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

ANNUAL REPORT **2008**

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
Dec.31, 2007	36,819	46,191	42,248	125,258
Dec.31, 2008	24,843	31,166	32,544	**88,553**

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

December 31 (Series A units)	2008	2007	2006	2005	2004	2003	2002
Chou Associates Fund							
Total Return	-29.30%	-10.22%	18.77%	13.70%	9.02%	3.57%	29.99%
Management Expense Ratio (MER)	1.73%	1.70%	1.74%	1.75%	1.77%	1.86%	1.87%
Portfolio turnover rate	21.58%	16.61%	14.60%	10.00%	30.00%	33.40%	43.10%
Net Assets, end of the year (in millions)	$ 442.0	$ 697.1	$ 650.2	$ 345.8	$ 166.7	$ 122.7	$ 81.5
Chou Asia Fund							
Total Return	-17.60%	16.25%	15.15%	7.00%	18.50%	2.82%	
Management Expense Ratio (MER)	1.72%	1.72%	1.77%	1.76%	*0.77%	*0.49%	
Portfolio turnover rate	13.51%	47.68%	35.00%	44.00%	22.09%	-	
Net Assets, end of the year (in millions)	$ 57.8	$ 76.4	$ 43.8	$ 32.2	$ 16.3	$ 4.6	
Chou Europe Fund							
Total Return	-44.00%	-15.14%	10.70%	11.35%	13.61%	4.59%	
Management Expense Ratio (MER)	*-2.88%	*1.63%	1.78%	1.84%	*0.87%	*0.40%	
Portfolio turnover rate	29.71%	26.98%	36.80%	33.00%	9.55%	-	
Net Assets, end of the year (in millions)	$ 7.3	$ 14.3	$ 17.4	$ 12.8	$ 4.5	$ 1.7	
Chou Bond Fund							
Total Return	-37.70%	-2.65%	22.00%				
Management Expense Ratio (MER)	*0.50%	1.34%	*0.40%				
Portfolio turnover rate	46.02%	36.52%	5.30%				
Net Assets, end of the year (in millions)	$ 52.7	$ 87.0	$ 36.4				
Chou RRSP Fund							
Total Return	-42.40%	-9.25%	9.63%	15.70%	13.36%	11.62%	31.85%
Management Expense Ratio (MER)	1.73%	*1.62%	1.74%	1.75%	1.79%	1.79%	1.83%
Portfolio turnover rate	26.85%	12.01%	24.40%	22.70%	15.40%	15.40%	33.20%
Net Assets, end of the year (in millions)	$ 118.9	$ 282.6	$ 333.7	$ 298.8	$ 172.0	$ 86.0	$ 15.9

*Management fee after waivers and absorption

Please note that 'Net Assets' includes both Series A and Series F of the Funds.

TABLE OF CONTENTS

CHOU ASSOCIATES FUND

March 13, 2009

Dear Unitholders of Chou Associates Fund,

After the distribution of $2.58, the net asset value ("NAVPU" or "NAV") of a Series A unit of Chou Associates Fund at December 31, 2008 was $53.96 compared to $79.97 at December 31, 2007, a decrease of 29.3%; during the same period, the S&P 500 Total Return Index decreased 22.6% in Canadian dollars. In $US, a Series A unit of Chou Associates Fund decreased 42.6% while the S&P 500 Total Return Index decreased 36.9%.

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

December 31, 2008 (Series A)	**1 Year**	**3 Years**	**5 Years**	**10 Years**	**15 Years**
Chou Associates ($CAN)	-29.3%	-9.0%	-1.3%	4.1%	9.8%
S&P500 ($CAN)	-22.6%	-6.9%	-3.4%	-3.7%	5.8%
Chou Associates ($US)[1]	-42.6%	-10.3%	-0.1%	6.6%	10.3%
S&P500 ($US)	-36.9%	-8.3%	-2.2%	-1.4%	6.5%

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 2008 Results

CANADIAN DOLLAR: The weakness of the Canadian dollar against the U.S. dollar had a positive impact on the results of the Fund. However, we did not receive the full benefit from the weakening of the Canadian dollar. The reason was that we had entered into a currency contract for 30% of the portfolio against the rise of the Canadian dollar versus the U.S. dollar. The currency contract cost the Fund approximately $45.3 million. Had we not contracted against the Canadian dollar, the performance of the Fund, though still negative, would have been better. The returns would have been approximately -22% instead of the -29.3%. The -22% is not an absolutely correct number because it does not incorporate the purchases and redemptions of the Fund over the contract period. Even though the number may not be exact, it does give a more accurate assessment of how the portfolio of the Fund performed for the year 2008.

INVESTING TOO EARLY: One of the hazards of being a value investor is that every now and then you are bound to buy stocks too early. Over the last few years, we have communicated through our letters, our deep concern about the easy credit, irresponsible lending, housing bubble and the potential dangers of derivatives like CDOs (collateralized debt obligations) impacting financial companies. As pessimistic as we were over the years, we did not anticipate how

[1]The alternative method of purchasing Chou Associates Fund in $US has been offered since September 2005. Performance for years prior to September 2005 are 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.

severely these factors would paralyze and cripple the financial system when the bubble did burst. There was no place to hide.

And so, based on the information we had in 2007, we purchased some stocks at prices that, in hindsight, were too high. The ensuing economic crisis, credit freeze and deleveraging severely impacted the intrinsic values of some of the stocks we purchased. As you may be aware, the intrinsic value is based on the sustainability of earning power and when it is negatively impacted by any severe economic crisis, the intrinsic value is impacted also. As a consequence, we suffered a permanent loss of capital investing in those companies.

While the stock prices of other companies we bought too early declined with the economic crisis, their fundamentals were not impaired. We expect these companies to do quite well in the future. We classify such losses as a temporary quotational loss of capital and not a permanent loss of capital. A unitholder facetiously said that we suffered from a severe case of premature accumulation.

As you can see, we cannot forecast the market. Speaking from hindsight, perhaps, we could have done a better job of safeguarding capital but most likely, if we were given the same information as we had in 2007, we would have made substantially the same investment decision as we did then.

Major positive contributors to the Fund's performance were King Pharmaceuticals, Sanofi-Aventis and Watson Pharmaceuticals. Conversely, we suffered significant price declines in Royal Boskalis Westminster, McClatchy, Media General, Gannett, Office Depot and debt securities of Abitibi.

Repricing of Risk

At the time of writing two years ago, preservation of capital was given little consideration. However, in 2008 there was a huge repricing of risk. For example, the greater the probability of permanent loss of capital, the greater the spread should be between a particular debt instrument and risk-free treasuries. Currently the spreads between the higher risk securities and U.S. treasuries are at near historic highs. Other indicators are showing that investors are running scared, and banks and financial institutions are hoarding capital instead of lending. The following are some examples:

1) Two years ago, the spread between U.S. corporate high yield debt and U.S. treasuries was 311 basis points; a year ago it was 800 basis points. Currently, it is over 1,600 basis points, down from its peak of over 1,900 basis points in December 2008. (Source: JP Morgan).

2) Two years ago, the spread between U.S. investment grade bonds and U.S. treasuries was approximately 85 basis points; a year ago it was approximately 274 basis points. It is now over 550 basis points, which is slightly down from its peak of 592 basis points in December 2008. (Source: JP Morgan).

3) In December 2008, an auction of 4 week treasury bills ended with a 0% yield (currently they are yielding 8 basis points or 0.08%). The yield on 10 year treasury is 2.94% (up from 2% in December 2008) but down from 4.75% two years ago. In September 1981, it was 15.3%.

4) Today, investment bankers and anyone working for the financial/investment industry are considered the new pariahs of society. They are the butt of jokes. My favorite one is, 'What is the difference between an investment banker and a pigeon'? 'At least a pigeon can still put a deposit on a house'.

The examples show that the pricing of risk has changed 180 degrees from a couple of years ago. One can argue that corporate bonds, both investment grade and non-investment grade, are mispriced more than equities. In addition, if corporate bonds are cheap, the treasuries are in bubble territory. In our opinion, this is the worst time to hold cash and short-term treasuries unless you believe we are headed into a 1930's style depression. If you believe that you should redeem all of your Fund units.

General Comments on the Market

ZOMBIE COMPANIES: The Fed and the U.S. government have a tough job in tackling the financial crisis and, whatever actions they take, they are scrutinized, criticized and/or second guessed. There is no one perfect approach. Every approach has its pros and cons. However, where zombie companies are concerned, we would prefer to give companies that are insolvent and failing the opportunity to reorganize and restructure their capital structure in an organized way. When they do emerge from reorganization, they will come out leaner and stronger. What we are seeing now is that the U.S. government has pledged $9.7 trillion (and still counting) to counter the financial crisis. Billions of dollars have been given to prop up failing financial institutions and still they are asking for more financial assistance. The requests from the very large financial institutions are not based on business and investment merit but more on the line that if they don't receive more bailout money, they would have to file for bankruptcy and that would precipitate a chain reaction that will totally paralyze not only the U.S. financial system but also the entire Western banking system. The sooner we recapitalize the zombie companies in some form or the other (including nationalization for a short-term period) the quicker we can unfreeze the credit market and get the economy moving again.

MARK-TO-MARKET ACCOUNTING: We have been hearing of late that the current financial mess is caused in part by mark-to-market accounting. Nothing could be further from the truth. The financial mess was caused by misguided policies and actions on the part of some companies and would have occurred regardless of whether this accounting rule was in place or not. As investors, we prefer transparency and clarity and unless these rules exist, companies will not disclose what the assets are currently worth in the market. Obviously, when there are extenuating circumstances like the period we are in now, good and toxic assets may be priced at unduly low prices. In such a case, we would favour a provision that gives companies some grace period before they have to take action to shore up their balance sheets either through asset sales or by raising capital. In the end, transparency should prevail over opaqueness and undisclosed market values in the financial statements.

INFLATION: Almost all governments whose economies have been adversely affected by the financial crisis have been providing all kinds of liquidity including printing money to minimize the impact of the credit freeze on their economies. Historically, that is how nations have tackled their debt burden and this episode is no different. In the short term it may work, as the liquidity will counter some of the deleveraging and credit freeze in today's crisis. But longer term such actions can bring huge unintended consequences including the return of high inflation and the likely debasement of the U.S. currency. We don't know the timing of it but all that excess liquidity will have to go somewhere when normal times return.

MORE REGULATION: Yes, we will have a more regulated environment going forward. You can bet your last dollar on it. There is a need for regulatory reforms to ensure that, in the future, the near collapse of the world financial system does not happen again. And more regulation of financial institutions will most certainly lower their future growth and profitability.

We need to also get away from the notion of 'too big to fail'. Failing financial companies have used this excuse to hold us ransom in giving them financial assistance.

PENSION ASSETS: Most corporate pension plans have a majority of their assets invested in equities. With the markets down at least 40% across the world, we can safely assume that pension assets are down significantly. Eventually, companies have to make up the shortfall of their underfunded pension assets and therefore, their cash flow and earnings will take a significant hit in the future.

RECOVERY OF THE STOCK MARKET AND ECONOMY: The economy may get worse before it gets better. However, I have strong faith in the strength and resilience of a free market system. In the 20th century, the standard of living went up seven times in spite of the Great Depression, two World Wars, the oil embargo in the 1970s, interest rates of 15% or more to combat inflation and so on. The current financial crisis is severe, probably not as bad as the Great Depression, but worst of all the recessions in the 20th century. One unitholder said, 'This market feels worse than a divorce. You lose 50% of your assets and you still have your spouse'.

The good news is, if one wants to look at the current situation in a contrarian manner, most of the bad news is already reflected in the stock prices. We don't know whether the stock market has hit bottom yet but we suspect that when we look back at the current environment 10 years from now, we will classify this as one of the best periods for buying stock and debt securities.

BANKING SECTOR: Banks that have not been affected by the financial crisis will do quite well in the future. With the governments driving the treasuries to yield nearly 0%, the spread between what the banks are paying for deposits and borrowings in the market (like FDIC insured), and what they can lend at is enormous. For the first time in many years, banks are being paid handsomely for the risks they are taking. See the section under 'Repricing of Risk'.

