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

ANNUAL REPORT **2009**

CHOU ASSOCIATES FUND
(unaudited)

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

Period ended	Value of initial $10,000 investment	Value of cumulative reinvested capital distributions	Value of cumulative reinvested dividends	Total value of shares
Dec.31, 1986	$10,000	0	0	10,000
Dec.31, 1987	9,259	506	737	10,502
Dec.31, 1988	9,765	1,129	1,106	12,001
Dec.31, 1989	10,861	1,601	1,783	14,244
Dec.31, 1990	8,973	1,322	2,427	12,722
Dec.31, 1991	10,213	2,269	3,198	15,681
Dec.31, 1992	12,030	2,843	3,944	18,817
Dec.31, 1993	13,343	4,147	4,374	21,863
Dec.31, 1994	12,863	3,998	4,440	21,300
Dec.31, 1995	15,281	6,960	5,663	27,904
Dec.31, 1996	18,370	8,367	7,498	34,235
Dec.31, 1997	21,068	14,882	12,085	48,035
Dec.31, 1998	23,975	19,892	15,320	59,187
Dec.31, 1999	21,216	18,470	13,803	53,489
Dec.31, 2000	21,345	18,891	17,731	57,967
Dec.31, 2001	23,975	24,377	22,045	70,397
Dec.31, 2002	29,775	33,657	28,072	91,504
Dec.31, 2003	30,194	36,111	28,467	94,773
Dec.31, 2004	32,241	40,446	30,632	103,319
Dec.31, 2005	36,014	45,180	36,268	117,462
Dec.31, 2006	42,194	52,933	44,384	139,511
Dec.31, 2007	36,819	46,191	42,248	125,258
Dec.31, 2008	24,843	31,166	32,544	88,553
Dec.31, 2009	31,518	39,539	43,797	**$ 114,854**

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

The table is used only to illustrate the effects of the compound growth rate and is not intended to reflect future values of the mutual funds or returns on the mutual funds.

Commissions, trailing commissions, management fees and expenses all may be associated with mutual fund investments. Please read the prospectus before investing.

CHOU FUNDS

PERFORMANCE OF THE FUNDS

(Series A units)

December 31	**2009**	**2008**	**2007**	**2006**	**2005**	**2004**	**2003**
Chou Associates Fund							
Total Return	29.70%	-29.30%	-10.22%	18.77%	13.70%	9.02%	3.57%
Management Expense Ratio (MER)	1.76%	1.73%	1.70%	1.74%	1.75%	1.77%	1.86%
Portfolio turnover rate	13.73%	21.58%	16.61%	14.60%	10.00%	30.00%	33.40%
Net Assets, end of the year (in millions)	$ 497.5	$ 440.6	$ 697.1	$ 650.2	$ 345.8	$ 166.7	$ 122.7
Chou Asia Fund							
Total Return	21.71%	-17.60%	16.25%	15.15%	7.00%	18.50%	2.82%
Management Expense Ratio (MER)	1.76%	1.72%	1.72%	1.77%	1.76%	*0.77%	*0.49%
Portfolio turnover rate	12.84%	13.51%	47.68%	35.00%	44.00%	22.09%	-
Net Assets, end of the year (in millions)	$ 63.2	$ 57.8	$ 76.4	$ 43.8	$ 32.2	$ 16.3	$ 4.6
Chou Europe Fund							
Total Return	34.67%	-44.00%	-15.14%	10.70%	11.35%	13.61%	4.59%
Management Expense Ratio (MER)	1.80%	*-2.88%	*1.63%	1.78%	1.84%	*0.87%	*0.40%
Portfolio turnover rate	40.06%	29.71%	26.98%	36.80%	33.00%	9.55%	-
Net Assets, end of the year (in millions)	$ 8.8	$ 7.3	$ 14.3	$ 17.4	$ 12.8	$ 4.5	$ 1.7
Chou Bond Fund							
Total Return	42.45%	-37.70%	-2.65%	22.00%			
Management Expense Ratio (MER)	1.39%	*0.50%	1.34%	*0.40%			
Portfolio turnover rate	61.00%	46.02%	36.52%	5.30%			
Net Assets, end of the year (in millions)	$ 71.0	$ 52.7	$ 87.0	$ 36.4			
Chou RRSP Fund							
Total Return	27.80%	-42.40%	-9.25%	9.63%	15.70%	13.36%	11.62%
Management Expense Ratio (MER)	1.77%	1.73%	*1.62%	1.74%	1.75%	1.79%	1.79%
Portfolio turnover rate	27.54%	26.85%	12.01%	24.40%	22.70%	15.40%	15.40%
Net Assets, end of the year (in millions)	$ 119.0	$ 118.9	$ 282.6	$ 333.7	$ 298.8	$ 172.0	$ 86.0

*Management fee after waivers and absorption

Please note that ‘Net Assets’ includes both Series A and Series F of the Funds

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CHOU ASSOCIATES FUND

March 15, 2010

Dear Unitholders of Chou Associates Fund,

After the distribution of $1.53, the net asset value ("NAVPU" or "NAV") of a Series A unit of Chou Associates Fund at December 31, 2009 was $68.46 compared to $53.96 at December 31, 2008, an increase of 29.7%; during the same period, the S&P 500 Total Return Index increased 8.6% in Canadian dollars. In $US, a Series A unit of Chou Associates Fund increased 51.1% while the S&P 500 Total Return Index increased 26.4%.

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

December 31, 2009 (Series A)	**1 Year**	**3 Years**	**5 Years**	**10 Years**	**15 Years**
Chou Associates ($CAN)	29.7%	-6.3%	2.1%	7.9%	11.9%
S&P500 ($CAN)	8.6%	-9.0%	-2.3%	-4.1%	5.9%
Chou Associates ($US)[1]	51.1%	-2.9%	5.0%	11.5%	14.1%
S&P500 ($US)	26.4%	-5.6%	0.4%	-1.0%	8.0%

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

Factors Influencing the 2009 Results

THE CANADIAN DOLLAR AGAINST THE U.S. DOLLAR: The gains on forward currency contracts helped minimize the negative impact the stronger Canadian dollar had on the results of the Fund. On December 31, 2008, one U.S. dollar was worth approximately $1.22 Canadian, whereas one year later, on December 31, 2009, one U.S. dollar was worth approximately $1.05 Canadian.

RECOVERY OF THE STOCK MARKET: After unprecedented interventions by governments around the world, the Fund benefited from the recovery of the global equity and fixed income markets that began in early March. Capital markets also opened up to give companies access to much needed capital.

Some of the major positive contributors to the Fund's performance were Media General, Watson Pharmaceutical, RCN, Sears Holdings and Royal Boskalis Westminster.

Securities in the portfolio that declined the most in 2009 were Berkshire Hathaway, K-Swiss and Abitibi-Consolidated debts.

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

Perspective on the 2009 Results

The Fund had one of the best years in its history both in absolute terms and when compared with the S&P 500 index. The Fund was up 29.7% and was able to recover most of the losses suffered in 2008. However, gloating about the 2009 result without taking the 2008 result into account does not provide the whole picture. Historically, our results have been excellent in bad markets. But the 2008 result was average at best, and while our result for 2009 was excellent, the 2008 result pulled down our 2-year average of 2008 and 2009 to above average. This shows that a negative result has a bigger impact than a positive result and being able to minimize losses in a bad year goes a long way toward achieving decent results on a long-term basis. We feel confident that the 'Margin of Safety' concept we follow will continue to give us satisfactory results in the future. My confidence is based on having achieved solid results over the long term.

On February 18, 2010, Chou Associates Fund won the Lipper Fund award for the best 5-year fund for the Global Small/ Midcap category. (*Please stop laughing ..... I am not making this* up).

General Comments on the Market

SOVEREIGN GOVERNMENTS DO NOT DEFAULT ON THEIR DEBT?: It is hard to believe that governments can and do default on their debts and, as the following table shows, even with their power of taxation and the ability to print money, governments have to obey the laws of economics. Just like an individual or a corporation, if governments cannot service their debt, they either default or have their debt rescheduled. As the table also shows, it is not only poor emerging third world or African countries run by dictators that default, but also long established democracies with duly elected governments that are governed by a rule of law and that are considered modern economies. It is an eye opener to see that since the year 1800, Greece has spent roughly 50% of its time either in default or debt rescheduling; Spain has spent approximately 23% of its time in default; and Mexico and Russia around 40%.

Country	Share (%) of years in default or rescheduling since independence or year 1800	Total number of defaults and/or reschedulings
Greece	50.6	5
Mexico	44.6	8
Russia	39.1	5
Hungary	37.1	7
Brazil	25.4	9
Spain	23.7	13
Austria	17.4	7
Germany	13.0	8
China	13.0	2
India	11.7	3
France	0	8
United Kingdom	0	0
United States	0	0
Canada	0	0

Source: This time is different *Eight centuries of financial folly* by Reinhart & Rogoff

The table is important because it demonstrates that it is not too farfetched to think that well-known democratic countries can and do default on their sovereign debt.

WAS THE GREAT STIMULUS A SILVER BULLET? - THINK AGAIN: It now appears that the great stimulus provided by almost all governments has averted the second Great Depression and the North American economy may well be on its way to recovery. However, looking forward, unless we find a credible way to repay or at least comfortably service the enormous and growing burden of government debt, we are going to face immense challenges. By overloading governments with too much debt, the stimulus may have pushed the problem from the private sector to the government sector and may have made it worse. If we take a snapshot of the growing gross debt as a percentage of GDP before and after the meltdown, we get a pretty good picture of the potential trouble some countries may face in the future.

Country	Debt as a percentage of GDP 2007	Debt as a percentage of GDP 2009	Debt as a percentage of GDP 2010 (projected)
Japan	167.1	189.3	197.2
Iceland	53.6	117.6	142.5
Italy	112.5	123.6	127.0
Greece	103.9	114.9	123.3
Belgium	88.1	101.2	105.2
France	69.9	84.5	92.5
USA	61.8	83.9	92.4
Portugal	71.1	83.8	90.9
Hungary	72.2	85.2	89.9
UK	46.9	71.0	83.1
Germany	65.3	77.4	82.0
Canada	64.2	77.7	82.0
Ireland	28.3	65.8	81.3
Brazil	57.4	66.9	69.6
Spain	42.1	59.3	67.5
India	42.3	45.0	45.7
S Korea	25.7	33.2	36.8
Australia	15.3	15.9	20.3
China	21.9	20.0	20.0
Russia	6.8	7.2	7.4

Source: JP Morgan provided data on Brazil, China, India and Russia. All other data obtained from the OECD.

At some level, debt becomes an intolerable burden and increases the chance of a default. Historically, when gross debt exceeds 70% of a country's GDP, the warning signs start flashing.

While we all wished the great stimulus would prove to be a silver bullet that would resolve all the problems stemming from the world financial crisis, that has hardly been the case. If history is any guide, it takes a long time for countries to successfully emerge from a financial crisis. They must deal with a huge increase in unemployment along with a profound increase in government debt. The problem is exacerbated by lower tax revenues in the future caused by lower output and unemployment. We think the next few years will be rocky, with economies lurching from one crisis to another.

As an investor, we believe there will be enormous opportunities but the key to investment success will depend on how we avoid some of the inevitable potholes we will find in our path.

We would also like to add a caveat to those who are investing in the Chou Funds: markets are inherently volatile in the short term and can adversely affect the Chou Funds. Therefore, investors should be comfortable that their financial position can withstand a significant decline - say, 50% - in the value of their investment.

TOO BIG OR TOO WELL CONNECTED TO FAIL: One would imagine that the great financial crisis would precipitate meaningful banking and financial reform but I doubt that will be the case. As long as the financial institutions are too big or so well inter-connected to the financial system that their failure may precipitate a chain reaction that threatens the world financial system, the government will protect them from failure. The rescue of AIG turned out to be essentially a bailout of the investment banks. When executives, especially CEOs, suffer no serious financial consequences when their actions bankrupt or put their companies in deep financial distress, it encourages risky and unethical behaviour. Such perverse incentives need to be discouraged. The Board of Directors is supposed to protect shareholders but more often than not, directors are just patsies for the CEOs. In a damning 2,200 page report, written by bankruptcy examiner Anton Valukas on Lehman Brothers, he wrote of one episode on March 20, 2007, where the chief administrative officer, Lana Franks Harber of Lehman's Mortgage Capital division, e-mailed a colleague to summarize her discussion with Lehman President Joseph Gregory with regard to her presentation to the Board of Directors: "Board is not sophisticated around subprime market -- Joe doesn't want too much detail. He wants to candidly talk about the risks to Lehman but be *optimistic and constructive - talk about the opportunities that this market creates and how we are uniquely positioned to take advantage of them.*" (italics emphasis added). The report then states, "Consistent with this direction, the Board presentation emphasized that Lehman's management considered the crisis an opportunity to pursue a countercyclical strategy.... Management informed the Board that the down cycle in subprime presented substantial opportunities for Lehman."

More than once, under a bankruptcy restructuring, I have seen the very CEOs who ran the company into the ground getting 5% of the recapitalized company without putting up any of their own money. In most occupations, there are penalties for egregious failure but the CEOs of public financial companies are in a league of their own. Many get paid obscene amounts of money for risky and reckless behaviour. There is a joke on Wall Street: "Today, President Obama announced a salary cap of $500,000 for executives at banks and companies that have received taxpayer bailout money. And the CEOs asked: 'Well, that's $500,000 a week, right?'".

DEBASEMENT OF CURRENCY: Almost all governments whose economies have been adversely affected by the financial crisis have been providing all kinds of stimulus funds to minimize the impact of the liquidity and credit crisis on their economies. They are all falling over (competing with) one another to see who can debase their currencies further.

