

**Commonwealth International  
Series Trust**

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Houston, Texas 77057  
1-888-345-1898

**INVESTMENT ADVISOR**

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Houston, TX 77057  
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**DISTRIBUTOR**

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**CUSTODIAN BANK**

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Cincinnati, OH 45263

**INDEPENDENT AUDITORS**

Briggs, Bunting & Dougherty, LLP  
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**LEGAL COUNSEL**

Rabil & Ropka, LLC  
1010 Kings Highway, South  
Building Two, Suite B  
Cherry Hill, NJ 08034

**The Commonwealth International  
Series Trust  
Australia/New Zealand Fund  
Japan Fund**



**ANNUAL REPORT**

**October 31, 2001**



**COMMONWEALTH INTERNATIONAL SERIES TRUST**  
**COMMONWEALTH AUSTRALIA/NEW ZEALAND FUND (CNZLX)**  
**COMMONWEALTH JAPAN FUND (CNJFX)**

Dear Shareholder:

We are pleased to present this annual report on the Commonwealth International Series Trust's Funds for the fiscal year ended October 31, 2001. The Australia/New Zealand Fund's net asset value ("NAV") as of October 31, 2001 is US \$8.53 per share compared to US \$7.19 per share on October 31, 2000, an increase of 18.64 percent. The Japan Fund's net asset value ("NAV") on October 31, 2001 is US \$4.12 per share compared to US \$5.64 per share on October 31, 2000, a decrease of 26.95 percent.

**FUNDS' COMPARATIVE PERFORMANCE**

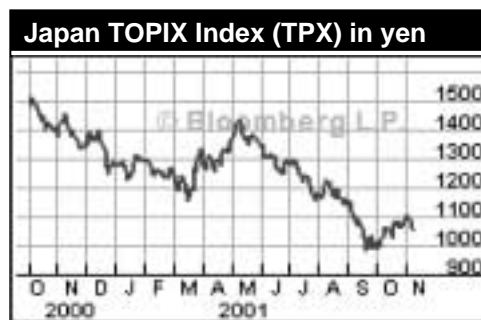
Each Fund's objective is to own a diversified portfolio of stocks of companies that provide current income through dividends and have potential for long-term capital appreciation. Our portfolios include securities traded in the local country as well as American Depository Receipts (ADRs) because they can provide an efficient currency exchange and liquidity management for a US dollar fund.

<i>COMMONWEALTH FUNDS</i>	<i>Oct 2000 – Oct 2001 Performance (%)</i>			
	<i>US \$ Change in Net Asset Value</i>	<i>Local Market Benchmark (US \$)</i>	<i>Local Currency vs. US \$</i>	<i>US \$ vs. Local Currency</i>
<b>Commonwealth Australia/New-Zealand (CNZLX)</b>	+18.64	+11.38	(NZ \$) +4.1	(US \$) -4.29
<b>Commonwealth Japan (CNJFX)</b>	-26.95	-23.23	(Yen) -12.9	(US \$) +11.10

The local market benchmark against which to compare the Japan Fund's performance is the TOPIX<sup>1</sup> that comprises all the stocks currently listed on the first section of the Tokyo Stock Exchange. For the Australia/New Zealand Fund, the market index used is the New Zealand Small Company Index (NZSCI)<sup>2</sup>. Starting October 31, 2001, a benchmark comprised of the Australia and the New Zealand indices will be used. In analyzing the funds' performance, the reader should remember an index does not reflect any cash positions, brokerage costs or administrative or management fees incurred by the Fund as well as the currency effects on performance. It is not an investment product available for purchase.

**ECONOMIC & MARKET OVERVIEW**

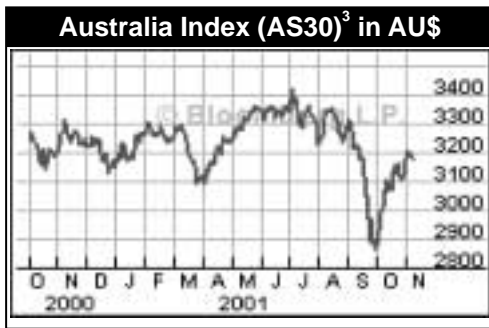
**Japan:** The Japanese economy, after an estimated growth of -0.8% in 2001 is forecast to grow by 0.2% in 2002, as rising inventory levels, a deteriorating labor market, weak consumer spending, and the effect of the structural reform take their toll on the economy. The stock market (TOPIX) was down in Japanese yen terms for the fiscal year ended October 2001 by 23.2%, driven mainly by a global economic slowdown, lower corporate earnings forecasts, and a lackluster performance of the technology and telecommunications sectors.



On the positive front, the market rallied in the middle of the year on the election of Junichiro Koizumi as Prime Minister. His proposed reforms include resolving the bad loans problem at most banks, cutting taxes, fiscal reforms, and increased economic and political deregulation, all of which could put Japan on a long term economic recovery path. The Japanese market trended down in the second half of the year and currently offers compelling valuations (relative to historical data) to long-term investors. Japan imports almost 100% of its oil. Lower prices will help manufacturers.

*Strategy:* The Fund significantly reduced its exposure to the telecommunications and technology stocks in the first quarter of 2001 and subsequently increased its weighting in the utilities sector and the more domestically oriented sector like rail transportation. This defensive stance has allowed the Fund to be less sensitive to the risk of a further correction in the Japanese market. We plan to keep our current strategy going into 2002, while reducing our cash position through selective buying.

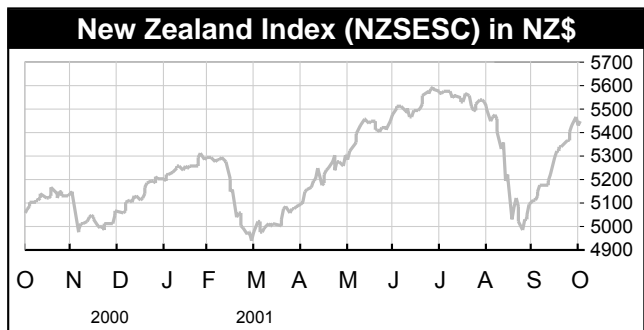
**Australia:** Although its economy is closely linked to that of the world, particularly to the US economy, Australia does not face a recession in 2002 as lower interest rates are providing a significant stimulus to the economy. The housing sector remains strong, while the construction cycle and building approvals are on an upswing. Interest rates have been lowered and more cuts are expected. The weaker currency against the US dollar (down 3.9% from October 31, 2000 to October 31, 2001) has helped keep exports strong, thus keeping the economy humming. After growing an estimated 2.3% this year, UBS Warburg forecasts the Australian economy to grow by 3% in 2002.



