

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

SEMI-ANNUAL REPORT

2007

CHOU ASSOCIATES FUND
(Unaudited)

Illustration of an Assumed Investment of \$10,000 in Canadian dollars

Period Ended	Value of Initial \$10,000 Investment	Value of Cumulative Reinvested Capital Distributions	Value of Cumulative Reinvested Dividends	Total Value of Shares
Dec.31, 1986	\$10,000	0	0	10,000
Dec.31, 1987	9,259	506	737	10,502
Dec.31, 1988	9,765	1,129	1,106	12,001
Dec.31, 1989	10,861	1,601	1,783	14,244
Dec.31, 1990	8,973	1,322	2,427	12,722
Dec.31, 1991	10,213	2,269	3,198	15,681
Dec.31, 1992	12,030	2,843	3,944	18,817
Dec.31, 1993	13,343	4,147	4,374	21,863
Dec.31, 1994	12,863	3,998	4,440	21,300
Dec.31, 1995	15,281	6,960	5,663	27,904
Dec.31, 1996	18,370	8,367	7,498	34,235
Dec.31, 1997	21,068	14,882	12,085	48,035
Dec.31, 1998	23,975	19,892	15,320	59,187
Dec.31, 1999	21,216	18,470	13,803	53,489
Dec.31, 2000	21,345	18,891	17,731	57,967
Dec.31, 2001	23,975	24,377	22,045	70,397
Dec.31, 2002	29,775	33,657	28,072	91,504
Dec.31, 2003	30,194	36,111	28,467	94,773
Dec.31, 2004	32,241	40,446	30,632	103,319
Dec.31, 2005	36,014	45,180	36,268	117,462
Dec.31, 2006	42,194	52,933	44,384	139,511
June 30, 2007				<u>139,651</u>

Note: Rates of return are historical total returns including 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 which 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.

CHOU FUNDS

PERFORMANCE OF THE FUNDS

Chou Associates Fund

6 months ended June 30, 2007

Series A \$Cdn	0.1%
Series A \$US	9.7%
Series F \$Cdn	0.3%
Series F \$US	9.9%

Chou Asia Fund

Series A \$Cdn	17.8%
Series A \$US	29.1%
Series F \$Cdn	18.2%
Series F \$US	29.5%

Chou Europe Fund

Series A \$Cdn	-4.5%
Series A \$US	4.7%
Series F \$Cdn	-4.3%
Series F \$US	4.9%

Chou Bond Fund

Series A \$Cdn	2.5%
Series A \$US	12.3%
Series F \$Cdn	2.6%
Series F \$US	12.4%

Chou RRSP Fund

Series A \$Cdn	4.6%
Series A \$US	14.6%
Series F \$Cdn	4.9%
Series F \$US	14.9%

TABLE OF CONTENTS

Chou Associates Fund Manager's Letter	1-4
Chou Associates Fund	
Statement of Net Assets	5
Statement of Operations	6
Statement of Changes in Net Assets	7
Statement of Investments	8-9
Schedule of Derivatives	9
Chou Asia Fund	
Fund Manager's Letter	10
Statement of Net Assets	11
Statement of Operations	12
Statement of Changes in Net Assets	13
Statement of Investments & Schedule of Derivatives	14
Chou Europe Fund	
Fund Manager's Letter	15
Statement of Net Assets	16
Statement of Operations	17
Statement of Changes in Net Assets	18
Statement of Investments	19
Chou Bond Fund	
Fund Manager's Letter	20
Statement of Net Assets	21
Statement of Operations	22
Statement of Changes in Net Assets	23
Statement of Investments	24
Chou RRSP Fund	
Fund Manager's Letter	25-28
Statement of Net Assets	29
Statement of Operations	30
Statement of Changes in Net Assets	31
Statement of Investments	32
Schedule of Derivatives	33
Notes to Financial Statements	34-41

CHOU ASSOCIATES FUND

August 9, 2007

Dear Unitholders of Chou Associates Fund,

The net asset value (“NAVPU” or “NAV”) of a Series A unit of Chou Associates Fund at June 30, 2007 was \$91.70 compared to \$91.65 at December 31, 2006, an increase of 0.1%, while the S&P 500 Total Return Index fell 2.6% in Canadian dollars. In \$US, a Series A unit of Chou Associates Fund returned 9.7% while the S&P 500 Total Return Index gained 7.0%.

The table below shows our 6 month, 1 year, 3 year, 5 year, 10 year and 15 year annual compound rates of return.

June 30, 2007 (Series A units)	6 Month	Past Year	Past 3 Years	Past 5 Years	Past 10 Years	Past 15 Years
Chou Associates(\$Cdn)	0.1%	11.1%	12.1%	11.4%	12.8%	15.4%
S&P500 (\$Cdn)	-2.6%	14.8%	3.4%	3.0%	4.3%	10.3%
Chou Associates(\$US) ¹	9.7%	16.5%	20.9%	19.7%	15.8%	16.2%
S&P500 (\$US)	7.0%	20.6%	11.6%	10.6%	7.1%	11.1%

Rates of return are historical total returns including 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 which 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 2007 results

The strength of the Canadian dollar against the US dollar, the pound sterling, the Euro and the Japanese yen had the biggest negative impact on the results of the Fund. For a more accurate reflection of the results, the investor should take the average of the \$Cdn and \$US results.

Our average month-end cash balance of 44% of net assets has had a restraining effect on returns. We chose to maintain cash because we were not able to find investments meeting our Margin of Safety criteria.

General comments on the market

Despite the current turmoil in the marketplace we continue to have problems finding compelling bargains in common stocks. We are starting, however, to see some interesting developments. The prices of public debt securities of some companies have come down to levels that may provide

¹The 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(\$Cdn). The investments in the Chou Associates Fund (\$Cdn) are the same as the investments in Chou Associates Fund(\$US) except for the currency applied.

returns similar to equities. These securities also come with the added safety feature of being senior to equities in the corporate capital structure.

While the prices of public debt securities are starting to look cheap, they are not as cheap as they once were in the year 2000. The current yield to maturity (YTM) for some of these more attractively priced debt securities is approaching 12%, whereas in the year 2000 they were closer to 30%. Consider also that the bank debt (which is senior to public debt) appears to be disproportionately large relative to public debt when compared to the historical average. As such, the public debt may not be as safe, or have as much asset coverage as it has had in the past.

Fallout among subprime mortgage participants

In the Chou Funds Annual Report 2006 dated March 2, 2007, we wrote that “Some of the greatest excesses of easy credit were committed by subprime mortgage lenders. Credit standards were so lax and liberal that homeowners didn’t even need to produce verification of income to be able to borrow up to 100% or more of the appraised value of their houses.....Some optimists believe that the worst is over. However, they may be in for a surprise. Instead of it being the darkest hour before the dawn, it could be the darkest hour before pitch black. It will take a while (and maybe a long while) for the excesses to wring themselves out of the system.”

Since that document was issued, a number of fund companies involved with, or invested in, subprime companies have reported serious problems, and each day we hear of more institutions that have been affected. Below is a sampling of reports from various media sources:

- 1) Hedge fund firm Sowood Capital said it suffered losses of more than \$1.5 billion in July, halving the value of its assets, and will close its two funds. Source: Wall Street Journal, August 3, 2007.
- 2) Bear Stearns Cos. filed for bankruptcy protection for two of its hedge funds in both Cayman Islands and US courts, citing losses related to subprime lending.....Separately, Bear Stearns said today it had halted redemptions from a third fund after investors demanded their money back. Source: Bloomberg, July 31, 2007.
- 3) Macquarie Bank has warned that two of its debt funds could face losses of more than A\$300 million (Australian) but stressed the funds were not exposed to the US subprime mortgage market. Source: Financial Times, August 1, 2007.
- 4) Troubles in the US mortgage market have forced bailouts of a European mutual fund and a German Bank – signaling the risk of the mortgage situation to lenders and insurers, not just fund investors. French insurer AXA SA’s money-management firm unit has offered to cash out investors in a billion dollar bond fund after the fund shrank in size by about 40% last month....Separately, a German state-owned development bank, KfW, said it assumed “expected possible losses” of as much as 1 billion Euros (\$1.37 billion) from German midsize lender IKB Deutsche Industriebank AG, which also has been hit by exposure to the US subprime market. Source: Wall Street Journal, August 3, 2007.
- 5) American Home Mortgage Corp. filed for bankruptcy protection on Monday, the latest casualty of a mortgage industry that has plunged into distress. Source: Associated Press, August 6, 2007.

We suspect that the repercussions associated with subprime lending will spread even further. Gary Shilling from A. Gary Shilling & Co., Inc., Economic Consultants and Investment Advisors (www.agaryshilling.com), wrote in a recent article, “The biggest jolt from the Bear Bust is the realization that collateralized debt obligations -- pools of debt instruments, especially

mortgage-backed securities -- are illiquid, trade infrequently and are carried on hedge fund books at what charitably can be called fuzzy prices. When Merrill Lynch tried to sell \$850 million in CDO collateral for loans to Bear Stearns' troubled funds, some pieces fetched bids of only **30 cents on the dollar**. Highly prized on Wall Street until recently, CDOs, of which \$500 billion were issued last year, are supposed to reduce risk. But they have been vastly overvalued by highly subjective and sometimes self-serving models. This approach is anathema to the Securities & Exchange Commission, which is investigating CDO prices and Bear's troubled hedge funds. Meanwhile, investors are fleeing, the CDO market is drying up, and their yields are jumping as rating downgrades multiply.”

At this time we prefer to steer clear of all financial and housing related companies. We are an interested observer and keen to see how subsequent events unfold – especially when some financial products may have to be marked down – perhaps not as low as 30 cents on the dollar, but possibly 50 cents on the dollar. The ‘mark to model’ may have to change its name to ‘mark to mayhem.’

