

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

**SEMI-ANNUAL REPORT 2022**

**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                      |
| Dec.31, 2019        | 200,244                      |
| Dec.31, 2020        | 181,288                      |
| Dec.31, 2021        | 276,407                      |
| <b>Jun.30, 2022</b> | <b>\$262,043</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, 2022 (unaudited)

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### **Chou Associates Fund**

Series A \$CAN (5.2%)

Series A \$US (6.8%)

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Series F \$CAN (4.9%)

Series F \$US (6.6%)

### **Chou Asia Fund**

Series A \$CAN (11.4%)

Series A \$US (12.9%)

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Series F \$CAN (11.2%)

Series F \$US (12.7%)

### **Chou Europe Fund**

Series A \$CAN (32.2%)

Series A \$US (33.3%)

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Series F \$CAN (32.0%)

Series F \$US (33.1%)

### **Chou Bond Fund**

Series A \$CAN 4.3%

Series A \$US 2.5%

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Series F \$CAN 4.4%

Series F \$US 2.6%

### **Chou RRSP Fund**

Series A \$CAN (19.6%)

Series A \$US (21.0%)

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Series F \$CAN (19.4%)

Series F \$US (20.8%)

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**CHOU ASSOCIATES FUND**  
(unaudited)

August 19, 2022

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, 2022 was \$134.85 compared to \$142.25 at December 31, 2021, a decrease of 5.20%; during the same period, the S&P 500 Total Return Index decreased by 18.56% in Canadian dollars. In U.S. dollars, a Series A unit of Chou Associates Fund decreased by 6.84% while the S&P 500 Total Return Index decreased by 19.97%.

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, 2022 (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 Fund (\$CAN)    | 5.0%          | 10.9%          | 4.2%           | 7.4%            | 4.3%            | 6.0%            |
| S&P 500 (\$CAN)                 | -7.3%         | 9.9%           | 11.1%          | 15.6%           | 9.9%            | 8.2%            |
| Chou Associates Fund (\$US)     | 1.2%          | 11.5%          | 4.4%           | 4.9%            | 3.0%            | 6.9%            |
| S&P 500 (\$US)                  | -10.6%        | 10.6%          | 11.3%          | 12.9%           | 8.5%            | 9.1%            |

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 largest increase in the period were the equity holdings of Exco Resources Inc. The Canadian currency depreciated against the US dollar, which also positively affected the Fund.

During the period, the Fund reduced its holdings in MBIA Inc., JPMorgan Chase & Company and Bausch Health Companies Inc. The preferred shares of Overstock.com, Inc. were converted into common stocks.

The Fund did not make any new investments or enter into any foreign currency contracts in the first half of 2022. The Fund sold a few covered call options on the equity holdings of Resolute Forest Products Inc. during the period ending June 30, 2022.

## **Portfolio Commentary**

### **Resolute Forest Products Inc. (“RFP”)**

As of June 30, 2022, the market price of RFP was US\$12.76 per share. Having said that, it is quite comical to us how a commodity stock can be hammered beyond all logical comprehension. RFP paid a special dividend of US\$1.50 a share in 2018, and it was trading as low as US\$1.17 per share in April 2020. Back in March 2020, the company announced that it would buy back 15% of its common shares for US\$100 million. At the lowest price of US\$1.17, the whole market capitalization would be approximately US\$99 million. In other words, instead of buying back 15% of the company with US\$100 million, it could repurchase 100% of the company. RFP shares have since recovered a very healthy 990.6% to US\$12.76 as of June 30, 2022.

The investment in RFP goes to show you what it takes to have the mindset of a value investor. I wrote about it in the 2021 annual letter, but it’s worth repeating. “When the stock is that cheap, assuming that you don’t own any shares, a rational investor should back up the truck and buy every share that is offered in the market. But what makes it difficult for some investors to buy is not the rational side of their mind but more the psychological aspect of it. In the stock market, you are bombarded with noises that affect a person’s rationality. It can get radically altered. Stock prices can move unrelated to the fundamentals of a business. During a bull market, you may see several stocks trading at anywhere from 50 times to more than 100 times earnings, and conversely, there can be several stocks that sold at 10 times earnings going down to below five times earnings. The fundamentals of the company are ignored and, instead, investors are transfixed on the price movements of the last couple of years. Then new narratives are written most convincingly on why these are the “new” paradigms, and why they are not worth giving weights and considerations to what the assets are worth and what the company can earn over several years. I remember talking to one value manager in 1999 when the tech stocks were in full bloom. He said, *“I have a family to feed and I will keep losing assets if I don’t accept the new headlines and paradigms. Sticking to buying companies that are undervalued is not the way to be successful in the long run”*. He changed his philosophy before the tech stocks were about to go into a severe decline over the next couple of years.”

“In spite of the price of RFP trading at US\$15.27 per share, it is still quite cheap. Let us look at a few facts. The shares may be able to get back close to US\$400 million in duties (approximately US\$5 per share), but the earning power over the next two years is most likely to be more than US\$3 per share annually and the lumber prices may stay elevated for a while because there is an imbalance between supply and demand in housing that may take a few years before it comes back into equilibrium. Meanwhile, it is making money hand over fist.”

Since June 30, 2022, RFP announced that Domtar will be purchasing the company. The transaction will be carried out by way of a merger between RFP and a newly created subsidiary of Domtar, providing for the conversion of each share of RFP common stock into the right to receive US\$20.50 per share, together with a CVR (Contingent Value Rights) entitling the holder to a share of future softwood lumber duty deposit refunds. Each share, on a fully diluted basis at closing, will be entitled to receive one CVR.

What it proves is that in investing, an accurate valuation of what a company is worth matters the most.

### **Bausch Health Companies Inc. (“Bausch Health”)**

In early August 2020, Bausch Health announced that it is planning to spin off its eye care business, Bausch + Lomb, into an independent publicly traded company. This will allow the company to concentrate on its gastroenterology, aesthetics/dermatology, neurology and international pharma business.

If Bausch Health had spun off Bausch + Lomb when it was announced in 2020, we would have made a healthy gain; but the two-year delay has considerably eroded the prices that Bausch Health could have fetched for Bausch + Lomb.

In hindsight, it was a mistake to wait for the spin-off of the Bausch + Lomb unit. At the time, we felt this would have been the much-needed catalyst to get Bausch Health to trade closer to \$40 per share.

In consolation, in 2021 and the first half of 2022, we were able to sell approximately 61% of the shares that we had in Bausch Health for an average price of US\$24.30 per share. In addition, we received close to US\$8.00 per share in premiums for writing covered call options on some of the shares.

### **EXCO Resources Inc. (“EXCO”)**

In early July 2019, the company emerged from bankruptcy and the 1.75 lien term loans were converted to 28.38 equity shares for every US\$1,000 in par value, after netting out certain adjustments. The equivalent price was US\$9.51 per share of EXCO.

Since it is a private company, I am not at liberty to divulge the latest financial statements but what I can tell you is that my calculation of its PV-10 value was approximately US\$1.5 billion (roughly \$30 per share) based on New York Mercantile Exchange (NYMEX) forward pricing as of December 31, 2021, and the net proved reserves was 2.6 trillion cubic feet equivalent. The value for PV-10 is considerably higher for June 30, 2022 and can be roughly calculated if one uses the New York Mercantile Exchange (NYMEX) forward pricing for June 30, 2022. Its number of shares outstanding was 51,341,478. We estimate that its EBITDA for the year ending 2022 will be approximately US\$225 million.

As a comparison, in 2018, the PV-10 value was US\$750 million.

Although a substantial portion of EXCO’s oil & gas production is hedged for the year 2022, we believe that EXCO can fetch much higher prices as the hedges have started to roll off.

## **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, 2022.

CREDIT DEFAULT SWAPS: None existed at June 30, 2022.

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 2021 IRC Annual Report is available on our website [www.choufunds.com](http://www.choufunds.com).

As of August 19, 2022, the NAVPU of a Series A unit of the Fund was \$150.75 and the cash position was approximately 13.1% of net assets. The Fund is up 6.0% from the beginning of the year. In U.S. dollars, it is up 3.2%.

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

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## Management's Responsibility for Financial Reporting

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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 International Financial Reporting Standards ("IFRS") 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 19, 2022

# CHOU ASSOCIATES FUND

## Statements of Financial Position

June 30, 2022 (Unaudited) and December 31, 2021

|   | June 30,<br>2022 | December 31,<br>2021 |
|---|------------------|----------------------|
| <b>Assets</b>   |                  |                      |
| Current assets:   |                  |                      |
| Cash and cash equivalents   | \$ -             | \$ 717,328           |
| Investments (note 8)  | 148,019,064      | 169,975,659          |
| Receivable for redeemable units subscribed                              | 500              | 500                  |
| Due from broker   | 548,006          | 41,302               |
| Dividends receivable  | 42,566           | 41,831               |
| Total assets  | 148,610,136      | 170,776,620          |
| <b>Liabilities</b>  |                  |                      |
| Current liabilities:  |                  |                      |
| Derivatives   | 1,228,632        | 5,350,739            |
| Bank overdraft  | 131,536          | -                    |
| Accrued expenses  | 220,738          | 278,713              |
| Payable for units redeemed  | 59,993           | 481,052              |
| Distributions payable   | -                | 11,900               |
| Due to broker   | -                | 40,988               |
| Total liabilities   | 1,640,899        | 6,163,392            |
| Net assets attributable to unitholders of redeemable units              | \$ 146,969,237   | \$ 164,613,228       |
| Net assets attributable to unitholders of redeemable units:             |                  |                      |
| Series A  | \$ 108,514,737   | \$ 152,105,748       |
| Series F  | 38,454,500       | 12,507,480           |
|   | \$ 146,969,237   | \$ 164,613,228       |
| Number of redeemable units outstanding (note 4):                        |                  |                      |
| Series A  | 804,685          | 1,069,315            |
| Series F  | 284,234          | 87,893               |
| Net assets attributable to unitholders of redeemable units<br>per unit: |                  |                      |
| Canadian dollars:   |                  |                      |
| Series A  | \$ 134.85        | \$ 142.25            |
| Series F  | 135.29           | 142.30               |
| U.S. dollars:   |                  |                      |
| Series A  | 104.76           | 112.46               |
| Series F  | 105.10           | 112.49               |

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, 2022 and 2021 (Unaudited)

|  | 2022           | 2021          |
|--|----------------|---------------|
| <b>Income:</b>   |                |               |
| Dividends  | \$ 188,874     | \$ 3,689,491  |
| Securities lending income (note 7)   | 2,164          | 3,132         |
| Other income   | –              | 234,642       |
| Foreign currency gain on cash and other net assets   | 66,654         | 148,548       |
| Other net changes in fair value of financial assets and<br>financial liabilities at fair value through profit or loss: |                |               |
| Net realized gain on disposal of investments   | 4,234,962      | 4,829,220     |
| Net realized gain (loss) on derivatives  | 870,391        | (736,119)     |
| Change in unrealized (depreciation) appreciation on investments  | (17,277,793)   | 50,403,208    |
| Change in unrealized appreciation (depreciation) on derivatives  | 5,249,725      | (326,402)     |
|  | (6,665,023)    | 58,245,720    |
| <b>Expenses:</b>   |                |               |
| Management fees (note 5)   | 1,253,059      | 1,313,503     |
| Custodial fees   | 120,134        | –             |
| Audit fees   | 79,768         | –             |
| Filing fees  | 28,100         | 23,999        |
| Independent review committee fees  | –              | 62,662        |
| FundSERV fees  | 16,265         | 12,127        |
| Legal fees   | 9,050          | 9,050         |
| Transaction costs (note 6)   | 105,485        | 203,219       |
| Foreign withholding taxes  | 29,690         | 554,470       |
| Other  | 3,449          | –             |
|  | 1,645,000      | 2,179,030     |
| (Decrease) increase in net assets attributable to unitholders<br>of redeemable units                                   | \$ (8,310,023) | \$ 56,066,690 |
| (Decrease) increase in net assets attributable to unitholders<br>of redeemable units per series:                       |                |               |
| Series A   | \$ (6,905,728) | \$ 50,750,170 |
| Series F   | (1,404,295)    | 5,316,520     |
|  | \$ (8,310,023) | \$ 56,066,690 |
| Average number of redeemable units outstanding for the period for the Series:  |                |               |
| Series A   | 940,875        | 1,419,878     |
| Series F   | 181,724        | 138,692       |
| (Decrease) increase in net assets attributable to unitholders<br>of redeemable units per unit:                         |                |               |
| Series A   | \$ (7.34)      | \$ 35.74      |
| Series F   | (7.73)         | 38.33         |

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, 2022 and 2021 (Unaudited)

|   | 2022           | 2021           |
|---|----------------|----------------|
| <b>Series A</b>   |                |                |
| Net assets attributable to unitholders of redeemable units, beginning of period   | \$ 152,105,748 | \$ 137,794,110 |
| (Decrease) increase in net assets attributable to unitholders of redeemable units | (6,905,728)    | 50,750,170     |
| Proceeds from issue of redeemable units   | 262,355        | 1,468,741      |
| Payments on redemption of redeemable units  | (36,947,638)   | (12,860,566)   |
| Net assets attributable to unitholders of redeemable units, end of period         | \$ 108,514,737 | \$ 177,152,455 |
| <b>Series F</b>   |                |                |
| Net assets attributable to unitholders of redeemable units, beginning of period   | \$ 12,507,480  | \$ 15,443,229  |
| (Decrease) increase in net assets attributable to unitholders of redeemable units | (1,404,295)    | 5,316,520      |
| Proceeds from issue of redeemable units   | 30,190,344     | 383,936        |
| Payments on redemption of redeemable units  | (2,839,029)    | (6,552,811)    |
| Net assets attributable to unitholders of redeemable units, end of period         | \$ 38,454,500  | \$ 14,590,874  |
| Total net assets attributable to unitholders of redeemable units, end of period   | \$ 146,969,237 | \$ 191,743,329 |

See accompanying notes to financial statements.

# CHOU ASSOCIATES FUND

## Statements of Cash Flows

Six months ended June 30, 2022 and 2021 (Unaudited)

|   | 2022                | 2021                |
|---|---------------------|---------------------|
| <b>Cash flows from operating activities:</b>                                      |                     |                     |
| (Decrease) increase in net assets attributable to unitholders of redeemable units | \$ (8,310,023)      | \$ 56,066,690       |
| Adjustments for:  |                     |                     |
| Foreign currency gain on cash and other net assets                                | (66,654)            | (148,548)           |
| Net realized gain on disposal of investments and derivatives                      | (5,105,353)         | (4,093,101)         |
| Change in unrealized depreciation (appreciation) on investments and derivatives   | 12,028,068          | (50,076,806)        |
| Change in non-cash operating working capital:                                     |                     |                     |
| Increase in dividends receivable  | (735)               | (2,966,292)         |
| Decrease in accrued expenses  | (57,975)            | (330,052)           |
| Purchase of investments   | (1,315,638)         | (5,400,553)         |
| Proceeds from sales of investments  | 11,679,719          | 29,327,654          |
| Net cash generated from operating activities                                      | 8,851,409           | 22,378,992          |
| <b>Cash flows from financing activities:</b>                                      |                     |                     |
| Distributions paid to unitholders   | (11,900)            | -                   |
| Proceeds from redeemable units issued   | 30,452,699          | 1,828,177           |
| Amount paid on redemption of redeemable units                                     | (40,207,726)        | (19,736,165)        |
| Net cash used in financing activities   | (9,766,927)         | (17,907,988)        |
| Foreign currency gain on cash and other net assets                                | 66,654              | 148,548             |
| (Decrease) increase in cash and cash equivalents                                  | ( 848,864)          | 4,619,552           |
| Cash and cash equivalents, beginning of period                                    | 717,328             | 18,151              |
| <b>(Bank overdraft) Cash and cash equivalents, end of period</b>                  | <b>\$ (131,536)</b> | <b>\$ 4,637,703</b> |
| Supplemental information:   |                     |                     |
| Dividends received, net of withholding tax  | \$ 158,449          | \$ 168,729          |
| Security lending income received  | 2,164               | 3,132               |

See accompanying notes to financial statements.

