

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

**SEMI-ANNUAL REPORT 2023**

**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
Dec.31, 2022	302,056
<b>Jun.30, 2023</b>	<b><u>\$306,692</u></b>

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

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

## PERFORMANCE OF THE FUNDS

Six months ended June 30, 2023 (unaudited)

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### **Chou Associates Fund**

Series A \$CAN	1.5%
Series A \$US	3.8%
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Series F \$CAN	1.8%
Series F \$US	4.1%

### **Chou Asia Fund**

Series A \$CAN	5.7%
Series A \$US	8.0%
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Series F \$CAN	6.0%
Series F \$US	8.3%

### **Chou Europe Fund**

Series A \$CAN	24.5%
Series A \$US	27.3%
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Series F \$CAN	24.5%
Series F \$US	27.3%

### **Chou Bond Fund**

Series A \$CAN	0.2%
Series A \$US	2.5%
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Series F \$CAN	0.3%
Series F \$US	2.6%

### **Chou RRSP Fund**

Series A \$CAN	6.2%
Series A \$US	8.5%
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Series F \$CAN	6.5%
Series F \$US	8.8%

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**CHOU ASSOCIATES FUND**  
(unaudited)

August 18, 2023

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, 2023 was \$157.42 compared to \$155.04 at December 31, 2022, an increase of 1.5%; during the same period, the S&P 500 Total Return Index increased by 14.3% in Canadian dollars. In U.S. dollars, a Series A unit of Chou Associates Fund increased by 3.8% while the S&P 500 Total Return Index increased by 16.9%.

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, 2023 (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)	17.0%	29.4%	7.9%	5.4%	6.3%	6.3%
S&P 500 (\$CAN)	22.9%	13.5%	12.4%	15.4%	12.8%	9.9%
Chou Associates Fund (\$US)	13.7%	30.4%	7.7%	3.0%	4.5%	6.4%
S&P 500 (\$US)	19.6%	14.6%	12.3%	12.8%	10.9%	10.0%

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 Bausch Health Companies Inc., Berkshire Hathaway Inc., Ally Financial Inc. and Hertz Global Holdings Inc. warrants. The Canadian currency appreciated against the US dollar, which also negatively affected the Fund.

During the period, Domtar, a subsidiary of The Paper Excellence Group, finalized the purchase of Resolute Forest Products in March 2023. The transaction was completed 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 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, is entitled to receive one CVR. The fund received the cash portion of the deal.

The Fund initiated investments in Navient Corporation and Home Capital Group Inc. The Fund increased its position in Synchrony Financial.

## **Portfolio Commentary**

### **The Common Theme In New Purchases**

We purchased shares in several new companies. They are half-decent companies that generate tons of free cash flow, sell at a low multiple of earnings, and have management that we can trust to make operating and capital allocation decisions wisely. But if there is a common theme in the new purchases, it is that they have been big buyers of their own stock over the last few years. We also believe that if their shares fall further, they will repurchase them in significant quantities in the market. What this entails is that their intrinsic value will increase on a per-share basis. That is music to my ears.

However, there is one caveat regarding companies buying back their shares. They should not be in a declining industry where new technology or processes will make their products less valuable. And as a corollary, the company should not buy back shares if it is a piece of CRAP (Cannot Realize A Profit). In this case, the remaining loyal shareholders are getting a larger piece of a crappy company.

I remember a time 20 years ago when the newspaper industry was in decline because of the advent of the internet. I thought it would take ten years before the newspaper industry faced a massive decline in advertising revenues. In a challenging industry, I was told a company goes bankrupt two ways; first slowly and then suddenly. But it is more like going quickly and then the bottom just falls out.

### **Be Careful with the Conventional Definition of Safety**

When 2021 ended, we were concerned that inflation would raise its ugly head. It is unprecedented how much money has been printed over the last 15 years, and we felt it was a matter of time before you had to pay the piper. We were happy to stay in cash/short-term treasury bills unless we found a mispriced equity. We were not enthused with buying long-duration treasury bills to gain an extra 50 basis points in yields, and we felt that any investor buying any A-rated paper with a long duration was playing with fire. An investor trades for a gain of 50 basis points (0.5%) in interest income for a potential capital loss of 40%. We were happy staying in cash equivalents which were virtually paying 0%. As of June 30, 2023, our cash level was approximately 26.0% of the net assets of the Fund.

If you look at the chart below, you can see the devastation caused by buying long-duration A-rated paper such as treasury bills, supposedly the safest securities in the world.

## PIMCO 25+ Yr Zero Coupon US Treasury Index



At the beginning of 2022, the PIMCO 25+ Year Zero Coupon US Treasury Index was trading at \$147.17. It dropped to \$87.32 at the end of 2022 for a loss of 40.7%. So much for being the safest security in the world!!

We are wary of buying any financials such as banks or insurance companies whose assets consist of large portions of long-duration treasury bills, fixed-income assets, or 30-year fixed residential mortgages. The consequences for banks and insurance companies whose assets consist of large portions of long-duration treasury bonds and fixed-income assets are quite impactful when interest rates increase. Below, you can see the devastation caused to the Tangible Common Equity of large banks with their holdings of long-duration treasury bills.

	Unrealized losses			Total Unreal. Losses
	Available for Sale	Held to Maturity	Tangible Common Equity	% of TCE
Bank of America	(4,477)	(108,569)	174,123	63%
Truist Financial	(12,255)	(9,922)	23,933	61%
US Bancorp	(8,540)	(10,866)	29,771	51%
KeyCorp	(6,435)	(597)	8,164	48%
State Street	(1,279)	(6,787)	17,696	43%

Source: Company reports, S&P Global, Wells Fargo Securities LLC.

Note: TCE was grossed up for unrealized AFS losses in the total unrealized losses as % of TCE calculation

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

In June 2022, RFP announced that Domtar would 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 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.

In March 2023, the Fund received \$US20.50 per share in cash.

Looking back on RFP, there is an important lesson for investors. RFP paid a special dividend of US\$1.50 a share in 2018. In 2020, the company announced that it would buy back 15% of its common shares for US\$100 million. Despite all that information, the stock traded as low as \$1.17 per share – meaning the whole market capitalization was approximately US\$99 million. In other words, instead of buying back 15% of the company with US\$100 million, it could have repurchased 100%.

The investment in RFP shows you what it takes to have the mindset of a value investor. I wrote about it in 2021’s annual letter, but it’s worth repeating here.

“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.”

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



## **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 more than US\$2.9 billion (roughly US\$57 per share) based on the New York Mercantile Exchange (NYMEX) forward pricing as of December 31, 2022, and the net proved reserves were 2.8 trillion cubic feet equivalent. Its number of outstanding shares was 51,584,500. We estimate its EBITDA for the year ending 2023 will be between US\$200 million and US\$250 million.

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

## **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, 2023.

**CREDIT DEFAULT SWAPS:** None existed at June 30, 2023.

**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 2022 IRC Annual Report is available on our website [www.choufunds.com](http://www.choufunds.com).

As of August 18, 2023, the NAVPU of a Series A unit of the Fund was \$161.46 and the cash position was approximately 24.70% of net assets. The Fund is up 4.2% from the beginning of the year. In U.S. dollars, it is up 4.1%.

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*

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:

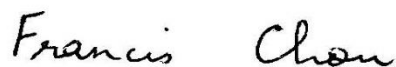
The accompanying financial statements have been prepared by the management of Chou Associates Management Inc. Management is responsible for the information and representations made in these financial statements.

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 18, 2023

# CHOU ASSOCIATES FUND

## Statements of Financial Position

June 30, 2023 (Unaudited) and December 31, 2022

	June 30, 2023	December 31, 2022
<b>Assets</b>		
Current assets:		
Cash and cash equivalents	\$ 41,598,279	\$ 39,090,997
Investments (note 8)	110,595,680	117,244,713
Derivatives (note 8)	8,029,928	6,063,911
Receivable for redeemable units subscribed	500	39,697
Dividends receivable	43,808	44,775
Total assets	160,268,195	162,484,093
<b>Liabilities</b>		
Current liabilities:		
Accrued expenses	229,646	243,297
Payable for units redeemed	826	20,270
Total liabilities	230,472	263,567
Net assets attributable to unitholders of redeemable units	\$ 160,037,723	\$ 162,220,526
Net assets attributable to unitholders of redeemable units:		
Series A	\$ 117,708,576	\$ 119,424,698
Series F	42,329,147	42,795,828
	\$ 160,037,723	\$ 162,220,526
Number of redeemable units outstanding (note 4):		
Series A	747,753	770,337
Series F	271,361	279,359
Net assets attributable to unitholders of redeemable units per unit:		
Canadian dollars:		
Series A	\$ 157.42	\$ 155.04
Series F	155.99	153.20
U.S. dollars:		
Series A	118.83	114.50
Series F	117.75	113.15

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, 2023 and 2022 (Unaudited)

	2023	2022
<b>Income:</b>		
Dividends	\$ 388,398	\$ 188,874
Securities lending income (note 7)	6,518	2,164
Interest for distribution purposes and other	1,575	–
Foreign currency (loss) gain on cash and other net asset	(866,888)	66,654
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	4,820,817	4,234,962
Net realized gain on derivatives	–	870,391
Change in unrealized depreciation on investments	(2,098,206)	(17,277,793)
Change in unrealized appreciation on derivatives	1,966,016	5,249,725
	4,218,230	(6,665,023)
<b>Expenses:</b>		
Management fees (note 5(a))	1,271,408	1,253,059
Custodial fees	136,986	120,134
Audit fees	71,720	79,768
Filing fees	25,357	28,100
FundSERV fees	12,127	16,265
Legal fees	9,050	9,050
Transaction costs (note 6)	22,033	105,485
Foreign withholding taxes	56,127	29,690
Other	3,257	3,449
	1,608,065	1,645,000
Increase (decrease) in net assets attributable to unitholders of redeemable units	\$ 2,610,165	\$ (8,310,023)
Increase (decrease) in net assets attributable to unitholders of redeemable units per series:		
Series A	\$ 1,834,196	\$ (6,905,728)
Series F	775,969	(1,404,295)
	\$ 2,610,165	\$ (8,310,023)
Average number of redeemable units outstanding for the period for the Series:		
Series A	758,291	940,875
Series F	274,780	181,724
Increase (decrease) in net assets attributable to unitholders of redeemable units per unit:		
Series A	\$ 2.42	\$ (7.34)
Series F	2.82	(7.73)

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, 2023 and 2022 (Unaudited)

	2023	2022
<b>Series A</b>		
Net assets attributable to unitholders of redeemable units, beginning of period	\$ 119,424,693	\$ 152,105,748
Increase (decrease) in net assets attributable to unitholders of redeemable units	1,834,196	(6,905,728)
Proceeds from issue of redeemable units	281,649	262,355
Payments on redemption of redeemable units	(3,831,962)	(36,947,638)
Net assets attributable to unitholders of redeemable units, end of period	\$ 117,708,576	\$ 108,514,737
<b>Series F</b>		
Net assets attributable to unitholders of redeemable units, beginning of period	\$ 42,795,833	\$ 12,507,480
Increase (decrease) in net assets attributable to unitholders of redeemable units	775,969	(1,404,295)
Proceeds from issue of redeemable units	648,941	30,190,344
Payments on redemption of redeemable units	(1,892,342)	(2,839,029)
Reinvested distributions	746	—
Net assets attributable to unitholders of redeemable units, end of period	\$ 42,329,147	\$ 38,454,500
Total net assets attributable to unitholders of redeemable units, end of period	\$ 160,037,723	\$ 146,969,237

See accompanying notes to financial statements.

