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

Annual Report for Years ended December 31, 2014 and 2013

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

CHOU ASSOCIATES FUND

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

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

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

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

PERFORMANCE OF THE FUNDS
(unaudited)

(Series A units) **December 31**

	2014	2013	2012	2011	2010	2009	2008
Chou Associates Fund							
Total Return	12.06%	41.33%	26.96%	-16.90%	19.21%	29.70%	-29.30%
Management Expense Ratio (MER)	1.81%	1.82%	1.86%	1.84%	1.79%	1.76%	1.73%
Portfolio turnover rate	7.73%	9.14%	16.58%	32.73%	11.29%	13.73%	21.58%
Net Assets, end of the year (in millions)	$557.5	$502.4	$ 426.9	$ 391.9	$ 530.6	$ 497.5	$ 440.6
Chou Asia Fund							
Total Return	7.59%	23.90%	-1.80%	-4.55%	10.41%	21.71%	-17.60%
Management Expense Ratio (MER)	1.80%	1.81%	1.89%	1.84%	1.81%	1.76%	1.72%
Portfolio turnover rate	0.00%	1.55%	4.53%	8.36%	9.48%	12.84%	13.51%
Net Assets, end of the year (in millions)	$39.2	$ 39.7	$ 37.7	$ 48.1	$ 62.1	$ 63.2	$ 57.8
Chou Europe Fund							
Total Return	0.94%	41.35%	27.24%	-4.90%	-0.85%	34.67%	-44.00%
Management Expense Ratio (MER)	1.90%	*0.13%	*0.20%	*0.17%	1.91%	1.80%	*-2.88%
Portfolio turnover rate	9.49%	0.00%	10.49%	14.53%	11.29%	40.06%	29.71%
Net Assets, end of the year (in millions)	$23.3	$ 18.9	$ 7.8	$ 6.5	$ 8.2	$ 8.8	$ 7.3
Chou Bond Fund							
Total Return	9.77%	23.75%	12.95%	-18.40%	32.69%	42.45%	-37.70%
Management Expense Ratio (MER)	1.41%	1.52%	1.45%	1.47%	1.43%	1.39%	*0.50%
Portfolio turnover rate	23.91%	13.42%	11.59%	33.88%	67.64%	61.00%	46.02%
Net Assets, end of the year (in millions)	$49.5	$ 42.2	$ 44.0	$ 50.1	$ 76.9	$ 71.0	$ 52.7
Chou RRSP Fund							
Total Return	14.20%	21.27%	34.15%	-20.73%	46.62%	27.80%	-42.40%
Management Expense Ratio (MER)	1.81%	1.82%	1.87%	1.83%	1.80%	1.77%	1.73%
Portfolio turnover rate	4.77%	11.50%	1.43%	2.96%	9.94%	27.54%	26.85%
Net Assets, end of the year (in millions)	$128.5	$ 122.3	$ 112.3	$ 100.0	$ 149.6	$ 119.0	$ 118.9

*Management fee after waivers and absorption
Please note that 'Net Assets' includes both Series A and Series F of the Funds

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CHOU ASSOCIATES FUND
(unaudited)

March 16, 2015

Dear Unitholders of Chou Associates Fund,

After the distribution of $0.71, the net asset value per unit ("NAVPU") of a Series A unit of Chou Associates Fund at December 31, 2014 was $124.19 compared to $111.46 at December 31, 2013, an increase of 12.1%; during the same period, the S&P 500 Total Return Index increased 24.2% in Canadian dollars. In $U.S., a Series A unit of Chou Associates Fund was up 2.7% while the S&P 500 Total Return Index returned 13.7%.

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

December 31, 2014 (Series A)	**1 Year**	**3 Years**	**5 Years**	**10 Years**	**15 Years**
Chou Associates ($CAN)	12.1%	26.2%	14.8%	8.3%	10.2%
S&P 500 ($CAN)	24.2%	25.8%	17.6%	7.3%	2.7%
Chou Associates ($U.S.)[1]	2.7%	20.8%	12.4%	8.6%	11.8%
S&P 500 ($U.S.)	13.7%	20.4%	15.4%	7.7%	4.2%

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

Factors Influencing the 2014 Results

The weakness of the Canadian dollar against the U.S. dollar had a positive impact on the results of the Fund. The difference in performance results between the NAVPU priced in Canadian dollars, versus U.S. dollars, is attributable to the fact that on December 31, 2013, one U.S. dollar was worth approximately $1.06 Canadian, whereas one year later, on December 31, 2014; one U.S. dollar was worth approximately $1.16 Canadian.

Positive contributors to the Fund's performance during the period ended December 31, 2014 included equity securities of Berkshire Hathaway Inc., Resolute Forest Products Inc., The Goldman Sachs Group and International Automotive Components, as well as Wells Fargo & Company warrants.

Securities of MBIA Inc., and Sanofi ADR were negative contributors to the Fund's performance during the same period.

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

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

PTGi Holdings Inc. changed its name to HC2 Holdings Incorporated, which were sold in their entirety. The Fund also sold all of its equity holdings of Actavis PLC.

A Tale of two Scenarios

I have been managing money since 1981 and one of the benefits of managing money for so long is that you get exposed to many financial and economic scenarios.

When I was thinking about the current market, I couldn't help but recall what happened over the fifteen year period 1966 to 1981. The Dow Jones Industrial Average, hit a high of approximately 1000 in 1966 and for the next fifteen years it would approach that level only to recede back again. Inflation, which was subdued in the 1960s, started to go up in the 1970s, the result of printing money in the 1960s to finance the war in Vietnam.

By 1980, the combination of high inflation and low GDP growth was the story of the day. Economists coined the term 'Stagflation'. When Paul Volcker was named Chairman of the Federal Reserve Board (Fed) in 1978, his first mandate was to tame inflation. By June 1981, the federal funds rate rose to 20%. Eventually in June 1982, a highly important economic measure - the prime interest rate, reached 21.5%. The 30-year bond hit a high of 15.2% yield when he put the brakes on money printing. The Dow tumbled, selling at a severe discount to the book value of the Dow.

At that time, I was wondering how much lower the market could go. This was how I looked at the scenario; the interest rate was so high that I felt it could not remain at that level for any extended period of time without just killing the economy. Volcker's mandate was to break the back of inflation, and when he did that, interest rates were bound to go lower. Even if they didn't, the market was incredibly cheap: approximately 6 times earnings and roughly 6% dividend yield. The Dow had been earning for a long time, on average, 13% on its equity and there was nothing to suggest that it was not going to earn the same in the future.

If interest rates went down, the end result would be that the companies would be worth a lot more. The discount rate that you use to discount future earning power is somewhat linked to the prevailing long term interest rate. When companies borrow money, the rate they pay, depending on their credit rating, is benchmarked to the prevailing interest rate plus or minus a few points.

The climate for investing in 1980 was one of extreme fear. For example, pension funds, as a group, invested only 9% of net investable assets in equities. In contrast, in 1971, 122% of net funds available were purchased into equities; in other words, they sold bonds, to buy more of the equities. Those who wanted to get into the investment field in the late 1970s and early 1980s were considered pariahs at the time, and were to be avoided at all social gatherings as one who would avoid the plague.

At that time I was getting totally immersed in the works of Benjamin Graham. I was hunting for every scrap piece of information I could find in the library on Benjamin Graham and Warren Buffett. Although I was new to the investment scene then, the scenario had the smell of sure success for any value investor. Not just a success but something that would enable you to cook up a grand career.

This is what I wrote in 1982, my first annual letter to my Unitholders.

"Is this the time to invest? Yes, definitely. Stocks, in this doom and gloom environment, are cheap by every historical standard...What I would propose in the future, if the market is more demoralized than what it is now, is that we should open this Fund to the public. There is no better time to invest aggressively. Stocks are selling at a substantial discount from book value and even during the Great Depression, the Dow Jones Industrial Average did not trade below book value for more than a few months... Companies in the United States are selling at giveaway prices."

The current scenario is totally the opposite. Some of the questions that bother me now are opposite to what was bothering me in 1981.

1) How low can interest rates go? In Europe, some sovereign bonds are trading at negative yields.

2) The Great Recession occurred in 2008, and now it is 2015 - that is seven long years. Although the recovery has been anemic, at least it's recovering.

3) The velocity of money for M2 is at an all-time low. This can be further highlighted if we hypothesize about what would happen if M2 moved back up to the historical average. If a regression to the mean were to occur – the price levels could be 25% higher than what it is today. Carrying this logic one step further, with the current levels of money-printing growing at approximately 7.2% annualized, this could see a potential price level increase of 50%, if the velocity of money were to move back up to the historical average.

No one can predict the future with any high degree of certainty, but you wonder, if the current policies continue for any extended period of time, when will the chickens come home to roost?

4) Deflationary forces are strong now; eventually, the supply and demand will bring everything into equilibrium as they work through their economic cycles, but you cannot 'un-print' money.

5) Stock prices are close to an all time high if measured by price to earnings ratio, premium to book value or current dividend yield.

6) Junk bonds, the biggest beneficiary of easy money, should be trading at 70, not at 100 cents on a dollar with a 5.5% coupon rate.

7) What happens to the bond and stock markets if interest rates start to rise? In Europe some sovereign bonds are selling at negative yields.

In 1981, I felt the economic conditions were such that you were set up for a huge success. You just needed the courage to load up the truck and buy everything in sight. By contrast current conditions make me feel that investors are being set up for a heartbreaking disappointment, especially for the unwary.

Sears Holdings
As we have indicated before, we believe that Sears Holdings is a misunderstood story. There are many moving parts but we believe Sears Holdings' intrinsic value lies in its real estate assets. It also has other valuable assets such as Kenmore, Craftsman and Diehard. Being a traditional department store has become a tough business during the last decade but, according to management, Sears is transitioning its historic focus on running a brick and mortar department store into a business that provides and delivers value by serving its members in the manner most convenient for them: whether in store, at home or through digital devices.

The value of its real estate allows Eddie Lampert, the controlling shareholder and CEO, the time and money to effect the changes. What Lampert is doing is the right thing to do, considering the possible outcomes – if it works, it'll be a multi-bagger; if the transformation does not work out as expected, we believe the real estate values are high enough that we would not lose money in our investment at current prices after netting out all liabilities. If real estate was the only play from Lampert's viewpoint, it seems that he would have liquidated the company a long time ago.

Caveat Emptor: With Sears announcing the REIT plans for part of their real estate holdings, which could be effected by the end of this year, those who bought Sears on the basis of that if the retail operations do not pan out, the value is covered by its real estate - that kind of reasoning will be less valid than before.

So, after the REIT transaction, you will be betting more on Sears' retail transformation, ostensibly called as 'SHOPYOURWAY'. If it doesn't work out, Lampert will be called 'LOSTYOURWAY', and so will be the investors who are still holding the stock.

The various bonds and debentures in Sears will also have less coverage than before. Lampert was smart enough to structure the debt in such a manner that if parts of Sears were spun off directly or through rights offerings, fraudulent conveyance laws wouldn't come into play.

Some of the debt like the one at Sears, Roebuck and Acceptance Corp. (SRAC) are guaranteed by Sears Holdings, but the assets of Lands' End, Sears Hometown and Sears Canada have flown the coop. On some of these transactions, Sears did receive the cash, and that may mitigate the argument of fraudulent conveyance laws. Unfortunately, the level at which cash is being consumed is unacceptable and if the transformation does not happen soon enough or is not sufficiently successful, it may make staying invested in Sears a highly risky investment, despite its vast real estate holdings.

There is one unusual quirk in the latest bond issuance with a coupon of 8%, maturing in 2019. It looks junior to the SRAC bonds but it gives the warrant holder the right to use this 8% bonds at 100 cents on a dollar to buy Sears Holdings stock at $28.41 per share. No wonder it is trading at 96 cents on a dollar versus 60 cents on a dollar for the SRAC bonds.

Debts at Negative Yields

I never thought that in my lifetime that we would ever see a situation in a developed economy when there is a negative yield on interest rates. A few weeks ago, Finland floated a five-year note at a negative yield. It sold 1 billion Euros worth of notes at an interest rate of negative 0.017%. In other words, noteholders or bondholders are willing to pay the government the privilege of holding its notes. And this is not an aberration. Countries like Germany, France, Sweden, Netherland, Belgium and Austria have seen their two-year sovereign debt trading at negative yields.

Not to be outdone, a corporate bond of Nestle 3/4% maturing in October of 2016 is also trading at a negative yield. So, you have come to this ridiculous situation where you can borrow money for free.

The question now is, how can one capitalize on the situation? There are several possible ways of doing that, but one way of seeking to take advantage of this type of situation is through an interest rate swap. An interest rate swap is a derivative contract between two counterparties whereby they agree to exchange one stream of interest payments for another, over a set period of time.

We are still considering the use of interest rate swaps and other similar derivatives. If we do use these contracts, we will do our best to quantify the risk of loss from these contracts and minimize losses if interest rates do not move in the manner that we anticipate. Of course, there is no guarantee that our use of these interest rate derivatives will work as intended or that we will accurately predict or analyze the direction of future interest rates.

We are starting to look at credit default swaps (CDS)
One way of assessing investors' appetite for risk is to check the prices of credit default swaps (CDS). In CDS, one party sells credit protection and the other party buys credit protection. Put another way, one party is selling insurance and the counterparty is buying insurance against the default of a specific third party's debt. If the protection buyer does not own debt issued by the third party, then CDS are more appropriately viewed as an investment transaction, rather than a hedging transaction, for the protection buyer notwithstanding the insurance-like features of a CDS. In most CDS, the protection buyer makes the premium payments over the life of the CDS, frequently on a quarterly basis.

We believe that CDS are starting to sell at prices that are becoming interesting. At recent prices, they appear to offer one of the potentially cheapest forms of insurance against market disruptions. We are continuing to monitor CDS prices and may potentially invest in CDS in the future. We are looking at who deals in such investments and we want to examine carefully what counterparty risk we may be exposed to. The mechanics of investing in CDS have changed somewhat from six years ago.

To make money in CDS, you don't need a default of the third party's debt. A dislocation in the economy or deterioration in the credit profile of the issuer may cause the CDS price to rise from these low levels. The negative aspect is that, like insurance, the premium paid for the protection erodes over time and may expire worthless. There is no guarantee that the Manager will make money for the Fund on any particular CDS or correctly predict an increase of value in any particular CDS.

Caution to the Investors
Investors should be advised that we run a highly focused portfolio. In addition, we may have securities that are non-U.S. and could be subjected to geopolitical risks, which may trump or at least negatively influence the financial performance of the company. Also, we may enter into some derivative contracts with regard to CDS and interest rate swaps. Because of these factors, the net asset value of the Fund can be volatile. However, we are not bothered by this volatility because our focus has always been, and continues to be, on how inexpensive we believe the investments are relative to their intrinsic value.