# CHOU ASSOCIATES FUND

## Schedule of Investments

June 30, 2022 (Unaudited)

|  | Number of securities | Cost          | Fair value     |
|--|----------------------|---------------|----------------|
| <b>Equities*</b>                                     |                      |               |                |
| Bausch Health Companies Inc.                         | 515,000              | \$ 11,130,250 | \$ 5,541,911   |
| Berkshire Hathaway Inc., Class 'A'                   | 100                  | 10,546,612    | 52,640,044     |
| Citigroup Inc.                                       | 57,695               | 1,457,677     | 3,415,448      |
| EXCO Resources Inc.                                  | 1,281,244            | 31,646,701    | 38,286,579     |
| JPMorgan Chase & Company                             | 24,275               | 1,696,592     | 3,518,700      |
| MBIA Inc.  | 199,530              | 1,380,805     | 3,171,913      |
| Overstock.com Inc.                                   | 38,405               | 882,610       | 1,236,367      |
| Resolute Forest Products Inc.                        | 2,222,772            | 33,352,515    | 36,508,301     |
| The Goldman Sachs Group Inc.                         | 7,100                | 888,365       | 2,714,501      |
| Wells Fargo & Company                                | 19,542               | 1,042,763     | 985,300        |
| Total long investments                               |                      | 94,024,890    | 148,019,064    |
| Transaction costs                                    |                      | (513,918)     | –              |
| Total Investments in Non-Derivative Financial Assets |                      | 93,510,972    | 148,019,064    |
| Derivative Liabilities                               |                      | –             | (1,228,632)    |
| Portfolio total                                      |                      | \$ 93,510,972 | \$ 146,790,432 |

## 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>       |              |             |          |                  |                       |                       |
| Bausch Health Companies Inc.      | 40.00        | 01-20-23    | USD      | (2,000)          | (1,307,968)           | (14,159)              |
| Bausch Health Companies Inc.      | 50.00        | 01-20-23    | USD      | (2,000)          | (901,857)             | (10,297)              |
| Resolute Forest Products Inc.     | 15.00        | 01-20-23    | USD      | (5,000)          | (1,258,710)           | (981,490)             |
| Resolute Forest Products Inc.     | 15.00        | 07-15-22    | USD      | (5,000)          | (664,746)             | (160,900)             |
| Resolute Forest Products Inc.     | 17.50        | 07-15-22    | USD      | (6,000)          | (866,272)             | (61,786)              |
| <b>Total Written Call Options</b> |              |             |          |                  | <b>\$ (4,999,553)</b> | <b>\$ (1,228,632)</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, 2022 and 2021 (Unaudited)

### Investment objective and strategies:

Chou Associates 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, government and corporate bonds and short-term debt. The Fund may also use derivatives such as, but not limited to, futures, options, swaps and forward contracts to gain exposure to securities and asset classes consistent with the objectives of the Fund, and to hedge portfolio exposure against losses from foreign currency and domestic currency exposure and changes in securities prices.

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. 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 74.67% (December 31, 2021 – 91.84%) of the Fund's net assets held at June 30, 2022 were publicly traded equities. If equity prices on the exchange had increased or decreased by 5% as at June 30, 2022, the net assets of the Fund would have increased or decreased by approximately \$5,486,624 or 3.73% (December 31, 2021 – \$7,558,771 or 4.59%) 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, 2022 and December 31, 2021 expressed in CAD are as follows:

| June 30, 2022              | Investments and derivatives | Cash and cash equivalents | Net other assets and liabilities | Total          | Percentage of net asset value |
|----------------------------|-----------------------------|---------------------------|----------------------------------|----------------|-------------------------------|
| United States dollar (USD) | \$ 146,790,432              | \$ 16,490                 | \$ 590,571                       | \$ 147,397,493 | 100.3%                        |

| December 31, 2021          | Investments and derivatives | Cash and cash equivalents | Net other assets and liabilities | Total          | Percentage of net asset value |
|----------------------------|-----------------------------|---------------------------|----------------------------------|----------------|-------------------------------|
| United States dollar (USD) | \$ 164,624,920              | \$ 100,633                | \$ 41,830                        | \$ 164,767,383 | 100.1%                        |

# CHOU ASSOCIATES FUND

## Discussion of Financial Risk Management

Six months ended June 30, 2022 and 2021 (Unaudited)

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Financial risk management (continued):

**(b) Foreign currency risk (continued):**

The amounts in the above tables are based on the market value of the Fund's financial instruments. This includes cash and cash equivalents, investments, dividends receivable, receivable for redeemable units subscribed, derivatives and payable for units redeemed that are denominated in foreign currencies.

As at June 30, 2022, 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 \$1,473,975 (December 31, 2021 - \$1,647,674).

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

**CHOU ASIA FUND**  
(unaudited)

August 19, 2022

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, 2022 was \$20.75 compared to \$23.42 at December 31, 2021, a decrease of 11.4%; during the same period, the MSCI AC (Morgan Stanley Capital International All Country) Asia Pacific Total Return Index in Canadian dollars decreased by 15.5%. In U.S. dollars, a Series A unit of Chou Asia Fund was down 12.9% while the MSCI AC Asia Pacific Total Return Index decreased by 17.0%.

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

| <b>June 30, 2022 (Series A)</b> | <b>1 Year</b> | <b>3 Years</b> | <b>5 Years</b> | <b>10 Years</b> | <b>15 Years</b> |
|---------------------------------|---------------|----------------|----------------|-----------------|-----------------|
| Chou Asia Fund (\$CAN)          | -22.7%        | 14.0%          | 7.2%           | 8.4%            | 5.6%            |
| MSCI AC Asia Pacific TR (\$CAN) | -19.0%        | 1.7%           | 3.1%           | 8.5%            | 4.5%            |
| Chou Asia Fund (\$US)           | -25.5%        | 14.7%          | 7.4%           | 5.9%            | 4.3%            |
| MSCI AC Asia Pacific TR (\$US)  | -21.9%        | 2.2%           | 3.2%           | 6.0%            | 3.1%            |

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 advancers in the first half of 2022 were the equity holdings of BYD Company Limited, Postal Savings Bank of China Co Ltd, and Shriram Transport Finance Company Limited. The largest decliners in the same period were the equity holdings of China Yuchai International Limited, Samsung Electronics Company Limited, and AJIS CO LTD.

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

During the period, the Fund did not reduce any of its holdings in the portfolio.

The Fund added an equity holding of JD.com Inc as it received shares from dividend payouts from Tencent Holdings Limited.

The Fund did not enter into any foreign currency contracts during the period. The Fund also had no covered call options in its portfolio as at June 30, 2022.

## **Portfolio Commentary**

### **China**

1) The Rule of Law does not properly exist in China. Unlike in the United States where your grievances can be addressed by the impartial judicial system, in China, it is controlled by the Communist Party, and political decisions take precedence over the facts of the case.

2) You cannot trust the local auditors even if they are independent. Under the guise of “National security concerns”, foreign international auditors cannot work-- or if they do perform the work -- have to toe the party line. Therefore, it is hard to be comfortable with the numbers.

3) One of the most irritating aspects is the ownership of securities. As a shareholder, you do not own the companies you are investing in. You own a shell that has the right to the earnings of the company that you have supposedly invested in. It is called “Variable Interest Entity”. If such a system existed in the United States or Canada, you would call it, “A Total Bullshit System” that is meant to fleece the shareholders.

Based on the above considerations, if you come to the conclusion that China is UNINVESTABLE, you are absolutely correct.

However, let us look at the positive side.

- 1) China has adopted pro-market reforms over 40 years ago and it has lifted the economy to become the second-biggest economy in the world just behind the USA. In 2002, according to the World Bank, its GDP was 13.4% of the USA; in 2020 it was 70.3%.
- 2) Its share of the growth in the world economy is over 50% since 2011, according to the World Bank.
- 3) This growth will continue in the future and at some point, its GDP will be greater than the USA.

The question is, how do we handicap the risk. We invested in China several years ago and we have done quite well, to say it modestly. For example, in late 2011 and in 2012, we purchased 250,000 shares of BYD Company Limited at \$11.70 HKD per share and one million shares of BYD Electronic (International) Company at \$1.58 HKD per share. On June 30, 2022, BYD Company Limited and BYD Electronic (International) Company closed at \$314.00 HKD and \$24.75 HKD per share, respectively.

I believe the best way to handicap the risk is to buy excellent Chinese companies at a considerable discount to comparable American companies. Caveat Emptor!!!

### **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 15.5% of net assets as at June 30, 2022. 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, 2022.

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

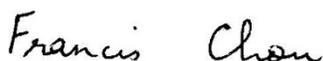
**REDEMPTION FEE:** We have a redemption fee of 2% if unitholders redeem their units in less than 3 months. None of this fee goes to the Fund Manager. It is put back into the Fund for the benefit of the remaining unitholders.

**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 2021 IRC Annual Report is available on our website [www.choufunds.com](http://www.choufunds.com).

As of August 19, 2022, the NAVPU of a Series A unit of the Fund was \$20.24 and the cash position was approximately 15.9% of net assets. The Fund is down 13.6% from the beginning of the year. In U.S. dollars, it is down 15.9%.

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, 2022 (Unaudited) and December 31, 2021

|   | June 30,<br>2022 | December 31,<br>2021 |
|---|------------------|----------------------|
| <b>Assets</b>   |                  |                      |
| Current assets:   |                  |                      |
| Cash and cash equivalents   | \$ 2,332,293     | \$ 2,437,553         |
| Investments (note 8)  | 12,705,127       | 15,788,374           |
| Receivable for redeemable units subscribed                              | –                | 5,000                |
| Due from broker   | –                | 497,672              |
| Interest receivable   | 2,059            | 2,723                |
| Dividends receivable  | 42,876           | 22,011               |
| Total assets  | 15,082,355       | 18,753,333           |
| <b>Liabilities</b>  |                  |                      |
| Current liabilities:  |                  |                      |
| Accrued expenses  | 64,307           | 55,173               |
| Payable for units redeemed  | –                | 10,342               |
| Distributions payable   | –                | 114,515              |
| Total liabilities   | 64,307           | 180,030              |
| Net assets attributable to unitholders of redeemable units              | \$ 15,018,048    | \$ 18,573,303        |
| Net assets attributable to unitholders of redeemable units:             |                  |                      |
| Series A  | \$ 7,048,055     | \$ 17,293,917        |
| Series F  | 7,969,993        | 1,279,386            |
|   | \$ 15,018,048    | \$ 18,573,303        |
| Number of redeemable units outstanding (note 4):                        |                  |                      |
| Series A  | 339,660          | 738,334              |
| Series F  | 373,840          | 53,316               |
| Net assets attributable to unitholders of redeemable units<br>per unit: |                  |                      |
| Canadian dollars:   |                  |                      |
| Series A  | \$ 20.75         | \$ 23.42             |
| Series F  | 21.32            | 24.00                |
| U.S. dollars:   |                  |                      |
| Series A  | 16.12            | 18.52                |
| Series F  | 16.56            | 18.97                |

See accompanying notes to financial statements.

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

Francis Chou



# CHOU ASIA FUND

## Statements of Comprehensive Income (Loss)

Six months ended June 30, 2022 and 2021 (Unaudited)

|   | 2022           | 2021         |
|---|----------------|--------------|
| <b>Income:</b>  |                |              |
| Interest for distribution purposes and other  | \$ –           | \$ 654       |
| Dividends   | 167,485        | 324,983      |
| Securities lending income (note 7)  | 4,225          | 9,633        |
| Other income  | –              | 31,401       |
| Foreign currency gain (loss) on cash and other net assets   | 6,494          | (44,140)     |
| Other net changes in fair value of financial assets and financial liabilities at fair value through profit or loss: |                |              |
| Net realized gain on disposal of investments  | 918,522        | 1,772,125    |
| Change in unrealized (depreciation) appreciation on investments   | (3,063,476)    | 599,906      |
|   | (1,966,750)    | 2,694,562    |
| <b>Expenses:</b>  |                |              |
| Management fees (note 5)  | 124,201        | 171,804      |
| Custodial fees  | 30,131         | –            |
| ADR fees  | 544            | –            |
| Audit   | 7,223          | 4,561        |
| Filing fees   | 2,663          | 5,400        |
| Independent review committee fees   | –              | 5,573        |
| FundSERV fees   | 1,499          | 1,165        |
| Legal fees  | 451            | –            |
| Transaction costs (note 6)  | 2,386          | 4,675        |
| Foreign withholding taxes   | 17,937         | 20,093       |
| Other   | 327            | –            |
|   | 187,362        | 213,271      |
| (Decrease) increase in net assets attributable to unitholders of redeemable units                                   | \$ (2,154,112) | \$ 2,481,291 |
| (Decrease) increase in net assets attributable to unitholders of redeemable units per Series:                       |                |              |
| Series A  | \$ (2,215,460) | \$ 2,262,596 |
| Series F  | 61,348         | 218,695      |
|   | \$ (2,154,112) | \$ 2,481,291 |
| Average number of redeemable units outstanding for the period for the Series:                                       |                |              |
| Series A  | 548,178        | 691,434      |
| Series F  | 208,940        | 54,598       |
| (Decrease) increase in net assets attributable to unitholders of redeemable units per unit:                         |                |              |
| Series A  | \$ (4.04)      | \$ 3.27      |
| Series F  | 0.29           | 4.01         |

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, 2022 and 2021 (Unaudited)

|   | 2022          | 2021          |
|---|---------------|---------------|
| <b>Series A</b>   |               |               |
| Net assets attributable to unitholders of redeemable units, beginning of period   | \$ 17,293,917 | \$ 19,785,504 |
| (Decrease) increase in net assets attributable to unitholders of redeemable units | (2,215,460)   | 2,262,596     |
| Proceeds from issue of redeemable units   | 13,274        | 1,880,484     |
| Payments on redemption of redeemable units  | (8,043,676)   | (2,542,834)   |
| Net assets attributable to unitholders of redeemable units, end of period         | \$ 7,048,055  | \$ 21,385,750 |
| <b>Series F</b>   |               |               |
| Net assets attributable to unitholders of redeemable units, beginning of period   | \$ 1,279,386  | \$ 1,769,819  |
| Increase in net assets attributable to unitholders of redeemable units            | 61,348        | 218,695       |
| Proceeds from issue of redeemable units   | 6,921,468     | 33,586        |
| Payments on redemption of redeemable units  | (292,209)     | (341,721)     |
| Net assets attributable to unitholders of redeemable units, end of period         | \$ 7,969,993  | \$ 1,680,379  |
| Total net assets attributable to unitholders of redeemable units, end of period   | \$ 15,018,048 | \$ 23,066,129 |

See accompanying notes to financial statements.

# CHOU ASIA FUND

## Statements of Cash Flows

Six months ended June 30, 2022 and 2021 (Unaudited)

|   | 2022           | 2021         |
|---|----------------|--------------|
| <b>Cash flows from operating activities:</b>                                      |                |              |
| (Decrease) increase in net assets attributable to unitholders of redeemable units | \$ (2,154,112) | \$ 2,481,291 |
| Adjustments for:  |                |              |
| Foreign currency (gain) loss on cash and other net assets                         | (6,494)        | 44,140       |
| Net realized gain on disposal of investments                                      | (918,522)      | (1,772,125)  |
| Change in unrealized depreciation (appreciation) on investments                   | 3,063,476      | (599,906)    |
| Change in non-cash operating working capital:                                     |                |              |
| Decrease (increase) in interest receivable  | 664            | (945)        |
| Increase in dividends receivable  | (20,865)       | (202,054)    |
| Increase (decrease) in accrued expenses   | 9,134          | (36,077)     |
| Purchase of investments   | (9,999)        | –            |
| Proceeds from sales of investments  | 1,445,964      | 1,889,436    |
| Net cash generated from operating activities                                      | 1,409,246      | 1,803,760    |
| <b>Cash flows from financing activities:</b>                                      |                |              |
| Distributions paid to unitholders   | (114,515)      | –            |
| Proceeds from redeemable units issued   | 6,939,742      | 1,919,070    |
| Amount paid on redemption of redeemable units                                     | (8,346,227)    | (2,957,820)  |
| Net cash used in financing activities   | (1,521,000)    | (1,038,750)  |
| Foreign currency gain (loss) on cash and other net assets                         | 6,494          | (44,140)     |
| (Decrease) increase in cash and cash equivalents                                  | (105,260)      | 720,870      |
| Cash and cash equivalents, beginning of period                                    | 2,437,553      | 1,388,935    |
| Cash and cash equivalents, end of period  | \$ 2,332,293   | \$ 2,109,805 |
| <b>Supplemental information:</b>  |                |              |
| Interest received   | \$ 664         | \$ –         |
| Dividends received, net of withholding taxes                                      | 128,683        | 102,836      |
| Security lending income received  | 4,225          | 9,633        |

See accompanying notes to financial statements.

