AUGUST 2015 Monthly Update

Investment Newsletter

CRESCENT WEALTH

Issuer: Crescent Funds Management (Aust) Limited ACN 144 560 172; AFSL 365260

Market Overview

The S&P/ASX 300 Accumulation Index recorded it worst monthly performance since October 2008, falling 7.7% in August, and wiping out previously positive CYTD returns (now -0.7%). The Market ex-Resources (-7.8%) modestly underperformed Resources (-7.2%) with Banks (-11.7%) the key drag. The Small Ordinaries Accumulation Index outperformed the S&P/ASX100 by 3% to be down 4.9%. The Small Industrials Accumulation Index outperformed the S&P/ASX 100 Industrials Index by 3.8%, while the Small Resources Accumulation index underperformed the S&P/ASX100 Resources index by 1.3%.

The focus turned from Greece (after securing another bailout) to China as the People's Bank of China shocked markets on 11th August with an unexpected devaluation of the its currency, implemented through a change to a more 'market-oriented' way in which the yuan's daily trading band is calculated, triggering a 1.9% fall in the yuan, the biggest one-day drop since China ended a dual-currency system in January 1994. The move was seen by many as an attempt by Chinese authorities to boost their exports to counteract a faltering economy.

Performance as at 31 August 2015

Crescent Wealth Managed Funds	3 Months	6 Months	1 Year	2 Year (Annualised)
Crescent International Equity Fund	0.2%	2.0%	26.3%	19.5%
Benchmark (MSCI World Islam Ex-Australia)	*-1.7%*	*0.0%*	*17.7%*	*15.6%*
Crescent Diversified Property Fund	-1.6%	-1.4%	13.3%	18.4%
Benchmark (RBA cash rate plus 3%)	*1.2%*	*2.5%*	*5.3%*	*5.4%*
Crescent Islamic Cash Management Fund	1.2%*	1.5%*	1.9%	2.1%*
Benchmark (RBA cash rate)	*2.0%**	*2.1%**	*2.3%*	*2.4%**
Crescent Australian Equity Fund	-5.3%	-6.1%	-9.5%	0.1%
Benchmark: 6.7938% p.a.	*1.7%*	*3.3%*	*6.8%*	*6.8%*
Crescent Wealth Superannuation Fund	**3 Months**	**6 Months**	**1 Year**	**Since Inception****
Crescent Wealth Growth	-1.8%	-1.8%	6.1%	13.7%
Crescent Wealth Balanced	-1.4%	-1.2%	6.1%	12.7%
Crescent Wealth Conservative	-0.8%	-0.6%	4.7%	7.7%

*Annualised **Inception date: 16 May 2013

Crescent International Equity Fund

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Performance as at 31 August 2015	3 Months	6 Months	1 Year	2 Year* (annualised)	Since Inception* (annualised)
Crescent International Equity Fund	0.2%	2.0%	26.3%	19.5%	22.0%
MSCI World Islamic (Ex-Australia) Index	-1.7%	0.0%	17.7%	15.6%	20.6%

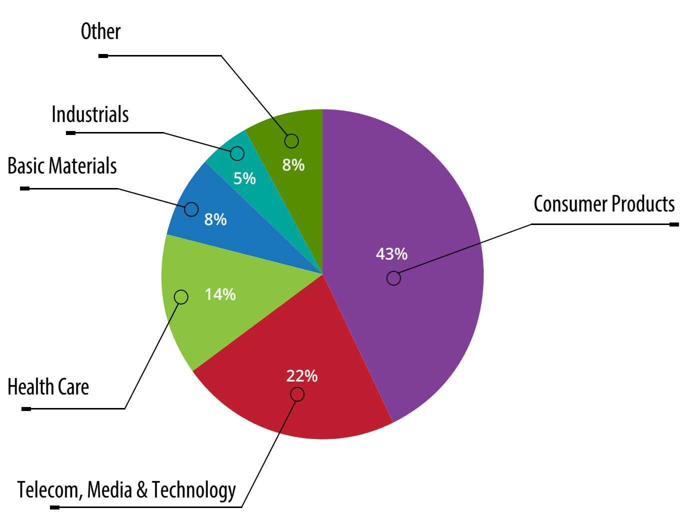
#Returns are net of fees. *Inception 22nd February 2013

THE CRESCENT INTERNATIONAL EQUITY FUND POSTED A -2.8% RETURN FOR THE MONTH, OUTPERFORMING THE MSCI WORLD ISLAMIC (EX-AUSTRALIA) INDEX RETURN OF 3.0%. THE FUND IS MANAGED IN LINE WITH THE AAOIFI METHODOLOGY FOR DETERMINING COMPLIANCE WITH ISLAMIC INVESTMENT PRINCIPLES.

