

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

SEMI-ANNUAL REPORT 2018

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

CHOU ASSOCIATES FUND

Period ended	Total value of shares
Dec.31, 1986	\$10,000
Dec.31, 1987	10,502
Dec.31, 1988	12,001
Dec.31, 1989	14,244
Dec.31, 1990	12,722
Dec.31, 1991	15,681
Dec.31, 1992	18,817
Dec.31, 1993	21,863
Dec.31, 1994	21,300
Dec.31, 1995	27,904
Dec.31, 1996	34,235
Dec.31, 1997	48,035
Dec.31, 1998	59,187
Dec.31, 1999	53,489
Dec.31, 2000	57,967
Dec.31, 2001	70,397
Dec.31, 2002	91,504
Dec.31, 2003	94,773
Dec.31, 2004	103,319
Dec.31, 2005	117,462
Dec.31, 2006	139,511
Dec.31, 2007	125,258
Dec.31, 2008	88,553
Dec.31, 2009	114,854
Dec.31, 2010	136,916
Dec.31, 2011	113,776
Dec.31, 2012	144,446
Dec.31, 2013	204,142
Dec.31, 2014	228,754
Dec.31, 2015	212,854
Dec.31, 2016	206,905
Dec.31, 2017	214,775
June 30, 2018	<u>\$210,149</u>

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

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

PERFORMANCE OF THE FUNDS

Six months ended June 30, 2018 (unaudited)

Chou Associates Fund

Series A \$CAN	-2.2%
Series A \$US	-6.4%

Series F \$CAN	-1.9%
Series F \$US	-6.2%

Chou Asia Fund

Series A \$CAN	-6.5%
Series A \$US	-10.6%

Series F \$CAN	-6.3%
Series F \$US	-10.4%

Chou Europe Fund

Series A \$CAN	6.2%
Series A \$US	1.6%

Series F \$CAN	6.5%
Series F \$US	1.8%

Chou Bond Fund

Series A \$CAN	-2.3%
Series A \$US	-6.6%

Series F \$CAN	-2.2%
Series F \$US	-6.5%

Chou RRSP Fund

Series A \$CAN	7.3%
Series A \$US	2.6%

Series F \$CAN	7.6%
Series F \$US	2.9%

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CHOU ASSOCIATES FUND

(unaudited)

August 20, 2018

Dear Unitholders of Chou Associates Fund,

The net asset value per unit (“NAVPU”) of a Series A unit of Chou Associates Fund at June 30, 2018 was \$109.76 compared to \$112.18 at December 31, 2017, a decrease of 2.2%; during the same period, the S&P 500 Total Return Index increased 7.7% in Canadian dollars. In U.S. dollars, a Series A unit of Chou Associates Fund was down 6.4% while the S&P 500 Total Return Index returned 2.7%.

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

June 30, 2018 (Series A)	1 Year	3 Years	5 Years	10 Years	15 Years	20 Years
Chou Associates (\$CAN)	-1.3%	-1.9%	3.0%	5.6%	5.8%	7.3%
S&P 500 (\$CAN)	15.7%	13.9%	18.5%	13.0%	9.1%	5.9%
Chou Associates (\$US) ¹	-2.6%	-3.6%	-1.5%	2.9%	6.0%	7.9%
S&P 500 (\$US)	14.4%	11.9%	13.4%	10.2%	9.3%	6.5%

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

Factors Influencing the First Six-Month Results

The biggest positive contributors to the Fund’s performance in the first half of 2018 included the equity holdings of Endo International, MBIA Inc. and Nokia.

The Canadian currency depreciated against the U.S. dollar, which also positively affected the Fund.

Equities of Ascent Capital Group, Sears Holdings Corporation, Wells Fargo, as well as the 1.75 lien term loan of EXCO Resources were the biggest negative contributors to the Fund’s performance in the first half of 2018.

During the period, the Fund decreased its holding in Nokia. New additions included equity stakes in Valeant Pharmaceuticals, Allegiant Travel Company and Spirit Airlines. The previous holdings in Valeant Pharmaceuticals were sold before year-end 2017.

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

U.S. Bank Common Stock and TARP Warrants

Overall, investments in the TARP warrants of Bank of America, Wells Fargo and JPMorgan Chase performed well for the Fund, as reflected by the increases in prices of each position shown in the following table.

Security	Average Cost Base (ACB)*	Price as of June 30, 2018	% Increase From ACB
JPMorgan Chase Warrants (Oct. 28, 2018)	\$12.64	\$63.43	402%
Wells Fargo Warrants (Oct. 28, 2018)	\$7.73	\$22.02	185%
The Goldman Sachs Group	\$127.85	\$220.57	73%
Citigroup Inc.	\$24.60	\$66.92	172%

* Average Cost Base (ACB), as of June 30, 2018.

Note: Prices are in \$USD.

The maturity date for the TARP warrants are now less than a year away. As such we have to make a decision on whether to sell the TARP warrants or convert them to their equivalent common shares of the corresponding banks. If we believe that the bank(s) may still be undervalued, then we will be more likely to invest in the banks' common stock.

However, it is important to note that any future decision to sell additional warrants or buy the common stock will be based on our view of issuers and the markets at such time.

We will briefly discuss the mechanics and tax consequences of converting these TARP warrants to their corresponding common shares. A unique characteristic of these warrants is the ability to convert them to common shares via a cashless transaction. Instead of paying for the exercise price of the warrants in cash at the time of conversion, these warrants are only payable by netting out the number of the common shares issued upon exercise of the warrants that in total equal the exercise price.

For example, assume we purchased warrants of XYZ at \$5 with an exercise price of \$35, and the common stock of XYZ shares is trading in the market at \$50. When we exercise 100 units of the warrants, instead of paying \$3,500 for the new XYZ shares in cash (\$35 per share times 100 units) and receiving 100 shares of XYZ, there won't be any cash outlay and we will only receive 30 shares of XYZ. The remaining 70 shares will be implicitly sold at the current market price of \$50 per share for \$3,500 to pay for the total exercise price of \$3,500.

In consultation with the Fund's Canadian tax and accounting advisers, our understanding is that there will be immediate capital gain taxes incurred on the 70 shares of XYZ implicitly disposed of during the conversion process. In the example, the Fund will realize a capital gain of \$700 which is equal to the proceeds of \$3,500 less the new cost base of \$2,800 (\$40 per share times 70 shares). This is lower than the immediate capital gain that would be realized from directly selling the TARP warrants.

EXCO Resources

As of June 30, 2018, the Fund owned about US\$23.9 million worth of EXCO Resources (EXCO)'s 1.75 lien term loan (converted from the second-lien term loan held previously in Feb. 2017), with approximately US\$53.5 million in par value. This is one of the largest positions in the portfolio, comprising approximately 9% of the assets of the Fund (at market value).

At the time of purchase, we liked this investment because it met our criteria for investing in the oil and gas sector. The criteria that we considered in analyzing this type of investment is that it should be:

1. A very senior term loan or note;
2. Issued by a company with a significantly limited ability to add senior or pari-passu debt to its capital structure; and
3. Of a type that if the company restructures or goes into bankruptcy, the investment's recovery value is likely to be greater than its current price.

In addition to the security being very senior in the capital structure, we also hold the view that management seems to be making good decisions with respect to the allocation of capital in a tough environment.

On January 15, 2018, EXCO filed voluntary petitions for a court-supervised reorganization under Chapter 11 of the U.S. Bankruptcy Code to facilitate a restructuring of its balance sheet. EXCO Resources is saddled with very expensive transportation and other contracts. During a bankruptcy proceeding, contracts that have a present value of, for example \$200 million, could potentially be renegotiated to as low as \$20 million. We believe that when EXCO comes out of bankruptcy, the 1.75 lien holders will most likely own most of the new common stock of the company. If over the longer term our current assumption regarding this investment prove to be correct, we think the value of the EXCO 1.75 lien term loans should be appreciably higher than the June 30, 2018 price of 44.75 cents on a dollar.

Pharmaceutical Industry

We believe that pharmaceutical stocks as a group are selling at attractive valuations. They generate their earnings in cash and at the time of purchase, they were selling at less than 10 times earnings. Some of them are down more than 50% from their highs, which is what caught our attention initially. As discussed earlier in past reports, we invested more than two pharmaceutical companies (that is, to utilize a so-called "basket approach"), in order to reduce the potential adverse effect on fund returns that could result from Food and Drug Administration (FDA) approval and patent expiration issues faced by a single company. We have invested in the following pharmaceutical stocks:

Pharmaceutical Stocks	Price as of Dec. 31, 2017	Price as of June 30, 2018	Percentage Increase
Valeant Pharmaceuticals	\$20.78	\$23.24	11.8%
Endo International	\$7.75	\$9.43	21.7%
Sanofi	\$43.00	\$40.01	(7.0%)

In conclusion, we believe pharmaceutical stocks as a group are selling at attractive valuations, in comparison to the free cash flow and earnings they generate.

Sears Holdings

In hindsight, our initial assessment of Sears Holdings being worth more than \$50 per share a few years ago was most likely too optimistic. This is taking into consideration that we received in excess of \$23 per share in distributions from various spin-offs and right offerings, which we later sold in the market.

In 2017, we initiated a stock lending program where the Fund received interest on the shares lent. For Sears Holdings, the total security lending interest we received for the year was about \$7.25 million or about \$6.41 per share, all in U.S. dollars. This shows how heavily shorted the common shares of Sears Holdings have been. For the six-month period ending on June 30, 2018, the total security lending interest received was \$483,596 or about \$0.43 per share, all in U.S. dollars. In spite of the interest income earned from security lending, plus the approximately \$23 per share received in distributions from various spin-offs and rights offerings, it has not been a good investment.

Resolute Forest Products

As of June 30, 2018, the market price of Resolute Forest Products (RFP) was at \$10.35 per share, giving a market capitalization of roughly US\$935 million dollars. As we have explained in the past, the company continues to have consolidated sales of close to US\$3.5 billion and in each of its major business segments, it is a global leader. It continues to be the biggest volume producer of wood products east of the Rockies, the third largest in North America for market pulp, the number one producer of newsprint in the world and the largest producer in North America of uncoated mechanical paper and an emerging tissue producer. The wood products segment continues to have revenues of approximately US\$800 million, while the other three segments each continue to have revenues of approximately US\$900 million. We believe that each of the four business segments could fetch at least US\$400 million in a normal market and, as a result, RFP may be undervalued.

With the new CEO coming in, there is more optimism on what the company can do with its four business segments. This is reflected in the stock price as it has moved up from \$4.60 in March 2017 to \$10.35 as of June 30, 2018.

Short-Term Performance Impacts Long-Term Returns

We have been out of sync with the market for about four years – the longest stretch so far. Generally, it has not bothered us because we expected to underperform the market 30% – 40% of the time, based on our history of managing money for over 35 years.

A lot of investors are not aware that short-term results can have a huge bearing on the five- and 10-year annualized compounded returns. For example, let's take Fund A and Fund B. Fund A has consistently returned 7% per year for 10 years and therefore its compound rate of return over the 10-year period is 7%. Fund B, on the other hand, returns 8% for the first nine years but suffers a loss of 20% in the 10th year. Its compound rate of return for the 10-year period drops

significantly to 4.8%. The impact is more pronounced for the five-year returns, a similar decline of 20% in the fifth year would have decreased the five-year compound return from 8% to merely 1.7% for Fund B versus 7% for Fund A.

Another example is to compare our year-end 2014 and June 2018 returns, and look at what the Fund's 10- and 15-year returns were against the S&P 500.

	December 31, 2014		June 30, 2018	
Series A Returns	10 Years	15 Years	10 Years	15 Years
Chou Associates Fund (\$CAN)	8.3%	10.2%	5.6%	5.8%
S&P 500 (\$CAN)	7.3%	2.7%	13.0%	9.1%
Chou Associates Fund (\$U.S.)	8.6%	11.8%	2.9%	6.0%
S&P 500 (\$U.S.)	7.7%	4.2%	10.2%	9.3%

The important thing is that we continue to be confident in our value investing principles and the process we use to buy and sell stocks. We are trying to buy securities at 60 cents on a dollar. Another way to look at it is that when you buy stock at 10 times earnings versus the market at 25 times earnings, other things being equal, you are getting a 10% annualized yield versus the market giving you a 4% annualized yield. This reasoning is logical and should outperform the market in the long run. However, there will be periods – like we are going through now – where it does not appear to be working.

Most of the time when value investing has not worked, it is during periods when the market is trading at an elevated level. Based on historical ratios, the current prices for stocks are not cheap. However, if interest rates stay at these levels for an extended period of time, stocks are not expensive at all.

Suffice to say that we are not comfortable with the current market levels and we are not convinced that interest rates will stay this low for an extended period of time. We would consider it fortunate if the market returns more than 5% – 6% a year for the next 10 years from these current lofty levels.

In conclusion, we do not believe that we have entered a new paradigm; there is definite room for improvement in stock selections, but the principle of value investing is sound and, in time the logic will prevail.

Caution to the Investors

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

by this volatility because our focus has always been, and continues to be, on how inexpensive we believe the Fund's portfolio holdings are relative to what we believe to be their intrinsic value.

Other Matters

FOREIGN CURRENCY CONTRACTS: None existed at June 30, 2018.

CREDIT DEFAULT SWAPS: None existed at June 30, 2018.

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

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

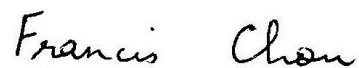
INDEPENDENT REVIEW COMMITTEE: The Manager has established an IRC as required by NI 81-107. The members of the IRC are Sanford Borins, Peter Gregoire and Joe Tortolano. The 2017 IRC Annual Report is available on our website www.choufunds.com.

RISK RATING: As of August 25, 2017, the risk rating of the Fund was changed from "Medium to High" to "Medium". The Manager used the investment risk classification methodology under NI 81-102 Investment Funds, which came into effect on Sept. 1, 2017, to determine the risk rating of each Fund. These risk re-classifications are not as a result of changes to the investment objectives, strategies or portfolio management of the Fund.