# CHOU ASIA FUND

## Schedule of Investments

June 30, 2022 (Unaudited)

|  | Number of<br>securities | Cost                | Fair value           |
|--|-------------------------|---------------------|----------------------|
| <b>Equities*</b>                               |                         |                     |                      |
| AJIS Company Limited                           | 30,400                  | \$ 213,157          | \$ 599,884           |
| Atlas Corporation, Series 'H'                  | 19,711                  | 619,057             | 628,210              |
| BYD Company Limited, Class 'H'                 | 33,000                  | 57,005              | 1,699,797            |
| BYD Electronic (International) Company Limited | 798,000                 | 193,535             | 3,239,899            |
| Capital A Berhad                               | 650,000                 | 670,997             | 115,797              |
| China Yuchai International Limited             | 73,364                  | 1,242,575           | 832,909              |
| Consun Pharmaceutical Group Limited            | 279,000                 | 209,880             | 191,308              |
| Hanfeng Evergreen Inc.                         | 95,850                  | 228,548             | –                    |
| IDFC Limited                                   | 1,010,000               | 750,376             | 809,124              |
| JD.com Inc., Class 'A'                         | 219                     | 9,997               | 9,082                |
| POSCO Holdings Inc., ADR                       | 21,000                  | 1,259,883           | 1,203,429            |
| Postal Savings Bank of China Company Limited   | 456,000                 | 401,912             | 466,022              |
| Pyne Gould Corporation Limited                 | 4,177,219               | 933,969             | 973,866              |
| Samsung Electronics Company Limited, GDR       | 420                     | 500,073             | 589,821              |
| Shriram Transport Finance Company Limited      | 51,642                  | 942,551             | 1,078,552            |
| Tencent Holdings Limited                       | 4,600                   | 320,965             | 267,427              |
| <b>Total long</b>                              |                         | <b>8,554,480</b>    | <b>12,705,127</b>    |
| <b>Total investments</b>                       |                         | <b>8,554,480</b>    | <b>12,705,127</b>    |
| Transaction costs                              |                         | (20,056)            | –                    |
| <b>Portfolio total</b>                         |                         | <b>\$ 8,534,424</b> | <b>\$ 12,705,127</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, 2022 and 2021 (Unaudited)

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### **Investment objective and strategies:**

Chou Asia Fund's objective is to provide long-term growth of capital by investing primarily in equity 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, government and corporate bonds and short-term debt. The Fund may also use derivatives such as, but not limited to, futures, options, swaps and forward contracts to gain exposure to securities and asset classes consistent with the objectives of the Fund, and to hedge portfolio exposure against losses from foreign currency and domestic currency exposure and changes in securities prices.

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. 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 84.60% of the Fund's net assets held at June 30, 2022 were publicly traded equities (December 31, 2021 – 85.00%). If equity prices on the exchange had increased or decreased by 5% as at June 30, 2022, the net assets of the Fund would have increased or decreased by approximately \$635,256 or 4.23% (December 31, 2021 – \$789,419 or 4.25%) of the net assets, all other factors remaining constant.

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

# CHOU ASIA FUND

## Discussion of Financial Risk Management (continued)

Six months ended June 30, 2022 and 2021 (Unaudited)

### Financial risk management (continued):

#### (b) Foreign currency risk:

Currencies to which the Fund had exposure as at June 30, 2022 and December 31, 2021 expressed in CAD are as follows:

| June 30, 2022              | Investments and derivatives | Cash and cash equivalents | Net other assets and liabilities | Total        | Percentage of net asset value |
|----------------------------|-----------------------------|---------------------------|----------------------------------|--------------|-------------------------------|
| Hong Kong dollar (HKD)     | \$ 5,873,535                | \$ 69,716                 | \$ 15,853                        | \$ 5,959,104 | 39.6%                         |
| United States dollar (USD) | \$ 3,254,369                | \$ 1,690,433              | \$ 28,313                        | \$ 4,973,115 | 33.1%                         |
| Indian Rupee (₹)           | \$ 1,887,676                | \$ 181,766                | \$ -                             | \$ 2,069,442 | 13.8%                         |
| New Zealand dollar (NZD)   | \$ 973,866                  | \$ 256,451                | \$ -                             | \$ 1,230,317 | 8.2%                          |
| Japanese yen (¥)           | \$ 599,884                  | \$ 55,893                 | \$ 134                           | \$ 655,911   | 4.4%                          |
| Malaysian Ringgit (MYR)    | \$ 115,797                  | \$ -                      | \$ -                             | \$ 115,797   | 0.8%                          |
| China Renminbi (RMB)       | \$ -                        | \$ -                      | \$ 600                           | \$ 600       | 0.0%                          |

| December 31, 2021          | Investments and derivatives | Cash and cash equivalents | Net other assets and liabilities | Total        | Percentage of net asset value |
|----------------------------|-----------------------------|---------------------------|----------------------------------|--------------|-------------------------------|
| Hong Kong dollar (HKD)     | \$ 6,932,790                | \$ 58,698                 | \$ -                             | \$ 6,991,488 | 37.7%                         |
| United States dollar (USD) | \$ 4,449,884                | \$ 2,177,983              | \$ 268,283                       | \$ 6,896,150 | 37.1%                         |
| Indian Rupee (₹)           | \$ 2,152,248                | \$ 168,131                | \$ -                             | \$ 2,320,379 | 12.5%                         |
| New Zealand dollar (NZD)   | \$ 1,049,506                | \$ 25,125                 | \$ 251,245                       | \$ 1,325,876 | 7.1%                          |
| Japanese yen (¥)           | \$ 1,048,029                | \$ 42,055                 | \$ 76                            | \$ 1,090,160 | 5.9%                          |
| Malaysian Ringgit (MYR)    | \$ 155,917                  | \$ -                      | \$ -                             | \$ 155,917   | 0.8%                          |

The amounts in the above tables are based on the market value of the Fund's financial instruments. This includes cash and cash equivalents, investments, dividends receivable, interest receivable, receivable for redeemable units subscribed, due from broker and payable for units redeemed that are denominated in foreign currencies.

As at June 30, 2022, 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 \$150,043 (December 31, 2021 – \$187,800).

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

**CHOU EUROPE FUND**  
(unaudited)

August 19, 2022

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, 2022 was \$7.20 compared to \$10.61 at December 31, 2021, a decrease of 32.2%; during the same period, the MSCI AC (Morgan Stanley Capital International All Country) Europe Total Return Index in Canadian dollars decreased by 21.0%. In U.S. dollars, a Series A unit of Chou Europe Fund was down 33.3% while the MSCI AC Europe Total Return Index decreased by 22.4%.

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

| <b>June 30, 2022 (Series A)</b> | <b>1 Year</b> | <b>3 Years</b> | <b>5 Years</b> | <b>10 Years</b> | <b>15 Years</b> |
|---------------------------------|---------------|----------------|----------------|-----------------|-----------------|
| Chou Europe Fund (\$CAN)        | -34.8%        | -5.0%          | -7.2%          | 0.2%            | -2.3%           |
| MSCI AC Europe TR (\$CAN)       | -16.2%        | 0.2%           | 2.0%           | 8.0%            | 2.7%            |
| Chou Europe Fund (\$US)         | -37.2%        | -4.4%          | -8.0%          | -2.2%           | -3.6%           |
| MSCI AC Europe TR (\$US)        | -19.2%        | 0.8%           | 2.2%           | 5.5%            | 1.4%            |

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 largest decliners in the period were the equity holdings of Wizz Air Holdings PLC, Ryanair Holdings PLC, and Stellantis NV.

The euro depreciated against the Canadian currency during the period, which contributed negatively to the performance of the Fund.

During the period, the Fund did not reduce any of its holdings in the portfolio.

The Fund initiated investments in Prosus NV shares.

The Fund did not enter into any forward currency contracts for pounds sterling or euros in the first half of 2022. The Fund also had no covered call options in its portfolio as at June 30, 2022.

## Portfolio Commentary

### **Prosus N V (“Prosus”)**

Prosus trades on the Netherland Stock Exchange. Although it is engaged in e-commerce and internet businesses, the best way to understand the company is to visualize that it owns a portfolio of private and public companies. Its biggest asset is Tencent which comprises more than 75% of the net asset value of Prosus based on current prices. Tencent itself is undervalued but Prosus also sells at more than a 50% discount to its net asset value. This piqued our interest.

The Board of Directors of Prosus announced a share repurchase programme on June 27, 2022!

“The Repurchase Programme is expected to efficiently unlock immediate value for the shareholders of Prosus.

Prosus will begin selling small numbers of ordinary shares in Tencent Holdings Limited (“**Tencent**”) held by the Group (“**Tencent Shares**”) regularly and in an orderly manner, while concurrently purchasing Prosus Shares pursuant to the Repurchase Programme, as long as the Group’s trading discount to net asset value is at elevated levels. Tencent is supportive of the withdrawal by Prosus of its voluntary restriction on the sale of its Tencent Shares.”

This is exactly what we want to hear from Prosus.

### **Fiat Chrysler Automobiles (“FIAT”)**

We initiated a position in FIAT back in late 2018 since it was a cheap stock with good amounts of cash. It caught our attention when its controlling shareholders stated that it wanted to unlock value either by paying special dividends, buying back shares, or through strategic mergers and acquisitions. Since our purchase in December 2018, we have received US\$2.70 in regular and special dividends, accounting for over 30% of the original price paid. We expect the regular and special dividend payments to continue once the COVID-19 crisis abates.

After much anticipation, the merger between Fiat and Peugeot S.A. was finally completed on January 16, 2021. The new company is called Stellantis N.V. (“Stellantis”).

We are excited about this merger, as it is of the reasons why we initially invested in Fiat – the capital allocation skills of the executives. We liked what the CEO of Stellantis said in a recent interview, *“I don't know what the valuation will be, but I can tell you that we are not going to be a legacy carmaker cornered in legacy products... We want to have a good result in 2021. We have also put a strong focus and strong monitoring on the synergy plan. This is our commitment to you. We created this merger because it represents north of EUR 25 billion of value creation through the implementation of the synergies that were presented, which represents on a run rate EUR 5 billion per year. So we have a very detailed plan that we follow up with a specific dedicated team that we call the Synergy Implementation Office. So every decision we make is facing the synergy that is expected from that decision, and we are continuously trying to improve and make sure that we deliver on our commitments, and we will.”*

In other words, they are going to have cost savings of EUR 5 billion a year for a total of EUR 25 billion in 5 years. The market capitalization of Stellantis is currently at EUR 37.1 billion, with much room for upside if some of those cost savings come to pass.

### **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 4.7% of net assets as at June 30, 2022. 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, 2022.

**CREDIT DEFAULT SWAPS:** None existed at June 30, 2022.

**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 2021 IRC Annual Report is available on our website [www.choufunds.com](http://www.choufunds.com).

As of August 19, 2022, the NAVPU of a Series A unit of the Fund was \$7.81 and the cash position was approximately 7.9% of net assets. The Fund is down 26.5% from the beginning of the year. In U.S. dollars, it is down 28.4%.

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,

*Francis Chou*

Francis Chou  
Fund Manager

# CHOU EUROPE FUND

## Statements of Financial Position

June 30, 2022 (Unaudited) and December 31, 2021

|   | June 30,<br>2022 | December 31,<br>2021 |
|---|------------------|----------------------|
| <b>Assets</b>   |                  |                      |
| Current assets:   |                  |                      |
| Cash and cash equivalents   | \$ 95,807        | \$ 450,105           |
| Investments (note 8)  | 1,951,901        | 3,065,822            |
| Interest receivable   | 106              | 269                  |
| Total assets  | 2,047,814        | 3,516,196            |
| <b>Liabilities</b>  |                  |                      |
| Current liabilities:  |                  |                      |
| Accrued expenses  | 6,015            | 5,992                |
| Payable for units redeemed  | –                | 18,172               |
| Distributions payable   | –                | 312                  |
| Total liabilities   | 6,015            | 24,476               |
| Net assets attributable to unitholders of redeemable units              | \$ 2,041,799     | \$ 3,491,720         |
| Net assets attributable to unitholders of redeemable units:             |                  |                      |
| Series A  | \$ 1,203,308     | \$ 2,733,000         |
| Series F  | 838,491          | 758,720              |
|   | \$ 2,041,799     | \$ 3,491,720         |
| Number of redeemable units outstanding (note 4):                        |                  |                      |
| Series A  | 167,108          | 257,504              |
| Series F  | 111,370          | 68,565               |
| Net assets attributable to unitholders of redeemable units<br>per unit: |                  |                      |
| Canadian dollars:   |                  |                      |
| Series A  | \$ 7.20          | \$ 10.61             |
| Series F  | 7.53             | 11.07                |
| U.S. dollars:   |                  |                      |
| Series A  | 5.59             | 8.39                 |
| Series F  | 5.85             | 8.75                 |

See accompanying notes to financial statements.

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

Francis Chou



# CHOU EUROPE FUND

## Statements of Comprehensive Income (Loss)

Six months ended June 30, 2022 and 2021 (Unaudited)

|   | 2022         | 2021        |
|---|--------------|-------------|
| <b>Income:</b>  |              |             |
| Dividends   | \$ 43,173    | \$ 135,660  |
| Securities lending income (note 7)  | 179          | 656         |
| Derivative income   | –            | 3           |
| Other income  | –            | 4,241       |
| Foreign currency gain (loss) on cash and other net assets   | 6,501        | (34,358)    |
| Other net changes in fair value of financial assets and financial liabilities at fair value through profit or loss: |              |             |
| Net realized gain on investments  | 315,234      | 283,916     |
| Change in unrealized depreciation on investments  | (1,298,622)  | (379,566)   |
|   | (933,535)    | 10,552      |
| <b>Expenses:</b>  |              |             |
| Management fees (note 5)  | 21,936       | 29,146      |
| Custodian fees  | 4,099        | 4,808       |
| Audit   | 2,212        | –           |
| Filing fees   | 462          | 3,475       |
| Independent review committee fees   | –            | 1,978       |
| FundSERV fees   | 362          | 362         |
| Legal fees  | 101          | –           |
| Transaction costs (note 6)  | 1,962        | 921         |
| Foreign withholding taxes   | 6,537        | –           |
| Other   | 57           | –           |
|   | 37,728       | 40,690      |
| Decrease in net assets attributable to unitholders of redeemable units  | \$ (971,263) | \$ (30,138) |
| Decrease in net assets attributable to unitholders of redeemable units per Series:                                  |              |             |
| Series A  | \$ (708,066) | \$ (16,865) |
| Series F  | (263,197)    | (13,273)    |
|   | \$ (971,263) | \$ (30,138) |
| Average number of redeemable units outstanding for the period for the Series:                                       |              |             |
| Series A  | 211,559      | 257,962     |
| Series F  | 79,370       | 132,448     |
| Decrease in net assets attributable to unitholders of redeemable units per unit:                                    |              |             |
| Series A  | \$ (3.35)    | \$ (0.07)   |
| Series F  | (3.32)       | (0.10)      |

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, 2022 and 2021 (Unaudited)

|   | 2022         | 2021         |
|---|--------------|--------------|
| <b>Series A</b>   |              |              |
| Net assets attributable to unitholders of redeemable units, beginning of period | \$ 2,733,000 | \$ 3,045,434 |
| Decrease in net assets attributable to unitholders of redeemable units          | (708,066)    | (16,865)     |
| Proceeds from issue of redeemable units   | 25,001       | 313,072      |
| Payments on redemption of redeemable units                                      | (846,627)    | (649,694)    |
| Net assets attributable to unitholders of redeemable units, end of period       | \$ 1,203,308 | \$ 2,691,947 |
| <b>Series F</b>   |              |              |
| Net assets attributable to unitholders of redeemable units, beginning of period | \$ 758,720   | \$ 2,435,594 |
| Decrease in net assets attributable to unitholders of redeemable units          | (263,197)    | (13,273)     |
| Proceeds from issue of redeemable units   | 754,434      | 500          |
| Payments on redemption of redeemable units                                      | (411,466)    | (1,330,680)  |
| Net assets attributable to unitholders of redeemable units, end of period       | \$ 838,491   | \$ 1,092,141 |
| Total net assets attributable to unitholders of redeemable units, end of period | \$ 2,041,799 | \$ 3,784,088 |

See accompanying notes to financial statements.