The market showed its resilience throughout the year by posting some positive gains until the September 11 terrorists' attack on the US which led to sharp corrections in world equities markets. The Fund has increased its weighting in Australia after the market correction while diversifying its allocation to the sectors (financial, beverages, paper & packaging and construction).

The market showed its resilience throughout the year by posting some positive gains until the September 11 terrorists' attack on the US which led to sharp corrections in world equities markets. The Fund has increased its weighting in Australia after the market correction while diversifying its allocation to the sectors (financial, beverages, paper & packaging and construction).

**New Zealand:** The country is "one of America's strongest allies in international trade, with direct investments of more than \$5 billion from the USA, and is positioned to become the springboard into the vast market opportunities of the East Asia/Western Pacific region" according to the New Zealand Free Trade Coalition. The New Zealand economy is doing better than most global economies. Growth is strong, business confidence is high, and commodity prices should remain high. The Balance of Payments has recovered from its negative position to a positive balance, lower interest rates, higher net exports and the currency are all working to stimulate the economy, thus boosting confidence in the equity market. Economic growth is estimated to be 2.6% for 2001 and forecast to be even stronger next year with a growth expectation of 3.7%. Strong growth bodes well for the equity market. Despite the impact of the attack on the World Trade Center, its current year performance remains positive. The fundamentals remain sound and should support a quick recovery of the equity market. If a country could be a stock, New Zealand would definitely be a value stock.



Despite the impact of the attack on the World Trade Center, its current year performance remains positive. The fundamentals remain sound and should support a quick recovery of the equity market. If a country could be a stock, New Zealand would definitely be a value stock.

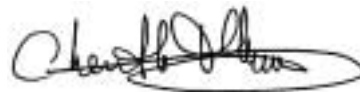
If you have any questions, please feel free to contact us. We thank you for your continued support.

Sincerely,



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Robert W. Scharar  
President and Portfolio Manager  
Commonwealth Funds



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Cheikh B. Mbaye  
Vice-President  
Commonwealth Funds

This report is intended for the fund's shareholders. It may not be distributed to prospective investors unless it is preceded or accompanied by the current fund prospectus.

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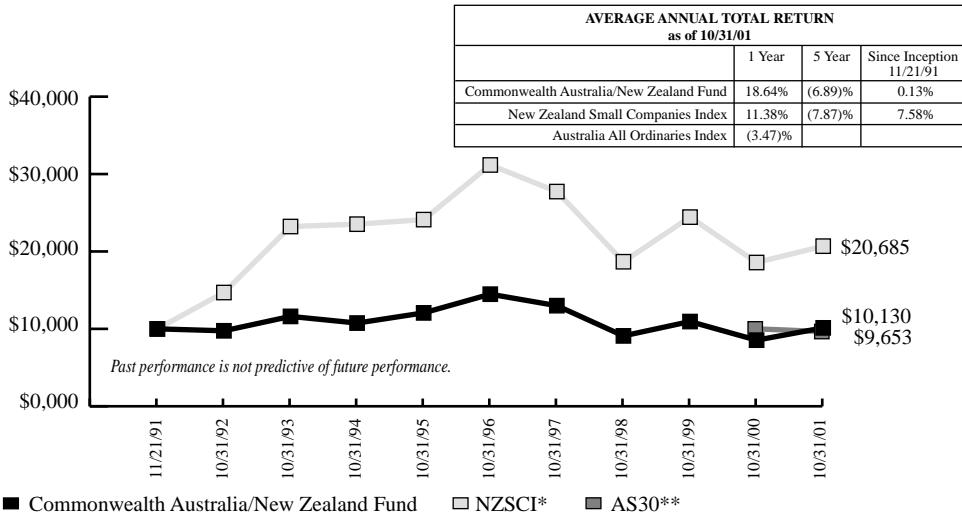
<sup>1</sup> TOPIX is an unmanaged index including all the stocks currently listed in the Tokyo Stock Exchange First Section (over 90% of all equity securities traded on the Tokyo Stock Exchange) weighted by market capitalization. Index returns are calculated monthly and assume reinvestment of dividends. Unlike Fund returns, TOPIX returns do not reflect deduction of any fees or expenses.

<sup>2</sup> The New Zealand Small Companies Index is a capitalization-weighted index of all domestic stocks traded on the New Zealand Stock Exchange excluding those on the New Zealand Stock Exchange 40 Index.

<sup>3</sup> The Australian All Ordinaries Index is a capitalization-weighted index comprised of the largest 500 companies as measured by market capitalization that are listed on the Australian Stock Exchange and is not an investment vehicle available for purchase.

Advised by: FCA Corp  
5847 San Felipe #850, Houston, TX 77057  
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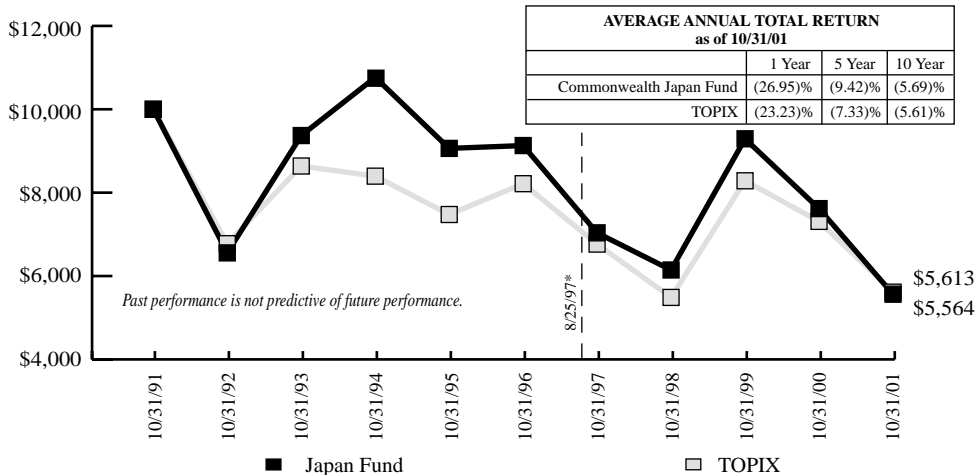
### Comparison of Change in Value of a \$10,000 Investment in Commonwealth Australia/New Zealand Fund and the NZSCI, AS30 Indices



\*New Zealand Small Companies Index is a capitalization-weighted index of all New Zealand equities excluding those on the New Zealand Stock Exchange 40 Index and is not an investment product available for purchase.