High cash holding is a big plus

Our high cash holding is a big plus in this uncertain environment and will allow us to take advantage of situations as they arise. We continue to look diligently for undervalued stocks and will buy them only when they meet our quality and Margin of Safety price criteria. We hope to find these bargain stocks in industries that may be tarred with the same brush affecting the housing and subprime industries but that are, otherwise, not involved with them.

A word of caution: Markets are inherently volatile in the short term and this can, therefore, affect the Fund adversely, short term, in spite of the Fund’s high cash holding. While the Fund has never suffered large annual losses, they are certainly possible. Having said that, securities that the Fund holds are cheap relative to what they are worth, and as such, performance numbers should work out reasonably well in the long run. That has been our experience. Nonetheless, the amount of money that investors choose to invest in the Fund should only be to the extent that they can afford to lose 40% or more of their investment. This may sound drastic, but sleeping well is also an important consideration.

Other matters

Foreign Currency Hedging: No currency hedges existed during the year.

Credit Default Swap (CDS): None has been purchased to date.

\$US Dollar Valuation: Any investor who wishes to purchase the Chou Funds in \$US will now be able to do so.

New Service Providers: Effective November 6, 2006, Citigroup Fund Services Canada, Inc. (CFSC) and its affiliates are the new service providers of fund operation to the Chou Funds.

Concentra Financial is providing the Chou Funds with trustee services for registered products such as administering plans for RRSPs, RRIFs, LRIFs and LIFs.

Fee Based Series (“F”) units: Due to repeated requests from financial planners and dealers, we introduced a new Series of units called Series F units in September 2005. In this Series the

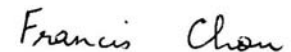
dealers will not receive any trailer fees but they can charge any fee with the consent of their client.

Redemption Fee: We have a redemption fee of 2% if unitholders redeem their units in less than 2 years. None of this fee goes to the Fund Manager. It is put back into the Fund for the benefit of the remaining unitholders. We hope this fee is enough to dissuade short-term investors from jumping in and out of the Fund to chase possible short-term performance.

As of August 3, 2007, the NAV of a Series A unit of the Fund was \$87.69 and the cash position was 45% of net assets. The Fund is down 4.3% from the beginning of the year. In \$US, it is up 5.9%.

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,

A handwritten signature in cursive script that reads "Francis Chou".

Francis Chou

Fund Manager

CHOU ASSOCIATES FUND
STATEMENT OF NET ASSETS
AS AT JUNE 30, 2007
(Unaudited)

	2007	DEC 31, 2006
ASSETS		
Cash and treasury bills	\$ 391,791,440	\$ 265,801,886
Accrued interest and dividend income	3,367,737	3,539,442
Receivable for units subscribed	3,352,720	5,598,961
Receivable for investment sold	628,359	-
Investments	<u>421,247,329</u>	<u>386,650,787</u>
	<u>820,387,585</u>	<u>661,591,076</u>
LIABILITIES		
Accrued expenses	1,078,189	996,756
Payable for units redeemed	410,396	769,324
Distributions payable	-	171,898
Liability for investment purchased	<u>9,599,334</u>	<u>9,467,269</u>
	<u>11,087,919</u>	<u>11,405,247</u>
NET ASSETS	<u>\$ 809,299,666</u>	<u>\$ 650,185,829</u>

NET ASSETS, BY SERIES

Series A	\$ 753,221,923	\$ 614,043,756
Series F	<u>56,077,743</u>	<u>36,142,073</u>
	<u>\$ 809,299,666</u>	<u>\$ 650,185,829</u>

NUMBER OF UNITS OUTSTANDING (Note 3)

Series A	8,225,253	6,700,136
Series F	612,368	395,408

NET ASSET VALUE PER UNIT

Canadian dollars

Series A	\$ 91.57	\$ 91.65
Series F	\$ 91.58	\$ 91.40

U.S. dollars

Series A	\$ 86.13	\$ 78.65
Series F	\$ 86.13	\$ 78.45

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

Francis Chou

Tracy Chou

CHOU ASSOCIATES FUND
STATEMENT OF OPERATIONS
FOR THE SIX MONTHS ENDED JUNE 30, 2007
(Unaudited)

	2007	2006
INVESTMENT INCOME		
Interest	\$ 9,561,312	\$ 5,162,630
Dividends	7,487,812	960,318
Interest from securities lending	965,258	476,180
Other income	<u>-</u>	<u>231,187</u>
	<u>18,014,382</u>	<u>6,830,315</u>
EXPENSES		
Management fees (Note 5)	5,734,929	3,269,548
Custodian fees	330,765	264,605
Foreign withholding taxes	195,449	200,880
Audit	36,008	20,000
Filing fees	18,144	16,000
FundSERV fees	12,765	9,886
Legal	<u>4,025</u>	<u>4,990</u>
	<u>6,332,085</u>	<u>3,785,909</u>
NET INVESTMENT INCOME FOR THE PERIOD	<u>11,682,297</u>	<u>3,044,406</u>
NET REALIZED AND UNREALIZED GAIN (LOSS)		
Transaction costs	(91,347)	-
Net realized gain (loss) on sale of investments	(3,096,423)	11,896,740
Unrealized gain (loss)	<u>(9,761,526)</u>	<u>11,599,195</u>
	<u>(12,949,296)</u>	<u>23,495,935</u>
INCREASE (DECREASE) IN NET ASSETS FROM OPERATIONS	<u>\$ (1,266,999)</u>	<u>\$ 26,540,341</u>
INCREASE (DECREASE) IN NET ASSETS FROM OPERATIONS		
Series A	\$ (1,135,132)	\$ 25,923,381
Series F	<u>(131,867)</u>	<u>616,960</u>
	<u>\$ (1,266,999)</u>	<u>\$ 26,540,341</u>
INCREASE (DECREASE) IN NET ASSETS FROM OPERATIONS, PER UNIT		
Series A	\$ (0.15)	\$ 5.32
Series F	\$ (0.26)	\$ 4.40

CHOU ASSOCIATES FUND
STATEMENT OF CHANGES IN NET ASSETS
FOR THE PERIOD ENDED JUNE 30, 2007
(Unaudited)

	2007	2006
SERIES A		
NET ASSETS , beginning of the period	\$ 614,043,756	\$ 342,333,898
Change in accounting policy (Note 2(a))	<u>(2,168,077)</u>	<u>-</u>
	611,875,679	342,333,898
Increase (decrease) in net assets from operations	(1,135,132)	25,923,381
Proceeds from issue of units	159,049,535	104,749,910
Payments on redemption of units	(16,568,710)	(55,595,149)
Distribution of income to unitholders		
Investment income	-	-
Realized gains	-	-
Reinvested distributions	<u>551</u>	<u>-</u>
NET ASSETS , end of the period	<u>753,221,923</u>	<u>417,412,040</u>
SERIES F		
NET ASSETS , beginning of the period	36,142,073	3,495,672
Change in accounting policy (Note 2(a))	<u>(126,810)</u>	<u>-</u>
	36,015,263	3,495,672
Increase (decrease) in net assets from operations	(131,867)	616,960
Proceeds from issue of units	21,116,146	15,652,177
Payments on redemption of units	(921,715)	(206,084)
Distribution of income to unitholders		
Investment income	-	-
Realized gains	-	-
Reinvested distributions	<u>(84)</u>	<u>-</u>
NET ASSETS , end of the period	<u>56,077,743</u>	<u>19,558,725</u>
TOTAL NET ASSETS , end of the period	<u>\$ 809,299,666</u>	<u>\$ 436,970,765</u>

CHOU ASSOCIATES FUND
STATEMENT OF INVESTMENTS
AS AT JUNE 30, 2007
(Unaudited)

	No. of Shares or Par Value	Cost	Market Value
SHARES*			
Alpha Natural Resources Inc.	379,700	\$ 6,299,706	\$ 8,389,242
Atlantic Coast Entertainment Holdings Inc.	136,812	1,468	2,472,918
Berkshire Hathaway Inc., Class A	210	21,727,432	24,337,859
Biovail Corporation	480,100	8,209,122	12,938,695
Blue Ocean Re Holdings Ltd.	179,704	9,241,850	6,767,728
BT Group PLC	1,850,000	7,655,743	13,124,627
Cardinal Health Inc.	37,000	2,021,143	2,777,823
EchoStar Communications Corp., Class A	50,000	1,689,844	2,303,006
Flagstone Reinsurance Holdings Ltd.	1,700,000	19,926,987	24,058,224
IDT Corporation, Class B	87,300	967,896	956,066
Interstate Bakeries Corporation	383,500	2,308,230	1,141,721
King Pharmaceuticals Inc.	1,190,000	14,588,878	25,824,181
Royal Boskalis Westminster nv	1,081,101	11,590,142	45,872,993
Media General Inc., Class A	119,900	4,294,199	4,240,119
Olympus Re Holdings Ltd.	1,652,836	10,235,125	11,387,839
Overstock.com Inc.	1,504,209	31,016,174	28,628,447
Sears Holdings Corporation	133,700	4,101,890	24,031,626
Sprint Nextel Corporation	430,000	9,419,074	9,459,442
Sun-Times Media Group Inc.	2,522,100	13,878,980	13,998,110
The DirecTV Group Inc.	475,000	7,524,175	11,661,492
Time Warner Cable Inc.	115,877	3,537,955	4,821,073
Utah Medical Products Inc.	79,230	1,831,102	2,599,694
UTStarcom Inc.	1,050,000	7,528,654	6,318,912
Verizon Communications Inc.	265,727	9,406,073	11,626,316
Watson Pharmaceuticals Inc.	400,000	11,876,101	13,813,782
Westwood One Inc.	280,600	2,082,593	2,139,161
XO Holdings Inc.	2,957,554	13,018,615	14,025,041
		235,979,151	329,716,137

CHOU ASSOCIATES FUND
STATEMENT OF INVESTMENTS (CONTINUED)
AS AT JUNE 30, 2007
(Unaudited)

	No. of Shares or Par Value	Cost	Market Value
BONDS			
Collins & Aikman Corp. bank debts	5,000,000	4,471,467	1,754,366
Collins & Aikman Corp. bank debts	5,000,000	4,668,324	1,754,367
Global Crossing (UK), 10.75%, Dec 15, 2014	16,660,000	18,976,677	19,219,466
Level 3 Comm. Inc., 6.0%, Mar 15, 2010	15,750,000	10,689,324	16,076,384
Level 3 Comm. Inc., 6.0%, Sep 15, 2009	13,523,000	8,601,386	13,982,964
Overstock.com Inc., 3.75%, Dec 1, 2011	6,825,000	5,483,607	6,007,242
Primus Telecomm., 14.25%, May 20, 2011	21,500,000	25,218,537	23,545,736
UTStarcom Inc., 7.625%, Mar 1, 2008	9,130,000	7,403,697	9,686,143
		<u>85,513,019</u>	<u>92,026,668</u>
TOTAL EQUITIES AND BONDS		321,492,170	421,742,805
DERIVATIVES (Schedule 1)		(439,903)	(495,476)
TRANSACTION COSTS		(821,097)	-
PORTFOLIO TOTAL		<u>\$ 320,231,170</u>	<u>\$ 421,247,329</u>

* Common Shares Unless Indicated Otherwise.