# CHOU ASSOCIATES FUND

## Statements of Cash Flows

Six months ended June 30, 2023 and 2022 (Unaudited)

	2023	2022
<b>Cash flows from operating activities:</b>		
Increase (decrease) in net assets attributable to unitholders of redeemable units	\$ 2,610,165	\$ (8,310,023)
Adjustments for:		
Foreign currency loss (gain) on cash and other net assets	866,888	(66,654)
Net realized gain on disposal of investments and derivatives	(4,820,817)	(5,105,353)
Change in unrealized depreciation on investments and derivatives	132,190	12,028,068
Change in non-cash operating working capital:		
Decrease (increase) in dividends receivable	967	(735)
Decrease in accrued expenses	(13,651)	(57,975)
Purchase of investments	(11,061,386)	(1,315,638)
Proceeds from sales of investments	20,433,029	11,679,719
Net cash generated from operating activities	8,147,385	8,851,409
<b>Cash flows from financing activities:</b>		
Distributions paid to unitholders	746	(11,900)
Proceeds from redeemable units issued	969,787	30,452,699
Amount paid on redemption of redeemable units	(5,743,748)	(40,207,726)
Net cash used in financing activities	(4,773,215)	(9,766,927)
Foreign currency (loss) gain on cash and other net assets	(866,888)	66,654
Increase (decrease) in cash and cash equivalents	2,507,282	(848,864)
Cash and cash equivalents, beginning of period	39,090,997	717,328
<b>Cash and cash equivalents (bank overdraft), end of period</b>	<b>\$ 41,598,279</b>	<b>\$ (131,536)</b>
Supplemental information:		
Interest received	1,575	–
Dividends received, net of withholding tax	333,238	158,449
Security lending income received	6,518	2,164

See accompanying notes to financial statements.

# CHOU ASSOCIATES FUND

## Schedule of Investments

June 30, 2023 (Unaudited)

	Number of securities	Cost	Fair value
<b>Equities*</b>			
Ally Financial Inc.	155,686	\$ 5,289,052	\$ 5,570,678
Bausch Health Companies Inc.	515,000	11,130,250	5,457,970
Berkshire Hathaway Inc., Class 'A'	80	8,437,290	54,877,504
Citigroup Inc.	57,695	1,457,677	3,518,904
EXCO Resources Inc.	781,244	19,296,711	20,445,496
Home Capital Group Inc.	90,000	3,741,747	3,879,900
Liberty Global PLC, Class 'A'	84,823	2,166,367	1,894,546
MBIA Inc.	199,530	1,380,805	2,283,789
Navient Corporation	183,338	4,601,299	4,512,655
Overstock.com Inc.	38,405	882,610	1,657,065
Synchrony Financial	120,000	5,457,935	5,392,262
Wells Fargo & Company	19,542	1,042,763	1,104,911
		64,884,506	110,595,680
<b>Derivatives</b>			
Hertz Global Holdings Inc., warrants, June 30, 2051	600,740	7,072,368	8,029,928
Total investments		71,956,874	118,625,608
Transaction costs		(265,124)	-
Portfolio total		\$ 71,691,750	\$ 118,625,608

\* Common shares unless indicated otherwise

See accompanying notes to financial statements.



# CHOU ASSOCIATES FUND

## Discussion of Financial Risk Management

Six months ended June 30, 2023 and 2022 (Unaudited)

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### **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 61.35% (December 31, 2022 – 53.46%) of the Fund's net assets held at June 30, 2023 were publicly traded equities. If equity prices on the exchange had increased or decreased by 5% as at June 30, 2023, the net assets of the Fund would have increased or decreased by approximately \$4,909,006 or 3.07% (December 31, 2022 – \$4,336,947 or 2.67%) of the net assets, all other factors remaining constant.

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

# CHOU ASSOCIATES FUND

## Discussion of Financial Risk Management

Six months ended June 30, 2023 and 2022 (Unaudited)

### (b) Foreign currency risk:

Currencies to which the Fund had exposure as at June 30, 2023 and December 31, 2022 expressed in CAD are as follows:

<b>June 30, 2023</b>	<b>Investments and derivatives</b>	<b>Cash and cash equivalents</b>	<b>Other assets and liabilities</b>	<b>Total</b>	<b>Percentage of net asset value</b>
United States dollar (USD)	\$ 114,745,708	\$ 41,408,165	\$ 43,808	\$ 156,197,681	97.6%

<b>December 31, 2022</b>	<b>Investments and derivatives</b>	<b>Cash and cash equivalents</b>	<b>Other assets and liabilities</b>	<b>Total</b>	<b>Percentage of net asset value</b>
United States dollar (USD)	\$ 123,308,624	\$ 39,045,555	\$ 44,775	\$ 162,398,954	100.1%

### 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 units subscribed, derivatives and payable for units redeemed that are denominated in foreign currencies.

As at June 30, 2023, 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 \$1,561,977 (December 31, 2022 - \$1,623,990).

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

**CHOU ASIA FUND**  
(unaudited)

August 18, 2023

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, 2023 was \$22.14 compared to \$20.95 at December 31, 2022, an increase of 5.7%; during the same period, the MSCI AC (Morgan Stanley Capital International All Country) Asia Pacific Total Return Index in Canadian dollars increased by 4.0%. In U.S. dollars, a Series A unit of Chou Asia Fund was up 8.0% while the MSCI AC Asia Pacific Total Return Index increased by 6.4%.

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

<b>June 30, 2023 (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)	11.4%	17.4%	8.7%	8.2%	6.0%
MSCI AC Asia Pacific TR (\$CAN)	9.6%	3.0%	2.7%	7.7%	6.0%
Chou Asia Fund (\$US)	8.3%	18.4%	8.6%	5.7%	4.1%
MSCI AC Asia Pacific TR (\$US)	6.6%	4.0%	2.6%	5.2%	4.2%

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

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

The major advancers in the first half of 2023 were the equity holdings of China Yuchai International Limited, Consun Pharmaceutical Group Limited, Capital A Berhad, IDFC Limited, Shriram Transport Finance Company Limited, and Samsung Electronics Company Limited. The largest decliners in the same period were the equity holdings of JD.com Inc, BYD Electronic (International) Company Limited, and Alibaba Group Holding Limited. The Canadian currency appreciated against the Hong Kong dollar, which also negatively affected the Fund.

During the period, the Fund sold the preferred equity holding of Atlas Corporation in the portfolio.

The Fund added an equity holding of Meituan 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, 2023.

## **Portfolio Commentary**

### **China**

We invested in China several years ago and have been quite successful. Despite doing well, we have always been bothered by the communist and dictatorial nature of the regime. We have grappled with some of the issues listed below:

- 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 – they 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 invest in. You own a shell with the right to the earnings of the company you have supposedly invested in. It is called a “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.
- 4) The Communist Party uses a provision that allows it to buy 1% of the company’s outstanding shares. This 1% share ownership has special rights and privileges (commonly called “Golden Shares”) and allows the Communist Party to influence and dictate what the companies can do.

The question is, how do we handicap the risk?

I believe the best way to handicap the risk is to buy excellent Chinese companies at a considerable discount to comparable American companies and to reduce our holdings in China to less than 20%.

### **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 34.2% of net assets as at June 30, 2023. 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, 2023.

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

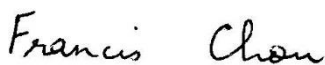
**REDEMPTION FEE:** We have a redemption fee of 2% if unitholders redeem their units in less than 3 months. None of this fee goes to the Fund Manager. It is put back into the Fund for the benefit of the remaining unitholders.

**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 2022 IRC Annual Report is available on our website [www.choufunds.com](http://www.choufunds.com).

As of August 18, 2023, the NAVPU of a Series A unit of the Fund was \$23.84 and the cash position was approximately 32.1% of net assets. The Fund is up 13.8% from the beginning of the year. In U.S. dollars, it is up 13.7%.

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, 2023 (Unaudited) and December 31, 2022

	June 30, 2023	December 31, 2022
<b>Assets</b>		
Current assets:		
Cash and cash equivalents	\$ 5,260,185	\$ 4,969,307
Investments (note 8)	10,106,621	9,852,232
Receivable for redeemable units subscribed	–	52,710
Due from broker	22,924	498,600
Interest receivable	4,752	5,302
Dividends receivable	63,643	30,558
Total assets	15,458,125	15,408,709
<b>Liabilities</b>		
Current liabilities:		
Accrued expenses	101,784	83,525
Total liabilities	101,784	83,525
Net assets attributable to unitholders of redeemable units	\$ 15,356,341	\$ 15,325,184
Net assets attributable to unitholders of redeemable units:		
Series A	\$ 6,984,525	\$ 6,914,008
Series F	8,371,816	8,411,176
	\$ 15,356,341	\$ 15,325,184
Number of redeemable units outstanding (note 4):		
Series A	315,442	330,014
Series F	368,007	391,855
Net assets attributable to unitholders of redeemable units per unit:		
Canadian dollars:		
Series A	\$ 22.14	\$ 20.95
Series F	22.75	21.47
U.S. dollars:		
Series A	16.71	15.47
Series F	17.17	15.85

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, 2023 and 2022 (Unaudited)

	2023	2022
<b>Income:</b>		
Interest for distribution purposes and other	\$ 72,896	\$ –
Dividends	306,114	167,485
Securities lending income (note 7)	204	4,225
Foreign currency (loss) gain on cash and other net assets	(141,601)	6,494
Other net changes in fair value of financial assets and financial liabilities at fair value through profit or loss:		
Net realized (loss) gain on disposal of investments	(30,151)	918,522
Change in unrealized appreciation (depreciation) on investments	857,250	(3,063,476)
	1,064,712	(1,966,750)
<b>Expenses:</b>		
Management fees (note 5(a))	109,325	124,201
Custodial fees	30,131	30,131
ADR fees	564	544
Audit	7,720	7,223
Filing fees	2,423	2,663
FundSERV fees	1,086	1,499
Legal fees	536	451
Transaction costs (note 6)	–	2,386
Foreign withholding taxes	53,737	17,937
Other	310	327
	205,832	187,362
Increase (decrease) in net assets attributable to unitholders of redeemable units	\$ 858,880	\$ (2,154,112)
Increase (decrease) in net assets attributable to unitholders of redeemable units per Series:		
Series A	\$ 379,094	\$ (2,215,460)
Series F	479,786	61,348
	\$ 858,880	\$ (2,154,112)
Average number of redeemable units outstanding for the period for the Series:		
Series A	323,204	548,178
Series F	379,461	208,940
Increase (decrease) in net assets attributable to unitholders of redeemable units per unit:		
Series A	\$ 1.17	\$ (4.04)
Series F	1.26	0.29

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, 2023 and 2022 (Unaudited)

	2023	2022
<b>Series A</b>		
Net assets attributable to unitholders of redeemable units, beginning of period	\$ 6,914,008	\$ 17,293,917
Increase (decrease) in net assets attributable to unitholders of redeemable units	379,094	(2,215,460)
Proceeds from issue of redeemable units	24	13,274
Payments on redemption of redeemable units	(308,601)	(8,043,676)
Net assets attributable to unitholders of redeemable units, end of period	\$ 6,984,525	\$ 7,048,055
<b>Series F</b>		
Net assets attributable to unitholders of redeemable units, beginning of period	\$ 8,411,176	\$ 1,279,386
Increase in net assets attributable to unitholders of redeemable units	479,786	61,348
Proceeds from issue of redeemable units	164,099	6,921,468
Payments on redemption of redeemable units	(685,757)	(292,209)
Reinvested distributions	2,512	—
Net assets attributable to unitholders of redeemable units, end of period	\$ 8,371,816	\$ 7,969,993
Total net assets attributable to unitholders of redeemable units, end of period	\$ 15,356,341	\$ 15,018,048

See accompanying notes to financial statements.



