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

ANNUAL REPORT **2011**

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

CHOU ASSOCIATES FUND

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
Dec.31, 2010	37,243	46,722	52,951	136,916
Dec.31, 2011	30,359	38,086	45,331	**$113,776**

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

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

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

CHOU FUNDS

PERFORMANCE OF THE FUNDS

(Series A units)	December 31						
	2011	**2010**	**2009**	**2008**	**2007**	**2006**	**2005**
Chou Associates Fund							
Total Return	-16.90%	19.21%	29.70%	-29.30%	-10.22%	18.77%	13.70%
Management Expense Ratio (MER)	1.84%	1.79%	1.76%	1.73%	1.70%	1.74%	1.75%
Portfolio turnover rate	32.73%	11.29%	13.73%	21.58%	16.61%	14.60%	10.00%
Net Assets, end of the year (in millions)	$ 391.9	$ 530.6	$ 497.5	$ 440.6	$ 697.1	$ 650.2	$ 345.8
Chou Asia Fund							
Total Return	-4.55%	10.41%	21.71%	-17.60%	16.25%	15.15%	7.00%
Management Expense Ratio (MER)	1.84%	1.81%	1.76%	1.72%	1.72%	1.77%	1.76%
Portfolio turnover rate	8.36%	9.48%	12.84%	13.51%	47.68%	35.00%	44.00%
Net Assets, end of the year (in millions)	$ 48.1	$ 62.1	$ 63.2	$ 57.8	$ 76.4	$ 43.8	$ 32.2
Chou Europe Fund							
Total Return	-4.90%	-0.85%	34.67%	-44.00%	-15.14%	10.70%	11.35%
Management Expense Ratio (MER)	*0.17%	1.91%	1.80%	*-2.88%	*1.63%	1.78%	1.84%
Portfolio turnover rate	14.53%	11.29%	40.06%	29.71%	26.98%	36.80%	33.00%
Net Assets, end of the year (in millions)	$ 6.5	$ 8.2	$ 8.8	$ 7.3	$ 14.3	$ 17.4	$ 12.8
Chou Bond Fund							
Total Return	-18.40%	32.69%	42.45%	-37.70%	-2.65%	22.00%	
Management Expense Ratio (MER)	1.47%	1.43%	1.39%	*0.50%	1.34%	*0.40%	
Portfolio turnover rate	33.88%	67.64%	61.00%	46.02%	36.52%	5.30%	
Net Assets, end of the year (in millions)	$ 50.1	$ 76.9	$ 71.0	$ 52.7	$ 87.0	$ 36.4	
Chou RRSP Fund							
Total Return	-20.73%	46.62%	27.80%	-42.40%	-9.25%	9.63%	15.70%
Management Expense Ratio (MER)	1.83%	1.80%	1.77%	1.73%	*1.62%	1.74%	1.75%
Portfolio turnover rate	2.96%	9.94%	27.54%	26.85%	12.01%	24.40%	22.70%
Net Assets, end of the year (in millions)	$ 100.0	$ 149.6	$ 119.0	$ 118.9	$ 282.6	$ 333.7	$ 298.8

*Management fee after waivers and absorption

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

TABLE OF CONTENTS

CHOU ASSOCIATES FUND

(unaudited)

March 16, 2012

Dear Unitholders of Chou Associates Fund,

After the distribution of $1.28, the net asset value ("NAVPU" or "NAV") of a Series A unit of Chou Associates Fund at December 31, 2011 was $65.94 compared to $80.89 at December 31, 2010, a decrease of 16.9%; during the same period, the S&P 500 Total Return Index increased 4.4% in Canadian dollars. In $US, a Series A unit of Chou Associates Fund decreased 18.8% while the S&P 500 Total Return Index increased 2.1%.

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

December 31, 2011 (Series A)	**1 Year**	**3 Years**	**5 Years**	**10 Years**	**15 Years**
Chou Associates ($CAN)	-16.9%	8.7%	-4.0%	4.9%	8.3%
S&P 500 ($CAN)	4.4%	7.4%	-2.9%	-1.6%	3.4%
Chou Associates ($US)[1]	-18.8%	15.5%	-1.3%	9.7%	10.4%
S&P 500 ($US)	2.1%	14.1%	-0.3%	2.9%	5.5%

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

Factors Influencing the 2011 Results

The majority of the losses incurred by the Fund were related to our investments in the retail and financial sectors. 2011 was a year in which macro events, such as concerns about the sustainability of the economic recovery in the U.S., uncertainty in Europe, and growing concerns of a slowdown in China, made stocks that we still believe are undervalued go down further.

Positive contributors to the Fund's performance were equity securities of Sanofi, Watson Pharmaceuticals, Valeant Pharmaceuticals, and the debt securities of Level 3 Communications.

Securities that declined the most in 2011 were equity securities of Sears Holdings, Sprint Nextel, Overstock.com, AbitibiBowater, and Class A warrants of Bank of America.

In 2011, we identified a number of equities and non-investment grade debt securities that we view as undervalued.

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

In equities, we believe the financial, retail and pharmaceutical sectors are undervalued. Thus, as the prices of financial and retail sector equities fell during 2011, we added to our positions. We favour a basket approach versus concentrating on one or two stocks in any sector.

Investing in U.S. Financial Institutions

We continue to believe that most financial institutions are undervalued and present excellent, long-term investment opportunities.

Since 2010, we have invested in the common stocks of banks and in their TARP warrants. The latter are stock warrants that were issued to the U.S. Treasury by the banks when they received funds under TARP. These stock warrants give the holder the right to buy the bank's stock at a specific price. When the banks repaid TARP funds to the U.S. Treasury, the U.S. Treasury either sold the stock warrants back to the banks or auctioned them to the public.

In 2011, stock prices and their associated TARP warrants declined further, giving us the opportunity to buy more of them. In a letter I wrote two years ago, I explained our rationale for buying them. Those reasons are still valid and I'd like to revisit them.

It has been five years since the financial crisis began in 2007. As each year has gone by, the quality of bank earnings has improved, the books have become cleaner, the risks have become lower, and bank management has become far more risk averse. It is too bad that we had to go through so much turmoil to get there.

It's heartening to know that Stress Test Results announced by the Federal Reserve on March 13, 2012, show that today the majority of the largest U.S. banks have sufficient capital reserves to withstand the large losses that would result from the extreme economic conditions of the stress test – a peak unemployment rate of 13 percent, a 50 percent drop in equity prices, and a 21 percent decline in housing prices.

Under these hypothetical conditions, losses at the 19 bank holding companies were estimated to total $534 billion during the nine quarters covered, and the aggregate Tier-1 common capital ratio, which compares high-quality capital to risk-weighted assets, fell from 10.1 percent in the third quarter of 2011 to 6.3 percent in the fourth quarter of 2013. In summary, the results show a significant increase in capital over the past three years, with 15 of the 19 bank holding companies maintaining capital ratios above all four of the regulatory minimum levels, even taking into account their plans for capital actions, such as paying dividends and buying back or issuing shares.

With the exception of Citigroup, all the banks whose common shares and/or TARP warrants we bought, exceeded the stress test requirements. For example, JPMorgan Chase, whose market cap is currently $170 billion, boosted its 2012 annual dividends to $4.58 billion and is authorized to buy back $15 billion of its stock, with $12 billion in buybacks authorized for the year 2012. In defense of Citigroup, it would have passed the test if it were not for its plans to return capital to shareholders through dividends and stock repurchases.

Depending on the price, we like the banks' TARP warrants because they have several characteristics that make them appealing long-term investments. Specifically, they are long dated, with most expiring around 2018-2019. This time frame of six-plus years allows banks to grow their intrinsic value to a high enough level to have an appreciable impact on the strike price of the stock warrant. In addition, we believe the strike price will be adjusted downward for any quarterly dividend that exceeds a set price. This is rarely seen in a stock warrant. An example: for Bank of

America class 'A' warrants, the strike price is adjusted downward for any quarterly dividend paid exceeding one cent a share.

Bank TARP warrants are complex, with terms and conditions that are unique to each bank. Thus we encourage you to research them for yourself and draw your own conclusions. The legalese is quite intimidating but there is some help on the way. Some banks have started to pay dividends that exceed a set price, and we are starting to see how anti-dilution clauses that were added to protect TARP warrant holders apply with regard to:

a) the adjustment of the strike price.
b) the number of shares you can purchase for each warrant you hold.

Europe

Even though Greece has reached a restructuring deal on its sovereign debt, we do not believe the Eurozone is out of the woods yet. Rather, it has only averted a short term disaster. This is not the first time that Greece has had to restructure its debt. Since 1800, Greece has spent roughly 50% of its time in default or debt rescheduling and Spain has spent approximately 23% of its time in default or debt rescheduling. At one time, we were led to believe that only emerging third world countries default on their sovereign debt, not long established democracies with duly elected governments and modern economies. In the end, the laws of economics prevail. If you have profligate spending, irresponsible government, high debt levels relative to the GDP, there comes a tipping point when economic reality sets in.

Looking ahead 10 years, we expect Euro countries' GDPs to be higher than they are now, but getting there won't be a smooth ride. The best protection for investors, in my opinion, is to buy solid companies, whose intrinsic value will grow with time. It is difficult to predict what will happen to the Euro, except to say the EU needs to undergo deep structural reform to solve its problems. Getting the sovereign debt of Greece restructured buys them time but more needs to be done.

The Eurozone issues are serious and, if not resolved, they have the potential to negatively impact the global economy. Here is a funny story of a French tourist visiting Canada.

Pierre, an expensively attired middle-aged French tourist on his first trip to Toronto strolls into the bar of his 5-star hotel. The elegant hostess smiles, leads him to a table and beckons her prettiest server to take care of him.

They talk, flirt a little and she giggles a bit. When he draws her closer and whispers in her ear, she gasps and runs away. The hostess frowns then sends a more experienced waitress to the gentleman’s table.

They talk, flirt a little and giggle a bit. He whispers in her ear and she too screams, “No!” and walks away quickly.

The hostess is surprised that this ordinary looking man has asked for something so outrageous that two experienced waitresses would have nothing to do with him. Rather than alienate a high-powered customer, she asks Lucille, her seen-it-all, heard-it-all bartender, to take his order. They talk, flirt a little and Lucille even giggles a bit. When he whispers in her ear, she screams, “NO WAY, BUDDY!” then smacks him as hard as she can and leaves.

The hostess is now intrigued, having seen nothing like this in all her years working in bars. It's been a while since she waited on tables, but she's confident she still knows how to say no to a man without offending him. Besides, she has to find out what this man wants that makes her girls so angry. She also sees a chance to teach her girls a lesson in managing men with tact and diplomacy.

So she goes to Pierre's table, wishes him a pleasant evening and tells him she'll personally take care of his needs. Although it's against the rules for bar staff to sit with customers, as the hostess, she exempts herself. They flirt a little, giggle a bit and talk.

Pierre leans forward and whispers in her ear, "Can I pay in Euros?"

Investing in China a Conundrum
Companies based in China are regarded with grave suspicion that makes investors skeptical about the cash on their balance sheets. All things being equal and their revenues coming from the U.S. or Canada, these companies would be considered undervalued even at stock prices 50% to 100% higher. For example, take a look at Qiao Xing Mobile Communication (QXM), a company in which we have holdings. If we look only at its June 30, 2011 balance sheet, without putting any value to their operations, we see the following positives:

1) Net cash per share of approximately $6.20 compared to the stock price of 98-cents on December 30, 2011. Another way to look at it is that you can buy this company for approximately $55 million and get approximately $328 million in net cash.
2) Net-net working capital per share of approximately $7.40.
3) Book value per share of approximately $6.98.
4) On September 8, 2010, Qiao Xing Universal Resource (XING), the parent company, offered to buy out the minority shareholders of QXM for 1.9 shares of XING plus 80 cents in cash. The stock price of XING, which is listed on the NYSE, traded between $1.45 and $3.55 per share from the offer date to the end of 2010. This means the value of the offer was fluctuating roughly between $3.55 ($1.45 x 1.9 + $0.80) and $7.55 per share. Unfortunately, on April 7, 2011, the offer was rejected by the minority shareholders of QXM. Since then, the stock price of QXM has plummeted from $4.32 to below a dollar.
5) It is listed on the New York Stock Exchange.
6) It is currently audited by Crowe Horwath, a recognized international auditing firm. Crowe Horwath LLP is one of the largest public accounting and consulting firms in the United States.

