

# SMITH BARNEY INTERNATIONAL AGGRESSIVE GROWTH FUND

CLASSIC SERIES | ANNUAL REPORT | OCTOBER 31, 2001

 Smith Barney  
Mutual Funds

Your Serious Money. Professionally Managed.<sup>SM</sup>

NOT FDIC INSURED • NOT BANK GUARANTEED • MAY LOSE VALUE



**JAMES B. CONHEADY,  
JEFFREY J. RUSSELL,**  
PORTFOLIO MANAGERS

# SMITH BARNEY INTERNATIONAL AGGRESSIVE GROWTH FUND

## JEFFREY J. RUSSELL

Jeffrey J. Russell, CFA, has more than 20 years of securities business experience and has been co-managing the Fund since its inception.

Education: BS from the Massachusetts Institute of Technology, MBA from the University of Pennsylvania's Wharton School of Finance.

## JAMES B. CONHEADY

James B. Conheady has more than 40 years of securities business experience and has been managing the Fund since its inception.

Education: BSS from Georgetown University

## FUND OBJECTIVE

The Fund seeks total return on its assets from growth of capital and income. It aims to achieve this objective by investing principally in a portfolio of equity securities of established non-U.S. issuers.

## FUND FACTS

### FUND INCEPTION

February 21, 1995

### MANAGER TENURE

Since Inception

### MANAGER INVESTMENT INDUSTRY EXPERIENCE

20 Years (Jeffrey J. Russell)  
40 Years (James B. Conheady)

	CLASS 1	CLASS A	CLASS B	CLASS L
NASDAQ	CSQIX	CSQAX	CSQBX	N/A
INCEPTION	8/8/96	2/21/95	2/21/95	9/13/00

## Average Annual Total Returns as of October 31, 2001

	Without Sales Charges <sup>(1)</sup>			
	Class 1	Class A <sup>(2)</sup>	Class B <sup>(2)</sup>	Class L
One-Year	(51.20)%	(51.53)%	(51.88)%	(51.62)%
Five-Year	4.83	4.37	3.58	N/A
Since Inception†	5.25	8.51	7.71	(51.95)

	With Sales Charges <sup>(3)</sup>			
	Class 1	Class A <sup>(2)</sup>	Class B <sup>(2)</sup>	Class L
One-Year	(55.35)%	(53.95)%	(54.29)%	(52.58)%
Five-Year	2.99	3.31	3.41	N/A
Since Inception†	3.47	7.67	7.71	(52.38)

<sup>(1)</sup> Assumes reinvestment of all dividends and capital gain distributions, if any, at net asset value and does not reflect the deduction of all applicable sales charges with respect to Class 1, A and L shares or the applicable contingent deferred sales charges ("CDSC") with respect to Class B and L shares.

<sup>(2)</sup> For the purpose of calculating performance, the Fund's inception date is March 17, 1995 (date the Fund's investment strategy was implemented).

<sup>(3)</sup> Assumes reinvestment of all dividends and capital gain distributions, if any, at net asset value. In addition, Class 1, A and L shares reflect the deduction of the maximum sales charges of 8.50%, 5.00% and 1.00%, respectively; Class B shares reflect the deduction of a 5.00% CDSC, which applies if shares are redeemed within one year from initial purchase. Thereafter, this CDSC declines by 1.00% per year until no CDSC is incurred. Class L shares also reflect the deduction of a 1.00% CDSC, which applies if shares are redeemed within the first year of purchase.

**All figures represent past performance and are not a guarantee of future results.** Investment returns and principal value will fluctuate, and redemption value may be more or less than the original cost.

† Inception date for Class 1 shares is August 8, 1996. Inception date for Class A and B shares is February 21, 1995. Inception date for Class L shares is September 13, 2000.

## What's Inside

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Your Serious Money. Professionally Managed.<sup>SM</sup>

Investment Products: Not FDIC Insured • Not Bank Guaranteed • May Lose Value

# YOUR INVESTMENT IN THE SMITH BARNEY INTERNATIONAL AGGRESSIVE GROWTH FUND

Guided by seasoned portfolio managers Jeff Russell and James Conheady, the International Aggressive Growth Fund seeks total return on its assets from growth of capital and income.



## Overseas Companies Positioned for Rapid Growth

Messrs. Russell and Conheady use a rigorous process in carefully evaluating companies, seeking dynamic businesses that they believe show a potential for superior and sustainable revenue and earnings growth. They also look to own companies they deem to be strategically positioned to capitalize on the potential growth of the global economy.



## A Pure Investment in the Overseas Markets

Messrs. Russell and Conheady are firm believers that a world of opportunity exists beyond the United States. While most global mutual funds may allocate a substantial portion of assets to the U.S. markets, the Portfolio manager's invest most of the Fund's assets in countries other than the U.S.



## Portfolio Manager-Driven Funds — The Classic Series

The Classic Series is a selection of Smith Barney Mutual Funds that invest across asset classes and sectors, utilizing a range of strategies in order to achieve their objectives. The Classic Series Funds enable investors to participate in a mutual fund where investment decisions are determined by portfolio managers, based on each fund's investment objectives and guidelines.



## A Distinguished History of Managing Your Serious Money

Founded in 1873 and 1892, respectively, the firms of Charles D. Barney and Edward B. Smith were among the earliest providers of securities information, research and transactions. Merged in 1937, Smith Barney & Co. offered its clients a powerful, blue-chip investment capability able to provide timely information, advice and insightful asset management. Today, Citigroup Asset Management unites the distinguished history of Smith Barney with the unparalleled global reach of its parent, Citigroup.

At Citigroup Asset Management, you gain access to blue-chip management delivered professionally. We are proud to offer you, the serious investor, a variety of managed solutions.

## Dear Shareholder:

Enclosed herein is the annual report for the Smith Barney International Aggressive Growth Fund (“Fund”) for the year ended October 31, 2001. In this report, we summarize what we believe to be the period’s prevailing economic and market conditions and outline our investment strategy. A detailed summary of the Fund’s performance can be found in the appropriate sections that follow. We hope you find this report to be useful and informative.

## Performance Update

For the year ended October 31, 2001, the Fund’s Class A shares, without sales charges, returned negative 51.53%. In comparison, the Morgan Stanley Capital International Europe, Australia and Far East Index (“MSCI EAFE”)<sup>1</sup> returned negative 18.39% for the same period. Past performance is not indicative of future results.

## Investment Strategy

As international stock investors, we look for companies with the following qualities and characteristics: above-average earnings growth, high relative return on invested capital; experienced and effective management; effective research, product development and marketing; competitive advantages and strong financial condition or stable or improving credit quality.

We believe that, while a sector or region may have winners and losers, great companies stand out because of their market-place strategy, leadership and management.

## Market and Fund Overview

For the second consecutive fiscal year, a series of extraordinary events significantly influenced the Fund. In several key aspects, however, the year 2001 was a studied contrast to the trends that prevailed in the prior year:

- In 2001, the U.S. Federal Reserve Board (“Fed”) began a series of short-term interest rate cuts designed to reinvigorate the slowing U.S. economy. This brought inflation-adjusted short-term yields to historically low levels.
- The trading value of the new European currency, the euro, stabilized against the U.S. dollar in 2001, compared to sharp declines in 2000.
- Energy prices fell sharply toward the end of 2001—a welcome change from the price increases of 2000. Oil prices fell as expectations regarding the demand for global energy slid precipitously in the aftermath of the September 11th attacks and on news about weakening industrial production.
- Many international growth stocks<sup>2</sup> began to rally at the end of the period, after 18 months of outperformance by international value stocks.<sup>3</sup> We believe the sustainability of this trend will depend on the depth and duration of the global economic slowdown.
- The geographical composition of the Fund shifted during the period, primarily due to the outperformance of European stocks.