As of August 20, 2018, the NAVPU of a Series A unit of the Fund was \$119.27 and the cash position was approximately 2.1% of net assets. The Fund is up 6.3% from the beginning of the year. In U.S. dollars, it is up 2.5%.

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

Yours truly,

A handwritten signature in cursive script that reads "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 Inc. is responsible for reviewing and approving the financial statements, and for overseeing management's performance of its financial reporting responsibilities. It reviews the financial statements, the adequacy of internal controls, the audit process and the financial data with management and the external auditors. Once satisfied, the Board approves the financial statements.

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



Francis Chou
Chou Associates Management Inc.
August 20, 2018

CHOU ASSOCIATES FUND

Statements of Financial Position

June 30, 2018 (Unaudited) and December 31, 2017

	June 30, 2018	December 31, 2017
Assets		
Current assets:		
Financial assets designated at fair value through profit or loss (note 8)	\$ 290,351,089	\$ 255,929,599
Held-for-trading investments (note 8)	42,800,141	48,549,466
Cash and cash equivalents	13,835,940	73,223,175
Receivable for redeemable units subscribed	36,592	7,695
Due from broker	—	39,038
Interest receivable	153,289	139,588
Dividends receivable	126,173	120,640
Total assets	347,303,224	378,009,201
Liabilities		
Current liabilities:		
Accrued expenses	1,205,786	1,020,214
Payable for units redeemed	276,635	142,118
Due to broker	1,363,472	38,812
Total liabilities	2,845,893	1,201,144
Net assets attributable to unitholders of redeemable units	\$ 344,457,331	\$ 376,808,057
Net assets attributable to unitholders of redeemable units:		
Series A	\$ 306,308,183	\$ 336,324,537
Series F	38,149,148	40,483,520
	\$ 344,457,331	\$ 376,808,057
Number of redeemable units outstanding (note 4):		
Series A	2,790,869	2,998,503
Series F	348,668	363,060
Net assets attributable to unitholders of redeemable units per unit (note 4):		
Canadian dollars:		
Series A	\$ 109.75	\$ 112.16
Series F	109.41	111.51
U.S. dollars:		
Series A	83.49	89.23
Series F	83.23	88.71

See accompanying notes to financial statements.

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

Francis Chou

CHOU ASSOCIATES FUND

Statements of Comprehensive Income (Loss)

Six months ended June 30, 2018 and 2017 (Unaudited)

	2018	2017
Income:		
Interest for distribution purposes and other	\$ 219,281	\$ 7,351,368
Dividends	1,477,359	1,708,223
Securities lending income (note 7)	834,145	2,352,708
Foreign currency gain (loss) on cash and other net assets	877,685	(20,197)
Other net changes in fair value of financial assets and financial liabilities at fair value through profit or loss:		
Net realized gain on financial assets designated at fair value through profit or loss	1,142,511	18,797,155
Change in unrealized depreciation on financial assets designated at fair value through profit or loss	(3,727,860)	(18,642,302)
Change in unrealized depreciation on held-for-trading investments	(5,749,324)	(19,775,452)
Realized (loss) gain on held-for-trading investments	(15,143)	24,647,861
	(4,941,346)	16,419,364
Expenses:		
Management fees (note 5)	2,834,334	3,465,490
Custodian fees	271,500	271,500
Audit	138,371	33,409
Filing fees	53,145	22,625
FundSERV fees	14,384	17,098
Legal fees	9,050	9,050
Transaction costs (note 6)	93,576	257,196
Foreign withholding taxes	124,519	297,392
Other	25,944	49,428
	3,564,823	4,423,188
(Decrease) increase in net assets attributable to unitholders of redeemable units	\$ (8,506,169)	\$ 11,996,176
(Decrease) increase in net assets attributable to unitholders of redeemable units per series:		
Series A	\$ (7,765,532)	\$ 10,625,924
Series F	(740,637)	1,370,252
	\$ (8,506,169)	\$ 11,996,176
Average number of redeemable units outstanding for the period for the Series:		
Series A	2,884,730	3,490,050
Series F	348,483	404,192
(Decrease) increase in net assets attributable to unitholders of redeemable units per unit:		
Series A	\$ (2.70)	\$ 3.04
Series F	(2.12)	3.38

See accompanying notes to financial statements.

CHOU ASSOCIATES FUND

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

Six months ended June 30, 2018 and 2017 (Unaudited)

	2018	2017
Series A		
Net assets attributable to unitholders of redeemable units, beginning of period	\$ 336,324,537	\$ 403,677,931
(Decrease) increase in net assets attributable to unitholders of redeemable units	(7,765,532)	10,625,924
Proceeds from issue of redeemable units	8,902,496	2,484,466
Payments on redemption of redeemable units	(31,153,318)	(35,390,207)
Distributions of income to unitholders:		
Investment income	—	10
Realized capital gains	—	8
Reinvested distributions	—	522
Net assets attributable to unitholders of redeemable units, end of period	\$ 306,308,183	\$ 381,398,654
Series F		
Net assets attributable to unitholders of redeemable units, beginning of period	40,483,520	45,074,334
(Decrease) increase in net assets attributable to unitholders of redeemable units	(740,637)	1,370,252
Proceeds from issue of redeemable units	2,187,635	6,050,429
Payments on redemption of redeemable units	(3,781,370)	(8,114,162)
Distributions of income to unitholders:		
Investment income	—	1
Reinvested distributions	—	88
Net assets attributable to unitholders of redeemable units, end of period	\$ 38,149,148	\$ 44,380,942
Total net assets attributable to unitholders of redeemable units, end of period	\$ 344,457,331	\$ 425,779,596

See accompanying notes to financial statements.

CHOU ASSOCIATES FUND

Statements of Cash Flows

Six months ended June 30, 2018 and 2017 (Unaudited)

	2018	2017
Cash flows from operating activities:		
(Decrease) increase in net assets attributable to unitholders of redeemable units	\$ (8,506,169)	\$ 11,996,176
Adjustments for:		
Foreign currency (gain) loss on cash and other net assets	(877,685)	20,197
Net realized gain on financial assets designated at fair value through profit or loss	(1,127,368)	(43,445,016)
Change in unrealized depreciation on investments and derivatives	9,477,184	38,417,754
Change in non-cash operating working capital:		
Increase in interest receivable	(13,701)	(200,151)
Increase in dividends receivable	(5,533)	(124,460)
Increase in accrued expenses	185,572	64,084
Purchase of investments	(37,414,213)	(85,819,720)
Proceeds from sales of investments	1,755,930	95,297,676
Net cash (used in) generated from operating activities	(36,525,983)	16,206,540
Cash flows from financing activities:		
Distributions reinvested	—	629
Proceeds from redeemable units issued	11,061,234	8,556,367
Amount paid on redemption of redeemable units	(34,800,171)	(42,883,600)
Net cash used in financing activities	(23,738,937)	(34,326,604)
Foreign currency gain (loss) on cash and other net assets	877,685	(20,197)
Decrease in cash and cash equivalents	(59,387,235)	(18,140,261)
Cash and cash equivalents, beginning of period	73,223,175	29,731,822
Cash and cash equivalents, end of period	\$ 13,835,940	\$ 11,591,561
Supplemental information:		
Interest received, net of withholding tax	\$ 205,580	\$ 7,151,217
Dividends received, net of withholding tax	1,347,307	1,268,370
Security lending income received	834,145	2,352,708

See accompanying notes to financial statements.

CHOU ASSOCIATES FUND

Schedule of Investments

June 30, 2018 (Unaudited)

	Number of securities	Cost	Fair value
Equities*			
Allegiant Travel Company	4,317	\$ 794,549	\$ 788,589
Ascent Capital Group Inc., Series 'A'	306,000	14,141,686	1,130,415
Berkshire Hathaway Inc., Class 'A'	150	15,819,918	55,617,583
Citigroup Inc.	210,000	5,305,697	18,475,039
DaVita Inc.	140,743	9,696,416	12,848,329
Endo International PLC	800,000	6,522,335	9,917,720
MBIA Inc.	1,080,797	7,479,425	12,844,663
Nokia OYJ, ADR	650,000	1,530,427	4,913,504
Overstock.com Inc.	6,650	133,845	294,183
Overstock.com Inc., Class 'B'	43,030	890,011	1,838,505
Resolute Forest Products Inc.	3,347,772	50,233,049	45,551,887
Sanofi, ADR	390,000	13,783,524	20,513,667
Sears Holdings Corporation	1,131,610	32,759,977	3,525,781
Sears Hometown and Outlet Stores Inc.	1,322,209	24,776,606	3,650,308
Spirit Airlines Inc.	50,000	2,334,425	2,389,377
The Goldman Sachs Group Inc.	75,000	9,384,141	21,747,926
Valeant Pharmaceuticals International Inc.	1,350,000	29,176,383	41,245,829
		224,762,414	257,293,305
Bonds			
Dex Media West Inc., term loans, July 29, 2021	579,507	768,397	780,262
Exco Resources Inc., term loans, October 26, 2020	53,512,087	37,508,648	31,481,475
Westmoreland Coal Company, 8.750%, January 1, 2022, Callable	2,523,000	2,033,711	796,047
		40,310,756	33,057,784
Total long		265,073,170	290,351,089
Held for trading			
JPMorgan Chase & Company, warrants, October 28, 2018	166,977	2,064,743	13,923,920
Wells Fargo & Company, warrants, October 28, 2018	997,500	7,995,397	28,876,221
		10,060,139	42,800,141
Total held for trading		10,060,139	42,800,141
Total investments		275,133,309	333,151,230
Transaction costs		(331,151)	—
Portfolio total		\$ 274,802,158	\$ 333,151,230

* Common shares unless indicated otherwise

See accompanying notes to financial statements.

CHOU ASSOCIATES FUND

Discussion of Financial Risk Management

Six months ended June 30, 2018 and 2017 (Unaudited)

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, warrants, government and corporate bonds and short-term indebtedness.

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

Financial risk management:

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

(a) Credit risk:

Credit risk is the risk that a counterparty to a financial instrument will fail to discharge a commitment that it has entered into with the Fund. As at June 30, 2018, the Fund invested approximately 0.23% (December 31, 2017 – 11.31%) 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 Standard & Poor's and Fitch. These credit ratings denote that the company's financial position is weak and its bonds should be considered a speculative investment. As at June 30, 2018, the Fund invested approximately 9.37% (December 31, 2017 - 0.24%) of its net assets in non-rated bonds.

(b) Interest rate risk:

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

Debt instruments by maturity date:

	June 30, 2018	December 31, 2017
Less than 1 year	\$ –	\$ –
1 - 3 years	31,481,475	41,199,624
3 - 5 years	1,576,309	2,330,248
Greater than 5 years	–	–

As at June 30, 2018, had interest rates decreased or increased by 0.25%, with all other variables remaining constant, the increase or decrease in net assets for the year would have amounted to approximately \$188,341 (December 31, 2017 - \$303,212).

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

CHOU ASSOCIATES FUND

Discussion of Financial Risk Management

Six months ended June 30, 2018 and 2017 (Unaudited)

Financial risk management (continued):

(c) Other price risk:

Other price risk is the risk that the value of financial instruments will fluctuate as a result of changes in market prices (other than those arising from interest rate risk or currency risk) caused by factors specific to a security, its issuer or all factors affecting a market or a market segment. Approximately 74.70% (December 31, 2017 – 56.41%) of the Fund's net assets held at June 30, 2018 were publicly traded equities. If equity prices on the exchange had increased or decreased by 5% as at June 30, 2018, the net assets of the Fund would have increased or decreased by approximately \$12,864,665 or 3.73% (December 31, 2017 - \$10,620,000 or 2.82%) of the net assets, all other factors remaining constant.

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

(d) Foreign currency risk:

Currencies to which the Fund had exposure as at June 30, 2018 and December 31, 2017 expressed in CAD are as follows:

June 30, 2018	Financial instruments	Percentage of net asset value
United States dollar	\$ 341,590,762	99.2

December 31, 2017	Financial instruments	Percentage of net asset value
United States dollar	\$ 378,004,399	100.3

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

As at June 30, 2018, if the Canadian dollar had strengthened or weakened by 1% in relation to all currencies, with all other variables held constant, net assets would have decreased or increased by approximately \$3,415,908 (December 31, 2017 - \$3,780,044).

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

CHOU ASIA FUND

(unaudited)

August 20, 2018

Dear Unitholders of Chou Asia Fund,

The net asset value per unit (“NAVPU”) of a Series A unit of Chou Asia Fund at June 30, 2018 was \$18.77 compared to \$20.08 at December 31, 2017, a decrease of 6.5%; during the same period, the MSCI AC (Morgan Stanley Capital International All Country) Asia Pacific Total Return Index in Canadian dollars returned 1.6%. In U.S. dollars, a Series A unit of Chou Asia Fund was down 10.6% while the MSCI AC Asia Pacific Total Return Index decreased 3.2%.

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

June 30, 2018 (Series A)	1 Year	3 Years	5 Years	10 Years
Chou Asia (\$CAN)	3.7%	3.9%	7.6%	4.6%
MSCI AC Asia Pacific TR (\$CAN)	11.7%	9.2%	12.9%	7.7%
Chou Asia (\$US) ¹	2.3%	2.1%	2.9%	2.0%
MSCI AC Asia Pacific TR (\$US)	10.4%	7.3%	8.0%	5.0%

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 First Six-Month Results

Top gainer in the first half of 2018 was AJIS CO Ltd. The main decliners in the same period were BYD Electronic Company, BYD Company Limited, and China Yuchai International.

The Fund initiated positions in Seaspan Corp Preferred Series H and AirAsia Group in 2018.