\*\*The Australian All Ordinaries Index is a capitalization-weighted index comprised of the largest 500 companies as measured by market capitalization that are listed on the Australian Stock Exchange and is not an investment product available for purchase. This index is made part of the comparative analysis due to a change in investment objective by the Fund.

### Comparison of Change in Value of a \$10,000 Investment in Commonwealth Japan Fund†, and the TOPIX



The Fund's performance assumes the reinvestment of all income dividends and capital gains distributions.

†The date FCA took over as advisor.

The TOPIX, also known as the Tokyo Price Index, is a capitalization-weighted index of all the companies listed on the First Section of the Tokyo Stock Exchange and is not an investment vehicle available for purchase.

**COMMONWEALTH INTERNATIONAL SERIES TRUST  
COMMONWEALTH AUSTRALIA/NEW ZEALAND FUND**

**SCHEDULE OF INVESTMENTS - October 31, 2001**

	<u>Shares</u>	<u>Value</u>
<b>COMMON STOCK (83.94%)</b>		
<i><b>AGRICULTURE (13.66%)</b></i>		
Williams & Kettle, Ltd. ....	333,100	\$ 536,393
Wrightson, Ltd. ....	178,000	<u>83,051</u>
		<u>619,444</u>
<i><b>AIRPORT DEVELOPMENT (2.14%)</b></i>		
Auckland International Airport, Ltd. ....	70,000	<u>97,114</u>
<i><b>APPLIANCES (8.39%)</b></i>		
Fisher & Pakel ....	58,030	341,438
Scott Technology ....	79,997	<u>38,976</u>
		<u>380,414</u>
<i><b>BANKS (4.91%)</b></i>		
Australia and New Zealand Banking Group, Ltd. ....	1,500	67,050
Bank of Queensland, Ltd. ....	10,345	31,852
Commonwealth Bank of Australia ....	2,000	30,073
Westpack Trust ....	13,889	<u>93,534</u>
		<u>222,509</u>
<i><b>BEVERAGES (1.02%)</b></i>		
BRL Hardy, Ltd. ....	8,510	<u>46,174</u>
<i><b>CHEMICALS (0.69%)</b></i>		
Nuplex Industries, Ltd. ....	27,000	<u>31,215</u>
<i><b>CONTAINERS (0.73%)</b></i>		
Amcor, Ltd. ....	10,000	<u>33,253</u>

**The accompanying notes are an integral part of the financial statements.**

**COMMONWEALTH INTERNATIONAL SERIES TRUST  
COMMONWEALTH AUSTRALIA/NEW ZEALAND FUND**

**SCHEDULE OF INVESTMENTS - October 31, 2001**

	<u>Shares</u>	<u>Value</u>
<b><i>COMMERCIAL SERVICES (5.10%)</i></b>		
Hallenstein Glasson .....	50,000	\$ 56,361
Leighton Holdings .....	6,000	29,942
Perpetual Trustees .....	2,100	40,297
Tower, Ltd. — Australia .....	24,575	51,709
Tower, Ltd. — New Zealand .....	25,000	52,748
		<u>231,057</u>
<b><i>DIVERSIFIED FINANCIAL SERVICES (3.86%)</i></b>		
Hellaby Holdings .....	116,640	103,545
Lion Nathan, Ltd. ....	33,000	71,535
		<u>175,080</u>
<b><i>FOREST AND PAPER (1.56%)</i></b>		
Carter Holt Harvey .....	120,000	70,853
<b><i>INSURANCE (1.38%)</i></b>		
AMP, Ltd. ....	4,000	36,432
AXA Asia Pacific Holdings, Ltd. ....	25,000	26,115
		<u>62,547</u>
<b><i>INVESTMENT COMPANIES (4.39%)</i></b>		
Infratil, Ltd. ....	277,729	191,506
Infratil, Ltd. Warrants* .....	55,972	7,395
		<u>198,901</u>
<b><i>MANAGED CARE SERVICES (0.90%)</i></b>		
Ryman HealthCare .....	50,000	40,877
<b><i>MANUFACTURING (0.53%)</i></b>		
Brickworks, Ltd. ....	8,000	24,180

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**COMMONWEALTH INTERNATIONAL SERIES TRUST  
COMMONWEALTH AUSTRALIA/NEW ZEALAND FUND**

**SCHEDULE OF INVESTMENTS - October 31, 2001**

	<u>Shares</u>	<u>Value</u>
<b><i>MINING (1.01%)</i></b>		
BHP Billiton, Ltd. ....	5,000	\$ <u>45,700</u>
<b><i>OFFICE EQUIPMENT (0.91%)</i></b>		
Corporate Express Australia .....	16,400	<u>41,054</u>
<b><i>OIL &amp; GAS (1.99%)</i></b>		
New Zealand Refining .....	13,647	<u>89,876</u>
<b><i>PUBLISHING (1.94%)</i></b>		
Independent News, Ltd. ....	60,000	<u>87,947</u>
<b><i>RETAIL STORES (1.61%)</i></b>		
Arthur Barnett, Ltd.* .....	210,300	<u>72,939</u>
<b><i>STEEL (0.44%)</i></b>		
Steel and Tube Holding .....	20,000	<u>19,737</u>
<b><i>TELECOMMUNICATIONS (3.04%)</i></b>		
Amp, Ltd. ....	5,000	44,696
Colonial First State .....	38,307	16,717
Telecom Corp. of New Zealand .....	40,000	<u>76,469</u>
		<u>137,882</u>
<b><i>TRANSPORTATION (4.77%)</i></b>		
Mainfreight, Ltd. ....	241,250	134,476
Toll Holdings, Ltd. ....	6,000	<u>81,801</u>
		<u>216,277</u>
<b><i>TRAVEL SERVICES (1.04%)</i></b>		
Tourism Holdings .....	97,499	<u>47,101</u>

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**COMMONWEALTH INTERNATIONAL SERIES TRUST  
COMMONWEALTH AUSTRALIA/NEW ZEALAND FUND**

