

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

SEMI-ANNUAL REPORT 2013

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

CHOU ASSOCIATES FUND

Period ended	Value of initial \$10,000 investment	Value of cumulative reinvested capital distributions	Value of cumulative reinvested dividends	Total value of shares
Dec.31, 1986	\$10,000	0	0	10,000
Dec.31, 1987	9,259	506	737	10,502
Dec.31, 1988	9,765	1,129	1,106	12,001
Dec.31, 1989	10,861	1,601	1,783	14,244
Dec.31, 1990	8,973	1,322	2,427	12,722
Dec.31, 1991	10,213	2,269	3,198	15,681
Dec.31, 1992	12,030	2,843	3,944	18,817
Dec.31, 1993	13,343	4,147	4,374	21,863
Dec.31, 1994	12,863	3,998	4,440	21,300
Dec.31, 1995	15,281	6,960	5,663	27,904
Dec.31, 1996	18,370	8,367	7,498	34,235
Dec.31, 1997	21,068	14,882	12,085	48,035
Dec.31, 1998	23,975	19,892	15,320	59,187
Dec.31, 1999	21,216	18,470	13,803	53,489
Dec.31, 2000	21,345	18,891	17,731	57,967
Dec.31, 2001	23,975	24,377	22,045	70,397
Dec.31, 2002	29,775	33,657	28,072	91,504
Dec.31, 2003	30,194	36,111	28,467	94,773
Dec.31, 2004	32,241	40,446	30,632	103,319
Dec.31, 2005	36,014	45,180	36,268	117,462
Dec.31, 2006	42,194	52,933	44,384	139,511
Dec.31, 2007	36,819	46,191	42,248	125,258
Dec.31, 2008	24,843	31,166	32,544	88,553
Dec.31, 2009	31,518	39,539	43,797	114,854
Dec.31, 2010	37,243	46,722	52,951	136,916
Dec.31, 2011	30,359	38,086	45,331	113,776
Dec.31, 2012	37,383	46,898	60,164	144,446
June 30, 2013				\$180,991

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

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

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

CHOU FUNDS
PERFORMANCE OF THE FUNDS
FOR THE PERIOD ENDED JUNE 30, 2013
(Unaudited)

Chou Associates Fund

Series A \$CAN	25.3%
Series A \$US	18.6%
Series F \$CAN	25.6%
Series F \$US	18.9%

Chou Asia Fund

Series A \$CAN	12.7%
Series A \$US	6.6%
Series F \$CAN	13.0%
Series F \$US	6.9%

Chou Europe Fund

Series A \$CAN	24.0%
Series A \$US	17.3%
Series F \$CAN	24.0%
Series F \$US	17.3%

Chou Bond Fund

Series A \$CAN	17.4%
Series A \$US	11.1%
Series F \$CAN	17.5%
Series F \$US	11.2%

Chou RRSP Fund

Series A \$CAN	12.0%
Series A \$US	5.9%
Series F \$CAN	12.3%
Series F \$US	6.2%

TABLE OF CONTENTS

Chou Associates Fund Manager's Letter	1-4
Management's Responsibility for Financial Reporting	5
Chou Associates Fund	
Statements of Net Assets	6
Statements of Operations	7
Statements of Changes in Net Assets	8
Statement of Investments	9
Schedule of Derivatives	9
Discussion of Financial Risk Management	10-11
Chou Asia Fund	
Fund Manager's Letter	12-14
Statements of Net Assets	15
Statements of Operations	16
Statements of Changes in Net Assets	17
Statement of Investments	18
Discussion of Financial Risk Management	19-20
Chou Europe Fund	
Fund Manager's Letter	21-23
Statements of Net Assets	24
Statements of Operations	25
Statements of Changes in Net Assets	26
Statement of Investments	27
Discussion of Financial Risk Management	28-29
Chou Bond Fund	
Fund Manager's Letter	30-32
Statements of Net Assets	33
Statements of Operations	34
Statements of Changes in Net Assets	35
Statement of Investments	36
Discussion of Financial Risk Management	37-38
Chou RRSP Fund	
Fund Manager's Letter	39-42
Statements of Net Assets	43
Statements of Operations	44
Statements of Changes in Net Assets	45
Statement of Investments	46
Schedule of Derivatives	46
Discussion of Financial Risk Management	47-48
Notes to Financial Statements	49-63

CHOU ASSOCIATES FUND

(Unaudited)

August 16, 2013

Dear Unitholders of Chou Associates Fund,

The net asset value (“NAVPU” or “NAV”) of a Series A unit of Chou Associates Fund at June 30, 2013 was \$101.76 compared to \$81.20 at December 31, 2012, an increase of 25.3%, while the S&P 500 Total Return Index increased 20.4% in Canadian dollars. In \$US, a Series A unit of Chou Associates Fund was up 18.6% while the S&P 500 Total Return Index returned 13.8%.

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

June 30, 2013 (Series A)	1 Year	3 Years	5 Years	10 Years	15 Years
Chou Associates (\$CAN)	40.4%	14.6%	8.1%	7.2%	8.7%
S&P 500 (\$CAN)	24.6%	18.1%	7.7%	4.6%	1.9%
Chou Associates (\$US) ¹	36.0%	15.0%	7.4%	9.9%	11.2%
S&P 500 (\$US)	20.7%	18.5%	7.0%	7.3%	4.2%

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 Months Results

Positive contributors to the Fund's performance during the period ended June 30, 2013 included equity securities of Actavis Inc., Berkshire Hathaway Inc., Dell Inc., Overstock.com Inc., MBIA Inc. and JPMorgan Chase & Company warrants.

Overstock.com (OSTK) was the largest contributor to the positive performance of the Fund. The stock increased in value to \$28.20 as at June 30, 2013, up from \$13.95 as at December 31, 2012. It is interesting to note that a year ago, on June 29, 2012, it was trading as low as \$6.91 per share. Generally, when prices hit a new low, our reaction is to check whether our evaluation of the company's intrinsic value is accurate enough. If it is accurate enough, we either sit put or buy more. Since we already had a fair amount of OSTK in the portfolio, we did not add any more but were comfortable with our investment in the company. There are many ways of evaluating a company and one of them is to check recent transactions within its industry which may provide a sense of its intrinsic value. For example, in 2009 Amazon bought Zappos, a company that is similar to OSTK but different in many ways, at close to one times revenue. At one times revenue, OSTK's intrinsic value is more than \$40 per share whereas its stock price closed on December 31, 2012 at \$13.95 per share. One important caveat: This type of comparison is fraught with danger and should be viewed as just a frame of reference. At the end of the day, it is OSTK's earning power or its future potential

¹The 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.

earnings based on its revenue growth (or lack of it) that will determine its intrinsic value. So, be extremely cautious when using only revenue as a basis for estimating intrinsic value. It must be substantiated by earnings. If the earning power is not there, then a company's value is strictly the value of its liquidated assets minus its liabilities. Under that scenario, OSTK would be worth almost nothing.

If you take a cursory glance of OSTK prices over the last 18 months, it may appear that we had a huge winner in OSTK, but there is more to the story. The investment in OSTK did not pan out as expected. When you are investing, the time value of money must be given serious consideration. We first invested in OSTK in 2006 and since then, the results have been positive but sub-par to say the least. Looking back, we paid too much for it and the intrinsic value that we estimated seven years ago was too high. Since we are a patient investor and can hold on to stocks for seven years or more, it is imperative that the intrinsic value of the company we invest in grows satisfactorily. In that regard, OSTK's growth in intrinsic value was anemic at best.

We held on to the stock because there were several positives to the company. Management has been quick to admit that it made many missteps along the way, and the corrective actions it took has put the company back on the right path. We especially like OSTK's fulfillment partner business, through which they sell merchandise of other retailers, cataloguers or manufacturers via their website, which accounts for approximately 80% of its revenue. Further, it is debt free after taking into account the cash on its balance sheet, management over the past few years have been buying shares and the founder owns a huge chunk of the company.

In the end we made some money but not to the degree we expected. And, because the price of OSTK has now risen significantly and is trading closer to its intrinsic value, we have drastically reduced our position.

Another big winner was Actavis Inc., formerly Watson Pharmaceutical. We first purchased Actavis in 2006 at \$25. We kept buying the shares in 2007, and on June 30, 2013, it was priced at \$126.22. It shows that when you are accurate in your estimation of intrinsic value and buy them at a significant discount, add in good management and respectable growth in intrinsic value, the investment works out really well. This is true even if you bought them when the market indices were trading at an all-time high. "Value traps" generally occur when you are wrong in your estimation of intrinsic value, pay too much and the company's intrinsic value is static and/or decreasing in value.

Low Interest Rates can Distort Valuation

Markets are funny in a way. From time to time, they can present a scenario whereby investors can rationalize their way into truly believing that the prices they are paying for stocks are not overvalued. You will hear phrases like: "It is the new paradigm" or the more famous one: "This time is different". As such, we are always sensitive to any type of suggestions that may imply that stocks should be valued higher but are not cheap based on historical standards.

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

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

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

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

Canadian Real Estate

We continue to worry about Canadian real estate. As we said before, of the G8 nations, Canada has performed best since the Great Recession of 2008 and has been widely lauded for its fiscal and economic performance. Its real estate prices have reflected that positive opinion. But therein lies the problem. In most countries, real estate prices have declined substantially, while in most of Canada, especially in the big cities, prices have actually increased. Based on ratios such as rent-to-house-price, disposable-income-to-house-price, Canadian house prices are out of line with historical standards. In addition, household debt as a percentage of disposable income is unprecedentedly high. This does not mean that real estate prices will decline soon, but it does indicate that valuations are stretched.

Non-Investment (or High Yield) Grade Debt Securities

Non-investment grade debt securities are fully priced and in general, I would stay clear of them. According to JPMorgan Chase, high-yield spreads over comparable Treasuries remained flat during the first 6 months of 2013, closing at 561 basis points, the same level as the end of 2012. Since June 30, 2013, spreads have narrowed further to 520 basis points on August 13, 2013. Spreads peaked during the 2008 financial crisis at 1,925 basis points.

Some prices for non-investment grade bonds do not reflect the risks inherent in these securities. A company can float 10 year non-investment grade bonds with a coupon of 6% and investors will buy them at 100 cents on the dollar. Just a few years ago, a similar bond would be trading for 60 cents or less.

In fact, there is a good chance that these debt securities may now be overvalued, and that the possibility of a large, permanent loss of capital is extremely high.

The Stock Market

In general, we are not that bullish on the stock market. Aside from a couple of industries like the financial institutions in the U.S. and companies in the retail sector, we are not that comfortable with the prices of many stocks. It is likely that the Fund will have more cash/cash equivalents in its portfolio than equities. But if a true bargain arises, I will not hesitate to buy it.

Other Matters

COVERED CALL OPTIONS: The Fund has covered call options in its portfolio as at June 30, 2013.

FOREIGN CURRENCY CONTRACTS: None existed at June 30, 2013.

CREDIT DEFAULT SWAPS: None existed at June 30, 2013.

CONSTANT MATURITY SWAPS: None existed at June 30, 2013.

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

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

INDEPENDENT REVIEW COMMITTEE: The Manager has established an IRC as required by NI 81-107. The members of the IRC are Sandford Borins, Bruce Kerr and Joe Tortolano. The 2012 IRC Annual Report is available on our website www.choufunds.com.

As of August 16, 2013, the NAV of a Series A unit of the Fund was \$102.27 and the cash position was 35.3% of net assets. The Fund is up 26% from the beginning of the year. In \$US, it is up 21.1%.