Portfolio Commentary

We continue to be concerned with economies in Asia. Trade tensions between U.S. and China had negatively impacted the economies in the region and the Fund in the first half of 2018. The Trump administration has threatened to impose duties on up to US\$450 billion of Chinese imports, with the first US\$34 billion portion set to go into effect by July 6, 2018. This led to tit-for-tat retaliatory responses from China, also imposing a similar 25% tariff on US\$34 billion worth of U.S. products. The Chinese stocks in the Fund, such as BYD Electronics Company,

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

BYD Company Limited, and China Yuchai International were particularly affected negatively by this development.

Most of the stock picks have worked out quite well so far. Some of them are getting close to intrinsic value, hence we have started to sell BYD Electronics Company. At the time we bought it for less than HK\$2 per share, it was selling below its net-net working capital per share and we were able to sell some of it for HK\$20.50 per share in 2017.

We did two things right in that investment. First, we bought it cheap for a fine operating company. And secondly, we bought enough of it that as it trades closer to its intrinsic value, it would make a meaningful difference to the performance of the Fund.

We are awaiting further developments and remaining cautious of the markets. In addition, we are also looking at the South Korean, Indian, and Chinese markets for any potential bargains.

Caution to the Investors

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

Also, the Fund's cash position was approximately 41% of net assets as at June 30, 2018. This large cash position may depress returns for a while as we hunt for undervalued securities. Obviously, if there is a severe correction in the market in the near future, it will cushion the Fund against losses while providing us with the wherewithal to find good investment opportunities. But for now, it could be a drag on returns. If we cannot find any bargains, the large cash position may stay for a long time.

Other Matters

FOREIGN CURRENCY CONTRACTS: None existed at June 30, 2018.

CREDIT DEFAULT SWAPS: None existed at June 30, 2018.

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

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

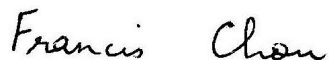
INDEPENDENT REVIEW COMMITTEE: The Manager has established an IRC as required by NI 81-107. The members of the IRC are Sandford Borins, Peter Gregoire and Joe Tortolano. The 2017 IRC Annual Report is available on our website www.choufunds.com.

RISK RATING: As of August 25, 2017, the risk rating of the Fund was changed from “Medium to High” to “Low to Medium”. The Manager used the investment risk classification methodology under NI 81-102 Investment Funds, which came into effect on Sept. 1, 2017, to determine the risk rating of each Fund. These risk re-classifications are not as a result of changes to the investment objectives, strategies or portfolio management of the Fund.

As of August 20, 2018, the NAVPU of a Series A unit of the Fund was \$18.35 and the cash position was approximately 40.4% of net assets. The Fund is down 8.6% from the beginning of the year. In U.S. dollars, it is down 11.9%.

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

Yours truly,

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

Francis Chou
Fund Manager

CHOU ASIA FUND

Statements of Financial Position

June 30, 2018 (Unaudited) and December 31, 2017

	June 30, 2018	December 31, 2017
Assets		
Current assets:		
Financial assets designated at fair value through profit or loss (note 8)	\$ 15,333,743	\$ 16,483,615
Cash and cash equivalents	10,452,591	13,088,779
Receivable for redeemable units subscribed	—	500
Interest receivable	112	—
Dividends receivable	271,795	4,481
Total assets	26,058,241	29,577,375
Liabilities		
Current liabilities:		
Accrued expenses	121,373	105,145
Distribution payable	—	33,321
Total liabilities	121,373	138,466
Net assets attributable to unitholders of redeemable units	\$ 25,936,868	\$ 29,438,909
Net assets attributable to unitholders of redeemable units:		
Series A	\$ 23,630,774	\$ 26,507,737
Series F	2,306,094	2,931,172
	\$ 25,936,868	\$ 29,438,909
Number of redeemable units outstanding (note 4):		
Series A	1,259,262	1,320,405
Series F	119,913	142,866
Net assets attributable to unitholders of redeemable units per unit (note 4):		
Canadian dollars:		
Series A	\$ 18.77	\$ 20.08
Series F	19.23	20.52
U.S. dollars:		
Series A	14.27	15.97
Series F	14.63	16.32

See accompanying notes to financial statements.

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

Francis Chou

CHOU ASIA FUND

Statements of Comprehensive Income (Loss)

Six months ended June 30, 2018 and 2017 (Unaudited)

	2018	2017
Income:		
Interest for distribution purposes and other	\$ 2,507	\$ —
Dividends	320,225	185,084
Securities lending income (note 7)	98,160	68,772
Foreign currency gain (loss) on cash and other net assets	485,526	(656,666)
Other net changes in fair value of financial assets and financial liabilities at fair value through profit or loss:		
Net realized (loss) gain on financial assets designated at fair value through profit or loss	(6,448)	1,192,491
Change in unrealized (depreciation) appreciation on financial assets designated at fair value through profit or loss	(2,430,516)	2,714,598
	(1,530,546)	3,504,279
Expenses:		
Management fees (note 5)	230,900	295,549
Custodian fees	21,720	21,720
Audit	11,465	3,532
Filing fees	4,741	131
FundSERV fees	3,523	3,848
Legal fees	465	457
Transaction costs (note 6)	2,961	3,597
Foreign withholding taxes	10,132	10,883
Other	3,500	5,761
	289,407	345,478
(Decrease) increase in net assets attributable to unitholders of redeemable units	\$ (1,819,953)	\$ 3,158,801
(Decrease) increase in net assets attributable to unitholders of redeemable units per Series:		
Series A	\$ (1,666,085)	\$ 2,943,321
Series F	(153,868)	215,480
	\$ (1,819,953)	\$ 3,158,801
Average number of redeemable units outstanding for the period for the Series:		
Series A	1,285,991	1,890,158
Series F	127,229	140,618
(Decrease) increase in net assets attributable to unitholders of redeemable units per unit:		
Series A	\$ (1.29)	\$ 1.55
Series F	(1.21)	1.52

See accompanying notes to financial statements.

CHOU ASIA FUND

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

Six months ended June 30, 2018 and 2017 (Unaudited)

	2018	2017
Series A		
Net assets attributable to unitholders of redeemable units, beginning of period	\$ 26,507,737	\$ 33,071,841
(Decrease) increase in net assets attributable to unitholders of redeemable units	(1,666,085)	2,943,321
Proceeds from issue of redeemable units	172,336	161,159
Payments on redemption of redeemable units	(1,383,214)	(3,464,560)
Net assets attributable to unitholders of redeemable units, end of period	\$ 23,630,774	\$ 32,711,761
Series F		
Net assets attributable to unitholders of redeemable units, beginning of period	2,931,172	2,548,722
(Decrease) increase in net assets attributable to unitholders of redeemable units	(153,868)	215,480
Proceeds from issue of redeemable units	173,379	604,252
Payments on redemption of redeemable units	(644,589)	(763,493)
Net assets attributable to unitholders of redeemable units, end of period	\$ 2,306,094	\$ 2,604,961
Total net assets attributable to unitholders of redeemable units, end of period	\$ 25,936,868	\$ 35,316,722

See accompanying notes to financial statements.

CHOU ASIA FUND

Statements of Cash Flows

Six months ended June 30, 2018 and 2017 (Unaudited)

	2018	2017
Cash flows from operating activities:		
(Decrease) increase in net assets attributable to unitholders of redeemable units	\$ (1,819,953)	\$ 3,158,801
Adjustments for:		
Foreign currency (gain) loss on cash and other net assets	(485,526)	656,666
Net realized loss (gain) on financial assets designated at fair value through profit or loss	6,448	(1,192,491)
Change in unrealized depreciation (appreciation) on investments and derivatives	2,430,516	(2,714,598)
Change in non-cash operating working capital:		
Increase in interest receivable	(112)	—
Increase in dividends receivable	(267,314)	(122,956)
Increase in accrued expenses	16,228	13,729
Purchase of investments	(1,287,092)	—
Proceeds from sales of investments	—	1,313,603
Net cash (used in) generated from operating activities	(1,406,805)	1,112,754
Cash flows from financing activities:		
Proceeds from redeemable units issued	346,215	755,411
Amount paid on redemption of redeemable units	(2,061,124)	(4,201,578)
Net cash used in financing activities	(1,714,909)	(3,446,167)
Foreign currency gain (loss) on cash and other net assets	485,526	(656,666)
Decrease in cash and cash equivalents	(2,636,188)	(2,990,079)
Cash and cash equivalents, beginning of period	13,088,779	24,109,087
Cash and cash equivalents, end of period	\$ 10,452,591	\$ 21,119,008
Supplemental information:		
Interest received, net of withholding tax	\$ 2,395	\$ —
Dividends received, net of withholding taxes	42,779	51,245
Security lending income received	98,160	68,772

See accompanying notes to financial statements.

CHOU ASIA FUND

Schedule of Investments

June 30, 2018 (Unaudited)

	Number of securities	Cost	Fair value
Equities*			
AirAsia Group Berhad	650,000	670,997	632,510
AJIS Company Limited	30,400	213,157	1,350,047
BYD Company Limited, Class 'H'	573,000	989,812	4,565,508
BYD Electronic (International) Company Limited	798,000	193,535	1,436,121
China Yuchai International Limited	73,364	1,242,575	2,092,921
Hanfeng Evergreen Inc.	95,850	228,548	—
POSCO, ADR	21,000	1,259,883	2,046,279
Pyne Gould Corporation Limited	10,277,219	2,297,846	2,562,271
Seaspan Corporation, Preferred Perpetual	19,711	619,056	648,086
Total long		7,715,409	15,333,743
Total investments		7,715,409	15,333,743
Transaction costs		(17,990)	—
Portfolio total		\$ 7,697,419	\$ 15,333,743

* Common shares unless indicated otherwise

See accompanying notes to financial statements.

CHOU ASIA FUND

Discussion of Financial Risk Management

Six months ended June 30, 2018 and 2017 (Unaudited)

Investment objective and strategies:

The Fund's objective is to provide long-term growth of capital by investing primarily in the 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, warrants, government and corporate bonds and short-term indebtedness.

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

Financial risk management:

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

(a) Other price risk:

Other price risk is the risk that the value of financial instruments will fluctuate as a result of changes in market prices (other than those arising from interest rate risk or currency risk) caused by factors specific to a security, its issuer or all factors affecting a market or a market segment. Approximately 59.12% (December 31, 2017 – 55.99%) of the Fund's net assets held at June 30, 2018 were publicly traded equities. If equity prices on the exchange had increased or decreased by 5% as at June 30, 2018, the net assets of the Fund would have increased or decreased by approximately \$766,687 or 2.96% (December 31, 2017 - \$824,000 or 2.80%) of the net assets, all other factors remaining constant.

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

(b) Foreign currency risk:

Currencies to which the Fund had exposure as at June 30, 2018 and December 31, 2017 expressed in CAD are as follows:

June 30, 2018	Financial instruments	Percentage of net asset value
Hong Kong dollar	\$ 15,681,658	60.5
United States dollar	4,933,344	19.0
New Zealand dollar	2,685,032	10.4
Japanese Yen	1,385,449	5.3
Malaysian Ringgit	632,510	2.4
Singapore dollar	168,273	0.6
China Reminbi	14,428	0.1

CHOU ASIA FUND

Discussion of Financial Risk Management (continued)

Six months ended June 30, 2018 and 2017 (Unaudited)

Financial risk management (continued):

December 31, 2017	Financial instruments	Percentage of net asset value
Hong Kong dollar	\$ 18,212,114	61.9
United States dollar	7,249,044	24.6
New Zealand dollar	2,869,422	9.7
Japanese yen	1,015,501	3.4
Singapore dollar	163,907	0.6

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

As at June 30, 2018, 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 \$255,007 (December 31, 2017 - \$295,100).

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

CHOU EUROPE FUND (unaudited)

August 20, 2018

Dear Unitholders of Chou Europe Fund,

As there were no distributions, the net asset value per unit (“NAVPU”) of a Series A unit of Chou Europe Fund at June 30, 2018 was \$10.68 compared to \$10.05 at December 31, 2017, an increase of 6.2%; during the same period, the MSCI AC (Morgan Stanley Capital International All Country) Europe Total Return Index in Canadian dollars increased 1.8%. In U.S. dollars, a Series A unit of Chou Europe Fund was up 1.6% while the MSCI AC Europe Total Return Index decreased 3.0%.

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

June 30, 2018 (Series A)	1 Year	3 Years	5 Years	10 Years
Chou Europe (\$CAN)	1.7%	-6.1%	0.9%	3.2%
MSCI AC Europe TR (\$CAN)	7.1%	6.6%	11.3%	5.2%
Chou Europe (\$US) ¹	-4.8%	-7.7%	-3.7%	0.4%
MSCI AC Europe TR (\$US)	5.9%	4.8%	6.5%	2.6%

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 First Six-Month Results

The main positive contributors to the Fund’s performance in the first half of 2018 include Teva Pharmaceutical, Endo International, and Ryanair Holdings.

Intralot, Sanofi and Bank of Ireland were negative contributors so far this year.

There were no new additions to the Fund in the first half of 2018.

The Fund reduced equity holding in Eurobank Ergasias and exited the equity position in OTCPharm.

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

Pharmaceutical Industry

We believe that pharmaceutical stocks as a group are selling at attractive valuations. They generate their earnings in cash and at the time of purchase, they were selling at less than 10 times earnings. Some of them are down more than 50% from their highs, which is what caught our attention initially. As discussed earlier in past reports, we invested in more than two pharmaceutical companies (that is, to utilize a so-called “basket approach”), in order to reduce the potential adverse effect on fund returns that could result from Food and Drug Administration (FDA) approval and patent expiration issues faced by a single company. We have invested in the following pharmaceutical stocks:

Pharmaceutical Stocks	Price as of Dec. 31, 2017	Price as of June 30, 2018	% Increase / (Decrease)
Teva Pharmaceutical Industries	\$18.95	\$24.32	28.3%
Endo International	\$7.75	\$9.43	21.7%
Sanofi	\$43.00	\$40.01	(7.0%)

In conclusion, we believe pharmaceutical stocks as a group are selling at attractive valuations, in comparison to the free cash flow and earnings they generate.

Please note that we have a very large position in pharmaceutical stocks and as of June 30, 2018, comprising of roughly 37% of the net assets of the Fund.