**SCHEDULE OF INVESTMENTS - October 31, 2001**

	<u>Shares</u>	<u>Value</u>
<b>UTILITIES (1.41%)</b>		
Australian Gas & Light Co. ....	5,000	\$ 22,404
United Networks, Ltd. ....	12,000	<u>41,670</u>
		<u>64,074</u>
 <b>WAREHOUSE INDUSTRIES (13.73%)</b>		
Lyttleton Port Co. ....	276,250	188,205
Northland Port Co. ....	302,300	249,638
South Port, Ltd. ....	336,500	<u>184,791</u>
		<u>622,634</u>
 <b>WASTE MANAGEMENT (2.79%)</b>		
Waste Management, Ltd. ....	122,154	<u>126,598</u>
<b>TOTAL COMMON STOCK (Cost \$4,522,734) .....</b>		<u>3,805,437</u>
 <b>BONDS (6.43%)</b>		
	<u>Principal</u>	
Evergreen Forests, Ltd., zero coupon, due 03/19/2009 .....	45,000	20,067
Infratil, Ltd., 6.90%, due 03/31/2004 .....	55,972	30,485
Kiwi Income Property Trust, 9.00%, due 09/30/2003 .....	240,000	116,933
State Bank of South Australia, 9.00%, due 07/30/2002 .....	94,000	39,921
New Zealand Government, 10% due 03/15/2002 .....	200,000	<u>84,134</u>
<b>TOTAL BONDS (Cost \$357,504) .....</b>		<u>291,540</u>

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**COMMONWEALTH INTERNATIONAL SERIES TRUST  
COMMONWEALTH AUSTRALIA/NEW ZEALAND FUND**

**SCHEDULE OF INVESTMENTS - October 31, 2001**

	<u>Principal</u>	<u>Value</u>
<b>MISCELLANEOUS ASSETS (3.87%)</b>		
iShares MSCI Australia Index Fund (Cost \$186,843) . . . . .	20,000	\$ <u>175,600</u>
<b>REPURCHASE AGREEMENT (16.87%)</b>		
Fifth Third Bank, 1.96%, dated 10/31/01, due 11/01/01, repurchase price \$764,898 (collateralized by FNMB Pool #505091, 8.50%, due 11/01/27, market value \$787,802) (Cost \$764,856) . . . .	764,856	<u>764,856</u>
<b>TOTAL INVESTMENTS (Cost \$5,831,937) (111.11%) . .</b>		5,037,433
<b>OTHER ASSETS &amp; LIABILITIES, NET (-11.11%) . . .</b>		<u>(503,773)</u>
<b>NET ASSETS — (100%) . . . . .</b>		<u>\$4,533,660</u>

\*Non-income producing investment

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**COMMONWEALTH INTERNATIONAL SERIES TRUST  
COMMONWEALTH JAPAN FUND**

**SCHEDULE OF INVESTMENTS - October 31, 2001**

	<u>Shares</u>	<u>Value</u>
<b>COMMON STOCK (90.84%)</b>		
<i><b>AIRLINES (1.01%)</b></i>		
All Nippon Airways Co., Ltd.* .....	10,000	\$ 26,470
Japan Airlines Co., Ltd. ....	1,600	<u>7,872</u>
		<u>34,342</u>
<i><b>AUTOMOBILE MANUFACTURERS (2.85%)</b></i>		
Honda Motor Co., Ltd.# .....	600	43,560
Nissan Motor Co., Ltd. ....	3,200	28,960
Toyota Motor Corp. ....	500	<u>24,600</u>
		<u>97,120</u>
<i><b>BUILDING (1.13%)</b></i>		
Nishimatsu Construction Co., Ltd. ....	10,000	<u>38,642</u>
<i><b>BUILDING PRODUCTS (1.34%)</b></i>		
Sanyo Industries, Ltd. ....	16,000	<u>45,750</u>
<i><b>CHEMICALS (1.11%)</b></i>		
Showa Denko KK* .....	32,000	<u>37,646</u>
<i><b>ELECTRONICS &amp; ELECTRICAL EQUIPMENT (7.21%)</b></i>		
Canon, Inc. ....	2,000	58,540
Sony Corp. ....	2,000	76,400
Yokogawa Electric Corp. ....	15,000	<u>110,902</u>
		<u>245,842</u>
<i><b>FINANCIAL SERVICES (1.16%)</b></i>		
Nomura Holdings, Inc. ....	3,000	<u>39,459</u>

**The accompanying notes are an integral part of the financial statements.**

**COMMONWEALTH INTERNATIONAL SERIES TRUST  
COMMONWEALTH JAPAN FUND**

**SCHEDULE OF INVESTMENTS - October 31, 2001**

	<u>Shares</u>	<u>Value</u>
<b><i>FOOD &amp; BEVERAGE (6.01%)</i></b>		
Ajinomoto Co., Inc. ....	1,200	\$ 129,897
QP Corp. ....	8,000	<u>74,899</u>
		<u>204,796</u>
<b><i>INDUSTRIAL (3.71%)</i></b>		
Ishikawajima-Harima Heavy Industries Co., Ltd. ....	25,000	46,158
Meidensha Corp.* ....	38,000	<u>80,405</u>
		<u>126,563</u>
<b><i>INSURANCE (3.11%)</i></b>		
AFLAC, Inc.# ....	1,900	46,474
Nissan Fire & Marine Insurance Co., Ltd. ....	7,000	34,884
Tokio Marine & Fire Insurance Co., Ltd. ....	600	<u>24,692</u>
		<u>106,050</u>
<b><i>INTERNET SERVICES &amp; SOFTWARE (0.75%)</i></b>		
Softbank Corp. ....	1,200	<u>25,685</u>
<b><i>METALS (2.24%)</i></b>		
NKK Corp.* ....	120,000	<u>76,468</u>
<b><i>PHARMACEUTICALS (15.05%)</i></b>		
Banyu Pharmaceutical Co., Ltd.* ....	300	116,662
Eisai Co., Ltd. ....	7,400	189,224
Hokuriku Seiyaku ....	6,000	110,045
Takeda Chemical Industries, Ltd. ....	2,000	<u>96,891</u>
		<u>512,822</u>
<b><i>REAL ESTATE (4.59%)</i></b>		
Sumitomo Realty & Development ....	23,000	<u>156,334</u>
<b><i>STEEL (2.48%)</i></b>		
Nippon Steel Corp. ....	63,000	<u>84,408</u>

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**COMMONWEALTH INTERNATIONAL SERIES TRUST  
COMMONWEALTH JAPAN FUND**