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<sup>1</sup> *The MSCI EAFE is an unmanaged index of common stocks of companies located in Europe, Australia, Asia and the Far East. Please note that an investor cannot invest directly in an index.*

<sup>2</sup> *Growth stocks are shares of companies believed to exhibit the potential for faster-than-average growth within their industries.*

<sup>3</sup> *Value stocks are shares that are considered to be inexpensive relative to their asset values or earning power.*

During the period, European equity markets declined as the recession in the U.S. affected Europe's export-oriented economies. In our view, the European Central Bank ("ECB") was slow to recognize and act on the growing risk of recession. Following the events of September 11th, however, the ECB reduced interest rates with far greater urgency.

The European equity markets are heavily weighted toward financial services stocks, especially banks and insurers. European banks have been aggressively acquiring investment banking businesses and those equities that suffered from the cyclical downturn of the financial markets. European insurance stocks also suffered from the decline in equities, which represent a far greater proportion of their assets compared to U.S. insurers. The liabilities stemming from the events of September 11th weighed on these insurance stocks as well.

Over the past five years, European investors have begun a significant reallocation of pension and personal portfolio assets away from fixed income securities and into equities. The bear market of the past 18 months resulted in the liquidation of equity mutual funds by many European investors, however, exacerbating the already volatile markets.

Several of the Fund's holdings in the telecommunications sector hurt the Fund's performance during the period due to concerns over indebtedness in the aftermath of the wireless license auctions. Some of these stocks recently regained favor, however, because their balance sheets may benefit from lower interest rates and their operations are focused regionally rather than on exports.

The Asian equity markets also suffered during the period. Many of these markets have a high representation of technology-related stocks, including those of key manufacturers and assemblers of components and semiconductors. As the global technology depression came into clear focus during the period, the Asian economies were subject to significant downgrades in earnings projections.

During the period, Japan elected a reform-minded Prime Minister with extraordinary popularity and a mandate for change. Yet the pace of change in Japan has been slow and the financial system continues to face pressure, weighed down by bad debts and a deflationary environment. Rising unemployment and a steady stream of bankruptcies underscore the fragility of Japan's domestic demand. The Fund's portfolio remains underweighted in Japan versus the MSCI EAFE Index.

The emerging markets were not exempt from the global economic downturn during the period. Falling commodity prices in many sectors put pressure on earnings in many emerging markets, which tend to be commodity-dependent export economies. Argentina's continued economic woes weighed heavily on the emerging markets fixed-income sector. The country's proposal to reschedule its debt payments has only increased investors' aversion. Because of these factors, we limited the Fund's emerging market investments during the period.

The Fund's top ten holdings, as of October 31, 2001, reflect an eclectic mix of investment themes. These holdings illustrate our growth-oriented stock selection criteria.

1. **Groupe Danone** of France produces global branded consumer products. The company's offerings include dairy products (Dannon yogurt), bottled water (Evian) and baked goods.
2. **Mettler-Toledo International Inc.** of Switzerland manufactures precision weighing and measurement instruments. A diverse customer base in the laboratory, retail and industrial sectors increasingly demands Mettler's highly sophisticated instruments and information management solutions.
3. **Tomra Systems ASA** of Norway manufactures reverse vending machinery for global beverage containers. The trend toward increased consumer deposit legislation, especially in Europe, has increased the demand for Tomra's products and materials-recycling processes.

4. **Elan Corp. PLC** of Ireland is a specialty pharmaceutical company with strengths in pharmaceutical discovery and drug-delivery technology. The company's substantial research and development pipeline is focused on multiple sclerosis, Crohn's disease and Alzheimer's disease.
5. **Serco Group PLC** of the United Kingdom is a leader in contract government outsourcing. Serco operates a diverse range of central government functions, including defense maintenance and training, transportation and logistics systems, and research facilities.
6. **Novo Nordisk A/S** of Denmark is the biggest European factor in diabetes care through the production of insulin and a range of application products. Novo also has an innovative therapeutic agent for treatment of selected blood disorders.
7. **MLP AG** of Germany is a full-service retail financial services organization offering professional high-income clients a diversity of investment products.
8. **William Demant AIS** of Denmark is a global leader in the digital hearing aid industry.
9. **Capita Group PLC** is a leader in business process outsourcing in the United Kingdom to the private sector and to local government institutions. The company provides a host of services, including customer service functions, human resources, training and software solutions.
10. **Celestica Inc.** of Canada provides contract electronic manufacturing services to original equipment manufacturers. Celestica manufactures, assembles and tests a host of products for prominent global electronic companies.

## Market and Fund Outlook

The past fiscal year has been marked by exceptional investment challenges from the slowing global economy, the terrorist attacks of September 11th, and sharp swings in investor sentiment. The events of September 11th in particular introduced significant new risks and uncertainties to an already-weakened global environment. The likely short and medium-term shifts in monetary and fiscal policies across the world have resulted in a profound shift in the range of risks facing investors today. The impact of the events of September 11th on Europe, in particular, will likely be small in our opinion as long as the war on terrorism does not spread. Japan will likely face further weakness as its already weak corporate balance sheets will be negatively impacted by the equity market sell-off.

Going forward, the outlook for the global economy is unclear. Until evidence of a recovery in corporate earnings becomes more compelling, we are likely to maintain our investment positioning for the Fund.

We expect the long-term asset allocation trend toward equities will continue, given the lower nominal yields now available from bonds. However, the bear market continues to test the resolve of European investors.

With the capital spending of multinationals clearly in decline, the overall prospect for technology spending at the close of the period is not bright. We believe this is likely to affect the Asian equity markets in particular because many of these markets have a high representation of technology-related stocks.

Because we feel the emerging markets will continue to be adversely affected by the global economic downturn, we do not anticipate increasing the Fund's allocation to this region in the near future.

Thank you for your investment in the Smith Barney International Aggressive Growth Fund. We look forward to continuing to help you pursue your financial goals in the future.

Sincerely,



Heath B. McLendon  
President



Jeffrey J. Russell  
Vice President



James B. Conheady  
Vice President

*November 27, 2001*

*The information provided in this commentary represents the opinion of the Fund's manager(s) and is not intended to be a forecast of future events, a guarantee of future results or investment advice. Further, there is no assurance that certain securities will remain in or out of the Fund's portfolio. Please refer to pages 9 through 11 for a list and percentage breakdown of the Fund's holdings. Also, please note any discussion of the Fund's holdings is as of October 31, 2001 and is subject to change.*

### Historical Performance — Class 1 Shares

Year Ended	Net Asset Value		Income Dividends	Capital Gain Distributions	Total Returns <sup>(1)</sup>
	Beginning of Year	End of Year			
10/31/01	\$42.17	\$20.58	\$0.00	\$0.00	(51.20)%
10/31/00	32.57	42.17	0.00	0.74	31.53
10/31/99	19.06	32.57	0.00	0.00	70.88
10/31/98	18.16	19.06	0.00	0.00	4.96
10/31/97	16.52	18.16	0.00	0.00	9.99
Inception* — 10/31/96	16.00	16.52	0.00	0.00	3.25†
<b>Total</b>			\$0.00	\$0.74	

### Historical Performance — Class A Shares

Year Ended	Net Asset Value		Income Dividends	Capital Gain Distributions	Total Returns <sup>(1)</sup>
	Beginning of Year	End of Year			
10/31/01	\$41.57	\$20.15	\$0.00	\$0.00	(51.53)%
10/31/00	32.24	41.57	0.00	0.74	31.00
10/31/99	18.94	32.24	0.00	0.00	70.22
10/31/98	18.14	18.94	0.00	0.00	4.41
10/31/97	16.54	18.14	0.00	0.00	9.74
10/31/96	13.86	16.54	0.00	0.00	19.34
Inception* — 10/31/95	11.81	13.86	0.00	0.00	16.28 <sup>(2)†</sup>
<b>Total</b>			\$0.00	\$0.74	

### Historical Performance — Class B Shares

Year Ended	Net Asset Value		Income Dividends	Capital Gain Distributions	Total Returns <sup>(1)</sup>
	Beginning of Year	End of Year			
10/31/01	\$39.86	\$19.18	\$0.00	\$0.00	(51.88)%
10/31/00	31.16	39.86	0.00	0.74	30.04
10/31/99	18.44	31.16	0.00	0.00	68.98
10/31/98	17.81	18.44	0.00	0.00	3.54
10/31/97	16.36	17.81	0.00	0.00	8.93
10/31/96	13.79	16.36	0.00	0.00	18.64
Inception* — 10/31/95	11.81	13.79	0.00	0.00	15.69 <sup>(2)†</sup>
<b>Total</b>			\$0.00	\$0.74	

