

July 29, 1996

Dear Shareholder:

We are pleased to report that the Crescent Fund ranked 9th of 247 and 7th of 268 balanced funds for the six month and one year periods ending June 30, 1996, respectively (Source: Lipper). The comparative returns for the Crescent Fund and its relevant benchmark indices are shown below. To review the performance of the past six months seems almost moot, given the substantial declines the stock market has seen since then. The S&P 500 has declined more than 6% at this point in July, bringing the index's year-to-date return down to just 3%. Although the S&P 500 has declined almost 8% from its high, this still compares favorably to the 16% decline from its highs seen in over-the-counter stocks (NASDAQ).

Time Period	Crescent Fund	Balanced Benchmark 60% Russell 2500 40% LB Gov't/Corp	Russell 2500	Lehman Brothers Gov't/Corporate	S&P 500
<i>Period Ended 6/30/96</i>					
Quarter	4.6%	2.7%	4.2%	0.5%	4.5%
Six months	10.1%	5.4%	10.3%	-1.9%	10.2%
Last 12 months	22.3%	16.2%	24.2%	4.7%	26.1%
<i>Annual</i>					
1995	26.0%	26.7%	31.7%	19.2%	37.5%
1994	4.3%	-2.0%	-1.1%	-3.5%	1.3%
<i>From Inception*</i>	16.2%	11.7%	16.0%	5.8%	16.9%

*Inception is 6/2/93. Returns from inception are annualized. The annualized performance of the Russell 2500, LehmanBrothers Government/Corporate, and S&P 500 Indices begin 5/30/93. The data quoted represents past performance, and an investment in the fund may fluctuate so that an investor's shares when redeemed may be worth more or less than their original cost.

There does not seem to be much hubris in quoting oneself, but to better understand this correction I thought it helpful to review these thoughts from last quarter's letter. "The stock and bond markets, which generally move in the same direction, have uncoupled in 1996. For the stock market to continue its upward trajectory, it would appear that interest rates need to decline. Otherwise, it seems likely that the stock market will decline. The stock market and bond market

cannot continue on their divergent paths.” With the stock market declining, the paths are now beginning to converge.

How long and how much the stock market will decline is beyond my reasoned abilities. Determining a company’s value has proven difficult enough without such prognostication. Although the Fund’s stocks have declined as well, the bonds have provided ballast for the portfolio, keeping our returns somewhat buoyant in this difficult environment. Year-to-date we continue to outperform the stock and bond markets as well as the average stock and bond funds.

Two stocks are worth mentioning here: one old, one new. We have owned Coachmen, a leading manufacturer of recreational vehicles and modular housing, for a couple of years. In 1994, the RV business was in a slump and the modular housing business was in its early growth stages. This is the type of investment we like, i.e., a great company in an industry that is out of favor. We paid \$13 per share when we established our position in 1994, which was 1.3x book value and 6.5x depressed earnings. Today, Coachmen is increasing their market share of an industry that is posting excellent sales. Meanwhile, their modular housing business has exhibited explosive growth and earnings power. The company recently reported third quarter earnings well ahead of anybody’s best guess. The stock has almost tripled in the last two years and currently trades at \$37 per share, 2.5x book, and 10.6x this year’s earnings estimate. Although we have sold a small part of our position, we look forward to seeing continued momentum in both business segments which should drive the stock to new highs.

We recently purchased Payless Shoe Source, the largest shoe retailer in the United States and a recent spin-off from May Department Stores. Payless sells one out of every five pairs of shoes in the U.S.. After the distribution of Payless stock to May shareholders, 50% of the shares outstanding traded in the first six weeks. The “growth” investors who owned May did not seem to want to own this step-child with its mediocre performance of recent years. Downside appears minimal given that we purchased our shares at 1.4x book value and 10x trailing earnings. Shoe retailers have had a difficult time. With many of their competitors retrenching or going out of business (e.g., Thom McAnn), the competitive environment has eased somewhat. Payless management, now independent from May, has taken an intelligent course to manage costs and grow the business profitably. Payless has a great brand name and has weathered an extremely difficult competitive and economic environment with a return on equity in the low teens. We hope this investment will provide us with capital appreciation as both they and their industry recover.

We purchased Trump Atlantic City bonds in a second quarter offering. This ten-year note had a yield to maturity of 11.25%, more than 4% better than U.S. Treasuries. These are first mortgage bonds with cash flow coverage expected to be 2.5x this year. Atlantic City is currently experiencing solid increases in gaming revenues. With a new convention center and a number of new facilities planned, we expect business to only get better. Finding such bonds that provide a yield in excess of historical stock returns should offer some shelter in a choppy stock market.

Our caution continues to dictate a position in stocks below our historical average and we look forward to the opportunities that such periods of volatility generally provide.

Listed below are the Crescent Fund's ten largest holdings as of June 30, 1996. These investments account for 33.4% of the portfolio's net assets:

Common Stock

Coachmen Industries, Inc.
Dundee Bancorp, Inc.
Mac Frugal's Bargains Close-Outs, Inc.
Phoenix Duff & Phelps Corp.
Pinkertons, Inc.
Price Enterprises, Inc.
Santa Barbara Bancorp
Semi-Tech Global Ltd.
U.S. Facilities Corp

Corporate Bonds

Trump Atlantic City Associates 11.25%, 5/1/2006

The Crescent Fund had the following net asset composition at June 30, 1996.

Common Stocks, net	59.8%
Preferred Stocks	3.0%
Corporate Bonds	21.3%
Cash & Equivalents	15.9%

Thank you for your continued investment in the Crescent Fund.

Respectfully,



Steven Romick
Senior Vice President
First Pacific Advisors, Inc.