redeemable units, end of period	\$ 50,826,378	\$ 73,686,266
<b>Series F</b>		
Net assets attributable to unitholders of redeemable units, beginning of period	6,232,573	7,278,838
(Decrease) increase in net assets attributable to unitholders of redeemable units	(457,192)	513,702
Proceeds from issue of redeemable units	220,272	252,715
Payments on redemption of redeemable units	(339,328)	(575,892)
Reinvested distributions	—	—
Net assets attributable to unitholders of redeemable units, end of period	\$ 5,656,325	\$ 7,469,363
Total net assets attributable to unitholders of redeemable units, end of period	\$ 56,482,703	\$ 81,155,629

See accompanying notes to financial statements.

# CHOU RRSP FUND

## Statements of Cash Flows

Six months ended June 30, 2019 and 2018 (Unaudited)

	2019	2018
<b>Cash flows from operating activities:</b>		
(Decrease) increase in net assets attributable to unitholders of redeemable units	\$ (4,666,352)	\$ 5,573,957
Adjustments for:		
Foreign currency loss (gain) on cash and other net assets	76,464	(547,926)
Net realized gain on financial assets designated at fair value through profit or loss	(216,387)	(2,722,962)
Change in unrealized depreciation (appreciation) on investments and derivatives	4,666,372	(2,225,604)
Change in non-cash operating working capital:		
Decrease (increase) in interest receivable	5,057	(6,387)
(Decrease) increase in accrued expenses	(21,607)	36,137
Purchase of investments	(779,999)	(2,946,359)
Proceeds from sales of investments	–	3,066,813
Net cash (used in) generated from operating activities	(936,452)	227,669
<b>Cash flows from financing activities:</b>		
Distributions paid to unitholders	(7,023)	–
Proceeds from redeemable units issued	369,503	577,420
Amount paid on redemption of redeemable units	(5,412,253)	(5,432,368)
Net cash used in financing activities	(5,049,773)	(4,854,948)
Foreign currency (loss) gain on cash and other net assets	(76,464)	547,926
Decrease in cash and cash equivalents	(6,062,689)	(4,079,353)
Cash and cash equivalents, beginning of period	7,126,955	14,247,136
Cash and cash equivalents, end of period	\$ 1,064,266	\$ 10,167,783
<b>Supplemental information:</b>		
Interest received, net of withholding tax	\$ 183,225	\$ 614,774
Dividends received, net of withholding tax	278,341	214,528
Security lending income received	8,694	8,418

See accompanying notes to financial statements.

# CHOU RRSP FUND

## Schedule of Investments

June 30, 2019 (Unaudited)

	Number of securities		Cost	Fair value
<b>Equities*</b>				
Bank of America Corporation	93,376	\$	1,925,248	\$ 3,546,136
Bausch Health Companies Inc.	298,992		9,496,444	9,874,764
BlackBerry Limited	529,040		4,122,657	5,163,430
Canfor Pulp Products Inc.	293,900		836,324	3,156,486
Dundee Corporation, Class 'A'	300,000		3,060,351	300,000
Fairfax Financial Holdings Limited	2,000		1,344,170	1,285,520
Interfor Corporation	125,500		746,362	1,749,470
Linamar Corporation	24,000		1,332,040	1,173,120
Magna International Inc., Class 'A'	20,000		1,249,418	1,301,693
Overstock.com Inc., Class 'B'	15,198		314,348	241,816
Reitmans (Canada) Limited	348,600		1,914,063	976,080
Reitmans (Canada) Limited, Class 'A'	690,800		3,758,099	1,948,056
Resolute Forest Products Inc.	1,224,188		13,844,859	11,542,575
Torstar Corporation, Class 'B'	917,716		20,027,490	844,299
TVA Group Inc.	781,428		11,298,499	1,484,713
TWC Enterprises Limited	201,944		1,077,639	2,837,313
Wow Unlimited Media Inc.	93,680		1,930,473	74,944
			78,278,484	47,500,415
<b>Bonds</b>				
Exco Resources Inc., term loan, October 2020	12,590,186		7,413,295	4,451,619
Fortress Paper Limited, 7.000%, December 31, 2021, Convertible Bonds, Callable	1,000,000		780,000	600,000
Taiga Building Products Ltd., 7.000%, November 17, 2022, Callable	3,111,000		3,215,996	3,219,885
			11,409,291	8,271,504
Total long			89,687,775	55,771,919
Total investments			89,687,775	55,771,919
Transaction costs			(38,611)	-
Portfolio total		\$	89,649,164	\$ 55,771,919

\* Common shares unless indicated otherwise

See accompanying notes to financial statements.

# CHOU RRSP FUND

## Discussion of Financial Risk Management

Six months ended June 30, 2019 and 2018 (Unaudited)

---

### Investment objective and strategies:

The Fund's objective is to provide long-term growth of capital by investing in equity and debt securities of primarily Canadian businesses. The Fund may also invest in equity and debt instruments of U.S. and foreign businesses. Investments may include common and preferred shares, convertible debentures, warrants, government and corporate bonds and short-term indebtedness.

The investment strategy follows strong disciplines with regard to price paid to acquire portfolio investments. The level of investments in the Fund's securities is generally commensurate with the current price of the Fund's securities in relation to its intrinsic value as determined by various factors. That approach is designed to provide an extra margin of safety, which in turn serves to reduce overall portfolio risk.

### Financial risk management:

The Fund's investment activities expose it to various types of risk associated with the financial instruments and markets in which it invests. The Fund's risk management goals are to ensure that the outcome of activities involving risk is consistent with the Fund's objectives and risk tolerance.

#### (a) Credit risk:

Credit risk is the risk that a counterparty to a financial instrument will fail to discharge a commitment that it has entered into with the Fund. As at June 30, 2019, the Fund did not invest any of its net assets in non-investment grade debt instruments (December 31, 2018 - \$Nil). Non-investment grade is the term applied to bonds rated below Baa3 on the Moody's credit rating scale and below BBB- on the equivalent ratings systems from Standard & Poor's and Fitch. As at June 30, 2019, the Fund invested approximately 14.64% (December 31, 2018 - 16.37%) of its net assets in non-rated debt instruments. These credit ratings could denote that the company's financial position is weak and its bonds should be considered a speculative investment.

#### (b) Interest rate risk:

Interest rate risk arises from the effect of changes in interest rates on future cash flows or the current value of financial instruments. The table below summarizes the Fund's exposure to interest rate risk by remaining term to maturity:

Debt instruments by maturity date:

	June 30, 2019	December 31, 2018
Less than 1 year	\$ 600,000	\$ —
1 - 3 years	4,451,619	7,624,651
3 - 5 years	3,219,885	3,219,885
Greater than 5 years	—	—

As at June 30, 2019, had interest rates decreased or increased by 0.25%, with all other variables remaining constant, the increase or decrease in net assets would have amounted to approximately \$40,055 (December 31, 2018 - \$62,443).

In practice, the actual trading results may differ and the difference could be material.

# CHOU RRSP FUND

## Discussion of Financial Risk Management (continued)

Six months ended June 30, 2019 and 2018 (Unaudited)

---

### Financial risk management (continued):

(c) **Other price risk:**

Other price risk is the risk that the value of financial instruments will fluctuate as a result of changes in market prices (other than those arising from interest rate risk or currency risk) caused by factors specific to a security, its issuer or all factors affecting a market or a market segment. Approximately 84.10% (December 31, 2018 - 73.40%) of the Fund's net assets held at June 30, 2019 were publicly traded equities. If equity prices on the exchange had increased or decreased by 5% as at June 30, 2019, the net assets of the Fund would have increased or decreased by approximately \$2,375,021 or 4.20% (December 31, 2018 - 2,430,380 or 3.67%) of the net assets, all other factors remaining constant.