CREDIT DEFAULT SWAPS (CDS): In general, the CDSs are way overpriced. What a dramatic difference from two years ago. To give you some sense of perspective, in October 2002, the 5 year CDS of General Electric Company was quoted at an annual price of 110 basis points. Two years ago, it was quoted at an annual price of 8 basis points and lately it is priced at over 900 points.

Some pricing in the CDS market is absurd. Barrons (March 9, 2009) reported that, 'A Merrill Lynch analyst Friday noted it was more costly to protect oneself from the possibility of a default by Berkshire Hathaway (ticker: BRKA) than one by Vietnam. And General Electric (GE) CDS prices outstripped those of Russia -- a country that a dozen years ago actually did default on its foreign debt'.

Other Matters

WAIVER AND REBATE OF MANAGEMENT FEE: Almost all management fees, net of trailer fees paid, were rebated for 2008 and all prior years for Chou Europe Fund since its inception in September, 2003.

The Manager waived approximately 77% of the management fees for 2008, net of trailer fees paid, for Chou Bond Fund.

The decision to waive or rebate the management fees, in whole or in part, is reviewed annually and determined at the discretion of the Manager without notice to unitholders.

FOREIGN CURRENCY CONTRACT: The amount contracted at December 31, 2008 was approximately 34% of the net assets.

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

INVESTMENT AWARDS: Please forgive me for this shameful display of self promotion but Chou Associates Fund won the 2008 Small/Midcap Global Equity Fund of the Year at the Investment Awards held on December 3, 2008 in Toronto (please stop laughing .... I am not making this up).

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

INDEPENDENT REVIEW COMMITTEE: The Manager has established an IRC as required by NI 81-107. The members of the IRC are Sandford Borins, Bruce Kerr and Joe Tortolano. The 2008 IRC Annual Report is available on our website www.choufunds.com.

As of March 13, 2009, the NAV of a Series A unit of the Fund was $49.59 and the cash position was 1.8% of net assets. The Fund is down 8.1% from the beginning of the year. In $US, it is down 12%.

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

90 Allstate Parkway, Suite 501, Markham ON L3R 6H3
905-479-1300 Toronto Line: 416-495-1755
Fax: 905-479-1350
bh@burnshubley.com
www.burnshubley.com

AUDITORS' REPORT

To the Trustee and the Unitholders of
Chou Associates Fund
Chou Asia Fund
Chou Europe Fund
Chou Bond Fund
Chou RRSP Fund
(collectively referred to as the "Chou Funds")

We have audited the statements of net assets of the Chou Funds as at December 31, 2008 and 2007, the statements of operations and changes in net assets for the years then ended and the statements of investments at December 31, 2008. These financial statements are the responsibility of the Chou Funds' management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Chou Funds as at December 31, 2008 and 2007, their results of operations and changes in net assets for the years then ended and their statements of investments as at December 31, 2008, in accordance with Canadian generally accepted accounting principles.

Burns Hubley LLP

Markham, Ontario
February 28, 2009

Chartered Accountants
Licensed Public Accountants

CHOU ASSOCIATES FUND
STATEMENT OF NET ASSETS
AS AT DECEMBER 31, 2008

	2008	2007
ASSETS		
Cash and treasury bills	$ 21,698,897	$ 243,115,775
Accrued interest and dividend income	6,627,094	1,975,845
Receivable for units subscribed	187,629	467,639
Unrealized gain on foreign currency forward contracts	4,991,119	-
Due from broker	15,377,575	-
Investments, at fair value	403,954,129	460,987,931
	452,836,443	706,547,190
LIABILITIES		
Accrued expenses	729,203	1,038,776
Payable for units redeemed	1,045,260	805,047
Distributions payable	546,219	472,150
Liability for investment purchased	9,902,498	8,036,041
	12,223,180	10,352,014
NET ASSETS	$ 440,613,263	$ 696,195,176
NET ASSETS, BY SERIES		
Series A	$ 409,872,495	$ 643,067,453
Series F	30,740,768	53,127,723
	$ 440,613,263	$ 696,195,176
NUMBER OF UNITS OUTSTANDING (Note 4)		
Series A	7,620,577	8,051,058
Series F	573,132	667,640
NET ASSET VALUE PER UNIT		
Canadian dollars		
Series A	$ 53.78	$ 79.87
Series F	$ 53.64	$ 79.58
U.S. dollars		
Series A	$ 44.13	$ 80.76
Series F	$ 44.01	$ 80.46

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

Francis Chou

Tracy Chou

CHOU ASSOCIATES FUND
STATEMENT OF OPERATIONS
FOR THE YEAR ENDED DECEMBER 31, 2008

	2008	2007
INVESTMENT INCOME		
Interest	$ 19,982,520	$ 22,287,049
Dividends	11,117,177	9,254,770
Interest from securities lending	2,907,223	1,342,820
Income from derivatives	245,362	1,184,415
	34,252,282	34,069,054
EXPENSES		
Management fees (Note 6)	9,439,703	11,626,395
Foreign withholding taxes	1,190,545	368,233
Custodian fees	676,880	679,309
Filing fees	58,924	72,409
Audit	58,304	30,408
Independent Review Committee fees	34,970	-
FundSERV fees	29,869	31,876
Legal	27,971	13,000
	11,517,166	12,821,630
NET INVESTMENT INCOME FOR THE YEAR	22,735,116	21,247,424
NET REALIZED AND UNREALIZED LOSS AND TRANSACTION COSTS		
Transaction costs	(273,517)	(552,550)
Net realized loss on sale of investments	(32,162,696)	(344,818)
Unrealized loss	(182,621,965)	(104,758,374)
	(215,058,178)	(105,655,742)
DECREASE IN NET ASSETS FROM OPERATIONS	$ (192,323,062)	$ (84,408,318)
DECREASE IN NET ASSETS FROM OPERATIONS		
Series A	$ (178,180,686)	$ (78,364,530)
Series F	(14,142,376)	(6,043,788)
	$ (192,323,062)	$ (84,408,318)
DECREASE IN NET ASSETS FROM OPERATIONS, PER UNIT		
Series A	$ (23.19)	$ (10.05)
Series F	$ (22.70)	$ (10.41)

CHOU ASSOCIATES FUND

STATEMENT OF CHANGES IN NET ASSETS

FOR THE YEAR ENDED DECEMBER 31, 2008

	2008	2007
SERIES A		
NET ASSETS, beginning of the year	$ 643,067,453	$ 614,043,756
Change in accounting policy (Note 2(b))	-	(1,169,994)
	643,067,453	612,873,762
Decrease in net assets from operations	(178,180,686)	(78,364,530)
Proceeds from issue of units	35,764,628	201,965,957
Payments on redemption of units	(90,347,775)	(92,990,912)
Distribution of income to unitholders		
Investment income	(18,788,828)	(18,090,966)
Reinvested distributions	18,357,703	17,674,142
NET ASSETS, end of the year	409,872,495	643,067,453
SERIES F		
NET ASSETS, beginning of the year	53,127,723	36,142,073
Change in accounting policy (Note 2(b))	-	(68,432)
	53,127,723	36,073,641
Decrease in net assets from operations	(14,142,376)	(6,043,788)
Proceeds from issue of units	8,483,842	29,435,222
Payments on redemption of units	(16,607,139)	(6,218,832)
Distribution of income to unitholders		
Investment income	(1,581,741)	(1,852,110)
Reinvested distributions	1,460,459	1,733,590
NET ASSETS, end of the year	30,740,768	53,127,723
TOTAL NET ASSETS, end of the year	$ 440,613,263	$ 696,195,176

CHOU ASSOCIATES FUND
STATEMENT OF INVESTMENTS
AS AT DECEMBER 31, 2008

	No. of Shares or Par Value	Cost	Market Value
SHARES*			
Berkshire Hathaway Inc., Class A	190	$ 19,658,153	$ 22,184,033
Biovail Corporation	1,576,377	23,864,372	18,155,713
Flagstone Reinsurance Holdings Ltd.	1,700,000	19,926,987	20,221,816
Gannett Company Inc.	320,000	8,561,604	3,116,149
IDT Corporation, Class B	314,800	3,238,750	138,121
King Pharmaceuticals Inc.	5,611,961	63,031,859	72,432,257
K-Swiss Inc., Class A	472,720	7,015,236	6,446,967
Mannkind Corporation	438,989	3,734,116	1,829,790
Media General Inc., Class A	2,052,117	46,390,726	4,376,849
Office Depot Inc.	1,472,053	14,339,527	5,346,396
Olympus Re Holdings Ltd.	1,652,836	4,282,431	8,319,577
Overstock.com Inc.	1,504,209	31,016,174	19,762,795
Qwest Communications International Inc.	2,000,000	9,125,034	8,872,639
RCN Corporation	1,700,884	21,071,744	12,209,880
Royal Boskalis Westminster nv	761,100	8,159,512	21,096,921
Sanofi-Aventis ADR	540,000	19,084,879	21,152,468
Sears Holdings Corporation	333,700	17,250,089	15,674,342
Sun-Times Media Group Inc., Class A	2,522,100	13,878,980	153,693
The McClatchy Company, Class A	5,571,077	39,003,526	5,363,986
Utah Medical Products Inc.	61,070	1,411,403	1,510,189
UTStarcom Inc.	3,350,000	14,428,860	7,512,492
Watson Pharmaceuticals Inc.	855,400	24,834,456	27,700,156
XO Holdings Inc.	2,941,854	12,949,506	591,598
		426,257,924	304,168,827
BONDS			
Abitibi-Consolidated Inc., Floating, June 15, 2011	26,906,000	14,053,142	3,279,220
Abitibi-Consolidated Inc., 15.5%, July 15, 2010	40,035,000	29,427,423	14,638,026
Collins & Aikman Corp. bank debts	5,000,000	4,471,467	2,212,066
Collins & Aikman Corp. bank debts	5,000,000	4,668,324	2,212,066
Global Crossing (UK) Ltd., 10.75%, Dec 15, 2014	16,660,000	18,976,677	16,326,191
Level 3 Comm. Inc., 15.0%, Jan 15, 2013	37,000,000	44,900,188	45,094,455
The McClatchy Company, 5.75%, Sep 1, 2017	14,000,000	4,104,642	2,815,356
The McClatchy Company, 7.125%, June 1, 2011	9,800,000	7,799,773	3,105,424

(continued)

CHOU ASSOCIATES FUND
STATEMENT OF INVESTMENTS
AS AT DECEMBER 31, 2008

	No. of Shares or Par Value	Cost	Market Value
BONDS (continued)			
Overstock.com Inc., 3.75%, Dec 1, 2011	6,825,000	5,483,607	5,811,273
Primus Telecomm., 14.25%, May 20, 2011	23,500,000	27,185,455	4,296,161
		161,070,698	99,790,238
TOTAL EQUITIES AND BONDS		587,328,622	403,959,065
DERIVATIVES (Schedule 1)		(378,416)	(4,936)
TRANSACTION COSTS		(833,093)	-
PORTFOLIO TOTAL		$ 586,117,113	$ 403,954,129

* Common shares unless indicated otherwise

CHOU ASSOCIATES FUND
SCHEDULE OF DERIVATIVES
AS AT DECEMBER 31, 2008

Schedule 1

Written Call Options	Expiry Date	Strike Price	Number	Cost	Market Value
Overstock.com Inc.	Jan 2009	$ 45.00	810	$ (378,416)	$ (4,936)

FOREIGN CURRENCY FORWARD CONTRACTS

Amount sold USD	Amount bought CDN	Maturity	Contract Cost	Market Value	Unrealized Gain
$119,123,253	$ 150,000,000	June 10, 2009	$145,183,733	$150,174,852	$ 4,991,119

Risk Management

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

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.

Credit Risk

As of December 31, 2008, the Fund invested approximately 23% of its net assets in non-investment grade debt instruments. Non-investment grade is the term applied to bonds rated below Baa3 on the Moody’s credit rating scale and below BBB- on the equivalent ratings systems from S&P and Fitch. These credit ratings denote that the company’s financial position is weak and its bonds should be considered as a speculative investment.

Interest Risk

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

Debt Instruments by Maturity Date:

Less than 1 year	$ 4,424,132
1-3 years	$ 31,130,104
3-5 years	$ 45,094,455
Greater than 5 years	$ 19,141,547

As at December 31, 2008, should interest rates have decreased or increased by 0.25%, with all other variables remaining constant, the increase or decrease in Net Assets for the year would amount to approximately $2,535,000.