Since Inception Performance*

Based on Net returns (including dividends net of withholding tax rates)

TOP SECTOR HOLDINGS*



TOP 5 Holdings*		
Rank	**Name**	**%**
1	HAIN Celestial Group Inc	3.64
2	Under Amour Inc	3.6
3	Valeo	3.25
4	Alaska Air Group Inc	3.11
5	TJX CO INC	3.11

TOP 5 Regions*		
Rank	**Name**	**%**
1	North America	90.3
2	Europe	3.25
3	Asia	2.87
4	UK	1.93
5	Pacific Basin	1.65

* As at 30 June 2015

Crescent Diversified Property Fund

Issuer: Crescent Funds Management (Aust) Limited ACN 144 560 172; AFSL 365260

Fund Commentary

Performance as at 31 August 2015	3 Months	6 Months	1 Year	2 Year* (annualised)	Since Inception* (annualised)
Crescent Diversified Property Fund	-1.6%	-1.4%	13.3%	18.4%	17.1%
Benchmark (RBA Cash Rate plus 3%)	1.2%	2.5%	5.3%	5.4%	5.5%
S&P/ASX 300 AREIT Accumulation Index	-2.6%	-2.9%	14.2%	16.8%	13.5%

#Returns are net of fees. *Inception 20th February 2013

THE CRESCENT DIVERSIFIED PROPERTY FUND POSTED A -2.9% RETURN FOR THE MONTH, UNDERPERFORMING THE RBA CASH RATE PLUS 3% RETURN OF 0.4%. THE FUND IS MANAGED IN LINE WITH THE AAOIFI METHODOLOGY FOR DETERMINING COMPLIANCE WITH ISLAMIC INVESTMENT PRINCIPLES.

The fund invests predominantly in listed Australian Real Estate Investment Trusts (Australian REITs) and will eventually invest an increasing proportion direct in unlisted property assets. Over the medium term, the Fund will seek to hold up to 50 per cent of its assets in unlisted property securities and 45 per cent in listed property securities. The fund will also look to hold up to 5% of its assets in cash.

The Crescent Diversified Property Fund's diversification strategy aims to provide stable income through periods of change in the economic environment and in any individual property, and enables us to actively manage the portfolio including the future liquidity of the Fund. We aim to deliver a total return (income and capital growth) above the Reserve Bank of Australia Cash Rate plus 3% over a rolling three year period, while providing a steady level of income paid as regular quarterly distributions. We will also seek to deliver an attractive level of tax advantaged components within the income.

Market Commentary

Volatility returned to the equity markets through August. The S&P/ASX200 REIT index fell by 4.1%, while the broader S&P/ASX200 fell 7.8%. The solid reporting season and reliable results helped limit the downside of REITs as their defensive characteristic shone through. The current dividend yield for the REIT sector is 5.6% and dividend is forecast at 3.9% for the next year. Across the Retail sector, strength is continuing from previous result periods. Specialty sales growth averaged 4.5% and was the highest in many years for Scentre Group, GPT Group and Stockland. The strong sales growth has led to falling occupancy costs, improved re-leasing spreads and accelerated net operating income (NOI) growth. Neighbourhood centres showed lower growth as supermarkets struggled to generate growth over 2%.

Vacancy was reported at 5.5% across the Office sector. While the number may appear high, the National average is 10.4% and highlights the REIT sector has most of its exposure to high quality assets in Melbourne and Sydney. The story is different in Canberra, Perth and Adelaide with vacancy above 14%. Net operating income for the sector appears reasonable at 3.2% for the full year, however the data is skewed by GPT Group (+8.1%) and Stockland (+6.4%) who both saw an increase in occupancy of over 4% in the last year. The more stabilised portfolios of Investa and Dexus saw NOI growth of -1.3% and 0.2% respectively. Incentives continue to rise (Investa 21% vs 19% and Dexus 22% vs 21%), falling incentives would signal to us genuine strength in office markets. This is not occurring yet.