## Historical Performance — Class L Shares

Year Ended	Net Asset Value		Income Dividends	Capital Gain Distributions	Total Returns <sup>(1)</sup>
	Beginning of Year	End of Year			
10/31/01	\$41.61	\$20.13	\$0.00	\$0.00	(51.62)%
Inception* — 10/31/00	46.13	41.61	0.00	0.00	(9.80)†
<b>Total</b>			\$0.00	\$0.00	

***It is the Fund's policy to distribute dividends and capital gains, if any, annually.***

## Average Annual Total Returns

	Without Sales Charges <sup>(1)</sup>			
	Class 1	Class A <sup>(2)</sup>	Class B <sup>(2)</sup>	Class L
Year Ended 10/31/01	(51.20)%	(51.53)%	(51.88)%	(51.62)%
Five Years Ended 10/31/01	4.83	4.37	3.58	N/A
Inception* through 10/31/01	5.25	8.51	7.71	(51.95)

	With Sales Charges <sup>(3)</sup>			
	Class 1	Class A <sup>(2)</sup>	Class B <sup>(2)</sup>	Class L
Year Ended 10/31/01	(55.35)%	(53.95)%	(54.29)%	(52.58)%
Five Years Ended 10/31/01	2.99	3.31	3.41	N/A
Inception* through 10/31/01	3.47	7.67	7.71	(52.38)

## Cumulative Total Returns

	Without Sales Charges <sup>(1)</sup>
Class 1 (Inception* through 10/31/01)	30.66%
Class A (Inception* through 10/31/01) <sup>(2)</sup>	71.75
Class B (Inception* through 10/31/01) <sup>(2)</sup>	63.58
Class L (Inception* through 10/31/01)	(56.36)

(1) Assumes reinvestment of all dividends and capital gain distributions, if any, at net asset value and does not reflect deduction of the applicable sales charges with respect to Class 1, A and L shares or the applicable contingent deferred sales charges ("CDSC") with respect to Class B and L shares.

(2) For the purpose of calculating performance, the Fund's inception date is March 17, 1995 (date the Fund's investment strategy was implemented).

(3) Assumes reinvestment of all dividends and capital gain distributions, if any, at net asset value. In addition, Class 1, A and L shares reflect the deduction of the current maximum sales charges of 8.50%, 5.00% and 1.00%, respectively; Class B shares reflect the deduction of a 5.00% CDSC, which applies if shares are redeemed within one year from purchase. This CDSC declines by 1.00% per year until no CDSC is incurred. Class L shares also reflect the deduction of a 1.00% CDSC, which applies if shares are redeemed within one year.

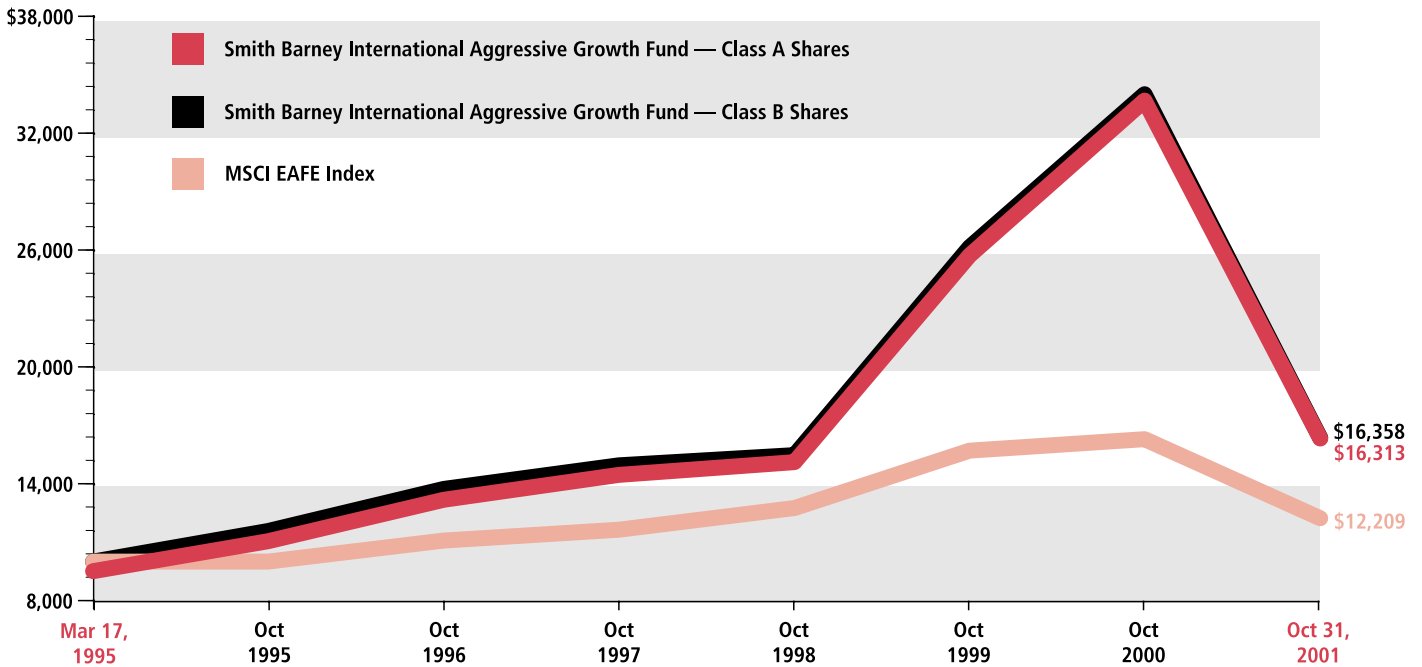
† Total return is not annualized, as it may not be representative of the total return for the year.

\* Inception date for Class 1 shares is August 8, 1996. Inception date for Class A and B shares is February 21, 1995. Inception date for Class L shares is September 13, 2000.

## Smith Barney International Aggressive Growth Fund at a Glance (unaudited)

### Growth of \$10,000 Invested in Class A and B Shares of the Smith Barney International Aggressive Growth Fund vs. MSCI EAFE Index†

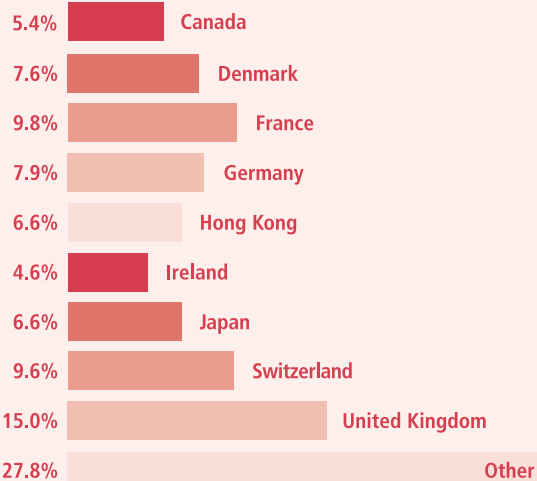
March 1995 — October 2001



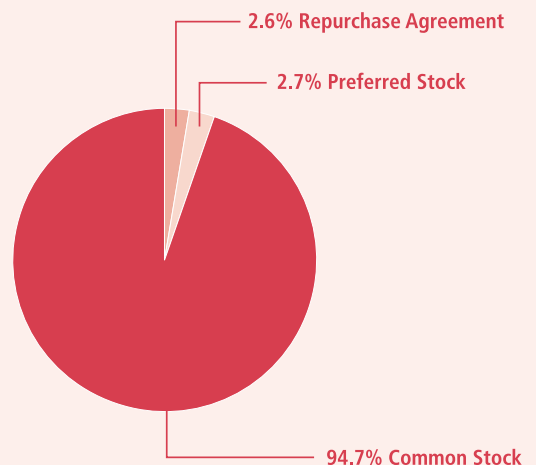
† Hypothetical illustration of \$10,000 invested in Class A and B shares at inception on March 17, 1995 (date the Fund's investment strategy was implemented), assuming deduction of the maximum 5.00% sales charge at the time of investment for Class A shares and the deduction of the maximum 5.00% CDSC for Class B shares. It also assumes reinvestment of dividends and capital gains, if any, at net asset value through October 31, 2001. The Morgan Stanley Capital International ("MSCI") EAFE Index is a composite portfolio consisting of equity total returns for the countries of Europe, Australasia and the Far East. The Index is unmanaged and is not subject to the same management and trading expenses of a mutual fund. The performance of the Fund's other classes may be greater or less than the performance of Class A and B shares as indicated on this chart, depending on whether greater or lesser sales charges and fees were incurred by shareholders investing in the other classes.