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

Other Price Risk

Approximately 70% of the Fund's Net Assets held at December 31, 2008 were publicly traded equities. If equity prices on the exchange had increased or decreased by 5% as at December 31, 2008, the Net Assets of the Fund would have increased or decreased by approximately $15,208,000 respectively or 3.5% of the Net Assets, all other factors remaining constant.

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

Foreign Currency Risk

Currencies to which the Fund had exposure as at December 31, 2008 are as follows:

	Financial Instruments ($)	Percentage of NAV (%)
United States Dollar	382,084,551	86.7%
Euro Currency	21,100,264	4.8%
British Pound	96,081	0.0%

The amounts on the above table are based on the market value of the Fund's financial instruments (including cash and cash equivalents). Other financial assets (including dividends and interest receivables and receivables for investments sold) and financial liabilities (including payables and liabilities for investments purchased) that are denominated in foreign currencies do not expose the Fund to significant foreign currency risk.

As at December 31, 2008, approximately 34% of the Fund's net assets were hedged against the U.S. dollar. 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, respectively, by approximately $2,534,000.

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

CHOU ASIA FUND

March 13, 2009

Dear Unitholders of Chou Asia Fund,

After the distribution of $0.56, the net asset value (“NAVPU” or “NAV”) of a Series A unit of Chou Asia Fund at December 31, 2008 was $12.25 compared to $15.55 at December 31, 2007, a decrease of 17.6%; during the same period, the MSCI AC (Morgan Stanley Capital International All Country) Asia Pacific Total Return Index in Canadian dollars was down 28.4%. In $US, a Series A unit of Chou Asia Fund was down 33.2% while the MSCI AC Asia Pacific Total Return Index was down 41.8%.

The table shows our 1 year, 3 year, 5 year and since inception compound rates of return.

December 31, 2008 (Series A)	**1 Year**	**3 Years**	**5 Years**	**Since Inception**
Chou Asia ($CAN)	-17.6%	3.3%	6.9%	7.1%
MSCI AC Asia Pacific TR ($CAN)	-28.4%	-6.5%	1.4%	2.1%
Chou Asia ($US)[1]	-33.2%	1.8%	8.3%	9.2%
MSCI AC Asia Pacific TR ($US)	-41.8%	-7.9%	2.7%	4.1%

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 2008 Results

CANADIAN DOLLAR: The weakness of the Canadian dollar against the U.S. dollar had a positive impact on the results of the Fund. However, we did not receive the full benefit from the weakening of the Canadian dollar. The reason was that we had entered into a currency contract for 12% of the portfolio against the rise of the Canadian dollar versus the U.S. dollar. The currency contract cost the Fund approximately $1.9 million. Had we not contracted against the Canadian dollar, the performance of the Fund, though still negative, would have been better. The returns would have been approximately -15% instead of the -17.6%. The -15% is not an absolutely correct number because it does not incorporate the purchases and redemptions of the Fund over the contract period. Even though the number may not be exact, it does give a more accurate assessment of how the portfolio of the Fund performed for the year 2008.

INVESTING TOO EARLY: One of the hazards of being a value investor is that every now and then you are bound to buy stocks too early. Over the last few years, we have communicated through our letters, our deep concern about the easy credit, irresponsible lending, housing bubble and the potential dangers of derivatives like CDOs (collateralized debt obligations) impacting financial companies. As pessimistic as we were over the years, we did not anticipate how severely these factors would paralyze and cripple the financial system when the bubble did burst. There was no place to hide.

And so, based on the information we had in 2007, we purchased some stocks at prices that, in hindsight, were too high. The ensuing economic crisis, credit freeze and deleveraging severely impacted the intrinsic values of some of the stocks we purchased. As you may be aware, the intrinsic value is based on the sustainability of

[1]The alternative method of purchasing Chou Asia Fund in $US has been offered since September 2005. Performance for years prior to September 2005 are 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.

earning power and when it is negatively impacted by any severe economic crisis, the intrinsic value is impacted also. As a consequence, we suffered a permanent loss of capital investing in those companies.

While the stock prices of other companies we bought too early declined with the economic crisis, their fundamentals were not impaired. We expect these companies to do quite well in the future. We classify such losses as a temporary quotational loss of capital and not a permanent loss of capital. A unitholder facetiously said that we suffered from a severe case of premature accumulation.

As you can see, we cannot forecast the market. Speaking from hindsight, perhaps, we could have done a better job of safeguarding capital but most likely, if we were given the same information as we had in 2007, we would have made substantially the same investment decision as we did then.

HIGH CASH HOLDINGS: The high cash holdings throughout 2008 safeguarded the Fund from additional losses.

Major positive contributors to the Fund’s performance were Chintai and Sankyo. Conversely, we suffered significant price declines in Hanfeng Evergreen, Glacier Media, and debt securities of McClatchy and Abitibi.

Other Matters

FOREIGN CURRENCY CONTRACT: None existed as at December 31, 2008.

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

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

INDEPENDENT REVIEW COMMITTEE: The Manager has established an IRC as required by NI 81-107. The members of the IRC are Sandford Borins, Bruce Kerr and Joe Tortolano. The 2008 IRC Annual Report is available on our website www.choufunds.com.

As of March 13, 2009, the NAV of a Series A unit of the Fund was $12.16 and the cash position was 40% of net assets. The Fund is down 0.8% from the beginning of the year. In $US, it is down 5%.

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

STATEMENT OF NET ASSETS

AS AT DECEMBER 31, 2008

	2008	2007
ASSETS		
Cash and treasury bills	$ 24,057,080	$ 48,419,104
Accrued interest and dividend income	575,246	65,715
Receivable for units subscribed	1,026	42,500
Other receivable	-	50,914
Investments, at fair value	33,459,500	27,814,567
	58,092,852	76,392,800
LIABILITIES		
Accrued expenses	102,174	117,142
Payable for units redeemed	201,766	148,419
Distributions payable	39,359	70,252
	343,299	335,813
NET ASSETS	$ 57,749,553	$ 76,056,987
NET ASSETS, BY SERIES		
Series A	$ 56,589,172	$ 74,106,334
Series F	1,160,381	1,950,653
	$ 57,749,553	$ 76,056,987
NUMBER OF UNITS OUTSTANDING (Note 4)		
Series A	4,626,077	4,784,598
Series F	94,206	125,524
NET ASSET VALUE PER UNIT		
Canadian dollars		
Series A	$ 12.23	$ 15.49
Series F	$ 12.32	$ 15.54
U.S. dollars		
Series A	$ 10.04	$ 15.66
Series F	$ 10.11	$ 15.71

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

Francis Chou

Tracy Chou

CHOU ASIA FUND
STATEMENT OF OPERATIONS
FOR THE YEAR ENDED DECEMBER 31, 2008

	2008	2007
INVESTMENT INCOME		
Interest	$ 1,681,089	$ 1,510,800
Dividends	1,106,726	344,132
Interest from securities lending	103,440	154,233
Income from derivatives	62,764	124,625
	2,954,019	2,133,790
EXPENSES		
Management fees (Note 6)	1,155,690	994,071
Foreign withholding taxes	104,214	54,904
Custodian fees	82,194	59,536
Audit	11,202	17,496
Filing fees	7,013	5,479
Independent Review Committee fees	3,987	-
Legal	2,055	1,914
FundSERV fees	1,251	3,343
	1,367,606	1,136,743
NET INVESTMENT INCOME FOR THE YEAR	1,586,413	997,047
NET REALIZED AND UNREALIZED GAIN (LOSS) AND TRANSACTION COSTS		
Transaction costs	(27,098)	(54,161)
Net realized gain on sale of investments	89,266	5,876,465
Unrealized gain (loss)	(14,722,940)	402,989
	(14,660,772)	6,225,293
INCREASE (DECREASE) IN NET ASSETS FROM OPERATIONS	$ (13,074,359)	$ 7,222,340
INCREASE (DECREASE) IN NET ASSETS FROM OPERATIONS		
Series A	$ (12,652,262)	$ 6,881,491
Series F	(422,097)	340,849
	$ (13,074,359)	$ 7,222,340
INCREASE (DECREASE) IN NET ASSETS FROM OPERATIONS, PER UNIT		
Series A	$ (2.68)	$ 1.85
Series F	$ (3.32)	$ 1.98

CHOU ASIA FUND
STATEMENT OF CHANGES IN NET ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2008

	2008	2007
SERIES A		
NET ASSETS, beginning of the year	$ 74,106,334	$ 41,889,091
Change in accounting policy (Note 2(b))	-	(39,439)
	74,106,334	41,849,652
Increase (decrease) in net assets from operations	(12,652,262)	6,881,491
Proceeds from issue of units	9,494,403	32,772,773
Payments on redemption of units	(14,323,680)	(7,327,778)
Distribution of income to unitholders		
Investment income	(1,362,545)	(851,170)
Capital gains	(1,092,393)	(4,829,480)
Reinvested distributions	2,419,315	5,610,846
NET ASSETS, end of the year	56,589,172	74,106,334
SERIES F		
NET ASSETS, beginning of the year	1,950,653	1,960,684
Change in accounting policy (Note 2(b))	-	(1,832)
	1,950,653	1,958,852
Increase (decrease) in net assets from operations	(422,097)	340,849
Proceeds from issue of units	1,411,061	1,711,741
Payments on redemption of units	(1,773,193)	(2,060,353)
Distribution of income to unitholders		
Investment income	(29,849)	(17,719)
Capital gains	(22,370)	(127,340)
Reinvested distributions	46,176	144,623
NET ASSETS, end of the year	1,160,381	1,950,653
TOTAL NET ASSETS, end of the year	$ 57,749,553	$ 76,056,987

CHOU ASIA FUND
STATEMENT OF INVESTMENTS
AS AT DECEMBER 31, 2008

	No. of Shares or Par Value	Cost	Market Value
SHARES*			
Chintai Corporation	8,117	$ 2,026,824	$ 2,358,026
Chunghwa Telecom Company Ltd. ADR	197,661	3,225,068	3,748,452
Delta Electronics Public Company Ltd.	1,763,300	897,401	752.682
ElectroTech Investments Limited	647,000	231,496	74,444
Glacier Media Inc. **	946,579	2,556,000	2,035,145
Hanfeng Evergreen Inc.	495,750	1,182,082	2,781,158
N.E. Chemcat Corporation	115,000	2,084,477	1,700,688
Sankyo Company Ltd.	60,000	2,684,475	3,630,295
SK Telecom Company Ltd. ADR	170,000	3,795,157	3,756,368
UTStarcom Inc.	1,247,051	4,817,388	2,796,556
		23,500,368	23,633,814
BONDS			
Abitibi-Consolidated Inc., 6.0%, Jun 20, 2013	14,295,000	3,079,127	1,306,673
Abitibi-Consolidated Inc., 8.55%, Aug 1, 2010	2,915,000	1,706,877	319,744
Level 3 Communications, 15.0%, conv., Jan 15, 2013	4,500,000	5,474,386	5,484,461
The McClatchy Company, 5.75%, Sep 1, 2017	13,500,000	7,067,071	2,714,808
		17,327,461	9,825,686
TOTAL EQUITIES AND BONDS		40,827,829	33,459,500
TRANSACTION COSTS		(60,803)	-
PORTFOLIO TOTAL		$ 40,767,026	$ 33,459,500

* Common shares unless indicated otherwise

**Glacier Ventures International Corporation changed its name to Glacier Media Inc.

Risk Management

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

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.

Credit Risk

As of December 31, 2008, the Fund invested approximately 17% of its net assets in non-investment grade debt instruments. Non-investment grade is the term applied to bonds rated below Baa3 on the Moody’s credit rating scale and below BBB- on the equivalent ratings systems from S&P and Fitch. These credit ratings denote that the company’s financial position is weak and its bonds should be considered as a speculative investment.

Interest Risk

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

Debt Instruments by Maturity Date:

Less than 1 year	$ 0
1-3 years	$ 319,744
3-5 years	$ 6,791,134
Greater than 5 years	$ 2,714,808

As at December 31, 2008, should interest rates have decreased or increased by 0.25%, with all other variables remaining constant, the increase or decrease in Net Assets for the year would amount to approximately $1,254,000.