INFLATION OR DEFLATION: The huge surplus of excess capacity in almost every sector in the world presents a strong case for deflation down the road. But with the explosion of government debt in most of the world, it is hard to believe that governments will let future generations deal with the enormous debt with currencies that will have a higher purchasing power than they have now. Historically, the easy way out for governments has been to inflate their way out of their debt problem.

NON-INVESTMENT AND INVESTMENT GRADE BONDS ARE FULLY PRICED NOW: The historically high spread between U.S. corporate debt and U.S. treasuries narrowed in 2009. Three years ago, the spread between U.S. corporate high-yield debt and U.S. treasuries was 311 basis points; at December 31, 2009 it was 657 basis points, down from its December 2008 peak of 1,900 basis points. Three years ago, the spread between U.S. investment grade bonds and U.S.

treasuries was about 85 basis points; at December 31, 2009 it was 162 basis points, down from its December 2008 peak of 592 basis points. (Source: JP Morgan)

Given the above, we believe that investment and non-investment grade corporate bonds are now fully priced.

It is similar with equities. Most stocks are now close to being fairly priced and it is harder to find bargains. Although we won't likely see the lows that we saw in February/March of 2009, the risks of investing in equities are greater now.

Other Matters

FOREIGN CURRENCY CONTRACTS: None existed at December 31, 2009.

CREDIT DEFAULT SWAPS: None were purchased in 2009.

CONSTANT MATURITY SWAPS: None were purchased in 2009.

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

CHANGE IN MINIMUM INVESTMENT: The minimum amount to invest in the Fund is now $5,000 and subsequent investment is $500.

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

INDEPENDENT REVIEW COMMITTEE: The Manager has established an IRC as required by NI 81-107. The members of the IRC are Sandford Borins, Bruce Kerr and Joe Tortolano. The 2009 IRC Annual Report is available on our website www.choufunds.com.

As of March 12, 2010, the NAV of a Series A unit of the Fund was $73.50 and the cash position was 0.3% of net assets. The Fund is up 7.4% from the beginning of the year. In $US, it is up 10.3%.

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

Yours truly,

Francis Chou

Francis Chou
Fund Manager

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AUDITORS' REPORT

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

We have audited the statements of net assets of the Chou Funds as at December 31, 2009 and 2008, the statements of operations and changes in net assets for the years then ended and the statements of investments at December 31, 2009. These financial statements are the responsibility of the Chou Funds' management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Chou Funds as at December 31, 2009 and 2008, their results of operations and changes in net assets for the years then ended and their statements of investments as at December 31, 2009, in accordance with Canadian generally accepted accounting principles.

BurnsHubley LLP

Markham, Ontario
February 12, 2010

Chartered Accountants
Licensed Public Accountants

CHOU ASSOCIATES FUND
STATEMENT OF NET ASSETS
AS AT DECEMBER 31, 2009

	2009	2008
ASSETS		
Cash	$ 9,916,039	$ 21,698,897
Accrued interest and dividend income	3,587,058	6,627,094
Receivable for units subscribed	91,590	187,629
Unrealized gain on foreign currency forward contracts	-	4,991,119
Due from broker	261,605	15,377,575
Investments, at fair value	485,596,538	403,954,129
	499,452,830	452,836,443
LIABILITIES		
Accrued expenses	794,856	729,203
Payable for units redeemed	804,629	1,045,260
Distributions payable	317,796	546,219
Liability for investment purchased	-	9,902,498
	1,917,281	12,223,180
NET ASSETS	$ 497,535,549	$ 440,613,263
NET ASSETS, BY SERIES		
Series A	$ 468,946,411	$ 409,872,495
Series F	28,589,138	30,740,768
	$ 497,535,549	$ 440,613,263
NUMBER OF UNITS OUTSTANDING (Note 4)		
Series A	6,861,528	7,620,577
Series F	419,050	573,132
NET ASSET VALUE PER UNIT		
Canadian dollars		
Series A	$ 68.34	$ 53.78
Series F	$ 68.22	$ 53.64
U.S. dollars		
Series A	$ 65.31	$ 44.13
Series F	$ 65.20	$ 44.01

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

Francis Chou

Tracy Chou

CHOU ASSOCIATES FUND

STATEMENT OF OPERATIONS

FOR THE YEAR ENDED DECEMBER 31, 2009

	2009	2008
INVESTMENT INCOME		
Interest	$ 10,960,719	$ 19,982,520
Dividends	5,574,095	11,117,177
Income from derivatives	1,907,625	245,362
Interest from securities lending	249,643	2,907,223
	18,692,082	34,252,282
EXPENSES		
Management fees (Note 6)	6,968,498	9,439,703
Custodian fees	721,529	676,880
Foreign withholding taxes	476,905	1,190,545
Filing fees	46,224	58,924
Audit	38,825	58,304
Legal	24,703	27,971
Independent Review Committee fees	17,102	34,970
FundSERV fees	7,619	29,869
	8,301,405	11,517,166
NET INVESTMENT INCOME FOR THE YEAR	10,390,677	22,735,116
NET REALIZED AND UNREALIZED GAIN (LOSS) AND TRANSACTION COSTS		
Transaction costs	(233,398)	(273,517)
Net realized loss on sale of investments	(62,583,881)	(32,162,696)
Unrealized gain (loss)	172,330,328	(182,621,965)
	109,513,049	(215,058,178)
INCREASE (DECREASE) IN NET ASSETS FROM OPERATIONS	$ 119,903,726	$(192,323,062)
INCREASE (DECREASE) IN NET ASSETS FROM OPERATIONS		
Series A	$ 112,683,590	$(178,180,686)
Series F	7,220,136	(14,142,376)
	$ 119,903,726	$(192,323,062)
INCREASE (DECREASE) IN NET ASSETS FROM OPERATIONS, PER UNIT		
Series A	$ 15.71	$ (23.19)
Series F	$ 14.83	$ (22.70)

CHOU ASSOCIATES FUND
STATEMENT OF CHANGES IN NET ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2009

	2009	2008
SERIES A		
NET ASSETS, beginning of the year	$ 409,872,495	$ 643,067,453
Increase (decrease) in net assets from operations	112,683,590	(178,180,686)
Proceeds from issue of units	11,701,426	35,764,628
Payments on redemption of units	(65,080,957)	(90,347,775)
Distribution of income to unitholders		
Investment income	(10,268,308)	(18,788,828)
Reinvested distributions	10,038,165	18,357,703
NET ASSETS, end of the year	468,946,411	409,872,495
SERIES F		
NET ASSETS, beginning of the year	30,740,768	53,127,723
Increase (decrease) in net assets from operations	7,220,136	(14,142,376)
Proceeds from issue of units	4,116,672	8,483,842
Payments on redemption of units	(13,401,680)	(16,607,139)
Distribution of income to unitholders		
Investment income	(725,994)	(1,581,741)
Reinvested distributions	639,236	1,460,459
NET ASSETS, end of the year	28,589,138	30,740,768
TOTAL NET ASSETS, end of the year	$ 497,535,549	$ 440,613,263

CHOU ASSOCIATES FUND
STATEMENT OF INVESTMENTS
AS AT DECEMBER 31, 2009

	No. of Shares or Par Value	Cost	Market Value
SHARES*			
Berkshire Hathaway Inc., Class A	190	$ 19,658,153	$ 19,707,997
Biovail Corporation	1,576,377	23,864,372	22,978,247
Flagstone Reinsurance Holdings Ltd.	1,500,000	17,582,635	17,171,738
Gannett Company Inc.	323,035	8,570,123	5,019,746
Int'l Automotive Components Group North America	1,094,922	120,506	114,575
International Coal Group Inc.	3,000,000	5,693,040	12,086,141
King Pharmaceuticals Inc.	5,611,961	63,031,859	71,996,402
K-Swiss Inc., Class A	472,720	7,015,236	4,907,060
Mannkind Corporation	438,989	3,734,116	4,014,863
Media General Inc., Class A	949,082	21,455,211	7,786,199
Office Depot Inc.	1,472,053	14,339,527	9,920,076
Olympus Re Holdings Ltd.	1,652,836	4,282,431	6,468,552
Overstock.com Inc.	1,504,209	31,016,174	21,296,668
Primus Telecommunications Group Inc.	651,432	3,284,684	3,851,441
Qwest Communications International Inc.	2,000,000	9,125,034	8,789,921
RCN Corporation	1,700,884	21,071,744	19,311,238
Royal Boskalis Westminster nv	661,100	7,087,444	26,593,128
Sanofi-Aventis ADR	490,000	17,317,761	20,135,511
Sears Holdings Corporation	333,700	17,250,089	29,139,911
Sprint Nextel Corporation	4,000,000	13,607,647	15,319,576
USG Corporation	400,000	2,784,260	5,872,504
Utah Medical Products Inc.	6,535	151,032	200,295
UTStarcom Inc.	3,350,000	14,428,860	7,641,999
Watson Pharmaceuticals Inc.	705,400	20,479,572	29,208,361
XO Holdings Inc.	2,746,729	12,090,601	1,609,569
		359,042,111	371,141,718
BONDS			
Abitibi-Consolidated Inc., Floating, Jun 15, 2011	9,356,000	4,886,687	1,505,258
Abitibi-Consolidated Inc., 7.75%, Jun 15, 2011	10,000,000	1,902,658	1,608,869
Abitibi-Consolidated Inc., 8.375%, Apr 1, 2015	9,805,000	1,865,402	1,577,496
Abitibi-Consolidated Inc., 8.55%, Aug 1, 2010	12,391,000	2,471,447	1,993,550
Abitibi-Consolidated Inc., 15.5%, Jul 15, 2010	40,035,000	29,427,423	8,116,844
Global Crossing (UK) Ltd., 10.75%, Dec 15, 2014	16,200,000	18,452,711	17,066,925
International Coal Group, 10.25%, Jul 15, 2014	1,500,000	1,157,943	1,522,540
Interpublic Group Companies, 6.25%, Nov 15, 2014	7,400,000	4,859,956	7,395,044
Level 3 Comm. Inc., 15.0%, conv., Jan 15, 2013	37,000,000	44,900,188	47,468,054

(continued)

CHOU ASSOCIATES FUND
STATEMENT OF INVESTMENTS
AS AT DECEMBER 31, 2009

	No. of Shares or Par Value	Cost	Market Value
BONDS (continued)			
Overstock.com Inc., 3.75%, Dec 1, 2011	6,825,000	5,483,607	6,387,707
Primus Telecomm., 14.25%, May 20, 2013	16,757,000	13,823,046	16,561,663
The McClatchy Company, 15.75%, Jul 15, 2014	3,780,000	4,393,305	3,955,464
		133,624,373	115,159,414
TOTAL EQUITIES AND BONDS		492,666,484	486,301,132
DERIVATIVES (Schedule 1)		(1,326,079)	(704,594)
TRANSACTION COSTS		(902,333)	-
PORTFOLIO TOTAL		$ 490,438,072	$ 485,596,538

*Common shares unless indicated otherwise

CHOU ASSOCIATES FUND
SCHEDULE OF DERIVATIVES
AS AT DECEMBER 31, 2009

Schedule 1

Written Call Options	Expiry Date	Strike Price	Number	Cost	Market Value
Mannkind Corporation	Feb 2010	$ 20.00	2,101	$ (277,188)	$ (65,956)
Mannkind Corporation	May 2010	$ 12.50	1,200	(113,894)	(194,634)
Office Depot Inc.	Apr 2010	$ 7.50	8,000	(908,628)	(418,568)
Sprint Nextel Corporation	Jan 2011	$ 5.00	412	(26,369)	(25,436)
				$ (1,326,079)	$ (704,594)

Risk Management

The Fund's objective is to provide long-term growth of capital by investing primarily in equity securities of U.S. and foreign businesses considered by the Manager to be undervalued. The Fund may also invest in the equity securities of Canadian businesses. Investments may include common and preferred shares, convertible debentures, government and corporate bonds and short-term debt.

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

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

Credit Risk

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. As of December 31, 2009, the Fund invested approximately 23% of its net assets in non-investment grade debt instruments. Non-investment grade is the term applied to bonds rated below Baa3 on the Moody’s credit rating scale and below BBB- on the equivalent ratings systems from S&P and Fitch. These credit ratings denote that the company’s financial position is weak and its bonds should be considered a speculative investment.

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 risks by remaining term to maturity.

Debt Instruments by Maturity Date:

Less than 1 year	$ 10,110,395
1-3 years	$ 9,501,835
3-5 years	$ 93,969,688
Greater than 5 years	$ 1,577,496

As at December 31, 2009, should interest rates have decreased or increased by 0.25%, with all other variables remaining constant, the increase or decrease in Net Assets for the year would have amounted to approximately $3,202,000.

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

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 75% of the Fund's Net Assets held at December 31, 2009 were publicly traded equities. If equity prices on the exchange had increased or decreased by 5% as at December 31, 2009, the Net Assets of the Fund would have increased or decreased by approximately $18,557,000, or 3.7% of the Net Assets, all other factors remaining constant.

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

Foreign Currency Risk

Currencies to which the Fund had exposure as at December 31, 2009 are as follows:

	Financial Instruments ($)	Percentage of NAV (%)
United States Dollar	467,945,456	94.1%
Euro Currency	26,674,906	5.4%

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

If the Canadian dollar had strengthened or weakened by 1% in relation to all currencies, with all other variables held constant, net assets would have decreased or increased by approximately $4,921,000.

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

Fair Value Hierarchy

The following is a summary of the inputs used as at December 31, 2009 in valuing the Funds' investments carried at fair value, as described in Note 2.

