

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

**ANNUAL REPORT 2021**

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

**CHOU ASSOCIATES FUND**

<b>Period ended</b>	<b>Total value of shares</b>
Dec.31, 1986	\$10,000
Dec.31, 1987	10,502
Dec.31, 1988	12,001
Dec.31, 1989	14,244
Dec.31, 1990	12,722
Dec.31, 1991	15,681
Dec.31, 1992	18,817
Dec.31, 1993	21,863
Dec.31, 1994	21,300
Dec.31, 1995	27,904
Dec.31, 1996	34,235
Dec.31, 1997	48,035
Dec.31, 1998	59,187
Dec.31, 1999	53,489
Dec.31, 2000	57,967
Dec.31, 2001	70,397
Dec.31, 2002	91,504
Dec.31, 2003	94,773
Dec.31, 2004	103,319
Dec.31, 2005	117,462
Dec.31, 2006	139,511
Dec.31, 2007	125,258
Dec.31, 2008	88,553
Dec.31, 2009	114,854
Dec.31, 2010	136,916
Dec.31, 2011	113,776
Dec.31, 2012	144,446
Dec.31, 2013	204,142
Dec.31, 2014	228,754
Dec.31, 2015	212,854
Dec.31, 2016	206,905
Dec.31, 2017	214,775
Dec.31, 2018	197,699
Dec.31, 2019	200,244
Dec.31, 2020	181,288
<b>Dec.31, 2021</b>	<b><u>\$276,407</u></b>

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

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

**PERFORMANCE OF THE FUNDS**  
(unaudited)

(Series A units)	December 31						
	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
<b>Chou Associates Fund</b>							
Total Return	52.47%	-9.47%	1.29%	-7.95%	3.80%	-2.79%	-6.95%
Management Expense Ratio (MER)	1.69%	1.85%	1.87%	2.03%	1.89%	1.87%	1.82%
Portfolio turnover rate	4.99%	0.03%	14.98%	31.61%	26.03%	16.55%	4.06%
Net Assets, end of the year (in millions)	\$ 164.6	\$ 153.2	\$ 209.0	\$ 285.8	\$ 376.8	\$ 448.8	\$ 513.7
<b>Chou Asia Fund</b>							
Total Return	-1.70%	66.11%	1.02%	-12.72%	21.12%	2.12%	5.49%
Management Expense Ratio (MER)	1.76%	1.86%	1.90%	2.08%	1.92%	1.90%	1.86%
Portfolio turnover rate	7.00%	0.37%	15.55%	0.00%	0.96%	0.00%	13.56%
Net Assets, end of the year (in millions)	\$ 18.6	\$ 21.6	\$ 16.2	\$ 22.5	\$ 29.4	\$ 35.6	\$ 40.1
<b>Chou Europe Fund</b>							
Total Return	-4.46%	27.24%	-3.05%	-9.91%	3.59%	-18.71%	1.87%
Management Expense Ratio (MER)	1.73%	2.04%	1.96%	2.21%	1.95%	1.89%	1.95%
Portfolio turnover rate	12.10%	32.94%	13.94%	9.01%	21.06%	6.94%	0.00%
Net Assets, end of the year (in millions)	\$ 3.5	\$ 5.5	\$ 6.8	\$ 7.4	\$ 7.6	\$ 13.7	\$ 21.8
<b>Chou Bond Fund</b>							
Total Return	41.25%	24.88%	-25.10%	14.85%	-1.61%	9.10%	-3.58%
Management Expense Ratio (MER)	1.37%	1.42%	1.60%	1.85%	1.56%	1.54%	1.45%
Portfolio turnover rate	44.47%	54.84%	11.84%	13.97%	36.79%	50.15%	4.44%
Net Assets, end of the year (in millions)	\$ 10.5	\$ 8.6	\$ 9.8	\$ 17.9	\$ 27.8	\$ 42.6	\$ 42.8
<b>Chou RRSP Fund</b>							
Total Return	55.98%	13.52%	-17.67%	-7.15%	22.09%	-3.57%	-12.83%
Management Expense Ratio (MER)	1.70%	1.88%	1.89%	2.01%	1.92%	1.93%	1.84%
Portfolio turnover rate	9.86%	0.05%	15.25%	14.08%	23.45%	7.22%	16.76%
Net Assets, end of the year (in millions)	\$ 45.2	\$ 37.5	\$ 42.8	\$ 66.2	\$ 80.4	\$ 88.8	\$ 104.1

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

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## **CHOU ASSOCIATES FUND**

(unaudited)

March 15, 2022

Dear Unitholders of Chou Associates Fund,

After the distribution of \$0.31, the net asset value per unit (“NAVPU”) of a Series A unit of Chou Associates Fund at December 31, 2021 was \$142.25 compared to \$93.50 at December 31, 2020, an increase of 52.5%; during the same period, the S&P 500 Total Return Index increased 27.5% in Canadian dollars. In U.S. dollars, a Series A unit of Chou Associates Fund increased by 53.4% while the S&P 500 Total Return Index increased 28.7%.

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

<b>December 31, 2021 (Series A)</b>	<b>1 Year</b>	<b>3 Years</b>	<b>5 Years</b>	<b>10 Years</b>	<b>15 Years</b>	<b>20 Years</b>
Chou Associates Fund (\$CAN)	52.5%	11.8%	6.0%	9.3%	4.7%	7.1%
S&P 500 (\$CAN)	27.5%	23.0%	17.0%	19.1%	11.3%	8.3%
Chou Associates Fund (\$US)	53.4%	14.7%	7.2%	6.9%	4.1%	8.3%
S&P 500 (\$US)	28.7%	26.0%	18.4%	16.5%	10.6%	9.5%

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

### **Factors Influencing the 2021 Results**

The largest increases in the year were the equity holdings of MBIA Inc., Resolute Forest Products Inc., Overstock.com and Wells Fargo & Company. The Canadian currency appreciated against the US dollar, which negatively affected the Fund.

During the year, the Fund reduced its holdings in Wells Fargo & Company, The Goldman Sachs Group Inc., Bausch Health Companies Inc., Resolute Forest Products Inc., Citigroup Inc. and MBIA Inc. The Fund eliminated its holdings in DaVita Inc.

The Fund did not make any new investments or enter into any foreign currency contracts in 2021. The Fund sold four covered call options on the equity holdings of Resolute Forest Products Inc., MBIA Inc., and Bausch Health Companies Inc. during the year.

## **Portfolio Commentary**

### **Financials – Banks and Insurance**

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

### **Resolute Forest Products Inc. (“RFP”)**

As of December 31, 2021, the market price of RFP was US\$15.27 per share, up 133.5% from the price of US\$6.54 at year-end 2020. Having said that, it is quite comical to us how a commodity stock can be hammered beyond all logical comprehension. RFP paid a special dividend of US\$1.50 a share in 2018, and it was trading as low as US\$1.17 per share in April 2020. Back in March 2020, the company announced that it would buy back 15% of its common shares for US\$100 million. At the lowest price of US\$1.17, the whole market capitalization would be approximately US\$99 million. In other words, instead of buying back 15% of the company with US\$100 million, it could repurchase 100% of the company. RFP shares have since recovered a very healthy 1,205.1% to US\$15.27 as of December 31, 2021.

When the stock is that cheap, assuming that you don’t own any shares, a rational investor should back up the truck and buy every share that is offered in the market. But what makes it difficult for some investors to buy is not the rational side of his mind but more the psychological aspect of it. In the stock market, you are bombarded with noises that affect a person’s rationality. It can get radically altered. Stock prices can move unrelated to the fundamentals of a business. During a bull market, you may see several stocks trading at anywhere from 50 times going to more than 100 times earnings, and conversely, there can be several stocks sold at 10 times earnings going down to below five times earnings. The fundamentals of the company are ignored and, instead, investors are transfixed on the price movements of the last couple of years. Then new narratives are written most convincingly on why these are the new paradigms, and why they are not worth giving weights and considerations to what the assets are worth and what the company can earn over several years. I remember talking to one value manager in 1999 when the tech stocks were in full bloom. He said, *“I have a family to feed and I will keep losing assets if I don’t accept the new headlines and paradigms. Sticking to buying companies that are undervalued is not the way to be successful in the long run”*. He changed his philosophy before the tech stocks were about to go into a severe decline over the next couple of years.

One question that keeps popping up is with regard to the current crop of tech companies like Facebook, Apple, and Alphabet. Based on the current interest rate, they are not overvalued. We also admit that we totally misjudged the valuation of these three companies 10 years ago. Metaphorically speaking, when we thought it was worth US\$100 per share, in fact, it was worth closer to US\$200 per share. Unfortunately, we also made some mistakes in evaluating mediocre companies. When we thought a company’s share was worth US\$100 per share, it was actually closer to US\$60 per share.

In spite of the price of RFP trading at US\$15.27 per share, it is still quite cheap. Let us look at a few facts. The shares may be able to get back close to US\$400 million in duties (approximately US\$5 per share), but the earning power over the next two years is most likely to be more than US\$3 per share annually and the lumber prices may stay elevated for a while because there is an imbalance between supply and demand in housing that may take a few years before it comes back into equilibrium. Meanwhile, it is making money hand over fist.

One caveat though is that the value of RFP depends so much on lumber, a commodity business that is prone to a boom and bust scenario.

Every dog has its day.

### **Bausch Health Companies Inc. (“Bausch Health”)**

In early August 2020, Bausch Health announced that it is planning to spin off its eye care business, Bausch + Lomb, into an independent publicly-traded company. This will allow the company to concentrate on its gastroenterology, aesthetics/dermatology, neurology, and international pharma business.

We hope the spin-off of the Bausch + Lomb unit will be the much-needed catalyst for investors to price the company closer to its intrinsic value.

### **EXCO Resources Inc. (“EXCO”)**

In early July 2019, the company emerged from bankruptcy and the 1.75 lien term loans were converted to 28.38 equity shares for every US\$1,000 in par value, after netting out certain adjustments. We received 1,518,570 shares of EXCO in the Fund. The equivalent price was US\$9.51 per share of EXCO.

Since it is a private company, I am not at liberty to divulge all the financial statements but what I can tell you is that my calculation of its PV-10 value was approximately US\$1.2 billion based on New York Mercantile Exchange (NYMEX) forward pricing as of September 30, 2021. Its number of shares outstanding was 51,341,478. We estimate that its EBITDA for the year ending 2022 will be approximately US\$225 million.

Although a substantial portion of EXCO’s oil & gas production is hedged for the year 2022, we believe that EXCO can fetch much higher prices as the hedges roll off.

Another dog has its day.

### **Caution to the Investors**

Investors should be advised that we run a highly focused portfolio, frequently just three to five securities may comprise close to 50% of the assets of the Fund. In addition, the Fund has securities that are non-U.S. and could be subjected to geopolitical risks, which may trump or at least negatively influence the financial performance of the company. Also, we may enter into some derivative contracts, such as credit default swaps when we feel that the market conditions are right to use those instruments. Because of any or all of these factors, the net asset value of the Fund can be from time to time more volatile than at other times. However, we are not bothered by this volatility because our focus has always been, and continues to be, on how inexpensive we believe the Fund’s portfolio holdings are relative to what we believe to be their intrinsic value. Also, the Fund’s cash position was approximately 0.4% of net assets as at December 31, 2021.

### **Other Matters**

FOREIGN CURRENCY CONTRACTS: None existed at December 31, 2021.

CREDIT DEFAULT SWAPS: None existed at December 31, 2021.

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

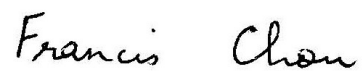
REDEMPTION FEE: We have a redemption fee of 2% if unitholders redeem their units in less than 3 months. None of this fee goes to the Fund Manager. It is put back into the Fund for the benefit of the remaining unitholders.

INDEPENDENT REVIEW COMMITTEE: The Manager has established an IRC as required by NI 81-107. The members of the IRC are Sandford Borins, Peter Gregoire and Joe Tortolano. The 2021 IRC Annual Report is available on our website [www.choufunds.com](http://www.choufunds.com).

As of March 15, 2022, the NAVPU of a Series A unit of the Fund was \$140.15 and the cash position was approximately -0.1% of net assets. The Fund is down 1.5% from the beginning of the year. In U.S. dollars, it is down 2.4%.

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

Yours truly,

A handwritten signature in black ink that reads "Francis Chou". The signature is written in a cursive, flowing style.

Francis Chou  
Fund Manager



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## Management's Responsibility for Financial Reporting

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To the unitholders of the Chou Funds:

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

Management has applied appropriate processes to ensure that the statements contain relevant and reliable financial information. The financial statements have been produced in accordance with International Financial Reporting Standards ("IFRS") and include certain amounts based on estimates and judgements. The significant accounting policies that management believes are appropriate for the Chou Funds are described in Note 2 to the financial statements.

The Trustee of each of the Trusts is responsible for reviewing and approving the financial statements, and for overseeing management's performance of its financial reporting responsibilities. The Trustee reviews the financial statements, the adequacy of internal controls, the audit process and the financial data with management and the external auditors.

The Board of Directors of Chou Associates Management Inc. is responsible for reviewing and approving the financial statements, and for overseeing management's performance of its financial reporting responsibilities. It reviews the financial statements, the adequacy of internal controls, the audit process and the financial data with management and the external auditors. Once satisfied, the Board approves the financial statements.

Grant Thornton LLP is the external auditor of the Chou Funds. They are appointed by the respective Boards and cannot be changed without the prior approval of the Independent Review Committee and on 60 days notice to the unitholders.



Francis Chou  
Chou Associates Management Inc.  
March 15, 2022

# Independent auditor's report

To the Unitholders of

**Chou Associates Fund**

**Chou Asia Fund**

**Chou Europe Fund**

**Chou Bond Fund**

**Chou RRSP Fund**

**Collectively referred to as "the Funds"**

## Opinion

We have audited the financial statements of each of the Funds, which comprise the statements of financial position as at December 31, 2021, and December 31, 2020 and the statements of comprehensive income, statements of changes in net assets attributable to holders of redeemable units and statements of cash flows for the years then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the financial statements of each of the Funds, present fairly, in all material respects, the financial position of each of the Funds as at December 31, 2021 and December 31, 2020, and its financial performance and its cash flows of each of the Funds for the years then ended in accordance with International Financial Reporting Standards.

## Basis for Opinion

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

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

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

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

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

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

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

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

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

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

## **Auditor's Responsibilities for the Audit of the Financial Statements**

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

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

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

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

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

*Grant Thornton LLP*

Markham, Canada  
March 28, 2022

Chartered Professional Accountants  
Licensed Public Accountants

# CHOU ASSOCIATES FUND

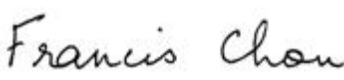
## Statements of Financial Position

Years ended December 31, 2021 and 2020

	2021	2020
<b>Assets</b>		
Current assets:		
Cash and cash equivalents	\$ 717,328	\$ 18,151
Investments (note 8)	169,975,659	154,714,419
Receivable for redeemable units subscribed	500	500
Due from broker	41,302	-
Dividends receivable	41,831	42,093
Total assets	170,776,620	154,775,163
<b>Liabilities</b>		
Current liabilities:		
Derivatives	5,350,739	149,566
Accrued expenses	278,713	664,519
Payable for units redeemed	481,052	723,739
Due to broker	40,988	-
Distributions payable	11,900	-
Total liabilities	6,163,392	1,537,824
Net assets attributable to unitholders of redeemable units	\$ 164,613,228	\$ 153,237,339
Net assets attributable to unitholders of redeemable units:		
Series A	\$ 152,105,748	\$ 137,794,110
Series F	12,507,480	15,443,229
	\$ 164,613,228	\$ 153,237,339
Number of redeemable units outstanding (note 4):		
Series A	1,069,315	1,473,749
Series F	87,893	165,723
Net assets attributable to unitholders of redeemable units per unit:		
Canadian dollars:		
Series A	\$ 142.25	\$ 93.50
Series F	142.30	93.19
U.S. dollars:		
Series A	112.46	73.45
Series F	112.49	73.21

See accompanying notes to financial statements.

