

# WORLD COMMODITY<sup>SM</sup> FUND

## WCOMX

### **ANNUAL REPORT**

**For the year ended:  
September 30, 2010**

**[www.worldcommodityfunds.com](http://www.worldcommodityfunds.com)**

**800-595-4922 • 404-437-7420**

**WorldCommodity<sup>SM</sup> Fund**  
**September 30, 2010 (Unaudited)**

<b>Top Holdings*</b> <b>(% of Net Assets)</b>	
Cliffs Natural Resources Inc.	20.12
WPG Resources Ltd.	11.45
St. Andrew Goldfields Ltd.	7.93
New Gold Inc. Warrants (6/28/2017)	7.07
Western Refining, Inc.	6.60
Birchcliff Energy Ltd.	4.29
Chinook Energy Inc.	4.17
CF Industries Holdings, Inc.	4.06
Mosaic Co.	3.70
Franco-Nevada Corp. Warrants (6/16/2017)	3.47
Great Basin Gold Ltd. Warrants (10/15/2010)	3.23
Insignia Energy Ltd.	3.09
New Gold Inc. Warrants (4/3/2012)	2.31
Franco-Nevada Corp. Warrants (3/13/2012)	2.31
Ivernia Inc.	2.20
	86.00%

<b>Country Holdings*</b> <b>(% of Net Assets)</b>	
Canada	46.94
United States	34.72
Australia	11.45
Sweden	4.21
Bermuda	1.35
New Zealand	0.38
	99.05

<b>Commodity Sectors</b> <b>(% of Net Assets)</b>	
Metals	64.94
Energy	21.33
Agriculture	10.59
Multi-Sector & Misc.	2.19
Cash**	0.95
	100.00%

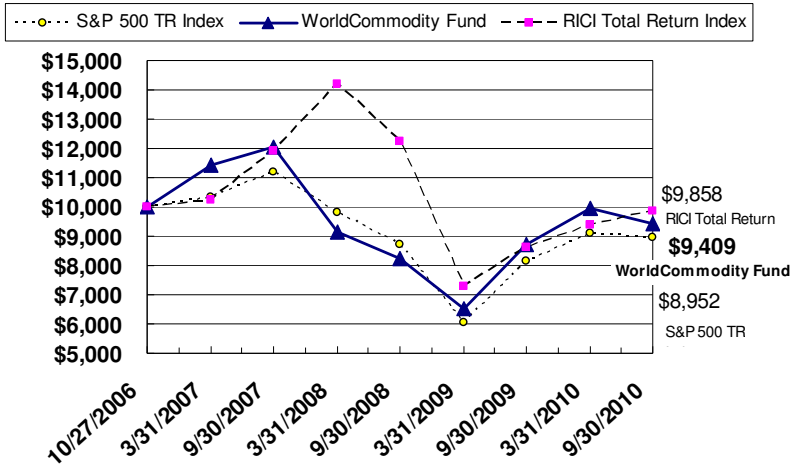
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\*Excludes cash and cash equivalents

\*\*Includes money market funds and other assets net of liabilities

# Investment Performance Graph (Unaudited)

Value of \$10,000 Invested At Inception  
WorldCommodity Fund vs. S&P 500 and RIC1



The chart above covers the period from inception of the Fund (October 27, 2006) to the end of the most recent period (September 30, 2010).

*Note: The following notes pertain to the chart above as well as the performance table included below. Performance information in this report represents past performance and is not a guarantee of future results. The investment return and principal value of an investment in the Fund will fluctuate, so that an investor's shares when redeemed may be worth more or less than their original cost. Current performance may be higher or lower than performance quoted within. Any questions you have, including obtaining the latest month-end performance, can be answered by calling the Fund at 1-800-595-4922.*

*The S&P 500® Total Return Index is an unmanaged index comprised of 500 stocks selected for market capitalization, liquidity, and industry group representation. The RIC1® TR is an unmanaged, total return index representing 37 exchange-traded commodities. The S&P 500® and RIC1® TR are used for comparative purposes. The WorldCommodity Fund™ is not designed to track the S&P 500® or the RIC1® TR indexes and its performance will differ from these benchmarks.*

## Investment Performance (Unaudited)

Below is a comparison of the WorldCommodity<sup>SM</sup> Fund's performance with that of two unmanaged, total return indexes, (both with dividends reinvested), that of the *Standard & Poor's 500® Total Return Index* and the *Rogers International Commodity Index® Total Return* from the inception of the Fund through September 30, 2010.

	Six Months Ended	One Year Ended	Since Inception 10/27/2006 to 9/30/2010**
	9/30/2010*	9/30/2010	9/30/2010**
<b>WorldCommodity<sup>SM</sup> Fund (WCOMX)</b>	<b>-5.37%</b>	<b>8.41%</b>	<b>-1.54%</b>
Rogers International Commodity Index® Total Return	5.04%	14.07%	-0.36%
S&P 500® Total Return Index	-1.42%	10.16%	-2.78%

\*Returns are cumulative, not annualized

\*\*Returns are annualized

*Note: The S&P 500® Total Return Index is an unmanaged index comprised of 500 stocks selected for market capitalization, liquidity, and industry group representation. The RICI® TR is an unmanaged, total return index representing 37 exchange-traded commodities. The S&P 500® and RICI® TR incur no fees, expenses or tax effects and are shown solely for comparative purposes. The WorldCommodity Fund<sup>TM</sup> is not designed to track the S&P 500® or the RICI®TR indexes and its performance will differ from these benchmarks.*

## Management Discussion & Analysis For the Year Ended September 30, 2010

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WorldCommodity Fund  
November 29, 2010

To the Shareholders and Directors of the WorldCommodity Fund:

In managing the Fund, our strategy is to look globally among all equity markets for companies, countries, and currencies that will benefit from the continued rise of global commodity prices, as measured best by the Rogers International Commodity Index®.