Other Matters

FOREIGN CURRENCY CONTRACTS: None existed at December 31, 2014.

CREDIT DEFAULT SWAPS: None existed at December 31, 2014.

CONSTANT MATURITY SWAPS: None existed at December 31, 2014.

U.S. DOLLAR VALUATION: Any investor who wishes to purchase the Chou Funds in $U.S. is now able to do so.

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

INDEPENDENT REVIEW COMMITTEE: The Manager has established an IRC as required by NI 81-107. The members of the IRC are Sandford Borins, Peter Gregoire and Joe Tortolano. The 2014 IRC Annual Report is available on our website www.choufunds.com.

As of March 16, 2015, the NAVPU of a Series A unit of the Fund was $132.93 and the cash position was approximately 26.1% of net assets. The Fund is up 7.0% from the beginning of the year. In $U.S., it is down 2.7%. While 2015 is off to a good start, please do not extrapolate these returns into the future.

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 judgments. The significant accounting policies that management believes are appropriate for the Chou Funds are described in note 2 to the financial statements.

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

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

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

Francis Chou

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INDEPENDENT AUDITORS' REPORT

To the Trustee and Unitholders of:

Chou Associates Fund
Chou Asia Fund
Chou Europe Fund
Chou Bond Fund
Chou RRSP Fund
(collectively the "Funds")

We have audited the accompanying financial statements of the Funds, which comprise the statements of financial position as at December 31, 2014, December 31, 2013 and January 1, 2013, the statements of comprehensive income, changes in net assets attributable to holders of redeemable units and cash flows for the years ended December 31, 2014 and December 31, 2013, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Funds as at December 31, 2014, December 31, 2013 and January 1, 2013, and their financial performance and their cash flows for the years ended December 31, 2014 and December 31, 2013 in accordance with International Financial Reporting Standards.

KPMG LLP

Chartered Professional Accountants, Licensed Public Accountants

March 20, 2015
Toronto, Canada

CHOU ASSOCIATES FUND

Statements of Financial Position

December 31, 2014, December 31, 2013 and January 1, 2013

	December 31, 2014	December 31, 2013 (Note 10)	January 1, 2013 (Note 10)
Assets			
Current assets:			
Financial assets at fair value through profit or loss	$ 345,994,347	$ 295,834,349	$ 318,004,822
Held-for-trading investments	51,653,088	39,626,972	23,187,360
Cash and cash equivalents	160,076,493	168,851,994	82,040,795
Receivable for units subscribed	368,864	310,439	44,973
Due from broker	–	–	3,064,154
Other receivable	361,591	319,525	165,880
Interest receivable	185,359	103,795	2,370,786
Dividends receivable	–	–	169,099
Total assets	558,639,742	505,047,074	429,047,869
Liabilities			
Current liabilities:			
Financial liabilities at fair value through profit or loss	–	568,087	–
Accrued expenses	1,171,148	1,200,536	1,024,296
Payable for units redeemed	528,777	380,891	539,191
Distributions payable	118,415	384,458	461,860
Total liabilities	1,818,340	2,533,972	2,025,347
Net assets attributable to unitholders of redeemable units	$ 556,821,402	$ 502,513,102	$ 427,022,522
Net assets attributable to unitholders of redeemable units:			
Series A	$ 513,815,498	$ 468,682,187	$ 402,199,264
Series F	43,005,904	33,830,915	24,823,258
	$ 556,821,402	$ 502,513,102	$ 427,022,522
Number of units outstanding (note 4):			
Series A	4,142,334	4,208,995	4,951,551
Series F	348,701	305,457	306,407
Net assets attributable to unitholders of redeemable units per unit (note 4):			
Canadian dollars:			
Series A	$ 124.04	$ 111.35	$ 81.23
Series F	123.33	110.76	81.01
U.S. dollars:			
Series A	106.88	104.72	81.66
Series F	106.27	104.16	81.44

See accompanying notes to financial statements.

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

Francis Chou

CHOU ASSOCIATES FUND

Statements of Comprehensive Income

Years ended December 31, 2014 and 2013

	2014	2013
		(Note 10)
Income:		
Interest for distribution purposes and other	$ 1,119,683	$ 976,815
Dividends	3,774,710	5,866,389
Securities lending income	3,852,694	2,868,166
Foreign currency gain on cash and other net assets	6,024,131	11,047,006
Other net changes in fair value of financial assets and financial liabilities at fair value through profit or loss:		
Net realized gain on financial assets at fair value through profit or loss	12,725,159	48,593,767
Net realized gain on held-for-trading investments	1,038,305	276,043
Change in unrealized appreciation on financial assets at fair value through profit or loss	29,348,634	92,587,258
Change in unrealized appreciation on held-for-trading investments	11,815,101	16,417,205
	69,698,417	178,632,649
Expenses:		
Management fees (note 5)	8,510,843	8,343,594
Custodian fees	561,705	587,500
Audit	54,750	88,889
Filing fees	45,625	50,100
Independent Review Committee fees	24,720	16,518
FundSERV fees	28,093	19,699
Legal fees	32,901	20,090
Foreign withholding taxes	193,097	609,911
Transaction costs	130,987	299,915
	9,582,721	10,036,216
Increase in net assets attributable to unitholders of redeemable units	$ 60,115,696	$ 168,596,433
Increase in net assets attributable to unitholders of redeemable units:		
Series A	$ 55,438,608	$ 158,725,306
Series F	4,677,088	9,871,127
	$ 60,115,696	$ 168,596,433
Increase in net assets attributable to unitholders of redeemable units per unit:		
Series A	$ 13.31	$ 33.05
Series F	13.77	33.92

See accompanying notes to financial statements.

CHOU ASSOCIATES FUND

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

Years ended December 31, 2014 and 2013

	2014	2013 (Note 10)
Series A		
Net assets attributable to unitholders of redeemable units, beginning of year	$ 468,682,187	$ 402,199,264
Increase in net assets attributable to unitholders of redeemable units	55,438,608	158,725,306
Proceeds from issue of units	33,224,005	26,355,749
Payments on redemption of units	(43,470,813)	(118,382,706)
Distributions of income to unitholders:		
Investment income	(2,924,575)	(605,233)
Capital gains	–	(12,860,471)
Reinvested distributions	2,866,086	13,250,278
Net assets attributable to unitholders of redeemable units, end of year	513,815,498	468,682,187
Series F		
Net assets attributable to unitholders of redeemable units, beginning of year	33,830,915	24,823,258
Increase in net assets attributable to unitholders of redeemable units	4,677,088	9,871,127
Proceeds from issue of units	14,063,642	5,717,985
Payments on redemption of units	(9,504,333)	(6,413,776)
Distributions of income to unitholders:		
Investment income	(483,874)	(298,242)
Capital gains	–	(924,778)
Reinvested distributions	422,466	1,055,341
Net assets attributable to unitholders of redeemable units, end of year	43,005,904	33,830,915
Total net assets attributable to unitholders of redeemable units, end of year	$ 556,821,402	$ 502,513,102

See accompanying notes to financial statements.

CHOU ASSOCIATES FUND

Statements of Cash Flows

Years ended December 31, 2014 and 2013

	2014 (Note 10)	2013 (Note 10)
Cash flows from operating activities:		
Increase in net assets attributable to unitholders of redeemable units	$ 60,115,696	$ 168,596,433
Adjustments for:		
Foreign currency gain on cash and other net assets	(6,024,131)	(11,047,006)
Net realized gain on investments	(13,763,464)	(48,869,810)
Change in unrealized appreciation on investments and derivatives	(41,163,735)	(109,004,463)
Change in non-cash operating working capital:		
Decrease (increase) in interest receivable	(81,564)	2,266,991
Decrease in dividends receivable	–	169,099
Increase in other receivable	(42,066)	(153,645)
Increase (decrease) in accrued expenses	(29,388)	176,240
Purchase of investments	(35,628,350)	(32,605,565)
Proceeds from sales of investments	27,801,348	199,842,940
Net cash generated from (used in) operating activities	(8,815,654)	169,371,214
Cash flows from financing activities:		
Distributions to unitholders of redeemable units, net of reinvested distributions	(385,940)	(460,507)
Proceeds from redeemable units issued	47,229,222	31,808,268
Amount paid on redemption of redeemable units	(52,827,260)	(124,954,782)
Net cash used in financing activities	(5,983,978)	(93,607,021)
Foreign currency gain on cash and other net assets	6,024,131	11,047,006
Increase (decrease) in cash and cash equivalents	(8,775,501)	86,811,199
Cash and cash equivalents, beginning of year	168,851,994	82,040,795
Cash and cash equivalents, end of year	$ 160,076,493	$ 168,851,994
Supplemental information:		
Interest received, net of withholding tax	$ 1,038,119	$ 3,243,806
Dividends received, net of withholding tax	3,581,613	5,425,577
Security lending income received	3,810,628	2,714,521

See accompanying notes to financial statements.

CHOU ASSOCIATES FUND

Schedule of Investments

December 31, 2014

	Number of shares or par value	Cost	Fair value
Equities - long*			
Berkshire Hathaway Inc., Class A	300	$ 31,639,834	$ 78,542,580
Chicago Bridge & Iron Company N.V.	67,446	2,967,433	3,285,963
Citigroup Inc.	410,000	10,358,742	25,751,689
International Automotive Components Group North America	1,094,922	120,506	1,270,713
MBIA Inc.	1,080,797	7,479,425	11,966,209
Nokia Corporation ADR	5,000,000	11,772,513	45,609,637
Olympus Re Insurance Company Limited	1,652,836	–	613,824
Overstock.com Inc.	430,295	8,660,596	12,119,931
Resolute Forest Products Inc.	3,065,567	51,050,651	62,651,899
Sanofi ADR	390,000	13,783,524	20,612,074
Sears Canada Inc.	482,319	5,170,600	5,384,849
Sears Holdings Corporation	896,088	32,418,538	34,297,730
Sears Hometown and Outlet Stores Inc.	1,322,209	24,776,606	20,178,549
The Goldman Sachs Group Inc.	75,000	9,384,141	16,871,214
		209,583,109	339,156,861
Held for trading			
General Motors Company, warrants, Class B, July 10, 2019	13,019	211,015	255,799
JPMorgan Chase & Company, warrants, Oct 28, 2018	1,126,347	13,927,767	26,797,244
Wells Fargo & Company, warrants, Oct 28, 2018	997,500	7,995,397	24,600,045
		22,134,179	51,653,088
Bonds - long			
R.H. Donnelley Inc., term loans, Dec 31, 2016	8,246,904	6,438,620	6,837,486
Total long		216,021,729	345,994,347
Total held for trading		22,134,179	51,653,088
Total investments		238,155,908	397,647,435
Transaction costs		(606,940)	–
Portfolio total		$ 237,548,968	$ 397,647,435

* Common shares unless indicated otherwise

See accompanying notes to financial statements.

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 Fund's securities is generally commensurate with the current price of the Fund's securities in relation to its intrinsic value as determined by the above factors. That approach is designed to provide an extra margin of safety, which in turn serves to reduce overall portfolio risk.

Risk management:

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

(a) Credit risk:

Credit risk is the risk that a counterparty to a financial instrument will fail to discharge a commitment that it has entered into with the Fund. As at December 31, 2014, the Fund invested approximately 1.2% (December 31, 2013 - 1.1%; January 1, 2013 - 8.7%) 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 Standard & Poor's and Fitch. These credit ratings denote that the company's financial position is weak and its bonds should be considered a speculative investment.

(b) Interest rate risk:

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

Debt instruments by maturity date:

	December 31, 2014	December 31, 2013	January 1, 2013
Less than 1 year	$ –	$ 5,801,248	$ 30,390,519
1 - 3 years	6,837,486	–	6,852,570
Greater than 5 years	–	–	–

Risk management (continued):

As at December 31, 2014, had interest rates 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 $206,000 (December 31, 2013 - $257,000; January 1, 2013 - $734,000).

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

(c) Other price risk:

Other price risk is the risk that the value of financial instruments will fluctuate as a result of changes in market prices (other than those arising from interest rate risk or currency risk) caused by factors specific to a security, its issuer or all factors affecting a market or a market segment. Approximately 60.9% (December 31, 2013 - 67.0%; January 1, 2013 - 71.0%) of the Fund's net assets held at December 31, 2014 were publicly traded equities. If equity prices on the exchange had increased or decreased by 5% as at December 31, 2014, the net assets of the Fund would have increased or decreased by approximately $16,958,000, or 3.0% (December 31, 2013 - $16,479,000, or 3.2%; January 1, 2013 - $15,193,000, or 3.6%) of the net assets, all other factors remaining constant.

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

(d) Foreign currency risk:

Currencies to which the Fund had exposure as at December 31, 2014, December 31, 2013 and January 1, 2013 are as follows:

December 31, 2014	Financial instruments	Percentage of NAV
United States dollar	$ 444,637,610	79.8

December 31, 2013	Financial instruments	Percentage of NAV
United States dollar	$ 430,951,722	85.8

January 1, 2013	Financial instruments	Percentage of NAV
United States dollar	$ 419,339,502	98.2

Risk management (continued):

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

If the Canadian dollar had strengthened or weakened by 1% in relation to all currencies, with all other variables held constant, net assets would have decreased or increased by approximately $4,443,000 (December 31, 2013 - $4,311,000; January 1, 2013 - $4,193,000).

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

CHOU ASIA FUND
(unaudited)

March 16, 2015,

Dear Unitholders of Chou Asia Fund,

After the distribution of $0.32, the net asset value per unit ("NAVPU") of a Series A unit of Chou Asia Fund at December 31, 2014 was $17.70 compared to $16.74 at December 31, 2013, an increase of 7.59%; during the same period, the MSCI AC (Morgan Stanley Capital International All Country) Asia Pacific Total Return Index in Canadian dollars returned 9.5%. In $U.S., a Series A unit of Chou Asia Fund was down 1.42% while the MSCI AC Asia Pacific Total Return Index returned 0.5%.

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

December 31, 2014 (Series A)	**1 Year**	**3 Years**	**5 Years**	**10 Years**
Chou Asia ($CAN)	7.6%	9.4%	6.6%	7.1%
MSCI AC Asia Pacific TR ($CAN)	9.5%	14.9%	7.9%	5.7%
Chou Asia ($U.S.)[2]	-1.4%	4.7%	4.5%	7.4%
MSCI AC Asia Pacific TR ($U.S.)	0.5%	9.9%	5.9%	6.1%

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

Factors Influencing the 2014 Results

The largest positive impact on the Fund stemmed from the weakness of the Canadian dollar vis-a-vis the Hong Kong dollar ($HK) on the NAVPU of the Fund. For example, on December 31, 2013, one $HK was worth approximately $0.14 Canadian, whereas one year later, on December 31, 2014, one $HK was worth approximately $0.15 Canadian.