In practice, the actual trading results may differ and the difference could be material.

(d) **Foreign currency risk:**

Currencies to which the Fund had exposure as at June 30, 2019 and December 31, 2018 expressed in CAD are as follows:

<b>June 30, 2019</b>	<b>Financial instruments</b>	<b>Percentage of net asset value</b>
United States dollar	\$ 31,850,526	56.4%

<b>December 31, 2018</b>	<b>Financial instruments</b>	<b>Percentage of net asset value</b>
United States dollar	\$ 35,939,623	54.3%

The amounts in the above tables are based on the market value of the Fund's financial instruments (including cash and cash equivalents and investments). Other financial assets (including interest receivable, receivable for units subscribed and other receivable) and financial liabilities (including accrued expenses, payable for units redeemed and distributions payable) that are denominated in foreign currencies do not expose the Fund to significant foreign currency risk.

As at June 30, 2019, if the Canadian dollar had strengthened or weakened by 1% in relation to all currencies, with all other variables held constant, net assets would have decreased or increased by approximately \$318,505 (December 31, 2018 - \$359,396).

In practice, the actual trading results may differ and the difference could be material.

# CHOU FUNDS

## Notes to Financial Statements

Six months ended June 30, 2019 and 2018 (Unaudited)

---

### 1. Formation of the Chou Funds:

The individual funds comprising the family of Chou Funds (the "Chou Funds" or the "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 address of the Funds' registered office is: 110 Sheppard Avenue East, Suite 301, Box 18, Toronto, Ontario, M2N 6Y8.

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:

These financial statements have been prepared in compliance with International Financial Reporting Standards ("IFRS") and in accordance with International Accounting Standard ("IAS") 34 Interim Financial Reporting as published by the International Accounting Standards Board ("IASB") and as required by Canadian securities legislation and the Canadian Accounting Standards Board.

The unaudited interim financial statements were authorized for issue by the Manager on August 28, 2019.

The following is a summary of significant accounting policies used by the Funds:

#### (a) New accounting standards and interpretations

Effective January 1, 2018 the Funds' adopted IFRS 9, Financial Instruments - Classification and Measurement ("IFRS 9") replacing the existing guidance in IAS 39, Financial Instruments – Recognition and Measurement ("IAS 39"). The new standard requires financial assets to be classified as amortized cost, fair value through profit or loss ("FVTPL"), or fair value through other comprehensive income ("FVOCI") based on the entity's business model for managing the financial assets and the contractual cash flow characteristics of these assets. The assessment and decision regarding the business model approach used is an accounting judgement.

The classification and measurement of financial liabilities remain generally unchanged with the exception of liabilities recorded at FVTPL. For these liabilities, fair value changes attributable to changes in the entity's own credit risk are to be presented in other comprehensive income unless they affect amounts recorded in income.

Upon transition to IFRS 9, the Funds' financial assets and financial liabilities previously classified as FVTPL under IAS 39 continue to be classified in the same category and there were no changes in the measurement attributes. The adoption of IFRS 9 has also been applied retrospectively and did not result in any changes in the prior period.

# CHOU FUNDS

## Notes to Financial Statements (continued)

Six months ended June 30, 2019 and 2018 (Unaudited)

---

### 2. Significant accounting policies (continued):

#### (b) Recognition, initial measurement and classification:

Financial assets and financial liabilities at FVTPL are initially recognized on the trade date, at fair value, with transaction costs recognized in profit or loss. Other financial assets and financial liabilities are recognized on the date on which they are originated at fair value.

The Funds classify financial assets and financial liabilities into the following categories:

Financial assets at FVTPL:

- Held-for-trading: derivative financial instruments; and
- Designated as at FVTPL: debt securities and equity investments.

Financial liabilities at FVTPL:

- Securities sold short and derivative financial instruments.

All other financial assets and financial liabilities are classified and measured at amortized cost. The amortized cost of a financial asset or financial liability is the amount at which the financial asset or financial liability is measured at initial recognition, minus principal repayments, plus or minus the cumulative amortization using the effective interest rate method of any difference between the initial amount recognized and the maturity amount, minus any reduction for impairment. The Funds' obligations for net assets attributable to unitholders is measured at FVTPL, with fair value being the redemption amount as of the reporting dates.

#### (c) Fair value measurement:

When available, the Funds measure the fair value of a financial instrument using the quoted price in an active market for that instrument. The Funds measure instruments quoted in an active market at the last traded market price.

Bonds and debentures are valued at their last evaluated bid price received from recognized investment dealers for long positions and their last evaluated ask price for short positions.

If there is no quoted price in an active market, then the Funds use valuation techniques that maximize the use of relevant observable inputs and minimize the use of unobservable inputs. The chosen valuation technique incorporates all of the factors that market participants would take into account in pricing a transaction.

# CHOU FUNDS

## Notes to Financial Statements (continued)

Six months ended June 30, 2019 and 2018 (Unaudited)

---

### 2. Significant accounting policies (continued):

The Funds recognizes transfers between levels of the fair value hierarchy as at the end of the reporting period during which the change has occurred.

There are no differences between the Funds' method for measuring fair value for financial reporting purposes and that for the purposes of calculating net asset value for unitholder transactions.

Derecognition:

The Fund derecognizes a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the right to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Funds neither transfer nor retain substantially all of the risks and rewards of ownership and do not retain control of the financial asset.

The Funds derecognize a financial liability when its contractual obligations are discharged, or cancelled, or expired.

### (d) Critical accounting estimates and judgments:

The preparation of financial statements requires management to use judgment in applying its accounting policies and to make estimates and assumptions about the future. The following discusses the most significant accounting judgments and estimates that the Funds have made in preparing the financial statements:

#### (i) Fair value measurement of held-for-trading securities and securities not quoted in an active market:

The Fund holds financial instruments that are not quoted in active markets, including held-for-trading securities. Fair values of such instruments are determined using valuation techniques and may be determined using reputable pricing sources (such as pricing agencies) or indicative prices from market makers. Broker quotes as obtained from the pricing sources may be indicative and not executable or binding. Where no market data is available, the Fund may value positions using its own models, which are usually based on valuation methods and techniques generally recognized as standard within the industry. The models used to determine fair values are validated and periodically reviewed by experienced personnel of the Manager, independent of the party that created them. The models used for private equity securities are based mainly on earnings multiples adjusted for a lack of marketability, as appropriate.

Models use observable data, to the extent practicable. However, areas such as credit risk (both own and counterparty), volatilities and correlations require the Manager to make estimates. Changes in assumptions about these factors could affect the reported fair values of financial instruments. The Fund considers observable data to be market data that is readily available, regularly distributed and updated, reliable and verifiable, not proprietary, and provided by independent sources that are actively involved in the relevant market. Refer to note 8 for further information about the fair value measurement of the Fund's financial instruments.

# CHOU FUNDS

## Notes to Financial Statements (continued)

Six months ended June 30, 2019 and 2018 (Unaudited)

---

### 2. Significant accounting policies (continued):

- (ii) Classification and measurement of investments and application of the fair value option:

In classifying and measuring financial instruments held by the Funds, the Manager is required to make significant judgments in determining the most appropriate classification in accordance with IFRS 9. The Manager has assessed the Funds' business models, the manner in which all financial assets and financial liabilities are managed and performance evaluated as a group on a fair value basis, and concluded that FVTPL in accordance with IFRS 9 provides the most appropriate classification of the Funds' financial instruments.