# CHOU EUROPE FUND

## Statements of Cash Flows

Six months ended June 30, 2022 and 2021 (Unaudited)

|  | 2022         | 2021        |
|--|--------------|-------------|
| <b>Cash flows from operating activities:</b>                           |              |             |
| Decrease in net assets attributable to unitholders of redeemable units | \$ (971,263) | \$ (30,138) |
| Adjustments for:   |              |             |
| Foreign currency (gain) loss on cash and other net assets              | (6,501)      | 34,358      |
| Net realized gain on investments                                       | (315,234)    | (283,916)   |
| Change in unrealized depreciation on investments                       | 1,298,622    | 379,566     |
| Change in non-cash operating working capital:                          |              |             |
| Decrease in interest receivable  | 163          | 2,217       |
| Increase (decrease) in accrued expenses                                | 23           | (6,136)     |
| Purchase of investments  | (318,195)    | (426,116)   |
| Proceeds from sales of investments                                     | 448,728      | 660,652     |
| Net cash generated from operating activities                           | 136,343      | 330,487     |
| <b>Cash flows from financing activities:</b>                           |              |             |
| Distributions paid to unitholders                                      | (312)        | -           |
| Proceeds from redeemable units issued                                  | 779,435      | 338,820     |
| Amount paid on redemption of redeemable units                          | (1,276,265)  | (2,111,724) |
| Net cash used in financing activities                                  | (497,142)    | (1,772,904) |
| Foreign currency gain (loss) on cash and other net assets              | 6,501        | (34,358)    |
| Decrease in cash and cash equivalents                                  | (354,298)    | (1,476,775) |
| Cash and cash equivalents, beginning of period                         | 450,105      | 1,854,244   |
| Cash and cash equivalents, end of period                               | \$ 95,807    | \$ 377,469  |
| <b>Supplemental information:</b>                                       |              |             |
| Interest received, net of withholding tax                              | \$ 163       | \$ 2,217    |
| Dividends received, net of withholding taxes                           | 36,636       | 135,660     |
| Security lending income received                                       | 179          | 656         |

See accompanying notes to financial statements.

# CHOU EUROPE FUND

## Schedule of Investments

June 30, 2022 (Unaudited)

|                               | Number of securities | Cost         | Fair value   |
|-------------------------------|----------------------|--------------|--------------|
| <b>Equities*</b>              |                      |              |              |
| Cairo Mezz PLC                | 20,833               | \$ 1,130     | \$ 3,940     |
| Jet2 PLC                      | 30,000               | 67,075       | 141,931      |
| Liberty Global PLC, Class 'A' | 12,000               | 373,934      | 325,146      |
| Prosus NV                     | 3,400                | 319,086      | 286,555      |
| Rolls-Royce Holdings PLC      | 56,666               | 244,269      | 73,652       |
| Ryanair Holdings PLC, ADR     | 4,575                | 132,084      | 396,031      |
| Stellantis NV                 | 30,000               | 583,249      | 477,294      |
| Wizz Air Holdings PLC         | 9,000                | 303,145      | 247,352      |
| Total long                    |                      | 2,023,972    | 1,951,901    |
| Total investments             |                      | 2,023,972    | 1,951,901    |
| Transaction costs             |                      | (5,220)      | –            |
| Portfolio total               |                      | \$ 2,018,752 | \$ 1,951,901 |

\* Common shares unless indicated otherwise

See accompanying notes to financial statements.

# CHOU EUROPE FUND

## Discussion of Financial Risk Management

Six months ended June 30, 2022 and 2021 (Unaudited)

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### Investment objective and strategies:

Chou Europe 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, government and corporate bonds and short-term debt. The Fund may also use derivatives such as, but not limited to, futures, options, swaps and forward contracts to gain exposure to securities and asset classes consistent with the objectives of the Fund, and to hedge portfolio exposure against losses from foreign currency and domestic currency exposure and changes in securities prices.

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. 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 95.60% of the Fund's net assets held at June 30, 2022 were publicly traded equities (December 31, 2021 – 87.80%). If equity prices on the exchange had increased or decreased by 5% as at June 30, 2022, the net assets of the Fund would have increased or decreased by approximately \$97,595 or 4.78% (December 31, 2021 – \$153,291 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.

#### (b) Foreign currency risk:

Currencies to which the Fund had exposure as at June 30, 2022 and December 31, 2021 expressed in CAD are as follows:

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| June 30, 2022              | Investments<br>and derivatives | Cash and cash<br>equivalents | Net<br>other assets<br>and liabilities | Total        | Percentage of<br>net asset value |
|----------------------------|--------------------------------|------------------------------|--|--------------|----------------------------------|
| United States dollar (USD) | \$ 1,445,824                   | \$ 85,663                    | \$ 104                                 | \$ 1,531,591 | 75.0%                            |
| Sterling pound (£)         | \$ 215,582                     | \$ 1,210                     | \$ -                                   | \$ 216,792   | 10.6%                            |
| Euro currency (€)          | \$ 290,495                     | \$ 1,328                     | \$ -                                   | \$ 291,823   | 14.3%                            |

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# CHOU EUROPE FUND

## Discussion of Financial Risk Management (continued)

Six months ended June 30, 2022 and 2021 (Unaudited)

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### Financial risk management (continued):

#### (b) Foreign currency risk (continued):

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| <b>December 31, 2021</b>   | <b>Investments<br/>and derivatives</b> | <b>Cash and cash<br/>equivalents</b> | <b>Net<br/>other assets<br/>and liabilities</b> | <b>Total</b> | <b>Percentage of<br/>net asset value</b> |
|----------------------------|--|--------------------------------------|---|--------------|--|
| United States dollar (USD) | \$ 2,297,910                           | \$ 1,300                             | \$ 2  | \$ 2,299,212 | 65.8%                                    |
| Sterling pound (£)         | \$ 763,586                             | \$ 1,322                             | \$ –  | \$ 764,908   | 21.9%                                    |
| Euro currency (€)          | \$ 4,326                               | \$ 1,418                             | \$ –  | \$ 5,744     | 0.2%                                     |

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The amounts in the above tables are based on the market value of the Fund's financial instruments. This includes cash and cash equivalents, investments, interest receivable, receivable for redeemable units subscribed, due from broker, payable for units redeemed and due to broker that are denominated in foreign currencies.

As at June 30, 2022, 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 \$20,402 (December 31, 2021 – \$30,699).

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

## CHOU BOND FUND

(unaudited)

August 19, 2022

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, 2022 was \$9.17 compared to \$8.79 at December 31, 2021, an increase of 4.3%; during the same period, Barclays U.S. Corporate High Yield Index (\$CAN) decreased by 12.4% in Canadian dollars. In U.S. dollars, a Series A unit of Chou Bond Fund returned 2.5% while Barclays U.S. Corporate High Yield Index decreased by 14.2%.

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

| <b>June 30, 2022 (Series A)</b>   | <b>1 Year</b> | <b>3 Years</b> | <b>5 Years</b> | <b>10 Years</b> | <b>15 Years</b> |
|-----------------------------------|---------------|----------------|----------------|-----------------|-----------------|
| Chou Bond Fund (\$CAN)            | 16.8%         | 18.0%          | 10.4%          | 9.5%            | 5.7%            |
| Barclays’ U.S. High Yield (\$CAN) | -9.2%         | -0.2%          | 2.0%           | 7.0%            | 7.1%            |
| Chou Bond Fund (\$US)             | 12.5%         | 18.7%          | 10.5%          | 7.0%            | 4.4%            |
| Barclays’ U.S High Yield (\$US)   | -12.8%        | 0.2%           | 2.1%           | 4.5%            | 5.8%            |

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 advancers in the first half of 2022 were the equity holding of EXCO Resources Inc. and the debt holding of PIC AU Holdings LLC, 10.00% due December 31, 2024.

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

During the period, the Fund sold its debt holdings in Peabody Energy Corporation and MBIA Inc.

The Fund made a series of new bond investments. These include the following bonds:

- Bausch Health Companies Inc., 6.250%, due February 15, 2029
- Mountain Province Diamonds Inc. 8.0%, due December 15, 2022

The Fund also added an equity holding of Genius Brands International Inc. As part of the acquisition of WOW Unlimited Media Inc. by Genius Brands International Inc., we received

0.271 shares of Genius Brands International Inc. and cash of CAD\$1.169 for each issued and outstanding share of WOW Unlimited Media Inc.

The Fund did not enter into any foreign currency contracts during the period, and had no covered call options in its portfolio as at June 30, 2022.

### **Portfolio Commentary**

#### **EXCO Resources Inc. (“EXCO”)**

In early July 2019, the company emerged from bankruptcy and the 1.75 lien term loans were converted to 28.38 equity shares for every US\$1,000 in par value, after netting out certain adjustments. The equivalent price was US\$9.51 per share of EXCO.

Since it is a private company, I am not at liberty to divulge the latest financial statements but what I can tell you is that my calculation of its PV-10 value was approximately US\$1.5 billion (roughly \$30 per share) based on New York Mercantile Exchange (NYMEX) forward pricing as of December 31, 2021, and the net proved reserves was 2.6 trillion cubic feet equivalent. The value for PV-10 is considerably higher for June 30, 2022 and can be roughly calculated if one uses the New York Mercantile Exchange (NYMEX) forward pricing for June 30, 2022. Its number of shares outstanding was 51,341,478. We estimate that its EBITDA for the year ending 2022 will be approximately US\$225 million.

As a comparison, in 2018, the PV-10 value was US\$750 million.

Although a substantial portion of EXCO’s oil & gas production is hedged for the year 2022, we believe that EXCO can fetch much higher prices as the hedges have started to roll off.

#### **WOW Unlimited Media Inc.**

WOW Unlimited Media Inc. was a misplaced bet and we were relieved that Genius Brands International Inc. purchased it at a price that we can live with. As part of the acquisition, we received 0.271 shares of Genius Brands International Inc. and cash of CAD\$1.169 for each issued and outstanding share of WOW Unlimited Media Inc. for a total consideration of approximately \$1.65 per share.

#### **More than 50% in cash as a percentage of assets**

We have not found a sufficient number of mispriced bonds, and we are happy to hold cash as we wait for developments. We have looked at Chinese bonds, as well as sovereign debts of Ukraine, Sri Lanka, and Pakistan, and until we can quantify the risk in an adequate manner, we will not be purchasing those bonds.

#### **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 49.0% of net assets as at June 30, 2022. 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, 2022.

**CREDIT DEFAULT SWAPS:** None existed at June 30, 2022.

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

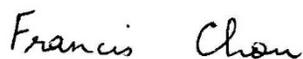
**REDEMPTION FEE:** We have a redemption fee of 2% if unitholders redeem their units in less than 3 months. None of this fee goes to the Fund Manager. It is put back into the Fund for the benefit of the remaining unitholders.

**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 2021 IRC Annual Report is available on our website [www.choufunds.com](http://www.choufunds.com).

As of August 19, 2022, the NAVPU of a Series A unit of the Fund was \$9.21 and the cash position was approximately 58.2% of net assets. The Fund is up 4.7% from the beginning of the year. In U.S. dollars, it is up 1.9%.

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,



Francis Chou  
Fund Manager

# CHOU BOND FUND

## Statements of Financial Position

June 30, 2022 (Unaudited) and December 31, 2021

|   | June 30,<br>2022 | December 31,<br>2021 |
|---|------------------|----------------------|
| <b>Assets</b>   |                  |                      |
| Current assets:   |                  |                      |
| Cash and cash equivalents   | \$ 4,895,864     | \$ 4,001,115         |
| Investments (note 8)  | 5,102,312        | 6,427,933            |
| Receivable for redeemable units subscribed  | 21,691           | 35,532               |
| Interest receivable   | 60,628           | 49,582               |
| Total assets  | 10,080,495       | 10,514,162           |
| <b>Liabilities</b>  |                  |                      |
| Current liabilities:  |                  |                      |
| Accrued expenses  | 28,727           | 24,449               |
| Payable for units redeemed  | –                | 8,761                |
| Distributions payable   | –                | 17,100               |
| Total liabilities   | 28,727           | 50,310               |
| Net assets attributable to unitholders of redeemable units                        | \$ 10,051,768    | \$ 10,463,852        |
| Net assets attributable to unitholders of redeemable units:                       |                  |                      |
| Series A  | \$ 5,582,304     | \$ 9,235,250         |
| Series F  | 4,469,464        | 1,228,602            |
|   | \$ 10,051,768    | \$ 10,463,852        |
| Number of redeemable units outstanding (note 4):                                  |                  |                      |
| Series A  | 608,610          | 1,050,115            |
| Series F  | 472,846          | 135,676              |
| Net assets attributable to unitholders of redeemable units<br>per unit (note 10): |                  |                      |
| Canadian dollars:   |                  |                      |
| Series A  | \$ 9.17          | \$ 8.79              |
| Series F  | 9.45             | 9.06                 |
| U.S. dollars:   |                  |                      |
| Series A  | 7.12             | 6.95                 |
| Series F  | 7.34             | 7.16                 |

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, 2022 and 2021 (Unaudited)

|   | 2022       | 2021         |
|---|------------|--------------|
| <b>Income:</b>  |            |              |
| Interest for distribution purposes and other  | \$ 180,516 | \$ 280,943   |
| Securities lending income (Note 7)  | 7,143      | 173          |
| Dividends   | 1,089      | –            |
| Other income  | 160        | 57,202       |
| Foreign currency gain (loss) on cash and other net assets   | 92,680     | (26,618)     |
| Other net changes in fair value of financial assets and financial liabilities at fair value through profit or loss: |            |              |
| Net realized loss on disposal of investments  | (790,261)  | (4,992,596)  |
| Change in unrealized appreciation on investments  | 1,018,757  | 6,874,723    |
|   | 510,084    | 2,193,827    |
| <b>Expenses:</b>  |            |              |
| Management fees (note 5)  | 64,948     | 53,793       |
| Custody fees  | 12,516     | –            |
| Audit fees  | 7,468      | –            |
| Filing fees   | 1,776      | 2,018        |
| Independent review committee fees   | –          | 2,864        |
| FundSERV fees   | 1,629      | 1,629        |
| Legal fees  | 290        | –            |
|   | 88,627     | 60,304       |
| Increase in net assets attributable to unitholders of redeemable units  | \$ 421,457 | \$ 2,133,523 |
| Increase in net assets attributable to unitholders of redeemable units per Series:                                  |            |              |
| Series A  | \$ 239,027 | \$ 1,848,825 |
| Series F  | 182,430    | 284,698      |
|   | \$ 421,457 | \$ 2,133,523 |
| Average number of redeemable units outstanding for the period for the Series:                                       |            |              |
| Series A  | 821,517    | 1,085,167    |
| Series F  | 298,948    | 162,221      |
| Increase in net assets attributable to unitholders of redeemable units per unit:                                    |            |              |
| Series A  | \$ 0.29    | \$ 1.70      |
| Series F  | 0.61       | 1.76         |

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, 2022 and 2021 (Unaudited)

|   | 2022          | 2021         |
|---|---------------|--------------|
| <b>Series A</b>   |               |              |
| Net assets attributable to unitholders of redeemable units, beginning of period | \$ 9,235,250  | \$ 7,223,793 |
| Increase in net assets attributable to unitholders of redeemable units          | 239,027       | 1,848,825    |
| Proceeds from issue of redeemable units   | 84,391        | 135,397      |
| Payments on redemption of redeemable units                                      | (3,976,364)   | (583,035)    |
| Net assets attributable to unitholders of redeemable units, end of period       | \$ 5,582,304  | \$ 8,624,980 |
| <b>Series F</b>   |               |              |
| Net assets attributable to unitholders of redeemable units, beginning of period | \$ 1,228,602  | \$ 1,407,949 |
| Increase in net assets attributable to unitholders of redeemable units          | 182,430       | 284,698      |
| Proceeds from issue of redeemable units   | 3,542,365     | -            |
| Payments on redemption of redeemable units                                      | (483,933)     | (729,200)    |
| Net assets attributable to unitholders of redeemable units, end of period       | \$ 4,469,464  | \$ 963,447   |
| Total net assets attributable to unitholders of redeemable units, end of period | \$ 10,051,768 | \$ 9,588,427 |

See accompanying notes to financial statements.