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

Yours truly,

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

Francis Chou
Fund Manager

Management's Responsibility for Financial Reporting

To the Unitholders of the Chou Funds:

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

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

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

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

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

Francis Chou

Francis Chou
Chou Associates Management Inc.
August 16, 2013

CHOU ASSOCIATES FUND
STATEMENTS OF NET ASSETS
AS AT JUNE 30, 2013 AND DECEMBER 31, 2012
(Unaudited)

	2013	DEC 31, 2012
ASSETS		
Cash	\$ 170,850,931	\$ 82,040,795
Accrued interest and dividend income	366,594	2,539,885
Receivable for units subscribed	628,256	44,973
Other receivable	92,202	165,880
Due from broker	3,927,525	3,064,154
Investments, at fair value	<u>343,798,863</u>	<u>341,104,758</u>
	<u>519,664,371</u>	<u>428,960,445</u>
LIABILITIES		
Accrued expenses	1,090,043	1,024,296
Payable for units redeemed	735,789	539,191
Distributions payable	-	461,860
Investments, at fair value	<u>441,673</u>	<u>-</u>
	<u>2,267,505</u>	<u>2,025,347</u>
NET ASSETS	\$ 517,396,866	\$ 426,935,098

NET ASSETS, BY SERIES		
Series A	\$ 488,096,608	\$ 402,116,923
Series F	<u>29,300,258</u>	<u>24,818,175</u>
	<u>\$ 517,396,866</u>	<u>\$ 426,935,098</u>

NUMBER OF UNITS OUTSTANDING (Note 4)		
Series A	4,801,329	4,951,551
Series F	<u>288,267</u>	<u>306,407</u>

NET ASSETS PER UNIT (Note 6)		
Canadian dollars		
Series A	\$ 101.66	\$ 81.21
Series F	\$ 101.64	\$ 81.00
U.S. dollars		
Series A	\$ 96.67	\$ 81.64
Series F	\$ 96.65	\$ 81.43

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

Francis Chou

Tracy Chou

CHOU ASSOCIATES FUND
STATEMENTS OF OPERATIONS
FOR THE SIX MONTHS ENDED JUNE 30, 2013 AND 2012
(Unaudited)

	2013	2012
INVESTMENT INCOME		
Dividends	\$ 1,262,532	\$ 2,336,629
Interest from securities lending	812,270	4,957,684
Interest	491,872	3,511,918
Other income	<u>17</u>	<u>1,898</u>
	<u>2,566,691</u>	<u>10,808,129</u>
EXPENSES		
Management fees (Note 5)	3,852,323	3,399,025
Custodian fees	308,500	346,750
Audit	31,850	27,107
Filing fees	26,850	27,300
Foreign withholding taxes	24,991	248,151
Independent Review Committee fees	14,273	13,880
Legal	10,580	12,567
FundSERV fees	<u>10,399</u>	<u>9,050</u>
	<u>4,279,766</u>	<u>4,083,830</u>
NET INVESTMENT GAIN (LOSS) FOR THE PERIOD	<u>(1,713,075)</u>	<u>6,724,299</u>
NET REALIZED AND UNREALIZED GAIN (LOSS) AND TRANSACTION COSTS		
Transaction costs	(177,613)	(211,231)
Net realized gain on sale of investments	23,820,672	2,560,332
Change in unrealized appreciation value of investments	<u>84,055,757</u>	<u>42,753,167</u>
	<u>107,698,816</u>	<u>45,102,268</u>
INCREASE IN NET ASSETS FROM OPERATIONS	<u>\$ 105,985,741</u>	<u>\$ 51,826,567</u>
INCREASE IN NET ASSETS FROM OPERATIONS		
Series A	\$ 99,946,215	\$ 48,443,228
Series F	<u>6,039,526</u>	<u>3,383,339</u>
	<u>\$ 105,985,741</u>	<u>\$ 51,826,567</u>
INCREASE IN NET ASSETS FROM OPERATIONS, PER UNIT		
Series A	\$ 20.49	\$ 9.10
Series F	<u>\$ 20.68</u>	<u>\$ 9.37</u>

CHOU ASSOCIATES FUND
STATEMENTS OF CHANGES IN NET ASSETS
FOR THE SIX MONTHS ENDED JUNE 30, 2013 AND 2012
(Unaudited)

	2013	2012
SERIES A		
NET ASSETS , beginning of the period	\$ 402,116,923	\$ 366,286,195
Increase in net assets from operations	99,946,215	48,443,228
Proceeds from issue of units	13,265,920	3,842,759
Payments on redemption of units	<u>(27,232,450)</u>	<u>(38,388,235)</u>
NET ASSETS , end of the period	<u>488,096,608</u>	<u>380,183,947</u>
SERIES F		
NET ASSETS , beginning of the period	24,818,175	25,617,354
Increase in net assets from operations	6,039,526	3,383,339
Proceeds from issue of units	2,702,703	1,754,941
Payments on redemption of units	<u>(4,260,146)</u>	<u>(5,580,836)</u>
NET ASSETS , end of the period	<u>29,300,258</u>	<u>25,174,798</u>
TOTAL NET ASSETS , end of the period	<u>\$ 517,396,866</u>	<u>\$ 405,358,745</u>

CHOU ASSOCIATES FUND
STATEMENT OF INVESTMENTS
AS AT JUNE 30, 2013
(Unaudited)

	No. of Shares or Par Value	Cost	Market Value
SHARES*			
Actavis Inc.**	185,400	\$ 5,382,638	\$24,630,185
Berkshire Hathaway Inc., Class A	300	31,639,835	53,000,745
Citigroup Inc.	410,000	10,358,742	20,673,972
Dell Inc.	2,500,000	25,371,032	35,018,350
Int'l Automotive Components Group North America	1,094,922	120,506	287,856
JPMorgan Chase & Company, warrants, Oct 28, 2018	1,126,347	13,927,767	18,477,715
MBIA Inc.	1,080,797	7,479,425	15,127,726
Nokia Corporation ADR	5,000,000	11,772,513	19,612,379
Olympus Re Holdings Ltd.	1,652,836	-	1,216,688
Overstock.com Inc.	800,235	16,106,419	23,697,452
Primus Telecommunications Group Inc.	451,022	2,274,167	5,658,348
RadioShack Corporation	794,071	9,789,559	2,630,397
Resolute Forest Products Inc.	2,583,658	44,701,043	35,755,460
Sanofi ADR	390,000	13,783,524	21,113,226
Sears Holdings Corporation	683,700	31,436,282	30,247,504
Sprint Nextel Corporation	423,200	1,532,328	3,128,617
The Goldman Sachs Group Inc.	75,000	9,384,141	11,925,168
Wells Fargo & Company, warrants, Oct 28, 2018	997,500	7,995,397	14,213,586
		<u>243,055,318</u>	<u>336,415,374</u>
BONDS			
R.H. Donnelley Inc., term loans, Oct 24, 2014	9,361,574	7,308,878	7,383,489
		<u>7,308,878</u>	<u>7,383,489</u>
TOTAL EQUITIES AND BONDS		250,364,196	343,798,863
DERIVATIVES (SCHEDULE 1)		(282,844)	(441,673)
TRANSACTION COSTS		(622,766)	-
PORTFOLIO TOTAL		<u>\$ 249,458,586</u>	<u>\$ 343,357,190</u>

* Common shares unless indicated otherwise

** Watson Pharmaceuticals Inc. changed its name to Actavis Inc.

CHOU ASSOCIATES FUND
SCHEDULE OF DERIVATIVES
AS AT JUNE 30, 2013
(Unaudited)

Schedule 1

	Expiry Date	Strike Price	Number	Cost	Market Value
Written Call Options					
Overstock.com Inc.	Dec 2013	\$ 25.00	700	\$ (282,844)	\$ (441,673)

CHOU ASSOCIATES FUND
Discussion of Financial Risk Management
(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, government and corporate bonds and short-term debt.

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

Risk Management

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

Credit Risk

Credit risk is the risk that a counterparty to a financial instrument will fail to discharge a commitment that it has entered into with the Funds. As of June 30, 2013, the Fund invested approximately 1.4% (December 31, 2012 – 8.7%) of its net assets in non-investment grade debt instruments. Non-investment grade is the term applied to bonds rated below Baa3 on the Moody's credit rating scale and below BBB- on the equivalent ratings systems from S&P and Fitch. These credit ratings denote that the company's financial position is weak and its bonds should be considered a speculative investment.

Interest Rate Risk

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

Debt Instruments by Maturity Date:

	June 30, 2013	December 31, 2012
Less than 1 year	\$ 0	\$ 30,390,519
1-3 years	\$ 7,383,489	\$ 6,852,570
Greater than 5 years	\$ 0	\$ 0

As at June 30, 2013, should interest rates have decreased or increased by 0.25%, with all other variables remaining constant, the increase or decrease in Net Assets for the year would have amounted to approximately \$253,000.

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

CHOU ASSOCIATES FUND
Discussion of Financial Risk Management
(Unaudited)

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 65% (December 31, 2012 – 71%) of the Fund's Net Assets held at June 30, 2013 were publicly traded equities. If equity prices on the exchange had increased or decreased by 5% as at June 30, 2013, the Net Assets of the Fund would have increased or decreased by approximately \$16,821,000, or 3.3% of the Net Assets, all other factors remaining constant.

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

Foreign Currency Risk

Currencies to which the Fund had exposure as at June 30, 2013 and December 31, 2012 are as follows:

June 30, 2013

	Financial Instruments (\$)	Percentage of NAV (%)
United States Dollar	512,603,602	99.1%

December 31, 2012

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

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

If the Canadian dollar had strengthened or weakened by 1% in relation to all currencies, with all other variables held constant, net assets would have decreased or increased by approximately \$5,127,000.

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

CHOU ASIA FUND

(Unaudited)

August 16, 2013

Dear Unitholders of Chou Asia Fund,

The net asset value (“NAVPU” or “NAV”) of a Series A unit of Chou Asia Fund at June 30, 2013 was \$15.22 compared to \$13.51 at December 31, 2012 an increase of 12.7%; during the same period, the MSCI AC (Morgan Stanley Capital International All Country) Asia Pacific Total Return Index in Canadian dollars returned 8.4%. In \$US, a Series A unit of Chou Asia Fund was up 6.6% while the MSCI AC Asia Pacific Total Return Index returned 2.4%.

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

June 30, 2013 (Series A)	1 Year	3 Years	5 Years	Since Inception
Chou Asia (\$CAN)	13.4%	3.9%	1.7%	7.6%
MSCI AC Asia Pacific TR (\$CAN)	18.7%	8.0%	2.8%	5.1%
Chou Asia (\$US) ¹	9.8%	4.2%	1.0%	10.3%
MSCI AC Asia Pacific TR (\$US)	14.9%	8.3%	2.2%	8.6%

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 Months Results

During the first six months of 2013, equity markets in Asia were mixed. Markets in Japan continued their strong advance on the continued aggressive actions out of their central bank. For the first time in a long time it appears as if the central bank is serious about fighting the deflationary environment that has plagued the country for over 20 years. However, this undertaking is beginning when Japan's Debt to GDP ratio is one of the highest in the world and if their actions are unsuccessful, a debt crisis is a possibility. In China, markets were weak due to investor concerns about the weakening economy and worries about an impending real estate debacle. Recently, the government in China has taken small steps in trying to shore up the economy and help improve sentiment but investors question whether the actions are enough.

PRONEXUS Inc., BYD Electronics (International) Company Limited, BYD Company Limited, and UTStarcom Holdings Corporation were positive contributors to the Fund's performance.