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

  
\_\_\_\_\_  
Francis Chou

  
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# CHOU ASSOCIATES FUND

## Statements of Comprehensive Income (Loss)

Years ended December 31, 2021 and 2020

	2021	2020
<b>Income:</b>		
Dividends	\$ 4,021,164	\$ 888,217
Securities lending income (note 7)	6,596	11,727
Derivative loss	-	(1,200)
Other income	85,636	-
Foreign currency gain (loss) on cash and other net assets	415,292	(740,353)
Other net changes in fair value of financial assets and financial liabilities at fair value through profit or loss:		
Net realized gain on disposal of investments	12,624,811	18,474,948
Net realized gain on derivatives	1,481,141	-
Change in unrealized appreciation (depreciation) on investments	61,509,994	(38,991,505)
Change in unrealized depreciation on derivatives	(1,469,864)	(8,940)
	78,674,770	(20,367,106)
<b>Expenses:</b>		
Management fees (note 5)	2,885,460	2,536,084
Audit fees	23,292	-
Filing fees	79,057	70,751
Independent review committee fees	64,813	-
FundSERV fees	27,723	36,444
Legal fees	18,250	18,300
Transaction costs (note 6)	309,895	84,365
Foreign withholding taxes	597,159	132,890
Other	92	44,266
	4,005,741	2,923,100
Increase (decrease) in net assets attributable to unitholders of redeemable units	\$ 74,669,029	\$ (23,290,206)
Increase (decrease) in net assets attributable to unitholders of redeemable units per series:		
Series A	\$ 67,982,317	\$ (19,490,279)
Series F	6,686,712	(3,799,927)
	\$ 74,669,029	\$ (23,290,206)
Average number of redeemable units outstanding for the year per the Series:		
Series A	1,380,925	1,596,331
Series F	120,969	229,817
Increase (decrease) in net assets attributable to unitholders of redeemable units per unit:		
Series A	\$ 49.23	\$ (12.21)
Series F	55.28	(16.53)

See accompanying notes to financial statements.

# CHOU ASSOCIATES FUND

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

Years ended December 31, 2021 and 2020

	2021	2020
<b>Series A</b>		
Net assets attributable to unitholders of redeemable units, beginning of year	\$ 137,794,110	\$ 180,516,920
Increase (decrease) in net assets attributable to unitholders of redeemable units	67,982,317	(19,490,279)
Proceeds from issue of redeemable units	4,205,817	659,169
Payments on redemption of redeemable units	(57,868,909)	(23,891,700)
Distributions of income to unitholders:		
Investment income	(332,108)	-
Reinvested distributions	324,521	-
Net assets attributable to unitholders of redeemable units, end of year	\$ 152,105,748	\$ 137,794,110
<b>Series F</b>		
Net assets attributable to unitholders of redeemable units, beginning of year	\$ 15,443,229	\$ 28,449,077
Increase (decrease) in net assets attributable to unitholders of redeemable units	6,686,712	(3,799,927)
Proceeds from issue of redeemable units	535,639	564,838
Payments on redemption of redeemable units	(10,153,787)	(9,770,759)
Distributions of income to unitholders:		
Investment income	(47,107)	-
Reinvested distributions	42,794	-
Net assets attributable to unitholders of redeemable units, end of year	\$ 12,507,480	\$ 15,443,229
Total net assets attributable to unitholders of redeemable units, end of year	\$ 164,613,228	\$ 153,237,339

See accompanying notes to financial statements.

# CHOU ASSOCIATES FUND

## Statements of Cash Flows

Years ended December 31, 2021 and 2020

	2021	2020
<b>Cash flows from operating activities:</b>		
Increase (decrease) in net assets attributable to unitholders of redeemable units	\$ 74,669,029	\$ (23,290,206)
Adjustments for:		
Foreign currency (gain) loss on cash and other net assets	(415,292)	740,353
Net realized gain on disposal of investments and derivatives	(14,105,952)	(18,474,948)
Change in unrealized (appreciation) depreciation on investments and derivatives	(60,040,130)	39,000,445
Change in non-cash operating working capital:		
Decrease in dividends receivable	262	125,476
Decrease in accrued expenses	(385,806)	(468,677)
Purchase of investments	(9,494,699)	(48,177)
Proceeds from sales of investments	73,580,400	40,297,822
Net cash generated from operating activities	63,807,812	37,882,088
<b>Cash flows from financing activities:</b>		
Distributions paid to unitholders	-	(73,106)
Proceeds from redeemable units issued	4,741,456	1,240,209
Amount paid on redemption of redeemable units	(68,265,383)	(37,257,839)
Net cash used in financing activities	(63,523,927)	(36,090,736)
Foreign currency gain (loss) on cash and other net assets	415,292	(740,353)
Increase in cash and cash equivalents	699,177	1,050,999
Cash and cash equivalents (bank overdraft), beginning of year	18,151	(1,032,848)
<b>Cash and cash equivalents, end of year</b>	<b>\$ 717,328</b>	<b>\$ 18,151</b>
<b>Supplemental information:</b>		
Dividends received, net of withholding tax	3,424,267	880,803
Security lending income received	6,596	11,727

See accompanying notes to financial statements.



# CHOU ASSOCIATES FUND

## Schedule of Investments

December 31, 2021

	Number of securities	Cost	Fair value
<b>Equities*</b>			
Bausch Health Companies Inc.	565,000	\$ 12,210,857	\$ 19,732,777
Berkshire Hathaway Inc., Class 'A'	100	10,546,612	57,006,490
Citigroup Inc.	57,695	1,457,677	4,407,340
EXCO Resources Inc.	1,281,244	31,646,701	18,800,231
JPMorgan Chase & Company	34,275	2,395,497	6,865,448
MBIA Inc.	599,530	4,148,920	11,974,749
Overstock.com Inc., Series 'A-1'	4,273	48,177	254,041
Overstock.com Inc., Series 'B'	42,730	883,805	3,378,207
Resolute Forest Products Inc.	2,222,772	33,352,515	42,934,590
The Goldman Sachs Group Inc.	7,100	888,365	3,435,737
Wells Fargo & Company	19,542	1,042,763	1,186,049
Total long		98,621,889	169,975,659
Total investments		98,621,889	169,975,659
Transaction costs		(432,115)	-
Total Investments in Non-Derivative Financial Assets		98,189,774	169,975,659
Derivative Liabilities		-	(5,350,739)
Portfolio total		\$ 98,189,774	\$ 164,624,920

## Schedule of Derivative Instruments

Security Name	Strike Price	Expiry Date	Currency	No. of Contracts	Proceeds	Fair Value
<b>Options</b>						
<i>Written Call Options</i>						
Bausch Health Companies Inc.	40.00	01-20-23	USD	(2,000)	(1,307,968)	(399,724)
Bausch Health Companies Inc.	50.00	01-20-23	USD	(2,000)	(901,857)	(135,350)
MBIA Inc.	12.00	04-14-22	USD	(4,000)	(424,651)	(2,165,595)
Resolute Forest Products Inc.	11.50	03-18-22	USD	(5,000)	(1,237,458)	(2,650,070)
<b>Total Written Call Options</b>					<b>\$ (3,871,934)</b>	<b>\$ (5,350,739)</b>

\* Common shares unless indicated otherwise

See accompanying notes to financial statements.

# CHOU ASSOCIATES FUND

## Discussion of Financial Risk Management

Years ended December 31, 2021 and 2020

### Investment objective and strategies:

Chou Associates 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 Fund may also use derivatives such as, but not limited to, futures, options, swaps and forward contracts to gain exposure to securities and asset classes consistent with the objectives of the Fund, and to hedge portfolio exposure against losses from foreign currency and domestic currency exposure and changes in securities prices.

The investment process followed in selecting equity investments for the Fund is a value-oriented approach to investing. The level of investments in the Fund's securities is generally commensurate with the current price of the Fund's securities in relation to its intrinsic value. That approach is designed to provide an extra margin of safety, which in turn serves to reduce overall portfolio risk.

### Financial risk management:

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

#### (a) Other price risk:

Other price risk is the risk that the value of financial instruments will fluctuate as a result of changes in market prices (other than those arising from interest rate risk or currency risk) caused by factors specific to a security, its issuer or all factors affecting a market or a market segment. Approximately 91.84% (2020 - 92.21%) of the Fund's net assets held at December 31, 2021 were publicly traded equities. If equity prices on the exchange had increased or decreased by 5.00% as at December 31, 2021, the net assets of the Fund would have increased or decreased by approximately \$7,558,771 or 4.59% (2020 - \$7,065,015 or 4.61%) of the net assets, all other factors remaining constant.

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

#### (b) Foreign currency risk:

Currencies to which the Fund had exposure as at December 31, 2021 and 2020 expressed in CAD are as follows:

2021	Investments and derivatives	Cash and cash equivalents	Other assets and liabilities	Total	Percentage of net asset value
United States dollar (USD)	\$ 164,624,920	\$ 100,633	\$ 41,830	\$ 164,767,383	100.1%

2020	Investments and derivatives	Cash and cash equivalents	Other assets and liabilities	Total	Percentage of net asset value
United States dollar (USD)	\$ 154,564,853	\$ 18,617	\$ 42,093	\$ 154,625,563	100.9%

# CHOU ASSOCIATES FUND

## Discussion of Financial Risk Management (continued)

Years ended December 31, 2021 and 2020

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### Financial risk management (continued):

#### (b) Foreign currency risk (continued):

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

As at December 31, 2021, if the Canadian dollar had strengthened or weakened by 1.00% in relation to all currencies, with all other variables held constant, net assets would have decreased or increased by approximately \$1,647,674 (2020 - \$1,546,256).

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

## CHOU ASIA FUND

(unaudited)

March 15, 2022

Dear Unitholders of Chou Asia Fund

After the distribution of \$4.75, the net asset value per unit (“NAVPU”) of a Series A unit of Chou Asia Fund at December 31, 2021 was \$23.42 compared to \$28.66 at December 31, 2020, an decrease of 1.7%; during the same period, the MSCI AC (Morgan Stanley Capital International All Country) Asia Pacific Total Return Index in Canadian dollars decreased 2.1%. In U.S. dollars, a Series A unit of Chou Asia Fund was down 1.1% while the MSCI AC Asia Pacific Total Return Index decreased 1.2%.

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

<b>December 31, 2021 (Series A)</b>	<b>1 Year</b>	<b>3 Years</b>	<b>5 Years</b>	<b>10 Years</b>	<b>15 Years</b>
Chou Asia Fund (\$CAN)	-1.7%	18.2%	11.8%	9.4%	7.6%
MSCI AC Asia Pacific TR (\$CAN)	-2.1%	9.8%	9.0%	10.9%	5.6%
Chou Asia Fund (\$US)	-1.1%	21.2%	13.1%	7.1%	7.1%
MSCI AC Asia Pacific TR (\$US)	-1.2%	12.5%	10.4%	8.5%	5.1%

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

### Factors Influencing the 2021 Results

The major advancers in 2021 were the equity holdings of IDFC Limited, BYD Company Limited, and Shriram Transport Finance Company Limited. The Canadian currency appreciated against the Hong Kong dollar, which also negatively affected the Fund.

The largest decliners in the same period were the equity holdings of BYD Electronic (International) Company Limited, AirAsia Group Berhad, and Samsung Electronics Company Limited.

During the year, the Fund reduced its holdings in BYD Company Limited and Pyne Gould Corporation Limited.

The Fund added to the equity holdings of Postal Savings Bank of China Company Limited, Consun Pharmaceutical Group Limited, and Tencent Holdings Limited.

The Fund did not sell any covered call options in 2021.

## **Portfolio Commentary**

### **China**

1) The Rule of Law does not properly exist in China. Unlike in the United States where your grievances can be addressed by the impartial judicial system, in China, it is controlled by the Communist Party, and political decisions take precedence over the facts of the case.

2) You cannot trust the local auditors even if they are independent. Under the guise of “National security concerns”, foreign international auditors cannot work-- or if they do perform the work -- have to toe the party line. Therefore, it is hard to be comfortable with the numbers.

3) One of the most irritating aspects is the ownership of securities. As a shareholder, you do not own the companies you are investing in. You own a shell that has the right to the earnings of the company that you have supposedly invested in. It is called “Variable Interest Entity”. If such a system existed in the United States or Canada, you would call it, “A Total Bullshit System” that is meant to fleece the shareholders.

Based on the above considerations, if you come to the conclusion that China is UNINVESTABLE, you are absolutely correct.

However, let us look at the positive side.

- 1) China has adopted pro-market reforms over 40 years ago and it has lifted the economy to become the second-biggest economy in the world just behind the USA. In 2002, according to the World Bank, its GDP was 13.4% of the USA; in 2020 it was 70.3%.
- 2) Its share of the growth in the world economy is over 50% since 2011, according to the World Bank.
- 3) This growth will continue in the future and at some point, its GDP will be greater than the USA.

The question is, how do we handicap the risk. We invested in China several years ago and we have done quite well, to say it modestly. For example, in late 2011 and in 2012, we purchased 250,000 shares of BYD Company Limited at \$11.70 HKD per share and one million shares of BYD Electronic (International) Company at \$1.58 HKD per share. On December 31, 2021, BYD Company Limited and BYD Electronic (International) Company closed at \$266.60 HKD and \$28.55 HKD per share, respectively.

I believe the best way to handicap the risk is to buy excellent Chinese companies at a considerable discount to comparable American companies. Caveat Emptor!!!

### **Caution to the Investors**

Investors should be advised that we run a highly focused portfolio, frequently just three to five securities may comprise more than 50% of the assets of the Fund. In addition, the Fund has securities that are non-U.S. and could be subjected to geopolitical risks, which may trump or at least negatively influence the financial performance of the company. Also, we may enter into some derivative contracts, such as credit default swaps when we feel that the market conditions are right to use those instruments. Because of any or all of these factors, the net asset value of the Fund can be from time to time more volatile than at other times. However, we are not bothered by this volatility because our focus has always been, and continues to be, on how inexpensive we believe the Fund's portfolio holdings are relative to what we believe to be their intrinsic value. Also, the Fund's cash position was approximately 13.1% of net assets as at December 31, 2021.

**Other Matters**

FOREIGN CURRENCY CONTRACTS: None existed at December 31, 2021.

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

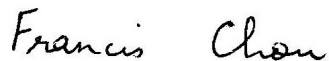
REDEMPTION FEE: We have a redemption fee of 2% if unitholders redeem their units in less than 3 months. None of this fee goes to the Fund Manager. It is put back into the Fund for the benefit of the remaining unitholders.

INDEPENDENT REVIEW COMMITTEE: The Manager has established an IRC as required by NI 81-107. The members of the IRC are Sandford Borins, Peter Gregoire and Joe Tortolano. The 2021 IRC Annual Report is available on our website [www.choufunds.com](http://www.choufunds.com).

As of March 15, 2022, the NAVPU of a Series A unit of the Fund was \$18.63 and the cash position was approximately 16.1% of net assets. The Fund is down 20.5% from the beginning of the year. In U.S. dollars, it is down 21.2%.

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,

A handwritten signature in black ink that reads "Francis Chou". The script is cursive and fluid.

Francis Chou  
Fund Manager

# CHOU ASIA FUND

## Statements of Financial Position

December 31, 2021 and 2020

	2021	2020
<b>Assets</b>		
Current assets:		
Cash and cash equivalents	\$ 2,437,553	\$ 1,388,935
Investments (note 8)	15,788,374	20,328,918
Receivable for redeemable units subscribed	5,000	5,000
Due from broker	497,672	26,560
Interest receivable	2,723	1,288
Dividends receivable	22,011	15,834
Total assets	18,753,333	21,766,535
<b>Liabilities</b>		
Current liabilities:		
Accrued expenses	55,173	82,995
Payable for units redeemed	10,342	128,217
Distributions payable	114,515	-
Total liabilities	180,030	211,212
Net assets attributable to unitholders of redeemable units	\$ 18,573,303	\$ 21,555,323
Net assets attributable to unitholders of redeemable units:		
Series A	\$ 17,293,917	\$ 19,785,504
Series F	1,279,386	1,769,819
	\$ 18,573,303	\$ 21,555,323
Number of redeemable units outstanding (note 4):		
Series A	738,334	690,428
Series F	53,316	60,312
Net assets attributable to unitholders of redeemable units per unit:		
Canadian dollars:		
Series A	\$ 23.42	\$ 28.66
Series F	24.00	29.34
U.S. dollars:		
Series A	18.52	22.52
Series F	18.97	23.05

See accompanying notes to financial statements.

