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

SEMI-ANNUAL REPORT 2012

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 units
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
June 30, 2012				**$128,976**

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, 2012
(Unaudited)

Chou Associates Fund

Series A $CAN	13.4%
Series A $US	13.2%
Series F $CAN	13.7%
Series F $US	13.5%

Chou Asia Fund

Series A $CAN	-2.4%
Series A $US	-2.6%
Series F $CAN	-2.2%
Series F $US	-2.4%

Chou Europe Fund

Series A $CAN	9.9%
Series A $US	9.7%
Series F $CAN	9.9%
Series F $US	9.7%

Chou Bond Fund

Series A $CAN	1.5%
Series A $US	1.3%
Series F $CAN	1.6%
Series F $US	1.4%

Chou RRSP Fund

Series A $CAN	9.2%
Series A $US	9.0%
Series F $CAN	9.5%
Series F $US	9.3%

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CHOU ASSOCIATES FUND
(Unaudited)

August 17, 2012

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, 2012 was $74.75 compared to $65.94 at December 31, 2011, an increase of 13.4%, while the S&P 500 Total Return Index returned 9.7% in Canadian dollars. In $US, a Series A unit of Chou Associates Fund returned 13.2% while the S&P 500 Total Return Index returned 9.5%.

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

June 30, 2012 (Series A)	1 Year	3 Years	5 Years	10 Years	15 Years
Chou Associates Fund ($CAN)	-7.4%	9.1%	-1.6%	4.7%	7.8%
S&P 500 ($CAN)	11.4%	11.4%	-0.6%	1.2%	2.7%
Chou Associates Fund ($US)[1]	-12.4%	14.0%	-0.7%	9.0%	10.0%
S&P 500 ($US)	5.4%	16.4%	0.2%	5.3%	4.8%

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

Factors Influencing the First Six Months Results

World markets remained volatile during the first half of 2012 due to the three-year-old-and-counting Eurozone crisis, the slowdown in the Chinese economy and the anemic recovery in the U.S. While a late June rally kept the U.S. economy intact, a slowdown in its previously robust corporate earnings growth, weak economic data at home, waning U.S. manufacturing and international trade activity in and with China, India and other developing countries, added to investors' concerns. With so much uncertainty, investors have become exceptionally risk averse and drawn to "safe choices", such as 10-year U.S. Treasury Bonds.

Positive contributors to the Fund's performance were equity securities of Watson Pharmaceuticals, Sears Holdings, Sprint Nextel, The Gap and Class A warrants of Bank of America. Securities that declined the most in the first half of 2012 were equity securities of Overstock.com, RadioShack Corporation and the debt securities of Level 3 Communications.

In equities, we believe the financial and retail sectors are undervalued and have invested in them using a basket approach rather than concentrating on one or two stocks in either sector.

[1]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.

Investing in U.S. Financial Institutions
Following up on a past letter, we continue to believe U.S. financial institutions are very cheap and TARP warrants associated with these companies are an attractive way to invest in them. Depending on the price, TARP warrants have several characteristics that make them appealing long-term investments. Specifically, they are long dated, with most expiring around 2018-2019. This time frame of six-plus years allows banks to grow their intrinsic value to a high enough level to have an appreciable impact on the strike price of the stock warrant. In addition, we believe the strike price will be adjusted downward for any quarterly dividend that exceeds a set price. This is rarely seen in a stock warrant. An example: for Bank of America, class 'A' warrants, the strike price is adjusted downward for any quarterly dividend paid exceeding one cent a share.

Bank TARP warrants are complex, with terms and conditions that are unique to each bank. Thus we encourage you to research them for yourself and draw your own conclusions. The legalese is quite intimidating but there is some help on the way. Some banks have started to pay dividends that exceed a set price, and we are starting to see how anti-dilution clauses that were added to protect TARP warrant holders apply with regard to:

1) The adjustment of the strike price.
2) The adjustment to the number of shares you can purchase for each warrant you hold.

Europe
It's been over three years since the European crisis began and we're still unable to predict what will happen to the Euro and the 17 Eurozone countries that have adopted the Euro as their national currency. While most believe that to solve its problems the Eurozone must undergo deep structural reform, to date no one has devised a solution that all 17 disparate Eurozone nations can agree on. If the ramifications of Euro crisis on the world economy weren't so serious, we could all get a good laugh at the comical way the Eurozone club was set up and how that has played out. Nigel Farage, leader of the UK Independent Party, captured the humor in a speech he gave in June 2012.

"I remember being here ten years ago, hearing the launch of the Lisbon Agenda. We were told that with the Euro, by 2010 we would have full employment and indeed that Europe would be the competitive and dynamic powerhouse of the world. By any objective criteria the Euro has failed, and in fact there is a looming, impending disaster. You know, this deal makes things worse not better. A hundred billion [Euro] is put up for the Spanish banking system, and 20 per cent of that money has to come from Italy. And under the deal the Italians have to lend to the Spanish banks at 3 per cent but to get that money they have to borrow on the markets at 7 per cent. It's genius isn't it. It really is brilliant."

The problem centers on the fact that by adopting the Euro, countries could control their domestic fiscal policies, but not their monetary policies. As a result, when the Great Recession struck and countries worldwide faced huge debts, these countries did not have the monetary tools to mitigate their problems. Under this scenario, troubled countries had to rely on other Euro countries for help, many of which had their own fiscal problems, and voters with little sympathy for indebted nations.

Another element that cannot be denied is the cultural diversity of Eurozone nations and their unique attitudes about the role of government and taxation. Whenever I think of the Euro crisis, it reminds me of two strangers travelling on a long distance train in Europe.

A Greek man and a German woman who never met before, find themselves on the upper and lower berth of a long distance train.

At 2 am, the Greek man leans over saying, “Madam, sorry to bother you. Would you be kind enough to give me a second blanket from the side table? It's awfully cold.”

“I have a better idea,” she replied. “Just for tonight, why don't we pretend that we are married?”

“Great idea Madam,” he replied with excitement.

“Good,” she says. “THEN GET UP AND GET IT YOURSELF.”

At the end of the day, each country, whether it’s in or out of the Eurozone, has to solve its own problems.

Floating an Investment Idea
When the investors are optimistic of the future, it is hard to find bargains in the market. But introduce some fear and uncertainty and you will find a plethora of bargains. The Eurozone is the perfect environment for finding bargains. For example, there are plenty of Greek companies with fine economics, strong balance sheets and a shareholder friendly management that are selling for less than 4-times after tax normalized earnings. Let’s say that Greece, for one reason or another, leaves the Euro and reverts to the Drachma. If this currency were then devalued by 50%, that stock would then be valued at 8-times after tax normalized earnings, which is still very cheap. The same scenario is starting to play out in Spain and Italy.

Investing in China a Conundrum
We made a mistake investing in Qiao Xing Mobile Communication (QXMCF) for Chou Asia Fund. We were aware of some of the negatives and in the 2011 annual report, we wrote,

“The negatives are not as obvious, but deserving of caution. Key among them:

1) The founder and CEO has taken some questionable actions. Since China’s business environment is a bit like the Wild West, it is difficult to find companies and/or management with a totally pristine reputation. Moreover, a lot of businesses, including Qiao Xing’s, are intertwined.
2) Most of the cash is held in China. Cash may not be accurately stated or it cannot be repatriated to North America in an economically efficient manner.
3) Most revenue numbers cannot be verified.
4) Accounting for receipts is not a common practice in China.
5) You cannot verify the company’s numbers even though it retains a well known accounting firm, is listed on NYSE, and thus must adhere to strict compliance and accounting standards.”

Unfortunately, our reservations were proven correct and there is a strong possibility that fraud was committed by the founder and CEO. It is unlikely that we will recover all the money we invested in QXMCF. Essentially, we made an unforced error like they say in tennis, or took an unnecessary penalty that would send us to the penalty box if it were hockey.

Canadian Real Estate
As we said before, of the G8 nations, Canada has performed best since the Great Recession of 2008 and has been widely lauded for its fiscal and economic performance. Its real estate prices have reflected that positive opinion. But therein lies the problem. In most countries, real estate prices

have declined substantially, while in most of Canada, especially in the big cities, prices have actually increased. Based on ratios such as rent-to-house-price, disposable-income-to-house-price, Canadian house prices are out of line with historical standards. In addition, household debt as a percentage of disposable income is unprecedentedly high. This does not mean that real estate prices will decline soon, but it does indicate that valuations are stretched.

A few months ago, Richie Boucher, who is the CEO of Bank of Ireland, was discussing real estate prices in Canada. As we know, real estate prices in Ireland have dropped by 50% from its peak. In contrast, Canada is experiencing a building boom and Toronto is said to have more condominiums under construction than any other city in the world. He joked that he has been hearing that lots of Irish guys are emigrating to Canada to work in real estate construction trade, and cautioned: “Watch out Canada if Irish pubs start sprouting in Canada”.

Other Matters

NAME CHANGE OF THE AUDITORS: As a result of a merger effective March 1, 2012, our auditors Burns Hubley LLP are now known as KPMG LLP.

FOREIGN CURRENCY CONTRACTS: None existed at June 30, 2012.

CREDIT DEFAULT SWAPS: None existed at June 30, 2012.

CONSTANT MATURITY SWAPS: None existed at June 30, 2012.

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, Bruce Kerr and Joe Tortolano. The 2011 IRC Annual Report is available on our website www.choufunds.com.

As of August 17, 2012, the NAV of a Series A unit of the Fund was $77.12 and the cash position was 14.8% of net assets. The Fund is up 17.0% from the beginning of the year. In $US, it is up 20.3%.

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

Yours truly,

Francis Chou

Francis Chou
Fund Manager

Management's Responsibility for Financial Reporting

To the unitholders of the Chou Funds:

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

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

The Trustee of each of the Trusts is responsible for reviewing and approving the financial statements, and for overseeing management's performance of its financial reporting responsibilities.

The 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.

