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

ANNUAL REPORT 2013

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
Dec.31, 2012	37,383	46,898	60,164	$144,446
Dec.31, 2013	51,318	69,969	60,428	**$204,142**

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

(unaudited)

(Series A units) **December 31**

	2013	2012	2011	2010	2009	2008	2007
Chou Associates Fund							
Total Return	41.33%	26.96%	-16.90%	19.21%	29.70%	-29.30%	-10.22%
Management Expense Ratio (MER)	1.82%	1.86%	1.84%	1.79%	1.76%	1.73%	1.70%
Portfolio turnover rate	9.14%	16.58%	32.73%	11.29%	13.73%	21.58%	16.61%
Net Assets, end of the year (in millions)	$502.4	$ 426.9	$ 391.9	$ 530.6	$ 497.5	$ 440.6	$ 697.1
Chou Asia Fund							
Total Return	23.90%	-1.80%	-4.55%	10.41%	21.71%	-17.60%	16.25%
Management Expense Ratio (MER)	1.81%	1.89%	1.84%	1.81%	1.76%	1.72%	1.72%
Portfolio turnover rate	1.55%	4.53%	8.36%	9.48%	12.84%	13.51%	47.68%
Net Assets, end of the year (in millions)	$ 39.7	$ 37.7	$ 48.1	$ 62.1	$ 63.2	$ 57.8	$ 76.4
Chou Europe Fund							
Total Return	41.35%	27.24%	-4.90%	-0.85%	34.67%	-44.00%	-15.14%
Management Expense Ratio (MER)	*0.13%	*0.20%	*0.17%	1.91%	1.80%	*-2.88%	*1.63%
Portfolio turnover rate	0.00%	10.49%	14.53%	11.29%	40.06%	29.71%	26.98%
Net Assets, end of the year (in millions)	$ 18.9	$ 7.8	$ 6.5	$ 8.2	$ 8.8	$ 7.3	$ 14.3
Chou Bond Fund							
Total Return	23.75%	12.95%	-18.40%	32.69%	42.45%	-37.70%	-2.65%
Management Expense Ratio (MER)	1.52%	1.45%	1.47%	1.43%	1.39%	*0.50%	1.34%
Portfolio turnover rate	13.42%	11.59%	33.88%	67.64%	61.00%	46.02%	36.52%
Net Assets, end of the year (in millions)	$ 42.2	$ 44.0	$ 50.1	$ 76.9	$ 71.0	$ 52.7	$ 87.0
Chou RRSP Fund							
Total Return	21.27%	34.15%	-20.73%	46.62%	27.80%	-42.40%	-9.25%
Management Expense Ratio (MER)	1.82%	1.87%	1.83%	1.80%	1.77%	1.73%	*1.62%
Portfolio turnover rate	11.50%	1.43%	2.96%	9.94%	27.54%	26.85%	12.01%
Net Assets, end of the year (in millions)	$ 122.3	$ 112.3	$ 100.0	$ 149.6	$ 119.0	$ 118.9	$ 282.6

*Management fee after waivers and absorption

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

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CHOU ASSOCIATES FUND

(unaudited)

March 15, 2014

Dear Unitholders of Chou Associates Fund,

After the distribution of $3.29, the net asset value per unit ("NAVPU") of a Series A unit of Chou Associates Fund at December 31, 2013 was $111.46 compared to $81.20 at December 31, 2012, an increase of 41.3%; during the same period, the S&P 500 Total Return Index increased 41.4% in Canadian dollars. In $U.S., a Series A unit of Chou Associates Fund was up 32.2% while the S&P 500 Total Return Index returned 32.4%.

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

December 31, 2013 (Series A)	1 Year	3 Years	5 Years	10 Years	15 Years
Chou Associates ($CAN)	41.3%	14.2%	18.2%	8.0%	8.6%
S&P 500 ($CAN)	41.4%	18.8%	14.8%	5.3%	2.1%
Chou Associates ($U.S.)[1]	32.2%	11.7%	21.4%	10.1%	11.3%
S&P 500 ($U.S.)	32.4%	16.2%	17.9%	7.4%	4.7%

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 2013 Results

The weakness of the Canadian dollar against the U.S. dollar had a large positive impact on the results of the Fund. The difference in performance results between the net asset value per unit (NAVPU) priced in Canadian dollars, versus U.S. dollars, is attributable to the fact that on December 31, 2012, one U.S. dollar was worth approximately $0.99 Canadian, whereas one year later, on December 31, 2013, one U.S. dollar was worth approximately $1.06 Canadian.

Positive contributors to the Fund's performance during the financial year ended December 31, 2013 included equity securities of International Automotive Components Group North America, Overstock.com Inc., Sanofi ADR and Actavis (formerly Watson Pharmaceuticals Inc.). As a group, our investments in the bank equities of JPMorgan Chase, Citigroup Inc. and warrants of Wells Fargo & Company worked out well during 2013.

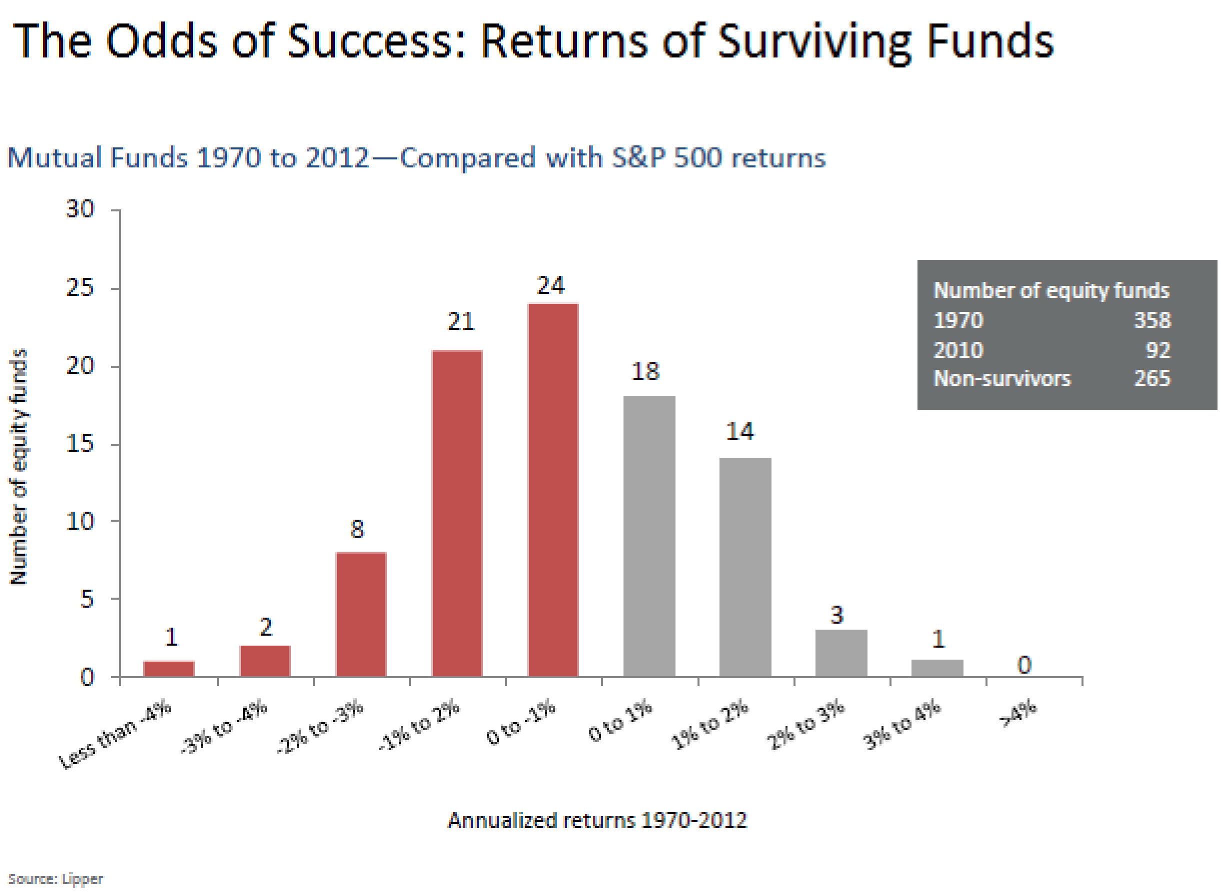
[1]The alternative method of purchasing Chou Associates Fund in $U.S. has been offered since September 2005. Performance for years prior to September 2005 is based on the $U.S. equivalent conversion of the results of the Chou Associates Fund ($CAN). The investments in the Chou Associates Fund ($CAN)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

During the year ended December 31, 2013, the Fund's largest equity security decliner was Olympus Re Holdings Limited, while the Fund’s largest debt security decliner was RH Donnelley Inc. term loan.

PTGi Holding Inc. (formerly Primus Telecommunications Group Inc.) declared a special distribution of $8.50 per share of Common Stock during 2013. As a result, the price of the common stock came down accordingly.

The 20-Year Lesson Learned
We believe that the market is currently fairly valued and we sincerely doubt the overall returns from equities in general over the next five to 10 years will be compelling. On the contrary, we believe the returns may be far more modest than those hoped for by investors. Not only are the P/E ratios and price-to-book values still high and dividend yields low relative to historic valuations, but the number of companies that are underpriced is at an all-time low. In light of this scenario, and with its obvious lack of bargains, we would not hesitate to sell our investments and be 100% or 50% cash -- or whatever the number may be.

We were looking to see how many funds have been able to beat the markets on a long-term basis, and found a piece written by Burton G. Malkiel named “*Some Timeless and Timely Investment Lessons*” which highlights the difficulties of competing with, much less beating the S&P 500 Index. Based on his findings on the returns of 358 equity funds, only three equity funds were able to outperform the market by 2%-3%, and one sole equity fund beat the market by 3%-4%. No equity funds were able to outperform any higher than that.



Looking at our 20-year returns, we have outperformed the markets by a comfortable margin. The Chou Associates Fund returned 11.8% in Canadian dollars, while the S&P 500 Index returned 7.9% in Canadian dollars with dividends reinvested. When we reflect back on the reasons why we have outperformed the market, the one that readily comes to mind is that we purchased securities, whether they were fixed income or equities, only when bargains were available at a compelling discount.

We do not put a lot of emphasis on macroeconomic events as long as we are able to buy stocks at a substantial discount to our calculation of their estimated intrinsic value. We have no use for top-down analysis. We do not pick stocks on the basis of how rosy or miserable the economy will be in the near future and which company will do well in that scenario. We are well aware that, with so many variables and imponderables to consider, it is hard to be accurate on macroeconomic events. We know from experience that it is tough enough to predict the timing of a recession, let alone the degree of severity! However, we do keep abreast of what's happening in the world and would take into consideration any serious misallocation of resources either in an industry or sovereign nation because they may have a measurable impact on the company's intrinsic value.

Sober Second Thought Needed

Once we buy a stock that we believe is a bargain, our excitement in finding a good deal at a low price is tempered by caution. We check and recheck our premises and constantly go over the basis for our valuations to ensure they are correct. Did we miss something important? Is the earning power there? Are the assets worth anything? And are we unduly emphasizing something at a subconscious level that is persuading us to buy because we are holding too much cash and cannot find bargains?

Once we buy a bargain, we give no thought to when the stock will rise. We have no idea whether the return will triple, double or go up 50%. Maybe it will in a year, maybe five years -- who knows? Or there may be no rise at all. All of that is beyond our control and the only control we have is the judgment we make on a rough approximation of what the company is worth and how inexpensively we are able to buy it. If our valuation of what the company is worth is anywhere close to being accurate, the stock will do well. Whenever we have lost money, it is because our valuation was wrong and not because someone took advantage of us or because of the “evil” stock market.

So when we look at the stock markets today, most of the equities and fixed income securities are in the range of being fairly valued and the number of bargains is getting scarcer all the time. The world has a lot of problems but if the prices were as cheap as in 2008, we would not hesitate to load up on them. In the depths of the Great Recession in 2008 when stock markets were hitting all-time lows, we wrote, "We don't know whether the stock market has hit bottom yet but we suspect that when we look back at the current environment 10 years from now, we will classify this as one of the best periods for buying stock and debt securities."