Caution to the Investors

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

Also, the Fund’s cash position was approximately 11% of net assets as at June 30, 2018. This large cash position may depress returns for a while as we hunt for undervalued securities. Obviously, if there is a severe correction in the market in the near future, it will cushion the Fund against losses while providing us with the wherewithal to find good investment opportunities. But for now, it could be a drag on returns. If we cannot find any bargains, the large cash position may stay for a long time.

Other Matters

FOREIGN CURRENCY CONTRACTS: None existed at June 30, 2018.

CREDIT DEFAULT SWAPS: None existed at June 30, 2018.

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

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

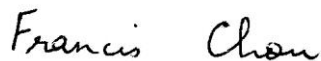
INDEPENDENT REVIEW COMMITTEE: The Manager has established an IRC as required by NI 81-107. The members of the IRC are Sandford Borins, Peter Gregoire and Joe Tortolano. The 2017 IRC Annual Report is available on our website www.choufunds.com.

RISK RATING: As of August 25, 2017, the risk rating of the Fund was changed from “Medium to High” to “Medium”. The Manager used the investment risk classification methodology under NI 81-102 Investment Funds, which came into effect on Sept. 1, 2017, to determine the risk rating of each Fund. These risk re-classifications are not as a result of changes to the investment objectives, strategies or portfolio management of the Fund.

As of August 20, 2018, the NAVPU of a Series A unit of the Fund was \$10.71 and the cash position was approximately 16.8% of net assets. The Fund is up 6.6% from the beginning of the year. In U.S. dollars, it is up 2.7%.

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

Yours truly,

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

Francis Chou
Fund Manager

CHOU EUROPE FUND

Statements of Financial Position

June 30, 2018 (Unaudited) and December 31, 2017

	June 30, 2018	December 31, 2017
Assets		
Current assets:		
Financial assets designated at fair value through profit or loss (note 8)	\$ 6,183,002	\$ 6,775,082
Cash and cash equivalents	732,209	777,391
Receivable for redeemable units subscribed	29,500	10,000
Dividends receivable	6,642	22,378
Total assets	6,951,353	7,584,851
Liabilities		
Current liabilities:		
Accrued expenses	22,909	22,442
Payable for units redeemed	—	4,096
Total liabilities	22,909	26,538
Net assets attributable to unitholders of redeemable units	\$ 6,928,444	\$ 7,558,313
Net assets attributable to unitholders of redeemable units:		
Series A	\$ 5,285,089	\$ 6,694,564
Series F	1,643,355	863,749
	\$ 6,928,444	\$ 7,558,313
Number of redeemable units outstanding (note 4):		
Series A	495,067	666,094
Series F	149,161	83,511
Net assets attributable to unitholders of redeemable units per unit (note 4):		
Canadian dollars:		
Series A	\$ 10.68	\$ 10.05
Series F	11.02	10.34
U.S. dollars:		
Series A	8.12	8.00
Series F	8.38	8.23

See accompanying notes to financial statements.

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

Francis Chou



CHOU EUROPE FUND

Statements of Comprehensive Income (Loss)

Six months ended June 30, 2018 and 2017 (Unaudited)

	2018	2017
Income:		
Dividends	\$ 69,575	\$ 68,115
Securities lending income (note 7)	574	36
Foreign currency loss on cash and other net assets	(9,377)	(20,304)
Other net changes in fair value of financial assets and financial liabilities at fair value through profit or loss:		
Net realized (loss) gain on financial assets designated at fair value through profit or loss	(1,297,857)	646,637
Change in unrealized appreciation on financial assets designated at fair value through profit or loss	1,724,656	522,655
	487,571	1,217,139
Expenses:		
Management fees (note 5)	60,841	106,674
Custodian fees	7,240	7,240
Audit	4,959	846
Filing fees	1,718	195
FundSERV fees	2,855	2,979
Legal fees	128	155
Transaction costs (note 6)	2,639	8,554
Foreign withholding taxes	1,852	9,360
Other	1,997	75,753
	84,229	211,756
Increase in net assets attributable to unitholders of redeemable units	\$ 403,342	\$ 1,005,383
Increase in net assets attributable to unitholders of redeemable units per Series:		
Series A	\$ 322,953	\$ 940,453
Series F	80,389	64,930
	\$ 403,342	\$ 1,005,383
Average number of redeemable units outstanding for the period for the Series:		
Series A	608,483	1,188,365
Series F	103,678	97,373
Increase in net assets attributable to unitholders of redeemable units per unit:		
Series A	\$ 0.53	\$ 0.79
Series F	0.77	0.67

See accompanying notes to financial statements.

CHOU EUROPE FUND

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

Six months ended June 30, 2018 and 2017 (Unaudited)

	2018	2017
Series A		
Net assets attributable to unitholders of redeemable units, beginning of period	\$ 6,694,564	\$ 12,164,662
Increase in net assets attributable to unitholders of redeemable units	322,953	940,453
Proceeds from issue of redeemable units	490,583	293,763
Payments on redemption of redeemable units	(2,223,011)	(1,315,188)
Net assets attributable to unitholders of redeemable units, end of period	\$ 5,285,089	12,083,690
Series F		
Net assets attributable to unitholders of redeemable units, beginning of period	863,749	1,523,995
Increase in net assets attributable to unitholders of redeemable units	80,389	64,930
Proceeds from issue of redeemable units	976,989	58,486
Payments on redemption of redeemable units	(277,772)	(754,041)
Net assets attributable to unitholders of redeemable units, end of period	\$ 1,643,355	893,370
Total net assets attributable to unitholders of redeemable units, end of period	\$ 6,928,444	\$ 12,977,060

See accompanying notes to financial statements.

CHOU EUROPE FUND

Statements of Cash Flows

Six months ended June 30, 2018 and 2017 (Unaudited)

	2018	2017
Cash flows from operating activities:		
Increase in net assets attributable to unitholders of redeemable units	\$ 403,342	\$ 1,005,383
Adjustments for:		
Foreign currency loss on cash and other net assets	9,377	20,304
Net realized loss (gain) on financial assets designated at fair value through profit or loss	1,297,857	(646,637)
Change in unrealized appreciation on investments and derivatives	(1,724,656)	(522,655)
Change in non-cash operating working capital:		
Decrease in dividends receivable	15,736	15,062
Increase in accrued expenses	467	81
Purchase of investments	—	(2,199,685)
Proceeds from sales of investments	1,018,879	2,924,689
Net cash generated from operating activities	1,021,002	596,542
Cash flows from financing activities:		
Proceeds from redeemable units issued	1,448,072	342,249
Amount paid on redemption of redeemable units	(2,504,879)	(2,052,484)
Net cash used in financing activities	(1,056,807)	(1,710,235)
Foreign currency loss on cash and other net assets	(9,377)	(20,304)
Decrease in cash and cash equivalents	(45,182)	(1,133,997)
Cash and cash equivalents, beginning of period	777,391	2,458,245
Cash and cash equivalents, end of period	\$ 732,209	\$ 1,324,248
Supplemental information:		
Interest received, net of withholding tax	\$ —	\$ —
Dividends received, net of withholding taxes	83,459	324
Security lending income received	574	36

See accompanying notes to financial statements.

CHOU EUROPE FUND

Schedule of Investments

June 30, 2018 (Unaudited)

	Number of securities	Cost	Fair value
Equities*			
Abbey Public Limited Company	29,371	\$ 211,019	\$ 680,886
Bank of Ireland	113,333	1,112,510	1,163,154
Endo International PLC	80,000	1,254,127	991,772
Eurobank Ergasias SA	250,000	960,458	343,512
Intralot A.E.	517,575	1,197,068	785,072
Ryanair Holdings PLC, ADR	4,575	132,084	687,039
Sanofi, ADR	20,000	884,092	1,051,983
Teva Pharmaceutical Industries Limited, ADR	15,000	666,215	479,584
Total long		6,417,573	6,183,002
Total investments		6,417,573	6,183,002
Transaction costs		(10,227)	—
Portfolio total		\$ 6,407,346	\$ 6,183,002

* Common shares unless indicated otherwise

See accompanying notes to financial statements.

CHOU EUROPE FUND

Discussion of Financial Risk Management

Six months ended June 30, 2018 and 2017 (Unaudited)

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, warrants, government and corporate bonds and short-term indebtedness.

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

Financial risk management:

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

(a) Other price risk:

Other price risk is the risk that the value of financial instruments will fluctuate as a result of changes in market prices (other than those arising from interest rate risk or currency risk) caused by factors specific to a security, its issuer or all factors affecting a market or a market segment. Approximately 89.24% (December 31, 2017 - 89.64%) of the Fund's net assets held at June 30, 2018 were publicly traded equities. If equity prices on the exchange had increased or decreased by 5% as at June 30, 2018, the net assets of the Fund would have increased or decreased by approximately \$309,150 or 4.46% (December 31, 2017 - \$338,750 or 4.48%) of the net assets, all other factors remaining constant.

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

(b) Foreign currency risk:

Currencies to which the Fund had exposure as at June 30, 2018 and December 31, 2017 expressed in CAD are as follows:

June 30, 2018	Financial instruments	Percentage of net asset value
Sterling pound	\$ 311	0.0
Euro currency	2,992,423	43.2
United States dollar	3,263,229	47.1

CHOU EUROPE FUND

Discussion of Financial Risk Management (continued)

Six months ended June 30, 2018 and 2017 (Unaudited)

Financial risk management (continued):

December 31, 2017	Financial instruments	Percentage of net asset value
Sterling pound	\$ 205,561	2.7
Euro currency	4,131,358	54.7
United States dollar	3,031,322	40.1
Russian Ruble	3,079	0.0

The amounts in the above tables are based on the market value of the Fund's financial instruments (including cash and cash equivalents and investments). Other financial assets (including dividends receivable and receivable for units subscribed) 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 June 30, 2018, 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 \$62,553 (December 31, 2017 - \$73,713).

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

CHOU BOND FUND

(unaudited)

August 20, 2018

Dear Unitholders of Chou Bond Fund,

The net asset value per unit (“NAVPU”) of a Series A unit of Chou Bond Fund at June 30, 2018 was \$8.02 compared to \$8.21 at December 31, 2017, a decrease of 2.3%; during the same period, Barclays U.S. Corporate High Yield Index (\$CAN) returned 5.1% in Canadian dollars. In U.S. dollars, a Series A unit of Chou Bond Fund was down 6.6% while Barclays U.S. Corporate High Yield Index returned 0.2%.

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

June 30, 2018 (Series A)	1 Year	3 Years	5 Years	10 Years
Chou Bond (\$CAN)	1.0%	0.4%	3.2%	3.9%
Barclays’ U.S. High Yield (\$CAN)	3.8%	7.4%	10.3%	11.0%
Chou Bond (\$US) ¹	-0.4%	-1.3%	-1.3%	1.3%
Barclays’ U.S High Yield (\$US)	2.6%	5.5%	5.5%	8.2%

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 First Six-Month Results

The biggest positive contributor of the Fund in first half of 2018 was the debt securities of UkrLandFarming PLC 10.875%, due March 2018.

The biggest negative contributors of the Fund included the 1.75 lien term loan of EXCO Resources and the equity of Wow Unlimited Media Inc.

No new additions were made to the Fund during the first half of the year.

The Fund exited equity holdings in Resolute Forest Products and SandRidge Energy, and debt holdings in Ascent Capital Group, Sears Roebuck Acceptance Corp., Valeant Pharmaceuticals, and Dex Media.

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

EXCO Resources

As of June 30, 2018, the Fund owned about US\$1.8 million worth of EXCO Resources (EXCO)'s 1.75 lien term loan (converted from the second-lien term loan held previously in Feb. 2017), with approximately US\$4.2 million in par value. This is one of the largest positions in the portfolio, comprising approximately 15% of the assets of the Fund (at market value).

At the time of purchase, we liked this investment because it met our criteria for investing in the oil and gas sector. The criteria that we considered in analyzing this type of investment is that it should be:

1. A very senior term loan or note;
2. Issued by a company with a significantly limited ability to add senior or pari-passu debt to its capital structure; and
3. Of a type that if the company restructures or goes into bankruptcy, the investment's recovery value is likely to be greater than its current price.

In addition to the security being very senior in the capital structure, we also hold the view that management seems to be making good decisions with respect to the allocation of capital in a tough environment.

On January 15, 2018, EXCO filed voluntary petitions for a court-supervised reorganization under Chapter 11 of the U.S. Bankruptcy Code to facilitate a restructuring of its balance sheet. EXCO Resources is saddled with very expensive transportation and other contracts. During a bankruptcy proceeding, contracts that have a present value of, for example \$200 million, could potentially be renegotiated to as low as \$20 million. We believe that when EXCO comes out of bankruptcy, the 1.75 lien holders will most likely own most of the new common stock of the company. If over the longer term our current assumption regarding this investment prove to be correct, we think the value of the EXCO 1.75 lien term loans should be appreciably higher than the June 30, 2018 price of 44.75 cents on a dollar.

Catalyst Paper

On June 29, 2018, Catalyst Paper completed the sale of the company's U.S. operations to ND Paper LLC, a wholly owned subsidiary of Nine Dragons Paper for proceeds of US\$175 million. As a result, we received 100 cents on a dollar for approximately 26.5% of the new secured term loan of Catalyst Paper that we hold. On December 31, 2017, it was priced at about 74 cents on a dollar in USD.

Caution to the Investors

Investors should be advised that we run a highly focused portfolio, frequently just three to five securities may comprise close to 50% of the assets of the Fund. In addition, the Fund has securities that are non-U.S. and could be subjected to geopolitical risks, which may trump or at least negatively influence the financial performance of the company. Also, we may enter into some derivative contracts, such as credit default swaps when we feel that the market conditions are right to use those instruments. Because of any or all of these factors, the net asset value of the

Fund can be from time to time more volatile than at other times. However, we are not bothered by this volatility because our focus has always been, and continues to be, on how inexpensive we believe the Fund's portfolio holdings are relative to what we believe to be their intrinsic value.