Most of the declines came from the equity security of Glacier Media Inc.

¹The 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.

China

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

In addition, in China, many of the laws, including investor protection laws that we are accustomed to, are non-existent or not enforced. So, we are careful and always alert to any potential fraud that could occur in the company that we are thinking of investing. Having said that, our biggest winner was BYD Electronic International, a company that researches, develops, and manufactures handset components for handset manufacturers. Its stock price rose to \$HK4.14 as at June 30, 2013 from \$HK2.01 as at December 31, 2012.

Japan

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

In general, we are wary of investing in Asia. Our cash balance of 38.9% of net assets as of August 16, 2013 reflects our concerns.

Other Matters

FOREIGN CURRENCY CONTRACTS: None existed at June 30, 2013.

CREDIT DEFAULT SWAPS: None existed at June 30, 2013.

CONSTANT MATURITY SWAPS: None existed at June 30, 2013.

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

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

INDEPENDENT REVIEW COMMITTEE: The Manager has established an IRC as required by NI 81-107. The members of the IRC are Sanford Borins, Bruce Kerr and Joe Tortolano. The 2012 IRC Annual Report is available on our website www.choufunds.com.

As of August 16, 2013, the NAV of a Series A unit of the Fund was \$15.33 and the cash position was 38.9% of net assets. The Fund is up 13.5% from the beginning of the year. In \$US, it is up 9.1%.

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

Yours truly,

Francis Chou

Francis Chou
Fund Manager

CHOU ASIA FUND
STATEMENTS OF NET ASSETS
AS AT JUNE 30, 2013 AND DECEMBER 31, 2012
(Unaudited)

	2013	DEC 31, 2012
ASSETS		
Cash	\$ 15,490,669	\$ 17,458,211
Accrued interest and dividend income	31,750	-
Receivable for units subscribed	46,896	24,146
Other receivable	22,639	-
Investments, at fair value	<u>22,786,955</u>	<u>20,315,349</u>
	<u>38,378,909</u>	<u>37,797,706</u>
LIABILITIES		
Accrued expenses	71,509	82,227
Payable for units redeemed	128,689	49,870
Distributions payable	<u>-</u>	<u>517</u>
	<u>200,198</u>	<u>132,614</u>
NET ASSETS	\$ 38,178,711	\$ 37,665,092
NET ASSETS, BY SERIES		
Series A	\$ 36,925,759	\$ 36,596,045
Series F	<u>1,252,952</u>	<u>1,069,047</u>
	<u>\$ 38,178,711</u>	<u>\$ 37,665,092</u>
NUMBER OF UNITS OUTSTANDING (Note 4)		
Series A	2,431,019	2,711,744
Series F	<u>81,640</u>	<u>78,634</u>
NET ASSETS PER UNIT (Note 6)		
Canadian dollars		
Series A	\$ 15.19	\$ 13.50
Series F	\$ 15.35	\$ 13.60
U.S. dollars		
Series A	\$ 14.44	\$ 13.57
Series F	<u>\$ 14.60</u>	<u>\$ 13.67</u>

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

Francis Chou

Tracy Chou

CHOU ASIA FUND
STATEMENTS OF OPERATIONS
FOR THE SIX MONTHS ENDED JUNE 30, 2013 AND 2012
(Unaudited)

	2013	2012
INVESTMENT INCOME		
Dividends	\$ 161,567	\$ 382,520
Interest from securities lending	93,952	-
Interest	2,596	14,850
Other income	<u>16</u>	<u>1,741</u>
	<u>258,131</u>	<u>399,111</u>
EXPENSES		
Management fees (Note 5)	310,448	381,029
Custodian fees	21,483	37,133
Foreign withholding taxes	8,551	28,560
Audit	1,790	6,213
Filing fees	1,720	3,640
Independent Review Committee fees	1,193	1,692
FundSERV fees	860	2,051
Legal	<u>0</u>	<u>1,884</u>
	<u>346,045</u>	<u>462,202</u>
NET INVESTMENT LOSS FOR THE PERIOD	<u>(87,914)</u>	<u>(63,091)</u>
NET REALIZED AND UNREALIZED GAIN (LOSS) AND TRANSACTION COSTS		
Transaction costs	(4,449)	(2,627)
Net realized gain on sale of investments	843,776	3,921,669
Change in unrealized appreciation (depreciation) in value of investments	<u>3,776,460</u>	<u>(4,733,753)</u>
	<u>4,615,787</u>	<u>(814,711)</u>
INCREASE/(DECREASE) IN NET ASSETS FROM OPERATIONS	<u>\$ 4,527,873</u>	<u>\$ (877,802)</u>
INCREASE/(DECREASE) IN NET ASSETS FROM OPERATIONS		
Series A	\$ 4,409,541	\$ (845,145)
Series F	<u>118,332</u>	<u>(32,657)</u>
	<u>\$ 4,527,873</u>	<u>\$ (877,802)</u>
INCREASE /(DECREASE) IN NET ASSETS FROM OPERATIONS, PER UNIT		
Series A	\$ 1.72	\$ (0.27)
Series F	<u>\$ 1.64</u>	<u>\$ (0.22)</u>

CHOU ASIA FUND
STATEMENTS OF CHANGES IN NET ASSETS
FOR THE SIX MONTHS ENDED JUNE 30, 2013 AND 2012
(Unaudited)

	2013	2012
SERIES A		
NET ASSETS , beginning of the period	\$ 36,596,045	\$ 45,911,587
Increase (decrease) in net assets from operations	4,409,541	(845,145)
Proceeds from issue of units	442,671	203,357
Payments on redemption of units	<u>(4,522,498)</u>	<u>(5,046,758)</u>
NET ASSETS , end of the period	<u>36,925,759</u>	<u>40,223,041</u>
SERIES F		
NET ASSETS , beginning of the period	1,069,047	2,184,697
Increase (decrease) in net assets from operations	118,332	(32,657)
Proceeds from issue of units	290,913	53,925
Payments on redemption of units	<u>(225,340)</u>	<u>(374,955)</u>
NET ASSETS , end of the period	<u>1,252,952</u>	<u>1,831,010</u>
TOTAL NET ASSETS , end of the period	<u>\$ 38,178,711</u>	<u>\$ 42,054,051</u>

CHOU ASIA FUND
STATEMENT OF INVESTMENTS
AS AT JUNE 30, 2013
(Unaudited)

	No. of Shares or Par Value	Cost	Market Value
SHARES*			
AJIS Company Limited	15,200	\$ 213,157	\$ 210,053
BYD Company Limited, Class H	1,038,500	1,793,926	3,611,633
BYD Electronic (International) Company Ltd.	4,789,500	1,161,576	2,662,464
China Yuchai International Limited	25,537	341,981	470,764
Chunghwa Telecom Company Ltd. ADR	132,088	2,947,411	4,460,208
Glacier Media Inc.	513,307	1,386,057	831,557
Hanfeng Evergreen Inc.	95,850	228,548	161,987
PRONEXUS Inc.	657,500	3,093,388	4,452,503
Pyne Gould Corporation Limited	9,727,219	2,178,154	2,138,930
Resolute Forest Products Inc.	36,041	963,559	498,774
Sankyo Company Limited	60,000	2,684,475	2,972,627
UTStarcom Holdings Corporation	113,627	<u>1,316,832</u>	<u>315,455</u>
		<u>18,309,064</u>	<u>22,786,955</u>
TOTAL EQUITIES		18,309,064	22,786,955
TRANSACTION COSTS		<u>(25,503)</u>	<u>-</u>
PORTFOLIO TOTAL		<u>\$ 18,283,561</u>	<u>\$ 22,786,955</u>

* Common shares unless indicated otherwise

CHOU ASIA FUND
Discussion of Financial Risk Management
(Unaudited)

Investment Objective and Strategies

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

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

Risk Management

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

Other Price Risk

Other price risk is the risk that the value of financial instruments will fluctuate as a result of changes in market prices (other than those arising from interest rate risk or currency risk) caused by factors specific to a security, its issuer or all factors affecting a market or a market segment. Approximately 59.7% (December 31, 2012 – 54.0%) of the Fund's Net Assets held at June 30, 2013 were publicly traded equities. If equity prices on the exchange had increased or decreased by 5% as at June 30, 2013, the Net Assets of the Fund would have increased or decreased by approximately \$1,139,000, or 3.0 % of the Net Assets, all other factors remaining constant.

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

Foreign Currency Risk

Currencies to which the Fund had exposure as at June 30, 2013 and December 31, 2012 are as follows:

June 30, 2013

	Financial Instruments (\$)	Percentage of NAV (%)
Japanese Yen	13,079,835	34.3%
Hong Kong Dollar	8,609,450	22.6%
United States Dollar	6,630,332	17.4%
New Zealand Dollar	2,212,392	5.8%
Singapore Dollar	144,618	0.4%

CHOU ASIA FUND
Discussion of Financial Risk Management
(Unaudited)

December 31, 2012

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

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

If the Canadian dollar had strengthened or weakened by 1% in relation to all currencies, with all other variables held constant, net assets would have decreased or increased by approximately \$307,000.

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

CHOU EUROPE FUND

(Unaudited)

August 16, 2013

Dear Unitholders of Chou Europe Fund,

The net asset value ("NAVPU" or "NAV") of a Series A unit of Chou Europe Fund at June 30, 2013 was \$10.32 compared to \$8.32 at December 31, 2012, an increase of 24.0%; during the same period, the MSCI AC (Morgan Stanley Capital International All Country) Europe Total Return Index in Canadian dollars returned 8.0%. In \$US, a Series A unit of Chou Europe Fund was up 17.3% while the MSCI AC Europe Total Return Index returned 2.0%.

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

June 30, 2013 (Series A)	1 Year	3 Years	5 Years	Since Inception
Chou Europe (\$CAN)	43.5%	16.6%	5.4%	3.5%
MSCI AC Europe TR (\$CAN)	22.7%	10.5%	-0.5%	4.9%
Chou Europe (\$US) ¹	39.1%	16.9%	4.7%	6.1%
MSCI AC Europe TR (\$US)	18.9%	10.9%	-1.0%	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 Months Results

For the most part, equity markets in the Eurozone improved during the first six months of 2013 as central banks continued their quantitative easing programs and some signs of economic improvement began to emerge. However, economic growth remains weak throughout the region as leaders struggle with how best to support their economies when many sovereign balance sheets are highly leveraged and the cost to fund certain functions such as social programs seems overwhelming.

Positive contributors to the Fund's performance during the period ended June 30, 2013 included equity securities of Next PLC, Bank of Ireland, Abbey PLC, Ryanair Holdings PLC ADR and Sanofi ADR.

Low Interest Rates can Distort Valuation

Markets are funny in a way. From time to time, they can present a scenario whereby investors can rationalize their way into truly believing that the prices they are paying for stocks are not overvalued. You will hear phrases like: "It is the new paradigm" or the more famous one: "This time

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.

is different". As such, we are always sensitive to any type of suggestions that may imply that stocks should be valued higher but are not cheap based on historical standards.

Just like in North America, countries that use either Euro or other currencies, such as Great Britain that uses the pound sterling, are flooding the system with money. One of the consequences of quantitative easing(s) (QEs) is low interest rates. Indirectly, interest rates have a huge bearing in the calculation of intrinsic value. When we use the discounted cash flow method for calculating intrinsic value, we plug the growth rate for that company in the numerator and plug the discount rate in the denominator. Typically we take the 30 year Sovereign bond as the proxy for the discount rate. Some investors may take the 10 year Sovereign bond.

