Semi-Annual Report of

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

Six months ended June 30, 2016 and 2015
(Unaudited)

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
Dec 31, 2015	212,854
June 30, 2016	**$170,776**

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

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

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

CHOU FUNDS

Performance of the Funds

Six months ended June 30, 2016 (Unaudited)

Chou Associates Fund	
Series A $CAN	-19.8%
Series A $US	-14.1%
Series F $CAN	-19.6%
Series F $US	-13.8%
Chou Asia Fund	
Series A $CAN	-0.8%
Series A $US	6.3%
Series F $CAN	-0.5%
Series F $US	6.5%
Chou Europe Fund	
Series A $CAN	-23.1%
Series A $US	-17.7%
Series F $CAN	-22.9%
Series F $US	-17.4%
Chou Bond Fund	
Series A $CAN	-7.2%
Series A $US	-0.6%
Series F $CAN	-7.1%
Series F $US	-0.3%
Chou RRSP Fund	
Series A $CAN	-17.3%
Series A $US	-11.4%
Series F $CAN	-17.0%
Series F $US	-11.1%

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Six months ended June 30, 2016 and 2015 (Unaudited)

CHOU ASSOCIATES FUND
(Unaudited)

August 12, 2016

Dear Unitholders of Chou Associates Fund,

The net asset value ("NAVPU" or "NAV") of a Series A unit of Chou Associates Fund at June 30, 2016 was $92.66 compared to $115.50 at December 31, 2015, a decrease of 19.8%, while the S&P 500 Total Return Index decreased 2.5% in Canadian dollars. In $US, a Series A unit of Chou Associates Fund was down 14.1% while the S&P 500 Total Return Index returned 3.8%.

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

June 30, 2016 (Series A)	1 Year	3 Years	5 Years	10 Years	15 Years	20 Years
Chou Associates ($CAN)	-23.4%	-1.9%	4.2%	3.1%	6.8%	9.2%
S&P 500 ($CAN)	8.1%	19.7%	18.9%	9.1%	4.7%	7.6%
Chou Associates ($US)[1]	-26.0%	-8.4%	-1.8%	1.6%	7.9%	9.4%
S&P 500 ($US)	4.0%	11.6%	12.1%	7.4%	5.7%	7.9%

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

Please note there is a slight difference in NAV per unit values between our posted performance numbers and these in the Financial Statements due to the impact of bid/ask adjustments, according to new IFRS accounting standards. These percentage differences should be considered immaterial as they constitute less than one-tenth of a percent.

Factors Influencing the First Six-Month Results

Positive contributors to the Fund's performance during the period ended June 30, 2016 included equity securities of Berkshire Hathaway Inc., MBIA Inc., Overstock.com, and the term loan of EXCO Resources Inc.

Equities of Sears Holdings Corporation, Resolute Forest Products, Nokia Corporation, Citigroup Inc., and warrants of Wells Fargo & Company were negative contributors to the Fund's performance during the same period. The US dollar depreciated against Canadian currency, which also negatively affected the Fund.

The fund decreased its holdings of Berkshire Hathaway by 50% and increased its position in Sears Holdings Corporation by 60%, and significantly added to the term loan of EXCO Resources Inc.

New additions during the period include an equity stake in Valeant Pharmaceuticals International, the senior unsecured debt of EXCO Resources Inc. 8.5%, due April 2022, and debt securities of Westmoreland Coal Company 8.75%, due January 2022.

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

Market Commentary

EXCO Resources
In 2015, we initiated the position in EXCO Resources second-lien term loan 12.5%, maturing in 2020. We liked this security because it met the criteria for investing in the Oil & Gas sector.

The criteria were that the security should be:

1) First or second-lien loans or notes;
2) Situations where the ability to add senior or issue pari-passu debt is significantly limited; and
3) If the company restructures or goes into bankruptcy, the recovery value of the bond is greater than the current price of the bond.

We continue to add to the position and as at June 30, 2016, we owned $39.5 million worth of EXCO Resources second-lien term loan. This is one of the largest positions in the portfolio, comprising just below 10% of the assets of the Fund (at market value). We like this security because it is very senior in the capital structure and we believe that management is doing a great job in allocating capital in a tough environment. We also like the fact that the CEO, Mr. Wilder, has bought over $10 million worth of common stock in the open market and is required to purchase at least $23.5 million of additional shares prior to September 9, 2016.

We strongly support EXCO's strategic plan as it continues to focus on three core objectives: restructuring the balance sheet to enhance capital structure and extend structural liquidity; transforming EXCO into the lowest cost producer; and optimizing and repositioning the portfolio. The three core objectives and the Company's recent progress are detailed below.

1. Restructuring the balance sheet to enhance capital structure and extend structural liquidity – The Company is focused on improving its capital structure and providing structural liquidity. As of June 30, 2016, EXCO had $246 million in liquidity. During the second quarter of 2016, EXCO reduced its indebtedness through the repurchase of $12 million in principal amount of senior unsecured notes due 2018 ("2018 Notes") and $12 million in principal amount of senior unsecured notes due 2022 ("2022 Notes"), utilizing $5 million in cash. These repurchases resulted in an estimated reduction in interest expense of approximately $2 million per year. In addition, EXCO's cash flows from operations, reduced capital programs and proceeds received from the sale of certain assets allowed the Company to reduce its indebtedness under its Credit Agreement by $11 million during the quarter.

On August 10, 2016, EXCO announced a cash tender offer to buy back $101.3 million of the 8.5% senior notes due 2022 at a discount of 40 cents on the dollar to the principal amount. This further reduces the Company’s indebtedness.

2. Transforming EXCO into the lowest cost producer – Lease operating expenses decreased by 11% compared to the prior quarter primarily due to the renegotiation of its saltwater disposal contracts, modifications to chemical programs and reduced workover activity. Since the fourth quarter of 2015, the Company has reduced its total workforce by 28%, including 20% of its general and administrative employees and 38% of its field employees. Since the fourth quarter of 2014, it has reduced its total workforce by 59%, including 58% of its general and administrative employees and 61% of its field employees. General and administrative expenses (excluding equity-based compensation and severance costs) have decreased 17% from the first quarter of 2016 primarily due to lower personnel costs.

3. Optimizing and repositioning the portfolio – The Company executed a series of non-core asset divestitures as part of its portfolio optimization initiative. In May 2016, the Company closed a sale of certain non-core undeveloped acreage in South Texas and its interests in four producing wells for $12 million. In July 2016, the Company closed a sale of its interests in shallow conventional assets located in Pennsylvania and retained an overriding royalty interest. EXCO's ability to reduce both capital and operating costs has improved well economics across its portfolio. The wells being drilled in 2016 are targeting rates of return in excess of 80% in the North Louisiana region and 30% in the East Texas region.

The company may need some time to achieve the three core objectives, but in the meantime, we are clipping coupons of 12.5% on a current price of about 60 cents on a dollar. That equates to a current yield of approximately 20%.

Valeant Pharmaceuticals

Valeant Pharmaceuticals International, Inc. (NYSE/TSX: VRX) is a multinational specialty pharmaceutical company that develops, manufactures and markets a broad range of pharmaceutical products primarily in the areas of dermatology, gastrointestinal disorders, eye health, neurology and branded generics. Major subsidiaries of the company include Salix Pharmaceuticals, a maker of gastrointestinal medicines, eye-care company Bausch & Lomb and skin-care company Medicis Pharmaceutical.

What jumps out initially when you first look at Valeant is how much debt it has relative to revenues, free cash flow and product pipelines ($31 billion of debt as of Q2 2016 relative to $10 billion of last twelve-month revenue and approximately $5 billion of EBITDA[2]). There is no question that the company has a diversified array of drugs and it generates solid free cash flow, but it also carries an enormous level of debt on its balance sheet. This degree of leverage not only increases the risk for the investor, but may also give the impression that the company is extremely cheap when examining its price to earnings (P/E) ratio.

In the recent Q2 filing, Valeant released its management guidance for the 2016 Expected Adjusted Earnings Per Share (EPS) to be $6.60 – $7.00. For simplicity sake, let's assume its earnings for 2016 will be $7.00 per share and test the value based on that assumption. We will analyze the situation using a multiple of 14, which is the average P/E multiple a company on the Dow Jones Industrial Average has sold for over the past last 100 years. The earnings multiples investors choose for evaluating a company can vary widely depending on a host of factors, such as sustainable earning power, growth rates, strong balance sheet, pricing power, etc.

So using a 14 times P/E multiple, the expected price per share would be about $98.00 (see Table 1 on the next page for the full calculations). This price reflects a stunning 79% discount from the actual trading price of $20.14, as of June 30, 2016. The discount appears to provide an ample margin of safety for investors.

[2] Earnings Before Interest, Tax, Depreciation and Amortization (EBITDA)

Table 1:

Scenario 1 (Equity Value)	
2016E Adjusted EPS	$7.00
Assumed P/E Multiple	14x
Equity Per Share	$98.0
Current Price (1)	$20.14
Discount	**(79%)**

Scenario 2 (Enterprise Value)	
2016E Adjusted EPS	$7.00
Shares Outstanding (1)	348
Levered Earnings	$2,436
Effective Tax Rate Assumed (2)	15%
Levered Earnings Before Taxes	$2,866
(+) Interest Expense	$1,747
Unlevered Earnings Before Taxes	$4,613
(-) Taxes	$692
Unlevered Earnings	$3,921
Total EV (all equity at 14x)	$54,151
Current Enterprise Value (3)	$37,330
Discount	**(31%)**

Note: All amounts are in $USD millions, except for per share amounts.

(1) As of June 30, 2016, shares are rounded to the nearest million.

(2) Based on effective tax rate of Q2 2016.

(3) Calculation of current enterprise value:

Market Capitalization	*$7,009*
(+) Debt	*$31,067*
(+) Minority Interest	*$107*
(-) Cash	*$853*
Enterprise Value	*$37,330*

However, while the company looks cheap from an equity standpoint, would it still look as cheap if the company was fully funded by equity? Let's take the same $7.00 EPS as suggested by management, multiply it by the shares outstanding of approximately 348 million in order to arrive at the levered earnings of $2.4 billion. (To calculate the unlevered earnings, we assumed an effective tax rate of 15% and projected interest expense of $1.7 billion based on its last twelve month figures.) After adding back the interest expense and subtracting the taxes, the resulting unlevered earnings would be approximately $3.9 billion. Now, if we were to apply the same P/E multiple of 14x to the unlevered earnings, we'd get to a total enterprise value of $54.2 billion, accounting for minority interest and cash on the current balance sheet. Compared to the current enterprise value of $37.3 billion based on the latest trading price, this revised value would represent only a 31% discount on the basis of total capitalization.

A simplistic way to look at it is to assume you are buying a house for $100. If you put in $25 and borrow $75, then this $25 becomes your equity value. If this house was listed on the stock exchange and the equity was trading at $5 for a total capitalization of $80, you wouldn't say that you were getting a great bargain because you were getting something worth $25 for $5. Instead, you would make the connection and say that the house was selling for $80 versus its intrinsic value of $100.

When you factor in Valeant's leverage, it quickly becomes clear that the stock isn't as much of a bargain as it first appears. This concept also applies when looking at their earnings yield calculated based on equity investments, where the $7.00 EPS based on the current price is equivalent to a 35% earnings yield, which is a proxy for the firm's Internal Rate of Return (IRR). However, this calculation is also misleading, as it overstates the return while understating the risk of losing principal if the firm's intrinsic value were to decline. So be careful with your valuation when a company has a lot of debt.

At the current price, Valeant stock is not a mouth-watering bargain at less than 4 times earnings, but it is still relatively cheap. If Valeant can reduce its debt by as much as $8 billion as stated by management through earnings and the sale of non-core assets, it will remove the feeling that the company is standing on the edge of a precipice. Any small misstep or missed guidance could result in bankruptcy. When the company's debt is reduced, it will then be valued based on the free cash flow generated from operations. In addition, Valeant is also undergoing criminal investigation over its ties with Philidor. However, we believe the impact of the litigations are rather limited given that it pertains to only 5% of its revenue.

In conclusion:

- There is a high chance that Valeant will return to trading at the normal multiples once its debt is significantly reduced and the impact and costs of litigations are determined.
- After all, the company still has good cash flow characteristics, resulting from solid portfolio pipelines.
- While we believe Valeant is cheap, the undervaluation is not as deep as it first appears. One must look at return on a fully capitalized basis to get the full picture.
- Debt has to be used with caution, as it is a double-edge sword. If we take the previous example of the house, when the total value of the house is $80, then the equity portion of the house is $5. If the price of the house rises to its intrinsic value of $100, then the equity portion of the value rises to $25. In this situation, the principal value increases fivefold. It is only at the moment of sale that you can determine the actual return you earn by calculating the "Annualized Internal Rate of Return" or "IRR", which is one of the favorite buzzwords for hedge funds and private equity firms. However, it is important to look at the downside as well. If you make a mistake in your analysis or if there is an economic downturn and the intrinsic value falls to $75, your equity portion is wiped out.

Test of great value investor potential

Some twenty years ago, the following test was developed to ascertain whether or not an individual could make it as a value investor. As you are well aware, investing is not done in silos. You have to take all pertinent information and check how it is interrelated.

There are 4 test questions. Answer them in sequence. Don't miss one. Please do not cheat.

Giraffe Test

1. How do you put a giraffe into a refrigerator?

Correct answer:

Open the refrigerator, put in the giraffe, and close the door. This question tests whether you tend to do simple things in an overly complicated way.

Elephant Test

2. How do you put an elephant into a refrigerator?

Did you say, open the refrigerator, put in the elephant, and close the refrigerator? Wrong Answer.

Correct Answer:

Open the refrigerator, take out the giraffe, put in the elephant and close the door. This tests your ability to think through the repercussions of your previous actions.

Lion King Test

3. The Lion King is hosting an Animal Conference. All the animals attend ... except one. Which animal does not attend?

Correct Answer:

The Elephant. The elephant is in the refrigerator. You just put him in there. This tests your memory.