Other Matters

FOREIGN CURRENCY CONTRACTS: None existed at June 30, 2018.

CREDIT DEFAULT SWAPS: None existed at June 30, 2018.

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

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

INDEPENDENT REVIEW COMMITTEE: The Manager has established an IRC as required by NI 81-107. The members of the IRC are Sandford Borins, Peter Gregoire and Joe Tortolano. The 2017 IRC Annual Report is available on our website www.choufunds.com.

RISK RATING: As of August 25, 2017, the risk rating of the Fund was changed from "Medium to High" to "Medium". The Manager used the investment risk classification methodology under NI 81-102 Investment Funds, which came into effect on Sept. 1, 2017, to determine the risk rating of each Fund. These risk re-classifications are not as a result of changes to the investment objectives, strategies or portfolio management of the Fund.

As of August 20, 2018, the NAVPU of a Series A unit of the Fund was \$8.04 and the cash position was approximately 1.7% of net assets. The Fund is down 2.1% from the beginning of the year. In U.S. dollars, it is down 5.7%.

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,

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

Francis Chou
Fund Manager

CHOU BOND FUND

Statements of Financial Position

June 30, 2018 (Unaudited) and December 31, 2017

	June 30, 2018	December 31, 2017
Assets		
Current assets:		
Financial assets designated at fair value through profit or loss (note 8)	\$ 16,056,324	\$ 26,655,165
Cash and cash equivalents	601,118	610,696
Due from broker	—	326,014
Interest receivable	175,735	263,692
Dividends receivable	—	13,556
Total assets	16,833,177	27,869,123
Liabilities		
Current liabilities:		
Accrued expenses	103,222	96,156
Payable for units redeemed	16,877	14,173
Total liabilities	120,099	110,329
Net assets attributable to unitholders of redeemable units	\$ 16,713,078	\$ 27,758,794
Net assets attributable to unitholders of redeemable units:		
Series A	\$ 14,314,784	\$ 25,485,449
Series F	2,398,294	2,273,345
	\$ 16,713,078	\$ 27,758,794
Number of redeemable units outstanding (note 4):		
Series A	1,784,898	3,104,049
Series F	291,861	270,473
Net assets attributable to unitholders of redeemable units per unit (note 4):		
Canadian dollars:		
Series A	\$ 8.02	\$ 8.21
Series F	8.22	8.41
U.S. dollars:		
Series A	6.10	6.53
Series F	6.25	6.69

See accompanying notes to financial statements.

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

Francis Chou

CHOU BOND FUND

Statements of Comprehensive Income (Loss)

Six months ended June 30, 2018 and 2017 (Unaudited)

	2018	2017
Income:		
Interest for distribution purposes and other	\$ 712,451	\$ 900,755
Dividends	15,232	37,901
Securities lending income (Note 7)	1,531	1,812
Foreign currency loss on cash and other net assets	(28,015)	(152,952)
Other net changes in fair value of financial assets and financial liabilities at fair value through profit or loss:		
Net realized (loss) gain on financial assets designated at fair value through profit or loss	(951,786)	252,160
Change in unrealized depreciation on financial assets designated at fair value through profit or loss	(938,277)	(2,684,203)
Change in unrealized depreciation on held-for-trading investments	—	(367)
	(1,188,864)	(1,644,894)
Expenses:		
Management fees (note 5)	151,876	260,467
Custodian fees	27,150	27,150
Audit	12,729	3,990
Filing fees	5,023	144
FundSERV fees	4,087	4,021
Legal fees	436	505
Transaction costs (note 6)	10,383	5,414
Foreign withholding taxes	—	2,480
Other	2,741	7,211
	214,425	311,382
Decrease in net assets attributable to unitholders of redeemable units	\$ (1,403,289)	\$ (1,956,276)
Decrease in net assets attributable to unitholders of redeemable units per Series:		
Series A	\$ (1,359,510)	\$ (1,798,757)
Series F	(43,779)	(157,519)
	\$ (1,403,289)	\$ (1,956,276)
Average number of redeemable units outstanding for the period for the Series:		
Series A	2,699,203	4,268,488
Series F	273,156	368,014
Decrease in net assets attributable to unitholders of redeemable units per unit:		
Series A	\$ (0.51)	\$ (0.42)
Series F	(0.16)	(0.42)

See accompanying notes to financial statements.

CHOU BOND FUND

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

Six months ended June 30, 2018 and 2017 (Unaudited)

	2018	2017
Series A		
Net assets attributable to unitholders of redeemable units, beginning of period	\$ 25,485,449	\$ 38,981,802
Decrease in net assets attributable to unitholders of redeemable units	(1,359,510)	(1,798,757)
Proceeds from issue of redeemable units	54,283	445,365
Payments on redemption of redeemable units	(9,865,438)	(2,853,894)
Net assets attributable to unitholders of redeemable units, end of period	\$ 14,314,784	34,774,516
Series F		
Net assets attributable to unitholders of redeemable units, beginning of period	2,273,345	3,611,320
Decrease in net assets attributable to unitholders of redeemable units	(43,779)	(157,519)
Proceeds from issue of redeemable units	254,781	207,173
Payments on redemption of redeemable units	(86,053)	(716,769)
Net assets attributable to unitholders of redeemable units, end of period	\$ 2,398,294	2,944,205
Total net assets attributable to unitholders of redeemable units, end of period	\$ 16,713,078	\$ 37,718,721

See accompanying notes to financial statements.

CHOU BOND FUND

Statements of Cash Flows

Six months ended June 30, 2018 and 2017 (Unaudited)

	2018	2017
Cash flows from operating activities:		
Decrease in net assets attributable to unitholders of redeemable units	\$ (1,403,289)	\$ (1,956,276)
Adjustments for:		
Foreign currency loss on cash and other net assets	28,015	152,952
Net realized loss (gain) on financial assets designated at fair value through profit or loss	951,786	(252,160)
Change in unrealized depreciation on investments and derivatives	938,277	2,684,570
Change in non-cash operating working capital:		
Decrease in interest receivable	87,957	377,980
Decrease (increase) in dividends receivable	13,556	(13,985)
Increase in accrued expenses	7,066	7,186
Purchase of investments	(2,721,377)	(10,991,011)
Proceeds from sales of investments	11,756,169	9,780,984
Net cash flows generated from (used in) operating activities	9,658,160	(209,760)
Cash flows from financing activities:		
Proceeds from redeemable units issued	309,064	651,388
Amount paid on redemption of redeemable units	(9,948,787)	(3,665,821)
Net cash used in financing activities	(9,639,723)	(3,014,433)
Foreign currency loss on cash and other net assets	(28,015)	(152,952)
Decrease in cash and cash equivalents	(9,578)	(3,377,145)
Cash and cash equivalents, beginning of period	610,696	7,621,140
Cash and cash equivalents, end of period	\$ 601,118	\$ 4,243,995
Supplemental information:		
Interest received, net of withholding tax	\$ 800,408	\$ 1,278,735
Dividends received, net of withholding taxes	28,788	21,437
Security lending income received	1,531	1,812

See accompanying notes to financial statements.

CHOU BOND FUND

Schedule of Investments

June 30, 2018 (Unaudited)

	Number of shares	Cost	Fair value
Equities*			
Catalyst Paper Corporation**	2,389,016	\$ 407,129	\$ 407,129
Wow Unlimited Media Inc.**	1,165,742	2,675,093	1,748,613
		3,082,222	2,155,742
Bonds			
Atlantius Holdings Corporation, 5.875%, November 30, 2035, Convertible Bonds	5,300,000	2,346,099	3,499,151
Avangardco Investments Public Limited, 10.000%, October 29, 2018	2,340,267	2,406,889	692,242
Catalyst Paper Corporation, term loan, January 27, 2022	1,049,215	1,284,763	797,317
Exco Resources Inc., term loans, October 26, 2020	4,153,333	4,080,429	2,443,431
Fortress Global Enterprises Inc., 7.000%, December 31, 2019, Convertible Bonds, Callable	4,659,000	2,621,102	4,126,896
Taiga Building Products Limited, 7.000%, November 17, 2022, Callable	467,000	482,761	483,345
UKRLANDFARMING Public Company Limited, 10.875%, March 26, 2018	6,513,021	5,984,449	1,858,200
		19,206,492	13,900,582
Total long		22,288,714	16,056,324
Total investments		22,288,714	16,056,324
Transaction costs		(3,340)	—
Portfolio total	\$	22,285,374	\$ 16,056,324

* Common shares unless indicated otherwise

**Shares received from debt restructuring

See accompanying notes to financial statements.

CHOU BOND FUND

Discussion of Financial Risk Management

Six months ended June 30, 2018 and 2017 (Unaudited)

Investment objective and strategies:

The Fund's objective is to provide conservation of principal and income production, along with capital appreciation. The Fund invests primarily in Canadian and U.S. fixed income instruments. These fixed income instruments include, but are not limited to, Government of Canada, provincial, municipal and corporate issues, including convertibles and high yield fixed income instruments. Investments may be made in fixed income instruments 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 trades. Investments made by the Fund are not guaranteed. Fixed income securities issued by governments may decrease in value as a result of changes in interest rates. Fixed income securities issued by corporations may decrease in value due to general market conditions or credit risks associated with the issuer.

Financial risk management:

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

(a) Credit risk:

Credit risk is the risk that a counterparty to a financial instrument will fail to discharge a commitment that it has entered into with the Fund. As at June 30, 2018, the Fund did not invest any of its net assets in non-investment grade debt instruments (December 31, 2017 - 19.84%). Non-investment grade is the term applied to bonds rated below Baa3 on the Moody's credit rating scale and below BBB- on the equivalent ratings systems from Standard & Poor's and Fitch. As at June 30, 2018, the Fund invested approximately 83.17% (December 31, 2017 - 49.11%) of its net assets in non-rated bonds.

(b) Interest rate risk:

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

Debt instruments by maturity date:

	June 30, 2018	December 31, 2017
Less than 1 year	\$ 2,550,442	\$ 1,900,759
1 - 3 years	6,570,327	9,999,972
3 - 5 years	1,280,662	1,574,621
Greater than 5 years	3,499,151	5,665,771

CHOU BOND FUND

Discussion of Financial Risk Management (continued)

Six months ended June 30, 2018 and 2017 (Unaudited)

Financial risk management (continued):

As at June 30, 2018, had interest rates decreased or increased by 0.25%, with all other variables remaining constant, the increase or decrease in net assets for the year would have amounted to approximately \$113,052 (December 31, 2017 - \$176,833).

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

(c) Other price risk:

Other price risk is the risk that the value of financial instruments will fluctuate as a result of changes in market prices (other than those arising from interest rate risk or currency risk) caused by factors specific to a security, its issuer or all factors affecting a market or a market segment. Approximately 12.90% (December 31, 2017 - 24.23%) of the Fund's net assets held at June 30, 2018 were publicly traded equities. If equity prices on the exchange had increased or decreased by 5% as at June 30, 2018, the net assets of the Fund would have increased or decreased by approximately \$107,787 or 0.64% (December 31, 2017 - \$336,300 or 1.21%) of the net assets, all other factors remaining constant.

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

(d) Foreign currency risk:

Currencies to which the Fund had exposure as at June 30, 2018 and December 31, 2017 expressed in CAD are as follows:

June 30, 2018	Financial instruments	Percentage of net asset value
United States dollar	\$ 9,980,037	59.71%

December 31, 2017	Financial instruments	Percentage of net asset value
United States dollar	\$ 19,982,006	72.0%

The amounts in the above tables are based on the market value of the Fund's financial instruments (including cash and cash equivalents and investments). Other financial assets (including interest receivable and receivable for units subscribed) 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 June 30, 2018, 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 \$99,800 (December 31, 2017 - \$199,820).

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

CHOU RRSP FUND

(unaudited)

August 20, 2018

Dear Unitholders of Chou RRSP Fund,

The net asset value per unit (“NAVPU”) of a Series A unit of Chou RRSP Fund at June 30, 2018 was \$34.94 compared to \$32.55 at December 31, 2017, an increase of 7.3%; during the same period, the S&P/TSX Total Return Index increased 2.0% in Canadian dollars. In U.S. dollars, a Series A unit of Chou RRSP Fund was up 2.6% while the S&P/TSX Total Return Index decreased 2.9%.

The table shows our 1-year, 3-year, 5-year, 10-year, 15-year and 20-year annual compound rates of return.

June 30, 2018 (Series A)	1 Year	3 Years	5 Years	10 Years	15 Years	20 Years
Chou RRSP (\$CAN)	26.3%	4.3%	6.4%	7.4%	6.1%	8.0%
S&P/TSX (\$CAN)	10.4%	7.0%	9.2%	4.2%	8.7%	6.6%
Chou RRSP (\$US) ¹	24.6%	2.5%	1.7%	4.7%	6.3%	8.5%
S&P/TSX (\$US)	9.1%	5.1%	4.5%	1.6%	8.9%	7.2%

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 First Six-Month Results

The equity holdings of Canfor Pulp Products, Interfor Corporation and Valeant Pharmaceuticals were the major positive contributors to the Fund's performance in the first half of 2018.

The largest decliners in the same period were equities of TVA Group, Torstar Corp., Overstock preferred shares, and EXCO Resources 1.75 lien term loan.

During the first half of the year, the Fund increased its equity holding in Valeant Pharmaceuticals, and sold equity positions in Taiga Building Products.

The Fund also sold call options of Resolute Forest Products equity expiring in January 2019 with a strike price of \$12.50.

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

Bank of America TARP Warrants

Overall, the investments in the Bank of America TARP warrants performed well for the Fund, as reflected by the price increases of the position shown in the following table:

Security	Average Cost Base (ACB)*	Price as of Jun. 30, 2018	% Increase From ACB
Bank of America Warrants (Jan. 16, 2019)	\$3.43	\$16.32	376%

** As of June 30, 2018*

Note: Prices are in \$USD.