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

Other Price Risk

Approximately 41% of the Fund's Net Assets held at December 31, 2008 were publicly traded equities. If equity prices on the exchange had increased or decreased by 5% as at December 31, 2008, the Net Assets of the Fund would have increased or decreased by approximately $1,182,000 respectively or 2% of the Net Assets, all other factors remaining constant.

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

Foreign Currency Risk

Currencies to which the Fund had exposure as at December 31, 2008 are as follows:

	Financial Instruments ($)	Percentage of NAV (%)
United States Dollar	29,767,675	51.5%
Japanese Yen	8,558,804	14.8%
Thailand Baht	752,683	1.3%
Singapore Dollar	101,299	0.2%

The amounts on the above table are based on the market value of the Fund's financial instruments (including cash and cash equivalents). Other financial assets (including dividends and interest receivables and receivables for investments sold) and financial liabilities (including payables) that are denominated in foreign currencies do not expose the Fund to significant foreign currency risk.

If the Canadian dollar had strengthened or weakened by 1% in relation to all currencies with all other variables held constant, net assets would have decreased or increased, respectively, by approximately $392,000.

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

CHOU EUROPE FUND

March 13, 2009

Dear Unitholders of Chou Europe Fund,

After the distribution of $0.35, the net asset value ("NAVPU" or "NAV") of a Series A unit of Chou Europe Fund at December 31, 2008 was $6.11 compared to $11.54 at December 31, 2007, a decrease of 44.0%; during the same period, the MSCI AC (Morgan Stanley Capital International All Country) Europe Total Return Index in Canadian dollars was down 35.2%. In $US, a Series A unit of Chou Europe Fund was down 54.6% while the MSCI AC Europe Total Return Index was down 47.2%.

The table shows our 1 year, 3 year, 5 year and since inception compound rates of return.

December 31, 2008 (Series A)	**1 Year**	**3 Years**	**5 Years**	**Since Inception**
Chou Europe ($CAN)	-44.0%	-19.3%	-7.8%	-6.6%
MSCI AC Europe TR ($CAN)	-35.2%	-4.9%	0.8%	2.9%
Chou Europe ($US)[1]	-54.6%	-20.5%	-6.7%	-4.8%
MSCI AC Europe TR ($US)	-47.2%	-6.3%	2.0%	4.9%

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 2008 Results

CANADIAN DOLLAR: The weakness of the Canadian dollar against the U.S. dollar had a positive impact on the results of the Fund. However, we did not receive the full benefit from the weakening of the Canadian dollar. The reason was that we had entered into a currency contract for 40% of the portfolio against the rise of the Canadian dollar versus the U.S. dollar. The currency contract cost the Fund approximately $960,000. Had we not contracted against the Canadian dollar, the performance of the Fund, though still negative, would have been better. The returns would have been approximately -37% instead of the -44%. The -37% is not an absolutely correct number because it does not incorporate the purchases and redemptions of the Fund over the contract period. Even though the number may not be exact, it does give a more accurate assessment of how the portfolio of the Fund performed for the year 2008.

INVESTING TOO EARLY: One of the hazards of being a value investor is that every now and then you are bound to buy stocks too early. Over the last few years, we have communicated through our letters, our deep concern about the easy credit, irresponsible lending, housing bubble and the potential dangers of derivatives like CDOs (collateralized debt obligations) impacting financial companies. As pessimistic as we were over the years, we did not anticipate how severely these factors would paralyze and cripple the financial system when the bubble did burst. There was no place to hide.

And so, based on the information we had in 2007, we purchased some stocks at prices that, in hindsight, were too high. The ensuing economic crisis, credit freeze and deleveraging severely impacted the intrinsic values

[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.

of some of the stocks we purchased. As you may be aware, the intrinsic value is based on the sustainability of earning power and when it is negatively impacted by any severe economic crisis, the intrinsic value is impacted also. As a consequence, we suffered a permanent loss of capital investing in those companies.

While the stock prices of other companies we bought too early declined with the economic crisis, their fundamentals were not impaired. We expect these companies to do quite well in the future. We classify such losses as a temporary quotational loss of capital and not a permanent loss of capital. A unitholder facetiously said that we suffered from a severe case of premature accumulation.

As you can see, we cannot forecast the market. Speaking from hindsight, perhaps, we could have done a better job of safeguarding capital but most likely, if we were given the same information as we had in 2007, we would have made substantially the same investment decision as we did then.

We suffered significant price declines in Next PLC, SCS Upholstery PLC, Clinton Cards PLC, Royal Boskalis Westminster, Alexon Group PLC, CryptoLogic and debt securities of Abitibi.

Other Matters

WAIVER AND REBATE OF MANAGEMENT FEE: We were disappointed with the results of Chou Europe Fund. Therefore, almost all management fees, net of trailer fees paid, were rebated for 2008 and all prior years for Chou Europe Fund since its inception in September, 2003.

The decision to waive or rebate the management fees, in whole or in part, is reviewed annually and determined at the discretion of the Manager without notice to unitholders.

FOREIGN CURRENCY CONTRACT: None existed as at December 31, 2008.

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

INDEPENDENT REVIEW COMMITTEE: The Manager has established an IRC as required by NI 81-107. The members of the IRC are Sandford Borins, Bruce Kerr and Joe Tortolano. The 2008 IRC Annual Report is available on our website www.choufunds.com.

As of March 13, 2009, the NAV of a Series A unit of the Fund was $5.95 and the cash position was 8% of net assets. The Fund is down 2.6% from the beginning of the year. In $US, it is down 6.8%.

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

STATEMENT OF NET ASSETS

AS AT DECEMBER 31, 2008

	2008	2007
ASSETS		
Cash and treasury bills	$ 829,767	$ 5,176,421
Accrued interest and dividend income	96,367	12,401
Due from brokers	9,756	-
Investments, at fair value	6,463,880	9,310,816
	7,399,770	14,499,638
LIABILITIES		
Accrued expenses	4,498	6,319
Payable for units redeemed	116,672	301,160
Distributions payable	6,961	7,754
	128,131	315,233
NET ASSETS	$ 7,271,639	$ 14,184,405
NET ASSETS, BY SERIES		
Series A	$ 7,008,560	$ 13,449,188
Series F	263,079	735,217
	$ 7,271,639	$ 14,184,405
NUMBER OF UNITS OUTSTANDING (Note 4)		
Series A	1,157,290	1,173,236
Series F	43,097	63,862
NET ASSET VALUE PER UNIT		
Canadian dollars		
Series A	$ 6.06	$ 11.46
Series F	$ 6.10	$ 11.51
U.S. dollars		
Series A	$ 4.97	$ 11.59
Series F	$ 5.01	$ 11.64

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

Francis Chou

Tracy Chou

CHOU EUROPE FUND

STATEMENT OF OPERATIONS

FOR THE YEAR ENDED DECEMBER 31, 2008

	2008	2007
INVESTMENT INCOME		
Interest	$ 343,885	$ 565,837
Dividends	266,735	136,000
Interest from securities lending	19,499	-
Income from derivatives	-	44,509
	630,119	746,346
EXPENSES		
Management fees (Note 6)	176,865	268,271
Foreign withholding taxes	32,778	13,513
Custodian fees	17,304	31,671
Audit	3,684	12,960
Independent Review Committee fees	725	-
Filing fees	649	995
FundSERV fees	245	967
Legal	57	2,090
Total Expenses	232,307	330,467
Management fees waived by the Manager	(131,734)	(39,883)
Management fees rebated by the Manager	(415,265)	-
Net Expenses	(314,692)	290,584
NET INVESTMENT INCOME FOR THE YEAR	944,811	455,762
NET REALIZED AND UNREALIZED LOSS AND TRANSACTION COSTS		
Transaction costs	(7,490)	(18,689)
Net realized loss on sale of investments	(1,032,032)	(226,660)
Unrealized loss	(6,184,744)	(3,173,672)
	(7,224,266)	(3,419,021)
DECREASE IN NET ASSETS FROM OPERATIONS	$ (6,279,455)	$ (2,963,259)
DECREASE IN NET ASSETS FROM OPERATIONS		
Series A	$ (5,988,909)	$ (2,680,429)
Series F	(290,546)	(282,830)
	$ (6,279,455)	$ (2,963,259)
DECREASE IN NET ASSETS FROM OPERATIONS, PER UNIT		
Series A	$ (5.01)	$ (2.25)
Series F	$ (5.07)	$ (2.18)

CHOU EUROPE FUND

STATEMENT OF CHANGES IN NET ASSETS

FOR THE YEAR ENDED DECEMBER 31, 2008

	2008	2007
SERIES A		
NET ASSETS, beginning of the year	$ 13,449,188	$ 15,919,121
Change in accounting policy (Note 2(b))	-	(7,866)
	13,449,188	15,911,255
Decrease in net assets from operations	(5,988,909)	(2,680,429)
Proceeds from issue of units	2,024,536	4,656,787
Payments on redemption of units	(2,469,312)	(4,430,744)
Distribution of income to unitholders		
Investment income	(386,969)	(388,803)
Reinvested distributions	380,026	381,122
NET ASSETS, end of the year	7,008,560	13,449,188
SERIES F		
NET ASSETS, beginning of the year	735,217	1,492,957
Change in accounting policy (Note 2(b))	-	(737)
	735,217	1,492,220
Decrease in net assets from operations	(290,546)	(282,830)
Proceeds from issue of units	56,588	752,601
Payments on redemption of units	(238,180)	(1,226,696)
Distribution of income to unitholders		
Investment income	(15,057)	(17,268)
Reinvested distributions	15,057	17,190
NET ASSETS, end of the year	263,079	735,217
TOTAL NET ASSETS, end of the year	$ 7,271,639	$ 14,184,405

CHOU EUROPE FUND
STATEMENT OF INVESTMENTS
AS AT DECEMBER 31, 2008

	No. of Shares or Par Value	Cost	Market Value
SHARES*			
Alexon Group PLC	517,738	$ 1,130,114	$ 110,647
AstraZeneca PLC	13,000	701,770	649,653
Clinton Cards PLC	650,000	826,716	54,987
CryptoLogic Limited	60,000	828,212	168,000
Glacier Media Inc. **	256,628	623,808	551,750
GlaxoSmithKline PLC	28,000	764,303	639,786
Hollinger Inc.	606,748	1,245,317	1
Royal Boskalis Westminster nv	14,400	149,734	399,153
Natuzzi S.p.A. ADR	72,000	706,248	175,503
Next PLC	20,000	646,019	383,259
Sanofi-Aventis ADR	20,000	884,092	783,425
ScS Upholstery PLC	342,360	1,135,887	0
Topps Tiles PLC	370,000	513,589	131,790
		10,155,809	4,047,954
BONDS			
Abitibi-Consolidated Inc., Floating, Jun 15, 2011	2,450,000	1,290,754	298,598
Global Crossing (UK) Ltd., 10.75%, Dec 15, 2014	650,000	682,335	636,976
Global Crossing (UK) Ltd., 11.75%, Dec 15, 2014	180,000	420,378	267,676
Level 3 Comm., 15.0%, conv., Jan 15, 2013	500,000	606,759	609,385
The McClatchy Company, 5.75%, Sep 1, 2017	3,000,000	879,566	603,291
		3,879,792	2,415,926
TOTAL EQUITIES AND BONDS		14,035,601	6,463,880
TRANSACTION COSTS		(25,373)	-
PORTFOLIO TOTAL		$ 14,010,228	$ 6,463,880

* Common shares unless indicated otherwise

** Glacier Ventures International Corporation changed its name to Glacier Media Inc.

Risk Management

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. Investment may include common and preferred shares, convertible debentures, government and corporate bonds and short-term debt.

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

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.

Credit Risk

As of December 31, 2008, the Fund invested approximately 33% of its net assets in non-investment grade debt instruments. Non-investment grade is the term applied to bonds rated below Baa3 on the Moody’s credit rating scale and below BBB- on the equivalent ratings systems from S&P and Fitch. These credit ratings denote that the company’s financial position is weak and its bonds should be considered as a speculative investment.

Interest Risk

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

Debt Instruments by Maturity Date:

Less than 1 year	$ 0
1-3 years	$ 298,598
3-5 years	$ 609,385
Greater than 5 years	$ 1,507,943

As at December 31, 2008, should interest rates have decreased or increased by 0.25%, with all other variables remaining constant, the increase or decrease in Net Assets for the year would amount to approximately $143,000.