The negatives are not as obvious, but deserving of caution. Key among them:

1) The founder and CEO has taken some questionable actions. Since China's business environment is a bit like the Wild West, it is difficult to find companies and/or management with a totally pristine reputation. Moreover, a lot of businesses, including Qiao Xing's, are intertwined.
2) Most of the cash is held in China. Cash may not be accurately stated or it cannot be repatriated to North America in an economically efficient manner.
3) Most revenue numbers cannot be verified.
4) Accounting for receipts is not a common practice in China.
5) You cannot verify the company's numbers even though it retains a well known accounting firm, is listed on NYSE, and thus must adhere to strict compliance and accounting standards.

There are a number of firms doing business in China that have similar characteristics. They are also extremely cheap, and as I've said, if their stock prices were 50% to 100% higher, and if their businesses operated in U.S. or Canada, they would be considered undervalued. Yet, while they raise red flags, we think we can invest prudently in China if we use a basket approach, keep our positions appropriately sized and closely monitor developments at the companies.

Other Matters

NAME CHANGE OF THE AUDITORS: As a result of a merger effective March 1, 2012, our auditors Burns Hubley LLP are now known as KPMG LLP. The auditors' report has been signed accordingly.

FOREIGN CURRENCY CONTRACTS: None existed at December 31, 2011.

CREDIT DEFAULT SWAPS: None existed at December 31, 2011.

CONSTANT MATURITY SWAPS: None existed at December 31, 2011.

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

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

INDEPENDENT REVIEW COMMITTEE: The Manager has established an IRC as required by NI 81-107. The members of the IRC are Sandford Borins, Bruce Kerr and Joe Tortolano. The 2011 IRC Annual Report is available on our website www.choufunds.com.

As of March 16, 2012, the NAV of a Series A unit of the Fund was $79.47 and the cash position was 12.2% of net assets. The Fund is up 20.5% from the beginning of the year. In $US, it is up 23.6%. While 2012 is off to a good start, please do not extrapolate these returns into the future.

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

Yours truly,

Francis Chou

Francis Chou
Fund Manager

Management's Responsibility for Financial Reporting

To the unitholders of the Chou Funds:

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

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

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

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

KPMG LLP is the external auditor of the Chou Funds. They are appointed by the respective Boards and cannot be changed without the prior approval of the Independent Review Committee and on 60 days notice to the unitholders. KPMG LLP audits the financial statements in accordance with generally accepted auditing standards in Canada to enable them to express their opinion on the financial statements. Their audit report is included as an integral part of the financial statements.

Francis Chou

Francis Chou
Chou Associates Management Inc.
March 19, 2012

INDEPENDENT AUDITORS' REPORT

To the Trustee and Unitholders of The Chou Funds

We have audited the accompanying financial statements of Chou Associates Fund, Chou Asia Fund, Chou Europe Fund, Chou RRSP Fund, and Chou Bond Fund (collectively referred to as "The Chou Funds"), which comprise the statements of net assets as at December 31, 2011 and 2010, the statements of operations and changes in net assets for the years then ended, the statements of investments as at December 31, 2011, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian generally accepted accounting principles and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained from our audits is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, these financial statements present fairly, in all material respects, the net assets of The Chou Funds as at December 31, 2011 and 2010 and the results of their operations and changes in net assets for the years then ended and their statements of investments as at December 31, 2011 in accordance with Canadian generally accepted accounting principles.

KPMG LLP

Chartered Accountants, Licensed Public Accountants

March 19, 2012
Markham, Ontario

CHOU ASSOCIATES FUND
STATEMENTS OF NET ASSETS
AS AT DECEMBER 31, 2011 AND 2010

	2011	2010
ASSETS		
Cash	$ 60,157,241	$ 60,091,227
Accrued interest and dividend income	2,790,141	2,830,260
Receivable for units subscribed	241,352	701,146
Other receivable	438,935	208,978
Investments, at fair value	333,337,933	468,846,780
	396,965,602	532,678,391
LIABILITIES		
Accrued expenses	949,271	951,967
Payable for units redeemed	1,731,300	2,024,448
Distributions payable	334,904	194,430
Due to broker	2,046,578	-
	5,062,053	3,170,845
NET ASSETS	$ 391,903,549	$ 529,507,546
NET ASSETS, BY SERIES		
Series A	$ 366,286,195	$ 497,541,704
Series F	25,617,354	31,965,842
	$ 391,903,549	$ 529,507,546
NUMBER OF UNITS OUTSTANDING (Note 4)		
Series A	5,561,339	6,163,099
Series F	390,159	397,040
NET ASSETS PER UNIT (Note 7)		
Canadian dollars		
Series A	$ 65.86	$ 80.73
Series F	$ 65.66	$ 80.51
U.S. dollars		
Series A	$ 64.76	$ 81.20
Series F	$ 64.57	$ 80.98

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

Francis Chou

Tracy Chou

CHOU ASSOCIATES FUND

STATEMENTS OF OPERATIONS

FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010

	2011	2010
INVESTMENT INCOME		
Interest	$ 8,624,327	$ 10,586,005
Interest from securities lending	5,605,046	930,430
Income from derivatives	2,631,976	2,305,204
Dividends	1,871,884	3,287,399
	18,733,233	17,109,038
EXPENSES		
Management fees (Note 6)	8,050,863	8,071,164
Custodian fees	658,111	695,471
Foreign withholding taxes	194,862	326,425
Audit	59,226	51,130
Filing fees	54,600	53,727
FundSERV fees	24,467	26,233
Independent Review Committee fees	15,739	16,238
Legal	12,027	18,189
	9,069,895	9,258,577
NET INVESTMENT INCOME FOR THE YEAR	9,663,338	7,850,461
NET REALIZED AND UNREALIZED GAIN (LOSS) AND TRANSACTION COSTS		
Transaction costs	(414,124)	(657,976)
Net realized gain on sale of investments	27,286,193	34,525,943
Change in unrealized appreciation (depreciation) in value of investments	(118,014,431)	47,450,689
	(91,142,362)	81,318,656
INCREASE (DECREASE) IN NET ASSETS FROM OPERATIONS	$ (81,479,024)	$ 89,169,117
INCREASE (DECREASE) IN NET ASSETS FROM OPERATIONS		
Series A	$ (76,088,428)	$ 83,902,694
Series F	(5,390,596)	5,266,423
	$ (81,479,024)	$ 89,169,117
INCREASE (DECREASE) IN NET ASSETS FROM OPERATIONS, PER UNIT		
Series A	$ (13.05)	$ 12.95
Series F	$ (13.04)	$ 13.53

CHOU ASSOCIATES FUND
STATEMENTS OF CHANGES IN NET ASSETS
FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010

	2011	2010
SERIES A		
NET ASSETS, beginning of the year	$ 497,541,704	$ 468,946,411
Increase (decrease) in net assets from operations	(76,088,428)	83,902,694
Proceeds from issue of units	15,931,374	20,042,293
Payments on redemption of units	(70,877,316)	(75,173,937)
Distribution of income to unitholders		
Investment income	(6,993,557)	(4,364,109)
Reinvested distributions	6,772,418	4,188,352
NET ASSETS, end of the year	366,286,195	497,541,704
SERIES F		
NET ASSETS, beginning of the year	31,965,842	28,589,138
Increase (decrease) in net assets from operations	(5,390,596)	5,266,423
Proceeds from issue of units	5,956,665	8,178,485
Payments on redemption of units	(6,800,840)	(10,003,493)
Distribution of income to unitholders		
Investment income	(667,033)	(463,609)
Reinvested distributions	553,316	398,898
NET ASSETS, end of the year	25,617,354	31,965,842
TOTAL NET ASSETS, end of the year	$ 391,903,549	$ 529,507,546

CHOU ASSOCIATES FUND
STATEMENT OF INVESTMENTS
AS AT DECEMBER 31, 2011

	No. of Shares or Par Value	Cost	Market Value
SHARES*			
AbitibiBowater Inc.	1,658,386	$ 32,319,175	$ 24,521,709
Bank of America, warrants, Class A, Jan 16, 2019	6,900,000	40,628,161	14,104,116
Berkshire Hathaway Inc., Class A	300	31,639,836	34,932,322
Citigroup Inc.	410,000	10,358,742	10,961,630
Flagstone Reinsurance Holdings SA	1,500,000	17,582,635	12,615,297
Goldman Sachs Group Inc.	165,000	20,645,109	15,177,255
Int'l Automotive Components Group North America	1,094,922	120,507	111,348
JPMorgan Chase & Company, warrants, Oct 28, 2018	1,279,423	15,820,617	11,007,412
Media General Inc., Class A	879,182	19,875,032	3,638,932
Office Depot Inc.	2,348,501	8,097,385	5,110,992
Olympus Re Holdings Ltd.	1,652,836	176,537	1,899,367
Orchard Supply Hardware Stores Co., Class A	21,845	-	-
Orchard Supply Hardware Stores Co., Series A pfd	21,845	-	-
Overstock.com Inc.	1,594,709	32,096,886	12,682,034
Primus Telecommunications Group Inc.	451,022	2,274,167	5,788,390
RadioShack Corporation	1,294,071	15,953,718	12,752,126
Sanofi ADR	390,000	13,783,524	14,496,151
Sears Holdings Corporation	583,700	30,694,391	18,864,456
Sprint Nextel Corporation	6,123,200	22,170,958	14,508,920
The Gap Inc.	375,490	6,044,839	7,087,239
USG Corporation	400,000	2,784,260	4,136,963
Valeant Pharmaceuticals International Inc.	126,377	1,913,189	5,998,001
Watson Pharmaceuticals Inc.	635,400	18,447,292	38,977,076
Wells Fargo and Company, warrants, Oct 28, 2018	997,500	7,995,397	8,663,063
		351,422,357	278,034,799
BONDS			
Abitibi-Consolidated Inc., debt stubs	2,736,000	-	13,912
BAC Capital Trust XV, floating, Jun 1, 2056	4,500,000	2,242,758	2,718,314
Level 3 Comm. Inc., 15.0%, conv., Jan 15, 2013	30,250,000	36,708,938	35,172,051
Primus Telecomm Holdings, 10.0%, April 15, 2017	13,393,993	10,912,456	13,195,398
RH Donnelley Inc., term loans, Oct 24, 2014	11,171,316	8,721,801	4,203,459
		58,585,953	55,303,134
TOTAL EQUITIES AND BONDS		410,008,310	333,337,933
TRANSACTION COSTS		(414,124)	-
PORTFOLIO TOTAL		$ 409,594,186	$ 333,337,933

* Common shares unless indicated otherwise

Investment Objective and Strategies

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

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

Risk Management

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

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, 2011, the Fund invested approximately 14% 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:

	2011	**2010**
Less than 1 year	$ 13,912	$ 7,384,589
1-3 years	$ 39,375,510	$ 57,875,891
3-5 years	$ 0	$ 16,712,471
Greater than 5 years	$ 15,913,712	$ 0

As at December 31, 2011, 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 $1,148,000.