Okay, even if you did not answer the first three questions correctly, you still have one more chance to show whether you have any innate qualities to be a value investor. If you get it wrong, you could be deluding yourself and may have to seek counseling.

Crocodile Test

4. There is a river you must cross but it is used by crocodiles, and you do not have a boat. How do you manage it?

Correct Answer:

You jump into the river and swim across. Haven't you been listening? All the crocodiles are attending the Animal Conference. This tests whether you learn quickly from your mistakes.

When this test was administered to fourth graders, most of them were able to answer some of the questions but 90% of adults could not answer even a single question. This shows what Modern Portfolio Theory can do to investors.

Negative-Yield Fixed Income Instruments - An Unmitigated Disaster in the Making

We are alarmed by the torrent of negative-yield bonds issued by European and Japanese central banks. We believe that more than $10 trillion of such bonds have been issued globally to date. Investors have been gobbling them up as if there is no tomorrow. They are not aware of the enormous risks they are taking here. Even a modest increase in interest rates will culminate to an unmitigated disaster. Please stay clear of such bonds. We wouldn't touch it with a barge pole – let alone a 10-foot pole.

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 subject 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

CHANGE OF SERVICE PROVIDER: We are pleased to advise you that we have moved from Citigroup Fund Services as our asset servicing provider, and we have transitioned custody, fund valuation and recordkeeping for the Chou Funds, managed by Chou Associates Management Inc. to CIBC Mellon effective December 14, 2015. CIBC Mellon is a Canadian leader in asset servicing, with more than C$1.5 trillion of assets under administration on behalf of many of Canada's largest investment funds, pension plans and other institutional investors.

Please note this is only notification for our investors, and you are not required to change or update your information. All business practices will remain consistent and you should not notice any change to your day-to-day transactions.

COVERED CALL OPTIONS: The Fund had no covered call options in its portfolio as at June 30, 2016.

REDEMPTION FEE: We have a redemption fee of 2% if unitholders redeem their units in less than 12 months. None of this fee goes to the Fund Manager. It is put back into the Fund for the benefit of the remaining unitholders. Please note this change will be in effect for all funds moving forward.

INDEPENDENT REVIEW COMMITTEE: The Manager has established an IRC as required by NI 81-107. The members of the IRC are Sandford Borins, Joe Tortolano and Peter Gregoire. The 2015 IRC Annual Report is available on our website www.choufunds.com.

As of August 12, 2016, the NAV of a Series A unit of the Fund was $100.60 and the cash position was approximately 10.3% of net assets. The Fund is down 12.90% from the beginning of the year. In $US, it is down 7.02%.

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.

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

Francis Chou
Chou Associates Management Inc.

CHOU ASSOCIATES FUND

Statements of Financial Position

June 30, 2016 (Unaudited) and December 31, 2015

	June 30, 2016	December 31, 2015
Assets		
Current assets:		
Financial assets designated at fair value through profit or loss (note 9)	$ 300,551,925	$ 309,568,539
Held-for-trading investments (note 9)	47,195,444	65,497,338
Cash and cash equivalents	47,529,442	147,614,159
Receivable for units subscribed	444,787	442,190
Interest receivable	594,922	160,380
Dividends receivable	1,232,273	–
Receivable for investments sold	735,584	–
Total assets	398,284,377	523,282,606
Liabilities		
Current liabilities:		
Accrued expenses	675,671	785,661
Payable for units redeemed	1,081,501	474,015
Distributions payable	–	43,666
Due to broker	–	4,499,169
Unrealized loss on forward contracts (note 9)	–	3,768,750
Total liabilities	1,757,172	9,571,261
Net assets attributable to unitholders of redeemable units	$ 396,527,205	$ 513,711,345
Net assets attributable to unitholders of redeemable units:		
Series A	$ 358,664,111	$ 468,191,243
Series F	37,863,094	45,520,102
	$ 396,527,205	$ 513,711,345
Number of units outstanding (note 4):		
Series A	3,870,604	4,053,774
Series F	410,152	396,647
Net assets attributable to unitholders of redeemable units per unit (note 4):		
Canadian dollars:		
Series A	$ 92.66	$ 115.50
Series F	92.31	114.76
U.S. dollars:		
Series A	71.72	83.47
Series F	71.45	82.94

See accompanying notes to financial statements.

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

Francis Chou

CHOU ASSOCIATES FUND

Statements of Comprehensive Income (Loss)

Six months ended June 30, 2016 (Unaudited) and 2015

	2016	2015
Income:		
Interest for distribution purposes and other	$ 4,830,980	$ 516,684
Dividends	2,382,195	1,838,961
Securities lending income	1,162,006	944,948
Foreign currency gain on cash and other net assets	1,760,275	3,722,616
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 designated at fair value through profit or loss	25,848,210	13,062,578
Change in unrealized appreciation (depreciation) on financial assets designated at fair value through profit or loss	(111,503,422)	(39,671,344)
Change in unrealized appreciation (depreciation) on held-for-trading investments	(14,533,150)	11,955,100
Realized loss on held-for-trading investments	(6,393,661)	–
	(96,446,567)	(7,630,457)
Expenses:		
Management fees (note 5)	3,485,904	4,605,716
Custodian fees	273,000	322,689
Audit	58,769	58,065
Filing fees	22,750	22,625
Independent Review Committee fees	–	22,793
FundSERV fees	14,885	15,477
Legal fees	9,100	9,050
Transaction costs (note 6)	188,086	88,282
Foreign withholding taxes	520,773	531,538
Other	10,046	–
	4,583,313	5,676,235
Decrease in net assets attributable to unitholders of redeemable units	$ (101,029,880)	$ (13,306,692)
Decrease in net assets attributable to unitholders of redeemable units per Series:		
Series A	$ (91,872,468)	$ (12,257,362)
Series F	(9,157,412)	(1,049,330)
	$ (101,029,880)	$ (13,306,692)
Average number of units outstanding for the period for the Series:		
Series A	3,973,613	4,127,058
Series F	405,283	359,360
Decrease in net assets attributable to unitholders of redeemable units per unit:		
Series A	$ (23.12)	$ (2.97)
Series F	(22.60)	(2.92)

See accompanying notes to financial statements.

CHOU ASSOCIATES FUND

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

Six months ended June 30, 2016 (Unaudited) and 2015

	2016	2015
Series A		
Net assets attributable to unitholders of redeemable units, beginning of period	$ 468,191,243	$ 513,815,498
Decrease in net assets attributable to unitholders of redeemable units	(91,872,468)	(12,257,362)
Proceeds from issue of units	14,323,899	17,899,942
Payments on redemption of units	(31,978,631)	(20,335,390)
Reinvested distributions	68	–
Net assets attributable to unitholders of redeemable units, end of period	358,664,111	499,122,688
Series F		
Net assets attributable to unitholders of redeemable units, beginning of period	45,520,102	43,005,904
Decrease in net assets attributable to unitholders of redeemable units	(9,157,412)	(1,049,330)
Proceeds from issue of units	9,349,631	5,664,199
Payments on redemption of units	(7,849,270)	(3,315,042)
Reinvested distributions	43	–
Net assets attributable to unitholders of redeemable units, end of period	37,863,094	44,305,731
Total net assets, end of period	$ 396,527,205	$ 543,428,419

See accompanying notes to financial statements.

CHOU ASSOCIATES FUND

Statements of Cash Flows

Six months ended June 30, 2016 (Unaudited) and 2015

	2016	2015
Cash flows from operating activities:		
Decrease in net assets attributable to unitholders of redeemable units	$ (101,029,880)	$ (13,306,692)
Adjustments for:		
Foreign currency gain on cash and other net assets	(1,760,275)	(3,722,616)
Net realized gain on financial assets at fair value through profit or loss	(25,848,210)	(13,062,578)
Change in unrealized appreciation (depreciation) on investments and derivatives	126,036,572	27,716,244
Change in non-cash operating working capital:		
Decrease (increase) in interest receivable	(434,542)	25,327
Increase in dividends receivable	(1,232,273)	–
Decrease in other receivable	–	223,155
Decrease in accrued expenses	(109,990)	(42,597)
Purchase of investments	(122,757,927)	(7,587,535)
Proceeds from sales of investments	40,884,570	12,496,313
Net cash generated from (used in) operating activities	(86,251,955)	2,739,021
Cash flows from financing activities:		
Distributions paid to unitholders	(43,555)	(118,415)
Proceeds from redeemable units issued	23,670,933	22,816,762
Amount paid on redemption of redeemable units	(39,220,415)	(23,572,973)
Net cash used in financing activities	(15,593,037)	(874,626)
Foreign currency gain on cash and other net assets	1,760,275	3,722,616
Increase (decrease) in cash and cash equivalents	(100,084,717)	5,587,011
Cash and cash equivalents, beginning of period	147,614,159	160,076,493
Cash and cash equivalents, end of period	$ 47,529,442	$ 165,663,504
Supplemental information:		
Interest received, net of withholding tax	$ 4,396,438	$ 542,011
Dividends received, net of withholding tax	1,149,401	1,307,423
Security lending income received	1,162,006	1,168,103

See accompanying notes to financial statements.

CHOU ASSOCIATES FUND

Schedule of Investments

June 30, 2016 (Unaudited)

	Number of shares or par value	Cost	Fair value
Equities - long			
Ascent Media Corporation	340,000	$ 15,712,984	$ 6,760,258
Berkshire Hathaway Inc., Series A	150	15,819,918	42,048,128
Chicago Bridge & Iron Co.	67,446	2,967,433	3,017,549
Citigroup Inc.	410,000	10,358,741	22,453,962
Goldman Sachs	75,000	9,384,141	14,396,845
MBIA Inc.	1,080,797	7,479,425	9,536,973
Nokia Corporation ADR	3,750,000	8,829,385	27,566,983
Overstock.com Inc.	430,295	8,660,596	8,955,865
Resolute Forest Products Inc.	3,889,101	59,000,431	26,579,732
Sanofi ADR	390,000	13,783,524	21,086,562
Sears Canada Inc.	482,319	5,170,600	1,856,933
Sears Holdings Corporation	1,431,610	41,444,942	25,172,628
Sears Hometown and Outlet Stores Inc.	1,322,209	24,776,606	11,513,456
Valeant Pharmaceuticals International Inc.	1,186,843	72,797,719	30,881,504
		296,186,445	251,827,378
Held for trading			
General Motors Company, warrants, Series B, July 10, 2019	13,019	211,015	175,600
JPMorgan Chase & Company, warrants, Oct 28, 2018	1,126,347	13,927,767	29,467,476
Wells Fargo & Company, warrants, Oct 28, 2018	997,500	7,995,397	17,552,368
		22,134,179	47,195,444
Bonds - long			
Exco Resources Inc., 8/5%, April 15, 2022	10,137,000	2,672,192	3,863,467
Exco Resources Inc. term loan	51,536,520	35,070,897	39,450,195
R.H. Donnelley Inc., term loans, Dec 31, 2016	7,652,790	5,974,775	2,974,342
Westmoreland Coal Company, 8.75%, January 1, 2022	2,523,000	2,033,712	2,436,543
		45,751,576	48,724,547
Total investments		364,072,200	347,747,369
Transaction costs		(449,507)	–
Portfolio total		$ 363,622,693	$ 347,747,369

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.

Financial risk management:

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

(a) Credit risk:

Credit risk is the risk that a counterparty to a financial instrument will fail to discharge a commitment that it has entered into with the Fund. As at June 30, 2016, the Fund invested approximately 11.54% (December 31, 2015 - 1.66%) 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. As at June 30, 2016, the Fund invested approximately 0.75% (December 31, 2015 - nil) of its net assets in non-rated bonds.

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:

	June 30, 2016	December 31, 2015
Less than 1 year	$ 2,974,342	$ –
1 - 3 years	–	4,599,133
3 - 5 years	39,450,195	3,908,953
Greater than 5 years	6,300,010	–

As at June 30, 2016, 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 $486,401 (December 31, 2015 - $58,518).

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 75.41% (December 31, 2015 - 58.60%) of the Fund's net assets held at June 30, 2016 were publicly traded equities. If equity prices on the exchange had increased or decreased by 5% as at June 30, 2016, the net assets of the Fund would have increased or decreased by approximately $14,951,141, or 3.77% (December 31, 2015 - $15,053,023, or 2.93%) 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 June 30, 2016 and December 31, 2015 are as follows:

June 30, 2016	Foreign currency forward contract	Financial instruments	Percentage of NAV
United States dollar	$ –	$ 352,221,662	88.8

December 31, 2015	Foreign currency forward contract	Financial instruments	Percentage of NAV
United States dollar	$ 50,000,000	$ 347,988,204	67.7

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 interest receivable, receivable for units subscribed and other receivable and financial liabilities (including accrued expenses, payable for units redeemed, distributions payable and due to broker) that are denominated in foreign currencies do not expose the Fund to significant foreign currency risk.

As at June 30, 2016, if the Canadian dollar had strengthened or weakened by 1% in relation to all currencies, with all other variables held constant, net assets would have decreased or increased by approximately $3,552,217 (December 31, 2015 - $3,479,882).

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

CHOU ASIA FUND
(Unaudited)

August 12, 2016

Dear Unitholders of Chou Asia Fund,

The net asset value ("NAVPU" or "NAV") of a Series A unit of Chou Asia Fund at June 30, 2016 was $16.10 compared to $16.23 at December 31, 2015, a decrease of 0.8%; during the same period, the MSCI AC (Morgan Stanley Capital International All Country) Asia Pacific Total Return Index in Canadian dollars decreased 6.9%. In $US, a Series A unit of Chou Asia Fund was up 6.3% while the MSCI AC Asia Pacific Total Return Index decreased 0.8%.