These financial statements are presented in Canadian dollars, which is the Funds' functional currency.

#### (e) Cost of investments:

The cost of investments represents the amount paid for each security, and is determined on an average cost basis excluding transaction costs. Investment transactions are accounted for as of the trade date.

#### (f) Offsetting financial instruments:

Financial assets and liabilities are offset and the net amount reported in the statements of financial position where the Funds have a legally enforceable right to set-off the recognized amounts and there is an intention to settle on a net basis or realize the asset and settle the liability simultaneously.

Income and expenses are presented on a net basis for gains and losses from financial instruments at fair value through profit or loss and foreign exchange gains and losses.

#### (g) Transaction costs:

Transaction costs are incremental costs directly attributable to the acquisition, issue or disposal of an investment, which include fees and commissions paid to agents, advisors, brokers and dealers, levies by regulatory agencies and securities exchanges and transfer taxes and duties. In accordance with IFRS, transaction costs are expensed and are included in transaction costs in the statements of comprehensive income (loss).

#### (h) Cash and cash equivalents:

Cash and cash equivalents consist of cash on deposit and short-term debt instruments with terms to maturity less than 90 days.

# CHOU FUNDS

## Notes to Financial Statements (continued)

Six months ended June 30, 2019 and 2018 (Unaudited)

---

### 2. Significant accounting policies (continued):

#### (i) Investment transactions and income recognition:

All investment transactions are reported on the business day the order to buy or sell is executed.

Income from investments held is recognized on an accrual basis. Interest income is accrued as earned and dividend income and distributions from investment trusts are recognized on the ex-dividend dates.

Distributions received from investment trusts are recorded as income, capital gains or a return of capital, based on the best information available to the Manager. Due to the nature of these investments, actual allocations could vary from this information. Distributions from investment trusts that are treated as a return of capital for income tax purposes reduce the average cost of the underlying investment trust on the schedule of investments.

#### (j) Foreign exchange:

Securities and other assets and liabilities denominated in foreign currencies are translated into Canadian dollars at the exchange rates prevailing on each valuation day. Purchases and sales of investments, income and expenses are translated into Canadian dollars at the exchange rates prevailing on the respective dates of such transactions. Realized and unrealized foreign exchange gains (losses) on investments are included in realized gain (loss) on sale of investments and change in unrealized appreciation (depreciation) on investments, respectively, in the statements of comprehensive income (loss).

#### (k) Derivative transactions:

The Manager may use options to hedge against losses from changes in the prices of the Funds' investments instead of buying and selling securities directly. There can be no assurance that the hedging strategies will be effective. Losses may also arise if the counterparty does not perform under the contract.

Warrants:

The cost of warrants is included in held-for-trading investments on the statements of financial position. The unrealized gain or loss is reflected in the statements of comprehensive income (loss) in unrealized gain (loss) on held-for-trading investments.

#### (l) Multi-series funds:

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

# CHOU FUNDS

## Notes to Financial Statements (continued)

Six months ended June 30, 2019 and 2018 (Unaudited)

---

### 2. Significant accounting policies (continued):

#### (m) Valuation of Fund redeemable units:

The net assets attributable to holders of redeemable units of each Fund are computed by dividing the net assets attributable to holders of a series of redeemable units by the total number of redeemable units of the series outstanding at the time. The net assets attributable to holders of redeemable units are determined at the close of business each Friday.

#### (n) Securities lending income:

The Funds lend portfolio securities from time to time in order to earn additional income. Income from securities lending is included in the statements of comprehensive income (loss) of the Funds and is recognized on an accrual basis. Any securities on loan continue to be displayed in the schedule of investments and the market value of the securities loaned and collateral held is determined daily (note 7).

#### (o) Classification of redeemable units issued by the Fund:

Under Canadian generally accepted accounting principles, the Funds accounted for its redeemable units as equity. International Accounting Standard ("IAS") 32, Financial Instruments - Presentation, requires that units or shares of an entity which include a contractual obligation for the issuer to repurchase or redeem them for cash or another financial asset be classified as financial liabilities. The Funds' units do not meet the criteria in IAS 32 for classification as equity and, therefore, have been classified as financial liabilities.

#### (p) Impairments:

IFRS 9 requires that an entity recognize a loss allowance for expected credit losses on financial assets which are measured at amortized cost or FVOCI. Financial assets held by the Fund which are measured at FVTPL will not be subject to the new impairment requirements.

With respect to loans and receivables, the Funds' considers both historical analysis and forward-looking information in determining any expected credit loss. As at the financial statement date, all loans and receivables are due to be settled within the short term. The Funds' considers the probability of default to be close to zero as these instruments have a low risk of default and the counterparties have a strong capacity to meet their contractual obligation in the near term. Given the limited exposure of the Funds to credit risk, no loss allowance has been recognized as any such impairment will not have a significant impact on the financial statements.

# CHOU FUNDS

## Notes to Financial Statements (continued)

Six months ended June 30, 2019 and 2018 (Unaudited)

---

### 3. Financial and risk management:

Investment activities of the Funds expose them to a variety of financial risks: credit risk, liquidity risk and market risk (including interest rate risk, other price risk and currency risk). The level of risk depends on each of the Funds' investment objectives and the type of securities each Fund invests in. Funds that invest in underlying funds are also exposed to indirect financial risks in the event that the underlying funds are exposed to these risks.

The Manager of the Funds seeks to minimize these risks by managing the security portfolios of the Funds on a daily basis according to market events and the investment objectives of the Funds. CPA Canada Handbook disclosures that are specific to each of the Funds are presented in the discussion of financial risk management under the schedule of investments. The sensitivity analysis shown in the discussion of financial risk management may differ from actual results and the difference could be significant.

The Manager maintains a risk management practice that includes monitoring compliance with investment restrictions to ensure that the Funds are being managed in accordance with the Funds' stated investment objectives, strategies and securities regulations. The risk positions noted below are monitored by the Manager on a regular basis.

#### (a) Credit risk:

Credit risk is the risk that a counterparty to a financial instrument will fail to discharge a commitment that it has entered into with the Funds. The fair value of a financial instrument takes into account the credit rating of its issuer, and accordingly, represents the maximum credit risk exposure of a Fund. The Funds' main credit risk concentration is in debt securities and trading derivative instruments which are disclosed in the respective Funds' schedule of investments. All transactions in securities are settled or paid for upon delivery through brokers. As such, credit risk is considered minimal in the Funds on investment transactions, as delivery of securities sold is made once the broker has received payment. Payment is made on a purchase once the securities have been received by the broker. The trade will fail if either party fails to meet its obligations.

The Funds have provided the prime broker with a general lien over the financial assets held in custody as security for the prime broker's exposure relating to provision of custody services to the Funds. The terms under which the general lien is provided are usual and customary for prime broker agreements.

#### (b) Liquidity risk:

Liquidity risk is the risk that the Funds may not be able to settle or meet their obligations on time or at a reasonable price. The Funds are exposed to redemptions as units are redeemable on demand and unitholders may redeem their units on each valuation date. Therefore, in accordance with the Funds' Simplified Prospectus, the Funds invest their assets in investments that are traded in an active market and can be readily disposed. In addition, each Fund aims to retain sufficient cash and cash equivalent positions to maintain liquidity. The Funds may, from time to time, invest in securities that are not traded in an active market and may be illiquid.

