

Dear Investor

The Coastal Magnum Diversified Performance Fund gained 3.2% over the quarter ending December 31st 2001, finishing the quarter with a closing price of 0.997 after allowing for a distribution to investors of 2.57 cents per unit. The Fund's return relative to the major indices is shown below:

Comparison of performance over quarter ended December 31st, 2001

Fund	MSCI US\$	S&P	HFR	All-Ords Accum
+3.2%	+8.6%	+10.3%	+6.0%	+13.3%

Lower interest rates and a rebound in investor sentiment from the rock bottom levels seen after September 11th helped world stockmarkets deliver exceptionally strong performance over the quarter. With its defensive posture, the Fund returned less than the markets. This is because the hedging techniques that protect portfolios and deliver profits in falling markets tend to retard hedge fund performance when market performs strongly, and is to be expected.

For the calendar year, the fund has returned +5.6% net after fees, comfortably exceeding the returns from all major international stockmarket indices (MSCI = down 16.8%, S&P down 13.0%) as well as other hedge fund indices such as the HFR composite (up 4.7%) CSFB Hedge Fund index (up 4.4%) and the HFR Fund of Funds index (up 2.8%). In a terrible year for investors, the fund outperformed most locally promoted international equity funds and funds of hedge funds by a significant margin.

Over the quarter, the best investment performance was recorded by those funds which focus on long-short trading of US stocks and of technology and biotech stocks (impact on performance = +1.09% and up +0.77% respectively). Event driven trading, distressed securities and fixed income arbitrage delivered around +0.50% each, with the remaining strategies delivering more or less flat performance.

Since our last report, we have added three new hedge funds to the portfolio: a hedge fund that trades US biotech shares long and short; a fund that trades UK shares long and short and a fund that invests in recovery situations in the US distressed debt sector. The Fund is now invested with 24 separate hedge fund managers, with conservative arbitrage strategies making up around 62% of the portfolio.

2001 was a poor year for investors generally, but our Fund's steady performance illustrates the benefit of our absolute return focus. We managed to deliver modest performance in the face of collapsing equity markets, and in the volatile conditions of September we lost just 1.1%. This was reversed within the month with the Fund recording a gain of 1.95% in October.

We believe that the Fund is well positioned for 2002 and note that it remains open for subscriptions. In the event that you wish to increase your investment, please consult your financial adviser or download a copy of the latest prospectus from our web site www.coastalfunds.com where you can also check the latest performance information.

We take this opportunity to thank you for investing with us and wish you a successful year in 2002.

Yours sincerely

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Fund portrait

The Fund invests primarily in hedge funds

- Criteria used for determining relative weightings of underlying funds include: expected risk and return profile, exposure to market direction and liquidity risk, redemption terms and the short-term outlook for the investment strategy used
- Diversification is achieved via a mix of different investment strategies, styles, regions and managers
- The investment objective is to provide medium term returns comparable to the HFR Composite Hedge Fund index (i.e. around 15% per annum), positive performance under most market conditions with significantly less volatility than stock market indices

Fund features

Fund type:	Open-ended unit trust
Domicile:	Australia
Fund manager:	Coastal Capital Limited
Investment adviser:	Magnum Fund Management Limited
Custodian:	Bermuda Trust (Far East) Limited
Registrar:	Permanent Trustee Company Limited
Auditor:	Arthur Andersen
Date of inception:	27 June 2000
Currency of account:	AUD (fully hedged)
Close of financial year:	30 June
Issue/redemption:	Monthly (4 days notice)
Distributions:	Quarterly
Next distribution:	March
Minimum MER:	negotiable
Maximum MER:	2.46% pa inc GST

Current data

Unit price 31/12/01	AUD 99.7 cents
- High- last 12 months	AUD 102.0 cents
- Low- last 12 months	AUD 97.0 cents
Latest distribution 12/01	AUD 2.57 cents