CHOU ASSOCIATES FUND
SCHEDULE OF DERIVATIVES
AS AT JUNE 30, 2007

Schedule 1		(Unaudited)			
Written Call Options	Expiry Date	Strike Price	Number	Cost	Market Value
EchoStar Comm. Corp.	Jan 2008	\$ 40	500	\$ (245,362)	\$ (329,608)
The DirecTV Group Inc.	Jan 2008	22.5	500	(157,195)	(138,223)
The DirecTV Group Inc.	Jan 2008	25	200	(37,346)	(27,645)
				<u>\$ (439,903)</u>	<u>\$ (495,476)</u>

CHOU ASIA FUND

August 9, 2007

Dear Unitholders of Chou Asia Fund,

The net asset value (“NAVPU” or “NAV”) of a Series A unit of Chou Asia Fund at June 30, 2007 was \$17.06 compared to \$14.48 at December 31, 2006, an increase of 17.8%, while the MSCI AC (Morgan Stanley Capital International All Country) Asia Pacific Total Return Index (\$Cdn) gained 0.0%. In \$US, a Series A unit of Chou Asia Fund returned 29.1% while the MSCI AC Asia Pacific Total Return Index gained 9.9%.

The table below shows our 6 month, 1 year, 3 year and since inception annual compound rates of return.

June 30, 2007 (Series A Units)	6 Month	Past Year	Past 3 Years	Since Inception
Chou Asia Fund	17.8%	31.0%	14.7%	16.3%
MSCI AC Asia Pacific (Total Return) (\$ Cdn)	0.0%	17.1%	12.0%	13.3%

Rates of return are historical total returns including 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 which 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.

Major contributors to the Fund’s performance were Hanfeng Evergreen Inc. and Glacier Ventures International Corporation. We suffered declines in Sears Holdings Corporation and UTStarcom Inc.

The strength of the Canadian dollar against the US dollar and the Japanese yen had the biggest negative impact on the results of the Fund. For a more accurate reflection of the results, the investor should take the average of the \$Cdn and \$US results.

Our average month-end cash balance of 53% of net assets has had a restraining effect on returns. We chose to maintain cash because we were not able to find investments meeting our Margin of Safety criteria.

As of August 3, 2007, the NAV of a Series A unit of the Fund was \$16.92 and the cash position was 58% of assets. The Fund is up 16.9% from the beginning of the year. In \$US, it is up 29.4%.

Yours truly,



Francis Chou

CHOU ASIA FUND
STATEMENT OF NET ASSETS
AS AT JUNE 30, 2007
(Unaudited)

	2007	DEC 31, 2006
ASSETS		
Cash and treasury bills	\$ 35,674,268	\$ 25,097,316
Accrued interest and dividend income	69,767	94,485
Receivable for units subscribed	614,447	214,357
Investments	<u>30,239,684</u>	<u>18,542,020</u>
	<u>66,598,166</u>	<u>43,948,178</u>
LIABILITIES		
Accrued expenses	90,411	71,040
Payable for units redeemed	115,567	22,462
Distributions payable	<u>-</u>	<u>4,901</u>
	<u>205,978</u>	<u>98,403</u>
NET ASSETS	<u>\$ 66,392,188</u>	<u>\$ 43,849,775</u>

NET ASSETS, BY SERIES

Series A	\$ 63,296,812	\$ 41,889,091
Series F	<u>3,095,376</u>	<u>1,960,684</u>
	<u>\$ 66,392,188</u>	<u>\$ 43,849,775</u>

NUMBER OF UNITS OUTSTANDING (Note 3)

Series A	3,715,511	2,892,966
Series F	<u>181,998</u>	<u>136,072</u>

NET ASSET VALUE PER UNIT

Canadian dollars

Series A	\$ 17.04	\$ 14.48
Series F	\$ 17.01	\$ 14.41

U.S. dollars

Series A	\$ 16.02	\$ 12.43
Series F	\$ 16.00	\$ 12.37

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

Francis Chou

Tracy Chou

CHOU ASIA FUND
STATEMENT OF OPERATIONS
FOR THE SIX MONTHS ENDED JUNE 30, 2007
(Unaudited)

	2007	2006
INVESTMENT INCOME		
Interest	\$ 573,985	\$ 336,087
Dividends	<u>117,164</u>	<u>67,805</u>
	<u>691,149</u>	<u>403,892</u>
EXPENSES		
Management fees (Note 5)	422,154	281,207
Custodian fees	26,217	17,661
Foreign withholding taxes	14,156	7,282
Audit	11,496	7,490
Legal	1,914	-
FundSERV fees	1,566	1,800
Filing fees	<u>1,303</u>	<u>4,800</u>
	<u>478,806</u>	<u>320,240</u>
NET INVESTMENT INCOME FOR THE PERIOD	<u>212,343</u>	<u>83,652</u>
NET REALIZED AND UNREALIZED GAIN (LOSS)		
Transaction costs	(12,189)	-
Net realized gain on sale of investments	627,652	112,372
Unrealized gain	<u>7,701,015</u>	<u>914,062</u>
	<u>8,316,478</u>	<u>1,026,434</u>
INCREASE IN NET ASSETS FROM OPERATIONS	<u>\$ 8,528,821</u>	<u>\$ 1,110,086</u>
INCREASE IN NET ASSETS FROM OPERATIONS		
Series A	\$ 8,120,998	\$ 1,106,351
Series F	<u>407,823</u>	<u>3,735</u>
	<u>\$ 8,528,821</u>	<u>\$ 1,110,086</u>
INCREASE IN NET ASSETS FROM OPERATIONS, PER UNIT		
Series A	\$ 2.49	\$ 0.41
Series F	\$ 2.53	\$ 0.18

CHOU ASIA FUND
STATEMENT OF CHANGES IN NET ASSETS
FOR THE PERIOD ENDED JUNE 30, 2007
(Unaudited)

	2007	2006
SERIES A		
NET ASSETS , beginning of the period	\$ 41,889,091	\$ 32,042,452
Change in accounting policy (Note 2(a))	<u>(39,439)</u>	<u>-</u>
	41,849,652	32,042,452
Increase in net assets from operations	8,120,998	1,106,351
Proceeds from issue of units	15,018,352	5,278,436
Payments on redemption of units	(1,692,190)	(2,508,333)
Distribution of income to unitholders		
Investment income	-	-
Realized gains	-	-
Reinvested distributions	<u>-</u>	<u>-</u>
NET ASSETS , end of the period	<u>63,296,812</u>	<u>35,918,906</u>
SERIES F		
NET ASSETS , beginning of the period	1,960,684	140,098
Change in accounting policy (Note 2(a))	<u>(1,832)</u>	<u>-</u>
	1,958,852	140,098
Increase in net assets from operations	407,823	3,735
Proceeds from issue of units	834,701	449,365
Payments on redemption of units	(106,000)	(10,327)
Distribution of income to unitholders		
Investment income	-	-
Realized gains	-	-
Reinvested distributions	<u>-</u>	<u>-</u>
NET ASSETS , end of the period	<u>3,095,376</u>	<u>582,871</u>
TOTAL NET ASSETS , end of the period	<u>\$ 66,392,188</u>	<u>\$ 36,501,777</u>

CHOU ASIA FUND
STATEMENT OF INVESTMENTS
AS AT JUNE 30, 2007
(Unaudited)

	No. of Shares or Par Value	Cost	Market Value
SHARES*			
Aiful Corporation	32,950	\$ 1,096,590	\$ 1,002,414
Chunghwa Telecom Company Ltd. ADR	72,500	1,546,601	1,453,839
Delta Electronics Public Company Ltd.	1,763,300	897,401	1,351,175
ElectroTech Investments Limited	647,000	231,496	235,999
Glacier Ventures International Corporation	946,579	2,556,000	3,559,137
Hanfeng Evergreen Inc.	1,131,250	2,697,389	13,518,437
Nippon Television Network Corporation	3,110	549,841	450,284
Sankyo Company Ltd.	30,000	1,491,300	1,339,270
Sears Holdings Corporation	14,000	447,495	2,516,400
Telecom Corporation of New Zealand Ltd.	80,000	1,823,300	2,374,881
UTStarcom Inc.	230,000	<u>1,528,112</u>	<u>1,384,143</u>
		14,865,525	29,185,979
BONDS			
UTStarcom Inc., 7.625%, Mar 1, 2008	1,000,000	<u>759,196</u>	<u>1,060,946</u>
TOTAL EQUITIES AND BONDS		15,624,721	30,246,925
DERIVATIVES (Schedule 1)		(62,764)	(7,241)
TRANSACTION COSTS		<u>(40,616)</u>	<u>-</u>
PORTFOLIO TOTAL		<u>\$ 15,521,341</u>	<u>\$ 30,239,684</u>

* Common shares unless indicated otherwise

CHOU ASIA FUND
SCHEDULE OF DERIVATIVES
AS AT JUNE 30, 2007

Schedule 1		(Unaudited)			
Written Call Options	Expiry Date	Strike Price	Number	Cost	Market Value
UTStarcom Inc.	Jan 2008	12.50	454	\$ (62,764)	\$ (7,241)

CHOU EUROPE FUND

August 9, 2007

Dear Unitholders of Chou Europe Fund,

The net asset value (“NAVPU” or “NAV”) of a Series A unit of Chou Europe Fund at June 30, 2007 was \$13.37 compared to \$14.00 at December 31, 2006, a decrease of 4.5%, while the MSCI AC (Morgan Stanley Capital International All Country) Europe Total Return Index (\$Cdn) gained 3.0%. In \$US, a Series A unit of Chou Europe Fund returned 4.7% while the MSCI AC Europe Total Return Index gained 13.1%.