BYD Electronic (International) Company, Pyne Gould Corporation Ltd, BYD Company Limited and China Yuchai International Limited were positive contributors to the Fund's performance.

Most of the declines came from the equity securities of Hanfeng Evergreen Inc., and Glacier Media Inc.

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

[2]The alternative method of purchasing Chou Asia Fund in $U.S. has been offered since September 2005. Performance for years prior to September 2005 is based on the $U.S. equivalent conversion of the results of the Chou Asia Fund ($CAN). The investments in the Chou Asia Fund ($CAN) are the same as the investments in Chou Asia Fund ($U.S.) except for the currency applied.

The Fund decreased its holdings in BYD Electronic (International) Company, and sold all its shares of Resolute Forest Products Inc., Sankyo Company Limited and UTStarcom Holdings Corporation.

China

We do not believe that China's economy is as healthy as the government wants us to think. Constant reminders are the huge sums of money that were put into building cities from the ground up, complete with highways, skyscrapers and shopping malls, ready for a city's population to move in. Over the years, we have seen many examples where these cities were built unnecessarily to maintain China's desired level of growth, but now remain eerily empty, without a soul in sight. I would be wary of investing in a company where the price of a commodity plays a significant role in the company's ability to make money.

Notwithstanding how we feel about China, if we do happen to find a bargain we feel is worth it, we will not hesitate to invest in it. As an example, we purchased BYD Electronic International, a company that researches, develops, and manufactures handset components for handset manufacturers, for an average cost price of approximately $HK1.83. Its stock price rose to $HK7.50 as at December 31, 2014. Similarly, we purchased BYD Company Limited for an average cost price of approximately $HK13.35, and on December 31, 2014, it stood at $HK30.35.

Japan

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

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

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

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

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

Other Matters

FOREIGN CURRENCY CONTRACTS: None existed at December 31, 2014.

CREDIT DEFAULT SWAPS: None existed at December 31, 2014.

CONSTANT MATURITY SWAPS: None existed at December 31, 2014.

U.S. DOLLAR VALUATION: Any investor who wishes to purchase the Chou Funds in $U.S. is now able to do so.

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

INDEPENDENT REVIEW COMMITTEE: The Manager has established an IRC as required by NI 81-107. The members of the IRC are Sandford Borins, Peter Gregoire and Joe Tortolano. The 2014 IRC Annual Report is available on our website www.choufunds.com.

As of March 16, 2015, the NAVPU of a Series A unit of the Fund was $19.58 and the cash position was approximately 39.3% of net assets. The Fund is up 10.6% from the beginning of the year. In $U.S., it is up 0.6%. While 2015 is off to a good start, please do not extrapolate these returns into the future.

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 Financial Position

December 31, 2014, December 31, 2013 and January 1, 2013

	December 31, 2014	December 31, 2013 (Note 10)	January 1, 2013 (Note 10)
Assets			
Current assets:			
Financial assets at fair value through profit or loss	$ 19,156,832	$ 24,245,031	$ 20,367,616
Cash and cash equivalents	20,023,286	15,497,629	17,458,211
Receivable for units subscribed	35,318	35,380	24,146
Other receivable	2,070	19,745	–
Dividends receivable	10,100	10,266	–
Total assets	39,227,606	39,808,051	37,849,973
Liabilities			
Current liabilities:			
Accrued expenses	61,732	77,997	82,227
Payable for units redeemed	5,673	20,595	49,870
Distributions payable	12,561	–	517
Total liabilities	79,966	98,592	132,614
Net assets attributable to unitholders of redeemable units	$ 39,147,640	$ 39,709,459	$ 37,717,359
Net assets attributable to unitholders of redeemable units:			
Series A	$ 37,324,196	$ 38,370,273	$ 36,646,830
Series F	1,823,444	1,339,186	1,070,529
	$ 39,147,640	$ 39,709,459	$ 37,717,359
Number of units outstanding (note 4):			
Series A	2,109,279	2,291,643	2,711,744
Series F	102,055	79,004	78,634
Net assets attributable to unitholders of redeemable units per unit (note 4):			
Canadian dollars:			
Series A	$ 17.70	$ 16.74	$ 13.51
Series F	17.87	16.95	13.61
U.S. dollars:			
Series A	15.25	15.74	13.58
Series F	15.40	15.94	13.68

See accompanying notes to financial statements.

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

Francis Chou

CHOU ASIA FUND

Statements of Comprehensive Income

Years ended December 31, 2014 and 2013

	2014	2013 (Note 10)
Income:		
Interest for distribution purposes and other	$ 4,840	$ 2,848
Dividends	454,163	501,341
Securities lending income	136,918	236,472
Foreign currency gain (loss) on cash and other net assets	1,124,566	(92,578)
Other net changes in fair value of financial assets and financial liabilities at fair value through profit or loss:		
Net realized gain on financial assets at fair value through profit or loss	1,228,609	519,315
Change in unrealized appreciation on investments and derivatives	713,168	7,841,701
	3,662,264	9,009,099
Expenses:		
Management fees (note 5)	657,820	634,763
Custodian fees	43,801	43,802
Audit	3,650	5,664
Filing fees	347	1,720
Independent Review Committee fees	1,978	1,351
FundSERV fees	577	860
Legal fees	991	–
Foreign withholding taxes	59,237	57,914
Transaction costs	15,479	12,282
	783,880	758,356
Increase in net assets attributable to unitholders of redeemable units	$ 2,878,384	$ 8,250,743
Increase in net assets attributable to unitholders of redeemable units:		
Series A	$ 2,785,938	$ 8,007,565
Series F	92,446	243,178
	$ 2,878,384	$ 8,250,743
Increase in net assets attributable to unitholders of redeemable units per unit:		
Series A	$ 1.29	$ 3.26
Series F	1.13	3.23

See accompanying notes to financial statements.

CHOU ASIA FUND

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

Years ended December 31, 2014 and 2013

	2014	2013 (Note 10)
Series A		
Net assets attributable to unitholders of redeemable units, beginning of year	$ 38,370,273	$ 36,646,830
Increase in net assets attributable to unitholders of redeemable units	2,785,938	8,007,565
Proceeds from issue of units	1,814,263	850,464
Payments on redemption of units	(5,636,420)	(7,134,586)
Distributions of income to unitholders:		
Capital gains	(654,367)	–
Reinvested distributions	644,509	–
Net assets attributable to unitholders of redeemable units, end of year	37,324,196	38,370,273
Series F		
Net assets attributable to unitholders of redeemable units, beginning of year	1,339,186	1,070,529
Increase in net assets attributable to unitholders of redeemable units	92,446	243,178
Proceeds from issue of units	838,038	414,467
Payments on redemption of units	(443,523)	(389,006)
Distributions of income to unitholders:		
Capital gains	(46,568)	–
Reinvested distributions	43,865	18
Net assets attributable to unitholders of redeemable units, end of year	1,823,444	1,339,186
Total net assets attributable to unitholders of redeemable units, end of year	$ 39,147,640	$ 39,709,459

See accompanying notes to financial statements.

CHOU ASIA FUND

Statements of Cash Flows

Years ended December 31, 2014 and 2013

		2014 (Note 10)		2013 (Note 10)
Cash flows from operating activities:				
Increase in net assets attributable to unitholders of redeemable units	$	2,878,384	$	8,250,743
Adjustments for:				
Foreign currency loss (gain) on cash and other net assets		(1,124,566)		92,578
Net realized gain on investments		(1,228,609)		(519,315)
Change in unrealized appreciation on investments and derivatives		(713,168)		(7,841,701)
Change in non-cash operating working capital:				
Decrease (increase) in dividends receivable		166		(10,266)
Decrease (increase) in other receivable		17,675		(19,745)
Decrease in accrued expenses		(16,265)		(4,230)
Purchase of investments		–		(389,173)
Proceeds from sales of investments		7,029,976		4,872,774
Net cash generated from operating activities		6,843,593		4,431,665
Cash flows from financing activities:				
Distributions to unitholders of redeemable units, net of reinvested distributions		–		(499)
Proceeds from redeemable units issued		2,652,363		1,253,697
Amount paid on redemption of redeemable units		(6,094,865)		(7,552,867)
Net cash used in financing activities		(3,442,502)		(6,299,669)
Foreign currency gain (loss) on cash and other net assets		1,124,566		(92,578)
Increase (decrease) in cash and cash equivalents		4,525,657		(1,960,582)
Cash and cash equivalents, beginning of year		15,497,629		17,458,211
Cash and cash equivalents, end of year	$	20,023,286	$	15,497,629
Supplemental information:				
Interest received, net of withholding tax	$	4,840	$	2,848
Dividends received, net of withholding tax		395,092		433,161
Security lending income received		154,593		216,727

See accompanying notes to financial statements.

CHOU ASIA FUND

Schedule of Investments

December 31, 2014

	Number of shares or par value	Cost	Fair value
Equities - long*			
AJIS Company Limited	15,200	$ 213,157	$ 270,756
BYD Company Limited, Class H	573,000	989,812	2,602,998
BYD Electronic (International) Company Limited	1,798,000	436,061	2,018,419
China Yuchai International Limited	25,537	341,981	563,103
Chunghwa Telecom Company Limited ADR	132,088	2,812,134	4,505,334
Glacier Media Inc.	505,007	1,363,645	757,511
Hanfeng Evergreen Inc.	95,850	228,548	4,793
PRONEXUS Inc.	657,500	3,093,387	4,773,909
Pyne Gould Corporation Limited	9,627,219	2,155,762	3,660,009
Total long		11,634,487	19,156,832
Total investments		11,634,487	19,156,832
Transaction costs		(8,331)	–
Portfolio total		$ 11,626,156	$ 19,156,832

*Common shares unless indicated otherwise

See accompanying notes to financial statements.

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

Risk management:

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

(a) Other price risk:

Other price risk is the risk that the value of financial instruments will fluctuate as a result of changes in market prices (other than those arising from interest rate risk or currency risk) caused by factors specific to a security, its issuer or all factors affecting a market or a market segment. Approximately 48.9% (December 31, 2013 - 61.0%; January 1, 2013 - 54.0%) of the Fund's net assets held at December 31, 2014 were publicly traded equities. If equity prices on the exchange had increased or decreased by 5% as at December 31, 2014, the net assets of the Fund would have increased or decreased by approximately $958,000, or 2.4% (December 31, 2013 - $1,211,000 or 3.0%; January 1, 2013 - $1,018,000 or 2.7%) of the net assets, all other factors remaining constant.

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

Risk management (continued):

(b) Foreign currency risk:

Currencies to which the Fund had exposure as at December 31, 2014, December 31, 2013 and January 1, 2013 are as follows:

December 31, 2014	Financial instruments	Percentage of NAV
Hong Kong dollar	$ 13,606,569	34.8
United States dollar	$ 7,745,128	19.8
Japanese yen	¥ 7,379,441	18.9
New Zealand dollar	$ 3,784,805	9.7
Singapore dollar	$ 152,822	0.4

December 31, 2013	Financial instruments	Percentage of NAV
Japanese yen	¥ 12,946,070	32.6
Hong Kong dollar	$ 10,678,997	26.9
United States dollar	$ 7,012,433	17.7
New Zealand dollar	$ 4,163,438	10.5
Singapore dollar	$ 146,899	0.4

January 1, 2013	Financial instruments	Percentage of NAV
United States dollar	$ 16,224,848	43.0
Japanese yen	¥ 12,039,391	31.9
Hong Kong dollar	$ 5,700,089	15.1
New Zealand dollar	$ 1,780,444	4.8
Singapore dollar	$ 142,016	0.4

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

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 $327,000 (December 31, 2013 - $350,000; January 1, 2013 - $359,000).

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

CHOU EUROPE FUND
(unaudited)

March 16, 2015

Dear Unitholders of Chou Europe Fund,

After the distribution of $0.02, the net asset value per unit ("NAVPU") of a Series A unit of Chou Europe Fund at December 31, 2014 was $11.72 compared to $11.62 at December 31, 2013, an increase of 0.94%; during the same period, the MSCI AC (Morgan Stanley Capital International All Country) Europe Total Return Index in Canadian dollars returned 2.2%. In $U.S., a Series A unit of Chou Europe Fund was down 7.51% while the MSCI AC Europe Total Return Index was down 6.5%.

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

December 31, 2014 (Series A)	**1 Year**	**3 Years**	**5 Years**	**10 Years**
Chou Europe ($CAN)	0.9%	22.0%	11.4%	3.1%
MSCI AC Europe TR ($CAN)	2.2%	16.9%	7.6%	4.8%
Chou Europe ($U.S.)[3]	-7.5%	16.3%	8.8%	3.3%
MSCI AC Europe TR ($U.S.)	-6.5%	11.8%	5.5%	5.2%

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

Factors Influencing the 2014 Results

The biggest impact on the results of the Fund stemmed from the weakness of the Canadian dollar against three major currencies: the U.S. dollar, the pound sterling and the Euro. The difference in performance results between the NAVPU priced in Canadian dollars, versus U.S. dollars, is attributable to the fact that on December 31, 2013, one U.S. dollar was worth approximately $1.06 Canadian, whereas one year later, on December 31, 2014, one U.S. dollar was worth approximately $1.16 Canadian. On December 31, 2013, one pound sterling was worth approximately $1.76 Canadian, whereas on December 31, 2014, one pound sterling was worth approximately $1.81 Canadian. And on December 31, 2013, one Euro was worth approximately $1.47 Canadian, whereas on December 31, 2014, one Euro was worth approximately $1.40 Canadian.

Positive contributors to the Fund's performance during the year ended December 31, 2014 included equity securities of Next PLC, AstraZeneca PLC, Ryanair Holdings PLC ADR, the

[3] The alternative method of purchasing Chou Europe Fund in $U.S. has been offered since September 2005. Performance for years prior to September 2005 is based on the $U.S. equivalent conversion of the results of the Chou Europe Fund ($CAN). The investments in the Chou Europe Fund ($CAN) are the same as the investments in Chou Europe Fund ($U.S.) except for the currency applied.

Bank of Ireland and Abbey PLC. The Canadian currency depreciated against the pound sterling, which also contributed to the positive performance of the Fund.

The Fund's largest equity decliners during the year were Sanofi ADR, BP PLC ADR, GlaxoSmithKline PLC and Heracles General Cement Company SA.

We received common shares of Verizon Communications Inc. due to a spinoff from Vodafone Group PLC ADR. In 2014, the Fund initiated new positions in Avangardco Investments, EFG Eurobank Ergasias, Intralot S.A. and Pharmstandard GDR. We also sold all our holdings in Vodafone Group PLC.