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

Other Price Risk

Approximately 56% of the Fund's Net Assets held at December 31, 2008 were publicly traded equities. If equity prices on the exchange had increased or decreased by 5% as at December 31, 2008, the Net Assets of the Fund would have increased or decreased by approximately $202,000 respectively or 2.7% of the Net Assets, all other factors remaining constant.

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

Foreign Currency Risk

Currencies to which the Fund had exposure as at December 31, 2008 are as follows:

	Financial Instruments ($)	Percentage of NAV (%)
United States Dollar	3,407,435	46.9%
Euro Currency	399,558	5.5%
Sterling Pound	2,238,797	30.8%

The amounts on the above table are based on the market value of the Fund's financial instruments (including cash and cash equivalents). Other financial assets (including dividends and interest receivables and receivables for investments sold) and financial liabilities (including payables) that are denominated in foreign currencies do not expose the Fund to significant foreign currency risk.

If the Canadian dollar had strengthened or weakened by 1% in relation to all currencies with all other variables held constant, net assets would have decreased or increased, respectively, by approximately $60,500.

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

CHOU BOND FUND

March 13, 2009

Dear Unitholders of Chou Bond Fund,

After the distribution of $0.80, the net asset value ("NAVPU" or "NAV") of a Series A unit of Chou Bond Fund at December 31, 2008 was $6.34 compared to $11.46 at December 31, 2007, a decrease of 37.7%; during the same period, Citigroup WGBI (World Government Bond Index) All Maturities ($CAN) returned 36.2% and Barclays U.S. Corporate High Yield Index ($CAN) was down 8.5%. In $US, a Series A unit of Chou Bond Fund was down 49.4% while Citigroup WGBI All Maturities returned 10.9% and Barclays U.S. Corporate High Yield Index was down 26.2%.

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

December 31, 2008 (Series A)	**1 Year**	**3 Years**	**Since Inception**
Chou Bond ($CAN)	-37.7%	-9.6%	-7.7%
Citigroup WGBI ($CAN)	36.2%	11.0%	8.3%
*Barclays' U.S High Yield ($CAN)	-8.5%	-3.9%	-4.0%
Chou Bond ($US) [1]	-49.4%	-10.9%	-8.5%
Citigroup WGBI ($US)	10.9%	9.3%	7.4%
*Barclays' U.S High Yield ($US)	-26.2%	-5.6%	-5.1%

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.

*Barclays Capital purchased Lehman's index department after the investment bank went under in 2008. It rebranded them with the name Barclays Capital Indices. Barclays Capital is committed to continuing the calculation, maintenance, infrastructure and publication of the existing indices.

Factors influencing the 2008 results

CANADIAN DOLLAR: The weakness of the Canadian dollar against the U.S. dollar had a positive impact on the results of the Fund. However, we did not receive the full benefit from the weakening of the Canadian dollar. The reason was that we had entered into a currency contract for 56% of the portfolio against the rise of the Canadian dollar versus the U.S. dollar. The currency contract cost the Fund approximately $11.8 million. Had we not contracted against the Canadian dollar, the performance of the Fund, though still negative, would have been better. The returns would have been approximately -24% instead of the -37.7%. The -24% is not an absolutely correct number because it does not incorporate the purchases and redemptions of the Fund over the contract period. Even though the number may not be exact, it does give a more accurate assessment of how the portfolio of the Fund performed for the year 2008.

REPRICING OF RISK: At the time of writing two years ago, preservation of capital was given little consideration by the market. However, in 2008 there was a huge repricing of risk. As a result, the bonds we purchased went down in price. The following are some examples:

[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.

1) Two years ago, the spread between U.S. corporate high yield debt and U.S. treasuries was 311 basis points; a year ago it was 800 basis points. Currently, it is over 1,600 basis points, down from its peak of over 1,900 basis points in December 2008. (Source: JP Morgan).

2) Two years ago, the spread between U.S. investment grade bonds and U.S. treasuries was approximately 85 basis points; a year ago it was approximately 274 basis points. It is now over 550 basis points, which is slightly down from its peak of 592 basis points in December 2008. (Source: JP Morgan).

The examples show that the pricing of risk has changed 180 degrees from a couple of years ago. One can argue that corporate bonds, both investment grade and non-investment grade, are mispriced more than equities. In addition, if corporate bonds are cheap, the treasuries are in bubble territory. In our opinion, this is the worst time to hold cash and short-term treasuries unless you believe we are headed into a 1930's style depression. If you believe that you should redeem all of your Fund units.

We suffered significant price declines in debt securities of Abitibi, McClatchy, Nortel Networks and Primus Telecommunications.

Other Matters

WAIVER OF MANAGEMENT FEE: We were disappointed with the 2008 results of Chou Bond Fund. Therefore, the Manager waived approximately 77% of the management fees for 2008, net of trailer fees paid, for Chou Bond Fund.

The decision to waive or rebate the management fees, in whole or in part, is reviewed annually and determined at the discretion of the Manager without notice to unitholders.

FOREIGN CURRENCY CONTRACT: The amount contracted at December 31, 2008 was approximately 95% of the net assets.

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

INDEPENDENT REVIEW COMMITTEE: The Manager has established an IRC as required by NI 81-107. The members of the IRC are Sandford Borins, Bruce Kerr and Joe Tortolano. The 2008 IRC Annual Report is available on our website www.choufunds.com.

As of March 13, 2009, the NAV of a Series A unit of the Fund was $6.43 and the cash position was 2% of net assets. The Fund is up 1.4% from the beginning of the year. In $US, it is down 2.9%.

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

STATEMENT OF NET ASSETS

AS AT DECEMBER 31, 2008

	2008	2007
ASSETS		
Cash and treasury bills	$ 3,226,440	$ 51,045,510
Accrued interest income	1,547,339	497,824
Receivable for units subscribed	224,228	94,679
Other receivable	700,000	-
Unrealized gain on foreign currency forward contracts	1,663,706	-
Investments, at fair value	45,798,814	35,498,731
	53,160,527	87,136,744
LIABILITIES		
Accrued expenses	77,617	101,168
Payable for units redeemed	197,742	112,158
Distributions payable	146,858	67,192
	422,217	280,518
NET ASSETS	$ 52,738,310	$ 86,856,226
NET ASSETS, BY SERIES		
Series A	$ 45,350,117	$ 76,252,319
Series F	7,388,193	10,603,907
	$ 52,738,310	$ 86,856,226
NUMBER OF UNITS OUTSTANDING (Note 4)		
Series A	7,153,342	6,660,305
Series F	1,170,405	925,972
NET ASSET VALUE PER UNIT		
Canadian dollars		
Series A	$ 6.34	$ 11.45
Series F	$ 6.31	$ 11.45
U.S. dollars		
Series A	$ 5.20	$ 11.58
Series F	$ 5.18	$ 11.58

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

Francis Chou

Tracy Chou

CHOU BOND FUND
STATEMENT OF OPERATIONS
FOR THE YEAR ENDED DECEMBER 31, 2008

	2008	2007
INVESTMENT INCOME		
Interest	$ 7,095,016	$ 4,069,439
Dividends	236,047	146,947
	7,331,063	4,216,386
EXPENSES		
Management fees (Note 6)	989,552	909,396
Custodian fees	89,976	69,309
Foreign withholding taxes	14,887	9,456
Audit	13,139	13,339
Filing fees	7,992	5,652
Independent Review Committee fees	4,456	-
Legal	2,431	2,720
FundSERV fees	1,536	4,101
Total Expenses	1,123,969	1,013,973
Management fees waived by the Manager (Note 6)	(700,000)	-
Net Expenses	423,969	1,013,973
NET INVESTMENT INCOME FOR THE YEAR	6,907,094	3,202,413
NET REALIZED AND UNREALIZED LOSS AND TRANSACTION COSTS		
Transaction costs	(1,583)	(11,467)
Net realized loss on sale of investments	(13,409,184)	(3,291,400)
Unrealized loss	(26,543,068)	(4,042,582)
	(39,953,835)	(7,345,449)
DECREASE IN NET ASSETS FROM OPERATIONS	$ (33,046,741)	$ (4,143,036)
DECREASE IN NET ASSETS FROM OPERATIONS		
Series A	$ (28,727,642)	$ (3,670,159)
Series F	(4,319,099)	(472,877)
	$ (33,046,741)	$ (4,143,036)
DECREASE IN NET ASSETS FROM OPERATIONS, PER UNIT		
Series A	$ (4.29)	$ (0.67)
Series F	$ (4.30)	$ (0.63)

CHOU BOND FUND
STATEMENT OF CHANGES IN NET ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2008

	2008	2007
Series A		
NET ASSETS, beginning of the year	$ 76,252,319	$ 31,776,231
Change in accounting policy (Note 2(b))	-	(17,854)
	76,252,319	31,758,377
Decrease in net assets from operations	(28,727,642)	(3,670,159)
Proceeds from issue of units	15,556,724	59,791,374
Payments on redemption of units	(17,601,719)	(11,567,742)
Distribution of income to unitholders		
Investment income	(5,083,005)	(2,771,866)
Reinvested distributions	4,953,440	2,712,335
NET ASSETS, end of the year	45,350,117	76,252,319
Series F		
NET ASSETS, beginning of the year	10,603,907	4,595,162
Change in accounting policy (Note 2(b))	-	(2,582)
	10,603,907	4,592,580
Decrease in net assets from operations	(4,319,099)	(472,877)
Proceeds from issue of units	4,918,332	7,987,288
Payments on redemption of units	(3,799,028)	(1,495,755)
Distribution of income to unitholders		
Investment income	(855,053)	(401,965)
Reinvested distributions	839,134	394,636
NET ASSETS, end of the year	7,388,193	10,603,907
TOTAL NET ASSETS, end of the year	$ 52,738,310	$ 86,856,226

CHOU BOND FUND
STATEMENT OF INVESTMENTS
AS AT DECEMBER 31, 2008

	No. of Units or Par Value	Cost	Market Value
SHARES*			
Doral Financial Corporation, preferred	5,000	$ 806,956	$ 429,616
Rainmaker Entertainment Inc.	200,000	440,000	120,000
SFK Pulp Fund, trust units	1,360,000	2,739,803	788,800
Tembec Holdings Inc.**	180,633	1,163,905	177,020
		5,150,664	1,515,436
BONDS			
Abitibi-Consolidated Inc., 7.75%, Jun 15, 2011	2,000,000	1,617,322	201,097
Abitibi-Consolidated Inc., Floating, Jun 15, 2011	5,000,000	2,534,706	609,385
Americredit Corp., 0.75%, conv., Sep 15, 2011	485,000	287,897	256,361
CanWest MediaWorks LP, 9.25%, Aug 1, 2015	7,000,000	5,805,465	3,135,283
Catalyst Paper (Norske Skog) 8.625%, Jun 15, 2011	3,775,000	2,841,824	2,024,375
Clarke Inc., 6.0%, convertible, Dec. 31, 2013	300,000	370,746	174,000
ExpressJet Holdings, 4.25%, conv., Aug 1, 2023	5,000,000	4,194,350	4,079,829
Global Crossing (UK) Ltd., 10.75%, Dec 15, 2014	190,000	199,872	186,193
GMAC, 4.10%, Mar 15, 2009	95,000	89,354	110,310
GMAC, 5.10%, Aug 15, 2009	67,000	63,614	70,928
GMAC, 5.20%, Nov 15, 2009	100,000	94,299	100,096
GMAC, 5.25%, Aug 15, 2009	100,000	95,854	101,597
GMAC, 5.25%, Jun 15, 2009	78,000	74,855	85,567
Goldman Sachs Capital Inc., 5.793%, Dec 29, 2049	7,000,000	3,270,604	3,412,553
Hollinger Inc., 11.875%, Mar 1, 2011	680,000	771,244	99,452
Hollinger Inc., 12.875%, Mar 1, 2011	1,192,000	1,303,069	232,444
Interstate Bakeries Inc., 6.0%, Aug 15, 2014	500,000	506,645	6,094
James River Coal Co., 9.375%, Jun 1, 2012	3,000,000	2,525,876	2,595,979
JetBlue Airway, 3.75%, conv., Mar 15, 2035	2,500,000	1,647,104	2,358,927
Level 3 Comm., 15.0%, conv., Jan 15, 2013	3,500,000	4,247,315	4,265,693
Level 3 Financing Inc., 12.25%, Mar 15, 2013	2,000,000	1,916,443	1,462,523
Mannkind Corp., 3.75%, conv., Dec 15, 2013	4,000,000	2,169,513	2,145,034
The McClatchy Company, 5.75%, Sep 1, 2017	6,500,000	4,167,036	1,307,130
The McClatchy Company, 7.125%, Jun 1, 2011	2,000,000	1,564,029	633,760
The McClatchy Company, 9.875%, Apr 15, 2009	55,000	78,016	59,826
The McClatchy Company, 6.875%, Mar 15, 2029	5,000,000	2,984,618	975,015
Nortel Networks Ltd., 1.75%, conv., Apr 15, 2012	10,000,000	5,421,625	1,830,713
Nortel Networks Ltd., 10.75%, Jul 15, 2016	2,000,000	1,962,841	658,135
Overstock.com Inc., 3.75%, Dec 1, 2011	3,295,000	2,418,789	2,805,589
Pinnacle Airline Corp., 3.25%, Feb 15, 2025	5,000,000	3,289,008	4,006,703
Primus Telecomm. Group, 3.75%, Sep 15, 2010	5,500,000	3,189,831	268,129