	Quoted prices in active markets for identical assets **Level 1**	Significant observable inputs **Level 2**	Significant unobservable inputs **Level 3**	**Total**
Equities- long	$ 364,558,591	$ -	$ 6,583,127	$ 371,141,718
Bonds	-	111,203,950	3,955,464	115,159,414
	364,558,591	111,203,950	10,538,591	486,301,132
Options- short	(704,594)	-	-	(704,594)
Total	**$ 363,853,997**	**$ 111,203,950**	**$ 10,538,591**	**$ 485,596,538**

Fair value measurements using level 3 inputs:

	Equities – long	**Bonds**	**Total**
Balance at December 31, 2008	$ 8,319,577	$ 4,424,132	$ 12,743,709
Net purchases and sales	120,506	(520,402)	(399,896)
Net transfer in (out)	-	-	-
Gains (losses)			
Realized	-	(4,226,083)	(4,226,083)
Unrealized	(1,856,957)	4,277,818	2,420,861
Balance at December 31, 2009	**$ 6,583,126**	**$ 3,955,465**	**$ 10,538,591**

CHOU ASIA FUND

March 15, 2010

Dear Unitholders of Chou Asia Fund,

After the distribution of $0.28, the net asset value ("NAVPU" or "NAV") of a Series A unit of Chou Asia Fund at December 31, 2009 was $14.64 compared to $12.25 at December 31, 2008, an increase of 21.7%; during the same period, the MSCI AC (Morgan Stanley Capital International All Country) Asia Pacific Total Return Index in Canadian dollars returned 18.4%. In $US, a Series A unit of Chou Asia Fund returned 41.8% while the MSCI AC Asia Pacific Total Return Index returned 37.8%.

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

December 31, 2009 (Series A)	1 Year	3 Years	5 Years	Since Inception
Chou Asia ($CAN)	21.7%	5.2%	7.5%	9.3%
MSCI AC Asia Pacific TR ($CAN)	18.4%	-6.2%	2.9%	4.6%
Chou Asia ($US)[1]	41.8%	9.1%	10.5%	13.8%
MSCI AC Asia Pacific TR ($US)	37.8%	-2.6%	5.9%	8.9%

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

Factors Influencing the 2009 Results

After unprecedented interventions by governments around the world, the Fund benefited from the recovery of the global equity and fixed income markets that began in early March. Capital markets also opened up to give companies access to much needed capital.

Positive contributors to the Fund's performance were Chintai Corporation, N.E. Chemcat Corporation, Hanfeng Evergreen and debt securities of Level 3 Communications.

We suffered declines in Sankyo, Chunghwa Telecom and SK Telecom.

Concerns about Japan and China

It now appears that the great stimulus provided by almost all governments has averted the second Great Depression and the world economy may well be on its way to recovery. However, looking forward, unless the Japanese government finds a credible way to repay or at least comfortably service the enormous and growing burden of its government debt, it is going to face immense challenges. Its gross debt to GDP is projected to be 197% by 2010 (source: OECD) but net of foreign currency reserves it is projected to be about 100% - far less onerous than 197%.

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

The other country we have concerns about is China. Its stimulus measures were three times that of the U.S.A and most of the stimulus funds went into infrastructure. From whatever reports we can gather, we hear that there is massive overproduction in almost all sectors, rampant speculation in real estate and that we should take with a grain of salt all government supplied economic numbers.

As such, we will be investing very cautiously in Asia.

Other Matters

FOREIGN CURRENCY CONTRACTS: None existed at December 31, 2009.

CREDIT DEFAULT SWAPS: None were purchased in 2009.

CONSTANT MATURITY SWAPS: None were purchased in 2009.

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

CHANGE IN MINIMUM INVESTMENT: The minimum amount to invest in the Fund is now $5,000 and subsequent investment is $500.

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

INDEPENDENT REVIEW COMMITTEE: The Manager has established an IRC as required by NI 81-107. The members of the IRC are Sandford Borins, Bruce Kerr and Joe Tortolano. The 2009 IRC Annual Report is available on our website www.choufunds.com.

As of March 12, 2010, the NAV of a Series A unit of the Fund was $15.50 and the cash position was 38% of net assets. The Fund is up 5.9% from the beginning of the year. In $US, it is up 8.8%.

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

Yours truly,

Francis Chou

Francis Chou
Fund Manager

CHOU ASIA FUND

STATEMENT OF NET ASSETS

AS AT DECEMBER 31, 2009

	2009	2008
ASSETS		
Cash	$ 24,928,445	$ 24,057,080
Accrued interest and dividend income	389,497	575,246
Receivable for units subscribed	36,893	1,026
Investments, at fair value	38,139,997	33,459,500
	63,494,832	58,092,852
LIABILITIES		
Accrued expenses	94,877	102,174
Payable for units redeemed	117,280	201,766
Distributions payable	19,129	39,359
	231,286	343,299
NET ASSETS	$ 63,263,546	$ 57,749,553
NET ASSETS, BY SERIES		
Series A	$ 60,788,240	$ 56,589,172
Series F	2,475,306	1,160,381
	$ 63,263,546	$ 57,749,553
NUMBER OF UNITS OUTSTANDING (Note 4)		
Series A	4,183,867	4,626,077
Series F	169,765	94,206
NET ASSET VALUE PER UNIT		
Canadian dollars		
Series A	$ 14.53	$ 12.23
Series F	$ 14.58	$ 12.32
U.S. dollars		
Series A	$ 13.88	$ 10.04
Series F	$ 13.93	$ 10.11

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

Francis Chou

Tracy Chou

CHOU ASIA FUND

STATEMENT OF OPERATIONS

FOR THE YEAR ENDED DECEMBER 31, 2009

	2009	2008
INVESTMENT INCOME		
Dividends	$ 1,240,744	$ 1,106,726
Interest	1,080,021	1,681,089
Interest from securities lending	-	103,440
Income from derivatives	-	62,764
	2,320,765	2,954,019
EXPENSES		
Management fees (Note 6)	916,584	1,155,690
Foreign withholding taxes	165,518	104,214
Custodian fees	91,563	82,194
Filing fees	4,535	7,013
Legal	4,003	2,055
Audit	3,854	11,202
FundSERV fees	2,623	1,251
Independent Review Committee fees	2,377	3,987
	1,191,057	1,367,606
NET INVESTMENT INCOME FOR THE YEAR	1,129,708	1,586,413
NET REALIZED AND UNREALIZED GAIN (LOSS) AND TRANSACTION COSTS		
Transaction costs	(51,537)	(27,098)
Net realized gain (loss) on sale of investments	(3,082,365)	89,266
Unrealized gain (loss)	13,163,595	(14,722,940)
	10,029,693	(14,660,772)
INCREASE (DECREASE) IN NET ASSETS FROM OPERATIONS	$ 11,159,401	$ (13,074,359)
INCREASE (DECREASE) IN NET ASSETS FROM OPERATIONS		
Series A	$ 10,872,236	$ (12,652,262)
Series F	287,165	(422,097)
	$ 11,159,401	$ (13,074,359)
INCREASE (DECREASE) IN NET ASSETS FROM OPERATIONS, PER UNIT		
Series A	$ 2.51	$ (2.68)
Series F	$ 2.37	$ (3.32)

CHOU ASIA FUND
STATEMENT OF CHANGES IN NET ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2009

	2009	2008
SERIES A		
NET ASSETS, beginning of the year	$ 56,589,172	$ 74,106,334
Increase (decrease) in net assets from operations	10,872,236	(12,652,262)
Proceeds from issue of units	4,940,015	9,494,403
Payments on redemption of units	(11,594,095)	(14,323,680)
Distribution of income to unitholders		
Investment income	(1,139,156)	(1,362,545)
Capital gains	-	(1,092,393)
Reinvested distributions	1,120,068	2,419,315
NET ASSETS, end of the year	60,788,240	56,589,172
SERIES F		
NET ASSETS, beginning of the year	1,160,381	1,950,653
Increase (decrease) in net assets from operations	287,165	(422,097)
Proceeds from issue of units	1,447,711	1,411,061
Payments on redemption of units	(419,911)	(1,773,193)
Distribution of income to unitholders		
Investment income	(65,890)	(29,849)
Capital gains	-	(22,370)
Reinvested distributions	65,850	46,176
NET ASSETS, end of the year	2,475,306	1,160,381
TOTAL NET ASSETS, end of the year	$ 63,263,546	$ 57,749,553

CHOU ASIA FUND
STATEMENT OF INVESTMENTS
AS AT DECEMBER 31, 2009

	No. of Shares or Par Value	Cost	Market Value
SHARES*			
Chintai Corporation	8,117	$ 2,026,824	$ 2,692,484
Chunghwa Telecom Company Ltd. ADR	181,623	3,100,462	3,523,597
Delta Electronics Public Company Ltd.	1,763,300	897,401	1,028,930
Glacier Media Inc.	946,579	2,556,000	1,893,158
Hanfeng Evergreen Inc.	495,750	1,182,082	3,643,763
N.E. Chemcat Corporation	115,000	2,084,477	2,326,798
Sankyo Company Ltd.	60,000	2,684,475	3,122,630
SK Telecom Company Ltd. ADR	170,000	3,795,157	2,890,733
The McClatchy Company, Class A	1,777,601	1,096,489	6,491,803
UTStarcom Inc.	1,247,051	4,817,388	2,844,765
		24,240,755	30,458,661
BONDS			
Abitibi-Consolidated Inc., 6.0%, Jun 20, 2013	14,295,000	3,079,127	2,299,879
Abitibi-Consolidated Inc., 7.75%, Jun 15, 2011	1,000,000	169,338	160,887
Level 3 Communications, 15.0%, conv., Jan 15, 2013	4,500,000	5,474,386	5,773,142
		8,722,851	8,233,908
TOTAL EQUITIES AND BONDS		32,963,606	38,692,569
DERIVATIVES (Schedule 1)		(646,531)	(552,572)
TRANSACTION COSTS		(33,146)	-
PORTFOLIO TOTAL		$ 32,283,929	$ 38,139,997

* Common shares unless indicated otherwise

CHOU ASIA FUND
SCHEDULE OF DERIVATIVES
AS AT DECEMBER 31, 2009

Schedule 1

Written Call Options	Expiry Date	Strike Price	Number	Cost	Market Value
The McClatchy Company	Jan 2010	$ 5.00	306	$ (12,524)	$ (3,202)
The McClatchy Company	Apr 2010	$ 5.00	15,000	(634,007)	(549,370)
				$ (646,531)	$ (552,572)

Risk Management

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

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

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

Credit Risk

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. As of December 31, 2009, the Fund invested approximately 13% of its net assets in non-investment grade debt instruments. Non-investment grade is the term applied to bonds rated below Baa3 on the Moody’s credit rating scale and below BBB- on the equivalent ratings systems from S&P and Fitch. These credit ratings denote that the company’s financial position is weak and its bonds should be considered a speculative investment.

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 risks by remaining term to maturity.

Debt Instruments by Maturity Date:

Less than 1 year	$ 0
1-3 years	$ 160,887
3-5 years	$ 8,073,021
Greater than 5 years	$ 0

As at December 31, 2009, should interest rates have decreased or increased by 0.25%, with all other variables remaining constant, the increase or decrease in Net Assets for the year would have amounted to approximately $590,000.

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

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 48% of the Fund's Net Assets held at December 31, 2009 were publicly traded equities. If equity prices on the exchange had increased or decreased by 5% as at December 31, 2009, the Net Assets of the Fund would have increased or decreased by approximately $1,518,000, or 2.4% of the Net Assets, all other factors remaining constant.

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

Foreign Currency Risk

Currencies to which the Fund had exposure as at December 31, 2009 are as follows:

	Financial Instruments ($)	Percentage of NAV (%)
United States Dollar	26,645,462	42.1%
Japanese Yen	9,095,686	14.4%
Thailand Baht	1,028,930	1.6%
Singapore Dollar	130,000	0.2%

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

If the Canadian dollar had strengthened or weakened by 1% in relation to all currencies, with all other variables held constant, net assets would have decreased or increased by approximately $369,000.

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

Fair Value Hierarchy

The following is a summary of the inputs used as at December 31, 2009 in valuing the Funds' investments carried at fair value, as described in Note 2.

	Quoted prices in active markets for identical assets	Significant observable inputs	Significant unobservable inputs	
	Level 1	**Level 2**	**Level 3**	**Total**
Equities- long	$ 27,766,178	$ 2,692,483	$ -	$ 30,458,661
Bonds	-	8,233,908	-	8,233,908
	27,766,178	10,926,391		38,692,569
Options- short	(552,572)	-	-	(552,572)
Total	**$ 27,213,606**	**$ 10,926,391**	**$ -**	**$ 38,139,997**

Fair value measurements using level 3 inputs:

	Equities – long	**Bonds**	**Total**
Balance at December 31, 2008			
Net purchases and sales	$ -	$ -	$ -
Net transfer in (out)	-	-	-
Gains (losses)			
Realized	-	-	-
Unrealized	-	-	-
Balance at December 31, 2009	$ -	$ -	$ -

CHOU EUROPE FUND

March 15, 2010

Dear Unitholders of Chou Europe Fund,

After the distribution of $0.76, the net asset value (“NAVPU” or “NAV”) of a Series A unit of Chou Europe Fund at December 31, 2009 was $7.47 compared to $6.11 at December 31, 2008, an increase of 34.7%; during the same period, the MSCI AC (Morgan Stanley Capital International All Country) Europe Total Return Index in Canadian dollars returned 18.6%. In $US, a Series A unit of Chou Europe Fund returned 56.9% while the MSCI AC Europe Total Return Index returned 38.0%.