# CHOU BOND FUND

## Statements of Cash Flows

Six months ended June 30, 2022 and 2021 (Unaudited)

|  | 2022         | 2021         |
|--|--------------|--------------|
| <b>Cash flows from operating activities:</b>                           |              |              |
| Increase in net assets attributable to unitholders of redeemable units | \$ 421,457   | \$ 2,133,523 |
| Adjustments for:   |              |              |
| Foreign currency (gain) loss on cash and other net assets              | (92,680)     | 26,618       |
| Net realized loss on disposal of investments                           | 790,261      | 4,992,596    |
| Change in unrealized appreciation on investments                       | (1,018,757)  | (6,874,723)  |
| Change in non-cash operating working capital:                          |              |              |
| Increase in interest receivable  | (11,046)     | (9,007)      |
| Increase (decrease) in accrued expenses                                | 4,278        | (70,062)     |
| Purchase of investments  | (1,935,849)  | (2,473,294)  |
| Proceeds from sales of investments                                     | 3,489,966    | 2,935,379    |
| Net cash flows generated from operating activities                     | 1,647,630    | 661,030      |
| <b>Cash flows from financing activities:</b>                           |              |              |
| Distributions paid to unitholders                                      | (17,100)     | (38,038)     |
| Proceeds from redeemable units issued                                  | 3,640,597    | 130,397      |
| Amount paid on redemption of redeemable units                          | (4,469,058)  | (1,347,258)  |
| Net cash used in financing activities                                  | (845,561)    | (1,254,899)  |
| Foreign currency gain (loss) on cash and other net assets              | 92,680       | (26,618)     |
| Increase (decrease) in cash and cash equivalents                       | 894,749      | (620,487)    |
| Cash and cash equivalents, beginning of period                         | 4,001,115    | 1,892,281    |
| Cash and cash equivalents, end of period                               | \$ 4,895,864 | \$ 1,271,794 |
| <b>Supplemental information:</b>                                       |              |              |
| Interest received, net of withholding tax                              | \$ 169,470   | \$ 271,936   |
| Dividend received  | 1,089        | -            |
| Security lending income received                                       | 7,143        | 173          |

See accompanying notes to financial statements.

# CHOU BOND FUND

## Schedule of Investments

June 30, 2022 (Unaudited)

|  | Number of<br>shares |           | Cost             |           | Fair value       |
|--|---------------------|-----------|------------------|-----------|------------------|
| <b>Equities*</b>   |                     |           |                  |           |                  |
| EXCO Resources Inc.**  | 20,046              | \$        | 693,989          | \$        | 599,021          |
| Genius Brands International Inc.***  | 315,916             |           | 333,338          |           | 307,832          |
|  |                     |           | 1,027,327        |           | 906,853          |
| <b>Bonds</b>   |                     |           |                  |           |                  |
| Avation Capital SA,<br>8.250%, October 31, 2026, Callable                                  | 750,000             |           | 805,198          |           | 770,565          |
| Fortress Global Enterprises Inc.,<br>9.75%, December 31, 2022, Convertible Bonds, Callable | 3,659,000           |           | 2,058,513        |           | 366              |
| Bausch Health Companies Inc.<br>6.250%, February 15, 2029, Callable                        | 1,200,000           |           | 896,668          |           | 832,716          |
| PDC Energy Inc., 5.75%, May 15, 2026, Callable   | 303,000             |           | 251,271          |           | 364,551          |
| Mountain Province Diamonds Inc.<br>8.000%, December 15, 2022                               | 600,000             |           | 705,842          |           | 741,740          |
| PIC AU Holdings LLC/Corporation,<br>10.00%, December 31, 2024, Callable                    | 761,000             |           | 861,335          |           | 1,018,521        |
| Taiga Building Products Limited,<br>7.00%, November 17, 2022, Callable                     | 467,000             |           | 482,761          |           | 467,000          |
|  |                     |           | 6,061,588        |           | 4,195,459        |
| <b>Total long</b>  |                     |           | <b>7,088,915</b> |           | <b>5,102,312</b> |
| <b>Total investments</b>   |                     |           | <b>7,088,915</b> |           | <b>5,102,312</b> |
| <b>Transaction costs</b>   |                     |           | -                |           | -                |
| <b>Portfolio total</b>   |                     | <b>\$</b> | <b>7,088,915</b> | <b>\$</b> | <b>5,102,312</b> |

\* Common shares unless indicated otherwise

\*\*Shares received from debt restructuring

\*\*\*Shares received from Wow Unlimited Media Inc.

See accompanying notes to financial statements

# CHOU BOND FUND

## Discussion of Financial Risk Management

Six months ended June 30, 2022 and 2021 (Unaudited)

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### Investment objective and strategies:

Chou Bond Fund's objective is to invest in securities that it believes are undervalued in order to achieve capital appreciation over the long-term. Conservation of principal and interest production will be fundamental considerations in this objective. The Fund invests primarily in Canadian and U.S. bonds. These bonds include, but are not limited to, Government of Canada, provincial, municipal and corporate issues, including convertibles and high yield bonds. Investments may be made in bonds outside of Canada and the U.S. The Fund may also use derivatives such as, but not limited to, futures, options, swaps and forward contracts to gain exposure to securities and asset classes consistent with the objectives of the Fund, and to hedge portfolio exposure against losses from foreign currency and domestic currency exposure and changes in securities prices.

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, 2022, the Fund invested 37.09% of its net assets in non-investment grade debt instruments (December 31, 2021 – 30.48%). 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. The credit ratings could denote that the Company's financial position is weak and its bonds should be considered a speculative investment. As at June 30, 2022, the Fund invested approximately 4.65% (December 31, 2021 – 12.09%) 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,<br>2022 | December 31,<br>2021 |
|----------------------|------------------|----------------------|
| Less than 1 year     | \$ 1,209,106     | \$ 1,347,793         |
| 1 - 3 years          | 1,018,521        | 992,805              |
| 3 - 5 years          | 1,135,116        | 1,194,126            |
| Greater than 5 years | 832,716          | 920,397              |

# CHOU BOND FUND

## Discussion of Financial Risk Management (continued)

Six months ended June 30, 2022 and 2021 (Unaudited)

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### Financial risk management (continued):

#### (b) Interest rate risk (continued):

As at June 30, 2022, had interest rates decreased or increased by 0.25%, with all other variables remaining constant, the increase or decrease in net assets for the period would have amounted to approximately \$9,489 (December 31, 2021 – \$22,077).

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 3.06% (December 31, 2021 – 16.04%) of the Fund's net assets held at June 30, 2022 were publicly traded equities. If equity prices on the exchange had increased or decreased by 5% as at June 30, 2022, the net assets of the Fund would have increased or decreased by approximately \$15,391 or 0.15% (December 31, 2021 – \$83,933 or 0.80%) 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, 2022 and December 31, 2021 expressed in CAD are as follows:

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| <b>June 30, 2022</b>       | <b>Investments<br/>and derivatives</b> | <b>Cash and cash<br/>equivalents</b> | <b>Net<br/>other assets<br/>and liabilities</b> | <b>Total</b> | <b>Percentage of<br/>net asset value</b> |
|----------------------------|--|--------------------------------------|---|--------------|--|
| United States dollar (USD) | \$ 4,634,946                           | \$ 3,641,646                         | \$ 55,936                                       | \$ 8,332,528 | 82.9%                                    |

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| <b>December 31, 2021</b>   | <b>Investments<br/>and derivatives</b> | <b>Cash and cash<br/>equivalents</b> | <b>Net<br/>other assets<br/>and liabilities</b> | <b>Total</b> | <b>Percentage of<br/>net asset value</b> |
|----------------------------|--|--------------------------------------|---|--------------|--|
| United States dollar (USD) | \$ 4,281,898                           | \$ 3,823,990                         | \$ 45,515                                       | \$ 8,151,403 | 77.9%                                    |

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The amounts in the above tables are based on the market value of the Fund's financial instruments. This includes cash and cash equivalents, investments, interest receivable, receivable for redeemable units subscribed, payable for units redeemed and distributions payable that are denominated in foreign currencies.

As at June 30, 2022, 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 \$83,325 (December 31, 2021 – \$81,514).

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

## CHOU RRSP FUND

(unaudited)

August 19, 2022

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, 2022 was \$31.90 compared to \$39.70 at December 31, 2021, a decrease of 19.6%; during the same period, the S&P/TSX Total Return Index decreased by 9.9% in Canadian dollars. In U.S. dollars, a Series A unit of Chou RRSP Fund was down 21.0% while the S&P/TSX Total Return Index decreased by 11.4%.

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

| June 30, 2022 (Series A) | 1 Year | 3 Years | 5 Years | 10 Years | 15 Years | 20 Years |
|--------------------------|--------|---------|---------|----------|----------|----------|
| Chou RRSP Fund (\$CAN)   | -12.9% | 8.3%    | 5.1%    | 6.6%     | 2.9%     | 5.2%     |
| S&P/TSX (\$CAN)          | -3.8%  | 8.0%    | 7.6%    | 8.2%     | 5.1%     | 7.9%     |
| Chou RRSP Fund (\$US)    | -16.1% | 8.9%    | 5.2%    | 4.2%     | 1.6%     | 6.0%     |
| S&P/TSX (\$US)           | -7.3%  | 8.6%    | 7.8%    | 5.7%     | 3.8%     | 8.8%     |

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 largest decliners in the period were the equity holdings of Bausch Health Company Inc., Overstock.com Inc., and Reitmans (Canada) Limited. The only advancer was the equity holding of EXCO Resources Inc.

During the period, the Fund reduced its holdings in Magna International Inc.

The Fund initiated investments in Home Capital Group Inc.

The Fund had two covered call options on Bausch Health Company Inc. and Resolute Forest Products Inc in the first half of 2022.

## **Portfolio Commentary**

### **Resolute Forest Products Inc. (“RFP”)**

As of June 30, 2022, the market price of RFP was US\$12.76 per share. Having said that, it is quite comical to us how a commodity stock can be hammered beyond all logical comprehension. RFP paid a special dividend of US\$1.50 a share in 2018, and it was trading as low as US\$1.17 per share in April 2020. Back in March 2020, the company announced that it would buy back 15% of its common shares for US\$100 million. At the lowest price of US\$1.17, the whole market capitalization would be approximately US\$99 million. In other words, instead of buying back 15% of the company with US\$100 million, it could repurchase 100% of the company. RFP shares have since recovered a very healthy 990.6% to US\$12.76 as of June 30, 2021.

This investment in RFP goes to show you what it takes to have the mindset of a value investor. I wrote about it in the 2021 annual letter, but it’s worth repeating. “When the stock is that cheap, assuming that you don’t own any shares, a rational investor should back up the truck and buy every share that is offered in the market. But what makes it difficult for some investors to buy is not the rational side of their mind but more the psychological aspect of it. In the stock market, you are bombarded with noises that affect a person’s rationality. It can get radically altered. Stock prices can move unrelated to the fundamentals of a business. During a bull market, you may see several stocks trading at anywhere from 50 times going to more than 100 times earnings, and conversely, there can be several stocks that sell at 10 times earnings going down to below five times earnings. The fundamentals of the company are ignored and, instead, investors are transfixed on the price movements of the last couple of years. Then new narratives are written most convincingly on why these are the “new” paradigms, and why they are not worth giving weights and considerations to what the assets are worth and what the company can earn over several years. I remember talking to one value manager in 1999 when the tech stocks were in full bloom. He said, *“I have a family to feed and I will keep losing assets if I don’t accept the new headlines and paradigms. Sticking to buying companies that are undervalued is not the way to be successful in the long run”*. He changed his philosophy before the tech stocks were about to go into a severe decline over the next couple of years.”

“In spite of the price of RFP trading at US\$15.27 per share, it is still quite cheap. Let us look at a few facts. The shares may be able to get back close to US\$400 million in duties (approximately US\$5 per share), but the earning power over the next two years is most likely to be more than US\$3 per share annually and the lumber prices may stay elevated for a while because there is an imbalance between supply and demand in housing that may take a few years before it comes back into equilibrium. Meanwhile, it is making money hand over fist.”

Since June 30, 2022, RFP announced that Domtar will be purchasing the company. The transaction will be carried out by way of a merger between RFP and a newly created subsidiary of Domtar, providing for the conversion of each share of RFP common stock into the right to receive US\$20.50 per share, together with a CVR (Contingent Value Rights) entitling the holder to a share of future softwood lumber duty deposit refunds. Each share, on a fully diluted basis at closing, will be entitled to receive one CVR.

What it proves is that in investing, an accurate valuation of what a company is worth matters the most.

### **Bausch Health Companies Inc. (“Bausch Health”)**

In early August 2020, Bausch Health announced that it is planning to spin off its eye care business, Bausch + Lomb, into an independent publicly traded company. This will allow the company to concentrate on its gastroenterology, aesthetics/dermatology, neurology and international pharma business.

If Bausch Health had spun off Bausch + Lomb when it was announced in 2020, we would have made a healthy gain; but the two-year delay has considerably eroded the prices that Bausch Health could have fetched for Bausch + Lomb.

In hindsight, it was a mistake to wait for the spin-off of the Bausch + Lomb unit. At the time, we felt this would have been the much-needed catalyst to get Bausch Health to trade closer to \$40 per share.

In consolation, in 2019, 2020 and 2021 we were able to sell approximately 33% of the shares that we had in Bausch Health for an average price of US\$26.70 per share. In addition, we received close to US\$3.60 per share in premiums for writing covered call options on some of the shares.

### **EXCO Resources Inc. (“EXCO”)**

In early July 2019, the company emerged from bankruptcy and its 1.75 lien term loans were converted into 28.38 equity shares for every US\$1,000 in par value, after netting out certain adjustments. The equivalent price was US\$9.51 per share of EXCO.

Since it is a private company, I am not at liberty to divulge the latest financial statements but what I can tell you is that my calculation of its PV-10 value was approximately US\$1.5 billion (roughly \$30 per share) based on New York Mercantile Exchange (NYMEX) forward pricing as of December 31, 2021, and the net proved reserves was 2.6 trillion cubic feet equivalent. The value for PV-10 is considerably higher for June 30, 2022 and can be roughly calculated if one uses the New York Mercantile Exchange (NYMEX) forward pricing for June 30, 2022. Its number of shares outstanding was 51,341,478. We estimate that its EBITDA for the year ending 2022 will be approximately US\$225 million.

As a comparison, in 2018, the PV-10 value was US\$750 million.

Although a substantial portion of EXCO’s oil & gas production is hedged for the year 2022, we believe that EXCO can fetch much higher prices as the hedges have started to roll off.

### **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, 2022.

CREDIT DEFAULT SWAPS: None existed at June 30, 2022.

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

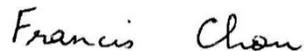
REDEMPTION FEE: We have a redemption fee of 2% if unitholders redeem their units in less than 3 months. None of this fee goes to the Fund Manager. It is put back into the Fund for the benefit of the remaining unitholders.

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 2021 IRC Annual Report is available on our website [www.choufunds.com](http://www.choufunds.com).

As of August 19, 2022, the NAVPU of a Series A unit of the Fund was \$36.50 and the cash position was approximately 0.7% of net assets. The Fund is down 8.1% from the beginning of the year. In U.S. dollars, it is down 10.5%.

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, 2022 (Unaudited) and December 31, 2021

|   | June 30,<br>2022 | December 31,<br>2021 |
|---|------------------|----------------------|
| <b>Assets</b>   |                  |                      |
| Current assets:   |                  |                      |
| Cash and cash equivalents   | \$ 11,297        | \$ 2,481,299         |
| Investments (note 8)  | 35,512,589       | 46,988,541           |
| Interest receivable   | 26,252           | 29,163               |
| Total assets  | 35,550,138       | 49,499,003           |
| <b>Liabilities</b>  |                  |                      |
| Current liabilities:  |                  |                      |
| Derivatives   | 1,629,756        | 4,089,678            |
| Accrued expenses  | 43,266           | 64,135               |
| Payable for units redeemed  | 19,709           | 107,173              |
| Distributions payable   | –                | 32,606               |
| Total liabilities   | 1,692,731        | 4,293,592            |
| Net assets attributable to unitholders of redeemable units              | \$ 33,857,407    | \$ 45,205,411        |
| Net assets attributable to unitholders of redeemable units:             |                  |                      |
| Series A  | \$ 18,356,272    | \$ 42,647,812        |
| Series F  | 15,501,135       | 2,557,599            |
|   | \$ 33,857,407    | \$ 45,205,411        |
| Number of redeemable units outstanding (note 4):                        |                  |                      |
| Series A  | 575,409          | 1,074,198            |
| Series F  | 481,674          | 64,041               |
| Net assets attributable to unitholders of redeemable units<br>per unit: |                  |                      |
| Canadian dollars:   |                  |                      |
| Series A  | \$ 31.90         | \$ 39.70             |
| Series F  | 32.18            | 39.94                |
| U.S. dollars:   |                  |                      |
| Series A  | 24.78            | 31.38                |
| Series F  | 25.00            | 31.57                |

See accompanying notes to financial statements.

