

Dear Investor

The Coastal Magnum Diversified Performance Fund gained 0.86% over the quarter ending June 30th 2002, finishing the quarter with a closing price of 1.010. The Fund's return relative to the major indices is shown below:

*Comparison of performance over quarter ended June 30th, 2002*

Fund	MSCI US\$	S&P	HFR	All-Ords Accum
+0.86%	-9.1%	-13.7%	-1.3%	-5.2%

World stock markets continued their downward spiral over the quarter, reflecting the loss of investor confidence following the fear of widespread corporate chicanery in the US in the aftermath of the events at Worldcom, Adelphia and to some extent, Tyco. Corporate profit results reflected continued difficult trading conditions, and it is apparent that earlier hopes of a "summer rally" in stocks were premature.

The unfavourable stock market sentiment spilled over into fixed income markets as corporate bond spreads widened, reflecting the additional risk premium demanded by bond investors for credit risk. Widening spreads and volatile stock markets took their toll on hedge fund returns, resulting in the benchmark HFR composite index recording a loss of 1.3% before allowance for fees.

In this unhappy environment, we hope that investors will not be disappointed by the Fund's meager performance: we are delighted to report a gain, albeit a small one, for the quarter.

Over the quarter, the best investment performance was recorded by those funds which focus on fixed income arbitrage and convertible arbitrage while the worst performance was recorded by those funds investing on a "long-short" basis in the US. Mergers and distressed securities delivered more or less flat performance. At the end of July, the portfolio comprised some 26 hedge funds, and we estimate that in July they collectively lost around 0.75%.

Notwithstanding the gain over the quarter, there is no final distribution. That is because, there was no assessable income for tax purposes over the year to June. Indeed, as reflected in the individualised tax statement that accompanies this newsletter, the character of the two previous distributions totalling 3.87 cents is that of "Tax Deferred Income". We understand that tax deferred income need not be included by resident Australian taxpayers in their tax returns. Instead, such investors should deduct the amount received from their cost base, with the difference between the adjusted cost base and the exit price declared as a capital gain when units are eventually redeemed. Please note that this is a general statement of principal and should not be relied upon as tax advice - investors should check with their tax advisers and confirm the appropriate tax treatment of this income given their own individual circumstances.

We remind investors that the new arrangements concerning distributions, redemptions, registry and audit costs as foreshadowed in our notice to investors in May come into effect this month. We also welcome a new auditor in the form of PKF to replace Andersen. Financial statements will be sent to you next month.

As always, we take this opportunity to thank you for 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:	PKF (formerly Pannell Kerr Forster)
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 31/07/02	AUD	100.2 cents
- High- last 12 months	AUD	102.0 cents
- Low- last 12 months	AUD	99.1 cents
Latest distribution 03/02	AUD	1.30 cents
Total distribution for tax year	AUD	3.87 cents

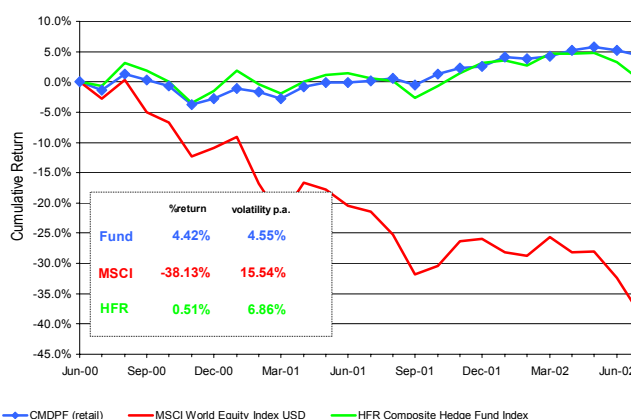
### Statistical data

	Fund	MSCI*
Since inception	+4.42	-38.13%
Total return	4.6%	15.5%
Risk - annualised volatility	-0.6	-2.9
Sharpe Ratio	0.2	1.0
Beta		

\* MSCI World Equity Index in USD with income reinvested

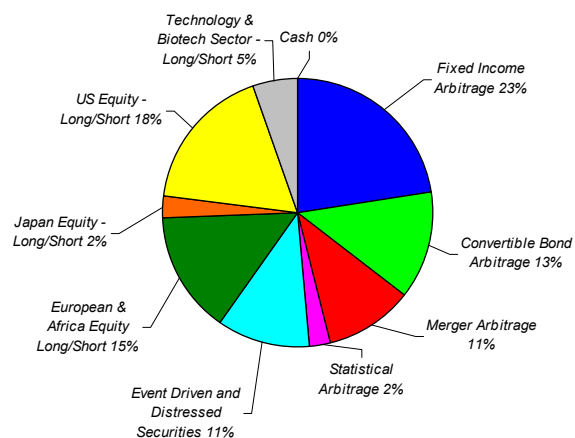
### Performance

#### Relative performance since inception on 1 Jul 2000 to July 31, 2002



### Portfolio Structure

#### Asset / Strategy Allocation as at 30 July 2002



### Hedge Funds

#### Largest 5 investments

Bristol (Fixed income arbitrage)	9.2%
Alexandra Global (Convertible arbitrage)	7.0%
Basis Capital (Fixed income arbitrage)	6.3%
Paulson Partners (Merger arbitrage)	6.2%
Aristeia International (Convertible 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%	.09%	.60%	-.60%	-.80%						<b>1.8%</b>
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%	<b>5.6%</b>