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

ANNUAL REPORT **2019**

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
Dec.31, 2016	206,905
Dec.31, 2017	214,775
Dec.31, 2018	197,699
Dec.31, 2019	**$200,244**

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

The table is presented only to illustrate the effects of the compound growth rate and is not intended to reflect future values of the mutual funds or returns on the mutual funds. Commissions, trailing commissions, management fees and expenses all may be associated with mutual fund investments. Please read the prospectus before investing.

PERFORMANCE OF THE FUNDS
(unaudited)

(Series A units) **December 31**

Chou Associates Fund	2019	2018	2017	2016	2015	2014	2013
Total Return	1.29%	-7.95%	3.80%	-2.79%	-6.95%	12.06%	41.33%
Management Expense Ratio (MER)	1.87%	2.03%	1.89%	1.87%	1.82%	1.81%	1.82%
Portfolio turnover rate	14.98%	31.61%	26.03%	16.55%	4.06%	7.73%	9.14%
Net Assets, end of the year (in millions)	$ 209.0	$ 285.8	$ 376.8	$ 448.8	$ 513.7	$ 557.5	$ 502.4
Chou Asia Fund							
Total Return	1.02%	-12.72%	21.12%	2.12%	5.49%	7.59%	23.90%
Management Expense Ratio (MER)	1.90%	2.08%	1.92%	1.90%	1.86%	1.80%	1.81%
Portfolio turnover rate	15.55%	0.00%	0.96%	0.00%	13.56%	0.00%	1.55%
Net Assets, end of the year (in millions)	$ 16.2	$ 22.5	$ 29.4	$ 35.6	$ 40.1	$ 39.2	$ 39.7
Chou Europe Fund							
Total Return	-3.05%	-9.91%	3.59%	-18.71%	1.87%	0.94%	41.35%
Management Expense Ratio (MER)	1.96%	2.21%	1.95%	1.89%	1.95%	1.90%	*0.13%
Portfolio turnover rate	13.94%	9.01%	21.06%	6.94%	0.00%	9.49%	0.00%
Net Assets, end of the year (in millions)	$ 6.8	$ 7.4	$ 7.6	$ 13.7	$ 21.8	$ 23.3	$ 18.9
Chou Bond Fund							
Total Return	-25.10%	14.85%	-1.61%	9.10%	-3.58%	9.77%	23.75%
Management Expense Ratio (MER)	1.60%	1.85%	1.56%	1.54%	1.45%	1.41%	1.52%
Portfolio turnover rate	11.84%	13.97%	36.79%	50.15%	4.44%	23.91%	13.42%
Net Assets, end of the year (in millions)	$ 9.8	$ 17.9	$ 27.8	$ 42.6	$ 42.8	$ 49.5	$ 42.2
Chou RRSP Fund							
Total Return	-17.67%	-7.15%	22.09%	-3.57%	-12.83%	14.20%	21.27%
Management Expense Ratio (MER)	1.89%	2.01%	1.92%	1.93%	1.84%	1.81%	1.82%
Portfolio turnover rate	15.25%	14.08%	23.45%	7.22%	16.76%	4.77%	11.50%
Net Assets, end of the year (in millions)	$ 42.8	$ 66.2	$ 80.4	$ 88.8	$ 104.1	$ 128.5	$ 122.3

*Management fee after waivers and absorption

Please note that ‘Net Assets’ include both Series A and Series F of the Fund.

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CHOU ASSOCIATES FUND

(unaudited)

April 27, 2020

Dear Unitholders of Chou Associates Fund,

After the distribution of $1.31, the net asset value per unit ("NAVPU") of a Series A unit of Chou Associates Fund at December 31, 2019 was $103.28 compared to $103.26 at December 31, 2018, an increase of 1.3%; during the same period, the S&P 500 Total Return Index increased 25.2% in Canadian dollars. In U.S. dollars, a Series A unit of Chou Associates Fund was up 6.5% while the S&P 500 Total Return Index increased 31.5%.

The table shows our one-year, three-year, five-year, 10-year, 15-year and 20-year annual compound rates of return.

December 31, 2019 (Series A)	1 Year	3 Years	5 Years	10 Years	15 Years	20 Years
Chou Associates Fund ($CAN)	1.3%	-1.1%	-2.6%	5.7%	4.5%	6.8%
S&P 500 ($CAN)	25.2%	13.9%	14.2%	15.9%	9.6%	5.5%
Chou Associates Fund ($US)[1]	6.5%	0.0%	-4.8%	3.5%	4.0%	7.4%
S&P 500 ($US)	31.5%	15.3%	11.7%	13.5%	9.0%	6.1%

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

Factors Influencing the 2019 Results

The equity holdings of Bausch Health Companies, DaVita Inc., Citigroup, JP Morgan Chase, and Goldman Sachs Group Inc. contributed positively to the Fund's performance during the year.

The main negative contributors to the Fund's performance in 2019 were the equity holdings of Resolute Forest Products Inc., Spirit Airlines Inc., and Sears Hometown and Outlet Stores.

The Canadian currency appreciated against the US dollar, which also negatively affected the Fund.

During the period, the Fund reduced its holdings of Citigroup Inc., DaVita Inc., JPMorgan Chase, Goldman Sachs Group, Wells Fargo & Company, and MBIA Inc. The Fund also sold the equity holdings of Ascent Capital Group Inc., Sanofi, Sears Holdings Corporation, and Sears Hometown and Outlet Stores.

[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.

There were no new investments added to the Fund in 2019, and the Fund did not write any new covered call options in 2019.

<u>Portfolio Commentary</u>

The Impacts of COVID-19

COVID-19 reminds me of a story going back to the 1919 Stanley Cup Finals between the Montreal Canadiens and the Seattle Metropolitans. Six months before the finals, the Spanish flu had been raging across North America and Europe. At the time, the finals were a best-of-five series and after five games, each team had won two games and one game was tied. To decide the winner, a sixth game had to be played. The problem was that four of the top hockey players for the Canadiens were stricken with the Spanish flu and couldn't play. The Canadiens did not have enough players to field a team, so they decided to forfeit the sixth game to the Metropolitans. But instead of accepting victory, Seattle rejected the noble gesture, saying they could not take the Stanley Cup because of the circumstances affecting the Montreal Canadiens. That is what we call "sportsmanship" of the highest order. Thirty years later, the NHL declared both Montreal and Seattle as the joint winners of the 1919 Stanley Cup.

In a similar vein, you can see that with COVID-19, health care workers, citizens, pharmaceutical companies and other constituents are working together to get the virus under control, with no one acting as the big hero or taking undue credit.

COVID-19 is a new disease and humans, as we know, have no immunity to it. However, the actions of almost all the governments in the world have caused severe economic disruptions. Every industry has been affected to some extent – some worse than others. The stock market reacted accordingly. As one pundit opined: the stock market of 2020 is worse than a divorce – you lose 50% of your assets and you still have to quarantine with your spouse for 14 days.

Eventually, the dust will settle and the economy will get back to normal. Our aim is to buy securities that have been beaten up more than others. Some stocks are down 5%, while others are down 80%. Provided the intrinsic value is the same, the chance and extent of a rebound are higher for securities that are more beaten down. For example, if a stock is worth $100 and it drops to $50, you have lost 50% of your investment. However, for $50 to go back to $100, you need to make a 100% return. The table below gives you an idea of how much you need to gain to get $100 from the percentage drop you experienced.

Depreciation	Amount of Appreciation Needed
10%	11.1%
20%	25.0%
30%	42.9%
40%	66.7%
50%	100.0%
60%	150.0%
70%	233.3%

Financials – Banks and Insurance

Banks – In general, we do not think that the intrinsic values of the banks have depreciated much in the long-term. In the short-term, the revenues and net interest margins may take a hit due to low interest rates (close to zero), and defaults on bad loans will likely increase under the current anemic economic conditions. However, we think the loose monetary policy of today with its excessive printing of money will benefit the banks in the long-term, since banks are always the first beneficiary of easy money. Having endured the annual stress tests, banks are also in much better financial shape than they were during the Great Recession of 2008.

Berkshire Hathaway – We believe it is the best run company in the world. They have great operating companies that generate huge amounts of cash relative to the capital deployed. When they cannot deploy them at an acceptable rate of return, they give it to Warren Buffett to redeploy them in the purchase of new companies or the stocks of excellent companies at a reasonable price. This is a type of company that executives should study carefully. Instead they are given all kinds of cookie cutter type examples in business schools. Berkshire Hathaway has been operating since 1965 under Buffett and it is not a one-day wonder.

Berkshire Hathaway has grown to as much as 32% of the Fund's net assets over the years due to significant capital appreciation. We are quite happy to hold them for the long-term, but the over-concentration of securities over 10% of the Fund can be frowned upon by regulators. As a result, we have reduced the Fund's position of Berkshire Hathaway in early 2020. Some of the replacements may be stocks as well as fixed-income instruments.

Airlines

We believe the airlines will survive over the long-term, but it may take a year or two before revenues return to what they were in 2019. We believe the intrinsic values of airline stocks have been worsened by roughly 30%, but the stock prices have dived by more than 50%. Our holding, Spirit Airlines, is among one of the best in the industry. If the airline industry does recover, we believe there would be a relatively quick recovery for Spirit Airlines, with their low-cost structure and strong balance sheet.

Nevertheless, there are still lots of uncertainties in evaluating the airline stocks right now. One big unknown is the amount of government bailout for airlines and the terms that come with it. Thus, we do not know the cost and the amount of equity dilution that shareholders may have to take on the chin. We live in a country with free enterprise, and the intrinsic value of companies should be dictated by economic fundamentals of the business in principal. However, here we are looking at Washington with our bowl in hand to determine what the business could be worth. It is just an asinine way to evaluate a business. Another way of looking at it is to push back what we thought the intrinsic value was going to be in 2023 by two or three years and then discount the value from there.

EXCO Resources ("EXCO")

On January 15, 2018, EXCO filed voluntary petitions for a court-supervised reorganization under Chapter 11 of the U.S. Bankruptcy Code to facilitate a restructuring of its balance sheet, which was saddled with expensive transportation and other contracts. On November 5, 2018, EXCO filed a restructuring plan, stating that holders of the 1.75 lien term loans would receive 82% of the new common stock of the company, subject to dilution by a management incentive plan. However, this plan did not come to fruition due to the company's inability to raise enough capital and an amended plan of reorganization was offered to the creditors on April 10, 2019.

Based on the valuation analysis by EXCO's investment banking firm, PJT Partners Inc., under the amended plan, the 1.75 lien term loan holders would receive 38.8% of the new common shares, resulting in a recovery of 27 cents on the dollar or 27% (given the total principal outstanding for the 1.75 lien term loans was US$742.2 million).

Summary of Amended Valuation Analysis (as of May 31, 2019):

(US$ in millions)	**Low**	**Midpoint**	**High**
Total Enterprise Value	$650	$750	$850
Less: Net Debt	(225)	(225)	(225)
Total Equity Value	$425	$525	$625
38.8% of 1.75L term loan holders	$165	$204	$243
Estimated Percentage Recovery	22%	27%	33%

Source: Exhibit F – Valuation Analysis of Document 1233 for Case 18-30155.

In early July of 2019, the company emerged from bankruptcy and the 1.75 lien term loans were converted into 28.38 equity shares for every $1,000 in par value, after netting out certain adjustments. We received 1,518,570 shares of EXCO in the Fund.

Looking back on this investment, we underestimated how long the price of natural gas would stay low for, and how low it has been relative to the price of oil. Historically, there had been a strong relationship between the prices of oil and natural gas. Thinking about the two fuels in terms of energy equivalency, 6,000 cubic feet (6 mcf) of natural gas has the same amount of energy content as 1 barrel of oil. In the past, this 6 to 1 ratio guided the relationship between oil and natural gas prices, but for the last few years the ratio between prices had gone up to as high as 50 to 1.

In practical terms, there are always frictional costs and time needed to convert from oil to natural gas. In a free enterprise society, businesses are always adapting and they are looking for the most cost-effective way of running a business. This includes individuals too. We have seen how solar energy and electric cars have replaced a portion of fossil fuels for their energy consumption. In time, if the ratio of oil to natural gas prices is in excess of 10 to 1, there will be new efforts to use more natural gas at the expense of oil and the historical equilibrium will be restored. The historical ratio of 6 to 1 can be stretched to maybe 10 to 1, but 50 to 1 is asking too much.

Lo and behold, most investors felt that the ratio of 6 to 1 was totally broken. There was a new paradigm of 30 to 1. But on April 20^{th} the price of oil fell into negative territory. You had to pay someone to take the barrel of oil from you. Unbelievable! The ratio had dropped below 6:1 to 0:1, albeit temporarily.

The crash of the oil sector has made us quite bullish on the natural gas sector. So much irresponsible money had been poured into the oil sector which indirectly impacted the natural gas industry. When you drill for oil, the by-product you get is natural gas. The excess production of shale gas through fracking is one of the main reasons why natural gas prices have stayed at such a low price for so many years. With capital withdrawn from the oil industry, distressed oil and gas producers will cease production and the excessive supply will shrink over time.

On the demand side, another market that is opening up for natural gas is Asia, which could be an important export market of U.S. natural gas in the form of liquefied natural gas (LNG). The price of natural gas can compete directly with the price of coal and natural gas has much lower environmental impacts compared to coal. China, S. Korea, Japan and Taiwan are shuttering coal plants and replacing them with natural gas plants. In time, we believe LNG prices will rise as demand for it rises exponentially. Since EXCO is mainly a natural gas producer, we remain optimistic about its future over the long run. Compared to its peers, the company is also better positioned given its post-bankruptcy cost structure.

We are also looking to buy more bonds in oil and gas companies whose prices have been severely beaten down due to the recent oil price war between Russia and Saudi Arabia.

Resolute Forest Products ("RFP")

As of December 31, 2019, the market price of Resolute Forest Products was US$4.20 per share, down 47% from the price at year end 2018.

RFP has been a huge disappointment since our initial purchase some eight years ago. It shows how tough it is to turn around a troubled company despite the best efforts of management.

Having said that, it is quite comical to experience how a commodity stock can be hammered beyond all logical comprehension. RFP paid a special dividend of US$1.50 a share in 2018, and it is trading at US$1.17 per share in April 2020. Two months ago, the company announced that it would buy back 15% of its common shares for US$100 million. At the current price of US$1.17, the market capitalization is US$99 million. In other words, instead of buying back 15% of the company with US$100 million, it can now buy back 100% of the company.

In general, our experience with a commodity business that has virtually no pricing power is to be cautious when management talks about investing in new equipment or upgrades that would significantly lower the cost structure compared to its competitors. That may be true for six months to a couple of years, but in time, competitors will have a new cost structure that is as competitive if not superior to the company. It is the same treadmill where hardly anyone in the industry can make a decent return on the assets invested in the company. The same story can be seen repeatedly in various commoditized industries. There is no sustainable long-term advantage in a mediocre business with no pricing power. It is important not to get seduced by discount to book value. If the company cannot generate a decent return on book value over a long period of time, that book value is not worth much.

Does Value Investing Work?

With the lackluster returns by value funds in recent years compared to growth and index funds, there is some doubt as to whether value investing can still work in the current market. We hold the view that value investing certainly works, but only when executed properly.

Sometimes it is easier to blame the market environment than to admit our own faults. Although factors such as low interest rates, the popularity of passive investing and elevated market valuations played a role in blunting returns for value investors, we also accentuated the problem. The key to value investing is appraisal. If that is not precise enough, everything falls apart. We tend to fish in troubled waters, and what caused the biggest problem in recent years was that our appraisal of troubled companies was off the mark.

When we thought a company was worth 100 cents, it was actually worth closer to 60 cents. We tended to give much higher weight to asset values and not enough weight to the value of the operating company. We used the asset value as a huge security blanket and became blind to the deterioration of the worth of the operating company. A case in point is Sears Holdings. We were correct that the real estate plus the value of brand names would afford some cushion against losses. However, we were inaccurate in our assumption that Eddie Lampert would maximize returns for shareholders based on the real estate assets, and the value of the retail company Sears had at the time of purchase. Instead, he tried to reinvent the company, suffered huge losses along the way and almost completely eroded the value of the considerable real estate assets that Sears held. Although the value of downside protection is important, most of the returns from an investment comes from the increase in the intrinsic value of the company, or the closing of the gap between the discounted purchase price to the full intrinsic value. When neither of the two happens, then investors would like to see the assets and the brand names divested or sold, sooner rather than later, for the benefit of shareholders.