The table below shows our 6 month, 1 year, 3 year and since inception annual compound rates of return.

June 30, 2007 (Series A Units)	6 Month	Past Year	Past 3 Years	Since Inception
Chou Europe Fund	-4.5%	4.6%	8.0%	9.3%
MSCI AC Europe (Total Return)(\$ Cdn)	3.0%	27.0%	16.3%	18.2%

Rates of return are historical total returns including 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 which 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.

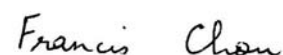
Major contributor to the Fund’s performance was Glacier Ventures International Corporation. We suffered declines in Hollinger Inc. and Penn Treaty American Corporation.

The strength of the Canadian dollar against the US dollar, the pound sterling and the Euro had the biggest negative impact on the results of the Fund. For a more accurate reflection of the results, the investor should take the average of the \$Cdn and \$US results.

Our average month-end cash balance of 48% of net assets has had a restraining effect on returns. We chose to maintain cash because we were not able to find investments meeting our Margin of Safety criteria.

As of August 3, 2007, the NAV of a Series A unit the Fund was \$12.98 and the cash position was 42% of assets. The Fund is down 7.3% from the beginning of the year. In \$US, it is up 2.6%.

Yours truly,



Francis Chou

CHOU EUROPE FUND
STATEMENT OF NET ASSETS
AS AT JUNE 30, 2007
(Unaudited)

	2007	DEC 31, 2006
ASSETS		
Cash and treasury bills	\$ 7,190,605	\$ 7,917,690
Accrued interest and dividend income	88,325	110,718
Receivable for units subscribed	-	99,107
Investments	<u>10,571,295</u>	<u>9,314,217</u>
	<u>17,850,225</u>	<u>17,441,732</u>
LIABILITIES		
Accrued expenses	27,352	21,166
Payable for units redeemed	24,092	18
Distributions payable	<u>-</u>	<u>8,470</u>
	<u>51,444</u>	<u>29,654</u>
NET ASSETS	\$ 17,798,781	\$ 17,412,078
NET ASSETS, BY SERIES		
Series A	\$ 15,885,173	\$ 15,919,121
Series F	<u>1,913,608</u>	<u>1,492,957</u>
	<u>\$ 17,798,781</u>	<u>\$ 17,412,078</u>
NUMBER OF UNITS OUTSTANDING (Note 3)		
Series A	1,193,588	1,137,019
Series F	<u>144,265</u>	<u>107,261</u>
NET ASSET VALUE PER UNIT		
Canadian dollars		
Series A	\$ 13.31	\$ 14.00
Series F	\$ 13.26	\$ 13.92
U.S. dollars		
Series A	\$ 12.52	\$ 12.02
Series F	<u>\$ 12.48</u>	<u>\$ 11.95</u>

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

Francis Chou

Tracy Chou

CHOU EUROPE FUND
STATEMENT OF OPERATIONS
FOR THE SIX MONTHS ENDED JUNE 30, 2007
(Unaudited)

	2007	2006
INVESTMENT INCOME		
Interest	\$ 318,603	\$ 242,853
Dividends	<u>26,210</u>	<u>16,538</u>
	<u>344,813</u>	<u>259,391</u>
EXPENSES		
Management fees (Note 5)	137,705	114,591
Custodian fees	8,397	7,251
Audit	8,160	7,490
Foreign withholding taxes	3,358	2,789
Legal	2,090	500
FundSERV fees	538	824
Filing fees	<u>447</u>	<u>2,100</u>
	<u>160,695</u>	<u>135,545</u>
NET INVESTMENT INCOME FOR THE PERIOD	<u>184,118</u>	<u>123,846</u>
NET REALIZED AND UNREALIZED GAIN (LOSS)		
Transaction costs	(6,625)	-
Net realized loss on sale of investments	(341,155)	(147,035)
Unrealized gain (loss)	<u>(772,405)</u>	<u>126,203</u>
	<u>(1,120,185)</u>	<u>(20,832)</u>
INCREASE (DECREASE) IN NET ASSETS FROM OPERATIONS	<u>\$ (936,067)</u>	<u>\$ 103,014</u>
INCREASE (DECREASE) IN NET ASSETS FROM OPERATIONS		
Series A	\$ (844,143)	\$ 108,220
Series F	<u>(91,924)</u>	<u>(5,206)</u>
	<u>\$ (936,067)</u>	<u>\$ 103,014</u>
INCREASE (DECREASE) IN NET ASSETS FROM OPERATIONS, PER UNIT		
Series A	\$ (0.71)	\$ 0.10
Series F	<u>(0.71)</u>	<u>(0.47)</u>

CHOU EUROPE FUND
STATEMENT OF CHANGES IN NET ASSETS
FOR THE PERIOD ENDED JUNE 30, 2007
(Unaudited)

	2007	2006
SERIES A		
NET ASSETS , beginning of the period	\$ 15,919,121	\$ 12,702,271
Change in accounting policy (Note 2 (a))	<u>(7,866)</u>	<u>-</u>
	15,911,255	12,702,271
Increase (decrease) in net assets from operations	(844,143)	108,220
Proceeds from issue of units	2,854,992	2,836,896
Payments on redemption of units	(2,036,931)	(1,785,032)
Distribution of income to unitholders		
Investment income	-	-
Realized gains	-	-
Reinvested distributions	<u>-</u>	<u>-</u>
NET ASSETS , end of the period	<u>15,885,173</u>	<u>13,862,355</u>
SERIES F		
NET ASSETS , beginning of the period	1,492,957	62,605
Change in accounting policy (Note 2 (a))	<u>(737)</u>	<u>-</u>
	1,492,220	62,605
Decrease in net assets from operations	(91,924)	(5,206)
Proceeds from issue of units	688,938	350,530
Payments on redemption of units	(175,626)	(3,100)
Distribution of income to unitholders		
Investment income	-	-
Realized gains	-	-
Reinvested distributions	<u>-</u>	<u>-</u>
NET ASSETS , end of the period	<u>1,913,608</u>	<u>404,829</u>
TOTAL NET ASSETS , end of the period	<u>\$ 17,798,781</u>	<u>\$ 14,267,184</u>

CHOU EUROPE FUND
STATEMENT OF INVESTMENTS
AS AT JUNE 30, 2007
(Unaudited)

	No. of Shares or Par Value	Cost	Market Value
SHARES*			
AstraZeneca PLC	10,000	\$ 556,017	\$ 572,032
Clinton Cards PLC	650,000	826,716	884,132
Glacier Ventures International Corporation	462,328	1,123,820	1,738,353
GlaxoSmithKline PLC	20,000	556,780	556,456
Hollinger Inc.	648,748	1,331,519	454,124
Natuzzi S.p.A. ADR	72,000	706,248	601,716
Penn Treaty American Corporation	100,000	870,350	606,054
Royal Boskalis Westminster nv	14,400	149,734	611,017
Sanofi-Aventis ADR	15,000	700,621	641,779
Sears Holdings Corporation	5,000	<u>160,240</u>	<u>898,715</u>
		<u>6,982,045</u>	<u>7,564,378</u>
BONDS			
Global Crossing (UK) Ltd, 11.75%, Dec 15, 2014	180,000	420,378	419,775
Global Crossing (UK) Ltd, 10.75%, Dec 15, 2014	650,000	682,335	749,859
Level 3 Comm. Inc., 6.0%, Sep 15, 2009	1,237,000	823,154	1,279,075
Tembec Industries Inc., 7.75%, Mar 15, 2012	1,000,000	<u>654,074</u>	<u>558,208</u>
		<u>2,579,941</u>	<u>3,006,917</u>
TOTAL EQUITIES AND BONDS		9,561,986	10,571,295
TRANSACTION COSTS		<u>(32,607)</u>	-
PORTFOLIO TOTAL		<u>\$ 9,529,379</u>	<u>\$ 10,571,295</u>

* Common Shares Unless Indicated Otherwise.

CHOU BOND FUND

August 9, 2007

Dear Unitholders of Chou Bond Fund,

The net asset value (“NAVPU” or “NAV”) of a Series A unit of Chou Bond Fund at June 30, 2007 was \$12.51 compared to \$12.21 at December 31, 2006, an increase of 2.5%, while the Citigroup WGBI (World Government Bond Index) All Maturities Total Return Index (\$Cdn) fell 9.3% and the S&P/TSX Bond Broad Market All Corporates Total Return Index (\$Cdn) fell 0.8%.

In \$US, a Series A unit of Chou Bond Fund returned 12.3% while the Citigroup WGBI Index fell 0.4% and the S&P/TSX Bond Broad Market All Corporates Total Return Index gained 9.0%.

The table below shows our 6 month, 1 year, and since inception annual compound rates of return.

June 30, 2007 (Series A Units)	6 Month	Past Year	Since Inception
Chou Bond Fund	2.5%	14.2%	15.8%
Citigroup WGBI All Maturities (\$Cdn)	-9.3%	-2.0%	-4.7%
S&P/TSX Bond Broad Market Total Return	-0.8%	4.6%	2.2%

Rates of return are historical total returns including 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 which 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.