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

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

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

The European Stock Market

For the year 2012 our return was 27.2% and we had excellent results for the first six months of 2013 as well. However, we are not that bullish on the stock market.

As of August 16, 2013, our cash levels were 39.8% of assets, reflecting our cautious view. But if a true bargain arises, I will not hesitate to buy it.

Other Matters

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

FOREIGN CURRENCY CONTRACTS: None existed at June 30, 2013.

CREDIT DEFAULT SWAPS: None existed at June 30, 2013.

CONSTANT MATURITY SWAPS: None existed at June 30, 2013.

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

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

INDEPENDENT REVIEW COMMITTEE: The Manager has established an IRC as required by NI 81-107. The members of the IRC are Sanford Borins, Bruce Kerr and Joe Tortolano. The 2012 IRC Annual Report is available on our website www.choufunds.com.

As of August 16, 2013, the NAV of a Series A unit of the Fund was \$10.63 and the cash position was 39.8% of net assets. The Fund is up 27.7% from the beginning of the year. In \$US, it is up 22.8%.

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

Yours truly,

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

Francis Chou
Fund Manager

CHOU EUROPE FUND
STATEMENTS OF NET ASSETS
AS AT JUNE 30, 2013 AND DECEMBER 31, 2012
(Unaudited)

	2013	DEC 31, 2012
ASSETS		
Cash	\$ 3,653,819	\$ 1,547,846
Accrued interest and dividend income	37,761	20,988
Receivable for units subscribed	47,915	20,000
Investments, at fair value	<u>7,615,142</u>	<u>6,215,521</u>
	<u>11,354,637</u>	<u>7,804,355</u>
LIABILITIES		
Accrued expenses	4,975	5,886
Payable for units redeemed	6,062	-
Distributions payable	<u>-</u>	<u>5,117</u>
	<u>11,037</u>	<u>11,003</u>
NET ASSETS	\$ 11,343,600	\$ 7,793,352
NET ASSETS, BY SERIES		
Series A	\$ 11,282,907	\$ 7,775,095
Series F	<u>60,693</u>	<u>18,257</u>
	<u>\$ 11,343,600</u>	<u>\$ 7,793,352</u>
NUMBER OF UNITS OUTSTANDING (Note 4)		
Series A	1,094,321	937,889
Series F	<u>5,824</u>	<u>2,180</u>
NET ASSETS PER UNIT (Note 6)		
Canadian dollars		
Series A	\$ 10.31	\$ 8.29
Series F	\$ 10.42	\$ 8.37
U.S. dollars		
Series A	\$ 9.80	\$ 8.33
Series F	\$ 9.91	\$ 8.42

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

Francis Chou

Tracy Chou

CHOU EUROPE FUND
STATEMENTS OF OPERATIONS
FOR THE SIX MONTHS ENDED JUNE 30, 2013 AND 2012
(Unaudited)

	2013	2012
INVESTMENT INCOME		
Dividends	\$ 195,595	\$ 135,640
Interest	<u>160</u>	<u>474</u>
	<u>195,755</u>	<u>136,114</u>
EXPENSES		
Management fees (Note 5)	78,590	57,756
Foreign withholding taxes	17,911	19,151
Custodian fees	6,463	7,081
Independent Review Committee fees	269	230
FundSERV fees	236	240
Filing fees	179	790
Legal	<u>-</u>	<u>313</u>
	103,648	85,561
Expenses waived by the Manager (Note 5)	<u>(78,590)</u>	<u>(57,756)</u>
	<u>25,058</u>	<u>27,805</u>
NET INVESTMENT INCOME FOR THE PERIOD	<u>170,697</u>	<u>108,309</u>
NET REALIZED AND UNREALIZED GAIN (LOSS)		
AND TRANSACTION COSTS		
Net realized gain on sale of investments	251,530	228,308
Change in unrealized appreciation in value of investments	<u>1,533,063</u>	<u>316,797</u>
	<u>1,784,593</u>	<u>545,105</u>
INCREASE IN NET ASSETS FROM OPERATIONS	<u>\$ 1,955,290</u>	<u>\$ 653,414</u>
INCREASE IN NET ASSETS FROM OPERATIONS		
Series A	\$ 1,947,754	\$ 650,015
Series F	<u>7,536</u>	<u>3,399</u>
	<u>\$ 1,955,290</u>	<u>\$ 653,414</u>
INCREASE IN NET ASSETS FROM OPERATIONS, PER UNIT		
Series A	\$ 1.98	\$ 0.68
Series F	<u>\$ 1.82</u>	<u>\$ 0.75</u>

CHOU EUROPE FUND
STATEMENTS OF CHANGES IN NET ASSETS
FOR THE SIX MONTHS ENDED JUNE 30, 2013 AND 2012
(Unaudited)

	2013	2012
SERIES A		
NET ASSETS , beginning of the period	\$ 7,775,095	\$ 6,517,407
Increase in net assets from operations	1,947,754	650,015
Proceeds from issue of units	2,214,631	93,428
Payments on redemption of units	<u>(654,573)</u>	<u>(339,476)</u>
NET ASSETS , end of the period	<u>11,282,907</u>	<u>6,921,374</u>
SERIES F		
NET ASSETS , beginning of the period	18,257	26,342
Increase in net assets from operations	7,536	3,399
Proceeds from issue of units	34,900	15,034
NET ASSETS , end of the period	<u>60,693</u>	<u>44,775</u>
TOTAL NET ASSETS , end of the period	<u>\$ 11,343,600</u>	<u>\$ 6,966,149</u>

CHOU EUROPE FUND
STATEMENT OF INVESTMENTS
AS AT JUNE 30, 2013
(Unaudited)

	No. of Shares or Par Value	Cost	Market Value
SHARES*			
Abbey PLC	36,170	\$ 259,868	\$ 404,726
Aer Lingus Group PLC	50,000	45,640	104,303
AstraZeneca PLC	13,000	701,770	647,225
BP PLC ADR	10,000	313,497	438,939
GlaxoSmithKline PLC	18,000	491,338	474,267
Heracles General Cement Company S.A.	5,887	29,127	11,677
Next PLC	18,000	581,417	1,311,718
Ryanair Holdings PLC ADR	27,000	760,022	1,460,833
Sanofi ADR	20,000	884,092	1,082,730
Bank of Ireland	3,400,000	383,114	734,844
Topps Tiles PLC	169,972	235,934	188,187
Trastor Real Estate Investment Company	458,612	264,211	453,568
Vodafone Group PLC ADR	10,000	<u>198,082</u>	<u>302,125</u>
		5,148,112	7,615,142
TRANSACTION COSTS		<u>(279)</u>	<u>-</u>
PORTFOLIO TOTAL		\$ 5,147,833	\$ 7,615,142

* Common shares unless indicated otherwise

CHOU EUROPE FUND
Discussion of Financial Risk Management
(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, government and corporate bonds and short-term debt.

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

Risk Management

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

Other Price Risk

Other price risk is the risk that the value of financial instruments will fluctuate as a result of changes in market prices (other than those arising from interest rate risk or currency risk) caused by factors specific to a security, its issuer or all factors affecting a market or a market segment. Approximately 67.1% (December 31, 2012 – 79.8%) of the Fund's Net Assets held at June 30, 2013 were publicly traded equities. If equity prices on the exchange had increased or decreased by 5% as at June 30, 2013, the Net Assets of the Fund would have increased or decreased by approximately \$381,000, or 3.4% of the Net Assets, all other factors remaining constant.

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

Foreign Currency Risk

Currencies to which the Fund had exposure as at June 30, 2013 and December 31, 2012 are as follows:

June 30, 2013

	Financial Instruments (\$)	Percentage of NAV (%)
United States Dollar	3,869,221	34.1%
Sterling Pound	2,818,632	24.9%
Euro Currency	2,665,308	23.5%

December 31, 2012

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

CHOU EUROPE FUND
Discussion of Financial Risk Management
(Unaudited)

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

If the Canadian dollar had strengthened or weakened by 1% in relation to all currencies with all other variables held constant, net assets would have decreased or increased by approximately \$94,000.

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

CHOU BOND FUND

(Unaudited)

August 16, 2013

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, 2013 was \$9.76 compared to \$8.31 at December 31, 2012, an increase of 17.4%; during the same period, Citigroup WGBI (World Government Bond Index) All Maturities (\$CAN) was down 0.05% and Barclays U.S. Corporate High Yield Index (\$CAN) returned 7.5%. In \$US, a Series A unit of Chou Bond Fund was up 11.1% while Citigroup WGBI All Maturities was down 5.7% and Barclays U.S. Corporate High Yield Index returned 1.4%.

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

June 30, 2013 (Series A)	1 Year	3 Years	5 Years	Since Inception
Chou Bond (\$CAN)	30.6%	5.7%	4.6%	6.0%
Citigroup WGBI (\$CAN)	-1.2%	2.5%	3.9%	2.7%
Barclays U.S. Corp. High Yield (\$CAN)	13.3%	10.5%	11.8%	6.9%
Chou Bond (\$US) ¹	26.6%	6.0%	4.0%	7.6%
Citigroup WGBI (\$US)	-4.5%	2.7%	3.0%	5.1%
Barclays U.S Corp. High Yield (\$US)	9.5%	10.8%	10.9%	8.5%

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 Months Results

During the first six months of 2013, corporate profits remained strong and corporate balance sheets continued to improve. In addition, the U.S. housing market showed meaningful signs of improvement. Spreads on corporate bonds were relatively stable but yields on treasuries moved dramatically. Yields on 10-year Treasury Bonds increased from 1.76% at the beginning of the year to 2.49% at June 30, 2013, reflecting concerns that the Federal Reserve will soon back off its quantitative easing program. This uncertainty will likely increase during the second half of the year and could lead to increased volatility in markets.

The debt securities of MannKind Corporation, RH Donnelley Inc., Dex Media West LLC and Atlanticus Holdings Corporation contributed the most positively to the Fund's performance during the period.

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.

Declines came from the debt securities of Texas Competitive Electric Holdings Co. and MEGA Brands Inc.

Expectations of Future Returns

For the year 2012 our return was 13.0% and we had excellent results for the first six months of 2013 at 17.4%.

However, we caution it would be irresponsible to extrapolate the Fund's 2012 and the 2013 returns into the future. Our returns during this time frame will be virtually impossible to duplicate due to current prices of non-investment grade securities. As a result, we will be holding fewer non-investment grade debt securities and more short-term cash equivalents like Treasury bills.

Portfolio Commentary

Our returns were enhanced by the fact that the Fund was concentrated in a few undervalued debt securities, such as MannKind Corporation's 3¾% and R.H. Donnelley Inc.'s term loan. When we bought into it, we believed MannKind's 3¾% debt security, maturing in December 2013 was attractively priced, even though its future performance depends on FDA approval of the drug Afrezza.

In the case of R.H. Donnelley's term loan, we bought into it as we believed it was well covered by its earning power, assets, and covenants that are protective to debt holders. In addition, this term loan came with a cash flow sweep, which means that any free cash flow remaining after all operational needs are met can be used to buy back debt at par from its holders. The company also has credit support from two subsidiaries of Dex One Corporation, the holding company.

Although the prices of RH Donnelley have moved up substantially from December 31, 2012, we believe that it is still undervalued.

Non-Investment (or High Yield) Grade Debt Securities

Non-investment grade debt securities are fully priced and in general, I would stay clear of them. According to JPMorgan Chase, high-yield spreads over comparable Treasuries remained flat during the first 6 months of 2013, closing at 561 basis points, the same level as the end of 2012. Since June 30, 2013, spreads have narrowed further to 520 basis points on August 13, 2013. Spreads peaked during the 2008 financial crisis at 1,925 basis points.