As shown in the preceding table, 64% of the Fund's portfolio is invested in securities which we believe will perform well with rising metals prices. However, the best performing commodity sector for the six month period ending September 30, 2010 (as measured by the Rogers Commodity Indexes) was the *agriculture* sector:

Rogers International Commodity Index® Agriculture Total Return  
RICI®-A™ 23.41%

Rogers International Commodity Index® Metals Total Return  
RICI®-M™ 5.97%

Rogers International Commodity Index® Energy Total Return  
RICI®-E™ -8.76%

### ***What factors influenced performance?***

The WorldCommodity Fund's (WCOMX) return of negative -5.37% for the six months ended September 30, 2010, underperformed the Rogers International Commodity Index®, two of the RICI® sub-indexes as shown above, and the S&P 500® Total Return Index.

The Fund's performance can be attributed to the following:

#### **Strengths:**

- Exposure to precious metals especially gold
- Exposure to iron ore
- Low exposure to crude oil sector
- Fully invested; lack of cash
- High exposure to strong Australian & Canadian dollars

#### **Weaknesses:**

- Reduced exposure to agriculture sector
- High exposure to natural gas sector

## **Management Discussion & Analysis (Continued) For the Year Ended September 30, 2010**

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This month, I begin my fifth year managing your Fund's portfolio. I would like to take this opportunity to review some of the highlights, including a review of the major investment themes and resulting positions taken in the Fund's portfolio over the last four years.

### **2006-2007 Major Sector Bets: Agriculture and Fertilizer**

Our benchmark index, the Rogers International Commodity Index® is composed of 37 individual commodities ranging from azuki beans to zinc. While the broader index may be up or down in any given time period, typically there are individual commodities whose prices are rising strongly and several others which may be depressed. As investors, we are in search of value. As such, our preferred strategy in managing the Fund's portfolio is to identify those individual commodities which are depressed or whose prices are underperforming relative to the broad index. Naturally, for companies operating in that sector (cotton, or sugar, for example) commodity prices typically drive revenues and profitability of an entire industry group both domestically and globally.

When the Fund opened in 2006, we found more value and less downside risk in the agricultural commodities themselves and their associated industries. Our largest investments in the agriculture sector at that time were the Rogers Agriculture Index (RICI®-A™) and producers of fertilizer especially CF Industries, Inc. - as well as Terra Industries, Mosaic Co. and Agrium.

### **2008-2009 Major Sector Bets: Metals and Small-Cap Miners**

Coming into September 2008, we had patiently waited for two years with very little exposure to metals or mining of any kind and no exposure to energy. In a world where the average natural resources focused fund carried 60-90% of its assets in energy and metals/mining, that was somewhat unusual. Instead, we entered September 2008 with 40% cash, 0% weighting to energy and 35% to agriculture, which served us well in the coming months.

### **Mining Crisis**

The financial crisis [Oct/2008 to March/2009] which began with the world's banks coincided with a selloff in all commodities which then became a real life 'mining crisis' as funding for the capital intensive business of building a mine evaporated. Recognizing this as a tremendous opportunity to build our positions in several important metals we aggressively accumulated shares in smaller mining companies around the world. Our analysis showed that while prices of the physical metals were very attractive, the shares of mining companies themselves (representing ownership in their resource reserves) were far cheaper on a \$/oz of gold or \$/ton of iron ore basis.

## **Management Discussion & Analysis (Continued) For the Year Ended September 30, 2010**

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Our preferred mining company was one which had not begun production, or had stopped for some reason (ie. WPG Resources, St. Andrew Goldfields, Ivernia Inc.). Also, we preferred companies where the prevailing market perception was they might have some trouble financing their project due the global credit crisis (ie. WPG Resources, Katanga Mining, New Gold, Great Basin Gold). We finished 2009 with positions in mining companies involved in gold, platinum group metals, lead, nickel, zinc and iron ore.

### **2010 Major Sector Bets: Natural Gas Producers**

Coming into 2010, one of the most depressed commodities in the RIC<sup>®</sup> since it's inception in 1998 was, and remains, natural gas. In December 2009, we initiated a new position in the natural gas sector, exclusively with Canadian-based producers of natural gas and natural gas liquids. In the last semi-annual report we outlined the reasons why we prefer Canadian production areas and operators over those based in the United States. The British Petroleum deep water accident in the Gulf of Mexico, its effects, and the U.S. Government's response only strengthened our view that Canada can be an excellent source of investment ideas for those looking for producers with expertise and reserves. As I write this, the general outlook for both natural gas prices and prospects for companies that produce it is quite negative. We don't share that view, and expect the market to reevaluate its opinion of the prospects for natural gas in the coming years.