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

Francis Chou



# CHOU RRSP FUND

## Statements of Comprehensive Income (Loss)

Six months ended June 30, 2022 and 2021 (Unaudited)

|   | 2022           | 2021          |
|---|----------------|---------------|
| <b>Income:</b>  |                |               |
| Interest for distribution purposes and other  | \$ 102,793     | \$ 105,088    |
| Dividends   | 45,232         | 1,590,062     |
| Securities lending income (note 7)  | 153            | 736           |
| Other income  | –              | 75,143        |
| Foreign currency loss on cash and other net assets  | (3,148)        | (15,472)      |
| Other net changes in fair value of financial assets and financial liabilities at fair value through profit or loss: |                |               |
| Net realized loss on disposal of investments  | (1,642,292)    | (671,872)     |
| Net realized gain (loss) on derivatives   | 2,597,444      | (2,005,324)   |
| Change in unrealized (depreciation) appreciation on investments   | (9,842,478)    | 17,309,575    |
| Change in unrealized appreciation (depreciation) on derivatives   | 621,129        | (97,136)      |
|   | (8,121,167)    | 16,290,800    |
| <b>Expenses:</b>  |                |               |
| Management fees (note 5)  | 311,620        | 319,379       |
| Custodial fees  | 32,384         | –             |
| Audit   | 19,484         | 4,301         |
| Filing fees   | 7,018          | 8,014         |
| Independent review committee fees   | –              | 12,971        |
| FundSERV fees   | 4,155          | 1,650         |
| Legal fees  | 1,710          | 1,207         |
| Transaction costs (note 6)  | 73,909         | 107,790       |
| Foreign withholding taxes   | –              | 207,922       |
| Other expenses  | 661            | –             |
|   | 450,941        | 663,234       |
| (Decrease) increase in net assets attributable to unitholders of redeemable units                                   | \$ (8,572,108) | \$ 15,627,566 |
| (Decrease) increase in net assets attributable to unitholders of redeemable units per Series:                       |                |               |
| Series A  | \$ (6,628,814) | \$ 14,586,936 |
| Series F  | (1,943,294)    | 1,040,630     |
|   | \$ (8,572,108) | \$ 15,627,566 |
| Average number of redeemable units outstanding for the period for the Series:                                       |                |               |
| Series A  | 832,424        | 1,232,457     |
| Series F  | 264,148        | 88,294        |
| (Decrease) increase in net assets attributable to unitholders of redeemable units per unit:                         |                |               |
| Series A  | \$ (7.96)      | \$ 11.84      |
| Series F  | (7.36)         | 11.79         |

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, 2022 and 2021 (Unaudited)

|   | 2022          | 2021          |
|---|---------------|---------------|
| <b>Series A</b>   |               |               |
| Net assets attributable to unitholders of redeemable units, beginning of period   | \$ 42,647,812 | \$ 34,909,078 |
| (Decrease) increase in net assets attributable to unitholders of redeemable units | (6,628,814)   | 14,586,936    |
| Proceeds from issue of redeemable units   | 321,006       | 499,580       |
| Payments on redemption of redeemable units  | (17,983,732)  | (8,108,469)   |
| Net assets attributable to unitholders of redeemable units, end of period         | \$ 18,356,272 | \$ 41,887,125 |
| <b>Series F</b>   |               |               |
| Net assets attributable to unitholders of redeemable units, beginning of period   | \$ 2,557,599  | \$ 2,611,046  |
| (Decrease) increase in net assets attributable to unitholders of redeemable units | (1,943,294)   | 1,040,630     |
| Proceeds from issue of redeemable units   | 15,454,122    | 801,410       |
| Payments on redemption of redeemable units  | (567,292)     | (1,270,407)   |
| Net assets attributable to unitholders of redeemable units, end of period         | \$ 15,501,135 | \$ 3,182,679  |
| Total net assets attributable to unitholders of redeemable units, end of period   | \$ 33,857,407 | \$ 45,069,804 |

See accompanying notes to financial statements.

# CHOU RRSP FUND

## Statements of Cash Flows

Six months ended June 30, 2022 and 2021 (Unaudited)

|   | 2022           | 2021          |
|---|----------------|---------------|
| <b>Cash flows from operating activities:</b>                                      |                |               |
| (Decrease) increase in net assets attributable to unitholders of redeemable units | \$ (8,572,108) | \$ 15,627,566 |
| Adjustments for:  |                |               |
| Foreign currency loss on cash and other net assets                                | 3,148          | 15,472        |
| Net realized (gain) loss on disposal of investments and derivatives               | (955,152)      | 2,677,196     |
| Change in unrealized depreciation (appreciation) on investments and derivatives   | 9,221,349      | (17,212,439)  |
| Change in non-cash operating working capital:                                     |                |               |
| Decrease in interest receivable   | 2,911          | 471           |
| Increase in dividends receivable  | –              | (1,184,512)   |
| Decrease in accrued expenses  | (20,869)       | (103,551)     |
| Purchase of investments   | (2,659,652)    | (4,883,202)   |
| Proceeds from sales of investments  | 3,409,485      | 12,088,953    |
| Net cash generated from operating activities                                      | 429,112        | 7,025,954     |
| <b>Cash flows from financing activities:</b>                                      |                |               |
| Distributions paid to unitholders   | (32,606)       | –             |
| Proceeds from redeemable units issued   | 15,775,128     | 1,300,990     |
| Amount paid on redemption of redeemable units                                     | (18,638,488)   | (9,369,672)   |
| Net cash used in financing activities   | (2,895,966)    | (8,068,682)   |
| Foreign currency loss on cash and other net assets                                | (3,148)        | (15,472)      |
| Decrease in cash and cash equivalents   | (2,470,002)    | (1,058,200)   |
| Cash and cash equivalents, beginning of period                                    | 2,481,299      | 490,742       |
| Cash and cash equivalents (bank overdraft), end of period                         | \$ 11,297      | \$ (567,458)  |
| <b>Supplemental information:</b>  |                |               |
| Interest received, net of withholding tax   | \$ 105,704     | \$ 105,559    |
| Dividends received, net of withholding tax  | 45,232         | 197,628       |
| Security lending income received  | 153            | 736           |

See accompanying notes to financial statements.

# CHOU RRSP FUND

## Schedule of Investments

June 30, 2022 (Unaudited)

|   | Number of securities | Cost          | Fair value    |
|---|----------------------|---------------|---------------|
| <b>Equities*</b>  |                      |               |               |
| Bausch Health Companies Inc.  | 200,000              | \$ 6,352,306  | \$ 2,152,199  |
| BlackBerry Limited  | 382,900              | 2,983,830     | 2,657,326     |
| Canfor Pulp Products Inc.   | 293,900              | 836,324       | 1,469,500     |
| EXCO Resources Inc.   | 114,371              | 2,373,080     | 3,417,674     |
| Genius Brands International Inc.  | 25,387               | 26,787        | 24,737        |
| Home Capital Group Inc.   | 25,000               | 952,447       | 609,000       |
| Interfor Corporation  | 61,500               | 365,747       | 1,595,310     |
| Linamar Corporation   | 24,000               | 1,332,040     | 1,308,960     |
| Magna International Inc., Class 'A'   | 10,000               | 624,709       | 706,673       |
| Overstock.com Inc.  | 5,616                | 129,065       | 180,795       |
| Reitmans (Canada) Limited   | 526,100              | 1,993,539     | 547,144       |
| Resolute Forest Products Inc.   | 873,688              | 9,880,907     | 14,350,039    |
| TVA Group Inc.  | 53,028               | 766,721       | 149,009       |
| TWC Enterprises Limited   | 201,944              | 1,158,741     | 3,233,123     |
|   |                      | 29,776,243    | 32,401,489    |
| <b>Bonds</b>  |                      |               |               |
| Fortress Global Enterprises Inc., 9.750%,<br>December 31, 2021, Convertible Bonds, Callable | 1,000,000            | 780,000       | 100           |
| Taiga Building Products Ltd., 7.000%,<br>November 17, 2022, Callable                        | 3,111,000            | 3,215,996     | 3,111,000     |
|   |                      | 3,995,996     | 3,111,100     |
| Total long investments  |                      | 33,772,239    | 35,512,589    |
| Transaction costs   |                      | (243,054)     | –             |
| Total Investments in Non-Derivative Financial Assets  |                      | 33,529,185    | 35,512,589    |
| Derivative Liabilities  |                      |               | (1,629,756)   |
| Portfolio total   |                      | \$ 33,529,185 | \$ 33,882,833 |

## 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>       |              |             |          |                  |                       |                      |
| Bausch Health Companies Inc.      | 50.00        | 01-20-23    | USD      | (2,000)          | (901,857)             | (10,298)             |
| Resolute Forest Products Inc.     | 15.00        | 01-20-23    | USD      | (8,250)          | (1,937,019)           | (1,619,458)          |
| <b>Total Written Call Options</b> |              |             |          |                  | <b>\$ (2,838,876)</b> | <b>\$(1,629,756)</b> |

\* Common shares unless indicated otherwise

See accompanying notes to financial statements.

# CHOU RRSP FUND

## Discussion of Financial Risk Management

Six months ended June 30, 2022 and 2021 (Unaudited)

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### Investment objective and strategies:

Chou RRSP Fund's objective is to provide long-term growth of capital by investing primarily in equity and debt instruments of Canadian businesses considered by the Manager to be undervalued. 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, government and corporate bonds and short-term debt. The Fund may also use derivatives such as, but not limited to, futures, options, swaps and forward contracts to gain exposure to securities and asset classes consistent with the objectives of the Fund, and to hedge portfolio exposure against losses from foreign currency and domestic currency exposure and changes in securities prices.

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. 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, 2022, the Fund did not invest any of its net assets in non-investment grade debt instruments (December 31, 2021 – \$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 could denote that the company's financial position is weak and its bonds should be considered a speculative investment. As at June 30, 2022, the Fund invested approximately 9.19% (December 31, 2021 – 6.88%) of its net assets in non-rated debt instruments.

#### (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,<br>2021 | December 31,<br>2021 |
|----------------------|------------------|----------------------|
| Less than 1 year     | \$ 3,111,100     | \$ 3,111,100         |
| 1 - 3 years          | –                | –                    |
| 3 - 5 years          | –                | –                    |
| Greater than 5 years | –                | –                    |

As at June 30, 2022, had interest rates decreased or increased by 0.25%, with all other variables remaining constant, the increase or decrease in net assets for the period would have amounted to approximately \$2,946 (December 31, 2021 – \$6,689).

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, 2022 and 2021 (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 85.61% (December 31, 2021 – 93.35%) of the Fund's net assets held at June 30, 2022 were publicly traded equities. If equity prices on the exchange had increased or decreased by 5% as at June 30, 2022, the net assets of the Fund would have increased or decreased by approximately \$1,449,191 or 4.28% (December 31, 2021 – \$2,109,961 or 4.67%) 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, 2022 and December 31, 2021 expressed in CAD are as follows:

| <b>June 30, 2022</b>       | <b>Investments<br/>and derivatives</b> | <b>Cash and cash<br/>equivalents</b> | <b>Net<br/>other assets<br/>and liabilities</b> | <b>Total</b>  | <b>Percentage of<br/>net asset value</b> |
|----------------------------|--|--------------------------------------|---|---------------|--|
| United States dollar (USD) | \$ 19,202,361                          | \$ 956                               | \$ -  | \$ 19,203,317 | 56.7%                                    |

| <b>December 31, 2021</b>   | <b>Investments<br/>and derivatives</b> | <b>Cash and cash<br/>equivalents</b> | <b>Net<br/>other assets<br/>and liabilities</b> | <b>Total</b>  | <b>Percentage of<br/>net asset value</b> |
|----------------------------|--|--------------------------------------|---|---------------|--|
| United States dollar (USD) | \$ 23,990,592                          | \$ 2,271,885                         | \$ 2,840  | \$ 26,265,317 | 58.1%                                    |

The amounts in the above tables are based on the market value of the Fund's financial instruments. This includes cash and cash equivalents, investments, interest receivable, dividends receivable, receivable for redeemable units subscribed, derivatives, payable for units redeemed and bank overdraft that are denominated in foreign currencies.

As at June 30, 2022, 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 \$192,033 (December 31, 2021 – \$262,653).

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, 2022 and 2021 (Unaudited)

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### 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:

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|                      |                   |
|----------------------|-------------------|
| 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 |

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### 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 19, 2022.

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

#### (a) Financial instruments:

The Funds applied IFRS 9, Financial Instruments ("IFRS 9"). The 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. Assessment and decision on the business model approach used is an accounting judgement.

The Funds' investments and derivative assets and liabilities are classified and measured at FVTPL.

The classification and measurements of financial assets and liabilities are at amortized cost with the exception of financial assets and liabilities recorded at FVTPL. For financial 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. Under amortized cost, financial assets and liabilities reflect the amounts to be received or paid, discounted when appropriate at the financial instrument's effective interest rate. The fair value of the Funds' financial assets and liabilities that are not carried at FVTPL approximate their carrying amounts due to their short-term nature.

# CHOU FUNDS

## Notes to Financial Statements (continued)

Six months ended June 30, 2022 and 2021 (Unaudited)

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### 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:

- Derivatives: warrants and options; and
- Investments: debt securities and equity investments.

Financial liabilities at FVTPL:

- Derivatives: securities sold short, warrants, and options.

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 the mid-point of their last evaluated bid price and their last evaluated ask price received from recognized investment dealers and their last evaluated 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.

The Funds recognize 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.

# CHOU FUNDS

## Notes to Financial Statements (continued)

Six months ended June 30, 2022 and 2021 (Unaudited)

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

#### (c) Fair value measurement (continued):

Derecognition:

The Funds derecognize a financial asset when the contractual rights to the cash flows from the financial asset expire, or they 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 their contractual obligations are discharged, 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 derivatives and securities not quoted in an active market:

The Funds hold financial instruments that are not quoted in active markets, including derivative 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 Funds consider 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, 2022 and 2021 (Unaudited)

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

#### (d) Critical accounting estimates and judgments (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. Cash and cash equivalents are reported at fair value which closely approximates their amortized cost due to the nature of being highly liquid and having short terms to maturity. Where cash and cash equivalents are in net bank overdraft positions, these are presented as current liabilities in the Statements of Financial Position.

# CHOU FUNDS

## Notes to Financial Statements (continued)

Six months ended June 30, 2022 and 2021 (Unaudited)

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

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

All investment transactions are accounted for on the trade date.

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 and derivatives, 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 and derivatives are included in realized gain (loss) on sale of investments and derivatives and change in unrealized appreciation (depreciation) on investments and derivatives, respectively, in the statements of comprehensive income (loss).

#### (k) Derivative transactions:

Options:

The Manager may use options to offset potential 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 derivatives 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 derivatives.

#### (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, 2022 and 2021 (Unaudited)

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### 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:

The Funds' outstanding redeemable units' entitlements include a contractual obligation to distribute any net income and net realized gains annually in cash (at the request of the unitholder) and therefore the ongoing redemption feature is not the units' only contractual obligation. Consequently, the Funds' outstanding redeemable units are classified as financial liabilities in accordance with the requirements of IAS 32, *Financial Instruments: Presentation*. The Funds' obligation for net assets attributable to unitholders is measured at FVTPL, with fair value being the redemption amounts as of the reporting date.

#### (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 impairment requirements.

With respect to financial assets classified and measured at cost, the Funds consider both historical analysis and forward-looking information in determining any expected credit loss. As at the financial statement date, financial assets classified and measured at cost are due to be settled within the short term. The Funds consider 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, 2022 and 2021 (Unaudited)

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

#### (q) Adoption of New Accounting Standards:

There were no new standards and amendments to standards and interpretations that are effective for the first time for annual periods beginning on or after January 1, 2022 that have been applied in preparing these financial statements.

#### Future accounting policy changes

##### *Classification of Liabilities as Current or Non-Current (Amendments to IAS 1)*

The IASB has published Classification of Liabilities as Current or Non-Current (Amendments to IAS 1) which clarifies the guidance on whether a liability should be classified as either current or non-current. The amendments:

- clarify that the classification of liabilities as current or non-current should only be based on rights that are in place "at the end of the reporting period"; and
- clarify that classification is unaffected by expectations about whether an entity will exercise its right to defer settlement of a liability and the settlement includes transfers to the counterparty of cash, equity instruments, other assets or services that result in extinguishment of the liability.

This amendment is effective for annual periods beginning on or after January 1, 2023. Earlier application is permitted. The extent of the impact of adoption of this amendment has not yet been determined. Management anticipates that all relevant pronouncements will be adopted for the first period beginning on or after the effective date of the pronouncement.