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 71% of the Fund's Net Assets held at December 31, 2011 were publicly traded equities. If equity prices on the exchange had increased or decreased by 5% as at December 31, 2011, the Net Assets of the Fund would have increased or decreased by approximately $13,902,000, or 3.5% of the Net Assets, all other factors remaining constant.

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

Foreign Currency Risk

Currencies to which the Fund had exposure as at December 31, 2011 are as follows:

	Financial Instruments ($)	Percentage of NAV (%)
United States Dollar	380,581,677	97.1%
Euro Currency	11,223,574	2.9%

The amounts in the above table are based on the market value of the Fund's financial instruments (including cash, cash equivalents and investments). Other financial assets (including accrued interest and dividend income, receivable for units subscribed, other receivable, and due from broker for investments sold) and financial liabilities (including accrued expenses, payable for units redeemed and distributions payable) 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 $3,919,000.

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

CHOU ASIA FUND

(unaudited)

March 16, 2012

Dear Unitholders of Chou Asia Fund,

After the distribution of $0.41, the net asset value ("NAVPU" or "NAV") of a Series A unit of Chou Asia Fund at December 31, 2011 was $13.77 compared to $14.85 at December 31, 2010, a decrease of 4.6%; during the same period, the MSCI AC (Morgan Stanley Capital International All Country) Asia Pacific Total Return Index in Canadian dollars was down 12.9%. In $US, a Series A unit of Chou Asia Fund was down 6.7% while the MSCI AC Asia Pacific Total Return Index was down 14.9%.

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

December 31, 2011 (Series A)	**1 Year**	**3 Years**	**5 Years**	**Since Inception**
Chou Asia ($CAN)	-4.6%	8.7%	4.2%	7.7%
MSCI AC Asia Pacific TR ($CAN)	-12.9%	4.7%	-4.3%	3.2%
Chou Asia ($US)[1]	-6.7%	15.4%	7.1%	11.4%
MSCI AC Asia Pacific TR ($US)	-14.9%	11.2%	-1.6%	6.7%

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

Factors Influencing the 2011 Results

2011 proved to be a challenging year for the Asian equity markets on a variety of fronts. The region suffered devastating natural disasters, such as the earthquake and tsunami in Japan, as well as massive floods in Thailand. In addition, China continued to raise interest rates in an attempt to engineer a soft landing. High rates of inflation, particularly in food and energy, continued to plague the region. The Asian markets and economies were also impacted by the sovereign debt crisis in Europe and uncertainty as to the strength and sustainability of the economic recovery in the United States.

Positive contributors to the Fund's performance were Chunghwa Telecom, BYD Company and Pyne Gould Corporation. Most of the declines were in the equity securities of AbitibiBowater, Delta Electronics, SK Telecom and UTStarcom Holdings Corp.

The Fund added shares of BYD Company Limited, BYD Electronic (International) Company Limited, China Yuchai International Limited, Pyne Gould Corporation Limited and Qiao Xing Mobile Communication Company Limited to the portfolio.

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

Investing in China a Conundrum

Companies based in China are regarded with grave suspicion that makes investors skeptical about the cash on their balance sheets. All things being equal and their revenues coming from the U.S. or Canada, these companies would be considered undervalued even at stock prices 50% to 100% higher. For example, take a look at Qiao Xing Mobile Communication (QXM), a company in which we have holdings. If we look only at its June 30, 2011 balance sheet, without putting any value to their operations, we see the following positives:

1) Net cash per share of approximately $6.20 compared to the stock price of 98-cents on December 30, 2011. Another way to look at it is that you can buy this company for approximately $55 million and get approximately $328 million in net cash.
2) Net-net working capital per share of approximately $7.40.
3) Book value per share of approximately $6.98.
4) On September 8, 2010, Qiao Xing Universal Resource (XING), the parent company, offered to buy out the minority shareholders of QXM for 1.9 shares of XING plus 80 cents in cash. The stock price of XING, which is listed on the NYSE, traded between $1.45 and $3.55 per share from the offer date to the end of 2010. This means the value of the offer was fluctuating roughly between $3.55 ($1.45 x 1.9 + $0.80) and $7.55 per share. Unfortunately, on April 7, 2011, the offer was rejected by the minority shareholders of QXM. Since then, the stock price of QXM has plummeted from $4.32 to below a dollar.
5) It is listed on the New York Stock Exchange.
6) It is currently audited by Crowe Horwath, a recognized international auditing firm. Crowe Horwath LLP is one of the largest public accounting and consulting firms in the United States.

The negatives are not as obvious, but deserving of caution. Key among them:

1) The founder and CEO has taken some questionable actions. Since China's business environment is a bit like the Wild West, it is difficult to find companies and/or management with a totally pristine reputation. Moreover, a lot of businesses, including Qiao Xing's, are intertwined.
2) Most of the cash is held in China. Cash may not be accurately stated or it cannot be repatriated to North America in an economically efficient manner.
3) Most revenue numbers cannot be verified.
4) Accounting for receipts is not a common practice in China.
5) You cannot verify the company's numbers even though it retains a well known accounting firm, is listed on NYSE, and thus must adhere to strict compliance and accounting standards.

There are a number of firms doing business in China that have similar characteristics. They are also extremely cheap, and as I've said, if their stock prices were 50% to 100% higher, and if their businesses operated in U.S. or Canada, they would be considered undervalued. Yet, while they raise red flags, we think we can invest prudently in China if we use a basket approach, keep our positions appropriately sized and closely monitor developments at the companies.

Other Matters

NAME CHANGE OF THE AUDITORS: As a result of a merger effective March 1, 2012, our auditors Burns Hubley LLP are now known as KPMG LLP. The auditors' report has been signed accordingly.

FOREIGN CURRENCY CONTRACTS: None existed at December 31, 2011.

CREDIT DEFAULT SWAPS: None existed at December 31, 2011.

CONSTANT MATURITY SWAPS: None existed at December 31, 2011.

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

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

INDEPENDENT REVIEW COMMITTEE: The Manager has established an IRC as required by NI 81-107. The members of the IRC are Sandford Borins, Bruce Kerr and Joe Tortolano. The 2011 IRC Annual Report is available on our website www.choufunds.com.

As of March 16, 2012, the NAV of a Series A unit of the Fund was $13.91 and the cash position was 32.6% of net assets. The Fund is up 1.0% from the beginning of the year. In $US, it is up 3.6%.

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
Fund Manager

CHOU ASIA FUND
STATEMENTS OF NET ASSETS
AS AT DECEMBER 31, 2011 AND 2010

	2011	2010
ASSETS		
Cash	$ 17,723,499	$ 31,808,770
Accrued interest and dividend income	128,572	83,241
Receivable for units subscribed	2,245	193,552
Due from broker	-	669,013
Investments, at fair value	30,504,004	29,716,567
	48,358,320	62,471,143
LIABILITIES		
Accrued expenses	84,547	110,715
Payable for units redeemed	142,528	204,522
Distributions payable	33,437	86,760
Due to broker	1,524	-
	262,036	401,997
NET ASSETS	$ 48,096,284	$ 62,069,146
NET ASSETS, BY SERIES		
Series A	$ 45,911,587	$ 58,921,609
Series F	2,184,697	3,147,537
	$ 48,096,284	$ 62,069,146
NUMBER OF UNITS OUTSTANDING (Note 4)		
Series A	3,348,296	3,970,464
Series F	158,974	211,782
NET ASSETS PER UNIT (Note 7)		
Canadian dollars		
Series A	$ 13.71	$ 14.84
Series F	$ 13.74	$ 14.86
U.S. dollars		
Series A	$ 13.48	$ 14.93
Series F	$ 13.51	$ 14.95

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

Francis Chou

Tracy Chou

CHOU ASIA FUND

STATEMENTS OF OPERATIONS

FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010

	2011	2010
INVESTMENT INCOME		
Dividends	$ 1,010,103	$ 737,554
Interest	29,330	544,418
Income from derivatives	-	646,531
Interest from securities lending	-	997
	1,039,433	1,929,500
EXPENSES		
Management fees (Note 6)	875,304	1,021,582
Foreign withholding taxes	110,289	95,484
Custodian fees	70,538	87,637
Filing fees	7,280	6,696
Audit	4,859	16,621
FundSERV fees	2,051	3,677
Independent Review Committee fees	1,707	1,780
Legal	-	2,727
	1,072,028	1,236,204
NET INVESTMENT INCOME (LOSS) FOR THE YEAR	(32,595)	693,296
NET REALIZED AND UNREALIZED GAIN (LOSS) AND TRANSACTION COSTS		
Transaction costs	(27,693)	(58,592)
Net realized gain on sale of investments	1,698,393	7,954,792
Change in unrealized depreciation in value of investments	(4,572,284)	(1,810,408)
	(2,901,584)	6,085,792
INCREASE (DECREASE) IN NET ASSETS FROM OPERATIONS	$ (2,934,179)	$ 6,779,088
INCREASE (DECREASE) IN NET ASSETS FROM OPERATIONS		
Series A	$ (2,778,668)	$ 6,483,573
Series F	(155,511)	295,515
	$ (2,934,179)	$ 6,779,088
INCREASE (DECREASE) IN NET ASSETS FROM OPERATIONS, PER UNIT		
Series A	$ (0.79)	$ 1.66
Series F	$ (0.85)	$ 1.64

CHOU ASIA FUND

STATEMENTS OF CHANGES IN NET ASSETS

FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010

	2011	2010
SERIES A		
NET ASSETS, beginning of the year	$ 58,921,609	$ 60,788,240
Increase (decrease) in net assets from operations	(2,778,668)	6,483,573
Proceeds from issue of units	1,994,663	3,753,900
Payments on redemption of units	(12,205,220)	(12,033,091)
Distribution of income to unitholders		
Investment income	(19,101)	(81,319)
Capital gains	(1,321,584)	(4,684,998)
Reinvested distributions	1,319,888	4,695,304
NET ASSETS, end of the year	45,911,587	58,921,609
SERIES F		
NET ASSETS, beginning of the year	3,147,537	2,475,306
Increase (decrease) in net assets from operations	(155,511)	295,515
Proceeds from issue of units	475,557	1,644,917
Payments on redemption of units	(1,270,246)	(1,252,455)
Distribution of income to unitholders		
Investment income	(11,759)	(27,367)
Capital gains	(62,812)	(249,158)
Reinvested distributions	61,931	260,779
NET ASSETS, end of the year	2,184,697	3,147,537
TOTAL NET ASSETS, end of the year	$ 48,096,284	$ 62,069,146

CHOU ASIA FUND
STATEMENT OF INVESTMENTS
AS AT DECEMBER 31, 2011

	No. of Shares or Par Value	Cost	Market Value
SHARES*			
AbitibiBowater Inc.	92,361	$ 2,469,280	$ 1,365,695
Able Chintai Holdings Inc.	804,900	2,009,845	4,062,407
AJIS Company Limited	15,200	213,157	235,972
BYD Company Limited, Class H	1,383,500	2,389,886	3,032,398
BYD Electronic (International) Company Limited	1,498,000	365,484	431,505
China Yuchai International Limited	25,537	341,981	357,346
Chunghwa Telecom Company Ltd. ADR	132,088	2,947,411	4,466,382
Delta Electronics (Thailand) Public Company Ltd.	1,763,300	897,401	1,227,277
Glacier Media Inc.	513,307	1,386,057	1,047,146
Hanfeng Evergreen Inc.	95,850	228,548	261,671
PRONEXUS Inc.	657,500	3,093,388	3,344,526
Pyne Gould Corporation Limited	7,293,713	1,605,930	1,965,695
Qiao Xing Mobile Communication Company Limited	1,584,397	1,803,394	1,546,806
Sankyo Company Ltd.	60,000	2,684,475	3,079,785
SK Telecom Company Ltd. ADR	170,000	3,795,157	2,354,652
UTStarcom Holdings Corporation	1,247,051	4,817,389	1,724,741
		31,048,783	30,504,004
TOTAL EQUITIES		31,048,783	30,504,004
TRANSACTION COSTS		(27,693)	-
PORTFOLIO TOTAL		$ 31,021,090	$ 30,504,004

* Common shares unless indicated otherwise

Investment Objective and Strategies

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

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

Risk Management

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

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 63.4% of the Fund’s Net Assets held at December 31, 2011 were publicly traded equities. If equity prices on the exchange had increased or decreased by 5% as at December 31, 2011, the Net Assets of the Fund would have increased or decreased by approximately $1,525,000, or 3.2% of the Net Assets, all other factors remaining constant.