The Market is No Patsy

We have comfortably beaten the market over the last 32.5 years. It is not because the market is a patsy. The S&P 500 Index is a formidable competitor. What makes it so strong is that when a company (or companies) falters, it gets replaced by companies with better financials and economics. It would have been way easier to beat the index if the companies that falter or go bankrupt don't get replaced. So, at any given time, we are basically competing with a basket of the best 500 companies that have strong sustainable earnings power. And we have to beat it after fees and all other friction costs associated with running a mutual fund. We are leery about giving performance numbers on a pro-forma basis. There is some subjectivity and discretion on the part of the portfolio manager of what numbers can be used as an input. If we wanted to, we could show that we have outperformed the market by roughly 8%. For example, we could add back fees of roughly 2% and then there are withholding taxes of 15% to 30% on dividends received, depending on the country. Since it is a Canadian Fund, we only receive 85% of the dividends from U.S. companies. There were times when the dividend yield on some of the U.S. holdings was 5% or more, so we could really feel the bite of that withholding tax. Historically, we also, on average, had large cash holdings of 30% or more for an extended period of time. And on top of that, we are reconciling cash inflows and outflows on a daily basis because of purchases and redemptions. We have learned that the best route is to just take the returns that an investor gets after all fees and friction costs associated with running a fund.

Hedge Funds Have a Problem Too

So we can see that the S&P 500 Index is a terrific competitor. Therefore, it does not come as a surprise that index funds have proliferated and so many funds are closet indexers. Even hedge funds have a problem. In his book, *The Hedge Fund Mirage, The Illusion of Big Money and Why It's too good to be True,* author Simon Lack writes: "If all the money that's ever been invested in hedge funds had been in treasury bills, the results would have been twice as good."

Simon Lack was a true insider. He sat on JPMorgan's investment committee, allocating more than $1 billion to hedge fund managers and founded the JPMorgan Incubator Funds, two private-equity vehicles that took economic stakes in emerging hedge fund managers.

As we have stated in our past letters, the cardinal principle underlying the investments in the Fund is to pay far less than what the company is worth, measured by sustainable earning power and/or hard assets that are not depreciating in value. In other words, we want an adequate margin of safety and this concept, while unappreciated and ignored by most, is what distinguishes investment from speculation. It is different from volatility, where stocks can go up or down in a given year.

The reason for raising the 20-year performance and how we achieved it is that if we cannot find genuine bargains, and they cannot be lukewarm or moderately undervalued, we will not hesitate to be 100% in cash. There are some who may disagree with that move and so be it. Like we have said before, we prefer to lose 50% of our investors rather than 50% of your capital. One good thing is that we have managed the Fund for a long time and thus we are less pressured to follow the crowd or chase the index.

Russia
1) To paraphrase Jim Rogers, a noted investor: You put money in Russia and they will tax it away from you, take it away from you some other way, shoot you in the head, or put you in jail.
2) It is the most hated market in the world.
3) Under some pretext, they are going to annex Crimea. According to one Russian leader, it is not the people who vote that counts, but the people that count the votes that matter.

Perfect three strikes! Bingo!! Maybe a perfect place to find bargains? However, the problems in Russia are real and even though some stocks are really cheap, the chances of expropriation, embezzlement and frauds are real. As an example of cheapness, the price of the proven reserves of some of the big Russian oil companies like Gazprom are one-tenth that of ExxonMobil, which by itself is not selling at an inflated price. As of this writing, we have not bought any Russian oil stocks, however, we do have an investment in a Russian pharmaceutical company. When you invest in any country with no adequate protection for investors, you are always wondering how you can lose money in some nefarious way, and you wonder even more if you can make money even after taking account of some frauds. We should have an index like "Fraud Adjusted Return".

An interesting anecdote to the said Russian pharmaceutical company: When companies trade on different exchanges and they spin-off a subsidiary, one would expect them to do it on the same record and/or ex date. This Russian company traded both on the Russian stock market (“Russia”) and the London Stock Exchange (“London”). However, when it spun-off its subsidiary, which was roughly 25% of the value of the parent company, it did so on separate dates. So, if you bought the shares in Russia, in order to get the shares of the spun-off company in January 2014, you needed to have been a registered owner by the record date in late December. But if you bought them in London, the record date to get the shares of the spun-off company is in late March 2014.

You would expect that shares listed in Russia would trade ex-spinoff at a price 25% lower than the ones listed in London, until such time of the London spin-off occurs. However, the shares in London took their cue from the prices in Russia and traded at roughly the same prices as those in Russia. The shares in London are still entitled to the spin-off company, which is worth 25% of the parent company. The shares were already cheap, trading at less than three times free cash flow, and we bought our shares in London**.** We have not revealed the name as it was bought in 2014, but for the curious and the enterprising investor, enjoy your early Easter egg hunt.

Issues that Continue to Bother Us
<u>Low interest rates can distort valuation</u>

One of the consequences of quantitative easing(s) (QEs) is low interest rates. Indirectly, interest rates have a huge bearing in the calculation of intrinsic value. When we use the discounted cash flow method for calculating intrinsic value, we plug the growth rate for that company in the numerator and plug the discount rate in the denominator. Typically we take the 30-year Treasury bond as the proxy for the discount rate. Some investors may take the 10-year Treasury bond.

However, when interest rates are as low as they are now and you are using that as a proxy, it can create a misguided sense that the stocks are cheap. Mathematically, in the discounted cash flow formula, when growth rate is higher than the discount rate, you can pay any price for the stock and still justify that it is cheap. That is how the math works. If people are convinced that these low interest rates are here to stay for a long time, then stocks are cheap especially for companies whose earnings are growing.

But we would be very careful in using low interest rates as a justification for paying higher prices. It is fool's gold and could lead to serious misjudgment when evaluating companies.

One way of getting around this conundrum is to use a high discount rate. We would ask ourselves: "What intrinsic value will we get if we plug in 15% as the discount rate? What about 12% or 20%?" In this way, we avoid the danger of overestimating the intrinsic value of the companies we are researching.

Non-Investment (or High Yield) Grade Debt Securities

Non-investment grade debt securities are fully priced and in general, I would stay clear of them. Some prices for non-investment grade bonds do not reflect the risks inherent in these securities. A company can float 10-year non-investment grade bonds with a coupon of 5.5% and investors will buy them at 100 cents on the dollar. Just a few years ago, a similar bond would be trading for 60 cents or less.

As a contrast, in 2009, the Chou Bond Fund was able to buy Wells Fargo 7.7%, 2049, a bond rated 'A' by S&P for 37 cents on the dollar. This was not an isolated case. We also bought other 'A' rated papers such as Goldman Sachs 5.793%, 2043, for 43 cents on the dollar in 2008 and Bank of America Capital Trust XV, 2056 floating rate bonds for less than 48 cents on the dollar in 2011. How the prices have changed for fixed-income securities!

At current prices, we believe that there is a good chance that these non-investment debt securities may now be overvalued, and that the possibility of a large, permanent loss of capital is extremely high.

Other Matters

FOREIGN CURRENCY CONTRACTS: None existed at December 31, 2013.

CREDIT DEFAULT SWAPS: None existed at December 31, 2013.

CONSTANT MATURITY SWAPS: None existed at December 31, 2013.

U.S. DOLLAR VALUATION: Any investor who wishes to purchase the Chou Funds in $U.S. 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, Peter Gregoire and Joe Tortolano. The 2013 IRC Annual Report is available on our website www.choufunds.com.

As of March 14, 2014, the NAV of a Series A unit of the Fund was $116.05 and the cash position was approximately 32.9% of net assets. The Fund is up 4.1% from the beginning of the year. In $U.S., it is down 0.2%. While 2014 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 21, 2014

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INDEPENDENT AUDITORS' REPORT

To the Trustee and Unitholders of:

Chou Associates Fund
Chou Asia Fund
Chou Europe Fund
Chou RRSP Fund
Chou Bond Fund
(collectively the "Funds")

We have audited the accompanying financial statements of the Funds, which comprise the statements of net assets as at December 31, 2013 and 2012, the statements of operations and changes in net assets for the years then ended, the statements of investment portfolio as at December 31, 2013, 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 the 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 the 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 our judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider 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 in our audits is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Funds as at December 31, 2013 and 2012, their results of operations and their changes in net assets for the years then ended in accordance with Canadian generally accepted accounting principles.

KPMG LLP

Chartered Professional Accountants, Licensed Public Accountants

March 21, 2014
Toronto, Ontario

CHOU ASSOCIATES FUND

STATEMENTS OF NET ASSETS

AS AT DECEMBER 31, 2013 AND 2012

	2013	2012
ASSETS		
Cash	$ 168,851,994	$ 82,040,795
Accrued interest and dividend income	103,795	2,539,885
Receivable for units subscribed	310,439	44,973
Other receivable	319,525	165,880
Due from broker	-	3,064,154
Investments, at fair value	335,389,503	341,104,758
	504,975,256	428,960,445
LIABILITIES		
Accrued expenses	1,200,536	1,024,296
Payable for units redeemed	380,891	539,191
Distributions payable	384,458	461,860
Investments sold short, at fair value	568,087	-
	2,533,972	2,025,347
NET ASSETS	$ 502,441,284	$ 426,935,098
NET ASSETS, BY SERIES		
Series A	$ 468,615,187	$ 402,116,923
Series F	33,826,097	24,818,175
	$ 502,441,284	$ 426,935,098
NUMBER OF UNITS OUTSTANDING (Note 4)		
Series A	4,208,995	4,951,551
Series F	305,457	306,407
NET ASSETS PER UNIT (Note 6)		
Canadian dollars		
Series A	$ 111.34	$ 81.21
Series F	$ 110.74	$ 81.00
U.S. dollars		
Series A	$ 104.71	$ 81.64
Series F	$ 104.14	$ 81.43

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, 2013 AND 2012

	2013	2012
INVESTMENT INCOME		
Interest from securities lending	$ 2,868,166	$ 6,671,582
Interest	976,798	6,517,265
Dividends	5,866,389	5,241,444
Other income	17	1,898
Income from derivatives	282,844	-
	9,994,214	18,432,189
EXPENSES		
Management fees (Note 5)	8,343,594	6,859,935
Custodian fees	587,500	587,536
Foreign withholding taxes	609,911	521,719
Audit	88,889	69,585
Filing fees	50,100	55,050
Legal	20,090	22,704
FundSERV fees	19,699	18,300
Independent Review Committee fees	16,518	16,019
	9,736,301	8,150,848
NET INVESTMENT INCOME FOR THE YEAR	257,913	10,281,341
NET REALIZED AND UNREALIZED GAIN (LOSS) AND TRANSACTION COSTS		
Transaction costs	(299,915)	(502,554)
Net realized gain on sale of investments	59,633,973	4,383,956
Change in unrealized appreciation in value of investments	109,020,068	85,248,126
	168,354,126	89,129,528
INCREASE IN NET ASSETS FROM OPERATIONS	$ 168,612,039	$ 99,410,869
INCREASE IN NET ASSETS FROM OPERATIONS		
Series A	$ 158,740,647	$ 93,154,093
Series F	9,871,392	6,256,776
	$ 168,612,039	$99,410,869
INCREASE IN NET ASSETS FROM OPERATIONS, PER UNIT		
Series A	$ 33.06	$ 18.14
Series F	$ 33.92	$ 18.51

CHOU ASSOCIATES FUND
STATEMENTS OF CHANGES IN NET ASSETS
FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012

	2013	2012
SERIES A		
NET ASSETS, beginning of the year	$ 402,116,923	$ 366,286,195
Increase in net assets from operations	$ 158,740,647	93,154,093
Proceeds from issue of units	26,355,749	6,995,316
Payments on redemption of units	(118,382,706)	(64,000,600)
Distribution of income to unitholders		
Investment income	(605,233)	(12,104,894)
Capital gains	(12,860,471)	-
Reinvested distributions	13,250,278	11,786,813
NET ASSETS, end of the year	468,615,187	402,116,923
SERIES F		
NET ASSETS, beginning of the year	24,818,175	25,617,354
Increase in net assets from operations	9,871,392	6,256,776
Proceeds from issue of units	5,717,985	2,616,558
Payments on redemption of units	(6,413,776)	(9,528,733)
Distribution of income to unitholders		
Investment income	(298,242)	(864,717)
Capital gains	(924,778)	-
Reinvested distributions	1,055,341	720,937
NET ASSETS, end of the year	33,826,097	24,818,175
TOTAL NET ASSETS, end of the year	$ 502,441,284	$ 426,935,098