### 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.

On March 11, 2020, the World Health Organization declared the global outbreak of COVID-19 a pandemic. Market disruptions associated with the COVID-19 pandemic have had a global impact, and uncertainty exists as to the long-term implications. Such disruptions can adversely impact the financial instrument risks and the fair values of each of the Funds' portfolios.

# CHOU FUNDS

## Notes to Financial Statements (continued)

Six months ended June 30, 2022 and 2021 (Unaudited)

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

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.

#### (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 derivative 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.

# CHOU FUNDS

## Notes to Financial Statements (continued)

Six months ended June 30, 2022 and 2021 (Unaudited)

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

(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, 2022 and 2021 (Unaudited)

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

|  | Series A  |                  | Series F |                  |
|--|-----------|------------------|----------|------------------|
|  | 2022      | June 30,<br>2021 | 2022     | June 30,<br>2021 |
| <b>Chou Associates Fund</b>                        |           |                  |          |                  |
| Redeemable units outstanding,                      |           |                  |          |                  |
| beginning of period                                | 1,069,315 | 1,473,749        | 87,893   | 165,723          |
| Add redeemable units issued during the period      | 1,858     | 13,059           | 216,805  | 3,181            |
| Deduct redeemable units redeemed during the period | (266,488) | (109,886)        | (20,464) | (55,378)         |
| Redeemable units outstanding before                |           |                  |          |                  |
| income distribution                                | 804,685   | 1,376,922        | 284,234  | 113,526          |
| Add redeemable units issued on reinvested income   | –         | –                | –        | –                |
| Deduct redeemable units redeemed during the period | –         | –                | –        | –                |
| Redeemable units outstanding, end of period        | 804,685   | 1,376,922        | 284,234  | 113,526          |
| <b>Chou Asia Fund</b>                              |           |                  |          |                  |
| Redeemable units outstanding,                      |           |                  |          |                  |
| beginning of period                                | 738,334   | 690,428          | 53,316   | 60,312           |
| Add redeemable units issued during the period      | 577       | 57,193           | 334,524  | 1,103            |
| Deduct redeemable units redeemed during the period | (399,251) | (85,025)         | (14,000) | (10,643)         |
| Redeemable units outstanding before                |           |                  |          |                  |
| income distribution                                | 339,660   | 662,596          | 373,840  | 50,772           |
| Add redeemable units issued on reinvested income   | –         | –                | –        | –                |
| Deduct redeemable units redeemed during the period | –         | –                | –        | –                |
| Redeemable units outstanding, end of period        | 339,660   | 662,596          | 373,840  | 50,772           |
| <b>Chou Europe Fund</b>                            |           |                  |          |                  |
| Redeemable units outstanding,                      |           |                  |          |                  |
| beginning of period                                | 257,504   | 272,660          | 68,565   | 210,388          |
| Add redeemable units issued during the period      | 2,343     | 28,116           | 81,496   | 44               |
| Deduct redeemable units redeemed during the period | (92,739)  | (58,201)         | (38,691) | (115,590)        |
| Redeemable units outstanding before                |           |                  |          |                  |
| income distribution                                | 167,108   | 242,575          | 111,370  | 94,842           |
| Add redeemable units issued on reinvested income   | –         | –                | –        | –                |
| Deduct redeemable units redeemed during the period | –         | –                | –        | –                |
| Redeemable units outstanding, end of period        | 167,108   | 242,575          | 111,370  | 94,842           |

# CHOU FUNDS

## Notes to Financial Statements (continued)

Six months ended June 30, 2022 and 2021 (Unaudited)

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

|  | Series A  |           | Series F |          |
|--|-----------|-----------|----------|----------|
|  | June 30,  |           | June 30, |          |
|  | 2022      | 2021      | 2022     | 2021     |
| <b>Chou Bond Fund</b>                              |           |           |          |          |
| Redeemable units outstanding,                      |           |           |          |          |
| beginning of period                                | 1,050,115 | 1,105,932 | 135,676  | 209,838  |
| Add redeemable units issued during the period      | 9,512     | 18,955    | 390,047  | –        |
| Deduct redeemable units redeemed during the period | (451,017) | (77,655)  | (52,877) | (96,030) |
| Redeemable units outstanding before                |           |           |          |          |
| income distribution                                | 608,610   | 1,047,232 | 472,846  | 113,808  |
| Add redeemable units issued on reinvested income   | –         | –         | –        | –        |
| Deduct redeemable units redeemed during the period | –         | –         | –        | –        |
| Redeemable units outstanding, end of period        | 608,610   | 1,047,232 | 472,846  | 113,808  |
| <b>Chou RRSP Fund</b>                              |           |           |          |          |
| Redeemable units outstanding,                      |           |           |          |          |
| beginning of period                                | 1,074,198 | 1,349,151 | 64,041   | 100,434  |
| Add redeemable units issued during the period      | 8,781     | 14,248    | 433,692  | 22,590   |
| Deduct redeemable units redeemed during the period | (507,570) | (238,706) | (16,059) | (38,160) |
| Redeemable units outstanding before                |           |           |          |          |
| income distribution                                | 575,409   | 1,124,693 | 481,674  | 84,864   |
| Add redeemable units issued on reinvested income   | –         | –         | –        | –        |
| Deduct redeemable units redeemed during the period | –         | –         | –        | –        |
| Redeemable units outstanding, end of period        | 575,409   | 1,124,693 | 481,674  | 84,864   |

### 5. Related party transactions:

#### (a) 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,     |              |
|----------------------|--------------|--------------|
|                      | 2022         | 2021         |
| Chou Associates Fund | \$ 1,253,059 | \$ 1,313,503 |
| Chou Asia Fund       | 124,201      | 171,804      |
| Chou Europe Fund     | 21,936       | 29,146       |
| Chou Bond Fund       | 64,948       | 53,793       |
| Chou RRSP Fund       | 311,620      | 319,379      |

# CHOU FUNDS

## Notes to Financial Statements (continued)

Six months ended June 30, 2022 and 2021 (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,<br>2022 | December 31,<br>2021 |
|----------------------|------------------|----------------------|
| Chou Associates Fund | \$ 161,110       | \$ 226,722           |
| Chou Asia Fund       | 14,926           | 23,298               |
| Chou Europe Fund     | 2,367            | 3,692                |
| Chou Bond Fund       | 8,891            | 10,261               |
| Chou RRSP Fund       | 36,379           | 54,294               |

#### (b) Investments by the Manager and related parties:

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, 2022, the following amounts of Series A redeemable units were held by the Manager, its officers, and directors. No amounts of Series F redeemable units were held by the Manager, its officers, and directors.

|                      | June 30,<br>2022 | December 31,<br>2021 |
|----------------------|------------------|----------------------|
| Chou Associates Fund | 73,968           | 73,988               |
| Chou Asia Fund       | –                | –                    |
| Chou Europe Fund     | 60,755           | 58,411               |
| Chou Bond Fund       | –                | –                    |
| Chou RRSP Fund       | 43,791           | 36,820               |

#### (i) Chou Associates Fund:

As at June 30, 2022, 9.2% of Series A redeemable units (December 31, 2021 – 6.9%) were held by the Manager, its officers, and directors.

#### (ii) Chou Europe Fund:

As at June 30, 2022, 36.4% of Series A redeemable units (December 31, 2021 – 22.7%) were held by the Manager, its officers, and directors.

#### (iii) Chou RRSP Fund:

As at June 30, 2022, 7.6% of Series A redeemable units (December 31, 2021 – 3.4%) were held by the Manager, its officers, and directors.

# CHOU FUNDS

## Notes to Financial Statements (continued)

Six months ended June 30, 2022 and 2021 (Unaudited)

### 6. Brokers' commissions:

Total commissions paid to brokers in connection with portfolio transactions for the six months ended June 30, 2022 and 2021 are as follows:

|                      | <b>2022</b> | <b>June 30,<br/>2021</b> |
|----------------------|-------------|--------------------------|
| Chou Associates Fund | \$ 105,485  | \$ 203,219               |
| Chou Asia Fund       | 2,386       | 4,675                    |
| Chou Europe Fund     | 1,962       | 921                      |
| Chou Bond Fund       | –           | –                        |
| Chou RRSP Fund       | 73,909      | 107,790                  |

### 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, 2022 and December 31, 2021 are as follows:

| <b>June 30, 2022</b> | <b>Market value<br/>of securities<br/>on loan</b> | <b>Market value<br/>of collateral<br/>received</b> |
|----------------------|---|--|
| Chou Associates Fund | \$ 3,237,253                                      | \$ 3,526,373                                       |
| Chou Asia Fund       | 2,030,787   | 2,349,356  |
| Chou Europe Fund     | 74,473  | 86,156   |
| Chou Bond Fund       | –   | –  |
| Chou RRSP Fund       | 8,976   | 9,425  |

| <b>December 31, 2021</b> | <b>Market value<br/>of securities<br/>on loan</b> | <b>Market value<br/>of collateral<br/>received</b> |
|--------------------------|---|--|
| Chou Associates Fund     | \$ 4,537,547                                      | \$ 4,846,155                                       |
| Chou Asia Fund           | 1,232,106   | 1,303,289  |
| Chou Europe Fund         | 657,879   | 695,849  |
| Chou Bond Fund           | –   | –  |
| Chou RRSP Fund           | 578   | 607  |

# CHOU FUNDS

## Notes to Financial Statements (continued)

Six months ended June 30, 2022 and 2021 (Unaudited)

### 7. Securities lending (continued):

The tables below present a reconciliation of the securities lending income as presented in the statements of comprehensive income (loss) for the six months ended June 30, 2022 and June 30, 2021. 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, |       |       |    |       |       |
|----------------------------------|----------|-------|-------|----|-------|-------|
|                                  | 2022     |       | 2021  |    |       |       |
| Gross securities lending revenue | \$       | 2,742 | 100 % | \$ | 3,449 | 100 % |
| Withholding taxes                |          | (37)  | (1)%  |    | (54)  | (2)%  |
| Agent fees                       |          | (541) | (20)% |    | (263) | (8)%  |
| Securities lending revenue       | \$       | 2,164 | 79 %  | \$ | 3,132 | 90 %  |

#### Chou Asia Fund:

|                                  | June 30, |         |       |    |         |       |
|----------------------------------|----------|---------|-------|----|---------|-------|
|                                  | 2022     |         | 2021  |    |         |       |
| Gross securities lending revenue | \$       | 5,361   | 100 % | \$ | 12,041  | 100 % |
| Withholding taxes                |          | (80)    | (1)%  |    | –       | –     |
| Agent fees                       |          | (1,056) | (20)% |    | (2,408) | (20)% |
| Securities lending revenue       | \$       | 4,225   | 79 %  | \$ | 9,633   | 80 %  |

#### Chou Europe Fund:

|                                  | June 30, |      |       |    |       |       |
|----------------------------------|----------|------|-------|----|-------|-------|
|                                  | 2022     |      | 2021  |    |       |       |
| Gross securities lending revenue | \$       | 241  | 100 % | \$ | 979   | 100 % |
| Withholding taxes                |          | (17) | (7)%  |    | (159) | (16)% |
| Agent fees                       |          | (45) | (19)% |    | (164) | (17)% |
| Securities lending revenue       | \$       | 179  | 74 %  | \$ | 656   | 67 %  |

#### Chou Bond Fund:

|                                  | June 30, |         |       |    |      |       |
|----------------------------------|----------|---------|-------|----|------|-------|
|                                  | 2022     |         | 2021  |    |      |       |
| Gross securities lending revenue | \$       | 12,756  | 100 % | \$ | 306  | 100 % |
| Withholding taxes                |          | (3,827) | (30)% |    | (90) | (29)% |
| Agent fees                       |          | (1,786) | (14)% |    | (43) | (14)% |
| Securities lending revenue       | \$       | 7,143   | 56 %  | \$ | 173  | 57 %  |

# CHOU FUNDS

## Notes to Financial Statements (continued)

Six months ended June 30, 2022 and 2021 (Unaudited)

### 7. Securities lending (continued):

#### Chou RRSP Fund:

|                                  | 2022 |      | June 30, |    | 2021  |       |
|----------------------------------|------|------|----------|----|-------|-------|
| Gross securities lending revenue | \$   | 207  | 100 %    | \$ | 902   | 100 % |
| Withholding taxes                |      | (16) | (8)%     |    | (21)  | (2)%  |
| Agent fees                       |      | (38) | (18)%    |    | (145) | (16)% |
| Securities lending revenue       | \$   | 153  | 74 %     | \$ | 736   | 82 %  |

### 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.

#### (a) Chou Associates Fund:

| June 30, 2022                | Level 1        | Level 2      | Level 3       | Total          |
|------------------------------|----------------|--------------|---------------|----------------|
| <b>Financial Assets</b>      |                |              |               |                |
| Equities                     | \$ 109,732,485 | \$ —         | \$ 38,286,579 | \$ 148,019,064 |
| Bonds                        | —              | —            | —             | —              |
| Options                      | —              | —            | —             | —              |
| Total                        | \$ 109,732,485 | \$ —         | \$ 38,286,579 | \$ 148,019,064 |
| <b>Financial Liabilities</b> |                |              |               |                |
| Equities                     | \$ —           | \$ —         | \$ —          | \$ —           |
| Bonds                        | —              | —            | —             | —              |
| Options                      | —              | 1,228,632    | —             | 1,228,632      |
| Total                        | \$ —           | \$ 1,228,632 | \$ —          | \$ 1,228,632   |

# CHOU FUNDS

## Notes to Financial Statements (continued)

Six months ended June 30, 2022 and 2021 (Unaudited)

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

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

| December 31, 2021            | Level 1               | Level 2             | Level 3              | Total                 |
|------------------------------|-----------------------|---------------------|----------------------|-----------------------|
| <b>Financial Assets</b>      |                       |                     |                      |                       |
| Equities                     | \$ 147,797,221        | \$ 3,378,207        | \$ 18,800,231        | \$ 169,975,659        |
| Bonds                        | –                     | –                   | –                    | –                     |
| Options                      | –                     | –                   | –                    | –                     |
| <b>Total</b>                 | <b>\$ 147,797,221</b> | <b>\$ 3,378,207</b> | <b>\$ 18,800,231</b> | <b>\$ 169,975,659</b> |
| <b>Financial Liabilities</b> |                       |                     |                      |                       |
| Equities                     | \$ –                  | \$ –                | \$ –                 | \$ –                  |
| Bonds                        | –                     | –                   | –                    | –                     |
| Options                      | –                     | 5,350,739           | –                    | 5,350,739             |
| <b>Total</b>                 | <b>\$ –</b>           | <b>\$ 5,350,739</b> | <b>\$ –</b>          | <b>\$ 5,350,739</b>   |

The following table reconciles the Fund's Level 3 fair value measurement of financial instruments for the six months ended June 30, 2022.

|   | Equities             | Bonds       | Total                |
|---|----------------------|-------------|----------------------|
| Balance, December 31, 2021                                | \$ 18,800,231        | \$ –        | \$ 18,800,231        |
| Purchase of investments                                   | –                    | –           | –                    |
| Net transfers in (out) during the period                  | –                    | –           | –                    |
| Proceeds from sales during the period                     | –                    | –           | –                    |
| Net realized gain (loss) on sale of investments           | –                    | –           | –                    |
| Change in unrealized appreciation in value of investments | 19,486,348           | –           | 19,486,348           |
| <b>Balance, June 30, 2022</b>                             | <b>\$ 38,286,579</b> | <b>\$ –</b> | <b>\$ 38,286,579</b> |

The following table reconciles the Fund's Level 3 fair value measurement of financial instruments for the year ended December 31, 2021.

|   | Equities             | Bonds       | Total                |
|---|----------------------|-------------|----------------------|
| Balance, December 31, 2020                                | \$ 13,414,115        | \$ –        | \$ 13,414,115        |
| Purchase of investments                                   | –                    | –           | –                    |
| Net transfers in (out) during the year                    | –                    | –           | –                    |
| Proceeds from sales during the year                       | –                    | –           | –                    |
| Net realized gain (loss) on sale of investments           | –                    | –           | –                    |
| Change in unrealized appreciation in value of investments | 5,386,116            | –           | 5,386,116            |
| <b>Balance, December 31, 2021</b>                         | <b>\$ 18,800,231</b> | <b>\$ –</b> | <b>\$ 18,800,231</b> |

# CHOU FUNDS

## Notes to Financial Statements (continued)

Six months ended June 30, 2022 and 2021 (Unaudited)

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

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

During the six months period ended June 30, 2022, there were no significant transfers between Level 1 and Level 2.