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

June 30, 2016 (Series A)	1 Year	3 Years	5 Years	10 Years
Chou Asia ($CAN)	-3.8%	7.4%	7.1%	6.5%
MSCI AC Asia Pacific TR ($CAN)	-5.6%	9.9%	8.6%	4.7%
Chou Asia ($US)[3]	-7.2%	0.3%	1.1%	4.9%
MSCI AC Asia Pacific TR ($US)	-9.2%	2.6%	2.7%	3.1%

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

Please note there is a slight difference in NAV per unit values between our posted performance numbers and these in the Financial Statements due to the impact of bid/ask adjustments, according to new IFRS accounting standards. These percentage differences should be considered immaterial as they constitute less than one-tenth of a percent.

Factors Influencing the First Six-Month Results

Top gainers during the first half of 2016 were the equity holdings of AJIS Company Limited, POSCO Sponsored ADR, and BYD Company Limited.

Most of the declines came from the equity securities of Pyne Gould Corporation Limited and Glacier Media Inc. The renminbi had depreciated against the Canadian currency during the period, which also negatively impacted the Fund.

Net Cash Balance of 70% at June 2016

The average month-end cash balance for the first half of 2016 was approximately 71%, and as of June 30, 2016, the net cash balance was approximately 70% – which tells its own story. We continue to be concerned with China's economy. It's still not as healthy as the government wants us to believe. Huge sums of money have been put into building cities and highways, but all remain eerily empty. Any slowdown in China's economy will have a negative impact on Canada's economy. Our economy is based on commodities and

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

energy and China imports a lot of our raw materials. We're also still concerned with the heavy leverage that Chinese investors use when they invest in equity securities. We're awaiting developments and remain cautious.

Other Matters
CHANGE OF SERVICE PROVIDER: We are pleased to advise you that we have moved from Citigroup Fund Services as our asset servicing provider, and we have transitioned custody, fund valuation and recordkeeping for the Chou Funds, managed by Chou Associates Management Inc. to CIBC Mellon effective December 14, 2015. CIBC Mellon is a Canadian leader in asset servicing, with more than C$1.5 trillion of assets under administration on behalf of many of Canada's largest investment funds, pension plans and other institutional investors.

Please note this is only notification for our investors, and you are not required to change or update your information. All business practices will remain consistent and you should not notice any change to your day-to-day transactions.

FOREIGN CURRENCY CONTRACTS: None existed at June 30, 2016.

CREDIT DEFAULT SWAP: None existed at June 30, 2016.

CONSTANT MATURITY SWAPS: None existed at June 30, 2016.

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

REDEMPTION FEE: We have a redemption fee of 2% if unitholders redeem their units in less than **12 months**. None of this fee goes to the Fund Manager. It is put back into the Fund for the benefit of the remaining unitholders. Please note this change will be in effect for all funds moving forward.

INDEPENDENT REVIEW COMMITTEE: The Manager has established an IRC as required by NI 81-107. The members of the IRC are Sandford Borins, Joe Tortolano and Peter Gregoire. The 2015 IRC Annual Report is available on our website www.choufunds.com.

As of August 12, 2016, the NAV of a Series A unit of the Fund was $16.70 and the cash position was approximately 67.1% of net assets. The Fund is up 2.89% from the beginning of the year. In $US, it is up 9.84%.

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

June 30, 2016 (Unaudited) and December 31, 2015

		June 30, 2016		December 31, 2015
Assets				
Current assets:				
Financial assets at fair value through profit or loss (note 9)	$	11,166,574	$	11,071,797
Cash and cash equivalents		25,801,444		29,197,185
Receivable for units subscribed		5,000		4,958
Total assets		36,973,018		40,273,940
Liabilities				
Current liabilities:				
Accrued expenses		64,506		60,228
Payable for units redeemed		92,020		–
Distributions payable		–		97,499
Total liabilities		156,526		157,727
Net assets attributable to unitholders of redeemable units	$	36,816,492	$	40,116,213
Net assets attributable to unitholders of redeemable units:				
Series A	$	34,257,642	$	37,670,566
Series F		2,558,850		2,445,647
	$	36,816,492	$	40,116,213
Number of units outstanding (note 4):				
Series A		2,127,221		2,100,324
Series F		156,794		126,831
Net assets attributable to unitholders of redeemable units per unit (note 4):				
Canadian dollars:				
Series A	$	16.10	$	16.23
Series F		16.32		16.41
U.S. dollars:				
Series A		12.46		11.73
Series F		12.63		11.86

See accompanying notes to financial statements.

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

Francis Chou

CHOU ASIA FUND

Statements of Comprehensive Income (Loss)

Six months ended June 30, 2016 (Unaudited) and 2015

	2016	2015
Income:		
Interest for distribution purposes and other	$ (3,447)	$ 2,346
Dividends	128,272	124,821
Securities lending income (note 8)	13,950	7,659
Foreign currency gain (loss) on cash and other net assets	(222,851)	1,154,869
Other net changes in fair value of financial assets and financial liabilities at fair value through profit or loss:		
Net realized gain (loss) on financial assets at fair value through profit or loss	(1,503)	4,312,886
Change in unrealized appreciation (depreciation) on financial assets at fair value through profit or loss	96,280	(1,686,922)
Realized loss on held-for-trading investments	(2,478)	–
	8,223	3,915,659
Expenses:		
Management fees (note 5)	309,841	347,053
Custodian fees	21,840	24,878
Audit	10,805	17,160
Filing fees	2,472	749
Independent Review Committee fees	–	1,778
FundSERV fees	1,304	1,165
Transaction costs (note 6)	–	28,449
Foreign withholding taxes	9,027	10,476
Other	1,796	–
	357,085	431,708
Increase (decrease) in net assets attributable to unitholders of redeemable units	$ (348,862)	$ 3,483,951
Increase (decrease) in net assets attributable to unitholders of redeemable units per Series:		
Series A	$ (338,669)	$ 3,297,509
Series F	(10,193)	186,442
	$ (348,862)	$ 3,483,951
Average number of units outstanding for the period for the Series:		
Series A	2,219,951	4,131,399
Series F	155,171	359,225
Increase (decrease) in net assets attributable to unitholders of redeemable units per unit:		
Series A	$ (0.15)	$ 1.57
Series F	(0.07)	1.47

See accompanying notes to financial statements.

CHOU ASIA FUND

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

Six months ended June 30, 2016 (Unaudited) and 2015

	2016	2015
Series A		
Net assets attributable to unitholders of redeemable units, beginning of period	$ 37,670,566	$ 37,324,196
Increase (decrease) in net assets attributable to unitholders of redeemable units	(338,669)	3,297,509
Proceeds from issue of units	478,927	977,614
Payments on redemption of units	(3,553,338)	(1,257,135)
Reinvested distributions	156	–
Net assets attributable to unitholders of redeemable units, end of period	34,257,642	40,342,184
Series F		
Net assets attributable to unitholders of redeemable units, beginning of period	2,445,647	1,823,444
Increase (decrease) in net assets attributable to unitholders of redeemable units	(10,193)	186,442
Proceeds from issue of units	357,255	691,692
Payments on redemption of units	(233,973)	(41,593)
Reinvested distributions	114	–
Net assets attributable to unitholders of redeemable units, end of period	2,558,850	2,659,985
Total net assets, end of period	$ 36,816,492	$ 43,002,169

See accompanying notes to financial statements.

CHOU ASIA FUND

Statements of Cash Flows

Six months ended June 30, 2016 (Unaudited) and 2015

	2016	2015
Cash flows from operating activities:		
Increase (decrease) in net assets attributable to unitholders of redeemable units	$ (348,862)	$ 3,483,951
Adjustments for:		
Foreign currency loss (gain) on cash and other net assets	222,851	(1,154,869)
Net realized loss (gain) on investments	1,503	(4,312,886)
Change in unrealized depreciation (appreciation) on investments and derivatives	(96,280)	1,686,922
Change in non-cash operating working capital:		
Increase in dividends receivable	–	(35,029)
Decrease in other receivables	–	2,070
Increase in accrued expenses	4,278	1,468
Proceeds from sales of investments	–	10,210,076
Net cash generated from (used in) operating activities	(216,510)	9,881,703
Cash flows from financing activities:		
Distributions paid to unitholders	(97,229)	(12,561)
Proceeds from redeemable units issued	836,140	1,701,813
Amount paid on redemption of redeemable units	(3,695,291)	(1,293,301)
Net cash used in financing activities	(2,956,380)	395,951
Foreign currency gain (loss) on cash and other net assets	(222,851)	1,154,869
Increase (decrease) in cash and cash equivalents	(3,395,741)	11,432,523
Cash and cash equivalents, beginning of period	29,197,185	20,023,286
Cash and cash equivalents, end of period	$ 25,801,444	$ 31,455,809
Supplemental information:		
Interest received, net of withholding tax	$ 3,447	$ 2,346
Dividends received, net of withholding taxes	128,263	79,316
Security lending income received	13,950	9,729

See accompanying notes to financial statements.

CHOU ASIA FUND

Schedule of Investments

June 30, 2016 (Unaudited)

	Number of shares or par value	Cost	Fair value
Equities - long			
AJIS Company Limited	15,200	$ 213,157	$ 1,083,954
BYD Company Limited, Series H	573,000	989,812	4,432,316
BYD Electronic (International) Company Limited	1,798,000	436,061	1,305,469
China Yuchai International Limited	73,364	1,242,575	1,025,548
Glacier Media Inc.	505,007	1,363,645	333,305
Glacier Media Inc. Rights	505,007	–	2,525
Hanfeng Evergreen Inc.	95,850	228,548	–
POSCO Sponsored ADR	21,000	1,259,883	1,207,327
Pyne Gould Corporation Limited	9,627,219	2,155,762	1,776,130
Total investments		7,889,443	11,166,574
Transaction costs		(9,847)	–
Portfolio total		$ 7,879,596	$ 11,166,574

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.

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 29.42% (December 31, 2015 - 27.60%) of the Fund's net assets held at June 30, 2016 were publicly traded equities. If equity prices on the exchange had increased or decreased by 5% as at June 30, 2016, the net assets of the Fund would have increased or decreased by approximately $541,537, or 1.47% (December 31, 2015 - $553,590, or 1.38%) 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 June 30, 2016 and December 31, 2015 are as follows:

June 30, 2016	Financial instruments	Percentage of NAV
Hong Kong dollar	$ 15,734,452	42.7
United States dollar	$ 7,335,835	19.9
New Zealand dollar	$ 1,903,304	5.2
Japanese yen	¥ 1,092,036	3.0
Singapore dollar	$ 167,258	0.5

December 31, 2015	Financial instruments	Percentage of NAV
Hong Kong dollar	$ 16,416,408	40.9
Japanese yen	¥ 9,296,467	23.2
United States dollar	$ 7,666,272	19.1
New Zealand dollar	$ 2,362,672	5.9
Singapore dollar	$ 170,191	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, 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 June 30, 2016, 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 $262,329 (December 31, 2015 - $359,120).

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

CHOU EUROPE FUND
(Unaudited)

August 12, 2016

Dear Unitholders of Chou Europe Fund,

The net asset value ("NAVPU" or "NAV") of a Series A unit of Chou Europe Fund at June 30, 2016 was \$9.17 compared to \$11.94 at December 31, 2015, a decrease of 23.1%; during the same period, the MSCI AC (Morgan Stanley Capital International All Country) Europe Total Return Index in Canadian dollars decreased 10.1%. In \$US, a Series A unit of Chou Europe Fund was down 17.7% while the MSCI AC Europe Total Return Index decreased 4.3%.

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

June 30, 2016 (Series A)	1 Year	3 Years	5 Years	10 Years
Chou Europe (\$CAN)	-28.8%	-3.4%	6.4%	-0.6%
MSCI AC Europe TR (\$CAN)	-7.1%	9.4%	7.5%	3.4%
Chou Europe (\$US)[4]	-31.3%	-10.2%	0.1%	-2.2%
MSCI AC Europe TR (\$US)	-10.7%	2.0%	1.8%	1.8%

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.

Please note there is a slight difference in NAV per unit values between our posted performance numbers and these in the Financial Statements due to the impact of bid/ask adjustments, according to new IFRS accounting standards. These percentage differences should be considered immaterial as they constitute less than one-tenth of a percent.

Factors Influencing the First Six-Month Results

Positive contributors to the Fund’s performance during the period ended June 30, 2016 included equity holdings of GlaxoSmithKline PLC and BP PLC.

The Fund’s largest decliners during the period were Bank of Ireland, Next PLC, Abbey PLC, Trastor Real Estate Investment, and Ryanair Holdings PLC. The pound sterling and Euro depreciated against the Canadian currency, which also contributed to the negative performance of the Fund.

Equity positions in Avangardco Investments were reduced by 67%, and the Fund significantly increased holdings of Eurobank Ergasias S.A.

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

Europe
The last couple of years were particularly interesting times to invest in Europe. We study the companies of interest and think that we understand the economics of the businesses, and yet unforeseen geopolitical events can occur that force us to re-evaluate the valuations. Let's take Greece as an example.

We are aware that since the year 1800, Greece has spent roughly 50% of its time in default or debt rescheduling. It has too much debt and it seems that the Greek citizens have finally decided to implement the reform program required by the Troika (the European Commission, the International Monetary Fund, and the European Central Bank). However, based on the evidence of history, the programs will only give Greece some short-term relief, while leaving the problem of over-leverage unresolved.

With this in mind, it was not a surprise that 2015 and 2016 year-to-date have been difficult periods for us in Greece, as we experienced (unrealized) losses of almost our entire investment in Eurobank Ergasias SA. This goes to show that sometimes politics can trump economics.

In the same vein, Brexit took us by surprise. The British stocks in general declined by approximately 10% and the pound sterling depreciated against the $U.S. by approximately 10% after the announcement of the vote.

In the long run, valuations will trump politics. What counts is the accuracy of your assessment of the companies and how cheap the price you paid for in relative to their appraised value.

Negative-Yield Fixed Income Instruments - An Unmitigated Disaster in the Making
We are alarmed by the torrent of negative-yield bonds issued by European Central banks. We believe that several trillion dollars of such bonds have been issued to date. Investors have been gobbling them up as if there is no tomorrow. They are not aware of the enormous risks they are taking here. Even a modest increase in interest rates will have the making of an unmitigated disaster. Please stay clear of such bonds. We wouldn't touch it with a barge pole – let alone a 10-foot pole.