The Industrial sector showed some dispersion across the different REITs. Stockland had the strongest NOI growth of 5.1% while Dexus was the weakest at only 0.7% due to a currently over-rented portfolio which makes achieving rental increases difficult. Overall the sector is heavily reliant on transport, logistics and retailer activity. With domestic GDP growth currently annualising at only 2.0%, it may make it hard for landlords to drive rental growth.

Value Added

Notable performers within the Islamic investment universe during **August** include:

- **Carindale Property Trust (ASX: CDP),** rose 5.3% on no significant stock specific news.
- **GPT Metro Office Fund (ASX: GMF),** rose 4.4% following the announcement that performance had exceeded expectations by 3.5% with NPAT of $35.7 million for the 8 months to 30 June 2015. UBS has upgraded GMF from neutral to buy.

Value Detracted

Notable detractors within the Islamic investment universe during **August** include:

- **Stockland Corporation (SGP)** – fell (8.0%) despite recording positive performance for FY15 and being upgraded from neutral to outperform by Credit Suisse as negative market sentiment pushed equity markets lower over the month of August.
- **Goodman Group (GMG)** – fell (6.7%) despite recording positive performance for FY15 as negative market sentiment pushed equity markets lower over the month of August.

TOP 5 Portfolio Holdings	
Company	**Holding**
Federation Centres	14.0%
Goodman Group	10.2%
GPT Group Property Trust	6.4%
Stockland Property Trust	5.9%
BWP Trust	4.3%

Crescent Islamic Cash Management Fund

Issuer: Crescent Funds Management (Aust) Limited ACN 144 560 172; AFSL 365260

Fund Commentary

Performance as at 31 August 2015	3 Months (annualised)	6 Months (annualised)	1 Year	2 Year (annualised)	Since Inception* (annualised)
Crescent Islamic Cash Management Fund	1.2%	1.5%	1.9%	2.1%	2.1%
RBA Cash Rate	2.0%	2.1%	2.3%	2.4%	2.7%

*Inception 24th May 2012

About the Fund

The Crescent Islamic Cash Management Fund is a registered managed investment scheme which invests in short term money market and cash-based instruments, based on Islamic investment principles. The Fund also invests in Islamic bonds known as Sukuk through its partnership with the Bank of London and Middle East. The Fund is innovative and unique in the Australian investment landscape as it provides investors the ability to generate returns from low risk cash based investments that comply with Islamic investment principles. The Fund's investments do not receive or pay interest.

Investment Objective

The Fund aims to achieve a total return (after fees) above the Reserve Bank of Australia Cash Rate. The likelihood of the value of your investment going down over the short-term is relatively low compared to investments in funds investing in other types of assets such as shares.

Investment Strategy

The Fund has been structured as a liquid investment scheme investing client moneys in short to medium term cash assets and bonds that comply with Islamic investment principles. The Fund will aim to invest up to 50% of its capital with HSBC Amanah in Islamic Term Deposits known as TDi's. We invest the remaining capital in Islamic fixed income through Islamic bonds known as Sukuk, with an allocation target of 50%. This portfolio will be managed by the Bank of London and Middle East, Europe's largest Islamic bank.

Crescent Australian Equity Fund

Performance as at 31 August 2015	3 Months	6 Months	1 Year	2 Year* (annualised)	Since Inception* (annualised)
Crescent Australian Equity Fund (Retail)	-5.3%	-6.1%	-9.5%	0.1%	-0.3%
S&P/ASX 300	-8.8%	-10.0%	-3.2%	5.1%	11.7%

#Returns are net of fees. *Inception Date 10 July 2011

THE CRESCENT AUSTRALIAN EQUITIES FUND POSTED A -0.8% RETURN FOR THE MONTH OUTPERFORMING THE S&P/ASX300 RETURN OF -7.7%.

The outperformance was primarily driven by our overweight exposure to small caps and not having any exposure to financials. Also having 20% of the fund in cash provided defensive protection in a falling market.

Portfolio changes and outlook

The S&P/ASX 300 Accumulation Index recorded it worst monthly performance since October 2008, falling 7.7% in August, and wiping out previously positive CYTD returns (now -0.7%). The Market ex-Resources (-7.8%) modestly underperformed Resources (-7.2%) with Banks (-11.7%) the key drag. The Small Ordinaries Accumulation Index outperformed the S&P/ASX100 by 3% to be down 4.9%. The Small Industrials Accumulation Index outperformed the S&P/ASX 100 Industrials Index by 3.8%, while the Small Resources Accumulation index underperformed the S&P/ASX100 Resources index by 1.3%.

