

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

**SEMI-ANNUAL REPORT 2014**

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

**CHOU ASSOCIATES FUND**

Period ended	Value of initial \$10,000 investment	Value of cumulative reinvested capital distributions	Value of cumulative reinvested dividends	Total value of shares
Dec.31, 1986	\$10,000	0	0	10,000
Dec.31, 1987	9,259	506	737	10,502
Dec.31, 1988	9,765	1,129	1,106	12,001
Dec.31, 1989	10,861	1,601	1,783	14,244
Dec.31, 1990	8,973	1,322	2,427	12,722
Dec.31, 1991	10,213	2,269	3,198	15,681
Dec.31, 1992	12,030	2,843	3,944	18,817
Dec.31, 1993	13,343	4,147	4,374	21,863
Dec.31, 1994	12,863	3,998	4,440	21,300
Dec.31, 1995	15,281	6,960	5,663	27,904
Dec.31, 1996	18,370	8,367	7,498	34,235
Dec.31, 1997	21,068	14,882	12,085	48,035
Dec.31, 1998	23,975	19,892	15,320	59,187
Dec.31, 1999	21,216	18,470	13,803	53,489
Dec.31, 2000	21,345	18,891	17,731	57,967
Dec.31, 2001	23,975	24,377	22,045	70,397
Dec.31, 2002	29,775	33,657	28,072	91,504
Dec.31, 2003	30,194	36,111	28,467	94,773
Dec.31, 2004	32,241	40,446	30,632	103,319
Dec.31, 2005	36,014	45,180	36,268	117,462
Dec.31, 2006	42,194	52,933	44,384	139,511
Dec.31, 2007	36,819	46,191	42,248	125,258
Dec.31, 2008	24,843	31,166	32,544	88,553
Dec.31, 2009	31,518	39,539	43,797	114,854
Dec.31, 2010	37,243	46,722	52,951	136,916
Dec.31, 2011	30,359	38,086	45,331	113,776
Dec.31, 2012	37,383	46,898	60,164	144,446
Dec 31, 2013	51,318	69,969	82,854	204,142
June 30, 2014				<b>\$207,423</b>

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

The table is presented only to illustrate the effects of the compound growth rate and is not intended to reflect future values of the mutual funds or returns on the mutual funds.

Commissions, trailing commissions, management fees and expenses all may be associated with mutual fund investments. Please read the prospectus before investing.

**CHOU FUNDS**  
**PERFORMANCE OF THE FUNDS**  
**FOR THE PERIOD ENDED JUNE 30, 2014**  
**(Unaudited)**

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**Chou Associates Fund**

Series A \$CAN	1.6%
Series A \$US	1.2%
Series F \$CAN	1.9%
Series F \$US	1.5%

**Chou Asia Fund**

Series A \$CAN	5.6%
Series A \$US	5.2%
Series F \$CAN	5.9%
Series F \$US	5.5%

**Chou Europe Fund**

Series A \$CAN	11.3%
Series A \$US	10.9%
Series F \$CAN	11.7%
Series F \$US	11.2%

**Chou Bond Fund**

Series A \$CAN	11.8%
Series A \$US	11.3%
Series F \$CAN	11.9%
Series F \$US	11.4%

**Chou RRSP Fund**

Series A \$CAN	7.5%
Series A \$US	7.1%
Series F \$CAN	7.8%
Series F \$US	7.4%

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**CHOU ASSOCIATES FUND**  
(Unaudited)

August 15, 2014

Dear Unitholders of Chou Associates Fund,

The net asset value (“NAVPU” or “NAV”) of a Series A unit of Chou Associates Fund at June 30, 2014 was \$113.26 compared to \$111.46 at December 31, 2013, an increase of 1.6%, while the S&P 500 Total Return Index increased 7.5% in Canadian dollars. In \$US, a Series A unit of Chou Associates Fund was up 1.2% while the S&P 500 Total Return Index returned 7.1%.

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

<b>June 30, 2014 (Series A)</b>	<b>1 Year</b>	<b>3 Years</b>	<b>5 Years</b>	<b>10 Years</b>	<b>15 Years</b>
Chou Associates (\$CAN)	14.6%	14.2%	15.9%	7.5%	8.8%
S&P 500 (\$CAN)	26.2%	20.5%	16.8%	5.4%	2.1%
Chou Associates (\$US) <sup>1</sup>	12.9%	10.4%	17.9%	10.1%	11.2%
S&P 500 (\$US)	24.6%	16.5%	18.8%	7.8%	4.3%

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 Months Results**

Positive contributors to the Fund’s performance during the period ended June 30, 2014 included equity securities of Berkshire Hathaway Inc., Resolute Forest Products Inc., Wells Fargo & Company warrants and International Automotive Components.

Securities of Nokia Corporation ADR, Citigroup Inc. and Overstock.com were negative contributors to the Fund’s performance during the same period.

Our covered call options of Overstock.com Inc. expired in March of 2014.

PTGi Holdings Inc. changed its name to HC2 Holdings Incorporated and we received common shares of Lands’ End Inc. as a spinoff from Sears Holdings.

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

The Fund sold all of its equity holdings of Actavis PLC, and we reduced our holdings in HC2 Holdings Inc.

### **Bargains are Hard to Find**

We believe that the market is currently fairly valued. The P/E ratios and price-to-book values are still high and dividend yields are low relative to historic valuations, but the number of companies that are underpriced is at an all-time low. We sincerely doubt the overall returns from equities in general over the next five to 10 years will be compelling. On the contrary, we believe the returns may be far more modest than those hoped for by investors. In light of this scenario, and with its obvious lack of bargains, we would not hesitate to sell our investments and be 100% or 50% cash -- or whatever the number may be.

### **Interest Rate on 10-Year Sovereign Debt**

Switzerland	0.45%
Japan	0.49%
Germany	1.00%
France	1.40%
Sweden	1.58%
Canada	2.04%
United States	2.36%
United Kingdom	2.40%
Spain	2.45%
Italy	2.64%

### **Source: Bloomberg**

When we looked at some of the 10-year sovereign debt involving several countries we were surprised to see how low they are at currently. The interest rate suggests that these countries must be in great economic shape, with low unemployment rates, low debt to GDP ratios etc. On the contrary, most of these countries are in dire economic shape. For example, Spain has an unemployment rate of about 25%, yet its interest rate is approximately 2.45%.

The low interest rate is due to unprecedented printing of money worldwide. In the United States, it is popularly known as “Quantitative Easing” (QE). Many think that this creation of an almost limitless supply of money is benign, as long as the economy does not show any visible sign of high inflation in the short term. In fact it is generally accepted that low inflation (in the 3% range) is good for the economy.

However, printing money has serious repercussions. It creates asset bubbles and sets the stage for a financial crisis as it has done in the past. For example, spectacular real estate bubbles happened in Japan in the 1980s, and more recently in Ireland, Spain, the United Kingdom and the United States in the 2000s, and when the bubble burst as it should have, it led to severe recessions and financial crisis.

The unprecedented creation of money whether you call it QE or something else, has resulted in huge indebtedness regardless of whether it is measured in absolute terms or relative to economic productivity such as the GDP. It has created a range of distortions such as mispricing of assets, misuse of productive resources and, for investors, misallocations of capital.

Currently the pressures in the real economy are generally deflationary, but sooner or later, this reckless money printing by central banks may lead to another financial crisis.

### Credit default swap (CDS)

One way of assessing investors' appetite for risk is to check the prices of Credit Default Swap (CDS). In CDS, one party sells credit protection and the other party buys credit protection. Put another way, one party is selling insurance and the counterparty is buying insurance against the default of the third party's debt.



The price of the CDS will give a strong indication as to how investors are viewing risk. It is not a perfect measurement, has its limitations but is still one of the best indicators of how investors are viewing risk. If one looks at the chart above, the CDS of One Year Treasuries is trending to lows not seen since just before the Great Recession hit in 2008. The prices indicate that investors are throwing caution to the wind. Risk is not priced into any securities, whether they are treasury bills or corporate bonds. Whenever the majority of investors are purchasing securities at prices that implicitly assume that everything is perfect with the world, an economic dislocation or other shock always seems to appear out of the blue. And when that happens, investors learn, once again, that they ignore risk at their peril.

In terms of investment ideas in derivative securities, we believe that CDS are starting to sell at prices that are becoming compelling. At recent prices, they offer one of the cheapest forms of insurance against market disruptions. There is a high probability that we will be investing in the CDS sometime in the future if such low prices persist for a period of time. We are looking at who deals in such securities and we want to examine carefully what counterparty risk we may be exposed to. The mechanics of investing in CDS have changed somewhat from six years ago.

As you can see from the chart, to make money in CDS, you don't need a default of the third party's debt. If there is any dislocation in the economy, the CDS price will rise from these low levels. The negative aspect is that, like insurance, the premium paid for the protection erodes over time and may expire worthless.

### **Other Matters**

**COVERED CALL OPTIONS:** The Fund has no covered call options in its portfolio as at June 30, 2014.

**CREDIT DEFAULT SWAP:** None existed at June 30, 2014.

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

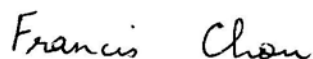
**REDEMPTION FEE:** We have a redemption fee of 2% if unitholders redeem their units in less than two years. None of this fee goes to the Fund Manager. It is put back into the Fund for the benefit of the remaining unitholders.

**INDEPENDENT REVIEW COMMITTEE:** The Manager has established an IRC as required by NI 81-107. The members of the IRC are Sandford Borins, Joe Tortolano and Peter Gregoire. The 2013 IRC Annual Report is available on our website [www.choufunds.com](http://www.choufunds.com).

As of August 15, 2014, the NAV of a Series A unit of the Fund was \$114.80 and the cash position was approximately 34.1% of net assets. The Fund is up 3.0% from the beginning of the year. In \$US, it is up 0.4%.

Except for the performance numbers of the Chou Associates Fund, this letter contains estimates and opinions of the Fund Manager and is not intended to be a forecast of future events, a guarantee of future returns or investment advice. Any recommendations contained or implied herein may not be suitable for all investors.

Yours truly,



Francis Chou  
Fund Manager



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## Management's Responsibility for Financial Reporting

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To the Unitholders of the Chou Funds:

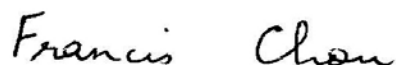
The accompanying financial statements have been prepared by the management of Chou Associates Management Inc. Management is responsible for the information and representations made in these financial statements.

Management has applied appropriate processes to ensure that the statements contain relevant and reliable financial information. The financial statements have been produced in accordance with accounting principles generally accepted in Canada and include certain amounts based on estimates and judgments. 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 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.

KPMG 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 15, 2014

**CHOU ASSOCIATES FUND**  
**STATEMENTS OF FINANCIAL POSITION**  
**AS AT JUNE 30, 2014 AND DECEMBER 31, 2013**  
**(Unaudited)**

	2014	DEC 31, 2013	JAN 1, 2013
<b>ASSETS</b>			
<b>Current Assets</b>			
Cash and cash equivalents	\$ 180,385,353	\$ 168,851,994	\$ 82,040,795
Financial assets at fair value through profit or loss*	285,232,992	295,834,349	318,004,822
Held for trading	46,223,352	39,626,972	23,187,360
Receivable for units subscribed	383,398	310,439	44,973
Due from Broker	-	-	3,064,154
Other receivable	417,889	319,525	165,880
Interest receivable	205,527	103,795	2,370,786
Dividends receivable	<u>1,909,210</u>	<u>-</u>	<u>169,099</u>
<b>Total Assets</b>	<u>514,757,721</u>	<u>505,047,074</u>	<u>429,047,869</u>
<b>LIABILITIES</b>			
<b>Current Liabilities</b>			
Accrued expenses	1,101,454	1,200,536	1,024,296
Held for Trading	-	568,087	-
Payable for units redeemed	577,192	380,891	539,191
Distributions payable	<u>-</u>	<u>384,458</u>	<u>461,860</u>
<b>Total Liabilities</b>	<u>1,678,646</u>	<u>2,533,972</u>	<u>2,025,347</u>
<b>Net Assets Attributable to Unitholders of Redeemable Units</b>	<u>\$ 513,079,075</u>	<u>\$ 502,513,102</u>	<u>\$ 427,022,522</u>
<b>Net Assets Attributable to Unitholders of Redeemable Units</b>			
Series A	\$ 473,731,857	\$ 468,682,187	\$ 402,199,264
Series F	<u>39,347,218</u>	<u>33,830,915</u>	<u>24,823,258</u>
	<u>\$ 513,079,075</u>	<u>\$ 502,513,102</u>	<u>\$ 427,022,522</u>
<b>NUMBER OF UNITS OUTSTANDING (Note 4)</b>			
Series A	4,182,229	4,208,995	4,951,551
Series F	348,239	305,457	306,407
<b>NET ASSETS PER UNIT (Note 2)</b>			
<b>Canadian dollars</b>			
Series A	\$ 113.27	\$ 111.35	\$ 81.23
Series F	\$ 112.99	\$ 110.76	\$ 81.01
<b>U.S. dollars</b>			
Series A	\$ 106.10	\$ 104.72	\$ 81.66
Series F	\$ 105.84	\$ 104.16	\$ 81.44

\* Cost of investments is reflected on the schedule of investment portfolio.  
See accompanying notes to financial statements.

APPROVED ON BEHALF OF THE BOARD OF DIRECTORS  
OF THE MANAGEMENT COMPANY

*Francis Chou*      *Tracy Chou*

**CHOU ASSOCIATES FUND**  
**STATEMENTS OF COMPREHENSIVE INCOME**  
**FOR THE SIX MONTHS ENDED JUNE 30, 2014 AND 2013**  
**(Unaudited)**

	<b>2014</b>	<b>2013</b>
<b>INCOME</b>		
Interest for distribution purposes and other	\$ 479,403	\$491,889
Dividends	3,722,812	1,262,532
Securities lending income	1,694,097	812,270
Foreign currency gain on cash and other net assets	1,773,975	8,160,263
Net Realized Gain on Investments and Derivatives	2,611,316	15,660,409
Net Change in unrealized appreciation on Investments and Derivatives	<u>3,484,678</u>	<u>84,083,089</u>
	<u>13,766,281</u>	<u>110,470,452</u>
<b>EXPENSES</b>		
Management fees (Note 5)	4,154,689	3,852,323
Custodian fees	271,500	308,500
Audit	27,150	31,850
Filing fees	22,625	26,850
Independent Review Committee fees	22,509	14,273
FundSERV fees	16,892	10,399
Legal fees	9,050	10,580
Foreign withholding taxes	538,761	24,991
Transaction Costs	<u>22,460</u>	<u>177,613</u>
Total expenses before manager absorption	5,085,636	4,457,379
Less: Expense absorbed by the manager	<u>-</u>	<u>-</u>
Total expenses after manager absorption	<u>5,085,636</u>	<u>4,457,379</u>
<b>Increase in Net Assets Attributable to Unitholders of Redeemable Units</b>	<u>\$ 8,680,645</u>	<u>\$ 106,013,073</u>
<b>Increase in Net Assets Attributable to Unitholders of Redeemable Units</b>		
Series A	\$ 8,078,118	\$ 99,971,958
Series F	<u>602,527</u>	<u>6,041,115</u>
	<u>\$ 8,680,645</u>	<u>\$ 106,013,073</u>
<b>Increase in Net Assets Attributable to Unitholders of Redeemable Units per Unit</b>		
Series A	\$ 1.93	\$ 20.50
Series F	\$ 1.81	\$ 20.69

**CHOU ASSOCIATES FUND**  
**STATEMENTS OF CHANGES IN NET ASSETS**  
**FOR THE SIX MONTHS ENDED JUNE 30, 2014 AND 2013**  
(Unaudited)

	2014	2013
<b>SERIES A</b>		
<b>Net Assets Attributable to Unitholders of Redeemable Units Beginning of Period</b>	\$ 468,682,187	\$ 402,199,264
Increase in net Assets Attributable to Unitholders of Redeemable Units	8,078,118	99,971,958
Proceeds from issue of units	20,712,813	13,265,920
Payments on redemption of units	<u>(23,739,779)</u>	<u>(27,232,450)</u>
Distribution of income to unitholders		
Investment income	(4,630)	-
Capital gains	<u>-</u>	<u>-</u>
Reinvested distributions	<u>3,148</u>	<u>-</u>
<b>Net Assets Attributable to Unitholders of Redeemable Units End\ of Period</b>	<u>473,731,857</u>	<u>488,204,692</u>
<b>SERIES F</b>		
<b>Net Assets Attributable to Unitholders of Redeemable Units Beginning of Period</b>	33,830,915	24,823,258
Increase in net assets Attributable to Unitholders of Redeemable Units	602,527	6,041,115
Proceeds from issue of units	8,665,245	2,702,703
Payments on redemption of units	(3,751,469)	(4,260,146)
Distributions of income to Unitholders		
Investment Income	-	-
Capital gains	<u>-</u>	<u>-</u>
Reinvested distributions	<u>-</u>	<u>-</u>
<b>Net Assets Attributable to Unitholders of Redeemable Units End of Period</b>	<u>39,347,218</u>	<u>29,306,930</u>
<b>TOTAL NET ASSETS, end of the period</b>	<u>\$ 513,079,075</u>	<u>\$ 517,511,622</u>