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

Foreign Currency Risk

Currencies to which the Fund had exposure as at December 31, 2011 are as follows:

	Financial Instruments ($)	Percentage of NAV (%)
United States Dollar	22,101,039	46.0%
Japanese Yen	10,868,628	22.6%
HongKong Dollar	3,537,062	7.4%
New Zealand Dollar	2,027,880	4.2%
Thailand Baht	1,227,277	2.6%
Singapore Dollar	136,873	0.3%

The amounts in the previous table are based on the market value of the Fund's financial instruments (including cash, cash equivalents and investments). Other financial assets (including accrued interest and dividend income, receivable for units subscribed, and due from broker for investments sold) and financial liabilities (including accrued expenses, payable for units redeemed and distributions payable) 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 $400,000.

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

CHOU EUROPE FUND
(unaudited)

March 16, 2012

Dear Unitholders of Chou Europe Fund,

After the distribution of $0.19, the net asset value ("NAVPU" or "NAV") of a Series A unit of Chou Europe Fund at December 31, 2011 was $6.78 compared to $7.33 at December 31, 2010, a decrease of 4.9%; during the same period, the MSCI AC (Morgan Stanley Capital International All Country) Europe Total Return Index in Canadian dollars was down 9.2%. In $US, a Series A unit of Chou Europe Fund was down 7.0% while the MSCI AC Europe Total Return Index was down 11.2%.

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

December 31, 2011 (Series A)	1 Year	3 Years	5 Years	Since Inception
Chou Europe ($CAN)	-4.9%	8.3%	-9.6%	-1.5%
MSCI AC Europe TR ($CAN)	-9.2%	2.5%	-7.2%	2.9%
Chou Europe ($US)[1]	-7.0%	15.0%	-7.1%	1.9%
MSCI AC Europe TR ($US)	-11.2%	8.9%	-4.6%	6.4%

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

Factors Influencing the 2011 Results
The portfolio had gains in the holdings of Sanofi and Next PLC. Securities in the portfolio that declined most in 2011 were Aer Lingus Group, Topps Tiles, Nokia Corporation and the debt securities of Hellenic Republic.

The Fund added equity securities of Abbey PLC, Heracles General Cement, The Governor and Company of the Bank of Ireland, and the debt securities of Hellenic Republic and MannKind to the portfolio; on the sell side, the Fund sold all shares of CryptoLogic and all its debt securities of Global Crossing U.K. Finance.

Europe
Even though Greece has reached a restructuring deal on its sovereign debt, we do not believe the Eurozone is out of the woods yet. Rather, it has only averted a short term disaster. This is not the first time that Greece has had to restructure its debt. Since 1800, Greece has spent roughly 50% of its time in default or debt rescheduling and Spain has spent approximately 23% of its time in default or debt rescheduling. At one time, we were led to believe that only emerging third world countries

[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.

default on their sovereign debt, not long established democracies with duly elected governments and modern economies. In the end, the laws of economics prevail. If you have profligate spending, irresponsible government, high debt levels relative to the GDP, there comes a tipping point when economic reality sets in.

Looking ahead 10 years, we expect Euro countries' GDPs to be higher than they are now, but getting there won't be a smooth ride. The best protection for investors, in my opinion, is to buy solid companies, whose intrinsic value will grow with time. It is difficult to predict what will happen to the Euro, except to say the EU needs to undergo deep structural reform to solve its problems. Getting the sovereign debt of Greece restructured buys them time but more needs to be done.

The Eurozone issues are serious and, if not resolved, they have the potential to negatively impact the global economy. Here is a funny story of a French tourist visiting Canada.

Pierre, an expensively attired middle-aged French tourist on his first trip to Toronto strolls into the bar of his 5-star hotel. The elegant hostess smiles, leads him to a table and beckons her prettiest server to take care of him.

They talk, flirt a little and she giggles a bit. When he draws her closer and whispers in her ear, she gasps and runs away. The hostess frowns then sends a more experienced waitress to the gentleman’s table.

They talk, flirt a little and giggle a bit. He whispers in her ear and she too screams, “No!” and walks away quickly.

The hostess is surprised that this ordinary looking man has asked for something so outrageous that two experienced waitresses would have nothing to do with him. Rather than alienate a high-powered customer, she asks Lucille, her seen-it-all, heard-it-all bartender, to take his order. They talk, flirt a little and Lucille even giggles a bit. When he whispers in her ear, she screams, “NO WAY, BUDDY!” then smacks him as hard as she can and leaves.

The hostess is now intrigued, having seen nothing like this in all her years working in bars. It’s been a while since she waited on tables, but she’s confident she still knows how to say no to a man without offending him. Besides, she has to find out what this man wants that makes her girls so angry. She also sees a chance to teach her girls a lesson in managing men with tact and diplomacy.

So she goes to Pierre’s table, wishes him a pleasant evening and tells him she’ll personally take care of his needs. Although it’s against the rules for bar staff to sit with customers, as the hostess, she exempts herself. They flirt a little, giggle a bit and talk.

Pierre leans forward and whispers in her ear, “Can I pay in Euros?”

Other Matters

NAME CHANGE OF THE AUDITORS: As a result of a merger effective March 1, 2012, our auditors Burns Hubley LLP are now known as KPMG LLP. The auditors’ report has been signed accordingly.

MANAGEMENT FEE: Our record since inception has not been as stellar as we would have liked. As a result, I will not be charging management fees for the next three years, starting from January 1, 2011 through December 31, 2013.

FOREIGN CURRENCY CONTRACTS: None existed at December 31, 2011.

CREDIT DEFAULT SWAPS: None existed at December 31, 2011.

CONSTANT MATURITY SWAPS: None existed at December 31, 2011.

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

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

INDEPENDENT REVIEW COMMITTEE: The Manager has established an IRC as required by NI 81-107. The members of the IRC are Sandford Borins, Bruce Kerr and Joe Tortolano. The 2011 IRC Annual Report is available on our website www.choufunds.com.

As of March 16, 2012, the NAV of a Series A unit of the Fund was $7.36 and the cash position was 1.1% of net assets. The Fund is up 8.6% from the beginning of the year. In $US, it is up 11.3%.

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

Yours truly,

Francis Chou

Francis Chou
Fund Manager

CHOU EUROPE FUND

STATEMENTS OF NET ASSETS

AS AT DECEMBER 31, 2011 AND 2010

	2011	2010
ASSETS		
Cash	$ 92,167	$ 2,520,146
Accrued interest and dividend income	54,467	27,950
Investments, at fair value	6,451,820	5,739,027
	6,598,454	8,287,123
LIABILITIES		
Accrued expenses	6,452	20,775
Payable for units redeemed	47,328	36,537
Distributions payable	925	385
	54,705	57,697
NET ASSETS	$ 6,543,749	$ 8,229,426
NET ASSETS, BY SERIES		
Series A	$ 6,517,407	$ 7,344,730
Series F	26,342	884,696
	$ 6,543,749	$ 8,229,426
NUMBER OF UNITS OUTSTANDING (Note 4)		
Series A	964,369	1,003,677
Series F	3,858	120,856
NET ASSETS PER UNIT (Note 7)		
Canadian dollars		
Series A	$ 6.76	$ 7.32
Series F	$ 6.83	$ 7.32
U.S. dollars		
Series A	$ 6.65	$ 7.36
Series F	$ 6.72	$ 7.36

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

Francis Chou

Tracy Chou

CHOU EUROPE FUND
STATEMENTS OF OPERATIONS
FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010

	2011	2010
INVESTMENT INCOME		
Dividends	$ 199,005	$ 210,541
Interest	34,004	84,054
Interest from securities lending	-	43
	233,009	294,638
EXPENSES		
Management fees (Note 6)	122,945	130,050
Foreign withholding taxes	22,438	30,777
Custodian fees	9,976	13,411
Audit	2,429	6,960
FundSERV fees	272	475
Independent Review Committee fees	243	229
Filing fees	109	1,015
Legal	-	454
	158,412	183,371
Expenses waived by the Manager (note 6)	(122,945)	-
	35,467	183,371
NET INVESTMENT INCOME FOR THE YEAR	197,542	111,267
NET REALIZED AND UNREALIZED GAIN (LOSS) AND TRANSACTION COSTS		
Transaction costs	(1,661)	(5,093)
Net realized gain (loss) on sale of investments	(1,746,900)	574,340
Change in unrealized appreciation (depreciation) in value of investments	1,154,825	(754,305)
	(593,736)	(185,058)
DECREASE IN NET ASSETS FROM OPERATIONS	$ (396,194)	$ (73,791)
DECREASE IN NET ASSETS FROM OPERATIONS		
Series A	$ (349,639)	$ (67,628)
Series F	(46,555)	(6,163)
	$ (396,194)	$ (73,791)
DECREASE IN NET ASSETS FROM OPERATIONS, PER UNIT		
Series A	$ (0.36)	$ (0.06)
Series F	$ (0.75)	$ (0.17)

CHOU EUROPE FUND
STATEMENTS OF CHANGES IN NET ASSETS
FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010

	2011	2010
SERIES A		
NET ASSETS, beginning of the year	$ 7,344,730	$ 8,493,485
Decrease in net assets from operations	(349,639)	(67,628)
Proceeds from issue of units	204,549	177,214
Payments on redemption of units	(681,308)	(1,258,082)
Distribution of income to unitholders		
Investment income	(179,135)	(79,659)
Reinvested distributions	178,210	79,400
NET ASSETS, end of the year	6,517,407	7,344,730
SERIES F		
NET ASSETS, beginning of the year	884,696	288,026
Decrease in net assets from operations	(46,555)	(6,163)
Proceeds from issue of units	-	682,208
Payments on redemption of units	(811,799)	(79,375)
Distribution of income to unitholders		
Investment income	(472)	(21,924)
Reinvested distributions	472	21,924
NET ASSETS, end of the year	26,342	884,696
TOTAL NET ASSETS, end of the year	$ 6,543,749	$ 8,229,426

CHOU EUROPE FUND
STATEMENT OF INVESTMENTS
AS AT DECEMBER 31, 2011

	No. of Shares or Par Value	Cost	Market Value
SHARES*			
Abbey PLC	60,000	$ 431,077	$ 395,632
Aer Lingus Group PLC	300,000	273,841	247,666
AstraZeneca PLC	13,000	701,770	609,606
BP PLC ADR	10,000	313,497	434,646
GlaxoSmithKline PLC	28,000	764,303	650,638
Heracles General Cement Company S.A.	5,887	36,499	13,742
Next PLC	18,000	581,417	778,245
Nokia Corporation ADR	30,000	361,778	146,746
Ryanair Holdings PLC ADR	27,000	760,022	764,148
Sanofi ADR	20,000	884,093	743,392
The Governor and Company of the Bank of Ireland	3,400,000	383,114	372,158
Topps Tiles PLC	370,000	513,589	146,120
Vodafone Group PLC ADR	10,000	198,082	284,950
		6,203,082	5,587,689
BONDS			
Hellenic Republic, 4.6%, Sep 20, 2040	1,380,000	616,191	317,010
MannKind Corp., conv. 3.75%, Dec 15, 2013	1,000,000	536,600	547,121
		1,152,791	864,131
TOTAL EQUITIES AND BONDS		7,355,873	6,451,820
TRANSACTION COSTS		(1,661)	-
PORTFOLIO TOTAL		$ 7,354,212	$ 6,451,820

* Common shares unless indicated otherwise

Investment Objective and Strategies

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

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

Risk Management

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

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, 2011, the Fund invested approximately 13.2% 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:

	2011	2010
Less than 1 year	$ 0	$ 0
1-3 years	$ 547,121	$ 0
3-5 years	$ 0	$ 653,024
Greater than 5 years	$ 317,010	$ 0

As at December 31, 2011, 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 $132,000.