The focus turned from Greece (after securing another bailout) to China as the People's Bank of China shocked markets on 11th August with an unexpected devaluation of the its currency, implemented through a change to a more 'market-oriented' way in which the yuan's daily trading band is calculated, triggering a 1.9% fall in the yuan, the biggest one-day drop since China ended a dual-currency system in January 1994. The move was seen by many as an attempt by Chinese authorities to boost their exports to counteract a faltering economy.

The Chinese equity market's volatile ride continued with the Shanghai Composite Index was down -12.5% at month end after being down 20% intra-month. Concern around broader economic impacts mounted as PMI readings contracted for a sixth consecutive month, the worst reading since March 2009. Industrial production for July grew at a worse than expected 6.0% y/y, while exports fell a much worse than expected 8.3% y/y. In response the PBoC announced another 25 basis point cut to both the benchmark lending rate and the deposit rate (the fifth such cut in nine months) and lowered the Reserve Requirement Ratio for banks by another 50 basis points (the fourth such cut in seven months). Late in the month the Chinese authorities took an unprecedented step of imposing a ceiling for local government debt.

TOP 5 Holdings		
Company	**Industry**	**Holding**
BHP Billiton	Diversified Miner	8.2%
Rio Tinto	Diversified Miner	5.9%
Woodside Petroleum	Oil & Gas Producer	3.9%
Harvey Norman Holdings	Furniture & Electrical Retailer	3.9%
Centuria Metropolitan REIT	Suburban Office REIT	2.8%

Commodity markets were again generally weaker on the back of the deteriorating outlook for China and sluggish pace of global growth. Oil experienced a roller-coaster ride during the month, touching a 7 ½ year low of US$42.70 per barrel (Brent) on 24th August (WTI fell to below US$40 per barrel) before rebounding by an extraordinary 27% to finish the month higher. Elsewhere iron ore managed to post a gain during the month (+5%), as did gold (+3%). The A$ fell relative to most major currencies and by 3% against the US$ on a weakening economic backdrop in China.

US economic data remained generally strong during the month. The ISM manufacturing index for July fell to a still strong 52.7, while the non-manufacturing ISM index for July jumped to a very strong 60.3 (consensus: 56.2, previous: 56) Durable goods orders for July rose to a much stronger than expected 2% (consensus: -0.4%) with prior months revised up. Q2 real GDP growth was revised up to a 3.2% annualised rate from an initially reported 2.3%. Non-farm payrolls for July rose 215k (consensus: 225k) and the unemployment rate remained unchanged. Global government bond yields generally fell for most of the month on rising risk aversion. Australian 10 year government bond yields finished the month lower, US were little changed and European yields finished higher. On the domestic economic front, Private new capital expenditure (volumes) for Q2 fell a much worse than expected -4.0% q/q or -10.5% y/y (consensus: -2.5% q/q, previous: -4.7% q/q), the weakest y/y number since the last recession ended in 1992. However the estimate of nominal capex intentions for FY16 was upgraded to $115 billion (consensus: $111bn). While employment for July rose a stronger than expected 38k m/m (consensus: +10k), the unemployment rate surged to a 13 year high of 6.3% on higher participation. The wage price index for Q2 rose +0.6% q/q for 2.3% y/y to a record low y/y pace. We continue to see substantial upside (+34%) across a diversified portfolio of 48 names. Over the last 18 months, value stocks have generally remained out of favour with the market, while momentum and earnings certainty has been priced at a premium. Sigma believes the market remains too pessimistic on earnings prospects for many of the predominantly cyclical companies we own. With strong balance sheets, supportive policy setting and compelling valuation upside, we believe investors will be compensated in the fullness of time for taking on more risk at a time when the market is paying up for earnings certainty.

Total Returns for the 12 months to 31 August 2015	
S&P/ASX300 Accumulation Index	-3.2%
S&P/ASX Small Ordinaries Accumulation Index	-9.6%
S&P/ASX300 Industrials Accumulation index	+2.8%
S&P/ASX300 Resources Accumulation Index	-27.4%
S&P/ASX300 Banks Accumulation Index	-6.0%

As illustrated in the table above, the two areas the fund is overweight have underperformed in the last 12 months, being small caps and resources. Sigma firmly believes exposure to these two sectors will payoff for investors. We are starting to see banks and financials underperform, which are sectors that the fund does not invest in but are a significant component of index returns. The Fund ended the month with 21% in cash.