**CHOU ASSOCIATES FUND**  
**SCHEDULE OF INVESTMENTS**  
**AS AT JUNE 30, 2014**  
**(Unaudited)**

	No. of Shares or Par Value	Cost	Fair Value
<b>EQUITIES - Long*</b>			
Berkshire Hathaway Inc., Class A	300	\$31,639,836	\$60,773,763
Citigroup Inc.	410,000	10,358,742	20,615,552
Hc2 Holdings Inc.	320,386	-	1,364,698
International Automotive Components Group North America	1,094,922	120,506	1,168,889
Lands' End Inc.	241,697	6,674,022	8,664,473
MBIA Inc.	1,080,797	7,479,425	12,738,064
Nokia Corporation ADR	5,000,000	11,772,513	40,353,574
Olympus Re Holdings Limited	1,652,836	-	1,041,051
Overstock.com Inc.	430,295	8,660,595	7,244,163
Resolute Forest Products Inc.	3,065,567	51,050,651	54,915,251
Sanofi ADR	390,000	13,783,524	22,107,994
Sears Holdings Corporation	803,526	29,843,727	34,278,012
The Goldman Sachs Group Inc.	75,000	9,384,141	13,409,557
		<u>180,767,682</u>	<u>278,675,041</u>
<b>HELD FOR TRADING**</b>			
JPMorgan Chase & Company, warrants, Oct 28, 2018	1,126,347	13,927,767	23,243,112
Wells Fargo & Company, warrants, Oct 28, 2018	997,500	7,995,397	22,980,240
		<u>21,923,164</u>	<u>46,223,352</u>
<b>BONDS - Long</b>			
R.H. Donnelley Inc., term loans, Oct 24, 2014	8,631,396	6,738,804	6,557,951
		<u>187,506,486</u>	<u>285,232,992</u>
<b>TOTAL LONG</b>		<u>187,506,486</u>	<u>285,232,992</u>
<b>TOTAL HELD FOR TRADING</b>		<u>21,923,164</u>	<u>46,223,352</u>
<b>TOTAL INVESTMENTS</b>		209,429,650	331,456,344
<b>TRANSACTION COSTS</b>		<u>(392,716)</u>	<u>-</u>
<b>PORTFOLIO TOTAL</b>		<u>\$209,036,934</u>	<u>\$331,456,344</u>

\* Common shares unless indicated otherwise

\*\* Held for Trading refers to Equities - Long

**CHOU ASSOCIATES FUND**  
**STATEMENTS OF CASH FLOWS**  
**FOR THE SIX MONTHS ENDED JUNE 30, 2014 AND 2013**  
(Unaudited)

	2014	2013
<b>Cash Flow from Operating Activities</b>		
Increase/(decrease) in net assets attributable to unitholders of redeemable units	\$ 8,680,645	\$ 106,013,073
Adjustments for:		
Foreign currency loss on cash and other net assets	(1,773,975)	(8,160,263)
Net realized loss on investments	(2,611,316)	(15,660,409)
Change in unrealized depreciation on investments and held for trading securities	(3,484,678)	(84,083,089)
(Increase) decrease in interest receivable	(101,732)	2,182,964
Decrease in dividends receivable	(1,909,210)	(9,673)
(Increase) decrease in other receivable	(98,364)	73,678
Increase (decrease) in other payable and accrued liabilities	(99,082)	65,747
Purchase of Investments	-	(9,095,376)
Proceeds from sales of Investments	9,532,884	105,695,739
<b>Net Cash Generated by Operating Activities</b>	<b>8,135,172</b>	<b>97,022,391</b>
<b>Cash Flows from Financing Activities</b>		
Distributions to unitholders of redeemable units, net of reinvested distributions	(385,940)	(461,860)
Proceeds from redeemable units issued	29,305,099	15,385,340
Amount paid on redemption of redeemable units	(27,294,947)	(31,295,998)
<b>Net Cash Generated (Used) by Financing Activities</b>	<b>1,624,212</b>	<b>(16,372,518)</b>
Foreign currency gain (loss) on cash and other net assets	1,773,975	8,160,263
Net increase (decrease) in cash and cash equivalents	9,759,384	80,649,873
Cash and cash equivalents beginning of period	168,851,994	82,040,795
<b>Cash and Cash Equivalents End of Period</b>	<b>\$180,385,353</b>	<b>\$170,850,931</b>
Cash and cash equivalents comprise:		
Cash (overdraft) at bank	\$180,385,353	\$170,850,931
	<b>\$180,385,353</b>	<b>\$170,850,931</b>
Supplemental Information:		
Interest received, net of withholding tax	\$ 377,671	\$ 606,192
Dividends received, net of withholding tax	\$ 1,274,841	\$ 1,227,868
Security lending income received	\$ 1,595,733	\$ 885,948

**CHOU ASSOCIATES FUND**  
**Discussion of Financial Risk Management**  
**(Unaudited)**

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**Investment Objective and Strategies**

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

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

**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.

**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. As of June 30, 2014, the Fund invested approximately 1.3% (December 31, 2013 – 1.1%) of its net assets in non-investment grade debt instruments. 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 S&P and Fitch. These credit ratings denote that the company's financial position is weak and its bonds should be considered a speculative investment.

**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 risks by remaining term to maturity.

Debt Instruments by Maturity Date:

	<b>June 30, 2014</b>	<b>December 31, 2013</b>
Less than 1 year	\$ 6,557,951	\$5,801,248
1-3 years	\$0	\$0
Greater than 5 years	\$0	\$0

As at June 30, 2014, should interest rates have decreased or increased by 0.25%, with all other variables remaining constant, the increase or decrease in Net Assets for the year would have amounted to approximately \$216,000 (December 31, 2013 - \$256,846).

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

**CHOU ASSOCIATES FUND**  
**Discussion of Financial Risk Management**  
**(Unaudited)**

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**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 63.3% (December 31, 2013 – 67.0%) of the Fund's Net Assets held at June 30, 2014 were publicly traded equities. If equity prices on the exchange had increased or decreased by 5% as at June 30, 2014, the Net Assets of the Fund would have increased or decreased by approximately \$16,245,000, or 3.2% (December 31, 2013 - \$16,479,000, or 3.2%) of the Net Assets, all other factors remaining constant.

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

**Foreign Currency Risk**

Currencies to which the Fund had exposure as at June 30, 2014 and December 31, 2013 are as follows:

**June 30, 2014**

	Financial Instruments (\$)	Percentage of NAV (%)
United States Dollar	387,044,250	75.4%

**December 31, 2013**

	Financial Instruments (\$)	Percentage of NAV (%)
United States Dollar	430,951,722	85.8%

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

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 \$3,869,000 (December 31, 2013 – \$4,311,000).

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



**CHOU ASIA FUND**  
(Unaudited)

August 15, 2014

Dear Unitholders of Chou Asia Fund,

The net asset value (“NAVPU” or “NAV”) of a Series A unit of Chou Asia Fund at June 30, 2014 was \$17.68 compared to \$16.74 at December 31, 2013 an increase of 5.6%; during the same period, the MSCI AC (Morgan Stanley Capital International All Country) Asia Pacific Total Return Index in Canadian dollars returned 5.0%. In \$US, a Series A unit of Chou Asia Fund was up 5.2% while the MSCI AC Asia Pacific Total Return Index returned 4.7%.

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

<b>June 30, 2014 (Series A)</b>	<b>1 Year</b>	<b>3 Years</b>	<b>5 Years</b>	<b>10 Years</b>
Chou Asia (\$CAN)	16.1%	9.8%	10.1%	7.1%
MSCI AC Asia Pacific TR (\$CAN)	16.5%	9.4%	8.5%	5.3%
Chou Asia (\$US) <sup>1</sup>	14.6%	6.2%	12.0%	9.6%
MSCI AC Asia Pacific TR (\$US)	14.9%	5.8%	10.4%	7.7%

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 Months Results**

BYD Electronic (International) Company Limited, BYD Company Limited, and PRONEXUS Inc. were positive contributors to the Fund’s performance.

Most of the declines came from the equity security of Pyne Gould Corporation Limited and Sankyo Company Limited.

In general, equity markets in Asia were strong during the first half of 2014 driven by improved investor sentiment across the region and an improved outlook for the Chinese economy. The stock market in India rallied on the excitement of a new government. The Japanese market was weak as concern about the strength of the economy surfaced and investors continued to worry about ever-increasing government debt as a percentage of GDP.

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

Shares of Hanfeng have been delisted, therefore we have taken our valuation to \$0.05 per share.

## Japan

Japan is one of the biggest debtors in the world and, if you can believe it, it has one of the lowest interest rates among the developed countries.

### Interest Rate on 10-Year Sovereign Debt

Switzerland	0.45%
Japan	0.49%
Germany	1.00%
France	1.40%
Sweden	1.58%
Canada	2.04%
United States	2.36%
United Kingdom	2.40%
Spain	2.45%
Italy	2.64%

### Source: Bloomberg

Japan has a number of serious issues to address and when the Prime Minister Shinzo Abe was elected in late 2012, he undertook an aggressive monetary policy that he said would double the country's monetary base. Many think that this creation of an almost limitless supply of money is benign, as long as the economy does not show any visible sign of high inflation in the short term. In fact it is generally accepted that low inflation (in the 3% range) is good for the economy.

However, printing money has serious repercussions. It creates asset bubbles and sets the stage for a financial crisis as it has done in the past. For example, spectacular real estate bubbles happened in Japan in the 1980s, and more recently in Ireland, Spain, the United Kingdom and the United States in the 2000s, and when the bubble burst as it should have, it led to severe recessions and financial crisis.

We have some investments in Japan but we do not feel comfortable adding more in the future. However, if we do find a genuine bargain and purchase it for the Fund, we would most likely hedge the Japanese currency. In other words, we are betting on the security but, at the same time, not letting the currency affect the total return. We think the Japanese yen should weaken versus the dollar when viewed from a long-term perspective.

All the cash holdings we had in Japanese yen have been converted to Canadian dollars.

We do not know if there is an instrument that we can use to take advantage of this anomaly - one of the biggest debtors in the world and one of the lowest interest rates among the developed nations, but we are looking around.

**Other Matters**

FOREIGN CURRENCY CONTRACTS: None existed at June 30, 2014.

CREDIT DEFAULT SWAP: None existed at June 30, 2014.

CONSTANT MATURITY SWAPS: None existed at June 30, 2014.

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

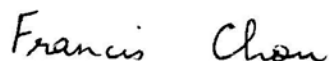
REDEMPTION FEE: We have a redemption fee of 2% if unitholders redeem their units in less than two years. None of this fee goes to the Fund Manager. It is put back into the Fund for the benefit of the remaining unitholders.

INDEPENDENT REVIEW COMMITTEE: The Manager has established an IRC as required by NI 81-107. The members of the IRC are Sandford Borins, Joe Tortolano and Peter Gregoire. The 2013 IRC Annual Report is available on our website [www.choufunds.com](http://www.choufunds.com).

As of August 15, 2014, the NAV of a Series A unit of the Fund was \$18.17 and the cash position was approximately 31.6% of net assets. The Fund is up 8.5% from the beginning of the year. In \$US, it is up 5.7%.

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**  
**AS AT JUNE 30, 2014 AND DECEMBER 31, 2013**  
**(Unaudited)**

	2014	DEC 31, 2013	JAN 1,2013
<b>ASSETS</b>			
<b>Current Assets</b>			
Cash and cash equivalents	\$ 12,673,072	\$ 15,497,629	\$17,458,211
Financial assets at fair value through profit or loss*	26,178,872	24,245,031	20,367,616
Receivable for units subscribed	10,215	35,380	24,146
Other receivable	11,950	19,745	-
Dividends receivable	66,717	10,266	-
<b>Total Assets</b>	<u>38,940,826</u>	<u>39,808,051</u>	<u>37,849,973</u>
<b>LIABILITIES</b>			
<b>Current Liabilities</b>			
Accrued expenses	63,715	77,997	82,227
Payable for units redeemed	42,063	20,595	49,870
Distributions payable	-	-	517
<b>Total Liabilities</b>	<u>105,778</u>	<u>98,592</u>	<u>132,614</u>
<b>Net Assets Attributable to Unitholders of Redeemable Units</b>	<u>\$ 38,835,048</u>	<u>\$ 39,709,459</u>	<u>\$ 37,717,359</u>
<b>Net Assets Attributable to Unitholders of Redeemable Units</b>			
Series A	\$ 37,511,262	\$ 38,370,273	\$ 36,646,830
Series F	<u>1,323,786</u>	<u>1,339,186</u>	<u>1,070,529</u>
	<u>\$ 38,835,048</u>	<u>\$ 39,709,459</u>	<u>\$ 37,717,359</u>

**NUMBER OF UNITS OUTSTANDING (Note 4)**

Series A	2,121,541	2,291,643	2,711,744
Series F	73,756	79,004	78,6374

**NET ASSETS ATTRIBUTABLE TO UNITHOLDERS OF REDEEMABLE UNITS PER UNIT (Note 2)**

**Canadian dollars**

Series A	\$ 17.68	\$ 16.74	\$ 13.51
Series F	\$ 17.95	\$ 16.95	\$ 13.61

**U.S. dollars**

Series A	\$ 16.56	\$ 15.74	\$ 13.58
Series F	\$ 16.81	\$ 15.94	\$ 13.68

\* Cost of investments is reflected on the schedule of investment portfolio.  
See accompanying notes to financial statements.

APPROVED ON BEHALF OF THE BOARD OF DIRECTORS  
OF THE MANAGEMENT COMPANY

*Francis Chou*      *Tracy Chou*

**CHOU ASIA FUND**  
**STATEMENTS OF COMPREHENSIVE INCOME**  
**FOR THE SIX MONTHS ENDED JUNE 30, 2014 AND 2013**  
**(Unaudited)**

	<b>2014</b>	<b>2013</b>
<b>INCOME</b>		
Interest for distribution purposes and other	\$ 110	\$ 2,612
Dividends	212,003	161,567
Securities lending income	123,679	93,952
Foreign currency gain on cash and other net assets	260,092	52,675
Net Gain on Investments and Derivatives	9,631	791,101
Net Change in unrealized appreciation on Investments and Derivatives	<u>1,924,210</u>	<u>3,809,929</u>
	<u>2,529,725</u>	<u>4,911,836</u>
<b>EXPENSES</b>		
Management fees (Note 5)	326,894	310,448
Custodian fees	21,720	21,483
Audit	1,810	1,790
Filing fees	-	1,720
Independent Review Committee fees	1,808	1,193
FundSERV fees	-	860
Foreign withholding taxes	20,341	8,551
Transaction Costs	<u>-</u>	<u>4,449</u>
Total expenses before manager absorption	372,573	350,494
Less: Expense absorbed by the manager	<u>-</u>	<u>-</u>
Total expenses after manager absorption	<u>372,573</u>	<u>350,494</u>
<b>Increase in Net Assets Attributable to Unitholders of Redeemable Units</b>	<u>\$ 2,157,152</u>	<u>\$4,561,342</u>
<b>Increase in Net Assets Attributable to Unitholders of Redeemable Units</b>		
Series A	\$ 2,081,623	\$ 4,442,060
Series F	<u>75,529</u>	<u>119,282</u>
	<u>\$ 2,157,152</u>	<u>\$ 4,561,342</u>
<b>Increase in Net Assets Attributable to Unitholders of Redeemable Units per Unit</b>		
Series A	\$ 0.94	\$ 1.73
Series F	\$ 0.95	\$ 1.65

**CHOU ASIA FUND**  
**STATEMENTS OF CHANGES IN NET ASSETS**  
**FOR THE SIX MONTHS ENDED JUNE 30, 2014 AND 2013**  
(Unaudited)

