

Dear Investor

The Coastal Magnum Diversified Performance Fund lost 0.4% over the quarter ending September 30th 2001, finishing the quarter with a closing price of 0.991. We regret to advise that accordingly, no distribution will be paid this quarter. The Fund's return relative to the major indices is shown below:

Comparison of performance over quarter ended September 30th, 2001

Fund	MSCI US\$	S&P	HFR	All-Ords Accum
-0.4%	-14.3%	-15.0%	-4.1%	-12.0%

Fears of a world recession and the events in New York on September 11th took their toll on investor sentiment with the result that the international and local stockmarkets recorded losses for every month in the quarter. The Fund's recorded positive performance for July and August (+0.3% and 0.4% respectively) but lost 1.1% in September. The Fund's significantly beat its benchmark, the HFR Composite Hedge Fund Index (which measures the average performance of over 1,000 hedge funds worldwide). For the calendar year, the Fund's performance remains positive, up 2.3% to September 30, and over this period has outperformed both the MSCI and S&P indices, by 23.4% and 21.2% respectively.

Over the quarter, the best investment performance was recorded by those funds which focus on convertible arbitrage (impact on performance = up 0.53%) and fixed income arbitrage (impact on performance = up 0.53%). Merger arbitrage, event driven and the long short managers all lost money over the quarter.

Our recent decision to skew the Fund's investments in favour of the more predictable if somewhat lower returning managers and to redeem from the more aggressive managers helped to contribute to our superior performance relative to the HFR benchmark.

As at the date of this report the Fund is invested with 21 separate hedge fund managers, with conservative arbitrage strategies making up around 70% of the portfolio.

We are pleased to advise that the Fund has recorded positive performance in October, gaining an estimated 1.96% after fees. Including the estimated performance for October, the Fund is up approximately 4.3% for the year so far. You can check the Fund's latest performance by referring to our internet web site www.coastalfunds.com which is updated with the performance estimates we receive from the underlying hedge funds each week.

The Fund's performance though the stock market meltdown that occurred in September illustrates the benefit of our absolute return focus. We believe that the Fund is well positioned to deliver better performance should market conditions prove reasonable and to substantially minimise losses should conditions prove difficult.

We take this opportunity to thank you, particularly those investors who have been in the Fund for several months, for your ongoing support and for investing with us. Should you have questions, you are welcome to call (1-800-247776) or e-mail us at info@coastalfunds.com

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 of at least 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:	December
Minimum MER:	negotiable
Maximum MER:	2.46% pa inc GST

Current data

Unit price 30/09/01	AUD 99.1 cents
- High- last 12 months	AUD 101.3 cents
- Low- last 12 months	AUD 96.0 cents
Latest distribution 6/01	AUD 0.1451 cents

Statistical data

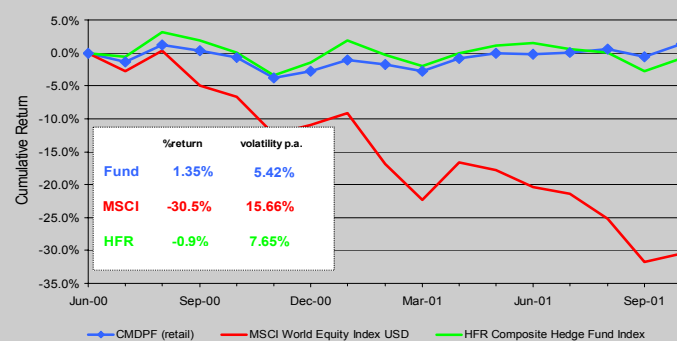
Since inception	Fund	MSCI*
Total return	+1.35%	-30.45
Risk - annualised volatility	5.4%	15.5%
Sharpe Ratio	-0.7	-2.3
Alpha - annualised	8.6%	0.0
Beta	0.3	1.0

* MSCI World Equity Index in USD with income reinvested

ARSN: 092 397 987 APIR Code: CCL001AU
Morningstar Ticker: 6510

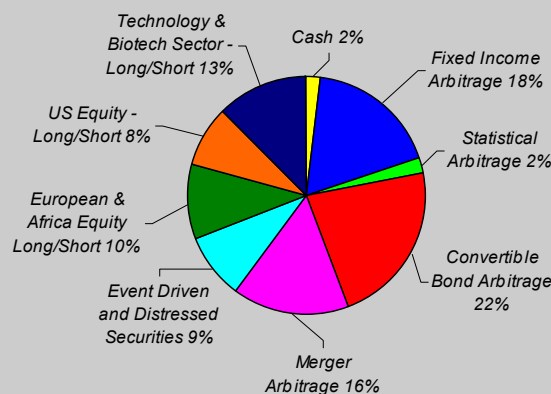
Performance

Relative performance since inception on 1 Jul 2000



Portfolio Structure

Asset / Strategy Allocation as at 31 October 2001



Largest 10 investments

Bristol (Fixed income arbitrage)	9.3%
Footbridge Capital (Fixed income arbitrage)	8.8%
Paulson Partners (Merger arbitrage)	8.2%
Alexandra Global (Convertible arbitrage)	7.3%
Shorewater International (Event driven)	7.3%
West Broadway Global Arbitrage (Convertible bond arbitrage)	6.6%
South Africa Omni (Arbitrage & value)	5.7%
Schachter Offshore Fund (Long & short technology stocks)	5.1%
Zulauf Europe (European stocks long & short)	4.6%
Ascendant Offshore Fund (Merger arbitrage)	4.5%

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%			4.3%
2000							-1.4%	2.7%	-1.0%	-1.0%	-3.1%	1.0%	-2.2%