# CHOU ASIA FUND

## Statements of Cash Flows

Six months ended June 30, 2023 and 2022 (Unaudited)

	2023	2022
<b>Cash flows from operating activities:</b>		
Increase (decrease) in net assets attributable to unitholders of redeemable units	\$ 858,880	\$ (2,154,112)
Adjustments for:		
Foreign currency loss (gain) on cash and other net assets	141,601	(6,494)
Net realized loss (gain) on disposal of investments	30,151	(918,522)
Change in unrealized (appreciation) depreciation on investments	(857,250)	3,063,476
Change in non-cash operating working capital:		
Decrease in interest receivable	550	664
Increase in dividends receivable	(33,085)	(20,865)
Increase in accrued expenses	18,259	9,134
Purchase of investments	(15,093)	(9,999)
Proceeds from sales of investments	1,063,479	1,445,964
Net cash generated from operating activities	1,207,492	1,409,246
<b>Cash flows from financing activities:</b>		
Distributions paid to unitholders	2,512	(114,515)
Proceeds from redeemable units issued	216,833	6,939,742
Amount paid on redemption of redeemable units	(994,358)	(8,346,227)
Net cash used in financing activities	(775,013)	(1,521,000)
Foreign currency (loss) gain on cash and other net assets	(141,601)	6,494
Increase (decrease) in cash and cash equivalents	290,878	(105,260)
Cash and cash equivalents, beginning of period	4,969,307	2,437,553
Cash and cash equivalents, end of period	\$ 5,260,185	\$ 2,332,293
<b>Supplemental information:</b>		
Interest received	\$ 73,446	\$ 664
Dividends received, net of withholding taxes	219,292	128,683
Security lending income received	204	4,225

See accompanying notes to financial statements.

# CHOU ASIA FUND

## Schedule of Investments

June 30, 2023 (Unaudited)

	Number of securities	Cost	Fair value
<b>Equities*</b>			
AJIS Company Limited	30,400	\$ 213,157	\$ 664,532
Alibaba Group Holding Limited, ADR	3,400	406,470	375,421
BYD Electronic (International) Company Limited	648,000	157,156	2,596,348
Capital A Berhad	650,000	670,997	149,433
China Yuchai International Limited	73,364	1,242,575	1,020,484
Consun Pharmaceutical Group Limited	279,000	209,880	249,988
IDFC Limited	1,010,000	750,376	1,675,020
JD.com Inc., Class 'A'	219	9,997	4,902
Meituan	460	15,093	9,511
Postal Savings Bank of China Company Limited	456,000	401,912	371,579
Pyne Gould Corporation Limited	2,177,219	486,797	513,322
Samsung Electronics Company Limited, GDR	420	500,073	771,163
Shriram Transport Finance Company Limited	51,642	942,551	1,447,041
Tencent Holdings Limited	4,600	320,965	257,877
<b>Total long</b>		<b>6,327,999</b>	<b>10,106,621</b>
<b>Total investments</b>		<b>6,327,999</b>	<b>10,106,621</b>
<b>Transaction costs</b>		<b>(15,392)</b>	<b>—</b>
<b>Portfolio total</b>		<b>\$ 6,312,607</b>	<b>\$ 10,106,621</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, 2023 and 2022 (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 65.80% of the Fund's net assets held at June 30, 2023 were publicly traded equities (December 31, 2022 – 64.29%). If equity prices on the exchange had increased or decreased by 5% as at June 30, 2023, the net assets of the Fund would have increased or decreased by approximately \$505,331 or 3.29% (December 31, 2022 – \$492,612 or 3.21%) 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, 2023 and 2022 (Unaudited)

### Financial risk management (continued):

#### (b) Foreign currency risk:

Currencies to which the Fund had exposure as at June 30, 2023 and December 31, 2022 expressed in CAD are as follows:

<b>June 30, 2023</b>	<b>Investments and derivatives</b>	<b>Cash and cash equivalents</b>	<b>Net other assets and liabilities</b>	<b>Total</b>	<b>Percentage of net asset value</b>
Hong Kong dollar (HKD)	\$ 3,490,204	\$ 124,945	\$ 19,947	\$ 3,635,096	23.7%
United States dollar (USD)	\$ 2,167,068	\$ 3,859,444	\$ 57,875	\$ 6,084,387	39.6%
Indian Rupee (₹)	\$ 3,122,060	\$ 326,306	\$ 13,210	\$ 3,461,576	22.5%
New Zealand dollar (NZD)	\$ 513,323	\$ 730,886	\$ -	\$ 1,244,209	8.1%
Japanese yen (¥)	\$ 664,532	\$ 73,068	\$ 200	\$ 737,800	4.8%
Malaysian Ringgit (MYR)	\$ 149,434	\$ -	\$ -	\$ 149,434	1.0%

<b>December 31, 2022</b>	<b>Investments and derivatives</b>	<b>Cash and cash equivalents</b>	<b>Net other assets and liabilities</b>	<b>Total</b>	<b>Percentage of net asset value</b>
Hong Kong dollar (HKD)	\$ 3,675,967	\$ 111,769	\$ -	\$ 3,787,736	24.6%
United States dollar (USD)	\$ 2,312,525	\$ 4,175,176	\$ 35,599	\$ 6,523,300	42.6%
Indian Rupee (₹)	\$ 2,507,656	\$ 182,514	\$ -	\$ 2,690,170	17.6%
New Zealand dollar (NZD)	\$ 542,781	\$ 274,230	\$ 498,600	\$ 1,315,611	8.6%
Japanese yen (¥)	\$ 688,431	\$ 60,783	\$ 146	\$ 749,360	4.9%
Malaysian Ringgit (MYR)	\$ 124,872	\$ -	\$ -	\$ 124,872	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 and due from broker that are denominated in foreign currencies.

As at June 30, 2023, 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 \$153,125 (December 31, 2022 – \$151,900).

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

**CHOU EUROPE FUND**  
(unaudited)

August 18, 2023

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, 2023 was \$10.39 compared to \$8.34 at December 31, 2022, an increase of 24.5%; during the same period, the MSCI AC (Morgan Stanley Capital International All Country) Europe Total Return Index in Canadian dollars increased by 11.6%. In U.S. dollars, a Series A unit of Chou Europe Fund was up 27.3% while the MSCI AC Europe Total Return Index increased by 14.1%.

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

<b>June 30, 2023 (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)	98.2%	21.5%	6.1%	3.5%	4.1%
MSCI AC Europe TR (\$CAN)	26.2%	9.4%	5.4%	8.3%	5.3%
Chou Europe Fund (\$US)	92.6%	22.4%	5.9%	1.1%	2.3%
MSCI AC Europe TR (\$US)	22.8%	10.4%	5.3%	5.9%	3.5%

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 2023 were the equity holdings of Rolls-Royce Holdings PLC, Wizz Air Holdings PLC, Ryanair Holdings PLC, Cairo Mezz PLC, Jet 2 PLC, and Stellantis NV. The only decliner in the period was the equity holding of Liberty Global PLC.

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 did not enter into any forward currency contracts for pounds sterling or euros in the first half of 2023.

The Fund also had no covered call options in its portfolio as at June 30, 2023.

## **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 program on June 27, 2022:

“The repurchase program 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 program, 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.”

As of June 30, 2023, Prosus repurchased 182,981,946 shares at an average price of EUR 63.41 per share for a total consideration of EUR 11.6 billion (US\$12.1 billion). The number of repurchased shares accounted for 8.8% of the total outstanding ordinary shares.

### **Fiat Chrysler Automobiles (“FIAT”), now called Stellantis**

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\$7.51 in regular and special dividends, accounting for over 51.8% of the original price paid. We expect the regular and special dividend payments to continue.

The company announced two years ago that they would 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 approximately EUR 50 billion, with a lot of room for upside if some of those cost savings come to pass.

Stellantis is the biggest holding in the Fund. We are quite happy to hold this stock. Given the cash earnings potential from operations over the next few years, it sells at a low-earnings multiple. If management were wasting or misusing cash from operations, I would be concerned. But they are doing all the right things. The Board announced a share buyback program of up to Euro 1.5 billion on February 22, 2023. Following the completion of the first tranche of the program in May 2023 covering nearly EUR 500 million or 1.1% of the total outstanding ordinary shares, Stellantis announced the second tranche of up to EUR 500 million starting in June 2023 and ending in September 2023. We expect the third tranche of the share buyback to be completed by the end of 2023.

## **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 19.4% of net assets as at June 30, 2023. 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**

**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 2022 IRC Annual Report is available on our website [www.choufunds.com](http://www.choufunds.com).

As of August 18, 2023, the NAVPU of a Series A unit of the Fund was \$10.16 and the cash position was approximately 10.5% of net assets. The Fund is up 21.9% from the beginning of the year. In U.S. dollars, it is up 21.8%.

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  
Fund Manager

# CHOU EUROPE FUND

## Statements of Financial Position

June 30, 2023 (Unaudited) and December 31, 2022

	June 30, 2023	December 31, 2022
<b>Assets</b>		
Current assets:		
Cash and cash equivalents	\$ 659,471	\$ 243,312
Investments (note 8)	2,736,649	2,191,679
Dividends receivable	–	491
Interest receivable	455	186
Total assets	3,396,575	2,435,668
<b>Liabilities</b>		
Current liabilities:		
Accrued expenses	5,052	4,337
Total liabilities	5,052	4,337
Net assets attributable to unitholders of redeemable units	\$ 3,391,523	\$ 2,431,331
Net assets attributable to unitholders of redeemable units:		
Series A	\$ 1,568,360	\$ 1,102,160
Series F	1,823,163	1,329,171
	\$ 3,391,523	\$ 2,431,331
Number of redeemable units outstanding (note 4):		
Series A	151,010	132,133
Series F	170,881	155,116
Net assets attributable to unitholders of redeemable units per unit:		
Canadian dollars:		
Series A	\$ 10.39	\$ 8.34
Series F	10.67	8.57
U.S. dollars:		
Series A	7.84	6.16
Series F	8.05	6.33

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, 2023 and 2022 (Unaudited)