In the future, perhaps we can write more at length about the strengths of our favorite producer in the group, Birchcliff Energy, Ltd. Until then, in the most recent quarter managers at Birchcliff reported:

- record production volumes, [16,000 boe/day]
- significant increases in proven developed producing reserves
- significant increases in proved plus probable reserve additions
- drilling of 27 wells with a 100% success rate
- significantly lower costs per barrel of oil equivalent [\$7.53 boe]
- completion of construction and start-up of gas processing plant
- continuing to aggressively add to their undeveloped land base

### **2011 Major Sector Bets: Gasoline, Diesel-Petroleum Refiners**

The only new position added to the portfolio in the previous six months was Western Refining, Inc. (WNR). While WNR represented only 6.6% of the Fund at the end of September, we expect both WNR and other companies in this sector to represent a large portion of the portfolio in 2011. WNR is an independent refiner of crude petroleum. Refiners typically buy crude petroleum and process sour, sweet, or light sweet crude oil into refined products. Refined products are commodities like unleaded gasoline, diesel fuel/gas oil, heating oil, kerosene. At the

## **Management Discussion & Analysis (Continued) For the Year Ended September 30, 2010**

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moment we believe the refining sector as a whole (in the United States, Europe et al) to be among the most undervalued industries in the world. Major integrated oil companies are actively liquidating and or shutting down many of their refinery assets worldwide. Indeed, the economics of the refinery business are disastrous when spreads for the refined products are thin as they have been the last 24 months. Again, we have been closely following the refining industry for several years now. In that time, these low operating margins have suffocated the entire industry. When we opened our position in WNR in August 2010, the industry as whole was characterized by:

- ✓ huge amounts of debt on the balance sheets,
- ✓ very old/ancient infrastructure,
- ✓ low spreads/negative profit margins,
- ✓ historically low sales volumes,
- ✓ marketplace with 'glut of refined products', etc.

We formed an opinion that these trends are highly likely to reverse themselves. Also, while the business economics of the refining business are terrible when spreads are narrow - when they widen the picture changes dramatically. Another factor which favors the group is the incredible dearth of new supply/manufacturing capacity coming online in both the United States and Europe. The economics of the refining industry closely resemble those of another chemical industry, the fertilizer producers. We believe over the next 24 months the balance sheets and operating margins of the independent crude oil refiners will begin to look more like those of our favorite nitrogen fertilizer producers.

### ***What changes in the portfolio were made?***

During the last six months of the year the Fund materially acquired the following security that was not owned at March 31, 2010 which is listed as a portfolio investment at September 30, 2010:

- Western Refining Inc.

Fund shareholders should keep in mind that the above discussion applies to the Fund's portfolio as of September 30, 2010 and may not reflect changes occurring subsequent to the end of the period.

Sincerely,

Jim Llewellyn  
Portfolio Manager

## Expense Illustration (Unaudited) September 30, 2010

### Expense Example

As a shareholder of the WorldCommodity Fund, you incur two types of costs: (1) transaction costs, which may include, but are not limited to, transaction fees at some broker-dealers, custodial fees for retirement accounts, redemption fees, and wire transfer fees; and (2) ongoing costs, such as the advisory and administration fees paid to the adviser of the Fund.

This Example is intended to help you understand your ongoing costs (in dollars) of investing in the Fund and to compare these costs with the ongoing costs of investing in other mutual funds. The Example is based on an investment of \$1,000 invested at the beginning of the period and held for the entire period, April 1, 2010 through September 30, 2010.

### Actual Expenses

The first line of the table below provides information about actual account values and actual expenses. You may use the information in this line, together with the amount you invested, to estimate the expenses that you paid over the period. Simply divide your account value by \$1,000 (for example, an \$8,600 account value divided by \$1,000 = 8.6), then multiply the result by the number in the first line under the heading entitled "Expenses Paid During Period" to estimate the expenses you paid on your account during this period.

### Hypothetical Example for Comparison Purposes

The second line of the table below provides information about hypothetical account values and hypothetical expenses based on the Fund's actual expense ratio and an assumed rate of return of 5% per year before expenses which is not the Fund's actual return. The hypothetical account values and expenses may not be used to estimate the actual ending account balance or expenses you paid for the period. You may use this information to compare the ongoing costs of investing in this Fund and other funds. To do so, compare this 5% hypothetical example with the 5% hypothetical examples that appear in the shareholder reports of the other funds.

Please note that the expenses shown in the table are meant to highlight your ongoing costs only and do not reflect any transactional costs. Therefore, the second line of the table is useful in comparing ongoing costs only, and will not help you determine the relative total costs of owning different funds. In addition, if these costs were included, your costs would have been higher.

	<b>Beginning Account Value</b>	<b>Ending Account Value</b>	<b>Expenses Paid During Period*</b>
	<b><u>April 1, 2010</u></b>	<b><u>Sep 30, 2010</u></b>	<b><u>April 1, 2010 to Sep 30, 2010</u></b>
Actual	\$1,000.00	\$946.29	\$7.95
Hypothetical (5% return before expenses)	\$1,000.00	\$1,016.90	\$8.24

\* Expenses are equal to the Fund's annualized expense ratio of 1.63%, multiplied by the average account value over the period, multiplied by 183/365 (to reflect the one-half year period).