We can proudly say that in Sears we lost an insignificant amount of money on a simple dollar basis (as one Republican suggested, it should be classified as “Trump change”). However, we did lose a tremendous amount of money in opportunity cost over that 10-year period. Trump change or not, it was still an unforced error.

That was a mistake of commission. We also made a bundle of mistakes of omission.

Over the last 30 years, roughly half our portfolio was in troubled companies and the other half was in good companies. So, we are well acquainted with investing in both types of companies. But what happened over the last few years was that we spent most of the time undervaluing the good companies. When our assessment showed that the investments were worth 100 cents, they were more accurately close to 150 cents, thus causing us to miss most of those opportunities. These “omissions”, though they are unseen mistakes, are nevertheless as real as mistakes of commission.

In summary, although the markets have been less kind to value investing, we exacerbated the problem as practitioners.

Caution to the Investors

Investors should be advised that we run a highly focused portfolio, frequently just three to five securities may comprise close to 50% of the assets of the Fund. In addition, the Fund has securities that are non-U.S. and could be subjected to geopolitical risks, which may trump or at least negatively influence the financial performance of the company. Also, we may enter into some derivative contracts, such as credit default swaps when we feel that the market conditions are right to use those instruments. Because of any or all of these factors, the net asset value of the Fund can be from time to time more volatile than at other times. However, we are not bothered by this volatility because our focus has always been, and continues to be, on how inexpensive we believe the Fund’s portfolio holdings are relative to what we believe to be their intrinsic value. The Fund did not have any excess cash as at December 31, 2019.

Other Matters

FOREIGN CURRENCY CONTRACTS: None existed at December 31, 2019.

CREDIT DEFAULT SWAPS: None existed at December 31, 2019.

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

REDEMPTION FEE: We have a redemption fee of 2% if unitholders redeem their units in less than 3 months. None of this fee goes to the Fund Manager. It is put back into the Fund for the benefit of the remaining unitholders.

INDEPENDENT REVIEW COMMITTEE: The Manager has established an IRC as required by NI 81-107. The members of the IRC are Sandford Borins, Peter Gregoire and Joe Tortolano. The 2019 IRC Annual Report is available on our website www.choufunds.com.

As of April 27, 2020, the NAVPU of a Series A unit of the Fund was $79.24 and the cash position was approximately 10.7% of net assets. The Fund is down 23.3% from the beginning of the year. In U.S. dollars, it is down 29.0%.

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

Yours truly,

Francis Chou

Francis Chou
Fund Manager

Management's Responsibility for Financial Reporting

To the unitholders of the Chou Funds:

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

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

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

Grant Thornton 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.
April 30, 2020

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Independent auditor's report

To the Unitholders of

Chou Associates Fund
Chou Asia Fund
Chou Europe Fund
Chou Bond Fund
Chou RRSP Fund

Collectively referred to as "the Funds"

Opinion

We have audited the financial statements of each of the Funds, which comprise the statements of financial position as at December 31, 2019, and December 31, 2018 and the statements of comprehensive income, statements of changes in net assets attributable to holders of redeemable units and statements of cash flows for the years then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the financial statements of each of the Funds, present fairly, in all material respects, the financial position of each of the Funds as at December 31, 2019 and December 31, 2018, and its financial performance and its cash flows of each of the Funds for the years then ended in accordance with International Financial Reporting Standards (IFRS).

Basis for Opinion

We conducted our audits in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Funds in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Information Other than the Financial Statements and Auditor's Report Thereon

Management is responsible for the other information. Other information contained in the Funds' Management Reports of Fund Performance to be filed with the relevant Canadian Securities Commissions.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audits of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

We obtained the Funds' Management Reports of Fund Performance to be filed with the relevant Canadian Securities Commissions as at the date of the auditor's report. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

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

In preparing the financial statements, management is responsible for assessing the Funds' ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Funds or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Funds' financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Funds' internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Funds' ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Funds to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audits.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

Grant Thornton LLP

Markham, Canada
April 30, 2020

Chartered Professional Accountants
Licensed Public Accountants

CHOU ASSOCIATES FUND

Statements of Financial Position

December 31, 2019 and 2018

	2019	2018
Assets		
Current assets:		
Investments (note 8)	$ 209,926,956	$ 283,172,255
Cash and cash equivalents	–	4,523,311
Receivable for redeemable units subscribed	16,702	32,205
Due from broker	5,413,039	145,648
Dividends receivable	167,569	131,025
Total assets	215,524,266	288,004,444
Liabilities		
Current liabilities:		
Derivatives	–	600,688
Bank overdraft	1,032,848	–
Accrued expenses	1,133,196	1,391,306
Payable for units redeemed	4,319,119	247,759
Distributions payable	73,106	5,253
Due to broker	–	1,388
Total liabilities	6,558,269	2,246,394
Net assets attributable to unitholders of redeemable units	$ 208,965,997	$ 285,758,050
Net assets attributable to unitholders of redeemable units:		
Series A	$ 180,516,920	$ 250,374,883
Series F	28,449,077	35,383,167
	$ 208,965,997	$ 285,758,050
Number of redeemable units outstanding (note 4):		
Series A	1,747,907	2,424,781
Series F	277,980	344,195
Net assets attributable to unitholders of redeemable units per unit:		
Canadian dollars:		
Series A	$ 103.28	$ 103.26
Series F	102.34	102.80
U.S. dollars:		
Series A	79.53	75.64
Series F	78.81	75.30

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)

Years ended December 31, 2019 and 2018

		2019		2018
Income:				
Interest for distribution purposes and other	$	–	$	121,799
Dividends		2,201,462		8,929,847
Securities lending income (note 7)		35,860		969,740
Foreign currency gain on cash and other net assets		31,613		884,179
Other net changes in fair value of financial assets and financial liabilities at fair value through profit or loss:				
Net realized loss on investments		(7,686,952)		(1,057,657)
Net realized gain on derivatives		2,073,619		2,589,287
Change in unrealized appreciation on investments		9,773,377		10,157,089
Change in unrealized depreciation on derivatives		(1,373,024)		(37,116,302)
		5,055,955		(14,522,018)
Expenses:				
Management fees (note 5)		4,137,327		5,597,465
Custodian fees		159,000		547,500
Audit		81,035		279,035
Filing fees		31,124		107,171
Independent review committee fees		51,072		50,635
FundSERV fees		27,285		28,480
Legal fees		18,250		18,250
Transaction costs (note 6)		209,684		217,130
Foreign withholding taxes		341,397		1,233,733
Other		22,955		31,457
		5,079,129		8,110,856
Decrease in net assets attributable to unitholders of redeemable units	$	(23,174)	$	(22,632,874)
(Decrease) increase in net assets attributable to unitholders of redeemable units per series:				
Series A	$	(564,530)	$	(19,817,041)
Series F		541,356		(2,815,833)
	$	(23,174)	$	(22,632,874)
Weighted average number of redeemable units outstanding for the year per series:				
Series A		2,147,433		2,723,471
Series F		334,869		347,748
(Decrease) increase in net assets attributable to unitholders of redeemable units per unit:				
Series A	$	(0.26)	$	(7.28)
Series F		1.62		(8.10)

See accompanying notes to financial statements.

CHOU ASSOCIATES FUND

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

Years ended December 31, 2019 and 2018

	2019	2018
Series A		
Net assets attributable to unitholders of redeemable units, beginning of year	$ 250,374,883	$ 336,324,537
Decrease in net assets attributable to unitholders of redeemable units	(564,530)	(19,817,041)
Proceeds from issue of redeemable units	1,422,606	10,143,180
Payments on redemption of redeemable units	(70,667,495)	(76,275,793)
Distributions of income to unitholders:		
Investment income	(2,262,197)	–
Reinvested distributions	2,213,653	–
Net assets attributable to unitholders of redeemable units, end of year	180,516,920	250,374,883
Series F		
Net assets attributable to unitholders of redeemable units, beginning of year	35,383,167	40,483,520
Increase (decrease) in net assets attributable to unitholders of redeemable units	541,356	(2,815,833)
Proceeds from issue of redeemable units	3,805,524	3,833,678
Payments on redemption of redeemable units	(11,256,408)	(6,113,098)
Distributions of income to unitholders:		
Investment income	(720,050)	–
Capital gains	–	(147,480)
Reinvested distributions	695,488	142,380
Net assets attributable to unitholders of redeemable units, end of year	28,449,077	35,383,167
Total net assets attributable to unitholders of redeemable units, end of year	$ 208,965,997	$285,758,050

See accompanying notes to financial statements.

CHOU ASSOCIATES FUND

Statements of Cash Flows

Years ended December 31, 2019 and 2018

	2019	2018
Cash flows from operating activities:		
Decrease in net assets attributable to unitholders of redeemable units	$ (23,174)	$ (22,632,874)
Adjustments for:		
Foreign currency gain on cash and other net assets	(31,613)	(884,179)
Net realized loss (gain) on disposal of investments and derivatives	5,586,219	(1,531,630)
Change in unrealized (appreciation) depreciation on investments and derivatives	(8,373,239)	26,959,213
Change in non-cash operating working capital:		
Decrease in interest receivable	–	139,588
Increase in dividends receivable	(36,544)	(10,385)
(Decrease) increase in accrued expenses	(258,110)	371,092
Purchases of investments and derivatives	(84,694)	(104,940,776)
Proceeds from sale and maturity of investments and derivatives	70,247,546	101,276,657
Net cash generated from (used in) operating activities	67,026,391	(1,253,294)
Cash flows from financing activities:		
Distributions paid to unitholders	(5,253)	153
Proceeds from redeemable units issued	5,243,633	13,952,348
Amount paid on redemption of redeemable units	(77,852,543)	(82,283,250)
Net cash used in financing activities	(72,614,163)	(68,330,749)
Foreign currency gain on cash and other net assets	31,613	884,179
Decrease in cash and cash equivalents	(5,556,159)	(68,699,864)
Cash and cash equivalents, beginning of year	4,523,311	73,223,175
(Bank overdraft) cash and cash equivalents, end of year	$ (1,032,848)	$ 4,523,311
Supplemental information:		
Interest received, net of withholding tax	$ –	$ 261,387
Dividends received, net of withholding tax	1,823,521	7,685,729
Security lending income received	35,860	969,740

See accompanying notes to financial statements.

CHOU ASSOCIATES FUND

Schedule of Investments

December 31, 2019

	Number of securities	Cost	Fair value
Equities*			
Allegiant Travel Company	4,317	$ 794,549	$ 975,640
Bausch Health Companies Inc.	1,350,000	29,176,383	52,451,032
Berkshire Hathaway Inc., Class 'A'	150	15,819,918	66,146,189
Citigroup Inc.	67,695	1,710,329	7,022,758
DaVita Inc.	100,743	6,940,637	9,815,411
EXCO Resources Inc.	1,281,244	31,646,701	15,829,672
JPMorgan Chase & Company	44,275	3,094,402	8,014,566
MBIA Inc.	652,531	4,515,702	7,880,301
Overstock.com Inc., Class 'B'	42,730	883,805	305,179
Resolute Forest Products Inc.	3,347,772	50,233,049	18,258,447
Spirit Airlines Inc.	50,000	2,334,425	2,617,228
The Goldman Sachs Group Inc.	20,000	2,502,438	5,971,512
Wells Fargo & Company	209,542	11,181,178	14,639,021
		160,833,516	209,926,956
Total investments		160,833,516	209,926,956
Transaction costs		(146,841)	
Portfolio total		$ 160,686,675	$ 209,926,956

*Common shares unless indicated otherwise

See accompanying notes to financial statements.

CHOU ASSOCIATES FUND

Discussion of Financial Risk Management

Years ended December 31, 2019 and 2018

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. That approach is designed to provide an extra margin of safety, which in turn serves to reduce overall portfolio risk.

Financial risk management:

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

(a) Credit risk:

Credit risk is the risk that a counterparty to a financial instrument will fail to discharge a commitment that it has entered into with the Fund. As at December 31, 2019, the Fund did not invest any of its net assets in non-investment grade debt instruments (2018 – None). 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 December 31, 2019, the Fund did not invest any of its net assets in non-rated bonds (2018 – 11.34%).

(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:

	2019	2018
Less than 1 year	$ –	$ –
1 - 3 years	–	32,407,065
3 - 5 years	–	–
Greater than 5 years	–	–

As at December 31, 2019, had interest rates decreased or increased by 0.25%, with all other variables remaining constant, there would be no increase or decrease in net assets for the year (2018 - $147,608).

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

Financial risk management (continued):

(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 92.88% (2018 - 87.75%) of the Fund's net assets held at December 31, 2019 were publicly traded equities. If equity prices on the exchange had increased or decreased by 5% as at December 31, 2019, the net assets of the Fund would have increased or decreased by approximately $9,704,864 or 4.64% (2018 - $12,538,260 or 4.39%) of the net assets, all other factors remaining constant.

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

(d) Foreign currency risk:

Currencies to which the Fund had exposure as at December 31, 2019 and 2018 expressed in CAD are as follows:

2019	Investments and derivatives	Cash and cash equivalents	Other assets and liabilities	Total	Percentage of net asset value
United States dollar (USD)	$ 209,926,956	$ 88,834	$ 5,580,609	$ 215,596,399	103.2%

2018	Investments and derivatives	Cash and cash equivalents	Other assets and liabilities	Total	Percentage of net asset value
United States dollar (USD)	$ 282,570,180	$ 877,326	$ 275,289	$ 283,722,795	99.3%

The amounts in the above tables are based on the market value of the Fund's financial instruments. This includes cash and cash equivalents, investments, dividend receivable, interest receivable, receivable for units subscribed, due from broker, payable for units redeemed, distributions payable and due to brokers that are denominated in foreign currencies.

As at December 31, 2019, 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 $ 2,155,964 (2018 - $2,837,228).

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

CHOU ASIA FUND
(unaudited)

April 27, 2020

Dear Unitholders of Chou Asia Fund,

After the distribution of $0.45, the net asset value per unit ("NAVPU") of a Series A unit of Chou Asia Fund at December 31, 2019 was $17.25 compared to $17.52 at December 31, 2018, an increase of 1.0%; during the same period, the MSCI AC (Morgan Stanley Capital International All Country) Asia Pacific Total Return Index in Canadian dollars increased 14.3%. In U.S. dollars, a Series A unit of Chou Asia Fund was up 6.2% while the MSCI AC Asia Pacific Total Return Index increased 20.0%.

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

December 31, 2019 (Series A)	**1 Year**	**3 Years**	**5 Years**	**10 Years**
Chou Asia Fund ($CAN)	1.0%	2.2%	2.8%	4.7%
MSCI AC Asia Pacific TR ($CAN)	14.3%	10.0%	9.8%	8.9%
Chou Asia Fund ($US)[1]	6.2%	3.4%	0.6%	2.5%
MSCI AC Asia Pacific TR ($US)	20.0%	11.3%	7.4%	6.7%

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

Factors Influencing the 2019 Results

The equity holdings of BYD Electronic Company Limited, Samsung Electronics Company, Pyne Gould Corporation, and AJIS CO Ltd. contributed positively to the Fund's performance during the year.

The main negative contributors to the Fund's performance in 2019 were the equity holdings of BYD Company Limited, IDFC Limited and POSCO.

The Renminbi had depreciated against the Canadian currency during the year, which negatively impacted the Fund.

The Fund added the equity holdings of Shriram Transport Finance Company Ltd. and IDFC Limited in 2019. Shares of Pyne Gould Corporation were reduced during the year.

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

Portfolio Commentary

BYD Company Limited and BYD Electronic Company

BYD Company Limited, together with its subsidiaries, engages in the rechargeable battery and photovoltaic, handset components and assembly, and automobile businesses worldwide. We first heard about the story of Wang Chuanfu, a person who combines two traits that are extremely rare in business: a brilliant chemist with a great business acumen. So, we kept track of the two companies that he founded — BYD Company Limited and BYD Electronic Company. The latter is an investment holding company that manufactures, assembles, and sells mobile handset components and modules. As it happens in the stock market, we felt that at some point in time, his two companies would fall out of favor and a buying opportunity may present itself with an undervalued price. The opportunity came in late 2011 and in 2012, we were able to buy 250,000 shares of BYD Company Limited at $11.70 HKD per share and one million shares of BYD Electronic Company at $1.58 HKD per share. You will not believe that we bought BYD Electronic at a discount to its net-net working capital. Both have worked out well since our purchase. On December 31, 2019, BYD Company Limited and BYD Electronic Company were trading at $38.85 HKD and $14.98 HKD per share, respectively.