	2014	2013
<b>SERIES A</b>		
<b>Net Assets Attributable to Unitholders of Redeemable Units Beginning of Period</b>	\$ 38,370,273	\$ 36,646,830
Increase in net Assets Attributable to Unitholders of Redeemable Units		
Proceeds from issue of units	2,081,623	4,442,060
Payments on redemption of units	(3,966,602)	(4,522,498)
Distribution of income to unitholders		
Investment income	-	-
Capital gains	-	-
Reinvested distributions	-	-
<b>Net Assets Attributable to Unitholders of Redeemable Units End of Period</b>	<u>37,511,262</u>	<u>37,009,063</u>
<b>SERIES F</b>		
<b>Net Assets Attributable to Unitholders of Redeemable Units Beginning of Period</b>	1,339,186	1,070,529
Increase in Net Assets Attributable to Unitholders of Redeemable Units		
Proceeds from issue of units	75,529	119,282
Payments on redemption of units	258,834	290,913
Distributions of income to Unitholders	(349,763)	(225,340)
Investment Income	-	-
Capital gains	-	-
Reinvested distributions	-	-
<b>Net Assets Attributable to Unitholders of Redeemable Units End of Period</b>	<u>1,323,786</u>	<u>1,255,384</u>
<b>TOTAL NET ASSETS, end of the period</b>	<u>\$ 38,835,048</u>	<u>\$ 38,264,447</u>

**CHOU ASIA FUND**  
**SCHEDULE OF INVESTMENTS**  
**AS AT JUNE 30, 2014**  
**(Unaudited)**

	No. of Shares or Par Value	Cost	Fair Value
<b>EQUITIES - Long*</b>			
AJIS Company Limited	15,200	\$ 213,157	\$ 257,949
BYD Company Limited, Class H	573,000	989,812	3,516,190
BYD Electronic (International) Company Limited	4,789,500	1,161,576	4,373,948
China Yuchai International Limited	25,537	341,981	578,503
Chunghwa Telecom Company Limited ADR	132,088	2,914,503	4,513,768
Glacier Media Inc.	513,307	1,386,057	698,098
Hanfeng Evergreen Inc.	95,850	228,548	4,792
PRONEXUS Inc.	657,500	3,093,388	5,530,485
Pyne Gould Corporation Limited	9,627,219	2,155,762	3,238,338
Resolute Forest Products Inc.	36,041	963,559	645,623
Sankyo Company Limited	60,000	2,684,475	2,463,334
UTStarcom Holdings Corporation	113,627	1,316,832	357,844
<b>TOTAL LONG</b>		17,449,650	26,178,872
<b>TOTAL INVESTMENTS</b>		17,449,650	26,178,872
<b>TRANSACTION COSTS</b>		(12,496)	-
<b>PORTFOLIO TOTAL</b>		\$ 17,437,154	\$ 26,178,872

\* Common shares unless indicated otherwise

**CHOU ASIA FUND**  
**STATEMENTS OF CASH FLOWS**  
**FOR THE SIX MONTHS ENDED JUNE 30, 2014 AND 2013**  
**(Unaudited)**

	2014	2013
<b>Cash Flow from Operating Activities</b>		
Increase/(decrease) in net assets attributable to unitholders of redeemable units	\$ 2,157,152	\$ 4,561,342
Adjustments for:		
Foreign currency loss on cash and other net assets	(260,092)	(52,675)
Net realized loss on investments	(9,631)	(791,101)
Change in unrealized depreciation on investments and held for trading securities	(1,924,210)	(3,809,929)
Decrease in dividends receivable	(56,451)	(31,750)
(Increase) decrease in other receivable	7,795	(22,639)
Increase (decrease) in other payable and accrued liabilities	(14,282)	(10,718)
Purchase of Investments	-	(389,173)
Proceeds from sales of Investments	-	2,485,128
<b>Net Cash Generated by Operating Activities</b>	<b>(99,719)</b>	<b>1,938,485</b>
<b>Cash Flows from Financing Activities</b>		
Distributions to unitholders of redeemable units, net of reinvested distributions	-	(517)
Proceeds from redeemable units issued	1,309,967	2,221,616
Amount paid on redemption of redeemable units	(4,294,897)	(4,669,019)
<b>Net Cash Generated (Used) by Financing Activities</b>	<b>(2,984,930)</b>	<b>(3958,702)</b>
Foreign currency gain (loss) on cash and other net assets	260,092	52,675
Net increase (decrease) in cash and cash equivalents	(3,084,649)	(2,020,217)
Cash and cash equivalents beginning of period	15,497,629	17,458,211
<b>Cash and Cash Equivalents End of Period</b>	<b>\$ 12,673,072</b>	<b>\$ 15,490,669</b>
Cash and cash equivalents comprise:		
Cash (overdraft) at bank	\$ 12,673,072	\$ 15,490,669
	<u>\$ 12,673,072</u>	<u>\$ 15,490,669</u>
Supplemental Information:		
Interest received, net of withholding tax	\$ 110	\$ 2,612
Dividends received, net of withholding tax	\$ 135,211	\$ 121,266
Security lending income received	\$ 131,474	\$ 71,313



**CHOU ASIA FUND**  
**Discussion of Financial Risk Management**  
**(Unaudited)**

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**Investment Objective and Strategies**

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

**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.

**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 67.4% (December 31, 2013 – 61.0%) of the Fund's Net Assets held at June 30, 2014 were publicly traded equities. If equity prices on the exchange had increased or decreased by 5% as at June 30, 2014, the Net Assets of the Fund would have increased or decreased by approximately \$1,308,943, or 3.4 % (December 31, 2013 - \$1,211,000 or 3.0%) of the Net Assets, all other factors remaining constant.

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

**Foreign Currency Risk**

Currencies to which the Fund had exposure as at June 30, 2014 and December 31, 2013 are as follows:

**June 30, 2014**

	Financial Instruments (\$)	Percentage of NAV (%)
Japanese Yen	13,880,157	35.7%
Hong Kong Dollar	12,641,808	32.6%
United States Dollar	7,433,735	19.2%
New Zealand Dollar	3,367,159	8.7%
Singapore Dollar	149,342	0.4%

**CHOU ASIA FUND**  
**Discussion of Financial Risk Management**  
**(Unaudited)**

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**December 31, 2013**

	Financial Instruments (\$)	Percentage of NAV (%)
Japanese Yen	12,946,070	32.6%
Hong Kong Dollar	10,678,997	26.9%
United States Dollar	7,012,433	17.7%
New Zealand Dollar	4,163,438	10.5%
Singapore Dollar	146,899	0.4%

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

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 \$342,000 (December 31, 2013 - \$350,000).

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

## **CHOU EUROPE FUND** (Unaudited)

August 15, 2014

Dear Unitholders of Chou Europe Fund,

The net asset value (“NAVPU” or “NAV”) of a Series A unit of Chou Europe Fund at June 30, 2014 was \$12.94 compared to \$11.62 at December 31, 2013, an increase of 11.3%; during the same period, the MSCI AC (Morgan Stanley Capital International All Country) Europe Total Return Index in Canadian dollars returned 6.1%. In \$US, a Series A unit of Chou Europe Fund was up 10.9% while the MSCI AC Europe Total Return Index returned 5.8%.

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

<b>June 30, 2014 (Series A)</b>	<b>1 Year</b>	<b>3 Years</b>	<b>5 Years</b>	<b>10 Years</b>
Chou Europe (\$CAN)	26.9%	24.2%	16.3%	4.4%
MSCI AC Europe TR (\$CAN)	30.9%	12.4%	11.7%	5.8%
Chou Europe (\$US) <sup>1</sup>	25.0%	20.1%	18.3%	6.9%
MSCI AC Europe TR (\$US)	29.2%	8.7%	13.6%	8.2%

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 Months Results**

Positive contributors to the Fund’s performance during the period ended June 30, 2014 included equity securities of Next PLC, AstraZeneca PLC, Ryanair Holdings PLC ADR, Abbey PLC and BP PLC ADR. The Canadian currency depreciated against the pound sterling, which also contributed to the positive performance of the Fund.

The Fund’s largest equity decliner during the period was Bank of Ireland.

We received common shares of Verizon Communications Inc. due to a spinoff from Vodafone Group PLC ADR. We reduced our holdings in Vodafone Group PLC.

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

## Interest Rate on 10-Year Sovereign Debt

Switzerland	0.45%
Japan	0.49%
Germany	1.00%
France	1.40%
Sweden	1.58%
Canada	2.04%
United States	2.36%
United Kingdom	2.40%
Spain	2.45%
Italy	2.64%

### Source: Bloomberg

When we looked at some of the 10-year sovereign debt involving several countries we were surprised to see how low they are at currently. The interest rate suggests that these countries must be in great economic shape, with low unemployment rates, low debt to GDP ratios etc. On the contrary, most of these countries are in dire economic shape. For example, Spain has an unemployment rate of about 25%, yet its interest rate is approximately 2.45%.

The low interest rate is due to unprecedented printing of money worldwide. In the United States, it is popularly known as “Quantitative Easing” (QE). Many think that this creation of an almost limitless supply of money is benign, as long as the economy does not show any visible sign of high inflation in the short term. In fact it is generally accepted that low inflation (in the 3% range) is good for the economy.

However, printing money has serious repercussions. It creates asset bubbles and sets the stage for a financial crisis as it has done in the past. For example, spectacular real estate bubbles happened in Japan in the 1980s, and more recently in Ireland, Spain, the United Kingdom and the United States in the 2000s, and when the bubble burst as it should have, it led to severe recessions and financial crisis.

The unprecedented creation of money whether you call it QE or something else, has resulted in huge indebtedness regardless of whether it is measured in absolute terms or relative to economic productivity such as the GDP. It has created a range of distortions such as mispricing of assets, misuse of productive resources and, for investors, misallocations of capital.

Currently the pressures in the real economy are generally deflationary, but sooner or later, this reckless money printing by central banks may lead to another financial crisis.

As of August 15, 2014, our cash levels were 41.5% of assets, reflecting our cautious view. But if a true bargain arises, we will not hesitate to buy it. As such, in the first six months of 2014, the Fund initiated new positions in EFG Eurobank Ergasias, Intralot S.A. and Pharmstandard GDR.

**Other Matters**

FOREIGN CURRENCY CONTRACTS: None existed at June 30, 2014.

CREDIT DEFAULT SWAP: None existed at June 30, 2014.

CONSTANT MATURITY SWAPS: None existed at June 30, 2014.

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

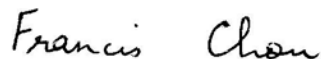
REDEMPTION FEE: We have a redemption fee of 2% if unitholders redeem their units in less than two years. None of this fee goes to the Fund Manager. It is put back into the Fund for the benefit of the remaining unitholders.

INDEPENDENT REVIEW COMMITTEE: The Manager has established an IRC as required by NI 81-107. The members of the IRC are Sandford Borins, Joe Tortolano and Peter Gregoire. The 2013 IRC Annual Report is available on our website [www.choufunds.com](http://www.choufunds.com).

As of August 15, 2014, the NAV of a Series A unit of the Fund was \$12.92 and the cash position was approximately 41.5% of net assets. The Fund is up 11.2% from the beginning of the year. In \$US, it is up 8.3%.

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**  
**AS AT JUNE 30, 2014 AND DECEMBER 31, 2013**  
**(Unaudited)**

	2014	DEC 31, 2013	JAN 1, 2013
<b>ASSETS</b>			
<b>Current Assets</b>			
Cash	\$ 10,763,272	\$ 10,159,297	\$ 1,547,846
Financial assets at fair value through profit or loss*	15,766,555	8,430,391	6,243,824
Receivable for units subscribed	105,013	322,783	20,000
Dividends receivable	<u>12,833</u>	<u>22,818</u>	<u>20,988</u>
<b>Total Assets</b>	<u>26,647,673</u>	<u>18,935,289</u>	<u>7,832,658</u>
<b>LIABILITIES</b>			
<b>Current Liabilities</b>			
Accrued expenses	38,371	3,407	5,866
Payable for units redeemed	45,009	41,135	-
Distributions payable	<u>-</u>	<u>10,231</u>	<u>5,117</u>
<b>Total Liabilities</b>	<u>83,380</u>	<u>54,773</u>	<u>11,003</u>
<b>Net Assets Attributable to Unitholders of Redeemable Units</b>	<u>\$ 26,564,293</u>	<u>\$ 18,880,516</u>	<u>\$ 7,821,655</u>
<b>Net Assets Attributable to Unitholders of Redeemable Units</b>			
Series A	\$ 24,471,877	\$ 17,951,190	\$ 7,803,332
Series F	<u>2,092,416</u>	<u>929,326</u>	<u>18,323</u>
	<u>\$ 26,564,293</u>	<u>\$ 18,880,516</u>	<u>\$ 7,821,655</u>

**NUMBER OF UNITS OUTSTANDING** (Note 4)

Series A	1,899,417	1,544,393	937,889
Series F	<u>156,287</u>	<u>79,132</u>	<u>2,180</u>

**NET ASSETS PER UNIT** (Note 2)

**Canadian dollars**

Series A	\$ 12.88	\$ 11.62	\$ 8.32
Series F	\$ 13.39	\$ 11.74	\$ 8.41

**U.S. dollars**

Series A	\$ 12.07	\$ 10.93	\$ 8.36
Series F	\$ 12.54	\$ 11.04	\$ 8.45

\* Cost of investments is reflected on the schedule of investment portfolio.  
See accompanying notes to financial statements.

APPROVED ON BEHALF OF THE BOARD OF DIRECTORS  
OF THE MANAGEMENT COMPANY

*Francis Chou Tracy Chou*

**CHOU EUROPE FUND**  
**STATEMENTS OF COMPREHENSIVE INCOME**  
**FOR THE SIX MONTHS ENDED JUNE 30, 2014 AND 2013**  
**(Unaudited)**

	<b>2014</b>	<b>2013</b>
<b>INCOME</b>		
Interest for distribution purposes and other	\$ (30)	\$ 160
Dividends	270,704	195,595
Foreign currency gain on cash and other net assets	89,703	56,324
Net Gain on Investments and Derivatives	2,638	195,206
Net Change in unrealized appreciation on Investments and Derivatives	<u>2,036,631</u>	<u>1,512,601</u>
	<u>2,399,646</u>	<u>1,959,886</u>
<b>EXPENSES</b>		
Management fees (Note 5)	195,062	78,590
Custodian fees	28,427	6,463
Audit	605	-
Filing fees	399	179
Independent Review Committee fees	971	269
FundSERV fees	673	236
Foreign withholding taxes	27,125	17,911
Transaction Costs	<u>6,249</u>	<u>-</u>
Total expenses before manager absorption	259,511	103,648
Less: Expense absorbed by the manager	<u>-</u>	<u>(78,590)</u>
Total expenses after manager absorption	<u>259,511</u>	<u>25,058</u>
<b>Increase in Net Assets Attributable to Unitholders of Redeemable Units</b>	<u>\$ 2,140,135</u>	<u>\$ 1,934,828</u>
<b>Increase in Net Assets Attributable to Unitholders of Redeemable Units</b>		
Series A	\$ 1,975,764	\$ 1,927,339
Series F	<u>164,371</u>	<u>7,489</u>
	<u>\$ 2,140,135</u>	<u>\$ 1,934,828</u>
<b>Increase in Net Assets Attributable to Unitholders of Redeemable Units per Unit</b>		
Series A	\$ 1.04	\$ 1.95
Series F	\$ 1.05	\$ 1.81

**CHOU EUROPE FUND**  
**STATEMENTS OF CHANGES IN NET ASSETS**  
**FOR THE SIX MONTHS ENDED JUNE 30, 2014 AND 2013**  
(Unaudited)

	2014	2013
<b>SERIES A</b>		
<b>Net Assets Attributable to Unitholders of Redeemable Units Beginning of Period</b>	\$ 17,951,190	\$ 7,803,332
Increase in net Assets Attributable to Unitholders of Redeemable Units	1,975,764	1,927,339
Proceeds from issue of units	7,062,320	2,214,631
Payments on redemption of units	<u>(2,517,397)</u>	<u>(654,573)</u>
Distribution of income to unitholders		
Investment income	-	-
Reinvested distributions	<u>-</u>	<u>-</u>
<b>Net Assets Attributable to Unitholders of Redeemable Units End of Period</b>	<u>24,471,877</u>	<u>11,290,729</u>
<b>SERIES F</b>		
<b>Net Assets Attributable to Unitholders of Redeemable Units Beginning of Period</b>	929,326	18,323
Increase in net Assets Attributable to Unitholders of Redeemable Units	164,371	7,489
Proceeds from issue of units	1,242,934	34,900
Payments on redemption of units	(244,215)	-
Distributions of income to Unitholders		
Investment Income	-	-
Capital gains	<u>-</u>	<u>-</u>
Reinvested distributions	<u>-</u>	<u>-</u>
<b>Net Assets Attributable to Unitholders of Redeemable Units End of Period</b>	<u>2,092,416</u>	<u>60,712</u>
<b>TOTAL NET ASSETS, end of the period</b>	<u>\$ 26,564,293</u>	<u>\$ 11,351,441</u>