**WorldCommodity Fund**  
**Schedule of Investments**  
**September 30, 2010**

<u>Shares</u>	<u>Country</u>	<u>Value</u>	<u>% Net Assets</u>
<b>COMMON STOCKS</b>			
<b>Agricultural Chemicals - Fertilizer</b>			
338 CF Industries Holdings, Inc.	United States	\$32,279	
500 Mosaic Co.	United States	<u>29,380</u>	
		<u>61,659</u>	7.76%
<b>Agricultural Production</b>			
3 JG Boswell Co.	United States	1,920	
7,414 PGG Wrightson Ltd.	New Zealand	<u>3,047</u>	
		<u>4,967</u>	0.63%
<b>Crude Petroleum &amp; Natural Gas</b>			
4,000 Birchcliff Energy Ltd. *	Canada	34,053	
9,900 Cequence Energy Ltd. *	Canada	17,125	
15,500 Insignia Energy Ltd. *	Canada	24,553	
14,077 Chinook Energy, Inc. *	Canada	<u>33,106</u>	
		<u>108,837</u>	13.70%
<b>Crude Petroleum Refining</b>			
10,000 Western Refining, Inc. *	United States	<u>52,400</u>	6.60%
<b>Mining - Iron Ore</b>			
100,000 WPG Resources Ltd. *	Australia	90,909	
2,500 Cliffs Natural Resources, Inc.	United States	<u>159,800</u>	
		<u>250,709</u>	31.56%
<b>Mining - Lead</b>			
60,000 Ivernia, Inc. *	Canada	<u>17,493</u>	2.20%
<b>Mining - Precious Metals</b>			
45,000 St. Andrew Goldfields Ltd. *	Canada	62,974	
350,000 Starfield Resources, Inc. *	Canada	<u>15,306</u>	
		<u>78,280</u>	9.86%
<b>Resource Royalties - Mining and Energy</b>			
400 Franco-Nevada Corp.	Canada	<u>12,583</u>	1.59%
<b>Transportation - Air</b>			
119 Groupe Aeroplan, Inc.	Canada	<u>1,462</u>	0.18%
<b>TOTAL COMMON STOCKS (Cost \$397,165)</b>		<u>588,390</u>	74.08%

The accompanying notes are an integral part of these financial statements.

**WorldCommodity Fund**  
**Schedule of Investments (Continued)**  
**September 30, 2010**

**CORPORATE NOTES**

**Units**

2,000 Swedish Export Credit Corp.- ELEMENTS (SM) Rogers International Commodity Index® - Total Return (sm) Linked Securities Medium-Term Notes, 10/24/2022 *	Sweden	15,960
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2,000 Swedish Export Credit Corp.- ELEMENTS (SM) Rogers International Commodity Index® - Agriculture Total Return (sm) Linked Securities Medium-Term Notes, 10/24/2022 *	Sweden	<u>17,480</u>
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<b>TOTAL CORPORATE NOTES (Cost \$27,236)</b>	<u>33,440</u>	4.21%
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**WARRANTS**

240,000 Compton Petroleum Corp. (10/05/2011) *	Canada	8,163
3,500 Franco-Nevada Corp. (06/16/2017) *	Canada	27,551
3,600 Franco-Nevada Corp. (03/13/2012) *	Canada	18,332
30,000 Great Basin Gold Ltd. (10/15/2010) *	Canada	25,656
220,000 Katanga Mining Ltd. (11/20/2011) *	Bermuda	10,690
35,000 New Gold, Inc. (6/28/2017) *	Canada	56,123
420,000 New Gold, Inc. (4/03/2012) *	Canada	<u>18,367</u>

<b>TOTAL WARRANTS (Cost \$141,168)</b>	<u>164,882</u>	20.76%
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<b>TOTAL INVESTMENTS (Cost \$565,569)</b>	<u>786,712</u>	99.05%
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<b>OTHER ASSETS IN EXCESS OF LIABILITIES</b>	<u>7,573</u>	0.95%
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<b>NET ASSETS</b>	<u>\$ 794,285</u>	100.00%
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\* Non-income producing securities during the year.

The accompanying notes are an integral part of these financial statements.

**WorldCommodity Fund**  
**Statement of Assets and Liabilities**  
**September 30, 2010**

**Assets**

Investments in Securities, at Value (Cost \$565,569)	\$	786,712
Cash		8,462
Prepaid Expenses		116
Receivables:		
Dividends and Interest		15
Total Assets		795,305

**Liabilities**

Accrued Advisory Fees		574
Accrued Administration Fees		446
Total Liabilities		1,020

<b>NET ASSETS</b>	\$	794,285
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**Net Assets consist of**

Paid In Capital	\$	916,472
Undistributed Net Investment Income		105
Accumulated Realized Loss on Investments and Foreign Currency Transactions		(343,435)
Net Unrealized Appreciation in Value of Investments		221,143

<b>NET ASSETS</b>	\$	794,285
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Shares Outstanding (100,000,000 shares authorized with a \$0.0001 par value)		84,795
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Net Asset Value, Offering and Redemption Price Per Share	\$	9.37
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The accompanying notes are an integral part of these financial statements.