**All figures represent past performance and are not a guarantee of future results.** Investment returns and principal value will fluctuate, and redemption values may be more or less than the original cost. No adjustment has been made for shareholder tax liability on dividends or capital gains.

#### Diversification by Country\*†



#### Investment Allocation\*‡



\* All information is as of October 31, 2001. Please note that Fund holdings are subject to change.

† As a percentage of total common stock.

‡ As a percentage of total investments.

SHARES	SECURITY	VALUE
<b>COMMON STOCK — 94.7%</b>		
<b>Canada — 5.2%</b>		
100,000	Celestica Inc.*	\$ 3,460,229
80,000	JDS Uniphase Corp.*	639,200
100,000	Nortel Networks Corp.*	581,000
275,000	Patheon, Inc.*	1,903,126
		6,583,555
<b>Denmark — 7.2%</b>		
110,000	Novo Nordisk A/S	4,463,649
20,000	Vestas Wind Systems A/S	628,938
155,000	William Demant A/S	4,049,396
		9,141,983
<b>Finland — 1.6%</b>		
100,000	Nokia Oyj	2,051,000
<b>France — 9.3%</b>		
140,000	Axa	3,064,175
50,000	Credit Lyonnais	1,750,507
60,000	Groupe Danone	6,944,382
		11,759,064
<b>Germany — 7.5%</b>		
10,000	Allianz AG	2,349,921
187,000	Deutsche Telekom AG	2,880,162
65,000	MLP AG	4,303,085
		9,533,168
<b>Hong Kong — 6.2%</b>		
10,000	China Mobile Ltd.*	30,321
61,480	China Mobile Ltd., Sponsored ADR*	935,726
600,000	China Unicom Ltd.*	557,692
1,000,000	Computer & Technologies Holdings Ltd.	233,333
147,691	HSBC Holdings PLC	1,599,986
362,000	Hutchison Whampoa Ltd.	2,935,449
1,700,000	Li & Fung Ltd.	1,623,718
		7,916,225
<b>Iceland — 0.6%</b>		
100,000	deCODE GENETICS, INC.*	800,000
<b>Ireland — 4.3%</b>		
105,000	Elan Corp. PLC, Sponsored ADR*	4,793,250
75,685	Irish Continental Group PLC	388,565
200,000	IWP International PLC	306,237
		5,488,052
<b>Israel — 4.3%</b>		
86,150	Amdocs Ltd.*	2,249,377
35,000	Gilat Satellite Networks Ltd.*	77,000
50,000	Teva Pharmaceutical Industries Ltd., Sponsored ADR	3,090,000
		5,416,377

See Notes to Financial Statements.

SHARES	SECURITY	VALUE
<b>Italy — 3.7%</b>		
250,000	San Paolo-IMI S.p.A.	\$ 2,630,038
250,000	Telecom Italia Mobile S.p.A.	1,355,551
100,000	Tiscali S.p.A.*	708,849
		4,694,438
<b>Japan — 6.2%</b>		
60,000	FANUC LTD.	2,499,898
175,000	FUJITSU LTD.	1,295,290
30,000	Matsushita Communication Industrial Co., Ltd.	843,103
150	NTT DoCoMo, Inc.	2,034,231
57,100	Trend Micro Inc.*	1,226,853
		7,899,375
<b>Mexico — 1.1%</b>		
20,000	Grupo Televisa S.A., Sponsored ADR*	609,000
300,000	Wal-Mart de Mexico S.A. de CV	710,117
		1,319,117
<b>Netherlands — 1.3%</b>		
100,000	Airspray NV	1,576,222
100,000	United Pan-Europe Communications N.V.*	54,943
		1,631,165
<b>Norway — 4.0%</b>		
100,000	Fast Search & Transfer ASA*	61,476
500,000	Tomra Systems ASA	4,982,267
		5,043,743
<b>Singapore — 0.8%</b>		
200,000	Venture Manufacturing Ltd.	1,057,940
<b>Spain — 4.3%</b>		
330,000	Indra Sistemas, S.A.	2,526,458
50,000	Sogecable, S.A.*	1,125,873
51,052	Telefonica, S.A., Sponsored ADR*	1,810,814
		5,463,145
<b>Sweden — 3.8%</b>		
200,000	Assa Abloy AB	2,284,951
350	Attendo Senior Care AB*	3,242
250,000	AU-System AB*	188,062
110,000	Scandinavia Online AB*	30,963
140,000	Securitas AB, Class B Shares	2,336,668
		4,843,886
<b>Switzerland — 9.1%</b>		
75,000	Fantastic Corp.*	29,723
6,000	Geberit International AG	1,194,194
150,000	Mettler-Toledo International Inc.*	6,886,500
130,000	Phonak Holding AG	2,802,376
2,500	Zurich Financial Services AG	572,601
		11,485,394

See Notes to Financial Statements.

SHARES	SECURITY	VALUE
<b>United Kingdom — 14.2%</b>		
600,000	Baltimore Technologies PLC*	\$ 157,063
150,000	Cadbury Schweppes PLC	933,110
600,000	Capita Group PLC	3,808,790
165,000	COLT Telecom Group PLC*	282,551
260,000	Galen Holdings PLC	2,798,057
250,000	Guardian IT PLC	1,281,594
404,091	Hays PLC	956,427
892,446	Serco Group PLC	4,737,250
267,000	Taylor Nelson Sofres PLC	728,054
711,039	Vodafone Group PLC	1,644,152
30,000	Vodafone Group PLC, Sponsored ADR	693,600
		18,020,648
	<b>TOTAL COMMON STOCK</b> (Cost — \$165,561,386)	<b>120,148,275</b>
<b>PREFERRED STOCK — 2.7%</b>		
<b>Germany — 2.7%</b>		
75,000	Wella AG (Cost — \$3,257,953)	<b>3,411,394</b>
FACE AMOUNT	SECURITY	VALUE
<b>REPURCHASE AGREEMENT — 2.6%</b>		
\$3,234,000	CIBC World Markets Corp., 2.420% due 11/1/01; Proceeds at maturity — \$3,234,217; (Fully collateralized by U.S. Treasury Bills, 5.625% due 12/31/02; Market value — \$3,299,501) (Cost — \$3,234,000)	<b>3,234,000</b>
	<b>TOTAL INVESTMENTS — 100%</b> (Cost — \$172,053,339**)	<b>\$126,793,669</b>

\* Non-income producing security.

\*\* Aggregate cost for Federal income tax purposes is substantially the same.

See Notes to Financial Statements.