CHOU ASSOCIATES FUND
STATEMENT OF INVESTMENTS
AS AT DECEMBER 31, 2013

	No. of Shares or Par Value	Cost	Market Value
EQUITIES - Long*			
Actavis Inc.[1]	35,400	$ 5,266,333	$ 6,324,359
Berkshire Hathaway Inc., Class A	300	31,639,836	56,655,856
Citigroup Inc.	410,000	10,358,742	22,709,959
International Automotive Components Group North America	1,094,922	120,506	815,003
JPMorgan Chase & Company, warrants, Oct 28, 2018	1,126,347	13,927,767	22,804,329
MBIA Inc.	1,080,797	7,479,425	13,710,798
Nokia Corporation ADR	5,000,000	11,772,513	43,119,032
Olympus Re Holdings Limited	1,652,836	-	755,747
Overstock.com Inc.	430,295	8,660,595	14,088,155
PTGI Holding Inc.	451,022	2,274,167	1,347,666
Resolute Forest Products Inc.	3,065,567	51,050,651	52,189,158
Sanofi ADR	390,000	13,783,524	22,215,925
Sears Holdings Corporation	803,526	36,517,749	41,892,856
The Goldman Sachs Group Inc.	75,000	9,384,141	14,136,769
Wells Fargo & Company, warrants, Oct 28, 2018	997,500	7,995,397	16,822,643
		210,231,346	329,588,255
EQUITIES - Short*			
Overstock.com Inc.[3]	148,400	(761,259)	(568,087)
		(761,259)	(568,087)
BONDS -Long			
R.H. Donnelley Inc., term loans, Oct 24, 2014	9,017,537	7,040,277	5,801,248
		7,040,277	5,801,248
Total Long		217,271,623	335,389,503
Total Short		(761,259)	(568,087)
TOTAL INVESTMENTS		216,510,364	334,821,416
TRANSACTION COSTS		(551,862)	-
PORTFOLIO TOTAL		$215,958,502	$ 334,821,416

* Common shares unless indicated otherwise
[1]Watson Pharmaceuticals Inc. changed their name to Actavis PLC
[2] Primus Telecommunications Group Inc. changed their name to PTGI Holding Inc.
[3]For the written call option, the expiry date will be March 2014, and the Strike price $30.00.

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 Fund 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, 2013, the Fund invested approximately 1.1% (2012 – 8.7%) 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:

	2013	**2012**
Less than 1 year	$ 5,801,248	$ 30,390,519
1-3 years	$ 0	$ 6,852,570
Greater than 5 years	$ 0	$ 0

As at December 31, 2013, 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 $256,846 (2012 - $734,484).

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 67% (2012 – 71%) of the Fund's Net Assets held at December 31, 2013 were publicly traded equities. If equity prices on the exchange had increased or decreased by 5% as at December 31, 2013, the Net Assets of the Fund would have increased or decreased by approximately $16,479,000, or 3.2% (2012 - $15,193,000 or 3.6%) 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 are as follows:

2013

	Financial Instruments ($)	Percentage of NAV (%)
United States Dollar	430,879,904	85.8%

2012

	Financial Instruments ($)	Percentage of NAV (%)
United States Dollar	419,252,078	98.2%

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) 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 $4,311,000 (2012 - $4,193,000).

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

CHOU ASIA FUND

(unaudited)

March 14, 2014

Dear Unitholders of Chou Asia Fund,

As there were no distributions, the net asset value per unit ("NAVPU") of a Series A unit of Chou Asia Fund at December 31, 2013 was $16.74 compared to $13.51 at December 31, 2012, an increase of 23.8%; during the same period, the MSCI AC (Morgan Stanley Capital International All Country) Asia Pacific Total Return Index in Canadian dollars returned 20.2%. In $U.S., a Series A unit of Chou Asia Fund was up 15.9% while the MSCI AC Asia Pacific Total Return Index returned 12.5%.

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

December 31, 2013 (Series A)	1 Year	3 Years	5 Years	10 Years
Chou Asia ($CAN)	23.9%	5.1%	9.3%	8.1%
MSCI AC Asia Pacific TR ($CAN)	20.2%	6.4%	9.8%	5.7%
Chou Asia ($U.S.)[1]	15.9%	2.8%	12.3%	10.3%
MSCI AC Asia Pacific TR ($U.S.)	12.5%	4.1%	12.8%	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 2013 Results

The largest positive impact on the Fund stemmed from the weakness of the Canadian dollar vis-a-vis the Hong Kong dollar ($HK) on the net asset value per unit (NAVPU) of the Fund. For example, on December 31, 2012, one $HK was worth approximately $0.13 Canadian, whereas one year later, on December 31, 2013, one $HK was worth approximately $0.14 Canadian.

BYD Electronic (International) Company, Pyne Gould Corporation Ltd, BYD Company Limited and China Yuchai International Limited were positive contributors to the Fund's performance.

Most of the declines came from the equity securities of Hanfeng Evergreen Inc., and Glacier Media Inc.

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

China

We do not believe that China's economy is as healthy as the government wants us to think. Constant reminders are the huge sums of money that were put into building cities from the ground up, complete with highways, skyscrapers and shopping malls, ready for a city's population to move in. Over the years, we have seen many examples where these cities were built unnecessarily to maintain China's desired level of growth, but now remain eerily empty, without a soul in sight. I would be wary of investing in a company where the price of a commodity plays a significant role in the company's ability to make money.

Notwithstanding how we feel about China, if we do happen to find a bargain we feel is worth it, we will not hesitate to invest in it. As an example, we purchased BYD Electronic International, a company that researches, develops, and manufactures handset components for handset manufacturers, for an average cost price of approximately $HK1.83. Its stock price rose to $HK4.51 as at December 31, 2013. Similarly, we purchased BYD Company Limited for an average cost price of approximately $HK13.35, and on December 31, 2013, it stood at $HK38.00. Currently, it is trading at $HK55.00.

Japan

Who would have believed that Japan is now one of the biggest debtors in the world? Japan has a number of serious issues to address and when the Prime Minister was elected in late 2012, he undertook an aggressive monetary policy that he said would double the country's monetary base. We have some investments in Japan but we do not feel comfortable adding more in the near future. However, if we do find a genuine bargain, we would most likely hedge the Japanese currency.

Other Matters

FOREIGN CURRENCY CONTRACTS: None existed at December 31, 2013.

CREDIT DEFAULT SWAPS: None existed at December 31, 2013.

CONSTANT MATURITY SWAPS: None existed at December 31, 2013.

U.S. DOLLAR VALUATION: Any investor who wishes to purchase the Chou Funds in $U.S. 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, Peter Gregoire and Joe Tortolano. The 2013 IRC Annual Report is available on our website www.choufunds.com.

As of March 14, 2014, the NAV of a Series A unit of the Fund was $17.74 and the cash position was approximately 37.6% of net assets. The Fund is up 6.0% from the beginning of the year. In $U.S., it is up 1.6%. While 2014 is off to a good start, please do not extrapolate these returns into the future.

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

Yours truly,

Francis Chou

Francis Chou
Fund Manager

CHOU ASIA FUND
STATEMENTS OF NET ASSETS
AS AT DECEMBER 31, 2013 AND 2012

	2013	2012
ASSETS		
Cash	$ 15,497,629	$ 17,458,211
Accrued interest and dividend income	10,266	-
Receivable for units subscribed	35,380	24,146
Other receivables	19,745	-
Investments, at fair value	24,212,479	20,315,349
	39,775,499	37,797,706
LIABILITIES		
Accrued expenses	77,997	82,227
Payable for units redeemed	20,595	49,870
Distributions payable	-	17
	98,592	132,614
NET ASSETS	$ 39,676,907	$ 37,665,092
NET ASSETS, BY SERIES		
Series A	$ 38,338,812	$ 36,596,045
Series F	1,338,095	1,069,047
	$ 39,676,907	$ 37,665,092
NUMBER OF UNITS OUTSTANDING (Note 4)		
Series A	2,291,643	2,711,744
Series F	79,004	78,634
NET ASSETS PER UNIT (Note 6)		
Canadian dollars		
Series A	$ 16.73	$ 13.50
Series F	$ 16.94	$ 13.60
U.S. dollars		
Series A	$ 15.73	$ 13.57
Series F	$ 15.92	$ 13.67

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, 2013 AND 2012

	2013	2012
INVESTMENT INCOME		
Dividends	$ 501,341	$ 783,521
Interest	2,832	16,094
Interest from securities lending	236,472	-
Other income	16	1,741
	740,661	801,356
EXPENSES		
Management fees (Note 5)	634,763	711,696
Foreign withholding taxes	57,914	89,048
Custodian fees	43,802	67,459
Filing fees	1,720	7,340
Audit	5,664	6,213
FundSERV fees	860	4,147
Legal	-	3,404
Independent Review Committee fees	1,351	1,901
	746,074	891,208
NET INVESTMENT LOSS FOR THE YEAR	(5,413)	(89,852)
NET REALIZED AND UNREALIZED GAIN (LOSS) AND TRANSACTION COSTS		
Transaction costs	(12,282)	(22,641)
Net realized gain (loss) on sale of investments	426,737	(26,658)
Change in unrealized appreciation (depreciation) in value of investments	7,861,416	(549,837)
	8,275,871	(599,136)
INCREASE (DECREASE) IN NET ASSETS FROM OPERATIONS	$ 8,270,458	$ (688,988)
INCREASE (DECREASE) IN NET ASSETS FROM OPERATIONS		
Series A	$ 8,026,889	$ (652,955)
Series F	243,569	(36,033)
	$ 8,270,458	$ (688,988)
INCREASE (DECREASE) IN NET ASSETS FROM OPERATIONS, PER UNIT		
Series A	$ 3.26	$ (0.22)
Series F	$ 3.23	$ (0.28)

CHOU ASIA FUND
STATEMENTS OF CHANGES IN NET ASSETS
FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012

	2013	2012
SERIES A		
NET ASSETS, beginning of the year	$ 36,596,045	$ 45,911,587
Increase (decrease) in net assets from operations	8,026,889	(652,955)
Proceeds from issue of units	850,464	247,342
Payments on redemption of units	(7,134,586)	(8,909,609)
Distribution of income to unitholders		
Investment income	-	(16,896)
Reinvested distributions	-	16,576
NET ASSETS, end of the year	38,338,812	36,596,045
SERIES F		
NET ASSETS, beginning of the year	1,069,047	2,184,697
Increase (decrease) in net assets from operations	243,569	(36,033)
Proceeds from issue of units	414,467	115,539
Payments on redemption of units	(389,006)	(1,194,959)
Distribution of income to unitholders		
Investment income	-	(787)
Reinvested distributions	18	590
NET ASSETS, end of the year	1,338,095	1,069,047
TOTAL NET ASSETS, end of the year	$ 39,676,907	$ 37,665,092

CHOU ASIA FUND
STATEMENT OF INVESTMENTS
AS AT DECEMBER 31, 2013

	No. of Shares or Par Value	Cost	Market Value
EQUITIES- Long*			
AJIS Company Limited	15,200	$ 213,157	$ 236,295
BYD Company Limited, Class H	573,000	989,812	2,986,012
BYD Electronic (International) Company Limited	4,789,500	1,161,576	2,955,671
China Yuchai International Limited	25,537	341,981	566,723
Chunghwa Telecom Company Limited ADR	132,088	2,914,503	4,348,530
Glacier Media Inc.	513,307	513,307	1,386,057
Hanfeng Evergreen Inc.	95,850	228,548	36,902
PRONEXUS Inc.	657,500	657,500	3,093,388
Pyne Gould Corporation Limited	9,627,219	2,155,762	4,042,820
Resolute Forest Products Inc.	36,041	963,559	613,573
Sankyo Company Limited	60,000	2,684,475	2,936,410
UTStarcom Holdings Corporation	113,627	1,316,832	333,479
TOTAL LONG		17,449,650	24,212,479
TOTAL INVESTMENTS		17,449,650	24,212,479
TRANSACTION COSTS		(22,127)	-
PORTFOLIO TOTAL		$ 17,427,523	$ 24,212,479

* 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 61.0% (2012 – 54.0%) of the Fund's Net Assets held at December 31, 2013 were publicly traded equities. If equity prices on the exchange had increased or decreased by 5% as at December 31, 2013, the Net Assets of the Fund would have increased or decreased by approximately $1,211,000, or 3.0% (2012 – $1,016,000, or 2.7%) of the Net Assets, all other factors remaining constant.