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

December 31, 2009 (Series A)	1 Year	3 Years	5 Years	Since Inception
Chou Europe ($CAN)	34.7%	-13.8%	-4.6%	-1.0%
MSCI AC Europe TR ($CAN)	18.6%	-8.9%	1.8%	5.3%
Chou Europe ($US)[1]	56.9%	-10.7%	-2.0%	3.1%
MSCI AC Europe TR ($US)	38.0%	-5.5%	4.7%	9.7%

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

Factors Influencing the 2009 Results

THE CANADIAN DOLLAR AGAINST THE U.S. DOLLAR: The gains on forward currency contracts helped minimize the negative impact the stronger Canadian dollar had on the results of the Fund. The Fund gained US $708,871 on the currency contract that expired on October 16, 2009. On December 31, 2008, one U.S. dollar was worth approximately $1.22 Canadian, whereas one year later, on December 31, 2009, one U.S. dollar was worth approximately $1.05 Canadian.

The Fund did not enter into any forward currency contracts for Pound Sterling or Euros during the year. As such, even if the price of a security denominated in Pound Sterling or Euros remained the same on December 31, 2009, compared to a year ago, it would have shown a depreciation of roughly 12.1% and 5.0% respectively when priced in Canadian dollars.

Positive contributors to the Fund’s performance were Alexon Group PLC, Next PLC, Topps Tiles PLC, CryptoLogic Inc., and Royal Boskalis Westminster.

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

Securities in the portfolio that declined most in 2009 were GlaxoSmithKline, Glacier Media Inc. and Ryanair Holdings.

General Comments on the Market

WAS THE GREAT STIMULUS A SILVER BULLET? - THINK AGAIN: It now appears that the great stimulus provided by almost all governments has averted the second Great Depression and the European economy may well be on its way to recovery. However, looking forward, unless we find a credible way to repay or at least comfortably service the enormous and growing burden of government debt, we are going to face immense challenges. By overloading governments with too much debt, the stimulus may have pushed the problem from the private sector to the government sector and may have made it worse. If we take a snapshot of the growing gross debt as a percentage of GDP before and after the meltdown, we get a pretty good picture of the potential trouble some European countries may face in the future.

Country	Debt as a percentage of GDP 2007	Debt as a percentage of GDP 2009	Debt as a percentage of GDP 2010 (projected)
Iceland	53.6	117.6	142.5
Italy	112.5	123.6	127.0
Greece	103.9	114.9	123.3
Belgium	88.1	101.2	105.2
France	69.9	84.5	92.5
Portugal	71.1	83.8	90.9
Hungary	72.2	85.2	89.9
UK	46.9	71.0	83.1
Germany	65.3	77.4	82.0
Ireland	28.3	65.8	81.3

Source: Data obtained from the OECD

At some level, debt becomes an intolerable burden and increases the chance of a default. Historically, when gross debt exceeds 70% of a country's GDP, the warning signs start flashing.

While we all wished the great stimulus would prove to be a silver bullet that would resolve all the problems stemming from the world financial crisis, that has hardly been the case. If history is any guide, it takes a long time for countries to successfully emerge from a financial crisis. They must deal with a huge increase in unemployment along with a profound increase in government debt. The problem is exacerbated by lower tax revenues in the future caused by lower output and unemployment. We think the next few years will be rocky, with economies lurching from one crisis to another.

As an investor, we believe there will be enormous opportunities but the key to investment success will depend on how we avoid some of the inevitable potholes we will find in our path.

Other Matters

FOREIGN CURRENCY CONTRACTS: None existed at December 31, 2009.

CREDIT DEFAULT SWAPS: None were purchased in 2009.

CONSTANT MATURITY SWAPS: None were purchased in 2009.

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

CHANGE IN MINIMUM INVESTMENT: The minimum amount to invest in the Fund is now $5,000 and subsequent investment is $500.

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

INDEPENDENT REVIEW COMMITTEE: The Manager has established an IRC as required by NI 81-107. The members of the IRC are Sandford Borins, Bruce Kerr and Joe Tortolano. The 2009 IRC Annual Report is available on our website www.choufunds.com.

As of March 12, 2010, the NAV of a Series A unit of the Fund was $7.15 and the cash position was 29.4% of net assets. The Fund is down 4.3% from the beginning of the year. In $US, it is down 1.7%.

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

Yours truly,

Francis Chou

Francis Chou
Fund Manager

CHOU EUROPE FUND
STATEMENT OF NET ASSETS
AS AT DECEMBER 31, 2009

	2009	2008
ASSETS		
Cash	$ 942,537	$ 829,767
Accrued interest and dividend income	84,730	96,367
Due from brokers	502,281	9,756
Investments, at fair value	7,291,607	6,463,880
	8,821,155	7,399,770
LIABILITIES		
Accrued expenses	14,714	4,498
Payable for units redeemed	17,069	116,672
Distributions payable	7,861	6,961
	39,644	128,131
NET ASSETS	$ 8,781,511	$ 7,271,639
NET ASSETS, BY SERIES		
Series A	$ 8,493,485	$ 7,008,560
Series F	288,026	263,079
	$ 8,781,511	$ 7,271,639
NUMBER OF UNITS OUTSTANDING (Note 4)		
Series A	1,141,295	1,157,290
Series F	38,357	43,097
NET ASSET VALUE PER UNIT		
Canadian dollars		
Series A	$ 7.44	$ 6.06
Series F	$ 7.51	$ 6.10
U.S. dollars		
Series A	$ 7.11	$ 4.97
Series F	$ 7.18	$ 5.01

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

Francis Chou

Tracy Chou

CHOU EUROPE FUND

STATEMENT OF OPERATIONS

FOR THE YEAR ENDED DECEMBER 31, 2009

	2009	2008
INVESTMENT INCOME		
Interest	$ 289,635	$ 343,885
Dividends	160,537	266,735
Interest from securities lending	-	19,499
	450,172	630,119
EXPENSES		
Management fees (Note 6)	126,944	176,865
Foreign withholding taxes	22,798	32,778
Custodian fees	12,973	17,304
Audit	3,836	3,684
Legal	906	57
Filing fees	500	649
Independent Review Committee fees	309	725
FundSERV fees	80	245
Total Expenses	168,346	232,307
Management fees waived by the Manager	-	(131,734)
Management fees rebated by the Manager	-	(415,265)
Net Expenses	168,346	(314,692)
NET INVESTMENT INCOME FOR THE YEAR	281,826	944,811
NET REALIZED AND UNREALIZED GAIN (LOSS) AND TRANSACTION COSTS		
Transaction costs	(6,422)	(7,490)
Net realized loss on sale of investments	(4,080,827)	(1,032,032)
Unrealized gain (loss)	6,250,211	(6,184,744)
	2,162,962	(7,224,266)
INCREASE (DECREASE) IN NET ASSETS FROM OPERATIONS	$ 2,444,788	$ (6,279,455)
INCREASE (DECREASE) IN NET ASSETS FROM OPERATIONS		
Series A	$ 2,352,947	$ (5,988,909)
Series F	91,841	(290,546)
	$ 2,444,788	$ (6,279,455)
INCREASE (DECREASE) IN NET ASSETS FROM OPERATIONS, PER UNIT		
Series A	$ 2.13	$ (5.01)
Series F	$ 2.26	$ (5.07)

CHOU EUROPE FUND
STATEMENT OF CHANGES IN NET ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2009

	2009	2008
SERIES A		
NET ASSETS, beginning of the year	$ 7,008,560	$ 13,449,188
Increase (decrease) in net assets from operations	2,352,947	(5,988,909)
Proceeds from issue of units	328,757	2,024,536
Payments on redemption of units	(1,188,918)	(2,469,312)
Distribution of income to unitholders		
Investment income	(786,401)	(386,969)
Reinvested distributions	778,540	380,026
NET ASSETS, end of the year	8,493,485	7,008,560
SERIES F		
NET ASSETS, beginning of the year	263,079	735,217
Increase (decrease) in net assets from operations	91,841	(290,546)
Proceeds from issue of units	5,601	56,588
Payments on redemption of units	(72,495)	(238,180)
Distribution of income to unitholders		
Investment income	(27,549)	(15,057)
Reinvested distributions	27,549	15,057
NET ASSETS, end of the year	288,026	263,079
TOTAL NET ASSETS, end of the year	$ 8,781,511	$ 7,271,639

CHOU EUROPE FUND
STATEMENT OF INVESTMENTS
AS AT DECEMBER 31, 2009

	No. of Shares or Par Value	Cost	Market Value
SHARES*			
Aer Lingus Group PLC	300,000	$ 273,841	$ 283,469
Alexon Group PLC	492,738	1,075,544	300,023
AstraZeneca PLC	13,000	701,770	639,072
CryptoLogic Limited	60,000	828,212	227,400
Glacier Media Inc.	156,628	380,729	313,256
GlaxoSmithKline PLC	28,000	764,303	624,653
Royal Boskalis Westminster nv	14,400	149,734	579,248
Next PLC	20,000	646,019	703,606
Nokia Corporation ADR	15,000	203,224	201,540
Ryanair Holdings PLC ADR	20,000	574,892	560,462
Sanofi-Aventis ADR	20,000	884,092	821,858
Topps Tiles PLC	370,000	513,589	522,546
		6,995,949	5,777,133
BONDS			
Global Crossing (UK) Ltd., 10.75%, Dec 15, 2014	633,000	664,489	666,874
The McClatchy Company, 15.75%, Jul 15, 2014	810,000	941,423	847,600
		1,605,912	1,514,474
TOTAL EQUITIES AND BONDS		8,601,861	7,291,607
TRANSACTION COSTS		(14,116)	-
PORTFOLIO TOTAL		$ 8,587,745	$ 7,291,607

* Common shares unless indicated otherwise

Risk Management

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

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

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

Credit Risk

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. As of December 31, 2009, the Fund invested approximately 17% of its net assets in non-investment grade debt instruments. Non-investment grade is the term applied to bonds rated below Baa3 on the Moody’s credit rating scale and below BBB- on the equivalent ratings systems from S&P and Fitch. These credit ratings denote that the company’s financial position is weak and its bonds should be considered a speculative investment.

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 risks by remaining term to maturity.

Debt Instruments by Maturity Date:

Less than 1 year	$ 0
1-3 years	$ 0
3-5 years	$ 1,514,474
Greater than 5 years	$ 0

As at December 31, 2009, should interest rates have decreased or increased by 0.25%, with all other variables remaining constant, the increase or decrease in Net Assets for the year would have amounted to approximately $26,000.

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

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 66% of the Fund's Net Assets held at December 31, 2009 were publicly traded equities. If equity prices on the exchange had increased or decreased by 5% as at December 31, 2009, the Net Assets of the Fund would have increased or decreased by approximately $290,000, or 3.3% of the Net Assets, all other factors remaining constant.

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

Foreign Currency Risk

Currencies to which the Fund had exposure as at December 31, 2009 are as follows:

	Financial Instruments ($)	Percentage of NAV (%)
United States Dollar	3,459,374	39.4%
Sterling Pound	3,103,403	35.3%
Euro Currency	865,425	9.9%

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

If the Canadian dollar had strengthened or weakened by 1% in relation to all currencies with all other variables held constant, net assets would have decreased or increased by approximately $74,000.

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

Fair Value Hierarchy

The following is a summary of the inputs used as at December 31, 2009 in valuing the Funds' investments carried at fair value, as described in Note 2.

	Quoted prices in active markets for identical assets	Significant observable inputs	Significant unobservable inputs	
	Level 1	**Level 2**	**Level 3**	**Total**
Equities- long	$ 5,777,133	$ -	$ -	$ 5,777,133
Bonds	-	666,874	847,600	1,514,474
	5,777,133	666,874	847,600	7,291,607
Options- short	-	-	-	-
Total	**$ 5,777,133**	**$ 666,874**	**$ 847,600**	**$ 7,291,607**

Fair value measurements using level 3 inputs:

	Equities – long	**Bonds**	**Total**
Balance at December 31, 2008	$ -	$ -	$ -
Net purchases and sales	-	941,423	941,423
Net transfer in (out)	-	-	-
Gains (losses)			
Realized	(2,381,203)	-	(2,381,203)
Unrealized	2,381,203	(93,823)	2,287,380
Balance at December 31, 2009	**$ -**	**$ 847,600**	**$ 847,600**

CHOU BOND FUND

March 15, 2010

Dear Unitholders of Chou Bond Fund,

After the distribution of $0.52, the net asset value ("NAVPU" or "NAV") of a Series A unit of Chou Bond Fund at December 31, 2009 was $8.51 compared to $6.34 at December 31, 2008, an increase of 42.5%; during the same period, Citigroup WGBI (World Government Bond Index) All Maturities ($CAN) was down 11.5% and Barclays U.S. Corporate High Yield Index ($CAN) returned 34.4%. In $US, a Series A unit of Chou Bond Fund returned 65.9% while Citigroup WGBI All Maturities returned 2.6% and Barclays U.S. Corporate High Yield Index returned 58.2%.

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

December 31, 2009 (Series A)	**1 Year**	**3 Years**	**Since Inception**
Chou Bond ($CAN)	42.5%	-4.8%	2.1%
Citigroup WGBI ($CAN)	-11.5%	4.5%	3.5%
Barclays' U.S. High Yield ($CAN)	34.4%	2.4%	3.8%
Chou Bond ($US) [1]	65.9%	-1.3%	5.0%
Citigroup WGBI ($US)	2.6%	8.0%	6.2%
Barclays' U.S High Yield ($US)	58.2%	6.0%	6.9%

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

Factors influencing the 2009 Results

NON-INVESTMENT AND INVESTMENT GRADE BONDS ARE FULLY PRICED NOW: The historically high spread between U.S. corporate debt and U.S. treasuries narrowed in 2009. Three years ago, the spread between U.S. corporate high-yield debt and U.S. treasuries was 311 basis points; at December 31, 2009 it was 657 basis points, down from its December 2008 peak of 1,900 basis points. Three years ago, the spread between U.S. investment grade bonds and U.S. treasuries was about 85 basis points; at December 31, 2009 it was 162 basis points, down from its December 2008 peak of 592 basis points. (Source: JP Morgan)

Given the above, we believe that investment and non-investment grade corporate bonds are now fully priced. Although we won't likely see the lows that we saw in February/March of 2009, the risks of investing in fixed income securities are greater now.