Other Matters
CHANGE OF SERVICE PROVIDER: We are pleased to advise you that we have moved from Citigroup Fund Services as our asset servicing provider, and we have transitioned custody, fund valuation and recordkeeping for the Chou Funds, managed by Chou Associates Management Inc. to CIBC Mellon effective December 14, 2015. CIBC Mellon is a Canadian leader in asset servicing, with more than C$1.5 trillion of assets under administration on behalf of many of Canada's largest investment funds, pension plans and other institutional investors.

Please note this is only notification for our investors, and you are not required to change or update your information. All business practices will remain consistent and you should not notice any change to your day-to-day transactions.

FOREIGN CURRENCY CONTRACTS: None existed at June 30, 2016.

CREDIT DEFAULT SWAP: None existed at June 30, 2016.

CONSTANT MATURITY SWAPS: None existed at June 30, 2016.

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

REDEMPTION FEE: We have a redemption fee of 2% if unitholders redeem their units in less than **12 months**. None of this fee goes to the Fund Manager. It is put back into the Fund for the benefit of the remaining unitholders. Please note this change will be in effect for all funds moving forward.

INDEPENDENT REVIEW COMMITTEE: The Manager has established an IRC as required by NI 81-107. The members of the IRC are Sandford Borins, Joe Tortolano and Peter Gregoire. The 2015 IRC Annual Report is available on our website www.choufunds.com.

As of August 12, 2016, the NAV of a Series A unit of the Fund was $9.20 and the cash position was approximately 16.6% of net assets. The Fund is down 22.92% from the beginning of the year. In $US, it is down 17.72%.

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

Yours truly,

Francis Chou

Francis Chou
Fund Manager

CHOU EUROPE FUND

Statements of Financial Position

June 30, 2016 (Unaudited) and December 31, 2015

	June 30, 2016	December 31, 2015
Assets		
Current assets:		
Financial assets designated at fair value through profit or loss (note 9)	$ 11,856,382	$ 15,348,759
Cash and cash equivalents	2,910,104	7,184,135
Receivable for units subscribed	15,000	844
Interest receivable	2	–
Dividends receivable	77,585	104,008
Total assets	14,859,073	22,637,746
Liabilities		
Current liabilities:		
Accrued expenses	21,820	32,305
Payable for units redeemed	312,415	51,123
Derivative liabilities (note 9)	–	753,750
Total liabilities	334,235	837,178
Net assets attributable to unitholders of redeemable units	$ 14,524,838	$ 21,800,568
Net assets attributable to unitholders of redeemable units:		
Series A	$ 12,281,527	$ 17,973,621
Series F	2,243,311	3,826,947
	$ 14,524,838	$ 21,800,568
Number of units outstanding (note 4):		
Series A	1,338,710	1,505,731
Series F	240,444	316,203
Net assets attributable to unitholders of redeemable units per unit (note 4):		
Canadian dollars:		
Series A	$ 9.17	$ 11.94
Series F	9.33	12.10
U.S. dollars:		
Series A	7.10	8.59
Series F	7.22	8.71

See accompanying notes to financial statements.

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

Francis Chou

CHOU EUROPE FUND

Statements of Comprehensive Income (Loss)

Six months ended June 30, 2016 (Unaudited) and 2015

	2016	2015
Income:		
Interest for distribution purposes and other	$ –	$ 2,903
Dividends	142,204	190,699
Securities lending income	62	–
Foreign currency gain on cash and other net assets	59,841	28,779
Other net changes in fair value of financial assets and financial liabilities at fair value through profit or loss:		
Net realized loss on financial assets at fair value through profit or loss	(587,297)	(201)
Change in unrealized appreciation (depreciation) on financial assets at fair value through profit or loss	(3,669,940)	2,304,043
Change in unrealized appreciation on held-for-trading investments	753,750	–
Realized loss on held-for-trading investments	(1,279,437)	–
	(4,580,817)	2,526,223
Expenses:		
Management fees (note 5)	143,959	195,979
Custodian fees	8,271	26,065
Audit	4,759	20,140
Filing fees	1,077	494
Independent Review Committee fees	–	1,021
FundSERV fees	644	670
Transaction costs (note 6)	14,668	–
Foreign withholding taxes	20,440	29,451
Other (recovery)	(2,094)	–
	191,724	273,820
Increase (decrease) in net assets attributable to unitholders of redeemable units	$ (4,772,541)	$ 2,252,403
Increase (decrease) in net assets attributable to unitholders of redeemable units per Series:		
Series A	$ (3,936,828)	$ 1,982,609
Series F	(835,713)	269,794
	$ (4,772,541)	$ 2,252,403
Average number of units outstanding for the period for the Series:		
Series A	1,421,338	1,694,538
Series F	300,240	261,936
Increase (decrease) in net assets attributable to unitholders of redeemable units per unit:		
Series A	$ (2.77)	$ 1.17
Series F	(2.78)	1.03

See accompanying notes to financial statements.

CHOU EUROPE FUND

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

Six months ended June 30, 2016 (Unaudited) and 2015

	2016	2015
Series A		
Net assets attributable to unitholders of redeemable units, beginning of period	$ 17,973,621	$ 20,884,225
Increase (decrease) in net assets attributable to unitholders of redeemable units	(3,936,828)	1,982,609
Proceeds from issue of units	255,913	1,205,742
Payments on redemption of units	(2,011,179)	(3,033,150)
Net assets attributable to unitholders of redeemable units, end of period	12,281,527	21,039,426
Series F		
Net assets attributable to unitholders of redeemable units, beginning of period	3,826,948	2,365,947
Increase (decrease) in net assets attributable to unitholders of redeemable units	(835,713)	269,794
Proceeds from issue of units	114,629	1,612,927
Payments on redemption of units	(862,553)	(355,487)
Net assets attributable to unitholders of redeemable units, end of period	2,243,311	3,893,181
Total net assets, end of period	$ 14,524,838	$ 24,932,607

See accompanying notes to financial statements.

CHOU EUROPE FUND

Statements of Cash Flows

Six months ended June 30, 2016 (Unaudited) and 2015

	2016	2015
Cash flows from operating activities:		
Increase (decrease) in net assets attributable to unitholders of redeemable units	$ (4,772,541)	$ 2,252,403
Adjustments for:		
Foreign currency gain on cash and other net assets	(59,841)	(28,779)
Net realized gain on investments	587,297	201
Change in unrealized depreciation (appreciation) on investments and derivatives	2,916,190	(2,304,043)
Change in non-cash operating working capital:		
Decrease in interest receivable	(2)	–
Decrease (increase) in dividends receivable	26,423	(50,251)
Decrease in accrued expenses	(10,485)	(1,788)
Purchase of investments	(909,527)	–
Proceeds from sales of investments	144,668	91
Net cash used in operating activities	(2,077,818)	(132,166)
Cash flows from financing activities:		
Distributions paid to unitholders	–	(4,762)
Proceeds from redeemable units issued	356,386	2,752,154
Amount paid on redemption of redeemable units	(2,612,440)	(3,516,397)
Net cash used in financing activities	(2,256,054)	(769,005)
Foreign currency gain on cash and other net assets	59,841	28,779
Decrease in cash and cash equivalents	(4,274,031)	(872,392)
Cash and cash equivalents, beginning of period	7,184,135	9,250,100
Cash and cash equivalents, end of period	$ 2,910,104	$ 8,377,708
Supplemental information:		
Interest received, net of withholding tax	$ 2	$ 2,908
Dividends received, net of withholding taxes	168,607	110,997
Security lending income received	62	–

See accompanying notes to financial statements.

CHOU EUROPE FUND

Schedule of Investments

June 30, 2016 (Unaudited)

	Number of shares or par value		Cost		Fair value
Equities - long					
Abbey PLC	31,639	$	227,314	$	567,029
AstraZeneca PLC	13,000		701,770		998,773
Avangardco Investments Public Limited	39,115		352,628		43,965
Bank of Ireland	3,400,000		383,114		901,827
BP PLC ADR	10,000		313,497		458,771
EFG Eurobank Ergasias	850,000		3,265,556		670,277
GlaxoSmithKline PLC	18,000		491,338		496,729
Intralot SA	717,575		1,659,636		925,939
Next PLC	18,000		581,417		1,526,255
OTCPHARM PJSC	235,938		–		862,897
Pharmstandard GDR	177,605		1,385,014		851,285
Ryanair Holdings PLC ADR	16,575		478,533		1,489,135
Sanofi ADR	20,000		884,092		1,081,362
Trastor Real Estate Investment Company	854,133		797,009		982,138
Total investments			11,520,918		11,856,382
Transaction costs			(7,121)		–
Portfolio total		$	11,513,797	$	11,856,382

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 81.63% (December 31, 2015 - 70.41%) of the Fund's net assets held at June 30, 2016 were publicly traded equities. If equity prices on the exchange had increased or decreased by 5% as at June 30, 2016, the net assets of the Fund would have increased or decreased by approximately $592,819, or 4.08% (December 31, 2015 - $767,438 or 3.52%) 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 June 30, 2016 and December 31, 2015 are as follows:

June 30, 2016	Foreign currency forward contract	Financial instruments	Percentage of NAV
Euro currency	$ –	€ 4,053,245	27.9
United States dollar	–	$ 5,068,741	34.9
Sterling pound	–	£ 3,294,320	22.7

December 31, 2015	Foreign currency forward contract	Financial instruments	Percentage of NAV
Euro currency	$ –	€ 5,094,251	23.4
United States dollar	10,000,000	$ (6,058,985)	(27.8)
Sterling pound	–	£ 4,651,254	21.3

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.

As at June 30, 2016, 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 $124,163 (December 31, 2015 - $36,865).

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

CHOU BOND FUND
(Unaudited)

August 12, 2016

Dear Unitholders of Chou Bond Fund,

The net asset value per unit ("NAVPU") of a Series A unit of Chou Bond Fund at June 30, 2016 was $8.14 compared to $8.78 at December 31, 2015, a decrease of 7.2%; during the same period, Barclays U.S. Corporate High Yield Index ($CAN) returned 2.4%. In $US, a Series A unit of Chou Bond Fund was down 0.6% while Barclays U.S. Corporate High Yield Index returned 9.1%.

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

June 30, 2016 (Series A)	1 Year	3 Years	5 Years	10 Years
Chou Bond ($CAN)	-10.4%	1.2%	3.1%	3.6%
Barclays U.S. Corp. High Yield ($CAN)	5.6%	11.7%	12.3%	9.2%
Chou Bond ($US)[5]	-13.5%	-5.6%	-2.8%	2.1%
Barclays U.S. Corp. High Yield ($US)	1.6%	4.2%	5.8%	7.6%

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

Please note there is a slight difference in NAV per unit values between our posted performance numbers and these in the Financial Statements due to the impact of bid/ask adjustments, according to new IFRS accounting standards. These percentage differences should be considered immaterial as they constitute less than one-tenth of a percent.

Factors Influencing the First Six Months Results

During the first half of 2016, the debt securities of EXCO Resources 8.50%, due April 2022, Sandridge Energy Inc. 8.75%, due June 2020, Fortress Paper Limited 7.00%, due December 2019, and Catalyst Paper Corporation 11.00%, due October 2017, contributed positively to the Fund’s performance.

The 8.5% bond of EXCO Resources maturing in 2022 were up from 18.5 cents on a dollar on December 31, 2015 to 29.5 cents on a dollar on June 30, 2016. The second-lien bond of Sandridge Energy was up from 30.5 cents on a dollar on December 31, 2015 to 41.0 cents on a dollar on June 30, 2016.

The major decliners in the Fund’s performance resulted from the equity holdings of Resolute Forest Products Inc., as well as the debt securities of Rainmaker Entertainment Inc. 8.00%, due March 2017, UKRlandfarming PLC 10.875%, due March 2018, and Avangardco Investments Public Limited 10.00%, due October 2018, and the term loan of RH Donnelley Inc., due December 2016.

The Fund sold all debt securities of Fortress Paper Ltd 6.50%, due December 2016, and reduced holdings in the bonds of Taiga Building Products Limited 14.00%, due September 2020, and Atlanticus Holdings

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

Corporation 5.875%, due November 2035, by 40% and 24% respectively.

The Ukraine bonds (Avangardco Investments Public Limited and UKRlandfarming PLC) were down from their prices on December 31, 2015 as that region of the world is highly volatile and is subject to serious geopolitical risk. Strong balance sheets and decent financial operations count but we have to be cognizant of the fact that when investing in a country that has a civil war fueled by Putin, **geopolitics can trump solid financials**.

It looks like our foray into Ukraine was an unforced error. Unless the political and business climate change quickly for the better, we could be looking at a loss here.

The other significant loss we suffered was in our investment in the convertible debt of Rainmaker Entertainment. The price fell from 120 cents on a dollar on December 31, 2015 to 90 cents on a dollar on June 30, 2016. We think eventually we will get par for our investment as management continues to evaluate strategic alternatives.

In 2015, we bought the 8.5% 2022 senior unsecured security of EXCO Resources, an oil and gas exploration company. Our purchase price was 23.6 cents on a dollar and on August 10, 2016 the company purchased the bonds at 40 cents on a dollar. In this case, the outcome worked out really well although the risk we took was on the high side. If we had to do it again, we would have preferred to buy the second-lien term loan 12.5%, maturing in 2020. We like this security because it meets the criteria for investing in the Oil & Gas sector.

The criteria were that the security should be:

1) First or second-lien loans or notes;
2) Situations where the ability to add senior or issue pari-passu debt is significantly limited; and
3) If the company restructures or goes into bankruptcy, the recovery value of the bond is greater than the current price of the bond.