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

Francis Chou



# CHOU ASIA FUND

## Statements of Comprehensive Income (Loss)

Years ended December 31, 2021 and 2020

	2021	2020
<b>Income:</b>		
Interest for distribution purposes and other	\$ 991	\$ -
Dividends	423,234	240,027
Securities lending income (note 7)	23,029	85,632
Other income	5,687	-
Foreign currency loss on cash and other net assets	(13,529)	(243,962)
Other net changes in fair value of financial assets and financial liabilities at fair value through profit or loss:		
Net realized gain on investments	4,609,395	2,198,200
Change in unrealized (depreciation) appreciation on investments	(5,039,106)	6,751,649
	9,701	9,031,546
<b>Expenses:</b>		
Management fees (note 5)	336,542	271,945
Custodian fees	2,061	-
Audit fees	10,082	-
Filing fees	11,554	10,404
Independent review committee fees	5,801	-
FundSERV fees	3,090	4,241
Legal fees	1,214	2,283
Transaction costs (note 6)	16,306	7,095
Foreign withholding taxes	30,789	15,149
Other	-	4,194
	417,439	315,311
(Decrease) increase in net assets attributable to unitholders of redeemable units	\$ (407,738)	\$ 8,716,235
(Decrease) increase in net assets attributable to unitholders of redeemable units per series:		
Series A	\$ (422,475)	\$ 7,948,575
Series F	14,737	767,660
	\$ (407,738)	\$ 8,716,235
Average number of redeemable units outstanding for the year per series:		
Series A	665,766	739,700
Series F	51,614	72,269
(Decrease) increase in net assets attributable to unitholders of redeemable units per unit:		
Series A	\$ (0.63)	\$ 10.75
Series F	0.29	10.62

See accompanying notes to financial statements.



# CHOU ASIA FUND

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

Years ended December 31, 2021 and 2020

	2021	2020
<b>Series A</b>		
Net assets attributable to unitholders of redeemable units, beginning of year	\$ 19,785,504	\$ 14,729,651
(Decrease) increase in net assets attributable to unitholders of redeemable units	(422,475)	7,948,575
Proceeds from issue of redeemable units	1,912,941	803,288
Payments on redemption of redeemable units	(3,892,928)	(3,696,010)
Distributions of income to unitholders:		
Investment income	(27,375)	-
Capital gains	(2,903,544)	-
Reinvested distributions	2,841,794	-
Net assets attributable to unitholders of redeemable units, end of year	17,293,917	19,785,504
<b>Series F</b>		
Net assets attributable to unitholders of redeemable units, beginning of year	1,769,819	1,512,131
Increase in net assets attributable to unitholders of redeemable units	14,737	767,660
Proceeds from issue of redeemable units	67,911	100,357
Payments on redemption of redeemable units	(547,691)	(610,329)
Distributions of income to unitholders:		
Investment income	(7,543)	-
Capital gains	(216,488)	-
Reinvested distributions	198,641	-
Net assets attributable to unitholders of redeemable units, end of year	1,279,386	1,769,819
Total net assets attributable to unitholders of redeemable units, end of year	\$ 18,573,303	\$ 21,555,323

See accompanying notes to financial statements.

# CHOU ASIA FUND

## Statements of Cash Flows

Years ended December 31, 2021 and 2020

	2021	2020
<b>Cash flows from operating activities:</b>		
(Decrease) increase in net assets attributable to unitholders of redeemable units	\$ (407,738)	\$ 8,716,235
Adjustments for:		
Foreign currency loss on cash and other net assets	13,529	243,962
Net realized gain on disposal of investments and derivatives	(4,609,395)	(2,198,200)
Change in unrealized depreciation (appreciation) on investments	5,039,106	(6,751,649)
Change in non-cash operating working capital:		
Increase in interest receivable	(1,435)	(1,149)
Increase in dividends receivable	(6,177)	(3,579)
Decrease in accrued expenses	(27,822)	(32,080)
Purchases of investments	(1,335,173)	(54,435)
Proceeds from sale of investments	4,974,894	4,147,328
Net cash generated from operating activities	3,639,789	4,066,433
<b>Cash flows from financing activities:</b>		
Distributions paid to unitholders	-	(24,258)
Proceeds from redeemable units issued	1,980,852	898,645
Amount paid on redemption of redeemable units	(4,558,494)	(4,404,462)
Net cash used in financing activities	(2,577,642)	(3,530,075)
Foreign currency loss on cash and other net assets	(13,529)	(243,962)
Increase in cash and cash equivalents	1,048,618	292,396
Cash and cash equivalents, beginning of year	1,388,935	1,096,539
Cash and cash equivalents, end of year	\$ 2,437,553	\$ 1,388,935
<b>Supplemental information:</b>		
Dividends received, net of withholding tax	\$ 386,268	\$ 221,299
Security lending income received	23,029	85,632

See accompanying notes to financial statements.

# CHOU ASIA FUND

## Schedule of Investments

December 31, 2021

	Number of securities		Cost	Fair value
<b>Equities*</b>				
AirAsia Group Berhad	650,000	\$	670,997	\$ 155,917
AJIS Company Limited	30,400		213,157	1,048,029
Atlas Corporation, Series 'H'	19,711		619,056	640,789
BYD Company Limited, Class 'H'	53,000		91,553	2,292,193
BYD Electronic (International) Company Limited	798,000		193,535	3,695,934
China Yuchai International Limited	73,364		1,242,575	1,384,603
Consun Pharmaceutical Group Limited	279,000		209,881	199,146
Hanfeng Evergreen Inc.	95,850		228,548	-
IDFC Limited	1,010,000		750,376	1,082,775
POSCO, ADR	21,000		1,259,883	1,548,413
Postal Savings Bank of China Company Limited	456,000		401,912	404,639
Pyne Gould Corporation Limited	4,177,219		933,969	1,049,506
Samsung Electronics Company Limited, GDR	420		500,073	876,079
Shriram Transport Finance Company Limited	51,642		942,551	1,069,473
Tencent Holdings Limited	4,600		320,965	340,878
Total long			8,579,031	15,788,374
Total investments			8,579,031	15,788,374
Transaction costs			(24,837)	-
Portfolio total		\$	8,554,194	\$ 15,788,374

\* Common shares unless indicated otherwise

See accompanying notes to financial statements.

# CHOU ASIA FUND

## Discussion of Financial Risk Management

Years ended December 31, 2021 and 2020

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### **Investment objective and strategies:**

Chou Asia 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 Fund may also use derivatives such as, but not limited to, futures, options, swaps and forward contracts to gain exposure to securities and asset classes consistent with the objectives of the Fund, and to hedge portfolio exposure against losses from foreign currency and domestic currency exposure and changes in securities prices.

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

### **Financial risk management:**

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

#### **(a) Other price risk:**

Other price risk is the risk that the value of financial instruments will fluctuate as a result of changes in market prices (other than those arising from interest rate risk or currency risk) caused by factors specific to a security, its issuer or all factors affecting a market or a market segment. Approximately 85.00% (2020 - 94.27%) of the Fund's net assets held at December 31, 2021 were publicly traded equities. If equity prices on the exchange had increased or decreased by 5.00% as at December 31, 2021, the net assets of the Fund would have increased or decreased by approximately \$789,419 or 4.25% (2020 - \$1,016,446 or 4.72%) of the net assets, all other factors remaining constant.

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

# CHOU ASIA FUND

## Discussion of Financial Risk Management (continued)

Years ended December 31, 2021 and 2020

### Financial risk management (continued):

#### (b) Foreign currency risk:

Currencies to which the Fund had exposure as at December 31, 2021 and 2020 expressed in CAD are as follows:

2021	Investments and derivatives	Cash and cash equivalents	Other assets and liabilities	Total	Percentage of net asset value
Hong Kong dollar (HKD)	\$ 6,932,790	\$ 58,698	\$ -	\$ 6,991,488	37.7%
United States dollar (USD)	\$ 4,449,884	\$ 2,177,983	\$ 268,283	\$ 6,896,150	37.1%
Indian Rupee (₹)	\$ 2,152,248	\$ 168,131	\$ -	\$ 2,320,379	12.5%
New Zealand dollar (NZD)	\$ 1,049,506	\$ 25,125	\$ 251,245	\$ 1,325,876	7.1%
Japanese yen (¥)	\$ 1,048,029	\$ 42,055	\$ 76	\$ 1,090,160	5.9%
Malaysian Ringgit (MYR)	\$ 155,917	\$ -	\$ -	\$ 155,917	0.8%

2020	Investments and derivatives	Cash and cash equivalents	Other assets and liabilities	Total	Percentage of net asset value
Hong Kong dollar (HKD)	\$ 11,091,648	\$ 11,852	\$ -	\$ 11,103,500	51.5%
United States dollar (USD)	\$ 4,805,986	\$ 976,745	\$ 16,970	\$ 5,799,701	26.9%
Indian Rupee (₹)	\$ 1,592,501	\$ 158,435	\$ -	\$ 1,750,936	8.1%
New Zealand dollar (NZD)	\$ 1,375,058	\$ -	\$ 26,559	\$ 1,401,617	6.5%
Japanese yen (¥)	\$ 1,281,690	\$ 22,935	\$ 85	\$ 1,304,710	6.1%
Malaysian Ringgit (MYR)	\$ 182,035	\$ -	\$ -	\$ 182,035	0.8%

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

As at December 31, 2021, if the Canadian dollar had strengthened or weakened by 1.00% in relation to all currencies, with all other variables held constant, net assets would have decreased or increased by approximately \$187,800 (2020 - \$215,425).

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

## CHOU EUROPE FUND

(unaudited)

March 15, 2022

Dear Unitholders of Chou Europe Fund,

After the distribution of \$0.06, the net asset value per unit (“NAVPU”) of a Series A unit of Chou Europe Fund at December 31, 2021 was \$10.61 compared to \$11.17 at December 31, 2020, a decrease of 4.5%; during the same period, the MSCI AC (Morgan Stanley Capital International All Country) Europe Total Return Index in Canadian dollars increased 15.8%. In U.S. dollars, a Series A unit of Chou Europe Fund was down 3.9% while the MSCI AC Europe Total Return Index increased 16.9%.

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

<b>December 31, 2021 (Series A)</b>	<b>1 Year</b>	<b>3 Years</b>	<b>5 Years</b>	<b>10 Years</b>	<b>15 Years</b>
Chou Europe Fund (\$CAN)	-4.5%	5.6%	1.9%	5.2%	-0.0%
MSCI AC Europe TR (\$CAN)	15.8%	12.6%	9.3%	10.9%	4.5%
Chou Europe Fund (\$US)	-3.9%	8.4%	3.1%	2.8%	-0.6%
MSCI AC Europe TR (\$US)	16.9%	15.4%	10.6%	8.5%	3.9%

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

### Factors Influencing the 2021 Results

The largest decliners in the year were the equity holdings of Jet2 PLC, Wizz Air Holdings PLC, and Ryanair Holdings PLC. The increase in prices of Cairo Mezz PLC, Rolls-Royce Holdings PLC, and Stellantis N.V. helped to offset some of the losses.

The euro depreciated against the Canadian currency during the period, which contributed negatively to the performance of the Fund.

During the year, the Fund initiated investments in Liberty Global PLC shares. The Fund also sold its holdings in Abbey Public Limited Company and Cpl Resources PLC.

The Fund did not enter into any forward currency contracts for pounds sterling or euros in 2021. The Fund also had no covered call options in its portfolio as at December 31, 2021 .

## Portfolio Commentary

**Russia:** In 2003, we invested in Yukos Corp, a Russian oil & gas company. It was run by Mikhail Khodorkovsky, then the CEO of Yukos. I was quite impressed by him after reading a book entitled “Человек с рублем” (“Man with a Ruble”), that was co-authored by him, and his business partner, Leonid Nevzlin.

The paragraph that impressed me the most was: “*Lenin aimed to annihilate the wealthy and wealth itself – and created a regime that outlawed the very possibility of becoming wealthy ... Those who wanted to make more money were equated with common criminals. **It is time to stop living according to Lenin!** Our guiding light is Profit, acquired in a strictly legal way. Our lord is His Majesty Money, for it is only He who can lead us to wealth as the norm in life. It is time to abandon Utopia and give yourself over to Business, which will make you rich!*”.

I followed him over the next several years and what he was doing with Yukos. Khodorkovsky wanted to run Yukos on a fully transparent basis and was on par with its American peers. He hired McKinsey & Company to do a detailed study on its management structure and also engaged Pricewaterhouse to create a first-class accounting system. Long story short: the Fund bought some shares in Yukos. But the qualities like integrity, transparency and accountability are what we respect in free enterprise countries; those very qualities will get you in big trouble in a totalitarian regime. In 2003, Khodorkovsky was imprisoned on a trumped-up charge and Yukos was sold for pennies on the dollar. The ‘Rule of Law’ and proper ‘Due Process’ is what we take for granted in a free country but in a totalitarian regime, it is whatever the dictator decrees. From that time onward, I was always leery about investing in Russian companies. Even when they were super cheap, I always had one foot -- and 90% of the other foot -- out of the door. I learned only one Russian word and that was ‘NYET’ to almost every severely undervalued stock in Russia.

Fortunately, for the Fund, that one incident was instrumental in avoiding investing in Russian companies. Since Russia invaded Ukraine, most of the stocks have fallen by more than 90%.

See below for the five stocks with significant percentage drops (comparison between January 01 and March 02, 2022).

Russian Stock	% Drop
Sberbank	-99.72%
Gazprom	-93.75%
Lukoil	-99.19%
Polyus	-95.47%
Rosneft	-92.54%

This type of investing is called Winning by Avoidance.

## **Fiat Chrysler Automobiles (“FIAT”)**

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

After much anticipation, the merger between Fiat and Peugeot S.A. was finally completed on January 16, 2021. The new company is called Stellantis N.V. (“Stellantis”).

We are excited about this merger, as it is of the reasons why we initially invested in Fiat – the capital allocation skills of the executives. We liked what the CEO of Stellantis said in a recent interview, *“I don’t know what the valuation will be, but I can tell you that we are not going to be a legacy carmaker cornered in legacy products... We want to have a good result in 2021. We have also put a strong focus and strong monitoring on the synergy plan. This is our commitment to you. We created this merger because it represents north of EUR 25 billion of value creation through the implementation of the synergies that were presented, which represents on a run rate EUR 5 billion per year. So we have a very detailed plan that we follow up with a specific dedicated team that we call the Synergy Implementation Office. So every decision we make is facing the synergy that is expected from that decision, and we are continuously trying to improve and make sure that we deliver on our commitments, and we will.”*

In other words, they are going to have cost savings of EUR 5 billion a year for a total of EUR 25 billion in 5 years. The market capitalization of Stellantis is currently at EUR 51.8 billion, with much room for upside if some of those cost savings come to pass.

### **Caution to the Investors**

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

Also, the Fund’s cash position was approximately 12.8% of net assets as at December 31, 2021. This large cash position may depress returns for a while as we hunt for undervalued securities. Obviously, if there is a severe correction in the market in the near future, it will cushion the Fund against losses while providing us with the wherewithal to find good investment opportunities. But for now, it could be a drag on returns. If we cannot find any bargains, the large cash position may stay for a long time.

### **Other Matters**

FOREIGN CURRENCY CONTRACTS: None existed at December 31, 2021.

CREDIT DEFAULT SWAPS: None existed at December 31, 2021.

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

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

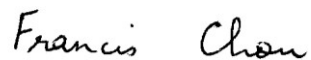


INDEPENDENT REVIEW COMMITTEE: The Manager has established an IRC as required by NI 81-107. The members of the IRC are Sandford Borins, Peter Gregoire and Joe Tortolano. The 2021 IRC Annual Report is available on our website [www.choufunds.com](http://www.choufunds.com).

As of March 15, 2022, the NAVPU of a Series A unit of the Fund was \$8.63 and the cash position was approximately 7.1% of net assets. The Fund is down 18.7% from the beginning of the year. In U.S. dollars, it is down 19.5%.

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,

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

Francis Chou  
Fund Manager

# CHOU EUROPE FUND

## Statements of Financial Position

December 31, 2021 and 2020

	2021	2020
<b>Assets</b>		
Current assets:		
Cash and cash equivalents	\$ 450,105	\$ 1,854,244
Investments (note 8)	3,065,822	3,758,191
Receivable for redeemable units subscribed	-	25,248
Due from broker	-	17,628
Interest receivable	269	2,235
Total assets	3,516,196	5,657,546
<b>Liabilities</b>		
Current liabilities:		
Accrued expenses	5,992	13,148
Payable for units redeemed	18,172	145,622
Due to broker	-	17,748
Distributions payable	312	-
Total liabilities	24,476	176,518
Net assets attributable to unitholders of redeemable units	\$ 3,491,720	\$ 5,481,028
Net assets attributable to unitholders of redeemable units:		
Series A	\$ 2,733,000	\$ 3,045,434
Series F	758,720	2,435,594
	\$ 3,491,720	\$ 5,481,028
Number of redeemable units outstanding (note 4):		
Series A	257,504	272,660
Series F	68,565	210,388
Net assets attributable to unitholders of redeemable units per unit:		
Canadian dollars:		
Series A	\$ 10.61	\$ 11.17
Series F	11.07	11.58
U.S. dollars:		
Series A	8.39	8.77
Series F	8.75	9.09

See accompanying notes to financial statements.