Francis Chou

Francis Chou
Chou Associates Management Inc.
August 17, 2012

CHOU ASSOCIATES FUND

STATEMENTS OF NET ASSETS

AS AT JUNE 30, 2012 AND DECEMBER 31, 2011

(Unaudited)

	2012	DEC 31, 2011
ASSETS		
Cash	$ 57,000,893	$ 60,157,241
Accrued interest and dividend income	3,093,646	2,790,141
Receivable for units subscribed	52,075	241,352
Other receivable	365,348	438,935
Investments, at fair value	355,759,320	333,337,933
	416,271,282	396,965,602
LIABILITIES		
Accrued expenses	1,008,689	949,271
Payable for units redeemed	1,081,026	1,731,300
Distributions payable	-	334,904
Due to broker	8,822,822	2,046,578
	10,912,537	5,062,053
NET ASSETS	$ 405,358,745	$ 391,903,549
NET ASSETS, BY SERIES		
Series A	$ 380,183,947	$ 366,286,195
Series F	25,174,798	25,617,354
	$ 405,358,745	$ 391,903,549
NUMBER OF UNITS OUTSTANDING (Note 4)		
Series A	5,088,236	5,561,339
Series F	337,059	390,159
NET ASSETS PER UNIT (Note 7)		
Canadian dollars		
Series A	$ 74.72	$ 65.86
Series F	$ 74.69	$ 65.66
U.S. dollars		
Series A	$ 73.34	$ 64.76
Series F	$ 73.31	$ 64.57

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

Francis Chou

Tracy Chou

CHOU ASSOCIATES FUND

STATEMENTS OF OPERATIONS

FOR THE SIX MONTHS ENDED JUNE 30, 2012 AND 2011

(Unaudited)

	2012	2011
INVESTMENT INCOME		
Interest from securities lending	$ 4,957,684	$ 1,691,689
Interest	3,511,918	4,746,701
Dividends	2,336,629	828,017
Other income	1,898	-
Income from derivatives	-	2,631,976
	10,808,129	9,898,383
EXPENSES		
Management fees (Note 6)	3,399,025	4,336,690
Custodian fees	346,750	350,623
Foreign withholding taxes	248,151	122,223
Filing fees	27,300	27,150
Audit	27,107	36,992
Independent Review Committee fees	13,880	13,650
Legal	12,567	-
FundSERV fees	9,050	16,567
	4,083,830	4,903,895
NET INVESTMENT INCOME FOR THE PERIOD	6,724,299	4,994,488
NET REALIZED AND UNREALIZED GAIN (LOSS) AND TRANSACTION COSTS		
Transaction costs	(211,231)	(200,652)
Net realized gain on sale of investments	2,560,332	41,932,708
Change in unrealized appreciation (depreciation) in value of investments	42,753,167	(36,728,408)
	45,102,268	5,003,648
INCREASE IN NET ASSETS FROM OPERATIONS	$ 51,826,567	$ 9,998,136
INCREASE IN NET ASSETS FROM OPERATIONS		
Series A	$ 48,443,228	$ 9,354,255
Series F	3,383,339	643,881
	$ 51,826,567	$ 9,998,136
INCREASE IN NET ASSETS FROM OPERATIONS, PER UNIT		
Series A	$ 9.10	$ 1.56
Series F	$ 9.37	$ 1.54

CHOU ASSOCIATES FUND
STATEMENTS OF CHANGES IN NET ASSETS
FOR THE SIX MONTHS ENDED JUNE 30, 2012 AND 2011
(Unaudited)

	2012	2011
SERIES A		
NET ASSETS, beginning of the period	$ 366,286,195	$ 497,541,704
Increase in net assets from operations	48,443,228	9,354,255
Proceeds from issue of units	3,842,759	11,675,444
Payments on redemption of units	(38,388,235)	(36,656,612)
NET ASSETS, end of the period	380,183,947	481,914,791
SERIES F		
NET ASSETS, beginning of the period	25,617,354	31,965,842
Increase in net assets from operations	3,383,339	643,881
Proceeds from issue of units	1,754,941	4,035,218
Payments on redemption of units	(5,580,836)	(1,947,348)
NET ASSETS, end of the period	25,174,798	34,697,593
TOTAL NET ASSETS, end of the period	$ 405,358,745	$ 516,612,384

CHOU ASSOCIATES FUND
STATEMENT OF INVESTMENTS
AS AT JUNE 30, 2012
(Unaudited)

	No. of Shares or Par Value	Cost	Market Value
SHARES*			
Bank of America, warrants, Class A, Jan 16, 2019	3,291,062	$ 19,378,232	$ 11,802,892
Berkshire Hathaway Inc., Class A	300	31,639,836	38,162,812
Citigroup Inc.	410,000	10,358,742	11,441,569
Flagstone Reinsurance Holdings SA	1,500,000	17,582,635	12,241,467
Int'l Automotive Components Group North America	1,094,922	120,506	111,556
JPMorgan Chase & Company, warrants, Oct 28, 2018	1,126,347	13,927,767	11,211,829
Media General Inc., Class A	823,771	18,622,396	3,869,164
Nokia Corporation ADR	5,000,000	11,772,513	10,545,084
Office Depot Inc.	1,303,301	4,493,645	2,868,192
Olympus Re Holdings Ltd.	1,652,836	176,537	1,852,389
Orchard Supply Hardware Stores Co., Class A	21,845	551,068	370,130
Orchard Supply Hardware Stores Co., Series A pfd	21,845	9,919	34,943
Overstock.com Inc.	1,594,709	32,096,886	11,227,141
Primus Telecommunications Group Inc.	451,022	2,274,167	7,154,776
RadioShack Corporation	1,294,071	15,953,718	5,062,896
Resolute Forest Products Inc.**	2,061,049	37,682,646	24,316,807
Sanofi ADR	390,000	13,783,524	15,003,974
Sears Holdings Corporation	683,700	33,685,303	41,586,235
Sprint Nextel Corporation	6,123,200	22,170,958	20,275,497
The Gap Inc.	133,590	2,150,603	3,723,915
The Goldman Sachs Group Inc.	165,000	20,645,109	16,096,536
USG Corporation	54,039	376,147	1,049,948
Valeant Pharmaceuticals International Inc.	76,377	1,156,252	3,486,184
Watson Pharmaceuticals Inc.	535,400	15,544,035	40,355,468
Wells Fargo and Company, warrants, Oct 28, 2018	997,500	7,995,397	8,953,617
		334,148,541	302,805,021
BONDS			
Abitibi-Consolidated Inc., debt stubs	2,736,000	-	13,938
Level 3 Comm. Inc., 15.0%, conv., Jan 15, 2013	30,250,000	36,708,938	33,791,546
Primus Telecomm Holdings, 10.0%, April 15, 2017	13,393,993	10,912,456	14,499,356
RH Donnelley Inc., term loans, Oct 24, 2014	10,371,463	8,097,330	4,649,459
		55,718,724	52,954,299
TOTAL EQUITIES AND BONDS		389,867,265	355,759,320
TRANSACTION COSTS		(1,455,834)	-
PORTFOLIO TOTAL		$ 388,411,431	$ 355,759,320

* Common shares unless indicated otherwise
** AbitibiBowater changed its name to Resolute Forest Products Inc.

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 various 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 Fund. As of June 30, 2012, the Fund invested approximately 13% 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:

	June 30, 2012	December 31, 2011
Less than 1 year	$ 33,805,484	$ 13,912
1-3 years	$ 4,649,459	$ 39,375,510
3-5 years	$ 14,499,356	$ 0
Greater than 5 years	$ 0	$ 15,913,712

As at June 30, 2012, 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 $1,050,000.

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

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 75% of the Fund's Net Assets held at June 30, 2012 were publicly traded equities. If equity prices on the exchange had increased or decreased by 5% as at June 30, 2012, the Net Assets of the Fund would have increased or decreased by approximately $15,140,000, or 3.7% 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, 2012 are as follows:

	Financial Instruments ($)	Percentage of NAV (%)
United States Dollar	408,875,095	100.9%
Euro Currency	1,699,208	0.4%

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 financial liabilities (including accrued expenses, payable for units redeemed and due to broker for investments purchased) 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 $4,106,000.

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

CHOU ASIA FUND
(Unaudited)

August 17, 2012

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, 2012 was $13.44 compared to $13.77 at December 31, 2011, a decrease of 2.4%; during the same period, the MSCI AC (Morgan Stanley Capital International All Country) Asia Pacific Total Return Index returned 4.7% in Canadian dollars. In $US, a Series A unit of Chou Asia Fund was down 2.6% while the MSCI AC Asia Pacific Total Return Index returned 4.5%.

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

June 30, 2012 (Series A)	1 Year	3 Years	5 Years	Since Inception
Chou Asia Fund ($CAN)	0.6%	7.1%	0.3%	6.9%
MSCI AC Asia Pacific TR ($CAN)	-5.3%	2.6%	-3.4%	3.5%
Chou Asia Fund ($US)[1]	-4.8%	11.9%	1.2%	10.4%
MSCI AC Asia Pacific TR ($US)	-10.4%	7.2%	-2.6%	6.8%

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

Factors Influencing the First Six Months Results

In spite of ongoing turmoil in Europe and the U.S., China's and Japan's economies were largely stable. China's growth weakened during the period, with manufacturing dipping slightly in June. Yet, in May, China's industrial production grew 10%, exports rose 15%, imports increased 13% and inflation fell to 3.0%, down from 3.4% in April. The combination of lower inflation and a weaker economy prompted China's central bank to cut interest rates for the first time in three years, and lower the benchmark 1-year deposit and lending rate by 25 basis points.

PRONEXUS Inc. was a major positive contributor to the Fund's performance. Most of the declines were from the equity securities of Resolute Forest Products, Qiao Xing Mobile Communication, BYD Company Limited and Pyne Gould Corporation.

Investing in China a Conundrum

We made a mistake investing in Qiao Xing Mobile Communication (QXMCF) for Chou Asia Fund. We were aware of some of the negatives and in the 2011 annual report, we wrote,

"The negatives are not as obvious, but deserving of caution. Key among them:

[1]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.

1) The founder and CEO has taken some questionable actions. Since China's business environment is a bit like the Wild West, it is difficult to find companies and/or management with a totally pristine reputation. Moreover, a lot of businesses, including Qiao Xing's, are intertwined.
2) Most of the cash is held in China. Cash may not be accurately stated or it cannot be repatriated to North America in an economically efficient manner.
3) Most revenue numbers cannot be verified.
4) Accounting for receipts is not a common practice in China.
5) You cannot verify the company's numbers even though it retains a well known accounting firm, is listed on NYSE, and thus must adhere to strict compliance and accounting standards."

Unfortunately, our reservations were proven correct and there is a strong possibility that fraud was committed by the founder and CEO. It is unlikely that we will recover all the money we invested in QXMCF. Essentially, we made an unforced error like they say in tennis, or took an unnecessary penalty that would send us to the penalty box if it were hockey.

Other Matters

NAME CHANGE OF THE AUDITORS: As a result of a merger effective March 1, 2012, our auditors Burns Hubley LLP are now known as KPMG LLP.

FOREIGN CURRENCY CONTRACTS: None existed at June 30, 2012.

CREDIT DEFAULT SWAPS: None existed at June 30, 2012.

CONSTANT MATURITY SWAPS: None existed at June 30, 2012.

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, Bruce Kerr and Joe Tortolano. The 2011 IRC Annual Report is available on our website www.choufunds.com.

As of August 17, 2012, the NAV of a Series A unit of the Fund was $13.09 and the cash position was 39.1% of net assets. The Fund is down 5.0% from the beginning of the year. In $US, it is down 2.2%.