**ASSETS:**

Investments, at value (Cost — \$172,053,339)	\$ 126,793,669
Foreign currency, at value (Cost — \$84,023)	84,246
Cash	351
Receivable for Fund shares sold	747,791
Dividends and interest receivable	121,129
<b>Total Assets</b>	<b>127,747,186</b>

**LIABILITIES:**

Payable for securities purchased	398,741
Management fee payable	127,329
Payable for Fund shares purchased	67,324
Distribution fees payable	38,784
Trustees' retirement plan	20,844
Payable for open forward currency contracts (Note 9)	2,024
Accrued expenses	722,325
<b>Total Liabilities</b>	<b>1,377,371</b>

<b>Total Net Assets</b>	<b>\$126,369,815</b>
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**NET ASSETS:**

Par value of shares of beneficial interest	\$ 64,297
Capital paid in excess of par value	209,965,133
Accumulated net realized loss on security transactions and foreign securities	(38,401,586)
Net unrealized depreciation of investments and foreign currencies	(45,258,029)

<b>Total Net Assets</b>	<b>\$126,369,815</b>
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**Shares Outstanding:**

Class 1	218,597
Class A	2,619,204
Class B	3,387,164
Class L	204,776

**Net Asset Value:**

Class 1 (and redemption value)	\$20.58
Class A (and redemption value)	\$20.15
Class B *	\$19.18
Class L **	\$20.13

**Maximum Public Offering Price Per Share:**

Class 1 (net asset value plus 9.29% of net asset value per share)	\$22.49
Class A (net asset value plus 5.26% of net asset value per share)	\$21.21
Class L (net asset value plus 1.01% of net asset value per share)	\$20.33

\* Redemption price is NAV of Class B shares reduced by a 5.00% CDSC if shares are redeemed within one year from initial purchase (See Note 2).

\*\* Redemption price is NAV of Class L shares reduced by a 1.00% CDSC if shares are redeemed within the first year of purchase.

See Notes to Financial Statements.

**INVESTMENT INCOME:**

Dividends	\$ 1,088,693
Interest	269,616
Less: Foreign withholding tax	(120,031)
<b>Total Investment Income</b>	<b>1,238,278</b>

**EXPENSES:**

Management fee (Note 2)	1,690,591
Distribution fees (Note 2)	1,117,776
Shareholder and system servicing fees	998,089
Shareholder communications	248,529
Audit and legal	107,188
Custody	92,928
Trustees' fees	17,599
Registration fees	2,966
Other	23,869

<b>Total Expenses</b>	<b>4,299,535</b>
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<b>Net Investment Loss</b>	<b>(3,061,257)</b>
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**REALIZED AND UNREALIZED LOSS ON INVESTMENTS AND FOREIGN CURRENCIES (NOTES 3 AND 9):**

Realized Loss From:	
Security transactions (excluding short-term securities)	(29,555,882)
Foreign currency transactions	(135,681)

<b>Net Realized Loss</b>	<b>(29,691,563)</b>
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<b>Increase in Net Unrealized Depreciation (Note 15)</b>	<b>(93,814,705)</b>
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<b>Net Loss on Investments and Foreign Currencies</b>	<b>(123,506,268)</b>
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<b>Decrease in Net Assets From Operations</b>	<b>\$(126,567,525)</b>
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See Notes to Financial Statements.

**Statements of Changes in Net Assets**
**For the Years Ended October 31,**

	2001	2000
<b>OPERATIONS:</b>		
Net investment loss	\$ (3,061,257)	\$ (3,336,835)
Net realized loss	(29,691,563)	(3,721,585)
(Increase) decrease in net unrealized depreciation	(93,814,705)	11,708,804
<b>Increase (Decrease) in Net Assets From Operations</b>	<b>(126,567,525)</b>	<b>4,650,384</b>
<b>DISTRIBUTIONS TO SHAREHOLDERS FROM:</b>		
Net realized gains	—	(2,094,997)
Capital	—	(118)
<b>Decrease in Net Assets From Distributions to Shareholders</b>	<b>—</b>	<b>(2,095,115)</b>
<b>FUND SHARE TRANSACTIONS (NOTE 16):</b>		
Net proceeds from sale of shares	101,105,784	167,121,105
Net asset value of the shares issued for reinvestment of dividends	—	2,046,141
Net asset value of the shares issued in connection with the transfer of Smith Barney World Funds, Inc. — Emerging Markets Portfolio and Smith Barney World Funds, Inc. — Pacific Portfolio's net assets (Note 15)	15,874,190	—
Cost of shares reacquired	(82,714,525)	(35,806,542)
<b>Increase in Net Assets From Fund Share Transactions</b>	<b>34,265,449</b>	<b>133,360,704</b>
<b>Increase (Decrease) in Net Assets</b>	<b>(92,302,076)</b>	<b>135,915,973</b>
<b>NET ASSETS:</b>		
Beginning of year	218,671,891	82,755,918
<b>End of year</b>	<b>\$ 126,369,815</b>	<b>\$218,671,891</b>

See Notes to Financial Statements.

## 1. Significant Accounting Policies

The Smith Barney International Aggressive Growth Fund (“Fund”), is a separate portfolio of the Smith Barney Investment Series (“Series”). The Series, a Massachusetts business trust, is registered under the Investment Company Act of 1940, as amended, as a diversified open-end management investment company and consists of this portfolio and six other separate investment portfolios: Smith Barney Large Cap Core Fund, Smith Barney Growth and Income Fund, Smith Barney Large Cap Core Portfolio, Smith Barney Premier Selections All Cap Growth Portfolio, Smith Barney Growth and Income Portfolio, and Smith Barney Government Portfolio. The financial statements and financial highlights for the other portfolios are presented in separate shareholder reports.

The significant accounting policies consistently followed by the Fund are: (a) security transactions are accounted for on trade date; (b) securities traded on national securities markets are valued at the closing prices on such markets or, if there were no sales during the day, at the current quoted bid price; securities primarily traded on foreign exchanges are generally valued at the preceding closing values of such securities on their respective exchanges, except that when a significant occurrence, subsequent to the time a value was so established, is likely to have significantly changed the value, then the fair value of those securities will be determined by consideration of other factors by or under the direction of the Board of Trustees or its delegates; over-the-counter securities are valued on the basis of the bid price at the close of business on each day; U.S. government and agency obligations are valued at the average between bid and ask prices in the over-the-counter market; (c) securities maturing within 60 days are valued at cost plus accreted discount or minus amortized premium, which approximates value; (d) securities for which market quotations are not available will be valued in good faith at fair value by or under the direction of the Board of Trustees; (e) interest income, adjusted for amortization of premium and accretion of discount, is recorded on the accrual basis; (f) dividend income is recorded on the ex-dividend date; foreign dividend income is recorded on the ex-dividend date or as soon as practical after the Fund determines the

existence of a dividend declaration after exercising reasonable due diligence; (g) gains or losses on the sale of securities are calculated by using the specific identification method; (h) dividends and distributions to shareholders are recorded by the Fund on the ex-dividend date; (i) the accounting records of the Fund are maintained in U.S. dollars. All assets and liabilities denominated in foreign currencies are translated into U.S. dollars based on the rate of exchange of such currencies against U.S. dollars on the date of valuation. Purchases and sales of securities, and income and expenses are translated at the rate of exchange quoted on the respective date that such transactions are recorded. Differences between income and expense amounts recorded and collected or paid are adjusted when reported by the custodian bank; (j) realized gain and loss on foreign currency includes the net realized amount from the sale of currency and the amount realized between trade date and settlement date on security transactions; (k) the character of income and gains to be distributed are determined in accordance with income tax regulations which may differ from accounting principles generally accepted in the United States of America. At October 31, 2001, reclassifications were made to the Fund’s capital accounts to reflect permanent book/tax differences and income and gains available for distributions under income tax regulations. Accordingly, a portion of accumulated net investment loss amounting to \$3,123,776 and accumulated net realized gain of \$5,039,003 was reclassified to paid-in capital; (l) the Fund intends to comply with the requirements of the Internal Revenue Code of 1986, as amended, pertaining to regulated investment companies and to make distributions of taxable income sufficient to relieve it from substantially all federal income and excise tax; and (m) estimates and assumptions are required to be made regarding assets, liabilities and changes in net assets resulting from operations when financial statements are prepared. Changes in the economic environment, financial markets and any other parameters used in determining these estimates could cause actual results to differ.

Also, the Fund may enter into forward foreign exchange contracts in order to hedge against foreign currency risk. These contracts are marked-to-market daily, by recognizing

the difference between the contract exchange rate and the current market rate as an unrealized gain or loss. Realized gains or losses are recognized when contracts are settled.