**WorldCommodity Fund**  
**Statement of Operations**  
**September 30, 2010**

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**Investment Income**

Interest	\$ 30
Dividends (net of foreign taxes withheld of \$28)	6,105
Total Investment Income	<u>6,135</u>

**Expenses**

Advisory Fees (Note 3)	7,420
Administrative Fees (Note 3)	5,771
Tax Expense	119
Total Expenses	<u>13,310</u>

Net Investment Loss	<u>(7,175)</u>
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**Net Realized and Unrealized Gain/(Loss) on Investments**

Net Realized Loss on Investments	(47,966)
Net Change in Unrealized Appreciation on Investments	107,076
Net Realized and Unrealized Gain on Investments	<u>59,110</u>

<b>Net Increase in Net Assets Resulting from Operations</b>	<u><u>\$ 51,935</u></u>
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The accompanying notes are an integral part of these financial statements.

## WorldCommodity Fund Statement of Changes in Net Assets

	<b>For the Year Ended <u>Sep. 30, 2010</u></b>	<b>For the Year Ended <u>Sep. 30, 2009</u></b>
<b>CHANGE IN NET ASSETS</b>		
<b>From Operations</b>		
Net Investment Loss	\$ (7,175)	\$ (4,623)
Net Realized Loss on Investments	(47,966)	(80,171)
Net Change in Unrealized Appreciation on Investments	<u>107,076</u>	<u>157,213</u>
Net Increase in Net Assets Resulting from Operations	51,935	72,419
<b>From Distributions to Shareholders</b>		
Return of Capital	<u>(6,914)</u>	<u>-</u>
<b>From Capital Share Transactions</b>		
Proceeds from Sale of Shares	169,709	375,590
Value of Shares Issued on Reinvestment of Distributions	6,675	-
Cost of Shares Redeemed	<u>(186,126)</u>	<u>(111,880)</u>
Net Increase (Decrease) from Shareholder Activity	(9,742)	263,710
<b>NET ASSETS</b>		
Net Increase in Net Assets	35,279	336,129
Net Assets at Beginning of Year	<u>759,006</u>	<u>422,877</u>
Net Assets at End of Year (Including Accumulated Net Investment Income/(Loss) of \$105 and (\$1,802), respectively)	<u>\$ 794,285</u>	<u>\$ 759,006</u>
<b>SHARE TRANSACTIONS</b>		
Shares Issued	17,914	50,486
Shares Issued on Reinvestment of Distributions	726	-
Shares Redeemed	<u>(20,901)</u>	<u>(14,729)</u>
Net Increase (Decrease) in Shares	(2,261)	35,757
Outstanding at Beginning of Year	<u>87,056</u>	<u>51,299</u>
Outstanding at End of Year	<u>84,795</u>	<u>87,056</u>

The accompanying notes are an integral part of these financial statements.

## WorldCommodity Fund Financial Highlights

	Year Ended Sep 30, <u>2010</u>	Year Ended Sep 30, <u>2009</u>	Year Ended Sep 30, <u>2008</u>	Period* Ended Sep 30, <u>2007</u>
Selected data for a share outstanding throughout each period.				
<b>NET ASSET VALUE, AT BEGINNING OF PERIOD</b>	\$ 8.72	\$ 8.24	\$ 12.23	\$ 10.17
Income / (Loss) From Investment Operations:				
Net Investment Income (Loss) **	(0.08)	(0.07)	(0.00) <sup>®</sup>	0.06
Net Gain (Loss) on Investments and Foreign Currency (Realized and Unrealized)	<u>0.81</u>	<u>0.55</u>	<u>(3.86)</u>	<u>2.02</u>
Total from Investment Operations	0.73	0.48	(3.86)	2.08
Distributions:				
Dividends (From Net Investment Income)	-	-	(0.13)	(0.02)
Return of Capital Distributions	<u>(0.08)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Distributions	(0.08)	-	(0.13)	(0.02)
<b>NET ASSET VALUE, AT END OF PERIOD</b>	<u>\$ 9.37</u>	<u>\$ 8.72</u>	<u>\$ 8.24</u>	<u>\$ 12.23</u>
<b>TOTAL RETURN</b>	8.41%	5.83%	(31.80)%	20.51% (b)
Ratios/Supplemental Data:				
Net Assets at End of Period (Thousands)	\$ 794	\$ 759	\$ 423	\$ 867
Ratio of Expenses to Average Net Assets	1.61%	1.60%	1.60%	1.62% (a)
Ratio of Net Investment Income (Loss) to Average Net Assets	(0.87)%	(0.96)%	(0.05)%	0.54% (a)
Portfolio Turnover	91%	142%	273%	125%

\* October 27, 2006 commencement of operations

\*\* Per share net investment income has been determined on the basis of average shares outstanding during the period.

® Rounds to less than 0.005 per share

(a) Annualized

(b) Not annualized

The accompanying notes are an integral part of these financial statements.