(continued)

CHOU BOND FUND
STATEMENT OF INVESTMENTS
AS AT DECEMBER 31, 2008

	No. of Units or Par Value	Cost	Market Value
BONDS (continued)			
Primus Telecomm. Group, 14.25%, May 20, 2011	4,781,000	5,298,747	874,040
Taiga Building Products Ltd., 14.0%, Sep 1, 2020	1,712,000	1,705,899	941,600
Tembec, Term Loan, Floating, Feb 12, 2012	625,000	637,118	533,211
Texas Comp. Electric, 10.25%, Nov 1, 2015	2,000,000	1,932,609	1,675,807
		71,278,137	44,283,378
TOTAL EQUITIES AND BONDS		76,428,801	45,798,814
TRANSACTION COSTS		(12,387)	-
PORTFOLIO TOTAL		$ 76,416,414	$ 45,798,814

* Common shares unless indicated otherwise

** Shares received from recapitalization of Tembec notes

CHOU BOND FUND
SCHEDULE OF DERIVATIVES
AS AT DECEMBER 31, 2008

FOREIGN CURRENCY FORWARD CONTRACTS

Amount sold USD	Amount bought CDN	Maturity	Contract Cost	Market Value	Unrealized Gain
$ 39,707,751	$ 50,000,000	June 10, 2009	$ 48,394,578	$ 50,058,284	$ 1,663,706

Risk Management

The Fund's objective is to provide conservation of principal and income production with capital appreciation as a secondary consideration. The Fund invests primarily in Canadian and US 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 investment strategy follows a strong discipline with regard to price paid to acquire portfolio investments. The level of investment in a company's debt securities is generally commensurate with the current price of the company's debt securities in relation to its intrinsic value as determined by various factors. That approach is designed to provide an extra margin of safety, which in turn serves to reduce overall portfolio risk.

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.

Credit Risk

As of December 31, 2008, the Fund invested approximately 84% of its net assets in non-investment grade debt instruments. Non-investment grade is the term applied to bonds rated below Baa3 on the Moody’s credit rating scale and below BBB- on the equivalent ratings systems from S&P and Fitch. These credit ratings denote that the company’s financial position is weak and its bonds should be considered as a speculative investment.

Interest Risk

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

Debt Instruments by Maturity Date:

Less than 1 year	$ 528,324
1-3 years	$ 8,004,632
3-5 years	$ 13,007,153
Greater than 5 years	$ 22,743,269

As at December 31, 2008, should interest rates have decreased or increased by 0.25%, with all other variables remaining constant, the increase or decrease in Net Assets for the year would amount to approximately $3,740,000.

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

Other Price Risk

Approximately 2.9% of the Fund's Net Assets held at December 31, 2008 were publicly traded equities. If equity prices on the exchange had increased or decreased by 5% as at December 31, 2008, the Net Assets of the Fund would have increased or decreased by approximately $75,500 respectively or 0.1% of the Net Assets, all other factors remaining constant.

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

Foreign Currency Risk

Currencies to which the Fund had exposure as at December 31, 2008 are as follows:

	Financial Instruments ($)	Percentage of NAV (%)
United States Dollar	45,399,370	86.1%

The amounts on the above table are based on the market value of the Fund's financial instruments (including cash and cash equivalents). Other financial assets (including interest receivables and other receivables) and financial liabilities (including payables) that are denominated in foreign currencies do not expose the Fund to significant foreign currency risk.

As at December 31, 2008, approximately 95% of the Fund's net assets were hedged against the U.S. dollar. If the Canadian dollar had strengthened or weakened by 1% in relation to all currencies with all other variables held constant, net assets would not have changed.

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

CHOU RRSP FUND

March 13, 2009

Dear Unitholders of Chou RRSP Fund,

After the distribution of $2.58, the net asset value ("NAVPU" or "NAV") of a Series A unit of Chou RRSP Fund at December 31, 2008 was $13.71 compared to $28.28 at December 31, 2007, a decrease of 42.4%; during the same period, the S&P/TSX Total Return Index decreased 33.0% in Canadian dollars. In $US, a Series A unit of Chou RRSP Fund decreased 53.2% while the S&P/TSX Total Return Index decreased 45.4%.

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

December 31, 2008 (Series A)	**1 Year**	**3 Years**	**5 Years**	**10 Years**	**15 Years**
Chou RRSP ($CAN)	-42.4%	-16.9%	-5.5%	3.5%	8.2%
S&P/TSX ($CAN)	-33.0%	-4.8%	4.2%	5.3%	7.1%
Chou RRSP ($US)[1]	-53.2%	-18.1%	-4.4%	5.9%	8.8%
S&P/TSX ($US)	-45.4%	-6.0%	5.6%	7.8%	7.6%

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 2008 Results

CANADIAN DOLLAR: The weakness of the Canadian dollar against the U.S. dollar had a positive impact on the results of the Fund. However, we did not receive the full benefit from the weakening of the Canadian dollar. The reason was that we had entered into a currency contract for 26% of the portfolio against the rise of the Canadian dollar versus the U.S. dollar. The currency contract cost the Fund approximately $9.8 million. Had we not contracted against the Canadian dollar, the performance of the Fund, though still negative, would have been better. The returns would have been approximately -38% instead of the -42.4%. The -38% is not an absolutely correct number because it does not incorporate the purchases and redemptions of the Fund over the contract period. Even though the number may not be exact, it does give a more accurate assessment of how the portfolio of the Fund performed for the year 2008.

INVESTING TOO EARLY: One of the hazards of being a value investor is that every now and then you are bound to buy stocks too early. Over the last few years, we have communicated through our letters, our deep concern about the easy credit, irresponsible lending, housing bubble and the potential dangers of derivatives like CDOs (collateralized debt obligations) impacting financial companies. As pessimistic as we were over the years, we did not anticipate how severely these

[1]The alternative method of purchasing Chou RRSP Fund in $US has been offered since September 2005. Performance for years prior to September 2005 are 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.

factors would paralyze and cripple the financial system when the bubble did burst. There was no place to hide.

And so, based on the information we had in 2007, we purchased some stocks at prices that, in hindsight, were too high. The ensuing economic crisis, credit freeze and deleveraging severely impacted the intrinsic values of some of the stocks we purchased. As you may be aware, the intrinsic value is based on the sustainability of earning power and when it is negatively impacted by any severe economic crisis, the intrinsic value is impacted also. As a consequence, we suffered a permanent loss of capital investing in those companies.

While the stock prices of other companies we bought too early declined with the economic crisis, their fundamentals were not impaired. We expect these companies to do quite well in the future. We classify such losses as a temporary quotational loss of capital and not a permanent loss of capital. A unitholder facetiously said that we suffered from a severe case of premature accumulation.

As you can see, we cannot forecast the market. Speaking from hindsight, perhaps, we could have done a better job of safeguarding capital but most likely, if we were given the same information as we had in 2007, we would have made substantially the same investment decision as we did then.

Major positive contributors to the Fund's performance were King Pharmaceuticals and Symetra. Conversely, we suffered significant price declines in CanWest Global, Torstar, Danier Leather, TVA Group, Rainmaker Entertainment, International Forest Products, and debt securities of Abitibi and Hollinger.

Repricing of Risk

At the time of writing two years ago, preservation of capital was given little consideration. However, in 2008 there was a huge repricing of risk. For example, the greater the probability of permanent loss of capital, the greater the spread should be between a particular debt instrument and risk-free treasuries. Currently the spreads between the higher risk securities and U.S. treasuries are at near historic highs. Other indicators are showing that investors are running scared, and banks and financial institutions are hoarding capital instead of lending. The following are some examples:

1) Two years ago, the spread between U.S. corporate high yield debt and U.S. treasuries was 311 basis points; a year ago it was 800 basis points. Currently, it is over 1,600 basis points, down from its peak of over 1,900 basis points in December 2008. (Source: JP Morgan).

2) Two years ago, the spread between U.S. investment grade bonds and U.S. treasuries was approximately 85 basis points; a year ago it was approximately 274 basis points. It is now over 550 basis points, which is slightly down from its peak of 592 basis points in December 2008. (Source: JP Morgan).

3) In December 2008, an auction of 4 week treasury bills ended with a 0% yield (currently they are yielding 8 basis points or 0.08%). The yield on 10 year treasury is 2.94% (up from 2% in December 2008) but down from 4.75% two years ago. In September 1981, it was 15.3%.

4) Today, investment bankers and anyone working for the financial/investment industry are considered the new pariahs of society. They are the butt of jokes. My favorite one is, 'What is the difference between an investment banker and a pigeon'? 'At least a pigeon can still put a deposit on a house'.

The examples show that the pricing of risk has changed 180 degrees from a couple of years ago. One can argue that corporate bonds, both investment grade and non-investment grade, are mispriced more than equities. In addition, if corporate bonds are cheap, the treasuries are in bubble territory. In our opinion, this is the worst time to hold cash and short-term treasuries unless you believe we are headed into a 1930's style depression. If you believe that you should redeem all of your Fund units.

General Comments on the Market

ZOMBIE COMPANIES: The Fed and the U.S. government have a tough job in tackling the financial crisis and, whatever actions they take, they are scrutinized, criticized and/or second guessed. There is no one perfect approach. Every approach has its pros and cons. However, where zombie companies are concerned, we would prefer to give companies that are insolvent and failing the opportunity to reorganize and restructure their capital structure in an organized way. When they do emerge from reorganization, they will come out leaner and stronger. What we are seeing now is that the U.S. government has pledged $9.7 trillion (and still counting) to counter the financial crisis. Billions of dollars have been given to prop up failing financial institutions and still they are asking for more financial assistance. The requests from the very large financial institutions are not based on business and investment merit but more on the line that if they don't receive more bailout money, they would have to file for bankruptcy and that would precipitate a chain reaction that will totally paralyze not only the U.S. financial system but also the entire Western banking system. The sooner we recapitalize the zombie companies in some form or the other (including nationalization for a short-term period) the quicker we can unfreeze the credit market and get the economy moving again.

MARK-TO-MARKET ACCOUNTING: We have been hearing of late that the current financial mess is caused in part by mark-to-market accounting. Nothing could be further from the truth. The financial mess was caused by misguided policies and actions on the part of some companies and would have occurred regardless of whether this accounting rule was in place or not. As investors, we prefer transparency and clarity and unless these rules exist, companies will not disclose what the assets are currently worth in the market. Obviously, when there are extenuating circumstances like the period we are in now, good and toxic assets may be priced at unduly low prices. In such a case, we would favour a provision that gives companies some grace period before they have to take action to shore up their balance sheets either through asset sales or by raising capital. In the end, transparency should prevail over opaqueness and undisclosed market values in the financial statements.

INFLATION: Almost all governments whose economies have been adversely affected by the financial crisis have been providing all kinds of liquidity including printing money to minimize the impact of the credit freeze on their economies. Historically, that is how nations have tackled their debt burden and this episode is no different. In the short term it may work, as the liquidity will counter some of the deleveraging and credit freeze in today's crisis. But longer term such actions can bring huge unintended consequences including the return of high inflation and the likely debasement of the U.S. currency. We don't know the timing of it but all that excess liquidity will have to go somewhere when normal times return.