For the year ended December 31, 2021, there were no significant transfers between Level 1 and Level 2.

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 tables below set 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, 2022

| 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 (\$) +/- |
|--------------------------|----------------------------------|-----------------|-----------------------------------|--------------------|----------------------|---------------------------------------|------------------------------|
| Equity – Private Company | Equity Security                  | 38,286,579      | Market Approach & Income Approach | Third party        | N/A                  | 10%                                   | 3,828,658/<br>(3,828,658)    |

##### December 31, 2021

| 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 (\$) +/- |
|--------------------------|----------------------------------|-----------------|-----------------------------------|--------------------|----------------------|---------------------------------------|------------------------------|
| Equity – Private Company | Equity Security                  | 18,800,231      | Market Approach & Income Approach | Third party        | N/A                  | 10%                                   | 1,880,023/<br>(1,880,023)    |

#### 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, 2022 and 2021 (Unaudited)

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

#### (b) Chou Asia Fund:

| <b>June 30, 2022</b>    | <b>Level 1</b>       | <b>Level 2</b>    | <b>Level 3</b> | <b>Total</b>         |
|-------------------------|----------------------|-------------------|----------------|----------------------|
| <b>Financial Assets</b> |                      |                   |                |                      |
| Equities                | \$ 11,731,261        | \$ 973,866        | \$ –           | \$ 12,705,127        |
| Bonds                   | –                    | –                 | –              | –                    |
| Options                 | –                    | –                 | –              | –                    |
| <b>Total</b>            | <b>\$ 11,731,261</b> | <b>\$ 973,866</b> | <b>\$ –</b>    | <b>\$ 12,705,127</b> |

| <b>December 31, 2021</b> | <b>Level 1</b>       | <b>Level 2</b>      | <b>Level 3</b> | <b>Total</b>         |
|--------------------------|----------------------|---------------------|----------------|----------------------|
| <b>Financial Assets</b>  |                      |                     |                |                      |
| Equities                 | \$ 14,738,868        | \$ 1,049,506        | \$ –           | \$ 15,788,374        |
| Bonds                    | –                    | –                   | –              | –                    |
| Options                  | –                    | –                   | –              | –                    |
| <b>Total</b>             | <b>\$ 14,738,868</b> | <b>\$ 1,049,506</b> | <b>\$ –</b>    | <b>\$ 15,788,374</b> |

During the six months period ended June 30, 2022, there were no significant transfers between Level 1 and Level 2.

For the year ended December 31, 2021, equities valued at \$1,048,029 were transferred from Level 2 to Level 1 due to an increase in liquidity and trading volumes.

Financial instruments classified as Level 2 investments are valued based on prices by a reputable independent 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, 2022 and 2021 (Unaudited)

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

#### (c) Chou Europe Fund:

| June 30, 2022           | Level 1 |           | Level 2 |   | Level 3 |   | Total        |
|-------------------------|---------|-----------|---------|---|---------|---|--------------|
| <b>Financial Assets</b> |         |           |         |   |         |   |              |
| Equities                | \$      | 1,951,901 | \$      | – | \$      | – | \$ 1,951,901 |
| Bonds                   |         | –         |         | – |         | – | –            |
| Options                 |         | –         |         | – |         | – | –            |
| Total                   | \$      | 1,951,901 | \$      | – | \$      | – | \$ 1,951,901 |

| December 31, 2021       | Level 1 |           | Level 2 |   | Level 3 |   | Total        |
|-------------------------|---------|-----------|---------|---|---------|---|--------------|
| <b>Financial Assets</b> |         |           |         |   |         |   |              |
| Equities                | \$      | 3,065,822 | \$      | – | \$      | – | \$ 3,065,822 |
| Bonds                   |         | –         |         | – |         | – | –            |
| Options                 |         | –         |         | – |         | – | –            |
| Total                   | \$      | 3,065,822 | \$      | – | \$      | – | \$ 3,065,822 |

During the six months period ended June 30, 2022, there were no significant transfers between Level 1 and Level 2.

During the year ended December 31, 2021, equities valued at \$644,366 were transferred from Level 2 to Level 1 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.

#### (d) Chou Bond Fund:

| June 30, 2022           | Level 1 |         | Level 2 |           | Level 3 |         | Total        |
|-------------------------|---------|---------|---------|-----------|---------|---------|--------------|
| <b>Financial Assets</b> |         |         |         |           |         |         |              |
| Equities                | \$      | 307,832 | \$      | –         | \$      | 599,021 | \$ 906,853   |
| Bonds                   |         | –       |         | 4,195,093 |         | 366     | 4,195,459    |
| Options                 |         | –       |         | –         |         | –       | –            |
| Total                   | \$      | 307,832 | \$      | 4,195,093 | \$      | 599,387 | \$ 5,102,312 |

| December 31, 2021       | Level 1 |           | Level 2 |           | Level 3 |         | Total        |
|-------------------------|---------|-----------|---------|-----------|---------|---------|--------------|
| <b>Financial Assets</b> |         |           |         |           |         |         |              |
| Equities                | \$      | 1,678,669 | \$      | –         | \$      | 294,143 | \$ 1,972,812 |
| Bonds                   |         | –         |         | 4,454,755 |         | 366     | 4,455,121    |
| Options                 |         | –         |         | –         |         | –       | –            |
| Total                   | \$      | 1,678,669 | \$      | 4,454,755 | \$      | 294,509 | \$ 6,427,933 |

# CHOU FUNDS

## Notes to Financial Statements (continued)

Six months ended June 30, 2022 and 2021 (Unaudited)

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

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

The following table reconciles the Fund's Level 3 fair value measurement of financial instruments for the six months ended June 30, 2022.

|  | <b>Equities</b> | <b>Bonds</b> | <b>Total</b> |
|--|-----------------|--------------|--------------|
| Balance, December 31, 2021                                   | \$ 294,143      | \$ 366       | \$ 294,509   |
| Net transfers in during the period                           | —               | —            | —            |
| Proceeds from sales during the period                        | —               | —            | —            |
| Net realized gain (loss) on sale of investments              | —               | —            | —            |
| Change in unrealized appreciation<br>in value of investments | 304,878         | —            | 304,878      |
| Balance, June 30, 2022                                       | \$ 599,021      | \$ 366       | \$ 599,387   |

The following table reconciles the Fund's Level 3 fair value measurement of financial instruments for the year ended December 31, 2021.

|  | <b>Equities</b> | <b>Bonds</b> | <b>Total</b> |
|--|-----------------|--------------|--------------|
| Balance, December 31, 2020                                   | \$ 209,874      | \$ 366       | \$ 210,240   |
| Net transfers in during the year                             | —               | —            | —            |
| Proceeds from sales during the year                          | —               | —            | —            |
| Net realized gain (loss) on sale of investments              | —               | —            | —            |
| Change in unrealized appreciation<br>in value of investments | 84,269          | —            | 84,269       |
| Balance, December 31, 2021                                   | \$ 294,143      | \$ 366       | \$ 294,509   |

During the six months period ended June 30, 2022 and for the year ended December 31, 2021 there were no significant transfers between Level 1 and Level 2.

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, 2022 and 2021 (Unaudited)

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

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

##### Level 3 additional disclosures:

The tables below set 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, 2022

| 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 (\$) +/- |
|--------------------------|----------------------------------|-----------------|-----------------------------------|-------------------------|----------------------|---------------------------------------|------------------------------|
| Equity – Private Company | Equity Security                  | 599,021         | Market Approach & Income Approach | Third party             | N/A                  | 10%                                   | 59,902/(59,902)              |
| Convertible loan         | Convertible Loan                 | 366             | Market Approach                   | Market value of company | N/A                  | 10%                                   | 37/(37)                      |

##### December 31, 2021

| 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 (\$) +/- |
|--------------------------|----------------------------------|-----------------|-----------------------------------|-------------------------|----------------------|---------------------------------------|------------------------------|
| Equity – Private Company | Equity Security                  | 294,143         | Market Approach & Income Approach | Third party             | N/A                  | 10%                                   | 29,414/(29,414)              |
| Convertible loan         | Convertible Loan                 | 366             | Market Approach                   | Market value of company | N/A                  | 10%                                   | 37/(37)                      |

##### 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, 2022 and 2021 (Unaudited)

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

#### (e) Chou RRSP Fund:

| June 30, 2022                | Level 1       | Level 2      | Level 3      | Total         |
|------------------------------|---------------|--------------|--------------|---------------|
| <b>Financial Assets</b>      |               |              |              |               |
| Equities                     | \$ 25,750,692 | \$ 3,233,123 | \$ 3,417,674 | \$ 32,401,489 |
| Bonds                        | –             | 3,111,000    | 100          | 3,111,100     |
| Options                      | –             | –            | –            | –             |
| Total                        | \$ 25,750,692 | \$ 6,344,123 | \$ 3,417,774 | \$ 35,512,589 |
| <b>Financial Liabilities</b> |               |              |              |               |
| Equities                     | \$ –          | \$ –         | \$ –         | \$ –          |
| Bonds                        | –             | –            | –            | –             |
| Options                      | –             | 1,629,756    | –            | 1,629,756     |
| Total                        | \$ –          | \$ 1,629,756 | \$ –         | \$ 1,629,756  |

| December 31, 2021            | Level 1       | Level 2      | Level 3      | Total         |
|------------------------------|---------------|--------------|--------------|---------------|
| <b>Financial Assets</b>      |               |              |              |               |
| Equities                     | \$ 38,111,294 | \$ 4,087,934 | \$ 1,678,213 | \$ 43,877,441 |
| Bonds                        | –             | 3,111,000    | 100          | 3,111,100     |
| Options                      | –             | –            | –            | –             |
| Total                        | \$ 38,111,294 | \$ 7,198,934 | \$ 1,678,313 | \$ 46,988,541 |
| <b>Financial Liabilities</b> |               |              |              |               |
| Equities                     | \$ –          | \$ –         | \$ –         | \$ –          |
| Bonds                        | –             | –            | –            | –             |
| Options                      | –             | 4,089,678    | –            | 4,089,678     |
| Total                        | \$ –          | \$ 4,089,678 | \$ –         | \$ 4,089,678  |

The following table reconciles the Fund's Level 3 fair value measurement of financial instruments for the six months ended June 30, 2022.

|  | Equities     | Bonds  | Total        |
|--|--------------|--------|--------------|
| Balance, December 31, 2021                                   | \$ 1,678,213 | \$ 100 | \$ 1,678,313 |
| Net transfers in during the period                           | –            | –      | –            |
| Proceeds from sales during the period                        | –            | –      | –            |
| Net realized gain (loss) on sale of investments              | –            | –      | –            |
| Change in unrealized appreciation<br>in value of investments | 1,739,461    | –      | 1,739,461    |
| Balance, June 30, 2022                                       | \$ 3,417,674 | \$ 100 | \$ 3,417,774 |

# CHOU FUNDS

## Notes to Financial Statements (continued)

Six months ended June 30, 2022 and 2021 (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, 2021.

|  | Equities     | Bonds  | Total        |
|--|--------------|--------|--------------|
| Balance, December 31, 2020                                   | \$ 1,197,419 | \$ 100 | \$ 1,197,519 |
| Net transfers in during the year                             | –            | –      | –            |
| Proceeds from sales during the year                          | –            | –      | –            |
| Net realized gain (loss) on sale of investments              | –            | –      | –            |
| Change in unrealized appreciation<br>in value of investments | 480,794      | –      | 480,794      |
| Balance, December 31, 2021                                   | \$ 1,678,213 | \$ 100 | \$ 1,678,313 |

During the six months period ended June 30, 2022 and for the year ended December 31, 2021 there were no significant transfers between Level 1 and Level 2.

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 tables below set 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, 2022

| 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 (\$ +/-) |
|--------------------------|----------------------------------|-----------------|-----------------------------------|-------------------------|----------------------|---------------------------------------|------------------------------|
| Equity – Private Company | Equity Security                  | 3,417,674       | Market Approach & Income Approach | Third party             | N/A                  | 10%                                   | 341,767/<br>(341,767)        |
| Convertible Loan         | Convertible Loan                 | 100             | Market Approach                   | Market value of company | N/A                  | 10%                                   | 10/<br>(10)                  |

#### December 31, 2021

| 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 (\$ +/-) |
|--------------------------|----------------------------------|-----------------|-----------------------------------|-------------------------|----------------------|---------------------------------------|------------------------------|
| Equity – Private Company | Equity Security                  | 1,678,213       | Market Approach & Income Approach | Third party             | N/A                  | 10%                                   | 167,821/<br>(167,821)        |
| Convertible Loan         | Convertible Loan                 | 100             | Market Approach                   | Market value of company | N/A                  | 10%                                   | 10/<br>(10)                  |

# CHOU FUNDS

## Notes to Financial Statements (continued)

Six months ended June 30, 2022 and 2021 (Unaudited)

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

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

##### 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. 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:

|                               | June 30,     |              |
|-------------------------------|--------------|--------------|
|                               | 2022         | 2021         |
| Chou Associates Fund:         |              |              |
| Capital loss carryforward     | \$ 3,157,106 | \$ 6,267,002 |
| Chou Asia Fund:               |              |              |
| Capital loss carryforward     | -            | 167,964      |
| Chou Europe Fund:             |              |              |
| Capital loss carryforward     | 4,347,415    | 4,347,415    |
| Non-capital loss carryforward | -            | 19,105       |
| Chou Bond Fund:               |              |              |
| Capital loss carryforward     | 12,049,992   | 9,501,944    |
| Chou RRSP Fund:               |              |              |
| Capital loss carryforward     | 15,671,493   | 15,671,493   |
| Non-capital loss carryforward | -            | 216,570      |

# CHOU FUNDS

## Notes to Financial Statements (continued)

Six months ended June 30, 2022 and 2021 (Unaudited)

### 10. Subsequent events- Fund valuation adjustments:

Subsequent to June 30, 2022, the Chou Associates Fund identified an overstatement of investments in the amount of \$4,083,714 on July 18, 2022. This resulted in an overstatement of the Net Asset Value ("NAV") as at July 18, 2022. As a result, the Chou Associates Fund did not accurately reflect the NAV at the time of computation for transactional purposes for all capital stock transactions in the Fund with a trade date of July 18, 2022. No other transactions were impacted by this error.

On July 19, 2022, the error was retroactively corrected, and the NAV was restated for the affected date, July 18, 2022. Adjustments were made in accordance with the Chou Associates Fund's NAV error procedures.

The following table illustrates the adjustments made to the NAV to reflect the correction in investments on July 18, 2022:

| <b>Class</b>               | <b>Unadjusted<br/>Net Asset Value<br/>per Unit as at<br/>July 18, 2022</b> | <b>Adjustment<br/>to reflect<br/>the effects of<br/>over valuation</b> | <b>Adjusted<br/>Net Asset Value<br/>per Unit as at<br/>July 18, 2022</b> |
|----------------------------|--|--|--|
| <b>Canadian Dollars:</b>   |  |  |  |
| Chou Associates (series A) | \$ 152.32  | \$ 3.78  | \$ 148.54  |
| Chou Associates (series F) | 152.85   | 3.79   | 149.06   |
| <b>U.S. Dollars:</b>       |  |  |  |
| Chou Associates (series A) | 117.64   | 2.92   | 114.72   |
| Chou Associates (series F) | 118.05   | 2.93   | 115.12   |

**NOTES**  
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**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                       |
| Dec.31, 2019         | 27,001                       |
| Dec.31, 2020         | 44,850                       |
| Dec.31, 2021         | 44,087                       |
| <b>June 30, 2022</b> | <b><u>\$39,057</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                       |
| Dec.31, 2019         | 11,495                       |
| Dec.31, 2020         | 14,626                       |
| Dec.31, 2021         | 13,973                       |
| <b>June 30, 2022</b> | <b><u>\$9,480</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                       |
| Dec.31, 2019         | 15,582                       |
| Dec.31, 2020         | 19,458                       |
| Dec.31, 2021         | 27,484                       |
| <b>June 30, 2022</b> | <b><u>\$28,664</u></b>       |

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

**CHOU RRSP FUND**

| <b>Period ended</b> | <b>Total value of shares</b> |
|---------------------|------------------------------|
| 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                      |
| Dec.31, 2019        | 118,267                      |
| Dec.31, 2020        | 134,262                      |
| Dec.31, 2021        | 209,422                      |
| <b>Jun.30, 2022</b> | <b><u>\$168,274</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.

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