## 2. Management Agreement and Other Transactions

Smith Barney Fund Management LLC (“SBFM”), a subsidiary of Salomon Smith Barney Holdings Inc., which, in turn, is a subsidiary of Citigroup Inc. (“Citigroup”), acts as the investment manager to the Fund. The Fund pays SBFM management fee calculated at an annual rate of 1.00% of the average daily net assets. The fee is calculated daily and paid monthly.

Citi Fiduciary Trust Company (“CFTC”), another subsidiary of Citigroup, acts as the Fund’s transfer agent. CFTC receives account fees and asset-based fees that vary according to the size and type of account. For the year ended October 31, 2001, the Fund paid transfer agent fees of \$111,695 to CFTC.

Salomon Smith Barney Inc. (“SSB”) and PFS Distributors, Inc., both of which are subsidiaries of Citigroup, act as the Fund’s distributors. In addition, SSB acts as the primary broker for the Fund’s portfolio agency transactions. Certain other broker-dealers continue to sell Fund shares to the public as members of the selling group. For the year ended October 31, 2001, SSB and its affiliates received brokerage commissions of \$13,189.

There are maximum initial sales charges of 8.50%, 5.00% and 1.00% for Class 1, A and L shares, respectively. There is a contingent deferred sales charge (“CDSC”) of 5.00% on Class B shares, which applies if redemption occurs within one year of purchase and declines by 1.00% per year until no CDSC is incurred. Class L shares also have a 1.00% CDSC which applies if redemption occurs within the first year of purchase.

For the year ended October 31, 2001, SSB received sales charges of approximately \$7,000, \$581,000 and \$27,000 on the sale of the Fund’s Class 1, A and L shares, respectively. In addition, CDSCs paid to SSB for the year ended October 31, 2001 were approximately:

	Class B	Class L
CDSCs	\$152,000	\$3,000

Pursuant to two Distribution Plans, the Fund pays a service fee with respect to its Class A, B and L shares calculated at

an annual rate of 0.25% of the average daily net assets for each respective class. The Fund also pays a distribution fee with respect to Class B and L shares calculated at the annual rate of 0.75% of the average daily net assets of each class. For the year ended October 31, 2001, total Distribution Plan fees incurred were:

	Class A	Class B	Class L
Distribution Plan Fees	\$169,803	\$907,565	\$40,408

All officers and one Trustee of the Series are employees of Citigroup or its affiliates.

The Trustees of the Series instituted a Retirement Plan (“Plan”), effective April 1, 1996 (and amended on January 1, 2001). The Plan is not funded, and obligations under the Plan will be paid solely out of the Series’ assets. The Series will not reserve or set aside funds for the payment of its obligations under the Plan by any form of trust or escrow. For the current Trustees not affiliated with the Fund’s manager, the annual retirement benefit payable per year for a ten-year period is based upon the total annual compensation received in calendar year 2000. Such benefit is reduced by any payments received under the Smith Barney Investment Series Amended and Restated Trustee Retirement Plan. Trustees with more than five but less than ten years of service at retirement will receive a proportionally reduced benefit. Under the Plan, for those Trustees retiring with the effectiveness of the Plan, the annual retirement benefit payable per year for a ten-year period is equal to 75% of the total compensation received from the Trust during the 1995 calendar year.

## 3. Investments

During the year ended October 31, 2001, the aggregate cost of purchases and proceeds from sales of investments (including maturities, but excluding short-term securities) were as follows:

Purchases	\$70,118,022
Sales	39,241,115

At October 31, 2001, the aggregate gross unrealized appreciation and depreciation of investments for Federal income tax purposes were substantially as follows:

Gross unrealized appreciation	\$ 10,507,717
Gross unrealized depreciation	(55,767,387)
Net unrealized depreciation	\$(45,259,670)

#### 4. Repurchase Agreements

The Fund purchases (and its custodian takes possession of) U.S. government securities from banks and securities dealers subject to agreements to resell the securities to the sellers at a future date (generally, the next business day), at an agreed-upon higher repurchase price. The Fund requires continual maintenance of the market value (plus accrued interest) of the collateral in amounts at least equal to the repurchase price.

#### 5. Reverse Repurchase Agreements

The Fund may enter into reverse repurchase agreement transactions for leveraging purposes. A reverse repurchase agreement involves a sale by the Fund of securities that it holds with an agreement by the Fund to repurchase the same securities at an agreed upon price and date. A reverse repurchase agreement involves the risk that the market value of the securities sold by the Fund may decline below the repurchase price of the securities. The Fund will establish a segregated account with its custodian, in which the Fund will maintain cash, U.S. government securities or other liquid high grade debt obligations equal in value to its obligations with respect to reverse repurchase agreements.

During the year ended October 31, 2001, the Fund did not enter into any reverse repurchase agreement transactions.

#### 6. Futures Contracts

Initial margin deposits made upon entering into futures contracts are recognized as assets. The initial margin is segregated by the custodian as is noted in the schedule of investments. During the period the futures contract is open, changes in the value of the contract are recognized as unrealized gains or losses by "marking to market" on a daily basis to reflect the market value of the contract at the end of each day's trading. Variation margin payments are made or received and recognized as assets due from or liabilities due to broker, depending upon whether unrealized gains or losses are incurred. When the contract is closed, the Fund records a realized gain or loss equal to the difference between the proceeds from (and cost of) the closing transaction and the Fund's basis in the contract. The Fund enters into such contracts to hedge a portion of its portfolio. The Fund bears the market risk that arises from changes in the value of the financial instruments and securities indices (futures contracts) and the credit risk should a counter-party fail to perform under such contracts.

At October 31, 2001, the Fund did not hold any futures contracts.

#### 7. Option Contracts

Upon the purchase of a put option or a call option by the Fund, the premium paid is recorded as an investment, the value of which is marked to market daily. When a purchased option expires, the Fund will realize a loss in the amount of the cost of the option. When the Fund enters into a closing sales transaction, the Fund will realize a gain or loss depending on whether the sales proceeds from the closing sales transaction are greater or less than the cost of the option. When the Fund exercises a put option, it will realize a gain or loss from the sale of the underlying security and the proceeds from such sale will be decreased by the premium originally paid. When the Fund exercises a call option, the cost of the security which the Fund purchases upon exercise will be increased by the premium originally paid.

At October 31, 2001, the Fund did not hold any purchased call or put option contracts.

When a Fund writes a covered call or put option, an amount equal to the premium received by the Fund is recorded as a liability, the value of which is marked-to-market daily. When a written option expires, the Fund realizes a gain. When the Fund enters into a closing purchase transaction, the Fund realizes a gain or loss depending upon whether the cost of the closing transaction is greater or less than the premium originally received without regard to any unrealized gain or loss on the underlying security, and the liability related to such option is eliminated. When a written call option is exercised, the cost of the security sold will be decreased by the premium originally received. When a put option is exercised, the amount of the premium originally received will reduce the cost of the security which the Fund purchased upon exercise. When written index options are exercised, settlement is made in cash.

The risk associated with purchasing options is limited to the premium originally paid. The Fund enters into options for hedging purposes. The risk in writing a covered call option is that the Fund gives up the opportunity to participate in any increase in the price of the underlying security beyond the exercise price. The risk in writing a put option is that the Fund is exposed to the risk of a loss if the market price of the underlying security declines.

During the year ended October 31, 2001, the Fund did not enter into any written covered call or put option contracts.

## 8. Foreign Securities

Investing in securities of foreign companies and foreign governments involves special risks and considerations not typically associated with investing in U.S. companies and the U.S. government. These risks include revaluation of currencies and future adverse political and economic developments. Moreover, securities of many foreign companies and foreign governments and their markets may be less liquid and their prices more volatile than those of securities of comparable U.S. companies and the U.S. government.