MORE REGULATION: Yes, we will have a more regulated environment going forward. You can bet your last dollar on it. There is a need for regulatory reforms to ensure that, in the future, the near collapse of the world financial system does not happen again. And more regulation of financial institutions will most certainly lower their future growth and profitability.

We need to also get away from the notion of 'too big to fail'. Failing financial companies have used this excuse to hold us ransom in giving them financial assistance.

PENSION ASSETS: Most corporate pension plans have a majority of their assets invested in equities. With the markets down at least 40% across the world, we can safely assume that pension assets are down significantly. Eventually, companies have to make up the shortfall of their underfunded pension assets and therefore, their cash flow and earnings will take a significant hit in the future.

RECOVERY OF THE STOCK MARKET AND ECONOMY: The economy may get worse before it gets better. However, I have strong faith in the strength and resilience of a free market system. In the 20th century, the standard of living went up seven times in spite of the Great Depression, two World Wars, the oil embargo in the 1970s, interest rates of 15% or more to combat inflation and so on. The current financial crisis is severe, probably not as bad as the Great Depression, but worst of all the recessions in the 20th century. One unitholder said, 'This market feels worse than a divorce. You lose 50% of your assets and you still have your spouse'.

The good news is, if one wants to look at the current situation in a contrarian manner, most of the bad news is already reflected in the stock prices. We don't know whether the stock market has hit bottom yet but we suspect that when we look back at the current environment 10 years from now, we will classify this as one of the best periods for buying stock and debt securities.

BANKING SECTOR: Banks that have not been affected by the financial crisis will do quite well in the future. With the governments driving the treasuries to yield nearly 0%, the spread between what the banks are paying for deposits and borrowings in the market (like FDIC insured), and what they can lend at is enormous. For the first time in many years, banks are being paid handsomely for the risks they are taking. See the section under 'Repricing of Risk'.

CREDIT DEFAULT SWAPS (CDS): In general, the CDSs are way overpriced. What a dramatic difference from two years ago. To give you some sense of perspective, in October 2002, the 5 year CDS of General Electric Company was quoted at an annual price of 110 basis points. Two years ago, it was quoted at an annual price of 8 basis points and lately it is priced at over 900 points.

Some pricing in the CDS market is absurd. Barrons (March 9, 2009) reported that, 'A Merrill Lynch analyst Friday noted it was more costly to protect oneself from the possibility of a default by Berkshire Hathaway (ticker: BRKA) than one by Vietnam. And General Electric (GE) CDS prices outstripped those of Russia -- a country that a dozen years ago actually did default on its foreign debt'.

Other Matters

FOREIGN CURRENCY CONTRACT: None existed as at December 31, 2008.

WAIVER AND REBATE OF MANAGEMENT FEE: Almost all management fees, net of trailer fees paid, were rebated for 2008 and all prior years for Chou Europe Fund since its inception in September, 2003.

The Manager waived approximately 77% of the management fees for 2008, net of trailer fees paid, for Chou Bond Fund.

The decision to waive or rebate the management fees, in whole or in part, is reviewed annually and determined at the discretion of the Manager without notice to unitholders.

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

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

INDEPENDENT REVIEW COMMITTEE: The Manager has established an IRC as required by NI 81-107. The members of the IRC are Sandford Borins, Bruce Kerr and Joe Tortolano. The 2008 IRC Annual Report is available on our website www.choufunds.com.

As of March 13, 2009, the NAV of a Series A unit of the Fund was $12.46 and the cash position was 1% of net assets. The Fund is down 9.1% from the beginning of the year. In $US, it is down 13%.

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 DECEMBER 31, 2008

	2008	2007
ASSETS		
Cash and treasury bills	$ 8,623,546	$ 18,527,380
Accrued interest and dividend income	1,766,006	589,031
Receivable for units subscribed	98,332	22,170
Due from broker	925,847	-
Investments, at fair value	107,882,122	263,384,677
	119,295,853	282,523,258
LIABILITIES		
Accrued expenses	214,210	437,797
Payable for units redeemed	617,114	619,179
Distributions payable	318,906	332,525
	1,150,230	1,389,501
NET ASSETS	$ 118,145,623	$ 281,133,757
NET ASSETS, BY SERIES		
Series A	$ 114,555,564	$ 269,331,056
Series F	3,590,059	11,802,701
	$ 118,145,623	$ 281,133,757
NUMBER OF UNITS OUTSTANDING (Note 4)		
Series A	8,407,207	9,573,239
Series F	263,736	419,985
NET ASSET VALUE PER UNIT		
Canadian dollars		
Series A	$ 13.63	$ 28.13
Series F	$ 13.61	$ 28.10
U.S. dollars		
Series A	$ 11.18	$ 28.44
Series F	$ 11.17	$ 28.41

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

Francis Chou

Tracy Chou

CHOU RRSP FUND
STATEMENT OF OPERATIONS
FOR THE YEAR ENDED DECEMBER 31, 2008

	2008	2007
INVESTMENT INCOME		
Interest	$ 5,253,130	$ 5,139,172
Dividends	4,344,477	5,783,233
Income from derivatives	940,094	1,699,553
Interest from securities lending	67,495	517,688
	10,605,196	13,139,646
EXPENSES		
Management fees (Note 6)	3,146,436	5,490,382
Foreign withholding taxes	232,375	245,298
Custodian fees	214,210	286,706
Audit	26,809	35,266
Filing fees	19,623	28,933
Independent Review Committee fees	12,712	-
Legal	4,687	6,000
FundSERV fees	4,487	16,439
Total Expenses	3,661,339	6,109,024
Management fees waived by the Manager (Note 6)	-	(263,357)
Net Expenses	3,661,339	5,845,667
NET INVESTMENT INCOME FOR THE YEAR	6,943,857	7,293,979
NET REALIZED AND UNREALIZED GAIN (LOSS) AND TRANSACTION COSTS		
Transaction costs	(79,610)	(216,250)
Net realized gain on sale of investments	8,378,203	15,509,068
Unrealized loss	(116,956,577)	(54,087,609)
	(108,657,984)	(38,794,791)
DECREASE IN NET ASSETS FROM OPERATIONS	$ (101,714,127)	$ (31,500,812)
DECREASE IN NET ASSETS FROM OPERATIONS		
Series A	$ (98,217,002)	$ (29,981,546)
Series F	(3,497,125)	(1,519,266)
	$ (101,714,127)	$ (31,500,812)
DECREASE IN NET ASSETS FROM OPERATIONS, PER UNIT		
Series A	$ (11.83)	$ (3.20)
Series F	$ (12.30)	$ (3.08)

CHOU RRSP FUND
STATEMENT OF CHANGES IN NET ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2008

	2008	2007
SERIES A		
NET ASSETS, beginning of the year	$ 269,331,056	$ 317,282,443
Change in accounting policy (Note 2(b))	-	(742,333)
	269,331,056	316,540,110
Decrease in net assets from operations	(98,217,002)	(29,981,546)
Proceeds from issue of units	8,617,842	35,492,318
Payments on redemption of units	(64,948,227)	(52,421,216)
Distribution of income to unitholders		
Investment income	(18,283,698)	(5,027,250)
Capital gains	-	(16,344,494)
Reinvested distributions	18,055,593	21,073,134
NET ASSETS, end of the year	114,555,564	269,331,056
SERIES F		
NET ASSETS, beginning of the year	11,802,701	16,460,731
Change in accounting policy (Note 2(b))	-	(38,512)
	11,802,701	16,422,219
Decrease in net assets from operations	(3,497,125)	(1,519,266)
Proceeds from issue of units	1,335,696	4,167,961
Payments on redemption of units	(5,966,638)	(7,234,606)
Distribution of income to unitholders		
Investment income	(606,651)	(262,730)
Capital gains	-	(714,898)
Reinvested distributions	522,076	944,021
NET ASSETS, end of the year	3,590,059	11,802,701
TOTAL NET ASSETS, end of the year	$ 118,145,623	$ 281,133,757

CHOU RRSP FUND

STATEMENT OF INVESTMENTS

AS AT DECEMBER 31, 2008

	No. of Shares or Par Value	Cost	Market Value
SHARES*			
Biovail Corporation	1,160,823	$ 21,472,533	$ 13,361,073
CanWest Global Comm. Corporation	3,045,500	26,905,092	2,375,490
Danier Leather Inc.	969,800	9,215,066	2,143,258
Flagstone Reinsurance Holdings Ltd.	896,158	10,476,087	10,659,966
Fraser Papers Inc.	1,096,100	6,442,700	339,791
International Forest Products Ltd., Class A	1,025,500	6,098,755	1,640,800
Isotechnika Inc.	777,200	1,467,427	77,720
King Pharmaceuticals Inc.	1,624,139	16,901,752	20,962,379
Royal Boskalis Westminster nv	133,247	1,412,065	3,693,472
Liquidation World Inc.	1,155,000	5,100,958	762,300
MRRM Inc.	41,100	206,528	82,200
Overstock.com Inc.	715,500	14,906,146	9,400,475
Rainmaker Entertainment Inc.	2,345,800	5,160,760	1,407,480
Ridley Canada Ltd.	313,200	2,511,607	2,089,044
Symetra Financial Corporation	174,000	2,673,000	3,079,196
Taiga Building Products Ltd.	1,272,400	1,692,292	445,340
Torstar Corporation, Class B	1,259,616	27,567,050	10,341,447
Tri-White Corporation	193,600	1,077,639	1,113,200
TVA Group Inc., Class B	735,528	10,966,829	3,787,969
Wescast Industries Inc., Class A	88,700	2,886,263	89,587
		175,140,549	87,852,187
BONDS			
Abitibi-Consolidated Inc., Floating, Jun 15, 2011	20,000,000	10,558,590	2,437,538
Abitibi-Consolidated Inc., 15.5%, Jul 15, 2010	6,719,000	5,128,433	2,456,673
Hollinger Inc., 11.875%, Mar 1, 2011	1,450,000	1,637,018	212,066
Hollinger Inc., 12.875%, Mar 1, 2011	12,568,000	14,169,350	2,450,798
Level 3 Comm, 15.0%, conv., Jan 15, 2013	4,500,000	5,460,834	5,484,461
Taiga Building Products Ltd., 14.0%, Sep 1, 2020	6,769,168	6,769,168	3,723,042
The McClatchy Company, 5.75%, Sep 1, 2017	11,115,000	3,680,432	2,235,192
The McClatchy Company, 4.625%, Nov 1, 2014	5,000,000	1,633,952	1,035,954
		49,037,777	20,035,724
TOTAL EQUITIES AND BONDS		224,178,326	107,887,911
DERIVATIVES (Schedule 1)		(410,384)	(5,789)
TRANSACTION COSTS		(393,370)	-
PORTFOLIO TOTAL		$ 223,374,572	$ 107,882,122

* Common shares unless indicated otherwise

CHOU RRSP FUND
SCHEDULE OF DERIVATIVES
AS AT DECEMBER 31, 2008

Schedule 1

Written Call Options	Expiry Date	Strike Price	Number	Cost	Market Value
Overstock.com Inc.	Jan 2009	$ 40.00	300	(118,996)	(1,828)
Overstock.com Inc.	Jan 2009	$ 45.00	650	(291,388)	(3,961)
				$ (410,384)	$ (5,789)

Risk Management

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

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.

Credit Risk

As of December 31, 2008, the Fund invested approximately 17% of its net assets in non-investment grade debt instruments. Non-investment grade is the term applied to bonds rated below Baa3 on the Moody's credit rating scale and below BBB- on the equivalent ratings systems from S&P and Fitch. These credit ratings denote that the company's financial position is weak and its bonds should be considered as a speculative investment.

Interest Risk

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

Debt Instruments by Maturity Date:

Less than 1 year	$ 0
1-3 years	$ 7,557,075
3-5 years	$ 5,484,461
Greater than 5 years	$ 6,994,188

As at December 31, 2008, should interest rates have decreased or increased by 0.25%, with all other variables remaining constant, the increase or decrease in Net Assets for the year would amount to approximately $1,112,000.

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

Other Price Risk

Approximately 74% of the Fund's Net Assets held at December 31, 2008 were publicly traded equities. If equity prices on the exchange had increased or decreased by 5% as at December 31, 2008, the Net Assets of the Fund would have increased or decreased by approximately $4,393,000 respectively or 3.7% of the Net Assets, all other factors remaining constant.