We are quite happy to hold them for the long-term, but the over-concentration of securities over 10% of the Fund can be frowned upon by regulators. As a result, we have reduced the Fund's position of BYD Company Limited in early 2020. We may reduce our holdings in BYD Electronic Company for the same reason in the future.

Pyne Gould Corporation

Pyne Gould Corporation has been a disappointment since our initial investment back in 2013. One upside is that we were able to reduce the position by roughly 50% at a price of 0.29 NZD in December 2019. Our average purchase price was 0.24 NZD. With the COVID-19 pandemic currently, it was a lucky sale in retrospect.

India

As mentioned in previous letters, we have started to look closely at the market in India. With a current population of 1.3 billion, India is the world's second most populous country. It has one of Asia's youngest populations with the median age of 27.3 compared to China at 37.6 and Japan at 47.1.

In recent years, the Indian government has enacted reforms to further support the growth of India's economy. India's performance on the World Bank's Ease of Doing Business index, which ranks countries on parameters such as regulations for businesses and protections for private property, has increased from a rank of 132 out of 190 in 2016 to 63 out of 190 in 2019.

As with any foreign ventures, the investments in India will face the risk of negative currency movements. As a result, we are awaiting further developments and remain cautious of the market. In addition, we are also looking at the South Korean, Singaporean and Taiwanese markets for any potential bargains.

Caution to the Investors

Investors should be advised that we run a highly focused portfolio, frequently just three to five securities may comprise more than 50% of the assets of the Fund. In addition, the Fund has securities that are non-U.S. and could be subjected to geopolitical risks, which may trump or at least negatively influence the financial performance of the company. Also, we may enter into some derivative contracts, such as credit default swaps when we feel that the market conditions are right to use those instruments. Because of any or all of these factors, the net asset value of the Fund can be from time to time more volatile than at other times. However, we are not bothered by this volatility because our focus has always been, and continues to be, on how inexpensive we believe the Fund's portfolio holdings are relative to what we believe to be their intrinsic value.

The Fund's net cash position was approximately 5% of net assets as at December 31, 2019.

Other Matters

FOREIGN CURRENCY CONTRACTS: None existed at December 31, 2019.

CREDIT DEFAULT SWAPS: None existed at December 31, 2019.

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

REDEMPTION FEE: We have a redemption fee of 2% if unitholders redeem their units in less than 3 months. None of this fee goes to the Fund Manager. It is put back into the Fund for the benefit of the remaining unitholders.

INDEPENDENT REVIEW COMMITTEE: The Manager has established an IRC as required by NI 81-107. The members of the IRC are Sandford Borins, Peter Gregoire and Joe Tortolano. The 2019 IRC Annual Report is available on our website www.choufunds.com.

As of April 27, 2020, the NAVPU of a Series A unit of the Fund was $16.28 and the cash position was approximately 24.0% of net assets. The Fund is down 5.7% from the beginning of the year. In U.S. dollars, it is down 12.7%.

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

Yours truly,

Francis Chou

Francis Chou
Fund Manager

CHOU ASIA FUND

Statements of Financial Position

December 31, 2019 and 2018

		2019		2018
Assets				
Current assets:				
Investments (note 8)	$	14,230,953	$	14,244,912
Cash and cash equivalents		1,096,539		8,910,126
Receivable for redeemable units subscribed		–		12,000
Due from broker		1,267,569		–
Interest receivable		139		5,392
Dividends receivable		12,255		8,093
Total assets		16,607,455		23,180,523
Liabilities				
Current liabilities:				
Accrued expenses		115,075		139,092
Payable for units redeemed		226,340		176
Distributions payable		24,258		2,372
Due to broker		–		500,073
Total liabilities		365,673		641,713
Net assets attributable to unitholders of redeemable units	$	16,241,782	$	22,538,810
Net assets attributable to unitholders of redeemable units:				
Series A	$	14,729,651	$	20,300,189
Series F		1,512,131		2,238,621
	$	16,241,782	$	22,538,810
Number of redeemable units outstanding (note 4):				
Series A		853,782		1,158,473
Series F		86,073		125,082
Net assets attributable to unitholders of redeemable units per unit:				
Canadian dollars:				
Series A	$	17.25	$	17.52
Series F		17.57		17.90
U.S. dollars:				
Series A		13.29		12.83
Series F		13.53		13.11

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)

Years ended December 31, 2019 and 2018

	2019	2018
Income:		
Interest for distribution purposes and other	$ 34,242	$ 17,686
Dividends	563,487	448,772
Securities lending income (note 7)	143,180	217,438
Foreign currency (loss) gain on cash and other net assets	(16,997)	405,766
Other net changes in fair value of financial assets and financial liabilities at fair value through profit or loss:		
Net realized gain (loss) on investments	146,453	(5,902)
Change in unrealized depreciation on investments	(526,236)	(4,018,968)
	344,129	(2,935,208)
Expenses:		
Management fees (note 5)	329,241	433,731
Custodian fees	12,720	43,800
Audit	6,714	23,119
Filing fees	2,776	9,560
Independent review committee fees	3,954	4,154
FundSERV fees	6,608	4,627
Legal fees	–	1,348
Transaction costs (note 6)	5,488	3,959
Foreign withholding taxes	19,268	14,198
Other	2,089	8,114
	388,858	546,610
Decrease in net assets attributable to unitholders of redeemable units	$ (44,729)	$ (3,481,818)
(Decrease) increase in net assets attributable to unitholders of redeemable units per series:		
Series A	$ (57,475)	$ (3,178,752)
Series F	12,746	(303,066)
	$ (44,729)	$ (3,481,818)
Weighted average number of redeemable units outstanding for the year per series:		
Series A	1,029,483	1,247,908
Series F	112,496	124,594
(Decrease) increase in net assets attributable to unitholders of redeemable units per unit:		
Series A	$ (0.06)	$ (2.55)
Series F	0.11	(2.43)

See accompanying notes to financial statements.

CHOU ASIA FUND

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

Years ended December 31, 2019 and 2018

	2019	2018
Series A		
Net assets attributable to unitholders of redeemable units, beginning of year	$ 20,300,189	$ 26,507,737
Decrease in net assets attributable to unitholders of redeemable units	(57,475)	(3,178,752)
Proceeds from issue of redeemable units	62,747	273,410
Payments on redemption of redeemable units	(5,562,187)	(3,302,206)
Distributions of income to unitholders:		
Investment income	(374,534)	–
Reinvested distributions	360,911	–
Net assets attributable to unitholders of redeemable units, end of year	14,729,651	20,300,189
Series F		
Net assets attributable to unitholders of redeemable units, beginning of year	2,238,621	2,931,172
Increase (decrease) in net assets attributable to unitholders of redeemable units	12,746	(303,066)
Proceeds from issue of redeemable units	40,818	360,579
Payments on redemption of redeemable units	(769,420)	(747,692)
Distributions of income to unitholders:		
Investment income	(57,102)	–
Capital gains	–	(13,302)
Reinvested distributions	46,468	10,930
Net assets attributable to unitholders of redeemable units, end of year	1,512,131	2,238,621
Total net assets attributable to unitholders of redeemable units, end of year	$ 16,241,782	$ 22,538,810

See accompanying notes to financial statements.

CHOU ASIA FUND

Statements of Cash Flows

Years ended December 31, 2019 and 2018

		2019		2018
Cash flows from operating activities:				
Decrease in net assets attributable to unitholders of redeemable units	$	(44,729)	$	(3,481,818)
Adjustments for:				
Foreign currency loss (gain) on cash and other net assets		16,997		(405,766)
Net realized (gain) loss on disposal of investments and derivatives		(146,453)		5,902
Change in unrealized depreciation on investments and derivatives		526,236		4,018,968
Change in non-cash operating working capital:				
Decrease (increase) in interest receivable		5,253		(5,392)
Increase in dividends receivable		(4,162)		(3,612)
(Decrease) increase in accrued expenses		(24,017)		33,947
Purchases of investments and derivatives		(2,133,466)		(1,286,094)
Net cash (used in) generated from operating activities		(1,804,341)		(1,123,865)
Cash flows from financing activities:				
Distributions paid to unitholders		(2,371)		–
Proceeds from redeemable units issued		115,565		622,489
Amount paid on redemption of redeemable units		(6,105,443)		(4,083,043)
Net cash used in financing activities		(5,992,249)		(3,460,554)
Foreign currency (loss) gain on cash and other net assets		(16,997)		405,766
Decrease in cash and cash equivalents		(7,813,587)		(4,178,653)
Cash and cash equivalents, beginning of year		8,910,126		13,088,779
Cash and cash equivalents, end of year	$	1,096,539	$	8,910,126
Supplemental information:				
Interest received	$	39,495	$	12,294
Dividends received, net of withholding tax		540,057		430,962
Security lending income received		143,180		217,438

See accompanying notes to financial statements.

CHOU ASIA FUND

Schedule of Investments

December 31, 2019

	Number of securities	Cost	Fair value
Equities*			
AirAsia Group Berhad	650,000	$ 670,997	$ 350,788
AJIS Company Limited	30,400	213,157	1,164,422
BYD Company Limited, Class ‘H’	573,000	989,812	3,709,699
BYD Electronic (International) Company Limited	798,000	193,535	1,992,084
China Yuchai International Limited	73,364	1,242,575	1,269,907
Hanfeng Evergreen Inc.	95,850	228,548	–
IDFC Limited	1,010,000	750,376	721,198
POSCO, ADR	21,000	1,259,883	1,380,385
Pyne Gould Corporation Limited	5,277,219	1,179,914	1,337,847
Samsung Electronics Company Limited, GDR	420	500,073	650,652
Seaspan Corporation, Preferred	19,711	619,056	667,536
Shriram Transport Finance Company Limited	46,300	888,503	986,435
Total long		8,736,429	14,230,953
Total investments		8,736,429	14,230,953
Transaction costs		(27,114)	
Portfolio total		$ 8,709,315	$ 14,230,953

*Common shares unless indicated otherwise

See accompanying notes to financial statements.

Investment objective and strategies:

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

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

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 95.42% (2018 – 63.20%) of the Fund's net assets held at December 31, 2019 were publicly traded equities. If equity prices on the exchange had increased or decreased by 5% as at December 31, 2019, the net assets of the Fund would have increased or decreased by approximately $711,548 or 4.38% (2018 - $712,246 or 3.16%) of the net assets, all other factors remaining constant.

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

(b) Foreign currency risk:

Currencies to which the Fund had exposure as at December 31, 2019 and 2018 expressed in CAD are as follows:

2019	Investments and derivatives	Cash and cash equivalents	Other assets and liabilities	Total	Percentage of net asset value
Hong Kong dollar (HKD)	$ 5,701,783	$ 49,463	$ –	$ 5,751,246	35.4%
United States dollar (USD)	$ 3,968,479	$ (29,356)	$ 12,255	$ 3,951,378	24.3%
Indian Rupee (₹)	$ 1,707,633	$ 216,559	$ –	$ 1,924,192	11.8%
New Zealand dollar (NZD)	$ 1,458,371	$ 120,523	$ –	$ 1,578,894	9.7%
Japanese yen (¥)	$ 1,164,422	$ 55,705	$ –	$ 1,220,127	7.5%
Malaysian Ringgit (RM)	$ 350,788	$ 293,011	$ –	$ 643,799	4.0%
Singapore dollar (SGD)	$ –	$ 168,381	$ –	$ 168,381	1.0%

CHOU ASIA FUND

Discussion of Financial Risk Management (continued)

Years ended December 31, 2019 and 2018

Financial risk management (continued):

(b) Foreign currency risk (continued):

2018		Investments and derivatives		Cash and cash equivalents		Other assets and liabilities		Total	Percentage of net asset value
Hong Kong dollar (HKD)	$	6,358,962	$	–	$	–	$	6,358,962	28.2%
United States dollar (USD)	$	4,064,545	$	–	$	(491,805)	$	3,572,740	15.8%
New Zealand dollar (NZD)	$	2,260,137	$	126,333	$	–	$	2,386,470	10.6%
Japanese yen (¥)	$	1,063,631	$	37,136	$	–	$	1,100,767	4.9%
Malaysian Ringgit (RM)	$	637,754	$	85,893	$	–	$	723,647	3.2%
Singapore dollar (SGD)	$	–	$	174,685	$	–	$	174,685	0.8%

The amounts in the above tables are based on the market value of the Fund's financial instruments. This includes cash and cash equivalents, investments, dividends receivable, interest receivable, receivable for units subscribed, payable for units redeemed, distributions payable and due to brokers that are denominated in foreign currencies.

As at December 31, 2019, 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 $152,380 (2018 - $143,173).

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

CHOU EUROPE FUND

(unaudited)

April 27, 2020

Dear Unitholders of Chou Europe Fund,

As there were no distributions, the net asset value per unit ("NAVPU") of a Series A unit of Chou Europe Fund at December 31, 2019 was $8.78 compared to $9.06 at December 31, 2018, a decrease of 3.1%; during the same period, the MSCI AC (Morgan Stanley Capital International All Country) Europe Total Return Index in Canadian dollars increased 19.0%. In U.S. dollars, a Series A unit of Chou Europe Fund was up 1.9% while the MSCI AC Europe Total Return Index increased 24.9%.

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

December 31, 2019 (Series A)	**1 Year**	**3 Years**	**5 Years**	**10 Years**
Chou Europe Fund ($CAN)	-3.1%	-3.3%	-5.6%	2.5%
MSCI AC Europe TR ($CAN)	19.0%	9.2%	8.1%	7.8%
Chou Europe Fund ($US)[1]	1.9%	-2.2%	-7.7%	0.2%
MSCI AC Europe TR ($US)	24.9%	10.5%	5.8%	5.6%

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.

Factors Influencing the 2019 Results

The equity holdings of Eurobank Ergasias SA, Ryanair Holdings PLC, and Sanofi contributed positively to the Fund's performance during the year.

The main negative contributors to the Fund's performance in 2019 were the equity holdings of Abbey PLC and Intralot SA.

The Euro depreciated against the Canadian currency during the year, which also contributed negatively to the performance of the Fund.

The Fund added the equity holdings of CPL Resources PLC and Rolls-Royce Holdings in 2019, and sold holdings in Teva Pharmaceutical Industries and Endo International PLC.

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

Portfolio Commentary

Pharmaceutical Stocks

We sold the Fund's holdings in Teva Pharmaceutical Industries and Endo International in 2019 because we could not properly evaluate the litigation risks related to the opioid epidemic. We also sold Sanofi in early 2020 during the COVID-19 crisis in order to purchase other heavily undervalued securities. By and large, our bet in the pharmaceutical sector did not work out as planned.

Fiat Chrysler Automobiles ("FIAT")

We initiated a position in FIAT back in late 2018 since it was a cheap stock with good amounts of cash. It caught our attention when the controlling shareholders wanted to unlock value either by paying special dividends, buybacks of shares or through strategic merger and acquisition. Since our purchase in December 2018, we have received US$2.70 in regular and special dividends, accounting for over 30% of the original price paid. We expect the regular and special dividend payments to continue once the COVID-19 crisis abates.

Eurobank Ergasias SA ("Eurobank")

Eurobank Ergasias SA is the third largest bank in Greece by total assets with more than 650 branches globally. Greek banks face continuing challenges with the non-performing loans left over from the multi-year debt crisis. Eurobank's management team has embarked on a plan to face the issue head on. By securitizing some of the loans and entering a deal to buy real estate firm, Grivalia Properties, Eurobank will increase its capital and reduce its non-performing loan portfolio significantly. Given the plan, we think Eurobank's stock price of €0.92 as of December 31, 2019 is undervalued when compared to its book value of approximately €2.02 per share.

Caution to the Investors

Investors should be advised that we run a highly focused portfolio, frequently just three to five securities may comprise close to 50% of the assets of the Fund. In addition, the Fund has securities that are non-U.S. and could be subjected to geopolitical risks, which may trump or at least negatively influence the financial performance of the company. Also, we may enter into some derivative contracts, such as credit default swaps when we feel that the market conditions are right to use those instruments. Because of any or all of these factors, the net asset value of the Fund can be from time to time more volatile than at other times. However, we are not bothered by this volatility because our focus has always been, and continues to be, on how inexpensive we believe the Fund's portfolio holdings are relative to what we believe to be their intrinsic value.