	2023	2022
<b>Income:</b>		
Interest for distribution purposes and other	\$ 15,869	\$ –
Dividends	59,957	43,173
Securities lending income (note 7)	200	179
Foreign currency (loss) gain on cash and other net assets	(2,505)	6,501
Other net changes in fair value of financial assets and financial liabilities at fair value through profit or loss:		
Net realized gain on investments	2,833	315,234
Change in unrealized appreciation (depreciation) on investments	544,785	(1,298,622)
	621,139	(933,535)
<b>Expenses:</b>		
Management fees (note 5(a))	–	21,936
Custodian fees	4,551	4,099
Audit	2,212	2,212
Filing fees	541	462
FundSERV fees	362	362
Legal fees	118	101
Transaction costs (note 6)	–	1,962
Foreign withholding taxes	9,017	6,537
Other	931	57
	17,732	37,728
Increase (decrease) in net assets attributable to unitholders of redeemable units	\$ 603,407	\$ (971,263)
Increase (decrease) in net assets attributable to unitholders of redeemable units per Series:		
Series A	\$ 273,905	\$ (708,066)
Series F	329,502	(263,197)
	\$ 603,407	\$ (971,263)
Average number of redeemable units outstanding for the period for the Series:		
Series A	143,104	211,559
Series F	169,792	79,370
Increase (decrease) in net assets attributable to unitholders of redeemable units per unit:		
Series A	\$ 1.91	\$ (3.35)
Series F	1.94	(3.32)

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, 2023 and 2022 (Unaudited)

	2023	2022
<b>Series A</b>		
Net assets attributable to unitholders of redeemable units, beginning of period	\$ 1,102,160	\$ 2,733,000
Increase (decrease) in net assets attributable to unitholders of redeemable units	273,905	(708,066)
Proceeds from issue of redeemable units	300,719	25,001
Payments on redemption of redeemable units	(108,424)	(846,627)
Net assets attributable to unitholders of redeemable units, end of period	\$ 1,568,360	\$ 1,203,308
<b>Series F</b>		
Net assets attributable to unitholders of redeemable units, beginning of period	\$ 1,329,171	\$ 758,720
Increase (decrease) in net assets attributable to unitholders of redeemable units	329,502	(263,197)
Proceeds from issue of redeemable units	632,681	754,434
Payments on redemption of redeemable units	(468,191)	(411,466)
Net assets attributable to unitholders of redeemable units, end of period	\$ 1,823,163	\$ 838,491
Total net assets attributable to unitholders of redeemable units, end of period	\$ 3,391,523	\$ 2,041,799

See accompanying notes to financial statements.

# CHOU EUROPE FUND

## Statements of Cash Flows

Six months ended June 30, 2023 and 2022 (Unaudited)

	2023	2022
<b>Cash flows from operating activities:</b>		
Increase (decrease) in net assets attributable to unitholders of redeemable units	\$ 603,407	\$ (971,263)
Adjustments for:		
Foreign currency loss (gain) on cash and other net assets	2,505	(6,501)
Net realized gain on investments	(2,833)	(315,234)
Change in unrealized (appreciation) depreciation on investments	(544,785)	1,298,622
Change in non-cash operating working capital:		
(Increase) decrease in interest receivable	(269)	163
Decrease in interest receivable	491	–
Increase in accrued expenses	715	23
Purchase of investments	–	(318,195)
Proceeds from sales of investments	2,648	448,728
Net cash generated from operating activities	61,879	136,343
<b>Cash flows from financing activities:</b>		
Distributions paid to unitholders	–	(312)
Proceeds from redeemable units issued	933,400	779,435
Amount paid on redemption of redeemable units	(576,615)	(1,276,265)
Net cash used in financing activities	356,785	(497,142)
Foreign currency (loss) gain on cash and other net assets	(2,505)	6,501
Increase (decrease) in cash and cash equivalents	416,159	(354,298)
Cash and cash equivalents, beginning of period	243,312	450,105
Cash and cash equivalents, end of period	\$ 659,471	\$ 95,807
<b>Supplemental information:</b>		
Interest received, net of withholding tax	\$ 15,600	\$ 163
Dividends received, net of withholding taxes	51,431	36,636
Security lending income received	200	179

See accompanying notes to financial statements.

# CHOU EUROPE FUND

## Schedule of Investments

June 30, 2023 (Unaudited)

	Number of securities	Cost	Fair value
<b>Equities*</b>			
Cairo Mezz PLC	20,833	\$ 1,130	\$ 3,614
Jet2 PLC	10,000	67,075	209,631
Liberty Global PLC, Class 'A'	12,000	373,934	268,024
Prosus NV	3,400	319,086	329,842
Rolls-Royce Holdings PLC	56,666	244,269	144,006
Ryanair Holdings PLC, ADR	4,575	132,084	670,317
Stellantis NV	30,000	583,249	697,083
Wizz Air Holdings PLC	9,000	303,145	414,132
Total long		2,023,972	2,736,649
Total investments		2,023,972	2,736,649
Transaction costs		(5,034)	—
Portfolio total		\$ 2,018,938	\$ 2,736,649

\* Common shares unless indicated otherwise

See accompanying notes to financial statements.

# CHOU EUROPE FUND

## Discussion of Financial Risk Management

Six months ended June 30, 2023 and 2022 (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 80.67% of the Fund's net assets held at June 30, 2023 were publicly traded equities (December 31, 2022 – 90.14%). If equity prices on the exchange had increased or decreased by 5% as at June 30, 2023, the net assets of the Fund would have increased or decreased by approximately \$136,832 or 4.03% (December 31, 2022 – \$109,584 or 4.51%) 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, 2023 and December 31, 2022 expressed in CAD are as follows:

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June 30, 2023	Investments and derivatives	Cash and cash equivalents	Net other assets and liabilities	Total	Percentage of net asset value
United States dollar (USD)	\$ 2,049,555	\$ 98,640	\$ 119	\$ 2,148,314	63.3%
Sterling pound (£)	\$ 353,638	\$ 1,814	\$ -	\$ 355,452	10.5%
Euro currency (€)	\$ 333,456	\$ 2,115	\$ -	\$ 335,571	9.9%

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# CHOU EUROPE FUND

## Discussion of Financial Risk Management (continued)

Six months ended June 30, 2023 and 2022 (Unaudited)

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### Financial risk management (continued):

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

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<b>December 31, 2022</b>	<b>Investments and derivatives</b>	<b>Cash and cash equivalents</b>	<b>Net other assets and liabilities</b>	<b>Total</b>	<b>Percentage of net asset value</b>
United States dollar (USD)	\$ 1,628,061	\$ 46,328	\$ 58	\$ 1,674,447	68.8%
Sterling pound (£)	\$ 243,333	\$ 1,266	\$ 491	\$ 245,090	10.1%
Euro currency (€)	\$ 320,285	\$ 2,117	\$ –	\$ 322,402	13.3%

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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 and dividend receivable that are denominated in foreign currencies.

As at June 30, 2023, 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 \$28,393 (December 31, 2022 – \$22,419).

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

## CHOU BOND FUND

(unaudited)

August 18, 2023

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, 2023 was \$9.35 compared to \$9.33 at December 31, 2022, an increase of 0.2%; during the same period, Barclays U.S. Corporate High Yield Index (\$CAN) increased by 2.9% 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 increased by 5.4%.

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

<b>June 30, 2023 (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)	3.8%	17.1%	11.0%	7.0%	6.2%
Barclays’ U.S. High Yield (\$CAN)	11.9%	2.2%	3.5%	6.8%	8.5%
Chou Bond Fund (\$US)	0.8%	18.1%	10.8%	4.6%	4.4%
Barclays’ U.S High Yield (\$US)	9.1%	3.1%	3.4%	4.4%	6.6%

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

### Factors Influencing the First Six-Month Results

The major advancers in the first half of 2023 were the debt holding of Avation Capital SA, 8.250% due October 31, 2026, MBIA Global Funding LLC, Zero Coupon due December 15, 2031 and 1375209 BC Limited, 9.000% due January 30, 2028.

The Canadian currency appreciated against the US dollar, which also negatively affected the Fund.

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

- Federal Home Loan Mortgage Corporation., 5.125%, due August 22, 2025
- Lumen Technologies Inc. 4.000%, due February 15, 2027
- World Acceptance Corporation, 7.000%, due November 1, 2026

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, 2023.

## Portfolio Commentary

### **Be Careful with the Conventional Definition of Safety**

When 2021 ended, we were concerned that inflation would raise its ugly head. It is unprecedented how much money has been printed over the last 15 years, and we felt it was a matter of time before you had to pay the piper. We were happy to stay in cash/short-term treasury bills unless we found a mispriced equity. We were not enthused with buying long-duration treasury bills to gain an extra 50 basis points in yields, and we felt that any investor buying any A-rated paper with a long duration was playing with fire. An investor trades for a gain of 50 basis points (0.5%) in interest income for a potential capital loss of 40%. We were happy staying in cash equivalents which were virtually paying 0%. As of June 30, 2023, our cash and cash equivalent level was approximately 43.4% of the net assets of the Fund.

If you look at the chart below, you can see the devastation caused by buying long-duration A-rated paper such as treasury bills, supposedly the safest securities in the world.

### **PIMCO 25+ Yr Zero Coupon US Treasury Index**



At the beginning of 2022, the PIMCO 25+ Year Zero Coupon US Treasury Index was trading at \$147.17. It dropped to \$87.32 at the end of 2022 for a loss of 40.7%. So much for being the safest security in the world!!

We are wary of buying any financials such as banks or insurance companies whose assets consist of large portions of long-duration treasury bills, fixed-income assets, or 30-year fixed residential mortgages. The consequences for banks and insurance companies whose assets consist of large portions of long-duration treasury bonds and fixed-income assets are quite impactful when interest rates increase. Below, you can see the devastation caused to the Tangible Common Equity of large banks with their holdings of long-duration treasury bills.



	Unrealized losses			Total Unreal. Losses
	Available for Sale	Held to Maturity	Tangible Common Equity	% of TCE
Bank of America	(4,477)	(108,569)	174,123	63%
Truist Financial	(12,255)	(9,922)	23,933	61%
US Bancorp	(8,540)	(10,866)	29,771	51%
KeyCorp	(6,435)	(597)	8,164	48%
State Street	(1,279)	(6,787)	17,696	43%

Source: Company reports, S&P Global, Wells Fargo Securities LLC.

Note: TCE was grossed up for unrealized AFS losses in the total unrealized losses as % of TCE calculation

### **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 more than US\$2.9 billion (roughly US\$57 per share) based on the New York Mercantile Exchange (NYMEX) forward pricing as of December 31, 2022, and the net proved reserves were 2.8 trillion cubic feet equivalent. Its number of outstanding shares was 51,584,500. We estimate its EBITDA for the year ending 2023 will be between US\$200 million and US\$250 million.

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

### **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 and cash equivalent position was approximately 43.4% of net assets as at June 30, 2023. 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, 2023.

CREDIT DEFAULT SWAPS: None existed at June 30, 2023.

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

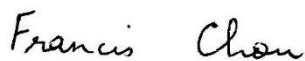
REDEMPTION FEE: We have a redemption fee of 2% if unitholders redeem their units in less than 3 months. None of this fee goes to the Fund Manager. It is put back into the Fund for the benefit of the remaining unitholders.

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 2022 IRC Annual Report is available on our website [www.choufunds.com](http://www.choufunds.com).

As of August 18, 2023, the NAVPU of a Series A unit of the Fund was \$9.44 and the cash and cash equivalent position was approximately 44.4% of net assets. The Fund is up 1.2% from the beginning of the year. In U.S. dollars, it is up 1.1%.