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

Francis Chou



# CHOU EUROPE FUND

## Statements of Comprehensive Income (Loss)

Years ended December 31, 2021 and 2020

	2021	2020
<b>Income:</b>		
Interest for distribution purposes and other	\$ -	\$ 3,435
Dividends	99,871	89,303
Securities lending income (note 7)	940	1,865
Derivative loss	2	(115)
Other income	1,975	-
Foreign currency loss on cash and other net assets	(32,923)	(54,060)
Other net changes in fair value of financial assets and financial liabilities at fair value through profit or loss:		
Net realized gain (loss) on investments	499,094	(1,275,333)
Change in unrealized (depreciation) appreciation on investments	(658,317)	2,501,328
	(89,358)	1,266,423
<b>Expenses:</b>		
Management fees (note 5)	55,133	80,599
Custodian fees	1,859	8,626
ADR fees	-	61
Filing fees	4,551	4,224
Independent review committee fees	2,018	-
FundSERV fees	730	1,485
Legal fees	216	1,115
Transaction costs (note 6)	921	14,880
Foreign withholding taxes	-	331
Other	-	1,308
	65,428	112,629
(Decrease) increase in net assets attributable to unitholders of redeemable units	\$ (154,786)	\$ 1,153,794
(Decrease) increase in net assets attributable to unitholders of redeemable units per series:		
Series A	\$ (109,179)	\$ 606,712
Series F	(45,607)	547,082
	\$ (154,786)	\$ 1,153,794
Average number of redeemable units outstanding for the year per series:		
Series A	245,286	332,777
Series F	108,251	324,095
(Decrease) increase in net assets attributable to unitholders of redeemable units per unit:		
Series A	\$ (0.45)	\$ 1.82
Series F	(0.42)	1.69

See accompanying notes to financial statements.

# CHOU EUROPE FUND

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

Years ended December 31, 2021 and 2020

	2021	2020
<b>Series A</b>		
Net assets attributable to unitholders of redeemable units, beginning of year	\$ 3,045,434	\$ 3,481,204
(Decrease) increase in net assets attributable to unitholders of redeemable units	(109,179)	606,712
Proceeds from issue of redeemable units	818,072	78,183
Payments on redemption of redeemable units	(1,021,015)	(1,120,665)
Distributions of income to unitholders:		
Investment income	(14,686)	-
Reinvested distributions	14,374	-
Net assets attributable to unitholders of redeemable units, end of year	2,733,000	3,045,434
<b>Series F</b>		
Net assets attributable to unitholders of redeemable units, beginning of year	2,435,594	3,351,917
(Decrease) increase in net assets attributable to unitholders of redeemable units	(45,607)	547,082
Proceeds from issue of redeemable units	19,560	111,304
Payments on redemption of redeemable units	(1,650,827)	(1,574,719)
Distributions of income to unitholders:		
Investment income	(3,133)	-
Reinvested distributions	3,133	10
Net assets attributable to unitholders of redeemable units, end of year	758,720	2,435,594
Total net assets attributable to unitholders of redeemable units, end of year	\$ 3,491,720	\$ 5,481,028

See accompanying notes to financial statements.

# CHOU EUROPE FUND

## Statements of Cash Flows

Years ended December 31, 2021 and 2021

	2021	2020
<b>Cash flows from operating activities:</b>		
(Decrease) increase in net assets attributable to unitholders of redeemable units	\$ (154,786)	\$ 1,153,794
Adjustments for:		
Foreign currency loss on cash and other net assets	32,923	54,060
Net realized (gain) loss on disposal of investments and derivatives	(499,094)	1,275,333
Change in unrealized depreciation (appreciation) on investments and derivatives	658,317	(2,501,328)
Change in non-cash operating working capital:		
Decrease (increase) in interest receivable	1,966	(183)
Decrease in dividends receivable	-	6,391
Decrease in accrued expenses	(7,156)	(8,212)
Purchases of investments and derivatives	(426,116)	(1,422,564)
Proceeds from sale and maturity of investments and derivatives	959,142	3,875,814
Net cash generated from operating activities	565,196	2,433,105
<b>Cash flows from financing activities:</b>		
Distributions paid to unitholders	-	(8)
Proceeds from redeemable units issued	862,880	169,502
Amount paid on redemption of redeemable units	(2,799,292)	(3,584,198)
Net cash generated from financing activities	(1,936,412)	(3,414,704)
Foreign currency loss on cash and other net assets	(32,923)	(54,060)
Decrease in cash and cash equivalents	(1,404,139)	(1,035,659)
Cash and cash equivalents, beginning of year	1,854,244	2,889,903
Cash and cash equivalents, end of year	\$ 450,105	\$ 1,854,244
<b>Supplemental information:</b>		
Interest received, net of withholding tax	\$ 1,966	\$ 3,252
Dividends received, net of withholding tax	99,871	95,302
Security lending income received	940	1,865

See accompanying notes to financial statements.

# CHOU EUROPE FUND

## Schedule of Investments

December 31, 2021

	Number of securities	Cost	Fair value
<b>Equities*</b>			
Cairo Mezz PLC	20,833	1,130	4,326
Jet2 PLC	30,000	201,224	572,720
Liberty Global PLC, Class 'A'	12,000	373,934	421,077
Rolls-Royce Holdings PLC	56,666	244,269	119,220
Ryanair Holdings PLC, ADR	4,575	132,084	592,199
Stellantis NV	30,000	583,249	711,914
Wizz Air Holdings PLC	9,000	303,145	644,366
Total long		1,839,035	3,065,822
Total investments		1,839,035	3,065,822
Transaction costs		(4,985)	-
Portfolio total		\$ 1,834,050	\$ 3,065,822

\* Common shares unless indicated otherwise

See accompanying notes to financial statements.

# CHOU EUROPE FUND

## Discussion of Financial Risk Management

Years ended December 31, 2021 and 2020

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### Investment objective and strategies:

Chou Europe Fund's objective is to provide long-term growth of capital by investing primarily in equity securities of European businesses considered by the Manager to be undervalued. Investments may be made in securities other than equities and in businesses located outside of Europe. Investments may include common and preferred shares, convertible debentures, government and corporate bonds and short-term debt. The Fund may also use derivatives such as, but not limited to, futures, options, swaps and forward contracts to gain exposure to securities and asset classes consistent with the objectives of the Fund, and to hedge portfolio exposure against losses from foreign currency and domestic currency exposure and changes in securities prices.

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

### Financial risk management:

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

#### (a) Other price risk:

Other price risk is the risk that the value of financial instruments will fluctuate as a result of changes in market prices (other than those arising from interest rate risk or currency risk) caused by factors specific to a security, its issuer or all factors affecting a market or a market segment. Approximately 87.80% of the Fund's net assets held at December 31, 2021 were publicly traded equities (2020 - 68.57%). If equity prices on the exchange had increased or decreased by 5.00% as at December 31, 2021, the net assets of the Fund would have increased or decreased by approximately \$153,291 or 4.39% (2020 - \$187,910 or 3.43%) of the net assets, all other factors remaining constant.

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

#### (b) Foreign currency risk:

Currencies to which the Fund had exposure as at December 31, 2021 and 2020 expressed in CAD are as follows:

2021	Investments and derivatives	Cash and cash equivalents	Other assets and liabilities	Total	Percentage of net asset value
United States dollar (USD)	\$ 2,297,910	\$ 1,300	\$ 2	\$ 2,299,212	65.8%
Sterling pound (£)	\$ 763,586	\$ 1,322	\$ -	\$ 764,908	21.9%
Euro currency (€)	\$ 4,326	\$ 1,418	\$ -	\$ 5,744	0.2%

# CHOU EUROPE FUND

## Discussion of Financial Risk Management (continued)

Years ended December 31, 2021 and 2020

### Financial risk management (continued):

#### (b) Foreign currency risk (continued):

2020	Investments and derivatives	Cash and cash equivalents	Other assets and liabilities	Total	Percentage of net asset value
United States dollar (USD)	\$ 2,657,266	\$ 1,788,656	\$ 2,236	\$ 4,448,158	81.2%
Sterling pound (£)	\$ 856,493	\$ 49,049	\$ -	\$ 905,542	16.5%
Euro currency (€)	\$ 244,432	\$ 5,617	\$ -	\$ 250,049	4.6%

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

As at December 31, 2021, if the Canadian dollar had strengthened or weakened by 1.00% in relation to all currencies, with all other variables held constant, net assets would have decreased or increased by approximately \$30,699 (2020 - \$56,037).

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



## CHOU BOND FUND

(unaudited)

March 15, 2022

Dear Unitholders of Chou Bond Fund,

After the distribution of \$0.43, the net asset value per unit (“NAVPU”) of a Series A unit of Chou Bond Fund at December 31, 2021 was \$8.79 compared to \$6.53 at December 31, 2020, an increase of 41.2%; during the same period, Barclays U.S. Corporate High Yield Index (\$CAN) returned 4.4% in Canadian dollars. In U.S. dollars, a Series A unit of Chou Bond Fund returned 42.1% while Barclays U.S. Corporate High Yield Index increased 5.3%.

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

<b>December 31, 2021 (Series A)</b>	<b>1 Year</b>	<b>3 Years</b>	<b>5 Years</b>	<b>10 Years</b>	<b>15 Years</b>
Chou Bond Fund (\$CAN)	41.2%	9.7%	8.3%	9.2%	5.6%
Barclays’ U.S. High Yield (\$CAN)	4.4%	6.0%	5.0%	9.2%	7.6%
Chou Bond Fund (\$US)	42.1%	12.6%	9.6%	6.8%	5.0%
Barclays’ U.S High Yield (\$US)	5.3%	8.8%	6.3%	6.8%	7.1%

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

### Factors Influencing the 2021 Results

The major advancers in 2021 were the equity holdings of WOW Unlimited Media Inc. and EXCO Resources Inc. The Canadian currency appreciated against the US dollar, which also negatively affected the Fund.

During the year, the Fund sold its debt holdings in UrkLandFarming PLC 10.875% 2018, Athabasca Oil Corporation 9.875% 2022, Continental Resources Inc. 3.8% 2024, PDC Energy Inc. 6.25% 2025, Southwestern Energy Company 7.5% 2026, GameStop Corporation 6.75% 2021, and Signet UK Finance PLC 4.7% 2024.

The Fund made a series of new bond investments in the coal and insurance sectors, including Peabody Energy Corporation 6% 2022, PIC AU Holdings LLC 10% 2024, MBIA Inc. 6.625% 2028, and Avation Capital SA 8.25% 2026.

The Fund did not enter into any foreign currency contracts during the period, and had no covered call options in its portfolio as at December 31, 2021.

## **Portfolio Commentary**

### **EXCO Resources Inc. (“EXCO”)**

Since it is a private company, I am not at liberty to divulge all the financial statements but what I can tell you is that my calculation of its PV-10 value was approximately US\$1.2 billion based on New York Mercantile Exchange (NYMEX) forward pricing as of September 30, 2021. Its number of shares outstanding was 51,341,478. We estimate that its EBITDA for the year ending 2022 will be approximately US\$225 million.

Although a substantial portion of EXCO’s oil & gas production is hedged for the year 2022, we believe that EXCO can fetch much higher prices as the hedges roll off.

### **Oil & Gas Bond Purchases During the COVID-19 Pandemic**

At the end of 2019, the Fund had excess cash that amounted to close to 35% of the net assets of the Fund. In addition, at the beginning of the 2020 year we sold a big chunk of bonds, which raised our cash to almost 55% of the assets of the Fund. We were able to deploy most of that to fixed income instruments ranging from investment grade to below investment grade bonds. We looked at securities with a sufficient margin of safety to recover the original prices paid, even in the event of a bankruptcy or restructuring. We also kept an eye on Washington and invested in companies where we believe the government is likely to provide support through relief funds. Most of the time, we limited the bond duration to less than three years since the bailout money would most likely be used to pay off these bonds as they matured.

In early 2020, we were able to deploy a significant amount of the cash into the bonds of oil and gas companies, whose prices had been severely beaten down due to the oil price war between Russia and Saudi Arabia, and the COVID-19 pandemic. Many of these recent investments have worked out well so far, with some of the bond prices up as much as 85% since our purchase. Below is the table of our purchases of all the oil and gas companies and their current prices as of December 31, 2021.

Company	Maturity	Coupon	Par value	Average Cost Base	Dec 31, 21 Price	% Change
PDC Energy	2026-05-15	5.750%	\$ 303,000	\$58.25	\$103.38	77.5%
Athabasca Oil <sup>(1)</sup>	2022-02-24	9.875%	\$ 2,000,000	\$23.50	\$100.38	327.1%
Continental Resources <sup>(1)</sup>	2024-06-01	3.800%	\$ 1,000,000	\$50.50	\$103.63	105.2%
PDC Energy <sup>(1)</sup>	2025-12-01	6.250%	\$ 500,000	\$55.25	\$102.00	84.6%
Antero Resources <sup>(1)</sup>	2023-06-01	5.625%	\$ 100,000	\$42.25	\$75.00	77.5%
Southwestern Energy <sup>(2)</sup>	2026-04-01	7.500%	\$ 800,000	\$75.75	\$106.00	39.9%
Occidental Petroleum <sup>(2)</sup>	2022-08-15	2.700%	\$ 500,000	\$75.50	\$96.25	27.5%

*Note: All dollar values are in local price USD.*

*(1) Prices at which the bonds were sold.*

*(2) Southwestern Energy bonds were sold as part of tender offers in 2021 and Occidental Petroleum bonds were sold as part of tender offers in 2020.*

Since the purchase in 2020, we have sold all the bonds of Athabasca Oil Corporation 9.875% 2022, Continental Resources 3.8% 2024, PDC Energy 6.25% 2025, Antero Resources 5.625% 2023, Southwestern Energy Company 7.5% 2026, and Occidental Petroleum 2.7% 2022.

### **Caution to the Investors**

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

Also, the Fund's cash position was approximately 38.4% of net assets as at December 31, 2021. This large cash position may depress returns for a while as we hunt for undervalued securities. Obviously, if there is a severe correction in the market in the near future, it will cushion the Fund against losses while providing us with the wherewithal to find good investment opportunities. But for now, it could be a drag on returns. If we cannot find any bargains, the large cash position may stay for a long time.

### **Other Matters**

FOREIGN CURRENCY CONTRACTS: None existed at December 31, 2021.

CREDIT DEFAULT SWAPS: None existed at December 31, 2021.

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

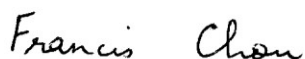
REDEMPTION FEE: We have a redemption fee of 2% if unitholders redeem their units in less than 3 months. None of this fee goes to the Fund Manager. It is put back into the Fund for the benefit of the remaining unitholders.

INDEPENDENT REVIEW COMMITTEE: The Manager has established an IRC as required by NI 81-107. The members of the IRC are Sandford Borins, Peter Gregoire and Joe Tortolano. The 2021 IRC Annual Report is available on our website [www.choufunds.com](http://www.choufunds.com).

As of March 15, 2022, the NAVPU of a Series A unit of the Fund was \$8.81 and the cash position was approximately 38.3% of net assets. The Fund is up 0.2% from the beginning of the year. In U.S. dollars, it is down 0.8%.

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  
Fund Manager

# CHOU BOND FUND

## Statements of Financial Position

Years ended December 31, 2021 and 2020

	2021	2020
<b>Assets</b>		
Current assets:		
Cash and cash equivalents	\$ 4,001,115	\$ 1,892,281
Investments (note 8)	6,427,933	6,797,361
Receivable for redeemable units subscribed	35,532	882
Interest receivable	49,582	130,438
Total assets	10,514,162	8,820,962
<b>Liabilities</b>		
Current liabilities:		
Accrued expenses	24,449	89,382
Payable for units redeemed	8,761	61,800
Distributions payable	17,100	38,038
Total liabilities	50,310	189,220
Net assets attributable to unitholders of redeemable units	\$ 10,463,852	\$ 8,631,742
Net assets attributable to unitholders of redeemable units:		
Series A	\$ 9,235,250	\$ 7,223,793
Series F	1,228,602	1,407,949
	\$ 10,463,852	\$ 8,631,742
Number of redeemable units outstanding (note 4):		
Series A	1,050,115	1,105,932
Series F	135,676	209,838
Net assets attributable to unitholders of redeemable units per unit :		
Canadian dollars:		
Series A	\$ 8.79	\$ 6.53
Series F	9.06	6.71
U.S. dollars:		
Series A	6.95	5.13
Series F	7.16	5.27

See accompanying notes to financial statements.