The maturity date for the TARP warrants are now less than a year away. As such we have to make a decision on whether to sell the TARP warrants or convert them to their equivalent common shares of the corresponding bank. If we believe that Bank of America shares may still be undervalued, then we will be more likely to invest in the bank's common stock.

However, it is important to note that any future decision to sell additional warrants or buy the common stock will be based on our view of issuers and the markets at such time.

We will briefly discuss the mechanics and tax consequences of converting these TARP warrants to their corresponding common shares. A unique characteristic of these warrants is the ability to convert them to common shares via a cashless transaction. Instead of paying for the exercise price of the warrants in cash at the time of conversion, these warrants are only payable by netting out the number of the common shares issued upon exercise of the warrants that in total equal the exercise price.

For example, assume we purchased warrants of XYZ at \$5 with an exercise price of \$35, and the common stock of XYZ shares is trading in the market at \$50. When we exercise 100 units of the warrants, instead of paying \$3,500 for the new XYZ shares in cash (\$35 per share times 100 units) and receiving 100 shares of XYZ, there won't be any cash outlay and we will only receive 30 shares of XYZ. The remaining 70 shares will be implicitly sold at the current market price of \$50 per share for \$3,500 to pay for the total exercise price of \$3,500.

In consultation with the Fund's Canadian tax and accounting advisers, our understanding is that there will be immediate capital gain taxes incurred on the 70 shares of XYZ implicitly disposed of during the conversion process. In the example, the Fund will realize a capital gain of \$700 which is equal to the proceeds of \$3,500 less the new cost base of \$2,800 (\$40 per share times 70 shares). This is lower than the immediate capital gain that would be realized from directly selling the TARP warrants.

EXCO Resources

As of June 30, 2018, the Fund owned about US\$5.6 million worth of EXCO Resources (EXCO)'s 1.75 lien term loan (converted from the second-lien term loan held previously in Feb. 2017), with approximately US\$12.6 million in par value. This is one of the largest positions in the portfolio, comprising approximately 9% of the assets of the Fund (at market value).

At the time of purchase, we liked this investment because it met our criteria for investing in the oil and gas sector. The criteria that we considered in analyzing this type of investment is that it should be:

1. A very senior term loan or note;
2. Issued by a company with a significantly limited ability to add senior or pari-passu debt to its capital structure; and
3. Of a type that if the company restructures or goes into bankruptcy, the investment's recovery value is likely to be greater than its current price.

In addition to the security being very senior in the capital structure, we also hold the view that management seems to be making good decisions with respect to the allocation of capital in a tough environment.

On January 15, 2018, EXCO filed voluntary petitions for a court-supervised reorganization under Chapter 11 of the U.S. Bankruptcy Code to facilitate a restructuring of its balance sheet. EXCO Resources is saddled with very expensive transportation and other contracts. During a bankruptcy proceeding, contracts that have a present value of, for example \$200 million, could potentially be renegotiated to as low as \$20 million. We believe that when EXCO comes out of bankruptcy, the 1.75 lien holders will most likely own most of the new common stock of the company. If over the longer term our current assumption regarding this investment prove to be correct, we think the value of the EXCO 1.75 lien term loans should be appreciably higher than the June 30, 2018 price of 44.75 cents on a dollar.

Resolute Forest Products

As of June 30, 2018, the market price of Resolute Forest Products (RFP) was at \$10.35 per share, giving a market capitalization of roughly US\$935 million dollars. As we have explained in the past, the company continues to have consolidated sales of close to US\$3.5 billion and in each of its major business segments, it is a global leader. It continues to be the biggest volume producer of wood products east of the Rockies, the third largest in North America for market pulp, the number one producer of newsprint in the world and the largest producer in North America of uncoated mechanical paper and an emerging tissue producer. The wood products segment continues to have revenues of approximately US\$800 million, while the other three segments each continue to have revenues of approximately US\$900 million. We believe that each of the four business segments could fetch at least US\$400 million in a normal market and, as a result, RFP may be undervalued.

With the new CEO coming in, there is more optimism on what the company can do with its four business segments. This is reflected in the stock price as it has moved up from \$4.60 in March 2017 to \$10.35 as of June 30, 2018.

Please note that we have a very large position in Resolute Forest Products and as of June 30, 2018, comprising of roughly 20% of the net assets of the Fund.

Caution to the Investors

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

Also, the Fund's cash position was approximately 13% of net assets as at June 30, 2018. This large cash position may depress returns for a while as we hunt for undervalued securities. Obviously, if there is a severe correction in the market in the near future, it will cushion the Fund against losses while providing us with the wherewithal to find good investment opportunities. But for now, it could be a drag on returns. If we cannot find any bargains, the large cash position may stay for a long time.

Other Matters

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

INDEPENDENT REVIEW COMMITTEE: The Manager has established an IRC as required by NI 81-107. The members of the IRC are Sandford Borins, Peter Gregoire and Joe Tortolano. The 2017 IRC Annual Report is available on our website www.choufunds.com.

As of August 20, 2018, the NAVPU of a Series A unit of the Fund was \$36.75 and the cash position was approximately 10.4% of net assets. The Fund is up 12.9% from the beginning of the year. In U.S. dollars, it is up 8.8%.

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
Fund Manager

CHOU RRSP FUND

Statements of Financial Position

June 30, 2018 (Unaudited) and December 31, 2017

	June 30, 2018	December 31, 2017
Assets		
Current assets:		
Financial assets designated at fair value through profit or loss (note 8)	\$ 68,267,859	\$ 63,156,504
Held-for-trading investments (note 8)	3,207,021	3,299,372
Cash and cash equivalents	10,167,783	14,247,136
Due from broker	—	7,143
Interest receivable	32,639	26,252
Total assets	81,675,302	80,736,407
Liabilities		
Current liabilities:		
Financial liabilities at fair value through profit or loss (note 8)	187,338	—
Accrued expenses	332,335	296,198
Payable for units redeemed	—	52,839
Due to broker	—	3,589
Total liabilities	519,673	352,626
Net assets attributable to unitholders of redeemable units	\$ 81,155,629	\$ 80,383,781
Net assets attributable to unitholders of redeemable units:		
Series A	\$ 73,686,266	\$ 73,104,943
Series F	7,469,363	7,278,838
	\$ 81,155,629	\$ 80,383,781
Number of redeemable units outstanding (note 4):		
Series A	2,109,057	2,245,919
Series F	211,960	222,317
Net assets attributable to unitholders of redeemable units per unit (note 4):		
Canadian dollars:		
Series A	\$ 34.94	\$ 32.55
Series F	35.24	32.74
U.S. dollars:		
Series A	26.58	25.90
Series F	26.81	26.05

See accompanying notes to financial statements.

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

Francis Chou

CHOU RRSP FUND

Statements of Comprehensive Income (Loss)

Six months ended June 30, 2018 and 2017 (Unaudited)

	2018	2017
Income:		
Interest for distribution purposes and other	\$ 621,161	\$ 2,682,417
Dividends	214,528	222,933
Securities lending income (note 7)	8,418	27,627
Foreign currency gain (loss) on cash and other net assets	547,926	(36,777)
Other net changes in fair value of financial assets and financial liabilities at fair value through profit or loss:		
Net realized gain on financial assets designated at fair value through profit or loss	2,731,112	4,331,972
Change in unrealized appreciation (depreciation) on financial assets designated at fair value through profit or loss	2,306,755	(4,876,388)
Change in unrealized depreciation on held-for-trading investments	(81,151)	(1,727,710)
Realized (loss) gain on held-for-trading investments	(8,150)	3,517,481
	6,340,599	4,141,555
Expenses:		
Management fees (note 5)	647,842	703,766
Custodian fees	68,780	68,780
Audit	27,741	7,425
Filing fees	1,711	7,240
FundSERV fees	—	5,430
Legal fees	1,207	1,207
Transaction costs (note 6)	12,259	45,871
Other	7,102	17,381
	766,642	857,100
Increase in net assets attributable to unitholders of redeemable units	\$ 5,573,957	\$ 3,284,455
Increase in net assets attributable to unitholders of redeemable units per Series:		
Series A	\$ 5,060,255	\$ 3,044,298
Series F	513,702	240,157
	\$ 5,573,957	\$ 3,284,455
Average number of redeemable units outstanding for the period for the Series:		
Series A	2,175,946	3,044,298
Series F	217,040	240,157
Increase in net assets attributable to unitholders of redeemable units per unit:		
Series A	\$ 2.33	\$ 1.07
Series F	2.37	1.10

See accompanying notes to financial statements.

CHOU RRSP FUND

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

Six months ended June 30, 2018 and 2017 (Unaudited)

	2018	2017
Series A		
Net assets attributable to unitholders of redeemable units, beginning of period	\$ 73,104,943	\$ 82,832,921
Increase in net assets attributable to unitholders of redeemable units	5,060,255	3,044,298
Proceeds from issue of redeemable units	324,705	634,935
Payments on redemption of redeemable units	(4,803,637)	(10,172,873)
Distributions of income to redeemable unitholders:		
Investment income	—	1,452
Reinvested distributions	—	135
Net assets attributable to unitholders of redeemable units, end of period	\$ 73,686,266	\$ 76,340,868
Series F		
Net assets attributable to unitholders of redeemable units, beginning of period	7,278,838	5,932,121
Increase in net assets attributable to unitholders of redeemable units	513,702	240,157
Proceeds from issue of redeemable units	252,715	842,951
Payments on redemption of redeemable units	(575,892)	(461,169)
Reinvested distributions	—	580
Net assets attributable to unitholders of redeemable units, end of period	\$ 7,469,363	\$ 6,554,640
Total net assets attributable to unitholders of redeemable units, end of period	\$ 81,155,629	\$ 82,895,508

See accompanying notes to financial statements.

CHOU RRSP FUND

Statements of Cash Flows

Six months ended June 30, 2018 and 2017 (Unaudited)

	2018	2017
Cash flows from operating activities:		
Increase in net assets attributable to unitholders of redeemable units	\$ 5,573,957	\$ 3,284,455
Adjustments for:		
Foreign currency (gain) loss on cash and other net assets	(547,926)	36,777
Net realized gain on financial assets designated at fair value through profit or loss	(2,722,962)	(7,849,453)
Change in unrealized (appreciation) depreciation on investments and derivatives	(2,225,604)	6,604,098
Change in non-cash operating working capital:		
(Increase) decrease in interest receivable	(6,387)	214,538
Increase in accrued expenses	36,137	27,551
Purchase of investments	(2,946,359)	(10,773,219)
Proceeds from sales of investments	3,066,813	20,337,380
Net cash generated from operating activities	227,669	11,882,127
Cash flows from financing activities:		
Distributions paid to unitholders	—	2,167
Proceeds from redeemable units issued	577,420	1,497,686
Amount paid on redemption of redeemable units	(5,432,368)	(10,491,119)
Net cash used in financing activities	(4,854,948)	(8,991,266)
Foreign currency gain (loss) on cash and other net assets	547,926	(36,777)
(Decrease) increase in cash and cash equivalents	(4,627,279)	2,854,084
Cash and cash equivalents, beginning of period	14,247,136	452,846
Cash and cash equivalents, end of period	\$ 10,167,783	\$ 3,306,930
Supplemental information:		
Interest received, net of withholding tax	\$ 614,774	\$ 2,896,955
Dividends received, net of withholding tax	214,528	222,933
Security lending income received	8,418	27,627

See accompanying notes to financial statements.

CHOU RRSP FUND

Schedule of Investments

June 30, 2018 (Unaudited)

	Number of securities	Cost	Fair value
Equities*			
BlackBerry Limited	529,040	\$ 4,122,657	\$ 6,708,227
Canfor Pulp Products Inc.	393,900	1,120,885	9,934,158
Dundee Corporation, Class 'A'	300,000	3,060,351	474,000
Interfor Corporation	125,500	746,361	3,168,875
Overstock.com Inc., Class 'B'	15,198	314,348	649,352
Reitmans (Canada) Limited	348,600	1,914,063	1,359,540
Reitmans (Canada) Limited, Class 'A'	690,800	3,758,099	2,832,280
Resolute Forest Products Inc.	1,224,188	13,844,859	16,657,070
Torstar Corporation, Class 'B'	1,063,716	23,213,677	1,382,831
TVA Group Inc.	783,128	11,323,079	2,654,804
TWC Enterprises Limited	201,944	1,077,639	2,544,494
Valeant Pharmaceuticals International Inc.	298,992	9,496,444	9,134,943
Wow Unlimited Media Inc.	93,680	1,930,473	140,520
		75,922,935	57,641,094
Bonds			
Exco Resources Inc., term loan, October 2020	12,590,186	7,413,294	7,406,880
Taiga Building Products Ltd., 7.000%, November 17, 2022, Callable	3,111,000	3,215,996	3,219,885
		10,629,290	10,626,765
Total long		86,552,225	68,267,859
Held-for-trading			
Bank of America Corporation, warrants, Series A, Jan 16, 2019	149,476	533,151	3,207,021
Total held-for-trading		533,151	3,207,021
Total investments		87,085,376	71,474,880
Transaction costs		(51,808)	—
Total Investments in Non-Derivative Financial Assets		87,033,568	71,474,880
Derivative Liabilities		—	(187,338)
Portfolio total		\$ 87,033,568	\$ 71,287,542

* Common shares unless indicated otherwise

See accompanying notes to financial statements.

CHOU RRSP FUND

Discussion of Financial Risk Management

Six months ended June 30, 2018 and 2017 (Unaudited)

Investment objective and strategies:

The Fund's objective is to provide long-term growth of capital by investing in equity and debt securities of primarily Canadian businesses. 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, warrants, government and corporate bonds and short-term indebtedness.