**SCHEDULE OF INVESTMENTS - October 31, 2001**

	<u>Shares</u>	<u>Value</u>
<b><i>TELECOMMUNICATIONS (2.00%)</i></b>		
NTT Docomo, Inc. ....	5	\$ 67,808
<b><i>TEXTILE PRODUCTS (3.28%)</i></b>		
Ichikawa Co., Ltd. ....	25,000	60,251
Nippon Felt Company, Ltd. ....	16,000	<u>51,632</u>
		111,883
<b><i>TIRE AND RUBBER (2.96%)</i></b>		
Bridgestone Corp. ....	550	51,853
Sumitomo Rubber Industries ....	10,000	<u>48,854</u>
		<u>100,707</u>
<b><i>TRANSPORT SERVICES (2.75%)</i></b>		
Yamato Transport Co., Ltd. ....	5,000	<u>93,746</u>
<b><i>TRANSPORTATION (8.38%)</i></b>		
Hankyu Corp. ....	22,000	72,432
Keihin Electric Express Railway ....	13,000	55,439
Keio Electric Railway Co., Ltd. ....	18,000	103,819
Tobu Railway Co., Ltd. ....	18,000	<u>53,821</u>
		<u>285,511</u>
<b><i>UTILITIES (17.72%)</i></b>		
Chugoku Electric Power Co., Inc. ....	5,000	81,696
Hokkaido Electric Power ....	6,000	87,251
Shikoku Electric Power Co., Inc. ....	1,900	32,053
Toho Gas Co., Ltd. ....	70,000	182,427
Tohoku Electric Power ....	9,700	170,773
Tokyo Electric Power Co. ....	2,000	<u>49,671</u>
		<u>603,871</u>
<b>TOTAL COMMON STOCK (Cost \$3,136,134) .....</b>		<u>3,095,453</u>

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**COMMONWEALTH INTERNATIONAL SERIES TRUST  
COMMONWEALTH JAPAN FUND**

**SCHEDULE OF INVESTMENTS - October 31, 2001**

	<u>Shares</u>	<u>Value</u>
<b>MISCELLANEOUS ASSETS (10.17%)</b>		
iShares MSCI Japan Index Fund . . . . .	12,000	\$ 100,680
Japan OTC Equity Fund, Inc.* . . . . .	25,000	148,500
Nikkei 225 Index Tokyo Stock Exchange* . . . . .	10,000	<u>97,400</u>
(Cost \$406,256) . . . . .		<u>346,580</u>
	<u>Principal</u>	
<b>REPURCHASE AGREEMENT (1.84%)</b>		
Fifth Third Bank, 1.96%, dated 10/31/01, due 11/01/01, repurchase price \$62,593 (collateralized by FGLMC Pool #D57399, 6.00%, due 08/01/24, market value \$64,468) (Cost \$62,590) . . . . .	62,590	<u>62,590</u>
<b>TOTAL INVESTMENTS (Cost \$3,604,980) (102.85%) . .</b>		3,504,623
<b>OTHER ASSETS &amp; LIABILITIES, NET (-2.85%) . . . .</b>		<u>(96,953)</u>
<b>NET ASSETS — (100%) . . . . .</b>		<u><u>\$3,407,670</u></u>

# Call options have been written by the Fund against these positions. (Note 7)

\*Non-income producing investment.

**The accompanying notes are an integral part of the financial statements.**

# COMMONWEALTH INTERNATIONAL SERIES TRUST

## STATEMENTS OF ASSETS AND LIABILITIES - October 31, 2001

	Commonwealth Australia/New Zealand Fund	Commonwealth Japan Fund
<b>ASSETS:</b>		
Investments, at market (identified cost \$5,831,937 and \$3,604,980, respectively) .....	\$5,037,433	\$3,504,623
Foreign currency, at value (identified cost \$168,673 and \$0, respectively) .....	167,892	—
Receivables:		
Dividends and interest .....	25,128	8,883
Investments sold .....	21,398	2,237
Fund shares sold .....	1,807	40
Prepaid expenses .....	<u>30,747</u>	<u>25,364</u>
Total assets .....	<u>5,284,405</u>	<u>3,541,147</u>
<b>LIABILITIES:</b>		
Payables:		
Investments purchased .....	723,092	101,796
Accrued distribution fees .....	4,787	4,705
Due to advisor .....	2,675	2,316
Accrued expenses .....	20,191	19,903
Covered call options written, at value (premiums received \$0 and \$5,082, respectively) (Note 7) .....	—	<u>4,757</u>
Total liabilities .....	<u>750,745</u>	<u>133,477</u>
<b>NET ASSETS</b> .....	<u>\$4,533,660</u>	<u>\$3,407,670</u>
<b>NET ASSET VALUE, OFFERING AND REDEMPTION PRICE PER SHARE</b>		
(531,481 and 826,543 shares of beneficial interest outstanding, respectively) .....	<u>\$ 8.53</u>	<u>\$ 4.12</u>
<b>SOURCE OF NET ASSETS:</b>		
Paid-in capital .....	5,727,811	5,926,953
Accumulated net realized loss on investments .....	(390,400)	(2,418,881)
Net unrealized depreciation on investments and foreign currency ..	<u>(803,751)</u>	<u>(100,402)</u>
	<u>\$4,533,660</u>	<u>\$3,407,670</u>

**The accompanying notes are an integral part of the financial statements.**

# COMMONWEALTH INTERNATIONAL SERIES TRUST

## STATEMENTS OF OPERATIONS For the Period Ended October 31, 2001

	Commonwealth Australia/New Zealand Fund	Commonwealth Japan Fund
<b>INVESTMENT INCOME:</b>		
Interest .....	\$ 22,781	\$ 13,939
Dividends (net of foreign taxes withheld of \$34,367 and \$6,212, respectively) .....	178,541	45,838
Total investment income .....	201,322	59,777
<b>EXPENSES:</b>		
Investment advisory fees .....	27,117	28,128
Administration fees .....	64,343	65,161
Custodian fees .....	19,136	10,034
Distribution fees .....	9,039	9,376
Insurance .....	6,783	6,839
Trustee expense .....	7,036	5,004
Audit fees .....	10,895	11,454
Legal fees .....	28,654	30,915
Registration fees .....	12,454	19,363
Reports to shareholders .....	5,601	8,501
Miscellaneous expense .....	16,729	13,811
Total expenses .....	207,787	208,586
Net investment loss .....	(6,465)	(148,809)
<b>REALIZED AND UNREALIZED GAIN (LOSS) ON INVESTMENTS:</b>		
Net realized gain (loss) on:		
Investments .....	34,097	(189,731)
Option contracts written .....	—	3,015
Foreign currency transactions .....	(351,093)	(57,808)
Net unrealized appreciation (depreciation) during the year on investments and foreign currency .....	863,304	(670,375)
	546,308	(914,899)
Net increase (decrease) in net assets resulting from operations .....	\$ 539,843	\$(1,063,708)