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

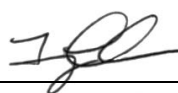
June 30, 2023 (Unaudited) and December 31, 2022

	June 30, 2023	December 31, 2022
<b>Assets</b>		
Current assets:		
Cash and cash equivalents	\$ 794,794	\$ 8,089,756
Investments (note 8)	10,115,499	3,088,442
Receivable for redeemable units subscribed	882	11,283
Interest receivable	142,377	40,181
Total assets	11,053,552	11,229,662
<b>Liabilities</b>		
Current liabilities:		
Accrued expenses	44,779	37,812
Payable for units redeemed	907	—
Total liabilities	45,686	37,812
Net assets attributable to unitholders of redeemable units	\$ 11,007,866	\$ 11,191,850
Net assets attributable to unitholders of redeemable units:		
Series A	\$ 5,101,598	\$ 5,648,071
Series F	5,906,268	5,543,779
	\$ 11,007,866	\$ 11,191,850
Number of redeemable units outstanding (note 4):		
Series A	545,536	605,477
Series F	618,034	582,040
Net assets attributable to unitholders of redeemable units per unit (note 10):		
Canadian dollars:		
Series A	\$ 9.35	\$ 9.33
Series F	9.56	9.52
U.S. dollars:		
Series A	7.06	6.89
Series F	7.22	7.03

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, 2023 and 2022 (Unaudited)

	2023	2022
<b>Income:</b>		
Interest for distribution purposes and other	\$ 358,576	\$ 180,516
Securities lending income (Note 7)	649	7,143
Dividends	17,884	1,089
Other income	–	160
Foreign currency (loss) gain on cash and other net assets	(101,798)	92,680
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)
Change in unrealized (depreciation) appreciation on investments	(147,561)	1,018,757
	127,750	510,084
<b>Expenses:</b>		
Management fees (note 5(a))	71,529	64,948
Custody fees	12,516	12,516
Audit fees	7,468	7,468
Filing fees	1,840	1,776
FundSERV fees	1,629	1,629
Legal fees	405	290
Other expense	236	–
	95,623	88,627
Increase in net assets attributable to unitholders of redeemable units	\$ 32,127	\$ 421,457
Increase in net assets attributable to unitholders of redeemable units per Series:		
Series A	\$ 11,055	\$ 239,027
Series F	21,072	182,430
	\$ 32,127	\$ 421,457
Average number of redeemable units outstanding for the period for the Series:		
Series A	588,680	821,517
Series F	627,693	298,948
Increase in net assets attributable to unitholders of redeemable units per unit:		
Series A	\$ 0.02	\$ 0.29
Series F	0.03	0.61

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, 2023 and 2022 (Unaudited)

	2023	2022
<b>Series A</b>		
Net assets attributable to unitholders of redeemable units, beginning of period	\$ 5,648,071	\$ 9,235,250
Increase in net assets attributable to unitholders of redeemable units	11,055	239,027
Proceeds from issue of redeemable units	120,628	84,391
Payments on redemption of redeemable units	(678,156)	(3,976,364)
Net assets attributable to unitholders of redeemable units, end of period	\$ 5,101,598	\$ 5,582,304
<b>Series F</b>		
Net assets attributable to unitholders of redeemable units, beginning of period	\$ 5,543,779	\$ 1,228,602
Increase in net assets attributable to unitholders of redeemable units	21,072	182,430
Proceeds from issue of redeemable units	953,146	3,542,365
Payments on redemption of redeemable units	(611,729)	(483,933)
Net assets attributable to unitholders of redeemable units, end of period	\$ 5,906,268	\$ 4,469,464
Total net assets attributable to unitholders of redeemable units, end of period	\$ 11,007,866	\$ 10,051,768

See accompanying notes to financial statements.

# CHOU BOND FUND

## Statements of Cash Flows

Six months ended June 30, 2023 and 2022 (Unaudited)

	2023	2022
<b>Cash flows from operating activities:</b>		
Increase in net assets attributable to unitholders of redeemable units	\$ 32,127	\$ 421,457
Adjustments for:		
Foreign currency loss (gain) on cash and other net assets	101,798	(92,680)
Net realized loss on disposal of investments	–	790,261
Change in unrealized depreciation (appreciation) on investments	147,561	(1,018,757)
Interest accretion on bond	(79,101)	–
Change in non-cash operating working capital:		
Increase in interest receivable	(102,196)	(11,046)
Increase in accrued expenses	6,967	4,278
Purchase of investments	(7,095,517)	(1,935,849)
Proceeds from sales of investments	–	3,489,966
Net cash flows (used in) generated from operating activities	(6,988,361)	1,647,630
<b>Cash flows from financing activities:</b>		
Distributions paid to unitholders	–	(17,100)
Proceeds from redeemable units issued	1,084,175	3,640,597
Amount paid on redemption of redeemable units	(1,288,978)	(4,469,058)
Net cash used in financing activities	(204,803)	(845,561)
Foreign currency (loss) gain on cash and other net assets	(101,798)	92,680
(Decrease) increase in cash and cash equivalents	(7,294,962)	894,749
Cash and cash equivalents, beginning of period	8,089,756	4,001,115
Cash and cash equivalents, end of period	\$ 794,794	\$ 4,895,864
<b>Supplemental information:</b>		
Interest received, net of withholding tax	\$ 256,380	\$ 169,470
Dividend received	17,884	1,089
Security lending income received	649	7,143

See accompanying notes to financial statements.

# CHOU BOND FUND

## Schedule of Investments

June 30, 2023 (Unaudited)

	Number of shares		Cost	Fair value
<b>Equities*</b>				
B Riley Financial Inc, Preferred	40,000	\$	961,502	\$ 952,760
EXCO Resources Inc.**	20,046		693,989	524,613
			1,655,491	1,477,373
<b>Bonds</b>				
1375209 BC Limited, 9.00%, January 30, 2028, Callable	183,000		348,350	243,146
Avation Capital SA, 8.250%, October 31, 2026, Callable	768,867		822,891	887,726
Bausch Health Companies Inc., 11.000%, September 30, 2028	326,000		508,751	306,626
Bausch Health Companies Inc., 14.000%, October 15, 2030, Callable	65,000		73,373	51,665
Federal Home Loan Mortgage Corporation, 5.125%, August 22, 2025, Callable	3,000,000		4,020,450	3,935,038
Fortress Global Enterprises Inc., 9.750%, December 31, 2023, Convertible Bonds, Callable	3,659,000		2,058,513	366
Lumen Technologies Inc., 4.000%, February 15, 2027, Callable	1,000,000		1,042,617	992,046
MBIA Global Funding LLC, Zero Coupon, December 15, 2031	1,800,000		1,097,059	1,061,125
World Acceptance Corporation, 7.000%, November 1, 2026	1,000,000		1,061,998	1,160,388
			11,034,002	8,638,126
<b>Total long</b>			12,689,493	10,115,499
<b>Total investments</b>			12,689,493	10,115,499
<b>Transaction costs</b>			-	-
<b>Portfolio total</b>		<b>\$</b>	<b>12,689,493</b>	<b>\$</b> <b>10,115,499</b>

\* Common shares unless indicated otherwise

\*\*Shares received from debt restructuring

See accompanying notes to financial statements.

# CHOU BOND FUND

## Discussion of Financial Risk Management

Six months ended June 30, 2023 and 2022 (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, 2023, the Fund invested 30.87% of its net assets in non-investment grade debt instruments (December 31, 2022 – 10.84%). 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, 2023, the Fund invested approximately 11.85% (December 31, 2022 – 11.65%) of its net assets in non-rated bonds.



# CHOU BOND FUND

## Discussion of Financial Risk Management (continued)

Six months ended June 30, 2023 and 2022 (Unaudited)

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### Financial risk management (continued):

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

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, 2023	December 31, 2022
Less than 1 year	\$ 366	\$ 366
1 - 3 years	3,935,037	-
3 - 5 years	3,283,306	814,098
Greater than 5 years	1,419,417	1,701,819

As at June 30, 2023, 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 \$64,382 (December 31, 2022 – \$66,428).

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 8.66% (December 31, 2022 – Nil) of the Fund's net assets held at June 30, 2023 were publicly traded equities. If equity prices on the exchange had increased or decreased by 5% as at June 30, 2023, the net assets of the Fund would have increased or decreased by approximately \$47,638 or 0.43% (December 31, 2022 – Nil) of the net assets, all other factors remaining constant.

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

# CHOU BOND FUND

## Discussion of Financial Risk Management (continued)

Six months ended June 30, 2023 and 2022 (Unaudited)

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### Financial risk management (continued):

#### (d) Foreign currency risk:

Currencies to which the Fund had exposure as at June 30, 2023 and December 31, 2022 expressed in CAD are as follows:

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<b>June 30, 2023</b>	<b>Investments and derivatives</b>	<b>Cash and cash equivalents</b>	<b>Other assets and liabilities</b>	<b>Total</b>	<b>Percentage of net asset value</b>
United States dollar (USD)	\$ 10,115,133	\$ 703,095	\$ 142,321	\$ 10,960,549	99.6%

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<b>December 31, 2022</b>	<b>Investments and derivatives</b>	<b>Cash and cash equivalents</b>	<b>Other assets and liabilities</b>	<b>Total</b>	<b>Percentage of net asset value</b>
United States dollar (USD)	\$ 3,088,077	\$ 5,524,523	\$ 38,573	\$ 8,651,173	77.3%

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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 units subscribed and payable for units redeemed that are denominated in foreign currencies.

As at June 30, 2023, 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 \$109,605 (December 31, 2022 – \$86,512).

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

## CHOU RRSP FUND

(unaudited)

August 18, 2023

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, 2023 was \$38.47 compared to \$36.24 at December 31, 2022, an increase of 6.2%; during the same period, the S&P/TSX Total Return Index increased by 5.8% in Canadian dollars. In U.S. dollars, a Series A unit of Chou RRSP Fund was up 8.5% while the S&P/TSX Total Return Index increased by 8.2%.

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

June 30, 2023 (Series A)	1 Year	3 Years	5 Years	10 Years	15 Years	20 Years
Chou RRSP Fund (\$CAN)	20.6%	32.4%	4.1%	5.2%	6.3%	5.6%
S&P/TSX (\$CAN)	10.6%	12.5%	7.7%	8.4%	5.4%	8.4%
Chou RRSP Fund (\$US)	17.2%	33.5%	3.9%	2.8%	4.4%	5.7%
S&P/TSX (\$US)	7.6%	13.6%	7.5%	6.0%	3.5%	8.5%

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 advancers were the equity holdings of BlackBerry Limited, Reitmans (Canada) Limited, Parex Resources Inc, Bausch Health Company Inc., Interfor Corporation, Linamar Corporation, Onex Corporation, and CI Financial Corporation, and the warrant holding of Hertz Global Holdings Inc. The only decliner in the period was the equity holdings of Canfor Pulp Products Inc.

During the period, Domtar, a subsidiary of The Paper Excellence Group, finalized the purchase of Resolute Forest Products in March 2023. The transaction was completed 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 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, is entitled to receive one CVR. The Fund received the cash portion of the deal.

The Fund increased its holding in Home Capital Group Inc. The Fund initiated investments in Class A shares of Reitmans (Canada) Limited.

The Fund also had no covered call options in its portfolio as at June 30, 2023.

## **Portfolio Commentary**

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

In June 2022, RFP announced that Domtar would 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 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.

In March 2023, the Fund received \$US20.50 per share in cash.