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

Francis Chou



# CHOU BOND FUND

## Statements of Comprehensive Income (Loss)

Years ended December 31, 2021 and 2020

	2021	2020
<b>Income:</b>		
Interest for distribution purposes and other	\$ 541,285	\$ 584,297
Securities lending income (Note 7)	173	7,537
Derivative loss	-	(250)
Other income	37,104	-
Foreign currency gain on cash and other net assets	44,012	290,511
Other net changes in fair value of financial assets and financial liabilities at fair value through profit or loss:		
Net realized loss on disposal of investments	(2,940,652)	(2,010,618)
Change in unrealized appreciation on investments	5,770,641	3,420,569
	3,452,563	2,292,046
<b>Expenses:</b>		
Management fees (note 5)	121,112	126,907
Filing fees	4,939	-
Independent review committee fees	2,975	-
FundSERV fees	3,285	3,294
Legal fees	595	1,321
Other	-	1,798
	132,906	133,320
Increase in net assets attributable to unitholders of redeemable units	\$ 3,319,657	\$ 2,158,726
Increase in net assets attributable to unitholders of redeemable units per Series:		
Series A	\$ 2,899,191	\$ 1,683,552
Series F	420,466	475,174
	\$ 3,319,657	\$ 2,158,726
Average number of redeemable units outstanding for the year per the Series:		
Series A	1,074,328	1,129,861
Series F	146,376	285,324
Increase in net assets attributable to unitholders of redeemable units per unit:		
Series A	\$ 2.70	\$ 1.49
Series F	2.87	1.67

See accompanying notes to financial statements.

# CHOU BOND FUND

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

Years ended December 31, 2021 and 2020

	2021	2020
<b>Series A</b>		
Net assets attributable to unitholders of redeemable units, beginning of year	\$ 7,223,793	\$ 7,713,187
Increase in net assets attributable to unitholders of redeemable units	2,899,191	1,683,552
Proceeds from issue of redeemable units	852,408	75,549
Payments on redemption of redeemable units	(1,723,463)	(2,211,536)
Distribution of income to unitholders:		
Investment income	(432,861)	(832,607)
Reinvested distributions	416,182	795,648
Net assets attributable to unitholders of redeemable units, end of year	\$ 9,235,250	\$ 7,223,793
<b>Series F</b>		
Net assets attributable to unitholders of redeemable units, beginning of year	\$ 1,407,949	\$ 2,094,021
Increase in net assets attributable to unitholders of redeemable units	420,466	475,174
Proceeds from issue of redeemable units	204,699	31,039
Payments on redemption of redeemable units	(804,091)	(1,191,414)
Distribution of income to unitholders:		
Investment income	(56,534)	(167,663)
Reinvested distributions	56,113	166,792
Net assets attributable to unitholders of redeemable units, end of year	\$ 1,228,602	\$ 1,407,949
Total net assets attributable to unitholders of redeemable units, end of year	\$ 10,463,852	\$ 8,631,742

See accompanying notes to financial statements.

# CHOU BOND FUND

## Statements of Cash Flows

Years ended December 31, 2021 and 2020

	2021	2020
<b>Cash flows from operating activities:</b>		
Increase in net assets attributable to unitholders of redeemable units	\$ 3,319,657	\$ 2,158,726
Adjustments for:		
Foreign currency gain on cash and other net assets	(44,012)	(290,511)
Net realized loss on disposal of investments	2,940,652	2,010,618
Change in unrealized appreciation on investments	(5,770,641)	(3,420,569)
Change in non-cash operating working capital:		
Decrease (increase) in interest receivable	80,856	(10,282)
Decrease in accrued expenses	(64,933)	(35,445)
Purchase of investments	(3,278,492)	(4,000,573)
Proceeds from sales of investments	6,477,909	5,241,818
Net cash generated from operating activities	3,660,996	1,653,782
<b>Cash flows from financing activities:</b>		
Distributions paid to unitholders	(38,038)	(28,981)
Proceeds from redeemable units issued	1,022,457	105,706
Amount paid on redemption of redeemable units	(2,580,593)	(3,861,448)
Net cash used in financing activities	(1,596,174)	(3,784,723)
Foreign currency gain on cash and other net assets	44,012	290,511
Increase (decrease) in cash and cash equivalents	2,108,834	(1,840,430)
Cash and cash equivalents, beginning of year	1,892,281	3,732,711
Cash and cash equivalents, end of year	\$ 4,001,115	\$ 1,892,281
<b>Supplemental information:</b>		
Interest received, net of withholding tax	\$ 622,141	\$ 574,015
Security lending income received	173	7,537

See accompanying notes to financial statements.

# CHOU BOND FUND

## Schedule of Investments

December 31, 2021

	Number of shares	Cost	Fair value
<b>Equities*</b>			
EXCO Resources Inc.**	20,046	\$ 693,989	\$ 294,143
Wow Unlimited Media Inc.**	1,165,742	2,675,094	1,678,669
		3,369,083	1,972,812
<b>Bonds</b>			
Avation Capital SA, 8.250%, October 31, 2026, Callable	750,000	805,197	797,905
Fortress Global Enterprises Inc., 9.75%, December 31, 2022, Convertible Bonds, Callable	3,659,000	2,058,513	366
MBIA Inc, 6.625%, October 1, 2028	700,000	851,654	920,397
PDC Energy Inc., 5.75%, May 15, 2026, Callable	303,000	251,271	396,221
Peabody Energy Corporation, 6.00%, March 31, 2022, Callable	700,000	760,305	880,427
PIC AU Holdings LLC/Corporation, 10.00%, December 31, 2024, Callable	761,000	861,335	992,805
Taiga Building Products Limited, 7.00%, November 17, 2022, Callable	467,000	482,761	467,000
		6,071,036	4,455,121
Total long		9,440,119	6,427,933
Total investments		9,440,119	6,427,933
Transaction costs		(6,826)	-
Portfolio total	\$	9,433,293	\$ 6,427,933

\* Common shares unless indicated otherwise

\*\*Shares received from debt restructuring

See accompanying notes to financial statements.



# CHOU BOND FUND

## Discussion of Financial Risk Management

Years ended December 31, 2021 and 2020

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### Investment objective and strategies:

Chou Bond Fund's objective is to invest in securities that it believes are undervalued in order to achieve capital appreciation over the long-term. Conservation of principal and interest production will be fundamental considerations in this objective. The Fund invests primarily in Canadian and U.S. bonds. These bonds include, but are not limited to, Government of Canada, provincial, municipal and corporate issues, including convertibles and high yield bonds. Investments may be made in bonds outside of Canada and the U.S. The Fund may also use derivatives such as, but not limited to, futures, options, swaps and forward contracts to gain exposure to securities and asset classes consistent with the objectives of the Fund, and to hedge portfolio exposure against losses from foreign currency and domestic currency exposure and changes in securities prices.

The Fund will generally be fully invested. A combination of investment strategies will be utilized in managing the portfolio including relative value trades, yield enhancement strategies and interest rate anticipation traces. Investments made by the Fund are not guaranteed. Fixed income securities issued by governments may decrease in value as a result of changes in interest rates. Fixed income securities issued by corporations may decrease in value due to general market conditions or credit risks associated with the issuer.

### Financial risk management:

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

#### (a) Credit risk:

Credit risk is the risk that a counterparty to a financial instrument will fail to discharge a commitment that it has entered into with the Fund. As at December 31, 2021, the Fund invested 30.48% of its net assets in non-investment grade debt instruments (2020 - 60.45%). Non-investment grade is the term applied to bonds rated below Baa3 on the Moody's credit rating scale and below BBB- on the equivalent ratings systems from Standard & Poor's and Fitch. The credit ratings could denote that the Company's financial position is weak and its bonds should be considered a speculative investment. As at December 31, 2021, the Fund invested approximately 12.09% (2020 - 9.79%) of its net assets in non-rated bonds.

#### (b) Interest rate risk:

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

Debt instruments by maturity date:

	2021	2020
Less than 1 year	\$ 1,347,793	\$ 610,539
1 - 3 years	992,805	1,423,224
3 - 5 years	1,194,126	2,560,448
Greater than 5 years	920,397	1,468,692

# CHOU BOND FUND

## Discussion of Financial Risk Management (continued)

Years ended December 31, 2021 and 2020

### Financial risk management (continued):

#### (b) Interest rate risk (continued):

As at December 31, 2021, had interest rates decreased or increased by 0.25%, with all other variables remaining constant, the increase or decrease in net assets for the year would have amounted to approximately \$22,077 (2020 - \$37,960).

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

#### (c) Other price risk:

Other price risk is the risk that the value of financial instruments will fluctuate as a result of changes in market prices (other than those arising from interest rate risk or currency risk) caused by factors specific to a security, its issuer or all factors affecting a market or a market segment. Approximately 16.04% (2020 - 6.08%) of the Fund's net assets held at December 31, 2021 were publicly traded equities. If equity prices on the exchange had increased or decreased by 5.00% as at December 31, 2021, the net assets of the Fund would have increased or decreased by approximately \$83,933 or 0.80% (2020 - \$26,229 or 0.30%) of the net assets, all other factors remaining constant.

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

#### (d) Foreign currency risk:

Currencies to which the Fund had exposure as at December 31, 2021 and 2020 expressed in CAD are as follows:

2021		Investments and derivatives	Cash and cash equivalents	Other assets and liabilities	Total	Percentage of net asset value
United States dollar (USD)	\$	4,281,898	\$ 3,823,990	\$ 45,515	\$ 8,151,403	77.9%

2020		Investments and derivatives	Cash and cash equivalents	Other assets and liabilities	Total	Percentage of net asset value
United States dollar (USD)	\$	5,800,447	\$ 2,001,074	\$ 126,496	\$ 7,928,017	91.8%

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

As at December 31, 2021, if the Canadian dollar had strengthened or weakened by 1.00% in relation to all currencies, with all other variables held constant, net assets would have decreased or increased by approximately \$81,514 (2020 - \$79,280).

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

## CHOU RRSP FUND

(unaudited)

March 15, 2022

Dear Unitholders of Chou RRSP Fund,

After the distribution of \$0.66, the net asset value per unit (“NAVPU”) of a Series A unit of Chou RRSP Fund at December 31, 2021 was \$39.70 compared to \$25.87 at December 31, 2020, an increase of 56.0%; during the same period, the S&P/TSX Total Return Index increased 25.2% in Canadian dollars. In U.S. dollars, a Series A unit of Chou RRSP Fund was up 57.0% while the S&P/TSX Total Return Index increased 26.3%.

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

<b>December 31, 2021 (Series A)</b>	<b>1 Year</b>	<b>3 Years</b>	<b>5 Years</b>	<b>10 Years</b>	<b>15 Years</b>	<b>20 Years</b>
Chou RRSP Fund (\$CAN)	56.0%	13.4%	10.6%	9.9%	4.7%	7.5%
S&P/TSX (\$CAN)	25.2%	17.5%	10.0%	9.1%	6.5%	8.1%
Chou RRSP Fund (\$US)	57.0%	16.3%	11.9%	7.6%	4.2%	8.7%
S&P/TSX (\$US)	26.3%	20.5%	11.4%	6.8%	5.9%	9.3%

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

### Factors Influencing the 2021 Results

The decliners in the year were the equity holding of Canfor Pulp Products Inc. and the fixed income holding of Taiga Building Products Limited. The largest increases in prices were the equity holdings of Reitmans (Canada) Limited, WOW Unlimited Media Inc., Resolute Forest Products Inc., Interfor Corporation, Overstock.com Inc., EXCO Resources Inc., and BlackBerry Limited.

During the year, the Fund reduced its holdings in TVA Group Inc., Interfor Corporation, Overstock.com Inc., Resolute Forest Products Inc., BlackBerry Limited, and Bausch Health Company Inc. The Fund also sold its holdings in Bank of America Corporation.

The Fund had seven covered call options on Bausch Health Company Inc., BlackBerry Limited and Resolute Forest Products Inc. in 2021.

## **Portfolio Commentary**

### **Resolute Forest Products Inc. (“RFP”)**

As of December 31, 2021, the market price of RFP was US\$15.27 per share, up 133.5% from the price of US\$6.54 at year-end 2020. Having said that, it is quite comical to us how a commodity stock can be hammered beyond all logical comprehension. RFP paid a special dividend of US\$1.50 a share in 2018, and it was trading as low as US\$1.17 per share in April 2020. Back in March 2020, the company announced that it would buy back 15% of its common shares for US\$100 million. At the lowest price of US\$1.17, the whole market capitalization would be approximately US\$99 million. In other words, instead of buying back 15% of the company with US\$100 million, it could repurchase 100% of the company. RFP shares have since recovered a very healthy 1,205.1% to US\$15.27 as of December 31, 2021.

When the stock is that cheap, assuming that you don’t own any shares, a rational investor should back up the truck and buy every share that is offered in the market. But what makes it difficult for some investors to buy is not the rational side of his mind but more the psychological aspect of it. In the stock market, you are bombarded with noises that affect a person’s rationality. It can get radically altered. Stock prices can move unrelated to the fundamentals of a business. During a bull market, you may see several stocks trading at anywhere from 50 times going to more than 100 times earnings, and conversely, there can be several stocks sold at 10 times earnings going down to below five times earnings. The fundamentals of the company are ignored and, instead, investors are transfixed on the price movements of the last couple of years. Then new narratives are written most convincingly on why these are the new paradigms, and why they are not worth giving weights and considerations to what the assets are worth and what the company can earn over several years. I remember talking to one value manager in 1999 when the tech stocks were in full bloom. He said, *“I have a family to feed and I will keep losing assets if I don’t accept the new headlines and paradigms. Sticking to buying companies that are undervalued is not the way to be successful in the long run”*. He changed his philosophy before the tech stocks were about to go into a severe decline over the next couple of years.

One question that keeps popping up is with regard to the current crop of tech companies like Facebook, Apple, and Alphabet. Based on the current interest rate, they are not overvalued. We also admit that we totally misjudged the valuation of these three companies 10 years ago. Metaphorically speaking, when we thought it was worth US\$100 per share, in fact, it was worth closer to US\$200 per share. Unfortunately, we also made some mistakes in evaluating mediocre companies. When we thought a company’s share was worth US\$100 per share, it was actually closer to US\$60 per share.

In spite of the price of RFP trading at US\$15.27 per share, it is still quite cheap. Let us look at a few facts. The shares may be able to get back close to US\$400 million in duties (approximately US\$5 per share), but the earning power over the next two years is most likely to be more than US\$3 per share annually and the lumber prices may stay elevated for a while because there is an imbalance between supply and demand in housing that may take a few years before it comes back into equilibrium. Meanwhile, it is making money hand over fist.

One caveat though is that the value of RFP depends so much on lumber, a commodity business that is prone to a boom and bust scenario.

Every dog has its day.

## **Interfor**

Another lumber company, Interfor, has done very well for us. We bought the stock at \$5 per share. Currently, even at \$39.90 it is only selling at 4x earnings. This does not include another 20% of lumber capacity that will be added to the operation in 2022.

## **Bausch Health Companies Inc. (“Bausch Health”)**

In early August 2020, Bausch Health announced that it is planning to spin off its eye care business, Bausch + Lomb, into an independent publicly traded company. This will allow the company to concentrate on its gastroenterology, aesthetics/dermatology, neurology and international pharma business.

We hope the spin-off of the Bausch + Lomb unit will be the much-needed catalyst for investors to price the company closer to its intrinsic value.

## **EXCO Resources Inc. (“EXCO”)**

Since it is a private company, I am not at liberty to divulge all the financial statements but what I can tell you is that my calculation of its PV-10 value was approximately US\$1.2 billion based on New York Mercantile Exchange (NYMEX) forward pricing as of September 30, 2021. Its number of shares outstanding was 51,341,478. We estimate that its EBITDA for the year ending 2022 will be approximately US\$225 million.

Although a substantial portion of EXCO’s oil & gas production is hedged for the year 2022, we believe that EXCO can fetch much higher prices as the hedges roll off.

Another dog has its day.