**The accompanying notes are an integral part of the financial statements.**

# COMMONWEALTH INTERNATIONAL SERIES TRUST

## STATEMENTS OF CHANGES IN NET ASSETS

	<b>Commonwealth Australia/New Zealand Fund</b>	
	<b>For the Year Ended October 31, 2001</b>	<b>For the Year Ended October 31, 2000</b>
<b>OPERATIONS:</b>		
Net investment gain (loss) .....	\$ (6,465)	\$ 14,931
Net realized gain (loss) on:		
Investments .....	34,097	171,009
Foreign currency transactions .....	(351,093)	(41,018)
Net unrealized appreciation (depreciation) during the year on investments and foreign currency .....	863,304	(933,335)
Net increase (decrease) in net assets resulting from operations ...	539,843	(788,413)
<b>DISTRIBUTIONS TO SHAREHOLDERS FROM:</b>		
Net investment income .....	—	(28,321)
<b>CAPITAL SHARE TRANSACTIONS:</b>		
Increase (decrease) in net assets from Fund share transactions ...	508,663	(47,512)
Increase (decrease) in net assets .....	1,048,506	(864,246)
<b>NET ASSETS:</b>		
Beginning of year .....	3,485,154	4,349,400
End of year .....	\$ 4,533,660	\$3,485,154
	<b>Commonwealth Japan Fund</b>	
	<b>For the Year Ended October 31, 2001</b>	<b>For the Year Ended October 31, 2000</b>
<b>OPERATIONS:</b>		
Net investment loss .....	\$ (148,809)	\$ (159,309)
Net realized gain (loss) on:		
Investments .....	(186,716)	201,354
Foreign currency transactions .....	(57,808)	(2,669)
Net unrealized depreciation during the year on investments and foreign currency .....	(670,375)	(936,291)
Net decrease in net assets resulting from operations .....	(1,063,708)	(896,915)
<b>CAPITAL SHARE TRANSACTIONS:</b>		
Increase (decrease) in net assets from Fund share transactions ...	(1,811,011)	1,874,617
Increase (decrease) in net assets .....	(2,874,719)	977,702
<b>NET ASSETS:</b>		
Beginning of year .....	6,282,389	5,304,687
End of year .....	\$ 3,407,670	\$6,282,389

**The accompanying notes are an integral part of the financial statements.**

# COMMONWEALTH INTERNATIONAL SERIES TRUST

## FINANCIAL HIGHLIGHTS

The following tables set forth the per share operating performance data for a share of capital stock outstanding, total return ratios to average net assets and other supplemental data for each year indicated.

	Commonwealth Australia/New Zealand Fund				
	Years Ended October 31,				
	<u>2001</u>	<u>2000</u>	<u>1999</u>	<u>1998</u>	<u>1997</u>
<b>Net Asset Value, Beginning of Period</b> . . . . .	\$ <u>7.19</u>	\$ <u>9.27</u>	\$ <u>7.73</u>	\$ <u>11.25</u>	\$ <u>12.73</u>
<b>Investment Operations:</b>					
Net investment income . . . . .	—	0.03	0.13	0.14	0.24
Net realized and unrealized gain (loss) on investments . . . . .	<u>1.34</u>	<u>(2.05)</u>	<u>1.44</u>	<u>(3.46)</u>	<u>(1.55)</u>
Total from investment operations . . . . .	<u>1.34</u>	<u>(2.02)</u>	<u>1.57</u>	<u>(3.32)</u>	<u>(1.31)</u>
<b>Distributions from:</b>					
Net investment income . . . . .	—	<u>(0.06)</u>	<u>(0.03)</u>	<u>(0.20)</u>	<u>(0.17)</u>
<b>Net Asset Value, End of Period</b> . . . . .	\$ <u>8.53</u>	\$ <u>7.19</u>	\$ <u>9.27</u>	\$ <u>7.73</u>	\$ <u>11.25</u>
<b>Total Return</b> . . . . .	18.64%	(21.98)%	20.38%	(29.88)%	(10.46)%
<b>Ratios/Supplemental Data</b>					
Net assets, end of period (in 000's) . . . . .	\$4,534	\$3,485	\$4,349	\$4,494	\$6,844
Ratio of expenses to average net assets before reimbursements and waivers of expenses . . . . .	5.74%	4.75%	4.14%	4.37%	2.89%
after reimbursements and waivers of expenses . . . . .	5.74%	4.75%	4.14%	4.37%	2.50%
Ratio of net investment income (loss) before reimbursements and waivers of expenses . . . . .	(0.18)%	0.39%	1.42%	1.51%	1.26%
after reimbursements and waivers of expenses . . . . .	(0.18)%	0.39%	1.42%	1.51%	1.65%
Portfolio turnover rate . . . . .	28%	15%	8%	25%	24%

**The accompanying notes are an integral part of the financial statements.**

## COMMONWEALTH INTERNATIONAL SERIES TRUST

### FINANCIAL HIGHLIGHTS (continued)

	Commonwealth Japan Fund				
	Years Ended October 31,				
	<u>2001</u>	<u>2000</u>	<u>1999</u>	<u>1998</u>	<u>1997</u>
<b>Net Asset Value, Beginning of Period</b> . . . . .	\$ 5.64	\$ 6.88	\$ 4.55	\$ 5.21	\$ 6.76
<b>Investment Operations:</b>					
Net investment income (loss) . . . . .	—	(0.14)	(0.21)	(0.07)	(0.28)
Net realized and unrealized gain (loss) on investments . . . . .	(1.52)	(1.10)	2.54	(0.59)	(1.27)
Total from investment operations . . . . .	(1.52)	(1.24)	2.33	(0.66)	(1.55)
<b>Distributions from:</b>					
Net investment income . . . . .	—	—	—	—	—
<b>Net Asset Value, End of Period</b> . . . . .	\$ 4.12	\$ 5.64	\$ 6.88	\$ 4.55	\$ 5.21
<b>Total Return</b> . . . . .	(26.95)%	(18.02)%	51.21%	(12.67)%	(22.93)%
<b>Ratios/Supplemental Data</b>					
Net assets, end of period (in 000's) . . . . .	\$3,408	\$6,282	\$5,305	\$2,604	\$1,902
Ratio of expenses to average net assets before reimbursements and waivers of expenses . . . . .	5.57%	3.84%	4.61%	6.32%	5.46%
after reimbursements and waivers of expenses . . . . .	5.57%	3.84%	4.61%	2.50%	4.55%
Ratio of net investment loss before reimbursements and waivers of expenses . . . . .	(3.97)%	(3.08)%	(3.94)%	(5.67)%	(4.78)%
after reimbursements and waivers of expenses . . . . .	(3.97)%	(3.08)%	(3.94)%	(1.87)%	(3.87)%
Portfolio turnover rate . . . . .	51%	14%	17%	35%	73%

**The accompanying notes are an integral part of the financial statements.**

# COMMONWEALTH INTERNATIONAL SERIES TRUST

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## NOTES TO FINANCIAL STATEMENTS - October 31, 2001

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### Note 1 - Organization

Commonwealth International Series Trust (the "Trust"), which changed its name from Capstone International Series Trust effective October 10, 2000, is registered under the Investment Company Act of 1940 (the "Act"), as a diversified open-end management investment company. The Trust currently consists of two diversified series: the Australia/New Zealand Fund, and the Japan Fund (each a "Fund" and collectively the "Funds").