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

Financial risk management:

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

(a) Credit risk:

Credit risk is the risk that a counterparty to a financial instrument will fail to discharge a commitment that it has entered into with the Fund. As at June 30, 2018, the Fund did not invest any of its net assets in non-investment grade debt instruments (December 31, 2017 - 12.06%). Non-investment grade is the term applied to bonds rated below Baa3 on the Moody's credit rating scale and below BBB- on the equivalent ratings systems from Standard & Poor's and Fitch. As at June 30, 2018, the Fund invested approximately 13.09% (December 31, 2017 - 4.05%) of its net assets in non-rated debt instruments. These credit ratings could denote that the company's financial position is weak and its bonds should be considered a speculative investment.

(b) Interest rate risk:

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

Debt instruments by maturity date:

	June 30, 2018	December 31, 2017
Less than 1 year	\$ —	\$ —
1 - 3 years	7,406,880	9,693,342
3 - 5 years	3,219,885	3,258,772
Greater than 5 years	—	—

As at June 30, 2018, had interest rates decreased or increased by 0.25%, with all other variables remaining constant, the increase or decrease in net assets for the year would have amounted to approximately \$73,877 (December 31, 2017 - \$102,599).

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

CHOU RRSP FUND

Discussion of Financial Risk Management (continued)

Six months ended June 30, 2018 and 2017 (Unaudited)

Financial risk management (continued):

(c) Other price risk:

Other price risk is the risk that the value of financial instruments will fluctuate as a result of changes in market prices (other than those arising from interest rate risk or currency risk) caused by factors specific to a security, its issuer or all factors affecting a market or a market segment. Approximately 71.03% (December 31, 2017 - 62.46%) of the Fund's net assets held at June 30, 2018 were publicly traded equities. If equity prices on the exchange had increased or decreased by 5% as at June 30, 2018, the net assets of the Fund would have increased or decreased by approximately \$2,882,055 or 3.55% (December 31, 2017 - \$2,510,200 or 3.12%) of the net assets, all other factors remaining constant.

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

(d) Foreign currency risk:

Currencies to which the Fund had exposure as at June 30, 2018 and December 31, 2017 expressed in CAD are as follows:

June 30, 2018	Financial instruments	Percentage of net asset value
United States dollar	\$ 44,056,632	54.3%

December 31, 2017	Financial instruments	Percentage of net asset value
United States dollar	\$ 47,710,636	59.4%

The amounts in the above tables are based on the market value of the Fund's financial instruments (including cash and cash equivalents and investments). Other financial assets (including interest receivable, 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 June 30, 2018, 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 \$440,566 (December 31, 2017 - \$477,106).

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

CHOU FUNDS

Notes to Financial Statements

Six months ended June 30, 2018 and 2017 (Unaudited)

1. Formation of the Chou Funds:

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

The Funds were formed on the following dates:

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:

These financial statements have been prepared in compliance with International Financial Reporting Standards ("IFRS") and in accordance with International Accounting Standard ("IAS") 34 Interim Financial Reporting as published by the International Accounting Standards Board ("IASB") and as required by Canadian securities legislation and the Canadian Accounting Standards Board.

The unaudited interim financial statements were authorized for issue by the Manager on August 24, 2018.

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

(a) New accounting standards and interpretations

Effective January 1, 2018 the Funds' adopted IFRS 9, Financial Instruments - Classification and Measurement ("IFRS 9") replacing the existing guidance in IAS 39, Financial Instruments - Recognition and Measurement ("IAS 39"). The new standard requires financial assets to be classified as amortized cost, fair value through profit or loss ("FVTPL"), or fair value through other comprehensive income ("FVOCI") based on the entity's business model for managing the financial assets and the contractual cash flow characteristics of these assets. The assessment and decision regarding the business model approach used is an accounting judgement.

The classification and measurement of financial liabilities remain generally unchanged with the exception of liabilities recorded at FVTPL. For these liabilities, fair value changes attributable to changes in the entity's own credit risk are to be presented in other comprehensive income unless they affect amounts recorded in income.

Upon transition to IFRS 9, the Funds' financial assets and financial liabilities previously classified as FVTPL under IAS 39 continue to be classified in the same category and there were no changes in the measurement attributes. The adoption of IFRS 9 has also been applied retrospectively and did not result in any changes in the prior period.

CHOU FUNDS

Notes to Financial Statements (continued)

Six months ended June 30, 2018 and 2017 (Unaudited)

2. Significant accounting policies (continued):

(b) Recognition, initial measurement and classification:

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

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

Financial assets at FVTPL:

- Derivative financial instruments; and
- Debt securities and equity investments.

Financial liabilities at FVTPL:

- Securities sold short and derivative financial instruments.

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

(c) Fair value measurement:

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

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

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

CHOU FUNDS

Notes to Financial Statements (continued)

Six months ended June 30, 2018 and 2017 (Unaudited)

2. Significant accounting policies (continued):

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

Financial assets carried at amortized cost use the effective interest rate method, less impairment losses, if any.

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

Derecognition:

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

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

(d) Critical accounting estimates and judgments:

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

(i) Fair value measurement of held-for-trading securities and securities not quoted in an active market:

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

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

CHOU FUNDS

Notes to Financial Statements (continued)

Six months ended June 30, 2018 and 2017 (Unaudited)

2. Significant accounting policies (continued):

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

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

(e) Cost of investments:

The cost of investments represents the amount paid for each security, and is determined on an average cost basis excluding transaction costs. Investment transactions are accounted for as of the trade date. These financial statements are presented in Canadian dollars, which is the Funds' functional currency.

(f) Offsetting financial instruments:

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

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

(g) Transaction costs:

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

(h) Cash and cash equivalents:

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

(i) Investment transactions and income recognition:

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

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

CHOU FUNDS

Notes to Financial Statements (continued)

Six months ended June 30, 2018 and 2017 (Unaudited)

2. Significant accounting policies (continued):

(j) Foreign exchange:

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

(k) 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.

Warrants:

The cost of warrants is included in held-for-trading investments on the statements of financial position. The unrealized gain or loss is reflected in the statements of comprehensive income (loss) in unrealized gain (loss) on held-for-trading investments.

(l) Multi-series funds:

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

(m) Valuation of Fund redeemable units:

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

(n) Securities lending income:

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

CHOU FUNDS

Notes to Financial Statements (continued)

Six months ended June 30, 2018 and 2017 (Unaudited)

2. Significant accounting policies (continued):

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

Under Canadian generally accepted accounting principles, the Funds accounted for its redeemable units as equity. International Accounting Standard ("IAS") 32, Financial Instruments - Presentation, requires that units or shares of an entity which include a contractual obligation for the issuer to repurchase or redeem them for cash or another financial asset be classified as financial liabilities. The Funds' units do not meet the criteria in IAS 32 for classification as equity and, therefore, have been classified as financial liabilities.

(p) Impairments:

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

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

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. CPA Canada Handbook disclosures that are specific to each of the Funds are presented in the discussion of financial risk management under the schedule of investments. The sensitivity analysis shown in the discussion of financial risk management may differ from actual results and the difference could be significant.

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

CHOU FUNDS

Notes to Financial Statements (continued)

Six months ended June 30, 2018 and 2017 (Unaudited)

3. Financial instruments and risk management (continued):

(a) Credit risk:

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

Margin has been deposited with a highly credit worth financial institution with respect to currency forwards. The amounts have not been offset against the value of the derivatives. The margin of 5% is included in cash and cash equivalents.

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

(b) Liquidity risk:

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

(c) Market risk:

(i) Interest rate risk:

Interest rate risk is the risk that the fair value of the Funds' interest-bearing investments will fluctuate due to changes in the prevailing levels of market interest rates. The Funds' exposure to interest rate risk is concentrated in investments in debt securities (such as bonds and debentures or short-term instruments) and interest rates held-for-trading 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.

CHOU FUNDS

Notes to Financial Statements (continued)

Six months ended June 30, 2018 and 2017 (Unaudited)

3. Financial instruments and risk management (continued):

(c) Market risk (continued):

(ii) Other price risk:

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

(iii) Currency risk:

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

4. Holders of redeemable units:

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

CHOU FUNDS

Notes to Financial Statements (continued)

Six months ended June 30, 2018 and 2017 (Unaudited)

4. Holders of redeemable units (continued):

	Series A		Series F	
	June 30,		June 30,	
	2018	2017	2018	2017
Chou Associates Fund				
Redeemable units outstanding, beginning of period	2,998,503	3,650,048	363,060	409,648
Add redeemable units issued during the period	85,986	22,439	20,727	55,098
Deduct redeemable units redeemed during the period	(293,620)	(320,377)	(35,119)	(73,772)
Redeemable units outstanding before income distribution	2,790,869	3,352,110	348,668	390,974
Add redeemable units issued on reinvested income	–	5	–	1
Redeemable units outstanding, end of period	2,790,869	3,352,115	348,668	390,975
Chou Asia Fund				
Redeemable units outstanding, beginning of period	1,320,405	1,995,196	142,866	151,314
Add redeemable units issued during the period	8,660	9,253	8,332	32,756
Deduct redeemable units redeemed during the period	(69,803)	(196,047)	(31,285)	(42,780)
Redeemable units outstanding before income distribution	1,259,262	1,808,402	119,913	141,290
Add redeemable units issued on reinvested income	–	–	–	–
Redeemable units outstanding, end of period	1,259,262	1,808,402	119,913	141,290
Chou Europe Fund				
Redeemable units outstanding, beginning of period	666,094	1,253,703	83,511	153,653
Add redeemable units issued during the period	47,282	29,360	91,439	5,875
Deduct redeemable units redeemed during the period	(218,309)	(132,321)	(25,789)	(76,538)
Redeemable units outstanding before income distribution	495,067	1,150,742	149,161	82,990
Add redeemable units issued on reinvested income	–	–	–	–
Redeemable units outstanding, end of period	495,067	1,150,742	149,161	82,990

CHOU FUNDS

Notes to Financial Statements (continued)

Six months ended June 30, 2018 and 2017 (Unaudited)

4. Holders of redeemable units (continued):

	Series A		Series F	
	June 30,		June 30,	
	2018	2017	2018	2017
Chou Bond Fund				
Redeemable units outstanding,				
beginning of period	3,104,049	4,432,708	270,473	403,615
Add redeemable units issued during the period	7,065	50,509	32,082	23,214
Deduct redeemable units redeemed during the period	(1,326,216)	(326,337)	(10,694)	(80,801)
Redeemable units outstanding before				
income distribution	1,784,898	4,156,880	291,861	346,028
Add redeemable units issued on reinvested income	–	–	–	–
Redeemable units outstanding, end of period	1,784,898	4,156,880	291,861	346,028
Chou RRSP Fund				
Redeemable units outstanding,				
beginning of period	2,245,919	3,013,777	222,317	214,149
Add redeemable units issued during the period	10,074	22,199	7,378	29,409
Deduct redeemable units redeemed during the period	(146,936)	(359,241)	(17,735)	(16,170)
Redeemable units outstanding before				
income distribution	2,109,057	2,676,735	211,960	227,388
Add redeemable units issued on reinvested income	–	5	–	21
Redeemable units outstanding, end of period	2,109,057	2,676,740	211,960	227,409

5. Related party transactions:

Management fees:

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

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

	June 30,	
	2018	2017
Chou Associates Fund	\$ 2,834,334	\$ 3,465,490
Chou Asia Fund	230,900	295,549
Chou Europe Fund	60,841	106,674
Chou Bond Fund	151,876	260,467
Chou RRSP Fund	647,842	703,766

CHOU FUNDS

Notes to Financial Statements (continued)

Six months ended June 30, 2018 and 2017 (Unaudited)

5. Related party transactions (continued):

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

	June 30, 2018	December 31, 2017
Chou Associates Fund	\$ 413,768	\$ 459,213
Chou Asia Fund	31,811	36,269
Chou Europe Fund	7,780	13,783
Chou Bond Fund	15,448	30,570
Chou RRSP Fund	98,798	97,081

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

As at June 30, 2018, the following amounts of Series A redeemable units were held by employees of the Manager. No amounts of Series F redeemable units were held by employees of the Manager.

	June 30, 2018	December 31, 2017
Chou Associates Fund	72,242	70,590
Chou Europe Fund	—	140,504
Chou Bond Fund	353,863	1,367,460
Chou RRSP Fund	33,176	32,185

(a) Chou Associates Fund:

As at June 30, 2018, 2.6% of Series A redeemable units (December 31, 2017 – 2.4%) were held by employees of the Manager.

(b) Chou Europe Fund:

As at June 30, 2018, 0.0% of Series A redeemable units (December 31, 2017 – 21.1%) were held by employees of the Manager.

(c) Chou Bond Fund:

As at June 30, 2018, 19.8% of Series A redeemable units (December 31, 2017 – 44.1%) were held by employees of the Manager.

(d) Chou RRSP Fund:

As at June 30, 2018, 1.6% of Series A redeemable units (December 31, 2017 – 1.4%) were held by employees of the Manager.

No amounts of Series F redeemable units were held by employees of the Manager.

CHOU FUNDS

Notes to Financial Statements (continued)

Six months ended June 30, 2018 and 2017 (Unaudited)

6. Brokers' commissions:

Total commissions paid to brokers in connection with portfolio transactions for the six months ended June 30, 2018 and 2017 are as follows:

		June 30,
	2018	2017
Chou Associates Fund	\$ 93,576	\$ 257,196
Chou Asia Fund	2,961	3,597
Chou Europe Fund	2,639	8,554
Chou Bond Fund	10,383	5,414
Chou RRSP Fund	12,259	45,871

7. Securities lending:

The Funds have entered into a securities lending program with CIBC Mellon. The Funds receive collateral of at least 102% of the value of the securities on loan. Collateral may be comprised of cash and obligations of or guaranteed by, the Government of Canada or a province thereof, or by the United States Government or its agencies, but may include obligations of other governments with appropriate credit ratings. The aggregate dollar values of the securities that are on loan and the collateral received by the Funds as at June 30, 2018 and December 31, 2017 are as follows:

	Market value of securities on loan	Market value of collateral received
June 30, 2018		
Chou Associates Fund	\$ 55,349,557	\$ 58,895,659
Chou Asia Fund	3,890,234	4,278,315
Chou Europe Fund	491,593	516,505
Chou Bond Fund	96,892	101,782
Chou RRSP Fund	2,037,332	2,144,172
	Market value of securities on loan	Market value of collateral received
December 31, 2017		
Chou Associates Fund	\$ 15,402,464	\$ 16,339,454
Chou Asia Fund	5,684,266	6,023,871
Chou Europe Fund	546,966	574,705
Chou Bond Fund	1,624,958	1,706,402
Chou RRSP Fund	2,575,617	2,705,258

CHOU FUNDS

Notes to Financial Statements (continued)

Six months ended June 30, 2018 and 2017 (Unaudited)

7. Securities lending (continued):

The tables below presents a reconciliation of the securities lending income as presented in the statements of comprehensive income (loss) for the six months ended June 30, 2018 and June 30, 2017. It shows the gross amount of securities lending revenues generated from the securities lending transactions of the Fund, less any taxes withheld and amounts due to parties entitled to receive payments out of the gross amount as part of any securities lending agreements.