# CHOU FUNDS

## Notes to Financial Statements (continued)

Six months ended June 30, 2019 and 2018 (Unaudited)

---

### 3. Financial instruments and risk management (continued):

#### (c) Market risk:

##### (i) Interest rate risk:

Interest rate risk is the risk that the fair value of the Funds' interest-bearing investments will fluctuate due to changes in the prevailing levels of market interest rates. The Funds' exposure to interest rate risk is concentrated in investments in debt securities (such as bonds and debentures or short-term instruments) and interest rates held-for-trading instruments, if any. Other assets and liabilities are short-term in nature and are non-interest bearing. There is minimal sensitivity to interest rate fluctuations on cash and cash equivalents invested at short-term market interest rates.

##### (ii) Other price risk:

Other price risk is the risk that the value of financial instruments will fluctuate as a result of changes in market prices (other than those arising from interest rate risk or currency risk) caused by factors specific to a security, its issuer or all factors affecting a market or a market segment. The Funds are exposed to market risk since all financial instruments held by the Funds present a risk of loss of capital. The maximum risk resulting from financial instruments is equivalent to their fair value, except for options written and future contracts where possible losses can be unlimited.

##### (iii) Currency risk:

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. Currency risk arises from financial instruments (including cash and cash equivalents and foreign currency derivative instruments) that are denominated in a currency other than Canadian dollars, which represents the functional currency of the Funds. Therefore, the Funds' financial instruments that are denominated in other currencies will fluctuate due to changes in the foreign exchange rates of those currencies in relation to the Funds' functional currency.

### 4. Holders of redeemable units:

The Manager considers the Funds' capital to consist of holders of redeemable units representing the net assets attributable to holders of redeemable units. The Funds' capital is managed in accordance with each of the Funds' investment objectives, policies, and restrictions, as outlined in the Funds' Prospectus. Changes in the Funds' capital during the period are reflected in the statements of changes in net assets attributable to unitholders of redeemable units. The Funds have no specific restrictions or specific capital requirements on the subscriptions and redemptions of redeemable units, other than minimum subscription requirements. The Funds endeavor to invest the subscriptions received in appropriate investments while maintaining sufficient liquidity to meet redemptions. Holders of redeemable units are entitled to distributions when declared. Distributions on redeemable units of a Fund are reinvested in additional redeemable units of the Fund or at the option of the holders of redeemable units, paid in cash. Redeemable units of the Funds are redeemable at the option of the holders of redeemable units in accordance with the Prospectus.

# CHOU FUNDS

## Notes to Financial Statements (continued)

Six months ended June 30, 2019 and 2018 (Unaudited)

### 4. Holders of redeemable units (continued):

	Series A		Series F	
	June 30,		June 30,	
	2019	2018	2019	2018
<b>Chou Associates Fund</b>				
Redeemable units outstanding,				
beginning of period	2,424,781	2,998,503	344,195	363,060
Add redeemable units issued during the period	8,656	85,986	13,877	20,727
Deduct redeemable units redeemed during the period	(213,361)	(293,620)	(26,933)	(35,119)
Redeemable units outstanding before				
income distribution	2,220,076	2,790,869	331,139	348,668
Add redeemable units issued on reinvested income	–	–	–	–
Deduct redeemable units redeemed during the period	–	–	–	–
Redeemable units outstanding, end of period	2,220,076	2,790,869	331,139	348,668
<b>Chou Asia Fund</b>				
Redeemable units outstanding,				
beginning of period	1,158,473	1,320,405	125,082	142,866
Add redeemable units issued during the period	2,976	8,660	1,786	8,332
Deduct redeemable units redeemed during the period	(105,658)	(69,803)	(11,455)	(31,285)
Redeemable units outstanding before				
income distribution	1,055,791	1,259,262	115,413	119,913
Add redeemable units issued on reinvested income	–	–	–	–
Deduct redeemable units redeemed during the period	–	–	–	–
Redeemable units outstanding, end of period	1,055,791	1,259,262	115,413	119,913
<b>Chou Europe Fund</b>				
Redeemable units outstanding,				
beginning of period	477,657	666,094	330,952	83,511
Add redeemable units issued during the period	16,335	47,282	68,553	91,439
Deduct redeemable units redeemed during the period	(67,794)	(218,309)	(5,491)	(25,789)
Redeemable units outstanding before				
income distribution	426,198	495,067	394,014	149,161
Add redeemable units issued on reinvested income	–	–	–	–
Deduct redeemable units redeemed during the period	–	–	–	–
Redeemable units outstanding, end of period	426,198	495,067	394,014	149,161

# CHOU FUNDS

## Notes to Financial Statements (continued)

Six months ended June 30, 2019 and 2018 (Unaudited)

### 4. Holders of redeemable units (continued):

	Series A		Series F	
	June 30,		June 30,	
	2019	2018	2019	2018
<b>Chou Bond Fund</b>				
Redeemable units outstanding,				
beginning of period	1,666,054	3,104,049	312,347	270,473
Add redeemable units issued during the period	43,271	7,065	73,941	32,082
Deduct redeemable units redeemed during the period	(424,724)	(1,326,216)	(52,380)	(10,694)
Redeemable units outstanding before				
income distribution	1,284,601	1,784,898	333,908	291,861
Add redeemable units issued on reinvested income	–	–	–	–
Deduct redeemable units redeemed during the period	–	–	–	–
Redeemable units outstanding, end of period	1,284,601	1,784,898	333,908	291,861
<b>Chou RRSP Fund</b>				
Redeemable units outstanding,				
beginning of period	1,994,527	2,245,919	206,334	222,317
Add redeemable units issued during the period	4,783	10,074	7,056	7,378
Deduct redeemable units redeemed during the period	(168,629)	(146,936)	(11,092)	(17,735)
Redeemable units outstanding before				
income distribution	1,830,681	2,109,057	202,298	211,960
Add redeemable units issued on reinvested income	–	–	–	–
Deduct redeemable units redeemed during the period	–	–	–	–
Redeemable units outstanding, end of period	1,830,681	2,109,057	202,298	211,960

### 5. Related party transactions:

#### Management fees:

The Manager manages the 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 Series A redeemable units and 1.0% of the net asset value of Series F redeemable 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 Series A redeemable units and 1.0% of the net asset value of Series F redeemable units. All other expenses attributable to the Funds are also payable out of the assets of the Funds.

During the period, management fees for each Fund are as follows:

	June 30,	
	2019	2018
Chou Associates Fund	\$ 2,297,368	\$ 2,834,334
Chou Asia Fund	179,978	230,900
Chou Europe Fund	55,233	60,841
Chou Bond Fund	103,861	151,876
Chou RRSP Fund	533,244	647,842

# CHOU FUNDS

## Notes to Financial Statements (continued)

Six months ended June 30, 2019 and 2018 (Unaudited)

### 5. Related party transactions (continued):

As at period end, included in accrued expenses of each Fund are the following amounts due to the Manager, for management fees payable:

	June 30, 2019	December 31, 2018
Chou Associates Fund	\$ 294,277	\$ 349,814
Chou Asia Fund	24,399	28,407
Chou Europe Fund	7,306	8,395
Chou Bond Fund	11,688	15,873
Chou RRSP Fund	65,513	81,939

The Manager, its officers and directors invest in redeemable 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.

As at June 30, 2019, the following amounts of Series A redeemable units were held by the Manager, its employees, and directors. No amounts of Series F redeemable units were held by the Manager, its employees, and directors.