Portfolio Commentary
We were doing well in the first half of 2014 but in the second half some of our investments in Greece and Ukraine were impacted by geopolitical factors. In Greece, when the incumbent government announced a new election, there were fears after the election, about how the new government would deal with the austerity measures, relations with Europe and the EU, and how the Greek sovereign debts would be restructured. The stock market fell and almost all stocks were decimated including the ones we own. Some of them have recovered to our purchase price but Eurobank is substantially down from our cost price.

We have a small holding in the common shares Avangardco Investments. It is one of the leading agro-industrial companies in Ukraine, focusing on the production of shell eggs and egg products. According to the Pro-Consulting Report, it has a market share of approximately 57% of all industrially produced shell eggs and 91% of all dry egg products produced in Ukraine in 2013.

The stock is down but the company has a strong balance sheets and decent financial operations count, but we have to be cognizant of the fact that when investing in a country where there is a civil war fueled by Putin, geopolitics can trump solid financials.

However, the flip side is that you won't find a decent bargain unless the company or the environment they are operating in, has perceived serious issues. Baron Rothschild, a member of the famous Rothschild banking family, made a killing in the panic that ensued after the Battle of Waterloo against Napoleon. He is quoted to have said, "Buy when there's blood in the streets, *even if the blood is your own.*"

We believe that it is still too early to know whether our foray into Ukraine will continue to be unprofitable in the long term. So far, we think it is more likely to be a short-term quotational loss and not a permanent loss of capital.

Debts at Negative Yields
I never thought that in my lifetime that we would ever see a situation in a developed economy when there is a negative yield on interest rates. A few weeks ago, Finland floated a five-year note at a negative yield. It sold 1 billion Euros worth of notes at an interest rate of negative 0.017%. In other words, noteholders or bondholders are willing to pay the government for the privilege of holding its notes. And this is not an aberration. Countries like Germany, France, Sweden, Netherland, Belgium and Austria have seen their two-year sovereign debt trading at negative yields.

The question now is, how can one capitalize on the situation? There are several possible ways of doing that, but one way of seeking to take advantage of this type of situation is through an interest rate swap. An interest rate swap is a derivative contract between two counterparties whereby they agree to exchange one stream of interest payments for another, over a set period of time.

We are still considering the use of interest rate swaps and other similar derivatives. If we do use these contracts, we will do our best to quantify the risk of loss from these contracts and minimize losses if interest rates do not move in the manner that we anticipate. Of course, there is no guarantee that our use of these interest rate derivatives will work as intended or that we will accurately predict or analyze the direction of future interest rates.

Other Matters

FOREIGN CURRENCY CONTRACTS: None existed at December 31, 2014.

CREDIT DEFAULT SWAPS: None existed at December 31, 2014.

CONSTANT MATURITY SWAPS: None existed at December 31, 2014.

U.S. DOLLAR VALUATION: Any investor who wishes to purchase the Chou Funds in $U.S. is now able to do so.

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

INDEPENDENT REVIEW COMMITTEE: The Manager has established an IRC as required by NI 81-107. The members of the IRC are Sandford Borins, Peter Gregoire and Joe Tortolano. The 2014 IRC Annual Report is available on our website www.choufunds.com.

As of March 16, 2015, the NAVPU of a Series A unit of the Fund was $12.67 and the cash position was approximately 36.1% of net assets. The Fund is up 8.1% from the beginning of the year. In $U.S., it is down 1.7%. While 2015 is off to a positive start, please do not extrapolate these returns into the future.

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

Yours truly,

Francis Chou

Francis Chou
Fund Manager

CHOU EUROPE FUND

Statements of Financial Position

December 31, 2014, December 31, 2013 and January 1, 2013

	December 31, 2014	December 31, 2013 (Note 10)	January 1, 2013 (Note 10)
Assets			
Current assets:			
Financial assets at fair value through profit or loss	$ 14,151,438	$ 8,430,391	$ 6,243,824
Cash and cash equivalents	9,250,100	10,159,297	1,547,846
Receivable for units subscribed	39,335	322,783	20,000
Dividends receivable	25,667	22,818	20,988
Total assets	23,466,540	18,935,289	7,832,658
Liabilities			
Current liabilities:			
Accrued expenses	36,515	3,407	5,886
Payable for units redeemed	175,091	41,135	–
Distributions payable	4,762	10,231	5,117
Total liabilities	216,368	54,773	11,003
Net assets attributable to unitholders of redeemable units	$ 23,250,172	$ 18,880,516	$ 7,821,655
Net assets attributable to unitholders of redeemable units:			
Series A	$ 20,884,225	$ 17,951,190	$ 7,803,332
Series F	2,365,947	929,326	18,323
	$ 23,250,172	$ 18,880,516	$ 7,821,655
Number of units outstanding (note 4):			
Series A	1,785,202	1,544,393	937,889
Series F	200,686	79,132	2,180
Net assets attributable to unitholders of redeemable units per unit (note 4):			
Canadian dollars:			
Series A	$ 11.70	$ 11.62	$ 8.32
Series F	11.79	11.74	8.41
U.S. dollars:			
Series A	10.08	10.93	8.36
Series F	10.16	11.04	8.45

See accompanying notes to financial statements.

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

Francis Chou

CHOU EUROPE FUND

Statements of Comprehensive Income

Years ended December 31, 2014 and 2013

	2014	2013 (Note 10)
Income:		
Interest for distribution purposes and other	$ 13,954	$ 294
Dividends	454,035	254,778
Foreign currency gain on cash and other net assets	98,011	213,642
Other net changes in fair value of financial assets and financial liabilities at fair value through profit or loss:		
Net realized gain on fair value of financial assets at fair value through profit or loss	625,678	502,488
Change in unrealized appreciation (depreciation) on fair value of financial assets at fair value through profit or loss	(1,042,218)	2,883,043
	149,460	3,854,245
Expenses:		
Management fees (note 5)	412,946	202,262
Custodian fees	47,890	13,900
Audit	605	563
Filing fees	3,044	420
Independent Review Committee fees	1,088	327
FundSERV fees	1,244	482
Legal fees	1,306	–
Foreign withholding taxes	37,007	22,487
Transaction costs	5,925	1,038
Total expenses before manager absorption	511,055	241,479
Less expense absorbed by the manager	–	(202,262)
Total expenses after manager absorption	511,055	39,217
Increase (decrease) in net assets attributable to unitholders of redeemable units	$ (361,595)	$ 3,815,028
Increase (decrease) in net assets attributable to unitholders of redeemable units:		
Series A	$ (234,394)	$ 3,775,504
Series F	(127,201)	39,524
	$ (361,595)	$ 3,815,028
Increase (decrease) in net assets attributable to unitholders of redeemable units per unit:		
Series A	$ (0.13)	$ 3.30
Series F	(0.83)	2.64

See accompanying notes to financial statements.

CHOU EUROPE FUND

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

Years ended December 31, 2014 and 2013

	2014	2013 (Note 10)
Series A		
Net assets attributable to unitholders of redeemable units, beginning of year	$ 17,951,190	$ 7,803,332
Increase (decrease) in net assets attributable to unitholders of redeemable units	(234,394)	3,775,504
Proceeds from issue of units	9,523,946	7,843,566
Payments on redemption of units	(6,355,311)	(1,459,878)
Distributions of income to unitholders:		
Investment income	(28,517)	(205,855)
Reinvested distributions	27,311	194,521
Net assets attributable to unitholders of redeemable units, end of year	20,884,225	17,951,190
Series F		
Net assets attributable to unitholders of redeemable units, beginning of year	929,326	18,323
Increase (decrease) in net assets attributable to unitholders of redeemable units	(127,201)	39,524
Proceeds from issue of units	2,195,879	871,662
Payments on redemption of units	(628,501)	–
Distributions of income to unitholders:		
Investment income	(24,733)	(10,686)
Reinvested distributions	21,177	10,503
Net assets attributable to unitholders of redeemable units, end of year	2,365,947	929,326
Total net assets attributable to unitholders of redeemable units, end of year	$ 23,250,172	$ 18,880,516

See accompanying notes to financial statements.

CHOU EUROPE FUND

Statements of Cash Flows

Years ended December 31, 2014 and 2013

		2014		2013
		(Note 10)		(Note 10)
Cash flows from operating activities:				
Increase (decrease) in net assets attributable to unitholders of redeemable units	$	(361,595)	$	3,815,028
Adjustments for:				
Foreign currency gain on cash and other net assets		(98,011)		(213,642)
Net realized gain on investments		(625,678)		(502,488)
Change in unrealized depreciation (appreciation) on investments and derivatives		1,042,218		(2,883,043)
Change in non-cash operating working capital:				
Increase in dividends receivable		(2,849)		(1,830)
Increase (decrease) in accrued expenses		33,108		(2,480)
Purchase of investments		(7,465,014)		–
Proceeds from sales of investments		1,327,427		1,198,964
Net cash generated from (used in) operating activities		(6,150,394)		1,410,509
Cash flows from financing activities:				
Distributions to unitholders of redeemable units, net of reinvested distributions		(10,231)		(6,403)
Proceeds from redeemable units issued		12,003,273		8,412,446
Amount paid on redemption of redeemable units		(6,849,856)		(1,418,743)
Net cash generated from financing activities		5,143,186		6,987,300
Foreign currency gain on cash and other net assets		98,011		213,642
Increase (decrease) in cash and cash equivalents		(909,197)		8,611,451
Cash and cash equivalents, beginning of year		10,159,297		1,547,846
Cash and cash equivalents, end of year	$	9,250,100	$	10,159,297
Supplemental information:				
Interest received, net of withholding tax	$	13,954	$	294
Dividends received, net of withholding tax		414,179		230,461

See accompanying notes to financial statements.

CHOU EUROPE FUND

Schedule of Investments

December 31, 2014

	Number of shares or par value	Cost	Fair value
Equities - long*			
Abbey PLC	33,005	$ 237,128	$ 504,240
AstraZeneca PLC	13,000	701,770	1,070,526
Avangardco Investments Public Limited	120,000	1,081,819	268,087
BP PLC ADR	10,000	313,497	442,170
EFG Eurobank Ergasias	5,000,000	2,356,029	1,312,926
GlaxoSmithKline PLC	18,000	491,338	447,722
Heracles General Cement Company S.A.	59	292	99
Intralot S.A.	717,575	1,659,636	1,078,151
Next PLC	18,000	581,417	2,219,090
OTCPharm PJSC	235,938	–	410,727
Pharmstandard GDR	177,605	1,385,014	1,240,840
Ryanair Holdings PLC ADR	17,000	478,533	1,406,111
Sanofi ADR	20,000	884,092	1,057,029
The Governor and Company of the Bank of Ireland	3,400,000	383,114	1,494,348
Trastor Real Estate Investment Company	854,133	797,009	1,199,372
Total long		11,350,688	14,151,438
Total investments		11,350,688	14,151,438
Transaction costs		(2,623)	–
Portfolio total		$ 11,348,065	$ 14,151,438

*Common shares unless indicated otherwise

See accompanying notes to financial statements.

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 Fund's securities is generally commensurate with the current price of the Fund's securities in relation to its intrinsic value as determined by the above factors. That approach is designed to provide an extra margin of safety, which in turn serves to reduce overall portfolio risk.

Financial risk management:

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

(a) Other price risk:

Other price risk is the risk that the value of financial instruments will fluctuate as a result of changes in market prices (other than those arising from interest rate risk or currency risk) caused by factors specific to a security, its issuer or all factors affecting a market or a market segment. Approximately 60.9% (December 31, 2013 - 44.6%; January 1, 2013 - 79.8%) of the Fund's net assets held at December 31, 2014 were publicly traded equities. If equity prices on the exchange had increased or decreased by 5% as at December 31, 2014, the net assets of the Fund would have increased or decreased by approximately $707,000, or 3.0% (December 31, 2013 - $421,000, or 2.2%; January 1, 2013 - $312,000, or 4.0%) of the net assets, all other factors remaining constant.

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

Financial risk management (continued):

(b) Foreign currency risk:

Currencies to which the Fund had exposure as at December 31, 2014, December 31, 2013 and January 1, 2013 are as follows:

December 31, 2014	Financial instruments	Percentage of NAV
Euro currency	€ 5,769,586	24.8
United States dollar	$ 5,154,980	22.2
Sterling pound	£ 3,737,337	16.1

December 31, 2013	Financial instruments	Percentage of NAV
United States dollar	$ 4,429,795	23.5
Sterling pound	£ 3,588,285	19.0
Euro currency	€ 3,597,532	19.1

January 1, 2013	Financial instruments	Percentage of NAV
United States dollar	$ 3,164,353	40.5
Sterling pound	£ 2,372,308	30.3
Euro currency	€ 2,020,156	25.8

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

As at December 31, 2014, if the Canadian dollar had strengthened or weakened by 1% in relation to all currencies with all other variables held constant, net assets would have decreased or increased by approximately $147,000 (December 31, 2013 - $116,000; January 1, 2013 - $54,000).

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

CHOU BOND FUND

(unaudited)

March 16, 2015,

Dear Unitholders of Chou Bond Fund,

After the distribution of $0.62, the net asset value per unit ("NAVPU") of a Series A unit of Chou Bond Fund at December 31, 2014 was $9.96 compared to $9.64 at December 31, 2013, an increase of 9.77%; during the same period, Barclays' U.S. High Yield Index ($CAN) returned 11.3%. In $U.S., a Series A unit of Chou Bond Fund was up 0.58% while the Barclays U.S. Corporate High Yield Index returned 2.5%.

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

December 31, 2014 (Series A)	**1 Year**	**3 Years**	**5 Years**	**Since Inception**
Chou Bond ($CAN)	9.8%	15.3%	10.7%	6.7%
Barclays' U.S. High Yield ($CAN)	11.3%	13.2%	11.2%	7.8%
Chou Bond ($U.S.) [4]	0.6%	10.4%	8.4%	6.8%
Barclays' U.S High Yield ($U.S.)	2.5%	8.4%	9.0%	8.2%

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

Factors Influencing the 2014 Results

The biggest impact on the results of the Fund stemmed from the weakness of the Canadian dollar against the U.S. dollar which had a large positive impact on the results of the Fund. The difference in performance results between the NAVPU priced in Canadian dollars, versus U.S. dollars, is attributable to the fact that on December 31, 2013, one U.S. dollar was worth approximately $1.06 Canadian, whereas one year later, on December 31, 2014, one U.S. dollar was worth approximately $1.16 Canadian.

The equity securities of Resolute Forest Products Inc contributed positively to the Fund's performance during 2014, with the debt securities of Catalyst Paper Corporation, Atlanticus Holdings Corporation and RH Donnelley Inc. contributing positively as well.