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

Francis Chou/ Fund Manager

CHOU ASIA FUND

STATEMENTS OF NET ASSETS

AS AT JUNE 30, 2012 AND DECEMBER 31, 2011

(Unaudited)

	2012	DEC 31, 2011
ASSETS		
Cash	$ 17,625,488	$ 17,723,499
Accrued interest and dividend income	50,882	128,572
Receivable for units subscribed	-	2,245
Investments, at fair value	24,775,215	30,504,004
	42,451,585	48,358,320
LIABILITIES		
Accrued expenses	92,483	84,547
Payable for units redeemed	96,797	142,528
Distributions payable	-	33,437
Due to broker	208,254	1,524
	397,534	262,036
NET ASSETS	$ 42,054,051	$ 48,096,284
NET ASSETS, BY SERIES		
Series A	$ 40,223,041	$ 45,911,587
Series F	1,831,010	2,184,697
	$ 42,054,051	$ 48,096,284
NUMBER OF UNITS OUTSTANDING (Note 4)		
Series A	2,997,930	3,348,296
Series F	135,817	158,974
NET ASSETS PER UNIT (Note 7)		
Canadian dollars		
Series A	$ 13.42	$ 13.71
Series F	$ 13.48	$ 13.74
U.S. dollars		
Series A	$ 13.17	$ 13.48
Series F	$ 13.23	$ 13.51

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

Francis Chou

Tracy Chou

CHOU ASIA FUND

STATEMENTS OF OPERATIONS

FOR THE SIX MONTHS ENDED JUNE 30, 2012 AND 2011

(Unaudited)

	2012	2011
INVESTMENT INCOME		
Dividends	$ 382,520	$ 474,953
Interest	14,850	13,446
Other income	1,741	-
	399,111	488,399
EXPENSES		
Management fees (Note 6)	381,029	465,048
Custodian fees	37,133	48,696
Foreign withholding taxes	28,560	41,960
Audit	6,213	4,859
Filing fees	3,640	3,620
FundSERV fees	2,051	2,051
Legal	1,884	-
Independent Review Committee fees	1,692	1,483
	462,202	567,717
NET INVESTMENT LOSS FOR THE PERIOD	(63,091)	(79,318)
NET REALIZED AND UNREALIZED GAIN (LOSS) AND TRANSACTION COSTS		
Transaction costs	(2,627)	(16,646)
Net realized gain on sale of investments	3,921,669	224,517
Change in unrealized depreciation in value of investments	(4,733,753)	(4,408,631)
	(814,711)	(4,200,760)
DECREASE IN NET ASSETS FROM OPERATIONS	$ (877,802)	$ (4,280,078)
DECREASE IN NET ASSETS FROM OPERATIONS		
Series A	$ (845,145)	$ (4,062,567)
Series F	(32,657)	(217,511)
	$ (877,802)	$ (4,280,078)
DECREASE IN NET ASSETS FROM OPERATIONS, PER UNIT		
Series A	$ (0.27)	$ (1.09)
Series F	$ (0.22)	$ (1.04)

CHOU ASIA FUND

STATEMENTS OF CHANGES IN NET ASSETS

FOR THE SIX MONTHS ENDED JUNE 30, 2012 AND 2011

(Unaudited)

	2012	2011
SERIES A		
NET ASSETS, beginning of the period	$ 45,911,587	$ 58,921,609
Decrease in net assets from operations	(845,145)	(4,062,567)
Proceeds from issue of units	203,357	1,417,371
Payments on redemption of units	(5,046,758)	(7,963,918)
NET ASSETS, end of the period	40,223,041	48,312,495
SERIES F		
NET ASSETS, beginning of the period	2,184,697	3,147,537
Decrease in net assets from operations	(32,657)	(217,511)
Proceeds from issue of units	53,925	377,414
Payments on redemption of units	(374,955)	(816,704)
NET ASSETS, end of the period	1,831,010	2,490,736
TOTAL NET ASSETS, end of the period	$ 42,054,051	$ 50,803,231

CHOU ASIA FUND

STATEMENT OF INVESTMENTS

AS AT JUNE 30, 2012

(Unaudited)

	No. of Shares or Par Value	Cost	Market Value
SHARES*			
AJIS Company Limited	15,200	$ 213,157	$ 219,546
BYD Company Limited, Class H	1,383,500	2,389,886	2,652,983
BYD Electronic (International) Company Limited	5,789,500	1,404,101	1,171,020
China Yuchai International Limited	25,537	341,981	355,671
Chunghwa Telecom Company Ltd. ADR	132,088	2,947,411	4,227,083
Delta Electronics (Thailand) Public Company Ltd.	1,763,300	897,401	1,217,414
Glacier Media Inc.	513,307	1,386,057	1,026,614
Hanfeng Evergreen Inc.	95,850	228,548	188,825
PRONEXUS Inc.	657,500	3,093,388	4,203,091
Pyne Gould Corporation Limited	7,293,713	1,605,930	1,669,274
Qiao Xing Mobile Communication Company Limited	1,584,397	1,803,394	177,569
Resolute Forest Products Inc.**	92,361	2,469,280	1,089,700
Sankyo Company Ltd.	60,000	2,684,475	2,970,423
SK Telecom Company Ltd. ADR	170,000	3,795,157	2,094,040
UTStarcom Holdings Corporation	1,247,051	4,817,389	1,511,962
		30,077,555	24,775,215
TOTAL EQUITIES		30,077,555	24,775,215
TRANSACTION COSTS		(41,963)	-
PORTFOLIO TOTAL		$ 30,035,592	$ 24,775,215

* Common shares unless indicated otherwise

** AbitibiBowater changed its name to Resolute Forest Products Inc.

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

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 59% of the Fund's Net Assets held at June 30, 2012 were publicly traded equities. If equity prices on the exchange had increased or decreased by 5% as at June 30, 2012, the Net Assets of the Fund would have increased or decreased by approximately $1,239,000, or 2.9% 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, 2012 are as follows:

	Financial Instruments ($)	Percentage of NAV (%)
United States Dollar	18,791,111	44.7%
Japanese Yen	13,693,293	32.6%
Hong Kong Dollar	4,085,090	9.7%
New Zealand Dollar	1,733,398	4.1%
Thailand Baht	1,217,414	2.9%
Singapore Dollar	140,180	0.3%

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 financial liabilities (including accrued expenses, payable for units redeemed and due to broker for investments purchased) 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 $397,000.

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

CHOU EUROPE FUND
(Unaudited)

August 17, 2012

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, 2012 was $7.45 compared to $6.78 at December 31, 2011, an increase of 9.9%; during the same period, the MSCI AC (Morgan Stanley Capital International All Country) Europe Total Return Index returned 3.2% in Canadian dollars. In $US, a Series A unit of Chou Europe Fund returned 9.7% while the MSCI AC Europe Total Return Index returned 3.0%.

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

June 30, 2012 (Series A)	1 Year	3 Years	5 Years	Since Inception
Chou Europe Fund ($CAN)	5.3%	5.3%	-7.0%	-0.3%
MSCI AC Europe TR ($CAN)	-11.7%	2.6%	-7.2%	3.0%
Chou Europe Fund ($US)[1]	-0.3%	10.0%	-6.2%	2.9%
MSCI AC Europe TR ($US)	-16.4%	7.1%	-6.4%	6.3%

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

While northern European countries, especially Germany, remained globally competitive, the lingering effects of the debt and property bubbles, along with an uncompetitive labour force, hindered regional growth. Compounding the problem, austerity programs demanded by the market and initiated by the governments of the most troubled countries -- Greece, Italy and Spain -- have produced dangerously high unemployment, further slowed growth and incited public protests. At period's end, Europe's actions had failed to calm fears of default and instill confidence in world markets

The portfolio gained most from its holdings of Aer Lingus Group, Topps Tiles and Next PLC. Securities in the portfolio that declined most in the first half of 2012 were Nokia Corporation ADR and BP PLC ADR.

The Hellenic Republic swapped the Republic's amended Greek-law governed bonds on March 12, 2012 by delivering (i) new bonds of the Republic having a principal amount equal to 31.5% of the principal amount of the amended bonds, (ii) two series of PSI Payment Notes maturing on March

[1] 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.

12, 2013 and March 12, 2014, respectively, together having a principal amount equal to 15% of the principal amount of the amended bonds, and (iii) detachable GDP-linked securities of the Republic having a notional amount equal to the principal amount of each holder's new bonds. The Fund sold both series of PSI Payment Notes maturing on March 12, 2013 and March 12, 2014.

Europe

It's been over three years since the European crisis began and we're still unable to predict what will happen to the Euro and the 17 Eurozone countries that have adopted the Euro as their national currency. While most believe that to solve its problems the Eurozone must undergo deep structural reform, to date no one has devised a solution that all 17 disparate Eurozone nations can agree on. If the ramifications of Euro crisis on the world economy weren't so serious, we could all get a good laugh at the comical way the Eurozone club was set up and how that has played out. Nigel Farage, leader of the UK Independent Party, captured the humor in a speech he gave in June 2012.

"I remember being here ten years ago, hearing the launch of the Lisbon Agenda. We were told that with the Euro, by 2010 we would have full employment and indeed that Europe would be the competitive and dynamic powerhouse of the world. By any objective criteria the Euro has failed, and in fact there is a looming, impending disaster. You know, this deal makes things worse not better. A hundred billion [Euro] is put up for the Spanish banking system, and 20 per cent of that money has to come from Italy. And under the deal the Italians have to lend to the Spanish banks at 3 per cent but to get that money they have to borrow on the markets at 7 per cent. It's genius isn't it. It really is brilliant."

The problem centers on the fact that by adopting the Euro, countries could control their domestic fiscal policies, but not their monetary policies. As a result, when the Great Recession struck and countries worldwide faced huge debts, these countries did not have the monetary tools to mitigate their problems. Under this scenario, troubled countries had to rely on other Euro countries for help, many of which had their own fiscal problems, and voters with little sympathy for indebted nations.

Another element that cannot be denied is the cultural diversity of Eurozone nations and their unique attitudes about the role of government and taxation. Whenever I think of the Euro crisis, it reminds me of two strangers travelling on a long distance train in Europe.

A Greek man and a German woman who never met before, find themselves on the upper and lower berth of a long distance train.

At 2 am, the Greek man leans over saying, "Madam, sorry to bother you. Would you be kind enough to give me a second blanket from the side table? It's awfully cold."

"I have a better idea," she replied. "Just for tonight, why don't we pretend that we are married?"

"Great idea Madam," He replied with excitement.

"Good," she says. "THEN GET UP AND GET IT YOURSELF."

At the end of the day, each country, whether it's in or out of the Eurozone, has to solve its own problems.

Floating an Investment Idea
When the investors are optimistic of the future, it is hard to find bargains in the market. But introduce some fear and uncertainty and you will find a plethora of bargains. The Eurozone is the perfect environment for finding bargains. For example, there are plenty of Greek companies with fine economics, strong balance sheets and a shareholder friendly management that are selling for less than 4-times after tax normalized earnings. Let's say that Greece, for one reason or another, leaves the Euro and reverts to the Drachma. If this currency were then devalued by 50%, that stock would then be valued at 8-times after tax normalized earnings, which is still very cheap. The same scenario is starting to play out in Spain and Italy.

Other Matters
NAME CHANGE OF THE AUDITORS: As a result of a merger effective March 1, 2012, our auditors Burns Hubley LLP are now known as KPMG LLP.

MANAGEMENT FEE: Our record since inception has not been as stellar as we would have liked. As a result, I will not be charging management fees for the next three years, starting from January 1, 2011 through December 31, 2013.

FOREIGN CURRENCY CONTRACTS: None existed at June 30, 2012.

CREDIT DEFAULT SWAPS: None existed at June 30, 2012.

CONSTANT MATURITY SWAPS: None existed at June 30, 2012.

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, Bruce Kerr and Joe Tortolano. The 2011 IRC Annual Report is available on our website www.choufunds.com.

As of August 17, 2012, the NAV of a Series A unit of the Fund was $7.72 and the cash position was 4.3% of net assets. The Fund is up 14.0% from the beginning of the year. In $US, it is up 17.2%.