	June 30, 2019	December 31, 2018
Chou Associates Fund	73,124	73,124
Chou Asia Fund	–	–
Chou Europe Fund	4,924	2,869
Chou Bond Fund	55,137	370,208
Chou RRSP Fund	33,744	33,744

#### (a) Chou Associates Fund:

As at June 30, 2019, 3.3% of Series A redeemable units (December 31, 2018 – 3.0%) were held by employees of the Manager.

#### (b) Chou Europe Fund:

As at June 30, 2019, 1.2% of Series A redeemable units (December 31, 2018 – 0.6%) were held by employees of the Manager.

#### (c) Chou Bond Fund:

As at June 30, 2019, 4.3% of Series A redeemable units (December 31, 2018 – 23.2%) were held by employees of the Manager.

#### (d) Chou RRSP Fund:

As at June 30, 2019, 1.8% of Series A redeemable units (December 31, 2018 – 1.7%) were held by employees of the Manager.

# CHOU FUNDS

## Notes to Financial Statements (continued)

Six months ended June 30, 2019 and 2018 (Unaudited)

### 6. Brokers' commissions:

Total commissions paid to brokers in connection with portfolio transactions for the six months ended June 30, 2019 and 2018 are as follows:

	2019	June 30, 2018
Chou Associates Fund	\$ 37,824	\$ 93,576
Chou Asia Fund	4,137	2,961
Chou Europe Fund	1,119	2,639
Chou Bond Fund	–	10,383
Chou RRSP Fund	–	12,259

### 7. Securities lending:

The Funds have entered into a securities lending program with CIBC Mellon. The Funds receive collateral of at least 102% of the value of the securities on loan. Collateral may be comprised of 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, 2019 and December 31, 2018 are as follows:

<b>June 30, 2019</b>	<b>Market value of securities on loan</b>	<b>Market value of collateral received</b>
Chou Associates Fund	\$ 4,168,689	\$ 4,586,461
Chou Asia Fund	5,353,232	5,778,825
Chou Europe Fund	178,640	188,590
Chou Bond Fund	59,433	62,475
Chou RRSP Fund	1,574,459	1,656,492

<b>December 31, 2018</b>	<b>Market value of securities on loan</b>	<b>Market value of collateral received</b>
Chou Associates Fund	\$ 12,326,837	\$ 13,199,399
Chou Asia Fund	833,247	945,704
Chou Europe Fund	376,870	397,194
Chou Bond Fund	75,965	79,826
Chou RRSP Fund	1,780,208	1,870,534

# CHOU FUNDS

## Notes to Financial Statements (continued)

Six months ended June 30, 2019 and 2018 (Unaudited)

### 7. Securities lending (continued):

The tables below presents a reconciliation of the securities lending income as presented in the statements of comprehensive income (loss) for the six months ended June 30, 2019 and June 30, 2018. It shows the gross amount of securities lending revenues generated from the securities lending transactions of the Fund, less any taxes withheld and amounts due to parties entitled to receive payments out of the gross amount as part of any securities lending agreements.

#### Chou Associates Fund:

	June 30,			
	2019		2018	
Gross securities lending revenue	\$ 24,998	100%	\$ 1,366,046	100%
Withholding taxes	(6,992)	(28)%	(323,366)	(24)%
Agent fees	(3,600)	(14)%	(208,535)	(15)%
Securities lending revenue	\$ 14,406	58 %	\$ 834,145	61 %

#### Chou Asia Fund:

	June 30,			
	2019		2018	
Gross securities lending revenue	\$ 88,833	100 %	\$ 130,229	100 %
Withholding taxes	—	—	(7,529)	(6)%
Agent fees	(17,766)	(20)%	(24,540)	(19)%
Securities lending revenue	\$ 71,067	80 %	\$ 98,160	75 %

#### Chou Europe Fund:

	June 30,			
	2019		2018	
Gross securities lending revenue	\$ 169	100 %	\$ 797	100 %
Withholding taxes	(3)	(2)%	(80)	(10)%
Agent fees	(33)	(19)%	(143)	(18)%
Securities lending revenue	\$ 133	79 %	\$ 574	72 %

# CHOU FUNDS

## Notes to Financial Statements (continued)

Six months ended June 30, 2019 and 2018 (Unaudited)

### 7. Securities lending (continued):

#### Chou Bond Fund:

	2019		June 30,		2018	
Gross securities lending revenue	\$	55	100 %	\$	1,914	100 %
Withholding taxes		–	–		–	–
Agent fees		(11)	(20)%		(383)	(20)%
Securities lending revenue	\$	44	80 %	\$	1,531	80 %

#### Chou RRSP Fund:

	2019		June 30,		2018	
Gross securities lending revenue	\$	11,251	100 %	\$	11,091	100 %
Withholding taxes		(385)	(4)%		(570)	(5)%
Agent fees		(2,172)	(19)%		(2,103)	(19)%
Securities lending revenue	\$	8,694	77 %	\$	8,418	76 %

### 8. Fair value measurement:

Below is a classification of fair measurements of the Funds' investments based on a three level fair value hierarchy and a reconciliation of transactions and transfers within that hierarchy. The hierarchy of fair valuation inputs is summarized as follows:

- Level 1 - quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 - inputs other than quoted prices included within Level 1 that are observable for the assets or liabilities, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3 - inputs for the assets or liabilities that are not based on observable market data. Additional quantitative disclosures are required for Level 3 securities.

# CHOU FUNDS

## Notes to Financial Statements (continued)

Six months ended June 30, 2019 and 2018 (Unaudited)

### 8. Fair value measurement (continued):

#### (a) Chou Associates Fund:

June 30, 2019	Level 1	Level 2	Level 3	Total
<b>Financial Assets</b>				
Equities	\$ 239,734,931	\$ 684,652	\$ —	\$ 240,419,583
Bonds	—	—	18,920,723	18,920,723
Warrants	—	—	—	—
<b>Total</b>	<b>\$ 239,734,931</b>	<b>\$ 684,652</b>	<b>\$ 18,920,723</b>	<b>\$ 259,340,306</b>

<b>Financial Liabilities</b>				
Equities	\$ —	\$ —	\$ —	\$ —
Bonds	—	—	—	—
Options	—	16,762	—	16,762
Warrants	—	—	—	—
<b>Total</b>	<b>\$ —</b>	<b>\$ 16,762</b>	<b>\$ —</b>	<b>\$ 16,762</b>

December 31, 2018	Level 1	Level 2	Level 3	Total
<b>Financial Assets</b>				
Equities	\$ 250,765,190	\$ —	\$ —	\$ 250,765,190
Bonds	—	—	32,407,065	32,407,065
Warrants	—	—	—	—
<b>Total</b>	<b>\$ 250,765,190</b>	<b>\$ —</b>	<b>\$ 32,407,065</b>	<b>\$ 283,172,255</b>

<b>Financial Liabilities</b>				
Equities	\$ —	\$ —	\$ —	\$ —
Bonds	—	—	—	—
Options	—	600,688	—	600,688
Warrants	—	—	—	—
<b>Total</b>	<b>\$ —</b>	<b>\$ 600,688</b>	<b>\$ —</b>	<b>\$ 600,688</b>

The following table reconciles the Fund's Level 3 fair value measurement of financial instruments for the six months ended June 30, 2019.