**CHOU EUROPE FUND**  
**SCHEDULE OF INVESTMENTS**  
**AS AT JUNE 30, 2014**  
**(Unaudited)**

	No. of Shares or Par Value	Cost	Fair Value
<b>EQUITIES - Long*</b>			
Abbey PLC	36,170	\$ 259,868	\$ 576,191
AstraZeneca PLC	13,000	701,770	1,030,339
BP PLC ADR	10,000	313,497	563,242
EFG Eurobank Ergasias	5,000,000	2,356,825	2,667,193
GlaxoSmithKline PLC	18,000	491,338	514,051
Heracles General Cement Company S.A.	5,887	29,127	11,185
Intralot S.A.	367,575	1,090,257	1,090,520
Next PLC	18,000	581,417	2,128,184
Pharmstandard GDR	235,938	1,839,911	2,292,079
OTCPharm	235,938	0	503,753
Ryanair Holdings PLC ADR	17,000	478,532	1,012,683
Sanofi ADR	20,000	884,092	1,133,743
The Governor and Company of the Bank of Ireland	3,400,000	383,114	1,227,346
Trastor Real Estate Investment Company	470,133	280,387	684,340
Verizon Communications Inc.	2,630	69,982	137,295
Vodafone Group PLC ADR	5,454	128,100	194,411
<b>TOTAL LONG</b>		9,888,217	15,766,555
<b>TOTAL INVESTMENTS</b>		9,888,217	15,766,555
<b>TRANSACTION COSTS</b>		(3,884)	-
<b>PORTFOLIO TOTAL</b>		\$ 9,884,333	\$ 15,766,555

\* Common shares unless indicated otherwise

**CHOU EUROPE FUND**  
**STATEMENTS OF CASH FLOWS**  
**FOR THE SIX MONTHS ENDED JUNE 30, 2014 AND 2013**  
**(Unaudited)**

	2014	2013
<b>Cash Flow from Operating Activities</b>		
Increase/(decrease) in net assets attributable to unitholders of redeemable units	\$ 2,140,135	\$ 1,934,828
Adjustments for:		
Foreign currency loss on cash and other net assets	(89,703)	(56,324)
Net realized loss on investments	(2,638)	(195,206)
Change in unrealized depreciation on investments and held for trading securities	(2,036,631)	(1,512,601)
Decrease in dividends receivable	9,985	(16,773)
Increase (decrease) in other payable and accrued liabilities	34,964	(911)
Purchase of Investments	(5,296,920)	-
Proceeds from sales of Investments	25	328,648
<b>Net Cash Generated by Operating Activities</b>	<b>(5,240,783)</b>	<b>481,661</b>
<b>Cash Flows from Financing Activities</b>		
Distributions to unitholders of redeemable units, net of reinvested distributions	(10,231)	(5,117)
Proceeds from redeemable units issued	8,523,024	2,221,616
Amount paid on redemption of redeemable units	(2,757,738)	(648,511)
<b>Net Cash Generated (Used) by Financing Activities</b>	<b>5,755,055</b>	<b>1,567,988</b>
Foreign currency gain (loss) on cash and other net assets	89,703	56,324
Net increase (decrease) in cash and cash equivalents	514,272	2,049,649
Cash and cash equivalents beginning of period	10,159,297	1,547,846
<b>Cash and Cash Equivalents End of Period</b>	<b>\$ 10,763,272</b>	<b>\$ 3,653,819</b>
Cash and cash equivalents comprise:		
Cash (overdraft) at bank	\$ 10,763,272	\$ 3,653,819
	<u>\$ 10,763,272</u>	<u>\$ 3,653,819</u>
Supplemental Information:		
Interest received, net of withholding tax	\$ (30)	\$ 160
Dividends received, net of withholding tax	\$ 253,564	\$ 160,911

**CHOU EUROPE FUND**  
**Discussion of Financial Risk Management**  
**(Unaudited)**

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**Investment Objective and Strategies**

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

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

**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.

**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 58.6% (December 31, 2013 – 44.6%) of the Fund's Net Assets held at June 30, 2014 were publicly traded equities. If equity prices on the exchange had increased or decreased by 5% as at June 30, 2014, the Net Assets of the Fund would have increased or decreased by approximately \$763,000, or 2.9% (December 31, 2013 - \$421,000, or 2.2%) of the Net Assets, all other factors remaining constant.

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

**Foreign Currency Risk**

Currencies to which the Fund had exposure as at June 30, 2014 and December 31, 2013 are as follows:

**June 30, 2014**

	Financial Instruments (\$)	Percentage of NAV (%)
Euro Currency	6,483,008	24.9%
United States Dollar	5,818,124	22.3%
Sterling Pound	3,696,567	14.2%

**December 31, 2013**

	Financial Instruments (\$)	Percentage of NAV (%)
United States Dollar	4,429,795	23.5%
Sterling Pound	3,588,285	19.0%
Euro Currency	3,597,532	19.1%

**CHOU EUROPE FUND**  
**Discussion of Financial Risk Management**  
**(Unaudited)**

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The amounts in the table as per the previous page are based on the market value of the Fund's financial instruments (including cash, cash equivalents and investments). Other financial assets (including accrued interest and dividend income, and due from broker for investments sold) and financial liabilities (including accrued expenses, payable for units redeemed and distributions payable) that are denominated in foreign currencies do not expose the Fund to significant foreign currency risk.

As at June 30, 2014, 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 \$160,000 (December 31, 2013 - \$116,000).

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

## CHOU BOND FUND

(Unaudited)

August 15, 2014

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, 2014 was \$10.78 compared to \$9.64 at December 31, 2013, an increase of 11.8%; during the same period, Barclays U.S. Corporate High Yield Index (\$CAN) returned 5.7%. In \$US, a Series A unit of Chou Bond Fund was up 11.3% while Barclays U.S. Corporate High Yield Index returned 5.5 %.

The table shows our 1 year, 3 year, 5 year and since inception annual compound rates of return.

<b>June 30, 2014 (Series A)</b>	<b>1 Year</b>	<b>3 Years</b>	<b>5 Years</b>	<b>Since Inception</b>
Chou Bond (\$CAN)	17.8%	9.8%	13.0%	7.3%
Barclays U.S. Corp. High Yield (\$CAN)	12.8%	13.1%	12.0%	7.6%
Chou Bond (\$US) <sup>1</sup>	16.0%	6.1%	15.0%	8.5%
Barclays U.S Corp. High Yield (\$US)	11.7%	9.7%	14.1%	8.9%

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

### Factors Influencing the First Six Months Results

Nearly all debt securities contributed positively to the Fund’s performance during the first 6 months of 2014, with the debt securities of Catalyst Paper Corporation, Dex Media Inc., R.H. Donnelley Inc. and Rainmaker Entertainment Inc. contributing the most.

The only decliner in the Fund’s performance came from the debt securities of Atlanticus Holdings Corporation.

The Fund purchased debt securities of Ascent Capital Group Inc. 4% due July 15, 2020, Fortress Paper Limited 6.5% due December 31, 2016 and UkrLandFarming PLC 10.875% due March 26, 2018.

The Fund increased positions in convertible debentures of Fortress Paper Limited 7% due December 31, 2019 and Dex Media Inc. 14% due January 29, 2017. We reduced holdings in the equity securities of Resolute Forest Products Inc. The term loan holdings of Dex Media West LLC and R.H. Donnelley Inc. were decreased due to a cash flow sweep, which means that any free cash flow remaining after all operational needs are met can be used to buy back debt at par from its holders. All the equity securities in the Fund are the result of debt restructuring.

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

The Fund sold all of its equity securities of Level 3 Communications Inc. after we converted the bonds to equities. With regard to Mega Brands, we tendered the bonds to the company at 101% of the principal amount when it was acquired through the wholly-owned subsidiary of Mattel, Inc.

### **Investment and Non-Investment (or High Yield) Grade Debt Securities**

Non-investment grade debt securities are fully priced and in general, I would stay clear of them.

Some prices for non-investment grade bonds do not reflect the risks inherent in these securities. A company can float 10-year non-investment grade bonds with a coupon of 5.5% and investors will buy them cheerfully at 100 cents on a dollar. Just a few years ago, a similar bond would be trading for 60 cents or less.

Even investment grade bonds are not cheap. When we looked at some of the 10-year sovereign debt involving several countries we were surprised to see how low they are at currently. Many of these sovereign debts are rated investment grade. The interest rate suggests that these countries must be in great economic shape, with low unemployment rates, low debt to GDP ratios etc. On the contrary, most of these countries are in dire economic shape. For example, Spain has an unemployment rate of about 25%, yet its interest rate is approximately 2.45%.

### **Interest Rate on 10-Year Sovereign Debt**

Switzerland	0.45%
Japan	0.49%
Germany	1.00%
France	1.40%
Sweden	1.58%
Canada	2.04%
United States	2.36%
United Kingdom	2.40%
Spain	2.45%
Italy	2.64%

### **Source: Bloomberg**

The low interest rate is due to unprecedented printing of money worldwide. In the United States, it is popularly known as "Quantitative Easing" (QE). Many think that this creation of an almost limitless supply of money is benign, as long as the economy does not show any visible sign of high inflation in the short term. In fact it is generally accepted that low inflation (in the 3% range) is good for the economy.

However, printing money has serious repercussions. It creates asset bubbles and sets the stage for a financial crisis as it has done in the past. For example, spectacular real estate bubbles happened in Japan in the 1980s, and more recently in Ireland, Spain, the United Kingdom and the United States in the 2000s, and when the bubble burst as it should have, it led to severe recessions and financial crisis.

**Other Matters**

FOREIGN CURRENCY CONTRACTS: None existed at June 30, 2014.

COVERED CALL OPTION: We have 152 contracts of Resolute Forest Products with a strike price of \$20, expiring in July 2014.

CONSTANT MATURITY SWAPS: None existed at June 30, 2014.

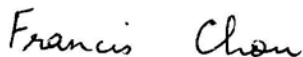
REDEMPTION FEE: We have a redemption fee of 2% if unitholders redeem their units in less than two years. None of this fee goes to the Fund Manager. It is put back into the Fund for the benefit of the remaining unitholders.

INDEPENDENT REVIEW COMMITTEE: The Manager has established an IRC as required by NI 81-107. The members of the IRC are Sandford Borins, Joe Tortolano and Peter Gregoire. The 2013 IRC Annual Report is available on our website [www.choufunds.com](http://www.choufunds.com).

As of August 15, 2014, the NAV of a Series A unit of the Fund was \$10.73 and the cash position was approximately 28.6% of net assets. The Fund is up 11.3% from the beginning of the year. In \$US, it is up 8.5%.

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**  
**AS AT JUNE 30, 2014 AND DECEMBER 31, 2013**  
**(Unaudited)**

	2014	DEC 31, 2013	JAN 1, 2013
<b>ASSETS</b>			
<b>Current Assets</b>			
Cash and cash equivalents	\$ 13,878,506	\$ 12,164,529	\$ 5,121,958
Financial assets at fair value through profit or loss*	36,334,038	29,685,465	38,264,420
Receivable for units subscribed	15,000	15,000	2,000
Interest receivable	777,859	\$ 12,164,529	825,408
Dividends receivable	-	-	-
<b>Total Assets</b>	<u>51,005,403</u>	<u>42,444,609</u>	<u>44,213,786</u>
<b>LIABILITIES</b>			
<b>Current Liabilities</b>			
Accrued expenses	68,206	70,879	63,941
Held for trading	811	-	-
Payable for units redeemed	-	9,000	17,031
Distributions payable	-	76,467	102,097
<b>Total Liabilities</b>	<u>69,017</u>	<u>156,346</u>	<u>183,069</u>
<b>Net Assets Attributable to Unitholders of Redeemable Units</b>	<u>\$ 50,936,386</u>	<u>\$ 42,288,263</u>	<u>\$ 44,030,717</u>

**Net Assets Attributable to Unitholders of Redeemable Units**

Series A	\$ 47,039,065	\$ 38,761,019	\$ 36,850,270
Series F	<u>3,897,321</u>	<u>3,527,244</u>	<u>7,180,447</u>
	<u>\$ 50,936,386</u>	<u>\$ 42,288,263</u>	<u>\$ 44,030,717</u>

**NUMBER OF UNITS OUTSTANDING (Note 4)**

Series A	4,365,440	4,020,643	4,434,113
Series F	358,468	362,911	861,551

**NET ASSETS ATTRIBUTABLE TO UNITHOLDERS OF REDEEMABLE UNITS PER UNIT (Note 2)**

**Canadian dollars**

Series A	\$ 10.78	\$ 9.64	\$ 8.31
Series F	\$ 10.87	\$ 9.72	\$ 8.33

**U.S. dollars**

Series A	\$ 10.10	\$ 9.07	\$ 8.35
Series F	\$ 10.18	\$ 9.14	\$ 8.37

\* Cost of investments is reflected on the schedule of investment portfolio.

See accompanying notes to financial statements.

APPROVED ON BEHALF OF THE BOARD OF DIRECTORS  
OF THE MANAGEMENT COMPANY

*Francis Chou Tracy Chou*



**CHOU BOND FUND**  
**STATEMENTS OF COMPREHENSIVE INCOME**  
**FOR THE SIX MONTHS ENDED JUNE 30, 2014 AND 2013**  
**(Unaudited)**

	2014	2013
<b>INCOME</b>		
Interest for distribution purposes and other	\$ 1,560,127	\$ 1,595,886
Foreign currency gain on cash and other net assets	325,415	322,682
Gain on Investments and Derivatives	1,722,493	(1,784,150)
Gain (Loss) on Derivatives	<u>(442,502)</u>	<u>-</u>
Net Gain on Investments and Derivatives	1,279,991	-
Net Change in unrealized appreciation on Investments and Derivatives	<u>2,287,444</u>	<u>7,409,420</u>
	<u>5,452,977</u>	<u>7,543,838</u>
<b>EXPENSES</b>		
Management fees (Note 5)	311,078	277,962
Custodian fees	27,150	37,349
Audit	2,715	2,888
Filing fees	-	1,720
Independent Review Committee fees	2,110	1,426
FundSERV fees	-	860
Legal fees	557	-
Transaction Costs	<u>23,878</u>	<u>1,736</u>
Total expenses before manager absorption	367,488	323,941
Less: Expense absorbed by the manager	<u>-</u>	<u>-</u>
Total expenses after manager absorption	<u>367,488</u>	<u>323,941</u>
<b>Increase in Net Assets Attributable to Unitholders of Redeemable Units</b>	<u>\$ 5,085,489</u>	<u>\$7,219,897</u>
<b>Increase in Net Assets Attributable to Unitholders of Redeemable Units</b>		
Series A	\$ 4,662,826	\$ 6,193,640
Series F	<u>422,663</u>	<u>1,026,257</u>
	<u>\$ 5,085,489</u>	<u>\$ 7,219,897</u>
<b>Increase in Net Assets Attributable to Unitholders of Redeemable Units per Unit</b>		
Series A	\$ 1.08	\$ 1.47
Series F	\$ 1.18	\$ 1.58

**CHOU BOND FUND**  
**STATEMENTS OF CHANGES IN NET ASSETS**  
**FOR THE SIX MONTHS ENDED JUNE 30, 2014 AND 2013**  
(Unaudited)

	2014	2013
<b>SERIES A</b>		
<b>Net Assets Attributable to Unitholders of Redeemable Units Beginning of Period</b>	\$ 38,761,019	\$ 36,850,270
Increase in Net Assets Attributable to Unitholders of Redeemable Units	4,662,826	6,193,640
Proceeds from issue of units	6,776,733	664,454
Payments on redemption of units	<u>(3,161,513)</u>	<u>(4,277,776)</u>
Distribution of income to unitholders		
Investment income	-	-
Capital gains	<u>-</u>	<u>-</u>
Reinvested distributions	<u>-</u>	<u>-</u>
<b>Net Assets Attributable to Unitholders of Redeemable Units End of Period</b>	<u>47,039,065</u>	<u>39,430,588</u>
<b>SERIES F</b>		
<b>Net Assets Attributable to Unitholders of Redeemable Units Beginning of Period</b>	3,527,244	7,180,447
Increase in Net Assets Attributable to Unitholders of Redeemable Units	422,663	1,026,257
Proceeds from issue of units	425,679	49,206
Payments on redemption of units	(478,265)	(3,634,191)
Distributions of income to Unitholders		
Investment Income	-	-
Capital gains	<u>-</u>	<u>-</u>
Reinvested distributions	<u>-</u>	<u>-</u>
<b>Net Assets Attributable to Unitholders of Redeemable Units End of Period</b>	<u>3,897,321</u>	<u>4,621,719</u>
<b>TOTAL NET ASSETS, end of the period</b>	<u>\$ 50,936,386</u>	<u>\$ 44,052,307</u>