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 85.4% of the Fund's Net Assets held at December 31, 2011 were publicly traded equities. If equity prices on the exchange had increased or decreased by 5% as at December 31, 2011, the Net Assets of the Fund would have increased or decreased by approximately $279,000, or 4.3% 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, 2011 are as follows:

	Financial Instruments ($)	Percentage of NAV (%)
United States Dollar	2,935,404	44.9%
Sterling Pound	2,184,609	33.4%
Euro Currency	1,346,208	20.6%

The amounts in the above table are based on the market value of the Fund's financial instruments (including cash, cash equivalents and investments). Other financial assets (including accrued interest and dividend income, and due from broker for investments sold) and financial liabilities (including accrued expenses, payable for units redeemed and distributions payable) 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 $65,000.

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

CHOU BOND FUND
(unaudited)

March 16, 2012

Dear Unitholders of Chou Bond Fund,

After the distribution of $0.80, the net asset value ("NAVPU" or "NAV") of a Series A unit of Chou Bond Fund at December 31, 2011 was $8.00 compared to $10.78 at December 31, 2010, a decrease of 18.4%; during the same period, Citigroup WGBI (World Government Bond Index) All Maturities ($CAN) returned 9.0% and Barclays U.S. Corporate High Yield Index ($CAN) returned 7.6%. In $US, a Series A unit of Chou Bond Fund was down 20.2% while Citigroup WGBI All Maturities returned 6.4% and Barclays U.S. Corporate High Yield Index returned 5.0%.

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

December 31, 2011 (Series A)	**1 Year**	**3 Years**	**5 Years**	**Since Inception**
Chou Bond ($CAN)	-18.4%	15.5%	-1.3%	2.7%
Citigroup WGBI ($CAN)	9.0%	-1.8%	4.3%	4.1%
Barclays' U.S. High Yield ($CAN)	7.6%	16.4%	4.7%	5.2%
Chou Bond ($US) [1]	-20.2%	22.7%	1.4%	5.2%
Citigroup WGBI ($US)	6.4%	4.7%	7.1%	6.3%
Barclays' U.S High Yield ($US)	5.0%	24.1%	7.5%	7.8%

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

Factors Influencing the 2011 Results

2011 was a year in which macro events, such as concerns about the sustainability of the economic recovery in the U.S., uncertainty in Europe, and growing concerns of a slowdown in China, made the debt securities that we still believe are undervalued go down further.

The debt securities of Level 3 Communications and MBIA Insurance Company contributed the most to the Fund's performance during the year.

We suffered declines in the debt securities of CompuCredit, Dex One Corporation, Catalyst Paper, Goldman Sachs and equity securities of AbitibiBowater.

The Fund added the debt securities of the following companies to the portfolio: Media General, Morris Publishing Group, Dex Media West, MBIA Insurance, and Hellenic Republic.

[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 Fund sold all its holdings in the following debt securities: Wells Fargo, McClatchy Company, Global Crossing U.K. Finance, Overstock.com and Clark Inc.

AbitibiBowater Inc.

All of our equity securities in the Chou Bond Fund came from the restructuring of debt securities; we did not buy them directly.

The common stock of AbitibiBowater (ABH) did not do well in 2011. We received most of the ABH shares from our holdings of Abitibi-Consolidated 15.5% when it emerged from bankruptcy on December 9, 2010. We bought the 15.5% bonds at discounted prices between 25.5 cents and 27 cents on the dollar. When it emerged from bankruptcy, we received 4.1723 shares of ABH per $100 of bonds. With the ABH shares trading for $21.75, the value of the 15.5% bonds was equivalent to $90.75 (4.1723 x $21.75) and at year-end 2010, this looked like a big winner. However, the stock price went down to $14.55 on December 30, 2011, a decline that really hurt our overall performance. In spite of this, we believe the stock is extremely cheap as it has a book value of $35, low debt, huge tax loss carry forwards, will not be paying taxes for years, and highly capable management. Our policy is to hold shares we get from debt restructuring when we believe them to be undervalued.

We had two terrific years in 2009 and 2010, with gains of 42.5% and 32.7% respectively. In 2011, we gave back some of those gains. Of course we don't like such volatile returns, but believe 2011 was one of those years, in which, if there was a chance things wouldn't work out, they just didn't.

Other Matters

NAME CHANGE OF THE AUDITORS: As a result of a merger effective March 1, 2012, our auditors Burns Hubley LLP are now known as KPMG LLP. The auditors' report has been signed accordingly.

FOREIGN CURRENCY CONTRACTS: None existed at December 31, 2011.

CREDIT DEFAULT SWAPS: None existed at December 31, 2011.

CONSTANT MATURITY SWAPS: None existed at December 31, 2011.

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 2011 IRC Annual Report is available on our website www.choufunds.com.

As of March 16, 2012, the NAV of a Series A unit of the Fund was $8.42 and the cash position was 1.3% of net assets. The Fund is up 5.3% from the beginning of the year. In $US, it is up 7.9%.

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

Yours truly,

Francis Chou

Francis Chou
Fund Manager

CHOU BOND FUND
STATEMENTS OF NET ASSETS
AS AT DECEMBER 31, 2011 AND 2010

	2011	2010
ASSETS		
Cash	$ -	$ 12,320,503
Accrued interest income	1,272,920	765,323
Receivable for units subscribed	35,650	88,016
Other receivable	-	2,952
Due from broker	1,111,709	-
Investments, at fair value	48,711,761	63,929,847
	51,132,040	77,106,641
LIABILITIES		
Bank overdraft	382,993	-
Accrued expenses	76,781	104,837
Payable for units redeemed	456,353	177,304
Distributions payable	136,313	125,323
	1,052,440	407,464
NET ASSETS	$ 50,079,600	$ 76,699,177
NET ASSETS, BY SERIES		
Series A	$ 40,640,518	$ 59,957,942
Series F	9,439,082	16,741,235
	$ 50,079,600	$ 76,699,177
NUMBER OF UNITS OUTSTANDING (Note 4)		
Series A	5,091,719	5,575,084
Series F	1,181,760	1,559,793
NET ASSETS PER UNIT (Note 7)		
Canadian dollars		
Series A	$ 7.98	$ 10.75
Series F	$ 7.99	$ 10.73
U.S. dollars		
Series A	$ 7.85	$ 10.82
Series F	$ 7.86	$ 10.80

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

Francis Chou

Tracy Chou

CHOU BOND FUND
STATEMENTS OF OPERATIONS
FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010

	2011	2010
INVESTMENT INCOME		
Interest	$ 5,536,289	$ 4,590,145
Interest from securities lending	1,469	15,379
Income from derivatives	-	1,492,972
	5,537,758	6,098,496
EXPENSES		
Management fees (Note 6)	821,221	923,447
Custodian fees	95,937	102,025
Filing fees	9,100	8,507
Audit	4,859	17,621
FundSERV fees	2,431	4,188
Independent Review Committee fees	2,173	1,992
Legal	-	3,183
	935,721	1,060,963
NET INVESTMENT INCOME FOR THE YEAR	4,602,037	5,037,533
NET REALIZED AND UNREALIZED GAIN (LOSS) AND TRANSACTION COSTS		
Transaction costs	(5,619)	(203,753)
Net realized gain on sale of investments	4,886,801	419,079
Change in unrealized appreciation (depreciation) in value of investments	(21,640,358)	16,034,689
	(16,759,176)	16,250,015
INCREASE (DECREASE) IN NET ASSETS FROM OPERATIONS	$ (12,157,139)	$ 21,287,548
INCREASE (DECREASE) IN NET ASSETS FROM OPERATIONS		
Series A	$ (9,514,603)	$ 16,936,246
Series F	(2,642,536)	4,351,302
	$ (12,157,139)	$ 21,287,548
INCREASE (DECREASE) IN NET ASSETS FROM OPERATIONS, PER UNIT		
Series A	$ (1.89)	$ 2.82
Series F	$ (1.89)	$ 2.79

CHOU BOND FUND
STATEMENTS OF CHANGES IN NET ASSETS
FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010

	2011	2010
SERIES A		
NET ASSETS, beginning of the year	$ 59,957,942	$ 57,792,220
Decrease in net assets from operations	(9,514,603)	16,936,246
Proceeds from issue of units	10,292,028	4,816,631
Payments on redemption of units	(19,981,658)	(19,476,781)
Distribution of income to unitholders		
Investment income	(3,712,133)	(2,734,589)
Reinvested distributions	3,598,942	2,624,215
NET ASSETS, end of the year	40,640,518	59,957,942
SERIES F		
NET ASSETS, beginning of the year	16,741,235	13,216,704
Decrease in net assets from operations	(2,642,536)	4,351,302
Proceeds from issue of units	1,838,292	1,666,163
Payments on redemption of units	(6,474,787)	(2,477,986)
Distribution of income to unitholders		
Investment income	(852,694)	(802,519)
Reinvested distributions	829,572	787,571
NET ASSETS, end of the year	9,439,082	16,741,235
TOTAL NET ASSETS, end of the year	$ 50,079,600	$ 76,699,177

CHOU BOND FUND
STATEMENT OF INVESTMENTS
AS AT DECEMBER 31, 2011

	No. of Units or Par Value	Cost	Market Value
SHARES*			
AbitibiBowater Inc.**	500,679	$ 4,521,115	$ 7,403,286
Compton Petroleum Corporation**	424,948	4,425,192	1,836,646
Postmedia Network Canada Corporation**	85,071	2,896,098	604,004
		11,842,405	9,843,936
BONDS			
ATP Oil & Gas Corp., 11.875%, May 1, 2015	2,000,000	1,438,358	1,337,293
Catalyst Paper Co., 11.0%, Dec 15, 2016	2,900,000	2,371,087	1,563,056
CompuCredit Holdings, 5.875%, Nov 30, 2035	13,150,000	5,820,982	5,482,900
Dex Media West LLC. , term loans, Oct 24, 2014	4,544,350	2,661,638	2,634,191
Dex One Corp., 12.0%, Jan 29, 2017	2,960,000	2,169,070	684,816
Goldman Sachs Capital II, 5.793%, Jun 1, 2043	4,000,000	1,868,917	2,511,873
Hellenic Republic, 4.6%, Sep 20, 2040	1,020,000	455,446	234,312
Level 3 Comm., 11.875%, Feb 1, 2019	780,000	727,789	842,799
Level 3 Comm., 6.50%, Oct 1, 2016	1,470,000	1,489,209	1,806,611
MannKind Corp., 3.75%, conv., Dec 15, 2013	8,900,000	5,471,392	4,869,372
MBIA Insurance Company, 14.0%, Jan 15, 2033	1,400,000	601,582	797,291
Media General Inc., 11.75%, Feb 15, 2017	1,700,000	1,608,361	1,661,828
MEGA Brands Inc., 10.0%, Mar 31, 2015	4,055,000	3,198,249	4,140,155
Morris Publishing Group, 10.0%, Sep 1, 2014	3,852,700	3,606,206	3,300,926
Primus Telecomm. Holdings, 10.0%, Apr 15, 2017	2,723,550	2,218,952	2,683,167
RH Donnelley Inc., term loans, Oct 24, 2014	5,432,398	4,437,628	2,044,062
Taiga Building Products Ltd., 14.0%, Sep 1, 2020	1,712,000	1,705,899	1,550,730
Texas Competitive Electric, 10.25%, Nov 1, 2015	2,000,000	1,932,609	722,443
		43,783,374	38,867,825
TOTAL EQUITIES AND BONDS		55,625,779	48,711,761
TRANSACTION COSTS		(5,619)	-
PORTFOLIO TOTAL		$ 55,620,160	$ 48,711,761

* Common shares unless indicated otherwise
** Shares received from debt restructuring

Investment Objective and Strategies

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

Risk Management

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

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, 2011, the Fund invested approximately 72.6% 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:

	2011	**2010**
Less than 1 year	$ 0	$ 4,771,796
1-3 years	$ 12,848,552	$ 11,795,364
3-5 years	$ 9,569,558	$ 11,660,264
Greater than 5 years	$ 16,449,715	$ 23,122,482

As at December 31, 2011, 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 $1,793,000.