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

Yours truly,

Francis Chou

Francis Chou
Fund Manager

CHOU EUROPE FUND

STATEMENTS OF NET ASSETS

AS AT JUNE 30, 2012 AND DECEMBER 31, 2011

(Unaudited)

	2012	DEC 31, 2011
ASSETS		
Cash	$ 403,379	$ 92,167
Accrued interest and dividend income	43,370	54,467
Investments, at fair value	6,549,923	6,451,820
	6,996,672	6,598,454
LIABILITIES		
Accrued expenses	9,667	6,452
Payable for units redeemed	20,856	47,328
Distributions payable	-	925
	30,523	54,705
NET ASSETS	$ 6,966,149	$ 6,543,749
NET ASSETS, BY SERIES		
Series A	$ 6,921,374	$ 6,517,407
Series F	44,775	26,342
	$ 6,966,149	$ 6,543,749
NUMBER OF UNITS OUTSTANDING (Note 4)		
Series A	931,033	964,369
Series F	5,961	3,858
NET ASSETS PER UNIT (Note 7)		
Canadian dollars		
Series A	$ 7.43	$ 6.76
Series F	$ 7.51	$ 6.83
U.S. dollars		
Series A	$ 7.29	$ 6.65
Series F	$ 7.37	$ 6.72

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

Francis Chou

Tracy Chou

CHOU EUROPE FUND

STATEMENTS OF OPERATIONS

FOR THE SIX MONTHS ENDED JUNE 30, 2012 AND 2011

(Unaudited)

	2012	2011
INVESTMENT INCOME		
Dividends	$ 135,640	$ 133,896
Interest	474	7,015
	136,114	140,911
EXPENSES		
Management fees (Note 6)	57,756	64,365
Foreign withholding taxes	19,151	18,800
Custodian fees	7,081	6,819
Filing fees	790	-
Legal	313	-
FundSERV fees	240	239
Independent Review Committee fees	230	211
Audit	-	2,429
	85,561	92,863
Expenses waived by the Manager (note 6)	(57,756)	(64,365)
	27,805	28,498
NET INVESTMENT INCOME FOR THE PERIOD	108,309	112,413
NET REALIZED AND UNREALIZED GAIN (LOSS) AND TRANSACTION COSTS		
Transaction costs	-	(356)
Net realized gain (loss) on sale of investments	228,308	(27,889)
Change in unrealized appreciation (depreciation) in value of investments	316,797	(146,273)
	545,105	(174,518)
INCREASE (DECREASE) IN NET ASSETS FROM OPERATIONS	$ 653,414	$ (62,105)
INCREASE (DECREASE) IN NET ASSETS FROM OPERATIONS		
Series A	$ 650,015	$ (46,893)
Series F	3,399	(15,212)
	$ 653,414	$ (62,105)
INCREASE (DECREASE) IN NET ASSETS FROM OPERATIONS, PER UNIT		
Series A	$ 0.68	$ (0.05)
Series F	$ 0.75	$ (0.16)

CHOU EUROPE FUND

STATEMENTS OF CHANGES IN NET ASSETS

FOR THE SIX MONTHS ENDED JUNE 30, 2012 AND 2011

(Unaudited)

	2012	2011
SERIES A		
NET ASSETS, beginning of the period	$ 6,517,407	$ 7,344,730
Increase (decrease) in net assets from operations	650,015	(46,893)
Proceeds from issue of units	93,428	174,549
Payments on redemption of units	(339,476)	(478,286)
NET ASSETS, end of the period	6,921,374	6,994,100
SERIES F		
NET ASSETS, beginning of the period	26,342	884,696
Increase (decrease) in net assets from operations	3,399	(15,212)
Proceeds from issue of units	15,034	-
Payments on redemption of units	-	(317,601)
NET ASSETS, end of the period	44,775	551,883
TOTAL NET ASSETS, end of the period	$ 6,966,149	$ 7,545,983

CHOU EUROPE FUND
STATEMENT OF INVESTMENTS
AS AT JUNE 30, 2012
(Unaudited)

	No. of Shares or Par Value	Cost	Market Value
SHARES*			
Abbey PLC	60,000	$ 431,077	$ 456,957
Aer Lingus Group PLC	200,000	182,560	262,815
AstraZeneca PLC	13,000	701,770	592,297
BP PLC ADR	10,000	313,497	413,041
GlaxoSmithKline PLC	28,000	764,303	647,593
Heracles General Cement Company S.A.	5,887	36,499	9,879
Next PLC	18,000	581,417	920,370
Nokia Corporation ADR	30,000	361,778	63,271
Ryanair Holdings PLC ADR	27,000	760,021	835,722
Sanofi ADR	20,000	884,092	769,435
The Governor and Company of the Bank of Ireland	3,400,000	383,114	434,496
Topps Tiles PLC	370,000	513,589	229,165
Vodafone Group PLC ADR	10,000	198,082	286,908
		6,111,799	5,921,949
BONDS			
Hellenic Republic, 2.0% floating rate, Feb 24, 2023	20,700	11,558	4,551
Hellenic Republic, 2.0% floating rate, Feb 24, 2024	20,700	11,558	4,142
Hellenic Republic, 2.0% floating rate, Feb 24, 2025	20,700	11,558	3,962
Hellenic Republic, 2.0% floating rate, Feb 24, 2026	20,700	11,558	3,734
Hellenic Republic, 2.0% floating rate, Feb 24, 2027	20,700	11,558	3,768
Hellenic Republic, 2.0% floating rate, Feb 24, 2028	22,080	12,328	3,946
Hellenic Republic, 2.0% floating rate, Feb 24, 2029	22,080	12,328	3,948
Hellenic Republic, 2.0% floating rate, Feb 24, 2030	22,080	12,328	3,864
Hellenic Republic, 2.0% floating rate, Feb 24, 2031	22,080	12,328	3,766
Hellenic Republic, 2.0% floating rate, Feb 24, 2032	22,080	12,328	3,671
Hellenic Republic, 2.0% floating rate, Feb 24, 2033	22,080	12,328	3,736
Hellenic Republic, 2.0% floating rate, Feb 24, 2034	22,080	12,328	3,658
Hellenic Republic, 2.0% floating rate, Feb 24, 2035	22,080	12,328	3,679
Hellenic Republic, 2.0% floating rate, Feb 24, 2036	22,080	12,328	3,713
Hellenic Republic, 2.0% floating rate, Feb 24, 2037	22,080	12,328	3,654
Hellenic Republic, 2.0% floating rate, Feb 24, 2038	22,080	12,328	3,659
Hellenic Republic, 2.0% floating rate, Feb 24, 2039	22,080	12,328	3,668
Hellenic Republic, 2.0% floating rate, Feb 24, 2040	22,080	12,328	3,625
Hellenic Republic, 2.0% floating rate, Feb 24, 2041	22,080	12,328	3,592

CHOU EUROPE FUND

STATEMENT OF INVESTMENTS

AS AT JUNE 30, 2012

(Unaudited)

	No. of Shares or Par Value	Cost	Market Value
BONDS, continued			
Hellenic Republic, 2.0% floating rate, Feb 24, 2042	22,080	12,328	3,552
Hellenic Republic, 0.0% floating rate, Oct 15, 2042	434,700	242,707	1,908
MannKind Corp., conv. 3.75%, Dec 15, 2013	1,000,000	536,600	550,178
		1,022,017	627,974
TOTAL EQUITIES AND BONDS		7,133,816	6,549,923
TRANSACTION COSTS		(5,072)	-
PORTFOLIO TOTAL		$ 7,128,744	$ 6,549,923

* Common shares unless indicated otherwise

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 various 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 Fund. As of June 30, 2012, the Fund invested approximately 9% 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:

	June 30, 2012	**December 31, 2011**
Less than 1 year	$ 0	$ 0
1-3 years	$ 550,178	$ 547,121
3-5 years	$ 0	$ 0
Greater than 5 years	$ 77,796	$ 317,010

As at June 30, 2012, 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 $172,000.

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

Other Price Risk

Other price risk is the risk that the value of financial instruments will fluctuate as a result of changes in market prices (other than those arising from interest rate risk or currency risk) caused by factors specific to a security, its issuer or all factors affecting a market or a market segment. Approximately 85% of the Fund's Net Assets held at June 30, 2012 were publicly traded equities. If equity prices on the exchange had increased or decreased by 5% as at June 30, 2012, the Net Assets of the Fund would have increased or decreased by approximately $296,000, or 4.3% 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, 2012 are as follows:

	Financial Instruments ($)	Percentage of NAV (%)
United States Dollar	2,947,798	42.3%
Sterling Pound	2,389,425	34.3%
Euro Currency	1,416,172	20.3%

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) and financial liabilities (including accrued expenses, payable for units redeemed) 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 $67,500.

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

CHOU BOND FUND
(Unaudited)

August 17, 2012

Dear Unitholders of Chou Bond Fund,

The net asset value ("NAVPU" or "NAV") of a Series A unit of Chou Bond Fund at June 30, 2012 was $8.12 compared to $8.00 at December 31, 2011, an increase of 1.5%; during the same period, Citigroup WGBI (World Government Bond Index) All Maturities ($CAN) returned 1.1% and Barclays U.S. Corporate High Yield Index ($CAN) returned 7.8%. In $US, a Series A unit of Chou Bond Fund returned 1.3% while Citigroup WGBI All Maturities returned 2.1% and Barclays U.S. Corporate High Yield Index returned 7.7%.

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

June 30, 2012 (Series A)	1 Year	3 Years	5 Years	Since Inception
Chou Bond Fund ($CAN)	-14.0%	6.2%	-1.5%	2.8%
Citigroup WGBI ($CAN)	8.5%	0.9%	6.4%	3.4%
Barclays' U.S. High Yield ($CAN)	10.5%	10.8%	7.4%	6.0%
Chou Bond Fund ($US) [1]	-18.6%	11.0%	-0.7%	5.0%
Citigroup WGBI ($US)	2.7%	6.5%	8.1%	6.1%
Barclays' U.S High Yield ($US)	4.6%	15.8%	8.4%	8.5%

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

Factors Influencing the First Six Months Results

The debt securities of Level 3 Communications, Goldman Sachs Capital II and Morris Publishing Group contributed the most to the Fund's performance during the period.

We suffered declines in the debt securities of ATP Oil & Gas and equity securities of Resolute Forest Products, Compton Petroleum and Postmedia Network Canada. All these equity securities were the result of debt restructuring.

We believe that non-investment grade and investment grade debt securities are fairly priced now.

Compton Petroleum

We took a loss on the debt security of Compton Petroleum due to the unprecedented fall in the price of natural gas to $2 per million Btu. Historically, there has been a strong relationship between the price of oil and gas, usually in the realm of 8 to 1; it is now in uncharted territory of 50 to 1. As a

[1] 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.

result, Compton Petroleum had to restructure its debt, and the common shares we received were nowhere close to the price we paid for the debt security.

The term loan of R.H. Donnelley, Inc.

At the current price, we believe R.H. Donnelley's term loan is well covered by its earning power, assets, and covenants that are protective to debt holders. In addition, this term loan comes with 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. The company also has credit support from two subsidiaries of Dex One Corporation, the holding company. For the first six months of 2012, R.H. Donnelley, Inc. bought back approximately 7% of its term loan at par.

The 3 3/4% debt security of MannKind Corp.

In the first week of February 2012, MannKind announced the completion of an underwritten public offering of 35,937,500 units for $2.40 per unit, with each unit consisting of one share of common stock plus a warrant to purchase 0.6 of a share of its common stock. The gross proceeds from this offering were approximately $86.3 million.

At the current price, we believe MannKind's 3 3/4%, debt security maturing in December 2013, is attractively priced, even though, its performance depends on FDA approval of the drug Afrezza and the recent fund raising. That said, CEO and principal shareholder Alfred E. Mann's decision to convert part of his $77.2 million loan to the company to common stock, makes us feel positive about the company and its drug Afrezza.