**CHOU BOND FUND**  
**SCHEDULE OF INVESTMENTS**  
**AS AT JUNE 30, 2014**  
**(Unaudited)**

	No. of Shares or Par Value	Cost	Fair Value
<b>EQUITIES - Long*</b>			
Catalyst Paper Corporation**	108,606	\$ 47,448	\$ 266,085
Resolute Forest Products Inc.**	391,463	3,529,372	7,012,500
		<u>3,576,820</u>	<u>7,278,585</u>
<b>HELD FOR TRADING***</b>			
Resolute Forest Products Inc. <sup>(1)</sup>	15,200	(13,654)	(811)
<b>BONDS - Long</b>			
Ascent Capital Group Inc., 4.0% conv., July 15, 2020	2,683,000	2,776,137	2,690,161
Atlanticus Holdings Corporation, 5.875% Nov 30, 2035	12,300,000	5,444,721	5,147,323
Catalyst Paper Company, 11.0% Oct 30, 2017	3,632,082	2,891,063	3,509,089
Dex Media Inc., 14.0% Jan 29, 2017	3,515,550	2,742,899	2,552,069
Dex Media West LLC., term loans Oct 24, 2014	1,395,202	838,398	1,370,298
Fortress Paper Limited, 6.5%, conv., Dec 31, 2016	100,000	63,230	68,000
Fortress Paper Limited, 7.0%, conv., Dec 31, 2019	4,659,000	2,621,102	2,769,776
Interstate Bakeries 6.0% Aug 15, 2014	500,000	0	0
Rainmaker Entertainment Inc., 8.0%, deb., Mar 31, 2016	1,300,000	1,300,000	1,495,000
Rainmaker Entertainment Inc., 8.0%, conv., Mar 31, 2016	1,312,000	1,312,000	1,508,800
R.H. Donnelley Inc., term loans, Oct 24, 2014	4,197,283	3,428,684	3,189,006
Taiga Building Products Ltd., 14.0% Sep 1, 2020	1,712,000	1,705,899	1,857,520
Ukrlandfarming PLC 10.875% Mar 26, 2018	3,000,000	2,838,496	2,898,411
		<u>27,962,629</u>	<u>29,055,453</u>
<b>TOTAL LONG</b>		31,539,449	36,334,038
<b>TOTAL HELD FOR TRADING***</b>		(13,654)	(811)
<b>TOTAL INVESTMENTS</b>		31,525,795	36,333,227
<b>TRANSACTION COSTS</b>		(11,642)	-
<b>PORTFOLIO TOTAL</b>		<u>\$ 31,514,153</u>	<u>\$ 36,333,227</u>

\* Common shares unless indicated otherwise

\*\* Shares received from debt restructuring

\*\*\* Held for Trading refers to Equities - Short

<sup>(1)</sup> For the written call option, the expiry date will be July 2014, and the Strike price \$20.00

**CHOU BOND FUND**  
**STATEMENTS OF CASH FLOWS**  
**FOR THE SIX MONTHS ENDED JUNE 30, 2014 AND 2013**  
**(Unaudited)**

	2014	2013
<b>Cash Flow from Operating Activities</b>		
Increase/(decrease) in net assets attributable to unitholders of redeemable units	\$ 5,085,489	\$ 7,219,897
Adjustments for:		
Foreign currency loss on cash and other net assets	(325,415)	(322,682)
Net realized loss on investments	(1,279,991)	1,784,150
Change in unrealized depreciation on investments and held for trading securities	(2,287,444)	(7,409,420)
(Increase) decrease in interest receivable	(198,244)	19,962
Increase (decrease) in other payable and accrued liabilities	(2,673)	3,294
Purchase of Investments	8,887,353	(1,492,528)
Proceeds from sales of Investments	5,807,026	7,729,143
<b>Net Cash Generated by Operating Activities</b>	<b>(2,088,605)</b>	<b>7,531,816</b>
<b>Cash Flows from Financing Activities</b>		
Distributions to unitholders of redeemable units, net of reinvested distributions	(76,467)	(102,097)
Proceeds from redeemable units issued	7,202,412	704,660
Amount paid on redemption of redeemable units	(3,648,778)	(7,807,041)
<b>Net Cash Generated (Used) by Financing Activities</b>	<b>3,477,167</b>	<b>(7,204,478)</b>
Foreign currency gain (loss) on cash and other net assets	325,415	322,682
Net increase (decrease) in cash and cash equivalents	1,388,562	327,338
Cash and cash equivalents beginning of period	12,164,529	5,121,958
<b>Cash and Cash Equivalents End of Period</b>	<b>\$ 13,878,506</b>	<b>\$ 5,771,978</b>
Cash and cash equivalents comprise:		
Cash (overdraft) at bank	\$ 13,878,506	\$ 5,771,978
	<b>\$ 13,878,506</b>	<b>\$ 5,771,978</b>
Supplemental Information:		
Interest received, net of withholding tax	\$ 1,361,883	\$ 1,615,848

**CHOU BOND FUND**  
**Discussion of Financial Risk Management**  
**(Unaudited)**

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**Investment Objective and Strategies**

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

**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.

**Credit Risk**

Credit risk is the risk that counterparty to a financial instrument will fail to discharge a commitment that it has entered into with the Funds. As of June 30, 2014, the Fund invested approximately 57.0% (December 31, 2013 – 43.0%) of its net assets in non-investment grade debt instruments. 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 S&P and Fitch. These credit ratings denote that the company's financial position is weak and its bonds should be considered a speculative investment.

**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 risks by remaining term to maturity.

Debt Instruments by Maturity Date:

	<b>June 30, 2014</b>	<b>December 31, 2013</b>
Less than 1 year	\$ 4,559,304	\$4,059,289
1-3 years	\$5,623,869	\$2,335,075
3-5 years	\$6,407,500	\$4,238,620
Greater than 5 years	\$12,464,780	\$7,578,727

As at June 30, 2014, should interest rates have decreased or increased by 0.25%, with all other variables remaining constant, the increase or decrease in Net Assets for the year would have amounted to approximately \$2,926,000 (December 31, 2013 - \$1,435,728).

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

**CHOU BOND FUND**  
**Discussion of Financial Risk Management**  
**(Unaudited)**

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**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 14.3% (December 31, 2013 – 27.1%) of the Fund’s Net Assets held at June 30, 2014 were publicly traded equities. If equity prices on the exchange had increased or decreased by 5% as at June 30, 2014, the Net Assets of the Fund would have increased or decreased by approximately \$364,000, or 0.7% (2013 - \$573,000, or 1.3%) of the Net Assets, all other factors remaining constant.

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

**Foreign Currency Risk**

Currencies to which the Fund had exposure as at June 30, 2014 and December 31, 2013 are as follows:

**June 30, 2014**

	Financial Instruments (\$)	Percentage of NAV (%)
United States Dollar	29,212,624	57.4%

**December 31, 2013**

	Financial Instruments (\$)	Percentage of NAV (%)
United States Dollar	36,880,299	87.2%

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

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 \$42,000 (2013 - \$369,000).

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

**CHOU RRSP FUND**  
(Unaudited)

August 15, 2014

Dear Unitholders of Chou RRSP Fund,

The net asset value (“NAVPU” or “NAV”) of a Series A unit of Chou RRSP Fund at June 30, 2014 was \$33.26 compared to \$30.94 at December 31, 2013, an increase of 7.5%; during the same period, the S&P/TSX Total Return Index returned 12.9% in Canadian dollars. In \$US, a Series A unit of Chou RRSP Fund was up 7.1% while the S&P/TSX Total Return Index was up 12.5%.

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

<b>June 30, 2014 (Series A)</b>	<b>1 Year</b>	<b>3 Years</b>	<b>5 Years</b>	<b>10 Years</b>	<b>15 Years</b>
Chou RRSP (\$CAN)	16.4%	13.8%	21.1%	6.3%	9.0%
S&P/TSX (\$CAN)	28.6%	7.6%	11.0%	8.7%	7.7%
Chou RRSP (\$US) <sup>1</sup>	14.7%	10.0%	23.2%	8.7%	11.3%
S&P/TSX (\$US)	27.0%	4.0%	12.9%	11.2%	10.1%

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

**Factors Influencing the First Six Months Results**

Torstar Corporation, Interfor Corporation, Resolute Forest Products, Ridley Inc., Blackberry and Canfor Pulp Products were major positive contributors to the Fund’s performance.

The largest equity decliners for the six months ended June 30, 2014 were TVA Group Inc., Danier Leather Inc., Overstock.com Ltd and Reitmans Canada Ltd.

During the first six months of 2014, the Fund increased its holdings of Reitmans Canada. MEGA Brands Inc. was acquired through a wholly-owned subsidiary of Mattel, Inc. in April 2014 and the Fund received \$17.75 per common share.

International Forest Products Limited changed its name to Interfor Corporation, and Clublink Enterprises Limited changed its name to TWC Enterprises Ltd.

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

In the 2013 Annual Report, it was incorrectly reported that we had decreased our holdings in Torstar Corporation when in fact we increased our holdings by 4,700 shares, or 0.37%.

### **Bargains are Hard to Find**

We believe that the market is currently fairly valued. The P/E ratios and price-to-book values are still high and dividend yields are low relative to historic valuations, but the number of companies that are underpriced is at an all-time low. We sincerely doubt the overall returns from equities in general over the next five to 10 years will be compelling. On the contrary, we believe the returns may be far more modest than those hoped for by investors. In light of this scenario, and with its obvious lack of bargains, we would not hesitate to sell our investments and be 100% or 50% cash -- or whatever the number may be.

### **Interest Rate on 10-Year Sovereign Debt**

Switzerland	0.45%
Japan	0.49%
Germany	1.00%
France	1.40%
Sweden	1.58%
Canada	2.04%
United States	2.36%
United Kingdom	2.40%
Spain	2.45%
Italy	2.64%

### **Source: Bloomberg**

When we looked at some of the 10-year sovereign debt involving several countries we were surprised to see how low they are at currently. The interest rate suggests that these countries must be in great economic shape, with low unemployment rates, low debt to GDP ratios etc. On the contrary, most of these countries are in dire economic shape. For example, Spain has an unemployment rate of about 25%, yet its interest rate is approximately 2.45%.

The low interest rate is due to unprecedented printing of money worldwide. In the United States, it is popularly known as “Quantitative Easing” (QE). Many think that this creation of an almost limitless supply of money is benign, as long as the economy does not show any visible sign of high inflation in the short term. In fact it is generally accepted that low inflation (in the 3% range) is good for the economy.

However, printing money has serious repercussions. It creates asset bubbles and sets the stage for a financial crisis as it has done in the past. For example, spectacular real estate bubbles happened in Japan in the 1980s, and more recently in Ireland, Spain, the United Kingdom and the United States in the 2000s, and when the bubble burst as it should have, it led to severe recessions and financial crisis.



The unprecedented creation of money whether you call it QE or something else, has resulted in huge indebtedness regardless of whether it is measured in absolute terms or relative to economic productivity such as the GDP. It has created a range of distortions such as mispricing of assets, misuse of productive resources and, for investors, misallocations of capital.

Currently the pressures in the real economy are generally deflationary, but sooner or later, this reckless money printing by central banks may lead to another financial crisis.

### Credit default swap (CDS)

One way of assessing investors' appetite for risk is to check the prices of Credit Default Swap (CDS). In CDS, one party sells credit protection and the other party buys credit protection. Put another way, one party is selling insurance and the counterparty is buying insurance against the default of the third party's debt.



The price of the CDS will give a strong indication as to how investors are viewing risk. It is not a perfect measurement, has its limitations but is still one of the best indicators of how investors are viewing risk. If one looks at the chart above, the CDS of One Year Treasuries is trending to lows not seen since just before the Great Recession hit in 2008. The prices indicate that investors are throwing caution to the wind. Risk is not priced into any securities, whether they are treasury bills or corporate bonds. Whenever the majority of investors are purchasing securities at prices that implicitly assume that everything is perfect with the world, an economic dislocation or other

shock always seems to appear out of the blue. And when that happens, investors learn, once again, that they ignore risk at their peril.

In terms of investment ideas in derivative securities, we believe that CDS are starting to sell at prices that are becoming compelling. At recent prices, they offer one of the cheapest forms of insurance against market disruptions. There is a high probability that we will be investing in the CDS sometime in the future if such low prices persist for a period of time. We are looking at who deals in such securities and we want to examine carefully what counterparty risk we may be exposed to. The mechanics of investing in CDS have changed somewhat from six years ago.

As you can see from the chart, to make money in CDS, you don't need a default of the third party's debt. If there is any dislocation in the economy, the CDS price will rise from these low levels. The negative aspect is that, like insurance, the premium paid for the protection erodes over time and may expire worthless.

**Other Matters**

COVERED CALL OPTIONS: None existed at June 30, 2014.

FOREIGN CURRENCY CONTRACTS: None existed at June 30, 2014.

CREDIT DEFAULT SWAP: None existed at June 30, 2014.

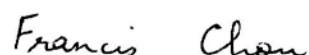
U.S. DOLLAR VALUATION: Any investor who wishes to purchase the Chou Funds in \$US may do so.

INDEPENDENT REVIEW COMMITTEE: The Manager has established an IRC as required by NI 81-107. The members of the IRC are Sandford Borins, Joe Tortolano and Peter Gregoire. The 2013 IRC Annual Report is available on our website [www.choufunds.com](http://www.choufunds.com).

As of August 15, 2014, the NAV of a Series A unit of the Fund was \$33.43 and the cash position was approximately 28.4% of net assets. The Fund is up 8.1% from the beginning of the year. In \$US, it is up 5.3%.

Except for the performance numbers of the Chou RRSP Fund, this letter contains estimates and opinions of the Fund Manager and is not intended to be a forecast of future events, a guarantee of future returns or investment advice. Any recommendations contained or implied herein may not be suitable for all investors.

Yours truly,



Francis Chou  
Fund Manager

**CHOU RRSP FUND**  
**STATEMENTS OF FINANCIAL POSITION**  
**AS AT JUNE 30, 2014 AND DECEMBER 31, 2013**  
**(Unaudited)**

	2014	DEC 31, 2013	JAN 1, 2013
<b>ASSETS</b>			
<b>Current Assets</b>			
Cash and cash equivalents	\$ 36,388,261	\$ 33,720,588	\$ 1,253,782
Financial assets at fair value through profit or loss*	82,414,493	83,451,039	106,065,010
Held for trading	6,164,161	5,757,276	5,778,119
Receivable for units subscribed	17,989	16,500	30,000
Other receivable	2,434	3,198	-
Interest receivable	<u>36,800</u>	<u>38,157</u>	<u>38,157</u>
<b>Total Assets</b>	<u>125,024,138</u>	<u>122,986,758</u>	<u>113,165,068</u>
<b>LIABILITIES</b>			
<b>Current Liabilities</b>			
Accrued expenses	208,075	217,713	205,492
Held for trading	-	38,281	-
Payable for units redeemed	207,206	88,064	98,342
Due to broker	62,074	-	-
Distributions payable	<u>-</u>	<u>14,669</u>	<u>7,303</u>
<b>Total Liabilities</b>	<u>477,355</u>	<u>358,727</u>	<u>311,137</u>
<b>Net Assets Attributable to Unitholders of Redeemable Units</b>	<u>\$ 124,546,783</u>	<u>\$ 122,628,031</u>	<u>\$ 112,853,931</u>

**Net Assets Attributable to Unitholders of Redeemable Units**

Series A	\$ 119,775,823	\$ 117,867,041	\$ 110,179,082
Series F	<u>4,770,960</u>	<u>4,760,990</u>	<u>2,674,849</u>
	<u>\$ 124,546,783</u>	<u>\$ 122,628,031</u>	<u>\$ 112,853,931</u>

**NUMBER OF UNITS OUTSTANDING (Note 4)**

Series A	3,601,042	3,811,998	4,279,790
Series F	143,743	154,729	104,004

**NET ASSETS ATTRIBUTABLE TO UNITHOLDERS OF REDEEMABLE UNITS PER UNIT (Note 2)**

**Canadian dollars**

Series A	\$ 33.26	\$ 30.92	\$ 25.74
Series F	\$ 33.19	\$ 30.77	\$ 25.72

**U.S. dollars**

Series A	\$ 31.16	\$ 29.08	\$ 25.88
Series F	\$ 31.09	\$ 28.94	\$ 25.86

\* Cost of investments is reflected on the schedule of investment portfolio.