Some prices for non-investment grade bonds do not reflect the risks inherent in these securities. A company can float 10 year non-investment grade bonds with a coupon of 6% and investors will buy them at 100 cents on the dollar. Just a few years ago, a similar bond would be trading for 60 cents or less.

In fact, there is a good chance that these debt securities may now be overvalued, and that the possibility of a large, permanent loss of capital is extremely high.

Other Matters

FOREIGN CURRENCY CONTRACTS: None existed at June 30, 2013.

CREDIT DEFAULT SWAPS: None existed at June 30, 2013.

CONSTANT MATURITY SWAPS: None existed at June 30, 2013.

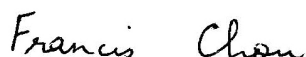
REDEMPTION FEE: We have a redemption fee of 2% if unitholders redeem their units in less than two years. None of this fee goes to the Fund Manager. It is put back into the Fund for the benefit of the remaining unitholders.

INDEPENDENT REVIEW COMMITTEE: The Manager has established an IRC as required by NI 81-107. The members of the IRC are Sanford Borins, Bruce Kerr and Joe Tortolano. The 2012 IRC Annual Report is available on our website www.choufunds.com.

As of August 16, 2013, the NAV of a Series A unit of the Fund was \$9.69 and the cash position was 12.6% of net assets. The Fund is up 16.6% from the beginning of the year. In \$US, it is up 12.1%.

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 cursive script that reads "Francis Chou".

Francis Chou
Fund Manager

CHOU BOND FUND
STATEMENTS OF NET ASSETS
AS AT JUNE 30, 2013 AND DECEMBER 31, 2012
(Unaudited)

	2013	DEC 31, 2012
ASSETS		
Cash	\$ 5,771,978	\$ 5,121,958
Accrued interest income	805,446	825,408
Receivable for units subscribed	11,000	2,000
Investments, at fair value	<u>37,615,993</u>	<u>38,229,795</u>
	<u>44,204,417</u>	<u>44,179,161</u>
LIABILITIES		
Accrued expenses	67,235	63,941
Payable for units redeemed	121,957	17,031
Distributions payable	<u>-</u>	<u>102,097</u>
	<u>189,192</u>	<u>183,069</u>
NET ASSETS	<u>\$ 44,015,225</u>	<u>\$ 43,996,092</u>
NET ASSETS, BY SERIES		
Series A	\$ 39,399,553	\$ 36,821,292
Series F	<u>4,615,672</u>	<u>7,174,800</u>
	<u>\$ 44,015,225</u>	<u>\$ 43,996,092</u>
NUMBER OF UNITS OUTSTANDING (Note 4)		
Series A	4,040,669	4,434,113
Series F	<u>471,897</u>	<u>861,551</u>
NET ASSETS PER UNIT (Note 6)		
Canadian dollars		
Series A	\$ 9.75	\$ 8.30
Series F	\$ 9.78	\$ 8.33
U.S. dollars		
Series A	\$ 9.27	\$ 8.34
Series F	<u>\$ 9.30</u>	<u>\$ 8.37</u>

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

Francis Chou

Tracy Chou

CHOU BOND FUND
STATEMENTS OF OPERATIONS
FOR THE SIX MONTHS ENDED JUNE 30, 2013 AND 2012
(Unaudited)

	2013	2012
INVESTMENT INCOME		
Interest	\$ 1,595,886	\$ 2,180,725
Interest from securities lending	-	28,001
	<u>1,595,886</u>	<u>2,208,726</u>
EXPENSES		
Management fees (Note 5)	277,962	300,673
Custodian fees	37,349	50,118
Audit	2,888	6,213
Filing fees	1,720	4,550
Independent Review Committee fees	1,426	1,649
FundSERV fees	860	2,431
Legal	-	2,199
	<u>322,205</u>	<u>367,833</u>
NET INVESTMENT INCOME FOR THE PERIOD	<u>1,273,681</u>	<u>1,840,893</u>
NET REALIZED AND UNREALIZED GAIN (LOSS)		
AND TRANSACTION COSTS		
Transaction costs	(1,736)	(1,819)
Net realized gain (loss) on sale of investments	(1,461,468)	748,162
Change in unrealized appreciation (depreciation) in value of investments	<u>7,406,963</u>	<u>(1,779,780)</u>
	<u>5,943,759</u>	<u>(1,033,437)</u>
INCREASE IN NET ASSETS FROM OPERATIONS	<u>\$ 7,217,440</u>	<u>\$ 807,456</u>
INCREASE IN NET ASSETS FROM OPERATIONS		
Series A	\$ 6,191,583	\$ 655,549
Series F	<u>1,025,857</u>	<u>151,907</u>
	<u>\$ 7,217,440</u>	<u>\$ 807,456</u>
INCREASE IN NET ASSETS FROM OPERATIONS, PER UNIT		
Series A	\$ 1.47	\$ 0.14
Series F	<u>\$ 1.58</u>	<u>\$ 0.14</u>

CHOU BOND FUND
STATEMENTS OF CHANGES IN NET ASSETS
FOR THE SIX MONTHS ENDED JUNE 30, 2013 AND 2012
(Unaudited)

	2013	2012
SERIES A		
NET ASSETS , beginning of the period	\$ 36,821,292	\$ 40,640,518
Increase in net assets from operations	6,191,583	655,549
Proceeds from issue of units	664,454	729,290
Payments on redemption of units	<u>(4,277,776)</u>	<u>(5,382,092)</u>
NET ASSETS , end of the period	<u>39,399,553</u>	<u>36,643,265</u>
SERIES F		
NET ASSETS , beginning of the period	7,174,800	9,439,082
Increase in net assets from operations	1,025,857	151,907
Proceeds from issue of units	49,206	60,894
Payments on redemption of units	<u>(3,634,191)</u>	<u>(1,176,508)</u>
NET ASSETS , end of the period	<u>4,615,672</u>	<u>8,475,375</u>
TOTAL NET ASSETS , end of the period	<u>\$ 44,015,225</u>	<u>\$ 45,118,640</u>

CHOU BOND FUND
STATEMENT OF INVESTMENTS
AS AT JUNE 30, 2013
(Unaudited)

	No. of Units or Par Value	Cost	Market Value
SHARES⁽¹⁾			
Catalyst Paper Corporation ⁽²⁾	108,606	\$ 47,448	\$ 119,467
Resolute Forest Products Inc. ⁽²⁾	501,463	<u>4,521,116</u>	<u>6,939,788</u>
		<u>4,568,564</u>	<u>7,059,255</u>
BONDS			
Atlanticus Holdings Corp., 5.875%, Nov 30, 2035	12,300,000	5,444,721	5,238,556
Catalyst Paper Co., 11.0%, Oct 30, 2017	3,632,082	2,891,063	2,797,788
Dex Media Inc. 14.0% Jan 29, 2017	3,281,804	2,492,534	2,277,760
Dex Media West LLC. , term loans, Oct 24, 2014	1,708,792	1,026,839	1,491,485
Interstate Bakeries 6.0% Aug 15, 2014	500,000	-	184,030
Level 3 Communications Inc., 6.50%, Oct 1, 2016	1,470,000	1,489,209	2,096,056
MannKind Corp., 3.75%, conv., Dec 15, 2013	7,300,000	4,487,771	7,273,669
Media General Inc., 11.75%, Feb 15, 2017	1,050,000	993,399	1,220,673
MEGA Brands Inc., 10.0%, Mar 31, 2015	988,478	779,630	1,047,886
Rainmaker Entertainment Inc 8.0% conv., Mar 31, 2016	1,312,000	1,312,000	1,312,000
R.H. Donnelley Inc., term loans, Oct 24, 2014	4,552,355	3,718,736	3,590,449
Taiga Building Products Ltd., 14.0%, Sep 1, 2020	1,712,000	1,705,899	1,831,840
Texas Competitive Electric, 10.25%, Nov 1, 2015	2,000,000	<u>1,932,609</u>	<u>194,546</u>
		<u>28,274,410</u>	<u>30,556,738</u>
TOTAL EQUITIES AND BONDS		32,842,974	37,615,993
TRANSACTION COSTS		<u>-</u>	<u>-</u>
PORTFOLIO TOTAL		<u>\$ 32,842,974</u>	<u>\$ 37,615,993</u>

⁽¹⁾ Common shares unless indicated otherwise

⁽²⁾ Shares received from debt restructuring

CHOU BOND FUND
Discussion of Financial Risk Management
(Unaudited)

Investment Objective and Strategies

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

The Fund seeks to achieve its investment objectives by investing in securities that it believes are undervalued. The Fund will generally be fully invested. A combination of investment strategies will be utilized in managing the portfolio including relative value trades, yield enhancement strategies and interest rate anticipation 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.

Risk Management

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

Credit Risk

Credit risk is the risk that counterparty to a financial instrument will fail to discharge a commitment that it has entered into with the Funds. As of June 30, 2013, the Fund invested approximately 69.4% (December 31, 2012 – 67.7%) of its net assets in non-investment grade debt instruments. Non-investment grade is the term applied to bonds rated below Baa3 on the Moody's credit rating scale and below BBB- on the equivalent ratings systems from S&P and Fitch. These credit ratings denote that the company's financial position is weak and its bonds should be considered a speculative investment.

Interest Rate Risk

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

Debt Instruments by Maturity Date:

	June 30, 2013	December 31, 2012
Less than 1 year	\$ 7,273,669	\$ 6,241,235
1-3 years	\$ 7,820,396	\$ 9,255,748
3-5 years	\$ 8,392,277	\$ 7,111,237
Greater than 5 years	\$ 7,070,396	\$ 8,741,926

As at June 30, 2013, should interest rates have decreased or increased by 0.25%, with all other variables remaining constant, the increase or decrease in Net Assets for the year would have amounted to approximately \$1,300,000.

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

CHOU BOND FUND
Discussion of Financial Risk Management
(Unaudited)

Other Price Risk

Other price risk is the risk that the value of financial instruments will fluctuate as a result of changes in market prices (other than those arising from interest rate risk or currency risk) caused by factors specific to a security, its issuer or all factors affecting a market or a market segment. Approximately 16% (December 31, 2012 – 15.6%) of the Fund's Net Assets held at June 30, 2013 were publicly traded equities. If equity prices on the exchange had increased or decreased by 5% as at June 30, 2013, the Net Assets of the Fund would have increased or decreased by approximately \$353,000, or 0.8% of the Net Assets, all other factors remaining constant.

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

Foreign Currency Risk

Currencies to which the Fund had exposure as at June 30, 2013 and December 31, 2012 are as follows:

June 30, 2013

	Financial Instruments (\$)	Percentage of NAV (%)
United States Dollar	34,545,584	78.5%

December 31, 2012

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

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

If the Canadian dollar had strengthened or weakened by 1% in relation to all currencies, with all other variables held constant, net assets would have decreased or increased by approximately \$346,000.

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

CHOU RRSP FUND

(Unaudited)

August 16, 2013

Dear Unitholders of Chou RRSP Fund,

The net asset value (“NAVPU” or “NAV”) of a Series A unit of Chou RRSP Fund at June 30, 2013 was \$28.82 compared to \$25.74 at December 31, 2012, an increase of 12.0%; during the same period, the S&P/TSX Total Return Index was down 0.9% in Canadian dollars. In \$US, a Series A unit of Chou RRSP Fund was up 5.9% while the S&P/TSX Total Return Index was down 6.3%.