Value Added

The fund benefitted from the following stocks:

- **Australian Careers Network** (+24%) announced a strong result and two accretive acquisitions.
- **Sims Metal Management** (+21%) delivered a better than expected result.
- **Smart Group** (+22%) delivered a half year result above expectations and there continues to be talk of a strategic investor looming to increase their stake.
- **Bluescope Steel** (+19%) was firmer on continued speculation that they would restructure their Port Kembla operations.
- **Saracen Minerals** (+14%) delivered a strong financial result and also acquired two gold projects from St Barbera.

Value Detracted

- **Orica Ltd** (-17%) issued a profit downgrade and a rebasing of future earnings.
- **ASG Group** (-17%) was weaker following its full year result which was disappointed due to more costs being incurred in FY15 due to significant tendering activity in the IT sector.
- **BHP Billiton** (-5%) despite delivering a solid result with strong cashflows in line with our expectations, the stock was weaker on the back of lower commodity prices.
- **Woodside Petroleum** (-7%) was weaker on the back of increased oil price volatility.
- **Capral Aluminium** (-28%) was weaker on the back of a downgrade of full year earnings guidance.

Portfolio Actions

Stocks Added

Ardent Leisure is an operator of leisure and entertainment assets across Australia, New Zealand and the United States. AAD operates Dreamworld, WhiteWater World, SkyPoint Climb, d'Albora Marinas, AMF and Kingpin bowling centres and Goodlife fitness centres across Australia and New Zealand. AAD also operates the Main Event family entertainment centres in the United States. Sigma believes the potential growth rollout of Main Event is a significant driver of value creation. The stock has derated to the point where we see reasonable upside. The company's Australian assets will benefit from increased tourism both domestic and inbound international given the fall in the AUD.

RCR Tomlinson is a diversified engineering and infrastructure company providing integrated solutions to clients in the resources, energy and infrastructure sectors. RCR's services include design, manufacture, fabrication, construction, installation, maintenance and off-site repair operating across Australia, New Zealand and Asia. RCR has three business sectors comprising RCR Resources, RCR Energy and RCR Infrastructure. is an Australian Dairy producer. The company delivered a very solid FY15 result and has a strong balance sheet and strong risk management culture and systems, which has helped it avoid poor performing contracts. The company should benefit from the increased infrastructure spend on the east coast through its rail and electrical businesses. It is trading on very cheap on FY16 multiples of 6x PE and a 7% fully franked dividend.

Stocks Sold

Nil.

Outlook

The fund, on Sigma's valuations, has 34% upside versus 6% upside for the broader market. As risk aversion eases, the fund's positioning in small companies and resource stocks, the two segments of the market where Sigma continues to see large valuation discounts, should benefit; closing the valuation gap over time. Sigma also sees significant risk of a correction in high PE growth stocks as valuations become stretched. A winding back of quantitative easing and rising bond yields should exacerbate this move. Being a value manager should help limit such impact upon the portfolio as we have limited exposure to such stocks. We continue to hold our discipline in looking for value in a market driven by momentum.

We expect the volatility in equity markets to be ongoing given global uncertainty around growth, the next movement in US interest rates, and Chinese financial market volatility. Resource equities are mispriced on market forecasts of declining commodity prices. The central banks unorthodox reflationary policies, if successful, should benefit resource stocks. The odds are favouring resource stocks given their relative underperformance. With the portfolio's resource exposure concentrated in BHP, RIO and WPL, we believe these stocks will rerate due to improved capital management and increasing returns to shareholders irrespective of commodity price moves. Based on Sigma's valuations Resources are 19% undervalued and along with domestic cyclicals are the only sectors that have valuation upside. Banks, defensives and offshore cyclicals are all overpriced.

We have been overweight selective domestic cyclical stocks, particularly consumer discretionary, real estate, commercial and industrial services, which should be beneficiaries of an RBA rate easing cycle. We are also looking at opportunities to add defensive stocks where valuations are sensible.

We are constantly searching for companies that are undervalued and overlooked by the market, yet have lower levels of business risk than implied by current valuations. We are currently holding sufficient levels of cash to enable us to take advantage of such opportunities as they arise (~21%).

Contact Us

Should you wish to speak to us about any aspects of the Crescent Wealth Performance or to obtain a copy of the Product Disclosure Statement please contact Crescent Wealth Investor Services on 1300 926 626 (within Australia) +61 2 9696 9800 (outside Australia), fax +61 2 9247 7709 or by email on info@crescentwealth.com.au.