Major contributor to the Fund’s performance was Arriscraft International Income Fund. We suffered declines in Hollinger Inc. debts and Rewards Network Inc. debts.

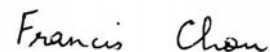
The strength of the Canadian dollar against the US dollar had the biggest negative impact on the results of the Fund. For a more accurate reflection of the results, the investor should take the average of the \$Cdn and \$US results.

The prices of public debt securities of some companies have come down to levels that may provide returns similar to equities. Please read the letter in Chou Associates Fund for more comments.

Our average month-end cash balance of 62% of net assets has had a restraining effect on returns.

As of August 3, 2007, the NAV of a Series A unit of the Fund was \$12.26 and the cash position was 63% of assets. The Fund is up 0.4% from the beginning of the year. In \$US, it is up 11.2%.

Yours truly,



Francis Chou

CHOU BOND FUND
STATEMENT OF NET ASSETS
AS AT JUNE 30, 2007
(Unaudited)

	2007	DEC 31, 2006
ASSETS		
Cash and treasury bills	\$ 56,718,637	\$ 14,375,820
Receivable for units subscribed	665,235	1,851,266
Receivable for investment sold	140,741	-
Accrued interest income	943,034	446,523
Investments	<u>34,649,724</u>	<u>19,743,098</u>
	<u>93,117,371</u>	<u>36,416,707</u>
LIABILITIES		
Accrued expenses	93,712	15,308
Liability for investment purchased	7,622,745	-
Payable for units redeemed	279,171	12,337
Distributions payable	<u>-</u>	<u>17,669</u>
	<u>7,995,628</u>	<u>45,314</u>
NET ASSETS	<u>\$ 85,121,743</u>	<u>\$ 36,371,393</u>

NET ASSETS, BY SERIES

Series A	\$ 75,014,367	\$ 31,776,231
Series F	<u>10,107,376</u>	<u>4,595,162</u>
	<u>\$ 85,121,743</u>	<u>\$ 36,371,393</u>

NUMBER OF UNITS OUTSTANDING (Note 3)

Series A	5,995,565	2,602,344
Series F	806,926	376,179

NET ASSET VALUE PER UNIT

Canadian dollars

Series A	\$ 12.51	\$ 12.21
Series F	\$ 12.53	\$ 12.22

U.S. dollars

Series A	\$ 11.77	\$ 10.48
Series F	\$ 11.78	\$ 10.48

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

Francis Chou

Tracy Chou

CHOU BOND FUND
STATEMENT OF OPERATIONS
FOR THE SIX MONTHS ENDED JUNE 30, 2007
(Unaudited)

	2007	2006
INVESTMENT INCOME		
Interest	\$ 1,691,852	\$ 231,301
EXPENSES		
Management fees (Note 5)	388,064	6,926
Custodian fees	31,148	8,000
Audit	11,580	2,140
Foreign withholding taxes	2,394	-
FundSERV fees	1,952	1,550
Legal	1,590	-
Filing fees	<u>1,518</u>	<u>2,250</u>
	<u>438,246</u>	<u>20,866</u>
NET INVESTMENT INCOME FOR THE PERIOD	<u>1,253,606</u>	<u>210,435</u>
NET REALIZED AND UNREALIZED GAIN (LOSS)		
Transaction costs	(2,750)	-
Net realized gain (loss) on sale of investments	(82,420)	199,105
Unrealized loss	<u>(662,850)</u>	<u>(177,370)</u>
	<u>(748,020)</u>	<u>21,735</u>
INCREASE IN NET ASSETS FROM OPERATIONS	<u>\$ 505,586</u>	<u>\$ 232,170</u>
INCREASE (DECREASE) IN NET ASSETS FROM OPERATIONS		
Series A	\$ 428,879	\$ 240,744
Series F	<u>76,707</u>	<u>(8,574)</u>
	<u>\$ 505,586</u>	<u>\$ 232,170</u>
INCREASE (DECREASE) IN NET ASSETS FROM OPERATIONS, PER UNIT		
Series A	\$ 0.09	\$ 0.32
Series F	\$ 0.12	\$ (0.18)

CHOU BOND FUND
STATEMENT OF CHANGES IN NET ASSETS
FOR THE PERIOD ENDED JUNE 30, 2007
(Unaudited)

	2007	2006
SERIES A		
NET ASSETS, beginning of the period	\$ 31,776,231	\$ 2,933,119
Change in accounting policy (Note 2(a))	<u>(17,854)</u>	<u>-</u>
	31,758,377	2,933,119
Increase in net assets from operations	428,879	240,744
Proceeds from issue of units	45,917,649	11,407,529
Payments on redemption of units	(3,090,637)	(995,931)
Distribution of income to unitholders		
Investment income	-	-
Realized gains	-	-
Reinvested distributions	<u>99</u>	<u>-</u>
NET ASSETS, end of the period	<u>75,014,367</u>	<u>13,585,461</u>
SERIES F		
NET ASSETS, beginning of the period	4,595,162	22,609
Change in accounting policy (Note 2(a))	<u>(2,582)</u>	<u>-</u>
	4,592,580	22,609
Increase (decrease) in net assets from operations	76,707	(8,574)
Proceeds from issue of units	5,699,207	1,391,053
Payments on redemption of units	(261,118)	(37,409)
Distribution of income to unitholders		
Investment income	-	-
Realized gains	-	-
Reinvested distributions	<u>-</u>	<u>-</u>
NET ASSETS, end of the period	<u>10,107,376</u>	<u>1,367,679</u>
TOTAL NET ASSETS, end of the period	<u>\$ 85,121,743</u>	<u>\$ 14,953,140</u>

CHOU BOND FUND
STATEMENT OF INVESTMENTS
AS AT JUNE 30, 2007
(Unaudited)

	No. of Units or Par Value	Cost	Market Value
SHARES*			
Arriscraft International Income Fund, trust units	150,600	\$ 656,678	\$ 1,099,380
Blue Ocean Re Holdings Ltd., preferred	255	295,858	271,129
Doral Financial Corporation, preferred	5,000	806,956	744,277
Rainmaker Income Fund, trust units	200,000	<u>664,000</u>	<u>580,000</u>
		<u>2,423,492</u>	<u>2,694,786</u>
BONDS			
Doral Finance Corporation, 6.204%, Jul 20, 2007	3,000,000	3,192,075	3,106,028
Glacier Ventures Int'l Corp., 13.0%, Sep 15, 2011	1,670,000	1,670,000	1,670,000
Global Crossing (UK) Ltd., 10.75%, Dec 15, 2014	190,000	199,872	219,190
GMAC, 4.10%, Mar 15, 2009	95,000	89,354	96,412
GMAC, 5.10%, Aug 15, 2009	67,000	63,614	68,487
GMAC, 5.20%, Nov 15, 2009	100,000	94,299	102,197
GMAC, 5.25%, Aug 15, 2009	100,000	95,854	102,820
GMAC, 5.25%, Jun 15, 2009	78,000	74,855	80,047
Hollinger Inc., 11.875%, Mar 1, 2011	680,000	771,244	708,552
Hollinger Inc., 12.875%, Mar 1, 2011	866,000	988,767	929,985
Interstate Bakeries Corp., 6.0%, Aug 15, 2014	500,000	506,645	452,201
Level 3 Comm. Inc., 6.0%, Sep 15, 2009	150,000	91,673	155,102
Overstock.com Inc., 3.75%, Dec 1, 2011	1,125,000	936,100	990,205
Primus Telecomm., 3.75% , Sep 15, 2010	5,500,000	3,189,831	4,184,166
Primus Telecomm., 14.25%, May 20, 2011	2,716,000	3,185,746	2,974,429
Rewards Network Inc., 3.25%, Oct 15, 2023	3,750,000	3,386,601	3,569,300
Taiga Building Products Ltd., 14.0%, Sep 1, 2020	1,348,000	1,348,094	1,348,000
Tembec Industries Inc., 7.75%, Mar 15, 2012	1,000,000	654,074	558,208
Tembec Industries Inc., 8.50%, Feb 1, 2011	500,000	259,134	281,761
Tembec Industries Inc., 8.625%, Jun 30, 2009	4,000,000	2,761,017	2,719,269
UTStarcom Inc., 7.625%, Mar 1, 2008	7,200,000	<u>7,601,140</u>	<u>7,638,579</u>
		<u>31,159,989</u>	<u>31,954,938</u>
TOTAL EQUITIES AND BONDS		33,583,481	34,649,724
TRANSACTION COSTS		<u>(3,066)</u>	-
PORTFOLIO TOTAL		<u>\$ 33,580,415</u>	<u>\$ 34,649,724</u>

* Common shares unless indicated otherwise

CHOU RRSP FUND

August 9, 2007

Dear Unitholders of Chou RRSP Fund,

The net asset value (“NAVPU” or “NAV”) of a Series A unit of Chou RRSP Fund at June 30, 2007 was \$35.38 compared to \$33.83 at December 31, 2006 an increase of 4.6%, while the S&P/TSX Total Return Index gained 9.1% in Canadian dollars. In \$US, a Series A unit of Chou RRSP Fund returned 14.6% while the S&P/TSX Total Return Index gained 19.8%.

The table below shows our 6 month, 1 year, 3 year, 5 year, 10 year and 15 year annual compound rates of return.

June 30, 2007 (Series A units)	6 Month	Past Year	Past 3 Years	Past 5 Years	Past 10 Years	Past 15 Years
Chou RRSP (\$Cdn)	4.6%	15.5%	12.3%	12.2%	15.9%	14.8%
S&P/TSX (\$Cdn)	9.1%	22.7%	20.1%	16.6%	9.9%	12.1%

Rates of return are historical total returns including 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 which 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 2007 results

The strength of the Canadian dollar against the US dollar, the pound sterling and the Euro had the biggest negative impact on the results of the Fund. For a more accurate reflection of the results, the investor should take the average of the \$Cdn and \$US results.