Statistical data

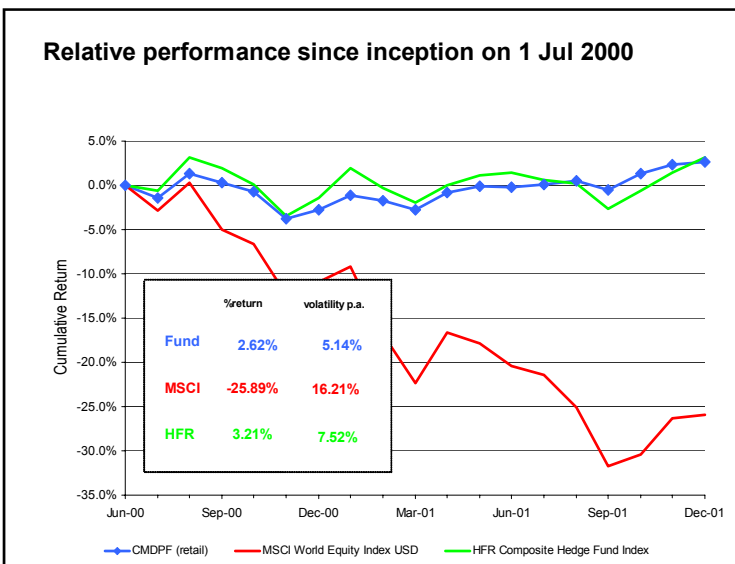
Since inception	<u>Fund</u>	<u>MSCI*</u>
Total return	+2.62%	-25.89%
Risk - annualised volatility	5.0%	15.8%
Sharpe Ratio	-0.7	-2.0
Alpha - annualised	+7.0%	0.0
Beta	0.3	1.0

* MSCI World Equity Index in USD with income reinvested

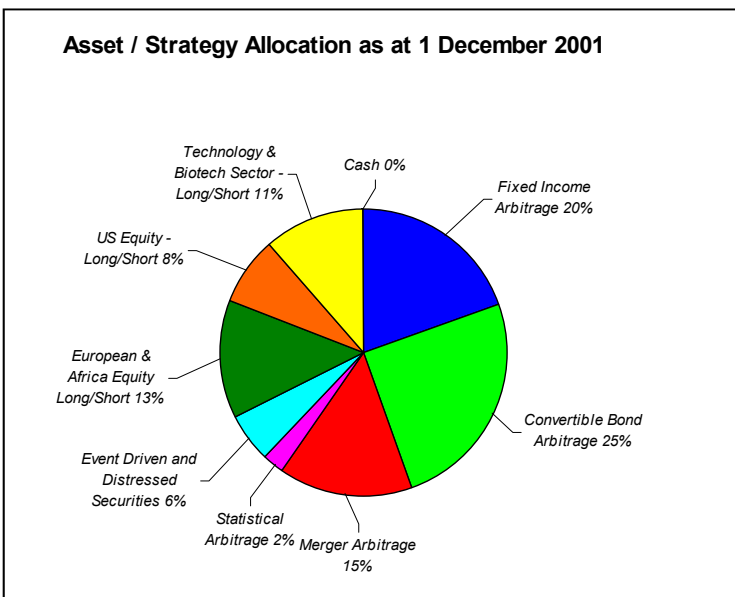
ARSN: 092 397 987

APIR Code: CCL001AU

Performance



Portfolio Structure



Hedge Funds

Largest 5 investments	
Bristol (Fixed income arbitrage)	9.7%
Alexandra Global (Convertible arbitrage)	9.6%
Footbridge Capital (Fixed income arbitrage)	7.7%
Paulson Partners (Merger arbitrage)	7.5%
South Africa Omni Fund	5.8%

Monthly performance table

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Year
2001	1.7%	-0.6%	-1.1%	2.1%	0.7%	-0.1%	0.3%	0.4%	-1.1%	1.9%	1.0%	0.3%	5.6%
2000							-1.4%	2.7%	-1.0%	-1.0%	-3.1%	1.0%	-2.8%