Other Matters

NAME CHANGE OF THE AUDITORS: As a result of a merger effective March 1, 2012, our auditors Burns Hubley LLP are now known as KPMG LLP.

FOREIGN CURRENCY CONTRACTS: None existed at June 30, 2012.

CREDIT DEFAULT SWAPS & CONSTANT MATURITY SWAPS: None existed at June 30, 2012.

INDEPENDENT REVIEW COMMITTEE: The Manager has established an IRC as required by NI 81-107. The members of the IRC are Sandford Borins, Bruce Kerr and Joe Tortolano. The 2011 IRC Annual Report is available on our website www.choufunds.com.

As of August 17, 2012, the NAV of a Series A unit of the Fund was $8.34 and the cash position was 8.6% of net assets. The Fund is up 4.3% from the beginning of the year. In $US, it is up 7.3%.

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

Francis Chou/Fund Manager

CHOU BOND FUND
STATEMENTS OF NET ASSETS
AS AT JUNE 30, 2012 AND DECEMBER 31, 2011
(Unaudited)

	2012	DEC 31, 2011
ASSETS		
Accrued interest income	$ 1,189,498	$ 1,272,920
Receivable for units subscribed	41,000	35,650
Due from broker	140,385	1,111,709
Investments, at fair value	44,193,247	48,711,761
	45,564,130	51,132,040
LIABILITIES		
Bank overdraft	142,389	382,993
Accrued expenses	100,942	76,781
Payable for units redeemed	202,159	456,353
Distributions payable	-	136,313
	445,490	1,052,440
NET ASSETS	$ 45,118,640	$ 50,079,600
NET ASSETS, BY SERIES		
Series A	$ 36,643,265	$ 40,640,518
Series F	8,475,375	9,439,082
	$ 45,118,640	$ 50,079,600
NUMBER OF UNITS OUTSTANDING (Note 4)		
Series A	4,520,389	5,091,719
Series F	1,043,893	1,181,760
NET ASSETS PER UNIT (Note 7)		
Canadian dollars		
Series A	$ 8.11	$ 7.98
Series F	$ 8.12	$ 7.99
U.S. dollars		
Series A	$ 7.96	$ 7.85
Series F	$ 7.97	$ 7.86

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

Francis Chou

Tracy Chou

CHOU BOND FUND
STATEMENTS OF OPERATIONS
FOR THE SIX MONTHS ENDED JUNE 30, 2012 AND 2011
(Unaudited)

	2012	2011
INVESTMENT INCOME		
Interest	$ 2,180,725	$ 2,791,318
Other income	28,001	-
Interest from securities lending	-	1,469
	2,208,726	2,792,787
EXPENSES		
Management fees (Note 6)	300,673	461,898
Custodian fees	50,118	51,699
Audit	6,213	4,859
Filing fees	4,550	4,525
FundSERV fees	2,431	2,431
Legal	2,199	-
Independent Review Committee fees	1,649	1,905
	367,833	527,317
NET INVESTMENT INCOME FOR THE PERIOD	1,840,893	2,265,470
NET REALIZED AND UNREALIZED GAIN (LOSS) AND TRANSACTION COSTS		
Transaction costs	(1,819)	-
Net realized gain on sale of investments	748,162	4,029,416
Change in unrealized depreciation in value of investments	(1,779,780)	(8,928,879)
	(1,033,437)	(4,899,463)
INCREASE (DECREASE) IN NET ASSETS FROM OPERATIONS	$ 807,456	$ (2,633,993)
INCREASE (DECREASE) IN NET ASSETS FROM OPERATIONS		
Series A	$ 655,549	$ (2,002,959)
Series F	151,907	(631,034)
	$ 807,456	$ (2,633,993)
INCREASE (DECREASE) IN NET ASSETS FROM OPERATIONS, PER UNIT		
Series A	$ 0.14	$ (0.38)
Series F	$ 0.14	$ (0.40)

CHOU BOND FUND

STATEMENTS OF CHANGES IN NET ASSETS

FOR THE SIX MONTHS ENDED JUNE 30, 2012 AND 2011

(Unaudited)

	2012	2011
SERIES A		
NET ASSETS, beginning of the period	$ 40,640,518	$ 59,957,942
Increase (decrease) in net assets from operations	655,549	(2,002,959)
Proceeds from issue of units	729,290	2,409,011
Payments on redemption of units	(5,382,092)	(11,445,085)
NET ASSETS, end of the period	36,643,265	48,918,909
SERIES F		
NET ASSETS, beginning of the period	9,439,082	16,741,235
Increase (decrease) in net assets from operations	151,907	(631,034)
Proceeds from issue of units	60,894	1,676,706
Payments on redemption of units	(1,176,508)	(2,199,433)
NET ASSETS, end of the period	8,475,375	15,587,474
TOTAL NET ASSETS, end of the period	$ 45,118,640	$ 64,506,383

CHOU BOND FUND
STATEMENT OF INVESTMENTS
AS AT JUNE 30, 2012
(Unaudited)

	No. of Units or Par Value	Cost	Market Value
SHARES*			
Compton Petroleum Corporation**	420,148	$ 4,375,207	$ 462,313
Postmedia Network Canada Corporation**	85,071	2,896,098	49,341
Resolute Forest Products Inc.***	501,463	4,521,115	5,916,393
		11,792,420	6,428,047
BONDS			
ATP Oil & Gas Corp., 11.875%, May 1, 2015	2,000,000	1,438,358	975,853
Catalyst Paper Corp., 11.0%, Dec 15, 2016	2,900,000	2,371,087	1,536,424
CompuCredit Holdings, 5.875%, Nov 30, 2035	13,150,000	5,820,983	5,715,929
Dex Media West LLC, term loans, Oct 24, 2014	4,087,448	2,394,029	2,561,162
Dex One Corp., 14.0%, Jan 29, 2017	3,063,600	2,272,288	772,533
Hellenic Republic, 2.0% floating rate, Feb 24, 2023	15,300	8,542	3,364
Hellenic Republic, 2.0% floating rate, Feb 24, 2024	15,300	8,542	3,062
Hellenic Republic, 2.0% floating rate, Feb 24, 2025	15,300	8,542	2,929
Hellenic Republic, 2.0% floating rate, Feb 24, 2026	15,300	8,542	2,760
Hellenic Republic, 2.0% floating rate, Feb 24, 2027	15,300	8,542	2,785
Hellenic Republic, 2.0% floating rate, Feb 24, 2028	16,320	9,112	2,917
Hellenic Republic, 2.0% floating rate, Feb 24, 2029	16,320	9,112	2,918
Hellenic Republic, 2.0% floating rate, Feb 24, 2030	16,320	9,112	2,856
Hellenic Republic, 2.0% floating rate, Feb 24, 2031	16,320	9,112	2,784
Hellenic Republic, 2.0% floating rate, Feb 24, 2032	16,320	9,112	2,714
Hellenic Republic, 2.0% floating rate, Feb 24, 2033	16,320	9,112	2,761
Hellenic Republic, 2.0% floating rate, Feb 24, 2034	16,320	9,112	2,704
Hellenic Republic, 2.0% floating rate, Feb 24, 2035	16,320	9,112	2,719
Hellenic Republic, 2.0% floating rate, Feb 24, 2036	16,320	9,112	2,745
Hellenic Republic, 2.0% floating rate, Feb 24, 2037	16,320	9,112	2,701
Hellenic Republic, 2.0% floating rate, Feb 24, 2038	16,320	9,112	2,704
Hellenic Republic, 2.0% floating rate, Feb 24, 2039	16,320	9,112	2,711
Hellenic Republic, 2.0% floating rate, Feb 24, 2040	16,320	9,112	2,679
Hellenic Republic, 2.0% floating rate, Feb 24, 2041	16,320	9,112	2,655
Hellenic Republic, 2.0% floating rate, Feb 24, 2042	16,320	9,112	2,626
Hellenic Republic, 0% floating rate, Oct 15, 2042	321,300	179,392	1,410
Level 3 Communications, 6.50%, Oct 1, 2016	1,470,000	1,489,209	2,091,174
MannKind Corp., 3.75%, conv., Dec 15, 2013	8,900,000	5,471,392	4,896,587
MBIA Insurance Company, 14.0%, Jan 15, 2033	1,400,000	601,583	757,769
Media General Inc., 11.75%, Feb 15, 2017	1,700,000	1,608,361	1,866,276
MEGA Brands Inc., 10.0%, Mar 31, 2015	3,018,211	2,380,516	3,048,393
Morris Publishing Group, 10.0%, Sep 1, 2014	3,245,066	3,037,448	3,293,833
Primus Telecomm. Holdings, 10.0%, Apr 15, 2017	2,723,550	2,218,952	2,948,316
RH Donnelley Inc., term loans, Oct 24, 2014	5,043,444	4,119,899	2,260,943

CHOU BOND FUND

STATEMENT OF INVESTMENTS
AS AT JUNE 30, 2012
(Unaudited)

	No. of Units or Par Value	Cost	Market Value
BONDS, continued			
Taiga Building Products Ltd., 14.0%, Sep 1, 2020	1,712,000	1,705,899	1,712,000
Texas Competitive Electric, 10.25%, Nov 1, 2015	2,000,000	1,932,609	489,047
The Goldman Sachs Capital II, 4.0%, Jun 1, 2043	4,000,000	1,868,917	2,781,457
		41,090,312	37,765,200
TOTAL EQUITIES AND BONDS		52,882,732	44,193,247
TRANSACTION COSTS		(43,002)	-
PORTFOLIO TOTAL		$ 52,839,730	$ 44,193,247

* Common shares unless indicated otherwise
** Shares received from debt restructuring
*** Shares received from debt restructuring (Name changed from AbitibiBowater Inc.)

CHOU BOND FUND
STATEMENT OF INVESTMENTS
AS AT JUNE 30, 2012
(Unaudited)

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 US 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 traces. 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 a counterparty to a financial instrument will fail to discharge a commitment that it has entered into with the Fund. As of June 30, 2012, the Fund invested approximately 78% 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:

	June 30, 2012	December 31, 2011
Less than 1 year	$ 0	$ 0
1-3 years	$ 17,036,772	$ 12,848,552
3-5 years	$ 9,703,770	$ 9,569,558
Greater than 5 years	$ 11,024,658	$ 16,449,715

As at June 30, 2012, 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 $1,866,000.

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

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% of the Fund's Net Assets held at June 30, 2012 were publicly traded equities. If equity prices on the exchange had increased or decreased by 5% as at June 30, 2012, the Net Assets of the Fund would have increased or decreased by approximately $321,000, or 0.7% 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, 2012 are as follows:

	Financial Instruments ($)	Percentage of NAV (%)
United States Dollar	39,388,639	87.3%
Euro	57,502	0.1%

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 due from broker for investments sold) and financial liabilities (including accrued expenses, payable for units redeemed) 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 $394,000.

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

CHOU RRSP FUND
(Unaudited)

August 17, 2012

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, 2012 was $21.03 compared to $19.27 at December 31, 2011, an increase of 9.2%; during the same period, the S&P/TSX Total Return Index was down 1.5% in Canadian dollars. In $US, a Series A unit of Chou RRSP Fund returned 9.0% while the S&P/TSX Total Return Index was down 1.7%.