	Equities	Bonds	Total
Balance, December 31, 2018	\$ —	\$ 32,407,065	\$ 32,407,065
Change in unrealized depreciation in value of investments	—	(13,486,342)	(13,486,342)
<b>Balance, June 30, 2019</b>	<b>\$ —</b>	<b>\$ 18,920,723</b>	<b>\$ 18,920,723</b>

# CHOU FUNDS

## Notes to Financial Statements (continued)

Six months ended June 30, 2019 and 2018 (Unaudited)

### 8. Fair value measurement (continued):

#### (a) Chou Associates Fund (continued):

The following table reconciles the Fund's Level 3 fair value measurement of financial instruments for the year ended December 31, 2018.

	Equities	Bonds	Total
Balance, December 31, 2017	\$ —	\$ —	\$ —
Purchase of investments	—	—	—
Proceeds from sales during the year	—	—	—
Net transfers in (out) during the year	—	32,407,065	32,407,065
Net realized gain on sale of investments	—	—	—
Change in unrealized depreciation in value of investments	—	—	—
Balance, December 31, 2018	\$ —	\$ 32,407,065	\$ 32,407,065

During the six months ended June 30, 2019, equities valued at \$684,652 were transferred from Level 1 to Level 2 due to a decrease in liquidity and trading volumes.

Equities valued at \$895,854 at December 31, 2018 were transferred from Level 2 to Level 1 during 2018 due to an increase in liquidity and trading volumes.

Financial instruments classified as Level 2 investments are valued based on the prices provided by an independent reputable pricing services company who prices the securities based on recent transactions and quotes received from market participants and through incorporating observable market data.

During 2018, bonds valued at \$32,407,605 were transferred from Level 2 to Level 3.

#### Level 3 additional disclosures:

The table below sets out information about significant unobservable inputs used at reporting period-end in measuring financial instruments categorized as Level 3 in the fair value hierarchy.

June 30, 2019

Securities/Instruments	Line item on the hierarchy table	Fair value (\$)	Valuation technique	Unobservable input	Range of input value	Possible shift +/- (absolute value/%)	Change in valuation (\$ +/-)
Term loan	Debt Security	18,920,723	Income Approach & Market Approach	Third party	N/A	10%	1,892,072/ (1,892,072)

#### Third party source

The price for this security was received from a third party source whose valuation methodology was model driven and included proxy security to capture interest rate and credit risk. Although the Fund believes that its estimates of fair value are appropriate, different methodologies or assumptions could lead to different measurements of fair value.

# CHOU FUNDS

## Notes to Financial Statements (continued)

Six months ended June 30, 2019 and 2018 (Unaudited)

### 8. Fair value measurement (continued):

#### (a) Chou Associates Fund (continued):

December 31, 2018

Securities/Instruments	Line item on the hierarchy table	Fair value (\$)	Valuation technique	Unobservable input	Range of input value	Possible shift +/- (absolute value/%)	Change in valuation (\$ +/-)
Term loan	Debt Security	32,407,065	Income Approach	Third party	N/A	10%	3,240,706/ (3,240,706)

#### Third party source

The price for this security was received from a third party source whose valuation methodology was model driven and included proxy security to capture interest rate and credit risk. Although the Fund believes that its estimates of fair value are appropriate, different methodologies or assumptions could lead to different measurements of fair value.

#### (b) Chou Asia Fund:

June 30, 2019	Level 1	Level 2	Level 3	Total
<b>Financial Assets</b>				
Equities	\$ 13,015,067	\$ 2,169,944	\$ —	\$ 15,185,011
Bonds	—	—	—	—
Options	—	—	—	—
Total	\$ 13,015,067	\$ 2,169,944	\$ —	\$ 15,185,011

December 31, 2018	Level 1	Level 2	Level 3	Total
<b>Financial Assets</b>				
Equities	\$ 14,244,912	\$ —	\$ —	\$ 14,244,912
Bonds	—	—	—	—
Options	—	—	—	—
Total	\$ 14,244,912	\$ —	\$ —	\$ 14,244,912

During the six months ended June 30, 2019, equities valued at \$2,169,944 were transferred from Level 1 to Level 2 due to a decrease in liquidity and trading volumes.

During the year ended December 31, 2018 there were no significant transfers between Level 1, Level 2 and Level 3.

# CHOU FUNDS

## Notes to Financial Statements (continued)

Six months ended June 30, 2019 and 2018 (Unaudited)

### 8. Fair value measurement (continued):

#### (c) Chou Europe Fund:

<b>June 30, 2019</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
<b>Financial Assets</b>				
Equities	\$ 4,710,673	\$ 260,905	\$ –	\$ 4,971,578
Bonds	–	–	–	–
Options	–	–	–	–
<b>Total</b>	<b>\$ 4,710,673</b>	<b>\$ 260,905</b>	<b>\$ –</b>	<b>\$ 4,971,578</b>

<b>December 31, 2018</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
<b>Financial Assets</b>				
Equities	\$ 5,403,768	\$ –	\$ –	\$ 5,403,768
Bonds	–	–	–	–
Options	–	–	–	–
<b>Total</b>	<b>\$ 5,403,768</b>	<b>\$ –</b>	<b>\$ –</b>	<b>\$ 5,403,768</b>

<b>Financial Liabilities</b>				
Equities	\$ –	\$ –	\$ –	\$ –
Bonds	–	–	–	–
Options	–	54,608	–	54,608
<b>Total</b>	<b>\$ –</b>	<b>\$ 54,608</b>	<b>\$ –</b>	<b>\$ 54,608</b>

During the six months ended June 30, 2019 and year ended December 31, 2018, there were no significant transfers between Level 1, Level 2 and Level 3.

Financial instruments classified as Level 2 investments are valued based on the prices provided by an independent reputable pricing services company who prices the securities based on recent transactions and quotes received from market participants and through incorporating observable market data.

# CHOU FUNDS

## Notes to Financial Statements (continued)

Six months ended June 30, 2019 and 2018 (Unaudited)

### 8. Fair value measurement (continued):

#### (d) Chou Bond Fund:

June 30, 2019	Level 1	Level 2	Level 3	Total
<b>Financial Assets</b>				
Equities	\$ 932,594	\$ –	\$ –	\$ 932,594
Bonds	–	7,586,569	1,468,529	9,055,098
Options	–	–	–	–
<b>Total</b>	<b>\$ 932,594</b>	<b>\$ 7,586,569</b>	<b>\$ 1,468,529</b>	<b>\$ 9,987,692</b>

December 31, 2018	Level 1	Level 2	Level 3	Total
<b>Financial Assets</b>				
Equities	\$ 1,398,890	\$ –	\$ 2,928,934	\$ 4,327,824
Bonds	–	9,781,463	3,956,223	13,737,686
Options	–	–	–	–
<b>Total</b>	<b>\$ 1,398,890</b>	<b>\$ 9,781,463</b>	<b>\$ 6,885,157</b>	<b>\$ 18,065,510</b>

The following table reconciles the Fund's Level 3 fair value measurement of financial instruments for the six months ended June 30, 2019.

	Equities	Bonds	Total
Balance, December 31, 2018	\$ 2,928,934	\$ 3,956,223	\$ 6,885,157
Investment disposals during period	(2,928,934)	(1,405,172)	(4,334,106)
Realized gain on investments	1,734,426	877,976	2,612,402
Change in unrealized depreciation in value of investments	(1,734,426)	(1,960,498)	(3,694,924)
<b>Balance, June 30, 2019</b>	<b>\$ –</b>	<b>\$ 1,468,529</b>	<b>\$ 1,468,529</b>

The following table reconciles the Fund's Level 3 fair value measurement of financial instruments for the year ended December 31, 2018.