General comments on the market

Despite the current turmoil in the marketplace we continue to have problems finding compelling bargains in common stocks. We are starting, however, to see some interesting developments. The prices of public debt securities of some companies have come down to levels that may provide returns similar to equities. These securities also come with the added safety feature of being senior to equities in the corporate capital structure.

While the prices of public debt securities are starting to look cheap, they are not as cheap as they once were in the year 2000. The current yield to maturity (YTM) for some of these more attractively priced debt securities is approaching 12%, whereas in the year 2000 they were closer to 30%. Consider also that the bank debt (which is senior to public debt) appears to be disproportionately large relative to public debt when compared to the historical average. As such, the public debt may not be as safe, or have as much asset coverage as it has had in the past.

Fallout among subprime mortgage participants

In the Chou Funds Annual Report 2006 dated March 2, 2007, we wrote that “Some of the greatest excesses of easy credit were committed by subprime mortgage lenders. Credit standards were so lax and liberal that homeowners didn't even need to produce verification of income to be able to borrow up to 100% or more of the appraised value of their houses.....Some optimists believe that the worst is over. However, they may be in for a surprise. Instead of it being the

darkest hour before the dawn, it could be the darkest hour before pitch black. It will take a while (and maybe a long while) for the excesses to wring themselves out of the system.”

Since that document was issued, a number of fund companies involved with, or invested in, subprime companies have reported serious problems, and each day we hear of more institutions that have been affected. Below is a sampling of reports from various media sources:

- 1) Hedge fund firm Sowood Capital said it suffered losses of more than \$1.5 billion in July, halving the value of its assets, and will close its two funds. Source: Wall Street Journal, August 3, 2007.
- 2) Bear Stearns Cos. filed for bankruptcy protection for two of its hedge funds in both Cayman Islands and US courts, citing losses related to subprime lending.....Separately, Bear Stearns said today it had halted redemptions from a third fund after investors demanded their money back. Source: Bloomberg, July 31, 2007.
- 3) Macquarie Bank has warned that two of its debt funds could face losses of more than A\$300 million (Australian) but stressed the funds were not exposed to the US subprime mortgage market. Source: Financial Times, August 1, 2007.
- 4) Troubles in the US mortgage market have forced bailouts of a European mutual fund and a German Bank – signaling the risk of the mortgage situation to lenders and insurers, not just fund investors. French insurer AXA SA’s money-management firm unit has offered to cash out investors in a billion dollar bond fund after the fund shrank in size by about 40% last month....Separately, a German state-owned development bank, KfW, said it assumed “expected possible losses” of as much as 1 billion Euros (\$1.37 billion) from German midsize lender IKB Deutsche Industriebank AG, which also has been hit by exposure to the US subprime market. Source: Wall Street Journal, August 3, 2007.
- 5) American Home Mortgage Corp. filed for bankruptcy protection on Monday, the latest casualty of a mortgage industry that has plunged into distress. Source: Associated Press, August 6, 2007.

We suspect that the repercussions associated with subprime lending will spread even further. Gary Shilling from A. Gary Shilling & Co., Inc., Economic Consultants and Investment Advisors (www.agaryshilling.com), wrote in a recent article, “The biggest jolt from the Bear Bust is the realization that collateralized debt obligations -- pools of debt instruments, especially mortgage-backed securities -- are illiquid, trade infrequently and are carried on hedge fund books at what charitably can be called fuzzy prices. When Merrill Lynch tried to sell \$850 million in CDO collateral for loans to Bear Stearns' troubled funds, some pieces fetched bids of only **30 cents on the dollar**. Highly prized on Wall Street until recently, CDOs, of which \$500 billion were issued last year, are supposed to reduce risk. But they have been vastly overvalued by highly subjective and sometimes self-serving models. This approach is anathema to the Securities & Exchange Commission, which is investigating CDO prices and Bear's troubled hedge funds. Meanwhile, investors are fleeing, the CDO market is drying up, and their yields are jumping as rating downgrades multiply.”

At this time we prefer to steer clear of all financial and housing related companies. We are an interested observer and keen to see how subsequent events unfold – especially when some financial products may have to be marked down – perhaps not as low as 30 cents on the dollar, but possibly 50 cents on the dollar. The ‘mark to model’ may have to change its name to ‘mark to mayhem.’

High cash holding is a big plus

Our high cash holding is a big plus in this uncertain environment and will allow us to take advantage of situations as they arise. We continue to look diligently for undervalued stocks and will buy them only when they meet our quality and Margin of Safety price criteria. We hope to find these bargain stocks in industries that may be tarred with the same brush affecting the housing and subprime industries but that are, otherwise, not involved with them.

A word of caution: Markets are inherently volatile in the short term and this can, therefore, affect the Fund adversely, short term, in spite of the Fund's high cash holding. While the Fund has never suffered large annual losses, they are certainly possible. Having said that, securities that the Fund holds are cheap relative to what they are worth, and as such, performance numbers should work out reasonably well in the long run. That has been our experience. Nonetheless, the amount of money that investors choose to invest in the Fund should only be to the extent that they can afford to lose 40% or more of their investment. This may sound drastic, but sleeping well is also an important consideration.

Other matters

Foreign Currency Hedging: No currency hedges existed during the year.

Credit Default Swap (CDS): None has been purchased to date.

\$US Dollar Valuation: Any investor who wishes to purchase the Chou Funds in \$US will now be able to do so.

New Service Providers: Effective November 6, 2006, Citigroup Fund Services Canada, Inc. (CFSC) and its affiliates are the new service providers of fund operation to the Chou Funds.

Concentra Financial is providing the Chou Funds with trustee services for registered products such as administering plans for RRSPs, RRIFs, LRIFs and LIFs.

Fee Based Series ("F") units: Due to repeated requests from financial planners and dealers, we introduced a new Series of units called Series F units in September 2005. In this Series the dealers will not receive any trailer fees but they can charge any fee with the consent of their client.

Redemption Fee: We have a redemption fee of 2% if unitholders redeem their units in less than 2 years. None of this fee goes to the Fund Manager. It is put back into the Fund for the benefit of the remaining unitholders. We hope this fee is enough to dissuade short-term investors from jumping in and out of the Fund to chase possible short-term performance.

As of August 3, 2007, the NAV of a Series A unit of the Fund was \$33.11 and the cash position was 19% of net assets. The Fund is down 2.1% from the beginning of the year. In \$US, it is up 8.3%.

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
STATEMENT OF NET ASSETS
AS AT JUNE 30, 2007
(Unaudited)

	2007	DEC 31, 2006
ASSETS		
Cash and treasury bills	\$ 55,820,442	\$ 16,856,792
Accrued interest and dividend income	1,009,804	2,329,326
Receivable for units subscribed	282,343	550,528
Investments	<u>297,501,584</u>	<u>315,449,136</u>
	<u>354,614,173</u>	<u>335,185,782</u>
LIABILITIES		
Accrued expenses	493,643	500,713
Payable for units redeemed	350,522	833,116
Distributions payable	<u>-</u>	<u>108,779</u>
	<u>844,165</u>	<u>1,442,608</u>
NET ASSETS	\$ 353,770,008	\$ 333,743,174

NET ASSETS, BY SERIES

Series A	\$ 335,275,208	\$ 317,282,443
Series F	<u>18,494,800</u>	<u>16,460,731</u>
	<u>\$ 353,770,008</u>	<u>\$ 333,743,174</u>

NUMBER OF UNITS OUTSTANDING (Note 3)

Series A	9,524,253	9,379,824
Series F	<u>525,715</u>	<u>488,221</u>

NET ASSET VALUE PER UNIT

Canadian dollars

Series A	\$ 35.20	\$ 33.83
Series F	\$ 35.18	\$ 33.72

U.S. dollars

Series A	\$ 33.11	\$ 29.03
Series F	<u>\$ 33.09</u>	<u>\$ 28.94</u>

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

Francis Chou

Tracy Chou

CHOU RRSP FUND
STATEMENT OF OPERATIONS
FOR THE SIX MONTHS ENDED JUNE 30, 2007
(Unaudited)

	2007	2006
INVESTMENT INCOME		
Interest	\$ 3,643,379	\$ 3,136,551
Dividends	3,197,429	4,586,725
Interest from securities lending	<u>403,743</u>	<u>67,808</u>
	<u>7,244,551</u>	<u>7,791,084</u>
EXPENSES		
Management fees (Note 5)	2,707,516	2,543,024
Custodian fees	140,201	204,057
Foreign withholding taxes	108,996	141,911
Audit	25,667	17,655
Filing fees	8,585	12,100
FundSERV fees	8,295	14,650
Legal	<u>3,967</u>	<u>3,000</u>
	<u>3,003,227</u>	<u>2,936,397</u>
NET INVESTMENT INCOME FOR THE PERIOD	<u>4,241,324</u>	<u>4,854,687</u>
NET REALIZED AND UNREALIZED GAIN (LOSS)		
Transaction costs	(37,881)	-
Net realized gain on sale of investments	6,983,320	7,236,247
Unrealized gain (loss)	<u>3,750,275</u>	<u>(15,146,114)</u>
	<u>10,695,714</u>	<u>(7,909,867)</u>
INCREASE (DECREASE) IN NET ASSETS FROM OPERATIONS	<u>\$ 14,937,038</u>	<u>\$ (3,055,180)</u>
INCREASE (DECREASE) IN NET ASSETS FROM OPERATIONS		
Series A	\$ 14,161,279	\$ (2,770,216)
Series F	<u>775,759</u>	<u>(284,964)</u>
	<u>\$ 14,937,038</u>	<u>\$ (3,055,180)</u>
INCREASE (DECREASE) IN NET ASSETS FROM OPERATIONS, PER UNIT		
Series A	\$ 1.50	\$ (0.29)
Series F	\$ 1.53	\$ (1.03)