Also, the Fund's net cash position was approximately 24% of net assets as at December 31, 2019. This large cash position may depress returns for a while as we hunt for undervalued securities. If there is a severe correction in the market in the near future, it will cushion the Fund against losses while providing us with the wherewithal to find good investment opportunities. But for now, it could be a drag on returns. If we cannot find any bargains, the large cash position may stay for a long time.

Other Matters

FOREIGN CURRENCY CONTRACTS: None existed at December 31, 2019.

CREDIT DEFAULT SWAPS: None existed at December 31, 2019.

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

REDEMPTION FEE: We have a redemption fee of 2% if unitholders redeem their units in less than 3 months. None of this fee goes to the Fund Manager. It is put back into the Fund for the benefit of the remaining unitholders.

INDEPENDENT REVIEW COMMITTEE: The Manager has established an IRC as required by NI 81-107. The members of the IRC are Sandford Borins, Peter Gregoire and Joe Tortolano. The 2019 IRC Annual Report is available on our website www.choufunds.com.

As of April 27, 2020, the NAVPU of a Series A unit of the Fund was $7.22 and the cash position was approximately 28.6% of net assets. The Fund is down 17.7% from the beginning of the year. In U.S. dollars, it is down 23.9%.

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

Yours truly,

Francis Chou

Francis Chou
Fund Manager

CHOU EUROPE FUND

Statements of Financial Position

December 31, 2019 and 2018

	2019	2018
Assets		
Current assets:		
Investments (note 8)	$ 5,179,958	$ 5,403,768
Cash and cash equivalents	2,889,903	2,686,337
Receivable for redeemable units subscribed	5,262	29,320
Due from broker	189,215	–
Interest receivable	2,052	1,782
Dividends receivable	6,391	6,719
Total assets	8,272,781	8,127,926
Liabilities		
Current liabilities:		
Derivatives	–	54,608
Accrued expenses	21,360	25,990
Payable for units redeemed	1,034,435	26,206
Distributions payable	18	–
Due to broker	383,847	593,993
Total liabilities	1,439,660	700,797
Net assets attributable to unitholders of redeemable units	$ 6,833,121	$ 7,427,129
Net assets attributable to unitholders of redeemable units:		
Series A	$ 3,481,204	$ 4,325,387
Series F	3,351,917	3,101,742
	$ 6,833,121	$ 7,427,129
Number of redeemable units outstanding (note 4):		
Series A	396,577	477,657
Series F	370,498	330,952
Net assets attributable to unitholders of redeemable units per unit:		
Canadian dollars:		
Series A	$ 8.78	$ 9.06
Series F	9.05	9.37
U.S. dollars:		
Series A	6.76	6.64
Series F	6.97	6.86

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)

Years ended December 31, 2019 and 2018

	2019	2018
Income:		
Interest for distribution purposes and other	$ 17,313	$ 6,069
Dividends	220,258	74,636
Securities lending income (note 7)	283	769
Foreign currency loss on cash and other net assets	(5,235)	(110)
Other net changes in fair value of financial assets and financial liabilities at fair value through profit or loss:		
Net realized loss on investments	(1,289,236)	(1,294,147)
Net realized gain on derivatives	168,749	–
Change in unrealized appreciation on investments	984,929	352,833
Change in unrealized (depreciation) appreciation on derivatives	(125,172)	125,172
	(28,111)	(734,778)
Expenses:		
Management fees (note 5)	108,809	120,310
Custodian fees	4,240	14,600
Audit	2,904	10,001
Filing fees	1,006	3,464
Independent review committee fees	1,627	1,371
FundSERV fees	5,720	3,223
Legal fees	–	414
Transaction costs (note 6)	3,616	8,035
Foreign withholding taxes	16,167	1,915
Other	683	2,473
	144,772	165,806
Decrease in net assets attributable to unitholders of redeemable units	$ (172,883)	$ (900,584)
Decrease in net assets attributable to unitholders of redeemable units per series:		
Series A	$ (119,520)	$ (456,596)
Series F	(53,363)	(443,988)
	$ (172,883)	$ (900,584)
Weighted average number of redeemable units outstanding for the year per series:		
Series A	428,608	546,398
Series F	415,977	181,747
Decrease in net assets attributable to unitholders of redeemable units per unit:		
Series A	$ (0.28)	$ (0.84)
Series F	(0.13)	(2.44)

See accompanying notes to financial statements.

CHOU EUROPE FUND

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

Years ended December 31, 2019 and 2018

	2019	2018
Series A		
Net assets attributable to unitholders of redeemable units, beginning of year	$ 4,325,387	$ 6,694,564
Decrease in net assets attributable to unitholders of redeemable units	(119,520)	(456,596)
Proceeds from issue of redeemable units	261,992	1,011,138
Payments on redemption of redeemable units	(986,646)	(2,923,719)
Distributions of income to unitholders:		
Investment income	(410)	–
Reinvested distributions	401	–
Net assets attributable to unitholders of redeemable units, end of year	3,481,204	4,325,387
Series F		
Net assets attributable to unitholders of redeemable units, beginning of year	3,101,742	863,749
Decrease in net assets attributable to unitholders of redeemable units	(53,363)	(443,988)
Proceeds from issue of redeemable units	1,525,596	3,023,401
Payments on redemption of redeemable units	(1,222,049)	(341,420)
Distributions of income to unitholders:		
Investment income	(43,915)	–
Reinvested distributions	43,906	–
Net assets attributable to unitholders of redeemable units, end of year	3,351,917	3,101,742
Total net assets attributable to unitholders of redeemable units, end of year	$ 6,833,121	$ 7,427,129

See accompanying notes to financial statements.

CHOU EUROPE FUND

Statements of Cash Flows

Years ended December 31, 2019 and 2018

		2019		2018
Cash flows from operating activities:				
Decrease in net assets attributable to unitholders of redeemable units	$	(172,883)	$	(900,584)
Adjustments for:				
Foreign currency loss on cash and other net assets		5,235		110
Net realized loss on disposal of investments and derivatives		1,120,454		1,294,147
Change in unrealized appreciation on investments and derivatives		(858,767)		(478,005)
Change in non-cash operating working capital:				
Increase in interest receivable		(270)		(1,782)
Decrease in dividends receivable		328		15,659
(Decrease) increase in accrued expenses		(4,630)		3,548
Purchases of investments and derivatives		(933,272)		905
Proceeds from sale and maturity of investments and derivatives		441,426		1,202,868
Net cash (used in) generated from operating activities		(402,379)		1,136,866
Cash flows from financing activities:				
Proceeds from redeemable units issued		1,811,646		4,015,219
Amount paid on redemption of redeemable units		(1,200,466)		(3,243,029)
Net cash generated from financing activities		611,180		772,190
Foreign currency loss on cash and other net assets		(5,235)		(110)
Increase in cash and cash equivalents		203,566		1,908,946
Cash and cash equivalents, beginning of year		2,686,337		777,391
Cash and cash equivalents, end of year	$	2,889,903	$	2,686,337
Supplemental information:				
Interest received, net of withholding tax	$	17,043	$	4,287
Dividends received, net of withholding tax		204,419		88,380
Security lending income received		283		769

See accompanying notes to financial statements.

CHOU EUROPE FUND

Schedule of Investments

December 31, 2019

	Number of securities	Cost	Fair value
Equities*			
Abbey Public Limited Company	29,371	$ 211,019	$ 590,385
Bank of Ireland Group PLC	113,333	1,112,510	805,919
CPL Resources PLC	35,000	329,565	390,864
Eurobank Ergasias SA	250,000	960,458	335,016
Fiat Chrysler Automobiles N.V.	30,000	594,276	572,271
Intralot A.E.	517,575	1,197,068	277,433
Ryanair Holdings PLC, ADR	4,575	132,084	520,479
Rolls-Royce Holdings PLC	32,000	383,847	383,847
Sanofi, ADR	20,000	884,092	1,303,744
		5,804,919	5,179,958
Total investments		5,804,919	5,179,958
Transaction costs		(13,723)	
Portfolio total		$ 5,791,196	$ 5,179,958

*Common shares unless indicated otherwise

See accompanying notes to financial statements.

CHOU EUROPE FUND

Discussion of Financial Risk Management

Years ended December 31, 2019 and 2018

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 70.19% (2018 - 72.76%) of the Fund's net assets held at December 31, 2019 were publicly traded equities If equity prices on the exchange had increased or decreased by 5% as at December 31, 2019, the net assets of the Fund would have increased or decreased by approximately $239,806 or 3.51% (2018 - $270,188 or 3.64%) of the net assets, all other factors remaining constant.

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

(b) Foreign currency risk:

Currencies to which the Fund had exposure as at December 31, 2019 and 2018 expressed in CAD are as follows:

2019	Investments and derivatives	Cash and cash equivalents	Other assets and liabilities	Total	Percentage of net asset value
United States dollar (USD)	$ 3,671,159	$ –	$ 196,231	$ 3,867,390	56.6%
Euro currency (€)	$ 2,008,753	$ 106,422	$ –	$ 2,115,175	31.0%
Sterling pound (£)	$ –	$ 308	$ –	$ 308	0.0%

Financial risk management (continued):

(b) Foreign currency risk (continued):

2018		Investments and derivatives		Cash and cash equivalents		Other assets and liabilities		Total	Percentage of net asset value
United States dollar (USD)	$	3,483,164	$	–	$	(587,022)	$	2,896,142	39.0%
Euro currency (€)	$	2,067,655	$	24,767	$	–	$	2,092,422	28.2%
Sterling pound (£)	$	–	$	312	$	–	$	312	0.0%

The amounts in the above tables are based on the market value of the Fund's financial instruments. This includes cash and cash equivalents, investments, dividends receivable, interest receivable, receivable for units subscribed, payable for units redeemed, distributions payable and due to brokers that are denominated in foreign currencies.

As at December 31, 2019, 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 $59,829 (2018 - $49,889).

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

CHOU BOND FUND

(unaudited)

April 27, 2020

Dear Unitholders of Chou Bond Fund,

After the distribution of $0.84, the net asset value per unit ("NAVPU") of a Series A unit of Chou Bond Fund at December 31, 2019 was $5.91 compared to $9.01 at December 31, 2018, a decrease of 25.1%; during the same period, Barclays U.S. Corporate High Yield Index ($CAN) returned 8.5%. In U.S. dollars, a Series A unit of Chou Bond Fund was down 21.3% while Barclays U.S. Corporate High Yield Index increased 14.3%.

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

December 31, 2019 (Series A)	**1 Year**	**3 Years**	**5 Years**	**10 Years**
Chou Bond Fund ($CAN)	-25.1%	-5.4%	-2.3%	4.0%
Barclays' U.S. High Yield ($CAN)	8.5%	5.2%	8.6%	9.9%
Chou Bond Fund ($US)[1]	-21.3%	-4.4%	-4.5%	1.8%
Barclays' U.S High Yield ($US)	14.3%	6.4%	6.1%	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.

Factors Influencing the 2019 Results

The debt holdings of Atlanticus Holdings Corporation 5.875% contributed positively to the Fund's performance during the year.

The main negative contributors to the Fund's performance in 2019 were the debt holdings of Avangardco Investments Public Limited 10.00%, UrklandFarming PLC 10.875%, Fortress Global Enterprises Inc. 9.75%, and the common shares of WOW Unlimited.

During the year, the Fund reduced holdings in Atlanticus Holdings 5.875%, Avangardco Investments Public Limited 10.00%, and Fortress Global Enterprises Inc. 9.75%.

The Fund added the debt holdings of Signet UK Finance PLC 4.700% and GameStop Corporation 6.750% in 2019.

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

Portfolio Commentary

Fortress Global Enterprises Inc. (“Fortress”)

Fortress Global Enterprises Inc., formerly known as Fortress Paper Ltd., is a dissolving pulp producer headquartered in Vancouver, Canada. The Company’s primary operations consist of the Fortress Specialty Cellulose Mill (“FSC Mill”) and adjacent cogeneration facility located in Thurso, Québec. The FSC Mill produces dissolving pulp, also known as specialty cellulose, which is used in a wide variety of applications including viscose textile fibers, acetates, cellophanes, tire filaments, filters and various chemical additives.

The U.S.-China trade dispute has negatively impacted China’s textile industry, particularly with respect to a slowdown in export activity. Initial tariffs imposed in 2018 targeted a relatively small value of textiles and apparels industry (US$3.7 billion) and exports of these goods still grew 3.5% relative to 2017. However, 2019 year-over-year comparisons have weakened progressively with total exports falling by 2.1% through July 2019. Effective September 2019, an additional US$31 billion of Chinese apparel and textile goods were impacted by duties imposed. This had a tremendous impact on the price of dissolving pulp.

After transacting at US$940 per metric ton in July 2018, dissolving pulp prices decreased 27.4% to US$682 per metric ton as of August 2019. Since then, dissolving pulp prices have decreased an additional 3.5% after additional U.S. tariffs were imposed on China. At the beginning of October 2019, the market price for dissolving pulp was US$658 per metric ton.

As a result, Fortress was put in dire financial straits. They were forced to dissolving pulp way below their cost of production. In December 2019, the company initiated a restructuring process under the *Companies’ Creditors Arrangement Act*.

From the time we purchased the debentures about seven years ago, we were able to recover most of the original cost through interest payments the Fund received over the years. However, from a price perspective, it impacted the fund heavily in 2019.

Avangardco Investments and Ukrlandfarming PLC

Avangardco Investments’ 10% unsecured bond (due in October 2018) fell from 18.12 cents on a dollar on December 31, 2018 to 8.25 cents on December 31, 2019. Ukrlandfarming’s 10.875% unsecured bond (due in March 2018) decreased from 15.97 cents on a dollar on December 31, 2018 to 7.25 cents on December 31, 2019.

As mentioned in previous reports, we believe that the bonds of those companies are down from their purchase price in large part because the Ukrainian regions are highly volatile and are subject to serious geopolitical risk. As a result, we expect the prices of the bonds we purchased to be volatile and they could subject the Fund to a permanent loss of capital.

Both bonds defaulted on maturity in 2018 and were unable to repay their principals. We are waiting for an updated restructuring plan from Avangardco and Ukrlandfarming PLC for bondholders.

EXCO Resources

On January 15, 2018, EXCO filed voluntary petitions for a court-supervised reorganization under Chapter 11 of the U.S. Bankruptcy Code to facilitate a restructuring of its balance sheet, which was saddled with expensive transportation and other contracts. On November 5, 2018, EXCO filed a restructuring plan, stating that holders of the 1.75 lien term loans would receive 82% of the new common stock of the company, subject to dilution by a management incentive plan. However, this plan did not come to fruition due to the company's inability to raise enough capital and an amended plan of reorganization was offered to the creditors on April 10, 2019.

Based on the valuation analysis by EXCO's investment banking firm, PJT Partners Inc., under the amended plan, the 1.75 lien term loan holders would receive 38.8% of the new common shares, resulting in a recovery of 27 cents on the dollar or 27% (given the total principal outstanding for the 1.75 lien term loans was US$742.2 million).

Summary of Amended Valuation Analysis (as of May 31, 2019):

(US$ in millions)	**Low**	**Midpoint**	**High**
Total Enterprise Value	$650	$750	$850
Less: Net Debt	(225)	(225)	(225)
Total Equity Value	$425	$525	$625
38.8% of 1.75L term loan holders	$165	$204	$243
Estimated Percentage Recovery	22%	27%	33%

Source: Exhibit F – Valuation Analysis of Document 1233 for Case 18-30155.

In early July of 2019, the company emerged from bankruptcy and the 1.75 lien term loans were converted into 28.38 equity shares for every $1,000 in par value, after netting out certain adjustments. We received 117,864 shares of EXCO in the Fund.

Looking back on this investment, we underestimated how long the price of natural gas would stay low for, and how low it has been relative to the price of oil. Historically, there had been a strong relationship between the prices of oil and natural gas. Thinking about the two fuels in terms of energy equivalency, 6,000 cubic feet (6 mcf) of natural gas has the same amount of energy content as 1 barrel of oil. In the past, this 6 to 1 ratio guided the relationship between oil and natural gas prices, but for the last few years the ratio between prices has gone up to as high as 50 to 1.

In practical terms, there are always frictional costs and time needed to convert from oil to natural gas. In a free enterprise society, businesses are always adapting and they are looking for the most cost-effective way of running a business. This includes individuals too. We have seen how solar energy and electric cars have replaced a portion of fossil fuels for their energy consumption. In time, if the ratio of oil to natural gas prices is in excess of 10 to 1, there will be new efforts to use more natural gas at the expense of oil and the historical equilibrium will be restored. The historical ratio of 6 to 1 can be stretched to maybe 10 to 1, but 50 to 1 is asking too much.