Positive contributors to the Fund's performance were debt securities of Primus Telecommunications, Pinnacle Airlines, Goldman Sachs Capital, Mannkind Corporation and James River Coal. We suffered most declines in the debt securities of Abitibi-Consolidated, CanWest MediaWorks LP, and Taiga Building Products.

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

THE CANADIAN DOLLAR AGAINST THE U.S. DOLLAR: The gains on forward currency contracts helped minimize the negative impact the stronger Canadian dollar had on the results of the Fund. The Fund gained US $5,631,385 on the currency contract that expired on June 10, 2009. On December 31, 2008, one U.S. dollar was worth approximately $1.22 Canadian, whereas one year later, on December 31, 2009, one U.S. dollar was worth approximately $1.05 Canadian.

Perspective on the 2009 Results

The Fund had one of the best years in its history both in absolute terms and when compared with the Citigroup WGBI and Barclays' U.S. High Yield index. The Fund was up 42.5% and was able to recover some of the losses suffered in 2008. However, talking up the 2009 result without taking the 2008 result into account does not provide the whole picture. We could not make up the losses suffered in 2008 even after being up 42.5% in 2009. This shows that a negative result has a bigger impact than a positive result and being able to minimize losses in a bad year goes a long way toward achieving decent results on a long-term basis.

We would also like to add a caveat to those who are investing in the Chou Bond Fund: markets are inherently volatile in the short term and can adversely affect the Chou Bond Fund. Therefore, investors should be comfortable that their financial position can withstand a significant decline - say, 50% - in the value of their investment.

Other Matters

FOREIGN CURRENCY CONTRACTS: None existed at December 31, 2009.

CREDIT DEFAULT SWAPS & CONSTANT MATURITY SWAPS: None were purchased in 2009.

CHANGE IN MINIMUM INVESTMENT: The minimum amount to invest in the Fund is now $5,000 and subsequent investment is $500.

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

INDEPENDENT REVIEW COMMITTEE: The Manager has established an IRC as required by NI 81-107. The members of the IRC are Sandford Borins, Bruce Kerr and Joe Tortolano. The 2009 IRC Annual Report is available on our website www.choufunds.com.

As of March 12, 2010, the NAV of a Series A unit of the Fund was $9.49 and the cash position was 15% of net assets. The Fund is up 11.5% from the beginning of the year. In $US, it is up 14.5%.

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

Yours truly,

Francis Chou

Francis Chou
Fund Manager

CHOU BOND FUND
STATEMENT OF NET ASSETS
AS AT DECEMBER 31, 2009

	2009	2008
ASSETS		
Cash	$ 21,426,300	$ 3,226,440
Accrued interest income	921,893	1,547,339
Receivable for units subscribed	10,800	224,228
Other receivable	-	700,000
Unrealized gain on foreign currency forward contracts	-	1,663,706
Investments, at fair value	49,073,381	45,798,814
	71,432,374	53,160,527
LIABILITIES		
Accrued expenses	83,983	77,617
Payable for units redeemed	219,074	197,742
Distributions payable	120,393	146,858
	423,450	422,217
NET ASSETS	$ 71,008,924	$ 52,738,310
NET ASSETS, BY SERIES		
Series A	$ 57,792,220	$ 45,350,117
Series F	13,216,704	7,388,193
	$ 71,008,924	$ 52,738,310
NUMBER OF UNITS OUTSTANDING (Note 4)		
Series A	6,801,007	7,153,342
Series F	1,556,801	1,170,405
NET ASSET VALUE PER UNIT		
Canadian dollars		
Series A	$ 8.50	$ 6.34
Series F	$ 8.49	$ 6.31
U.S. dollars		
Series A	$ 8.12	$ 5.20
Series F	$ 8.11	$ 5.18

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

Francis Chou

Tracy Chou

CHOU BOND FUND
STATEMENT OF OPERATIONS
FOR THE YEAR ENDED DECEMBER 31, 2009

	2009	2008
INVESTMENT INCOME		
Interest	$ 4,321,435	$ 7,095,016
Dividends	18,639	236,047
	4,340,074	7,331,063
EXPENSES		
Management fees (Note 6)	754,148	989,552
Custodian fees	99,995	89,976
Filing fees	4,689	7,992
Legal	4,353	2,431
Audit	4,300	13,139
FundSERV fees	2,652	1,536
Independent Review Committee fees	2,293	4,456
Foreign withholding taxes	947	14,887
Total Expenses	873,377	1,123,969
Management fees waived by the Manager (Note 6)	-	(700,000)
Net Expenses	873,377	423,969
NET INVESTMENT INCOME FOR THE YEAR	3,466,697	6,907,094
NET REALIZED AND UNREALIZED GAIN (LOSS) AND TRANSACTION COSTS		
Transaction costs	(6,994)	(1,583)
Net realized loss on sale of investments	(9,051,479)	(13,409,184)
Unrealized gain (loss)	27,692,858	(26,543,068)
	18,634,385	(39,953,835)
INCREASE (DECREASE) IN NET ASSETS FROM OPERATIONS	$ 22,101,082	$ (33,046,741)
INCREASE (DECREASE) IN NET ASSETS FROM OPERATIONS		
Series A	$ 18,278,309	$ (28,727,642)
Series F	3,822,773	(4,319,099)
	$ 22,101,082	$ (33,046,741)
INCREASE (DECREASE) IN NET ASSETS FROM OPERATIONS, PER UNIT		
Series A	$ 2.67	$ (4.29)
Series F	$ 2.73	$ (4.30)

CHOU BOND FUND
STATEMENT OF CHANGES IN NET ASSETS
FOR THE YEAR ENDED DECEMBER 31 2009

	2009	2008
Series A		
NET ASSETS, beginning of the year	$ 45,350,117	$ 76,252,319
Increase (decrease) in net assets from operations	18,278,309	(28,727,642)
Proceeds from issue of units	5,109,392	15,556,724
Payments on redemption of units	(10,834,168)	(17,601,719)
Distribution of income to unitholders		
Investment income	(3,340,732)	(5,083,005)
Reinvested distributions	3,229,302	4,953,440
NET ASSETS, end of the year	57,792,220	45,350,117
Series F		
NET ASSETS, beginning of the year	7,388,193	10,603,907
Increase (decrease) in net assets from operations	3,822,773	(4,319,099)
Proceeds from issue of units	4,257,323	4,918,332
Payments on redemption of units	(2,240,064)	(3,799,028)
Distribution of income to unitholders		
Investment income	(733,480)	(855,053)
Reinvested distributions	721,959	839,134
NET ASSETS, end of the year	13,216,704	7,388,193
TOTAL NET ASSETS, end of the year	$ 71,008,924	$ 52,738,310

CHOU BOND FUND
STATEMENT OF INVESTMENTS
AS AT DECEMBER 31, 2009

	No. of Units or Par Value	Cost	Market Value
SHARES*			
Primus Telecommunications Group Inc.**	97,692	$ 492,587	$ 577,581
Rainmaker Entertainment Inc.***	191,000	420,200	85,950
SFK Pulp Fund, trust units	915,000	1,843,324	631,350
		2,756,111	1,294,881
BONDS			
Abitibi-Consolidated Inc., 8.375%, Apr 1, 2015	7,000,000	1,185,364	1,126,209
Abitibi-Consolidated Inc., 15.5%, Jul 15, 2010	13,491,000	4,284,509	2,735,215
Americredit Corp., 0.75%, conv., Sep 15, 2011	485,000	287,897	469,399
CanWest MediaWorks LP, 9.25%, Aug 1, 2015	7,000,000	5,805,465	1,089,584
Clarke Inc., 6.0%, conv., Dec. 31, 2013	300,000	370,746	255,000
ExpressJet Holdings, 11.25%, conv., Aug 1, 2023	2,000,000	1,677,740	2,019,275
French Lick Resorts & Casino, 10.75%, Apr 15, 2014	2,500,000	1,841,513	1,805,073
Global Crossing (UK) Ltd., 10.75%, Dec 15, 2014	185,000	194,612	194,900
Goldman Sachs Capital Inc., 5.793%, Dec 29, 2049	7,000,000	3,270,604	5,676,824
Hollinger Inc., 11.875%, Mar 1, 2011	680,000	771,244	0
Hollinger Inc., 12.875%, Mar 1, 2011	1,192,000	1,303,069	0
International Coal, 10.25%, Jul 15, 2014	6,500,000	5,017,755	6,597,673
James River Coal Co., 9.375%, Jun 1, 2012	3,000,000	2,525,876	3,217,739
Level 3 Comm., 15.0%, conv., Jan 15, 2013	1,800,000	2,184,333	2,309,257
Level 3 Financing Inc., 12.25%, Mar 15, 2013	1,500,000	1,437,332	1,663,241
Mannkind Corp., 3.75%, conv., Dec 15, 2013	4,000,000	2,169,513	2,868,695
Overstock.com Inc., 3.75%, Dec 1, 2011	3,295,000	2,418,789	3,083,882
Pinnacle Airline Corp., 3.25%, Feb 15, 2025	2,200,000	1,447,163	2,253,778
Primus Telecomm. Group, 14.25%, May 20, 2013	3,409,158	2,812,255	3,369,417
SFK Pulp Fund, 7.0%, Dec 31, 2011	1,400,000	833,375	1,071,000
Taiga Building Products Ltd., 14.0%, Sep 1, 2020	1,712,000	1,705,899	787,520
Tembec, Term Loan, Floating, Feb 12, 2012	625,000	637,118	425,108
Texas Comp. Electric, 10.25%, Nov 1, 2015	2,000,000	1,932,609	1,674,271
The McClatchy Company, 15.75%, Jul 15, 2014	122,000	54,298	127,663
Wells Fargo Capital XIII, Dec 29, 2049	3,000,000	1,416,549	2,957,777
		47,585,627	47,778,500
TOTAL EQUITIES AND BONDS		50,341,738	49,073,381
TRANSACTION COSTS		(7,324)	-
PORTFOLIO TOTAL		$ 50,334,414	$ 49,073,381

* Common shares unless indicated otherwise
** Shares received from debt restructuring
*** Converted from an Income Trust to a Corporation

Risk Management

The Fund's objective is to provide conservation of principal and income production with capital appreciation as a secondary consideration. The Fund invests primarily in Canadian and US bonds. These bonds include, but are not limited to, Government of Canada, provincial, municipal and corporate issues, including convertibles and high yield bonds. Investments may be made in bonds outside of Canada and the U.S.

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

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

Credit Risk

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. As of December 31, 2009, the Fund invested approximately 67% of its net assets in non-investment grade debt instruments. Non-investment grade is the term applied to bonds rated below Baa3 on the Moody’s credit rating scale and below BBB- on the equivalent ratings systems from S&P and Fitch. These credit ratings denote that the company’s financial position is weak and its bonds should be considered a speculative investment.

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 risks by remaining term to maturity.

Debt Instruments by Maturity Date:

Less than 1 year	$ 2,735,215
1-3 years	$ 8,267,128
3-5 years	$ 19,190,920
Greater than 5 years	$ 17,585,237

As at December 31, 2009, should interest rates have decreased or increased by 0.25%, with all other variables remaining constant, the increase or decrease in Net Assets for the year would have amounted to approximately $1,687,000.

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

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 1.8% of the Fund's Net Assets held at December 31, 2009 were publicly traded equities. If equity prices on the exchange had increased or decreased by 5% as at December 31, 2009, the Net Assets of the Fund would have increased or decreased by approximately $64,000, or 0.09% of the Net Assets, all other factors remaining constant.

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

Foreign Currency Risk

Currencies to which the Fund had exposure as at December 31, 2009 are as follows:

	Financial Instruments ($)	Percentage of NAV (%)
United States Dollar	48,009,953	67.6%

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

If the Canadian dollar had strengthened or weakened by 1% in relation to all currencies, with all other variables held constant, net assets would have decreased or increased by approximately $480,000.

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

Fair Value Hierarchy

The following is a summary of the inputs used as at December 31, 2009 in valuing the Funds' investments carried at fair value, as described in Note 2.

	Quoted prices in active markets for identical assets	Significant observable inputs	Significant unobservable inputs	
	Level 1	**Level 2**	**Level 3**	**Total**
Equities- long	$ 1,294,881	$ -	$ -	$ 1,294,881
Bonds	-	47,225,729	552,771	47,778,500
	1,294,881	47,225,729	552,771	49,073,381
Options- short	-	-	-	-
Total	**$ 1,294,881**	**$ 47,225,729**	**$ 552,771**	**$ 49,073,381**

Fair value measurements using level 3 inputs:

	Equities – long	**Bonds**	**Total**
Balance at December 31, 2008	$ -	$ 871,201	$ 871,201
Net purchases and sales	-	54,298	54,298
Net transfer in (out)	-	-	-
Gains (losses)			
Realized	-	(506,645)	(506,645)
Unrealized	-	133,917	133,917
Balance at December 31, 2009	**$ -**	**$ 552,771**	**$ 552,771**

CHOU RRSP FUND

March 15, 2010

Dear Unitholders of Chou RRSP Fund,

After the distribution of $0.28, the net asset value ("NAVPU" or "NAV") of a Series A unit of Chou RRSP Fund at December 31, 2009 was $17.25 compared to $13.71 at December 31, 2008, an increase of 27.8%; during the same period, the S&P/TSX Total Return Index increased 34.9% in Canadian dollars. In $US, a Series A unit of Chou RRSP Fund increased 48.9% while the S&P/TSX Total Return Index increased 57.0%.