### Note 2 - Investment Objectives

The Australia/New Zealand Fund's investment objective is to seek long-term capital appreciation and current income by investing in equity securities, debt securities, and securities convertible into common stock of Australia and New Zealand issuers.

The Japan Fund's investment objective is to seek long-term capital appreciation and income using a research oriented approach.

### Note 3 - Significant Accounting Policies

The following is a summary of significant accounting policies consistently followed by the Funds in the preparation of its financial statements.

**A) Valuation of Securities** - Portfolio securities which are traded on securities exchanges are valued at the last sales price on that exchange prior to the relevant closing or, if there is no recent last sales price available, at the last current bid quotation. A security which is listed or traded on more than one exchange is valued at the quotation on the exchange determined to be the primary market for such security. Fixed income securities are valued using market quotations or pricing services. In the absence of any applicable price, securities will be valued at a fair value as determined in good faith in accordance with procedures established by the Board of Trustees.

**B) Currency Translation** - For purposes of determining the Funds' net asset value, all assets and liabilities initially expressed in foreign currency values are converted into U.S. dollar values at the prevailing market rate at 14:00 GMT on each U.S. business day, as established by the Board of Trustees. The cost of securities is determined by using historical exchange rates. Income is translated at approximate rates prevailing when accrued. The Funds do not isolate that portion of gains and losses on investments which is due to changes in foreign exchange rates from that which is due to changes in the market prices of the investments. Such fluctuations are included with the net realized and unrealized gains and losses from investments.

# COMMONWEALTH INTERNATIONAL SERIES TRUST

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## NOTES TO FINANCIAL STATEMENTS - October 31, 2001 (continued)

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**C) Accounting for Investments** - Security transactions are accounted for on the trade date. Realized gains and losses on security transactions are based on the identified cost basis for both financial statement and Federal income tax purposes. Dividend income and distributions to shareholders are recorded on the ex-dividend date. Discounts and premiums on bonds purchased are amortized over the life of the bonds. Interest income and estimated expenses are accrued daily.

**D) Federal Income Taxes** - No provision has been made for Federal income taxes since it is the policy of the Funds to continue to comply with the special provisions of the Internal Revenue Code applicable to regulated investment companies and to distribute all of its taxable income and realized capital gains, to relieve it from all, or substantially all, such taxes.

At October 31, 2001, the Australia/New Zealand Fund had capital loss carryovers of \$341,541 of which \$73,404 expires in 2006, and \$268,137 expires in 2009. Under the United States-New Zealand tax treaty, New Zealand imposes a withholding tax on dividends (15%) and interest (10%) received by the Fund. There is currently no New Zealand tax on capital gains.

At October 31, 2001, the Japan Fund had capital loss carryovers of \$941,555 of which \$434,729 expires in 2005, \$244,983 expires in 2006 and \$261,843 expires in 2009. Under the United States-Japan tax treaty, Japan imposes a withholding tax of 15% on the dividends received by the Fund. There is currently no Japanese tax on capital gains.

**E) Distributions to Shareholders** - The Funds distribute net investment income, if any, and net realized gains (net of any capital loss carryovers) annually. Income and capital gain distributions are determined in accordance with income tax regulations which may differ from generally accepted accounting principles. These differences are primarily due to differing treatments for foreign currency transactions and capital loss carryovers.

**F) Option Accounting Principles** - When the Funds sell an option, an amount equal to the premium received by the Funds is recorded as a liability. The amount of the liability is marked-to-market to reflect the current market value of the options written. The current market value of a traded option is the last sale price and options not traded that day are valued at the prevailing quoted bid price. When an option expires on its stipulated expiration date or the Fund enters into a closing purchase transaction, the Funds realize a gain (or loss, if the cost of a closing purchase transaction exceeds the premium received when the option was sold) without regard to any unrealized gain or loss on the underlying security, and the liability related to such option is extinguished. If a call option is exercised, the premium is added to the proceeds from the sale of the underlying security in determining whether the Fund has a realized gain or loss.

# COMMONWEALTH INTERNATIONAL SERIES TRUST

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## NOTES TO FINANCIAL STATEMENTS - October 31, 2001 (continued)

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**G) Forward Currency Contracts** - Forward currency transactions are undertaken to hedge against possible variations in the foreign exchange rates between the United States Dollar and foreign currency. A forward currency contract is an agreement between two parties to buy or sell a currency at a set price on a future date. Forward contracts are marked-to-market daily and the change in the market value is recorded by the Fund as an unrealized gain or loss. When a contract is closed, the Fund records a realized gain or loss equal to the difference between the value of the contract at the time it was opened and the value at the time it was closed. The Funds could be exposed to risk if the counterparties are unable to meet the terms of the contracts or if the value of the currency changes unfavorably.

**H) Use of Estimates** - The preparation of the financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenue and expense during the reporting period. Actual results could differ from those estimates.

### **Note 4 - Investment Advisory Fees, Administrative Fees and Other Transactions with Affiliates**

The Funds retain FCA Corp, (“FCA”) as its Investment Adviser. Under the Investment Advisory Agreement (the “Agreement”), the Adviser is paid a monthly fee based on the average daily net assets at the annual rate of .75%.

The Trust on behalf of its series has contracted with Declaration Service Company, Inc. to perform specified administrative services for the Funds.

Declaration Service Company serves as the transfer agent of the Funds and received fees of \$20,000 from each fund during the year ended October 31, 2001.

Recently, InCap Group acquired Declaration Holdings Company, the parent organization of Declaration Service Company. InCap Group acquired substantially all the assets of the organization, including the investment service agreement between the Fund, the Adviser and Declaration Service Company. It is anticipated that the investment service contract will be assigned to InCap Service Company by the end of the calendar year. There will be no material changes to the existing contract.

Declaration Distributors, Inc. an affiliate of the transfer Agent serves as Distributor of the Fund’s shares.

Recently, InCap Group acquired Declaration Holdings Company, the parent organization of Declaration Distributors, Inc. InCap Group acquired all the assets and liabilities of the organization, including the distribution agreement between the Fund, the Adviser and Declaration Distributors, Inc. It is anticipated that the distribution agreement will be assigned to InCap Distributors, Inc. by the end of the calendar year. There will be no material changes to the existing contract.