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 19.7% of the Fund's Net Assets held at December 31, 2011 were publicly traded equities. If equity prices on the exchange had increased or decreased by 5% as at December 31, 2011, the Net Assets of the Fund would have increased or decreased by approximately $492,000, or 1.0% 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, 2011 are as follows:

	Financial Instruments ($)	Percentage of NAV (%)
United States Dollar	41,331,888	82.5%
Euro	234,312	0.5%

The amounts in the above table are based on the market value of the Fund's financial instruments (including cash, cash equivalents and investments). Other financial assets (including accrued interest income, receivable for units subscribed, and other receivable) and financial liabilities (including accrued expenses, payable for units redeemed and distributions payable) 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 $416,000.

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

CHOU RRSP FUND

(unaudited)

March 16, 2012

Dear Unitholders of Chou RRSP Fund,

After the distribution of $0.30, the net asset value ("NAVPU" or "NAV") of a Series A unit of Chou RRSP Fund at December 31, 2011 was $19.27 compared to $24.68 at December 31, 2010, a decrease of 20.7%; during the same period, the S&P/TSX Total Return Index decreased 8.7% in Canadian dollars. In $US, a Series A unit of Chou RRSP Fund decreased 22.5% while the S&P/TSX Total Return Index decreased 10.7%.

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

December 31, 2011 (Series A)	1 Year	3 Years	5 Years	10 Years	15 Years
Chou RRSP ($CAN)	-20.7%	14.1%	-4.9%	5.1%	9.2%
S&P/TSX ($CAN)	-8.7%	13.1%	1.3%	7.0%	7.0%
Chou RRSP ($US)[1]	-22.5%	21.2%	-2.3%	9.9%	11.3%
S&P/TSX ($US)	-10.7%	20.2%	4.1%	11.9%	9.1%

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

Factors Influencing the 2011 Results

The Fund underperformed the S&P/TSX Total Return Index because it did not invest in the healthcare and telecommunications stocks that went up sharply during the year. The Healthcare sector of the index gained 50.4% and the Telecommunication sector gained 24.8%.

The Brick Ltd. debts were a major positive contributor to the Fund's performance. In July, 10,000,000 Brick warrants were converted into 6,397,000 common shares at a rate of 0.6397.

Securities in the portfolio that declined the most during 2011 were equity securities of Torstar, TVA Group, Overstock.com, AbitibiBowater and the Class A warrants of Bank of America.

The Fund sold all equity securities of Valeant Pharmaceuticals and all debt securities of The Brick Ltd.

In equities, we believe the financial, retail and pulp & paper sectors are undervalued. In 2011, as the price of Bank of America Class A warrants fell, we added to our position.

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

Investing in U.S. Financial Institutions

We continue to believe that most financial institutions are undervalued and present excellent, long-term investment opportunities.

Since 2010, we have invested in the common stocks of banks and in their TARP warrants. The latter are stock warrants that were issued to the U.S. Treasury by the banks when they received funds under TARP. These stock warrants give the holder the right to buy the bank's stock at a specific price. When the banks repaid TARP funds to the U.S. Treasury, the U.S. Treasury either sold the stock warrants back to the banks or auctioned them to the public.

In 2011, stock prices and their associated TARP warrants declined further, giving us the opportunity to buy more of them. In a letter I wrote two years ago, I explained our rationale for buying them. Those reasons are still valid and I'd like to revisit them.

It has been five years since the financial crisis began in 2007. As each year has gone by, the quality of bank earnings has improved, the books have become cleaner, the risks have become lower, and bank management has become far more risk averse. It is too bad that we had to go through so much turmoil to get there.

It's heartening to know that Stress Test Results announced by the Federal Reserve on March 13, 2012, show that today the majority of the largest U.S. banks have sufficient capital reserves to withstand the large losses that would result from the extreme economic conditions of the stress test – a peak unemployment rate of 13 percent, a 50 percent drop in equity prices, and a 21 percent decline in housing prices.

Under these hypothetical conditions, losses at the 19 bank holding companies were estimated to total $534 billion during the nine quarters covered, and the aggregate Tier-1 common capital ratio, which compares high-quality capital to risk-weighted assets, fell from 10.1 percent in the third quarter of 2011 to 6.3 percent in the fourth quarter of 2013. In summary, the results show a significant increase in capital over the past three years, with 15 of the 19 bank holding companies maintaining capital ratios above all four of the regulatory minimum levels, even taking into account their plans for capital actions, such as paying dividends and buying back or issuing shares.

With the exception of Citigroup, all the banks whose common shares and/or TARP warrants we bought, exceeded the stress test requirements. For example, JPMorgan Chase, whose market cap is currently $170 billion, boosted its 2012 annual dividends to $4.58 billion and is authorized to buy back $15 billion of its stock, with $12 billion in buybacks authorized for the year 2012. In defense of Citigroup, it would have passed the test if it were not for its plans to return capital to shareholders through dividends and stock repurchases.

Depending on the price, we like the banks' TARP warrants because they have several characteristics that make them appealing long-term investments. Specifically, they are long dated, with most expiring around 2018-2019. This time frame of six-plus years allows banks to grow their intrinsic value to a high enough level to have an appreciable impact on the strike price of the stock warrant. In addition, we believe the strike price will be adjusted downward for any quarterly dividend that exceeds a set price. This is rarely seen in a stock warrant. An example: for Bank of America class 'A' warrants, the strike price is adjusted downward for any quarterly dividend paid exceeding one cent a share.

Bank TARP warrants are complex, with terms and conditions that are unique to each bank. Thus we encourage you to research them for yourself and draw your own conclusions. The legalese is quite intimidating but there is some help on the way. Some banks have started to pay dividends that exceed a set price, and we are starting to see how anti-dilution clauses that were added to protect TARP warrant holders apply with regard to:

a) the adjustment of the strike price.
b) the number of shares you can purchase for each warrant you hold.

Canadian Real Estate

As we said before, among the G8 nations, Canada has done the best since the Great Recession of 2008 and has been widely lauded for its fiscal and economic performance. Its real estate prices have reflected that positive opinion. But therein lies the problem. In most countries, real estate prices have declined substantially, while in most of Canada, especially in the big cities, prices have actually increased. Based on ratios such as rent-to-house-price, disposable-income-to-house-price, Canadian house prices are out of line with historical standards. In addition, household debt as a percentage of disposable income is unprecedentedly high. This does not mean that real estate prices will decline soon, but it does indicate that valuations are stretched. I would be cautious in this environment. If there is a choice, it is better to rent rather than buy a house. However, if you are determined to buy a house, I would urge you to do so without borrowing too much money.

I would also like to commend the Governor of the Bank of Canada, Mark Carney, for warning Canadians of taking on too much debt. In a speech in Vancouver, he said, "So Canadians, in taking on debt, or Vancouverites more specifically, in taking on debt need to ensure that they can continue to service those debts comfortably in a higher-rate environment".

Other Matters

NAME CHANGE OF THE AUDITORS: As a result of a merger effective March 1, 2012, our auditors Burns Hubley LLP are now known as KPMG LLP. The auditors' report has been signed accordingly.

FOREIGN CURRENCY CONTRACTS: None existed at December 31, 2011.

CREDIT DEFAULT SWAPS: None existed at December 31, 2011.

CONSTANT MATURITY SWAPS: None existed at December 31, 2011.

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 2011 IRC Annual Report is available on our website www.choufunds.com.

As of March 16, 2012, the NAV of a Series A unit of the Fund was $21.92 and the cash position was 2.6% of net assets. The Fund is up 13.8% from the beginning of the year. In $US, it is up 16.7%. While 2012 is off to a good start, please do not extrapolate these returns into the future.

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

Yours truly,

Francis Chou

Francis Chou
Fund Manager

CHOU RRSP FUND

STATEMENTS OF NET ASSETS

AS AT DECEMBER 31, 2011 AND 2010

	2011	2010
ASSETS		
Cash	$ 7,335,601	$ 4,474,655
Accrued interest and dividend income	193,140	416,901
Receivable for units subscribed	69,989	148,298
Other receivable	-	1,574
Investments, at fair value	93,216,011	144,652,476
	100,814,741	149,693,904
LIABILITIES		
Accrued expenses	169,639	266,854
Payable for units redeemed	358,059	459,679
Distributions payable	22,531	48,984
	550,229	775,517
NET ASSETS	$ 100,264,512	$ 148,918,387
NET ASSETS, BY SERIES		
Series A	$ 97,704,359	$ 145,169,805
Series F	2,560,153	3,748,582
	$ 100,264,512	$ 148,918,387
NUMBER OF UNITS OUTSTANDING (Note 4)		
Series A	5,114,462	5,910,060
Series F	134,107	152,729
NET ASSETS PER UNIT (Note 7)		
Canadian dollars		
Series A	$ 19.10	$ 24.56
Series F	$ 19.09	$ 24.54
U.S. dollars		
Series A	$ 18.78	$ 24.71
Series F	$ 18.77	$ 24.69

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

Francis Chou

Tracy Chou

CHOU RRSP FUND
STATEMENTS OF OPERATIONS
FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010

	2011	2010
INVESTMENT INCOME		
Interest	$ 2,069,068	$ 3,465,352
Dividends	1,590,946	2,727,555
Interest from securities lending	1,782	9,769
Income from derivatives	-	67,011
	3,661,796	6,269,687
EXPENSES		
Management fees (Note 6)	2,124,876	2,211,922
Custodian fees	160,595	191,011
Filing fees	14,560	11,731
Audit	13,995	23,315
FundSERV fees	6,444	7,910
Foreign withholding taxes	5,974	5,512
Independent Review Committee fees	4,307	3,291
Legal	-	5,455
	2,330,751	2,460,147
NET INVESTMENT INCOME FOR THE YEAR	1,331,045	3,809,540
NET REALIZED AND UNREALIZED GAIN (LOSS) AND TRANSACTION COSTS		
Transaction costs	(44,045)	(105,803)
Net realized gain (loss) on sale of investments	4,294,858	(16,730,518)
Change in unrealized appreciation (depreciation) in value of investments	(34,383,770)	65,551,084
	(30,132,957)	48,714,763
INCREASE (DECREASE) IN NET ASSETS FROM OPERATIONS	$ (28,801,912)	$ 52,524,303
INCREASE (DECREASE) IN NET ASSETS FROM OPERATIONS		
Series A	$ (28,056,498)	$ 51,203,778
Series F	(745,414)	1,320,525
	$ (28,801,912)	$ 52,524,303
INCREASE (DECREASE) IN NET ASSETS FROM OPERATIONS, PER UNIT		
Series A	$ (5.11)	$ 8.20
Series F	$ (5.06)	$ 8.31