Chou Associates Fund:

	June 30,			
	2018		2017	
Gross securities lending revenue	\$ 1,366,046	100%	\$ 4,195,911	100%
Withholding taxes	(323,366)	(20)%	(1,255,027)	(30)%
Agent fees	(208,535)	(20)%	(588,176)	(10)%
Securities lending revenue	\$ 834,145	60 %	\$ 2,352,708	60 %

Chou Asia Fund:

	June 30,			
	2018		2017	
Gross securities lending revenue	\$ 130,229	100 %	\$ 85,965	100 %
Withholding taxes	(7,529)	—	—	—
Agent fees	(24,540)	(20)%	(17,193)	(20)%
Securities lending revenue	\$ 98,160	80 %	\$ 68,772	80 %

Chou Europe Fund:

	June 30,			
	2018		2017	
Gross securities lending revenue	\$ 797	100 %	\$ 45	100 %
Withholding taxes	(80)	(10)%	—	—
Agent fees	(143)	(20)%	(9)	(20)%
Securities lending revenue	\$ 574	70 %	\$ 36	80 %

CHOU FUNDS

Notes to Financial Statements (continued)

Six months ended June 30, 2018 and 2017 (Unaudited)

7. Securities lending (continued):

Chou Bond Fund:

	2018		June 30,		2017	
Gross securities lending revenue	\$	1,914	100 %	\$	2,920	100 %
Withholding taxes		—	—		(655)	(20)%
Agent fees		(383)	(20)%		(453)	(10)%
Securities lending revenue	\$	1,531	80 %	\$	1,812	60 %

Chou RRSP Fund:

	2018		June 30,		2017	
Gross securities lending revenue	\$	11,091	100 %	\$	36,018	100 %
Withholding taxes		(570)	—		(1,487)	—
Agent fees		(2,103)	(20)%		(6,904)	(20)%
Securities lending revenue	\$	8,418	80 %	\$	27,627	80 %

8. Fair value measurement:

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

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

(a) Chou Associates Fund:

June 30, 2018	Level 1	Level 2	Level 3	Total
Equities	\$ 257,293,305	\$ —	\$ —	\$ 257,293,305
Bonds	—	33,057,784	—	33,057,784
Held-for-trading assets	—	42,800,141	—	42,800,141
Total	\$ 257,293,305	\$ 75,857,925	\$ —	\$ 333,151,230

CHOU FUNDS

Notes to Financial Statements (continued)

Six months ended June 30, 2018 and 2017 (Unaudited)

8. Fair value measurement (continued):

(a) Chou Associates Fund (continued):

December 31, 2017	Level 1	Level 2	Level 3	Total
Equities	\$ 209,424,848	\$ 2,974,879	\$ —	\$ 212,399,727
Bonds	—	43,529,872	—	43,529,872
Held-for-trading assets	—	48,549,466	—	48,549,466
Total	\$ 209,424,848	\$ 95,054,217	\$ —	\$ 304,479,065

Fair value measurements using Level 3 inputs:

	Equities	Total
Balance, December 31, 2016	\$ 982,162	\$ 982,162
Net transfers out during the year	(982,162)	(982,162)
Balance, December 31, 2017	\$ —	\$ —

During the six months ended June 30, 2018, there were no significant transfers between Level 1, Level 2, and Level 3.

During the year ended December 31, 2017, the transfer of equities from Level 3 to Level 2 is due to additional information becoming available related to the preferred equity security.

(b) Chou Asia Fund:

June 30, 2018	Level 1	Level 2	Level 3	Total
Equities	\$ 15,333,743	\$ —	\$ —	\$ 15,333,743

December 31, 2017	Level 1	Level 2	Level 3	Total
Equities	\$ 16,483,615	\$ —	\$ —	\$ 16,483,615

During the six months ended June 30, 2018 and the year ended December 31, 2017, there were no significant transfers between Level 1, Level 2, and Level 3.

CHOU FUNDS

Notes to Financial Statements (continued)

Six months ended June 30, 2018 and 2017 (Unaudited)

8. Fair value measurement (continued):

(c) Chou Europe Fund:

June 30, 2018	Level 1	Level 2	Level 3	Total
Equities	\$ 6,183,002	\$ —	\$ —	\$ 6,183,002

December 31, 2017	Level 1	Level 2	Level 3	Total
Equities	\$ 6,775,082	\$ —	\$ —	\$ 6,775,082

During the six months ended June 30, 2018 and year ended December 31, 2017, there were no significant transfers between Level 1, Level 2 and Level 3.

(d) Chou Bond Fund:

June 30, 2018	Level 1	Level 2	Level 3	Total
Equities	\$ —	\$ 1,748,613	\$ 407,129	\$ 2,155,742
Bonds	—	13,103,265	797,317	13,900,582
Held-for-trading assets	—	—	—	—
Total	\$ —	\$ 14,851,878	\$ 1,204,446	\$ 16,056,324

December 31, 2017	Level 1	Level 2	Level 3	Total
Equities	\$ 4,261,999	\$ 2,057,535	\$ 407,129	\$ 6,726,663
Bonds	—	18,654,633	1,273,869	19,928,502
Held-for-trading assets	—	—	—	—
Total	\$ 4,261,999	\$ 20,712,168	\$ 1,680,998	\$ 26,655,165

Fair value measurements using Level 3 inputs:

Level 3 securities were valued using broker quotes.

CHOU FUNDS

Notes to Financial Statements (continued)

Six months ended June 30, 2018 and 2017 (Unaudited)

8. Fair value measurement (continued):

(d) Chou Bond Fund (continued):

	Bonds	Equities	Total
Balance, December 31, 2017	\$ 1,273,869	\$ 407,129	\$ 1,680,998
Outstanding interest and principal received	(476,552)	–	(476,552)
Balance, June 30, 2018	\$ 797,317	\$ 407,129	\$ 1,204,446

During the six months ended June 30, 2018, there were no significant transfers between Level 1, Level 2 and Level 3.

Level 3 bonds are valued by relying on an adjusted interpolated corporate yield curve of comparable credit rating and industry exposure. Where corporate yield curves were not available, the yield to worst of fixed income securities' issued by companies of comparable credit ratings were used.

Level 3 equities are valued using a multiples based approach of total enterprise value to forecasted EBITDA ratio of comparable companies from the same industry.

During 2017, term loans valued at \$1,680,998 were exchanged for new term loans and common shares in a privatization proceeding. Equities valued at \$2,015,246 at December 31, 2016 were transferred from Level 1 to Level 2 during 2017 due to a reduction in liquidity and trading volumes.

Level 2 securities are valued using broker quotes.

(e) Chou RRSP Fund:

June 30, 2018	Level 1	Level 2	Level 3	Total
Equities	\$ 57,500,574	\$ –	\$ –	\$ 57,500,574
Bonds	–	10,626,765	–	10,626,765
Held-for-trading assets	–	3,347,541	–	3,347,541
Held-for-trading liabilities	–	(187,338)	–	(187,338)
Total	\$ 57,500,574	\$ 13,786,968	\$ –	\$ 71,287,542

December 31, 2017	Level 1	Level 2	Level 3	Total
Equities	\$ 48,574,925	\$ 1,629,465	\$ –	\$ 50,204,390
Bonds	–	12,952,114	–	12,952,114
Held-for-trading assets	–	3,299,372	–	3,299,372
Total	\$ 48,574,925	\$ 17,880,951	\$ –	\$ 66,455,876

CHOU FUNDS

Notes to Financial Statements (continued)

Six months ended June 30, 2018 and 2017 (Unaudited)

8. Fair value measurement (continued):

During the six months ended June 30, 2018 and year ended December 31, 2017, there were no significant transfers between Level 1, Level 2, and Level 3.

9. Net gain (loss) from financial assets at fair value through profit or loss:

(a) Chou Associates Fund:

	Period ended June 30,	
	2018	2017
Financial instruments at FVTPL:		
Held-for-trading	\$ (5,764,467)	\$ (19,775,452)
Designated at inception	(11,024)	33,842,108
	\$ (5,775,491)	\$ 14,066,656

(b) Chou Asia Fund:

	Period ended June 30,	
	2018	2017
Financial instruments at FVTPL:		
Designated at inception	\$ (1,628,706)	\$ 3,435,507
	\$ (1,628,706)	\$ 3,435,507

(c) Chou Europe Fund:

	Period ended June 30,	
	2018	2017
Financial instruments at FVTPL:		
Designated at inception	\$ 486,997	\$ 1,143,610
	\$ 486,997	\$ 1,143,610

(d) Chou Bond Fund:

	Period ended June 30,	
	2018	2017
Financial instruments at FVTPL:		
Held-for-trading	\$ —	\$ (367)
Designated at inception	(1,190,395)	(1,646,339)
	\$ (1,190,395)	\$ (1,646,706)

CHOU FUNDS

Notes to Financial Statements (continued)

Six months ended June 30, 2018 and 2017 (Unaudited)

9. Net gain (loss) from financial assets at fair value through profit or loss (continued):

(e) Chou RRSP Fund:

	Period ended June 30,	
	2018	2017
Financial instruments at FVTPL:		
Held-for-trading	\$ (89,301)	\$ (1,727,710)
Designated at inception	6,421,482	5,841,638
	<u>\$ 6,332,181</u>	<u>\$ 4,113,928</u>

The realized gain (loss) represents the difference between the carrying amount of the financial asset/liability at the beginning of the reporting year, or the transaction price if it was purchased during the reporting year, and the sale or settlement price.

The unrealized gain (loss) represents the difference between the carrying amount of a financial asset/liability at the beginning of the reporting period, or the transaction price if it was purchased during the reporting year, and its carrying amount at the end of the reporting year.

10. Income taxes:

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

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

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

	June 30,	
	2018	2017
Chou Europe Fund:		
Capital loss carryforward	\$ 2,457,076	\$ 4,130,112
Non-capital loss carryforward	—	127,668
Chou Bond Fund:		
Capital loss carryforward	11,221,707	11,885,084
Chou RRSP Fund:		
Capital loss carryforward	2,566,807	133,455

NOTES

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

CHOU ASIA FUND

Period ended	Total value of shares
Dec.31, 2003	\$10,000
Dec.31, 2004	11,850
Dec.31, 2005	12,678
Dec.31, 2006	14,598
Dec.31, 2007	16,972
Dec.31, 2008	13,979
Dec.31, 2009	17,015
Dec.31, 2010	18,786
Dec.31, 2011	17,931
Dec.31, 2012	17,609
Dec.31, 2013	21,799
Dec.31, 2014	23,472
Dec.31, 2015	24,760
Dec.31, 2016	25,284
Dec.31, 2017	30,625
June 30, 2018	<u>\$28,625</u>

CHOU EUROPE FUND

Period ended	Total value of shares
Dec.31, 2003	\$10,000
Dec.31, 2004	11,361
Dec.31, 2005	12,650
Dec.31, 2006	14,002
Dec.31, 2007	11,881
Dec.31, 2008	6,655
Dec.31, 2009	8,962
Dec.31, 2010	8,885
Dec.31, 2011	8,451
Dec.31, 2012	10,753
Dec.31, 2013	15,199
Dec.31, 2014	15,342
Dec.31, 2015	15,629
Dec.31, 2016	12,705
Dec.31, 2017	13,161
June 30, 2018	<u>\$13,978</u>

CHOU BOND FUND

Period ended	Total value of shares
Dec.31, 2005	\$10,000
Dec.31, 2006	12,200
Dec.31, 2007	11,870
Dec.31, 2008	7,396
Dec.31, 2009	10,534
Dec.31, 2010	13,980
Dec.31, 2011	11,408
Dec.31, 2012	12,884
Dec.31, 2013	15,944
Dec.31, 2014	17,502
Dec.31, 2015	16,875
Dec.31, 2016	18,411
Dec.31, 2017	18,114
June 30, 2018	<u>\$17,692</u>

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

CHOU RRSP FUND

Period ended	Total value of shares
Dec.31, 1986	\$10,000
Dec.31, 1987	10,818
Dec.31, 1988	12,281
Dec.31, 1989	14,350
Dec.31, 1990	12,722
Dec.31, 1991	13,284
Dec.31, 1992	14,500
Dec.31, 1993	16,727
Dec.31, 1994	14,961
Dec.31, 1995	17,808
Dec.31, 1996	21,735
Dec.31, 1997	32,741
Dec.31, 1998	38,806
Dec.31, 1999	36,217
Dec.31, 2000	42,188
Dec.31, 2001	49,370
Dec.31, 2002	65,095
Dec.31, 2003	72,658
Dec.31, 2004	82,362
Dec.31, 2005	95,294
Dec.31, 2006	104,479
Dec.31, 2007	94,817
Dec.31, 2008	54,629
Dec.31, 2009	69,818
Dec.31, 2010	102,367
Dec.31, 2011	81,150
Dec.31, 2012	108,860
Dec.31, 2013	132,029
Dec.31, 2014	150,763
Dec.31, 2015	131,417
Dec.31, 2016	126,719
Dec.31, 2017	154,716
June 30, 2018	<u>\$166,058</u>

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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