Lo and behold, most investors felt that the ratio of 6 to 1 was totally broken. There was a new paradigm of 30 to 1. But on April 20th the price of oil fell in negative territory. You have to pay someone to take the barrel of oil from you. Unbelievable! The ratio has dropped below 6:1 to 0:1, albeit temporarily.

The crash of the oil sector has made us quite bullish on the natural gas sector. So much irresponsible money had been poured into the oil sector which indirectly impacted the natural gas industry. When you drill for oil, the byproduct you get is natural gas. The excess production of shale gas through fracking is one of the main reasons why natural gas prices have stayed at such a low price for so many years. With capital withdrawn from the oil industry, distressed oil and gas producers will cease production and the excessive supply will shrink over time.

On the demand side, another market that is opening up for natural gas is Asia, which could be an important export market of U.S. natural gas in the form of liquefied natural gas (LNG). The price of natural gas can compete directly with the price of coal, and it has a much lower environmental impact. China, S. Korea, Japan and Taiwan are shuttering coal plants and replacing them with natural gas plants. In time, we believe LNG prices will rise as demand for it rises exponentially. Since EXCO is mainly a natural gas producer, we remain optimistic about its future over the long run. Compared to its peers, the company is also better positioned given its post-bankruptcy cost structure.

In January 2020, we sold a sizable portion of bonds in the Fund, resulting in over 55% in cash. We were then able to deploy a significant amount of the cash into bonds of oil and gas companies, whose prices have been severely beaten down due to the recent oil price war between Russia and Saudi Arabia.

Caution to the Investors

Investors should be advised that we run a highly focused portfolio, frequently just three to five securities may comprise close to 50% of the assets of the Fund. In addition, the Fund has securities that are non-U.S. and could be subjected to geopolitical risks, which may trump or at least negatively influence the financial performance of the company. Also, we may enter into some derivative contracts, such as credit default swaps when we feel that the market conditions are right to use those instruments. Because of any or all of these factors, the net asset value of the Fund can be from time to time more volatile than at other times. However, we are not bothered by this volatility because our focus has always been, and continues to be, on how inexpensive we believe the Fund's portfolio holdings are relative to what we believe to be their intrinsic value.

Also, the Fund's net cash position was approximately 34% of net assets as at December 31, 2019. This large cash position may depress returns for a while as we hunt for undervalued securities. If there is a severe correction in the market in the near future, it will cushion the Fund against losses while providing us with the wherewithal to find good investment opportunities. But for now, it could be a drag on returns. If we cannot find any bargains, the large cash position may stay for a long time.

Other Matters

FOREIGN CURRENCY CONTRACTS: None existed at December 31, 2019.

CREDIT DEFAULT SWAPS: None existed at December 31, 2019.

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

REDEMPTION FEE: We have a redemption fee of 2% if unitholders redeem their units in less than 3 months. None of this fee goes to the Fund Manager. It is put back into the Fund for the benefit of the remaining unitholders.

INDEPENDENT REVIEW COMMITTEE: The Manager has established an IRC as required by NI 81-107. The members of the IRC are Sandford Borins, Peter Gregoire and Joe Tortolano. The 2019 IRC Annual Report is available on our website www.choufunds.com.

As of April 27, 2020, the NAVPU of a Series A unit of the Fund was $6.40 and the cash position was approximately 9.8% of net assets. The Fund is up 8.3% from the beginning of the year. In U.S. dollars, it is up 0.2%.

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

Yours truly,

Francis Chou

Francis Chou
Fund Manager

CHOU BOND FUND

Statements of Financial Position

December 31, 2019 and 2018

	2019	2018
Assets		
Current assets:		
Investments (note 8)	$ 6,628,655	$ 18,065,510
Cash and cash equivalents	3,732,711	–
Receivable for units subscribed	–	5,000
Interest receivable	120,156	164,826
Total assets	10,481,522	18,235,336
Liabilities		
Current liabilities:		
Bank overdraft	–	184,368
Accrued expenses	124,827	134,483
Payable for units redeemed	520,298	21,000
Distributions payable	29,189	16,574
Total liabilities	674,314	356,425
Net assets attributable to unitholders of redeemable units	$ 9,807,208	$ 17,878,911
Net assets attributable to unitholders of redeemable units:		
Series A	$ 7,713,187	$ 15,015,703
Series F	2,094,021	2,863,208
	$ 9,807,208	$ 17,878,911
Number of redeemable units outstanding (note 4):		
Series A	1,305,522	1,666,054
Series F	345,626	312,347
Net assets attributable to unitholders of redeemable units per unit (note 10):		
Canadian dollars:		
Series A	$ 5.91	$ 9.01
Series F	6.06	9.17
U.S. dollars:		
Series A	4.55	6.60
Series F	4.67	6.72

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)

Years ended December 31, 2019 and 2018

		2019		2018
Income:				
Interest for distribution purposes and other	$	623,265	$	1,163,362
Dividends		–		18,315
Securities lending income (note 7)		5,104		1,587
Foreign currency loss on cash and other net assets		(56,423)		(33,312)
Other income (note 5)		1,427,832		–
Other net changes in fair value of financial assets and financial liabilities at fair value through profit or loss:				
Net realized gain (loss) on investments		2,239,052		(718,973)
Change in unrealized (depreciation) appreciation on investments		(8,168,190)		1,262,392
		(3,929,360)		1,693,371
Expenses:				
Management fees (note 5)		174,612		259,286
Custodian fees		15,900		54,750
Audit		7,538		25,813
Filing fees		2,974		10,186
Independent review committee fees		2,635		3,099
FundSERV fees		5,014		5,743
Legal fees		–		987
Transaction costs (note 6)		6,164		10,383
Foreign withholding taxes		–		–
Other		1,379		3,326
		216,216		373,573
(Decrease) increase in net assets attributable to unitholders of redeemable units	$	(4,145,576)	$	1,319,798
(Decrease) increase in net assets attributable to unitholders of redeemable units per series:				
Series A	$	(3,393,161)	$	923,485
Series F		(752,415)		396,313
	$	(4,145,576)	$	1,319,798
Weighted average number of redeemable units outstanding for the year per series:				
Series A		1,465,534		2,178,376
Series F		350,081		283,718
(Decrease) increase in net assets attributable to unitholders of redeemable units per unit:				
Series A	$	(2.32)	$	0.42
Series F		(2.15)		1.40

See accompanying notes to financial statements.

CHOU BOND FUND

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

Years ended December 31, 2019 and 2018

	2019	2018
Series A		
Net assets attributable to unitholders of redeemable units, beginning of year	$ 15,015,703	$ 25,485,449
(Decrease) increase in net assets attributable to unitholders of redeemable units	(3,393,161)	923,485
Proceeds from issue of redeemable units	1,651,131	160,075
Payments on redemption of redeemable units	(5,533,949)	(11,538,355)
Distributions of income to unitholders:		
Investment income	(965,649)	(664,508)
Reinvested distributions	939,112	649,557
Net assets attributable to unitholders of redeemable units, end of year	7,713,187	15,015,703
Series F		
Net assets attributable to unitholders of redeemable units, beginning of year	2,863,208	2,273,345
(Decrease) increase in net assets attributable to unitholders of redeemable units	(752,415)	396,313
Proceeds from issue of redeemable units	1,236,820	508,737
Payments on redemption of redeemable units	(1,250,940)	(313,564)
Distributions of income to unitholders:		
Investment income	(311,913)	(148,878)
Reinvested distributions	309,261	147,255
Net assets attributable to unitholders of redeemable units, end of year	2,094,021	2,863,208
Total net assets attributable to unitholders of redeemable units, end of year	$ 9,807,208	$ 17,878,911

See accompanying notes to financial statements.

CHOU BOND FUND

Statements of Cash Flows

Years ended December 31, 2019 and 2018

	2019	2018
Cash flows from operating activities:		
(Decrease) increase in net assets attributable to unitholders of redeemable units	$ (4,145,576)	$ 1,319,798
Adjustments for:		
Foreign currency loss on cash and other net assets	56,423	33,312
Net realized (gain) loss on disposal of investments and derivatives	(2,239,052)	718,973
Change in unrealized depreciation (appreciation) on investments and derivatives	8,168,190	(1,262,392)
Change in non-cash operating working capital:		
Decrease in interest receivable	44,670	98,866
Decrease in dividends receivable	–	13,556
(Decrease) increase in accrued expenses	(9,656)	38,327
Purchases of investments and derivatives	(1,240,150)	(2,763,091)
Proceeds from sale and maturity of investments and derivatives	6,747,867	12,222,179
Net cash generated from operating activities	7,382,716	10,419,528
Cash flows from financing activities:		
Distributions paid to unitholders	(16,574)	–
Proceeds from redeemable units issued	2,892,951	663,812
Amount paid on redemption of redeemable units	(6,285,591)	(11,845,092)
Net cash used in financing activities	(3,409,214)	(11,181,280)
Foreign currency loss on cash and other net assets	(56,423)	(33,312)
Increase (decrease) in cash and cash equivalents	3,917,079	(795,064)
Cash and cash equivalents, beginning of year	(184,368)	610,696
Cash and cash equivalents (bank overdraft), end of year	$ 3,732,711	$ (184,368)
Supplemental information:		
Interest received, net of withholding tax	$ 667,935	$ 1,262,228
Other income, received	1,427,832	–
Dividends received, net of withholding tax	–	31,871
Security lending income received	5,104	1,587

See accompanying notes to financial statements.

CHOU BOND FUND

Schedule of Investments

December 31, 2019

	Number of securities	Cost	Fair value
Equities*			
EXCO Resources Inc.	80,182	$ 2,775,885	$ 990,642
Wow Unlimited Media Inc.	1,165,742	2,675,094	623,672
		5,450,979	1,614,314
Bonds			
Atlanticus Holdings Corporation, 5.875%, November 30, 2035, Convertible Bonds	3,075,000	1,361,180	2,430,963
Avangardco Investments Public Limited, 10.000%, October 29, 2018	2,191,273	2,253,653	234,752
Fortress Global Enterprises Inc., 9.750%, December 31, 2021, Convertible Bonds, Callable	3,659,000	2,058,513	366
GameStop Corporation, Series '144A', 6.750%, March 15, 2021, Callable	500,000	661,601	639,536
Signet UK Finance PLC, 4.700% June 15, 2024, Callable	500,000	584,714	612,211
Taiga Building Products Limited, 7.000%, November 17, 2022, Callable	467,000	482,761	483,345
Ukrlandfarming PLC, 10.875%, March 26, 2018	6,513,021	5,984,449	613,168
		13,386,871	5,014,341
Total investments		18,837,850	6,628,655
Transaction costs		(12,625)	
Portfolio total		$ 18,825,225	$ 6,628,655

* Common shares unless indicated otherwise

See accompanying notes to financial statements.

CHOU BOND FUND

Discussion of Financial Risk Management

Years ended December 31, 2019 and 2018

Investment objective and strategies:

The Fund's objective is to invest in securities that it believes are undervalued in order to achieve capital appreciation over the long-term. Conservation of principal and interest production will be fundamental considerations in this objective. 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 will generally be fully invested. A combination of investment strategies will be utilized in managing the portfolio including relative value trades, yield enhancement strategies and interest rate anticipation traces. Investments made by the Fund are not guaranteed. Fixed income securities issued by governments may decrease in value as a result of changes in interest rates. Fixed income securities issued by corporations may decrease in value due to general market conditions or credit risks associated with the issuer.

Financial risk management:

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

(a) Credit risk:

Credit risk is the risk that a counterparty to a financial instrument will fail to discharge a commitment that it has entered into with the Fund. As at December 31, 2019, the Fund invested approximately 12.76% (2018 – 0.0%) of its net assets in non-investment grade 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. The credit ratings could denote that the company's financial position is weak and its bonds should be considered a speculative investment. As at December 31, 2019, the Fund invested approximately 38.37% (2018 - 76.84%) of its net assets in non-rated bonds.

(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:

	2019	2018
Less than 1 year	$ 847,920	$ 1,998,355
1 - 3 years	1,123,247	7,619,735
3 - 5 years	612,211	483,345
Greater than 5 years	2,430,963	3,636,251

Financial risk management (continued):

(b) Interest rate risk (continued):

As at December 31, 2019, 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 $63,178 (2018 - $110,923).

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 6.36% (2018 - 7.82%) of the Fund's net assets held at December 31, 2019 were publicly traded equities. If equity prices on the exchange had increased or decreased by 5% as at December 31, 2019, the net assets of the Fund would have increased or decreased by approximately $31,184 or 0.32% (2018 - 69,945 or 0.39%) of the net assets, all other factors remaining constant.

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

(d) Foreign currency risk:

Currencies to which the Fund had exposure as at December 31, 2019 and 2018 expressed in CAD are as follows:

2019	Investments and derivatives	Cash and cash equivalents	Other assets and liabilities	Total	Percentage of net asset value
United States dollar (USD)	$ 8,521,300	$ –	$ 115,757	$ 8,637,057	88.1%

2018	Investments and derivatives	Cash and cash equivalents	Other assets and liabilities	Total	Percentage of net asset value
United States dollar (USD)	$ 9,590,830	$ (35,575)	$ 160,884	$ 9,716,139	54.3%

The amounts in the above tables are based on the market value of the Fund's financial instruments. This includes cash and cash equivalents, investments, interest receivable, dividends receivable, receivable for units subscribed, payable for units redeemed and due to brokers that are denominated in foreign currencies.

As at December 31, 2019, 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 $86,371 (2018 - $97,161).

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

CHOU RRSP FUND

(unaudited)

April 27, 2020

Dear Unitholders of Chou RRSP Fund,

After the distribution of $1.97, the net asset value per unit ("NAVPU") of a Series A unit of Chou RRSP Fund at December 31, 2019 was $22.79 compared to $30.08 at December 31, 2018, a decrease of 17.7%; during the same period, the S&P/TSX Total Return Index increased 22.8% in Canadian dollars. In U.S. dollars, a Series A unit of Chou RRSP Fund was down 13.4% while the S&P/TSX Total Return Index increased 29.0%.

The table shows our 1-year, 3-year, 5-year, 10-year, 15-year and 20-year annual compound rates of return.

December 31, 2019 (Series A)	1 Year	3 Years	5 Years	10 Years	15 Years	20 Years
Chou RRSP Fund ($CAN)	-17.7%	-2.3%	-4.7%	5.4%	2.4%	6.1%
S&P/TSX ($CAN)	22.8%	6.9%	6.3%	6.9%	7.1%	6.2%
Chou RRSP Fund ($US)[1]	-13.4%	-1.2%	-6.9%	3.2%	1.9%	6.7%
S&P/TSX ($US)	29.0%	8.2%	3.9%	4.7%	6.6%	6.8%

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

Factors Influencing the 2019 Results

The equity holdings of Bausch Health Companies, Bank of America Corporation, and Magna International Inc. contributed positively to the Fund's performance during the year.

The main negative contributors to the Fund's performance in 2019 were the equity holdings of BlackBerry Limited, Torstar Corporation, Resolute Forest Products Inc. and Canfor Pulp Products Inc.

During the period, the Fund reduced its holdings of Bausch Health Companies, Bank of America Corporation, TVA Group Inc., and Torstar Corporation.

The Fund added the debt holdings of Fortress Global Enterprises Inc. 7.00% in 2019.

The Fund did not write any new covered call options in 2019.

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

Portfolio Commentary

Banks

In general, we do not think that the intrinsic values of the banks have depreciated much in the long-term. In the short-term, the revenues and net interest margins may take a hit due to low interest rates (close to zero), and defaults on bad loans will likely increase under the current anemic economic conditions. However, we think the loose monetary policy of today with its excessive printing of money will benefit the banks in the long-term, since banks are always the first beneficiary of easy money. Having endured the annual stress tests, banks are also in much better financial shape than they were in the Great Recession of 2008.

EXCO Resources

On January 15, 2018, EXCO filed voluntary petitions for a court-supervised reorganization under Chapter 11 of the U.S. Bankruptcy Code to facilitate a restructuring of its balance sheet, which was saddled with expensive transportation and other contracts. On November 5, 2018, EXCO filed a restructuring plan, stating that holders of the 1.75 lien term loans would receive 82% of the new common stock of the company, subject to dilution by a management incentive plan. However, this plan did not come to fruition due to the company's inability to raise enough capital and an amended plan of reorganization was offered to the creditors on April 10, 2019.