CHOU RRSP FUND
STATEMENTS OF CHANGES IN NET ASSETS
FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010

	2011	2010
SERIES A		
NET ASSETS, beginning of the year	$ 145,169,805	$ 116,081,678
Increase (decrease) in net assets from operations	(28,056,498)	51,203,778
Proceeds from issue of units	4,126,625	6,208,462
Payments on redemption of units	(23,514,853)	(28,277,980)
Distribution of income to unitholders		
Investment income	(1,491,430)	(3,550,089)
Reinvested distributions	1,470,710	3,503,956
NET ASSETS, end of the year	97,704,359	145,169,805
SERIES F		
NET ASSETS, beginning of the year	3,748,582	2,922,288
Increase (decrease) in net assets from operations	(745,414)	1,320,525
Proceeds from issue of units	481,056	239,518
Payments on redemption of units	(922,260)	(730,899)
Distribution of income to unitholders		
Investment income	(56,273)	(109,917)
Reinvested distributions	54,462	107,067
NET ASSETS, end of the year	2,560,153	3,748,582
TOTAL NET ASSETS, end of the year	$ 100,264,512	$ 148,918,387

CHOU RRSP FUND

STATEMENT OF INVESTMENTS

AS AT DECEMBER 31, 2011

	No. of Shares or Par Value	Cost	Market Value
SHARES*			
AbitibiBowater Inc.	407,395	$ 8,033,380	$ 6,023,942
Bank of America, warrants, Class A, Jan 16, 2019	2,050,400	7,313,371	4,191,171
Canfor Pulp Products Inc.	692,000	1,969,160	8,518,520
Clublink Enterprises Ltd.	193,600	1,077,639	1,264,208
Danier Leather Inc.	679,200	6,453,777	6,941,424
E-L Financial Corporation Ltd.	5,500	2,513,503	1,844,810
Fibrek Inc.	715,000	729,375	729,300
International Forest Products Ltd., Class A	1,025,500	6,098,755	4,409,650
MEGA Brands Inc.	480,900	4,732,518	3,943,380
MEGA Brands Inc., warrants, Mar 30, 2015	8,987,500	1,177,166	1,393,063
Overstock.com Inc.	715,500	14,906,146	5,690,063
Rainmaker Entertainment Inc.	2,536,800	5,227,610	1,078,140
Ridley Inc.	313,200	2,511,607	2,602,692
Symetra Financial Corporation	174,000	2,673,000	1,603,165
Taiga Building Products Ltd.	501,700	667,261	285,969
The Brick Ltd.	6,397,000	1,150,000	19,702,759
Torstar Corporation, Class B	1,254,716	27,459,812	10,389,048
TVA Group Inc., Class B	733,128	10,931,044	6,231,588
		105,625,124	86,842,892
BONDS			
Abitibi-Consolidated Inc., debt stubs	49,297,000	-	250,665
Taiga Building Products Ltd., 14.0%, Sep 1, 2020	6,759,168	6,759,168	6,122,454
		6,759,168	6,373,119
TOTAL EQUITIES AND BONDS		112,384,292	93,216,011
TRANSACTION COSTS		(44,045)	-
PORTFOLIO TOTAL		$ 112,340,247	$ 93,216,011

* Common shares unless indicated otherwise

Investment Objective and Strategies

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

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

Risk Management

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

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, 2011, the Fund invested approximately 6.4% 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:

	2011	2010
Less than 1 year	$ 250,665	$ 752,282
1-3 years	$ 0	$ 0
3-5 years	$ 0	$ 10,847,100
Greater than 5 years	$ 6,122,454	$ 6,657,780

As at December 31, 2011, 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 $119,000.

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 86.6% of the Fund's Net Assets held at December 31, 2011 were publicly traded equities. If equity prices on the exchange had increased or decreased by 5% as at December 31, 2011, the Net Assets of the Fund would have increased or decreased by approximately $4,342,000, or 4.3% 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, 2011 are as follow:

	Financial Instruments ($)	Percentage of NAV (%)
United States Dollar	17,847,005	17.8%

The amounts in the above table are based on the market value of the Fund's financial instruments (including cash, cash equivalents and investments). Other financial assets (including accrued interest and dividend income, receivable for units subscribed and other receivable) and financial liabilities (including accrued expenses, payable for units redeemed and distributions payable) that are denominated in foreign currencies do not expose the Fund to significant foreign currency risk.

As at December 31, 2011, 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 $178,000.

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

1. FORMATION OF CHOU FUNDS

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

The Funds were formed on the following dates:

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

2. SIGNIFICANT ACCOUNTING POLICIES

The 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) Valuation of Investments

In accordance with CICA Handbook Section 3855, "Financial Instruments – Recognition and Measurement", 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.

2. SIGNIFICANT ACCOUNTING POLICIES, continued

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 valuation 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.

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 ask 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.

2. SIGNIFICANT ACCOUNTING POLICIES, continued

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.

(c) Other Assets and Liabilities

Accrued interest and dividends receivable, receivable for units subscribed, due from brokers and other assets are designated as loans and receivables and are recorded at amortized cost. Similarly, accrued expenses, payable for units redeemed, 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.

(d) 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.

(e) 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 CICA Handbook Section 3855, transaction costs are expensed and are included in the Statements of Operation in "Transaction Costs".

(f) Cash and Cash Equivalents

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

2. SIGNIFICANT ACCOUNTING POLICIES, continued

(g) 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-dividend dates.

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

Distributions from investments sold short are accrued as earned and are reported as a liability in the Statements 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 Statements 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”.

(h) 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. All 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”.

2. SIGNIFICANT ACCOUNTING POLICIES, continued

(i) Derivative Transactions

The Manager may choose to use options, forward currency contracts, future 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".

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 "Income (loss) from derivatives".

Forward Currency Contracts

The change in value of forward currency contracts is included in the Statements of Operations in "Unrealized gain (loss) on investments" and in the Statements of Net Assets in "Unrealized gain (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 foreign exchange gain (loss).

Future Contracts

The value of futures contracts fluctuates daily and cash settlements 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.

2. SIGNIFICANT ACCOUNTING POLICIES, continued

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 "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".

Credit Default Swaps

The change in value of a swap contract is included in the Statements of Operations in "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 included in the Statements of Operations in "Income (loss) from derivatives".

(j) 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.

(k) 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.

(l) 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 disclosed 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	
	Dec-11	**Dec-10**	**Dec-11**	**Dec-10**
CHOU ASSOCIATES FUND				
Units outstanding, beginning of the year	6,163,099	6,861,528	397,040	419,050
Add: Units issued during the year	197,218	270,586	74,172	109,428
Deduct: Units redeemed during the year	(901,683)	(1,020,689)	(89,471)	(136,383)
Units outstanding before income distribution	5,458,634	6,111,425	381,741	392,095
Add: Units issued on reinvested income	102,705	51,674	8,418	4,945
Units outstanding, end of the year	5,561,339	6,163,099	390,159	397,040
CHOU ASIA FUND				
Units outstanding, beginning of the year	3,970,464	4,183,867	211,782	169,765
Add: Units issued during the year	138,514	239,344	32,605	104,497
Deduct: Units redeemed during the year	(856,548)	(768,825)	(89,901)	(80,009)
Units outstanding before income distribution	3,252,430	3,654,386	154,486	194,253
Add: Units issued on reinvested income	95,866	316,078	4,488	17,529
Units outstanding, end of the year	3,348,296	3,970,464	158,974	211,782
CHOU EUROPE FUND				
Units outstanding, beginning of the year	1,003,677	1,141,295	120,856	38,357
Add: Units issued during the year	28,077	23,514	-	90,226
Deduct: Units redeemed during the year	(93,684)	(171,953)	(117,067)	(10,719)
Units outstanding before income distribution	938,070	992,856	3,789	117,864
Add: Units issued on reinvested income	26,299	10,821	69	2,992
Units outstanding, end of the year	964,369	1,003,677	3,858	120,856

4. UNITHOLDER CAPITAL, continued

	Series A		Series F	
	Dec-11	**Dec-10**	**Dec-11**	**Dec-10**
CHOU BOND FUND				
Units outstanding, beginning of the year	5,575,084	6,801,007	1,559,793	1,556,801
Add: Units issued during the year	1,026,135	479,543	171,483	175,138
Deduct: Units redeemed during the year	(1,959,559)	(1,948,916)	(653,183)	(245,357)
Units outstanding before income distribution	4,641,660	5,331,634	1,078,093	1,486,582
Add: Units issued on reinvested income	450,059	243,450	103,667	73,211
Units outstanding, end of the year	5,091,719	5,575,084	1,181,760	1,559,793
CHOU RRSP FUND				
Units outstanding, beginning of the year	5,910,060	6,815,996	152,729	171,637
Add: Units issued during the year	167,531	279,539	19,748	10,815
Deduct: Units redeemed during the year	(1,039,466)	(1,327,471)	(41,199)	(34,065)
Units outstanding before income distribution	5,038,125	5,768,064	131,278	148,387
Add: Units issued on reinvested income	76,337	141,996	2,829	4,342
Units outstanding, end of the year	5,114,462	5,910,060	134,107	152,729

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:

	Dec 2011	**Dec 2010**
Chou Associates Fund	$ 562,842	$ 737,112
Chou Asia Fund	66,745	85,757
Chou Europe Fund	-	11,038
Chou Bond Fund	53,393	81,298
Chou RRSP Fund	137,344	208,019

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.

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	366,716,091	(429,896)	366,286,195	65.94	(0.08)	65.86
Fund	F	25,647,299	(29,945)	25,617,354	65.74	(0.08)	65.66
Chou Asia	A	46,099,798	(188,211)	45,911,587	13.77	(0.06)	13.71
Fund	F	2,193,642	(8,945)	2,184,697	13.80	(0.06)	13.74
Chou Europe	A	6,534,940	(17,533)	6,517,407	6.78	(0.02)	6.76
Fund	F	26,412	(70)	26,342	6.85	(0.02)	6.83
Chou Bond	A	40,716,648	(76,130)	40,640,518	8.00	(0.02)	7.98
Fund	F	9,456,763	(17,681)	9,439,082	8.00	(0.01)	7.99
Chou RRSP	A	98,535,719	(831,360)	97,704,359	19.27	(0.17)	19.10
Fund	F	2,581,787	(21,634)	2,560,153	19.25	(0.16)	19.09

8. BROKERS' COMMISSIONS

Total commissions paid to brokers in connection with portfolio transactions for the year ended December 31, 2011 and for the year ended December 31, 2010 are as follows:

	2011	**2010**
Chou Associates Fund	$ 414,124	$ 657,976
Chou Asia Fund	27,693	58,592
Chou Europe Fund	1,661	5,093
Chou Bond Fund	5,619	203,753
Chou RRSP Fund	44,045	105,803

9. SECURITIES LENDING

The Funds have entered into a securities lending program with Citibank N.A. The Funds receive collateral of at least 102% of the value of the securities on loan. Collateral may be comprised of cash and obligations of or guaranteed by, the Government of Canada or a province thereof, or by the United States Government or its agencies, but may include obligations of other governments with appropriate credit ratings. The aggregate dollar values of the securities that are on loan and the collateral received by the Funds as at December 31, 2011 and December 31, 2010 are as follows:

2011	Market Value of Securities on Loan	Market Value of Collateral Received
Chou Associates Fund	$ 50,618,523	$ 52,332,198

2010	Market Value of Securities on Loan	Market Value of Collateral Received
Chou Associates Fund	$ 37,339,932	$ 38,622,992
Chou Bond Fund	4,940,457	5,123,422
Chou RRSP Fund	1,454,870	1,527,260

10. RELATED PARTY TRANSACTIONS

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

11. FAIR VALUE MEASUREMENT

In June 2009, the Canadian Accounting Standards Board incorporated 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. The fair value hierarchy has the following levels:

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

As at December 31, 2011

Chou Associates Fund	**Level 1**	**Level 2**	**Level 3**	**Total**
Equities - Long	$ 276,024,083	$ -	$ 2,010,716	$ 278,034,799
Bonds	-	55,289,222	13,912	55,303,134
	276,024,083	55,289,222	2,024,628	333,337,933
Options - Short	-	-	-	-
Total	**$ 276,024,083**	**$ 55,289,222**	**$ 2,024,628**	**$ 333,337,933**

As at December 31, 2010

Chou Associates Fund	**Level 1**	**Level 2**	**Level 3**	**Total**
Equities - Long	$ 390,158,143	$ -	$ 2,491,454	$ 392,649,597
Bonds	-	81,353,313	619,637	81,972,950
	390,158,143	81,353,313	3,111,091	474,622,547
Options - Short	(5,775,767)	-	-	(5,775,767)
Total	**$ 384,382,376**	**$ 81,353,313**	**$ 3,111,091**	**$ 468,846,780**

During the year, there were no significant transfers between level 1, level 2 and level 3.

