

Dear Investor

The Coastal Magnum Diversified Performance Fund gained 1.7% over the quarter ending March 31st 2002, finishing the quarter with a closing price of 1.001 after allowing for a distribution to investors of 1.3 cents per unit. The Fund's return relative to the major indices is shown below:

Comparison of performance over quarter ended March 31st, 2002

Fund	MSCI US\$	S&P	HFR	All-Ords Accum
+1.7%	+0.3%	-0.1%	+1.5%	+1.0%

The recovery in world stock markets that characterised the previous quarter ran out of steam in the March quarter with the result that world markets finished more or less where they started. This however belies the volatility in markets from month to month which made it a challenging environment for hedge funds, as evidenced by the comparatively modest performance recorded by hedge fund indices such as the HFR Composite Hedge Fund Index (see table above) and also the CSFB Hedge Fund index which gained just 0.76% for the quarter.

Over the quarter, the best investment performance was recorded by those funds which focus on fixed income arbitrage and convertible arbitrage (impact on performance = +0.58% each). Next largest contribution to returns were US and European Long-short stocks (impact on performance = 0.30% each). Distressed securities and event-driven trading proved challenging and contributed to a loss of 0.32%. With very light activity in the sector, merger arbitrage contributed just 0.18% towards the quarter's returns.

In a recent article in *Investor Weekly* magazine examining the performance of locally available diversified multi-manager hedge fund products, the Fund placed first out of more than 26 wholesale diversified hedge fund of funds, recording returns of 8.7% for the 12 months to March 31st, 2002 (7.5% to retail investors). A copy of the article is available on our web site www.coastalfunds.com under News. In addition to beating all other local competitors, our returns for the year to March exceeded the hedge fund indices by around 4% after fees, and the MSCI world index by more than 19%.

Since our last report, we have added two new hedge funds to the portfolio, both opportunistic long-short funds. One is a fund that trades long-short in Japanese stocks; the other trades in US consumer stocks, particularly clothing and footwear companies. With directionless stock markets and falling volatility, we have also reduced our exposure to convertible arbitrage by redeeming from two of the four funds representing this strategy in our portfolio. The Fund now invested with 26 separate hedge fund managers, with conservative arbitrage strategies making up around 57% of the portfolio, with the balance invested in more opportunistic long-short funds.

The steady performance has continued since the end of the quarter: we estimate that the Fund returned 0.83% after fees in April, a month that saw the MSCI World index fall by some 4.6% in local currency.

Along with the information about the March dividend, we enclose a notice about changes in the operation of the Fund to take effect from August of this year. Please read that document carefully and consult an investment professional if there is anything you do not understand.

We take this opportunity to thank you for your investing with us .

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:	June 2002
Minimum MER:	negotiable
Maximum MER:	2.46% pa inc GST

Current data

Unit price 31/03/02	AUD 100.1 cents
- High- last 12 months	AUD 102.0 cents
- Low- last 12 months	AUD 99.0 cents
Latest distribution 03/02	AUD 1.3 cents

Statistical data

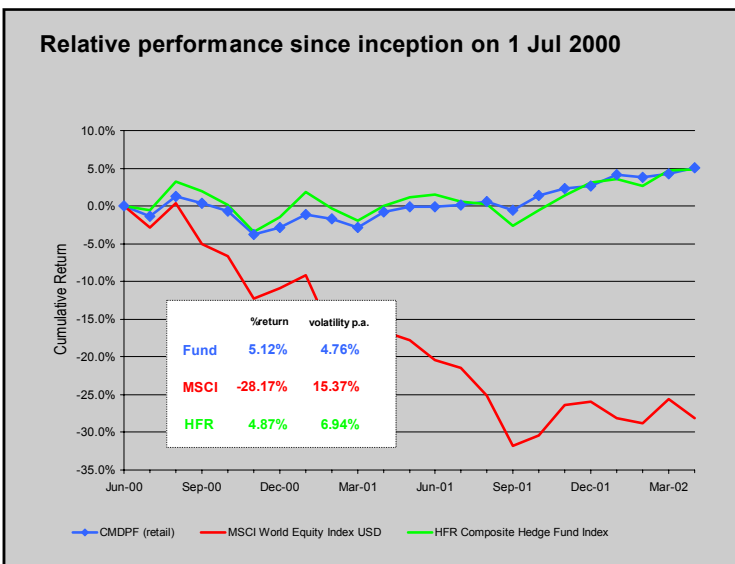
Since inception	Fund	MSCI*
Total return	+5.12%	-28.17%
Risk - annualised volatility	4.8%	15.4%
Sharpe Ratio	-0.3	-2.3
Alpha - annualised	+7.0%	0.0
Beta	0.2	1.0

* MSCI World Equity Index in USD with income reinvested

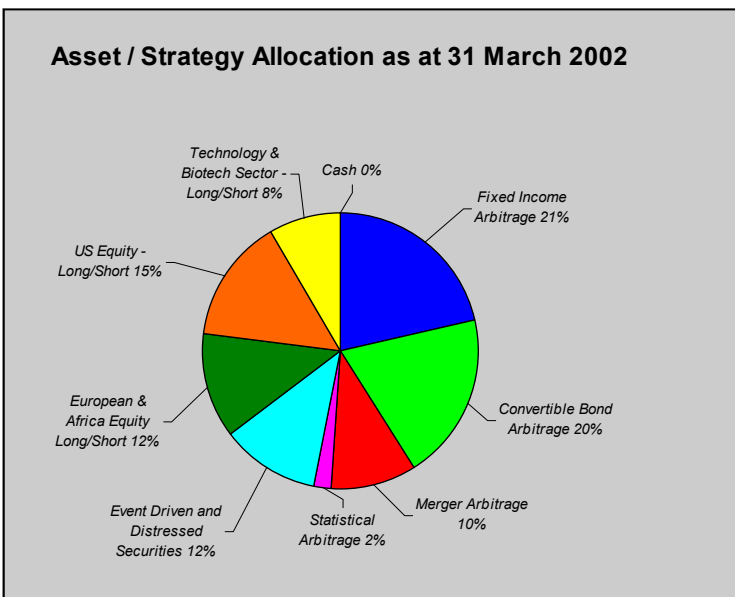
ARSN: 092 397 987

APIR Code: CCL001AU

Performance



Portfolio Structure



Hedge Funds

Largest 5 investments	
Bristol (Fixed income arbitrage)	9.1%
Alexandra Global (Convertible arbitrage)	6.9%
Paulson Partners (Merger arbitrage)	6.5%
Aristeia International (Convertible arbitrage)	6.0%
Footbridge Capital (Fixed income arbitrage)	5.5%

Monthly performance table

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Year
2002	1.7%	-0.3%	0.5%										1.7%
2001	1.8%	-0.6%	-1.1%	2.1%	0.7%	-0.1%	0.3%	0.4%	-1.1%	1.9%	1.0%	0.3%	5.6%