	Equities	Bonds	Total
Balance, December 31, 2017	\$ 407,129	\$ 1,273,869	\$ 1,680,998
Interest capitalized on loan	–	104,382	104,382
Outstanding principal and interest received	–	(517,795)	(517,795)
Net transfers in during the year	–	2,515,270	2,515,270
Change in unrealized appreciation in value of investments	2,521,805	580,497	3,102,302
<b>Balance, December 31, 2018</b>	<b>\$ 2,928,934</b>	<b>\$ 3,956,223</b>	<b>\$ 6,885,157</b>

During 2018, equities valued at \$1,398,890 were transferred from Level 2 to Level 1 due to an increase in liquidity and trading volumes.

# CHOU FUNDS

## Notes to Financial Statements (continued)

Six months ended June 30, 2019 and 2018 (Unaudited)

### 8. Fair value measurement (continued):

#### (d) Chou Bond Fund (continued):

During 2018, bonds valued at \$2,515,270 were transferred from Level 2 to Level 3 due to a reduction in liquidity and trading volume.

Financial instruments classified as Level 2 investments are valued based on the prices provided by an independent reputable pricing services company who prices the securities based on recent transactions and quotes received from market participants and through incorporating observable market data.

#### Level 3 additional disclosures:

The table below sets out information about significant unobservable inputs used at reporting period-end in measuring financial instruments categorized as Level 3 in the fair value hierarchy.

June 30, 2019

Securities/Instruments	Line item on the hierarchy table	Fair value (\$)	Valuation technique	Unobservable input	Range of input value	Possible shift +/- (absolute value/%)	Change in valuation (\$ +/-)
Term loan	Debt Security	1,468,529	Market Approach & Income Approach	Third party	N/A	10%	146,853/ (146,853)

#### Third party source

The price for this security was received from a third party source whose valuation methodology was model driven and included proxy security to capture interest rate and credit risk. Although the Fund believes that its estimates of fair value are appropriate, different methodologies or assumptions could lead to different measurements of fair value.

December 31, 2018

Securities/Instruments	Line item on the hierarchy table	Fair value (\$)	Valuation technique	Unobservable input	Range of input value	Possible shift +/- (absolute value/%)	Change in valuation (\$ +/-)
Term loan	Debt Security	2,515,270	Income Approach	Third party	N/A	10%	251,527/ (251,527)
Term loan	Debt Security	1,440,953	Market Approach	Market value of company	N/A	10%	144,095/ (144,095)
Equity – Private Company	Equity Security	2,928,934	Market Approach	Market value of company	N/A	10%	292,893/ (292,893)

#### Third party source

The price for this security was received from a third party source whose valuation methodology was model driven and included proxy security to capture interest rate and credit risk. Although the Fund believes that its estimates of fair value are appropriate, different methodologies or assumptions could lead to different measurements of fair value.

# CHOU FUNDS

## Notes to Financial Statements (continued)

Six months ended June 30, 2019 and 2018 (Unaudited)

### 8. Fair value measurement (continued):

#### (e) Chou RRSP Fund:

June 30, 2019	Level 1	Level 2	Level 3	Total
<b>Financial Assets</b>				
Equities	\$ 47,258,599	\$ 241,816	\$ -	\$ 47,500,415
Bonds	-	3,819,885	4,451,619	8,271,504
Warrants	-	-	-	-
Options	-	-	-	-
Total	\$ 47,258,599	\$ 4,061,701	\$ 4,451,619	\$ 55,771,919
December 31, 2018	Level 1	Level 2	Level 3	Total
<b>Financial Assets</b>				
Equities	\$ 48,607,608	\$ -	\$ -	\$ 48,607,608
Bonds	-	3,219,885	7,624,651	10,844,536
Warrants	-	-	-	-
Options	-	-	-	-
Total	\$ 48,607,608	\$ 3,219,885	\$ 7,624,651	\$ 59,452,144
<b>Financial Liabilities</b>				
Equities	\$ -	\$ -	\$ -	\$ -
Bonds	-	-	-	-
Options	-	(10,239)	-	(10,239)
Total	\$ -	\$ (10,239)	\$ -	\$ (10,239)

The following table reconciles the Fund's Level 3 fair value measurement of financial instruments for the six months ended June 30, 2019.

	Equities	Bonds	Total
Balance, December 31, 2018	\$ -	\$ 7,624,651	\$ 7,624,651
Change in unrealized depreciation in value of investments	-	(3,173,032)	(3,173,032)
Balance, June 30, 2019	\$ -	\$ 4,451,619	\$ 4,451,619

# CHOU FUNDS

## Notes to Financial Statements (continued)

Six months ended June 30, 2019 and 2018 (Unaudited)

### 8. Fair value measurement (continued):

#### (e) Chou RRSP Fund (continued):

The following table reconcile the Fund's Level 3 fair value measurement of financial instruments for the year ended December 31, 2018.

	Equities	Bonds	Total
Balance, December 31, 2017	\$ -	\$ -	\$ -
Net transfers in during the year	-	7,624,651	7,624,651
Balance, December 31, 2018	\$ -	\$ 7,624,651	\$ 7,624,651

Financial instruments classified as Level 2 investments are valued based on the prices provided by an independent reputable pricing services company who prices the securities based on recent transactions and quotes received from market participants and through incorporating observable market data.

During the six months ended June 30, 2019, equities valued at \$241,816 were transferred from Level 1 to Level 2 due to a decrease in liquidity and trading volumes.

During 2018, equities valued at \$1,405,722 were transferred from Level 2 to Level 1 due an increase in liquidity and trading volumes.

During 2018, bonds valued at \$7,624,651 were transferred from Level 2 to Level 3.

#### Level 3 additional disclosures:

The table below sets out information about significant unobservable inputs used at reporting period-end in measuring financial instruments categorized as Level 3 in the fair value hierarchy.

#### June 30, 2019

Securities/Instruments	Line item on the hierarchy table	Fair value (\$)	Valuation technique	Unobservable input	Range of input value	Possible shift +/- (absolute value/%)	Change in valuation (\$ +/-)
Term loan	Debt Security	4,451,619	Income Approach & Market Approach	Third party	N/A	10%	445,162/ (445,162)

#### Third party source

The price for this security was received from a third party source whose valuation methodology was model driven and included proxy security to capture interest rate and credit risk. Although the Fund believes that its estimates of fair value are appropriate, different methodologies or assumptions could lead to different measurements of fair value.

# CHOU FUNDS

## Notes to Financial Statements (continued)

Six months ended June 30, 2019 and 2018 (Unaudited)

### 8. Fair value measurement (continued):

#### (e) Chou RRSP Fund (continued):

December 31, 2018

Securities/Instruments	Line item on the hierarchy table	Fair value (\$)	Valuation technique	Unobservable input	Range of input value	Possible shift +/- (absolute value/%)	Change in valuation (\$) +/-
Term loan	Debt Security	7,624,651	Income Approach	Third party	N/A	10%	762,465/ (762,465)

#### Third party source

The price for this security was received from a third party source whose valuation methodology was model driven and included proxy security to capture interest rate and credit risk. Although the Fund believes that its estimates of fair value are appropriate, different methodologies or assumptions could lead to different measurements of fair value.