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

December 31, 2009 (Series A)	**1 Year**	**3 Years**	**5 Years**	**10 Years**	**15 Years**
Chou RRSP ($CAN)	27.8%	-12.6%	-3.3%	6.8%	10.8%
S&P/TSX ($CAN)	34.9%	-0.2%	7.6%	5.6%	9.3%
Chou RRSP ($US)[1]	48.9%	-9.4%	-0.5%	10.4%	13.0%
S&P/TSX ($US)	57.0%	3.6%	10.7%	9.1%	11.3%

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

Factors Influencing 2009 Results

THE CANADIAN DOLLAR AGAINST THE U.S. DOLLAR: The gains on forward currency contracts helped minimize the negative impact the stronger Canadian dollar had on the results of the Fund. On December 31, 2008, one U.S. dollar was worth approximately $1.22 Canadian, whereas one year later, on December 31, 2009, one U.S. dollar was worth approximately $1.05 Canadian.

RECOVERY OF THE STOCK MARKET: After unprecedented interventions by governments around the world, the Fund benefited from the recovery of the global equity and fixed income markets that began in early March. Capital markets also opened up to give companies access to much needed capital.

The Fund underperformed the S&P/TSX Total Return Index because it did not invest in financial and resource stocks that bounced up sharply during the year. The Energy sector of the index gained 39%, the Materials sector gained 34% and the Financial sector gained 46%.

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

Positive contributors to the Fund's performance were Canfor Pulp Income Fund, Danier Leather, International Forest Products, TVA Group Inc. and Overstock.com. Securities in the portfolio that declined the most in 2009 were Rainmaker Entertainment Inc., Torstar Corporation, and debt securities of Hollinger Inc, Taiga Building Products and Abitibi-Consolidated Inc.

Perspective on the 2009 Results

The Fund had one of the best years in its history in absolute terms. The Fund was up 27.8% and was able to recover some of the losses suffered in 2008. However, talking up the 2009 result without taking the 2008 result into account does not provide the whole picture. We could not make up the losses suffered in 2008 even after being up 27.8% in 2009. This shows that a negative result has a bigger impact than a positive result and being able to minimize losses in a bad year goes a long way toward achieving decent results on a long-term basis.

Historically, our results have been excellent in bad markets. We believe 2008 result was an aberration. Looking forward, we feel confident that the 'Margin of Safety' concept we follow will continue to give us satisfactory results in the future. My confidence is based on having achieved solid results over the long term.

General Comments on the Market

SOVEREIGN GOVERNMENTS DO NOT DEFAULT ON THEIR DEBT?: It is hard to believe that governments can and do default on their debts and, as the following table shows, even with their power of taxation and the ability to print money, governments have to obey the laws of economics. Just like an individual or a corporation, if governments cannot service their debt, they either default or have their debt rescheduled. As the table also shows, it is not only poor emerging third world or African countries run by dictators that default, but also long established democracies with duly elected governments that are governed by a rule of law and that are considered modern economies. It is an eye opener to see that since the year 1800, Greece has spent roughly 50% of its time either in default or debt rescheduling; Spain has spent approximately 23% of its time in default; and Mexico and Russia around 40%.

Country	Share (%) of years in default or rescheduling since independence or year 1800	Total number of defaults and/or reschedulings
Greece	50.6	5
Mexico	44.6	8
Russia	39.1	5
Hungary	37.1	7
Brazil	25.4	9
Spain	23.7	13
Austria	17.4	7
Germany	13.0	8
China	13.0	2
India	11.7	3
France	0	8
United Kingdom	0	0
United States	0	0
Canada	0	0

Source: This time is different *Eight centuries of financial folly* by Reinhart & Rogoff

The table is important because it demonstrates that it is not too farfetched to think that well-known democratic countries can and do default on their sovereign debt.

WAS THE GREAT STIMULUS A SILVER BULLET? - THINK AGAIN: It now appears that the great stimulus provided by almost all governments has averted the second Great Depression and the North American economy may well be on its way to recovery. However, looking forward, unless we find a credible way to repay or at least comfortably service the enormous and growing burden of government debt, we are going to face immense challenges. By overloading governments with too much debt, the stimulus may have pushed the problem from the private sector to the government sector and may have made it worse. If we take a snapshot of the growing gross debt as a percentage of GDP before and after the meltdown, we get a pretty good picture of the potential trouble some countries may face in the future.

Country	Debt as a percentage of GDP 2007	Debt as a percentage of GDP 2009	Debt as a percentage of GDP 2010 (projected)
Japan	167.1	189.3	197.2
Iceland	53.6	117.6	142.5
Italy	112.5	123.6	127.0
Greece	103.9	114.9	123.3
Belgium	88.1	101.2	105.2
France	69.9	84.5	92.5
USA	61.8	83.9	92.4
Portugal	71.1	83.8	90.9
Hungary	72.2	85.2	89.9
UK	46.9	71.0	83.1
Germany	65.3	77.4	82.0
Canada	64.2	77.7	82.0
Ireland	28.3	65.8	81.3
Brazil	57.4	66.9	69.6
Spain	42.1	59.3	67.5
India	42.3	45.0	45.7
S Korea	25.7	33.2	36.8
Australia	15.3	15.9	20.3
China	21.9	20.0	20.0
Russia	6.8	7.2	7.4

Source: JP Morgan provided data on Brazil, China, India and Russia. All other data obtained from the OECD.

At some level, debt becomes an intolerable burden and increases the chance of a default. Historically, when gross debt exceeds 70% of a country's GDP, the warning signs start flashing.

While we all wished the great stimulus would prove to be a silver bullet that would resolve all the problems stemming from the world financial crisis, that has hardly been the case. If history is any guide, it takes a long time for countries to successfully emerge from a financial crisis. They must deal with a huge increase in unemployment along with a profound increase in government debt. The problem is exacerbated by lower tax revenues in the future caused by lower output and unemployment. We think the next few years will be rocky, with economies lurching from one crisis to another.

As an investor, we believe there will be enormous opportunities but the key to investment success will depend on how we avoid some of the inevitable potholes we will find in our path.

We would also like to add a caveat to those who are investing in the Chou Funds: markets are inherently volatile in the short term and can adversely affect the Chou Funds. Therefore, investors should be comfortable that their financial position can withstand a significant decline - say, 50% - in the value of their investment.

TOO BIG OR TOO WELL CONNECTED TO FAIL: One would imagine that the great financial crisis would precipitate meaningful banking and financial reform but I doubt that will be the case. As long as the financial institutions are too big or so well inter-connected to the financial system that their failure may precipitate a chain reaction that threatens the world financial system, the government will protect them from failure. The rescue of AIG turned out to be essentially a bailout of the investment banks. When executives, especially CEOs, suffer no serious financial consequences when their actions bankrupt or put their companies in deep financial distress, it encourages risky and unethical behaviour. Such perverse incentives need to be discouraged. The Board of Directors is supposed to protect shareholders but more often than not, directors are just patsies for the CEOs. In a damning 2,200 page report, written by bankruptcy examiner Anton Valukas on Lehman Brothers, he wrote of one episode on March 20, 2007, where the chief administrative officer, Lana Franks Harber of Lehman's Mortgage Capital division, e-mailed a colleague to summarize her discussion with Lehman President Joseph Gregory with regard to her presentation to the Board of Directors: "Board is not sophisticated around subprime market -- Joe doesn't want too much detail. He wants to candidly talk about the risks to Lehman but be *optimistic and constructive - talk about the opportunities that this market creates and how we are uniquely positioned to take advantage of them.*" (italics emphasis added). The report then states, "Consistent with this direction, the Board presentation emphasized that Lehman's management considered the crisis an opportunity to pursue a countercyclical strategy..... Management informed the Board that the down cycle in subprime presented substantial opportunities for Lehman."

More than once, under a bankruptcy restructuring, I have seen the very CEOs who ran the company into the ground getting 5% of the recapitalized company without putting up any of their own money. In most occupations, there are penalties for egregious failure but the CEOs of public financial companies are in a league of their own. Many get paid obscene amounts of money for risky and reckless behaviour. There is a joke on Wall Street: "Today, President Obama announced a salary cap of $500,000 for executives at banks and companies that have received taxpayer bailout money. And the CEOs asked: 'Well, that's $500,000 a week, right?'".

DEBASEMENT OF CURRENCY: Almost all governments whose economies have been adversely affected by the financial crisis have been providing all kinds of stimulus funds to minimize the impact of the liquidity and credit crisis on their economies. They are all falling over (competing with) one another to see who can debase their currencies further.

INFLATION OR DEFLATION: The huge surplus of excess capacity in almost every sector in the world presents a strong case for deflation down the road. But with the explosion of government debt in most of the world, it is hard to believe that governments will let future generations deal with the enormous debt with currencies that will have a higher purchasing power than they have now. Historically, the easy way out for governments has been to inflate their way out of their debt problem.

NON-INVESTMENT AND INVESTMENT GRADE BONDS ARE FULLY PRICED NOW: The historically high spread between U.S. corporate debt and U.S. treasuries narrowed in 2009. Three years ago, the spread between U.S. corporate high-yield debt and U.S. treasuries was 311 basis points; at December 31, 2009 it was 657 basis points, down from its December 2008 peak of 1,900 basis points. Three years ago, the spread between U.S. investment grade bonds and U.S. treasuries was about 85 basis points; at December 31, 2009 it was 162 basis points, down from its December 2008 peak of 592 basis points. (Source: JP Morgan)

Given the above, we believe that investment and non-investment grade corporate bonds are now fully priced.

It is similar with equities. Most stocks are now closer to being fairly priced and it is harder to find bargains. Although we won't likely see the lows that we saw in February/March of 2009, the risks of investing in equities are greater now.

Other Matters

FOREIGN CURRENCY CONTRACTS: None existed at December 31, 2009.

CREDIT DEFAULT SWAPS & CONSTANT MATURITY SWAPS: None were purchased in 2009.

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

CHANGE IN MINIMUM INVESTMENT: The minimum amount to invest in the Fund is now $5,000 and subsequent investment is $500.

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

INDEPENDENT REVIEW COMMITTEE: The Manager has established an IRC as required by NI 81-107. The members of the IRC are Sandford Borins, Bruce Kerr and Joe Tortolano. The 2009 IRC Annual Report is available on our website www.choufunds.com.

As of March 12, 2010, the NAV of a Series A unit of the Fund was $20.60 and the cash position was 0.5% of net assets. The Fund is up 19.4% from the beginning of the year. In $US, it is up 22.6%.

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

Yours truly,

Francis Chou

Francis Chou
Fund Manager

CHOU RRSP FUND
STATEMENT OF NET ASSETS
AS AT DECEMBER 31, 2009

	2009	2008
ASSETS		
Cash	$ 2,316,088	$ 8,623,546
Accrued interest and dividend income	568,082	1,766,006
Receivable for units subscribed	2,000	98,332
Due from broker	-	925,847
Investments, at fair value	116,541,173	107,882,122
	119,427,343	119,295,853
LIABILITIES		
Accrued expenses	189,083	214,210
Payable for units redeemed	209,724	617,114
Distributions payable	24,570	318,906
	423,377	1,150,230
NET ASSETS	$ 119,003,966	$ 118,145,623
NET ASSETS, BY SERIES		
Series A	$ 116,081,678	$ 114,555,564
Series F	2,922,288	3,590,059
	$ 119,003,966	$ 118,145,623
NUMBER OF UNITS OUTSTANDING (Note 4)		
Series A	6,815,996	8,407,207
Series F	171,637	263,736
NET ASSET VALUE PER UNIT		
Canadian dollars		
Series A	$ 17.03	$ 13.63
Series F	$ 17.03	$ 13.61
U.S. dollars		
Series A	$ 16.28	$ 11.18
Series F	$ 16.27	$ 11.17

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

Francis Chou

Tracy Chou

CHOU RRSP FUND
STATEMENT OF OPERATIONS
FOR THE YEAR ENDED DECEMBER 31, 2009

	2009	2008
INVESTMENT INCOME		
Dividends	$ 1,974,586	$ 4,344,477
Interest	1,398,649	5,253,130
Income from derivatives	655,835	940,094
Interest from securities lending	-	67,495
	4,029,070	10,605,196
EXPENSES		
Management fees (Note 6)	1,727,699	3,146,436
Custodian fees	199,495	214,210
Foreign withholding taxes	37,854	232,375
Audit	15,844	26,809
Legal	6,199	4,687
Independent Review Committee fees	4,320	12,712
Filing fees	4,069	19,623
FundSERV fees	2,248	4,487
	1,997,728	3,661,339
NET INVESTMENT INCOME FOR THE YEAR	2,031,342	6,943,857
NET REALIZED AND UNREALIZED GAIN (LOSS) AND TRANSACTION COSTS		
Transaction costs	(105,951)	(79,610)
Net realized gain (loss) on sale of investments	(41,002,475)	8,378,203
Unrealized gain (loss)	65,501,808	(116,956,577)
	24,393,382	(108,657,984)
INCREASE (DECREASE) IN NET ASSETS FROM OPERATIONS	$ 26,424,724	$ (101,714,127)
INCREASE (DECREASE) IN NET ASSETS FROM OPERATIONS		
Series A	$ 25,705,975	$ (98,217,002)
Series F	718,749	(3,497,125)
	$ 26,424,724	$ (101,714,127)
INCREASE (DECREASE) IN NET ASSETS FROM OPERATIONS, PER UNIT		
Series A	$ 3.43	$ (11.83)
Series F	$ 3.49	$ (12.30)