CHOU RRSP FUND
STATEMENT OF CHANGES IN NET ASSETS
FOR THE PERIOD ENDED JUNE 30, 2007
(Unaudited)

	2007	2006
SERIES A		
NET ASSETS , beginning of the period	\$ 317,282,443	\$ 294,865,823
Change in accounting policy (Note 2(a))	<u>(1,375,803)</u>	<u>-</u>
	315,906,640	294,865,823
Increase (decrease) in net assets from operations	14,161,279	(2,770,216)
Proceeds from issue of units	27,937,393	41,825,295
Payments on redemption of units	(22,730,711)	(28,085,358)
Distribution of income to unitholders		
Investment income	-	-
Realized gains	-	-
Reinvested distributions	<u>607</u>	<u>-</u>
NET ASSETS , end of the period	<u>335,275,208</u>	<u>305,835,544</u>
SERIES F		
NET ASSETS , beginning of the period	16,460,731	3,897,056
Change in accounting policy (Note 2(a))	<u>(71,377)</u>	<u>-</u>
	16,389,354	3,897,056
Increase (decrease) in net assets from operations	775,759	(284,964)
Proceeds from issue of units	3,428,343	9,750,495
Payments on redemption of units	(2,098,656)	(780,877)
Distribution of income to unitholders		
Investment income	-	-
Realized gains	-	-
Reinvested distributions	<u>-</u>	<u>-</u>
NET ASSETS , end of the period	<u>18,494,800</u>	<u>12,581,710</u>
TOTAL NET ASSETS , end of the period	<u>\$ 353,770,008</u>	<u>\$ 318,417,254</u>

CHOU RRSP FUND
STATEMENT OF INVESTMENTS
AS AT JUNE 30, 2007
(Unaudited)

	No. of Shares or Par Value	Cost	Market Value
SHARES*			
Berkshire Hathaway Inc., Class A	180	\$ 18,417,665	\$ 20,861,022
Biovail Corporation	1,157,100	21,984,714	31,183,845
BMTC Group Inc., Class A	678,956	6,584,918	15,412,301
BT Group PLC	1,150,000	4,660,963	8,158,552
CanWest Global Comm. Corporation	2,176,600	20,549,319	20,307,678
Consolidated-Tomoka Land Company	41,200	2,353,132	3,035,319
Corus Entertainment Inc., Class B	31,700	746,225	1,573,588
Danier Leather Inc.	969,800	9,215,066	8,893,066
Flagstone Reinsurance Holdings Ltd.	1,300,000	15,197,000	18,397,465
Fraser Papers Inc.	608,300	4,636,512	3,710,630
International Forest Products Ltd., Class A	590,600	2,945,568	5,315,400
Interstate Bakeries Corporation	420,000	2,217,531	1,250,385
Isotechnika Inc.	939,700	1,774,242	1,616,284
King Pharmaceuticals Inc.	851,100	8,936,026	18,469,714
Royal Boskalis Westminster nv	701,724	7,436,416	29,775,368
Liquidation World Inc.	1,155,000	5,100,958	5,313,000
Magna International Inc., Class A	23,400	1,848,277	2,263,716
MRRM Inc.	44,400	223,110	288,600
Overstock.com Inc.	715,500	14,904,829	13,617,559
Rainmaker Income Fund, trust units	2,345,800	7,690,157	6,802,820
Ridley Canada Ltd.	37,800	358,599	311,094
Symetra Financial Corporation	20,000	2,673,000	2,694,283
Taiga Building Products Ltd.	1,272,400	1,692,292	2,303,044
Torstar Corporation, Class B	1,259,616	27,567,050	25,645,782
Tri-White Corporation	193,600	1,077,639	1,819,840
TVA Group Inc., Class B	908,700	13,576,009	16,083,990
Wecast Industries Inc., Class A	101,900	3,315,785	1,621,229
		<u>207,683,002</u>	<u>266,725,574</u>
BONDS			
Glacier Ventures Int'l Corp., 13.0%, Sep 15, 2011	10,330,000	10,330,000	10,330,000
Hollinger Inc., 11.875%, Mar 1, 2011	1,450,000	1,637,018	1,510,882
Hollinger Inc., 12.875%, Mar 1, 2011	12,568,000	14,169,351	13,496,592
Taiga Building Products Ltd., 14.0% Sept 1, 2020	6,769,168	6,769,168	6,769,168
		<u>32,905,537</u>	<u>32,106,642</u>
TOTAL EQUITIES AND BONDS		240,588,539	298,832,216
DERIVATIVES (Schedule 1)		(830,696)	(1,330,632)
TRANSACTION COSTS		(739,820)	-
PORTFOLIO TOTAL		<u>\$ 239,018,023</u>	<u>\$ 297,501,584</u>

* Common shares unless indicated otherwise

CHOU RRSP FUND
SCHEDULE OF DERIVATIVES
AS AT JUNE 30, 2007

Schedule 1

(Unaudited)

Written Call Options	Expiry Date	Strike Price	Number	Cost	Market Value
Biovail Corporation	Jan 2008	25	2,014	(296,193)	(584,600)
King Pharmaceuticals Inc.	Jul 2007	20	1,000	(115,524)	(95,693)
King Pharmaceuticals Inc.	Jan 2008	17.5	475	(129,015)	(207,069)
King Pharmaceuticals Inc.	Jan 2008	20	1,500	(235,393)	(390,745)
Overstock.com Inc.	Sep 2007	20	20	(3,793)	(2,552)
Overstock.com Inc.	Jan 2008	20	235	(50,778)	(49,973)
				\$ (830,696)	\$ (1,330,632)

CHOU FUNDS

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2007

(Unaudited)

1. FORMATION OF CHOU FUNDS

The individual funds comprising the Chou family of Funds (the Chou Funds) are open-ended investment mutual fund trusts formed pursuant to Declarations of Trust under the laws of the Province of Ontario. Chou Associates Management Inc. is the Manager and Trustee of the Chou Funds.

The Funds were formed on the following dates:

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

2. SIGNIFICANT ACCOUNTING POLICIES

The financial statements, prepared in accordance with Canadian generally accepted accounting principles (GAAP), include estimates and assumptions by management that could affect the reported amount of assets, liabilities, income and expenses during the reported period. Actual results could differ from those estimated. The following is a summary of significant accounting policies followed by the Funds.

(a) Valuation of Investments

The Canadian Institute of Chartered Accountants (CICA) Handbook Section 3855, Financial Instruments – Recognition and Measurement, which applies to the interim periods and fiscal years beginning on or after October 1, 2006, requires that the fair value of financial instruments, which are actively traded, be measured based on the bid/ask price for the security. Prior to that, fair value for GAAP was based on the last traded price for the day, when available. For financial reporting purposes, starting from January 1, 2007, the Fund adopted the amended valuation policy for actively traded securities held by the Fund on a retroactive basis without restatement of prior periods. Accordingly, the opening net asset value in the Statements of Changes in Net Assets for the period ended June 30, 2007 has been adjusted. Since the Canadian Securities Administrators issued a waiver authorizing an extension for the enforcement of Section 3855 for the purposes of calculating the Fund's net asset value for purposes other than financial reporting (i.e., purchases and redemptions), a reconciliation between the Fund's net asset value for financial reporting ("GAAP NAV") and the Fund's net asset

CHOU FUNDS

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2007

(Unaudited)

2. SIGNIFICANT ACCOUNTING POLICIES continued

value for purposes other than financial reporting (“Transactional NAV”) is given in note 6.

Section 3855 also requires that transaction costs, such as brokerage commissions, incurred in the purchase and sale of securities by the Fund be charged to net income in the period. Accordingly, these costs are expensed and are included in “Transaction costs” in the Statement of Operations. Until December 31, 2006, the Fund’s policy has been to add these expenses to the cost of the securities purchased or deduct from proceeds of sale. Effective January 1, 2007, the Fund adopted the new accounting policy retroactively, without restatement of prior periods.

Securities listed upon a recognized public stock exchange are valued at their bid/ask prices on the valuation date. Securities with no bid/ask prices are valued at their closing sale prices. Securities not listed upon a recognized public stock exchange are valued using valuation techniques, on such basis and in such manner established by the Manager.

Short-term investments are recorded at cost, which approximates market value.

(b) Security transactions, investment income, expenses and distributions

Security transactions are recorded on the trade date. Realized gains and losses on security transactions are determined on an average cost basis. Interest income and expenses are recorded on an accrual basis. Dividend income and distributions to unitholders are recorded on the ex-dividend date and are gross of withholding taxes.

(c) Foreign Currency Translation

Foreign currency amounts have been expressed in Canadian dollars on the financial statements as follows:

- (i) investments held at the year end are converted at the Bank of Canada rate of exchange on that date; and
- (ii) purchases and sales of investments as well as income and expenses throughout the year are recorded at the Bank of Canada exchange rate prevailing on the respective dates of such transactions.

CHOU FUNDS

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2007

(Unaudited)

2. SIGNIFICANT ACCOUNTING POLICIES continued

(iii) The Funds do not separately report the effect of changes in foreign exchange rates from changes in market prices on securities held. Such changes are included in the change in unrealized gain (loss) in value of investments in the statement of operations.

(d) Forward Contracts

Forward contracts are agreements to purchase or sell financial instruments at a specified future date. As forward contracts are not traded on the exchange, the agreements between counter parties are not standardized. Changes in value of forward contracts are settled only on termination of the contract. Open forward contracts are revalued to fair value in the statement of net assets, based on the difference between the contract rate and the applicable forward rate to close out the contract. Change in unrealized gains and losses associated with the revaluation of open forward contracts are recorded in the statement of operations as “unrealized gain (loss)”.

Forward currency contracts manage exposure to foreign currency gains and losses arising from short and long-term investments denominated in foreign currencies.

(e) 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 net income and/or net realized capital gains which are distributed to unitholders. In addition, income taxes payable on undistributed net realized capital gains are refundable on a formula basis when units of the fund are redeemed. Sufficient net income and realized capital gains of the Chou Funds, have been, or will be distributed to the unitholders such that no tax is payable by the Chou Funds and accordingly no provision for taxes has been made in the financial statements.