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

June 30, 2013 (Series A)	1 Year	3 Years	5 Years	10 Years	15 Years
Chou RRSP (\$CAN)	37.6%	13.7%	8.4%	6.0%	8.5%
S&P/TSX (\$CAN)	7.9%	5.4%	-0.5%	8.4%	5.7%
Chou RRSP (\$US) ¹	33.3%	14.1%	7.7%	8.6%	10.9%
S&P/TSX (\$US)	4.4%	5.7%	-1.2%	11.2%	8.1%

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

Factors Influencing the First Six Months Results

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

The largest equity decliners for the six months ended June 30, 2013 were Danier Leather Inc., Canfor Pulp Products Inc. and Torstar Corporation.

Overstock.com (OSTK) was the largest contributor to the positive performance of the Fund. The stock increased in value to \$28.20 as at June 30, 2013, up from \$13.95 as at December 31, 2012. It is interesting to note that a year ago, on June 29, 2012, it was trading as low as \$6.91 per share. Generally, when prices hit a new low, our reaction is to check whether our evaluation of the company's intrinsic value is accurate enough. If it is accurate enough, we either sit put or buy more. Since we already had a fair amount of OSTK in the portfolio, we did not add any more but were comfortable with our investment in the company. There are many ways of evaluating a company and one of them is to check recent transactions within its industry which may provide a sense of its intrinsic value. For example, in 2009 Amazon bought Zappos, a company that is similar to OSTK but different in many ways, at close to one times revenue. At one times revenue, OSTK's intrinsic value is more than \$40 per share whereas its stock price closed on December 31, 2012 at \$13.95 per

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.

share. One important caveat: This type of comparison is fraught with danger and should be viewed as just a frame of reference. At the end of the day, it is OSTK's earning power or its future potential earnings based on its revenue growth (or lack of it) that will determine its intrinsic value. So, be extremely cautious when using only revenue as a basis for estimating intrinsic value. It must be substantiated by earnings. If the earning power is not there, then a company's value is strictly the value of its liquidated assets minus its liabilities. Under that scenario, OSTK would be worth almost nothing.

If you take a cursory glance of OSTK prices over the last 18 months, it may appear that we had a huge winner in OSTK, but there is more to the story. The investment in OSTK did not pan out as expected. When you are investing, the time value of money must be given serious consideration. We first invested in OSTK in 2006 and since then, the results have been positive but sub-par to say the least. Looking back, we paid too much for it and the intrinsic value that we estimated seven years ago was too high. Since we are a patient investor and can hold on to stocks for seven years or more, it is imperative that the intrinsic value of the company we invest in grows satisfactorily. In that regard, OSTK's growth in intrinsic value was anemic at best.

We held on to the stock because there were several positives to the company. Management has been quick to admit that it made many missteps along the way, and the corrective actions it took has put the company back on the right path. We especially like OSTK's fulfillment partner business, through which they sell merchandise of other retailers, cataloguers or manufacturers via their website, which accounts for approximately 80% of its revenue. Further, it is debt free after taking into account the cash on its balance sheet, management over the past few years have been buying shares and the founder owns a huge chunk of the company.

In the end we made some money but not to the degree we expected. And, because the price of OSTK has now risen significantly and is trading closer to its intrinsic value, we have drastically reduced our position.

Generally when you are accurate in your estimation of intrinsic value and buy them at a significant discount, the investment works out really well. This is true even if you buy them when the market indices were trading at an all-time high. "Value traps" generally occur when you are wrong in your estimation of intrinsic value, pay too much and the company's intrinsic value is static and/or decreasing in value.

Low Interest Rates can Distort Valuation

Markets are funny in a way. From time to time, they can present a scenario whereby investors can rationalize their way into truly believing that the prices they are paying for stocks are not overvalued. You will hear phrases like: "It is the new paradigm" or the more famous one: "This time is different". As such, we are always sensitive to any type of suggestions that may imply that stocks should be valued higher but are not cheap based on historical standards.

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

However, when interest rates are as low as they are now and you are using that as a proxy, it can create a misguided sense that the stocks are cheap. There are many ways to value companies, and one method is the discounted cash flow formula. When growth rate is higher than the discount rate,

you can pay any price for the stock and still justify that it is cheap. That is how the math works. If people are convinced that these low interest rates are here to stay for a long time, then stocks are cheap - especially for companies whose earnings are growing.

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

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

Canadian Real Estate

We continue to worry about Canadian real estate. As we said before, of the G8 nations, Canada has performed best since the Great Recession of 2008 and has been widely lauded for its fiscal and economic performance. Its real estate prices have reflected that positive opinion. But therein lies the problem. In most countries, real estate prices have declined substantially, while in most of Canada, especially in the big cities, prices have actually increased. Based on ratios such as rent-to-house-price, disposable-income-to-house-price, Canadian house prices are out of line with historical standards. In addition, household debt as a percentage of disposable income is unprecedentedly high. This does not mean that real estate prices will decline soon, but it does indicate that valuations are stretched.

Non-Investment (or High Yield) Grade Debt Securities

Non-investment grade debt securities are fully priced and in general, I would stay clear of them. According to JPMorgan Chase, high-yield spreads over comparable Treasuries remained flat during the first 6 months of 2013, closing at 561 basis points, the same level as the end of 2012. Since June 30, 2013, spreads have narrowed further to 520 basis points on August 13, 2013. Spreads peaked during the 2008 financial crisis at 1,925 basis points.

Some prices for non-investment grade bonds do not reflect the risks inherent in these securities. A company can float 10 year non-investment grade bonds with a coupon of 6% and investors will buy them at 100 cents on the dollar. Just a few years ago, a similar bond would be trading for 60 cents or less.

In fact, there is a good chance that these debt securities may now be overvalued, and that the possibility of a large, permanent loss of capital is extremely high.

Other Matters

COVERED CALL OPTIONS: The Fund has covered call options in its portfolio as at June 30, 2013.

FOREIGN CURRENCY CONTRACTS: None existed at June 30, 2013.

CREDIT DEFAULT SWAPS: None existed at June 30, 2013.

CONSTANT MATURITY SWAPS: None existed at June 30, 2013.

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

INDEPENDENT REVIEW COMMITTEE: The Manager has established an IRC as required by NI 81-107. The members of the IRC are Sanford Borins, Bruce Kerr and Joe Tortolano. The 2012 IRC Annual Report is available on our website www.choufunds.com.

As of August 16, 2013, the NAV of a Series A unit of the Fund was \$29.32 and the cash position was 31.5% of net assets. The Fund is up 13.9% from the beginning of the year. In \$US, it is up 9.5%.

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

Yours truly,

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

Francis Chou
Fund Manager

CHOU RRSP FUND
STATEMENTS OF NET ASSETS
AS AT JUNE 30, 2013 AND DECEMBER 31, 2012
(Unaudited)

	2013	DEC 31, 2012
ASSETS		
Cash	\$ 33,819,962	\$ 1,253,782
Accrued interest and dividend income	31,543	38,157
Receivable for units subscribed	12,625	30,000
Other receivable	12,446	-
Due from broker	2,659,795	-
Investments, at fair value	<u>83,000,024</u>	<u>111,290,818</u>
	<u>119,536,395</u>	<u>112,612,757</u>
LIABILITIES		
Accrued expenses	190,580	205,492
Payable for units redeemed	539,239	98,342
Distributions payable	-	7,303
Investments, at fair value	<u>527,084</u>	<u>-</u>
	<u>1,256,903</u>	<u>311,137</u>
NET ASSETS	<u>\$ 118,279,492</u>	<u>\$ 112,301,620</u>

NET ASSETS, BY SERIES

Series A	\$ 115,068,596	\$ 109,639,802
Series F	<u>3,210,896</u>	<u>2,661,818</u>
	<u>\$ 118,279,492</u>	<u>\$ 112,301,620</u>

NUMBER OF UNITS OUTSTANDING (Note 4)

Series A	4,020,206	4,279,790
Series F	111,889	104,004

NET ASSETS PER UNIT (Note 6)

Canadian dollars

Series A	\$ 28.62	\$ 25.62
Series F	\$ 28.70	\$ 25.59

U.S. dollars

Series A	\$ 27.22	\$ 25.76
Series F	\$ 27.29	\$ 25.73

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

Francis Chou

Tracy Chou

CHOU RRSP FUND
STATEMENTS OF OPERATIONS
FOR THE SIX MONTHS ENDED JUNE 30, 2013 AND 2012
(Unaudited)

	2013	2012
INVESTMENT INCOME		
Dividends	\$ 906,683	\$ 1,327,247
Interest	465,864	480,515
Interest from securities lending	13,849	-
	<u>1,386,396</u>	<u>1,807,762</u>
EXPENSES		
Management fees (Note 5)	954,908	849,001
Custodian fees	68,021	77,402
Audit	7,370	6,469
Filing fees	7,160	7,280
Independent Review Committee fees	3,619	3,590
FundSERV fees	2,601	1,820
Legal	-	3,768
Foreign withholding taxes	-	3,654
	<u>1,043,679</u>	<u>952,984</u>
NET INVESTMENT INCOME FOR THE PERIOD	<u>342,717</u>	<u>854,778</u>
NET REALIZED AND UNREALIZED GAIN (LOSS) AND TRANSACTION COSTS		
Transaction costs	(50,501)	(30,176)
Net realized gain on sale of investments	35,310,210	24,583
Change in unrealized appreciation (depreciation) in value of investments	<u>(22,685,152)</u>	<u>8,388,476</u>
	<u>12,574,557</u>	<u>8,382,883</u>
INCREASE IN NET ASSETS FROM OPERATIONS	<u>\$ 12,917,274</u>	<u>\$ 9,237,661</u>
INCREASE IN NET ASSETS FROM OPERATIONS		
Series A	\$ 12,576,746	\$ 8,998,117
Series F	<u>340,528</u>	<u>239,544</u>
	<u>\$ 12,917,274</u>	<u>\$ 9,237,661</u>
INCREASE IN NET ASSETS FROM OPERATIONS, PER UNIT		
Series A	\$ 3.04	\$ 1.86
Series F	<u>\$ 3.09</u>	<u>\$ 1.99</u>

CHOU RRSP FUND
STATEMENTS OF CHANGES IN NET ASSETS
FOR THE SIX MONTHS ENDED JUNE 30, 2013 AND 2012
(Unaudited)

	2013	2012
SERIES A		
NET ASSETS , beginning of the period	\$ 109,639,802	\$ 97,704,359
Increase in net assets from operations	12,576,746	8,998,117
Proceeds from issue of units	2,076,957	355,846
Payments on redemption of units	<u>(9,224,909)</u>	<u>(11,346,932)</u>
NET ASSETS , end of the period	<u>115,068,596</u>	<u>95,711,390</u>
SERIES F		
NET ASSETS , beginning of the period	2,661,818	2,560,153
Increase in net assets from operations	340,528	239,544
Proceeds from issue of units	429,914	27,591
Payments on redemption of units	<u>(221,364)</u>	<u>(471,354)</u>
NET ASSETS , end of the period	<u>3,210,896</u>	<u>2,355,934</u>
TOTAL NET ASSETS , end of the period	<u>\$ 118,279,492</u>	<u>\$ 98,067,324</u>

CHOU RRSP FUND
STATEMENT OF INVESTMENTS
AS AT JUNE 30, 2013
(Unaudited)