CHOU RRSP FUND
STATEMENT OF CHANGES IN NET ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2009

	2009	2008
SERIES A		
NET ASSETS, beginning of the year	$ 114,555,564	$ 269,331,056
Increase (decrease) in net assets from operations	25,705,975	(98,217,002)
Proceeds from issue of units	2,419,992	8,617,842
Payments on redemption of units	(26,576,942)	(64,948,227)
Distribution of income to unitholders		
Investment income	(1,852,062)	(18,283,698)
Reinvested distributions	1,829,151	18,055,593
NET ASSETS, end of the year	116,081,678	114,555,564
SERIES F		
NET ASSETS, beginning of the year	3,590,059	11,802,701
Increase (decrease) in net assets from operations	718,749	(3,497,125)
Proceeds from issue of units	226,761	1,335,696
Payments on redemption of units	(1,611,355)	(5,966,638)
Distribution of income to unitholders		
Investment income	(57,403)	(606,651)
Reinvested distributions	55,477	522,076
NET ASSETS, end of the year	2,922,288	3,590,059
TOTAL NET ASSETS, end of the year	$ 119,003,966	$ 118,145,623

CHOU RRSP FUND

STATEMENT OF INVESTMENTS

AS AT DECEMBER 31, 2009

	No. of Shares or Par Value	Cost	Market Value
SHARES*			
Biovail Corporation	660,823	$ 12,223,693	$ 9,661,232
Canfor Pulp Income Fund	707,000	2,011,844	6,165,040
Clublink Enterprises Ltd.**	193,600	1,077,639	1,161,600
Danier Leather Inc.	679,200	6,453,777	3,633,720
E-L Financial Corporation Ltd.	3,000	1,408,783	1,350,030
International Forest Products Ltd., Class A	1,025,500	6,098,755	4,717,300
King Pharmaceuticals Inc.	1,624,139	16,901,752	20,836,239
Liquidation World Inc.	1,033,300	4,563,480	723,310
MRRM Inc.	34,800	174,870	92,220
Overstock.com Inc.	715,500	14,906,146	10,130,086
Rainmaker Entertainment Inc.	2,345,800	5,160,760	1,055,610
Ridley Canada Ltd.	313,200	2,511,607	2,320,812
Symetra Financial Corporation	174,000	2,673,000	2,851,325
Taiga Building Products Ltd.	729,400	970,102	299,054
The Brick Group Income Fund, warrants	10,000,000	1,150,000	5,500,000
Torstar Corporation, Class B	1,259,616	27,567,050	7,822,215
TVA Group Inc., Class B	735,528	10,966,829	9,745,746
		116,820,087	88,065,539
BONDS			
Abitibi-Consolidated Inc., Floating, Jun 15, 2011	1,141,000	190,188	183,572
Abitibi-Consolidated Inc., 7.4%, Apr 1, 2018	1,000,000	166,685	160,887
Abitibi-Consolidated Inc., 7.5%, Apr 1, 2028	4,000,000	683,477	643,548
Abitibi-Consolidated Inc., 8.375%, Apr 1, 2015	27,925,000	4,692,782	4,492,768
Abitibi-Consolidated Inc., 8.5%, Aug 1, 2029	3,000,000	528,013	482,661
Abitibi-Consolidated Inc., 8.55%, Aug 1, 2010	116,000	19,335	18,663
Abitibi-Consolidated Inc., 15.5%, Jul 15, 2010	6,719,000	5,128,433	1,362,235
Hollinger Inc., 11.875%, Mar 1, 2011	1,450,000	1,637,018	0
Hollinger Inc., 12.875%, Mar 1, 2011	12,568,000	14,169,351	0
Level 3 Comm, 15.0%, conv., Jan 15, 2013	4,500,000	5,460,834	5,773,142
Taiga Building Products Ltd., 14.0%, Sep 1, 2020	6,759,168	6,759,168	3,109,217
The Brick Income Fund, 12.0%, May 30, 2014	10,000,000	8,850,000	10,700,000
The McClatchy Company, 15.75%, Jul 15, 2014	1,486,000	1,727,162	1,554,979
		50,012,446	28,481,672
TOTAL EQUITIES AND BONDS		166,832,533	116,547,211
DERIVATIVES (Schedule 1)		(67,011)	(6,038)
TRANSACTION COSTS		(233,706)	-
PORTFOLIO TOTAL		$ 166,531,816	$ 116,541,173

* Common shares unless indicated otherwise
** Tri-White Corporation changed its name to Clublink Enterprises Ltd.

CHOU RRSP FUND
SCHEDULE OF DERIVATIVES
AS AT DECEMBER 31, 2009

Schedule 1

Written Call Options	Expiry Date	Strike Price	Number	Cost	Market Value
Overstock.com Inc.	Jan 2010	$ 17.50	577	$ (67,011)	$ (6,038)

Risk Management

The Fund's objective is to provide long-term growth of capital by investing primarily in equity securities of Canadian businesses considered by the Manager to be undervalued. The Fund may also invest in equity and debt instruments of U.S. and foreign businesses. Investments may include common and preferred shares, convertible debentures, government and corporate bonds and short-term debt.

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

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

Credit Risk

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. As of December 31, 2009, the Fund invested approximately 24% of its net assets in non-investment grade debt instruments. Non-investment grade is the term applied to bonds rated below Baa3 on the Moody’s credit rating scale and below BBB- on the equivalent ratings systems from S&P and Fitch. These credit ratings denote that the company’s financial position is weak and its bonds should be considered a speculative investment.

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 risks by remaining term to maturity.

Debt Instruments by Maturity Date:

Less than 1 year	$ 1,380,898
1-3 years	$ 183,572
3-5 years	$ 18,028,121
Greater than 5 years	$ 8,889,081

As at December 31, 2009, should interest rates have decreased or increased by 0.25%, with all other variables remaining constant, the increase or decrease in Net Assets for the year would have amounted to approximately $1,744,000.

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

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 74% of the Fund's Net Assets held at December 31, 2009 were publicly traded equities. If equity prices on the exchange had increased or decreased by 5% as at December 31, 2009, the Net Assets of the Fund would have increased or decreased by approximately $4,403,000, or 3.7% of the Net Assets, all other factors remaining constant.

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

Foreign Currency Risk

Currencies to which the Fund had exposure as at December 31, 2009 are as follow:

	Financial Instruments ($)	Percentage of NAV (%)
United States Dollar	49,129,359	41.3%

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

As at December 31, 2009, if the Canadian dollar had strengthened or weakened by 1% in relation to all currencies, with all other variables held constant, net assets would have decreased or increased by approximately $490,000.

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

Fair Value Hierarchy

The following is a summary of the inputs used as at December 31, 2009 in valuing the Funds' investments carried at fair value, as described in Note 2.

	Quoted prices in active markets for identical assets	Significant observable inputs	Significant unobservable inputs	
	Level 1	**Level 2**	**Level 3**	**Total**
Equities- long	$ 83,771,965	$ 1,442,250	$ 2,851,324	$ 88,065,539
Bonds	-	26,926,693	1,554,979	28,481,672
	83,771,965	28,368,943	4,406,303	116,547,211
Options- short	(6,038)	-	-	(6,038)
Total	**$ 83,765,927**	**$ 28,368,943**	**$ 4,406,303**	**$ 116,541,173**

Fair value measurements using level 3 inputs:

	Equities – long	**Bonds**	**Total**
Balance at December 31, 2008	$ 3,079,196	$ 2,662,864	$ 5,742,060
Net purchases and sales	-	1,727,162	1,727,162
Net transfer in (out)	-	-	-
Gains (losses)			
Realized	-	-	-
Unrealized	(227,872)	(2,835,047)	(3,062,919)
Balance at December 31, 2009	**$ 2,851,324**	**$ 1,554,979**	**$ 4,406,303**

1. FORMATION OF CHOU FUNDS

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

The Funds were formed on the following dates:

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

2. SIGNIFICANT ACCOUNTING POLICIES

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

(a) Basis of Presentation

These financial statements, prepared in accordance with Canadian generally accepted accounting principles, include estimates and assumptions made by the Manager that may affect the reported amount of assets, liabilities, income and expenses during the reporting period. Actual results could materially differ from those estimates.

(b) Amendments to Section 3862, Financial Instruments - Disclosures

In June 2009, the Canadian Accounting Standards Board incorporated the recent amendments to International Financial Reporting Standards 7, Financial Instruments: Disclosures, into CICA Handbook Section 3862, Financial Instruments – Disclosures. The amendments expand the disclosures required in respect of fair value measurements recognized in the financial statements. For the purpose of these expanded disclosures, a three-level hierarchy has been introduced 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 asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices)
- Level 3: Inputs for the asset or liability that are not based on observable market data. Additional quantitative disclosures are required for Level 3 securities.

The amendments are applicable for fiscal years ending after September 30, 2009. These changes will have no impact on the Funds' results of operations or financial position.

2. SIGNIFICANT ACCOUNTING POLICIES, continued

(c) Valuation of Investments

In accordance with Section 3855, Financial Instruments – Recognition and Measurement, the Funds' investments are deemed to be held for trading, and are required to be recorded at fair value. The main impact of Section 3855 relates to the determination of the fair value of financial assets listed on an active market using the bid price for a long position and the ask price for a short position instead of the closing prices.

National Instrument 81-106 – Investment Fund Continuous Disclosure ("NI 81-106") requires all investment funds to calculate net asset value for all purposes other than financial statements in accordance with part 14.2. This requirement allows the Funds to report two distinct net asset values: one for the financial statements, which is calculated in accordance with Canadian GAAP called "GAAP Net Assets" (or "net assets"), and another called " Transactional NAV" (or "net asset value"). A reconciliation between GAAP Net Assets per unit and Transactional NAV per unit is provided in Note 7.

The fair value of the Funds' investments as at the financial reporting date is determined as follows:

All long securities listed on a recognized public stock exchange are valued at their last bid price at the end of each valuation date. All short securities listed on a recognized public stock exchange are valued at the last ask price on the valuation date. Securities that are traded on an over-the-counter market basis are priced at the last bid price as quoted by a major dealer.

Investments in securities having no quoted market values or in illiquid securities are valued using valuations techniques. Valuation techniques include, but are not limited to, referencing the current value of similar instruments, using recent arm's length market transactions, discounted cash flow analyses or other valuation models.

The fair value of certain securities may be estimated using valuation techniques based on assumptions that are not supported by observable market inputs. In a situation where, in the opinion of the Manager, a market quotation for a security is inaccurate, not readily available or does not accurately reflect fair value, the fair value is determined by the Manager.

Bonds and debentures are valued at their last evaluated bid price received from recognized investment dealers for long positions and their last evaluated ask price for short positions.

Investments in underlying funds are valued at the series' net asset value per unit. If the net asset value is unavailable, the investment fund holdings are valued using the last published net asset value or at the fair value as determined by the Manager.

2. SIGNIFICANT ACCOUNTING POLICIES, continued

Short-term securities are valued using market quotations or amortized costs plus accrued interest, both of which approximate fair value.

Unlisted warrants are valued based on a pricing model which considers factors such as the market value of the underlying security, strike price, volatility and terms of the warrant.

Forward contracts are marked to market using last bid prices for long positions and the last asked price for short positions. Last trade price is used where bid and ask prices are not available.

The fair value of interest rate swap agreements is the estimated amount that the Funds would receive or pay to terminate the swap, taking into account current interest rates and the current credit worthiness of the swap counterparties.

Futures are valued using the last bid price for long positions and the last ask price for short positions. The settlement price is used where bid and ask prices are not available.

The fair value of investments and other assets and liabilities denominated in foreign currencies are translated into Canadian dollars at the rate of exchange established at noon on each valuation date. Under the Funds' fair pricing policy, when the rates of exchange established at 3 p.m. are materially different from the noon exchange rates on a given valuation date, the market value of investments and other assets and liabilities denominated in foreign currencies will be translated at the 3 p.m. exchange rates for that valuation date.

(d) Other Assets and Liabilites

Accrued interest and dividends receivable, receivable for units issued, amount due from brokers and other assets are designated as loans and receivables and are recorded at amortized cost. Similarly, accrued expenses, accounts payable for units redeemed, amounts due to brokers and other liabilities are designated as other financial liabilities and are reported at amortized cost. These balances are short-term in nature and therefore, amortized cost approximates fair value for these assets and liabilities.

(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.

2. SIGNIFICANT ACCOUNTING POLICIES, continued

(f) 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 Section 3855, transaction costs are expensed and are included in the Statements of Operation in “Transaction Costs”.

(g) Cash and Cash Equivalents

Cash and cash equivalents is comprised of cash on deposit and short-term debt instruments with terms to maturity less than 90 days.

(h) Investment Transactions and Income Recognition

All investment transactions are reported on the business day the order to buy or sell is executed.

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-dividends 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 Statements of Investments.

Distributions from investments sold short are accrued as earned and are reported as a liability in the Statement of Net Assets in “Interest and dividends payable on investments sold short” and as an expense in the Statements of Operations in “Interest and dividend expense on investments sold short”. The gain or loss that would be realized if, on the valuation date the short position were to be closed out, is reflected in the Statement of Operations in “Unrealized gain (loss) on investments” and in the Statements of Net Assets in “ Investments sold short, at fair value”. When the short position is closed out, gains and losses are realized and included in the Statements of Operations in “Net realized gain (loss) on sale of investments”.