Looking back on RFP, there is an important lesson for investors. RFP paid a special dividend of US\$1.50 a share in 2018. In 2020, the company announced that it would buy back 15% of its common shares for US\$100 million. Despite all that information, the stock traded as low as \$1.17 per share – meaning the whole market capitalization was approximately US\$99 million. In other words, instead of buying back 15% of the company with US\$100 million, it could have repurchased 100%.

The investment in RFP shows you what it takes to have the mindset of a value investor. I wrote about it in 2021’s annual letter, but it’s worth repeating here.

“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.”

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

## **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 more than US\$2.9 billion (roughly US\$57 per share) based on the New York Mercantile Exchange (NYMEX) forward pricing as of December 31, 2022, and the net proved reserves were 2.8 trillion cubic feet equivalent. Its number of outstanding shares was 51,584,500. We estimate its EBITDA for the year ending 2023 will be between US\$200 million and US\$250 million.

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

## **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, 2023.

**CREDIT DEFAULT SWAPS:** None existed at June 30, 2023.

**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 2022 IRC Annual Report is available on our website [www.choufunds.com](http://www.choufunds.com).

As of August 18, 2023, the NAVPU of a Series A unit of the Fund was \$38.22 and the cash position was approximately 33.6% of net assets. The Fund is up 5.5% from the beginning of the year. In U.S. dollars, it is up 5.4%.

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*

Francis Chou  
Fund Manager

# CHOU RRSP FUND

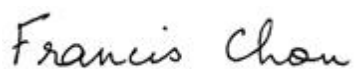
## Statements of Financial Position

June 30, 2023 (Unaudited) and December 31, 2022

	June 30, 2023	December 31, 2022
<b>Assets</b>		
Current assets:		
Cash and cash equivalents	\$ 13,158,405	\$ 14,922,825
Investments (note 8)	23,735,483	20,971,845
Derivatives (note 8)	1,882,610	1,421,679
Interest receivable	15,811	18,357
Dividends receivable	5,166	5,166
Total assets	38,797,475	37,339,872
<b>Liabilities</b>		
Current liabilities:		
Accrued expenses	47,807	48,355
Payable for units redeemed	41,808	—
Total liabilities	89,615	48,355
Net assets attributable to unitholders of redeemable units	\$ 38,707,860	\$ 37,291,517
Net assets attributable to unitholders of redeemable units:		
Series A	\$ 20,537,769	\$ 20,165,056
Series F	18,170,091	17,126,461
	\$ 38,707,860	\$ 37,291,517
Number of redeemable units outstanding (note 4):		
Series A	533,886	556,521
Series F	465,937	467,565
Net assets attributable to unitholders of redeemable units per unit:		
Canadian dollars:		
Series A	\$ 38.47	\$ 36.24
Series F	39.00	36.63
U.S. dollars:		
Series A	29.04	26.76
Series F	29.44	27.05

See accompanying notes to financial statements.

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

  
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# CHOU RRSP FUND

## Statements of Comprehensive Income (Loss)

Six months ended June 30, 2023 and 2022 (Unaudited)

	2023	2022
<b>Income:</b>		
Interest for distribution purposes and other	\$ 260,344	\$ 102,793
Dividends	118,384	45,232
Securities lending income (note 7)	4,572	153
Foreign currency loss on cash and other net assets	(287,138)	(3,148)
Other net changes in fair value of financial assets and financial liabilities at fair value through profit or loss:		
Net realized gain (loss) on disposal of investments	645,147	(1,642,292)
Net realized gain on derivatives	–	2,597,444
Change in unrealized appreciation (depreciation) on investments	1,491,031	(9,842,478)
Change in unrealized appreciation on derivatives	460,931	621,129
	2,693,271	(8,121,167)
<b>Expenses:</b>		
Management fees (note 5(a))	284,482	311,620
Custodial fees	36,053	32,384
Audit	19,259	19,484
Filing fees	6,262	7,018
FundSERV fees	2,445	4,155
Legal fees	1,249	1,710
Transaction costs (note 6)	2,858	73,909
Other expenses	799	661
	353,407	450,941
Increase (decrease) in net assets attributable to unitholders of redeemable units	\$ 2,339,864	\$ (8,572,108)
Increase (decrease) in net assets attributable to unitholders of redeemable units per Series:		
Series A	\$ 1,230,093	\$ (6,628,814)
Series F	1,109,771	(1,943,294)
	\$ 2,339,864	\$ (8,572,108)
Average number of redeemable units outstanding for the period for the Series:		
Series A	547,042	832,424
Series F	466,643	264,148
Increase (decrease) in net assets attributable to unitholders of redeemable units per unit:		
Series A	\$ 2.25	\$ (7.96)
Series F	2.38	(7.36)

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, 2023 and 2022 (Unaudited)

	2023	2022
<b>Series A</b>		
Net assets attributable to unitholders of redeemable units, beginning of period	\$ 20,165,056	\$ 42,647,812
Increase (decrease) in net assets attributable to unitholders of redeemable units	1,230,093	(6,628,814)
Proceeds from issue of redeemable units	57,050	321,006
Payments on redemption of redeemable units	(914,430)	(17,983,732)
Net assets attributable to unitholders of redeemable units, end of period	\$ 20,537,769	\$ 18,356,272
<b>Series F</b>		
Net assets attributable to unitholders of redeemable units, beginning of period	\$ 17,126,461	\$ 2,557,599
Increase (decrease) in net assets attributable to unitholders of redeemable units	1,109,771	(1,943,294)
Proceeds from issue of redeemable units	406,005	15,454,122
Payments on redemption of redeemable units	(472,146)	(567,292)
Net assets attributable to unitholders of redeemable units, end of period	\$ 18,170,091	\$ 15,501,135
Total net assets attributable to unitholders of redeemable units, end of period	\$ 38,707,860	\$ 33,857,407

See accompanying notes to financial statements.

# CHOU RRSP FUND

## Statements of Cash Flows

Six months ended June 30, 2023 and 2022 (Unaudited)

	2023	2022
<b>Cash flows from operating activities:</b>		
Increase (decrease) in net assets attributable to unitholders of redeemable units	\$ 2,339,864	\$ (8,572,108)
Adjustments for:		
Foreign currency loss on cash and other net assets	287,138	3,148
Net realized gain on disposal of investments and derivatives	(645,147)	(955,152)
Change in unrealized (appreciation) depreciation on investments and derivatives	(1,951,962)	9,221,349
Change in non-cash operating working capital:		
Decrease in interest receivable	2,546	2,911
Decrease in accrued expenses	(548)	(20,869)
Purchase of investments	(1,705,883)	(2,659,652)
Proceeds from sales of investments	1,078,423	3,409,485
Net cash (used in) generated from operating activities	(595,569)	429,112
<b>Cash flows from financing activities:</b>		
Distributions paid to unitholders	–	(32,606)
Proceeds from redeemable units issued	463,054	15,775,128
Amount paid on redemption of redeemable units	(1,344,767)	(18,638,488)
Net cash used in financing activities	(881,713)	(2,895,966)
Foreign currency loss on cash and other net assets	(287,138)	(3,148)
Decrease in cash and cash equivalents	(1,764,420)	(2,470,002)
Cash and cash equivalents, beginning of period	14,922,825	2,481,299
Cash and cash equivalents, end of period	\$ 13,158,405	\$ 11,297
<b>Supplemental information:</b>		
Interest received, net of withholding tax	\$ 262,890	\$ 105,704
Dividends received, net of withholding tax	118,384	45,232
Security lending income received	4,572	153

See accompanying notes to financial statements.

# CHOU RRSP FUND

## Schedule of Investments

June 30, 2023 (Unaudited)

	Number of securities	Cost	Fair value
<b>Equities*</b>			
Bausch Health Companies Inc.	200,000	\$ 6,352,306	\$ 2,119,600
BlackBerry Limited	312,900	2,438,340	2,296,686
Canfor Pulp Products Inc.	293,900	836,324	599,556
CI Financial Corporation	28,700	375,660	431,648
EXCO Resources Inc.	114,371	2,373,080	2,993,139
Home Capital Group Inc.	65,000	2,622,746	2,802,150
Interfor Corporation	61,500	365,747	1,536,270
Linamar Corporation	24,000	1,332,040	1,670,880
Magna International Inc., Class 'A'	10,000	624,709	747,689
Methanex Corporation	4,000	198,000	218,960
Onex Corporation	13,900	925,774	1,017,063
Parex Resources Inc.	60,000	1,116,400	1,593,600
Reitmans (Canada) Limited	526,100	1,993,539	1,893,960
Reitmans (Canada) Limited, Class 'A'	17,200	38,442	53,836
TVA Group Inc.	53,028	766,721	94,390
TWC Enterprises Limited	202,539	1,168,826	3,665,956
		23,528,654	23,735,383
<b>Bonds</b>			
Fortress Global Enterprises Inc., 9.750%, December 31, 2023, Convertible Bonds, Callable	1,000,000	780,000	100
<b>Derivatives</b>			
Hertz Global Holdings Inc., warrants, June 30, 2051	140,843	1,663,136	1,882,610
Total investments		25,971,790	25,618,093
Transaction costs		(141,032)	-
Portfolio total		\$ 25,830,758	\$ 25,618,093

\* Common shares unless indicated otherwise

See accompanying notes to financial statements.

# CHOU RRSP FUND

## Discussion of Financial Risk Management

Six months ended June 30, 2023 and 2022 (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, 2023, the Fund did not invest any of its net assets in non-investment grade debt instruments (December 31, 2022 – \$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, 2023, the Fund invested approximately 0.0% (December 31, 2022 – 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, 2023	December 31, 2022
Less than 1 year	\$ 100	\$ 100
1 - 3 years	–	–
3 - 5 years	–	–
Greater than 5 years	–	–

As at June 30, 2023, 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 \$nil (December 31, 2022 – \$nil).

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, 2023 and 2022 (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 58.49% (December 31, 2022 – 51.30%) of the Fund's net assets held at June 30, 2023 were publicly traded equities. If equity prices on the exchange had increased or decreased by 5% as at June 30, 2023, the net assets of the Fund would have increased or decreased by approximately \$1,131,243 or 2.92% (December 31, 2022 – \$956,451 or 2.57%) 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, 2023 and December 31, 2022 expressed in CAD are as follows:

<b>June 30, 2023</b>	<b>Investments and derivatives</b>	<b>Cash and cash equivalents</b>	<b>Net other assets and liabilities</b>	<b>Total</b>	<b>Percentage of net asset value</b>
United States dollar (USD)	\$ 7,743,038	\$ 13,011,543	\$ 15,722	\$ 20,770,303	53.7%

<b>December 31, 2022</b>	<b>Investments and derivatives</b>	<b>Cash and cash equivalents</b>	<b>Net other assets and liabilities</b>	<b>Total</b>	<b>Percentage of net asset value</b>
United States dollar (USD)	\$ 8,278,355	\$ 14,448,403	\$ 18,060	\$ 22,744,818	61.0%

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, derivatives and payable for units redeemed that are denominated in foreign currencies.

As at June 30, 2023, 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 \$207,703 (December 31, 2022 – \$227,448).

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

# CHOU FUNDS

## Notes to Unaudited Interim Financial Statements

Six months ended June 30, 2023 and 2022 (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 unaudited interim financial statements (the "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 ("IAS 34") 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 18, 2023.