Fair value measurements using level 3 inputs:	**Equities – Long**	**Bonds**	**Total**
Balance at December 31, 2010	$ 2,491,454	$ 619,637	$ 3,111,091
Investments purchased during the year	-	-	-
Investments sold during the year	(552,956)	(224,771)	(777,727)
Net transfer in (out) during the year	-	-	-
Net realized gain (loss) on sale of investments	-	224,771	224,771
Change in unrealized appreciation (depreciation) in value of investments	72,218	(605,725)	(533,507)
Balance at December 31, 2011	**$ 2,010,716**	**$ 13,912**	**$ 2,024,628**

11. FAIR VALUE MEASUREMENT, continued

As at December 31, 2011

Chou Asia Fund	Level 1	Level 2	Level 3	Total
Equities - Long	$ 30,504,004	$ -	$ -	$ 30,504,004
Bonds	-	-	-	-
	30,504,004	-	-	30,504,004
Options - Short	-	-	-	-
Total	**$ 30,504,004**	**$ -**	**$ -**	**$ 30,504,004**

As at December 31, 2010

Chou Asia Fund	Level 1	Level 2	Level 3	Total
Equities - Long	$ 29,488,483	$ -	$ -	$ 29,488,483
Bonds	-	-	228,084	228,084
	29,488,483	-	228,084	29,716,567
Options - Short	-	-	-	-
Total	**$ 29,488,483**	**$ -**	**$ 228,084**	**$ 29,716,567**

During the year, there were no significant transfers between level 1, level 2 and level 3.

Fair value measurements using level 3 inputs:	Equities – Long	Bonds	Total
Balance at December 31, 2010	$ -	$ 228,084	$ 228,084
Investments purchased during the year	-	-	-
Investments sold during the year	-	(88,568)	(88,568)
Net transfer in (out) during the year	-	-	-
Net realized gain (loss) on sale of investments	-	88,568	88,568
Change in unrealized appreciation (depreciation) in value of investments	-	(228,084)	(228,084)
Balance at December 31, 2011	**$ -**	**$ -**	**$ -**

11. FAIR VALUE MEASUREMENT, continued

As at December 31, 2011

Chou Europe Fund		Level 1		Level 2		Level 3		Total
Equities - Long	$	5,587,689	$	-	$	-	$	5,587,689
Bonds		-		864,131		-		864,131
		5,587,689		864,131		-		6,451,820
Options - Short		-		-		-		-
Total	**$**	**5,587,689**	**$**	**864,131**	**$**	**-**	**$**	**6,451,820**

As at December 31, 2010

Chou Europe Fund		Level 1		Level 2		Level 3		Total
Equities - Long	$	5,086,003	$	-	$	-	$	5,086,003
Bonds		-		653,024		-		653,024
		5,086,003		653,024		-		5,739,027
Options - Short		-		-		-		-
Total	**$**	**5,086,003**	**$**	**653,024**	**$**	**-**	**$**	**5,739,027**

During the year, there were no significant transfers between level 1, level 2, and level 3.

As at December 31, 2011

Chou Bond Fund		Level 1		Level 2		Level 3		Total
Equities - Long	$	9,239,932	$	604,004	$	-	$	9,843,936
Bonds		-		38,867,825		-		38,867,825
		9,239,932		39,471,829		-		48,711,761
Options - Short		-		-		-		-
Total	**$**	**9,239,932**	**$**	**39,471,829**	**$**	**-**	**$**	**48,711,761**

As at December 31, 2010

Chou Bond Fund		Level 1		Level 2		Level 3		Total
Equities - Long	$	12,579,941	$	-	$	-	$	12,579,941
Bonds		-		49,032,947		2,316,959		51,349,906
		12,579,941		49,032,947		2,316,959		63,929,847
Options - Short		-		-		-		-
Total	**$**	**12,579,941**	**$**	**49,032,947**	**$**	**2,316,959**	**$**	**63,929,847**

During the year, there were transfers in an amount of $4,559,153 from level 3 to level 2.

11. FAIR VALUE MEASUREMENT, continued

Chou Bond Fund, continued

Fair value measurements using level 3 inputs:	Equities – Long	Bonds	Total
Balance at December 31, 2010	$ -	$ 2,316,959	$ 2,316,959
Investments purchased during the year	-	-	-
Investments sold during the year	-	(40,535)	(40,535)
Net transfer in (out) during the year	-	(4,559,153)	(4,559,153)
Net realized gain (loss) on sale of investments	-	40,535	40,535
Change in unrealized appreciation (depreciation) in value of investments	-	2,242,194	2,242,194
Balance at December 31, 2011	**$ -**	**$ -**	**$ -**

As at December 31, 2011

Chou RRSP Fund	Level 1	Level 2	Level 3	Total
Equities - Long	$ 82,395,391	$ 4,447,502	$ -	$ 86,842,893
Bonds	-	6,122,454	250,664	6,373,118
	82,395,391	10,569,956	250,664	93,216,011
Options - Short	-	-	-	-
Total	**$ 82,395,391**	**$ 10,569,956**	**$ 250,664**	**$ 93,216,011**

As at December 31, 2010

Chou RRSP Fund	Level 1	Level 2	Level 3	Total
Equities - Long	$ 122,224,326	$ 4,170,988	$ -	$ 126,395,314
Bonds	-	17,504,880	752,282	18,257,162
	122,224,326	21,675,868	752,282	144,652,476
Options - Short	-	-	-	-
Total	**$ 122,224,326**	**$ 21,675,868**	**$ 752,282**	**$ 144,652,476**

During the year, there were no significant transfers between level 1, level 2 and level 3.

Fair value measurements using level 3 inputs:	Equities – Long	Bonds	Total
Balance at December 31, 2010	$ -	$ 752,282	$ 752,282
Investments purchased during the year	-	-	-
Investments sold during the year	-	(7,130)	(7,130)
Net transfer in (out) during the year	-	-	-
Net realized gain (loss) on sale of investments	-	7,130	7,130
Change in unrealized appreciation (depreciation) in value of investments	-	(501,618)	(501,618)
Balance at December 31, 2011	**$ -**	**$ 250,664**	**$ 250,664**

12. TAXES

(a) 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	$ 14,031,057
Chou Europe Fund	$ 2,679,194
Chou Bond Fund	$ 11,902,021
Chou RRSP Fund	$ 28,721,215

(b) Harmonized Sales Tax

Effective July 1, 2010, the Government of Ontario and the Government of British Columbia replaced the provincial sales tax (“PST”) with a single harmonized sales tax (“HST”). The HST combines the federal goods and services tax (“GST”) rate of 5% with the respective PST rate. The harmonization results in an HST rate of 13% in Ontario.

Investment funds in Canada are required to calculate the HST rate using specific rules. The specific rules and guidance require HST to be calculated using the residency of unitholders and the current value of their interests, rather than the physical location of the Fund Manager.

The new HST has resulted in higher overall management expense ratios as management fees and certain other expenses charged to the Fund are now subject to the new HST.

13. CHANGEOVER TO INTERNATIONAL FINANCIAL REPORTING STANDARDS

In accordance with the Canadian Accounting Standards Board proposals, effective January 1, 2011, International Financial Reporting Standards (“IFRS”) will replace Canadian GAAP for publicly accountable enterprises, which includes investment funds. However, in December 2011, the Canadian Accounting Standards Board approved a deferral of the effective date for the changeover to IFRS for investment funds to January 1, 2014.

13. CHANGEOVER TO INTERNATIONAL FINANCIAL REPORTING STANDARDS, continued

The Manager has already initiated the process of developing its IFRS changeover 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 Canadian Accounting Standards Board continue to issue new standards and recommendations.

The Manager will continue to evaluate potential changes to the financial statements along with the impact on accounting policies, business functions, information technology and internal controls.

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 Fund's financial statements will be additional disclosures and potentially different presentation of certain items. Further, the value used to determine the price of the Fund's units for purchase and redemption by clients (Transactional NAV) is not expected to be affected.

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

CHOU ASIA FUND

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, 2003	$10,000	0	0	10,000
Dec.31, 2004	11,768	23	59	11,850
Dec.31, 2005	12,323	59	296	12,678
Dec.31, 2006	14,082	67	449	14,598
Dec.31, 2007	15,122	1,173	677	16,972
Dec.31, 2008	11,917	1,193	869	13,979
Dec.31, 2009	14,235	1,426	1,354	17,015
Dec.31, 2010	14,448	2,938	1,400	18,786
Dec.31, 2011	13,390	3,236	1,305	**$17,931**

CHOU EUROPE FUND

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, 2003	$10,000	0	0	10,000
Dec.31, 2004	10,315	0	46	11,361
Dec.31, 2005	12,384	0	266	12,650
Dec.31, 2006	13,386	138	478	14,002
Dec.31, 2007	11,033	113	735	11,881
Dec.31, 2008	5,842	60	753	6,655
Dec.31, 2009	7,142	73	1,747	8,962
Dec.31, 2010	7,004	72	1,809	8,885
Dec.31, 2011	6,479	67	1,905	**$8,451**

CHOU BOND FUND

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, 2005	$10,000	0	0	10,000
Dec.31, 2006	11,809	61	330	12,200
Dec.31, 2007	11,078	57	735	11,870
Dec.31, 2008	6,131	32	1,233	7,396
Dec.31, 2009	8,230	42	2,262	10,534
Dec.31, 2010	10,425	54	3,501	13,980
Dec.31, 2011	7,734	40	3,634	**$11,408**

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

CHOU RRSP FUND

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
Dec.31, 2010	24,312	33,895	44,160	102,367
Dec.31, 2011	18,981	26,463	35,705	**$81,150**

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

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

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

Chou Associates Management Inc.
110 Sheppard Ave. East
Suite 301, Box 18
Toronto, Ontario
M2N 6Y8

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

Recordkeeping and Custodian
Citigroup Fund Services Canada, Inc.
2920 Matheson Boulevard East
Mississauga, Ontario
L4W 5J4

Tel: 905-214-8224
Toll Free: 1-866-379-3266
Fax: 1-866-877-9477

Auditors
KPMG LLP
90 Allstate Parkway
Suite 501
Markham, Ontario
L3R 6H3

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