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

Foreign Currency Risk

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

2013

	Financial Instruments ($)	Percentage of NAV (%)
Japanese Yen	12,923,115	32.6%
HongKong Dollar	10,672,429	26.9%
United States Dollar	7,010,841	17.7%
New Zealand Dollar	4,163,438	10.5%
Singapore Dollar	146,899	0.4%

(Continued from previous page)

2012

	Financial Instruments ($)	Percentage of NAV (%)
United States Dollar	16,208,335	43.0%
Japanese Yen	12,032,276	32.0%
HongKong Dollar	5,682,334	15.1%
New Zealand Dollar	1,780,444	4.7%
Singapore Dollar	142,016	0.4%

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 other receivables) 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 $350,000 (2012 - $359,000).

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

CHOU EUROPE FUND

(unaudited)

March 14, 2014

Dear Unitholders of Chou Europe Fund,

After the distribution of $0.14, the net asset value per unit ("NAVPU") of a Series A unit of Chou Europe Fund at December 31, 2013 was $11.62 compared to $8.32 at December 31, 2012, an increase of 41.3%; during the same period, the MSCI AC (Morgan Stanley Capital International All Country) Europe Total Return Index in Canadian dollars returned 33.0%. In $U.S., a Series A unit of Chou Europe Fund was up 32.2% while the MSCI AC Europe Total Return Index returned 24.5%.

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

December 31, 2013 (Series A)	**1 Year**	**3 Years**	**5 Years**	**10 Years**
Chou Europe ($CAN)	41.3%	19.6%	18.0%	4.3%
MSCI AC Europe TR ($CAN)	33.0%	12.4%	11.1%	5.9%
Chou Europe ($U.S.)[1]	32.2%	16.9%	21.2%	6.4%
MSCI AC Europe TR ($U.S.)	24.5%	10.0%	14.2%	8.0%

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 2013 Results

The biggest impact on the results of the Fund stemmed from the weakness of the Canadian dollar against three major currencies: the U.S. dollar, the pound sterling, and the Euro. The difference in performance results between the net asset value per unit (NAVPU) priced in Canadian dollars, versus U.S. dollars, is attributable to the fact that on December 31, 2012, one U.S. dollar was worth approximately $0.99 Canadian, whereas one year later, on December 31, 2013, one U.S. dollar was worth approximately $1.06 Canadian. On December 31, 2012, one pound sterling was worth approximately $1.62 Canadian, whereas on December 31, 2013, one pound sterling was worth approximately $1.76 Canadian. And on December 31, 2012, one Euro was worth approximately $1.31 Canadian, whereas on December 31, 2013, one Euro was worth approximately $1.47 Canadian.

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

Positive contributors to the Fund’s performance during the financial year ended December 31, 2013, included equity securities of The Bank of Ireland, Trastor Real Estate Investment Corporation, Abbey PLC, Vodaphone Group PLC ADR, and Next PLC.

The Fund sold equity securities of Aer Lingus Group PLC at approximately 1.63 Euro per share, compared to its average cost price of approximately 0.58 Euro per share. The Fund sold all equity securities of Topps Tiles PLC in August.

Russia

1) To paraphrase Jim Rogers, a noted investor: You put money in Russia and they will tax it away from you, take it away from you some other way, shoot you in the head, or put you in jail.
2) It is the most hated market in the world.
3) Under some pretext, they are going to annex Crimea. According to one Russian leader, it is not the people who vote that counts, but the people that count the votes that matter.

Perfect three strikes! Bingo!! Maybe a perfect place to find bargains? However, the problems in Russia are real and even though some stocks are really cheap, the chances of expropriation, embezzlement and frauds are real. As an example of cheapness, the price of the proven reserves of some of the big Russian oil companies like Gazprom are one-tenth that of ExxonMobil, which by itself is not selling at an inflated price. As of this writing, we have not bought any Russian oil stocks, however, we do have an investment in a Russian pharmaceutical company. When you invest in any country with no adequate protection for investors, you are always wondering how you can lose money in some nefarious way, and you wonder even more if you can make money even after taking account of some frauds. We should have an index like "Fraud Adjusted Return".

An interesting anecdote to the said Russian pharmaceutical company: When companies trade on different exchanges and they spin-off a subsidiary, one would expect them to do it on the same record and/or ex date. This Russian company traded both on the Russian stock market (“Russia”) and the London Stock Exchange (“London”). However, when it spun-off its subsidiary, which was roughly 25% of the value of the parent company, it did so on separate dates. So, if you bought the shares in Russia, in order to get the shares of the spun-off company in January 2014, you needed to have been a registered owner by the record date in late December. But if you bought them in London, the record date to get the shares of the spun-off company is in late March 2014.

You would expect that shares listed in Russia would trade ex-spinoff at a price 25% lower than the ones listed in London, until such time of the London spin-off occurs. However, the shares in London took their cue from the prices in Russia and traded at roughly the same prices as those in Russia. The shares in London are still entitled to the spin-off company, which is worth 25% of the parent company. The shares were already cheap, trading at less than three times free cash flow, and we bought our shares in London**.** We have not revealed the name as it was bought in 2014, but for the curious and the enterprising investor, enjoy your early Easter egg hunt.

Other Matters

MANAGEMENT FEE: From January 1, 2011 through December 31, 2013, management fees were waived. Beginning January 1, 2014, the management fee will be charged.

FOREIGN CURRENCY CONTRACTS: None existed at December 31, 2013.

CREDIT DEFAULT SWAPS: None existed at December 31, 2013.

CONSTANT MATURITY SWAPS: None existed at December 31, 2013.

U.S. DOLLAR VALUATION: Any investor who wishes to purchase the Chou Funds in $U.S. 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, Peter Gregoire and Joe Tortolano. The 2013 IRC Annual Report is available on our website www.choufunds.com.

As of March 14, 2014, the NAV of a Series A unit of the Fund was $12.78 and the cash position was approximately 48.1% of net assets. The Fund is up 9.9% from the beginning of the year. In $U.S., it is up 5.4%. While 2014 is off to a good start, please do not extrapolate these returns into the future.

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, 2013 AND 2012

	2013	2012
ASSETS		
Cash	$ 10,159,297	$ 1,547,846
Accrued interest and dividend income	22,818	20,988
Receivable for units subscribed	322,783	20,000
Investments, at fair value	8,412,192	6,215,521
	18,917,090	7,804,355
LIABILITIES		
Accrued expenses	3,407	5,886
Payable for units redeemed	41,135	-
Distributions payable	10,231	5,117
	54,773	11,003
NET ASSETS	$ 18,862,317	$ 7,793,352
NET ASSETS, BY SERIES		
Series A	$ 17,933,889	$ 7,775,095
Series F	928,428	18,257
	$ 18,862,317	$ 7,793,352
NUMBER OF UNITS OUTSTANDING (Note 4)		
Series A	1,544,393	937,889
Series F	79,132	2,180
NET ASSETS PER UNIT (Note 6)		
Canadian dollars		
Series A	$ 11.61	$ 8.29
Series F	$ 11.73	$ 8.37
U.S. dollars		
Series A	$ 10.92	$ 8.33
Series F	$ 11.03	$ 8.42

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, 2013 AND 2012

	2013	2012
INVESTMENT INCOME		
Dividends	$ 254,778	$ 258,844
Interest	294	53,395
	255,072	312,239
EXPENSES		
Management fees (Note 5)	202,262	118,920
Foreign withholding taxes	22,487	34,471
Custodian fees	13,900	11,474
Filing fees	420	1,593
Legal	-	566
FundSERV fees	482	484
Independent Review Committee fees	327	267
Audit	563	-
	240,441	167,775
Expenses waived by the Manager (Note 5)	(202,262)	(118,920)
	38,179	48,855
NET INVESTMENT INCOME FOR THE YEAR	216,893	263,384
NET REALIZED AND UNREALIZED GAIN (LOSS) AND TRANSACTION COSTS		
Transaction costs	(1,038)	(449)
Net realized gain (loss) on sale of investments	716,130	(390,399)
Change in unrealized appreciation in value of investments	2,893,146	1,829,864
	3,608,238	1,439,016
INCREASE IN NET ASSETS FROM OPERATIONS	$ 3,825,131	$ 1,702,400
INCREASE IN NET ASSETS FROM OPERATIONS		
Series A	$ 3,786,439	$ 1,695,673
Series F	38,692	6,727
	$ 3,825,131	$ 1,702,400
INCREASE IN NET ASSETS FROM OPERATIONS, PER UNIT		
Series A	$ 3.31	$ 1.82
Series F	$ 2.58	$ 1.57

CHOU EUROPE FUND
STATEMENTS OF CHANGES IN NET ASSETS
FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012

	2013	2012
SERIES A		
NET ASSETS, beginning of the year	$ 7,775,095	$ 6,517,407
Increase in net assets from operations	3,786,439	1,695,673
Proceeds from issue of units	7,842,282	280,469
Payments on redemption of units	(1,459,878)	(713,337)
Distribution of income to unitholders		
Investment income	(205,855)	(274,418)
Reinvested distributions	195,806	269,301
NET ASSETS, end of the year	17,933,889	7,775,095
SERIES F		
NET ASSETS, beginning of the year	18,257	26,342
Increase in net assets from operations	38,692	6,727
Proceeds from issue of units	871,662	15,754
Payments on redemption of units	-	(30,566)
Distribution of income to unitholders		
Investment income	(10,686)	(644)
Reinvested distributions	10,503	644
NET ASSETS, end of the year	928,428	18,257
TOTAL NET ASSETS, end of the year	$ 18,862,317	$ 7,793,352

CHOU EUROPE FUND
STATEMENT OF INVESTMENTS
AS AT DECEMBER 31, 2013

	No. of Shares or Par Value	Cost	Market Value
EQUITIES- Long*			
Abbey PLC	36,170	$ 259,868	$526,706
AstraZeneca PLC	13,000	701,770	818,641
BP PLC ADR	10,000	313,497	516,897
GlaxoSmithKline PLC	18,000	491,338	511,019
Heracles General Cement Company S.A.	5,887	29,127	10,867
Next PLC	18,000	581,417	1,726,653
Ryanair Holdings PLC ADR	17,000	478,532	848,355
Sanofi ADR	20,000	884,092	1,139,278
The Governor and Company of the Bank of Ireland	3,400,000	383,114	1,250,220
Trastor Real Estate Investment Company	458,612	264,211	645,658
Vodafone Group PLC ADR	10,000	198,082	417,898
TOTAL LONG		4,585,048	8,412,192
TOTAL INVESTMENTS		4,585,048	8,412,192
TRANSACTION COSTS		(248)	-
PORTFOLIO TOTAL		$ 4,584,800	$ 8,412,192

* 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.

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 44.6% (2012 – 79.8%) of the Fund’s Net Assets held at December 31, 2013 were publicly traded equities. If equity prices on the exchange had increased or decreased by 5% as at December 31, 2013, the Net Assets of the Fund would have increased or decreased by approximately $421,000, or 2.2% (2012 - $310,000 or 4.0%) 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 are as follows:

2013

	Financial Instruments ($)	Percentage of NAV (%)
United States Dollar	4,429,689	23.5%
Sterling Pound	3,586,699	19.0%
Euro Currency	3,581,025	19.0%

2012

	Financial Instruments ($)	Percentage of NAV (%)
United States Dollar	3,164,085	40.6%
Sterling Pound	2,369,265	30.4%
Euro Currency	1,995,164	25.6%

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 $116,000 (2012 - $75,000).