[4] The alternative method of purchasing Chou Bond Fund in $U.S. has been offered since September 2005. The investments in the Chou Bond Fund ($CAN) are the same as the investments in Chou Bond Fund ($U.S.) except for the currency applied.

The debt securities of Dex Media Inc. and Fortress Paper Limited contributed negatively to the Fund's performance during the year.
The Fund purchased debt securities of Ascent Capital Group Inc. 4% due July 15, 2020, Fortress Paper Limited 6.5% due December 31, 2016, UkrLandFarming PLC 10.875% due March 26, 2018 and Avangardco Investments Public Limited 10.0% due October 29, 2015.

The Fund increased positions in convertible debentures of Fortress Paper Limited 7% due December 31, 2019 and Catalyst Paper Corporation 11.0% due October 30, 2017. We reduced holdings in the equity securities of Resolute Forest Products Inc. The term loan holdings of Dex Media West LLC and RH Donnelley Inc. were decreased due to a cash flow sweep, which means that any free cash flow remaining after all operational needs are met can be used to buy back debt at par from its holders. All the equity securities in the Fund are the result of debt restructuring.

The Fund sold all of its Level 3 Communications Inc. as well as Mega Brands Inc. bonds at 101% of the principal amount due to the acquisition through the wholly-owned subsidiary of Mattel Inc.

Portfolio Commentary
Several of our debt securities were up for the year 2014. R.H. Donnelley's term loan rose from 61.20 cents on a dollar as of December 31, 2013 to 72.25 cents on a dollar as of December 31, 2014. Dex Media West's term loan rose from 78.60 cents on a dollar as of December 31, 2013 to 87.96 cents on a dollar as of December 31, 2014. At the time we bought into these two companies, we believed they were well covered by their earning power, assets, and covenants that are protective to debt holders. In addition, these term loans come 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. We continue to believe that at current prices, R.H Donnelley and Dex Media West are underpriced.

Our primary losses came from our purchases of debt securities of two Ukrainian companies, UkrLandFarming PLC and Avangardco Investments. UkrLandFarming PLC operates as an integrated agricultural producer and distributor. The company engages in crops farming, eggs and egg products production, sugar production, as well as cattle and meat production and distribution.

Avangardco Investments is one of the leading agroindustrial companies in Ukraine, focusing on the production of shell eggs and egg products. According to the Pro-Consulting Report, it has a market share of approximately 57% of all industrially produced shell eggs and 91% of all dry egg products produced in Ukraine in 2013.

The bonds are down from their purchase price but we expect the prices of the bonds we purchased to be volatile and could be subjected to a permanent loss of capital. The companies have strong balance sheets and decent financial operations count, but we have to be cognizant of the fact that when investing in a country where there is a civil war fueled by Putin, geopolitics can trump solid financials.

However, the flip side is that you won't find a decent bargain unless the company or the environment they are operating in, has perceived serious issues. Baron Rothschild, a member of the famous Rothschild banking family, made a killing in the panic that ensued after the Battle of Waterloo against Napoleon. He is quoted to have said, "Buy when there's blood in the streets, even if the blood is your own."

We believe that it is still too early to know whether our foray into Ukraine will continue to be unprofitable in the long term. So far, we think it is more likely to be a short-term quotational loss and not a permanent loss of capital.

Debts at Negative Yields

I never thought that in my lifetime that we would ever see a situation in a developed economy when there is a negative yield on interest rates. A few weeks ago, Finland floated a five-year note at a negative yield. It sold 1 billion Euros worth of notes at an interest rate of negative 0.017%. In other words, noteholders or bondholders are willing to pay the government for the privilege of holding its notes. And this is not an aberration. Countries like Germany, France, Sweden, Netherland, Belgium and Austria have seen their two-year sovereign debt trading at negative yields.

Not to be outdone, a corporate bond of Nestle 3/4% maturing in October of 2016 is also trading at a negative yield. So, you have come to this ridiculous situation where you can borrow money for free.

The question now is, how can one capitalize on the situation? There are several possible ways of doing that, but one way of seeking to take advantage of this type of situation is through an interest rate swap. An interest rate swap is a derivative contract between two counterparties whereby they agree to exchange one stream of interest payments for another, over a set period of time.

We are still considering the use of interest rate swaps and other similar derivatives. If we do use these contracts, we will do our best to quantify the risk of loss from these contracts and minimize losses if interest rates do not move in the manner that we anticipate. Of course, there is no guarantee that our use of these interest rate derivatives will work as intended or that we will accurately predict or analyze the direction of future interest rates.

We are starting to look at credit default swaps (CDS)

We believe that CDS are starting to sell at prices that are becoming interesting. At recent prices, they appear to offer one of the potentially cheapest forms of insurance against market disruptions. We are continuing to monitor CDS prices and may potentially invest in CDS in the future. We are looking at who deals in such investments and we want to examine carefully what counterparty risk we may be exposed to. The mechanics of investing in CDS have changed somewhat from six years ago.

To make money in CDS, you don’t need a default of the third party’s debt. A dislocation in the economy or deterioration in the credit profile of the issuer may cause the CDS price to rise from these low levels. The negative aspect is that, like insurance, the premium paid for the protection erodes over time and may expire worthless. There is no guarantee that the Manager will make money for the Fund on any particular CDS or correctly predict an increase of value in any particular CDS.

Other Matters

DROPPING INDEX: Chou Bond Fund has been using two indices: Citigroup WGBI All Maturities ("WGBI") Index and Barclays U.S. Corporate High Yield Index ("Barclays"). Moving forward, the Fund will only make use of the Barclays Index.

Chou Bond Fund has been investing primarily in non-investment grade fixed income securities and as such we believe the Barclays index is the most appropriate measurement against the Chou Bond Fund. We believe that WGBI is no longer appropriate as a benchmark for performance measurement.

FOREIGN CURRENCY CONTRACTS: None existed at December 31, 2014.

CREDIT DEFAULT SWAPS: None existed at December 31, 2014.

CONSTANT MATURITY SWAPS: None existed at December 31, 2014.

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

INDEPENDENT REVIEW COMMITTEE: The Manager has established an IRC as required by NI 81-107. The members of the IRC are Sandford Borins, Peter Gregoire and Joe Tortolano. The 2014 IRC Annual Report is available on our website www.choufunds.com.

As of March 16, 2015, the NAVPU of a Series A unit of the Fund was $10.57 and the cash position was approximately 25% of net assets. The Fund is up 6.1% from the beginning of the year. In $U.S., it is down 3.5%. While 2015 is off to a good start, please do not extrapolate these returns into the future.

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 Financial Position

December 31, 2014, December 31, 2013 and January 1, 2013

	December 31, 2014	December 31, 2013 (Note 10)	January 1, 2013 (Note 10)
Assets			
Current assets:			
Financial assets at fair value through profit or loss	$ 36,301,542	$ 29,685,465	$ 38,264,420
Cash and cash equivalents	12,395,193	12,164,529	5,121,958
Receivable for units subscribed	20,687	15,000	2,000
Interest receivable	941,428	579,615	825,408
Total assets	49,658,850	42,444,609	44,213,786
Liabilities			
Current liabilities:			
Accrued expenses	65,334	70,879	63,941
Payable for units redeemed	23,337	9,000	17,031
Distributions payable	68,010	76,467	102,097
Total liabilities	156,681	156,346	183,069
Net assets attributable to unitholders of redeemable units	$ 49,502,169	$ 42,288,263	$ 44,030,717
Net assets attributable to unitholders of redeemable units:			
Series A	$ 45,810,611	$ 38,761,019	$ 36,850,270
Series F	3,691,558	3,527,244	7,180,447
	$ 49,502,169	$ 42,288,263	$ 44,030,717
Number of units outstanding (note 4):			
Series A	4,599,226	4,020,643	4,434,113
Series F	367,482	362,911	861,551
Net assets attributable to unitholders of redeemable units per unit (note 4):			
Canadian dollars:			
Series A	$ 9.96	$ 9.64	$ 8.31
Series F	10.05	9.72	8.33
U.S. dollars:			
Series A	8.58	9.07	8.35
Series F	8.66	9.14	8.37

See accompanying notes to financial statements.

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

Francis Chou

CHOU BOND FUND

Statements of Comprehensive Income

Years ended December 31, 2014 and 2013

	2014	2013 (Note 10)
Income:		
Interest for distribution purposes and other	$ 3,621,377	$ 3,262,340
Foreign currency gain on cash and other net assets	453,274	445,274
Other net changes in fair value of financial assets and financial liabilities at fair value through profit or loss:		
Net realized gain on investments	1,862,384	1,284,126
Change in unrealized appreciation (depreciation) on investments and derivatives	(1,045,425)	5,130,949
	4,891,610	10,122,689
Expenses:		
Management fees (note 5)	633,570	553,316
Custodian fees	54,751	65,249
Audit	5,475	7,632
Filing fees	–	1,720
Independent Review Committee fees	2,323	1,600
FundSERV fees	546	860
Legal fees	3,128	27,293
Foreign withholding taxes	–	6,552
Transaction costs	23,878	3,730
Total expenses before manager absorption	723,671	667,952
Less expense absorbed by the manager	–	–
Total expenses after manager absorption	723,671	667,952
Increase in net assets attributable to unitholders of redeemable units	$ 4,167,939	$ 9,454,737
Increase in net assets attributable to unitholders of redeemable units:		
Series A	$ 3,811,040	$ 8,229,157
Series F	356,899	1,225,580
	$ 4,167,939	$ 9,454,737
Increase in net assets attributable to unitholders of redeemable units per unit:		
Series A	$ 0.88	$ 2.02
Series F	1.00	2.34

See accompanying notes to financial statements.

CHOU BOND FUND

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

Years ended December 31, 2014 and 2013

	2014	2013 (Note 10)
Series A		
Net assets attributable to unitholders of redeemable units, beginning of year	$ 38,761,019	$ 36,850,270
Increase in net assets attributable to unitholders of redeemable units	3,811,040	8,229,157
Proceeds from issue of units	8,322,832	1,132,758
Payments on redemption of units	(5,028,650)	(7,380,349)
Distributions of income to unitholders:		
Investment income	(2,695,544)	(2,431,091)
Reinvested distributions	2,639,914	2,360,274
Net assets attributable to unitholders of redeemable units, end of year	45,810,611	38,761,019
Series F		
Net assets attributable to unitholders of redeemable units, beginning of year	3,527,244	7,180,447
Increase in net assets attributable to unitholders of redeemable units	356,899	1,225,580
Proceeds from issue of units	539,865	60,183
Payments on redemption of units	(720,070)	(4,933,476)
Distributions of income to unitholders:		
Investment income	(222,185)	(209,350)
Reinvested distributions	209,805	203,860
Net assets attributable to unitholders of redeemable units, end of year	3,691,558	3,527,244
Total net assets attributable to unitholders of redeemable units, end of year	$ 49,502,169	$ 42,288,263

See accompanying notes to financial statements.

CHOU BOND FUND

Statements of Cash Flows

Years ended December 31, 2014 and 2013

		2014 (Note 10)		2013 (Note 10)
Cash flows from operating activities:				
Increase in net assets attributable to unitholders of redeemable units	$	4,167,939	$	9,454,737
Adjustments for:				
Foreign currency gain on cash and other net assets		(453,274)		(445,274)
Net realized gain on investments		(1,862,384)		(1,284,126)
Change in unrealized depreciation (appreciation) on investments and derivatives		1,045,425		(5,130,949)
Change in non-cash operating working capital:				
Decrease (increase) in interest receivable		(361,813)		245,793
Increase (decrease) in accrued expenses		(5,545)		6,938
Purchase of investments		(15,056,001)		(4,980,809)
Proceeds from sales of investments		9,256,883		19,974,839
Net cash generated from (used in) operating activities		(3,268,770)		17,841,149
Cash flows from financing activities:				
Distributions to unitholders of redeemable units, net of reinvested distributions		(76,467)		(101,937)
Proceeds from redeemable units issued		8,857,010		1,179,941
Amount paid on redemption of redeemable units		(5,734,383)		(12,321,856)
Net cash generated from (used in) financing activities		3,046,160		(11,243,852)
Foreign currency gain on cash and other net assets		453,274		445,274
Increase in cash and cash equivalents		230,664		7,042,571
Cash and cash equivalents, beginning of year		12,164,529		5,121,958
Cash and cash equivalents, end of year	$	12,395,193	$	12,164,529
Supplemental information:				
Interest received, net of withholding tax	$	3,259,564	$	3,501,581

See accompanying notes to financial statements.

CHOU BOND FUND

Schedule of Investments

December 31, 2014

	Number of units or par value	Cost	Fair value
Equities - long*			
Catalyst Paper Corporation**	108,606	$ 47,448	$ 331,248
Resolute Forest Products Inc.**	391,463	3,529,372	8,000,445
		3,576,820	8,331,693
Bonds - long			
Ascent Capital Group Inc, 4.000% conv., July 15, 2020	2,683,000	2,776,137	2,570,189
Atlanticus Holdings Corporation, 5.875%, Nov 30, 2035	11,300,000	5,002,061	5,360,438
Avangardco Investments Public Limited, 10.000%,Oct 29, 2015	2,725,000	2,665,927	1,957,398
Catalyst Paper Corporation, 11.000%, Oct 30, 2017	1,946,981	1,549,757	2,123,996
Dex Media, Inc., 14.000%, Jan 29, 2017	3,638,594	2,880,924	1,327,402
Dex Media West LLC, term loans Dec 31, 2016	1,318,466	792,286	1,826,771
Fortress Paper Limited, 6.500%, Dec 31, 2016	100,000	63,230	54,500
Fortress Paper Limited, 7.000%, conv., Dec 31, 2019	4,659,000	2,621,102	1,351,110
Interstate Bakeries Corporation, 6.00%, Aug 15, 2015	500,000	–	–
Rainmaker Entertainment Inc., 8.000%, conv., Mar 31, 2016	2,612,000	2,612,000	2,873,200
R.H. Donnelley Inc., term loans, Dec 31, 2016	4,010,312	3,275,951	3,324,939
Taiga Building Products Limited, 14.000%, Sep 1, 2020	1,712,000	1,705,899	1,857,520
Ukrlandfarming PLC, 10.875%, Mar 26, 2018	6,000,000	5,305,314	3,342,386
		31,250,588	27,969,849
Total long		34,827,408	36,301,542
Total investments		34,827,408	36,301,542
Transaction costs		(12,071)	–
Portfolio total		$ 34,815,337	$ 36,301,542

* Common shares unless indicated otherwise

** Shares received from debt restructuring

See accompanying notes to financial statements.

Investment objective and strategies:

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

The Fund seeks to achieve its investment objectives by investing in securities that it believes are undervalued. The Fund will generally be fully invested. A combination of investment strategies will be utilized in managing the portfolio including relative value trades, yield enhancement strategies and interest rate anticipation 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.