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

CHOU FUNDS

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2007

(Unaudited)

2. SIGNIFICANT ACCOUNTING POLICIES continued

(f) Multi-Series Funds

Where a Fund offers more than one series of units, the realized gains/losses from sale of investments, changes in unrealized gain (loss) 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.

(g) Valuation of Fund Units

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

(h) Securities Lending

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

CHOU FUNDS

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2007

(Unaudited)

3. UNITS OF THE FUND

The units of the Chou Funds are voting, without any par value and an unlimited number may be issued. All units must be fully paid for and fractional units may be issued.

	Series A		Series F	
	2007	2006	2007	2006
CHOU ASSOCIATES FUND				
Units outstanding, beginning of the period	6,700,136	4,376,444	395,408	44,689
Add: Units issued during the period	1,702,481	1,280,968	226,873	191,015
Deduct: Units redeemed during the period	(177,364)	(669,182)	(9,913)	(2,568)
Units outstanding before income distribution	8,225,253	4,988,230	612,368	233,136
Add: Units issued on reinvested income	-	-	-	-
Units outstanding, end of the period	8,225,253	4,988,230	612,368	233,136
CHOU ASIA FUND				
Units outstanding, beginning of the period	2,892,966	2,528,888	136,072	11,057
Add: Units issued during the period	928,180	400,292	52,400	34,019
Deduct: Units redeemed during the period	(105,635)	(192,326)	(6,474)	(778)
Units outstanding before income distribution	3,715,511	2,736,854	181,998	44,298
Add: Units issued on reinvested income	-	-	-	-
Units outstanding, end of the period	3,715,511	2,736,854	181,998	44,298
CHOU EUROPE FUND				
Units outstanding, beginning of the period	1,137,019	980,743	107,261	4,833
Add: Units issued during the period	204,922	213,252	50,003	26,252
Deduct: Units redeemed during the period	(148,353)	(134,740)	(12,999)	(236)
Units outstanding before income distribution	1,193,588	1,059,255	144,265	30,849
Add: Units issued on reinvested income	-	-	-	-
Units outstanding, end of the period	1,193,588	1,059,255	144,265	30,849

CHOU FUNDS

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2007

(Unaudited)

3. UNITS OF THE FUND continued

	Series A		Series F	
	2007	2006	2007	2006
CHOU BOND FUND				
Units outstanding, beginning of the period	2,602,344	283,682	376,179	2,186
Add: Units issued during the period	3,638,913	1,004,851	451,426	121,878
Deduct: Units redeemed during the period	<u>(245,700)</u>	<u>(88,229)</u>	<u>(20,679)</u>	<u>(3,288)</u>
Units outstanding before income distribution	5,995,557	1,200,304	806,926	120,776
Add: Units issued on reinvested income	<u>8</u>	<u>-</u>	<u>-</u>	<u>-</u>
Units outstanding, end of the period	<u><u>5,995,565</u></u>	<u><u>1,200,304</u></u>	<u><u>806,926</u></u>	<u><u>120,776</u></u>
CHOU RRSP FUND				
Units outstanding, beginning of the period	9,379,824	9,293,546	488,221	122,827
Add: Units issued during the period	793,248	1,284,195	97,240	299,846
Deduct: Units redeemed during the period	<u>(648,837)</u>	<u>(868,931)</u>	<u>(59,746)</u>	<u>(24,386)</u>
Units outstanding before income distribution	9,524,235	9,708,810	525,715	398,287
Add: Units issued on reinvested income	<u>18</u>	<u>-</u>	<u>-</u>	<u>-</u>
Units outstanding, end of the period	<u><u>9,524,253</u></u>	<u><u>9,708,810</u></u>	<u><u>525,715</u></u>	<u><u>398,287</u></u>

4. DUE TO RELATED PARTY

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

	2007		Dec 31, 2006
Chou Associates Fund	\$ 988,651	\$	886,641
Chou Asia Fund	78,482		62,146
Chou Europe Fund	21,657		17,101
Chou Bond Fund	79,481		4,217
Chou RRSP Fund	445,206		431,985

CHOU FUNDS

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2007

(Unaudited)

5. MANAGEMENT FEES AND EXPENSES

Chou Associates Management Inc. (“the Manager”) manages the Chou Funds under a management agreement dated August 10, 2005. The Manager is entitled to an annual investment management fee equal to 1.5% of the net asset value of Series A units and 1.0% of the net asset value of Series F units for all Funds other than the Chou Bond Fund on which the Manager is entitled to an annual investment management fee equal to 1.15% of the net asset value of Series A units and 1.0% of the net asset value of Series F units. All other expenses attributable to the Funds are also payable out of the assets of the Funds.

The amount of the investment management fee is discretionary and is subject to the limits above. The investment management fee charged to Chou Bond Fund by the Manager was less than the maximum amount permitted.

6. RECONCILIATION OF TRANSACTIONAL NAV TO GAAP NAV

		Net Asset Value (\$)			Net Asset Value per Unit (\$)		
		Transactional NAV	Section 3855 Adjustment	GAAP NAV	Transactional NAV	Section 3855 Adjustment	GAAP NAV
Chou Associates Fund	A	754,251,632	1,029,709	753,221,923	91.70	(0.13)	91.57
	F	56,154,007	76,264	56,077,743	91.70	(0.12)	91.58
Chou Asia Fund	A	63,389,397	92,585	63,296,812	17.06	(0.02)	17.04
	F	3,099,896	4,520	3,095,376	17.03	(0.02)	17.01
Chou Europe Fund	A	15,959,381	74,208	15,885,173	13.37	(0.06)	13.31
	F	1,922,534	8,926	1,913,608	13.33	(0.07)	13.26
Chou Bond Fund	A	75,032,053	17,686	75,014,367	12.51	-	12.51
	F	10,109,690	2,314	10,107,376	12.53	-	12.53
Chou RRSP Fund	A	336,997,831	1,722,623	335,275,208	35.38	(0.18)	35.20
	F	18,589,340	94,540	18,494,800	35.36	(0.18)	35.18

CHOU FUNDS

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2007

(Unaudited)

7. BROKERS' COMMISSIONS

Total commissions paid to brokers in connection with portfolio transactions for the period ended June 30, 2007 and for the period ended June 30, 2006 are as follows:

	<u>2007</u>	<u>2006</u>
Chou Associates Fund	\$ 93,407	\$ 54,867
Chou Asia Fund	12,189	6,412
Chou Europe Fund	6,626	12,563
Chou Bond Fund	2,750	993
Chou RRSP Fund	57,477	162,958

8. SECURITIES LENDING

The Funds have entered into a securities lending program with Citigroup Global Markets Inc. The Funds receive collateral of at least 102% of the value of the securities on loan. Collateral may comprise cash and obligations of or guaranteed by the Government of Canada or a province thereof, or by the United States government or its agencies, but may include obligations of other governments with appropriate credit ratings. The aggregate dollar values of the securities that are on loan and the collateral received by the Funds as at June 30, 2007 are as follows:

<u>Fund</u>	<u>Market value of securities on loan</u>	<u>Market value of collateral received</u>
Chou Associates Fund	\$ 6,735,837	\$ 7,309,864
Chou RRSP Fund	\$ 3,402,399	\$ 6,379,517

9. RELATED PARTY TRANSACTIONS

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

Notes

Page intentionally left blank

CHOU RRSP FUND
(Unaudited)

Illustration of an Assumed Investment of \$10,000 in Canadian dollars

Period Ended	Value of Initial \$10,000 Investment	Value of Cumulative Reinvested Capital Distributions	Value of Cumulative Reinvested Dividends	Total Value of Shares
Dec.31, 1986	\$10,000	0	0	10,000
Dec.31, 1987	9,980	187	650	10,818
Dec.31, 1988	10,709	553	1,018	12,281
Dec.31, 1989	11,530	1,308	1,512	14,350
Dec.31, 1990	9,272	1,314	2,136	12,722
Dec.31, 1991	9,342	1,324	2,618	13,284
Dec.31, 1992	10,069	1,427	3,004	14,500
Dec.31, 1993	11,616	1,646	3,465	16,727
Dec.31, 1994	10,131	1,436	3,394	14,961
Dec.31, 1995	11,764	1,667	4,377	17,808
Dec.31, 1996	14,335	2,032	5,368	21,735
Dec.31, 1997	19,953	4,048	8,740	32,741
Dec.31, 1998	17,421	12,259	9,126	38,806
Dec.31, 1999	15,467	11,914	8,836	36,217
Dec.31, 2000	16,931	13,580	11,677	42,188
Dec.31, 2001	19,135	16,493	13,742	49,370
Dec.31, 2002	22,735	24,861	17,499	65,095
Dec.31, 2003	24,871	28,059	19,728	72,658
Dec.31, 2004	27,896	32,038	22,429	82,362
Dec.31, 2005	31,259	37,164	26,871	95,294
Dec.31, 2006	33,326	39,622	31,531	104,479
June 30, 2007				<u>109,285</u>

Note: Rates of return are historical total returns including 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 which 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.

Chou Associates Management Inc.

95 Wellington Street West, Suite 710

P.O. Box 27

Toronto, Ontario

M5J 2N7

Email: admin@choufunds.com

Tel: 416-214-0675

Toll Free: 1-888-357-5070

Fax: 416-214-1733

Recordkeeping and Custodian

Citigroup Fund Services Canada, Inc.

2920 Matheson Boulevard East

Mississauga, Ontario

L4W 5J4

Tel: 905-214-8224

Toll Free: 1-866-379-3266

Fax: 1-866-877-9477

Auditors

Burns Hubley *LLP*

Suite 406

2800 – 14th Avenue

Markham, Ontario

L3R 0E4

Legal Counsel

Owens, Wright *LLP*

Suite 300

20 Holly Street

Toronto, Ontario

M4S 3B1