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

CHOU BOND FUND

(unaudited)

March 14, 2014

Dear Unitholders of Chou Bond Fund,

After the distribution of $0.64, the net asset value per unit ("NAVPU") of a Series A unit of Chou Bond Fund at December 31, 2013 was $9.64 compared to $8.31 at December 31, 2012, an increase of 23.8%; during the same period, Citigroup WGBI (World Government Bond Index) All Maturities ($CAN) returned 2.8% and Barclays U.S. Corporate High Yield Index ($CAN) returned 14.8%. In $U.S., a Series A unit of Chou Bond Fund was up 15.8% while Citigroup WGBI All Maturities was down 4.0% and Barclays U.S. Corporate High Yield Index returned 7.4%.

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

December 31, 2013 (Series A)	1 Year	3 Years	5 Years	Since Inception
Chou Bond ($CAN)	23.8%	4.5%	16.6%	6.3%
Citigroup WGBI ($CAN)	2.8%	3.4%	-0.5%	3.0%
Barclays' U.S. High Yield ($CAN)	14.8%	11.8%	15.7%	7.9%
Chou Bond ($U.S.) [1]	15.8%	2.2%	19.8%	7.6%
Citigroup WGBI ($U.S.)	-4.0%	1.2%	2.3%	4.3%
Barclays' U.S High Yield ($U.S.)	7.4%	9.3%	18.9%	9.4%

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 2013 Results

The biggest impact on the results of the Fund stemmed from the weakness of the Canadian dollar against the U.S. dollar which had a large positive impact on the results of the Fund. The difference in performance results between the net asset value per unit (NAVPU) priced in Canadian dollars, versus U.S. dollars, is attributable to the fact that on December 31, 2012, one U.S. dollar was worth approximately $0.99 Canadian, whereas one year later, on December 31, 2013, one U.S. dollar was worth approximately $1.06 Canadian.

The debt securities of Level 3 Communications Inc., Dex Media West LLC and Atlanticus Holdings Corporation, as well as the equity securities of Resolute Forest Products Inc. and Catalyst Paper Corporation contributed the most to the Fund's performance during the year.

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

The Fund purchased debt securities of Dex Media Inc. 14% due January 29, 2017. Debt securities of Rainmaker Entertainment Inc.'s 8% due March 31, 2016, were acquired when the company made a rights offering and a concurrent private placement of its debentures. The debentures accrue interest at a rate of 8% per annum, payable quarterly in arrears and are convertible into common shares of Rainmaker at a price of $0.20 per share.

Declines came from the debt securities of Catalyst Paper Corporation and Mega Brands Inc.

The Fund sold all of its Media General Inc.'s 11.75% bonds due 2017, Texas Competitive Electric Holdings Co.'s 10.25% bonds due 2015, ATP Oil & Gas Corporation's 11.875% bonds due 2015 and MBIA Insurance Company's 14% variable bonds due January 14, 2033.

Non-Investment (or High Yield) Grade Debt Securities

Non-investment grade debt securities are fully priced and in general, I would stay clear of them.

Some prices for non-investment grade bonds do not reflect the risks inherent in these securities. A company can float 10-year non-investment grade bonds with a coupon of 5.5% and investors will buy them at 100 cents on the dollar. Just a few years ago, a similar bond would be trading for 60 cents or less.

As a contrast, in 2009, the Chou Bond Fund was able to buy Wells Fargo 7.7%, 2049, a bond rated 'A' by S&P for 37 cents on the dollar. This was not an isolated case. We also bought other 'A' rated papers such as Goldman Sachs 5.793%, 2043, for 43 cents on the dollar in 2008 and Bank of America Capital Trust XV, 2056 floating rate bonds for less than 48 cents on the dollar in 2011. How the prices have changed for fixed-income securities!

At current prices, we believe that there is a good chance that these non-investment debt securities may now be overvalued, and that the possibility of a large, permanent loss of capital is extremely high.

Other Matters

DROPPING INDEX: Chou Bond Fund has been using two indices: Citigroup WGBI All Maturities ("WGBI") Index and Barclays U.S. Corporate High Yield Index ("Barclays"). The WGBI includes some of the largest and most liquid government bond markets globally with at least an investment grade rating whereas the Barclays Index covers the U.S. dollar-denominated, non-investment grade, fixed-rate, taxable corporate bond market.

Chou Bond Fund has been investing primarily in non-investment grade fixed income securities and as such we believe the Barclays index is the most appropriate measurement against the Chou Bond Fund. We believe that WGBI is no longer appropriate as a benchmark for performance measurement.

Barclays Fixed Income Indices have been voted No. 1 Bond Market Index provider in the U.S. by Institutional Investor magazine since rankings began in 1997 and also have been voted top index provider by Credit magazine since 2004. Securities are classified as high-yield if the middle rating of Moody's, Fitch and S&P is Bal/BB+/BB+ or below. The index excludes Emerging Markets debt. The index was created in 1986, with index history backfilled to January 1, 1983.

Barclay's purchased Lehman's index department after the investment bank went under in 2008 and rebranded them with the name Barclays Capital Indices.

FOREIGN CURRENCY CONTRACTS: None existed at December 31, 2013.

CREDIT DEFAULT SWAPS: None existed at December 31, 2013.

CONSTANT MATURITY SWAPS: None existed at December 31, 2013.

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, Peter Gregoire and Joe Tortolano. The 2013 IRC Annual Report is available on our website www.choufunds.com.

As of March 14, 2014, the NAV of a Series A unit of the Fund was $10.61 and the cash position was approximately 37.1% of net assets. The Fund is up 10.1% from the beginning of the year. In $U.S., it is up 5.5%. While 2014 is off to a good start, please do not extrapolate these returns into the future.

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, 2013 AND 2012

	2013	2012
ASSETS		
Cash	$ 12,164,529	$ 5,121,958
Accrued interest income	579,615	825,408
Receivable for units subscribed	15,000	2,000
Investments, at fair value	29,636,638	38,229,795
	42,395,782	44,179,161
LIABILITIES		
Accrued expenses	70,879	63,941
Payable for units redeemed	9,000	17,031
Distributions payable	76,467	102,097
	156,346	183,069
NET ASSETS	$ 42,239,436	$ 43,996,092
NET ASSETS, BY SERIES		
Series A	$ 38,716,276	$ 36,821,292
Series F	3,523,160	7,174,800
	$ 42,239,436	$ 43,996,092
NUMBER OF UNITS OUTSTANDING (Note 4)		
Series A	4,020,643	4,434,113
Series F	362,911	861,551
NET ASSETS PER UNIT (Note 6)		
Canadian dollars		
Series A	$ 9.63	$ 8.30
Series F	$ 9.71	$ 8.33
U.S. dollars		
Series A	$ 9.06	$ 8.34
Series F	$ 9.13	$ 8.37

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, 2013 AND 2012

	2013	2012
INVESTMENT INCOME		
Interest	$ 3,262,340	$ 4,132,844
	3,262,340	4,132,844
EXPENSES		
Management fees (Note 5)	553,316	583,768
Custodian fees	65,249	50,119
Foreign withholding taxes	6,552	-
Filing fees	1,720	9,175
Audit	7,632	6,213
FundSERV fees	860	4,915
Legal	27,293	3,973
Independent Review Committee fees	1,600	1,889
	664,222	660,052
NET INVESTMENT INCOME FOR THE YEAR	2,598,118	3,472,792
NET REALIZED AND UNREALIZED GAIN (LOSS) AND TRANSACTION COSTS		
Transaction costs	(3,730)	(4,288)
Net realized gain (loss) on sale of investments	1,729,400	(2,109,621)
Change in unrealized appreciation in value of investments	5,116,747	4,232,759
	6,842,417	2,118,850
INCREASE IN NET ASSETS FROM OPERATIONS	$ 9,440,535	$ 5,591,642
INCREASE IN NET ASSETS FROM OPERATIONS		
Series A	$ 8,213,392	$ 4,571,108
Series F	1,227,143	1,020,534
	$ 9,440,535	$ 5,591,642
INCREASE IN NET ASSETS FROM OPERATIONS, PER UNIT		
Series A	$ 2.02	$ 1.01
Series F	$ 2.34	$ 0.98

CHOU BOND FUND
STATEMENTS OF CHANGES IN NET ASSETS
FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012

		2013		2012
SERIES A				
NET ASSETS, beginning of the year	$	36,821,292	$	40,640,518
Increase in net assets from operations		8,213,392		4,571,108
Proceeds from issue of units		1,132,758		1,326,204
Payments on redemption of units		(7,380,349)		(9,628,700)
Distribution of income to unitholders				
Investment income		(2,431,091)		(2,950,185)
Reinvested distributions		2,360,274		2,862,347
NET ASSETS, end of the year		38,716,276		36,821,292
SERIES F				
NET ASSETS, beginning of the year		7,174,800		9,439,082
Increase in net assets from operations		1,227,143		1,020,534
Proceeds from issue of units		60,183		396,751
Payments on redemption of units		(4,933,476)		(3,667,308)
Distribution of income to unitholders				
Investment income		(209,350)		(570,995)
Reinvested distributions		203,860		556,736
NET ASSETS, end of the year		3,523,160		7,174,800
TOTAL NET ASSETS, end of the year	$	42,239,436	$	43,996,092

CHOU BOND FUND
STATEMENT OF INVESTMENTS
AS AT DECEMBER 31, 2013

	No. of Shares or Par Value	Cost	Market Value
EQUITIES- Long*			
Catalyst Paper Corporation[1]	108,606	$ 47,448	$ 132,499
Level 3 Communications Inc.[1]	79,352	2,770,243	2,798,862
Resolute Forest Products Inc. [1]	501,463	4,521,115	8,537,061
		7,338,806	11,468,422
BONDS- Long			
Atlanticus Holdings Corp., 5.875% Nov 30, 2035	12,300,000	5,444,721	5,208,162
Catalyst Paper Co., 11.0% Oct 30, 2017	3,632,082	2,891,063	2,355,937
Dex Media Inc., 14.0% Jan 29, 2017	3,281,804	2,611,366	1,882,683
Dex Media West LLC., term loans Oct 24, 2014	1,708,792	896,199	1,238,253
Fortress Paper Ltd., 7.0%, conv., Dec 31, 2019	999000	601,200	529,470
Interstate Bakeries 6.0% Aug 15, 2014	500,000	-	-
MEGA Brands Inc., 10.0% Mar 31, 2015	988,478	779,630	1,023,075
Rainmaker Entertainment Inc., 8.0%, conv., Mar 31, 2016	1,312,000	1,312,000	1,312,000
R.H. Donnelley Inc., term loans, Oct 24, 2014	4,552,355	3,582,073	2,821,036
Taiga Building Products Ltd., 14.0% Sep 1, 2020	1,712,000	1,705,899	1,797,600
		19,824,151	18,168,216
TOTAL LONG		27,162,957	29,636,638
TOTAL INVESTMENTS		27,162,957	29,636,638
TRANSACTION COSTS		(9,122)	-
PORTFOLIO TOTAL		$ 27,153,835	$ 29,636,638

*Common shares unless indicated otherwise
[1] Shares received from debt restructuring

CHOU BOND FUND

Discussion of Financial Risk Management

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 U.S. bonds. These bonds include, but are not limited to, Government of Canada, provincial, municipal and corporate issues, including convertibles and high yield bonds. Investments may be made in bonds outside of Canada and the U.S.

The Fund 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, 2013, the Fund invested approximately 43.0% (2012 – 67.7%) 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:

	2013	**2012**
Less than 1 year	$4,059,289	$ 6,241,235
1-3 years	$2,335,075	$ 9,255,748
3-5 years	$4,238,620	$ 7,111,237
Greater than 5 years	$7,535,232	$ 8,741,926

As at December 31, 2013, 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 $1,435,728 (2012 - $922,270).