See accompanying notes to financial statements.

APPROVED ON BEHALF OF THE BOARD OF DIRECTORS  
OF THE MANAGEMENT COMPANY

*Francis Chou Tracy Chou* 47

**CHOU RRSP FUND**  
**STATEMENTS OF COMPREHENSIVE INCOME**  
**FOR THE SIX MONTHS ENDED JUNE 30, 2014 AND 2013**  
**(Unaudited)**

	<b>2014</b>	<b>2013</b>
<b>INCOME</b>		
Interest for distribution purposes and other	\$ 472,356	\$ 465,864
Dividends	1,072,225	906,683
Securities lending income	28,853	13,849
Foreign currency gain on cash and other net assets	36,973	338,575
Net Gain on Investments and Derivatives	5,472,820	34,971,635
Net Change in unrealized appreciation on Investments and Derivatives	<u>3,270,301</u>	<u>(22,723,308)</u>
	<u>10,353,528</u>	<u>13,973,298</u>
<b>EXPENSES</b>		
Management fees (Note 5)	1,032,698	954,908
Custodian fees	68,779	68,021
Audit	5,430	7,370
Filing fees	7,240	7,160
Independent Review Committee fees	5,698	3,619
FundSERV fees	5,430	2,601
Legal fees	2,200	-
Transaction Costs	<u>16,484</u>	<u>50,501</u>
Total expenses before manager absorption	1,143,959	1,094,180
Less: Expense absorbed by the manager	<u>-</u>	<u>-</u>
Total expenses after manager absorption	<u>1,143,959</u>	<u>1,094,180</u>
<b>Increase in Net Assets Attributable to Unitholders of Redeemable Units</b>	<u>\$ 9,209,569</u>	<u>\$ 12,879,118</u>
<b>Increase in Net Assets Attributable to Unitholders of Redeemable Units</b>		
Series A	\$ 8,844,916	\$ 12,539,490
Series F	<u>364,653</u>	<u>339,628</u>
	<u>\$ 9,209,569</u>	<u>\$ 12,879,118</u>
<b>Increase in Net Assets Attributable to Unitholders of Redeemable Units per Unit</b>		
Series A	\$ 2.40	\$ 3.03
Series F	\$ 2.30	\$ 3.08

**CHOU RRSP FUND**  
**STATEMENTS OF CHANGES IN NET ASSETS**  
**FOR THE SIX MONTHS ENDED JUNE 30, 2014 AND 2013**  
**(Unaudited)**

	2014	2013
<b>SERIES A</b>		
<b>Nets Assets Attributable to Unitholders of Redeemable Units Beginning of Period</b>	\$ 117,867,041	\$ 110,179,082
Increase in net Assets Attributable to Unitholders of Redeemable Units	8,844,916	12,539,490
Proceeds from issue of units	2,185,842	2,076,957
Payments on redemption of units	(9,121,976)	(9,224,909)
Distribution of income to unitholders		
Investment income	-	-
Capital gains	-	-
Reinvested distributions	-	-
<b>Net Assets Attributable to Unitholders of Redeemable Units End of Period</b>	<u>119,775,823</u>	<u>115,570,620</u>
<b>SERIES F</b>		
<b>Nets Assets Attributable to Unitholders of Redeemable Units Beginning of Period</b>	4,760,990	2,674,849
Increase in net assets from operations	364,653	339,628
Proceeds from issue of units	587,285	429,914
Payments on redemption of units	(941,968)	(221,364)
Distributions of income to Unitholders		
Investment Income	-	-
Capital gains	-	-
Reinvested distributions	-	-
<b>Net Assets Attributable to Unitholders of Redeemable Units End of Period</b>	<u>4,770,960</u>	<u>3,223,027</u>
<b>TOTAL NET ASSETS, end of the period</b>	<u>\$ 124,546,783</u>	<u>\$ 118,793,647</u>

**CHOU RRSP FUND**  
**SCHEDULE OF INVESTMENTS**  
**AS AT JUNE 30, 2014**  
**(Unaudited)**

	No. of Shares or Par Value	Cost	Fair Value
<b>EQUITIES - Long*</b>			
Blackberry Limited	529,040	4,122,657	5,787,698
Canfor Pulp Products Inc.	493,900	1,405,445	6,223,140
Danier Leather Inc.	679,200	6,453,777	6,316,560
Interfor Corporation	625,500	3,719,913	9,301,185
Overstock.com Inc.	151,976	3,166,145	2,558,568
Rainmaker Entertainment Inc.	2,536,800	5,227,610	634,200
Reitmans (Canada) Limited	107,600	616,876	634,840
Reitmans (Canada) Limited, Class A	367,200	2,132,799	2,210,544
Resolute Forest Products Inc.	624,188	10,166,745	11,181,435
Ridley Inc.	313,200	2,511,607	6,953,040
Sears Canada Inc.	292,830	2,667,681	4,363,167
Taiga Building Products Limited	159,700	212,401	129,357
Torstar Corporation, Class B	1,259,416	27,484,475	10,018,654
TVA Group Inc., Class B	733,128	10,931,044	6,598,152
TWC Enterprises Ltd	193,600	<u>1,077,639</u>	<u>2,170,256</u>
		81,896,814	75,080,796
<b>HELD FOR TRADING**</b>			
Bank of America Corporation, warrants, Class A, Jan 16, 2019	836,825	<u>\$ 2,984,789</u>	<u>\$ 6,164,161</u>
<b>BONDS - Long</b>			
Taiga Building Products Limited 14.0% Sep 1, 2020	6,759,168	<u>6,759,168</u>	<u>7,333,697</u>
<b>TOTAL LONG</b>		88,655,982	82,414,493
<b>TOTAL HELD FOR TRADING</b>		<u>2,984,789</u>	<u>6,164,161</u>
<b>TOTAL INVESTMENTS</b>		91,640,771	88,578,654
<b>TRANSACTION COSTS</b>		(491,960)	-
<b>PORTFOLIO TOTAL</b>		<u>\$ 91,148,811</u>	<u>\$ 88,578,654</u>

\* Common shares unless indicated otherwise

\*\*Held for Trading refers to Equities - Long

**CHOU RRSP FUND**  
**STATEMENTS OF CASH FLOWS**  
**FOR THE SIX MONTHS ENDED JUNE 30, 2014 AND 2013**  
**(Unaudited)**

	<b>2014</b>	<b>2013</b>
<b>Cash Flow from Operating Activities</b>		
Increase/(decrease) in net assets attributable to unitholders of redeemable units	\$ 9,209,569	\$ 12,879,118
Adjustments for:		
Foreign currency loss on cash and other net assets	(36,973)	(338,575)
Net realized loss on investments	(5,472,820)	(34,971,635)
Change in unrealized depreciation on investments and held for trading securities	(3,270,301)	22,723,308
(Increase) decrease in interest receivable	1,357	6,614
(Increase) decrease in other receivable	764	(12,446)
Increase (decrease) in other payable and accrued liabilities	(9,638)	(14,912)
Purchase of Investments	(1,722,220)	(7,766,481)
Proceeds from sales of Investments	11,118,795	46,211,047
<b>Net Cash Generated by Operating Activities</b>	<b>9,818,533</b>	<b>38,716,038</b>
<b>Cash Flows from Financing Activities</b>		
Distributions to unitholders of redeemable units, net of reinvested distributions	(14,669)	(7,303)
Proceeds from redeemable units issued	2,771,638	2,524,246
Amount paid on redemption of redeemable units	(9,944,802)	(9,005,376)
<b>Net Cash Generated (Used) by Financing Activities</b>	<b>(7,187,833)</b>	<b>(6,488,433)</b>
Foreign currency gain (loss) on cash and other net assets	36,973	338,575
Net increase (decrease) in cash and cash equivalents	2,630,700	32,227,605
Cash and cash equivalents beginning of period	33,720,588	1,253,782
<b>Cash and Cash Equivalents End of Period</b>	<b>\$ 36,388,261</b>	<b>\$ 33,819,962</b>
Cash and cash equivalents comprise:		
Cash (overdraft) at bank	\$ 36,388,261	\$ 33,819,962
	<u>\$ 36,388,261</u>	<u>\$ 33,819,962</u>
Supplemental Information:		
Interest received, net of withholding tax	\$ 473,713	\$ 472,478
Dividends received, net of withholding tax	\$ 1,072,225	\$ 906,683
Security lending income received	\$ 29,617	\$ 1,403

**CHOU RRSP FUND**  
**Discussion of Financial Risk Management**  
**(Unaudited)**

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**Investment Objective and Strategies**

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

**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.

**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. As of June 30, 2014, the Fund invested approximately 5.9% (December 2013 – 5.8%) of its net assets in non-investment grade debt instruments. 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 S&P and Fitch. These credit ratings denote that the company's financial position is weak and its bonds should be considered a speculative investment.

**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 risks by remaining term to maturity.

Debt Instruments by Maturity Date:

	<b>June 30, 2014</b>	<b>December 31, 2013</b>
Less than 1 year	\$ 0	\$ 0
1-3 years	\$ 0	\$ 0
3-5 years	\$ 0	\$ 0
Greater than 5 years	\$ 7,333,697	\$ 7,150,524

As at June 30, 2014, should interest rates have decreased or increased by 0.25%, with all other variables remaining constant, the increase or decrease in Net Assets for the year would have amounted to approximately \$233,721 (December 31, 2013 - \$118,582).

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



**CHOU RRSP FUND**  
**Discussion of Financial Risk Management**  
**(Unaudited)**

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**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 65.2% (December 31, 2013 – 66.8%) of the Fund's Net Assets held at June 30, 2014 were publicly traded equities. If equity prices on the exchange had increased or decreased by 5% as at June 30, 2014, the Net Assets of the Fund would have increased or decreased by approximately \$4,062,247, or 3.3% (December 31, 2013 – \$4,090,000, or 3.3%) of the Net Assets, all other factors remaining constant.

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

**Foreign Currency Risk**

Currencies to which the Fund had exposure as at June 30, 2014 and December 31, 2013 are as follows:

**June 30, 2014**

	Financial Instruments (\$)	Percentage of NAV (%)
United States Dollar	29,294,288	23.5%

**December 31, 2013**

	Financial Instruments (\$)	Percentage of NAV (%)
United States Dollar	30,630,217	25.0%

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

As at June 30, 2014, 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 \$191,000 (December 31, 2013 - \$306,000).

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

**CHOU FUNDS**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2014**  
**(Unaudited)**

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**1. FORMATION OF 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 unaudited financial statements were authorized for issue by the Manager on August 25, 2014.

The Funds were formed on the following dates:

Chou Associates Fund	September 1, 1986
Chou Asia Fund	August 26, 2003
Chou Europe Fund	August 26, 2003
Chou Bond Fund	August 10, 2005
Chou RRSP Fund	September 1, 1986

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**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

These financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) applicable to the preparation of interim financial statements, including IAS 34, Interim Financial Reporting and IFRS 1, First-time Adoption of International Financial Reporting Standards. The Fund adopted this basis of accounting in 2014 as required by Canadian Securities legislation and the Canadian Accounting Standards Board. Previously, the Fund prepared its financial statements in accordance with Canadian general accepted accounting principles as defined in Part IV of the CICA Handbook (Canadian GAAP). The Fund has consistently applied the accounting policies used in the preparation of its opening IFRS statement of financial position at January 1, 2013 and throughout all periods presented, as if these policies had always been in effect. Note 3 discloses the impact of the transition to IFRS on the Fund’s reported financial position, financial performance and cash flows, including the nature and effect of significant changes in accounting policies from those used in the Fund’s financial statements for the year ended December 31, 2013 prepared under Canadian GAAP.

The policies applied in these interim financial statements are based on IFRS issued and outstanding as of August 25, 2014, which is the date on which the interim financial statements were authorized for issue by the Manager. Any subsequent changes to IFRS that are given effect in the Fund’s annual financial statements for the year ending December 31, 2014 could result in restatement of these interim financial statements, including the transition adjustments recognized on transition to IFRS.

**CHOU FUNDS**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2014**  
**(Unaudited)**

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**2. SIGNIFICANT ACCOUNTING POLICIES, continued**

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

(a) Recognition, initial measurement and classification

Financial assets and financial liabilities at fair value through profit or loss (“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 fair value through profit or loss:

- Held for trading: derivative financial instruments
- Designated as at fair value through profit or loss: debt securities and equity investments

Financial liabilities at fair value through profit or loss:

- Held for trading: securities sold short and derivative financial instruments.

All other financial assets and financial liabilities, are measured at amortized cost, and are classified as loans and receivables and other financial liabilities, respectively. 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.

(b) Fair value measurement:

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

If there is no quoted price in an active market, then the Fund uses 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 Fund recognizes transfers between levels of the fair value hierarchy as at the end of the reporting period during which the change has occurred.

Financial assets classified as loans and receivables are carried at amortised cost using the effective interest rate method, less impairment losses, if any.

**CHOU FUNDS**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2014**  
**(Unaudited)**

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**2. SIGNIFICANT ACCOUNTING POLICIES, continued**

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

Derecognition:

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

The Fund derecognizes a financial liability when its contractual obligations are discharged or cancelled, or expire.

(c) 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 Fund has made in preparing the financial statements:

*Fair value measurement of held for trading securities and securities not quoted in an active market*

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

Models use observable data, to the extent practicable. However, areas such as credit risk (both own and counterparty), volatilities and correlations require the Manager to make estimates. Changes in assumptions about these factors could affect the reported fair values of financial instruments. The Fund considers observable data to be market data that is readily available, regularly distributed and updated, reliable and verifiable, not proprietary, and provided by independent sources that are actively involved in the relevant market. Refer to Note 4 for further information about the fair value measurement of the Fund's financial instruments.

**CHOU FUNDS**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2014**  
**(Unaudited)**

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**2. SIGNIFICANT ACCOUNTING POLICIES, continued**

*Classification and measurement of investments and application of the fair value option*

In classifying and measuring financial instruments held by the Fund, the Manager is required to make significant judgments about whether or not the business of the Fund is to invest on a total return basis for the purpose of applying the fair value option for financial assets under IAS 39, Financial Instruments – Recognition and Measurement. The most significant judgments made include the determination that certain investments are held-for-trading and that the fair value option can be applied to those which are not.

(d) 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. These financial statements are presented in Canadian dollars, which is the Fund's functional currency.

(e) 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 CPA Handbook/IFRS, transaction costs are expensed and are included in transaction costs in the Statements of Comprehensive Income.

(f) 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.

(g) Investment Transactions and Income Recognition

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

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

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

**CHOU FUNDS**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2014**  
**(Unaudited)**

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**2. SIGNIFICANT ACCOUNTING POLICIES, continued**

(h) Foreign exchange

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

(i) Derivative Transactions

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

*Options*

The premium paid for purchased options is included in the "Investments, at fair value" on the Statements of Financial Position. The unrealized gain or loss is reflected in the Statements of Comprehensive Income in "Unrealized gain (loss) on investments".

The premium received upon writing an option on futures or an over-the-counter option is recorded at cost in "Investments, at fair value" in the Statements of Financial Position. As long as the position of the written option is maintained, the liability for written options is revalued at an amount equal to the current market value of the option, which would have the effect of closing the position. Any gain or loss resulting from revaluation is reflected in the Statements of Comprehensive Income in "Net realized and unrealized gain (loss) on investments and securities".

The gain or loss on sale or expiry of options is reflected in the Statements of Comprehensive Income in "Income (loss) from held for trading securities".

(j) Multi-Series Funds

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

**CHOU FUNDS**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2014**  
**(Unaudited)**

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**2. SIGNIFICANT ACCOUNTING POLICIES, continued**

(k) Valuation of Fund Units

The net assets attributable to holders of redeemable units of each Fund are computed by dividing the net assets attributable to holders of series of units by the total number of 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.

(l) Securities Lending

The Funds lend portfolio securities from time to time in order to earn additional income. Income from securities lending is included in the Statement of Operations of the Funds and is recognized on an accrual basis.

(m) Classification of redeemable units issued by the Fund

Under Canadian GAAP, the Fund accounted for its redeemable units as equity. Under IFRS, IAS 32 requires that units or shares of an entity which include a contractual obligation for the issuer to repurchase or redeem them for cash or another financial asset be classified as financial liabilities. The Fund's units do not meet the criteria in IAS 32 for classification as equity and therefore have been reclassified as financial liabilities on transition to IFRS.