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 Unaudited Interim Financial Statements (continued)

Six months ended June 30, 2023 and 2022 (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 Unaudited Interim Financial Statements (continued)

Six months ended June 30, 2023 and 2022 (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 Unaudited Interim Financial Statements (continued)

Six months ended June 30, 2023 and 2022 (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 Unaudited Interim Financial Statements (continued)

Six months ended June 30, 2023 and 2022 (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 Unaudited Interim Financial Statements (continued)

Six months ended June 30, 2023 and 2022 (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 Unaudited Interim Financial Statements (continued)

Six months ended June 30, 2023 and 2022 (Unaudited)

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

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

Certain pronouncements were issued by the IASB or International Financial Reporting Interpretations Committee (IFRIC) and have been adopted in the current year. Many are not applicable or do not have a significant impact on the Funds, and have therefore been excluded:

- Amendments to References to Conceptual Framework in IFRS Standards;
- Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2); and
- Definition of Accounting Estimates (Amendments to IAS 8).

#### Future accounting policy changes

Certain pronouncements were issued by the IASB or IFRIC. Many are not applicable or do not have a significant impact on the Company and have been excluded. The following amended standards and interpretations have not yet been adopted and are not expected to have a significant impact on the Funds' financial statements:

- Classification of Liabilities as Current or Non-current (Amendments to IAS 1); and
- Amendments to IAS 1 – Non-current Liabilities with Covenants.

### 3. Financial instruments and risk management:

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

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

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

# CHOU FUNDS

## Notes to Unaudited Interim Financial Statements (continued)

Six months ended June 30, 2023 and 2022 (Unaudited)

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

#### (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.

##### (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.

# CHOU FUNDS

## Notes to Unaudited Interim Financial Statements (continued)

Six months ended June 30, 2023 and 2022 (Unaudited)

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

#### (c) Market risk (continued):

##### (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 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 Unaudited Interim Financial Statements (continued)

Six months ended June 30, 2023 and 2022 (Unaudited)

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

	Series A		Series F	
	June 30, 2023	June 30, 2022	June 30, 2023	June 30, 2022
<b>Chou Associates Fund</b>				
Redeemable units outstanding, beginning of period	770,337	1,069,315	279,359	87,893
Add redeemable units issued during the period	1,776	1,858	4,160	216,805
Deduct redeemable units redeemed during the period	(24,360)	(266,488)	(12,163)	(20,464)
Redeemable units outstanding before income distribution	747,753	804,685	271,356	284,234
Add redeemable units issued on reinvested income	–	–	5	–
Deduct redeemable units redeemed during the period	–	–	–	–
Redeemable units outstanding, end of period	747,753	804,685	271,361	284,234
<b>Chou Asia Fund</b>				
Redeemable units outstanding, beginning of period	330,014	738,334	391,855	53,316
Add redeemable units issued during the period	–	577	7,497	334,524
Deduct redeemable units redeemed during the period	(14,572)	(399,251)	(31,462)	(14,000)
Redeemable units outstanding before income distribution	315,442	339,660	367,890	373,840
Add redeemable units issued on reinvested income	–	–	117	–
Deduct redeemable units redeemed during the period	–	–	–	–
Redeemable units outstanding, end of period	315,442	339,660	368,007	373,840
<b>Chou Europe Fund</b>				
Redeemable units outstanding, beginning of period	132,133	257,504	155,116	68,565
Add redeemable units issued during the period	29,565	2,343	61,115	81,496
Deduct redeemable units redeemed during the period	(10,688)	(92,739)	(45,350)	(38,691)
Redeemable units outstanding before income distribution	151,010	167,108	170,881	111,370
Add redeemable units issued on reinvested income	–	–	–	–
Deduct redeemable units redeemed during the period	–	–	–	–
Redeemable units outstanding, end of period	151,010	167,108	170,881	111,370

# CHOU FUNDS

## Notes to Unaudited Interim Financial Statements (continued)

Six months ended June 30, 2023 and 2022 (Unaudited)

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

	Series A		Series F	
	June 30,		June 30,	
	2023	2022	2023	2022
<b>Chou Bond Fund</b>				
Redeemable units outstanding,				
beginning of period	605,477	1,050,115	582,040	135,676
Add redeemable units issued during the period	12,899	9,512	100,142	390,047
Deduct redeemable units redeemed during the period	(72,840)	(451,017)	(64,148)	(52,877)
Redeemable units outstanding before				
income distribution	545,536	608,610	618,034	472,846
Add redeemable units issued on reinvested income	–	–	–	–
Deduct redeemable units redeemed during the period	–	–	–	–
Redeemable units outstanding, end of period	545,536	608,610	618,034	472,846
<b>Chou RRSP Fund</b>				
Redeemable units outstanding,				
beginning of period	556,521	1,074,198	467,565	64,041
Add redeemable units issued during the period	1,428	8,781	10,491	433,692
Deduct redeemable units redeemed during the period	(24,063)	(507,570)	(12,119)	(16,059)
Redeemable units outstanding before				
income distribution	533,886	575,409	465,937	481,674
Add redeemable units issued on reinvested income	–	–	–	–
Deduct redeemable units redeemed during the period	–	–	–	–
Redeemable units outstanding, end of period	533,886	575,409	465,937	481,674

### 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,	
	2023	2022
Chou Associates Fund	\$ 1,271,408	\$ 1,253,059
Chou Asia Fund	109,325	124,201
Chou Europe Fund	–	21,936
Chou Bond Fund	71,529	64,948
Chou RRSP Fund	284,482	311,620



# CHOU FUNDS

## Notes to Unaudited Interim Financial Statements (continued)

Six months ended June 30, 2023 and 2022 (Unaudited)

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

#### (a) Management fees (continued):

The Manager has elected not to charge management fees for the Chou Europe Fund for the first six months of 2023 under the Simplified Prospectus. The management fee rates presented above relate to the contractual rates prior to any reduction. Management fees and related reductions are presented on a net basis in the statements of comprehensive income (loss).

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, 2023	December 31, 2022
Chou Associates Fund	\$ 179,674	\$ 194,772
Chou Asia Fund	15,294	16,020
Chou Europe Fund	–	–
Chou Bond Fund	9,667	10,122
Chou RRSP Fund	39,960	41,471

#### (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, 2023, 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, 2023	December 31, 2022
Chou Associates Fund	74,734	74,598
Chou Asia Fund	–	–
Chou Europe Fund	18,810	18,810
Chou Bond Fund	–	–
Chou RRSP Fund	43,791	43,791

#### (i) Chou Associates Fund:

As at June 30, 2023, 7.3% of total redeemable units (December 31, 2022 – 7.1%) were held by the Manager, its officers, and directors.

#### (ii) Chou Europe Fund:

As at June 30, 2023, 5.8% of total redeemable units (December 31, 2022 – 6.5%) were held by the Manager, its officers, and directors.

#### (iii) Chou RRSP Fund:

As at June 30, 2023, 4.4% of total redeemable units (December 31, 2022 – 4.3%) were held by the Manager, its officers, and directors.

# CHOU FUNDS

## Notes to Unaudited Interim Financial Statements (continued)

Six months ended June 30, 2023 and 2022 (Unaudited)

### 6. Brokers' commissions:

Total commissions paid to brokers in connection with portfolio transactions for the six months ended June 30, 2023 and 2022 are as follows:

	2023	June 30, 2022
Chou Associates Fund	\$ 22,033	\$ 105,485
Chou Asia Fund	–	2,386
Chou Europe Fund	–	1,962
Chou Bond Fund	–	–
Chou RRSP Fund	2,858	73,909

### 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, 2023 and December 31, 2022 are as follows:

	Market value of securities on loan	Market value of collateral received
<b>June 30, 2023</b>		
Chou Associates Fund	\$ 3,966,354	\$ 4,164,816
Chou Asia Fund	–	–
Chou Europe Fund	204,518	281,499
Chou Bond Fund	731,110	771,148
Chou RRSP Fund	3,287,546	3,452,226
<b>December 31, 2022</b>		
Chou Associates Fund	\$ 3,306,290	\$ 3,471,679
Chou Asia Fund	–	–
Chou Europe Fund	178,396	199,542
Chou Bond Fund	–	–
Chou RRSP Fund	1,449,422	1,521,926

# CHOU FUNDS

## Notes to Unaudited Interim Financial Statements (continued)

Six months ended June 30, 2023 and 2022 (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, 2023 and June 30, 2022. 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,					
	2023		2022			
Gross securities lending revenue	\$	8,147	100 %	\$	2,742	100 %
Withholding taxes		–	–		(37)	(1)%
Agent fees		(1,629)	(20)%		(541)	(20)%
Securities lending revenue	\$	6,518	80 %	\$	2,164	79 %

#### Chou Asia Fund:

	June 30,					
	2023		2022			
Gross securities lending revenue	\$	255	100 %	\$	5,361	100 %
Withholding taxes		–	(0)%		(80)	(1)%
Agent fees		(51)	(20)%		(1,056)	(20)%
Securities lending revenue	\$	204	80 %	\$	4,225	79 %

#### Chou Europe Fund:

	June 30,					
	2023		2022			
Gross securities lending revenue	\$	250	100 %	\$	241	100 %
Withholding taxes		–	(0)%		(17)	(7)%
Agent fees		(50)	(20)%		(45)	(19)%
Securities lending revenue	\$	200	80 %	\$	179	74 %

#### Chou Bond Fund:

	June 30,					
	2023		2022			
Gross securities lending revenue	\$	1,159	100 %	\$	12,756	100 %
Withholding taxes		(348)	(30)%		(3,827)	(30)%
Agent fees		(162)	(14)%		(1,786)	(14)%
Securities lending revenue	\$	649	56 %	\$	7,143	56 %

# CHOU FUNDS

## Notes to Unaudited Interim Financial Statements (continued)

Six months ended June 30, 2023 and 2022 (Unaudited)

### 7. Securities lending (continued):

#### Chou RRSP Fund:

	June 30,			
	2023		2022	
Gross securities lending revenue	\$ 5,715	100 %	\$ 207	100 %
Withholding taxes	–	(0)%	(16)	(8)%
Agent fees	(1,143)	(20)%	(38)	(18)%
<b>Securities lending revenue</b>	<b>\$ 4,572</b>	<b>80 %</b>	<b>\$ 153</b>	<b>74 %</b>

### 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, 2023	Level 1	Level 2	Level 3	Total
<b>Financial Assets</b>				
Equities	\$ 90,150,184	\$ –	\$ 20,445,496	\$ 110,595,680
Bonds	–	–	–	–
Options	–	–	–	–
Warrant	8,029,928	–	–	8,029,928
<b>Total</b>	<b>\$ 98,180,112</b>	<b>\$ –</b>	<b>\$ 20,445,496</b>	<b>\$ 118,625,608</b>
<b>Financial Liabilities</b>				
Equities	\$ –	\$ –	\$ –	\$ –
Bonds	–	–	–	–
Options	–	–	–	–
Warrant	–	–	–	–
<b>Total</b>	<b>\$ –</b>	<b>\$ –</b>	<b>\$ –</b>	<b>\$ –</b>

# CHOU FUNDS

## Notes to Unaudited Interim Financial Statements (continued)

Six months ended June 30, 2023 and 2022 (Unaudited)

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

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

December 31, 2022	Level 1	Level 2	Level 3	Total
<b>Financial Assets</b>				
Equities	\$ 80,675,037	\$ —	\$ 36,569,676	\$ 117,244,713
Bonds	—	—	—	—
Options	—	—	—	—
Warrants	6,063,911	—	—	6,063,911
Total	\$ 86,738,948	\$ —	\$ 36,569,676	\$ 123,308,624
<b>Financial Liabilities</b>				
Equities	\$ —	\$ —	\$ —	\$ —
Bonds	—	—	—	—
Options	—	—	—	—
Warrants	—	—	—	—
Total	\$ —	\$ —	\$ —	\$ —

The following table reconciles the Fund's Level 3 fair value measurement of financial instruments for the six months ended June 30, 2023.