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 27.1% (2012 – 15.6%) of the Fund's Net Assets held at December 31, 2013 were publicly traded equities. If equity prices on the exchange had increased or decreased by 5% as at December 31, 2013, the Net Assets of the Fund would have increased or decreased by approximately $573,000, or 1.3% (2012 - $344,000 or 0.8%) 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 are as follows:

2013

	Financial Instruments ($)	Percentage of NAV (%)
United States Dollar	36,874,967	87.3%

2012

	Financial Instruments ($)	Percentage of NAV (%)
United States Dollar	38,630,806	87.8%

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 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 $369,000 (2012 - $386,000).

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

CHOU RRSP FUND

(unaudited)

March 14, 2014

Dear Unitholders of Chou RRSP Fund,

After the distribution of $0.28, the net asset value per unit ("NAVPU") of a Series A unit of Chou RRSP Fund at December 31, 2013 was $30.94 compared to $25.74 at December 31, 2012, an increase of 21.3%; during the same period, the S&P/TSX Total Return Index increased 13.0% in Canadian dollars. In $U.S., a Series A unit of Chou RRSP Fund was up 13.4% while the S&P/TSX Total Return Index returned 5.8%.

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

December 31, 2013 (Series A)	1 Year	3 Years	5 Years	10 Years	15 Years
Chou RRSP ($CAN)	21.3%	8.8%	19.3%	6.2%	8.5%
S&P/TSX ($CAN)	13.0%	3.4%	11.9%	7.9%	7.5%
Chou RRSP ($U.S.)[1]	13.4%	6.4%	22.6%	8.3%	11.2%
S&P/TSX ($U.S.)	5.8%	1.1%	15.0%	10.1%	10.1%

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 2013 Results

The weakness of the Canadian dollar against the U.S. dollar had a large positive impact on the results of the Fund. The difference in performance results between the net asset value per unit (NAVPU) priced in Canadian dollars, versus U.S. dollars, is attributable to the fact that on December 31, 2012, one U.S. dollar was worth approximately $0.99 Canadian, whereas one year later, on December 31, 2013, one U.S. dollar was worth approximately $1.06 Canadian.

Overstock.com Inc., International Forest Products Ltd, Ridley Inc., MEGA Brands Inc. and Resolute Forest Products Inc. were major positive contributors to the Fund's performance.

The largest equity decliners in 2013 were Blackberry Limited (formerly Research In Motion Limited), Torstar Corporation, Rainmaker Entertainment Inc. and Danier Leather Inc.

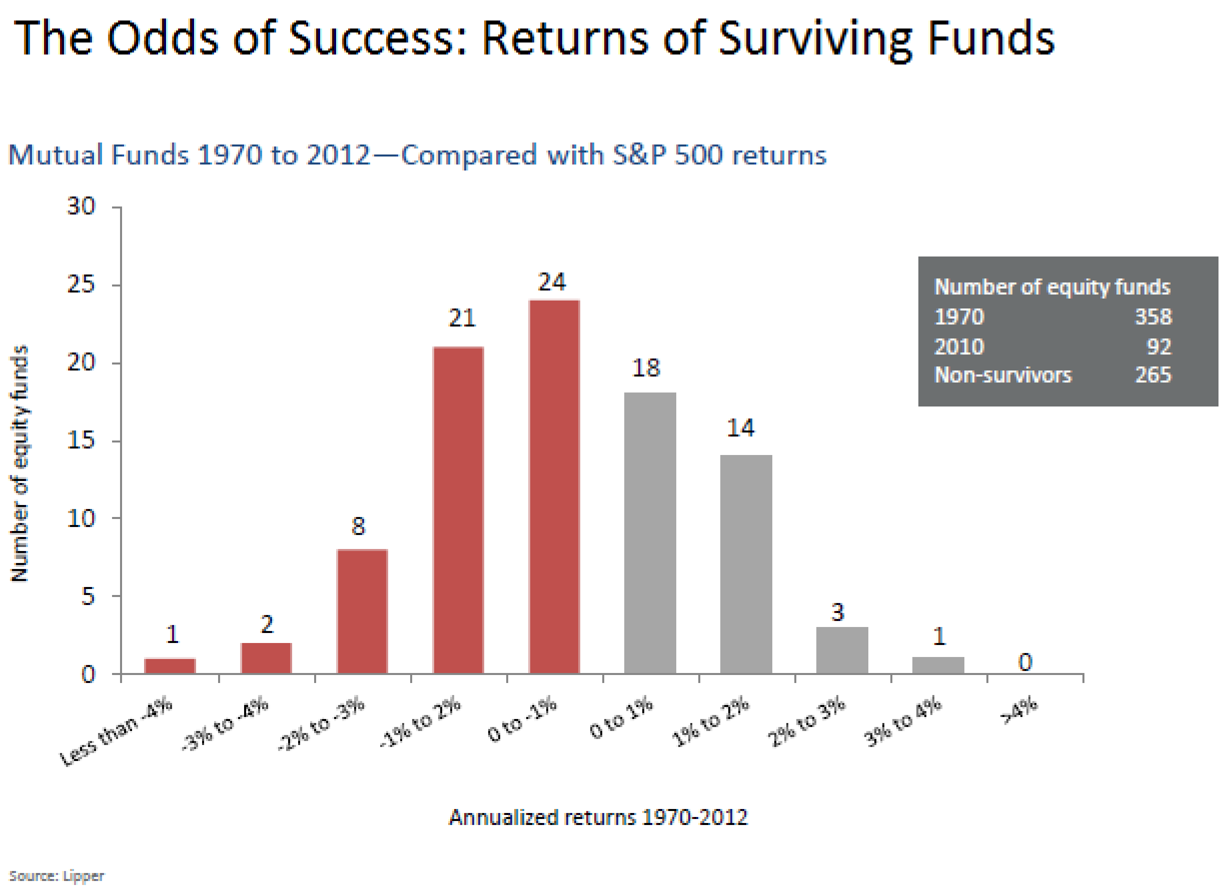
[1] The alternative method of purchasing Chou RRSP Fund in $U.S. has been offered since September 2005. Performance for years prior to September 2005 is based on the $U.S. equivalent conversion of the results of the Chou RRSP Fund ($CAN). The investments in the Chou RRSP Fund ($CAN) are the same as the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

The Fund sold all its equity holdings of Symetra Financial Corporation, and reduced positions of Overstock.com Inc., Torstar Corporation Class B, International Forest Products Limited Class A and Taiga Building Products Limited.

The 20-Year Lesson Learned

We believe that the market is currently fairly valued and we sincerely doubt the overall returns from equities in general over the next five to 10 years will be compelling. On the contrary, we believe the returns may be far more modest than those hoped for by investors. Not only are the P/E ratios and price-to-book values still high and dividend yields low relative to historic valuations, but the number of companies that are underpriced is at an all-time low. In light of this scenario, and with its obvious lack of bargains, we would not hesitate to sell our investments and be 100% or 50% cash -- or whatever the number may be.

We were looking to see how many funds have been able to beat the S&P 500 on a long-term basis, and found a piece written by Burton G. Malkiel named "*Some Timeless and Timely Investment Lessons*" which highlights the difficulties of competing with, much less beating the S&P 500. Based on his findings on the returns of 358 equity funds, only three equity funds were able to outperform the market by 2%-3%, and one sole equity fund beat the S&P 500 by 3%-4%. No equity funds were able to outperform that.



Looking at our 20-year returns, we have been able to outperform the S&P/TSX Composite Index by a comfortable margin. Chou RRSP Fund returned approximately 10.9% annualized, while the S&P/TSX Index returned approximately 8.2% with dividends reinvested. When we reflect back on the reasons why we have outperformed the market, the one that readily comes to mind is that we purchased securities, whether they were fixed income or equities, only when bargains were available at a compelling discount.

We do not put a lot of emphasis on macroeconomic events as long as we are able to buy stocks at a substantial discount to our calculation of their estimated intrinsic value. We have no use for top-down analysis. We do not pick stocks on the basis of how rosy or miserable the economy will be in the near future and which company will do well in that scenario. We are well aware that, with so many variables and imponderables to consider, it is hard to be accurate on macroeconomic events. We know from experience that it is tough enough to predict the timing of a recession, let alone the degree of severity! However, we do keep abreast of what's happening in the world and would take into consideration any serious misallocation of resources either in an industry or sovereign nation because they may have a measurable impact on the company's intrinsic value.

Sober Second Thought Needed

Once we buy a stock that we believe is a bargain, our excitement in finding a good deal at a low price is tempered by caution. We check and recheck our premises and constantly go over the basis for our valuations to ensure they are correct. Did we miss something important? Is the earning power there? Are the assets worth anything? And are we unduly emphasizing something at a subconscious level that is persuading us to buy because we are holding too much cash and cannot find bargains.

Once we buy a bargain, we give no thought to when the stock will rise. We have no idea whether the return will triple, double or go up 50%. Maybe it will in a year, maybe five years -- who knows? Or there may be no rise at all. All of that is beyond our control and the only control we have is the judgment we make on a rough approximation of what the company is worth and how inexpensively we are able to buy it. If our valuation of what the company is worth is anywhere close to being accurate, the stock will do well. Whenever we have lost money, it is because our valuation was wrong and not because someone took advantage of us or because of the "evil" stock market.

So when we look at the stock markets today, most of the equities and fixed income securities are in the range of being fairly valued and the number of bargains is getting scarcer all the time. The world has a lot of problems but if the prices were as cheap as in 2008, we would not hesitate to load up on them. In the depths of the Great Recession in 2008 when stock markets were hitting all-time lows, we wrote, "We don't know whether the stock market has hit bottom yet but we suspect that when we look back at the current environment 10 years from now, we will classify this as one of the best periods for buying stock and debt securities."

The Market is no Patsy

We have comfortably beaten the market over the last 27 years. It is not because the market is a patsy. The S&P/TSX Index is a formidable competitor. What makes it so strong is that when a company (or companies) falters, it gets replaced by companies with better financials and economics. It would have been way easier to beat the index if the companies that falter or go bankrupt don't get replaced. So, at any given time, we are basically competing with a basket of the best companies that have strong sustainable earnings power. And we have to beat it after fees and all other friction costs associated with running a mutual fund. We are leery about giving performance numbers on a pro-forma basis. There is some subjectivity and discretion on the part of the portfolio manager of what numbers can be used as an input. If we wanted to, we could show that we have outperformed the market by roughly 6%. For example, we could add back fees of roughly 2% on management fees received. Historically, we also, on average, had large cash holdings of 30% or more for an extended period of time. And on top of that, we are reconciling cash inflows and outflows on a daily basis because of purchases and redemptions. We have learned that the best route is to just take the returns that an investor gets after all fees and friction costs associated with running a fund.

Hedge Funds Have a Problem Too

So we can see that the S&P/TSX Index is a terrific competitor. Therefore, it does not come as a surprise that index funds have proliferated and so many funds are closet indexers. Even hedge funds have a problem. In his book, *The Hedge Fund Mirage, The Illusion of Big Money and Why It's too good to be True,* author Simon Lack writes: "If all the money that's ever been invested in hedge funds had been in treasury bills, the results would have been twice as good."

Simon Lack was a true insider. He sat on JPMorgan's investment committee, allocating more than $1 billion to hedge fund managers and founded the JPMorgan Incubator Funds, two private-equity vehicles that took economic stakes in emerging hedge fund managers.

As we have stated in our past letters, the cardinal principle underlying the investments in the Fund is to pay far less than what the company is worth, measured by sustainable earning power and/or hard assets that are not depreciating in value. In other words, we want an adequate margin of safety and this concept, while unappreciated and ignored by most, is what distinguishes investment from speculation. It is different from volatility, where stocks can go up or down in a given year.

The reason for raising the 20-year performance and how we achieved it is that if we cannot find genuine bargains - and they cannot be lukewarm or moderately undervalued - we will not hesitate to be 100% in cash. There are some who may disagree with that move and so be it. Like we have said before, we prefer to lose 50% of our investors rather than 50% of your capital. One good thing is that we have managed the Fund for a long time and thus we are less pressured to follow the crowd or chase the index.