Based on the valuation analysis by EXCO's investment banking firm, PJT Partners Inc., under the amended plan, the 1.75 lien term loan holders would receive 38.8% of the new common shares, resulting in a recovery of 27 cents on the dollar or 27% (given the total principal outstanding for the 1.75 lien term loans was US$742.2 million).

Summary of Amended Valuation Analysis (as of May 31, 2019):

(US$ in millions)	**Low**	**Midpoint**	**High**
Total Enterprise Value	$650	$750	$850
Less: Net Debt	(225)	(225)	(225)
Total Equity Value	$425	$525	$625
38.8% of 1.75L term loan holders	$165	$204	$243
Estimated Percentage Recovery	22%	27%	33%

Source: Exhibit F – Valuation Analysis of Document 1233 for Case 18-30155.

In early July of 2019, the company emerged from bankruptcy and the 1.75 lien term loans were converted into 28.38 equity shares for every $1,000 in par value, after netting out certain adjustments. We received 357,285 shares of EXCO in the Fund.

Looking back on this investment, we underestimated how long the price of natural gas would stay low for, and how low it has been relative to the price of oil. Historically, there had been a strong relationship between the prices of oil and natural gas. Thinking about the two fuels in terms of energy equivalency, 6,000 cubic feet (6 mcf) of natural gas has the same amount of energy content as 1 barrel of oil. In the past, this 6 to 1 ratio guided the relationship between oil and natural gas prices, but for the last few years the ratio between prices has gone up to as high as 50 to 1.

In practical terms, there are always frictional costs and time needed to convert from oil to natural gas. In a free enterprise society, businesses are always adapting and they are looking for the most cost-effective way of running a business. This includes individuals too. We have seen how solar energy and electric cars have replaced a portion of fossil fuels for their energy consumption. In time, if the ratio of oil to natural gas prices is in excess of 10 to 1, there will be new efforts to use more natural gas at the expense of oil and the historical equilibrium will be restored. The historical ratio of 6 to 1 can be stretched to maybe 10 to 1, but 50 to 1 is asking too much.

Lo and behold, most investors felt that the ratio of 6 to 1 was totally broken. There was a new paradigm of 30 to 1. But on April 20th the price of oil fell in negative territory. You have to pay someone to take the barrel of oil from you. Unbelievable! The ratio has dropped below 6:1 to 0:1, albeit temporarily.

The crash of the oil sector has made us quite bullish on the natural gas sector. So much irresponsible money had been poured into the oil sector which indirectly impacted the natural gas industry. When you drill for oil, the byproduct you get is natural gas. The excess production of shale gas through fracking is one of the main reasons why natural gas prices have stayed at such a low price for so many years. With capital withdrawn from the oil industry, distressed oil and gas producers will cease production and the excessive supply will shrink over time.

On the demand side, another market that is opening up for natural gas is Asia, which could be an important export market of U.S. natural gas in the form of liquefied natural gas (LNG). The price of natural gas can compete directly with the price of coal, and it has a much lower environmental impact. China, S. Korea, Japan and Taiwan are shuttering coal plants and replacing them with natural gas plants. In time, we believe LNG prices will rise as demand for it rises exponentially. Since EXCO is mainly a natural gas producer, we remain optimistic about its future over the long run. Compared to its peers, the company is also better positioned given its post-bankruptcy cost structure.

We are also looking to buy more bonds in oil and gas companies whose prices have been severely beaten down due to the recent oil price war between Russia and Saudi Arabia.

Resolute Forest Products

As of December 31, 2019, the market price of Resolute Forest Products was US$4.20 per share, down 47% from the price at year end 2018.

RFP has been a huge disappointment since our initial purchase some eight years ago. It shows how tough it is to turn around a troubled company despite the best efforts of management.

Having said that, it is quite comical to experience how a commodity stock can be hammered beyond all logical comprehension. RFP paid a special dividend of US$1.50 a share in 2018, and it is trading at US$1.17 per share in April 2020. Two months ago, the company announced that it would buy back 15% of its common shares for $100 million. At the current price of US$1.17, the market capitalization is $99 million. In other words, instead of buying back 15% of the company with $100 million, it can now buy back 100% of the company.

In general, our experience with a commodity business that has virtually no pricing power is to be cautious when management talks about investing in new equipment or upgrades that would significantly lower the cost structure compared to its competitors. That may be true for six months to a couple of years, but in time, competitors will have a new cost structure that is as competitive if not superior to the company. It is the same treadmill where hardly anyone in the industry can make a decent return on the assets invested in the company. The same story can be seen repeatedly in various commoditized industries. There is no sustainable long-term advantage in a mediocre business with no pricing power. It is important not to get seduced by discount to book value. If the company cannot generate a decent return on book value over a long period of time, that book value is not worth much.

Caution to the Investors

Investors should be advised that we run a highly focused portfolio, frequently just three to five securities may comprise close to 50% of the assets of the Fund. In addition, the Fund has securities outside of Canada and could be subjected to geopolitical risks, which may trump or at least negatively influence the financial performance of the company. Also, we may enter into some derivative contracts, such as credit default swaps when we feel that the market conditions are right to use those instruments. Because of any or all of these factors, the net asset value of the Fund can be from time to time more volatile than at other times. However, we are not bothered by this volatility because our focus has always been, and continues to be, on how inexpensive we believe the Fund’s portfolio holdings are relative to what we believe to be their intrinsic value.

The Fund’s net cash position was approximately 1% of net assets as at December 31, 2019.

Other Matters

FOREIGN CURRENCY CONTRACTS: None existed at December 31, 2019.

CREDIT DEFAULT SWAPS: None existed at December 31, 2019.

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

REDEMPTION FEE: We have a redemption fee of 2% if unitholders redeem their units in less than 3 months. None of this fee goes to the Fund Manager. It is put back into the Fund for the benefit of the remaining unitholders.

INDEPENDENT REVIEW COMMITTEE: The Manager has established an IRC as required by NI 81-107. The members of the IRC are Sandford Borins, Peter Gregoire and Joe Tortolano. The 2019 IRC Annual Report is available on our website www.choufunds.com.

As of April 27, 2020, the NAVPU of a Series A unit of the Fund was $16.31 and the cash position was approximately 1.2% of net assets. The Fund is down 28.4% from the beginning of the year. In U.S. dollars, it is down 33.8%.

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

Yours truly,

Francis Chou

Francis Chou
Fund Manager

CHOU RRSP FUND

Statements of Financial Position

December 31, 2019 and 2018

		2019		2018
Assets				
Current assets:				
Investments (note 8)	$	42,415,096	$	59,452,144
Cash and cash equivalents		210,276		7,126,955
Receivable for redeemable units subscribed		–		10,000
Due from broker		1,238,866		–
Interest receivable		26,362		32,462
Total assets		43,890,600		66,621,561
Liabilities				
Current liabilities:				
Derivatives		–		10,239
Accrued expenses		273,014		354,711
Payable for units redeemed		756,561		27,896
Distributions payable		74,671		7,023
Total liabilities		1,104,246		399,869
Net assets attributable to unitholders of redeemable units	$	42,786,354	$	66,221,692
Net assets attributable to unitholders of redeemable units:				
Series A	$	38,864,778	$	59,989,119
Series F		3,921,576		6,232,573
	$	42,786,354	$	66,221,692
Number of redeemable units outstanding (note 4):				
Series A		1,705,179		1,994,527
Series F		172,209		206,334
Net assets attributable to unitholders of redeemable units per unit:				
Canadian dollars:				
Series A	$	22.79	$	30.08
Series F		22.77		30.21
U.S. dollars:				
Series A		17.55		22.03
Series F		17.54		22.13

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 Loss

Years ended December 31, 2019 and 2018

		2019		2018
Income:				
Interest for distribution purposes and other	$	338,841	$	770,161
Dividends		2,095,005		3,597,572
Securities lending income (note 7)		14,407		21,303
Foreign currency (loss) gain on cash and other net assets		(96,181)		554,039
Other net changes in fair value of financial assets and financial liabilities at fair value through profit or loss:				
Net realized (loss) gain on investments		(23,503,694)		3,500,106
Net realized gain on derivatives		204,268		117,017
Change in unrealized appreciation (depreciation) on investments		11,336,350		(8,865,588)
Change in unrealized depreciation on derivatives		(194,029)		(2,572,192)
		(9,805,033)		(2,877,582)
Expenses:				
Management fees (note 5)		934,882		1,303,220
Custodian fees		40,280		138,700
Audit		16,428		56,258
Filing fees		17,638		6,861
Independent review committee fees		10,712		11,741
Legal fees		2,435		2,993
Transaction costs (note 6)		16,005		23,774
Foreign withholding taxes		9,920		374,349
Other		5,543		8,601
		1,053,843		1,926,497
Decrease in net assets attributable to unitholders of redeemable units	$	(10,858,876)	$	(4,804,079)
Decrease in net assets attributable to unitholders of redeemable units per series:				
Series A	$	(9,793,070)	$	(4,376,212)
Series F		(1,065,806)		(427,867)
	$	(10,858,876)	$	(4,804,079)
Weighted average number of redeemable units outstanding for the year per series:				
Series A		1,826,554		2,111,299
Series F		200,961		212,053
Decrease in net assets attributable to unitholders of redeemable units per unit:				
Series A	$	(5.36)	$	(2.07)
Series F		(5.30)		(2.02)

See accompanying notes to financial statements.

CHOU RRSP FUND

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

Years ended December 31, 2019 and 2018

	2019	2018
Series A		
Net assets attributable to unitholders of redeemable units, beginning of year	$ 59,989,119	$ 73,104,943
Decrease in net assets attributable to unitholders of redeemable units	(9,793,070)	(4,376,212)
Proceeds from issue of redeemable units	278,594	568,378
Payments on redemption of redeemable units	(11,545,645)	(9,302,858)
Distributions of income to unitholders:		
Investment income	(3,096,558)	(295,582)
Reinvested distributions	3,032,338	290,450
Net assets attributable to unitholders of redeemable units, end of year	38,864,778	59,989,119
Series F		
Net assets attributable to unitholders of redeemable units, beginning of year	6,232,573	7,278,838
Decrease in net assets attributable to unitholders of redeemable units	(1,065,806)	(427,867)
Proceeds from issue of redeemable units	546,340	296,837
Payments on redemption of redeemable units	(1,781,080)	(913,922)
Distributions of income to unitholders:		
Investment income	(416,124)	(74,437)
Reinvested distributions	405,673	73,124
Net assets attributable to unitholders of redeemable units, end of year	3,921,576	6,232,573
Total net assets attributable to unitholders of redeemable units, end of year	$ 42,786,354	$ 66,221,692

See accompanying notes to financial statements.

CHOU RRSP FUND

Statements of Cash Flows

Years ended December 31, 2019 and 2018

		2019		2018
Cash flows from operating activities:				
Decrease in net assets attributable to unitholders of redeemable units	$	(10,858,876)	$	(4,804,079)
Adjustments for:				
Foreign currency loss (gain) on cash and other net assets		96,181		(554,039)
Net realized loss (gain) on disposal of investments and derivatives		23,299,426		(3,617,123)
Change in unrealized (appreciation) depreciation on investments and derivatives		(11,142,321)		11,437,780
Change in non-cash operating working capital:				
Decrease (increase) in interest receivable		6,100		(6,210)
(Decrease) increase in accrued expenses		(81,697)		58,513
Purchase of investments and derivatives		(780,002)		(10,309,337)
Proceeds from sale and maturity of investments and derivatives		4,410,840		9,506,205
Net cash generated from operating activities		4,949,651		1,711,710
Cash flows from financing activities:				
Distributions paid to unitholders		(7,023)		578
Proceeds from redeemable units issued		834,934		855,215
Amount paid on redemption of redeemable units		(12,598,060)		(10,241,723)
Net cash used in financing activities		(11,770,149)		(9,385,930)
Foreign currency (loss) gain on cash and other net assets		(96,181)		554,039
Decrease in cash and cash equivalents		(6,916,679)		(7,120,181)
Cash and cash equivalents, beginning of year		7,126,955		14,247,136
Cash and cash equivalents, end of year	$	210,276	$	7,126,955
Supplemental information:				
Interest received, net of withholding tax	$	344,941	$	763,951
Dividends received, net of withholding tax		2,085,085		3,223,223
Security lending income received		14,407		21,303

See accompanying notes to financial statements.

CHOU RRSP FUND

Schedule of Investments

December 31, 2019

	Number of securities	Cost	Fair value
Equities*			
Bank of America Corporation	28,376	$ 585,063	$ 1,297,775
Bausch Health Companies Inc.	268,992	8,543,598	10,451,043
BlackBerry Limited	529,040	4,122,657	4,417,484
Canfor Pulp Products Inc.	293,900	836,324	2,457,004
EXCO Resources Inc.	357,285	7,413,294	4,414,229
Fairfax Financial Holdings Limited	2,000	1,344,170	1,219,480
Interfor Corporation	125,500	746,362	1,841,085
Linamar Corporation	24,000	1,332,040	1,179,120
Magna International Inc., Class ‘A’	20,000	1,249,418	1,424,250
Overstock.com Inc., Class ‘B’	15,198	314,348	108,544
Reitmans (Canada) Limited	348,600	1,914,063	386,946
Resolute Forest Products Inc.	1,224,188	13,844,859	6,676,611
Torstar Corporation, Class ‘B’	280,716	6,126,119	120,708
TVA Group Inc.	355,028	5,133,273	525,441
TWC Enterprises Limited	201,944	1,077,639	2,625,272
Wow Unlimited Media Inc.	93,680	1,930,473	50,119
		56,513,700	39,195,111
Bonds			
Fortress Global Enterprises Inc., 9.750%, December 31, 2021, Convertible Bonds, Callable	1,000,000	780,000	100
Taiga Building Products Ltd. 7.000%, November 17, 2022, Callable	3,111,000	3,215,996	3,219,885
		3,995,996	3,219,985
Total investments		60,509,696	42,415,096
Transaction costs		(20,792)	
Portfolio total		$ 60,488,904	$ 42,415,096

* Common shares unless indicated otherwise

See accompanying notes to financial statements.

CHOU RRSP FUND

Discussion of Financial Risk Management

Years ended December 31, 2019 and 2018

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 Fund. As at December 31, 2019, the Fund did not invest of its net assets in non-investment grade debt instruments (2018 – 0.0%). 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 could denote that the company's financial position is weak and its bonds should be considered a speculative investment. As at December 31, 2019, the Fund invested approximately 7.53% (2018 - 16.37%) of its net assets in non-rated debt instruments.

(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:

	2019	2018
Less than 1 year	$ –	$ –
1 - 3 years	3,219,985	7,624,651
3 - 5 years	–	3,219,885
Greater than 5 years	–	–

As at December 31, 2019, 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 $21,249 (2018 - $62,443).

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 81.29% (2018 - 73.40%) of the Fund's net assets held at December 31, 2019 were publicly traded equities. If equity prices on the exchange had increased or decreased by 5% as at December 31, 2019, the net assets of the Fund would have increased or decreased by approximately $1,739,044 or 4.06% (2018 - $2,430,380 or 3.67%) of the net assets, all other factors remaining constant.

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

(d) Foreign currency risk:

Currencies to which the Fund had exposure as at December 31, 2019 and 2018 expressed in CAD are as follows:

2019	Investments and derivatives	Cash and cash equivalents	Other assets and liabilities	Total	Percentage of net asset value
United States dollar (USD)	$ 24,381,354	$ –	$ 1,145,111	$ 25,526,465	59.7%

2018	Investments and derivatives	Cash and cash equivalents	Other assets and liabilities	Total	Percentage of net asset value
United States dollar (USD)	$ 35,936,084	$ –	$ 3,539	$ 35,939,623	54.3%

The amounts in the above tables are based on the market value of the Fund's financial instruments. This includes cash and cash equivalents, investments, interest receivable, receivable for units subscribed, due from broker, payable for units redeemed, distribution payable and due to brokers that are denominated in foreign currencies.

As at December 31, 2019, 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 $255,265 (2018 - $359,396).

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

1. Formation of the Chou Funds:

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

The Funds were formed on the following dates:

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

2. Significant accounting policies:

These financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS").

The policies applied in these financial statements are based on IFRS issued and outstanding as of April 30, 2020, which is the date on which the financial statements were authorized for issue by the Manager. These financial statements are presented in Canadian dollars, which is the Funds' functional currency.

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

(a) Financial instruments:

The Funds applied IFRS 9, Financial Instruments (“IFRS 9”). The standard requires financial assets to be classified as amortized cost, fair value through profit or loss (“FVTPL”), or fair value through other comprehensive income (“FVOCI”) based on the entity’s business model for managing the financial assets and the contractual cash flow characteristics of these assets. Assessment and decision on the business model approach used is an accounting judgement.