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

June 30, 2012 (Series A)	1 Year	3 Years	5 Years	10 Years	15 Years
Chou RRSP Fund ($CAN)	-8.0%	17.6%	-4.1%	3.7%	8.8%
S&P/TSX ($CAN)	-10.2%	6.7%	-0.8%	7.6%	6.2%
Chou RRSP Fund ($US)[1]	-12.9%	22.9%	-3.3%	7.9%	11.0%
S&P/TSX ($US)	-15.0%	11.4%	0.1%	11.9%	9.8%

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

Factors Influencing the First Six Months Results

World markets remained volatile during the first half of 2012 due to the three-year-old-and-counting Eurozone crisis, the slowdown in the Chinese economy and the anemic recovery in the U.S. While a late June rally kept the U.S. economy intact, a slowdown in its previously robust corporate earnings growth, weak economic data at home, waning U.S. manufacturing and international trade activity in and with China, India and other developing countries, added to investors' concerns.

The Fund outperformed the S&P/TSX Total Return Index because it did not invest in the energy and info-tech stocks that were down during the period. Torstar Corporation, The Brick Ltd. and the Class A warrants of Bank of America were major positive contributors to the Fund's performance. Securities in the portfolio that declined the most during the first half of 2012 were the equities of TVA Group, MEGA Brands, Resolute Forest Products and Canfor Pulp Products.

Investing in U.S. Financial Institutions

Following up on a past letter, we continue to believe U.S. financial institutions are very cheap and TARP warrants associated with these companies are an attractive way to invest in them. Depending on the price, TARP warrants have several characteristics that make them appealing long-term

[1] 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.

investments. Specifically, they are long dated, with most expiring around 2018-2019. This time frame of six-plus years allows banks to grow their intrinsic value to a high enough level to have an appreciable impact on the strike price of the stock warrant. In addition, we believe the strike price will be adjusted downward for any quarterly dividend that exceeds a set price. This is rarely seen in a stock warrant. An example: for Bank of America, class 'A' warrants, the strike price is adjusted downward for any quarterly dividend paid exceeding one cent a share.

Bank TARP warrants are complex, with terms and conditions that are unique to each bank. Thus we encourage you to research them for yourself and draw your own conclusions. The legalese is quite intimidating but there is some help on the way. Some banks have started to pay dividends that exceed a set price, and we are starting to see how anti-dilution clauses that were added to protect TARP warrant holders apply with regard to:

1) The adjustment of the strike price.
2) The adjustment to the number of shares you can purchase for each warrant you hold.

Europe

It’s been over three years since the European crisis began and we’re still unable to predict what will happen to the Euro and the 17 Eurozone countries that have adopted the Euro as their national currency. While most believe that to solve its problems the Eurozone must undergo deep structural reform, to date no one has devised a solution that all 17 disparate Eurozone nations can agree on. If the ramifications of Euro crisis on the world economy weren’t so serious, we could all get a good laugh at the comical way the Eurozone club was set up and how that has played out. Nigel Farage, leader of the UK Independent Party, captured the humour in a speech he gave in June 2012.

“I remember being here ten years ago, hearing the launch of the Lisbon Agenda. We were told that with the Euro, by 2010 we would have full employment and indeed that Europe would be the competitive and dynamic powerhouse of the world. By any objective criteria the Euro has failed, and in fact there is a looming, impending disaster. You know, this deal makes things worse not better. A hundred billion [Euro] is put up for the Spanish banking system, and 20 per cent of that money has to come from Italy. And under the deal the Italians have to lend to the Spanish banks at 3 per cent but to get that money they have to borrow on the markets at 7 per cent. It's genius isn't it. It really is brilliant.”

The problem centers on the fact that by adopting the Euro, countries could control their domestic fiscal policies, but not their monetary policies. As a result, when the Great Recession struck and countries worldwide faced huge debts, these countries did not have the monetary tools to mitigate their problems. Under this scenario, troubled countries had to rely on other Euro countries for help, many of which had their own fiscal problems, and voters with little sympathy for indebted nations.

Another element that cannot be denied is the cultural diversity of Eurozone nations and their unique attitudes about the role of government and taxation. Whenever I think of the Euro crisis, it reminds me of two strangers travelling on a long distance train in Europe.

A Greek man and a German woman who never met before, find themselves on the upper and lower berth of a long distance train.

At 2 am, the Greek man leans over saying, “Madam, sorry to bother you. Would you be kind enough to give me a second blanket from the side table? It's awfully cold.”

“I have a better idea,” she replied. “Just for tonight, why don't we pretend that we are married?”

“Great idea Madam,” he replied with excitement.

“Good,” she says. “THEN GET UP AND GET IT YOURSELF.”

At the end of the day, each country, whether it’s in or out of the Eurozone, has to solve its own problems.

Canadian Real Estate

As we said before, of the G8 nations, Canada has performed best since the Great Recession of 2008 and has been widely lauded for its fiscal and economic performance. Its real estate prices have reflected that positive opinion. But therein lies the problem. In most countries, real estate prices have declined substantially, while in most of Canada, especially in the big cities, prices have actually increased. Based on ratios such as rent-to-house-price, disposable-income-to-house-price, Canadian house prices are out of line with historical standards. In addition, household debt as a percentage of disposable income is unprecedentedly high. This does not mean that real estate prices will decline soon, but it does indicate that valuations are stretched.

A few months ago, Richie Boucher, who is the CEO of Bank of Ireland, was discussing real estate prices in Canada. As we know, real estate prices in Ireland have dropped by 50% from its peak. In contrast, Canada is experiencing a building boom and Toronto is said to have more condominiums under construction than any other city in the world. He joked that he has been hearing that lots of Irish guys are emigrating to Canada to work in real estate construction trade, and cautioned: “Watch out Canada if Irish pubs start sprouting in Canada”.

Other Matters

NAME CHANGE OF THE AUDITORS: As a result of a merger effective March 1, 2012, our auditors Burns Hubley LLP are now known as KPMG LLP.

FOREIGN CURRENCY CONTRACTS: None existed at June 30, 2012

CREDIT DEFAULT SWAPS: None existed at June 30, 2012.

CONSTANT MATURITY SWAPS: None existed at June 30, 2012.

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, Bruce Kerr and Joe Tortolano. The 2011 IRC Annual Report is available on our website www.choufunds.com.

As of August 17, 2012, the NAV of a Series A unit of the Fund was $20.72 and the cash position was 1.1% of net assets. The Fund is up 7.5% from the beginning of the year. In $US, it is up 10.6%.

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

Yours truly,

Francis Chou

Francis Chou
Fund Manager

CHOU RRSP FUND

STATEMENTS OF NET ASSETS

AS AT JUNE 30, 2012 AND DECEMBER 31, 2011

(Unaudited)

	2012	DEC 31, 2011
ASSETS		
Cash	$ 3,694,278	$ 7,335,601
Accrued interest and dividend income	198,853	193,140
Receivable for units subscribed	-	69,989
Investments, at fair value	94,839,931	93,216,011
	98,733,062	100,814,741
LIABILITIES		
Accrued expenses	172,294	169,639
Payable for units redeemed	493,444	358,059
Distributions payable	-	22,531
	665,738	550,229
NET ASSETS	$ 98,067,324	$ 100,264,512
NET ASSETS, BY SERIES		
Series A	$ 95,711,390	$ 97,704,359
Series F	2,355,934	2,560,153
	$ 98,067,324	$ 100,264,512
NUMBER OF UNITS OUTSTANDING (Note 4)		
Series A	4,583,046	5,114,462
Series F	112,583	134,107
NET ASSETS PER UNIT (Note 7)		
Canadian dollars		
Series A	$ 20.88	$ 19.10
Series F	$ 20.93	$ 19.09
U.S. dollars		
Series A	$ 20.49	$ 18.78
Series F	$ 20.54	$ 18.77

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

Francis Chou

Tracy Chou

CHOU RRSP FUND

STATEMENTS OF OPERATIONS

FOR THE SIX MONTHS ENDED JUNE 30, 2012 AND 2011

(Unaudited)

	2012	2011
INVESTMENT INCOME		
Dividends	$ 1,327,247	$ 672,199
Interest	480,515	1,068,346
Interest from securities lending	-	1,782
	1,807,762	1,742,327
EXPENSES		
Management fees (Note 6)	849,001	1,201,451
Custodian fees	77,402	97,395
Filing fees	7,280	7,240
Audit	6,469	8,505
Legal	3,768	-
Foreign withholding taxes	3,654	2,816
Independent Review Committee fees	3,590	3,790
FundSERV fees	1,820	4,614
	952,984	1,325,811
NET INVESTMENT INCOME FOR THE PERIOD	854,778	416,516
NET REALIZED AND UNREALIZED GAIN (LOSS) AND TRANSACTION COSTS		
Transaction costs	(30,176)	(15,804)
Net realized gain on sale of investments	24,583	3,663,390
Change in unrealized appreciation (depreciation) in value of investments	8,388,476	(13,038,519)
	8,382,883	(9,390,933)
INCREASE (DECREASE) IN NET ASSETS FROM OPERATIONS	$ 9,237,661	$ (8,974,417)
INCREASE (DECREASE) IN NET ASSETS FROM OPERATIONS		
Series A	$ 8,998,117	$ (8,738,508)
Series F	239,544	(235,909)
	$ 9,237,661	$ (8,974,417)
INCREASE (DECREASE) IN NET ASSETS FROM OPERATIONS, PER UNIT		
Series A	$ 1.86	$ (1.53)
Series F	$ 1.99	$ (1.53)

CHOU RRSP FUND

STATEMENTS OF CHANGES IN NET ASSETS

FOR THE SIX MONTHS ENDED JUNE 30, 2012 AND 2011

(Unaudited)

	2012	2011
SERIES A		
NET ASSETS, beginning of the period	$ 97,704,359	$ 145,169,805
Increase (decrease) in net assets from operations	8,998,117	(8,738,508)
Proceeds from issue of units	355,846	3,615,452
Payments on redemption of units	(11,346,932)	(13,464,427)
NET ASSETS, end of the period	95,711,390	126,582,322
SERIES F		
NET ASSETS, beginning of the period	2,560,153	3,748,582
Increase (decrease) in net assets from operations	239,544	(235,909)
Proceeds from issue of units	27,591	384,173
Payments on redemption of units	(471,354)	(499,523)
NET ASSETS, end of the period	2,355,934	3,397,323
TOTAL NET ASSETS, end of the period	$ 98,067,324	$ 129,979,645

CHOU RRSP FUND
STATEMENTS OF INVESTMENTS
AS AT JUNE 30, 2012
(Unaudited)

	No. of Shares or Par Value	Cost	Market Value
SHARES*			
Bank of America, warrants, Class A, Jan 16, 2019	1,050,400	$ 3,746,569	$ 3,767,099
Canfor Pulp Products Inc.	692,000	1,969,160	7,404,400
Clublink Enterprises Ltd.	193,600	1,077,639	1,324,224
Danier Leather Inc.	679,200	6,453,777	7,165,560
International Forest Products Ltd., Class A	1,025,500	6,098,755	5,219,795
MEGA Brands Inc.	480,900	4,732,518	3,005,625
MEGA Brands Inc., warrants, Mar 30, 2015	8,987,500	1,177,166	1,168,375
Overstock.com Inc.	715,500	14,906,146	5,037,295
Rainmaker Entertainment Inc.	2,536,800	5,227,610	431,256
Resolute Forest Products Inc.**	407,395	8,033,380	4,806,555
Ridley Inc.	313,200	2,511,607	2,555,712
Symetra Financial Corporation	174,000	2,673,000	2,239,042
Taiga Building Products Ltd.	501,700	667,261	341,156
The Brick Ltd.	6,397,000	1,150,000	26,291,670
Torstar Corporation, Class B	1,254,716	27,459,811	11,756,689
TVA Group Inc., Class B	733,128	10,931,044	5,315,178
		98,815,443	87,829,631
BONDS			
Abitibi-Consolidated Inc., debt stubs	49,297,000	-	251,132
Taiga Building Products Ltd., 14.0%, Sep 1, 2020	6,759,168	6,759,168	6,759,168
		6,759,168	7,010,300
TOTAL EQUITIES AND BONDS		105,574,611	94,839,931
TRANSACTION COSTS		(299,825)	-
PORTFOLIO TOTAL		$ 105,274,786	$ 94,839,931

* Common shares unless indicated otherwise
**AbitibiBowater changed its name to Resolute Forest Products Inc.