### 9. Net gain (loss) from financial assets at fair value through profit or loss:

#### (a) Chou Associates Fund:

	Period ended June 30,	
	2019	2018
Financial instruments at FVTPL:		
Held-for-trading	\$ 523,601	\$ (5,764,467)
Designated at inception	(4,986,917)	(11,024)
	\$ (4,463,316)	\$ (5,775,491)

#### (b) Chou Asia Fund:

	Period ended June 30,	
	2019	2018
Financial instruments at FVTPL:		
Designated at inception	\$ (102,312)	\$ (1,628,706)
	\$ (102,312)	\$ (1,628,706)

# CHOU FUNDS

## Notes to Financial Statements (continued)

Six months ended June 30, 2019 and 2018 (Unaudited)

### 9. Net gain (loss) from financial assets at fair value through profit or loss (continued):

#### (c) Chou Europe Fund:

	Period ended June 30,	
	2019	2018
Financial instruments at FVTPL:		
Held-for-trading	\$ 43,577	\$ –
Designated at inception	\$ (464,692)	\$ 486,997
	\$ (421,115)	\$ 486,997

#### (d) Chou Bond Fund:

	Period ended June 30,	
	2019	2018
Financial instruments at FVTPL:		
Held-for-trading	\$ –	\$ –
Designated at inception	(2,619,514)	(1,190,395)
	\$ (2,619,514)	\$ (1,190,395)

#### (e) Chou RRSP Fund:

	Period ended June 30,	
	2019	2018
Financial instruments at FVTPL:		
Held-for-trading	\$ 10,240	\$ (89,301)
Designated at inception	(4,075,090)	6,421,482
	\$ (4,064,850)	\$ 6,332,181

The realized gain (loss) represents the difference between the carrying amount of the financial asset/liability at the beginning of the reporting year, or the transaction price if it was purchased during the reporting year, and the sale or settlement price.

The unrealized gain (loss) represents the difference between the carrying amount of a financial asset/liability at the beginning of the reporting period, or the transaction price if it was purchased during the reporting year, and its carrying amount at the end of the reporting year.

# CHOU FUNDS

## Notes to Financial Statements (continued)

Six months ended June 30, 2019 and 2018 (Unaudited)

### 10. 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 investment 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 redeemable units of the Funds 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.

The Funds have the following net realized capital losses available for utilization against net realized capital gains in future years:

	2019	June 30, 2018
Chou Europe Fund:		
Capital loss carryforward	\$ 3,048,569	\$ 2,457,076
Non-capital loss carryforward	50,174	–
Chou Bond Fund:		
Capital loss carryforward	11,217,036	11,221,707
Chou RRSP Fund:		
Capital loss carryforward	463,488	2,566,807
Chou Asia Fund:		
Capital loss carryforward	167,964	–

**Illustration of an assumed investment of \$10,000 in Canadian dollars (unaudited)**

**CHOU ASIA FUND**

<b>Period ended</b>	<b>Total value of shares</b>
Dec.31, 2003	\$10,000
Dec.31, 2004	11,850
Dec.31, 2005	12,678
Dec.31, 2006	14,598
Dec.31, 2007	16,972
Dec.31, 2008	13,979
Dec.31, 2009	17,015
Dec.31, 2010	18,786
Dec.31, 2011	17,931
Dec.31, 2012	17,609
Dec.31, 2013	21,799
Dec.31, 2014	23,472
Dec.31, 2015	24,760
Dec.31, 2016	25,284
Dec.31, 2017	30,625
Dec.31, 2018	26,728
<b>June 30, 2019</b>	<b><u>\$26,366</u></b>

**CHOU EUROPE FUND**

<b>Period ended</b>	<b>Total value of shares</b>
Dec.31, 2003	\$10,000
Dec.31, 2004	11,361
Dec.31, 2005	12,650
Dec.31, 2006	14,002
Dec.31, 2007	11,881
Dec.31, 2008	6,655
Dec.31, 2009	8,962
Dec.31, 2010	8,885
Dec.31, 2011	8,451
Dec.31, 2012	10,753
Dec.31, 2013	15,199
Dec.31, 2014	15,342
Dec.31, 2015	15,629
Dec.31, 2016	12,705
Dec.31, 2017	13,161
Dec.31, 2018	11,856
<b>June 30, 2019</b>	<b><u>\$11,048</u></b>

**CHOU BOND FUND**

<b>Period ended</b>	<b>Total value of shares</b>
Dec.31, 2005	\$10,000
Dec.31, 2006	12,200
Dec.31, 2007	11,870
Dec.31, 2008	7,396
Dec.31, 2009	10,534
Dec.31, 2010	13,980
Dec.31, 2011	11,408
Dec.31, 2012	12,884
Dec.31, 2013	15,944
Dec.31, 2014	17,502
Dec.31, 2015	16,875
Dec.31, 2016	18,411
Dec.31, 2017	18,114
Dec.31, 2018	20,805
<b>June 30, 2019</b>	<b><u>\$17,439</u></b>

## Illustration of an assumed investment of \$10,000 in Canadian dollars (unaudited)

### CHOU RRSP FUND

Period ended	Total value of shares
Dec.31, 1986	\$10,000
Dec.31, 1987	10,818
Dec.31, 1988	12,281
Dec.31, 1989	14,350
Dec.31, 1990	12,722
Dec.31, 1991	13,284
Dec.31, 1992	14,500
Dec.31, 1993	16,727
Dec.31, 1994	14,961
Dec.31, 1995	17,808
Dec.31, 1996	21,735
Dec.31, 1997	32,741
Dec.31, 1998	38,806
Dec.31, 1999	36,217
Dec.31, 2000	42,188
Dec.31, 2001	49,370
Dec.31, 2002	65,095
Dec.31, 2003	72,658
Dec.31, 2004	82,362
Dec.31, 2005	95,294
Dec.31, 2006	104,479
Dec.31, 2007	94,817
Dec.31, 2008	54,629
Dec.31, 2009	69,818
Dec.31, 2010	102,367
Dec.31, 2011	81,150
Dec.31, 2012	108,860
Dec.31, 2013	132,029
Dec.31, 2014	150,763
Dec.31, 2015	131,417
Dec.31, 2016	126,719
Dec.31, 2017	154,716
Dec.31, 2018	143,655
<b>June 30, 2019</b>	<b>\$132,582</b>

NOTE: Rates of return are historical total returns, include changes in unit prices, and assume the reinvestment of all distributions. These annual compounded returns do not take into account any sales charges, redemption fees, other optional expenses or income taxes that you have to pay and that could reduce these returns. The returns are not guaranteed. The Fund's past performance does not necessarily indicate future performance.

The table is presented only to illustrate the effects of the compound growth rate and is not intended to reflect future values of the mutual funds or returns on the mutual funds. Commissions, trailing commissions, management fees and expenses all may be associated with mutual fund investments. Please read the prospectus before investing.

**Chou Associates Management Inc.**

110 Sheppard Ave. East  
Suite 301, Box 18  
Toronto, Ontario  
M2N 6Y8

Tel: 416-214-0675  
Toll Free: 1-888-357-5070  
Fax: 416-214-1733  
Web: [www.choufunds.com](http://www.choufunds.com)  
E-mail: [admin@choufunds.com](mailto:admin@choufunds.com)

**Recordkeeping and Custodian**

CIBC Mellon  
1 York Street, Suite 900  
Toronto, Ontario  
M5J 0B6

Tel: 416-643-5540  
Toll Free: 1-866-379-3266  
Fax: 1-855-884-0493

**Auditors**

Grant Thornton LLP  
15 Allstate Parkway, Suite 200  
Markham, Ontario  
L3R 5B4

**Legal Counsel**

Owens Wright LLP  
20 Holly Street  
Suite 300  
Toronto, Ontario  
M4S 3B1