	No. of Shares or Par Value	Cost	Market Value
SHARES*			
Bank of America, warrants, Class A, Jan 16, 2019	836,825	\$ 2,984,789	\$ 4,796,038
Canfor Pulp Products Inc.	493,900	1,405,445	4,198,150
Clublink Enterprises Limited	193,600	1,077,639	1,786,928
Danier Leather Inc.	679,200	6,453,777	7,674,960
International Forest Products Ltd., Class A	925,500	5,504,046	9,458,610
MEGA Brands Inc.	626,411	5,909,684	9,120,544
Overstock.com Inc.	227,636	4,742,383	6,741,011
Rainmaker Entertainment Inc.	2,536,800	5,227,610	329,784
Research In Motion Limited	185,000	1,317,357	2,031,300
Resolute Forest Products Inc.	624,188	10,166,745	8,638,190
Ridley Inc.	313,200	2,511,607	3,601,800
Sears Canada Inc.	292,830	2,667,681	3,168,421
Taiga Building Products Ltd.	159,700	212,401	110,193
Torstar Corporation, Class B	1,254,716	27,459,812	7,528,296
TVA Group Inc., Class B	733,128	10,931,044	6,583,489
		<u>88,572,020</u>	<u>75,767,714</u>
BONDS			
Taiga Building Products Ltd., 14.0%, Sep 1, 2020	6,759,168	<u>6,759,168</u>	<u>7,232,310</u>
TOTAL EQUITIES AND BONDS		95,331,188	83,000,024
DERIVATIVES (Schedule 1)		(329,334)	(527,084)
TRANSACTION COSTS		<u>(470,845)</u>	<u>-</u>
PORTFOLIO TOTAL		<u>\$ 94,531,009</u>	<u>\$ 82,472,940</u>

* Common shares unless indicated otherwise

CHOU RRSP FUND
SCHEDULE OF DERIVATIVES
AS AT JUNE 30, 2013
(Unaudited)

Schedule 1

	Expiry Date	Strike Price	Number	Cost	Market Value
Written Call Options					
Overstock.com Inc.	Dec 2013	\$ 30.00	706	\$ (167,709)	\$ (274,700)
Overstock.com Inc.	Dec 2013	\$ 25.00	400	<u>(161,625)</u>	<u>(252,384)</u>
				<u>\$ (329,334)</u>	<u>\$ (527,084)</u>

CHOU RRSP FUND
Discussion of Financial Risk Management
(Unaudited)

Investment Objective and Strategies

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

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

Risk Management

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

Credit Risk

Credit risk is the risk that a counterparty to a financial instrument will fail to discharge a commitment that it has entered into with the Funds. As of June 30, 2013, the Fund invested approximately 6.1% (December 2012 – 6.3%) of its net assets in non-investment grade debt instruments. Non-investment grade is the term applied to bonds rated below Baa3 on the Moody's credit rating scale and below BBB- on the equivalent ratings systems from S&P and Fitch. These credit ratings denote that the company's financial position is weak and its bonds should be considered a speculative investment.

Interest Rate Risk

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

Debt Instruments by Maturity Date:

	June 30, 2013	December 31, 2012
Less than 1 year	\$ 0	\$ 0
1-3 years	\$ 0	\$ 0
3-5 years	\$ 0	\$ 0
Greater than 5 years	\$ 7,232,310	\$ 7,093,747

As at June 30, 2013, should interest rates have decreased or increased by 0.25%, with all other variables remaining constant, the increase or decrease in Net Assets for the year would have amounted to approximately \$119,000.

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

CHOU RRSP FUND
Discussion of Financial Risk Management
(Unaudited)

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 64.1% (December 2012 – 92.8%) of the Fund's Net Assets held at June 30, 2013 were publicly traded equities. If equity prices on the exchange had increased or decreased by 5% as at June 30, 2013, the Net Assets of the Fund would have increased or decreased by approximately \$3,788,000, or 3.2% of the Net Assets, all other factors remaining constant.

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

Foreign Currency Risk

Currencies to which the Fund had exposure as at June 30, 2013 and December 31, 2012 are as follows:

June 30, 2013

	Financial Instruments (\$)	Percentage of NAV (%)
United States Dollar	24,930,671	21.1%

December 31, 2012

	Financial Instruments (\$)	Percentage of NAV (%)
United States Dollar	19,973,514	17.8%

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

As at June 30, 2013, if the Canadian dollar had strengthened or weakened by 1% in relation to all currencies, with all other variables held constant, net assets would have decreased or increased by approximately \$250,000.

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

CHOU FUNDS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013
(Unaudited)

1. FORMATION OF CHOU FUNDS

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

The Funds were formed on the following dates:

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

2. SIGNIFICANT ACCOUNTING POLICIES

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

(a) Use of estimates

These financial statements include estimates and assumptions made by the Manager that may affect the reported amount of assets, liabilities, income and expenses during the reporting period. Actual results could materially differ from those estimates.

(b) Valuation of Investments

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

National Instrument 81-106 – Investment Fund Continuous Disclosure (“NI 81-106”) requires all investment funds to calculate net asset value for all purposes other than financial statements in accordance with part 14.2. This requirement allows the Funds to report two distinct net asset values: one for the financial statements, which is calculated in accordance with Canadian GAAP called “GAAP Net Assets” (or “net assets”), and another called “ Transactional NAV” (or “net asset value”). A reconciliation between GAAP Net Assets per unit and Transactional NAVPU is provided in Note 6.

CHOU FUNDS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013
(Unaudited)

2. SIGNIFICANT ACCOUNTING POLICIES, continued

(b) Valuation of Investments (cont'd)

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

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

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

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

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

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

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

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

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

CHOU FUNDS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013
(Unaudited)

2. SIGNIFICANT ACCOUNTING POLICIES, continued

(c) Other Assets and Liabilities

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

(d) Cost of Investments

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

(e) Transaction Costs

Transaction costs are incremental costs directly attributable to the acquisition, issue or disposal of an investment, which include fees and commissions paid to agents, advisors, brokers and dealers, levies by regulatory agencies and securities exchanges and transfer taxes and duties. In accordance with CICA Handbook Section 3855, transaction costs are expensed and are included in transaction costs in the Statements of Operations.

(f) Cash and Cash Equivalents

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

(g) Investment Transactions and Income Recognition

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

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

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

CHOU FUNDS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013
(Unaudited)

2. SIGNIFICANT ACCOUNTING POLICIES, continued

(h) Translation of Foreign Currency

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

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

(i) Derivative Transactions

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

Options

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

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

The gain or loss on sale or expiry of options is reflected in the Statements of Operations in "Income (loss) from derivatives".

CHOU FUNDS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013
(Unaudited)

2. SIGNIFICANT ACCOUNTING POLICIES, continued

(j) Multi-Series Funds

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

(k) Valuation of Fund Units

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

(l) Securities Lending

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

3. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

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

The Manager of the Funds seeks to minimize these risks by managing the security portfolios of the Funds on a daily basis according to market events and the investment objectives of the Funds. CICA Handbook Section 3862 and Section 3863 disclosures that are specific to each of the Funds are presented in the Discussion on Financial Risk Management under the Statement of Investments. The sensitivity analysis shown in the Discussion on Financial Risk Management may differ from actual results and the difference could be significant.

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

CHOU FUNDS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013
(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 Fund's main credit risk concentration is in debt securities and trading derivative instruments which are disclosed in the respective Fund's Statement of Investments. All transactions in securities are settled or paid for upon delivery through brokers. As such, credit risk is considered minimal in the Funds on investment transactions, as delivery of securities sold is made once the broker has received payment. Payment is made on a purchase once the securities have been received by the broker. The trade will fail if either party fails to meet its obligations.

(b) Interest Rate Risk

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

(c) Currency Risk

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

(d) Liquidity Risk

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

CHOU FUNDS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013
(Unaudited)

3. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT, continued

(e) Other Price Risk

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

4. UNITHOLDER CAPITAL

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

	Series A		Series F	
	2013	2012	2013	2012
CHOU ASSOCIATES FUND				
Units outstanding, beginning of the period	4,951,551	5,561,339	306,407	390,159
Add: Units issued during the period	142,259	52,093	28,210	23,161
Deduct: Units redeemed during the period	(292,481)	(525,196)	(46,350)	(76,261)
Units outstanding before income distribution	4,801,329	5,088,236	288,267	337,059
Add: Units issued on reinvested income	-	-	-	-
Units outstanding, end of the period	<u>4,801,329</u>	<u>5,088,236</u>	<u>288,267</u>	<u>337,059</u>
CHOU ASIA FUND				
Units outstanding, beginning of the period	2,711,744	3,348,296	78,634	158,974
Add: Units issued during the period	30,864	14,204	18,997	3,800
Deduct: Units redeemed during the period	(311,589)	(364,570)	(15,991)	(26,957)
Units outstanding before income distribution	2,431,019	2,997,930	81,640	135,817
Add: Units issued on reinvested income	-	-	-	-
Units outstanding, end of the period	<u>2,431,019</u>	<u>2,997,930</u>	<u>81,640</u>	<u>135,817</u>

CHOU FUNDS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013
(Unaudited)

4. UNITHOLDER CAPITAL, continued

	Series A		Series F	
	2013	2012	2013	2012
CHOU EUROPE FUND				
Units outstanding, beginning of the period	937,889	964,369	2,180	3,858
Add: Units issued during the period	226,071	12,537	3,644	2,103
Deduct: Units redeemed during the period	(69,639)	(45,873)	-	-
Units outstanding before income distribution	1,094,321	931,033	5,824	5,961
Add: Units issued on reinvested income	-	-	-	-
Units outstanding, end of the period	<u>1,094,321</u>	<u>931,033</u>	<u>5,824</u>	<u>5,961</u>
CHOU BOND FUND				
Units outstanding, beginning of the period	4,434,113	5,091,719	861,551	1,181,760
Add: Units issued during the period	72,950	88,837	4,894	7,033
Deduct: Units redeemed during the period	(466,394)	(660,167)	(394,548)	(144,900)
Units outstanding before income distribution	4,040,669	4,520,389	471,897	1,043,893
Add: Units issued on reinvested income	-	-	-	-
Units outstanding, end of the period	<u>4,040,669</u>	<u>4,520,389</u>	<u>471,897</u>	<u>1,043,893</u>
CHOU RRSP FUND				
Units outstanding, beginning of the period	4,279,790	5,114,462	104,004	134,107
Add: Units issued during the period	75,203	16,990	15,878	1,342
Deduct: Units redeemed during the period	(334,787)	(548,406)	(7,993)	(22,866)
Units outstanding before income distribution	4,020,206	4,583,046	111,889	112,583
Add: Units issued on reinvested income	-	-	-	-
Units outstanding, end of the period	<u>4,020,206</u>	<u>4,583,046</u>	<u>111,889</u>	<u>112,583</u>

5. RELATED PARTY TRANSACTIONS

Management Fees

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

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

	2013	2012
Chou Associates Fund	\$ 3,852,323	\$ 3,399,025
Chou Asia Fund	310,448	381,029

CHOU FUNDS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013
(Unaudited)

5. RELATED PARTY TRANSACTIONS, continued

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

	2013	2012
Chou Europe Fund	-	-
Chou Bond Fund	277,962	300,673
Chou RRSP Fund	954,908	849,001

As at June 30, 2013 included in accrued expenses of each fund are the following amounts due to Chou Associates Management Inc., for management fees payable:

	June 2013	December 2012
Chou Associates Fund	\$ 644,944	\$ 589,992
Chou Asia Fund	48,286	52,975
Chou Europe Fund	-	-
Chou Bond Fund	43,052	46,673
Chou RRSP Fund	150,904	156,585