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 various 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 Fund. As of June 30, 2012, the Fund invested approximately 7% 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:

	June 30, 2012	**December 31, 2011**
Less than 1 year	$ 251,131	$ 250,665
1-3 years	$ 0	$ 0
3-5 years	$ 0	$ 0
Greater than 5 years	$ 6,759,169	$ 6,122,454

As at June 30, 2012, 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 $119,000.

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

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 90% of the Fund's Net Assets held at June 30, 2012 were publicly traded equities. If equity prices on the exchange had increased or decreased by 5% as at June 30, 2012, the Net Assets of the Fund would have increased or decreased by approximately $4,391,000, or 4.5% 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, 2012 are as follow:

	Financial Instruments ($)	Percentage of NAV (%)
United States Dollar	18,560,131	18.9%

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 financial liabilities (including accrued expenses, payable for units redeemed) that are denominated in foreign currencies do not expose the Fund to significant foreign currency risk.

As at June 30, 2012, 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 $185,000.

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

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 Funds were formed on the following dates:

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

2. SIGNIFICANT ACCOUNTING POLICIES

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

(a) Basis of Presentation

These financial statements, prepared in accordance with Canadian generally accepted accounting principles, include estimates and assumptions made by the Manager that may affect the reported amount of assets, liabilities, income and expenses during the reporting period. Actual results could materially differ from those estimates.

(b) Valuation of Investments

In accordance with CICA Handbook Section 3855, "Financial Instruments – Recognition and Measurement", investments are deemed to be held for trading, and are required to be recorded at fair value. The main impact of Section 3855 relates to the determination of the fair value of financial assets listed on an active market using the bid price for a long position and the ask price for a short position instead of the closing prices.

National Instrument 81-106 – Investment Fund Continuous Disclosure ("NI 81-106") requires all investment funds to calculate net asset value for all purposes other than financial statements in accordance with part 14.2. This requirement allows the Funds to report two distinct net asset values: one for the financial statements, which is calculated in accordance with Canadian GAAP called "GAAP Net Assets" (or "net assets"), and another called "Transactional NAV" (or "net asset value"). A reconciliation between GAAP Net Assets per unit and Transactional NAV per unit is provided in Note 7.

2. **SIGNIFICANT ACCOUNTING POLICIES,** continued

The fair value of the Funds' investments as at the financial reporting date is determined as follows:

All long securities listed on a recognized public stock exchange are valued at their last bid price at the end of each valuation date. All short securities listed on a recognized public stock exchange are valued at the last ask price on the valuation date. Securities that are traded on an over-the-counter market basis are priced at the last bid price as quoted by a major dealer.

Investments in securities having no quoted market values or in illiquid securities are valued using valuation techniques. Valuation techniques include, but are not limited to, referencing the current value of similar instruments, using recent arm's length market transactions, discounted cash flow analyses or other valuation models.

The fair value of certain securities may be estimated using valuation techniques based on assumptions that are not supported by observable market inputs. In a situation where, in the opinion of the Manager, a market quotation for a security is inaccurate, not readily available or does not accurately reflect fair value, the fair value is determined by the Manager.

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

Investments in underlying funds are valued at the series' net asset value per unit. If the net asset value is unavailable, the investment fund holdings are valued using the last published net asset value or at the fair value as determined by the Manager.

Short-term securities are valued using market quotations or amortized costs plus accrued interest, both of which approximate fair value.

Unlisted warrants are valued based on a pricing model which considers factors such as the market value of the underlying security, strike price, volatility and terms of the warrant.

Forward contracts are marked to market using last bid prices for long positions and the last ask price for short positions. Last trade price is used where bid and ask prices are not available.

The fair value of interest rate swap agreements is the estimated amount that the Funds would receive or pay to terminate the swap, taking into account current interest rates and the current credit worthiness of the swap counterparties.

2. SIGNIFICANT ACCOUNTING POLICIES, continued

Futures are valued using the last bid price for long positions and the last ask price for short positions. The settlement price is used where bid and ask prices are not available.

The fair value of investments and other assets and liabilities denominated in foreign currencies are translated into Canadian dollars at the rate of exchange established at noon on each valuation date. Under the Funds' fair pricing policy, when the rates of exchange established at 3 p.m. are materially different from the noon exchange rates on a given valuation date, the market value of investments and other assets and liabilities denominated in foreign currencies will be translated at the 3 p.m. exchange rates for that valuation date.

(c) Other Assets and Liabilities

Accrued interest and dividends receivable, receivable for units subscribed, due from brokers and other assets are designated as loans and receivables and are recorded at amortized cost. Similarly, accrued expenses, payable for units redeemed, due to brokers and other liabilities are designated as other financial liabilities and are reported at amortized cost. These balances are short-term in nature and therefore, amortized cost approximates fair value for these assets and liabilities.

(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.

(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 CICA Handbook Section 3855, transaction costs are expensed and are included in the Statements of Operations in "Transaction Costs".

(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.

2. SIGNIFICANT ACCOUNTING POLICIES, continued

(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.

Distributions from investments sold short are accrued as earned and are reported as a liability in the Statements of Net Assets in "Interest and dividends payable on investments sold short" and as an expense in the Statements of Operations in "Interest and dividend expense on investments sold short". The gain or loss that would be realized if, on the valuation date the short position were to be closed out, is reflected in the Statements of Operations in "Unrealized gain (loss) on investments" and in the Statements of Net Assets in " Investments sold short, at fair value". When the short position is closed out, gains and losses are realized and included in the Statements of Operations in "Net realized gain (loss) on sale of investments".

(h) Translation of Foreign Currency

The reporting currency for all the Funds is the Canadian dollar which is the functional currency since subscriptions and redemptions of units are primarily denominated in Canadian dollars. Any currency other than Canadian dollars represents foreign currency to the Funds. All funds offer series to the public in US dollars and the net assets attributed to these units are translated into US dollars at the exchange rate for that valuation day. The Canadian dollar and US dollar series net assets per unit as at the financial reporting date are reported in the Statements of Net Assets.

The fair value of investments and other assets and liabilities denominated in a foreign currency are translated into Canadian dollars at the rate of exchange which is current on the valuation date. Transactions denominated in a foreign currency are translated into Canadian dollars at the rate of exchange prevailing at the date of the transactions. Realized and unrealized foreign currency gains or losses on investments are included in the Statements of Operations in "Net realized gain (loss) on sale of investments" and "Unrealized gain (loss) on investments", respectively. Realized and unrealized foreign currency gains or losses on monetary assets and liabilities other than investments denominated in foreign currencies are included in the Statements of Operations in "Net realized and unrealized gain (loss) on investments".

2. SIGNIFICANT ACCOUNTING POLICIES, continued

(i) Derivative Transactions

The Manager may choose to use options, forward currency contracts, future contracts, and swaps to hedge against losses from changes in the prices of the Funds' investments and from exposure to foreign currencies or gain exposure to individual securities and markets 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 "Investments, at fair value" on the Statements of Net Assets. The unrealized gain or loss is reflected in the Statements of Operations 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 Net Assets. 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 Operations in "Net realized and unrealized gain (loss) on investments".

The gain or loss on sale or expiry of options is reflected in the Statements of Operations in "Income (loss) from derivatives".

Forward Currency Contracts

The change in value of forward currency contracts is included in the Statements of Operations in "Unrealized gain (loss) on investments" and in the Statements of Net Assets in "Unrealized gain (loss) on forward currency contracts". When a forward currency contract is closed out, gains and losses are realized and included in the Statements of Operations in "Net realized foreign exchange gain (loss)".

Future Contracts

The value of futures contracts fluctuates daily and cash settlements made daily by the Funds are equal to the unrealized gains or losses on a "mark to market" basis. All gains or losses are recorded and reported in the Statements of Operations in "Income (loss) from derivatives". Margin paid or deposited in respect of futures contracts is reflected in the Statements of Net Assets in "Margin deposited on derivatives". Any change in the variation margin requirement is settled daily.

2. SIGNIFICANT ACCOUNTING POLICIES, continued

Interest Rate Swaps

The value of a swap contract is the gain or loss that would be realized if, on the valuation date, the position were to be closed out. It is reflected in the Statements of Operations in "Unrealized gain (loss) on investments" and in the Statements of Net Assets in "Unrealized gain (loss) on other derivatives". When swap contracts are closed out, gains or losses are realized and are included in the Statements of Operations in "Income (loss) from derivatives".

Credit Default Swaps

The change in value of a swap contract is included in the Statements of Operations in "Unrealized gain (loss) on investments" and in the Statements of Net Assets in "Unrealized gain (loss) on other derivatives. When swap contracts are closed out, gains or losses are realized and included in the Statements of Operations in "Income (loss) from derivatives".

(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.

(k) Valuation of Fund Units

The net asset value per unit of each series of units of each Fund is computed by dividing the net asset value of a series of units by the total number of units of the series outstanding at the time. The net asset value per unit is 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.

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. CICA Handbook Section 3862 and Section 3863 disclosures that are specific to each of the Funds are presented in the Discussion on Financial Risk Management under the Statement 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 Statement 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 derivatives 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.

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.

4. UNITHOLDER CAPITAL

The Manager considers the Funds' capital to consist of unitholders' equity representing the net assets. 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 units, other than minimum subscription requirements. The Funds endeavor to invest the subscriptions received in appropriate investments while maintaining sufficient liquidity to meet redemptions. Unitholders are entitled to distributions when declared. Distributions on units of a Fund are reinvested in additional units of the Fund or at the option of the unitholders, paid in cash. Units of the Funds are redeemable at the option of the unitholders in accordance with the prospectus.