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

Foreign Currency Risk

Currencies to which the Fund had exposure as at December 31, 2008 are as follows:

	Financial Instruments ($)	Percentage of NAV (%)
United States Dollar	60,509,298	51.2%
Euro Currency	3,693,486	3.1%

The amounts on the above table are based on the market value of the Fund's financial instruments (including cash and cash equivalents). Other financial assets (including dividends and interest receivables and receivables for investments sold) and financial liabilities (including payables) that are denominated in foreign currencies do not expose the Fund to significant foreign currency risk.

As at December 31, 2008, 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, respectively, by approximately $642,000.

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

1. FORMATION OF CHOU FUNDS

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

The 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) Adoption of new accounting policies – Commencing January 1, 2008, the Funds adopted CICA Handbook Section 3862, "Financial Instruments Disclosure", and Handbook Section 3863, "Financial Instruments - Presentation". The new standards replace Section 3861, "Financial Instruments - Disclosure and Presentation". These two new standards place increased emphasis on disclosures about the nature and extent of risks arising from financial instruments and how the entity manages those risks. These risks are disclosed in Note 3.

Effective January 1, 2008, the Funds also adopted CICA Handbook Section 1535, "Capital Disclosures" which specifies the disclosure of (i) an entity's objectives, policies, and processes for managing capital; (ii) quantitative data and qualitative information about what the entity regards as capital; (iii) whether the entity has complied with any capital requirements; and (iv) if it has not complied, the consequences of such non-compliance. The Adoption of Section 1535 did not have a significant impact on the Funds' disclosure as: (i) the Funds' objectives, policies and processes for managing capital are described in the Simplified Prospectus; (ii) information on the Funds' unitholders' equity is described in Statement of Changes in Net Assets and Note 4; (iii) and the Funds do not have any externally imposed capital requirements.

2. SIGNIFICANT ACCOUNTING POLICIES, continued

(b) 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 Funds adopted the amended valuation policy for actively traded securities held by the Funds 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 year ended December 31, 2007 has been adjusted.

National Instrument 81-106 ("NI 81-106"), Investment Fund Continuous Disclosure, requires the daily net asset value of an investment fund to be calculated in accordance with GAAP. Section 14.2 of amended National Instrument 81-106 ("NI 81-106") issued by the Canadian Securities Administrators, that came into effect on September 8, 2008, requires an investment fund to calculate its daily net asset value of processing unitholder transactions based on the fair value of the investment fund's assets and liabilities. The net asset value calculated in accordance with Section 3855 is referred to as the Fund's net asset value for financial reporting ("GAAP Net Asset Value"). A reconciliation between the Fund's GAAP Net Asset Value and the Fund's net asset value for purposes other than financial reporting ("Transactional Net Asset Value") is given in Note 7.

Section 3855 also requires that transaction costs, such as brokerage commissions, incurred in the purchase and sale of securities by the Funds 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 Funds' policy had been to add these expenses to the cost of the securities purchased or deduct them from the proceeds of sale. Effective January 1, 2007, the Funds adopted the new accounting policy retroactively, without restatement of prior periods.

Securities listed on 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 on 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.

2. SIGNIFICANT ACCOUNTING POLICIES, continued

(c) 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.

(d) 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.

(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 unrealized gain in the statement of operations.

(e) 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.

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

(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.

3. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

The Funds' financial instruments consist of investments, receivables, payables and cash and cash equivalents. As a result, the Funds are exposed to various types of risk that are associated with their investment strategies, financial instruments and markets in which they invest. These risks and related risk management practices employed by the Funds are discussed below.

(a) Credit Risk

Credit risk is the risk that a loss could arise from a security issuer or counterparty to a financial instrument not being able to meet its financial obligations. The fair value of the debt instruments includes consideration of the credit worthiness of the issuer. Securities that have a low credit rating have high credit risk.

3. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT, continued

(b) Interest Rate Risk

The Funds may invest in fixed and floating rate securities. Interest rate risk arises from the possibility that changes in interest rates will affect future cash flows or the current value of financial instruments. As interest rates increase, the price of these investments tends to fall. Conversely, if interest rates fall, the price of fixed income securities increases.

(c) Currency Risk

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. Currency risk arises from financial instruments (including cash and equivalents) that are denominated in a currency other than Canadian dollars. For example, a security traded in U.S. dollars will fall in value, in Canadian dollar terms, if the U.S. dollar declines in value relative to the Canadian dollar, even though there is no change to the U.S. dollar value of the security. Conversely, if the Canadian dollar falls in value relative to the U.S. dollar, there is a corresponding gain in the value of the security attributable solely to the change in the exchange rate.

(d) Liquidity Risk

Liquidity risk is the risk the Funds will encounter difficulty in meeting their obligations associated with financial liabilities. The main source of liquidity risk is unit holder redemptions. The Funds manage sufficient cash and marketable securities, and manage the liquidity risk through their ability to close out market positions, to manage this risk.

(e) Other Price Risk

Other price risk is the risk that the value of financial instruments will fluctuate as a result of changes that are not related to currency or interest rate changes, whether those changes are caused by factors specific to the individual financial instrument or its issuer, or market factors. The maximum risk of securities is their fair market value.

The most significant exposure to other price risk arises from investments in equity securities. The Funds' overall market positions are monitored on a daily basis by the portfolio manager. Financial instruments held by each fund are susceptible to market price risk arising from uncertainties about future prices of instruments.

4. 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	
	2008	**2007**	**2008**	**2007**
CHOU ASSSOCIATE FUND				
Units outstanding, beginning of the year	8,051,058	6,700,136	667,640	395,408
Add: Units issued during the year	482,501	2,190,743	114,175	322,118
Deduct: Units redeemed during the year	(1,253,133)	(1,060,748)	(235,818)	(71,630)
Units outstanding before income distribution	7,280,426	7,830,131	545,997	645,896
Add: Units issued on reinvested income	340,151	220,927	27,135	21,744
Units outstanding, end of the year	7,620,577	8,051,058	573,132	667,640
CHOU ASIA FUND				
Units outstanding, beginning of the year	4,784,598	2,892,966	125,524	136,072
Add: Units issued during the year	616,600	1,975,863	88,219	103,452
Deduct: Units redeemed during the year	(972,504)	(444,990)	(123,352)	(123,269)
Units outstanding before income distribution	4,428,694	4,423,839	90,391	116,255
Add: Units issued on reinvested income	197,383	360,759	3,815	9,269
Units outstanding, end of the year	4,626,077	4,784,598	94,206	125,524
CHOU EUROPE FUND				
Units outstanding, beginning of the year	1,173,236	1,137,019	63,862	107,261
Add: Units issued during the year	192,547	345,926	7,449	54,491
Deduct: Units redeemed during the year	(270,687)	(342,732)	(30,659)	(99,373)
Units outstanding before income distribution	1,095,096	1,140,213	40,652	62,379
Add: Units issued on reinvested income	62,194	33,023	2,445	1,483
Units outstanding, end of the year	1,157,290	1,173,236	43,097	63,862

4. UNITS OF THE FUND, continued

	Series A		Series F	
	2008	**2007**	**2008**	**2007**
CHOU BOND FUND				
Units outstanding, beginning of the year	6,660,305	2,602,344	925,972	376,179
Add: Units issued during the year	1,431,299	4,778,179	484,006	639,652
Deduct: Units redeemed during the year	(1,719,339)	(956,905)	(372,451)	(124,262)
Units outstanding before income distribution	6,372,265	6,423,618	1,037,527	891,569
Add: Units issued on reinvested income	781,077	236,687	132,878	34,403
Units outstanding, end of the year	7,153,342	6,660,305	1,170,405	925,972
CHOU RRSP FUND				
Units outstanding, beginning of the year	9,573,239	9,379,824	419,985	488,221
Add: Units issued during the year	370,434	1,019,475	62,356	118,731
Deduct: Units redeemed during the year	(2,852,995)	(1,571,273)	(256,711)	(220,388)
Units outstanding before income distribution	7,090,678	8,828,026	225,630	386,564
Add: Units issued on reinvested income	1,316,529	745,213	38,106	33,421
Units outstanding, end of the year	8,407,207	9,573,239	263,736	419,985

5. DUE TO RELATED PARTY

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

	2008	**2007**
Chou Associates Fund	$ 622,927	$ 945,284
Chou Asia Fund	84,450	101,878
Chou Europe Fund	-	-
Chou Bond Fund	60,158	88,759
Chou RRSP Fund	171,698	385,143

6. 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 Europe Fund and Chou Bond Fund by the Manager was less than the maximum amount permitted.

7. RECONCILIATION OF TRANSACTIONAL NAV TO GAAP NAV

		Net Asset Value ($)			Net Asset Value per Unit ($)		
	Series	Transactional NAV	Section 3855 Adjustment	GAAP NAV	Transactional NAV	Section 3855 Adjustment	GAAP NAV
Chou Associate	A	411,198,152	(1,325,657)	409,872,495	53.96	(0.18)	53.78
Fund	F	30,839,911	(99,143)	30,740,768	53.81	(0.17)	53.64
Chou Asia	A	56,683,373	(94,201)	56,589,172	12.25	(0.02)	12.23
Fund	F	1,162,311	(1,930)	1,160,381	12.34	(0.02)	12.32
Chou Europe	A	7,070,852	(62,292)	7,008,560	6.11	(0.05)	6.06
Fund	F	265,410	(2,331)	263,079	6.16	(0.06)	6.10
Chou Bond	A	45,347,009	3,108	45,350,117	6.34	-	6.34
Fund	F	7,387,689	504	7,388,193	6.31	-	6.31
Chou RRSP	A	115,289,012	(733,448)	114,555,564	13.71	(0.08)	13.63
Fund	F	3,613,376	(23,317)	3,590,059	13.70	(0.09)	13.61

8. BROKERS' COMMISSIONS

Total commissions paid to brokers in connection with portfolio transactions for the year ended December 31, 2008 and for the year ended December 31, 2007 are as follows:

	2008	2007
Chou Associates Fund	$ 273,517	$ 552,550
Chou Asia Fund	27,098	54,161
Chou Europe Fund	7,490	18,689
Chou Bond Fund	1,583	11,467
Chou RRSP Fund	79,610	216,250

9. 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 be comprised of cash and obligations of or guaranteed by, the Government of Canada or a province thereof, or by the United States Government or its agencies, but may include obligations of other governments with appropriate credit ratings. The aggregate dollar values of the securities that are on loan and the collateral received by the Funds as at December 31, 2008 are as follows:

	Market value of securities on loan	Market value of collateral received
Chou Associates Fund	$ 15,117,988	$ 20,719,074

10. 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.

11. INCOME TAXES

The Chou Funds qualify as mutual fund trusts under the provisions of the Income Tax Act (Canada). General income tax rules apply to the Chou Funds; however, no income tax is payable by the Chou Funds on investment income and/or net realized capital gains which are distributed to unitholders. In addition, income taxes payable on undistributed net realized capital gains are refundable on a formula basis when units of the 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.

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

Chou Associates Fund	$ 20,262,148
Chou Asia Fund	0
Chou Europe Fund	264,758
Chou Bond Fund	8,162,951
Chou RRSP Fund	1,398,428

12. FUTURE ACCOUNTING CHANGE

In January 2006, the CICA Accounting Standards Board (“AcSB”) adopted a strategic plan for the direction of accounting standards in Canada. As part of that plan, the AcSB confirmed in February 2008 that International Financial Reporting Standards (“IFRS”) will replace Canadian GAAP in 2011 for profit oriented Canadian publicly accountable enterprises. At December 31, 2008 the Manager has not developed a changeover plan to IFRS nor has he assessed the impact of IFRS on business arrangements, net asset value per unit and accounting policies. The Manager will develop a plan prior to the 2009 year end and will disclose this plan in the 2009 annual financial statements.

NOTES

(Blank Page)

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
Dec.31, 2007	27,859	38,841	28,117	94,817
Dec.31, 2008	13,510	18,836	22,283	**54,629**

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.
110 Sheppard Ave. East
Suite 301, Box 18
Toronto, Ontario
M2N 6Y8

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

Recordkeeping and Custodian
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*
90 Allstate Parkway
Suite 501
Markham, Ontario
L3R 6H3

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