Financial risk management:

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

(a) Credit risk:

Credit risk is the risk that a counterparty to a financial instrument will fail to discharge a commitment that it has entered into with the Fund. As at December 31, 2014, the Fund invested approximately 56.5% (December 31, 2013 - 43.0%; January 1, 2013 - 67.7%) 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 Standard & Poor's and Fitch. These credit ratings denote that the company's financial position is weak and its bonds should be considered a speculative investment.

Financial risk management (continued):

(b) Interest rate risk:

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

Debt instruments by maturity date:

	December 31, 2014	December 31, 2013	January 1, 2013
Less than 1 year	$ 1,957,398	$ 4,059,289	$ 6,241,234
1 - 3 years	11,530,808	2,335,075	9,270,498
3 - 5 years	4,693,496	4,238,620	7,111,237
Greater than 5 years	9,788,147	7,578,727	8,741,926

As at December 31, 2014, had interest rates 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 $1,487,000 (December 31, 2013 - $1,436,000; January 1, 2013 - $922,000).

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

(c) Other price risk:

Other price risk is the risk that the value of financial instruments will fluctuate as a result of changes in market prices (other than those arising from interest rate risk or currency risk) caused by factors specific to a security, its issuer or all factors affecting a market or a market segment. Approximately 16.8% (December 31, 2013 - 27.1%; January 1, 2013 - 15.6%) of the Fund's net assets held at December 31, 2014 were publicly traded equities. If equity prices on the exchange had increased or decreased by 5% as at December 31, 2014, the net assets of the Fund would have increased or decreased by approximately $416,585, or 0.8% (December 31, 2013 - $573,000, or 1.3%; January 1, 2013 - $344,000, or 0.8%) of the net assets, all other factors remaining constant.

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

Financial risk management (continued):

(d) Foreign currency risk:

Currencies to which the Fund had exposure as at December 31, 2014, December 31, 2013 and January 1, 2013 are as follows:

December 31, 2014	Financial instruments	Percentage of NAV
United States dollar	$ 32,614,905	65.9

December 31, 2013	Financial instruments	Percentage of NAV
United States dollar	$ 36,880,299	87.2

January 1, 2013	Financial instruments	Percentage of NAV
United States dollar	$ 38,635,794	87.8

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

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 $326,000 (December 31, 2013 - $369,000; January 1, 2013 - $387,000).

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

CHOU RRSP FUND

(unaudited)

March 16, 2015,

Dear Unitholders of Chou RRSP Fund,

The net asset value per unit ("NAVPU") of a Series A unit of Chou RRSP Fund at December 31, 2014 was $35.33 compared to $30.94 at December 31, 2013, an increase of 14.2%; during the same period, the S&P/TSX Total Return Index increased 10.6% in Canadian dollars. In $U.S., a Series A unit of Chou RRSP Fund was up 4.6% while the S&P/TSX Total Return Index returned 1.2%.

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

December 31, 2014 (Series A)	1 Year	3 Years	5 Years	10 Years	15 Years
Chou RRSP ($CAN)	14.2%	22.9%	16.6%	6.2%	10.0%
S&P/TSX ($CAN)	10.6%	10.2%	7.5%	7.6%	6.2%
Chou RRSP ($U.S.)[5]	4.6%	17.6%	14.3%	6.6%	11.7%
S&P/TSX ($U.S.)	1.2%	5.4%	5.5%	7.9%	7.8%

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 2014 Results

The weakness of the Canadian dollar against the U.S. dollar had a large positive impact on the results of the Fund. The difference in performance results between the NAVPU priced in Canadian dollars, versus U.S. dollars, is attributable to the fact that on December 31, 2013, one U.S. dollar was worth approximately $1.06 Canadian, whereas one year later, on December 31, 2014, one U.S. dollar was worth approximately $1.16 Canadian.

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

The largest equity decliners for the year ended December 31, 2014 were TVA Group Inc., Danier Leather Inc. and Overstock.com Ltd.

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

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[5] The alternative method of purchasing Chou RRSP Fund in $U.S. has been offered since September 2005. Performance for years prior to September 2005 is based on the $U.S. equivalent conversion of the results of the Chou RRSP Fund ($CAN). The investments in the Chou RRSP Fund ($CAN) are the same as the investments in Chou RRSP Fund ($U.S.) except for the currency applied.

* In the Annual Management Discussion of Fund Performance for the year ended December 31, 2013, it was incorrectly reported that we had decreased our holdings in Torstar Corporation when in fact we increased our holdings by 4,700 shares, or 0.37%.

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

A Tale of two Scenarios

I have been managing money since 1981 and one of the benefits of managing money for so long is that you get exposed to many financial and economic scenarios.

When I was thinking about the current market, I couldn’t help but recall what happened over the fifteen year period 1966 to 1981. The Dow Jones Industrial Average, hit a high of approximately 1000 in 1966 and for the next fifteen years it would approach that level only to recede back again. Inflation, which was subdued in the 1960s, started to go up in the 1970s, the result of printing money in the 1960s to finance the war in Vietnam.

By 1980, the combination of high inflation and low GDP growth was the story of the day. Economists coined the term ‘Stagflation’. When Paul Volcker was named Chairman of the Federal Reserve Board (Fed) in 1978, his first mandate was to tame inflation. By June 1981, the federal funds rate rose to 20%. Eventually in June 1982, a highly important economic measure - the prime interest rate, reached 21.5%. The 30-year bond hit a high of 15.2% yield when he put the brakes on money printing. The Dow tumbled, selling at a severe discount to the book value of the Dow.

At that time, I was wondering how much lower the market could go. This was how I looked at the scenario; the interest rate was so high that I felt it could not remain at that level for any extended period of time without just killing the economy. Volcker’s mandate was to break the back of inflation, and when he did that, interest rates were bound to go lower. Even if they didn’t, the market was incredibly cheap: approximately 6 times earnings and roughly 6% dividend yield. The Dow had been earning for a long time, on average, 13% on its equity and there was nothing to suggest that it was not going to earn the same in the future.

If interest rates went down, the end result would be that the companies would be worth a lot more. The discount rate that you use to discount future earning power is somewhat linked to the prevailing long term interest rate. When companies borrow money, the rate they pay, depending on their credit rating, is benchmarked to the prevailing interest rate plus or minus a few points.

The climate for investing in 1980 was one of extreme fear. For example, pension funds, as a group, invested only 9% of net investable assets in equities. In contrast, in 1971, 122% of net funds available were purchased into equities; in other words, they sold bonds, to buy more of the equities. Those who wanted to get into the investment field in the late 1970s and early 1980s were considered pariahs at the time, and were to be avoided at all social gatherings as one who would avoid the plague.

At that time I was getting totally immersed in the works of Benjamin Graham. I was hunting for every scrap piece of information I could find in the library on Benjamin Graham and Warren Buffett. Although I was new to the investment scene then, the scenario had the smell of sure success for any value investor. Not just a success but something that would enable you to cook up a grand career.

This is what I wrote in 1982, my first annual letter to my Unitholders:

"Is this the time to invest? Yes, definitely. Stocks, in this doom and gloom environment, are cheap by every historical standard...What I would propose in the future, if the market is more demoralized than what it is now, is that we should open this Fund to the public. There is no better time to invest aggressively. Stocks are selling at a substantial discount from book value and even during the Great Depression, the Dow Jones Industrial Average did not trade below book value for more than a few months... Companies in the United States are selling at giveaway prices."

The current scenario is totally the opposite. Some of the questions that bother me now are opposite to what was bothering me in 1981.

1) How low can interest rates go? In Europe, some sovereign bonds are trading at negative yields.

2) The Great Recession occurred in 2008, and now it is 2015 - that is seven long years. Although the recovery has been anemic, at least it's recovering.

3) The velocity of money for M2 is at an all-time low. This can be further highlighted if we hypothesize about what would happen if M2 moved back up to the historical average. If a regression to the mean were to occur – the price levels could be 25% higher than what it is today. Carrying this logic one step further, with the current levels of money-printing growing at approximately 7.2% annualized, this could see a potential price level increase of 50%, if the velocity of money were to move back up to the historical average.

No one can predict the future with any high degree of certainty, but you wonder, if the current policies continue for any extended period of time, when will the chickens come home to roost?

4) Deflationary forces are strong now; eventually, the supply and demand will bring everything into equilibrium as they work through their economic cycles, but you cannot 'un-print' money.

5) Stock prices are close to an all time high if measured by price to earnings ratio, premium to book value or current dividend yield.

6) Junk bonds, the biggest beneficiary of easy money, should be trading at 70, not at 100 cents on a dollar with a 5.5% coupon rate.

7) What happens to the bond and stock markets if interest rates start to rise? In Europe some sovereign bonds are selling at negative yields.

In 1981, I felt the economic conditions were such that you were set up for a huge success. You just needed the courage to load up the truck and buy everything in sight. By contrast, current conditions make me feel that investors are being set up for a heartbreaking disappointment, especially for the unwary.

Canadian Real Estate

We continue to worry about Canadian real estate. As we have said before, Canada has performed best of the G8 nations 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.

If the price of real estate goes down in Canada, it will negatively impact the natural resources industry. We have avoided this industry for the last 20 years. One area that has piqued our interest is the oil and gas industry. We continue to monitor them with great interest.

We are starting to look at credit default swaps (CDS)

One way of assessing investors' appetite for risk is to check the prices of credit default swaps (CDS). In CDS, one party sells credit protection and the other party buys credit protection. Put another way, one party is selling insurance and the counterparty is buying insurance against the default of a specific third party's debt. If the protection buyer does not own debt issued by the third party, then CDS are more appropriately viewed as an investment transaction, rather than a hedging transaction, for the protection buyer notwithstanding the insurance-like features of a CDS. In most CDS, the protection buyer makes the premium payments over the life of the CDS, frequently on a quarterly basis.

We believe that CDS are starting to sell at prices that are becoming interesting. At recent prices, they appear to offer one of the potentially cheapest forms of insurance against market disruptions. We are continuing to monitor CDS prices and may potentially invest in CDS in the future. We are looking at who deals in such investments and we want to examine carefully what counterparty risk we may be exposed to. The mechanics of investing in CDS have changed somewhat from six years ago.

To make money in CDS, you don't need a default of the third party's debt. A dislocation in the economy or deterioration in the credit profile of the issuer may cause the CDS price to rise from these low levels. The negative aspect is that, like insurance, the premium paid for the protection erodes over time and may expire worthless. There is no guarantee that the Manager will make money for the Fund on any particular CDS or correctly predict an increase of value in any particular CDS.

Other Matters

INDEPENDENT REVIEW COMMITTEE: The Manager has established an IRC as required by NI 81-107. The members of the IRC are Sandford Borins, Peter Gregoire and Joe Tortolano. The 2014 IRC Annual Report is available on our website www.choufunds.com.

As of March 16, 2015, the NAVPU of a Series A unit of the Fund was $34.46 and the cash position was approximately 22.1% of net assets. The Fund is down 2.5% from the beginning of the year. In $U.S., it is down 11.3%. While 2015 is off to a slightly negative start, please do not extrapolate these returns into the future.

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

Yours truly,

Francis Chou

Francis Chou
Fund Manager

CHOU RRSP FUND

Statements of Financial Position

December 31, 2014, December 31, 2013 and January 1, 2013

	December 31, 2014	December 31, 2013 (Note 10)	January 1, 2013 (Note 10)
Assets			
Current assets:			
Financial assets at fair value through profit or loss	$ 89,336,509	$ 83,451,039	$ 106,065,010
Held for trading investments	6,778,821	5,757,276	5,778,119
Cash and cash equivalents	32,417,012	33,720,588	1,253,782
Receivable for units subscribed	47,500	16,500	30,000
Other receivable	12,895	3,198	–
Accrued interest receivable	38,157	38,157	38,157
Total assets	128,630,894	122,986,758	113,165,068
Liabilities			
Current liabilities:			
Financial liabilities at fair value through profit or loss	–	38,281	–
Accrued expenses	220,187	217,713	205,492
Payable for units redeemed	64,712	88,064	98,342
Distributions payable	–	14,669	7,303
Total liabilities	284,899	358,727	311,137
Net assets attributable to unitholders of redeemable units	$ 128,345,995	$ 122,628,031	$ 112,853,931
Net assets attributable to unitholders of redeemable units:			
Series A	$ 123,027,948	$ 117,867,041	$ 110,179,082
Series F	5,318,047	4,760,990	2,674,849
	$ 128,345,995	$ 122,628,031	$ 112,853,931
Number of units outstanding (note 4):			
Series A	3,486,572	3,811,998	4,279,790
Series F	150,658	154,729	104,004
Net assets attributable to unitholders of redeemable units per unit (note 4):			
Canadian dollars:			
Series A	$ 35.29	$ 30.92	$ 25.74
Series F	35.30	30.77	25.72
U.S. dollars:			
Series A	30.41	29.08	25.88
Series F	30.42	28.94	25.86

See accompanying notes to financial statements.

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

Francis Chou

CHOU RRSP FUND

Statements of Comprehensive Income

Years ended December 31, 2014 and 2013

	2014	2013 (Note 10)
Income:		
Interest for distribution purposes and other	$ 983,887	$ 946,378
Dividends	1,534,205	2,779,242
Securities lending income	77,779	47,813
Foreign currency gain on cash and other net assets	857,934	431,975
Other net changes in fair value:		
Net realized gain on financial assets at fair value through profit or loss	6,429,518	37,386,530
Net realized gain on held-for-trading securities	217,569	392,413
Change in unrealized appreciation (depreciation) on financial assets at fair value through profit or loss	7,745,106	(18,069,652)
Change in unrealized appreciation on held-for-trading securities	1,021,545	1,049,800
	18,867,543	24,964,499
Expenses:		
Management fees (note 5)	2,054,789	1,962,285
Custodian fees	138,700	138,699
Audit	10,950	19,381
Filing fees	14,600	14,600
Independent Review Committee fees	6,225	4,113
FundSERV fees	10,950	8,181
Legal fees	8,678	4,275
Transaction costs	36,494	92,602
	2,281,386	2,244,136
Increase in net assets attributable to unitholders of redeemable units	$ 16,586,157	$ 22,720,363
Increase in net assets attributable to unitholders of redeemable units:		
Series A	$ 15,907,234	$ 22,081,742
Series F	678,923	638,621
	$ 16,586,157	$ 22,720,363
Increase in net assets attributable to unitholders of redeemable units per unit:		
Series A	$ 4.40	$ 5.48
Series F	4.46	5.70

See accompanying notes to financial statements.