The Funds have adopted a Service and Distribution Plan (the “Plan”) pursuant to Rule 12b-1 under the Act whereby Fund assets are used to reimburse the Distributor for costs and expenses incurred with the dis-

## COMMONWEALTH INTERNATIONAL SERIES TRUST

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### NOTES TO FINANCIAL STATEMENTS - October 31, 2001 (continued)

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tribution and marketing of shares of the Funds and servicing of Fund shareholders. Distribution and marketing expenses include, among other things, printing of prospectuses, advertising literature, and costs of personnel involved with the promotion and distribution of the Fund's shares. Under the Plan, the Fund pays the Distributor an amount computed at an annual rate of up to 0.25% of the Fund's average net assets (including reinvested dividends paid with respect to those assets). Of this amount, the Distributor may reallocate to securities dealers (which may include the Distributor itself) and other financial institutions and organizations (collectively, "Service Organizations") amounts based on the Fund's average net assets owned by stockholders for whom the Service Organizations have a servicing relationship. For the fiscal year ended October 31, 2001, the Australia/ New Zealand Fund and the Japan Fund incurred \$9,039, and \$9,376 in 12b-1 fees, respectively.

Certain officers and directors of the Funds who are also officers and directors of the Adviser, the Administrator, or Distributor, received no compensation from the Funds. During the year ended October 31, 2001, directors of the Funds who are not "interested persons" received directors' fees of \$17,850.

#### Note 5 - Capital Stock

At October 31, 2001 there were shares outstanding of 531,481 and 826,543, for the Australia/New Zealand Fund and the Japan Fund, respectively. Transactions in capital stock were as follows:

	Commonwealth Australia/New Zealand Fund			
	Year Ended October 31, 2001		Year Ended October 31, 2000	
	Shares	Dollars	Shares	Dollars
Shares sold . . . . .	1,355,594	\$ 11,109,247	1,478,298	\$ 12,366,414
Shares issued to shareholders in reinvestment of distributions . . . . .	—	—	2,026	20,460
Shares redeemed . . . . .	(1,308,684)	(10,600,584)	(1,464,735)	(12,434,386)
Net Increase (decrease) . . . . .	46,910	\$ (508,663)	15,589	\$ (47,512)

	Commonwealth Japan Fund			
	Year Ended October 31, 2001		Year Ended October 31, 2000	
	Shares	Dollars	Shares	Dollars
Shares sold . . . . .	4,869,720	\$ 23,418,590	2,645,177	\$ 16,708,846
Shares redeemed . . . . .	(5,156,579)	(25,229,601)	(2,303,022)	(14,834,229)
Net Increase (decrease) . . . . .	(286,859)	\$ (1,811,011)	342,155	\$ 1,874,617

## COMMONWEALTH INTERNATIONAL SERIES TRUST

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### NOTES TO FINANCIAL STATEMENTS - October 31, 2001 (continued)

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#### Note 6 - Purchases and Sales of Securities

Purchases and sales of investment securities (excluding short-term securities) by the Funds for the period from November 1, 2000 to October 31, 2001 were as follows:

	<u>Purchases</u>	<u>Sales</u>
Australia/New Zealand Fund . . . . .	\$1,813,191	\$ 965,105
Japan Fund . . . . .	1,791,916	1,778,026

For U.S. federal income tax purposes, the cost of securities owned, gross appreciation, gross depreciation and net unrealized appreciation/(depreciation) of investments at October 31, 2001 for each fund:

	<u>Cost</u>	<u>Gross Appreciation</u>	<u>Gross Depreciation</u>	<u>Net Appreciation/ Depreciation</u>
Australia/New Zealand Fund . . . . .	\$5,831,937	\$333,800	\$(1,128,304)	\$(794,504)
Japan Fund . . . . .	3,604,980	334,229	(434,586)	(100,357)

#### Note 7 - Options Written by the Japan Fund

A call option gives the holder the right to buy the underlying stock from the writer (the Fund) at a specified price within a fixed period of time. Therefore, the securities held by the Fund against which options are written may not be traded and are held in escrow by the custodian.

The following table sets forth the outstanding call options written by the Fund as of October 31, 2001.

<u>Call Options On</u>	<u>Premium Received</u>	<u>Market Value</u>	<u>Unrealized Depreciation</u>
600 shs Honda Motor Ltd. ADR@ 85 exp April 20, 2002 . . . . .	\$2,845	\$2,520	\$325
1900 shs AFLAC, Inc. ADR@ 30 exp May 18, 2002 . . . . .	<u>\$2,237</u>	<u>\$2,237</u>	<u>\$ 0</u>
	\$5,082	\$4,757	\$325

The aggregate market value at October 31, 2001 of securities subject to call options is \$90,034 or approximately 2.6% of net assets. Written option activity for the period ended October 31, 2001 was as follows:

	<u>Number of Options</u>	<u>Amount of Premium</u>
Options outstanding at October 31, 2000 . . . . .	6	\$ 3,085
Options written . . . . .	31	9,217
Options expired . . . . .	(6)	(4,135)
Options covered . . . . .	<u>(6)</u>	<u>(3,085)</u>
Options outstanding at October 31, 2001 . . . . .	<u>25</u>	<u>\$ 5,082</u>

**COMMONWEALTH INTERNATIONAL SERIES TRUST  
COMMONWEALTH AUSTRALIA/NEW ZEALAND FUND (CNZLX)  
COMMONWEALTH JAPAN FUND (CNJFX)**

**REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS**

**To the Shareholders and Board of Trustees of  
Commonwealth International Series Trust**

We have audited the accompanying statement of assets and liabilities of Commonwealth International Series Trust (comprising the Commonwealth Japan Fund and the Commonwealth Australia/ New Zealand Fund), including the schedules of investment, as of October 31, 2001, the related statements of operations for the year then ended, the statement of changes in net assets for each of the two years in the period then ended, and the financial highlights for each of the five years in the period then ended. These financial statements and financial highlights are the responsibility of the Trust's management. Our responsibility is to express an opinion on these financial statements and financial highlights based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements and financial highlights are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. Our procedures included confirmation of securities owned as of October 31, 2001, by correspondence with the custodian. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements and financial highlights referred to above present fairly, in all material respects, the financial position of the Commonwealth International Series Trust as of October 31, 2001, the results of their operations, for the year then ended, the changes in their net assets for each of the two years in the period then ended, and the financial highlights for each of the five years in the period then ended in conformity with accounting principles generally accepted in the United States.

**Philadelphia, Pennsylvania  
December 17, 2001**

**BRIGGS BUNTING & DOUGHERTY, LLP**