	Series A		Series F	
	2012	**2011**	**2012**	**2011**
CHOU ASSSOCIATES FUND				
Units outstanding, beginning of the period	5,561,339	6,163,099	390,159	397,040
Add: Units issued during the period	52,093	140,115	23,161	48,412
Deduct: Units redeemed during the period	(525,196)	(441,521)	(76,261)	(23,460)
Units outstanding before income distribution	5,088,236	5,861,693	337,059	421,992
Add: Units issued on reinvested income	-	-	-	-
Units outstanding, end of the period	5,088,236	5,861,693	337,059	421,992
CHOU ASIA FUND				
Units outstanding, beginning of the period	3,348,296	3,970,464	158,974	211,782
Add: Units issued during the period	14,204	97,406	3,800	25,745
Deduct: Units redeemed during the period	(364,570)	(552,485)	(26,957)	(57,094)
Units outstanding before income distribution	2,997,930	3,515,385	135,817	180,433
Add: Units issued on reinvested income	-	-	-	-
Units outstanding, end of the period	2,997,930	3,515,385	135,817	180,433
CHOU EUROPE FUND				
Units outstanding, beginning of the period	964,369	1,003,677	3,858	120,856
Add: Units issued during the period	12,537	23,801	2,103	-
Deduct: Units redeemed during the period	(45,873)	(65,237)	-	(44,962)
Units outstanding before income distribution	931,033	962,241	5,961	75,894
Add: Units issued on reinvested income	-	-	-	-
Units outstanding, end of the period	931,033	962,241	5,961	75,894

4. UNITHOLDER CAPITAL, continued

	Series A		Series F	
	2012	**2011**	**2012**	**2011**
CHOU BOND FUND				
Units outstanding, beginning of the period	5,091,719	5,575,084	1,181,760	1,559,793
Add: Units issued during the period	88,837	216,883	7,033	154,356
Deduct: Units redeemed during the period	(660,167)	(1,058,617)	(144,900)	(204,301)
Units outstanding before income distribution	4,520,389	4,733,350	1,043,893	1,509,848
Add: Units issued on reinvested income	-	-	-	-
Units outstanding, end of the period	4,520,389	4,733,350	1,043,893	1,509,848
CHOU RRSP FUND				
Units outstanding, beginning of the period	5,114,462	5,910,060	134,107	152,729
Add: Units issued during the period	16,990	143,361	1,342	15,237
Deduct: Units redeemed during the period	(548,406)	(543,659)	(22,866)	(20,474)
Units outstanding before income distribution	4,583,046	5,509,762	112,583	147,492
Add: Units issued on reinvested income	-	-	-	-
Units outstanding, end of the period	4,583,046	5,509,762	112,583	147,492

5. DUE TO RELATED PARTY

Included in accrued expenses of each fund are the following amounts due to Chou Associates Management Inc., for management fees payable:

	June 2012	**Dec 2011**
Chou Associates Fund	$ 519,255	$ 562,842
Chou Asia Fund	56,842	66,745
Chou Europe Fund	-	-
Chou Bond Fund	45,658	53,393
Chou RRSP Fund	129,515	137,344

6. MANAGEMENT FEES AND EXPENSES

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.

7. RECONCILIATION OF TRANSACTIONAL NAV TO GAAP NET ASSETS

The table below provides a comparison of the GAAP Net Assets per unit and Transactional NAV per unit. The primary reason for the difference between the GAAP Net Assets per unit and Transactional NAV per unit is described in Note 2.

		Net Asset Value ($)			Net Asset Value per Unit ($)		
	Series	Transactional NAV	Section 3855 Adjustment	GAAP Net Assets	Transactional NAV	Section 3855 Adjustment	GAAP Net Assets
Chou Associates	A	380,343,317	(159,370)	380,183,947	74.75	(0.03)	74.72
Fund	F	25,185,376	(10,578)	25,174,798	74.72	(0.03)	74.69
Chou Asia	A	40,278,794	(55,753)	40,223,041	13.44	(0.02)	13.42
Fund	F	1,833,535	(2,525)	1,831,010	13.50	(0.02)	13.48
Chou Europe	A	6,935,654	(14,280)	6,921,374	7.45	(0.02)	7.43
Fund	F	44,867	(92)	44,775	7.53	(0.02)	7.51
Chou Bond	A	36,695,194	(51,929)	36,643,265	8.12	(0.01)	8.11
Fund	F	8,487,381	(12,006)	8,475,375	8.13	(0.01)	8.12
Chou RRSP	A	96,383,272	(671,882)	95,711,390	21.03	(0.15)	20.88
Fund	F	2,372,342	(16,408)	2,355,934	21.07	(0.14)	20.93

8. BROKERS' COMMISSIONS

Total commissions paid to brokers in connection with portfolio transactions for the period ended June 30, 2012 and for the period ended June 30, 2011 are as follows:

	2012	2011
Chou Associates Fund	$ 211,231	$ 200,652
Chou Asia Fund	2,627	16,646
Chou Europe Fund	-	356
Chou Bond Fund	1,819	-
Chou RRSP Fund	30,176	15,804

9. 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, 2012 and December 31, 2011 are as follows:

June 2012	Market Value of Securities on Loan	Market Value of Collateral Received
Chou Associates Fund	$ 86,288,401	$ 89,395,981

Dec 2011	Market Value of Securities on Loan	Market Value of Collateral Received
Chou Associates Fund	$ 50,618,523	$ 52,332,198

10. RELATED PARTY TRANSACTIONS

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.

11. FAIR VALUE MEASUREMENT

In June 2009, the Canadian Accounting Standards Board incorporated amendments to International Financial Reporting Standards 7, Financial Instruments: Disclosures, into CICA Handbook Section 3862, "Financial Instruments – Disclosures". The amendments expand the disclosures required in respect of fair value measurements recognized in the financial statements. The fair value hierarchy has the following levels:

- 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, 2012

Chou Associates Fund	Level 1	Level 2	Level 3	Total
Equities - Long	$ 300,841,076	$ -	$ 1,963,945	$ 302,805,021
Bonds	-	52,940,361	13,938	52,954,299
	300,841,076	52,940,361	1,977,883	355,759,320
Options - Short	-	-	-	-
Total	**$ 300,841,076**	**$ 52,940,361**	**$ 1,977,883**	**$ 355,759,320**

As at December 31, 2011

Chou Associates Fund	Level 1	Level 2	Level 3	Total
Equities - Long	$ 276,024,083	$ -	$ 2,010,716	$ 278,034,799
Bonds	-	55,289,222	13,912	55,303,134
	276,024,083	55,289,222	2,024,628	333,337,933
Options - Short	-	-	-	-
Total	**$ 276,024,083**	**$ 55,289,222**	**$ 2,024,628**	**$ 333,337,933**

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

Fair value measurements using level 3 inputs:	Equities – Long	Bonds	Total
Balance at December 31, 2011	$ 2,010,716	$ 13,912	$ 2,024,628
Investments purchased during the period	-	-	-
Investments sold 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	(46,771)	26	(46,745)
Balance at June 30, 2012	**$ 1,963,945**	**$ 13,938**	**$ 1,977,883**

11. FAIR VALUE MEASUREMENT, continued

As at June 30, 2012

Chou Asia Fund	Level 1	Level 2	Level 3	Total
Equities - Long	$ 24,775,215	$ -	$ -	$ 24,775,215
Bonds	-	-	-	-
	24,775,215	-	-	24,775,215
Options - Short	-	-	-	-
Total	**$ 24,775,215**	**$ -**	**$ -**	**$ 24,775,215**

As at December 31, 2011

Chou Asia Fund	Level 1	Level 2	Level 3	Total
Equities - Long	$ 30,504,004	$ -	$ -	$ 30,504,004
Bonds	-	-	-	-
	30,504,004	-	-	30,504,004
Options - Short	-	-	-	-
Total	**$ 30,504,004**	**$ -**	**$ -**	**$ 30,504,004**

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

As at June 30, 2012

Chou Europe Fund	Level 1	Level 2	Level 3	Total
Equities - Long	$ 5,921,949	$ -	$ -	$ 5,921,949
Bonds	-	627,974	-	627,974
	5,921,949	627,974	-	6,549,923
Options - Short	-	-	-	-
Total	**$ 5,921,949**	**$ 627,974**	**$ -**	**$ 6,549,923**

As at December 31, 2011

Chou Europe Fund	Level 1	Level 2	Level 3	Total
Equities - Long	$ 5,587,689	$ -	$ -	$ 5,587,689
Bonds	-	864,131	-	864,131
	5,587,689	864,131	-	6,451,820
Options - Short	-	-	-	-
Total	**$ 5,587,689**	**$ 864,131**	**$ -**	**$ 6,451,820**

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

11. FAIR VALUE MEASUREMENT, continued

As at June 30, 2012

Chou Bond Fund	Level 1	Level 2	Level 3	Total
Equities - Long	$ 6,428,047	$ -	$ -	$ 6,428,047
Bonds	-	37,765,200	-	37,765,200
	6,428,047	37,765,200	-	44,193,247
Options - Short	-	-	-	-
Total	**$ 6,428,047**	**$ 37,765,200**	**$ -**	**$ 44,193,247**

As at December 31, 2011

Chou Bond Fund	Level 1	Level 2	Level 3	Total
Equities - Long	$ 9,239,932	$ 604,004	$ -	$ 9,843,936
Bonds	-	38,867,825	-	38,867,825
	9,239,932	39,471,829	-	48,711,761
Options - Short	-	-	-	-
Total	**$ 9,239,932**	**$ 39,471,829**	**$ -**	**$ 48,711,761**

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

As at June 30, 2012

Chou RRSP Fund	Level 1	Level 2	Level 3	Total
Equities - Long	$ 82,514,453	$ 5,315,178	$ -	$ 87,829,631
Bonds	-	6,759,169	251,131	7,010,300
	82,514,453	12,074,347	251,131	94,839,931
Options - Short	-	-	-	-
Total	**$ 82,514,453**	**$ 12,074,347**	**$ 251,131**	**$ 94,839,931**

As at December 31, 2011

Chou RRSP Fund	Level 1	Level 2	Level 3	Total
Equities - Long	$ 82,395,391	$ 4,447,502	$ -	$ 86,842,893
Bonds	-	6,122,454	250,664	6,373,118
	82,395,391	10,569,956	250,664	93,216,011
Options - Short	-	-	-	-
Total	**$ 82,395,391**	**$ 10,569,956**	**$ 250,664**	**$ 93,216,011**

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

11. FAIR VALUE MEASUREMENT, continued

Chou RRSP Fund, continued

Fair value measurements using level 3 inputs:	Equities – Long	Bonds	Total
Balance at December 31, 2011	$ -	$ 250,664	$ 250,664
Investments purchased during the period	-	-	-
Investments sold 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	-	467	467
Balance at June 30, 2012	**$ -**	**$ 251,131**	**$ 251,131**

12. 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.

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 Associates Fund	$ 14,031,057
Chou Europe Fund	$ 2,679,194
Chou Bond Fund	$ 11,902,021
Chou RRSP Fund	$ 28,721,215

(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.

12. TAXES, continued

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.

13. CHANGEOVER TO INTERNATIONAL FINANCIAL REPORTING STANDARDS

In accordance with the Canadian Accounting Standards Board proposals, effective January 1, 2011, International Financial Reporting Standards ("IFRS") will replace Canadian GAAP for publicly accountable enterprises, which includes investment funds. However, in December 2011, the Canadian Accounting Standards Board approved a deferral of the effective date for the changeover to IFRS for investment funds to January 1, 2014.

The Manager has already initiated the process of developing its IFRS changeover plan by performing an impact assessment and identifying differences between current Canadian GAAP and IFRS. The process of evaluating the potential impact of IFRS on the financial statements is ongoing as the International Accounting Standards Board and the Canadian Accounting Standards Board continue to issue new standards and recommendations.

The Manager will continue to evaluate potential changes to the financial statements along with the impact on accounting policies, business functions, information technology and internal controls.

Based on the Manager's current evaluation of the differences between Canadian GAAP and IFRS, the Manager expects that the impact of IFRS on the Fund's financial statements will be additional disclosures and potentially different presentation of certain items. Further, the value used to determine the price of the Fund's units for purchase and redemption by clients (Transactional NAV) is not expected to be affected.

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 units
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
June 30, 2012				**$17,497**

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 units
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
June 30, 2012				**$9,290**

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 units
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
June 30, 2012				**$11,580**

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 units
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
June 30, 2012				**$88,583**

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

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

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

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