Negative-Yield Fixed Income Instruments - An Unmitigated Disaster in the Making

We are alarmed by the torrent of negative-yield bonds issued by European and Japanese central banks. We believe that more than $10 trillion of such bonds have been issued globally to date. Investors have been gobbling them up as if there is no tomorrow. They are not aware of the enormous risks they are taking here. Even a modest increase in interest rates will culminate to an unmitigated disaster. Please stay clear of such bonds. We wouldn't touch it with a barge pole – let alone a 10-foot pole.

Conclusion

We believe that most of the bonds we hold in the portfolio are severely underpriced. Most of them are yielding close to 20% yield to maturity and we believe that even if some of them go bankrupt, the recovery value is at least close to what the bonds are trading at. Our focus has always been, and continues to be, on how inexpensive we believe the securities are relative to their intrinsic value.

Other Matters
CHANGE OF SERVICE PROVIDER: We are pleased to advise you that we have moved from Citigroup Fund Services as our asset servicing provider, and we have transitioned custody, fund valuation and recordkeeping for the Chou Funds, managed by Chou Associates Management Inc. to CIBC Mellon effective December 14, 2015. CIBC Mellon is a Canadian leader in asset servicing, with more than C$1.5 trillion of assets under administration on behalf of many of Canada's largest investment funds, pension plans and other institutional investors.

Please note this is only notification for our investors, and you are not required to change or update your information. All business practices will remain consistent and you should not notice any change to your day-to-day transactions.

FOREIGN CURRENCY CONTRACTS: None existed at June 30, 2016.

COVERED CALL OPTION: The Fund had no covered call options in its portfolio as at June 30, 2016.

CONSTANT MATURITY SWAPS: None existed at June 30, 2016.

REDEMPTION FEE: We have a redemption fee of 2% if unitholders redeem their units in less than **12 months**. None of this fee goes to the Fund Manager. It is put back into the Fund for the benefit of the remaining unitholders. Please note this change will be in effect for all funds moving forward.

INDEPENDENT REVIEW COMMITTEE: The Manager has established an IRC as required by NI 81-107. The members of the IRC are Sandford Borins, Joe Tortolano and Peter Gregoire. The 2015 IRC Annual Report is available on our website www.choufunds.com.

As of August 12, 2016, the NAV of a Series A unit of the Fund was $8.35 and the cash position was approximately 22.4% of net assets. The Fund is down 4.85% from the beginning of the year. In $US, it is up 1.58%.

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

June 30, 2016 (Unaudited) and December 31, 2015

	June 30, 2016	December 31, 2015
Assets		
Current assets:		
Financial assets designated at fair value through profit or loss (note 9)	$ 32,540,694	$ 39,205,914
Cash and cash equivalents	5,011,202	3,961,937
Receivable for units subscribed	66,608	–
Due from broker	608,293	–
Other receivables	52,240	–
Interest receivable	1,016,729	1,404,310
Total assets	39,295,766	44,572,161
Liabilities		
Current liabilities:		
Accrued expenses	61,541	57,325
Payable for units redeemed	171,938	64,158
Distributions payable	–	61,619
Unrealized loss on forward contracts (note 9)	–	1,584,500
Total liabilities	233,479	1,767,602
Net assets attributable to unitholders of redeemable units	$ 39,062,287	$ 42,804,559
Net assets attributable to unitholders of redeemable units:		
Series A	$ 35,969,874	$ 39,630,967
Series F	3,092,413	3,173,592
	$ 39,062,287	$ 42,804,559
Number of units outstanding (note 4):		
Series A	4,416,424	4,515,187
Series F	376,136	358,475
Net assets attributable to unitholders of redeemable units per unit (note 4):		
Canadian dollars:		
Series A	$ 8.14	$ 8.78
Series F	8.22	8.85
U.S. dollars:		
Series A	6.30	6.35
Series F	6.36	6.40

See accompanying notes to financial statements.

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

Francis Chou

CHOU BOND FUND

Statements of Comprehensive Income (Loss)

Six months ended June 30, 2016 (Unaudited) and 2015

		2016		2015
Income:				
Interest for distribution purposes and other	$	2,302,502	$	2,248,223
Foreign currency gain on cash and other net assets		117,617		195,057
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		637,744		705,991
Change in unrealized depreciation on financial assets at fair value through profit or loss		(4,739,837)		(2,782,090)
Change in unrealized appreciation on held-for-trading investments		1,584,500		–
Realized loss on held-for-trading investments		(2,633,571)		–
		(2,731,045)		367,181
Expenses:				
Management fees (note 5)		236,854		311,117
Custodian fees		27,340		27,150
Audit		9,835		8,799
Filing fees		1,489		646
Independent Review Committee fees		–		2,006
FundSERV fees		2,175		1,356
Transaction costs (note 6)		14,668		–
Other		3,391		–
		295,752		351,074
Increase (decrease) in net assets attributable to unitholders of redeemable units	$	(3,026,797)	$	16,107
Increase (decrease) in net assets attributable to unitholders of redeemable units per Series:				
Series A	$	(2,821,534)	$	13,217
Series F		(205,263)		2,890
	$	(3,026,797)	$	16,107
Average number of units outstanding for the period for the Series:				
Series A		4,438,878		2,098,996
Series F		360,599		126,942
Increase (decrease) in net assets attributable to unitholders of redeemable units per unit:				
Series A	$	(0.64)	$	–
Series F		(0.57)		0.01

See accompanying notes to financial statements.

CHOU BOND FUND

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

Six months ended June 30, 2016 (Unaudited) and 2015

	2016	2015
Series A		
Net assets attributable to unitholders of redeemable units, beginning of period	$ 39,630,967	$ 45,810,611
Increase (decrease) in net assets attributable to unitholders of redeemable units	(2,821,534)	13,217
Proceeds from issue of units	1,535,568	877,951
Payments on redemption of units	(2,375,127)	(3,720,549)
Net assets attributable to unitholders of redeemable units, end of period	35,969,874	42,981,230
Series F		
Net assets attributable to unitholders of redeemable units, beginning of period	3,173,592	3,691,558
Increase (decrease) in net assets attributable to unitholders of redeemable units	(205,263)	2,890
Proceeds from issue of units	466,310	46,902
Payments on redemption of units	(342,226)	(238,510)
Net assets attributable to unitholders of redeemable units, end of period	3,092,413	3,502,840
Total net assets, end of period	$ 39,062,287	$ 46,484,070

See accompanying notes to financial statements.

CHOU BOND FUND

Statements of Cash Flows

Six months ended June 30, 2016 (Unaudited) and 2015

	2016	2015
Cash flows from operating activities:		
Increase (decrease) in net assets attributable to unitholders of redeemable units	$ (3,026,797)	$ 16,107
Adjustments for:		
Foreign currency gain on cash and other net assets	(117,617)	(195,057)
Net realized gain on investments	(637,744)	(705,991)
Change in unrealized depreciation on investments and derivatives	3,155,337	2,782,090
Change in non-cash operating working capital:		
Decrease (increase) in interest receivable	387,581	(591)
Increase in other receivables	(52,240)	–
Increase (decrease) in accrued expenses	4,216	(9,800)
Purchase of investments	(464,716)	(356,930)
Proceeds from sales of investments	2,419,550	1,280,227
Net cash flows from operating activities	1,667,570	2,810,055
Cash flows from financing activities:		
Distributions paid to unitholders	(61,619)	(68,010)
Proceeds from redeemable units issued	1,935,270	945,540
Amount paid on redemption of redeemable units	(2,609,573)	(3,935,447)
Net cash used in financing activities	(735,922)	(3,057,917)
Foreign currency gain on cash and other net assets	117,617	195,057
Increase (decrease) in cash and cash equivalents	1,049,265	(52,805)
Cash and cash equivalents, beginning of period	3,961,937	12,395,193
Cash and cash equivalents, end of period	$ 5,011,202	$ 12,342,388
Supplemental information:		
Interest received, net of withholding tax	$ 2,690,083	$ 2,247,632

See accompanying notes to financial statements.

CHOU BOND FUND
Schedule of Investments

June 30, 2016 (Unaudited)

	Number of shares or par value		Cost		Fair value
Equities - long					
Catalyst Paper Corporation	108,606	$	47,448	$	503,932
Resolute Forest Products Inc.	391,463		3,529,372		2,675,421
			3,576,820		3,179,353
Bonds - long					
Ascent Capital Group Inc., 4.000% conv., July 15, 2020	2,683,000		2776,137		1,969,293
Atlanticus Holdings Corporation, 5.875% November 30, 2035	7,800,000		3,452,750		4,433,972
Avangardco Investments Public Limited, 10.000% Oct 29, 2015	2,912,003		2,905,579		865,297
Catalyst Paper Corporation, 11.000% October 30, 2017	2,153,667		1,745,066		2,058,999
Dex Media West LLC, term loans December 31, 2016	1,098,378		660,032		578,707
Dex Media, Inc. 14.000%, January 29, 2017	3,897,752		3,042,546		100,714
EXCO Resources Inc., 8.500%, April 15, 2022	10,900,000		3,440,148		4,154,265
Fortress Paper Limited, 7.000%, conv., Dec 31, 2019	4,659,000		2,621,102		3,214,710
R.H. Donnelley Inc., term loans, Dec 31, 2016	3,721,405		3,039,949		1,446,366
Rainmaker Entertainment Inc., 8.000%, conv., March 31, 2016	2,612,000		2,612,000		2,350,800
Sandridge Energy Inc., 8.750%, June 1, 2020	9,000,000		4,644,959		4,767,296
Taiga Building Products Limited, 14.000% September 1, 2020	1,027,000		1,023,340		1,157,942
Ukrlandfarming PLC, 10.875% March 26, 2018	6,251,250		5,637,969		2,262,980
			37,601,577		29,361,341
Total investments			41,178,397		32,540,694
Transaction costs			–		–
Portfolio total		$	41,178,397	$	32,540,694

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 June 30, 2016, the Fund invested approximately 12.88% (December 31, 2015 - 33.56%) 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. As at June 30, 2016, the Fund invested approximately 62.29% (December 31, 2015 - 47.85%) of its net assets in non-rated bonds.

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:

	June 30, 2016	December 31, 2015
Less than 1 year	$ 4,476,587	$ 11,473,982
1-3 years	5,187,276	111,473,982
3-5 years	11,109,241	10,894,732
Greater than 5 years	8,588,238	9,347,153

As at June 30, 2016, should interest rates have decreased or increased by 0.25%, with all other variables remaining constant, the increase or decrease in net assets for the year would have amounted to approximately $242,136 (December 31, 2015 - $279,164).

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 foreign currency risk) caused by factors specific to a security, its issuer or all factors affecting a market or a market segment. Approximately 8.14% (December 31, 2015 - 10.18%) of the Fund's net assets held at June 30, 2016 were publicly traded equities. If equity prices on the exchange had increased or decreased by 5% as at June 30, 2016, the net assets of the fund have increased or decreased by approximately $158,968, or 0.41% (December 31, 2015 - $216,782 or 0.51%) of the net assets, all other factors remaining constant.

In practice, 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 June 30, 2016 and December 31, 2015 are as follows:

June 30, 2016	Foreign currency forward contract	Financial instruments	Percentage of NAV
United States dollar	$ –	$ 30,539,630	78.2%

December 31, 2015	Foreign currency forward contract	Financial instruments	Percentage of NAV
United States dollar	$ 20,000,000	$ 8,659,317	20.2%

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

If the Canadian dollar had strengthened or weakened by 1% in relation to all currencies, with all other variables held constant, net assets would have decreased or increased by approximately $305,396 (December 31, 2015 - $86,593).

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

CHOU RRSP FUND
(Unaudited)

August 12, 2016

Dear Unitholders of Chou RRSP Fund,

The net asset value ("NAVPU" or "NAV") of a Series A unit of Chou RRSP Fund at June 30, 2016 was $24.33 compared to $29.40 at December 31, 2015, a decrease of 17.3%; during the same period, the S&P/TSX Total Return Index returned 9.8% in Canadian dollars. In $US, a Series A unit of Chou RRSP Fund was down 11.4% while the S&P/TSX Total Return Index was up 17.0%.

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

June 30, 2016 (Series A)	1 Year	3 Years	5 Years	10 Years	15 Years	20 Years
Chou RRSP ($CAN)	-25.6%	-3.7%	2.5%	1.4%	5.8%	9.1%
S&P/TSX ($CAN)	-0.2%	8.2%	4.2%	4.9%	6.7%	7.7%
Chou RRSP ($US)[6]	-28.2%	-10.1%	-3.4%	-0.1%	6.9%	9.3%
S&P/TSX ($US)	-4.0%	1.0%	-1.1%	3.3%	7.8%	7.9%

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

Please note there is a slight difference in NAV per unit values between our posted performance numbers and these in the Financial Statements due to the impact of bid/ask adjustments, according to new IFRS accounting standards. These percentage differences should be considered immaterial as they constitute less than one-tenth of a percent.

Factors Influencing the First Six-Month Results

The equity holdings of Dundee Corporation and Overstock.com Inc., as well as the equity and debt holdings of Taiga Building Products were the major positive contributors to the Fund's performance.

The largest equity decliners for the six months ended June 30, 2016 were Sears Canada Inc., Torstar Corporation, Blackberry Ltd., Resolute Forest Products Inc., and the Bank of America Corporation warrants.

In the first half of the year, the Fund exited holdings in Canadian Oil Sands Limited. The Fund purchased shares of Valeant Pharmaceuticals International Inc, and the second-lien term loan of EXCO Resources Inc. 12.50%, due October 2020.

Market Commentary

EXCO Resources

In 2015, we initiated the position in EXCO Resources second-lien term loan 12.5%, maturing in 2020. We

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

liked this security because it met the criteria for investing in the Oil & Gas sector.

The criteria were that the security should be:

1) First or second-lien loans or notes;
2) Situations where the ability to add senior or issue pari-passu debt is significantly limited; and
3) If the company restructures or goes into bankruptcy, the recovery value of the bond is greater than the current price of the bond.