The Funds’ investments and derivative assets and liabilities are classified and measured at FVTPL.

The classification and measurements of financial assets and liabilities are at amortized cost with the exception of financial assets and liabilities recorded at FVTPL. For financial liabilities, fair value changes attributable to changes in the entity’s own credit risk are to be presented in other comprehensive income unless they affect amounts recorded in income. Under amortized cost, financial assets and liabilities reflect the amounts to be received or paid, discounted when appropriate at the financial instrument’s effective interest rate. The fair value of the Funds’ financial assets and liabilities that are not carried at FVTPL approximate their carrying amounts due to their short-term nature.

2. Significant accounting policies (continued):

(b) Recognition, initial measurement and classification:

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

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

Financial assets at FVTPL:

- Derivatives: warrants and options; and
- Investments: debt securities and equity investments.

Financial liabilities at FVTPL:

- Derivatives: securities sold short, warrants, and options.

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

(c) Fair value measurement:

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

Bonds and debentures are valued at the mid-point of their last evaluated bid price and their last evaluated ask price received from recognized investment dealers and their last evaluated price for short positions.

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

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

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

2. Significant accounting policies (continued):

(c) Fair value measurement (continued):

Derecognition:

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

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

(d) Critical accounting estimates and judgments:

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

(i) Fair value measurement of derivatives and securities not quoted in an active market:

The Funds hold financial instruments that are not quoted in active markets, including derivative 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 Funds consider observable data to be market data that is readily available, regularly distributed and updated, reliable and verifiable, not proprietary, and provided by independent sources that are actively involved in the relevant market. Refer to note 8 for further information about the fair value measurement of the Fund's financial instruments.

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

(d) Critical accounting estimates and judgments (continued):

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

In classifying and measuring financial instruments held by the Funds, the Manager is required to make significant judgments in determining the most appropriate classification in accordance with IFRS 9. The Manager has assessed the Funds’ business models, the manner in which all financial assets and financial liabilities are managed and performance evaluated as a group on a fair value basis, and concluded that FVTPL in accordance with IFRS 9 provides the most appropriate classification of the Funds’ financial instruments.

These financial statements are presented in Canadian dollars, which is the Funds' functional currency.

(e) 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.

(f) Offsetting financial instruments:

Financial assets and liabilities are offset and the net amount reported in the statements of financial position where the Funds have a legally enforceable right to set-off the recognized amounts and there is an intention to settle on a net basis or realize the asset and settle the liability simultaneously.

Income and expenses are presented on a net basis for gains and losses from financial instruments at fair value through profit or loss and foreign exchange gains and losses.

(g) 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 (loss).

(h) 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. Cash and cash equivalents are reported at fair value which closely approximates their amortized cost due to the nature of being highly liquid and having short terms to maturity. Where cash and cash equivalents are in net bank overdraft positions, these are presented as current liabilities in the Statements of Financial Position.

2. Significant accounting policies (continued):

(i) Investment transactions and income recognition:

All investment transactions are accounted for on the trade date.

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 schedule of investments.

(j) 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 and derivatives, 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 and derivatives are included in realized gain (loss) on sale of investments and derivatives and change in unrealized appreciation (depreciation) on investments and derivatives, respectively, in the statements of comprehensive income (loss).

(k) Derivative transactions:

Options:

The Manager may use options to offset potential 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.

Warrants:

The cost of warrants is included in derivatives 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 derivatives.

(l) 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 (losses) 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.

2. Significant accounting policies (continued):

(m) Valuation of Fund units:

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

(n) Securities lending income:

The Funds lend portfolio securities from time to time in order to earn additional income. Income from securities lending is included in the statements of comprehensive income (loss) of the Funds and is recognized on an accrual basis. Any securities on loan continue to be displayed in the schedule of investments and the market value of the securities loaned and collateral held is determined daily (note 7).

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

The Funds’ outstanding redeemable units’ entitlements include a contractual obligation to distribute any net income and net realized gains annually in cash (at the request of the unitholder) and therefore the ongoing redemption feature is not the units’ only contractual obligation. Consequently, the Funds’ outstanding redeemable units are classified as financial liabilities in accordance with the requirements of IAS 32, *Financial Instruments: Presentation*. The Funds’ obligation for net assets attributable to unitholders is measured at FVTPL, with fair value being the redemption amounts as of the reporting date.

(p) Impairments:

IFRS 9 requires that an entity recognize a loss allowance for expected credit losses on financial assets which are measured at amortized cost or FVOCI. Financial assets held by the Fund which are measured at FVTPL will not be subject to the impairment requirements.

With respect to financial assets classified and measured at cost, the Funds consider both historical analysis and forward-looking information in determining any expected credit loss. As at the financial statement date, financial assets classified and measured at cost are due to be settled within the short term. The Funds consider the probability of default to be close to zero as these instruments have a low risk of default and the counterparties have a strong capacity to meet their contractual obligation in the near term. Given the limited exposure of the Funds to credit risk, no loss allowance has been recognized as any such impairment will not have a significant impact on the financial statements.

3. Financial 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 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. CPA Canada Handbook disclosures that are specific to each of the Funds are presented in the discussion of financial risk management under the schedule of investments. The sensitivity analysis shown in the discussion of 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.

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.

(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 derivative instruments, if any. Other assets and liabilities are short-term in nature and are non-interest bearing. There is minimal sensitivity to interest rate fluctuations on cash and cash equivalents invested at short-term market interest rates.

3. Financial risk management (continued):

(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.

(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 year 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	
	2019	**2018**	**2019**	**2018**
Chou Associates Fund				
Redeemable units outstanding, beginning of year	2,424,781	2,998,503	344,195	363,060
Add redeemable units issued during the year	13,994	97,060	38,482	34,959
Deduct redeemable units redeemed during the year	(712,302)	(670,782)	(111,493)	(55,209)
Redeemable units outstanding before income distribution	1,726,473	2,424,781	271,184	342,810
Add redeemable units issued on reinvested income	21,434	–	6,796	1,385
Redeemable units outstanding, end of year	1,747,907	2,424,781	277,980	344,195

4. Holders of redeemable units (continued):

	Series A		Series F	
	2019	2018	2019	2018
Chou Asia Fund				
Redeemable units outstanding, beginning of year	1,158,473	1,320,405	125,082	142,866
Add redeemable units issued during the year	3,541	14,201	2,274	18,327
Deduct redeemable units redeemed during the year	(329,152)	(176,133)	(43,928)	(36,722)
Redeemable units outstanding before income distribution	832,862	1,158,473	83,428	124,471
Add redeemable units issued on reinvested income	20,920	–	2,645	611
Redeemable units outstanding, end of year	853,782	1,158,473	86,073	125,082
Chou Europe Fund				
Redeemable units outstanding, beginning of year	477,657	666,094	330,952	83,511
Add redeemable units issued during the year	29,774	97,149	170,909	279,260
Deduct redeemable units redeemed during the year	(110,900)	(285,586)	(136,216)	(31,819)
Redeemable units outstanding before income distribution	396,531	477,657	365,645	330,952
Add redeemable units issued on reinvested income	46	–	4,853	–
Redeemable units outstanding, end of year	396,577	477,657	370,498	330,952
Chou Bond Fund				
Redeemable units outstanding, beginning of year	1,666,054	3,104,049	312,347	270,473
Add redeemable units issued during the year	254,094	19,532	167,123	63,253
Deduct redeemable units redeemed during the year	(773,581)	(1,529,598)	(184,889)	(37,443)
Redeemable units outstanding before income distribution	1,146,567	1,593,983	294,581	296,283
Add redeemable units issued on reinvested income	158,955	72,071	51,045	16,064
Redeemable units outstanding, end of year	1,305,522	1,666,054	345,626	312,347

4. Holders of redeemable units (continued):

	Series A		Series F	
	2019	**2018**	**2019**	**2018**
Chou RRSP Fund				
Redeemable units outstanding, beginning of year	1,994,527	2,245,919	206,334	222,317
Add redeemable units issued during the year	9,718	16,930	19,970	8,608
Deduct redeemable units redeemed during the year	(432,109)	(277,979)	(71,909)	(27,010)
Redeemable units outstanding before income distribution	1,572,136	1,984,870	154,395	203,915
Add redeemable units issued on reinvested income	133,043	9,657	17,814	2,419
Redeemable units outstanding, end of year	1,705,179	1,994,527	172,209	206,334

5. Related party transactions:

(a) 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 1.15% of the net asset value of Series A units and 1.0% of the net asset value of Series F units. All other expenses attributable to the Funds are also payable out of the assets of the Funds.

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

	2019	**2018**
Chou Associates Fund	$ 4,137,327	$ 5,597,465
Chou Asia Fund	329,241	433,731
Chou Europe Fund	108,809	120,310
Chou Bond Fund	174,612	259,286
Chou RRSP Fund	934,882	1,303,220

5. Related party transactions (continued):

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

	2019	2018
Chou Associates Fund	$ 260,388	$ 349,814
Chou Asia Fund	19,707	28,407
Chou Europe Fund	8,191	8,395
Chou Bond Fund	9,683	15,873
Chou RRSP Fund	53,826	81,939

(b) Investments by the Manager and related parties

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

As at December 31, 2019, the following amounts of Series A redeemable units were held by the Manager, its employees, and directors. No amount of Series F redeemable units was held by the Manager, its employees, and directors.

	2019	2018
Chou Associates Fund	74,051	73,124
Chou Asia Fund	–	–
Chou Europe Fund	4,924	2,869
Chou Bond Fund	–	370,208
Chou RRSP Fund	36,660	33,744

(i) Chou Associates Fund:

As at December 31, 2019, 4.3% of Series A redeemable units (2018 – 3.0%) were held by the Manager, its employees, and directors.

(ii) Chou Asia Fund:

As at December 31, 2019, 0.0% of Series A redeemable units (2018 – 0.0%) were held by the Manager, its employees, and directors.

(iii) Chou Europe Fund:

As at December 31, 2019, 1.2% of Series A redeemable units (2018 – 0.6%) were held by the Manager, its employees, and directors.

5. Related party transactions (continued):

(iv) Chou Bond Fund:

As at December 31, 2019, 0.0% of Series A redeemable units (2018 – 23.2%) were held by the Manager, its employees, and directors.

(v) Chou RRSP Fund:

As at December 31, 2019, 2.3% of Series A redeemable units (2018 – 1.7%) were held by employees of the Manager.

(c) Other Income

In December 2019, the Manager redeemed 243,275 units of the Chou Bond Fund for total proceeds of $1,427,832. The Manager subsequently contributed the total proceeds to the Chou Bond Fund with no corresponding increase in the number of units held by the Manager of the Fund. The contribution was non-reciprocal and non-recurring in nature and at the Manager's sole discretion. The $1,427,832 contribution was recorded as other income.

6. Brokers' commissions:

Total commissions paid to brokers in connection with portfolio transactions for the years ended December 31, 2019 and 2018 are as follows:

	2019	2018
Chou Associates Fund	$ 209,684	$ 217,130
Chou Asia Fund	5,488	3,959
Chou Europe Fund	3,616	8,035
Chou Bond Fund	6,164	10,383
Chou RRSP Fund	16,005	23,774

7. Securities lending:

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 bonds of other governments with appropriate credit ratings. The aggregate dollar values of the securities that are on loan and the collateral received by the Funds as at December 31, 2019 and 2018 are as follows:

2019	Market value of securities on loan	Market value of collateral received
Chou Associates Fund	$ 12,914,218	$ 13,631,412
Chou Asia Fund	5,499,059	5,860,340
Chou Europe Fund	190,371	200,153
Chou Bond Fund	572,275	615,367
Chou RRSP Fund	3,776,402	4,008,515

2018	Market value of securities on loan	Market value of collateral received
Chou Associates Fund	$ 12,326,837	$ 13,199,399
Chou Asia Fund	833,247	945,704
Chou Europe Fund	376,870	397,194
Chou Bond Fund	75,965	79,826
Chou RRSP Fund	1,780,208	1,870,534

The tables below present a reconciliation of the securities lending income as presented in the statements of comprehensive income for the years ended December 31, 2019 and 2018. They show the gross amount of securities lending revenues generated from the securities lending transactions of the Fund, less any taxes withheld and amounts due to parties entitled to receive payments out of the gross amount as part of any securities lending agreements.

Chou Associates Fund:

	December 31, 2019	
Gross securities lending revenue	$ 58,263	100 %
Withholding taxes	(13,440)	(23)%
Agent fees	(8,963)	(15)%
Securities lending revenue	$ 35,860	62 %

7. Securities lending (continued):

		December 31, 2018	
Gross securities lending revenue	$	1,570,932	100 %
Withholding taxes		(358,759)	(23)%
Agent fees		(242,433)	(15)%
Securities lending revenue	$	969,740	62 %

Chou Asia Fund:

		December 31, 2019	
Gross securities lending revenue	$	179,285	100%
Withholding taxes		(311)	0%
Agent fees		(35,794)	(20)%
Securities lending revenue	$	143,180	80%

		December 31, 2018	
Gross securities lending revenue	$	279,326	100%
Withholding taxes		(7,529)	(3)%
Agent fees		(54,359)	(19)%
Securities lending revenue	$	217,438	78%

Chou Europe Fund:

		December 31, 2019	
Gross securities lending revenue	$	$ 359	100%
Withholding taxes		(5)	(1)%
Agent fees		(71)	(20)%
Securities lending revenue	$	283	79%

		December 31, 2018	
Gross securities lending revenue	$	1,111	100%
Withholding taxes		(150)	(14)%
Agent fees		(192)	(17)%
Securities lending revenue	$	769	69%

7. Securities lending (continued):

Chou Bond Fund:

	December 31, 2019		
Gross securities lending revenue	$	8,951	100%
Withholding taxes		(2,571)	(29)%
Agent fees		(1,276)	(14)%
Securities lending revenue	$	5,104	57%

	December 31, 2018		
Gross securities lending revenue	$	1,983	100%
Withholding taxes		–	0%
Agent fees		(396)	(20)%
Securities lending revenue	$	1,587	80%

Chou RRSP Fund:

	December 31, 2019		
Gross securities lending revenue	$	18,651	100%
Withholding taxes		(645)	(4)%
Agent fees		(3,599)	(19)%
Securities lending revenue	$	14,407	77%

	December 31, 2018		
Gross securities lending revenue	$	27,708	100%
Withholding taxes		(1,083)	(4)%
Agent fees		(5,322)	(19)%
Securities lending revenue	$	21,303	77%

8. Fair value measurement:

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

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

(a) Chou Associates Fund:

2019	**Level 1**	**Level 2**	**Level 3**	**Total**
Financial Assets				
Equities	$ 194,097,284	$ –	$ 15,829,672	$ 209,926,956
Bonds	–	–	–	–
Warrants	–	–	–	–
Total	$ 194,097,284	$ –	$ 15,829,672	$ 209,926,956
Financial Liabilities				
Equities	$ –	$ –	$ –	$ –
Bonds	–	–	–	–
Options	–	–	–	–
Warrants	–	–	–	–
Total	$ –	$ –	$ –	$ –

2018	**Level 1**	**Level 2**	**Level 3**	**Total**
Financial Assets				
Equities	$ 250,765,190	$ –	$ –	$ 250,765,190
Bonds	–	–	32,407,065	32,407,065
Warrants	–	–	–	–
Total	$ 250,765,190	$ –	$ 32,407,065	$ 283,172,255
Financial Liabilities				
Equities	$ –	$ –	$ –	$ –
Bonds	–	–	–	–
Options	–	600,688	–	600,688
Warrants	–	–	–	–
Total	$ –	$ 600,688	$ –	$ 600,688

8. Fair value measurement (continued):

(a) Chou Associates Fund (continued):

The following tables reconcile the Fund's Level 3 fair value measurement of financial instruments as at December 31, 2019 and December 31, 2018.