Issues that continue to bother us

<u>Low interest rates can distort valuation</u>

One of the consequences of quantitative easing(s) (QEs) is low interest rates. Indirectly, interest rates have a huge bearing in the calculation of intrinsic value. When we use the discounted cash flow method for calculating intrinsic value, we plug the growth rate for that company in the numerator and plug the discount rate in the denominator. Typically we take the 30-year Treasury bond as the proxy for the discount rate. Some investors may take the 10-year Treasury bond.

However, when interest rates are as low as they are now and you are using that as a proxy, it can create a misguided sense that stocks are cheap. Mathematically, in the discounted cash flow formula, when growth rate is higher than the discount rate, you can pay any price for the stock and still justify that it is cheap. That is how the math works. If people are convinced that these low interest rates are here to stay for a long time, then stocks are cheap - especially for companies whose earnings are growing.

But we would be very careful in using low interest rates as a justification for paying higher prices. It is fool's gold and could lead to serious misjudgment when evaluating companies.

One way of getting around this conundrum is to use a high discount rate. We would ask ourselves: "What intrinsic value will we get if we plug in 15% as the discount rate? What about 12% or 20%?" In this way, we avoid the danger of overestimating the intrinsic value of the companies we are researching.

Canadian Real Estate

We continue to worry about Canadian real estate. As we have said before, Canada has performed best of the G8 nations 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.

Other Matters

INDEPENDENT REVIEW COMMITTEE: The Manager has established an IRC as required by NI 81-107. The members of the IRC are Sandford Borins, Peter Gregoire and Joe Tortolano. The 2013 IRC Annual Report is available on our website www.choufunds.com.

As of March 14, 2014, the NAV of a Series A unit of the Fund was $33.66 and the cash position was approximately 22.6% of net assets. The Fund is up 8.8% from the beginning of the year. In $U.S., it is up 4.3%. While 2014 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, 2013 AND 2012

	2013	2012
ASSETS		
Cash	$ 33,720,588	$ 1,253,782
Accrued interest and dividend income	38,157	38,157
Receivable for units subscribed	16,500	30,000
Other receivables	3,198	-
Investments, at fair value	88,903,604	111,290,818
	122,682,047	112,612,757
LIABILITIES		
Accrued expenses	217,713	205,492
Payable for units redeemed	88,064	98,342
Distributions payable	14,669	7,303
Investments sold short, at fair value	38,281	-
	358,727	311,137
NET ASSETS	$ 122,323,320	$ 112,301,620

	2013	2012
NET ASSETS, BY SERIES		
Series A	$ 117,574,058	$ 109,639,802
Series F	4,749,262	2,661,818
	$ 122,323,320	$ 112,301,620
NUMBER OF UNITS OUTSTANDING (Note 4)		
Series A	3,811,998	4,279,790
Series F	154,729	104,004
NET ASSETS PER UNIT (Note 6)		
Canadian dollars		
Series A	$ 30.84	$ 25.62
Series F	$ 30.69	$ 25.59
U.S. dollars		
Series A	$ 29.00	$ 25.76
Series F	$ 28.86	$ 25.73

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, 2013 AND 2012

	2013	2012
INVESTMENT INCOME		
Dividends	$ 2,779,242	$ 1,849,742
Income from derivatives	396,730	-
Interest	946,378	954,793
Interest from securities lending	47,813	-
	4,170,163	2,804,535
EXPENSES		
Management fees (Note 5)	1,962,285	1,686,629
Custodian fees	138,699	153,223
Filing fees	14,600	14,680
Audit	19,381	14,019
Legal	4,275	6,808
Foreign withholding taxes	-	6,765
Independent Review Committee fees	4,113	4,093
FundSERV fees	8,181	3,670
	2,151,534	1,889,887
NET INVESTMENT INCOME FOR THE YEAR	2,018,629	914,648
NET REALIZED AND UNREALIZED GAIN (LOSS) AND TRANSACTION COSTS		
Transaction costs	(92,602)	(62,415)
Net realized gain on sale of investments	37,814,188	422,277
Change in unrealized appreciation (depreciation) in value of investments	(16,772,252)	29,450,414
	20,949,334	29,810,276
INCREASE IN NET ASSETS FROM OPERATIONS	$ 22,967,963	$ 30,724,924
INCREASE IN NET ASSETS FROM OPERATIONS		
Series A	$ 22,328,039	$ 29,968,908
Series F	639,924	756,016
	$ 22,967,963	$ 30,724,924
INCREASE IN NET ASSETS FROM OPERATIONS, PER UNIT		
Series A	$ 5.54	$ 6.47
Series F	$ 5.71	$ 6.62

CHOU RRSP FUND

STATEMENTS OF CHANGES IN NET ASSETS

FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012

	2013	2012
SERIES A		
NET ASSETS, beginning of the year	$ 109,639,802	$ 97,704,359
Increase in net assets from operations	22,328,039	29,968,908
Proceeds from issue of units	3,795,974	1,057,844
Payments on redemption of units	(18,175,406)	(19,084,374)
Distribution of income to unitholders		
Investment income	(1,060,340)	(439,019)
Reinvested distributions	1,045,989	432,084
NET ASSETS, end of the year	117,574,058	109,639,802
SERIES F		
NET ASSETS, beginning of the year	2,661,818	2,560,153
Increase in net assets from operations	639,924	756,016
Proceeds from issue of units	1,919,140	48,366
Payments on redemption of units	(471,403)	(702,349)
Distribution of income to unitholders		
Investment income	(84,715)	(23,373)
Reinvested distributions	84,498	23,005
NET ASSETS, end of the year	4,749,262	2,661,818
TOTAL NET ASSETS, end of the year	$ 122,323,320	$ 112,301,620

CHOU RRSP FUND

STATEMENT OF INVESTMENTS

AS AT DECEMBER 31, 2013

	No. of Shares or Par Value	Cost	Market Value
EQUITIES- Long*			
Bank of America, warrants, Class A, Jan 16, 2019	836,825	$ 2,984,789	$ 5,757,276
Blackberry Limited**	529,040	4,122,657	4,174,126
Canfor Pulp Products Inc.	493,900	1,405,445	5,062,475
Clublink Enterprises Limited	193,600	1,077,639	1,877,920
Danier Leather Inc.	679,200	6,453,777	7,471,200
International Forest Products Ltd., Class A	625,500	3,719,913	8,362,935
MEGA Brands Inc.	626,411	5,909,684	9,440,014
Overstock.com Inc.	151,976	3,166,145	4,975,799
Rainmaker Entertainment Inc.	2,536,800	5,227,610	405,888
Reitmans (Canada) Limited	9,000	53,225	61,020
Reitmans (Canada) Ltd., Class A	122,300	726,950	830,417
Resolute Forest Products Inc.	624,188	10,166,745	10,626,369
Ridley Inc.	313,200	2,511,607	4,607,172
Sears Canada Inc.	292,830	2,667,681	3,806,790
Taiga Building Products Ltd.	159,700	212,401	143,730
Torstar Corporation, Class B	1,259,416	27,484,475	7,304,613
TVA Group Inc., Class B	733,128	10,931,044	6,898,734
		88,821,787	81,806,478
EQUITIES- Short			
Overstock.com Inc.[(1)]	10,000	(51,341)	(38,281)
BONDS- Long			
Taiga Building Products Ltd., 14.0%, Sep 1, 2020	6,759,168	6,759,168	7,097,126
Total Long		95,580,955	88,903,604
Total Short		(51,341)	(38,281)
TOTAL INVESTMENTS		95,529,614	88,865,323
TRANSACTION COSTS		(519,122)	-
PORTFOLIO TOTAL		$ 95,010,492	$ 88,865,323

* Common shares unless indicated otherwise
** Research In Motion Limited changed its name to Blackberry Limited.
(1)For the written call option, the expiry date will be March 2014, and the Strike price $30.00.

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, 2013, the Fund invested approximately 5.8% (2012 – 6.3%) 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:

	2013	**2012**
Less than 1 year	$0	$ 0
1-3 years	$0	$ 0
3-5 years	$0	$ 0
Greater than 5 years	$7,097,126	$ 7,093,747

As at December 31, 2013, 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 $118,582 (2012 – $118,582).

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

Other Price Risk

Other price risk is the risk that the value of financial instruments will fluctuate as a result of changes in market prices (other than those arising from interest rate risk or currency risk) caused by factors specific to a security, its issuer or all factors affecting a market or a market segment. Approximately 66.8% (2012 – 92.8%) of the Fund's Net Assets held at December 31, 2013 were publicly traded equities. If equity prices on the exchange had increased or decreased by 5% as at December 31, 2013, the Net Assets of the Fund would have increased or decreased by approximately $4,090,000, or 3.3% (2012 – 5,210,000, or 4.6%) 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 are as follow:

2013

	Financial Instruments ($)	Percentage of NAV (%)
United States Dollar	30,623,580	25.0%

2012

	Financial Instruments ($)	Percentage of NAV (%)
United States Dollar	19,973,514	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, 2013, 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 $306,000 (2012 - $200,000).

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

1. FORMATION OF CHOU FUNDS

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

The Funds were formed on the following dates:

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

2. SIGNIFICANT ACCOUNTING POLICIES

The financial statements are prepared in accordance with Canadian generally accepted accounting principles. The following is a summary of significant accounting policies used by the Funds:

(a) Use of estimates

These financial statements 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 NAVPU is provided in Note 6.

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.

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.

2. SIGNIFICANT ACCOUNTING POLICIES, continued

(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 transaction costs in the Statements of Operations.

(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.

(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.

(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 U.S. dollars and the net assets attributed to these units are translated into U.S. dollars at the exchange rate for that valuation day. The Canadian dollar and U.S. 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

2. SIGNIFICANT ACCOUNTING POLICIES, continued

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 net realized gain (loss) on sale of investments and change in unrealized appreciation (depreciation) in value of investments in the Statements of Operations 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 gain on sale of investments or change in unrealized appreciation (depreciation) in value of investments.

(i) Derivative Transactions

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

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”.

(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.

2. SIGNIFICANT ACCOUNTING POLICIES, continued

(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,

3. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT, continued

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.

(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	
	2013	**2012**	**2013**	**2012**
CHOU ASSSOCIATES FUND				
Units outstanding, beginning of the year	4,951,551	5,561,339	306,407	390,159
Add: Units issued during the year	265,301	91,413	55,915	33,915
Deduct: Units redeemed during the year	(1,126,735)	(846,365)	(66,386)	(126,569)
Units outstanding before income distribution	4,090,117	4,806,387	295,936	297,505
Add: Units issued on reinvested income	118,878	145,164	9,521	8,902
Units outstanding, end of the year	4,208,995	4,951,551	305,457	306,407
CHOU ASIA FUND				
Units outstanding, beginning of the year	2,711,744	3,348,296	78,634	158,974
Add: Units issued during the year	56,296	17,363	26,803	8,226
Deduct: Units redeemed during the year	(476,397)	(655,142)	(26,434)	(88,609)
Units outstanding before income distribution	2,291,643	2,710,517	79,003	78,591
Add: Units issued on reinvested income	-	1,227	1	43
Units outstanding, end of the year	2,291,643	2,711,744	79,004	78,634

4. UNITHOLDER CAPITAL, continued

	Series A		Series F	
	2013	2012	2013	2012
CHOU EUROPE FUND				
Units outstanding, beginning of the year	937,889	964,369	2,180	3,858
Add: Units issued during the year	731,980	34,875	76,058	2,103
Deduct: Units redeemed during the year	(142,321)	(93,724)	-	(3,858)
Units outstanding before income distribution	1,527,548	905,520	78,238	2,103
Add: Units issued on reinvested income	16,845	32,369	894	77
Units outstanding, end of the year	1,544,393	937,889	79,132	2,180
CHOU BOND FUND				
Units outstanding, beginning of the year	4,434,113	5,091,719	861,551	1,181,760
Add: Units issued during the year	120,418	159,529	5,957	46,671
Deduct: Units redeemed during the year	(778,720)	(1,161,556)	(525,572)	(433,681)
Units outstanding before income distribution	3,775,811	4,089,692	341,936	794,750
Add: Units issued on reinvested income	244,832	344,421	20,975	66,801
Units outstanding, end of the year	4,020,643	4,434,113	362,911	861,551
CHOU RRSP FUND				
Units outstanding, beginning of the year	4,279,790	5,114,462	104,004	134,107
Add: Units issued during the year	132,488	47,585	64,335	2,315
Deduct: Units redeemed during the year	(634,092)	(899,042)	(16,355)	(33,313)
Units outstanding before income distribution	3,778,186	4,263,005	151,984	103,109
Add: Units issued on reinvested income	33,812	16,785	2,745	895
Units outstanding, end of the year	3,811,998	4,279,790	154,729	104,004

5. RELATED PARTY TRANSACTIONS

Management Fees

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.