## 9. Forward Foreign Currency Contracts

At October 31, 2001, the Fund had open forward foreign currency contracts as described below. The Fund bears the market risk that arises from changes in foreign currency exchange rates. The unrealized loss on the contracts reflected in the accompanying financial statements were as follows:

Foreign Currency	Local Currency	Market Value	Settlement Date	Unrealized Loss
<b>To Buy:</b>				
Euro	442,702	\$400,734	11/2/01	\$(2,024)
Total Unrealized Loss on Forward Foreign Currency Contracts				\$(2,024)

## 10. Short Sales of Securities

A short sale is a transaction in which the Fund sells securities it does not own (but has borrowed) in anticipation of a decline in the market price of the securities. To complete a short sale, the Fund may arrange through a broker to borrow the securities to be delivered to the buyer. The proceeds received by the Fund for the short sale are retained by the broker until the Fund replaces the borrowed securities. In borrowing the securities to be delivered to the buyer, the Fund becomes obligated to replace the securities borrowed at their market price at the time of replacement, whatever the price may be.

At October 31, 2001, the Fund did not have any open short sale transactions.

## 11. Securities Lending

The Fund has an agreement with its custodian whereby the custodian may lend securities owned by the Fund to brokers, dealers and other financial organizations. Fees earned by the Fund on securities lending are recorded in interest

income. Loans of securities by the Fund are collateralized by cash, U.S. government securities or high quality money market instruments that are maintained at all times in an amount at least equal to the current market value of the loaned securities, plus a margin which may vary depending on the type of securities loaned. The custodian establishes and maintains the collateral in a segregated account.

At October 31, 2001, the Fund did not have any securities on loan.

## 12. Securities Traded on a When-Issued Basis

The Fund may purchase or sell securities on a when-issued basis. When-issued transactions arise when securities are purchased or sold by the Fund with payment and delivery taking place in the future in order to secure what is considered to be an advantageous price and yield to the Fund at the time of entering into the transaction. Beginning on the date the Fund enters into a when-issued transaction, cash or other liquid securities are segregated in the amount of the when-issued transaction. These transactions are subject to market fluctuations and their current value is determined in the same manner as for other securities.

## 13. Securities Traded on a To-Be-Announced Basis

The Fund may trade securities on a “to-be-announced” (“TBA”) basis. In a TBA transaction, the Fund commits to purchasing or selling securities for which specific information is not yet known at the time of the trade, particularly the face amount and maturity date in GNMA transactions. Securities purchased on a TBA basis are not settled until they are delivered to the Fund normally 15 to 45 days later. These transactions are subject to market fluctuations and their current value is determined in the same manner as for other securities.

At October 31, 2001, the Fund did not hold any TBA securities.

## 14. Capital Loss Carryforward

At October 31, 2001, the Fund had, for Federal income tax purposes, a capital loss carryforward of approximately \$38,404,000, available to offset future capital gains through October 31, 2008. To the extent that these carryforward losses are used to offset capital gains, it is probable that the gains so offset will not be distributed.

## Notes to Financial Statements (continued)

The amount and expiration of the carryforwards are indicated below. Expiration occurs on October 31 of the year indicated:

	2002	2003	2004	2005	2006	2008	2009
Capital Loss Carryforwards	\$166,000	\$246,000	\$515,000	\$3,257,000	\$570,000	\$4,017,000	\$29,633,000

### 15. Transfer of Net Assets

On December 8, 2000 the Fund acquired the assets and liabilities of Smith Barney World Funds, Inc. – Emerging Markets Portfolio (“Emerging Markets Portfolio”), pursuant to a plan of reorganization approved by Emerging Markets Portfolio shareholders on December 1, 2000. Total shares issued by the Fund, the total net assets of the Emerging Markets Portfolio and total net assets of the Fund on the date of the transfer were as follows:

Acquired Portfolio	Shares Issued by the Fund	Total Net Assets of the Emerging Markets Portfolio	Total Net Assets of the Fund
Emerging Markets Portfolio	286,834	\$10,574,769	\$200,979,692

The total net assets of the Emerging Markets Portfolio before acquisition included unrealized appreciation of \$663,426, accumulated net realized loss of \$9,342,292 and undistributed net investment loss of \$274,688. Total net assets of the Fund immediately after the transfer were \$211,554,461. This transaction was structured to qualify as a tax-free reorganization under the Internal Revenue Code of 1986, as amended.

On December 15, 2000, the Fund acquired the assets and liabilities of Smith Barney World Funds, Inc. – Pacific Portfolio (“Pacific Portfolio”), pursuant to a plan of reorganization approved by Pacific Portfolio shareholders on December 1, 2000. Total shares issued by the Fund, the total net assets of the Pacific Portfolio and total net assets of the Fund on the date of the transfer were as follows:

Acquired Portfolio	Shares Issued by the Fund	Total Net Assets of the Pacific Portfolio	Total Net Assets of the Fund
Pacific Portfolio	148,303	\$5,299,421	\$202,867,651

The total net assets of the Pacific Portfolio before acquisition include unrealized appreciation of \$214,496, accumulated net realized loss of \$2,807,224 and undistributed net investment income of \$402,601. Total net assets of the Fund immediately after the transfer were \$208,167,072. This transaction was structured to qualify as a tax-free reorganization under the Internal Revenue Code of 1986, as amended.

## 16. Shares of Beneficial Interest

The Fund has four classes of beneficial interest, Classes 1, A, B and L each with a par value of \$0.01 per share. There are an unlimited number of shares authorized.

At October 31, 2001, total paid-in capital amounted to the following for each class:

	Class 1	Class A	Class B	Class L
Total Paid-in Capital	\$7,510,719	\$77,900,372	\$117,286,994	\$7,331,345

Transactions in shares of each class were as follows:

	Year Ended October 31, 2001		Year Ended October 31, 2000	
	Shares	Amount	Shares	Amount
<b>Class 1</b>				
Shares sold	37,988	\$ 1,167,395	123,166	\$ 6,504,138
Shares issued on reinvestment	—	—	1,811	84,866
Shares reacquired	(31,113)	(874,056)	(27,973)	(1,340,795)
Net Increase	6,875	\$ 293,339	97,004	\$ 5,248,209
<b>Class A</b>				
Shares sold	1,963,610	\$ 59,898,181	1,301,043	\$ 62,889,325
Shares issued on reinvestment	—	—	19,639	910,246
Net asset value of the shares issued in connection with the transfer of Smith Barney World Funds, Inc. — Emerging Markets Portfolio and Pacific Portfolio's net assets (Note 15)	141,458	5,238,391	—	—
Shares reacquired	(1,584,378)	(49,400,950)	(390,830)	(18,112,155)
Net Increase	520,690	\$ 15,735,622	929,852	\$ 45,687,416
<b>Class B</b>				
Shares sold	952,741	\$ 26,025,909	2,070,113	\$ 97,428,289
Shares issued on reinvestment	—	—	23,508	1,051,029
Net asset value of the shares issued in connection with the transfer of Smith Barney World Funds, Inc. — Emerging Markets Portfolio and Pacific Portfolio's net assets (Note 15)	164,952	5,867,919	—	—
Shares reacquired	(796,986)	(20,397,828)	(354,053)	(16,353,592)
Net Increase	320,707	\$ 11,496,000	1,739,568	\$ 82,125,726
<b>Class L</b>				
Shares sold	576,157	\$ 14,014,299	6,901	\$ 299,353
Shares issued on reinvestment	—	—	—	—
Net asset value of the shares issued in connection with the transfer of Smith Barney World Funds, Inc. — Emerging Markets Portfolio and Pacific Portfolio's net assets (Note 15)	87,075	3,206,143	—	—
Shares reacquired	(465,357)	(10,658,445)	—	—
Net Increase	197,875	\$ 6,561,997	6,901	\$ 299,353
<b>Class Y†</b>				
Net asset value of the shares issued in connection with the transfer of Smith Barney World Funds, Inc. — Emerging Markets Portfolio's net assets (Note 15)	41,652	\$ 1,561,737	—	—
Shares reacquired	(41,652)	(1,383,246)	—	—
Net Increase	—	\$ 178,491	—	—

† As of December 12, 2000, Class Y shares were fully redeemed.