## **Notes to Financial Statements September 30, 2010**

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### **NOTE 1. ORGANIZATION**

WorldCommodity Funds, Inc. (the "Company") was incorporated in Maryland on August 9, 2005 as a non-diversified, open-end management investment company. The Company's Articles of Incorporation permit the Board of Directors of the Company (the "Board" or the "Directors") to issue 100,000,000 shares of common stock at \$.0001 par value. The Board has the power to designate one or more separate and distinct series and/or classes of shares of common stock and to classify or reclassify any shares not issued with the respect to such series. WorldCommodity Fund (the "Fund"), a non-diversified fund, is the sole series of the Company. The Fund's investment objective is to seek capital appreciation by investing in equity securities issued by commodity-related companies and commodity-linked note securities. The Fund's registration statement became effective with the SEC and the Fund commenced operations on October 27, 2006.

### **NOTE 2. SIGNIFICANT ACCOUNTING POLICIES**

The following is a summary of significant accounting policies consistently followed by the Fund. The policies are in conformity with accounting principles generally accepted in the United States of America ("GAAP").

#### *Valuation*

The Fund's securities are valued each day at the last quoted sales price on the securities' principal exchange. If market quotations are not readily available, securities will be valued at their fair value as determined in good faith by the Adviser, in accordance with procedures approved by the Board of Directors. Securities primarily traded in the NASDAQ National Market System for which market quotations are readily available shall be valued using the NASDAQ Official Closing Price. The Fund may use independent pricing services to assist in calculating the value of the Fund's securities. In addition, market prices for foreign securities are not determined at the same time of day as the NAV for the Fund. In computing the NAV of the Fund, the Adviser values foreign securities held by the Fund at the latest closing price on the exchange in which they are traded immediately prior to closing of the NYSE. Prices of foreign securities quoted in foreign currencies are translated into U.S. dollars at current rates. If events materially affecting the values of the Fund's securities, particularly foreign securities, occur after the close of trading on a foreign market but before the Fund prices its shares, the securities will be valued at fair value utilizing procedures adopted under the direction of the Board of Directors.

## Notes to Financial Statements (Continued)

### September 30, 2010

In accordance with guidance in GAAP on Fair Value Measurements, fair value is defined as the price that the Fund would receive to sell an asset or pay to transfer a liability in an orderly transaction between market participants at the measurement date. GAAP establishes a three-tier hierarchy to maximize the use of observable market data and minimize the use of unobservable inputs and to establish classification of fair value measurements for disclosure purposes. Inputs refer broadly to the assumptions that market participants would use in pricing an asset or liability, including assumptions about risk. Inputs may be observable or unobservable. Observable inputs are inputs that reflect the assumptions market participants would use in pricing an asset or liability developed based on market data obtained from sources independent of the Fund. Unobservable inputs are inputs that reflect the Fund's own assumption about the factors market participants would use in pricing an asset or liability. The three-tier hierarchy of inputs is summarized below:

Level 1 - quoted prices in active markets for identical investments

Level 2 - other significant observable inputs (including quoted prices for similar investments, quoted prices for similar or identical investments in inactive markets)

Level 3 - significant unobservable inputs (including the Fund's own assumptions in determining the fair value of investments)

The inputs or methodology used for valuing securities are not necessarily an indication of the risk associated with investing in those securities.

The following table summarizes by major security type the valuation of the Fund's investments under the above fair value hierarchy levels as of September 30, 2010:

Assets	Level 1	Level 2	Level 3	Total
Common Stocks	\$ 588,390	-	-	\$ 588,390
Corporate Notes	33,440	-	-	33,440
Warrants	164,882	-	-	164,882
<b>Total</b>	<b>\$ 786,712</b>	<b>-</b>	<b>-</b>	<b>\$ 786,712</b>

Refer to the Schedule of Investments for investments categorized by industry and geography.

## **Notes to Financial Statements (Continued)** **September 30, 2010**

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### *Foreign Currency Translation*

The books and records of the Fund are maintained in U.S. dollars. Investment securities and other assets and liabilities denominated in foreign currencies are translated into U.S. dollar amounts at the date of valuation. Purchases and sales of investment securities and income and expense items denominated in foreign currencies are translated into U.S. dollar amounts on the respective dates of such transactions.

The Fund does not isolate that portion of the results of operations resulting from changes in foreign exchange rates on investments from the fluctuations arising from changes in market prices of securities held. Such fluctuations are included with the net realized and unrealized gain or loss from investments.

Net realized foreign exchange gains or losses arise from sales of foreign currency, currency gains or losses realized between the trade and settlement dates on securities transactions, and the difference between the amounts of dividends, interest and foreign withholding taxes recorded on the Fund's books and the U.S. dollar equivalent of the amounts actually received or paid. Net unrealized foreign exchange gains and losses arise from changes in the fair values of assets and liabilities, other than investments in securities at fiscal period end, resulting from changes in exchange rates.

### *Security Transactions and Investment Income*

The Fund follows industry practice and records security transactions on the trade date. Realized gains and losses on security transactions are determined on a specific identification basis. Interest income and estimated expenses are accrued daily. Dividend income is recorded on the ex-dividend date except that certain dividends from foreign securities are recognized as soon as the Fund is notified of the ex-dividend date.

