

March 1, 1996

Dear Shareholder:

The Crescent Fund has updated you semi-annually since our inception. We feel you deserve more frequent communication from us. In the future, we will send quarterly letters.

The robust economic expansion in 1995 coupled with the corporate productivity improvements in the past few years resulted in large increases in corporate earnings. When earnings came in well above expectation in 1995's low interest rate and low inflation environment, investors drove the stock market to record highs.

The Crescent Fund returned 26.0% in 1995. Returns for the fund and key benchmarks are detailed below:

Time Period	Crescent Fund	Balanced Index 75% S&P 500 25% Lehman T-Bond	S&P 500	DJIA	Value Line	Lehman Interm. T-Bond
1995	26.0%	31.5%	37.6%	33.5%	19.3%	14.5%
1994	4.3%	0.5%	1.3%	2.1%	-6.0%	-2.0%
6/02/93 - 12/31/95 Annualized	15.2%	13.2%	15.6%	15.2%	6.5%	5.9%

Listed below are The Crescent Fund's ten largest holdings as of December 31, 1995. These investments account for 32.4% of the total portfolio value:

Dundee Bancorp
El Paso Electric 10.5%, 11/1/2005
Littelfuse
Phoenix Duff & Phelps
Price Enterprises
Public Storage
Rockefeller Center 13%, 12/31/2000
Santa Barbara Bancorp
Semi-Tech Global
U.S. Facilities

We have recently initiated a position in Central Newspapers that serves to illustrate the fund's investment philosophy. Central owns three monopoly newspapers in Phoenix, Indianapolis, and central Louisiana. Insiders have controlled and managed the company since its founding. In the fourth quarter of 1995, the company appointed for the first time, an outsider as president. The new president, a Gannett alumnus, has a history of cost cutting and marketing achievements. These two skills should drive corporate operating margins higher. Central trades at the lowest valuation in the newspaper industry, at only 6x cash flow. Newsprint, 20% of their cost of sales, has increased 80% in the last two years negatively impacting cash flow. Private market valuations range from 11-12x cash flow, placing Central at a 50% discount. The valuation is even better than it appears given our belief that cash flow is understated, both because of the expected operating improvements and because of the expected future decline in newsprint pricing.

Expectations in the stock market appear to be for returns greater than the historical mean of only 10%. Investors have the bias of the above average returns of the past 15 years, with 1995's return as the icing on the cake. This perceived mismatch between perception and reality is a concern. The stock market does have periodic declines and a 10-15% correction is not unusual. We are neither predicting the magnitude nor the timing of a correction, but it will happen.

The government has cut spending and lackluster retail sales depict a cautious consumer. Today, in the latter stages of an economic cycle, earnings disappointments appear the greatest risk to stock prices. Lower interest rates are unlikely to bolster stock prices should earnings disappoint. The bond market already expects further Fed easing given that six month Treasury Bills have a yield of 5.0%, a half of point lower than the 5.5% federal funds rate.

Although, we do have stock market concerns, we still find many positives in the current environment. Technology continues to drive productivity increases. Many companies, under the

more watchful eyes of activist shareholders, remain focused on running a lean and efficient operation. Furthermore, the U.S. is more competitive globally than it has been in quite some time.

We purchased El Paso Electric First Mortgage Bonds in the fourth quarter, not expecting them to remain outstanding much beyond June 1996. El Paso had defaulted on their debt, but the creditor committee has approved a restructuring plan. These secured bonds have a nine month yield to maturity near 10%, twice the return of Treasury Bills. In our high yield investments, we search for companies with improving credit quality whose bonds trade at yields substantially better than treasuries.

The Crescent Fund had the following asset composition at the end of 1995.

Common Stocks	58.0%
Preferred Stocks	5.3%
Corporate Bonds	18.4%
Cash	18.3%

We remain conservatively postured and look forward to future investment opportunities.

Best regards,



Steven Romick