	Equities	Bonds	Total
Balance, December 31, 2018	$ –	$ 32,407,065	$ 32,407,065
Purchase of investments	–	–	–
Net transfers in (out) during the year	37,508,649	(37,508,649)	–
Proceeds from sales during the year	(2,999,998)	–	(2,999,998)
Net realized loss on sale of investments	(2,861,949)	–	(2,861,949)
Change in unrealized depreciation in value of investments	(15,817,029)	5,101,584	(10,715,445)
Balance, December 31, 2019	$ 15,829,672	$ –	$ 15,829,672

	Equities	Bonds	Total
Balance, December 31, 2017	$ –	$ –	$ –
Purchase of investments	–	–	–
Proceeds from sales during the year	–	–	–
Net transfers in (out) during the year	–	32,407,065	32,407,065
Net realized gain on sale of investments	–	–	–
Change in unrealized depreciation in value of investments	–	–	–
Balance, December 31, 2018	$ –	$ 32,407,065	$ 32,407,065

During the years ended December 31, 2019 and 2018, there were no significant transfers between Level 1, Level 2.

During 2019, term loans valued at $37,508,649 were exchanged for common shares of the same company as a result of a restructuring proceeding.

Financial instruments classified as Level 2 investments are valued based on the prices provided by an independent pricing services company who prices the securities based on recent transactions and quotes received from market participants and through incorporating observable market data.

Equities valued at $895,854 at December 31, 2018 were transferred from Level 2 to Level 1 during 2018 due to an increase in liquidity and trading values. During 2018, bonds valued at $32,407,605 were transferred from Level 2 to Level 3.

8. Fair value measurement (continued):

(a) Chou Associates Fund (continued):

Level 3 additional disclosures:

The table below sets out information about significant unobservable inputs used at December 31, 2019 and 2018 in measuring financial instruments categorized as Level 3 in the fair value hierarchy.

December 31, 2019

Securities/Instruments	Line item on the hierarchy table	Fair value ($)	Valuation technique	Unobserv-able input	Range of input value	Possible shift +/- (absolute value/%)	Change in valuation ($) +/-
Equity – Private Company	Equity Security	15,829,672	Market Approach & Income Approach	Third party	N/A	10%	158,297/ (158,297)

December 31, 2018

Securities/Instruments	Line item on the hierarchy table	Fair value ($)	Valuation technique	Unobserv-able input	Range of input value	Possible shift +/- (absolute value/%)	Change in valuation ($) +/-
Term loan	Debt Security	32,407,065	Income Approach	Third party	N/A	10%	3,240,706/ (3,240,706)

Third party source

The price for this security was received from a third party source whose valuation methodology was model driven and included proxy security to capture interest rate and credit risk. Although the Fund believes that its estimates of fair value are appropriate, different methodologies or assumptions could lead to different measurements of fair value.

CHOU FUNDS

Notes to Financial Statements (continued)

Years ended December 31, 2019 and 2018

8. Fair value measurement (continued):

(b) Chou Asia Fund:

2019	Level 1	Level 2	Level 3	Total
Financial Assets				
Equities	$ 12,893,106	$ 1,337,847	$ –	$ 14,230,953
Bonds	–	–	–	–
Options	–	–	–	–
Total	$ 12,893,106	$ 1,337,847	$ –	$ 14,230,953

2018	Level 1	Level 2	Level 3	Total
Financial Assets				
Equities	$ 14,244,912	$ –	$ –	$ 14,244,912
Bonds	–	–	–	–
Options	–	–	–	–
Total	$ 14,244,912	$ –	$ –	$ 14,244,912

During 2019, equities valued at $1,337,847 were transferred from Level 1 to Level 2 due to a decrease in liquidity and trading volumes.

Financial instruments classified as Level 2 investments are valued based on prices by an independent pricing services company who prices the securities based on recent transactions and quotes received from market participants and through incorporating observable market data.

c) Chou Europe Fund:

2019	Level 1	Level 2	Level 3	Total
Financial Assets				
Equities	$ 4,789,094	$ 390,864	$ –	$ 5,179,958
Bonds	–	–	–	–
Options	–	–	–	–
Total	$ 4,789,094	$ 390,864	$ –	$ 5,179,958
Financial Liabilities				
Equities	$ –	$ –	$ –	$ –
Bonds	–	–	–	–
Options	–	–	–	–
Total	$ –	$ –	$ –	$ –

8. Fair value measurement (continued):

c) Chou Europe Fund (continued):

2018		**Level 1**		**Level 2**		**Level 3**		**Total**
Financial Assets								
Equities	$	5,403,768	$	–	$	–	$	5,403,768
Bonds		–		–		–		–
Options		–		–		–		–
Total	$	5,403,768	$	–	$	–	$	5,403,768
Financial Liabilities								
Equities	$	–	$	–	$	–	$	–
Bonds		–		–		–		–
Options		–		54,608		–		54,608
Total	$	–	$	54,608	$	–	$	54,608

During the years ended December 31, 2019 and 2018, there were no significant transfers between Level 1, Level 2 and Level 3.

Financial instruments classified as Level 2 investments are valued based on prices by an independent reportable pricing services company who prices the securities based on recent transactions and quotes received from market participants and through incorporating observable market data.

(d) Chou Bond Fund:

2019		**Level 1**		**Level 2**		**Level 3**		**Total**
Financial Assets								
Equities	$	623,672	$	–	$	990,642	$	1,614,314
Bonds		–		5,013,975		366		5,014,341
Options		–		–		–		–
Total	$	623,672	$	5,013,975	$	991,008	$	6,628,655

2018		**Level 1**		**Level 2**		**Level 3**		**Total**
Financial Assets								
Equities	$	1,398,890	$	–	$	2,928,934	$	4,327,824
Bonds		–		9,781,463		3,956,223		13,737,686
Options		–		–		–		–
Total	$	1,398,890	$	9,781,463	$	6,885,157	$	18,065,510

8. Fair value measurement (continued):

(d) Chou Bond Fund (continued):

The following tables reconcile the Fund's Level 3 fair value measurement of financial instruments as at December 31, 2019 and December 31, 2018.

	Equities	Bonds	Total
Balance, December 31, 2018	$ 2,928,934	$ 3,956,223	$ 6,885,157
Net transfers in during the year	4,080,429	(4,080,063)	366
Proceeds from sales during the year	(3,409,253)	(1,405,172)	(4,814,425)
Net realized gain on sale of investments	910,202	877,976	1,788,178
Change in unrealized (depreciation) appreciation in value of investments	(3,519,670)	651,402	(2,868,268)
Balance, December 31, 2019	$ 990,642	$ 366	$ 991,008

	Equities	Bonds	Total
Balance, December 31, 2017	$ 407,129	$ 1,273,869	$ 1,680,998
Interest capitalized on loan	–	104,382	104,382
Outstanding principal and interest received	–	(517,795)	(517,795)
Net transfers in during the year	–	2,515,270	2,515,270
Change in unrealized appreciation in value of investments	2,521,805	580,497	3,102,302
Balance, December 31, 2018	$ 2,928,934	$ 3,956,223	$ 6,885,157

During 2019, term loans valued at $4,080,429 were exchanged for common shares of the same company as a result of a restructuring proceeding.

During the year ended December 31, 2019, there were no significant transfers between Level 1 and Level 2.
During 2018, equities valued at $1,398,890 were transferred from Level 2 to Level 1 due to an increase in liquidity and trading volumes.

During 2018, bonds valued at $2,515,270 were transferred from Level 2 to Level 3 due to a reduction in liquidity and trading volumes.

Financial instruments classified as Level 2 investments are valued based on prices by an independent reportable pricing services company who prices the securities based on recent transactions and quotes received from market participants and through incorporating observable market data.

8. Fair value measurement (continued):

(d) Chou Bond Fund (continued):

Level 3 additional disclosures:

The table below sets out information about significant unobservable inputs used at December 31, 2019 and 2018 in measuring financial instruments categorized as Level 3 in the fair value hierarchy.

December 31, 2019

Securities/Instruments	Line item on the hierarchy table	Fair value ($)	Valuation technique	Unobserv-able input	Range of input value	Possible shift +/- (absolute value/%)	Change in valuation ($) +/-
Equity – Private Company	Equity Security	990,642	Market Approach & Income Approach	Third party	N/A	10%	99,064/ (99,064)
Convertible loan	Convertible Loan	366	Market Approach	Market value of company	N/A	10%	36/ (36)

December 31, 2018

Securities/Instruments	Line item on the hierarchy table	Fair value ($)	Valuation technique	Unobserv-able input	Range of input value	Possible shift +/- (absolute value/%)	Change in valuation ($) +/-
Term loan	Debt Security	2,515,270	Income Approach	Third party	N/A	10%	251,527/ (251,527)
Term loan	Debt Security	1,440,953	Market Approach	Market value of company	N/A	10%	144,095/ (144,095)
Equity – Private Company	Equity Security	2,928,934	Market Approach	Market value of company	N/A	10%	292,893/ (292,893)

Third party source

The price for this security was received from a third-party source whose valuation methodology was model driven and included proxy security to capture interest rate and credit risk. Although the Fund believes that its estimates of fair value are appropriate, different methodologies or assumptions could lead to different measurements of fair value.

8. Fair value measurement (continued):

(e) Chou RRSP Fund:

2019	**Level 1**	**Level 2**	**Level 3**	**Total**
Financial Assets				
Equities	$ 34,780,882	$ –	$ 4,414,229	$ 39,195,111
Bonds	–	3,219,885	100	3,219,985
Options	–	–	–	–
Total	$ 34,780,882	$ 3,219,885	$ 4,414,329	$ 42,415,096
Financial Liabilities				
Equities	$ –	$ –	$ –	$ –
Bonds	–	–	–	–
Options	–	–	–	–
Total	$ –	$ –	$ –	$ –

2018	**Level 1**	**Level 2**	**Level 3**	**Total**
Financial Assets				
Equities	$ 48,607,608	$ –	$ –	$ 48,607,608
Bonds	–	3,219,885	7,624,651	10,844,536
Warrants	–	–	–	–
Options	–	–	–	–
Total	$ 48,607,608	$ 3,219,885	$ 7,624,651	$ 59,452,144
Financial Liabilities				
Equities	$ –	$ –	$ –	$ –
Bonds	–	–	–	–
Options	–	(10,239)	–	(10,239)
Total	$ –	$ (10,239)	$ –	$ (10,239)

The following tables reconcile the Fund’s Level 3 fair value measurement of financial instruments as at December 31, 2019 and December 31, 2018.

	Equities	**Bonds**	**Total**
Balance, December 31, 2018	$ –	$ 7,624,651	$ 7,624,651
Net transfers in during the year	7,413,295	(7,413,195)	100
Proceeds from sales during the year	–	–	–
Net realized gain (loss) on sale of investments	–	–	–
Change in unrealized appreciation in value of investments	(2,999,066)	(211,356)	(3,210,422)
Balance, December 31, 2019	$ 4,414,229	$ 100	$ 4,414,329

8. Fair value measurement (continued):

(e) Chou RRSP Fund (continued):

	Equities	Bonds	Total
Balance, December 31, 2017	$ –	$ –	$ –
Net transfers in during the year	–	7,624,651	7,624,651
Balance, December 31, 2018	$ –	$ 7,624,651	$ 7,624,651

During the years ended December 31, 2019 and 2018, there were no significant transfers between Level 1, Level 2.

During 2019, term loans valued at $7,413,295 were exchanged for common shares of the same company as a result of a restructuring proceeding.

Financial instruments classified as Level 2 investments are valued based on prices by an independent pricing services company who prices the securities based on recent transactions and quotes received from market participants and through incorporating observable market data.

During 2018, bonds valued at $7,624,651 were transferred from Level 2 to Level 3.

Level 3 additional disclosures:

The table below sets out information about significant unobservable inputs used at December 31, 2019 and 2018 in measuring financial instruments categorized as Level 3 in the fair value hierarchy.

December 31, 2019

Securities/Instruments	Line item on the hierarchy table	Fair value ($)	Valuation technique	Unobserv-able input	Range of input value	Possible shift +/- (absolute value/%)	Change in valuation ($) +/-
Equity – Private Company	Equity Security	4,419,229	Market Approach & Income Approach	Third party	N/A	10%	441,923/ (441,923)
Convertible loan	Convertible Loan	100	Market Approach	Market value of company	N/A	10%	10/ (10)

December 31, 2018

Securities/Instruments	Line item on the hierarchy table	Fair value ($)	Valuation technique	Unobserv-able input	Range of input value	Possible shift +/- (absolute value/%)	Change in valuation ($) +/-
Term loan	Debt Security	7,624,651	Income Approach	Third party	N/A	10%	762,465/ (762,465)

8. Fair value measurement (continued):

(e) Chou RRSP Fund (continued):

Third party source

The price for this security was received from a third-party source whose valuation methodology was model driven and included proxy security to capture interest rate and credit risk. Although the Fund believes that its estimates of fair value are appropriate, different methodologies or assumptions could lead to different measurements of fair value.

9. 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 years.

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

	2019	2018
Chou Associates Fund		
Capital loss carryforward	$ 12,981,174	$ –
Chou Europe Fund		
Capital loss carryforward	3,451,693	3,048,569
Non-capital loss carryforward	50,174	50,174
Chou Bond Fund		
Capital loss carryforward	9,681,833	11,217,036
Chou RRSP Fund		
Capital loss carryforward	2,773,197	463,488
Chou Asia Fund		
Capital loss carryforward	167,964	167,964

10. Fund valuation adjustment:

Subsequent to December 31, 2019, the Chou Bond Fund identified an interest income accrued amount of $178,377 from a Level 3 term loan investment that did not meet the IFRS interest income recognition criteria as at December 31, 2019. This resulted in an overstatement of the Net Asset Value ("NAV") as at December 31, 2019. As a result, the Chou Bond Fund did not accurately reflect the actual NAV at the time of computation for transactional purposes for all capital stock transactions in the Fund with a trade date of December 31, 2019 to January 9, 2020. No other transactions were impacted by this error.

In March 2020, the error was retroactively corrected, and the NAV was restated for the affected period, December 31, 2019 to January 9, 2020. The financial statements of the Chou Bond Fund correctly reflect the Net Assets Attributable to Unitholders of Redeemable Units as at December 31, 2019. Adjustments were made in accordance with Chou Bond Fund's NAV error procedures.

The following table illustrates the adjustments made to the NAV to reflect the correction in the interest income from the Level 3 investment on December 31, 2019:

Class:	**Unadjusted Net Asset Value per Unit as at Dec. 31, 2019**	**Adjustment to reflect the effects of over valuation:**	**Adjusted Net Asset Value per Unit as at Dec.31, 2019**
Canadian Dollars:			
Bond Fund (series A)	$6.02	($0.12)	$5.91
Bond Fund (series F)	$6.18	($0.12)	$6.06
U.S. Dollars:			
Bond Fund (series A)	$4.64	($0.09)	$4.55
Bond Fund (series F)	$4.76	($0.09)	$4.67

11. Subsequent events – Decline in the fair value of investments:

Since December 31, 2019, the outbreak of COVID-19 and related global responses have caused material disruptions to businesses around the world, leading to an economic slowdown. Global equity markets have experienced significant volatility and weakness. As at April 30, 2020, the date that these financial statements were authorized for issue, the fair value of the Funds' investments had declined significantly.

While governments and central banks have reacted with monetary and fiscal interventions designed to stabilize economic conditions, the duration and extent of the impact of the COVID-19 outbreak, as well as the effectiveness of government and central bank responses, remains unclear at this time.

These subsequent changes in the fair value of the Funds' investments are not reflected in the financial statements as at December 31, 2019.

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

CHOU ASIA FUND

Period ended	**Total value of shares**
Dec.31, 2003	$10,000
Dec.31, 2004	11,850
Dec.31, 2005	12,678
Dec.31, 2006	14,598
Dec.31, 2007	16,972
Dec.31, 2008	13,979
Dec.31, 2009	17,015
Dec.31, 2010	18,786
Dec.31, 2011	17,931
Dec.31, 2012	17,609
Dec.31, 2013	21,799
Dec.31, 2014	23,472
Dec.31, 2015	24,760
Dec.31, 2016	25,284
Dec.31, 2017	30,625
Dec.31, 2018	26,728
Dec.31, 2019	**$27,001**

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
Dec.31, 2016	12,705
Dec.31, 2017	13,161
Dec.31, 2018	11,856
Dec.31, 2019	**$11,495**

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
Dec.31, 2016	18,411
Dec.31, 2017	18,114
Dec.31, 2018	20,805
Dec.31, 2019	**$15,582**

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
Dec.31, 2016	126,719
Dec.31, 2017	154,716
Dec.31, 2018	143,655
Dec.31, 2019	**$118,267**

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

The table is presented only to illustrate the effects of the compound growth rate and is not intended to reflect future values of the mutual funds or returns on the mutual funds. Commissions, trailing commissions, management fees and expenses all may be associated with mutual fund investments. Please read the prospectus before investing.

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