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

	2013	**2012**
Chou Associates Fund	$ 8,343,594	$ 6,859,935
Chou Asia Fund	634,763	711,696
Chou Europe Fund	-	-
Chou Bond Fund	553,316	583,768
Chou RRSP Fund	1,962,285	1,686,629

As at December 31, included in accrued expenses of each fund are the following amounts due to Chou Associates Management Inc., for management fees payable:

	2013	**2012**
Chou Associates Fund	$ 765,519	$ 589,992
Chou Asia Fund	57,071	52,975
Chou Europe Fund	-	-
Chou Bond Fund	46,868	46,673
Chou RRSP Fund	174,992	156,585

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.

6. RECONCILIATION OF TRANSACTIONAL NAV TO GAAP NET ASSETS

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

		Net Asset Value ($)			Net Asset Value per Unit ($)		
	Series	Transactional NAV	Section 3855 Adjustment	GAAP Net Assets	Transactional NAV	Section 3855 Adjustment	GAAP Net Assets
Chou Associates	A	469,148,836	(533,649)	468,615,187	111.46	(0.13)	111.34
Fund	F	33,864,471	(38,374)	33,826,097	110.86	(0.13)	110.74
Chou Asia	A	38,370,273	(31,461)	38,338,812	16.74	(0.01)	16.73
Fund	F	1,339,186	(1,091)	1,338,095	16.95	(0.01)	16.94
Chou Europe	A	17,952,404	(18,515)	17,933,889	11.62	(0.01)	11.61
Fund	F	929,389	(961)	928,428	11.74	(0.01)	11.73
Chou Bond	A	38,761,020	(44,744)	38,716,276	9.64	(0.01)	9.63
Fund	F	3,527,244	(4,084)	3,523,160	9.72	(0.01)	9.71
Chou RRSP	A	117,929,201	(355,143)	117,574,058	30.94	(0.09)	30.84
Fund	F	4,763,478	(14,216)	4,749,262	30.79	(0.09)	30.69

7. BROKERS' COMMISSIONS

Total commissions paid to brokers in connection with portfolio transactions for the year ended December 31, 2013 and for the year ended December 31, 2012 are as follows:

	2013	2012
Chou Associates Fund	$ 299,915	$ 502,554
Chou Asia Fund	12,282	22,641
Chou Europe Fund	1,038	449
Chou Bond Fund	3,730	4,288
Chou RRSP Fund	92,602	62,415

8. 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, 2013 and December 31, 2012 are as follows:

2013	Market Value of Securities on Loan	Market Value of Collateral Received
Chou Associates Fund	$ 41,614,021	$ 42,712,061
Chou Asia Fund	2,843,043	3,014,238
Chou RRSP Fund	5,266,741	5,493,075

2012	Market Value of Securities on Loan	Market Value of Collateral Received
Chou Associates Fund	$ 46,492,522	$ 48,290,700

9. 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, 2013

Chou Associates Fund	Level 1	Level 2	Level 3	Total
Equities - Long	$ 328,017,505	$ -	$ 1,570,750	$ 329,588,255
Bonds	-	5,801,248	-	5,801,248
	328,017,505	5,801,248	1,570,750	335,389,503
Options - Short	(568,087)	-	-	(568,087)
Total	**$ 327,449,418**	**$ 5,801,248**	**$ 1,570,750**	**$ 334,821,416**

As at December 31, 2012

Chou Associates Fund	Level 1	Level 2	Level 3	Total
Equities - Long	$ 302,339,894	$ -	$ 1,521,775	$ 303,861,669
Bonds	-	37,243,089	-	37,243,089
	302,339,894	37,243,089	1,521,775	341,104,758
Options - Short	-	-	-	-
Total	**$ 302,339,894**	**$ 37,243,089**	**$ 1,521,775**	**$ 341,104,758**

During the period, 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, 2012	$ 1,521,775		$ 1,521,775
Investments purchased during the year	-	-	-
Investments sold during the year	-	-	-
Net transfer in (out) during the year	-	-	-
Net realized gain (loss) on sale of investments	-	-	-
Change in unrealized appreciation (depreciation) in value of investments	48,975	-	48,975
Balance at December 31, 2013	**$ 1,570,750**	**$ -**	**$ 1,570,750**

9. FAIR VALUE MEASUREMENT, continued

As at December 31, 2013

Chou Asia Fund	Level 1	Level 2	Level 3	Total
Equities - Long	$ 24,212,479	$ -	$ -	$ 24,212,479
Bonds	-	-	-	-
	24,212,479	-	-	24,212,479
Options - Short	-	-	-	-
Total	**$ 24,212,479**	**$ -**	**$ -**	**$ 24,212,479**

As at December 31, 2012

Chou Asia Fund	Level 1	Level 2	Level 3	Total
Equities - Long	$ 20,315,349	$ -	$ -	$ 20,315,349
Bonds	-	-	-	-
	20,315,349	-	-	20,315,349
Options - Short	-	-	-	-
Total	**$ 20,315,349**	**$ -**	**$ -**	**$ 20,315,349**

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

9. FAIR VALUE MEASUREMENT, continued

As at December 31, 2013

Chou Europe Fund	**Level 1**	**Level 2**	**Level 3**	**Total**
Equities - Long	$ 8,412,192	$ -	$ -	$ 8,412,192
Bonds	-	-	-	-
	8,412,192	-	-	8,412,192
Options - Short	-	-	-	-
Total	**$ 8,412,192**	**$ -**	**$ -**	**$ 8,412,192**

As at December 31, 2012

Chou Europe Fund	**Level 1**	**Level 2**	**Level 3**	**Total**
Equities - Long	$ 6,215,521	$ -	$ -	$ 6,215,521
Bonds	-	-	-	-
	6,215,521	-	-	6,215,521
Options - Short	-	-	-	-
Total	**$ 6,215,521**	**$ -**	**$ -**	**$ 6,215,521**

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

As at December 31, 2013

Chou Bond Fund	**Level 1**	**Level 2**	**Level 3**	**Total**
Equities - Long	$ 11,468,422	$ -	$ -	$ 11,468,422
Bonds	-	16,856,216	1,312,000	18,168,216
	11,468,422	16,856,216	1,312,000	29,636,638
Options - Short	-	-	-	-
Total	**$ 11,468,422**	**$ 16,856,216**	**$ 1,312,000**	**$ 29,636,638**

As at December 31, 2012

Chou Bond Fund	**Level 1**	**Level 2**	**Level 3**	**Total**
Equities - Long	$ 6,760,817	$ 118,833	$ -	$ 6,879,650
Bonds	-	31,350,145	-	31,350,145
	6,760,817	31,468,978	-	38,229,795
Options - Short	-	-	-	-
Total	**$ 6,760,817**	**$ 31,468,978**	**$ -**	**$ 38,229,795**

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

9. FAIR VALUE MEASUREMENT, continued

Fair value measurements using level 3 inputs:	Equities – Long	Bonds	Total
Balance at December 31, 2012	$ -	$ -	$ -
Investments purchased during the year	-	1,312,000	1,312,000
Investments sold during the year	-	-	-
Net transfer in (out) during the year	-	-	-
Net realized gain (loss) on sale of investments	-	-	-
Change in unrealized appreciation (depreciation) in value of investments	-	-	-
Balance at December 31, 2013	**$ -**	**$ 1,312,000**	**$ 1,312,000**

As at December 31, 2013

Chou RRSP Fund	Level 1	Level 2	Level 3	Total
Equities - Long	$ 81,806,478	$ -	$ -	$ 81,806,478
Bonds	-	7,097,126	-	7,097,126
	81,806,478	7,097,126	-	88,903,604
Options - Short	(38,281)	-	-	(38,281)
Total	**$ 81,768,197**	**$ 7,097,126**	**$ -**	**$ 88,865,323**

As at December 31, 2012

Chou RRSP Fund	Level 1	Level 2	Level 3	Total
Equities - Long	$ 104,197,071	$ -	$ -	$ 104,197,071
Bonds	-	7,093,747	-	7,093,747
	104,197,071	7,093,747	-	111,290,818
Options - Short	-	-	-	-
Total	**$ 104,197,071**	**$ 7,093,747**	**$ -**	**$ 111,290,818**

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

10. 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 Asia Fund	$71,701
Chou Europe Fund	$ 3,265,651
Chou Bond Fund	$ 12,563,862
Chou RRSP Fund	$ 9,566,415

11. CHANGEOVER TO INTERNATIONAL FINANCIAL REPORTING STANDARDS

On February 13, 2008, the Accounting Standards Board ("AcSB") confirmed that publicly accountable enterprises would be required to adopt International Financial Reporting Standards ("IFRS"), as published by the International Accounting Standards Board ("IASB"), on January 1, 2011. However, the AcSB deferred the mandatory IFRS changeover date for Canadian investment funds to January 1, 2014.

Consequently, the Funds will publish their first annual audited financial statements in accordance with IFRS for the year ending December 31, 2014, with comparatives for the year ending December 31, 2013, and prepare an opening IFRS statement of net assets at January 1, 2013. The Funds will also be publishing unaudited interim financial statements in accordance with IFRS for the 6-month period ending June 30, 2014.

The Manager has not identified any changes that will impact NAV per unit as a result of the changeover to IFRS. However, this determination is subject to change as the Manager finalizes its assessment of the impact of IFRS, and the impact of new standards issued by the IASB prior to the Fund's adoption of IFRS (see commentary below). The criteria contained within IAS 32 *Financial Instruments: Presentation* may require unitholders' equity to be classified as a liability within the Fund's Statement of Net Assets, unless certain conditions are met. The Manager is currently assessing the Funds' unitholder structure to confirm the appropriate classification in accordance with IFRS.

IFRS is also expected to affect the overall presentation of financial statements, such as the inclusion of a Statement of Cash Flows in the financial statements. Overall, enhanced disclosure requirements are expected.

Upon adoption of IFRS the Funds will apply IFRS 13 *Fair Value Measurement*. IFRS 13 defines fair value, sets out a single IFRS framework for measuring fair value and requires disclosure about fair value measurements. It applies when other IFRS require or permit fair value measurement. If an asset or a liability measured at fair value has a bid price and an ask price, it requires valuation to be based on a price within the bid-ask spread that is most representative of fair value. It allows the use of mid-market pricing or other pricing conventions that are used by market participants as a practical expedient for fair value measurements within a bid-ask spread. This may result in eliminating the difference between the NAV per unit and net assets per unit under current Canadian GAAP.

In October 31, 2012, the IASB published *Investment Entities (Amendments to IFRS 10, IFRS 12 and IAS 27)*, which provides an exemption from consolidation of subsidiaries under IFRS 10 *Consolidated Financial Statements* for entities which meet the definition of an 'investment entity'. A qualifying investment entity is *required* to account for investments in controlled entities – as well as investments in associates and joint ventures – at fair value through profit or loss; the only exception would be subsidiaries that are considered an extension of the investment entity's investing activities. The consolidation exception is mandatory – not optional.

NOTES

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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
Dec.31, 2012	13,144	3,176	1,289	17,609
Dec. 31, 2013	16,271	3,932	1,596	**$21,799**

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
Dec.31, 2012	7,954	82	2,717	10,753
Dec. 31, 2013	11,100	114	3,966	**$15,181**

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
Dec.31, 2012	8,038	41	4,805	12,884
Dec. 31, 2013	9,313	48	6,567	**$15,928**

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
Dec.31, 2012	25,361	35,358	48,141	108,860
Dec.31, 2013	30,384	42,361	58,861	**$132,029**

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

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

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

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