CHOU RRSP FUND

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

Years ended December 31, 2014 and 2013

	2014	2013 (Note 10)
Series A		
Net assets attributable to unitholders of redeemable units, beginning of year	$ 117,867,041	$ 110,179,082
Increase in net assets attributable to unitholders of redeemable units	15,907,234	22,081,742
Proceeds from issue of units	4,561,470	3,796,122
Payments on redemption of units	(15,307,797)	(18,175,406)
Distributions of income to unitholders:		
Investment income	–	(1,060,340)
Reinvested distributions	–	1,045,841
Net assets attributable to unitholders of redeemable units, end of year	123,027,948	117,867,041
Series F		
Net assets attributable to unitholders of redeemable units, beginning of year	4,760,990	2,674,849
Increase in net assets attributable to unitholders of redeemable units	678,923	638,621
Proceeds from issue of units	1,100,924	1,919,140
Payments on redemption of units	(1,222,790)	(471,403)
Distributions of income to unitholders:		
Investment income	–	(84,715)
Reinvested distributions	–	84,498
Net assets attributable to unitholders of redeemable units, end of year	5,318,047	4,760,990
Total net assets attributable to unitholders of redeemable units, end of year	$ 128,345,995	$ 122,628,031

See accompanying notes to financial statements.

CHOU RRSP FUND

Statements of Cash Flows

Years ended December 31, 2014 and 2013

	2014 (Note 10)	2013 (Note 10)
Cash flows from operating activities:		
Increase in net assets attributable to unitholders of redeemable units	$ 16,586,157	$ 22,720,363
Adjustments for:		
Foreign currency gain on cash and other net assets	(857,934)	(431,975)
Net realized gain on investments	(6,647,087)	(37,778,943)
Change in unrealized depreciation (appreciation) on investments and derivatives	(8,766,651)	17,019,852
Change in non-cash operating working capital:		
Increase in other receivable	(9,697)	(3,198)
Increase in accrued expenses	2,474	12,221
Purchase of investments	(4,561,474)	(11,358,606)
Proceeds from sales of investments	13,029,916	54,790,792
Net cash generated from operating activities	8,775,704	44,970,506
Cash flows from financing activities:		
Distributions to unitholders of redeemable units, net of reinvested distributions	(14,669)	(7,350)
Proceeds from redeemable units issued	5,631,394	5,728,762
Amount paid on redemption of redeemable units	(16,553,939)	(18,657,087)
Net cash used in financing activities	(10,937,214)	(12,935,675)
Foreign currency gain on cash and other net assets	857,934	431,975
Increase (decrease) in cash and cash equivalents	(1,303,576)	32,466,806
Cash and cash equivalents, beginning of year	33,720,588	1,253,782
Cash and cash equivalents, end of year	$ 32,417,012	$ 33,720,588
Supplemental information:		
Interest received, net of withholding tax	$ 983,887	$ 946,378
Dividends received, net of withholding tax	1,534,205	2,779,242
Security lending income received	68,082	44,615

See accompanying notes to financial statements.

CHOU RRSP FUND

Schedule of Investments

December 31, 2014

	Number of shares or par value	Cost	Fair value
Equities - long*			
Blackberry Limited	529,040	$ 4,122,657	$ 6,739,970
Canfor Pulp Products Inc.	493,900	1,405,445	7,191,184
Danier Leather Inc.	679,200	6,453,777	3,973,320
Dundee Corporation, Class A	100,000	1,179,245	1,281,000
Interfor Corporation	525,500	3,125,203	11,534,725
Overstock.com Inc.	151,976	3,166,145	4,280,641
Rainmaker Entertainment Inc.	2,536,800	5,227,610	456,624
Reitmans (Canada) Limited	215,300	1,241,858	1,507,100
Reitmans (Canada) Limited, Class A	440,800	2,557,439	3,398,568
Resolute Forest Products Inc.	624,188	10,166,745	12,756,714
Ridley Inc.	313,200	2,511,607	9,486,828
Sears Canada Inc.	292,830	2,667,681	3,291,409
Taiga Building Products Limited	159,700	212,401	134,148
Torstar Corporation, Class B	1,259,416	27,484,475	8,211,392
TVA Group Inc., Class B	783,128	11,323,079	5,626,775
TWC Enterprises Limited	194,919	1,077,639	2,132,414
		83,923,006	82,002,812
Held-for-trading			
Bank of America Corporation, warrants, Class A, Jan 16, 2019	836,825	2,984,789	6,778,821
Bonds - long			
Taiga Building Products Limited 14.000%, Sep 1, 2020	6,759,168	6,759,168	7,333,697
Total long		90,682,174	89,336,509
Total held for trading		2,984,789	6,778,821
Total investments		93,666,963	96,115,330
Transaction costs		(477,826)	–
Portfolio total		$ 93,189,137	$ 96,115,330

* Common shares unless indicated otherwise

See accompanying notes to financial statements.

Investment objective and strategies:

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

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

Financial risk management:

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

(a) Credit risk:

Credit risk is the risk that a counterparty to a financial instrument will fail to discharge a commitment that it has entered into with the Fund. As at December 31, 2014, the Fund invested approximately 5.7% (December 31, 2013 - 5.8%; January 1, 2013 - 6.3%) 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 Standard & Poor's and Fitch. These credit ratings denote that the company's financial position is weak and its bonds should be considered a speculative investment.

Financial risk management (continued):

(b) Interest rate risk:

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

Debt instruments by maturity date:

	December 31, 2014	December 31, 2013	January 1, 2013
Less than 1 year	$ –	$ –	$ –
1 - 3 years	–	–	–
3 - 5 years	–	–	–
Greater than 5 years	7,333,697	7,150,524	7,093,747

As at December 31, 2014, had interest rates 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 (December 31, 2013 - $119,000; January 1, 2013 - $119,000).

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

(c) Other price risk:

Other price risk is the risk that the value of financial instruments will fluctuate as a result of changes in market prices (other than those arising from interest rate risk or currency risk) caused by factors specific to a security, its issuer or all factors affecting a market or a market segment. Approximately 63.9% (December 31, 2013 - 66.8%; January 1, 2013 - 92.8%) of the Fund's net assets held at December 31, 2014 were publicly traded equities. If equity prices on the exchange had increased or decreased by 5% as at December 31, 2014, the net assets of the Fund would have increased or decreased by approximately $4,100,000, or 3.2% (December 31, 2013 - $4,090,000, or 3.3%; January 1, 2013 - $5,210,000, or 4.6%) of the net assets, all other factors remaining constant.

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

Financial risk management (continued):

(d) Foreign currency risk:

Currencies to which the Fund had exposure as at December 31, 2014, December 31, 2013 and January 1, 2013 are as follows:

December 31, 2014	Financial instruments	Percentage of NAV
United States dollar	$ 34,100,324	26.6

December 31, 2013	Financial instruments	Percentage of NAV
United States dollar	$ 30,630,217	25.0

January 1, 2013	Financial instruments	Percentage of NAV
United States dollar	$ 19,992,891	17.7

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

As at December 31, 2014, if the Canadian dollar had strengthened or weakened by 1% in relation to all currencies, with all other variables held constant, net assets would have decreased or increased by approximately $341,000 (December 31, 2013 - $306,000; January 1, 2013 - $198,000).

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

1. Formation of the Chou Funds:

The individual funds comprising the family of Chou Funds (the "Chou Funds" or the "Funds") are open-ended investment mutual fund trusts formed pursuant to Declarations of Trust under the laws of the Province of Ontario. Chou Associates Management Inc. is the Manager and Trustee of the Chou Funds. The address of the Funds' registered office is: 110 Sheppard Avenue East, Suite 301, Box 18, Toronto, Ontario, M2N 6Y8.

The Funds were formed on the following dates:

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

2. Significant accounting policies:

These financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") applicable to the preparation of financial statements, including IFRS 1, First-time Adoption of International Financial Reporting Standards ("IFRS 1"). The Funds adopted this basis of accounting in 2014 as required by Canadian Securities legislation and the Canadian Accounting Standards Board. Previously, the Funds prepared their financial statements in accordance with Canadian general accepted accounting principles ("Canadian GAAP") as defined in Part IV of the Chartered Professional Accountants of Canada ("CPA Canada") Handbook. The Funds have consistently applied the accounting policies used in the preparation of their opening IFRS statement of financial position at January 1, 2013 and throughout all periods presented, as if these policies had always been in effect. Note 10 discloses the impact of the transition to IFRS on the Funds' reported financial position, financial performance and cash flows, including the nature and effect of significant changes in accounting policies from those used in the Funds' financial statements for the year ended December 31, 2013 prepared under Canadian GAAP.

The policies applied in these financial statements are based on IFRS issued and outstanding as of March 20, 2015, which is the date on which the financial statements were authorized for issue by the Manager.

2. Significant accounting policies (continued):

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

(a) Recognition, initial measurement and classification:

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

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

Financial assets at FVTPL:

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

Financial liabilities at FVTPL:

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

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

(b) Fair value measurement:

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

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

2. Significant accounting policies (continued):

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

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

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

Derecognition:

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

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

(c) Critical accounting estimates and judgments:

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

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

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

2. Significant accounting policies (continued):

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

(d) Cost of investments:

The cost of investments represents the amount paid for each security, and is determined on an average cost basis excluding transaction costs. Investment transactions are accounted for as of the trade date. These financial statements are presented in Canadian dollars, which is the Funds' functional currency.

(e) Transaction costs:

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

(f) Cash and cash equivalents:

Cash and cash equivalents consist of cash held at a Canadian bank.

(g) Investment transactions and income recognition:

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

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

2. Significant accounting policies (continued):

The interest for distribution purposes shown on the statements of comprehensive income represents the coupon interest received by the Funds accounted for on an accrual basis. The Funds do not amortize premiums paid or discounts received on the purchase of fixed income securities. Dividend income and distributions from investment trusts are recognized on the ex-dividend dates.

(h) Foreign exchange:

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

(i) Derivative transactions:

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

(i) Options and warrants:

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

The premium received upon writing an option on futures or an over-the-counter option is recorded at cost in investments, at fair value in the statements of financial position. As long as the position of the written option is maintained, the liability for written options is revalued at an amount equal to the current market value of the option, which would have the effect of closing the position. Any gain or loss resulting from revaluation is reflected in the statements of comprehensive income in net realized and unrealized gain (loss) on held-for-trading investments.

The gain or loss on sale or expiry of options and warrants is reflected in the statements of comprehensive income in change in unrealized appreciation (depreciation) on held-for-trading investments.

2. Significant accounting policies (continued):

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

(l) Securities lending income:

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

(m) Classification of redeemable units issued by the Fund:

The Funds' redeemable units entitle unitholders the right to redeem their interest in the Funds for cash equal to their proportionate share of the net asset value of the Funds, amongst other contractual rights. These redeemable units involve multiple contractual obligations on the part of the Funds and, therefore, meet the criteria for classification as financial liabilities. The Funds' obligations for net assets attributable to unitholders is measured at FVTPL, with fair value being the redemption amount as of the reporting dates.

2. Significant accounting policies (continued):

(n) Future accounting standards:

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

3. Financial instruments and risk management:

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

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

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

3. Financial instruments and risk management (continued):

(a) Credit risk:

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

(b) Interest rate risk:

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

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

(d) Liquidity risk:

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

3. Financial instruments and risk management (continued):

(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. Holders of redeemable units:

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

	Series A		Series F	
	2014	2013	2014	2013
Chou Associates Fund				
Units outstanding, beginning of year	4,208,995	4,951,551	305,457	306,407
Add units issued during the year	284,940	265,301	121,061	55,915
Deduct units redeemed during the year	(374,681)	(1,126,735)	(81,238)	(66,386)
Units outstanding before income distribution	4,119,254	4,090,117	345,280	295,936
Add units issued on reinvested income	23,080	118,878	3,421	9,521
Units outstanding, end of year	4,142,334	4,208,995	348,701	305,457

4. Holders of redeemable units' capital (continued):

	Series A		Series F	
	2014	2013	2014	2013
Chou Asia Fund				
Units outstanding, beginning of year	2,291,643	2,711,744	79,004	78,634
Add units issued during the year	101,927	56,296	45,512	26,803
Deduct units redeemed during the year	(320,708)	(476,397)	(24,916)	(26,434)
Units outstanding before income distribution	2,072,862	2,291,643	99,600	79,003
Add units issued on reinvested income	36,417	–	2,455	1
Units outstanding, end of year	2,109,279	2,291,643	102,055	79,004
Chou Europe Fund				
Units outstanding, beginning of year	1,544,393	937,889	79,132	2,180
Add units issued during the year	739,909	731,980	169,145	76,058
Deduct units redeemed during the year	(501,541)	(142,321)	(49,384)	–
Units outstanding before income distribution	1,782,761	1,527,548	198,893	78,238
Add units issued on reinvested income	2,441	16,845	1,793	894
Units outstanding, end of year	1,785,202	1,544,393	200,686	79,132
Chou Bond Fund				
Units outstanding, beginning of year	4,020,643	4,434,113	362,911	861,551
Add units issued during the year	785,887	120,418	50,860	5,957
Deduct units redeemed during the year	(472,348)	(778,720)	(67,175)	(525,572)
Units outstanding before income distribution	4,334,182	3,775,811	346,596	341,936
Add units issued on reinvested income	265,044	244,832	20,886	20,975
Units outstanding, end of year	4,599,226	4,020,643	367,482	362,911
Chou RRSP Fund				
Units outstanding, beginning of year	3,811,998	4,279,790	154,729	104,004
Add units issued during the year	135,979	132,488	33,012	64,335
Deduct units redeemed during the year	(461,410)	(634,092)	(37,083)	(16,355)
Units outstanding before income distribution	3,486,567	3,778,186	150,658	151,984
Add units issued on reinvested income	5	33,812	–	2,745
Units outstanding, end of year	3,486,572	3,811,998	150,658	154,729

5. Related party transactions:

Management fees:

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 1.5% of the net asset value of Series A units and 1.0% of the net asset value of Series F units. All other expenses attributable to the Funds are also payable out of the assets of the Funds.

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

	2014	2013
Chou Associates Fund	$ 8,510,843	$ 8,343,594
Chou Asia Fund	657,820	634,763
Chou Europe Fund	412,946	–
Chou Bond Fund	633,570	553,316
Chou RRSP Fund	2,054,789	1,962,285

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

	December 31, 2014	December 31, 2013	January 1, 2013
Chou Associates Fund	$ 811,746	$ 765,519	$ 589,992
Chou Asia Fund	58,424	57,071	52,975
Chou Europe Fund	36,120	–	–
Chou Bond Fund	56,625	46,868	46,673
Chou RRSP Fund	184,008	174,992	156,585

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.

5. Related party transactions (continued):

As at December 31, 2014, the following amounts of Series A redeemable units held by employees of the Manager. No amounts of Series F redeemable units were held by employees of the Manager.