## **Caution to the Investors**

Investors should be advised that we run a highly focused portfolio, frequently just three to five securities may comprise close to 50% of the assets of the Fund. In addition, the Fund has securities outside of Canada and could be subjected to geopolitical risks, which may trump or at least negatively influence the financial performance of the company. Also, we may enter into some derivative contracts, such as credit default swaps when we feel that the market conditions are right to use those instruments. Because of any or all of these factors, the net asset value of the Fund can be from time to time more volatile than at other times. However, we are not bothered by this volatility because our focus has always been, and continues to be, on how inexpensive we believe the Fund’s portfolio holdings are relative to what we believe to be their intrinsic value. Also, the Fund’s net cash position was approximately 5.5% of net assets as at December 31, 2021.

## **Other Matters**

FOREIGN CURRENCY CONTRACTS: None existed at December 31, 2021.

CREDIT DEFAULT SWAPS: None existed at December 31, 2021.

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

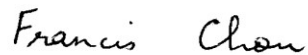
REDEMPTION FEE: We have a redemption fee of 2% if unitholders redeem their units in less than 3 months. None of this fee goes to the Fund Manager. It is put back into the Fund for the benefit of the remaining unitholders.

INDEPENDENT REVIEW COMMITTEE: The Manager has established an IRC as required by NI 81-107. The members of the IRC are Sandford Borins, Peter Gregoire and Joe Tortolano. The 2021 IRC Annual Report is available on our website [www.choufunds.com](http://www.choufunds.com).

As of March 15, 2022, the NAVPU of a Series A unit of the Fund was \$35.64 and the cash position was approximately 0.1% of net assets. The Fund is down 10.2% from the beginning of the year. In U.S. dollars, it is down 11.1%.

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,

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

Francis Chou  
Fund Manager

# CHOU RRSP FUND

## Statements of Financial Position

December 31, 2021 and 2020

	2021	2020
<b>Assets</b>		
Current assets:		
Cash and cash equivalents	\$ 2,481,299	\$ 490,742
Investments (note 8)	46,988,541	37,798,206
Interest receivable	29,163	26,726
Total assets	49,499,003	38,315,674
<b>Liabilities</b>		
Current liabilities:		
Financial liabilities at fair value through profit or loss	4,089,678	524,753
Accrued expenses	64,135	173,128
Payable for units redeemed	107,173	97,669
Distributions payable	32,606	-
Total liabilities	4,293,592	795,550
Net assets attributable to unitholders of redeemable units	\$ 45,205,411	\$ 37,520,124
Net assets attributable to unitholders of redeemable units:		
Series A	\$ 42,647,812	\$ 34,909,078
Series F	2,557,599	2,611,046
	\$ 45,205,411	\$ 37,520,124
Number of redeemable units outstanding (note 4):		
Series A	1,074,198	1,349,151
Series F	64,041	100,434
Net assets attributable to unitholders of redeemable units per unit:		
Canadian dollars:		
Series A	\$ 39.70	\$ 25.87
Series F	39.94	26.00
U.S. dollars:		
Series A	31.38	20.32
Series F	31.57	20.43

See accompanying notes to financial statements.

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

Francis Chou



# CHOU RRSP FUND

## Statements of Comprehensive Income (Loss)

Years ended December 31, 2021 and 2020

	2021	2020
<b>Income:</b>		
Interest for distribution purposes and other	\$ 211,943	\$ 164,397
Dividends	1,648,119	148,534
Securities lending income (note 7)	861	5,982
Other income	46,301	-
Foreign currency loss on cash and other net assets	(55,733)	(77,543)
Other net changes in fair value of financial assets and financial liabilities at fair value through profit or loss:		
Net realized gain (loss) on investments	1,144,680	(8,231,349)
Net realized loss on derivatives	(1,451,378)	-
Change in unrealized appreciation on investments	18,416,177	11,478,256
Change in unrealized appreciation on derivatives	234,276	353,715
	20,195,246	3,841,992
<b>Expenses:</b>		
Management fees (note 5)	674,149	535,818
Audit fees	16,069	-
Filing fees	20,276	23,871
Independent review committee fees	13,440	-
FundSERV fees	6,213	7,258
Legal fees	2,601	3,369
Transaction costs (note 6)	141,808	33,823
Foreign withholding taxes	208,113	2,436
Other	-	8,787
	1,082,669	615,362
Increase in net assets attributable to unitholders of redeemable units	\$ 19,112,577	\$ 3,226,630
Increase in net assets attributable to unitholders of redeemable units per series:		
Series A	\$ 17,859,845	\$ 3,049,874
Series F	1,252,732	176,756
	\$ 19,112,577	\$ 3,226,630
Average number of redeemable units outstanding for the year per series:		
Series A	1,162,011	1,490,981
Series F	83,246	142,559
Increase in net assets attributable to unitholders of redeemable units per unit:		
Series A	\$ 15.37	\$ 2.05
Series F	15.05	1.24

See accompanying notes to financial statements.



# CHOU RRSP FUND

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

Years ended December 31, 2021 and 2020

	2021	2020
<b>Series A</b>		
Net assets attributable to unitholders of redeemable units, beginning of year	\$ 34,909,078	\$ 38,864,778
Increase in net assets attributable to unitholders of redeemable units	17,859,845	3,049,874
Proceeds from issue of redeemable units	1,143,226	155,729
Payments on redemption of redeemable units	(11,250,701)	(7,161,303)
Distributions of income to unitholders:		
Investment income	(694,963)	-
Reinvested distributions	681,327	-
Net assets attributable to unitholders of redeemable units, end of year	42,647,812	34,909,078
<b>Series F</b>		
Net assets attributable to unitholders of redeemable units, beginning of year	2,611,046	3,921,576
Increase (decrease) in net assets attributable to unitholders of redeemable units	1,252,732	176,756
Proceeds from issue of redeemable units	801,413	233,147
Payments on redemption of redeemable units	(2,088,622)	(1,720,433)
Distributions of income to unitholders:		
Investment income	(52,537)	-
Reinvested distributions	33,567	-
Net assets attributable to unitholders of redeemable units, end of year	2,557,599	2,611,046
Total net assets attributable to unitholders of redeemable units, end of year	\$ 45,205,411	\$ 37,520,124

See accompanying notes to financial statements.

# CHOU RRSP FUND

## Statements of Cash Flows

Years ended December 31, 2021 and 2020

	2021	2020
<b>Cash flows from operating activities:</b>		
Increase in net assets attributable to unitholders of redeemable units	\$ 19,112,577	\$ 3,226,630
Adjustments for:		
Foreign currency loss on cash and other net assets	55,733	77,543
Net realized loss on disposal of investments and derivatives	306,698	8,231,349
Change in unrealized appreciation on investments and derivatives	(18,650,453)	(11,831,971)
Change in non-cash operating working capital:		
Increase in interest receivable	(2,437)	(364)
Decrease in accrued expenses	(108,993)	(99,886)
Purchase of investments and derivatives	(4,962,161)	(17,135)
Proceeds from sale and maturity of investments and derivatives	17,680,506	9,998,266
Net cash generated from operating activities	13,431,470	9,584,432
<b>Cash flows from financing activities:</b>		
Distributions paid to unitholders	-	(74,671)
Proceeds from redeemable units issued	1,944,639	388,876
Amount paid on redemption of redeemable units	(13,329,819)	(9,540,628)
Net cash used in financing activities	(11,385,180)	(9,226,423)
Foreign currency loss on cash and other net assets	(55,733)	(77,543)
Increase in cash and cash equivalents	1,990,557	280,466
Cash and cash equivalents, beginning of year	490,742	210,276
Cash and cash equivalents, end of year	\$ 2,481,299	\$ 490,742
<b>Supplemental information:</b>		
Interest received, net of withholding tax	\$ 209,506	\$ 164,033
Dividends received, net of withholding tax	1,440,006	146,098
Security lending income received	861	5,982

See accompanying notes to financial statements.

# CHOU RRSP FUND

## Schedule of Investments

December 31, 2021

	Number of securities	Cost	Fair value
<b>Equities*</b>			
Bausch Health Companies Inc.	200,000	\$ 6,352,306	\$ 6,985,054
BlackBerry Limited	382,900	2,983,830	4,525,878
Canfor Pulp Products Inc.	293,900	836,324	1,966,191
EXCO Resources Inc.	114,371	2,373,080	1,678,213
Interfor Corporation	61,500	365,747	2,491,365
Linamar Corporation	24,000	1,332,040	1,798,320
Magna International Inc., Class 'A'	20,000	1,249,419	2,047,701
Overstock.com Inc., Class 'B'	6,240	129,065	493,331
Reitmans (Canada) Limited	526,100	1,993,539	1,136,376
Resolute Forest Products Inc.	873,688	9,880,907	16,875,971
TVA Group Inc.	53,028	766,720	149,539
TWC Enterprises Limited	201,944	1,158,741	3,594,603
Wow Unlimited Media Inc.	93,680	1,930,473	134,899
		31,352,191	43,877,441
<b>Bonds</b>			
Fortress Global Enterprises Inc., 9.750%, December 31, 2021, Convertible Bonds, Callable	1,000,000	780,000	100
Taiga Building Products Ltd., 7.000%, November 17, 2022, Callable	3,111,000	3,215,996	3,111,000
		3,995,996	3,111,100
Total long		35,348,187	46,988,541
Total investments		35,348,187	46,988,541
Transaction costs		(185,528)	-
Total Investments in Non-Derivative Financial Assets		35,162,659	46,988,541
Derivative Liabilities			(4,089,678)
Portfolio total		\$ 35,162,659	\$ 42,898,863

## Schedule of Derivative Instruments

Security Name	Strike Price	Expiry Date	Currency	No. of Contracts	Proceeds	Fair Value
<b>Options</b>						
<i>Written Call Options</i>						
BlackBerry Limited	20.00	01-20-23	USD	(417)	(530,972)	(56,441)
BlackBerry Limited	22.00	01-20-23	USD	(1,293)	(916,646)	(153,744)
BlackBerry Limited	25.00	01-20-23	USD	(116)	(129,841)	(11,592)
BlackBerry Limited	15.00	01-21-22	USD	(2,000)	(337,741)	(5,060)
Bausch Health Companies Inc.	50.00	01-20-23	USD	(2,000)	(901,857)	(135,350)
Resolute Forest Products Inc.	14.00	01-21-22	USD	(2,000)	(313,789)	(414,903)
Resolute Forest Products Inc.	11.50	03-18-22	USD	(6,250)	(1,546,823)	(3,312,588)
<b>Total Written Call Options</b>					<b>\$ (4,677,669)</b>	<b>\$ (4,089,678)</b>

\* Common shares unless indicated otherwise

See accompanying notes to financial statements.

# CHOU RRSP FUND

## Discussion of Financial Risk Management

Years ended December 31, 2021 and 2020

### Investment objective and strategies:

The Fund's objective is to provide long-term growth of capital by investing primarily in equity and debt instruments 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 Fund may also use derivatives such as, but not limited to, futures, options, swaps and forward contracts to gain exposure to securities and asset classes consistent with the objectives of the Fund, and to hedge portfolio exposure against losses from foreign currency and domestic currency exposure and changes in securities prices.

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

### Financial risk management:

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

#### (a) Credit risk:

Credit risk is the risk that a counterparty to a financial instrument will fail to discharge a commitment that it has entered into with the Fund. As at December 31, 2021, the Fund did not invest any of its net assets in non-investment grade debt instruments (2020 - 0.0%). Non-investment grade is the term applied to bonds rated below Baa3 on the Moody's credit rating scale and below BBB- on the equivalent ratings systems from Standard & Poor's and Fitch. These credit ratings could denote that the company's financial position is weak and its bonds should be considered a speculative investment. As at December 31, 2021, the Fund invested approximately 6.88% (2020 - 8.38%) of its net assets in non-rated debt instruments.

#### (b) Interest rate risk:

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

Debt instruments by maturity date:

	2021	2020
Less than 1 year	\$ 3,111,100	\$ -
1 - 3 years	-	3,144,170
3 - 5 years	-	-
Greater than 5 years	-	-

As at December 31, 2021, had interest rates decreased or increased by 0.25%, with all other variables remaining constant, the increase or decrease in net assets for the year would have amounted to approximately \$6,689 (2020 - \$13,976).

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

# CHOU RRSP FUND

## Discussion of Financial Risk Management (continued)

Years ended December 31, 2021 and 2020

### Financial risk management (continued):

#### (c) Other price risk:

Other price risk is the risk that the value of financial instruments will fluctuate as a result of changes in market prices (other than those arising from interest rate risk or currency risk) caused by factors specific to a security, its issuer or all factors affecting a market or a market segment. Approximately 93.35% (2020 - 89.17%) of the Fund's net assets held at December 31, 2021 were publicly traded equities. If equity prices on the exchange had increased or decreased by 5.00% as at December 31, 2021, the net assets of the Fund would have increased or decreased by approximately \$2,109,961 or 4.67% (2020 - \$1,672,831 or 4.46%) of the net assets, all other factors remaining constant.

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

#### (d) Foreign currency risk:

Currencies to which the Fund had exposure as at December 31, 2021 and 2020 expressed in CAD are as follows:

2021	Investments and derivatives	Cash and cash equivalents	Other assets and liabilities	Total	Percentage of net asset value
United States dollar (USD)	\$ 23,990,592	\$ 2,271,885	\$ 2,840	\$ 26,265,317	58.1%

2020	Investments and derivatives	Cash and cash equivalents	Other assets and liabilities	Total	Percentage of net asset value
United States dollar (USD)	\$ 19,506,194	\$ 365,117	\$ 456	\$ 19,871,767	53.0%

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

As at December 31, 2021, if the Canadian dollar had strengthened or weakened by 1.00% in relation to all currencies, with all other variables held constant, net assets would have decreased or increased by approximately \$262,653 (2020 - \$198,718).

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

# CHOU FUNDS

## Notes to Financial Statements

Years ended December 31, 2021 and 2020

### 1. Formation of the Chou Funds:

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

The Funds were formed on the following dates:

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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

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### 2. Significant accounting policies:

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

The policies applied in these financial statements are based on IFRS issued and outstanding as of December 31, 2021. The financial statements are presented in Canadian dollars, which is also the Chou Funds' functional currency. These financial statements were authorized for issue by the Manager on March 28, 2022.

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

#### (a) Financial instruments:

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

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

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

# CHOU FUNDS

## Notes to Financial Statements (continued)

Years ended December 31, 2021 and 2020

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

#### (b) Recognition, initial measurement and classification:

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

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

Financial assets at FVTPL:

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

Financial liabilities at FVTPL:

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

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

#### (c) Fair value measurement:

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

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

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

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

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

# CHOU FUNDS

## Notes to Financial Statements (continued)

Years ended December 31, 2021 and 2020

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

#### (c) Fair value measurement (continued):

Derecognition:

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

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

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

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

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

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

Models use observable data, to the extent practicable. However, areas such as credit risk (both own and counterparty), volatilities and correlations require the Manager to make estimates. Changes in assumptions about these factors could affect the reported fair values of financial instruments. The Funds consider observable data to be market data that is readily available, regularly distributed and updated, reliable and verifiable, not proprietary, and provided by independent sources that are actively involved in the relevant market. Refer to note 8 for further information about the fair value measurement of the Fund's financial instruments.



# CHOU FUNDS

## Notes to Financial Statements (continued)

Years ended December 31, 2021 and 2020

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

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

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

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

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

#### (e) Cost of investments:

The cost of investments represents the amount paid for each security and is determined on an average cost basis excluding transaction costs. Investment transactions are accounted for as of the trade date.

#### (f) Offsetting financial instruments:

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

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

#### (g) Transaction costs:

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

#### (h) Cash and cash equivalents:

Cash and cash equivalents consist of cash on deposit and short-term debt instruments with terms to maturity less than 90 days. Cash and cash equivalents are reported at fair value which closely approximates their amortized cost due to the nature of being highly liquid and having short terms to maturity. Where cash and cash equivalents are in net bank overdraft positions, these are presented as current liabilities in the Statements of Financial Position.

# CHOU FUNDS

## Notes to Financial Statements (continued)

Years ended December 31, 2021 and 2020

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

#### (i) Investment transactions and income recognition:

All investment transactions are accounted for on the trade date.

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

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

#### (j) Foreign exchange:

Securities and other assets and liabilities denominated in foreign currencies are translated into Canadian dollars at the exchange rates prevailing on each valuation day. Purchases and sales of investments and derivatives, income and expenses are translated into Canadian dollars at the exchange rates prevailing on the respective dates of such transactions. Realized and unrealized foreign exchange gains (losses) on investments and derivatives are included in realized gain (loss) on sale of investments and derivatives and change in unrealized appreciation (depreciation) on investments and derivatives, respectively, in the statements of comprehensive income (loss).