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

6. RECONCILIATION OF TRANSACTIONAL NAV TO GAAP NET ASSETS

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

		Net Asset Value (\$)			Net Asset Value per Unit (\$)		
	Series	Transactional NAV	Section 3855 Adjustment	GAAP Net Assets	Transactional NAV	Section 3855 Adjustment	GAAP Net Assets
Chou Associates Fund	A	488,606,554	(509,946)	488,096,608	101.76	(0.10)	101.66
	F	29,331,738	(31,480)	29,300,258	101.75	(0.11)	101.64
Chou Asia Fund	A	37,011,673	(85,914)	36,925,759	15.22	(0.03)	15.19
	F	1,255,460	(2,508)	1,252,952	15.38	(0.03)	15.35
Chou Europe Fund	A	11,290,350	(7,443)	11,282,907	10.32	(0.01)	10.31
	F	60,711	(18)	60,693	10.42	-	10.42
Chou Bond Fund	A	39,430,588	(31,035)	39,399,553	9.76	(0.01)	9.75
	F	4,621,719	(6,047)	4,615,672	9.79	(0.01)	9.78
Chou RRSP Fund	A	115,873,460	(804,864)	115,068,596	28.82	(0.20)	28.62
	F	3,230,344	(19,448)	3,210,896	28.87	(0.17)	28.70

CHOU FUNDS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013
(Unaudited)

7. BROKERS' COMMISSIONS

Total commissions paid to brokers in connection with portfolio transactions for the period ended June 30, 2013 and for the period ended June 30, 2012 are as follows:

	<u>2013</u>	<u>2012</u>
Chou Associates Fund	\$ 177,613	\$ 211,231
Chou Asia Fund	4,449	2,627
Chou Europe Fund	-	-
Chou Bond Fund	1,736	1,819
Chou RRSP Fund	50,501	30,176

8. SECURITIES LENDING

The Funds have entered into a securities lending program with Citibank N.A. The Funds receive collateral of at least 102% of the value of the securities on loan. Collateral may be comprised of cash and obligations of or guaranteed by, the Government of Canada or a province thereof, or by the United States Government or its agencies, but may include obligations of other governments with appropriate credit ratings. The aggregate dollar values of the securities that are on loan and the collateral received by the Funds as at June 30, 2013 and December 31, 2012 are as follows:

<u>June 2013</u>	<u>Market Value of Securities on Loan</u>	<u>Market Value of Collateral Received</u>
Chou Associates Fund	\$ 81,561,937	\$ 84,816,904
Chou Asia Fund	3,543,647	3,726,448
Chou RRSP Fund	3,789,829	3,969,480
<u>December 2012</u>	<u>Market Value of Securities on Loan</u>	<u>Market Value of Collateral Received</u>
Chou Associates Fund	\$ 46,492,522	\$ 48,290,700

CHOU FUNDS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013
(Unaudited)

9. FAIR VALUE MEASUREMENT

In June 2009, the Canadian Accounting Standards Board incorporated amendments to International Financial Reporting Standards 7, Financial Instruments: Disclosures, into CICA Handbook Section 3862, "Financial Instruments – Disclosures". The amendments expand the disclosures required in respect of fair value measurements recognized in the financial statements. The fair value hierarchy has the following levels:

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

As at June 30, 2013

Chou Associates Fund	Level 1	Level 2	Level 3	Total
Equities - Long	\$ 334,910,830	\$ -	\$ 1,504,544	\$ 336,415,374
Bonds	-	7,383,489	-	7,383,489
	334,910,830	7,383,489	1,504,544	343,798,863
Options - Short	(441,673)	-	-	(441,673)
Total	\$ 334,469,157	\$ 7,383,489	\$ 1,504,544	\$ 343,357,190

As at December 31, 2012

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

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

Fair value measurements using level 3 inputs:	Equities – Long	Bonds	Total
Balance at December 31, 2012	\$ 1,521,775	\$ -	\$ 1,521,775
Investments purchased during the period	-	-	-
Investments sold during the period	-	-	-
Net transfer in (out) during the period	-	-	-
Net realized gain (loss) on sale of investments	-	-	-
Change in unrealized appreciation (depreciation) in value of investments	(17,231)	-	(17,231)
Balance at June 30, 2013	\$ 1,504,544	\$ -	\$ 1,504,544

CHOU FUNDS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013
(Unaudited)

9. FAIR VALUE MEASUREMENT, continued

As at June 30, 2013

Chou Asia Fund	Level 1	Level 2	Level 3	Total
Equities - Long	\$ 22,786,955	\$ -	\$ -	\$ 22,786,955
Bonds	-	-	-	-
	22,786,955	-	-	22,786,955
Options - Short	-	-	-	-
Total	\$ 22,786,955	\$ -	\$ -	\$ 22,786,955

As at December 31, 2012

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

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

As at June 30, 2013

Chou Europe Fund	Level 1	Level 2	Level 3	Total
Equities - Long	\$ 7,210,416	\$ 404,726	\$ -	\$ 7,615,142
Bonds	-	-	-	-
	7,210,416	404,726	-	7,615,142
Options - Short	-	-	-	-
Total	\$ 7,210,416	\$ 404,726	\$ -	\$ 7,615,142

As at December 31, 2012

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

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

CHOU FUNDS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013
(Unaudited)

9. FAIR VALUE MEASUREMENT, continued

As at June 30, 2013

Chou Bond Fund		Level 1		Level 2		Level 3		Total
Equities - Long	\$	7,059,255	\$	-			\$	7,059,255
Bonds		-		29,060,708		1,496,030		30,556,738
		7,059,255		29,060,708		1,496,030		37,615,993
Options - Short		-		-		-		-
Total	\$	7,059,255	\$	29,060,708	\$	1,496,030	\$	37,615,993

As at December 31, 2012

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

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

As at June 30, 2013

Chou RRSP Fund		Level 1		Level 2		Level 3		Total
Equities - Long	\$	72,165,914	\$	3,601,800	\$	-	\$	75,767,714
Bonds		-		7,232,310		-		7,232,310
		72,165,914		10,834,110		-		83,000,024
Options - Short		(527,084)		-		-		(527,084)
Total	\$	71,638,830	\$	10,834,110	\$	-	\$	82,472,940

As at December 31, 2012

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

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

CHOU FUNDS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013
(Unaudited)

10. TAXES

(a) Income Taxes

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

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

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

Chou Associates Fund	\$ 16,555,051
Chou Asia Fund	\$71,701
Chou Europe Fund	\$ 3,484,332
Chou Bond Fund	\$ 12,789,600
Chou RRSP Fund	\$ 28,721,215

(b) Harmonized Sales Tax

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

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

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

CHOU FUNDS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013
(Unaudited)

11. CHANGEOVER TO INTERNATIONAL FINANCIAL REPORTING STANDARDS

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

Consequently, the Fund will publish its first annual audited financial statements in accordance with IFRS for the year ending December 31, 2014, with comparatives for the year ending December 31, 2013, and prepare an opening IFRS statement of net assets at January 1, 2013.

The Manager has not identified any changes that will impact NAV per unit as a result of the changeover to IFRS. However, this determination is subject to change as the Manager finalizes its assessment of the impact of IFRS, and the impact of new standards issued by the IASB prior to the Fund’s adoption of IFRS.

The criteria contained within IAS 32 Financial Instruments: Presentation may require unitholders’ equity to be classified as a liability within the Fund’s Statement of Net Assets, unless certain conditions are met. The Manager is currently assessing the Fund’s unitholder structure to confirm the appropriate classification in accordance with IFRS.

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

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

CHOU ASIA FUND

Period ended	Value of initial \$10,000 investment	Value of cumulative reinvested capital distributions	Value of cumulative reinvested dividends	Total value of shares
Dec.31, 2003	\$10,000	0	0	10,000
Dec.31, 2004	11,768	23	59	11,850
Dec.31, 2005	12,323	59	296	12,678
Dec.31, 2006	14,082	67	449	14,598
Dec.31, 2007	15,122	1,173	677	16,972
Dec.31, 2008	11,917	1,193	869	13,979
Dec.31, 2009	14,235	1,426	1,354	17,015
Dec.31, 2010	14,448	2,938	1,400	18,786
Dec.31, 2011	13,390	3,236	1,305	17,931
Dec.31, 2012	13,144	3,176	1,289	17,609
June 30, 2013				\$19,838

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.

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

CHOU EUROPE FUND

Period ended	Value of initial \$10,000 investment	Value of cumulative reinvested capital distributions	Value of cumulative reinvested dividends	Total value of shares
Dec.31, 2003	\$10,000	0	0	10,000
Dec.31, 2004	10,315	0	46	11,361
Dec.31, 2005	12,384	0	266	12,650
Dec.31, 2006	13,386	138	478	14,002
Dec.31, 2007	11,033	113	735	11,881
Dec.31, 2008	5,842	60	753	6,655
Dec.31, 2009	7,142	73	1,747	8,962
Dec.31, 2010	7,004	72	1,809	8,885
Dec.31, 2011	6,479	67	1,905	8,451
Dec.31, 2012	7,954	82	2,717	10,753
June 30, 2013				<u>\$13,335</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.

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

CHOU BOND FUND

Period ended	Value of initial \$10,000 investment	Value of cumulative reinvested capital distributions	Value of cumulative reinvested dividends	Total value of shares
Dec.31, 2005	\$10,000	0	0	10,000
Dec.31, 2006	11,809	61	330	12,200
Dec.31, 2007	11,078	57	735	11,870
Dec.31, 2008	6,131	32	1,233	7,396
Dec.31, 2009	8,230	42	2,262	10,534
Dec.31, 2010	10,425	54	3,501	13,980
Dec.31, 2011	7,734	40	3,634	11,408
Dec.31, 2012	8,038	41	4,805	12,884
June 30, 2013				<u>\$15,128</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.

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

CHOU RRSP FUND

Period ended	Value of initial \$10,000 investment	Value of cumulative reinvested capital distributions	Value of cumulative reinvested dividends	Total value of shares
Dec.31, 1986	\$10,000	0	0	10,000
Dec.31, 1987	9,980	187	650	10,818
Dec.31, 1988	10,709	553	1,018	12,281
Dec.31, 1989	11,530	1,308	1,512	14,350
Dec.31, 1990	9,272	1,314	2,136	12,722
Dec.31, 1991	9,342	1,324	2,618	13,284
Dec.31, 1992	10,069	1,427	3,004	14,500
Dec.31, 1993	11,616	1,646	3,465	16,727
Dec.31, 1994	10,131	1,436	3,394	14,961
Dec.31, 1995	11,764	1,667	4,377	17,808
Dec.31, 1996	14,335	2,032	5,368	21,735
Dec.31, 1997	19,953	4,048	8,740	32,741
Dec.31, 1998	17,421	12,259	9,126	38,806
Dec.31, 1999	15,467	11,914	8,836	36,217
Dec.31, 2000	16,931	13,580	11,677	42,188
Dec.31, 2001	19,135	16,493	13,742	49,370
Dec.31, 2002	22,735	24,861	17,499	65,095
Dec.31, 2003	24,871	28,059	19,728	72,658
Dec.31, 2004	27,896	32,038	22,429	82,362
Dec.31, 2005	31,259	37,164	26,871	95,294
Dec.31, 2006	33,326	39,622	31,531	104,479
Dec.31, 2007	27,859	38,841	28,117	94,817
Dec.31, 2008	13,510	18,836	22,283	54,629
Dec.31, 2009	16,995	23,693	29,130	69,818
Dec.31, 2010	24,312	33,895	44,160	102,367
Dec.31, 2011	18,981	26,463	35,705	81,150
Dec.31, 2012	25,361	35,358	48,141	108,860
June 30, 2013				<u>\$121,901</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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