

Dear Investor

The Coastal Magnum Diversified Performance Fund gained 4.5% over the three months ending December 31st, 2002, finishing the quarter with a unit price of 0.998. The Fund's return relative to the major indices is shown below:

Comparison of performance over quarter ended December 31st, 2002

Fund	MSCI loc. curr	S&P	HFR	S&P ASX 200
+4.5%	+5.9%	+7.9%	+2.8%	+2.2%

World stock markets delivered mixed performance over the quarter, rising strongly in October and November, but declining sharply in December with fears of hostilities in the Gulf.

The Fund has now recovered much of the loss incurred in the third quarter and the overall result for the 2002 calendar year is a gain of +1.4% after fees. This result was achieved in a year that saw world stock markets (MSCI World index in local currencies) decline by 24.1% and the Australian market decline by 8.8%. The result also reflects the impact of the large abnormal loss we sustained on our investment in Bristol Fund in September.

Investors may recall that in conjunction with a number of other investors, we appointed a US law firm to investigate and report on what transpired at Bristol. The law firm has provided a partial report and has advised that there were irregularities at Bristol involving alleged misstated valuations and alleged unauthorised investments and that, as such, there are reasonable grounds to commence litigation against Bristol's management, its major shareholder and the fund's administrator citing possible fraud, possible misrepresentation and possible failure to exercise fiduciary responsibilities. We and the other investors in our group are yet to meet to discuss the law firm's findings - this is slated for late February and a decision whether or not to litigate will be made thereafter. Certainly, we are in favour. Meantime, the US SEC (Securities & Exchange Commission) has also launched an investigation into the alleged irregularities.

Over the quarter, all strategies performed well with long-short equities being the stand out performer, the more buoyant stock market conditions over the early part of the quarter clearly benefiting the strategy. Analysis for the full year reveals that the best performing strategies were European equities long-short (impact +1.9%) and convertible bond arbitrage (impact +1.7%) while the worst performers included fixed income arbitrage (reflecting the problems with the Bristol fund investment, impact -3.5%) and Technology and Biotech long-short (impact -0.9%).

At the present time, around 55% of the portfolio is invested in market neutral and relative value strategies with the balance (around 44%) in opportunistic long-short equity funds. We advise that as far as the Fund is concerned, 2003 has commenced on a pleasing note: the Fund has gained approximately 0.7% (estimate) in January.

As always, we thank you for investing with us.

Yours sincerely

COASTAL CAPITAL LIMITED

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COASTAL MAGNUM Diversified Performance Fund

Investments in Global hedge funds

ARSN: 092 397 987

Fund of hedge funds
Data as at the end of
December 2002

Fund portrait

The Fund invests primarily in hedge funds

- Criteria used for determining relative weightings of underlying funds include: the short-term outlook for the investment strategy used, expected risk and return profile, exposure to market direction and liquidity risk, redemption terms
- 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)
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

* under accelerated redemption arrangements that operate subject to our discretion

Current data

Unit price 31/12/02	AUD	99.8 cents
- High - last 12 months	AUD	101.6 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

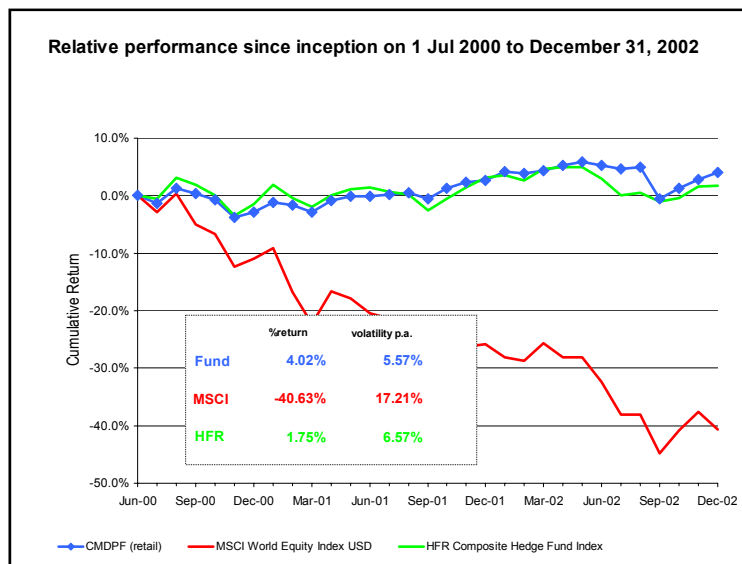
Since inception	<u>Fund</u>	<u>MSCI*</u>
Total return	+4.0%	-40.6%
Risk - annualised volatility	5.5%	17.2%
Sharpe Ratio	-0.9	-2.9
Beta	0.2	1.0

* MSCI World Equity Index in US\$ with income reinvested

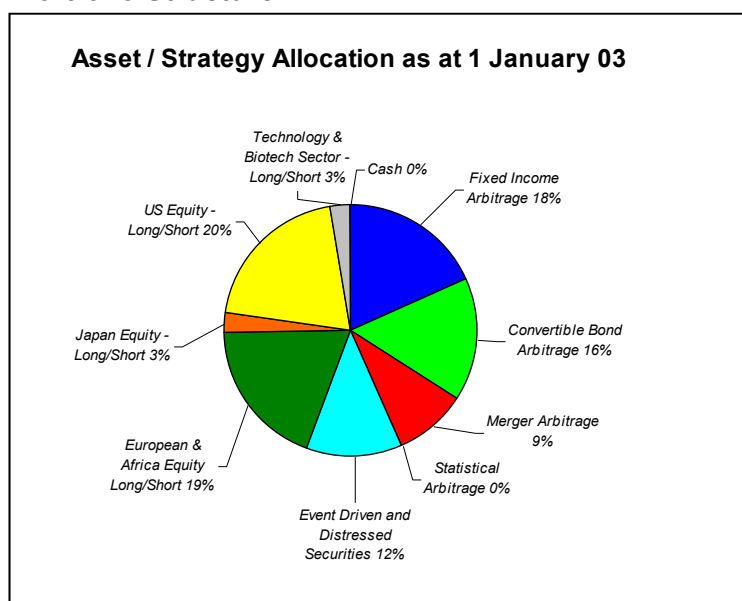
Monthly performance table

	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%	1.7%	1.6%	1.2%	+1.4%
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%

Performance



Portfolio Structure



Hedge Funds

Largest 5 investments as at 1 January 2003	
Alexandra Global (Convertible arbitrage)	8.8%
Zulauf Europe Fund (Long-short)	7.1%
Paulson Partners (Merger arbitrage)	6.8%
Aristeia International (Convertible arbitrage)	6.7%
South Africa Omni Fund (Long-short)	6.5%