(n) Future Account Standards

IFRS 9 was issued by the IASB in November 2009 and will replace International Accounting Standard 39, Financial Instruments - Recognition and Measurement ("IAS 39"). IFRS 9 uses a single approach to determine whether a financial asset is measured at amortised cost or fair value, replacing the multiple rules in IAS 39. The approach in IFRS 9 is based on how an entity manages its financial instruments in the context of its business model and the contractual cash flow characteristics of the financial assets. The new standard also requires a single impairment method to be used, replacing the multiple impairment methods in IAS 39. In October 2010, the IASB issued a revised version of IFRS 9. The revised standard adds guidance on the classification and measurement of financial liabilities. The issued installments of IFRS 9 have an effective date of January 1, 2018. The Fund continues to evaluate the impact of IFRS 9 on its financial statements, particularly with regard to the recording of its investments.

**CHOU FUNDS**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2014**  
**(Unaudited)**

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**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 Handbook Disclosures that are specific to each of the Funds are presented in the Discussion on Financial Risk Management under the Schedule of Investments. The sensitivity analysis shown in the Discussion on Financial Risk Management may differ from actual results and the difference could be significant.

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

(a) Credit Risk

Credit risk is the risk that a counterparty to a financial instrument will fail to discharge a commitment that it has entered into with the Funds. The fair value of a financial instrument takes into account the credit rating of its issuer, and accordingly, represents the maximum credit risk exposure of a Fund. The Fund's main credit risk concentration is in debt securities and trading derivative instruments which are disclosed in the respective Fund's 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.

(b) Interest Rate Risk

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



**CHOU FUNDS**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2014**  
**(Unaudited)**

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**3. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT, continued**

(c) 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 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.

(d) Liquidity Risk

Liquidity risk is the risk that a Fund may not be able to settle or meet its obligation 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.

(e) 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.

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**4. HOLDERS OF REDEEMABLE UNITS' CAPITAL**

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

**CHOU FUNDS**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2014**  
**(Unaudited)**

**4. HOLDERS OF REDEEMABLE UNITS' CAPITAL, continued**

	Series A		Series F	
	2014	2013	2014	2013
<b>CHOU ASSOCIATES FUND</b>				
Units outstanding, beginning of the period	4,208,995	4,951,551	305,457	306,407
Add: Units issued during the period	181,152	142,259	75,959	28,210
Deduct: Units redeemed during the period	(207,946)	(292,481)	(33,177)	(46,350)
Units outstanding before income distribution	4,182,201	4,801,329	348,239	288,267
Add: Units issued on reinvested income	28	-	-	-
Units outstanding, end of the period	<u>4,182,229</u>	<u>4,801,329</u>	<u>348,239</u>	<u>288,267</u>
<b>CHOU ASIA FUND</b>				
Units outstanding, beginning of the period	2,291,643	2,711,744	79,004	78,634
Add: Units issued during the period	59,125	30,864	14,616	18,997
Deduct: Units redeemed during the period	(229,227)	(311,589)	(19,864)	(15,991)
Units outstanding before income distribution	2,121,541	2,431,019	73,756	81,640
Add: Units issued on reinvested income	-	-	-	-
Units outstanding, end of the period	<u>2,121,541</u>	<u>2,431,019</u>	<u>73,756</u>	<u>81,640</u>
<b>CHOU EUROPE FUND</b>				
Units outstanding, beginning of the period	1,544,393	937,889	79,132	2,180
Add: Units issued during the period	552,841	226,071	96,957	3,644
Deduct: Units redeemed during the period	(197,927)	(69,639)	(19,802)	-
Units outstanding before income distribution	1,899,307	1,094,321	156,287	5,824
Add: Units issued on reinvested income	110	-	-	-
Units outstanding, end of the period	<u>1,899,417</u>	<u>1,094,321</u>	<u>156,287</u>	<u>5,824</u>
<b>CHOU BOND FUND</b>				
Units outstanding, beginning of the period	4,020,643	4,434,113	362,911	861,551
Add: Units issued during the period	642,527	72,950	40,247	4,894
Deduct: Units redeemed during the period	(297,730)	(466,394)	(44,690)	(394,548)
Units outstanding before income distribution	4,365,440	4,040,669	358,468	471,897
Add: Units issued on reinvested income	-	-	-	-
Units outstanding, end of the period	<u>4,365,440</u>	<u>4,040,669</u>	<u>358,468</u>	<u>471,897</u>
<b>CHOU RRSP FUND</b>				
Units outstanding, beginning of the period	3,811,998	4,279,790	154,729	104,004
Add: Units issued during the period	65,440	75,203	17,664	15,878
Deduct: Units redeemed during the period	(276,401)	(334,787)	(28,650)	(7,993)
Units outstanding before income distribution	3,601,037	4,020,206	143,743	111,889
Add: Units issued on reinvested income	5	-	-	-
Units outstanding, end of the period	<u>3,601,042</u>	<u>4,020,206</u>	<u>143,743</u>	<u>111,889</u>

**CHOU FUNDS**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2014**  
**(Unaudited)**

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**5. RELATED PARTY TRANSACTIONS**

Management Fees

Chou Associates Management Inc. (“the Manager”) manages the Chou 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 units and 1.0% of the net asset value of Series F 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 units and 1.0% of the net asset value of Series F 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:

	<b>June 30, 2014</b>	<b>December 31, 2013</b>	<b>January 1, 2013</b>
Chou Associates Fund	\$ 4,154,689	\$ 8,343,594	\$6,859,935
Chou Asia Fund	326,894	634,763	875,304
Chou Europe Fund	195,062	-	-
Chou Bond Fund	311,078	553,316	283,768
Chou RRSP Fund	1,032,698	1,962,285	1,686,629

As at June 30, 2014 included in accrued expenses of each fund are the following amounts due to Chou Associates Management Inc., for management fees payable:

	<b>June 30, 2014</b>	<b>December 31, 2013</b>	<b>January 1, 2013</b>
Chou Associates Fund	\$ 712,413	\$ 765,519	\$ 589,992
Chou Asia Fund	54,384	57,071	52,975
Chou Europe Fund	37,446	-	-
Chou Bond Fund	54,344	46,868	46,673
Chou RRSP Fund	172,311	174,992	156,585

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**5. RELATED PARTY TRANSACTIONS, continued**

The Manager, its officers and directors invest in units of the Funds from time to time in the normal course of business. All transactions with the Manager are measured at the exchange amounts.

As at June 30, 2014, the following amounts of Series A Redeemable Units held by employees of the Manager. No amounts of Series F Redeemable Units were held by employees of the Manager.

	<u>June 30, 2014</u>	<u>December 31, 2013</u>	<u>January 1, 2013</u>
Chou Associates Fund	174,295	174,295	169,128
Chou Asia Fund	346,825	346,825	346,825
Chou Europe Fund	535,031	535,031	528,880
Chou Bond Fund	1,821,534	1,821,534	1,262,814
Chou RRSP Fund	294,713	294,713	291,312

Chou Associates Fund: As at June 30, 2014, 4.2% of Class A redeemable shares (December 31, 2013- 4.1%, January 1, 2013 – 3.4%) were held by employees of the Manager.

Chou Asia Fund: As at June 30, 2014, 16.4% of Class A redeemable shares (December 31, 2013- 45.3%, January 1, 2013 - 28.5%) were held by employees of the Manager.

Chou Europe Fund: As at June 30, 2014, 28.2% of Class A redeemable shares (December 31, 2013- 34.6%, January 1, 2013 – 56.4%) were held by employees of the Manager.

Chou Bond Fund: As at June 30, 2014, 41.7% of Class A redeemable shares (December 31, 2013- 45.3%, January 1, 2013 – 28.5%) were held by employees of the Manager.

Chou RRSP Fund: As at June 30, 2014, 8.2% of Class A redeemable shares (December 31, 2013- 7.7%, January 1, 2013 – 6.8%) were held by employees of the Manager.

No amounts of Series F Redeemable Units were held by employees of the Manager

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**6. BROKERS' COMMISSIONS**

Total commissions paid to brokers in connection with portfolio transactions for the period ended June 30, 2014 and for the period ended June 30, 2013 are as follows:

	<u>2014</u>	<u>2013</u>
Chou Associates Fund	\$ 22,460	\$ 177,613
Chou Asia Fund	-	4,449
Chou Europe Fund	6,249	-
Chou Bond Fund	23,878	1,736
Chou RRSP Fund	16,484	50,501

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**CHOU FUNDS**  
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**7. SECURITIES LENDING**

The Funds have entered into a securities lending program with Citibank N.A. 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, 2014 and December 31, 2013 are as follows:

<b>June 30, 2014</b>	Market Value of Securities on Loan	Market Value of Collateral Received
Chou Associates Fund	\$ 70,357,863	\$ 72,234,326
Chou Asia Fund	302,005	317,217
Chou RRSP Fund	10,636,106	11,180,447
<b>December 31, 2013</b>	Market Value of Securities on Loan	Market Value of Collateral Received
Chou Associates Fund	\$ 41,614,021	\$ 42,712,061
Chou Asia Fund	2,843,043	3,014,238
Chou RRSP Fund	5,266,741	5,493,075
<b>January 1, 2013</b>	Market Value of Securities on Loan	Market Value of Collateral Received
Chou Associates Fund	\$ 46,492,522	\$ 48,290,700

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**CHOU FUNDS**  
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**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)
- 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.

**As at June 30, 2014**

<b>Chou Associates Fund</b>	<b>Level 1</b>		<b>Level 2</b>		<b>Level 3</b>		<b>Total</b>
<b>Equities - Long</b>	\$	322,688,453	\$	-	\$	2,209,940	\$ 324,898,393
<b>Bonds</b>		-		6,557,951		-	6,557,951
		322,688,453		6,557,951		2,209,940	331,456,344
<b>Options - Short</b>		-		-		-	-
<b>Total</b>	\$	<b>322,688,453</b>	\$	<b>6,557,951</b>	\$	<b>2,209,940</b>	\$ <b>331,456,344</b>

**As at December 31, 2013**

<b>Chou Associates Fund</b>	<b>Level 1</b>		<b>Level 2</b>		<b>Level 3</b>		<b>Total</b>
<b>Equities - Long</b>	\$	328,089,323	\$	-	\$	1,570,750	\$ 329,660,073
<b>Bonds</b>		-		5,801,248		-	5,801,248
		328,089,323		5,801,248		1,570,750	335,461,321
<b>Options - Short</b>		(568,087)		-		-	(568,087)
<b>Total</b>	\$	<b>327,521,236</b>	\$	<b>5,801,248</b>	\$	<b>1,570,750</b>	\$ <b>334,893,234</b>

**As at January 1, 2013**

<b>Chou Associates Fund</b>	<b>Level 1</b>		<b>Level 2</b>		<b>Level 3</b>		<b>Total</b>
<b>Equities - Long</b>	\$	302,427,318	\$	-	\$	1,521,775	\$ 303,949,093
<b>Bonds</b>		-		37,243,089		-	37,243,089
		302,427,318		37,243,089		1,521,775	341,192,182
<b>Options - Short</b>		-		-		-	-
<b>Total</b>	\$	<b>302,427,318</b>	\$	<b>37,243,089</b>	\$	<b>1,521,775</b>	\$ <b>341,192,182</b>

During the period, there were no significant transfers between level 1, level 2 and level 3.

**CHOU FUNDS**  
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<b>Fair value measurements using level 3 inputs:</b>	<b>Equities – Long</b>		<b>Bonds</b>		<b>Total</b>
<b>Balance at December 31, 2013</b>	\$	1,570,750	\$	-	\$ 1,570,750
Investments purchased during the period		-		-	-
Proceeds from sales during the period		-		-	-
Net transfer in (out) during the period		-		-	-
Net realized gain (loss) on sale of investments		-		-	-
Change in unrealized appreciation (depreciation) in value of investments		639,190		-	639,190
<b>Balance at June 30, 2014</b>	<b>\$</b>	<b>2,209,940</b>	<b>\$</b>	<b>-</b>	<b>\$ 2,209,940</b>

**As at June 30, 2014**

<b>Chou Asia Fund</b>	<b>Level 1</b>		<b>Level 2</b>		<b>Level 3</b>		<b>Total</b>
<b>Equities - Long</b>	\$	26,174,080	\$	-	\$	4,792	\$ 26,178,872
<b>Bonds</b>		-		-		-	-
		26,174,080		-		4,792	26,178,872
<b>Options - Short</b>		-		-		-	-
<b>Total</b>	<b>\$</b>	<b>26,174,080</b>	<b>\$</b>	<b>-</b>	<b>\$</b>	<b>4,792</b>	<b>\$ 26,178,872</b>

**As at December 31, 2013**

<b>Chou Asia Fund</b>	<b>Level 1</b>		<b>Level 2</b>		<b>Level 3</b>		<b>Total</b>
<b>Equities - Long</b>	\$	24,245,031	\$	-	\$	-	\$ 24,245,031
<b>Bonds</b>		-		-		-	-
		24,245,031		-		-	24,245,031
<b>Options - Short</b>		-		-		-	-
<b>Total</b>	<b>\$</b>	<b>24,245,031</b>	<b>\$</b>	<b>-</b>	<b>\$</b>	<b>-</b>	<b>\$ 24,245,031</b>

**As at January 1, 2013**

<b>Chou Asia Fund</b>	<b>Level 1</b>		<b>Level 2</b>		<b>Level 3</b>		<b>Total</b>
<b>Equities - Long</b>	\$	20,367,616	\$	-	\$	-	\$ 20,367,616
<b>Bonds</b>		-		-		-	-
		20,367,616		-		-	20,367,616
<b>Options - Short</b>		-		-		-	-
<b>Total</b>	<b>\$</b>	<b>20,367,616</b>	<b>\$</b>	<b>-</b>	<b>\$</b>	<b>-</b>	<b>\$ 20,367,616</b>

During the period, there were no significant transfers between level 1, level 2 and level 3.

**CHOU FUNDS**  
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**8. FAIR VALUE MEASUREMENT, continued**

<b>Fair value measurements using level 3 inputs:</b>	<b>Equities – Long</b>		<b>Bonds</b>		<b>Total</b>
<b>Balance at December 31, 2013</b>	\$	-	\$	-	-
Investments purchased during the period		-		-	-
Proceeds from sales during the period		-		-	-
Net transfer in (out) during the period		228,548		-	228,548
Net realized gain (loss) on sale of investments		-		-	-
Change in unrealized appreciation (depreciation) in value of investments		(223,756)		-	(223,756)
<b>Balance at June 30, 2014</b>	<b>\$</b>	<b>4,792</b>	<b>\$</b>	<b>-</b>	<b>\$ 4,792</b>

**As at June 30, 2014**

<b>Chou Europe Fund</b>	<b>Level 1</b>		<b>Level 2</b>		<b>Level 3</b>		<b>Total</b>
<b>Equities - Long</b>	\$	14,686,611	\$	576,191	\$	-	\$ 15,262,802
<b>Bonds</b>		-		-		-	-
		14,686,611		576,191		-	15,262,802
<b>Options - Short</b>		-		-		-	-
<b>Total</b>	<b>\$</b>	<b>14,686,611</b>	<b>\$</b>	<b>576,191</b>	<b>\$</b>	<b>-</b>	<b>\$ 15,262,802</b>

**As at December 31, 2013**

<b>Chou Europe Fund</b>	<b>Level 1</b>		<b>Level 2</b>		<b>Level 3</b>		<b>Total</b>
<b>Equities - Long</b>	\$	8,430,391	\$	-	\$	-	\$ 8,430,391
<b>Bonds</b>		-		-		-	-
		8,430,391		-		-	8,430,391
<b>Options - Short</b>		-		-		-	-
<b>Total</b>	<b>\$</b>	<b>8,430,391</b>	<b>\$</b>	<b>-</b>	<b>\$</b>	<b>-</b>	<b>\$ 8,430,391</b>

**As at January 1, 2013**

<b>Chou Europe Fund</b>	<b>Level 1</b>		<b>Level 2</b>		<b>Level 3</b>		<b>Total</b>
<b>Equities - Long</b>	\$	6,243,824	\$	-	\$	-	\$ 6,243,824
<b>Bonds</b>		-		-		-	-
		6,243,824		-		-	6,243,824
<b>Options - Short</b>		-		-		-	-
<b>Total</b>	<b>\$</b>	<b>6,243,824</b>	<b>\$</b>	<b>-</b>	<b>\$</b>	<b>-</b>	<b>\$ 6,243,824</b>

During the period, there were no significant transfers between level 1, level 2, and level 3.