#### (k) Derivative transactions:

Options:

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

Warrants:

The cost of warrants is included in derivatives on the statements of financial position. The unrealized gain or loss is reflected in the statements of comprehensive income (loss) in unrealized gain (loss) on derivatives.

#### (l) Multi-series funds:

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

# CHOU FUNDS

## Notes to Financial Statements (continued)

Years ended December 31, 2021 and 2020

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

#### (m) Valuation of Fund redeemable units:

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

#### (n) Securities lending income:

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

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

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

#### (p) Impairments:

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

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

# CHOU FUNDS

## Notes to Financial Statements (continued)

Years ended December 31, 2021 and 2020

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

#### (q) Adoption of New Accounting Standards

There were no new standards and amendments to standards and interpretations that are effective for the first time for annual periods beginning on or after January 1, 2021 that have been applied in preparing these financial statements.

#### Future accounting policy changes

##### *Classification of Liabilities as Current or Non-Current (Amendments to IAS 1)*

The IASB has published Classification of Liabilities as Current or Non-Current (Amendments to IAS 1) which clarifies the guidance on whether a liability should be classified as either current or non-current. The amendments:

- clarify that the classification of liabilities as current or non-current should only be based on rights that are in place "at the end of the reporting period"; and
- clarify that classification is unaffected by expectations about whether an entity will exercise its right to defer settlement of a liability and the settlement includes transfers to the counterparty of cash, equity instruments, other assets or services that result in extinguishment of the liability.

This amendment is effective for annual periods beginning on or after January 1, 2023. Earlier application is permitted. The extent of the impact of adoption of this amendment has not yet been determined. Management anticipates that all relevant pronouncements will be adopted for the first period beginning on or after the effective date of the pronouncement.

### 3. Financial risk management:

Investment activities of the Funds expose them to a variety of financial risks: credit risk, liquidity risk and market risk (including interest rate risk, other price risk and currency risk). The level of risk depends on each of the Funds' investment objectives and the type of securities each Fund invests in. Funds that invest in underlying funds are also exposed to indirect financial risks in the event that the underlying funds are exposed to these risks.

The Manager of the Funds seeks to minimize these risks by managing the security portfolios of the Funds on a daily basis according to market events and the investment objectives of the Funds. CPA Canada Handbook disclosures that are specific to each of the Funds are presented in the discussion of financial risk management under the schedule of investments. The sensitivity analysis shown in the discussion of financial risk management may differ from actual results and the difference could be significant.

On March 11, 2020, the World Health Organization declared the global outbreak of COVID-19 a pandemic. Market disruptions associated with the COVID-19 pandemic have had a global impact, and uncertainty exists as to the long-term implications. Such disruptions can adversely impact the financial instrument risks and the fair values of each of the Funds' portfolios.

The Manager maintains a risk management practice that includes monitoring compliance with investment restrictions to ensure that the Funds are being managed in accordance with the Funds' stated investment objectives, strategies and securities regulations. The risk positions noted below are monitored by the Manager on a regular basis.

# CHOU FUNDS

## Notes to Financial Statements (continued)

Years ended December 31, 2021 and 2020

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### 3. Financial risk management (continued):

#### (a) Credit risk:

Credit risk is the risk that a counterparty to a financial instrument will fail to discharge a commitment that it has entered into with the Funds. The fair value of a financial instrument takes into account the credit rating of its issuer, and accordingly, represents the maximum credit risk exposure of a Fund. The Funds' main credit risk concentration is in debt securities and trading derivative instruments which are disclosed in the respective Funds' schedule of investments. All transactions in securities are settled or paid for upon delivery through brokers. As such, credit risk is considered minimal in the Funds on investment transactions, as delivery of securities sold is made once the broker has received payment. Payment is made on a purchase once the securities have been received by the broker. The trade will fail if either party fails to meet its obligations.

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

#### (b) Liquidity risk:

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

#### (c) Market risk:

##### (i) Interest rate risk:

Interest rate risk is the risk that the fair value of the Funds' interest-bearing investments will fluctuate due to changes in the prevailing levels of market interest rates. The Funds' exposure to interest rate risk is concentrated in investments in debt securities (such as bonds and debentures or short-term instruments) and derivative instruments, if any. Other assets and liabilities are short-term in nature and are non-interest bearing. There is minimal sensitivity to interest rate fluctuations on cash and cash equivalents invested at short-term market interest rates.

##### (ii) Other price risk:

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

# CHOU FUNDS

## Notes to Financial Statements (continued)

Years ended December 31, 2021 and 2020

### 3. Financial risk management (continued):

#### (c) Market risk (continued):

##### (iii) Currency risk:

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

### 4. Holders of redeemable units:

The Manager considers the Funds' capital to consist of holders of redeemable units representing the net assets attributable to holders of redeemable units. The Funds' capital is managed in accordance with each of the Funds' investment objectives, policies, and restrictions, as outlined in the Funds' Prospectus. Changes in the Funds' capital during the year are reflected in the statements of changes in net assets attributable to unitholders of redeemable units. The Funds have no specific restrictions or specific capital requirements on the subscriptions and redemptions of redeemable units, other than minimum subscription requirements. The Funds endeavor to invest the subscriptions received in appropriate investments while maintaining sufficient liquidity to meet redemptions. Holders of redeemable units are entitled to distributions when declared. Distributions on redeemable units of a Fund are reinvested in additional redeemable units of the Fund or at the option of the holders of redeemable units, paid in cash. Redeemable units of the Funds are redeemable at the option of the holders of redeemable units in accordance with the Prospectus.

	Series A		Series F	
	2021	2020	2021	2020
<b>Chou Associates Fund</b>				
Redeemable units outstanding, beginning of year	1,473,749	1,747,907	165,723	277,980
Add redeemable units issued during the year	33,531	8,269	4,218	6,909
Deduct redeemable units redeemed during the year	(440,246)	(282,427)	(82,349)	(119,166)
Redeemable units outstanding before income distribution	1,067,034	1,473,749	87,592	165,723
Add redeemable units issued on reinvested income	2,281	-	301	-
Redeemable units outstanding, end of year	1,069,315	1,473,749	87,893	165,723
<b>Chou Asia Fund</b>				
Redeemable units outstanding, beginning of year	690,428	853,782	60,312	86,073
Add redeemable units issued during the year	58,304	31,594	2,212	5,161
Deduct redeemable units redeemed during the year	(131,723)	(194,948)	(17,486)	(30,922)
Redeemable units outstanding before income distribution	617,009	690,428	45,038	60,312
Add redeemable units issued on reinvested income	121,325	-	8,278	-
Redeemable units outstanding, end of year	738,334	690,428	53,316	60,312

# CHOU FUNDS

## Notes to Financial Statements (continued)

Years ended December 31, 2021 and 2020

### 4. Holders of redeemable units (continued):

	Series A		Series F	
	2021	2020	2021	2020
<b>Chou Europe Fund</b>				
Redeemable units outstanding, beginning of year	272,660	396,576	210,388	370,498
Add redeemable units issued during the year	75,351	7,888	1,805	13,496
Deduct redeemable units redeemed during the year	(91,861)	(131,804)	(143,911)	(173,607)
Redeemable units outstanding before income distribution	256,150	272,660	68,282	210,387
Add redeemable units issued on reinvested income	1,354	-	283	1
Redeemable units outstanding, end of year	257,504	272,660	68,565	210,388
<b>Chou Bond Fund</b>				
Redeemable units outstanding, beginning of year	1,105,932	1,305,522	209,838	345,626
Add redeemable units issued during the year	102,683	9,875	24,040	4,337
Deduct redeemable units redeemed during the year	(205,822)	(331,276)	(104,399)	(166,631)
Redeemable units outstanding before income distribution	1,002,793	984,121	129,479	183,332
Add redeemable units issued on reinvested income	47,322	121,811	6,197	26,506
Deduct redeemable units redeemed during the year	-	-	-	-
Redeemable units outstanding, end of year	1,050,115	1,105,932	135,676	209,838
<b>Chou RRSP Fund</b>				
Redeemable units outstanding, beginning of year	1,349,151	1,705,179	100,434	172,209
Add redeemable units issued during the year	31,285	7,882	22,591	12,317
Deduct redeemable units redeemed during the year	(323,399)	(363,910)	(59,824)	(84,092)
Redeemable units outstanding before income distribution	1,057,037	1,349,151	63,201	100,434
Add redeemable units issued on reinvested income	17,161	-	840	-
Deduct redeemable units redeemed during the year	-	-	-	-
Redeemable units outstanding, end of year	1,074,198	1,349,151	64,041	100,434

### 5. Related party transactions:

#### (a) Management fees:

The Manager manages the Funds under a management agreement dated August 10, 2005. The Manager is entitled to an annual investment management fee equal to 1.5% of the net asset value of Series A redeemable units and 1.0% of the net asset value of Series F redeemable 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 redeemable units and 1.0% of the net asset value of Series F redeemable units. All other expenses attributable to the Funds are also payable out of the assets of the Funds.

# CHOU FUNDS

## Notes to Financial Statements (continued)

Years ended December 31, 2021 and 2020

### 5. Related party transactions (continued):

#### (a) Management fees (continued):

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

	2021	2020
Chou Associates Fund	\$ 2,885,460	\$ 2,536,084
Chou Asia Fund	336,542	271,945
Chou Europe Fund	55,133	80,599
Chou Bond Fund	121,112	126,907
Chou RRSP Fund	674,149	535,818

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

	2021	2020
Chou Associates Fund	\$ 226,722	\$ 182,771
Chou Asia Fund	23,298	25,911
Chou Europe Fund	3,692	6,211
Chou Bond Fund	10,261	8,577
Chou RRSP Fund	54,294	45,527

#### (b) Investments by the Manager and related parties:

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

As at December 31, 2021, the following amounts of Series A redeemable units were held by the Manager, its officers, and directors. No amounts of Series F redeemable units were held by the Manager, its officers, and directors.

	2021	2020
Chou Associates Fund	73,988	73,669
Chou Asia Fund	-	-
Chou Europe Fund	58,411	4,924
Chou Bond Fund	-	-
Chou RRSP Fund	36,820	36,660

##### (i) Chou Associates Fund:

As at December 31, 2021, 6.9% of Series A redeemable units (2020 - 5.0%) were held by the Manager, its officers, and directors.

##### (ii) Chou Europe Fund:

As at December 31, 2021, 22.7% of Series A redeemable units (2020 - 1.8%) were held by the Manager, its officers, and directors.

##### (iii) Chou RRSP Fund:

As at December 31, 2021, 3.4% of Series A redeemable units (2020 - 2.7%) were held by the Manager, its officers, and directors.



# CHOU FUNDS

## Notes to Financial Statements (continued)

Years ended December 31, 2021 and 2020

### 6. Brokers' commissions:

Total commissions paid to brokers in connection with portfolio transactions for the years ended December 31, 2021 and 2020 are as follows:

	2021	2020
Chou Associates Fund	\$ 309,895	\$ 84,365
Chou Asia Fund	16,306	7,095
Chou Europe Fund	921	14,880
Chou Bond Fund	-	-
Chou RRSP Fund	141,808	33,823

### 7. Securities lending:

The Funds have entered into a securities lending program with CIBC Mellon. The Funds receive collateral of at least 102% of the value of the securities on loan. Collateral may be comprised of cash and obligations of or guaranteed by, the Government of Canada or a province thereof, or by the United States Government or its agencies, but may include 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, 2021 and 2020 are as follows:

	Market value of securities on loan	Market value of collateral received
<b>2021</b>		
Chou Associates Fund	\$ 4,537,547	\$ 4,846,155
Chou Asia Fund	1,232,106	1,303,289
Chou Europe Fund	657,879	695,849
Chou Bond Fund	-	-
Chou RRSP Fund	578	607
<b>2020</b>		
Chou Associates Fund	\$ -	\$ -
Chou Asia Fund	-	-
Chou Europe Fund	-	-
Chou Bond Fund	1,302	1,369
Chou RRSP Fund	206	216

# CHOU FUNDS

## Notes to Financial Statements (continued)

Years ended December 31, 2021 and 2020

### 7. Securities lending (continued):

The tables below present a reconciliation of the securities lending income as presented in the statements of comprehensive income (loss) for the years ended December 31, 2021 and 2020. It shows the gross amount of securities lending revenues generated from the securities lending transactions of the Fund, less any taxes withheld and amounts due to parties entitled to receive payments out of the gross amount as part of any securities lending agreements.

#### Chou Associates Fund:

	December 31, 2021	
Gross securities lending revenue	\$ 7,925	100 %
Withholding taxes	(200)	(3)%
Agent fees	(1,129)	(14)%
Securities lending revenue	\$ 6,596	83 %

	December 31, 2020	
Gross securities lending revenue	\$ 16,872	100 %
Withholding taxes	(2,214)	(13)%
Agent fees	(2,931)	(17)%
Securities lending revenue	\$ 11,727	70 %

#### Chou Asia Fund:

	December 31, 2021	
Gross securities lending revenue	\$ 28,876	100%
Withholding taxes	(90)	(0)%
Agent fees	(5,757)	(20)%
Securities lending revenue	\$ 23,029	80%

	December 31, 2020	
Gross securities lending revenue	\$ 107,040	100%
Withholding taxes	-	0%
Agent fees	(21,408)	(20)%
Securities lending revenue	\$ 85,632	80%

# CHOU FUNDS

## Notes to Financial Statements (continued)

Years ended December 31, 2021 and 2020

### 7. Securities lending (continued):

#### Chou Europe Fund:

December 31, 2021		
Gross securities lending revenue	\$	1,393
Withholding taxes		(218)
Agent fees		(235)
Securities lending revenue	\$	940

December 31, 2020		
Gross securities lending revenue	\$	2,354
Withholding taxes		(23)
Agent fees		(466)
Securities lending revenue	\$	1,865

#### Chou Bond Fund:

December 31, 2021		
Gross securities lending revenue	\$	306
Withholding taxes		(90)
Agent fees		(43)
Securities lending revenue	\$	173

December 31, 2020		
Gross securities lending revenue	\$	13,411
Withholding taxes		(3,990)
Agent fees		(1,884)
Securities lending revenue	\$	7,537

# CHOU FUNDS

## Notes to Financial Statements (continued)

Years ended December 31, 2021 and 2020

### 7. Securities lending (continued):

#### Chou RRSP Fund:

	December 31, 2021	
Gross securities lending revenue	\$ 1,058	100%
Withholding taxes	(21)	(2)%
Agent fees	(176)	(17)%
Securities lending revenue	\$ 861	81%

	December 31, 2020	
Gross securities lending revenue	\$ 7,641	100%
Withholding taxes	(166)	(2)%
Agent fees	(1,493)	(20)%
Securities lending revenue	\$ 5,982	78%

### 8. Fair value measurement:

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

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

# CHOU FUNDS

## Notes to Financial Statements (continued)

Years ended December 31, 2021 and 2020

### 8. Fair value measurement (continued):

#### (a) Chou Associates Fund:

2021	Level 1	Level 2	Level 3	Total
<b>Financial Assets</b>				
Equities	\$ 147,797,221	\$ 3,378,207	\$ 18,800,231	\$ 169,975,659
Bonds	-	-	-	-
Options	-	-	-	-
Total	\$ 147,797,221	\$ 3,378,207	\$ 18,800,231	\$ 169,975,659
<b>Financial Liabilities</b>				
Equities	\$ -	\$ -	\$ -	\$ -
Bonds	-	-	-	-
Options	-	5,350,739	-	5,350,739
Total	\$ -	\$ 5,350,739	\$ -	\$ 5,350,739
2020	Level 1	Level 2	Level 3	Total
<b>Financial Assets</b>				
Equities	\$ 139,194,012	\$ 2,106,292	\$ 13,414,115	\$ 154,714,419
Bonds	-	-	-	-
Options	-	-	-	-
Total	\$ 139,194,012	\$ 2,106,292	\$ 13,414,115	\$ 154,714,419
<b>Financial Liabilities</b>				
Equities	\$ -	\$ -	\$ -	\$ -
Bonds	-	-	-	-
Options	-	149,566	-	149,566
Total	\$ -	\$ 149,566	\$ -	\$ 149,566

The following table reconciles the Fund's Level 3 fair value measurement of financial instruments for as at December 31, 2021 and December 31, 2020.