We continue to add to the position and as at June 30, 2016, we owned $9.3 million worth of EXCO Resources second-lien term loan. This is the largest position in the portfolio, comprising just over 10% of the assets of the Fund (at market value). We like this security because it is very senior in the capital structure and we believe that management is doing a great job in allocating capital in a tough environment. We also like the fact that the CEO, Mr. Wilder, has bought over $10 million worth of common stock in the open market and is required to purchase at least $23.5 million of additional shares prior to September 9, 2016.

We strongly support EXCO's strategic plan as it continues to focus on three core objectives: restructuring the balance sheet to enhance capital structure and extend structural liquidity; transforming EXCO into the lowest cost producer; and optimizing and repositioning the portfolio. The three core objectives and the Company's recent progress are detailed below.

1. Restructuring the balance sheet to enhance capital structure and extend structural liquidity – The Company is focused on improving its capital structure and providing structural liquidity. As of June 30, 2016, EXCO had $246 million in liquidity. During the second quarter of 2016, EXCO reduced its indebtedness through the repurchase of $12 million in principal amount of senior unsecured notes due 2018 ("2018 Notes") and $12 million in principal amount of senior unsecured notes due 2022 ("2022 Notes"), utilizing $5 million in cash. These repurchases resulted in an estimated reduction in interest expense of approximately $2 million per year. In addition, EXCO's cash flows from operations, reduced capital programs and proceeds received from the sale of certain assets allowed the Company to reduce its indebtedness under its Credit Agreement by $11 million during the quarter.

On August 10, 2016, EXCO announced a cash tender offer to buy back $101.3 million of the 8.5% senior notes due 2022 at a discount of 40 cents on the dollar to the principal amount. This further reduces the Company's indebtedness.

2. Transforming EXCO into the lowest cost producer – Lease operating expenses decreased by 11% compared to the prior quarter primarily due to the renegotiation of its saltwater disposal contracts, modifications to chemical programs and reduced workover activity. Since the fourth quarter of 2015, the Company has reduced its total workforce by 28%, including 20% of its general and administrative employees and 38% of its field employees. Since the fourth quarter of 2014, it has reduced its total workforce by 59%, including 58% of its general and administrative employees and 61% of its field employees. General and administrative expenses (excluding equity-based compensation and severance costs) have decreased 17% from the first quarter of 2016 primarily due to lower personnel costs.

3. Optimizing and repositioning the portfolio – The Company executed a series of non-core asset divestitures as part of its portfolio optimization initiative. In May 2016, the Company closed a sale of certain non-core undeveloped acreage in South Texas and its interests in four producing wells for $12 million. In July 2016, the Company closed a sale of its interests in shallow conventional assets located in Pennsylvania and retained an overriding royalty interest. EXCO's ability to reduce both capital and operating costs has improved well economics across its portfolio. The wells being drilled in 2016 are targeting rates of return in excess of 80% in the North Louisiana region and 30% in the East Texas region.

The company may need some time to achieve the three core objectives but in the meantime, we are clipping coupons of 12.5% on a current price of about 60 cents on a dollar. That equates to a current yield of approximately 20%.

Valeant Pharmaceuticals

Valeant Pharmaceuticals International, Inc. (NYSE/TSX: VRX) is a multinational specialty pharmaceutical company that develops, manufactures and markets a broad range of pharmaceutical products primarily in the areas of dermatology, gastrointestinal disorders, eye health, neurology and branded generics. Major subsidiaries of the company include Salix Pharmaceuticals, a maker of gastrointestinal medicines, eye-care company Bausch & Lomb and skin-care company Medicis Pharmaceutical.

What jumps out initially when you first look at Valeant is how much debt it has relative to revenues, free cash flow and product pipelines ($31 billion of debt as of Q2 2016 relative to $10 billion of last twelve-month revenue and approximately $5 billion of EBITDA[7]). There is no question that the company has a diversified array of drugs and it generates solid free cash flow, but it also carries an enormous level of debt on its balance sheet. This degree of leverage not only increases the risk for the investor, but may also give the impression that the company is extremely cheap when examining its price to earnings (P/E) ratio.

In the recent Q2 filing, Valeant released its management guidance for the 2016 Expected Adjusted Earnings Per Share (EPS) to be $6.60 – $7.00. For simplicity sake, let's assume its earnings for 2016 will be $7.00 per share and test the value based on that assumption. We will analyze the situation using a multiple of 14, which is the average P/E multiple a company on the Dow Jones Industrial Average has sold for over the past last 100 years. The earnings multiples investors choose for evaluating a company can vary widely depending on a host of factors, such as sustainable earning power, growth rates, strong balance sheet, pricing power, etc.

So using a 14 times P/E multiple, the expected price per share would be about $98.00 (see Table 1 below for the full calculations). This price reflects a stunning 79% discount from the actual trading price of $20.14, as of June 30, 2016. The discount appears to provide an ample margin of safety for investors.

Table 1:

Scenario 1 (Equity Value)	
2016E Adjusted EPS	$7.00
Assumed P/E Multiple	14x
Equity Per Share	$98.0
Current Price (1)	$20.14
Discount	**(79%)**

Note: All amounts are in $USD millions, except for EPS.
(1) As of June 30, 2016, rounded to the nearest millions.
(2) Based on effective tax rate of Q2 2016.
(3) Calculation of current enterprise value:

Market Capitalization	*$7,009*
(+) Debt	*$31,067*
(+) Minority Interest	*$107*
(-) Cash	*$853*
Enterprise Value	*$37,330*

Scenario 2 (Enterprise Value)	
2016E Adjusted EPS	$7.00
Shares Outstanding (1)	348
Levered Earnings	$2,436
Effective Tax Rate Assumed (2)	15%
Levered Earnings Before Taxes	$2,866
(+) Interest Expense	$1,747
Unlevered Earnings Before Taxes	$4,613
(-) Taxes	$692
Unlevered Earnings	$3,921
Total EV (all equity at 14x)	$54,151
Current Enterprise Value (3)	$37,330
Discount	**(31%)**

[7] Earnings Before Interest, Tax, Depreciation and Amortization (EBITDA)

However, while the company looks cheap from an equity standpoint, would it still look as cheap if the company was fully funded by equity? Let's take the same $7.00 EPS as suggested by management, multiply it by the shares outstanding of approximately 348 million in order to arrive at the levered earnings of $2.4 billion. (To calculate the unlevered earnings, we assumed an effective tax rate of 15% and projected interest expense of $1.7 billion based on its last twelve month figures.) After adding back the interest expense and subtracting the taxes, the resulting unlevered earnings would be approximately $3.9 billion. Now, if we were to apply the same P/E multiple of 14x to the unlevered earnings, we'd get to a total enterprise value of $54.2 billion, accounting for minority interest and cash on the current balance sheet. Compared to the current enterprise value of $37.3 billion based on the latest trading price, this revised value would represent only a 31% discount on the basis of total capitalization.

A simplistic way to look at it is to assume you are buying a house for $100. If you put in $25 and borrow $75, then this $25 becomes your equity value. If this house was listed on the stock exchange and the equity was trading at $5 for a total capitalization of $80, you wouldn't say that you were getting a great bargain because you were getting something worth $25 for $5. Instead, you would make the connection and say that the house was selling for $80 versus its intrinsic value of $100.

When you factor in Valeant's leverage, it quickly becomes clear that the stock isn't as much of a bargain as it first appears. This concept also applies when looking at their earnings yield calculated based on equity investments, where the $7.00 EPS based on the current price is equivalent to a 35% earnings yield, which is a proxy for the firm's Internal Rate of Return (IRR). However, this calculation is also misleading, as it overstates the return while understating the risk of losing principal if the firm's intrinsic value were to decline. So be careful with your valuation when a company has a lot of debt.

At the current price, Valeant stock is not a mouth-watering bargain at less than 4 times earnings, but it is still relatively cheap. If Valeant can reduce its debt by as much as $8 billion as stated by management through earnings and the sale of non-core assets, it will remove the feeling that the company is standing on the edge of a precipice. Any small misstep or missed guidance could result in bankruptcy. When the company's debt is reduced, it will then be valued based on the free cash flow generated from operations. In addition, Valeant is also undergoing criminal investigation over its ties with Philidor. However, we believe the impact of the litigations are rather limited given that it pertains to only 5% of its revenue.

In conclusion:

- There is a high chance that Valeant will return to trading at the normal multiples once its debt is significantly reduced and the impact and costs of litigations are determined.
- After all, the company still has good cash flow characteristics, resulting from solid portfolio pipelines.
- While we believe Valeant is cheap, the undervaluation is not as deep as it first appears. One must look at return on a fully capitalized basis to get the full picture.
- Debt has to be used with caution, as it is a double-edge sword. If we take the previous example of the house, when the total value of the house is $80, then the equity portion of the house is $5. If the price of the house rises to its intrinsic value of $100, then the equity portion of the value rises to $25. In this situation, the principal value increases fivefold. It is only at the moment of sale that you can determine the actual return you earn by calculating the "Annualized Internal Rate of Return" or "IRR", which is one of the favorite buzzwords for hedge funds and private equity firms. However, it is important to look at the downside as well. If you make a mistake in your analysis or if there is an economic downturn and the intrinsic value falls to $75, your equity portion is wiped out.

Test of great value investor potential

Some twenty years ago, the following test was developed to ascertain whether or not an individual could make it as a value investor. As you are well aware, investing is not done in silos. You have to take all pertinent information and check how it is interrelated.

There are 4 test questions. Answer them in sequence. Don't miss one. Please do not cheat.

Giraffe Test

1. How do you put a giraffe into a refrigerator?

Correct answer:

> *Open the refrigerator, put in the giraffe, and close the door. This question tests whether you tend to do simple things in an overly complicated way.*

Elephant Test

2. How do you put an elephant into a refrigerator?

Did you say, open the refrigerator, put in the elephant, and close the refrigerator? Wrong Answer.

Correct Answer:

> *Open the refrigerator, take out the giraffe, put in the elephant and close the door. This tests your ability to think through the repercussions of your previous actions.*

Lion King Test

3. The Lion King is hosting an Animal Conference. All the animals attend ... except one. Which animal does not attend?

Correct Answer:

> *The Elephant. The elephant is in the refrigerator. You just put him in there. This tests your memory.*

Okay, even if you did not answer the first three questions correctly, you still have one more chance to show whether you have any innate qualities to be a value investor. If you get it wrong, you could be deluding yourself and may have to seek counseling.

Crocodile Test

4. There is a river you must cross but it is used by crocodiles, and you do not have a boat. How do you manage it?

Correct Answer:

You jump into the river and swim across. Haven't you been listening? All the crocodiles are attending the Animal Conference. This tests whether you learn quickly from your mistakes.

When this test was administered to fourth graders, most of them were able to answer some of the questions but 90% of adults could not answer even a single question. This shows what Modern Portfolio Theory can do to investors.

Other Matters

COVERED CALL OPTIONS: The Fund had no covered call options in its portfolio as at June 30, 2016.

FOREIGN CURRENCY CONTRACTS: None existed at June 30, 2016.

CREDIT DEFAULT SWAP: None existed at June 30, 2016.

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

REDEMPTION FEE: We have a redemption fee of 2% if unitholders redeem their units in less than **12 months**. None of this fee goes to the Fund Manager. It is put back into the Fund for the benefit of the remaining unitholders. Please note this change will be in effect for all funds moving forward.

INDEPENDENT REVIEW COMMITTEE: The Manager has established an IRC as required by NI 81-107. The members of the IRC are Sandford Borins, Joe Tortolano and Peter Gregoire. The 2015 IRC Annual Report is available on our website www.choufunds.com.

As of August 12, 2016, the NAV of a Series A unit of the Fund was $25.91 and the cash position was approximately 12.5% of net assets. The Fund is down 11.85% from the beginning of the year. In $US, it is down 5.90%.

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

Yours truly,

Francis Chou

Francis Chou
Fund Manager

CHOU RRSP FUND

Statements of Financial Position

June 30, 2016 (Unaudited) and December 31, 2015

	June 30, 2016	December 31, 2015
Assets		
Current assets:		
Financial assets designated at fair value through profit or loss (note 9)	$ 67,534,657	$ 64,126,157
Held-for-trading investments (note 9)	3,762,353	6,727,484
Cash and cash equivalents	11,318,736	33,273,551
Receivable for units subscribed	324,603	35,230
Interest receivable	39,143	298,796
Total assets	82,979,492	104,461,218
Liabilities		
Current liabilities:		
Accrued expenses	202,307	199,692
Payable for units redeemed	553,748	91,258
Distributions payable	–	85,967
Total liabilities	756,055	376,917
Net assets attributable to unitholders of redeemable units	$ 82,223,437	$ 104,084,301
Net assets attributable to unitholders of redeemable units:		
Series A	$ 77,642,453	$ 99,334,071
Series F	4,580,984	4,750,230
	$ 82,223,437	$ 104,084,301
Number of units outstanding (note 4):		
Series A	3,191,823	3,379,086
Series F	187,632	161,443
Net assets attributable to unitholders of redeemable units per unit (note 4):		
Canadian dollars:		
Series A	$ 24.33	$ 29.40
Series F	24.41	29.42
U.S. dollars:		
Series A	18.83	21.25
Series F	18.89	21.26

See accompanying notes to financial statements.

