

Dear Investor

The Coastal Magnum Diversified Performance Fund lost -5.4% over the 3 months ending September 30th 2002, finishing the quarter with a unit price of 0.953. The Fund's return relative to the major indices is shown below:

Comparison of performance over quarter ended September 30th, 2002

Fund	MSCI US\$	S&P	HFR	S&P ASX 200
-5.4%	-18.4%	-17.6%	-3.7%	-6.6%

World stockmarkets continued their downward spiral over the quarter, reflecting fears of war in Iraq, rising oil prices, and concerns about the global economy. Corporate profit results were mixed, and consistent with the pessimistic sentiment, investors shrugged off the steadily falling bond market that saw medium term US Treasury securities at their lowest yields in 40 years.

The Fund delivered more or less flat performance in July (-0.57%) and August (+0.29%) until experiencing a loss of approximately 5.2% in September due largely to the results of a single hedge fund (Bristol Fund) that invests in US mortgage derivative securities. A loss of 5.2% is the largest single decline that the Fund has sustained in any month since its inception, and we are at pains to assure investors that the loss in Bristol is an isolated event that does not affect the other 24 hedge funds within the portfolio.

Up until September, Bristol had been one of the most consistent performers within our portfolio, returning positive performance in 95% of all months. Indeed, Bristol had delivered +9.9% in the first eight months of 2002, yet unexpectedly lost 5.4% in September, which, according to Bristol's manager, was due to unprecedented market conditions including sharply wider spreads in mortgage securities relative to US Treasuries. Given the magnitude of the loss, Bristol Fund was swamped with redemption requests and the manager decided to liquidate the fund in its entirety and return the proceeds to investors.

We are not altogether satisfied with the explanations we received from Bristol's management and we have joined a number of other investors in appointing a US law firm to investigate and report on what transpired, with a view to commencing litigation against Bristol's management and the fund's service providers, should the findings warrant. The law firm appointed has had success in comparable situations.

Collectively the other strategies represented in the portfolio were more or less flat, with convertible arbitrage the highlight, and long-short equity the low light (predictably enough given the performance of world stockmarkets) over the quarter.

The September result means that the Fund is now down 3% for 2002. This disappointing result is reflexive of truly awful global stock markets which are down for the third year in a row, and which have collectively lost more than 25% so far in 2002 and almost 45% since the Fund's inception in July 2000. Not included in this is the expected gain for October, where we anticipate the Fund has returned approximately +1%, based on the estimates received so far.

We will keep you posted on developments at Bristol Fund, and the findings of the US lawyers in the next newsletter, expected in late January 2003, and take this opportunity to thank you for your support. We extend our best wishes to all investors for the holiday season, and for a bright and prosperous New Year.

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
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
Estimated Maximum MER:	2.46% pa inc GST

Current data

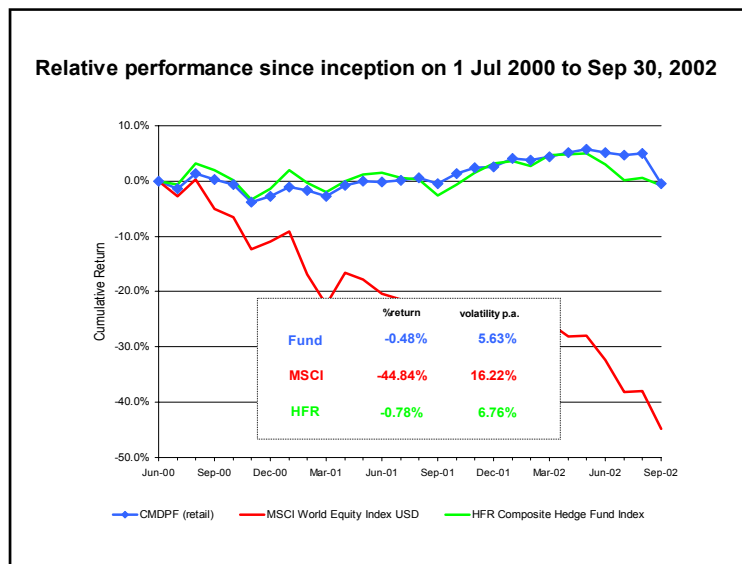
Unit price 30/09/02	AUD 95.3 cents
- High - last 12 months	AUD 102.0 cents
- Low - last 12 months	AUD 95.3 cents
Latest distribution 03/02	AUD 1.30 cents
Total distribution for tax year	AUD 0.00 cents

Statistical data

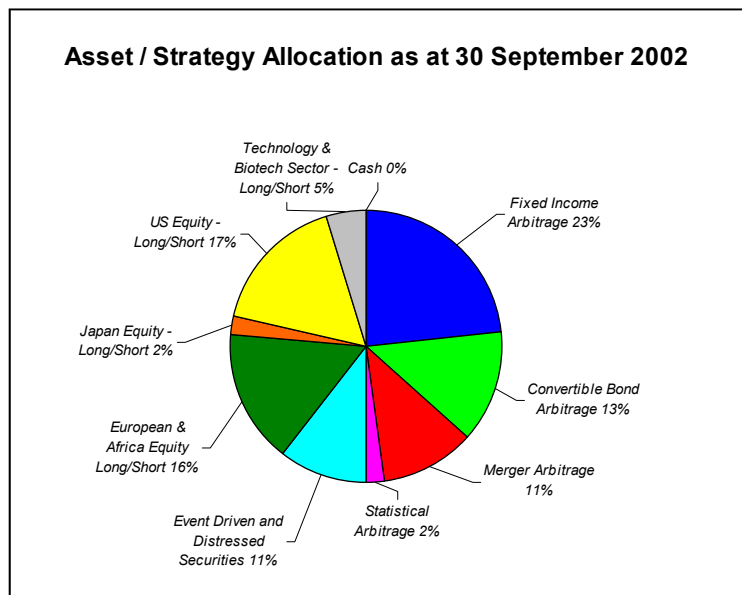
Since inception	<u>Fund</u>	<u>MSCI*</u>
Total return	-0.5%	-44.3%
Risk - annualised volatility	5.6%	16.2%
Sharpe Ratio	-1.5	-3.2
Beta	0.2	1.0

* MSCI World Equity Index in USD with income reinvested

Performance



Portfolio Structure



Hedge Funds

Largest 5 investments	
Basis Capital (Fixed income arbitrage)	8.4%
Alexandra Global (Convertible arbitrage)	8.1%
Paulson Partners (Merger arbitrage)	6.2%
Zulauf Europe Fund (European Long-Short)	6.1%
Aristeia International (Convertible arbitrage)	6.1%

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%	-.60%	.30%	-5.1%				-3.0%
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%