	December 31, 2014	December 31, 2013	January 1, 2013
Chou Associates Fund	175,287	174,295	169,128
Chou Asia Fund	353,013	346,825	346,825
Chou Europe Fund	535,761	535,031	528,880
Chou Bond Fund	1,935,292	1,821,534	1,262,814
Chou RRSP Fund	294,713	294,713	291,312

(a) Chou Associates Fund:

As at December 31, 2014, 4.2% of Class A redeemable units (December 31, 2013 - 4.1%; January 1, 2013 - 3.4%) were held by employees of the Manager.

(b) Chou Asia Fund:

As at December 31, 2014, 6.7% of Class A redeemable units (December 31, 2013 - 45.3%; January 1, 2013 - 28.5%) were held by employees of the Manager.

(c) Chou Europe Fund:

As at December 31, 2014, 30.0% of Class A redeemable units (December 31, 2013 - 34.6%; January 1, 2013 - 56.4%) were held by employees of the Manager.

(d) Chou Bond Fund:

As at December 31, 2014, 42.1% of Class A redeemable units (December 31, 2013 - 45.3%; January 1, 2013 - 28.5%) were held by employees of the Manager.

(e) Chou RRSP Fund:

As at December 31, 2014, 8.5% of Class A redeemable units (December 31, 2013 - 7.7%; January 1, 2013 - 6.8%) were held by employees of the Manager.

No amounts of Series F redeemable units were held by employees of the Manager.

6. Brokers' commissions:

Total commissions paid to brokers in connection with portfolio transactions for the years ended December 31, 2014 and December 31, 2013 are as follows:

	2014	2013
Chou Associates Fund	$ 130,987	$ 299,915
Chou Asia Fund	15,479	12,282
Chou Europe Fund	5,925	1,038
Chou Bond Fund	23,878	3,730
Chou RRSP Fund	36,494	92,602

7. Securities lending:

The Funds have entered into a securities lending program with Citibank N.A. The Funds receive collateral of at least 102% of the value of the securities on loan. Collateral may be comprised of cash and obligations of or guaranteed by, the Government of Canada or a province thereof, or by the United States Government or its agencies, but may include obligations of other governments with appropriate credit ratings. The aggregate dollar values of the securities that are on loan and the collateral received by the Funds as at December 31, 2014, December 31, 2013 and January 1, 2013 are as follows:

December 31, 2014	Market value of securities on loan	Market value of collateral received
Chou Associates Fund	$ 78,705,537	$ 80,379,741
Chou Asia Fund	37,551	39,447
Chou RRSP Fund	11,901,142	12,496,022

December 31, 2013	Market value of securities on loan	Market value of collateral received
Chou Associates Fund	$ 41,614,021	$ 42,712,061
Chou Asia Fund	2,843,043	3,014,238
Chou RRSP Fund	5,266,741	5,493,075

January 1, 2013	Market value of securities on loan	Market value of collateral received
Chou Associates Fund	$ 46,492,522	$ 48,290,700

8. Fair value measurement:

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

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

(a) Chou Associates Fund:

December 31, 2014	Level 1	Level 2	Level 3	Total
Equities - long	$ 388,925,413	$ –	$ 1,884,536	$ 390,809,949
Bonds	–	6,837,486	–	6,837,486
Total	$ 388,925,413	$ 6,837,486	$ 1,884,536	$ 397,647,435

December 31, 2013	Level 1	Level 2	Level 3	Total
Equities - long	$ 328,089,323	$ –	$ 1,570,750	$ 329,660,073
Bonds	–	5,801,248	–	5,801,248
	328,089,323	5,801,248	1,570,750	335,461,321
Options - short	(568,087)	–	–	(568,087)
Total	$ 327,521,236	$ 5,801,248	$ 1,570,750	$ 334,893,234

January 1, 2013	Level 1	Level 2	Level 3	Total
Equities - long	$ 302,427,318	$ –	$ 1,521,775	$ 303,949,093
Bonds	–	37,243,089	–	37,243,089
Total	$ 302,427,318	$ 37,243,089	$ 1,521,775	$ 341,192,182

During the years ended December 31, 2014 and 2013, there were no significant transfers between Level 1, Level 2, and Level 3.

8. Fair value measurement (continued):

Fair value measurements using Level 3 inputs:

	Equities - long	Bonds	Total
Balance, December 31, 2013	$ 1,570,750	$ –	$ 1,570,750
Proceeds from sales during the year	(470,283)	–	(470,283)
Net realized gain on sale of investments	470,283	–	470,283
Change in unrealized appreciation in value of investments	313,786	–	313,786
Balance, December 31, 2014	$ 1,884,536	$ –	$ 1,884,536

	Equities - long	Bonds	Total
Balance, January 1, 2013	$ 1,521,775	$ –	$ 1,521,775
Change in unrealized appreciation in value of investments	48,975	–	48,975
Balance, December 31, 2013	$ 1,570,750	$ –	$ 1,570,750

(b) Chou Asia Fund:

December 31, 2014	Level 1	Level 2	Level 3	Total
Equities - long	$ 19,152,040	$ –	$ 4,792	$ 19,156,832

December 31, 2013	Level 1	Level 2	Level 3	Total
Equities - long	$ 24,245,031	$ –	$ –	$ 24,245,031

January 1, 2013	Level 1	Level 2	Level 3	Total
Equities - long	$ 20,367,616	$ –	$ –	$ 20,367,616

During the years ended December 31, 2014 and 2013, there were no significant transfers between Level 1, Level 2, and Level 3.

8. Fair value measurement (continued):

Fair value measurements using Level 3 inputs:

	Equities - long	Bonds	Total
Balance, December 31, 2013	$ –	$ –	$ –
Net transfer in during the year	228,548	–	228,548
Change in unrealized depreciation in value of investments	(223,756)	–	(223,756)
Balance, December 31, 2014	$ 4,792	$ –	$ 4,792

(c) Chou Europe Fund:

December 31, 2014	Level 1	Level 2	Level 3	Total
Equities - long	$ 13,236,471	$ 504,240	$ 410,727	$ 14,151,438

December 31, 2013	Level 1	Level 2	Level 3	Total
Equities - long	$ 8,430,391	$ –	$ –	$ 8,430,391

January 1, 2013	Level 1	Level 2	Level 3	Total
Equities - long	$ 6,243,824	$ –	$ –	$ 6,243,824

Fair value measurements using Level 3 inputs:

	Equities - long	Bonds	Total
Balance, December 31, 2013	$ –	$ –	$ –
Change in unrealized appreciation in value of investments	410,727	–	410,727
Balance, December 31, 2014	$ 410,727	$ –	$ 410,727

During the years ended December 31, 2014 and 2013, there were no significant transfers between Level 1, Level 2, and Level 3.

8. Fair value measurement (continued):

(d) Chou Bond Fund:

December 31, 2014	Level 1	Level 2	Level 3	Total
Equities - long	$ 8,331,693	$ –	$ –	$ 8,331,693
Bonds	–	27,969,849	–	27,969,849
Total	$ 8,331,693	$ 27,969,849	$ –	$ 36,301,542

December 31, 2013	Level 1	Level 2	Level 3	Total
Equities - long	$ 11,473,754	$ –	$ –	$ 11,473,754
Bonds	–	16,899,711	1,312,000	18,211,711
Total	$ 11,473,754	$ 16,899,711	$ 1,312,000	$ 29,685,465

January 1, 2013	Level 1	Level 2	Level 3	Total
Equities - long	$ 6,780,692	$ 118,833	$ –	$ 6,899,525
Bonds	–	31,364,895	–	31,364,895
Total	$ 6,780,692	$ 31,483,728	$ –	$ 38,264,420

During the years ended December 31, 2014 and 2013, 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, December 31, 2013	$ –	$ 1,312,000	$ 1,312,000
Net transfer out during the year	–	(1,312,000)	(1,312,000)
Balance, December 31, 2014	$ –	$ –	$ –

	Equities - long	Bonds	Total
Balance, January 1, 2013	$ –	$ –	$ –
Investments purchased during the year	–	1,312,000	1,312,000
Balance, December 31, 2013	$ –	$ 1,312,000	$ 1,312,000

8. Fair value measurement (continued):

(e) Chou RRSP Fund:

December 31, 2014	Level 1	Level 2	Level 3	Total
Equities - long	$ 88,781,633	$ –	$ –	$ 88,781,633
Bonds	–	7,333,697	–	7,333,697
Total	$ 88,781,633	$ 7,333,697	$ –	$ 96,115,330

December 31, 2013	Level 1	Level 2	Level 3	Total
Equities - long	$ 82,057,791	$ –	$ –	$ 82,057,791
Bonds	–	7,150,524	–	7,150,524
	82,057,791	7,150,524	–	89,208,315
Options - short	(38,821)	–	–	(38,821)
Total	$ 82,018,970	$ 7,150,524	$ –	$ 89,169,494

January 1, 2013	Level 1	Level 2	Level 3	Total
Equities - long	$ 104,749,382	$ –	$ –	$ 104,749,382
Bonds	–	7,093,747	–	7,093,747
Total	$ 104,749,382	$ 7,093,747	$ –	$ 111,843,129

During the years ended December 31, 2014 and 2013, there were no significant transfers between Level 1, Level 2, and Level 3.

9. Taxes:

(a) Income taxes:

The Chou Funds qualify as mutual fund trusts under the provisions of the Income Tax Act (Canada). General income tax rules apply to the Chou Funds; however, no income tax is payable by the Chou Funds on investment income and/or net realized capital gains which are distributed to unitholders. In addition, income taxes payable on undistributed net realized capital gains are refundable on a formula basis when units of the Fund are redeemed. Sufficient net income and realized capital gains of the Chou Funds, have been, or will be distributed to the unitholders such that no tax is payable by the Chou Funds and, accordingly, no provision for taxes has been made in the financial statements.

9. Taxes (continued):

Capital losses for income tax purposes may be carried forward indefinitely and applied against capital gains in future years.

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

Chou Asia Fund	$ 71,701
Chou Bond Fund	10,822,733

10. Changeover to International Financial Reporting Standards:

(a) Exemptions and exceptions from full retrospective application:

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

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

(b) Statement of cash flows:

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

10. Changeover to International Financial Reporting Standards (continued):

(c) Reconciliation of equity and comprehensive income as previously reported under Canadian GAAP to IFRS:

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

Statement of financial position:

Chou Associates Fund:

	December 31, 2013	January 1, 2013
Net assets reported under Canadian GAAP	$ 502,441,284	$ 426,935,098
Revaluation of investments at FVTPL	71,818	87,424
Net assets attributable to holders of redeemable units	$ 502,513,102	$ 427,022,522

Chou Asia Fund:

	December 31, 2013	January 1, 2013
Net assets reported under Canadian GAAP	$ 39,676,907	$ 37,665,092
Revaluation of investments at FVTPL[(ii)]	32,552	52,267
Net assets attributable to holders of redeemable units[(i)]	$ 39,709,459	$ 37,717,359

Chou Europe Fund:

	December 31, 2013	January 1, 2013
Net assets reported under Canadian GAAP	$ 18,862,317	$ 7,793,352
Revaluation of investments at FVTPL[(ii)]	18,199	28,303
Net assets attributable to holders of redeemable units[(i)]	$ 18,880,516	$ 7,821,655

10. Changeover to International Financial Reporting Standards (continued):

Chou Bond Fund:

	December 31, 2013	January 1, 2013
Net assets reported under Canadian GAAP	$ 42,239,436	$ 43,996,092
Revaluation of investments at FVTPL(ii)	48,827	34,625
Net assets attributable to holders of redeemable units(i)	$ 42,288,263	$ 44,030,717

Chou RRSP Fund:

	December 31, 2013	January 1, 2013
Net assets reported under Canadian GAAP	$ 122,323,320	$ 112,301,620
Revaluation of investments at FVTPL(ii)	304,711	522,311
Net assets attributable to holders of redeemable units(i)	$ 122,628,031	$ 112,823,931

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

Statement of comprehensive income:

Chou Associates Fund:

	December 31, 2013
Comprehensive income as reported under Canadian GAAP	$ 168,612,039
Revaluation of investments at FVTPL(ii)	(15,606)
Increase in net asset attributable to holders of redeemable units	$ 168,596,433

Chou Asia Fund:

	December 31, 2013
Comprehensive income as reported under Canadian GAAP	$ 8,270,458
Revaluation of investments at FVTPL(ii)	(19,715)
Increase in net asset attributable to holders of redeemable units	$ 8,250,743

10. Changeover to International Financial Reporting Standards (continued):

Chou Europe Fund:

	December 31, 2013
Comprehensive income as reported under Canadian GAAP	$ 3,825,131
Revaluation of investments at FVTPL(ii)	(10,104)
Increase in net asset attributable to holders of redeemable units	$ 3,815,027

Chou Bond Fund:

	December 31, 2013
Comprehensive income as reported under Canadian GAAP	$ 9,440,535
Revaluation of investments at FVTPL(ii)	14,202
Increase in net asset attributable to holders of redeemable units	$ 9,454,737

Chou RRSP Fund:

	December 31, 2013
Comprehensive income as reported under Canadian GAAP	$ 22,967,963
Revaluation of investments at FVTPL(ii)	(247,600)
Increase in net asset attributable to holders of redeemable units	$ 22,720,363

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

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

(ii) Revaluation of investments at FVTPL:

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

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

CHOU ASIA FUND

Period ended	Total value of shares
Dec.31, 2003	$10,000
Dec.31, 2004	11,850
Dec.31, 2005	12,678
Dec.31, 2006	14,598
Dec.31, 2007	16,972
Dec.31, 2008	13,979
Dec.31, 2009	17,015
Dec.31, 2010	18,786
Dec.31, 2011	17,931
Dec.31, 2012	17,609
Dec.31, 2013	21,799
Dec.31, 2014	**$23,472**

CHOU EUROPE FUND

Period ended	Total value of shares
Dec.31, 2003	$10,000
Dec.31, 2004	11,361
Dec.31, 2005	12,650
Dec.31, 2006	14,002
Dec.31, 2007	11,881
Dec.31, 2008	6,655
Dec.31, 2009	8,962
Dec.31, 2010	8,885
Dec.31, 2011	8,451
Dec.31, 2012	10,753
Dec.31, 2013	15,181
Dec.31, 2014	**$15,342**

CHOU BOND FUND

Period ended	Total value of shares
Dec.31, 2005	$10,000
Dec.31, 2006	12,200
Dec.31, 2007	11,870
Dec.31, 2008	7,396
Dec.31, 2009	10,534
Dec.31, 2010	13,980
Dec.31, 2011	11,408
Dec.31, 2012	12,884
Dec.31, 2013	15,928
Dec.31, 2014	**$17,502**

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

CHOU RRSP FUND

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

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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