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

Francis Chou

CHOU RRSP FUND

Statements of Comprehensive Income (Loss)

Six months ended June 30, 2016 (Unaudited) and 2015

		2016		2015
Income:				
Interest for distribution purposes and other	$	1,685,205	$	884,666
Dividends		335,249		457,944
Securities lending income (note 8)		3,597		56,039
Foreign currency gain on cash and other net assets		320,129		732,541
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		1,052,963		12,989,977
Change in unrealized depreciation on financial assets at fair value through profit or loss		(17,302,411)		(17,233,121)
Change in unrealized depreciation on held-for-trading investments		(2,965,131)		(361,131)
Realized gain on held-for-trading investments		160		–
		(16,870,239)		(2,473,085)
Expenses:				
Management fees (note 5)		734,989		1,021,182
Custodian fees		69,160		68,779
Audit		17,000		24,486
Filing fees		7,280		7,240
Independent Review Committee fees		–		5,172
FundSERV fees		5,460		5,430
Legal fees		1,214		1,207
Transaction costs (note 6)		30,774		11,175
Other		10,097		–
		875,974		1,144,671
Decrease in net assets attributable to unitholders of redeemable units	$	(17,746,213)	$	(3,617,756)
Decrease in net assets attributable to unitholders of redeemable units per Series:				
Series A	$	(16,910,644)	$	(3,470,028)
Series F		(835,569)		(147,728)
	$	(17,746,213)	$	(3,617,756)
Average number of units outstanding for the period for the Series:				
Series A		3,291,004		3,435,671
Series F		169,940		162,338
Decrease in net assets attributable to unitholders of redeemable units per unit:				
Series A	$	(5.14)	$	(1.01)
Series F		(4.92)		(0.91)

See accompanying notes to financial statements.

CHOU RRSP FUND

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

Six months ended June 30, 2016 (Unaudited) and 2015

	2016	2015
Series A		
Net assets attributable to unitholders of redeemable units, beginning of period	$ 99,334,071	$ 123,027,948
Decrease in net assets attributable to unitholders of redeemable units	(16,910,644)	(3,470,028)
Proceeds from issue of units	1,680,298	1,796,735
Payments on redemption of units	(6,462,680)	(6,541,331)
Reinvested distributions	1,408	–
Net assets attributable to unitholders of redeemable units, end of period	77,642,453	114,813,324
Series F		
Net assets attributable to unitholders of redeemable units, beginning of period	4,750,230	5,318,047
Decrease in net assets attributable to unitholders of redeemable units	(835,569)	(147,728)
Proceeds from issue of units	1,258,359	715,766
Payments on redemption of units	(592,188)	(252,839)
Reinvested distributions	152	–
Net assets attributable to unitholders of redeemable units, end of period	4,580,984	5,633,246
Total net assets, end of period	$ 82,223,437	$ 120,446,570

See accompanying notes to financial statements.

CHOU RRSP FUND

Statements of Cash Flows

Six months ended June 30, 2016 (Unaudited) and 2015

	2016	2015
Cash flows from operating activities:		
Decrease in net assets attributable to unitholders of redeemable units	$ (17,746,213)	$ (3,617,756)
Adjustments for:		
Foreign currency gain on cash and other net assets	(320,129)	(732,541)
Net realized gain on investments	(1,052,963)	(12,989,977)
Change in unrealized depreciation on investments and derivatives	20,267,542	17,594,252
Change in non-cash operating working capital:		
Decrease (increase) in interest receivable	259,653	(258,226)
Decrease in other receivable	–	9,692
Increase (decrease) in accrued expenses	2,615	(11,855)
Purchase of investments	(23,854,943)	(8,622,017)
Proceeds from sales of investments	4,196,995	19,363,320
Net cash generated from (used in) operating activities	(18,247,443)	10,734,892
Cash flows from financing activities:		
Distributions paid to unitholders	(84,407)	–
Proceeds from redeemable units issued	2,649,284	2,552,471
Amount paid on redemption of redeemable units	(6,592,378)	(6,672,822)
Net cash used in financing activities	(4,027,501)	(4,120,351)
Foreign currency gain on cash and other net assets	320,129	732,541
Increase (decrease) in cash and cash equivalents	(21,954,815)	7,347,082
Cash and cash equivalents, beginning of period	33,273,551	32,417,012
Cash and cash equivalents, end of period	$ 11,318,736	$ 39,764,094
Supplemental information:		
Interest received, net of withholding tax	$ 1,944,858	$ 626,440
Dividends received, net of withholding tax	335,249	457,944
Security lending income received	3,597	65,731

See accompanying notes to financial statements.

CHOU RRSP FUND

Schedule of Investments

June 30, 2016 (Unaudited)

	Number of shares or par value	Cost	Fair value
Equities			
Blackberry Limited	529,040	$ 4,122,657	$ 4,586,778
Canfor Pulp Products Inc.	493,900	1,405,445	5,101,987
Danier Leather Inc.	679,200	6,453,777	370,164
Dundee Corporation, Series A	300,000	3,060,351	2,289,000
Interfor Corporation	425,500	2,530,493	4,710,285
Overstock.com Inc.	151,976	3,166,145	3,163,124
Rainmaker Entertainment Inc.	936,800	1,930,473	60,892
Reitmans (Canada) Limited	348,600	1,914,063	1,488,522
Reitmans (Canada) Limited, Series "A" NV	690,800	3,758,099	3,039,520
Resolute Forest Products Inc.	624,188	10,166,745	4,265,961
Sears Canada Inc.	292,830	2,667,681	1,142,037
Taiga Building Products Limited	159,700	212,401	143,730
Torstar Corporation, Series "B" NV	1,259,416	27,484,475	2,065,442
TVA Group Inc.	783,128	11,323,079	3,132,512
TWC Enterprises Limited	201,944	1,077,639	1,877,069
Valeant Pharmaceuticals International Inc.	260,000	17,031,972	6,765,167
		98,305,495	44,202,190
Bonds			
Exco Resources Inc., term loan, October 2020	12,125,380	6,839,747	9,281,740
Fuel Industries Inc., term loans, September 30, 2016	6,429,765	6,429,765	6,429,765
Taiga Building Products Ltd. Callable 14.000%, September 30, 2020	6,759,168	6,759,168	7,620,962
		20,028,680	23,332,467
Total		118,334,175	67,534,657
Held-for-trading			
Bank of America Corporation, warrants, Series A, Jan 16, 2019	836,825	2,984,789	3,762,353
Total investments		121,318,964	71,297,010
Transaction costs		(251,369)	–
Portfolio total		$ 121,067,595	$ 71,297,010

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 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) Credit risk:

Credit risk is the risk that a counterparty to a financial instrument will fail to discharge a commitment that it has entered into with the Funds. As of June 30, 2016, the Fund invested approximately 11.29% (December 31, 2015 - nil) of its net assets in non-investment grade debt instruments. Non-investment grade is the term applied to bonds rated below Baa3 on the Moody's credit rating scale and below BBB- on the equivalent ratings systems from S&P and Fitch. These credit ratings denote that the company's financial position is weak and its bonds should be considered a speculative investment. As at June 30, 2016, the Fund invested approximately 17.09% (December 31, 2015 - 14.35%) of its net assets in non-rated bonds.

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:

	June 30, 2016	December 31, 2015
Less than 1 year	$ –	$ 7,500,000
1 - 3 years	–	–
3 - 5 years	23,332,467	–
Greater than 5 years	–	7,435,085

As at June 30, 2016, should interest rates have decreased or increased by 0.25%, with all other variables remaining constant, the increase or decrease in net assets for the year would have amounted to approximately $165,715 (December 31, 2015 - $66,688).

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 54.00% (December 31, 2015 - 47.26%) of the Fund's net assets held at June 30, 2016 were publicly traded equities. If equity prices on the exchange had increased or decreased by 5% as at June 30, 2016, the net assets of the Fund would have increased or decreased by approximately $2,220,049, or 2.70% (December 31, 2015 - $2,549,554, or 2.36%) of the net assets, all other factors remaining constant.

In practice, 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 June 30, 2016 and December 31, 2015 are as follows:

June 30, 2016	Financial instruments	Percentage of NAV
United States dollar	$ 27,533,785	33.5

December 31, 2015	Financial instruments	Percentage of NAV
United States dollar	$ 32,325,174	31.1

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

As at June 30, 2016, 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 $275,338 (December 31, 2015 - $323,252).

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

1. Formation of Chou Funds:

The individual funds comprising the family of Chou Funds (the "Chou Funds" or the "Funds") are open-ended investment mutual fund trusts formed pursuant to Declarations of Trust under the laws of the Province of Ontario. Chou Associates Management Inc. is the Manager and Trustee of the Chou Funds. The address of the Funds' registered office is: 110 Sheppard Avenue East, Suite 301, Box 18, Toronto, Ontario, M2N 6Y8. The unaudited financial statements were authorized for issue by the Manager on August 23, 2016.

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 compliance with International Financial Reporting Standards ("IFRS") and in accordance with International Accounting Standard ("IAS") 34 Interim Financial Reporting as published by the International Accounting Standards Board ("IASB") and as required by Canadian securities legislation and the Canadian Accounting Standards Board.

2. Significant accounting policies (continued):

The policies applied in these interim financial statements are based on IFRS issued and outstanding as of August 23, 2016, which is the date on which the interim financial statements have been authorized for issue by the Manager.

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

(a) Recognition, initial measurement and classification:

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

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

Financial assets at fair value through profit or loss:

- Held-for-trading: derivative financial instruments; and

- Designated as at fair value through profit or loss: debt securities and equity investments.

Financial liabilities at fair value through profit or loss:

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

All other financial assets and financial liabilities, are measured at amortized cost, and are classified as loans and receivables and other financial liabilities, respectively. The amortized cost of a financial asset or financial liability is the amount at which the financial asset or financial liability is measured at initial recognition, minus principal repayments, plus or minus the cumulative amortization using the effective interest rate method of any difference between the initial amount recognized and the maturity amount, minus any reduction for impairment.

2. Significant accounting policies (continued):

(b) Fair value measurement:

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

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

The Fund recognizes transfers between levels of the fair value hierarchy as at the end of the reporting period during which the change has occurred.

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

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

Derecognition:

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

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

2. Significant accounting policies (continued):

(c) Critical accounting estimates and judgments:

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

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

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

Models use observable data, to the extent practicable. However, areas such as credit risk (both own and counterparty), volatilities and correlations require the Manager to make estimates. Changes in assumptions about these factors could affect the reported fair values of financial instruments. The Fund considers observable data to be market data that is readily available, regularly distributed and updated, reliable and verifiable, not proprietary, and provided by independent sources that are actively involved in the relevant market. Refer to note 9 for further information about the fair value measurement of the Fund's financial instruments.

2. Significant accounting policies (continued):

(ii) Classification and measurement of investments and application of the fair value option:

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

(d) Cost of investments:

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

(e) Transaction costs:

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

(f) Cash and cash equivalents:

Cash and cash equivalents consist of cash on deposit and short-term debt instruments with terms to maturity less than 90 days.

(g) Investment transactions and income recognition:

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

2. Significant accounting policies (continued):

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

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

(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 (loss).

(i) Derivative transactions:

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

Options:

The premium paid for purchased options is included in the investments, at fair value on the statements of financial position. The unrealized gain or loss is reflected in the statements of comprehensive income (loss) in unrealized gain (loss) on investments.

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

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

The gain or loss on sale or expiry of options is reflected in the statements of comprehensive income in income (loss) from held-for-trading securities.

(j) Multi-series funds:

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

(k) Valuation of Fund units:

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

(l) Securities lending:

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

2. Significant accounting policies (continued):

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

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

(n) Future 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 amortised cost or fair value, replacing the multiple rules in IAS 39. The approach in IFRS 9 is based on how an entity manages its financial instruments in the context of its business model and the contractual cash flow characteristics of the financial assets. The new standard also requires a single impairment method to be used, replacing the multiple impairment methods in IAS 39. In October 2010, the IASB issued a revised version of IFRS 9. The revised standard adds guidance on the classification and measurement of financial liabilities. The issued installments of IFRS 9 have an effective date of January 1, 2018. The Manager 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.

3. Financial instruments and risk management (continued):

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. The Chartered Professional Accountants of 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.

(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.

Margin has been deposited with a highly credit worth financial institution with respect to currency forwards. The amounts have not been offset against the value of the derivatives. The margin of 5% is included in cash and cash equivalents.

The Funds have provided the prime broker with a general lien over the financial assets held in custody as security for the prime broker's exposure relating to provision of custody services to the Funds. The terms under which the general lien is provided are usual and customary for prime broker agreements.

3. Financial instruments and risk management (continued):

(b) Liquidity risk:

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

(c) Market risk:

(i) Interest rate risk:

Interest rate risk is the risk that the fair value of the Funds' interest-bearing investments will fluctuate due to changes in the prevailing levels of market interest rates. The Funds' exposure to interest rate risk is concentrated in investments in debt securities (such as bonds and debentures or short-term instruments) and 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.

(ii) Other price risk:

Other price risk is the risk that the value of financial instruments will fluctuate as a result of changes in market prices (other than those arising from interest rate risk or currency risk) caused by factors specific to a security, its issuer or all factors affecting a market or a market segment. The Funds are exposed to market risk since all financial instruments held by the Funds present a risk of loss of capital. The maximum risk resulting from financial instruments is equivalent to their fair value, except for options written and future contracts where possible losses can be unlimited.