## Financial Highlights

For a share of each class of beneficial interest outstanding throughout each year ended October 31, unless otherwise noted:

<b>Class 1 Shares</b>	<b>2001<sup>(1)</sup></b>	<b>2000<sup>(1)</sup></b>	<b>1999<sup>(1)</sup></b>	<b>1998</b>	<b>1997</b>
<b>Net Asset Value, Beginning of Year</b>	\$42.17	\$32.57	\$19.06	\$18.16	\$16.52
<b>Income (Loss) From Operations:</b>					
Net investment loss	(0.24)	(0.45)	(0.28)	(0.21)	(0.17)
Net realized and unrealized gain (loss)	(21.35)	10.79	13.79	1.11	1.81
Total Income (Loss) From Operations	(21.59)	10.34	13.51	0.90	1.64
<b>Less Distributions From:</b>					
Net realized gains	—	(0.74)	—	—	—
Capital	—	(0.00)*	—	—	—
Total Distributions	—	(0.74)	—	—	—
<b>Net Asset Value, End of Year</b>	\$20.58	\$42.17	\$32.57	\$19.06	\$18.16
<b>Total Return</b>	(51.20)%	31.53%	70.88%	4.96%	9.99%
<b>Net Assets, End of Year (millions)</b>	\$4	\$9	\$4	\$2	\$2
<b>Ratios to Average Net Assets:</b>					
Expenses	1.54%	1.42%	1.68%	1.79%	2.26%
Net investment loss	(0.82)	(0.94)	(1.12)	(0.99)	(1.24)
<b>Portfolio Turnover Rate</b>	24%	27%	50%	63%	57%

<b>Class A Shares</b>	<b>2001<sup>(1)</sup></b>	<b>2000<sup>(1)</sup></b>	<b>1999<sup>(1)</sup></b>	<b>1998</b>	<b>1997</b>
<b>Net Asset Value, Beginning of Year</b>	\$41.57	\$32.24	\$18.94	\$18.14	\$16.54
<b>Income (Loss) From Operations:</b>					
Net investment loss	(0.40)	(0.64)	(0.37)	(0.27)	(0.26)
Net realized and unrealized gain (loss)	(21.02)	10.71	13.67	1.07	1.86
Total Income (Loss) From Operations	(21.42)	10.07	13.30	0.80	1.60
<b>Less Distributions From:</b>					
Net realized gains	—	(0.74)	—	—	—
Capital	—	(0.00)*	—	—	—
Total Distributions	—	(0.74)	—	—	—
<b>Net Asset Value, End of Year</b>	\$20.15	\$41.57	\$32.24	\$18.94	\$18.14
<b>Total Return</b>	(51.53)%	31.00%	70.22%	4.41%	9.74%
<b>Net Assets, End of Year (millions)</b>	\$53	\$87	\$38	\$20	\$17
<b>Ratios to Average Net Assets:</b>					
Expenses	2.17%	1.82%	2.08%	2.25%	2.56%
Net investment loss	(1.44)	(1.36)	(1.53)	(1.46)	(1.59)
<b>Portfolio Turnover Rate</b>	24%	27%	50%	63%	57%

(1) Per share amounts have been calculated using the monthly average shares method.

\* Amount represents less than \$0.01 per share.

## Financial Highlights (continued)

For a share of each class of beneficial interest outstanding throughout each year ended October 31, unless otherwise noted:

Class B Shares	2001 <sup>(1)</sup>	2000 <sup>(1)</sup>	1999 <sup>(1)</sup>	1998	1997
<b>Net Asset Value, Beginning of Year</b>	\$39.86	\$31.16	\$18.44	\$17.81	\$16.36
<b>Income (Loss) From Operations:</b>					
Net investment loss	(0.59)	(0.94)	(0.53)	(0.39)	(0.32)
Net realized and unrealized gain (loss)	(20.09)	10.38	13.25	1.02	1.77
Total Income (Loss) From Operations	(20.68)	9.44	12.72	0.63	1.45
<b>Less Distributions From:</b>					
Net realized gains	—	(0.74)	—	—	—
Capital	—	(0.00)*	—	—	—
Total Distributions	—	(0.74)	—	—	—
<b>Net Asset Value, End of Year</b>	\$19.18	\$39.86	\$31.16	\$18.44	\$17.81
<b>Total Return</b>	(51.88)%	30.04%	68.98%	3.54%	8.93%
<b>Net Assets, End of Year (millions)</b>	\$65	\$123	\$41	\$18	\$13
<b>Ratios to Average Net Assets:</b>					
Expenses	2.90%	2.53%	2.79%	3.11%	3.30%
Net investment loss	(2.18)	(2.07)	(2.26)	(2.32)	(2.34)
<b>Portfolio Turnover Rate</b>	24%	27%	50%	63%	57%

(1) Per share amounts have been calculated using the monthly average shares method.

\* Amount represents less than \$0.01 per share.

## Financial Highlights (continued)

For a share of each class of beneficial interest outstanding throughout the period ended October 31, unless otherwise noted:

Class L Shares	2001 <sup>(1)</sup>	2000 <sup>(1)(2)</sup>
<b>Net Asset Value, Beginning of Year</b>	\$41.61	\$46.13
<b>Loss From Operations:</b>		
Net investment loss	(0.43)	(0.11)
Net realized and unrealized loss	(21.05)	(4.41)
Total Loss From Operations	(21.48)	(4.52)
<b>Less Distributions From:</b>		
Net realized gains	—	—
Capital	—	(0.00)*
Total Distributions	—	(0.00)*
<b>Net Asset Value, End of Year</b>	\$20.13	\$41.61
<b>Total Return</b>	(51.62)%	(9.80)%‡
<b>Net Assets, End of Year (000s)</b>	\$4,123	\$287
<b>Ratios to Average Net Assets:</b>		
Expenses	2.49%	2.25%†
Net investment loss	(1.60)	(2.06)†
<b>Portfolio Turnover Rate</b>	24%	27%

(1) Per share amounts have been calculated using the monthly average shares method.

(2) For the period from September 13, 2000 (inception date) to October 31, 2000.

\* Amount represents less than \$0.01 per share.

‡ Total return is not annualized, as it may not be representative of the total return for the year.

† Annualized.

**To the Board of Trustees and Shareholders of  
Smith Barney Investment Series:**

We have audited the accompanying statement of assets and liabilities, including the schedule of investments, of Smith Barney International Aggressive Growth Fund of Smith Barney Investment Series ("Fund") as of October 31, 2001, and the related statement of operations for the year then ended and the statements of changes in net assets and the financial highlights for each of the years in the two-year period then ended. These financial statements and financial highlights are the responsibility of the Fund's management. Our responsibility is to express an opinion on these financial statements and financial highlights based on our audit. The financial highlights for each of the years in the three-year period ended October 31, 1999 were audited by other auditors whose report thereon, dated December 15, 1999, expressed an unqualified opinion on the financial highlights.

We conducted our audit, in accordance with auditing standards generally accepted in the United States of America. 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. As to securities purchased but yet received, we performed other appropriate auditing procedures. 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 Fund as of October 31, 2001, and the results of its operations for the year then ended and the changes in its net assets and financial highlights for each of the years in the two-year period then ended in conformity with accounting principles generally accepted in the United States of America.

**KPMG LLP**

New York, New York  
December 12, 2001

# SMITH BARNEY

## INTERNATIONAL AGGRESSIVE GROWTH FUND

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Smith Barney Fund Management LLC

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# Smith Barney International Aggressive Growth Fund

This report is submitted for the general information of shareholders of Smith Barney Investment Series — Smith Barney International Aggressive Growth Fund, but it may also be used as sales literature when preceded or accompanied by the current Prospectus, which gives details about charges, expenses, investment objectives and operating policies of the Fund. If used as sales material after January 31, 2002, this report must be accompanied by performance information for the most recently completed calendar quarter.

SMITH BARNEY INTERNATIONAL  
AGGRESSIVE GROWTH FUND  
3120 Breckinridge Boulevard  
Duluth, Georgia 30099-0001

For complete information on any Smith Barney Mutual Funds, including management fees and expenses, call or write your financial professional for a free prospectus. Read it carefully before you invest or send money.

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