2. SIGNIFICANT ACCOUNTING POLICIES, continued

(i) Translation of Foreign Currency

The reporting currency for all the Funds is the Canadian dollar which is the functional currency since subscriptions and redemptions of units are primarily denominated in Canadian dollars. Any currency other than Canadian dollars represents foreign currency to the Funds. Certain of the funds offer series to the public in US dollars and the net assets attributed to these units are translated into US dollars at the exchange rate for that valuation day. The Canadian dollar and US dollar series net assets per unit as at the financial reporting date are reported in the Statements of Net Assets.

The fair value of investments and other assets and liabilities denominated in a foreign currency are translated into Canadian dollars at the rate of exchange which is current on the valuation date. Transactions denominated in a foreign currency are translated into Canadian dollars at the rate of exchange prevailing at the date of the transactions. Realized and unrealized foreign currency gains or losses on investments are included in the Statements of Operations in “Net realized gain (loss) on sale of investments” and “Unrealized gain (loss) on investments”, respectively. Realized and unrealized foreign currency gains or losses on monetary assets and liabilities other than investments denominated in foreign currencies are included in the Statements of Operations in “Net realized and unrealized gain (loss) on investments”.

(j) Derivative Transactions

The Manager may choose to use options, future contracts, forward contracts, forward currency contracts and swaps to hedge against losses from changes in the prices of the Funds’ investments and from exposure to foreign currencies or gain exposure to individual securities and markets 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.

Options

The premium paid for purchased options is included in the “Investments, at fair value” on the Statements of Net Assets. The unrealized gain or loss is reflected in the Statements of Operations in “Unrealized gain (loss) on investments”.

2. SIGNIFICANT ACCOUNTING POLICIES, continued

The premium received upon writing an option on futures or an over-the-counter option is recorded at cost in “Investments, at fair value” in the Statements of Net Assets. As long as the position of the written option is maintained, the liability for written options is revalued at an amount equal to the current market value of the option, which would have the effect of closing the position. Any gain or loss resulting from revaluation is reflected in the Statements of Operations in “Net realized and unrealized gain (loss) on investments”.

The gain or loss on sale or expiry of options is reflected in the Statements of Operations in “Net realized gain (loss) on sale of investments”.

Forward Currency Contracts

The change in value of forward currency contracts is included in the Statements of Operations in “Net realized and unrealized gain (loss) on investments” and in the Statements of Net Assets in “Unrealized gain on forward currency contracts” or “Unrealized loss on forward currency contracts”. When a forward currency contract is closed out, gains and losses are realized and included in the Statements of Operations in “Net realized and change in unrealized foreign exchange gain (loss) and change in unrealized derivatives gain (loss)”.

Future Contracts

The value of futures contracts fluctuates daily and cash settlement made daily by the Funds are equal to the unrealized gains or losses on a “mark to market” basis. All gains or losses are recorded and reported in the Statements of Operations in “Income (loss) from derivatives”. Margin paid or deposited in respect of futures contracts is reflected in the Statements of Net Assets in “Margin deposited on derivatives”. Any change in the variation margin requirement is settled daily.

Interest Rate Swaps

The value of a swap contract is the gain or loss that would be realized if, on the valuation date, the position were to be closed out. It is reflected in the Statements of Operations in “Net realized and unrealized gain (loss) on investments” and in the Statements of Net Assets in “Unrealized gain (loss) on other derivatives”. When swap contracts are closed out, gains or losses are realized and are included in the Statements of Operations in “Income (loss) from derivatives”.

2. SIGNIFICANT ACCOUNTING POLICIES, continued

Credit Default Swaps

The change in value of a swap contract is included in the Statements of Operations in "Income (loss) from derivatives" and in the Statements of Net Assets in "Unrealized gain on other derivatives" or "Unrealized loss on other derivatives". When swap contracts are closed out, gains or losses are realized and included in the Statements of Operations in "Income (loss) from derivatives".

(k) Multi-Series Funds

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

(l) Valuation of Fund Units

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

(m) Securities Lending

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

3. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

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. CICA Handbook Section 3862 and Section 3863 disclosures that are specific to each of the Funds are presented in the Discussion on Financial Risk Management under the Statement of Investments. The sensitivity analysis shown in the Discussion on Financial Risk Management may differ from actual results and the difference could be significant.

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

(a) Credit Risk

Credit risk is the risk that a counterparty to a financial instrument will fail to discharge a commitment that it has entered into with the Funds. The fair value of a financial instrument takes into account the credit rating of its issuer, and accordingly, represents the maximum credit risk exposure of a Fund. The Fund's main credit risk concentration is in debt securities and trading derivative instruments which are exposed in the respective Fund's Statement 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.

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

3. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT, continued

(c) Currency Risk

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. Currency risk arises from financial instruments (including cash and equivalents 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.

(d) Liquidity Risk

Liquidity risk is the risk that a Fund may not be able to settle or meet its obligation 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.

(e) 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.

4. UNITHOLDER CAPITAL

The Manager considers the Funds' capital to consist of unitholders' equity representing the net assets. 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 period are reflected in the Statements of Changes in Net Assets. The Funds have no specific restrictions or specific capital requirements on the subscriptions and redemptions of units, other than minimum subscription requirements. The Funds endeavor to invest the subscriptions received in appropriate investments while maintaining sufficient liquidity to meet redemptions. Unitholders are entitled to distributions when declared. Distributions on units of a Fund are reinvested in additional units of the Fund or at the option of the unitholders, paid in cash. Units of the Funds are redeemable at the option of the unitholders in accordance with the prospectus.

	Series A		Series F	
	2009	**2008**	**2009**	**2008**
CHOU ASSOCIATES FUND				
Units outstanding, beginning of the year	7,620,577	8,051,058	573,132	667,640
Add: Units issued during the year	198,277	482,501	71,767	114,175
Deduct: Units redeemed during the year	(1,103,965)	(1,253,133)	(235,203)	(235,818)
Units outstanding before income distribution	6,714,889	7,280,426	409,696	545,997
Add: Units issued on reinvested income	146,639	340,151	9,354	27,135
Units outstanding, end of the year	6,861,528	7,620,577	419,050	573,132
CHOU ASIA FUND				
Units outstanding, beginning of the year	4,626,077	4,784,598	94,206	125,524
Add: Units issued during the year	370,829	616,600	103,128	88,219
Deduct: Units redeemed during the year	(889,566)	(972,504)	(32,052)	(123,352)
Units outstanding before income distribution	4,107,340	4,428,694	165,282	90,391
Add: Units issued on reinvested income	76,527	197,383	4,483	3,815
Units outstanding, end of the year	4,183,867	4,626,077	169,765	94,206
CHOU EUROPE FUND				
Units outstanding, beginning of the year	1,157,290	1,173,236	43,097	63,862
Add: Units issued during the year	45,875	192,547	928	7,449
Deduct: Units redeemed during the year	(166,111)	(270,687)	(9,323)	(30,659)
Units outstanding before income distribution	1,037,054	1,095,096	34,702	40,652
Add: Units issued on reinvested income	104,241	62,194	3,655	2,445
Units outstanding, end of the year	1,141,295	1,157,290	38,357	43,097

4. UNITHOLDER CAPITAL, continued

	Series A		Series F	
	2009	2008	2009	2008
CHOU BOND FUND				
Units outstanding, beginning of the year	7,153,342	6,660,305	1,170,405	925,972
Add: Units issued during the year	672,766	1,431,299	592,000	484,006
Deduct: Units redeemed during the year	(1,404,564)	(1,719,339)	(290,413)	(372,451)
Units outstanding before income distribution	6,421,544	6,372,265	1,471,992	1,037,527
Add: Units issued on reinvested income	379,463	781,077	84,809	132,878
Units outstanding, end of the year	6,801,007	7,153,342	1,556,801	1,170,405
CHOU RRSP FUND				
Units outstanding, beginning of the year	8,407,207	9,573,239	263,736	419,985
Add: Units issued during the year	173,249	370,434	16,545	62,356
Deduct: Units redeemed during the year	(1,870,494)	(2,852,995)	(111,861)	(256,711)
Units outstanding before income distribution	6,709,962	7,090,678	168,420	225,630
Add: Units issued on reinvested income	106,034	1,316,529	3,217	38,106
Units outstanding, end of the year	6,815,996	8,407,207	171,637	263,736

5. DUE TO RELATED PARTY

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

	2009	2008
Chou Associates Fund	$ 655,474	$ 622,927
Chou Asia Fund	83,390	84,450
Chou Europe Fund	11,645	-
Chou Bond Fund	71,742	60,158
Chou RRSP Fund	145,256	171,698

6. MANAGEMENT FEES AND EXPENSES

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

The amount of the investment management fee is discretionary and is subject to the limits above. In 2008, the investment management fee charged to Chou Europe Fund and Chou Bond Fund by the Manager was less than the maximum amount permitted.

7. RECONCILIATION OF TRANSACTIONAL NAV TO GAAP NET ASSETS

The table below provides a comparison of the GAAP Net Assets per unit and Transactional NAV per unit. The primary reason for the difference between the GAAP Net Assets per unit and Transactional NAV per unit is described in Note 2.

		Net Asset Value ($)			Net Asset Value per Unit ($)		
	Series	Transactional NAV	Section 3855 Adjustment	GAAP Net Assets	Transactional NAV	Section 3855 Adjustment	GAAP Net Assets
Chou Associates	A	469,714,347	(767,936)	468,946,411	68.46	(0.12)	68.34
Fund	F	28,635,901	(46,763)	28,589,138	68.34	(0.12)	68.22
Chou Asia	A	61,236,128	(447,888)	60,788,240	14.64	(0.11)	14.53
Fund	F	2,493,396	(18,090)	2,475,306	14.69	(0.11)	14.58
Chou Europe	A	8,525,272	(31,787)	8,493,485	7.47	(0.03)	7.44
Fund	F	289,099	(1,073)	288,026	7.54	(0.03)	7.51
Chou Bond	A	57,878,022	(85,802)	57,792,220	8.51	(0.01)	8.50
Fund	F	13,236,255	(19,551)	13,216,704	8.50	(0.01)	8.49
Chou RRSP	A	117,574,938	(1,493,260)	116,081,678	17.25	(0.22)	17.03
Fund	F	2,959,748	(37,460)	2,922,288	17.24	(0.21)	17.03

8. BROKERS' COMMISSIONS

Total commissions paid to brokers in connection with portfolio transactions for the year ended December 31, 2009 and for the year ended December 31, 2008 are as follows:

	2009	2008
Chou Associates Fund	$ 233,398	$ 273,517
Chou Asia Fund	51,537	27,098
Chou Europe Fund	6,422	7,490
Chou Bond Fund	6,994	1,583
Chou RRSP Fund	105,951	79,610

9. RELATED PARTY TRANSACTIONS

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

10. INCOME TAXES

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

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

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

Chou Associates Fund	$ 45,321,728
Chou Asia Fund	1,783,170
Chou Europe Fund	2,492,409
Chou Bond Fund	12,797,752
Chou RRSP Fund	9,190,416

11. CHANGEOVER TO INTERNATIONAL FINANCIAL REPORTING STANDARDS

The Accounting Standards Board ("AcSB") has confirmed that effective January 1, 2011, International Financial Reporting Standards ("IFRS") will replace Canadian GAAP for publicly accountable enterprises, which includes investment funds. IFRS will apply to financial years beginning on or after January 1, 2011 and will be applicable to the Funds for the fiscal year beginning July 1, 2011.

The Manager has already initiated the process of developing its IFRS change-over plan by performing an impact assessment and identifying differences between current Canadian GAAP and IFRS. The process of evaluating the potential impact of IFRS on the financial statements is ongoing as the International Accounting Standards Board and the AcSB continue to issue new standards and recommendations.

Based on the Manager's current evaluation of the differences between Canadian GAAP and IFRS, the Manager expects that the impact of IFRS on the funds' financial statements will be additional disclosures and potentially different presentation of certain items.

NOTES

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CHOU RRSP FUND
(unaudited)

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

Period ended	Value of initial $10,000 investment	Value of cumulative reinvested capital distributions	Value of cumulative reinvested dividends	Total value of shares
Dec.31, 1986	$10,000	0	0	10,000
Dec.31, 1987	9,980	187	650	10,818
Dec.31, 1988	10,709	553	1,018	12,281
Dec.31, 1989	11,530	1,308	1,512	14,350
Dec.31, 1990	9,272	1,314	2,136	12,722
Dec.31, 1991	9,342	1,324	2,618	13,284
Dec.31, 1992	10,069	1,427	3,004	14,500
Dec.31, 1993	11,616	1,646	3,465	16,727
Dec.31, 1994	10,131	1,436	3,394	14,961
Dec.31, 1995	11,764	1,667	4,377	17,808
Dec.31, 1996	14,335	2,032	5,368	21,735
Dec.31, 1997	19,953	4,048	8,740	32,741
Dec.31, 1998	17,421	12,259	9,126	38,806
Dec.31, 1999	15,467	11,914	8,836	36,217
Dec.31, 2000	16,931	13,580	11,677	42,188
Dec.31, 2001	19,135	16,493	13,742	49,370
Dec.31, 2002	22,735	24,861	17,499	65,095
Dec.31, 2003	24,871	28,059	19,728	72,658
Dec.31, 2004	27,896	32,038	22,429	82,362
Dec.31, 2005	31,259	37,164	26,871	95,294
Dec.31, 2006	33,326	39,622	31,531	104,479
Dec.31, 2007	27,859	38,841	28,117	94,817
Dec.31, 2008	13,510	18,836	22,283	54,629
Dec.31, 2009	16,995	23,693	29,130	**$ 69,818**

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

The table is used only to illustrate the effects of the compound growth rate and is not intended to reflect future values of the mutual funds or returns on the mutual funds.

Commissions, trailing commissions, management fees and expenses all may be associated with mutual fund investments. Please read the prospectus before investing.

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