3. Financial instruments and risk management (continued):

(iii) Currency risk:

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

4. Holders of redeemable units:

The Manager considers the Funds' capital to consist of 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	
	June 30,		June 30,	
	2016	2015	2016	2015
Chou Associates Fund				
Units outstanding, beginning of period	4,053,774	4,142,334	396,647	348,701
Add units issued during the period	144,963	242,232	96,166	99,218
Deduct units redeemed during the period	(328,134)	(333,062)	(82,661)	(53,797)
Units outstanding before income distribution	3,870,603	4,051,504	410,152	394,122
Add units issued on reinvested income	1	2,270	–	2,525
Units outstanding, end of period	3,870,604	4,053,774	410,152	396,647

4. Holders of redeemable units (continued):

	Series A		Series F	
	June 30,		June 30,	
	2016	2015	2016	2015
Chou Asia Fund				
Units outstanding, beginning of period	2,320,612	2,109,279	149,073	79,004
Add units issued during the period	30,124	50,881	22,247	14,616
Deduct units redeemed during the period	(223,525)	(65,817)	(14,533)	(19,864)
Units outstanding before income distribution	2,127,211	2,094,343	156,787	73,756
Add units issued on reinvested income	10	1	7	–
Units outstanding, end of period	2,127,221	2,094,344	156,794	73,756
Chou Europe Fund				
Units outstanding, beginning of period	1,505,731	1,785,202	316,203	200,686
Add units issued during the period	24,290	91,679	11,199	126,104
Deduct units redeemed during the period	(191,311)	(243,718)	(86,958)	(27,781)
Units outstanding before income distribution	1,338,710	1,633,163	240,444	299,009
Add units issued on reinvested income	–	1	–	17
Units outstanding, end of period	1,338,710	1,633,164	240,444	299,026
Chou Bond Fund				
Units outstanding, beginning of period	4,515,187	4,599,226	358,475	367,482
Add units issued during the period	206,854	121,797	62,884	4,470
Deduct units redeemed during the period	(305,617)	(589,482)	(45,223)	(43,185)
Units outstanding before income distribution	4,416,424	4,131,541	376,136	328,767
Add units issued on reinvested income	–	383,646	–	29,708
Units outstanding, end of period	4,416,424	4,515,187	376,136	358,475
Chou RRSP Fund				
Units outstanding, beginning of period	3,379,086	3,486,572	161,443	150,658
Add units issued during the period	65,337	86,667	49,688	33,415
Deduct units redeemed during the period	(252,648)	(345,808)	(23,504)	(29,999)
Units outstanding before income distribution	3,191,775	3,227,431	187,627	154,074
Add units issued on reinvested income	48	151,655	5	7,369
Units outstanding, end of period	3,191,823	3,379,086	187,632	161,443

5. Related party transactions:

Management fees:

The Manager manages the Funds under a management agreement dated August 10, 2005. The Manager is entitled to an annual investment management fee equal to 1.5% of the net asset value of Series A 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 period, management fees for each Fund are as follows:

	June 30, 2016	June 30, 2015
Chou Associates Fund	$ 4,605,716	$ 4,605,716
Chou Asia Fund	309,841	347,053
Chou Europe Fund	143,959	195,979
Chou Bond Fund	236,854	311,117
Chou RRSP Fund	734,989	1,021,182

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

	June 30, 2016	December 31, 2015
Chou Associates Fund	$ 477,285	$ 638,834
Chou Asia Fund	43,826	50,229
Chou Europe Fund	18,827	27,175
Chou Bond Fund	36,640	42,001
Chou RRSP Fund	101,637	131,455

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 June 30, 2016, the following amounts of Series A redeemable units were held by employees of the Manager. No amounts of Series F redeemable units were held by employees of the Manager.

	June 30, 2016	December 31, 2015
Chou Associates Fund	175,742	175,537
Chou Asia Fund	405,999	405,999
Chou Europe Fund	535,761	535,761
Chou Bond Fund	2,117,414	2,117,414
Chou RRSP Fund	308,747	308,747

(a) Chou Associates Fund:

As at June 30, 2016, 4.6% of Series A redeemable units (December 31, 2015 - 4.3%) were held by employees of the Manager.

(b) Chou Asia Fund:

As at June 30, 2016, 19.1% of Series A redeemable units (December 31, 2015 - 17.5%) were held by employees of the Manager.

(c) Chou Europe Fund:

As at June 30, 2016, 40.3% of Series A redeemable units (December 31, 2015 - 35.6%) were held by employees of the Manager.

(d) Chou Bond Fund:

As at June 30, 2016, 48.1% of Series A redeemable units (December 31, 2015 - 46.9%) were held by employees of the Manager.

(e) Chou RRSP Fund:

As at June 30, 2016, 9.7% of Series A redeemable units (December 31, 2015 - 9.1%) 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 six months ended June 30, 2016 and 2015 are as follows:

	June 30, 2016	June 30, 2015
Chou Associates Fund	$ 188,086	$ 88,282
Chou Asia Fund	–	28,449
Chou Europe Fund	14,668	–
Chou Bond Fund	14,668	–
Chou RRSP Fund	30,774	11,175

7. Securities on loan:

June 30, 2016	Market value of securities on loan	Market value of collateral received
Chou Associates Fund	$ 70,927,839	$ 74,606,597
Chou Asia Fund	3,340,265	3,620,565
Chou Europe Fund	452,079	478,772

As at December 31, 2015, there were no securities on loan.

8. Security lending breakdown:

The Funds have entered into a securities lending program with CIBC Mellon. The Funds receive collateral of at least 102% of the value of the securities on loan. Collateral may be comprised of cash and obligations of or guaranteed by, the Government of Canada or a province thereof, or by the United States Government or its agencies, but may include obligations of other governments with appropriate credit ratings. The aggregate dollar values of the securities that are on loan and the collateral received by the Funds as at June 30, 2016 and June 30 2015 are as follows:

Chou Associates Fund:

	June 30, 2016		June 30, 2015	
Gross securities lending revenue	$ 2,018,991	100 %	$ –	–
Withholding taxes	(290,501)	(10)%	–	–
Agent fees	(566,484)	(30)%	–	–
Securities lending revenue	$ 1,162,006	60 %	$ –	–

Chou Asia Fund:

	June 30, 2016		June 30, 2015	
Gross securities lending revenue	$ 17,486	100 %	$ –	–
Withholding taxes	(3,488)	(20)%	–	–
Agent fees	(48)	–	–	–
Securities lending revenue	$ 13,950	80 %	$ –	–

Chou Europe Fund:

	June 30, 2016		June 30, 2015	
Gross securities lending revenue	$ 111	100 %	$ –	–
Withholding taxes	(16)	(10)%	–	–
Agent fees	(33)	(30)%	–	–
Securities lending revenue	$ 62	60 %	$ –	–

8. Security lending breakdown (continued):

Chou RRSP Fund:

	June 30, 2016		2015	
Gross securities lending revenue	$ 5,582	100 %	$ –	–
Withholding taxes	(899)	(20)%	–	–
Agent fees	(1,086)	(20)%	–	–
Securities lending revenue	$ 3,597	60 %	$ –	–

9. 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.

9. Fair value measurement (continued):

(a) Chou Associates Fund:

June 30, 2016	Level 1	Level 2	Level 3	Total
Equities	$ 251,827,378	$ –	$ –	$ 251,827,378
Bonds	–	48,724,547	–	48,724,547
Held-for-trading asset	47,195,444	–	–	47,195,444
Total	$ 299,022,822	$ 48,724,547	$ –	$ 347,747,369

December 31, 2015	Level 1	Level 2	Level 3	Total
Equities	$ 300,302,932	$ –	$ 757,522	$ 301,060,454
Bonds	–	8,508,085	–	8,508,085
Held-for-trading assets	65,497,338	–	–	65,497,338
Held-for-trading liabilities	(3,768,750)	–	–	(3,768,750)
Total	$ 362,031,520	$ 8,508,085	$ 757,522	$ 371,297,127

During the year ended December 31, 2015, there were no significant transfers between Level 1, Level 2, and Level 3. For the period ended June 30, 2016, $735,584 was transferred out of Level 3 as the investment was sold during the period.

Fair value measurements using Level 3 inputs:

	Equities
Balance, December 31, 2015	$ 757,522
Proceeds from sales during the period	(735,584)
Net realized loss on sale of investments	(21,938)
Balance, June 30, 2016	$ –

(b) Chou Asia Fund:

June 30, 2016	Level 1	Level 2	Level 3	Total
Equities	$ 10,830,744	$ 335,830	$ –	$ 11,166,574

December 31, 2015	Level 1	Level 2	Level 3	Total
Equities	$ 8,839,604	$ –	$ 2,232,193	$ 11,071,797

9. Fair value measurement (continued):

During the period ended June 30, 2016, $373,705 was transferred from Level 1 to Level 2. During the year ended December 31, 2015, $2,232,193 was transferred from Level 1 to Level 3 because the security was delisted.

Fair value measurements using Level 3 inputs:

	Equities
Balance, December 31, 2015	$ 2,232,193
Net transfer out during the period	(2,232,193)
Balance, June 30, 2016	$ –

(c) Chou Europe Fund:

June 30, 2016	Level 1	Level 2	Level 3	Total
Equities	$ 11,289,353	$ 567,029	$ –	$ 11,856,382

December 31, 2015	Level 1	Level 2	Level 3	Total
Equities	$ 14,579,031	$ 769,728	$ –	$ 15,348,759
Held-for-trading liabilities	(753,750)	–	–	(753,750)
Total	$ 13,825,281	$ 769,728	$ –	$ 14,595,009

During the period ended June 30, 2016, there was no significant transfers between Level 1, Level 2 and Level 3. For the year ended December 31, 2015, $410,727 was transferred from Level 3 to Level 1 as the underlying security became publicly listed.

(d) Chou Bond Fund:

June 30, 2016	Level 1	Level 2	Level 3	Total
Equities	$ 3,179,353	$ –	$ –	$ 3,179,353
Bonds	–	29,361,341	–	29,361,341
Total	$ 3,179,353	$ 29,361,341	$ –	$ 32,540,694

9. Fair value measurement (continued):

December 31, 2015	Level 1	Level 2	Level 3	Total
Equities	$ 4,355,646	$ –	$ –	$ 4,355,646
Bonds	–	34,850,268	–	34,850,268
Held-for-trading liabilities	(1,584,500)	–	–	(1,584,500)
Total	$ 2,771,146	$ 34,850,268	$ –	$ 37,621,414

During the periods ended June 30, 2016 and December 31, 2015, there were no significant transfers between Level 1, Level 2 and Level 3.

(e) Chou RRSP Fund:

June 30, 2016	Level 1	Level 2	Level 3	Total
Equities	$ 40,638,682	$ 3,563,508	$ –	$ 44,202,190
Bonds	–	16,902,702	6,429,765	23,332,467
Held-for-trading assets	3,762,353	–	–	3,762,353
Total	$ 44,401,035	$ 20,466,210	$ 6,429,765	$ 71,297,010

December 31, 2015	Level 1	Level 2	Level 3	Total
Equities	$ 49,191,072	$ –	$ –	$ 49,191,072
Bonds	–	7,435,085	7,500,000	14,935,085
Held-for-trading assets	6,727,484	–	–	6,727,484
Total	$ 55,918,556	$ 7,435,085	$ 7,500,000	$ 70,853,641

During the period ended June 30, 2016, $4,358,344 was transferred from Level 1 to Level 2. For the year ended December 31, 2015, there were no significant transfers between Level 1, Level 2 and Level 3.

Fair value measurements using Level 3 inputs:

	Bonds
Balance, December 31, 2015	$ 7,500,000
Net transfers out during the period	(1,070,235)
Balance, June 30, 2016	$ 6,429,765

10. Net gain (loss) from financial assets at fair value through profit or loss:

(a) Chou Associates Fund:

	June 30, 2016	June 30, 2015
Financial instruments at FVTPL:		
Held-for-trading	$ (20,926,811)	$ 11,955,100
Designated at inception	(76,681,762)	(20,530,505)
	$ (97,608,573)	$ (8,575,405)

(b) Chou Asia Fund:

	June 30, 2016	June 30, 2015
Financial instruments at FVTPL:		
Held-for-trading	$ (2,478)	$ –
Designated at inception	(3,249)	3,908,000
	$ (5,727)	$ 3,908,000

(c) Chou Europe Fund:

	June 30, 2016	June 30, 2015
Financial instruments at FVTPL:		
Held-for-trading	$ (525,687)	$ –
Designated at inception	(4,055,130)	2,526,223
	$ (4,580,817)	$ 2,526,223

(d) Chou Bond Fund:

	June 30, 2016	June 30, 2015
Financial instruments at FVTPL:		
Held-for-trading	$ (1,049,071)	$ –
Designated at inception	(1,681,974)	367,181
	$ (2,731,045)	$ 367,181

10. Net gain (loss) from financial assets at fair value through profit or loss (continued):

(e) Chou RRSP Fund:

	June 30, 2016	2015
Financial instruments at FVTPL:		
Held-for-trading	$ (2,964,971)	$ (361,131)
Designated at inception	(13,908,865)	(2,167,993)
	$ (16,873,836)	$ (2,529,124)

The realized gain (loss) from financial assets/liabilities at FVTPL represents the difference between the carrying amount of the financial asset/liability at the beginning of the reporting period, or the transaction price if it was purchased during the reporting period, and the sale or settlement price.

The unrealized gain (loss) represents the difference between the carrying amount of a financial asset/liability at the beginning of the reporting period, or the transaction price if it was purchased during the reporting period, and its carrying amount at the end of the reporting period.

11. 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 Funds are redeemed. Sufficient net income and realized capital gains of the Chou Funds, have been, or will be distributed to the unitholders such that no tax is payable by the Chou Funds and, accordingly, no provision for taxes has been made in the financial statements.

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

11. Income taxes (continued):

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

	June 30, 2016	2015
Chou Europe Fund	$ 3,265,651	$ 3,265,651
Chou Bond Fund	10,137,200	1,741,128
Chou RRSP Fund	–	5,826,579

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

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	15,199
Dec. 31, 2014	15,342
Dec. 31, 2015	15,629
June 30, 2016	**$12,012**

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
Dec. 31, 2015	24,760
June 30, 2016	**$24,564**

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	15,944
Dec. 31, 2014	17,502
Dec. 31, 2015	16,875
June 30, 2016	**$15,658**

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

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

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

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

CHOU 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
Dec. 31, 2015	131,417
June 30, 2016	**$108,746**

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.

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Chou Associates Management Inc.
110 Sheppard Ave. East
Suite 301, Box 18
Toronto, Ontario
M2N 6Y8

Tel: 416-214-0675
Toll-free: 1-888-357-5070
Fax: 416-214-1733
Web: www.choufunds.com
E-mail: admin@choufunds.com

Recordkeeping and Custodian
CIBC Mellon
320 Bay St
Toronto, Ontario
M5H 4A6

Tel: 416-643-5540
Toll-free: 1-866-379-3266
Fax: 1-855-884-0493

Auditors
KPMG LLP
Bay Adelaide Centre
333 Bay Street, Suite 4600 Toronto, Ontario
M5H 2S5

Legal Counsel
Owens Wright LLP
20 Holly Street, Suite 300
Toronto, Ontario
M4S 3B1