

CHOU ASSOCIATES FUND

SEMI-ANNUAL REPORT

JUNE 30, 2001

August 27, 2001

Dear Unitholders:

The net asset value per unit of Chou Associates Fund at June 30, 2001 was \$50.72 compared to \$46.36 at December 31, 2000, an increase of 9.4%. As at August 24, 2001, the net asset value was \$51.01, an increase of 10.0%. I am pleased with the performance of the Fund.

In the 2000 Semi-Annual Report, I warned about the dangers of investing in high tech companies, stating: “We are concerned with the market, particularly with matters pertaining to the valuation of high technology companies. Anyone who is buying at current prices, and is unaware of the risks involved, is vulnerable to a major and permanent loss of capital. Valuation in this sector borders on the untenable: There are companies whose market capitalization exceeds \$10 billion, yet their borrowing capacity remains well below \$100 million; even more ridiculous, some of the executives of these individual companies are allowed to borrow \$1 billion or more on their stock!!”

In the wake of the collapse of high tech stocks – where many have dropped as much as 95% from their high – we are now taking a serious look at several of these that offer good long term prospects, and whose shares are trading below net cash. Let me add that one should exercise caution rummaging through this rubble, as many of the companies are still burning cash. At this juncture, we are finding the senior debt securities of high tech companies more attractively priced on a risk/reward basis than their common and/or preferred stocks.

Yours truly,

"Francis Chou"

Francis Chou

(Manager of the Fund)

Chou Associates Fund

Statement of Income and Expense For the Six months Ended June 30, 2001

(Unaudited) (Stated in \$ Canadian)	
<u>Income:</u>	
Dividends	\$ 94,198
Interest	<u>55,052</u>
	\$ 149,250
<u>Expense:</u>	
Management fees	105,403
Custodian fees	4,058
Audit & Legal	<u>3,098</u>
	\$112,559
Net Investment Income	\$ 36,691
Realized gains	<u>1,628,982</u>
Total Income	\$1,665,673
Net Investment Income per Unit	\$ 0.13
Total Income per Unit	\$ 6.04

Chou Associates Fund

Statement of Net Assets

As at June 30, 2001

(Unaudited)	
	<u>ASSETS</u>
Cash and Treasury Bills	\$ 2,013,418
Accounts receivable	118,317
Investment at market value(avg. cost \$8,229,810)	<u>12,337,503</u>
Total Assets	\$14,469,238
Less:	
Accounts payable	77,697
Premium Covered Call Option(cost \$760,737)	<u>409,529</u>
Total Net Assets	\$13,982,012
Net Asset Value per Unit	\$ 50.7187
NAVPU, December 31, 2000	\$ 46.3623
Percentage Change from December 31, 2000	+9.4%
Units Outstanding, June 30, 2001	275,678

Chou Associates Fund

Statement of Investments Held As at June 30, 2001

Shares-Common*	Number of Shares	Market Value
Akita Drilling, Class A	60,000	\$ 753,000
BMTC Group, Class A	129,900	1,493,850
Caldwell Partners, Class A	410,000	697,000
Cavalier Homes	68,400	299,095
Citigroup	18,000	1,434,138
Freddie Mac	14,000	1,477,684
Goldfarb, Class A	137,300	343,250
Hollinger Inc. Retractable	69,900	884,235
IDT	20,000	407,117
IDT, Class B	20,000	331,725
Metromedia Int'l, Preferred	6,000	135,706
Progressive Corp.	5,500	1,121,147
Reliance Group, Debt. 9.75%, '03	500,000	15,078
Rothmans Canada	48,600	1,166,400
Tri-White	600,000	1,170,000
Wesco Financial	1,000	524,578
Westshore Terminals, Unit Trust	16,700	83,500
Investments at market value		<u>\$12,337,503</u>
*Common Shares unless otherwise indicated		
<u>Premium Covered Call Option</u>		
Citigroup, January '02, \$50	10,000	\$ 93,486
Freddie Mac, January '02, \$70	14,000	97,105
Progressive, August '01, \$110	5,500	218,938
Premium Covered Call Option at market		<u>\$ 409,529</u>