	Equities	Bonds	Total
Balance, December 31, 2020	\$ 13,414,115	\$ -	\$ 13,414,115
Purchase of investments	-	-	-
Net transfers in (out) during the year	-	-	-
Proceeds from sales during the year	-	-	-
Net realized gain (loss) on sale of investments	-	-	-
Change in unrealized appreciation in value of investments	5,386,116	-	5,386,116
Balance, December 31, 2021	\$ 18,800,231	\$ -	\$ 18,800,231

# CHOU FUNDS

## Notes to Financial Statements (continued)

Years ended December 31, 2021 and 2020

### 8. Fair value measurement (continued):

#### (a) Chou Associates Fund (continued):

	Equities	Bonds	Total
Balance, December 31, 2019	\$ 15,829,672	\$ -	\$ 15,829,672
Purchase of investments	-	-	-
Net transfers in (out) during the year	-	-	-
Proceeds from sales during the year	-	-	-
Net realized gain (loss) on sale of investments	-	-	-
Change in unrealized depreciation in value of investments	(2,415,557)	-	(2,415,557)
Balance, December 31, 2020	\$ 13,414,115	\$ -	\$ 13,414,115

During 2021, there were no significant transfers between Level 1 and Level 2. During 2020, equities valued at \$2,106,292 were transferred from Level 1 to Level 2 due to a decrease in liquidity and trading values.

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

#### Level 3 additional disclosures:

The table below sets out information about significant unobservable inputs used at December 31, 2021 and 2020 in measuring financial instruments categorized as Level 3 in the fair value hierarchy.

#### December 31, 2021

Securities/Instruments	Line item on the hierarchy table	Fair value (\$)	Valuation technique	Unobservable input	Range of input value	Possible shift +/- (absolute value/%)	Change in valuation (\$ +/-)
Equity - Private Company	Equity Security	18,800,231	Market Approach & Income Approach	Third party	N/A	10%	1,880,023/ (1,880,023)

#### December 31, 2020

Securities/Instruments	Line item on the hierarchy table	Fair value (\$)	Valuation technique	Unobservable input	Range of input value	Possible shift +/- (absolute value/%)	Change in valuation (\$ +/-)
Equity - Private Company	Equity Security	13,414,115	Market Approach & Income Approach	Third party	N/A	10%	1,341,412/ (1,341,412)

#### Third party source

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

# CHOU FUNDS

## Notes to Financial Statements (continued)

Years ended December 31, 2021 and 2020

### 8. Fair value measurement (continued):

#### (b) Chou Asia Fund:

2021	Level 1	Level 2	Level 3	Total
<b>Financial Assets</b>				
Equities	\$ 14,738,868	\$ 1,049,506	\$ -	\$ 15,788,374
Bonds	-	-	-	-
Options	-	-	-	-
Total	\$ 14,738,868	\$ 1,049,506	\$ -	\$ 15,788,374
<b>2020</b>				
	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
<b>Financial Assets</b>				
Equities	\$ 17,672,170	\$ 2,656,748	\$ -	\$ 20,328,918
Bonds	-	-	-	-
Options	-	-	-	-
Total	\$ 17,672,170	\$ 2,656,748	\$ -	\$ 20,328,918

During 2021, equities valued at \$1,048,029 were transferred from Level 2 to Level 1 due to an increase in liquidity and trading volumes. During 2020, equities valued at \$1,281,690 were transferred from Level 1 to Level 2 due to a decrease in liquidity and trading volumes.

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

#### (c) Chou Europe Fund:

2021	Level 1	Level 2	Level 3	Total
<b>Financial Assets</b>				
Equities	\$ 3,065,822	\$ -	\$ -	\$ 3,065,822
Bonds	-	-	-	-
Options	-	-	-	-
Total	\$ 3,065,822	\$ -	\$ -	\$ 3,065,822
<b>2020</b>				
	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
<b>Financial Assets</b>				
Equities	\$ 2,432,198	\$ 1,325,993	\$ -	\$ 3,758,191
Bonds	-	-	-	-
Options	-	-	-	-
Total	\$ 2,432,198	\$ 1,325,993	\$ -	\$ 3,758,191

During 2021, equities valued at \$644,366 were transferred from Level 2 to Level 1 due to an increase in liquidity and trading volumes. During 2020, equities valued at \$714,746 were transferred from Level 1 to Level 2 due to a decrease in liquidity and trading volumes.

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

# CHOU FUNDS

## Notes to Financial Statements (continued)

Years ended December 31, 2021 and 2020

### 8. Fair value measurement (continued):

#### (d) Chou Bond Fund:

2021	Level 1	Level 2	Level 3	Total
<b>Financial Assets</b>				
Equities	\$ 1,678,669	\$ -	\$ 294,143	\$ 1,972,812
Bonds	-	4,454,755	366	4,455,121
Options	-	-	-	-
Total	\$ 1,678,669	\$ 4,454,755	\$ 294,509	\$ 6,427,933

2020	Level 1	Level 2	Level 3	Total
<b>Financial Assets</b>				
Equities	\$ 524,584	\$ -	\$ 209,874	\$ 734,458
Bonds	-	6,062,537	366	6,062,903
Options	-	-	-	-
Total	\$ 524,584	\$ 6,062,537	\$ 210,240	\$ 6,797,361

The following table reconciles the Fund's Level 3 fair value measurement of financial instruments as at December 31, 2021 and December 31, 2020.

	Equities	Bonds	Total
Balance, December 31, 2020	\$ 209,874	\$ 366	\$ 210,240
Net transfers in during the year	-	-	-
Proceeds from sales during the year	-	-	-
Net realized gain (loss) on sale of investments	-	-	-
Change in unrealized appreciation in value of investments	84,269	-	84,269
Balance, December 31, 2021	\$ 294,143	\$ 366	\$ 294,509

	Equities	Bonds	Total
Balance, December 31, 2019	\$ 990,642	\$ 366	\$ 991,008
Net transfers in during the year	-	-	-
Proceeds from sales during the year	(780,567)	-	(780,567)
Net realized loss on sale of investments	(1,301,330)	-	(1,301,330)
Change in unrealized appreciation in value of investments	1,301,129	-	1,301,129
Balance, December 31, 2020	\$ 209,874	\$ 366	\$ 210,240

During 2021, there were no significant transfers between Level 1 and Level 2. During 2020, there were no significant transfers between Level 1 and Level 2.

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



# CHOU FUNDS

## Notes to Financial Statements (continued)

Years ended December 31, 2021 and 2020

### 8. Fair value measurement (continued):

#### (d) Chou Bond Fund (continued):

##### Level 3 additional disclosures:

The table below sets out information about significant unobservable inputs used at December 31, 2021 and 2020 in measuring financial instruments categorized as Level 3 in the fair value hierarchy.

##### December 31, 2021

Securities/Instruments	Line item on the hierarchy table	Fair value (\$)	Valuation technique	Unobservable input	Range of input value	Possible shift +/- (absolute value/%)	Change in valuation (\$ +/-)
Equity - Private Company	Equity Security	294,143	Market Approach & Income Approach	Third party	N/A	10%	29,414/(29,414)
Convertible loan	Convertible Loan	366	Market Approach	Market value of company	N/A	10%	37/(37)

##### December 31, 2020

Securities/Instruments	Line item on the hierarchy table	Fair value (\$)	Valuation technique	Unobservable input	Range of input value	Possible shift +/- (absolute value/%)	Change in valuation (\$ +/-)
Equity - Private Company	Equity Security	209,874	Market Approach & Income Approach	Third party	N/A	10%	20,987/(20,987))
Convertible loan	Convertible Loan	366	Market Approach	Market value of company	N/A	10%	37/(37)

##### Third party source

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

#### (e) Chou RRSP Fund:

2021	Level 1	Level 2	Level 3	Total
<b>Financial Assets</b>				
Equities	\$ 38,111,294	\$ 4,087,934	\$ 1,678,213	\$ 43,877,441
Bonds	-	3,111,000	100	3,111,100
Options	-	-	-	-
Total	\$ 38,111,294	\$ 7,198,934	\$ 1,678,313	\$ 46,988,541
<b>Financial Liabilities</b>				
Equities	\$ -	\$ -	\$ -	\$ -
Bonds	-	-	-	-
Options	-	4,089,678	-	4,089,678
Total	\$ -	\$ 4,089,678	\$ -	\$ 4,089,678

# CHOU FUNDS

## Notes to Financial Statements (continued)

Years ended December 31, 2021 and 2020

### 8. Fair value measurement (continued):

#### (e) Chou RRSP Fund (continued):

2020	Level 1	Level 2	Level 3	Total
<b>Financial Assets</b>				
Equities	\$ 29,769,274	\$ 3,687,343	\$ 1,197,419	\$ 34,654,036
Bonds	-	3,144,070	100	3,144,170
Options	-	-	-	-
Total	\$ 29,769,274	\$ 6,831,413	\$ 1,197,519	\$ 37,798,206
<b>Financial Liabilities</b>				
Equities	\$ -	\$ -	\$ -	\$ -
Bonds	-	-	-	-
Options	-	524,753	-	524,753
Total	\$ -	\$ 524,753	\$ -	\$ 524,753

The following table reconciles the Fund's Level 3 fair value measurement of financial instruments as at December 31, 2021 and December 31, 2020.

	Equities	Bonds	Total
Balance, December 31, 2020	\$ 1,197,419	\$ 100	\$ 1,197,519
Net transfers in during the year	-	-	-
Proceeds from sales during the year	-	-	-
Net realized gain (loss) on sale of investments	-	-	-
Change in unrealized appreciation in value of investments	480,794	-	480,794
Balance, December 31, 2021	\$ 1,678,213	\$ 100	\$ 1,678,313

	Equities	Bonds	Total
Balance, December 31, 2019	\$ 4,414,229	\$ 100	\$ 4,414,329
Net transfers in during the year	-	-	-
Proceeds from sales during the year	(3,153,029)	-	(3,153,029)
Net realized loss on sale of investments	(1,887,185)	-	(1,887,185)
Change in unrealized appreciation in value of investments	1,823,404	-	1,823,404
Balance, December 31, 2020	\$ 1,197,419	\$ 100	\$ 1,197,519

During 2021, there were no significant transfer between Level 1 and Level 2. During 2020, equities valued at \$3,687,343 were transferred from Level 1 to Level 2 due to a decrease in liquidity and trading volumes.

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

# CHOU FUNDS

## Notes to Financial Statements (continued)

Years ended December 31, 2021 and 2020

### 8. Fair value measurement (continued):

#### (e) Chou RRSP Fund (continued):

##### Level 3 additional disclosures:

The table below sets out information about significant unobservable inputs used at December 31, 2021 and 2020 in measuring financial instruments categorized as Level 3 in the fair value hierarchy.

##### December 31, 2021

Securities/Instruments	Line item on the hierarchy table	Fair value (\$)	Valuation technique	Unobservable input	Range of input value	Possible shift +/- (absolute value/%)	Change in valuation (\$ +/-)
Equity - Private Company	Equity Security	1,678,213	Market Approach & Income Approach	Third party	N/A	10%	167,821/(167,821)
Convertible Loan	Convertible Loan	100	Market Approach	Market value of company	N/A	10%	10/(10)

##### December 31, 2020

Securities/Instruments	Line item on the hierarchy table	Fair value (\$)	Valuation technique	Unobservable input	Range of input value	Possible shift +/- (absolute value/%)	Change in valuation (\$ +/-)
Equity - Private Company	Equity Security	1,197,419	Market Approach & Income Approach	Third party	N/A	10%	119,742/(119,742)
Convertible Loan	Convertible Loan	100	Market Approach	Market value of company	N/A	10%	10/(10)

##### Third party source

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

# CHOU FUNDS

## Notes to Financial Statements (continued)

Years ended December 31, 2021 and 2020

### 9. Income taxes:

The Chou Funds qualify as mutual fund trusts under the provisions of the Income Tax Act (Canada). General income tax rules apply to the Chou Funds; however, no income tax is payable by the Chou Funds on investment income and/or net realized capital gains which are distributed to unitholders. In addition, income taxes payable on undistributed net realized capital gains are refundable on a formula basis when redeemable units of the Funds are redeemed. Sufficient net income and realized capital gains of the Chou Funds, have been, or will be distributed to the unitholders such that no tax is payable by the Chou Funds and, accordingly, no provision for taxes has been made in the financial statements.

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

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

	2021	2020
Chou Associates Fund:		
Capital loss carryforward	\$ 3,157,106	\$ 6,267,002
Chou Asia Fund:		
Capital loss carryforward	-	167,964
Chou Europe Fund:		
Capital loss carryforward	4,347,415	4,347,415
Non-capital loss carryforward	-	19,105
Chou Bond Fund:		
Capital loss carryforward	12,049,992	9,501,944
Chou RRSP Fund:		
Capital loss carryforward	15,671,493	15,671,493
Non-capital loss carryforward	-	216,570

### 10. Post-reporting date events

No adjusting events have occurred between the reporting date and date of authorization.

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

**CHOU ASIA FUND**

<b>Period ended</b>	<b>Total value of shares</b>
Dec.31, 2003	\$10,000
Dec.31, 2004	11,850
Dec.31, 2005	12,678
Dec.31, 2006	14,598
Dec.31, 2007	16,972
Dec.31, 2008	13,979
Dec.31, 2009	17,015
Dec.31, 2010	18,786
Dec.31, 2011	17,931
Dec.31, 2012	17,609
Dec.31, 2013	21,799
Dec.31, 2014	23,472
Dec.31, 2015	24,760
Dec.31, 2016	25,284
Dec.31, 2017	30,625
Dec.31, 2018	26,728
Dec.31, 2019	27,001
Dec.31, 2020	44,850
<b>December 31, 2021</b>	<b><u>\$44,087</u></b>

**CHOU EUROPE FUND**

<b>Period ended</b>	<b>Total value of shares</b>
Dec.31, 2003	\$10,000
Dec.31, 2004	11,361
Dec.31, 2005	12,650
Dec.31, 2006	14,002
Dec.31, 2007	11,881
Dec.31, 2008	6,655
Dec.31, 2009	8,962
Dec.31, 2010	8,885
Dec.31, 2011	8,451
Dec.31, 2012	10,753
Dec.31, 2013	15,199
Dec.31, 2014	15,342
Dec.31, 2015	15,629
Dec.31, 2016	12,705
Dec.31, 2017	13,161
Dec.31, 2018	11,856
Dec.31, 2019	11,495
Dec.31, 2020	14,626
<b>December 31, 2021</b>	<b><u>\$13,973</u></b>

**CHOU BOND FUND**

<b>Period ended</b>	<b>Total value of shares</b>
Dec.31, 2005	\$10,000
Dec.31, 2006	12,200
Dec.31, 2007	11,870
Dec.31, 2008	7,396
Dec.31, 2009	10,534
Dec.31, 2010	13,980
Dec.31, 2011	11,408
Dec.31, 2012	12,884
Dec.31, 2013	15,944
Dec.31, 2014	17,502
Dec.31, 2015	16,875
Dec.31, 2016	18,411
Dec.31, 2017	18,114
Dec.31, 2018	20,805
Dec.31, 2019	15,582
Dec.31, 2020	19,458
<b>December 31, 2021</b>	<b><u>\$27,484</u></b>

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

**CHOU RRSP FUND**

<b>Period ended</b>	<b>Total value of shares</b>
Dec.31, 1986	\$10,000
Dec.31, 1987	10,818
Dec.31, 1988	12,281
Dec.31, 1989	14,350
Dec.31, 1990	12,722
Dec.31, 1991	13,284
Dec.31, 1992	14,500
Dec.31, 1993	16,727
Dec.31, 1994	14,961
Dec.31, 1995	17,808
Dec.31, 1996	21,735
Dec.31, 1997	32,741
Dec.31, 1998	38,806
Dec.31, 1999	36,217
Dec.31, 2000	42,188
Dec.31, 2001	49,370
Dec.31, 2002	65,095
Dec.31, 2003	72,658
Dec.31, 2004	82,362
Dec.31, 2005	95,294
Dec.31, 2006	104,479
Dec.31, 2007	94,817
Dec.31, 2008	54,629
Dec.31, 2009	69,818
Dec.31, 2010	102,367
Dec.31, 2011	81,150
Dec.31, 2012	108,860
Dec.31, 2013	132,029
Dec.31, 2014	150,763
Dec.31, 2015	131,417
Dec.31, 2016	126,719
Dec.31, 2017	154,716
Dec.31, 2018	143,655
Dec.31, 2019	118,267
Dec.31, 2020	134,262
<b>Dec.31, 2021</b>	<b><u>\$209,422</u></b>

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

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

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