	Equities	Bonds	Total
Balance, December 31, 2022	\$ 36,569,676	\$ —	\$ 36,569,676
Purchase of investments	—	—	—
Net transfers in (out) during the period	—	—	—
Proceeds from sales during the period	(14,189,475)	—	(14,189,475)
Net realized gain (loss) on sale of investments	1,839,485	—	1,839,485
Change in unrealized appreciation in value of investments	(3,774,190)	—	(3,774,190)
Balance, June 30, 2023	\$ 20,445,496	\$ —	\$ 20,445,496

The following table reconciles the Fund's Level 3 fair value measurement of financial instruments for the year ended December 31, 2022.

	Equities	Bonds	Total
Balance, December 31, 2021	\$ 18,800,231	\$ —	\$ 18,800,231
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	17,769,445	—	17,769,445
Balance, December 31, 2022	\$ 36,569,676	\$ —	\$ 36,569,676

# CHOU FUNDS

## Notes to Unaudited Interim Financial Statements (continued)

Six months ended June 30, 2023 and 2022 (Unaudited)

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

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

During the six months period ended June 30, 2023, there were no significant transfers between Level 1 and Level 2.

For the year ended December 31, 2022, 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, 2023

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	20,445,496	Market Approach & Income Approach	Third party	N/A	10%	2,044,550/ (2,044,550)

#### December 31, 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	36,569,676	Market Approach & Income Approach	Third party	N/A	10%	3,656,968/ (3,656,968)

#### 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 Unaudited Interim Financial Statements (continued)

Six months ended June 30, 2023 and 2022 (Unaudited)

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

#### (b) Chou Asia Fund:

<b>June 30, 2023</b>		<b>Level 1</b>		<b>Level 2</b>		<b>Level 3</b>		<b>Total</b>
<b>Financial Assets</b>								
Equities	\$	9,593,299	\$	513,322	\$	—	\$	10,106,621
Bonds		—		—		—		—
Options		—		—		—		—
<b>Total</b>	<b>\$</b>	<b>9,593,299</b>	<b>\$</b>	<b>513,322</b>	<b>\$</b>	<b>—</b>	<b>\$</b>	<b>10,106,621</b>

<b>December 31, 2022</b>		<b>Level 1</b>		<b>Level 2</b>		<b>Level 3</b>		<b>Total</b>
<b>Financial Assets</b>								
Equities	\$	9,309,452	\$	542,780	\$	—	\$	9,852,232
Bonds		—		—		—		—
Options		—		—		—		—
<b>Total</b>	<b>\$</b>	<b>9,309,452</b>	<b>\$</b>	<b>542,780</b>	<b>\$</b>	<b>—</b>	<b>\$</b>	<b>9,852,232</b>

During the six months period ended June 30, 2023, there were no significant transfers between Level 1 and Level 2.

For the year ended December 31, 2022, there were no significant transfers between Level 1 and Level 2.

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 Unaudited Interim Financial Statements (continued)

Six months ended June 30, 2023 and 2022 (Unaudited)

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

#### (c) Chou Europe Fund:

June 30, 2023	Level 1		Level 2		Level 3		Total
<b>Financial Assets</b>							
Equities	\$	2,736,649	\$	–	\$	–	\$ 2,736,649
Bonds		–		–		–	–
Options		–		–		–	–
Total	\$	2,736,649	\$	–	\$	–	\$ 2,736,649

December 31, 2022	Level 1		Level 2		Level 3		Total
<b>Financial Assets</b>							
Equities	\$	2,191,679	\$	–	\$	–	\$ 2,191,679
Bonds		–		–		–	–
Options		–		–		–	–
Total	\$	2,191,679	\$	–	\$	–	\$ 2,191,679

During the six months period ended June 30, 2023, there were no transfers between Level 1 and Level 2.

During the year ended December 31, 2022, there were no 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.

#### (d) Chou Bond Fund:

June 30, 2023	Level 1		Level 2		Level 3		Total
<b>Financial Assets</b>							
Equities	\$	952,760	\$	–	\$	524,613	\$ 1,477,373
Bonds		–		8,637,760		366	8,638,126
Options		–		–		–	–
Total	\$	952,760	\$	8,637,760	\$	524,979	\$ 10,115,499

December 31, 2022	Level 1		Level 2		Level 3		Total
<b>Financial Assets</b>							
Equities	\$	–	\$	–	\$	572,159	\$ 572,159
Bonds		–		2,515,917		366	2,516,283
Options		–		–		–	–
Total	\$	–	\$	2,515,917	\$	572,525	\$ 3,088,442



# CHOU FUNDS

## Notes to Unaudited Interim Financial Statements (continued)

Six months ended June 30, 2023 and 2022 (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, 2023.

	<b>Equities</b>	<b>Bonds</b>	<b>Total</b>
Balance, December 31, 2022	\$ 572,159	\$ 366	\$ 572,525
Net transfers in 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	(47,546)	—	(47,546)
Balance, June 30, 2023	\$ 524,613	\$ 366	\$ 524,979

The following table reconciles the Fund's Level 3 fair value measurement of financial instruments for the year ended December 31, 2022.

	<b>Equities</b>	<b>Bonds</b>	<b>Total</b>
Balance, December 31, 2021	\$ 294,143	\$ 366	\$ 294,509
Net transfers in 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	278,016	—	278,016
Balance, December 31, 2022	\$ 572,159	\$ 366	\$ 572,525

During the six months period ended June 30, 2023 and for the year ended December 31, 2022 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 Unaudited Interim Financial Statements (continued)

Six months ended June 30, 2023 and 2022 (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, 2023

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	524,613	Market Approach & Income Approach	Third party	N/A	10%	52,461/ (52,461)
Convertible loan	Convertible Loan	366	Market Approach	Market value of company	N/A	10%	37/ (37)

##### December 31, 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	572,159	Market Approach & Income Approach	Third party	N/A	10%	57,216/ (57,216)
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.

#### (e) Chou RRSP Fund:

June 30, 2023	Level 1	Level 2	Level 3	Total
<b>Financial Assets</b>				
Equities	\$ 20,742,244	\$ –	\$ 2,993,139	\$ 23,735,383
Bonds	–	–	100	100
Warrants	1,882,610	–	–	1,882,610
<b>Total</b>	<b>\$ 22,624,854</b>	<b>\$ –</b>	<b>\$ 2,993,239</b>	<b>\$ 25,618,093</b>
<b>Financial Liabilities</b>				
Equities	\$ –	\$ –	\$ –	\$ –
Bonds	–	–	–	–
Options	–	–	–	–
<b>Total</b>	<b>\$ –</b>	<b>\$ –</b>	<b>\$ –</b>	<b>\$ –</b>

# CHOU FUNDS

## Notes to Unaudited Interim Financial Statements (continued)

Six months ended June 30, 2023 and 2022 (Unaudited)

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

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

December 31, 2022	Level 1	Level 2	Level 3	Total
<b>Financial Assets</b>				
Equities	\$ 17,707,331	\$ –	\$ 3,264,414	\$ 20,971,745
Bonds	–	–	100	100
Warrants	1,421,679	–	–	1,421,679
<b>Total</b>	<b>\$ 19,129,010</b>	<b>\$ –</b>	<b>\$ 3,264,514</b>	<b>\$ 22,393,524</b>
<b>Financial Liabilities</b>				
Equities	\$ –	\$ –	\$ –	\$ –
Bonds	–	–	–	–
Options	–	–	–	–
<b>Total</b>	<b>\$ –</b>	<b>\$ –</b>	<b>\$ –</b>	<b>\$ –</b>

The following table reconciles the Fund's Level 3 fair value measurement of financial instruments for the six months ended June 30, 2023.

	Equities	Bonds	Total
Balance, December 31, 2022	\$ 3,264,414	\$ 100	\$ 3,264,514
Net transfers in 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	(271,275)	–	(271,275)
<b>Balance, June 30, 2023</b>	<b>\$ 2,993,139</b>	<b>\$ 100</b>	<b>\$ 2,993,239</b>

The following table reconcile the Fund's Level 3 fair value measurement of financial instruments for the year ended December 31, 2022.

	Equities	Bonds	Total
Balance, December 31, 2021	\$ 1,678,213	\$ 100	\$ 1,678,313
Net transfers in 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	1,586,201	–	1,586,201
<b>Balance, December 31, 2022</b>	<b>\$ 3,264,414</b>	<b>\$ 100</b>	<b>\$ 3,264,514</b>

During the six months period ended June 30, 2023, there were no transfers between Level 1 and Level 2. For the year ended December 31, 2022, equities valued at \$3,544,432 were transferred from Level 2 to Level 1 due to an increase in liquidity and trading volumes.

# CHOU FUNDS

## Notes to Unaudited Interim Financial Statements (continued)

Six months ended June 30, 2023 and 2022 (Unaudited)

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

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

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, 2023

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	2,993,139	Market Approach & Income Approach	Third party	N/A	10%	299,314/ (299,314)
Convertible Loan	Convertible Loan	100	Market Approach	Market value of company	N/A	10%	10/ (10)

#### December 31, 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	3,264,414	Market Approach & Income Approach	Third party	N/A	10%	326,441/ (326,441)
Convertible Loan	Convertible Loan	100	Market Approach	Market value of company	N/A	10%	10/ (10)

#### 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 Unaudited Interim Financial Statements (continued)

Six months ended June 30, 2023 and 2022 (Unaudited)

### 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:

	2023	June 30, 2022
Chou Associates Fund:		
Capital loss carryforward	\$ -	\$ 3,157,106
Chou Asia Fund:		
Capital loss carryforward	-	-
Chou Europe Fund:		
Capital loss carryforward	4,304,019	4,347,415
Chou Bond Fund:		
Capital loss carryforward	12,176,055	12,049,992
Chou RRSP Fund:		
Capital loss carryforward	12,414,964	15,671,493

# CHOU FUNDS

## Notes to Unaudited Interim Financial Statements (continued)

Six months ended June 30, 2023 and 2022 (Unaudited)

### 10. Fund valuation adjustments:

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. Chou Associates Management Inc. reimbursed unitholders who transacted on July 18, 2022 and were impacted by the NAV error. Adjustments were made in accordance with the Chou Associates Fund's NAV error procedures. There is no impact on the NAV reported at June 30, 2023 and December 31, 2022.

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 Net Asset Value per Unit as at July 18, 2022</b>	<b>Adjustment to reflect the effects of over valuation</b>	<b>Adjusted Net Asset Value per Unit as at 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
Dec.31, 2022	41,185
<b>June 30, 2023</b>	<b><u>\$43,525</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
Dec.31, 2022	15,090
<b>June 30, 2023</b>	<b><u>\$18,789</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
Dec.31, 2022	29,671
<b>June 30, 2023</b>	<b><u>\$29,745</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
Dec.31, 2022	191,136
<b>Jun.30, 2023</b>	<b><u>\$202,915</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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