### *Written Option Accounting*

The Fund may write (sell) put and call options. When the Fund writes (sells) an option, an amount equal to the premium received by the Fund is included in the Statement of Assets and Liabilities as an asset and an equivalent liability. The amount of the liability is subsequently marked-to-market to reflect the current value of the option written. By writing an option, the Fund may become obligated during the term of the option to deliver (with respect to a call option) or purchase (with respect to a put option) the securities underlying the option at the exercise price if the option is exercised. When an option expires on its stipulated expiration date, the Fund realizes a gain. When the Fund enters into a closing purchase transaction, the Fund realizes a gain or loss if the cost of the closing purchase transaction differs from the premium received when the option was sold without regard to any unrealized gain or loss on the underlying

## Notes to Financial Statements (Continued)

### September 30, 2010

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security, and the liability related to such option is eliminated. If a call option written by the Fund is exercised, the proceeds of the sale of the underlying security will be increased by the premium originally received and the Fund will realize a gain or loss on the sale of the security. If a put option written by the Fund is exercised, the Fund's basis in the underlying security will be reduced by the premium originally received.

#### *Purchased Option Accounting*

Premiums paid for option contracts purchased are included in the Statements of Assets and Liabilities as an asset. When option contracts expire or are closed, realized gains or losses are recognized without regard to any unrealized gains or losses on the underlying securities.

#### *Dividends and Distributions to Shareholders*

Dividends and distributions, if any, will be declared and distributed at least annually. However, the Directors may decide to declare dividends and distributions at other intervals. Dividends and distributions to shareholders from net investment income are determined in accordance with income tax regulations that may differ from GAAP. These differences may be permanent or temporary. Permanent book and tax differences may result in reclassifications to paid-in capital and may affect the per-share allocation between net investment income, and realized and unrealized gains (losses). These reclassifications have no impact on net assets or the results of operations. Temporary differences are not reclassified, as they may reverse in subsequent periods. Any taxable income or gain of the Fund remaining at fiscal year end will be declared and distributed in the following year to the shareholders of the Fund.

In accordance with GAAP, the Fund has recorded reclassifications in its capital accounts. These reclassifications have no impact on the net assets of the Fund and are designed generally to present its components of capital on a tax basis which is considered to be more informative to the shareholder. As of September 30, 2010, the Fund recorded the following reclassifications to increase/(decrease) the capital accounts listed below:

Accumulated net investment income	\$9,082
Accumulated realized loss on investments and foreign currency transactions	\$(9,082)

#### *Expenses*

Expenses for the Fund are accrued on a daily basis and are based on prior day net assets.

## **Notes to Financial Statements (Continued)** **September 30, 2010**

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### *Federal Income Taxes*

For federal income tax purposes, the Fund intends to continue to qualify each year as a regulated investment company ("RIC") under Subchapter M of the Internal Revenue Code by distributing substantially all of its taxable income and net capital gains to its shareholders annually and otherwise complying with the requirements for RIC's. As provided in Subchapter M of the Internal Revenue Code, in any fiscal year in which the Fund qualifies as a RIC and distributes at least 90% of its taxable net income, the Fund (but not its shareholders) will be relieved of federal income tax on the income distributed.

In order to avoid imposition of a Federal excise tax applicable to RICs, it is the Fund's intention to declare and pay as dividends in each calendar year at least 98% of its net investment income (earned during the calendar year) and 98% of its net realized capital gains (earned during the 12 months ended October 31) plus undistributed amounts from prior years.

The Fund follows guidance found in GAAP that requires the evaluation of tax positions taken in the course of preparing the Fund's tax returns to determine whether the tax positions are "more-likely-than-not" of being sustained by the applicable tax authority. Tax benefits of positions not deemed to meet the more-likely-than-not threshold would be booked as a tax expense in the current year and recognized in the financial statements. As of September 30, 2010, management has evaluated the Fund's tax positions and has determined that none of them are uncertain and no accruals for income tax liabilities are required.

GAAP requires the Fund to analyze all open tax years, as defined by the Statute of Limitations, for all major jurisdictions. Open tax years are those that are open for exam by taxing authorities. Major jurisdictions for the Fund include Federal (the Internal Revenue Service) and the state of Maryland. As of September 30, 2010, open tax years include the tax years ended September 30, 2007 through 2010. The Fund has no examination of its tax returns in progress.

### *Use of Estimates*

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, and the disclosure of contingent assets and liabilities as of the date of the financial statements and the reported amounts of increases and decreases in net assets from operations during the reporting period. Actual results may differ from these estimates.

## **Notes to Financial Statements (Continued)** **September 30, 2010**

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### *Subsequent Events*

Management has evaluated the impact of all subsequent events on the Fund through the date the financial statements were available to be issued, and has determined that there were no subsequent events requiring recognition or disclosure in the financial statements.

### **NOTE 3. INVESTMENT ADVISORY AGREEMENTS AND OTHER RELATED PARTY TRANSACTIONS**

#### *Investment Advisory Agreement*

McConnell Asset Management, LLC (the "Adviser") doing business as, WorldCommodity Asset Management, acts as investment adviser for the Fund pursuant to the terms of the Investment Advisory Agreement (the "Advisory Agreement"). The Adviser is a Georgia limited liability company and is registered with the Securities and Exchange Commission as an investment adviser. Under the terms of the Advisory Agreement, the Adviser manages the investment operations of the Fund in accordance with the Fund's investment policies and restrictions. The Adviser furnishes an investment program for the Fund; determines what investments should be purchased, sold, and held; and makes changes on behalf of the Company in the investments of the Fund. For its investment advisory services to the Fund, the Fund pays to the Adviser, as of the last day of each month, an annualized fee equal to 0.90% of average daily net assets of the Fund. For the year ended September 30, 2010 the Adviser earned fees of \$7,420.