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**8. FAIR VALUE MEASUREMENT, continued**

**As at June 30, 2014**

<b>Chou Bond Fund</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
<b>Equities - Long</b>	\$ 7,278,585	\$ -	\$ -	\$ 7,278,585
<b>Bonds</b>	-	26,051,653	3,003,800	29,055,453
	7,278,585	26,051,653	3,003,800	36,334,038
<b>Options - Short</b>	(811)	-	-	(811)
<b>Total</b>	\$ 7,277,774	\$ 26,051,653	\$ 3,003,800	\$ 36,333,227

**As at December 31, 2013**

<b>Chou Bond Fund</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
<b>Equities - Long</b>	\$ 11,473,754	\$ -	\$ -	\$ 11,473,754
<b>Bonds</b>	-	16,899,711	1,312,000	18,211,711
	11,473,754	16,899,711	1,312,000	29,685,465
<b>Options - Short</b>	-	-	-	-
<b>Total</b>	\$ 11,473,754	\$ 16,899,711	\$ 1,312,000	\$ 29,685,465

**As at January 1, 2013**

<b>Chou Bond Fund</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
<b>Equities - Long</b>	\$ 6,780,692	\$ 118,833	\$ -	\$ 6,899,525
<b>Bonds</b>	-	31,364,895	-	31,364,895
	6,780,692	31,483,728	-	38,264,420
<b>Options - Short</b>	-	-	-	-
<b>Total</b>	\$ 6,780,692	\$ 31,483,728	\$ -	\$ 38,264,420

During the period, there were no significant transfers between level 1, level 2 and level 3.

<b>Fair value measurements using level 3 inputs:</b>	<b>Equities – Long</b>	<b>Bonds</b>	<b>Total</b>
<b>Balance at December 31, 2013</b>	\$ -	\$ 1,312,000	\$ 1,312,000
Investments purchased during the period	-	1,300,000	1,300,000
Proceeds from sales during the period	-	-	-
Net transfer in (out) during the period	-	-	-
Net realized gain (loss) on sale of investments	-	-	-
Change in unrealized appreciation (depreciation) in value of investments	-	391,800	391,800
<b>Balance at June 30, 2014</b>	\$ -	\$ 3,003,800	\$ 3,003,800

**CHOU FUNDS**  
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**8. FAIR VALUE MEASUREMENT, continued**

**As at June 30, 2014**

<b>Chou RRSP Fund</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
<b>Equities - Long</b>	\$ 81,244,957	\$ -	\$ -	\$ 81,244,957
<b>Bonds</b>	-	7,333,697	-	7,333,697
	81,244,957	7,333,697	-	88,578,654
<b>Options - Short</b>	-	-	-	-
<b>Total</b>	<b>\$ 81,244,957</b>	<b>\$ 7,333,697</b>	<b>\$ -</b>	<b>\$ 88,578,654</b>

**As at December 31, 2013**

<b>Chou RRSP Fund</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
<b>Equities - Long</b>	\$ 82,057,791	\$ -	\$ -	\$ 82,057,791
<b>Bonds</b>	-	7,150,524	-	7,150,524
	82,057,791	7,150,524	-	89,208,315
<b>Options - Short</b>	(38,821)	-	-	(38,821)
<b>Total</b>	<b>\$ 82,018,970</b>	<b>\$ 7,150,524</b>	<b>\$ -</b>	<b>\$ 89,169,494</b>

**As at January 1, 2013**

<b>Chou RRSP Fund</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
<b>Equities - Long</b>	\$ 104,749,382	\$ -	\$ -	\$ 104,749,382
<b>Bonds</b>	-	7,093,747	-	7,093,747
	104,749,382	7,093,747	-	111,843,129
<b>Options - Short</b>	-	-	-	-
<b>Total</b>	<b>\$ 104,749,382</b>	<b>\$ 7,093,747</b>	<b>\$ -</b>	<b>\$ 111,843,129</b>

During the period, there were no significant transfers between level 1, level 2 and level 3.

**9. TAXES**

(a) **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 units of the Fund 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.

**CHOU FUNDS**  
**NOTES TO FINANCIAL STATEMENTS**  
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**9. TAXES, continued**

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:

Chou Asia Fund	\$71,701
Chou Europe Fund	\$ 3,265,651
Chou Bond Fund	\$ 12,563,862
Chou RRSP Fund	\$ 9,566,415

(b) Harmonized Sales Tax

Effective July 1, 2010, the Government of Ontario and the Government of British Columbia replaced the provincial sales tax (“PST”) with a single harmonized sales tax (“HST”). The HST combines the federal goods and services tax (“GST”) rate of 5% with the respective PST rate. The harmonization results in an HST rate of 13% in Ontario.

Investment funds in Canada are required to calculate the HST rate using specific rules. The specific rules and guidance require HST to be calculated using the residency of unitholders and the current value of their interests, rather than the physical location of the Fund Manager.

The new HST has resulted in higher overall management expense ratios as management fees and certain other expenses charged to the Fund are now subject to the new HST.

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**10. CHANGEOVER TO INTERNATIONAL FINANCIAL REPORTING STANDARDS**

**Exemptions and exceptions from full retrospective application**

First-time adopters of IFRS must apply the provisions of IFRS 1. IFRS 1 requires adopters to retrospectively apply all IFRS standards as of the reporting date with certain optional exemptions and certain mandatory exceptions.

As allowed under IFRS 1, the Fund elected to designate all investments at fair value through profit and loss which were previously carried at fair value under Canadian GAAP as required by Accounting Guideline 18, Investment Companies. The Fund did not apply any other IFRS 1 exemptions or exceptions.

**Statement of cash flows**

Under Canadian GAAP, the Fund was exempt from presenting a statement of cash flows, whereas under IFRS a statement of cash flows is required without exception.

Reconciliation of equity and comprehensive income as previously reported under Canadian GAAP to IFRS

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**10. CHANGEOVER TO INTERNATIONAL FINANCIAL REPORTING STANDARDS, continued**

The following is a reconciliation of equity as previously reported under Canadian GAAP to IFRS on January 1, 2013 and December 31, 2013:

**Chou Associates Fund**

<b>Statement of financial position</b>	<b>31-Dec-13</b>	<b>30-Jun-13</b>	<b>1-Jan-13</b>
Net Assets reported under Canadian GAAP	502,441,284	517,396,866	426,935,098
Revaluation of investments at FVTPL <sup>(ii)</sup>	71,818	114,756	87,424
<b>Net Assets attributable to holders of redeemable units<sup>(i)</sup></b>	<b>502,513,102</b>	<b>517,511,622</b>	<b>427,022,522</b>

**Chou Asia Fund**

<b>Statement of financial position</b>	<b>31-Dec-13</b>	<b>30-Jun-13</b>	<b>1-Jan-13</b>
Net Assets reported under Canadian GAAP	39,676,907	38,178,711	37,665,092
Revaluation of investments at FVTPL <sup>(ii)</sup>	32,552	85,736	52,267
<b>Net Assets attributable to holders of redeemable units<sup>(i)</sup></b>	<b>39,709,459</b>	<b>38,264,447</b>	<b>37,717,359</b>

**Chou Europe Fund**

<b>Statement of financial position</b>	<b>31-Dec-13</b>	<b>30-Jun-13</b>	<b>1-Jan-13</b>
Net Assets reported under Canadian GAAP	18,862,317	11,343,600	7,793,352
Revaluation of investments at FVTPL <sup>(ii)</sup>	18,199	7,841	28,303
<b>Net Assets attributable to holders of redeemable units<sup>(i)</sup></b>	<b>18,880,516</b>	<b>11,351,441</b>	<b>7,821,655</b>

**Chou Bond Fund**

<b>Statement of financial position</b>	<b>31-Dec-13</b>	<b>30-Jun-13</b>	<b>1-Jan-13</b>
Net Assets reported under Canadian GAAP	42,239,436	44,015,225	43,996,092
Revaluation of investments at FVTPL <sup>(ii)</sup>	48,827	37,082	34,625
<b>Net Assets attributable to holders of redeemable units<sup>(i)</sup></b>	<b>42,288,263</b>	<b>44,052,307</b>	<b>44,030,717</b>

**CHOU FUNDS**  
**NOTES TO FINANCIAL STATEMENTS**  
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**10. CHANGEOVER TO INTERNATIONAL FINANCIAL REPORTING STANDARDS, continued**

**Chou RRSP Fund**

<b>Statement of financial position</b>	<b>31-Dec-13</b>	<b>30-Jun-13</b>	<b>1-Jan-13</b>
Net Assets reported under Canadian GAAP	122,323,320	118,279,492	112,301,620
Revaluation of investments at FVTPL <sup>(ii)</sup>	304,711	514,155	522,311
<b>Net Assets attributable to holders of redeemable units<sup>(i)</sup></b>	<b>122,628,031</b>	<b>118,793,647</b>	<b>112,853,931</b>

The following is a reconciliation of comprehensive income as previously reported under Canadian GAAP to IFRS for the period ended June 30, 2013 and year ended December 31, 2013:

**Chou Associates Fund**

<b>Statement of comprehensive income</b>	<b>Year ended December 31, 2013</b>	<b>Six months ended June 30, 2013</b>
Comprehensive income as reported under Canadian GAAP	168,612,039	105,985,741
Revaluation of investments at FVTPL <sup>(ii)</sup>	(15,606)	27,332
<b>Increase/(decrease) in net asset attributable to holders of redeemable units</b>	<b>168,596,433</b>	<b>106,013,073</b>

**Chou Asia Fund**

<b>Statement of comprehensive income</b>	<b>Year ended December 31, 2013</b>	<b>Six months ended June 30, 2013</b>
Comprehensive income as reported under Canadian GAAP	8,270,458	4,527,873
Revaluation of investments at FVTPL <sup>(ii)</sup>	(19,715)	33,469
<b>Increase/(decrease) in net asset attributable to holders of redeemable units</b>	<b>8,250,743</b>	<b>4,561,342</b>

**Chou Europe Fund**

<b>Statement of comprehensive income</b>	<b>Year ended December 31, 2013</b>	<b>Six months ended June 30, 2013</b>
Comprehensive income as reported under Canadian GAAP	3,825,131	1,955,290
Revaluation of investments at FVTPL <sup>(ii)</sup>	(10,104)	(20,462)
<b>Increase/(decrease) in net asset attributable to holders of redeemable units</b>	<b>3,815,027</b>	<b>1,934,828</b>

**CHOU FUNDS**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2014**  
**(Unaudited)**

**10. CHANGEOVER TO INTERNATIONAL FINANCIAL REPORTING STANDARDS, continued**

**Chou Bond Fund**

<b>Statement of comprehensive income</b>	<b>Year ended December 31, 2013</b>	<b>Six months ended June 30, 2013</b>
Comprehensive income as reported under Canadian GAAP	9,440,535	7,217,440
Revaluation of investments at FVTPL <sup>(ii)</sup>	14,202	2,457
<b>Increase/(decrease) in net asset attributable to holders of redeemable units</b>	<b>9,454,737</b>	<b>7,219,897</b>

**Chou RRSP Fund**

<b>Statement of comprehensive income</b>	<b>Year ended December 31, 2013</b>	<b>Six months ended June 30, 2013</b>
Comprehensive income as reported under Canadian GAAP	22,967,963	12,917,274
Revaluation of investments at FVTPL <sup>(ii)</sup>	(247,600)	(38,156)
<b>Increase/(decrease) in net asset attributable to holders of redeemable units</b>	<b>22,720,363</b>	<b>12,879,118</b>

**(i) Classification of redeemable units issued by the Fund**

Previously under Canadian GAAP, the units of the Fund were classified as equity instruments. In accordance with IAS 32, Financial Instruments: Presentation, the units of the Fund are classified as financial liabilities as there is a requirement to distribute or as a result of the different classes of units not having identical features

**(ii) Revaluation of investments at FVTPL**

Previously under Canadian GAAP, the fair value of the Fund's investments was measured at bid prices for financial assets and asking price for financial liabilities. Under IFRS, the Manager concluded that mid-market prices for such instruments are representative of fair value and to use the closing price for measurement of financial assets and financial liabilities.

# **NOTES**

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

**CHOU ASIA FUND**

Period ended	Value of initial \$10,000 investment	Value of cumulative reinvested capital distributions	Value of cumulative reinvested dividends	Total value of shares
Dec.31, 2003	\$10,000	0	0	10,000
Dec.31, 2004	11,768	23	59	11,850
Dec.31, 2005	12,323	59	296	12,678
Dec.31, 2006	14,082	67	449	14,598
Dec.31, 2007	15,122	1,173	677	16,972
Dec.31, 2008	11,917	1,193	869	13,979
Dec.31, 2009	14,235	1,426	1,354	17,015
Dec.31, 2010	14,448	2,938	1,400	18,786
Dec.31, 2011	13,390	3,236	1,305	17,931
Dec.31, 2012	13,143	3,176	1,289	17,609
Dec. 31, 2013	16,271	3,932	1,596	21,799
June 30, 2014				<b><u>\$23,041</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.



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

**CHOU EUROPE FUND**

Period ended	Value of initial \$10,000 investment	Value of cumulative reinvested capital distributions	Value of cumulative reinvested dividends	Total value of shares
Dec.31, 2003	\$10,000	0	0	10,000
Dec.31, 2004	10,315	0	46	11,361
Dec.31, 2005	12,384	0	266	12,650
Dec.31, 2006	13,386	138	478	14,002
Dec.31, 2007	11,033	113	735	11,881
Dec.31, 2008	5,842	60	753	6,655
Dec.31, 2009	7,142	73	1,747	8,962
Dec.31, 2010	7,004	72	1,809	8,885
Dec.31, 2011	6,479	67	1,905	8,451
Dec.31, 2012	7,954	82	2,717	10,753
Dec. 31, 2013	11,114	114	3,971	15,199
June 30, 2014				<b><u>\$16,922</u></b>

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**Disclaimer:** In the 2013 Annual Report, the Total Value of Shares for December 31, 2013 was incorrectly reported due to rounding inconsistencies concerning the decimal places for the Net Asset Value per Unit. It was incorrectly estimated at \$15,181.

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

**CHOU BOND FUND**

Period ended	Value of initial \$10,000 investment	Value of cumulative reinvested capital distributions	Value of cumulative reinvested dividends	Total value of shares
Dec.31, 2005	\$10,000	0	0	10,000
Dec.31, 2006	11,809	61	330	12,200
Dec.31, 2007	11,078	57	735	11,870
Dec.31, 2008	6,131	32	1,233	7,396
Dec.31, 2009	8,230	42	2,262	10,534
Dec.31, 2010	10,425	54	3,501	13,980
Dec.31, 2011	7,734	40	3,634	11,408
Dec.31, 2012	8,037	41	4,805	12,884
Dec. 31, 2013	9,324	48	6,573	15,944
June 30, 2014				<b>\$17,821</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.

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

**CHOU RRSP FUND**

Period ended	Value of initial \$10,000 investment	Value of cumulative reinvested capital distributions	Value of cumulative reinvested dividends	Total value of shares
Dec.31, 1986	\$10,000	0	0	10,000
Dec.31, 1987	9,980	187	650	10,818
Dec.31, 1988	10,709	553	1,018	12,281
Dec.31, 1989	11,530	1,308	1,512	14,350
Dec.31, 1990	9,272	1,314	2,136	12,722
Dec.31, 1991	9,342	1,324	2,618	13,284
Dec.31, 1992	10,069	1,427	3,004	14,500
Dec.31, 1993	11,616	1,646	3,465	16,727
Dec.31, 1994	10,131	1,436	3,394	14,961
Dec.31, 1995	11,764	1,667	4,377	17,808
Dec.31, 1996	14,335	2,032	5,368	21,735
Dec.31, 1997	19,953	4,048	8,740	32,741
Dec.31, 1998	17,421	12,259	9,126	38,806
Dec.31, 1999	15,467	11,914	8,836	36,217
Dec.31, 2000	16,931	13,580	11,677	42,188
Dec.31, 2001	19,135	16,493	13,742	49,370
Dec.31, 2002	22,735	24,861	17,499	65,095
Dec.31, 2003	24,871	28,059	19,728	72,658
Dec.31, 2004	27,896	32,038	22,429	82,362
Dec.31, 2005	31,259	37,164	26,871	95,294
Dec.31, 2006	33,326	39,622	31,531	104,479
Dec.31, 2007	27,859	38,841	28,117	94,817
Dec.31, 2008	13,510	18,836	22,283	54,629
Dec.31, 2009	16,995	23,693	29,130	69,818
Dec.31, 2010	24,312	33,895	44,160	102,367
Dec.31, 2011	18,981	26,463	35,705	81,150
Dec.31, 2012	25,361	35,358	48,141	108,860
Dec. 31, 2013	30,483	42,498	59,048	132,029
June 30, 2014				<b><u>141,929</u></b>

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