The Fund has also entered into an Operating Services Agreement (the "Services Agreement") with the Adviser. Under the terms of the Services Agreement, the Adviser arranges to provide, day-to-day operational services to the Fund including, but not limited to; accounting, administrative, legal, dividend disbursing and transfer agent, registrar, and custodial. The Adviser may, employ third parties to assist it in performing the various services required of the Fund and is responsible for compensating such parties. For the Adviser's services to the Fund, the Fund pays to the Adviser, as of the last day of each month, an annualized fee equal to 0.70% of average daily net assets of the Fund. For the year ended September 30, 2010 the Adviser earned fees of \$5,771. At September 30, 2010 \$574 and \$446 is due to the Adviser for advisory and administration services, respectively.

#### *Distribution Agreement*

The Fund currently distributes its own shares. Shares of the Fund are offered to the public on a continuous basis, but the Fund reserves the right to discontinue offering its shares at any time.

## **Notes to Financial Statements (Continued)**

### **September 30, 2010**

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The Fund's Board of Directors has adopted a Plan of Distribution pursuant to Rule 12b-1 of the Investment Company Act of 1940 (the "1940 Act"). The Plan has not been implemented and the Fund has no present intention of implementing the Plan. The maximum amount that the Fund would pay under the Plan on an annualized basis would be 0.25% of the average daily net assets, payable to service providers providing personal service and/or maintaining accounts relating to the distribution of the Fund's shares. To date, the Fund has not paid any fees related to Rule 12b-1 of the 1940 Act.

#### *Custodian*

Huntington National Bank is custodian of the Fund's investments. The custodian acts as the Fund's depository, safekeeps its portfolio securities, collects all income and other payments with respect thereto, disburses funds at the Fund's request and maintains records in connection with its duties. Huntington National Bank does not exercise any supervisory function over the management of the Fund, the purchase and sale of securities or the payment of distributions to stockholders. The Advisor pays all custody fees for the Fund.

#### *Transfer Agent*

Mutual Shareholder Services, LLC ("MSS") acts as transfer, dividend disbursing, and shareholder servicing agent for the Fund pursuant to a written agreement with the Company and the Adviser. Under the agreement, MSS is responsible for administering and performing transfer agent functions, dividend distribution, shareholder administration, and maintaining necessary records in accordance with applicable rules and regulations.

#### *Administration*

MSS also performs certain administrative tasks as administrator for the Fund pursuant to a written agreement with the Company and Adviser. MSS supervises all aspects of the operations of the Fund except those reserved by the Fund's investment Adviser under its service agreements with the Company. MSS is responsible for calculating the Fund's net asset value, preparing and maintaining the books and accounts specified in Rule 31a-1 and 31a-2 of the 1940 Act, preparing financial statements contained in reports to stockholders of the Fund, preparing reports and filings with the Securities and Exchange Commission, preparing filings with state Blue Sky authorities and maintaining the Fund's financial accounts and records.

For the services to be rendered as administrator, fund accountant and transfer agent the Adviser shall pay MSS an annual fee, paid monthly, based on the average net assets of the Fund, as determined by valuations made as of the close of each business day of the month.

## Notes to Financial Statements (Continued) September 30, 2010

### NOTE 4. INVESTMENT TRANSACTIONS

Investment transactions, excluding short-term investments for the year ended September 30, 2010 were as follows:

Purchases	\$755,417
Sales	\$719,814

There were no purchases or sales of U.S. Government Securities.

### NOTE 5. FEDERAL INCOME TAXES

For U.S. federal income tax purposes, the cost of investments and gross unrealized appreciation and depreciation of investments at September 30, 2010 were as follows:

Cost of investments	\$574,501
Gross unrealized appreciation	313,492
Gross unrealized depreciation	(101,281)
Net unrealized appreciation	\$212,211

As of September 30, 2010 the components of distributable earnings and accumulated losses on a tax basis were as follows:

Net unrealized appreciation	\$212,211
Capital loss carryforwards	(287,606)
Deferred post - October capital losses	(46,792)
Total accumulated losses on a tax basis	\$(122,187)

As of September 30, 2010 the Fund had net capital loss carryforwards of \$211,788, \$36,754, and \$39,064, which are available to offset future realized gains, if any, until 9/30/2016, 9/30/2017, 9/30/2018, respectively. To the extent the carryforwards are used to offset future gains, the amount offset will not be distributed to shareholders.

The difference between distributable earnings and accumulated losses on a book and tax basis is due to differing book tax treatments of spin offs from foreign corporations, income from certain investments designated as passive foreign investment companies for tax purposes, losses on wash sales which are required to be deferred for tax purposes, losses incurred subsequent to

## Notes to Financial Statements (Continued) September 30, 2010

October 31, 2009, which are deferred for tax purposes and differing book tax treatment of short term capital gains.

The tax character of distributions paid by the Fund was as follows:

	<b>For the Year Ended Sep 30, 2010</b>	<b>For the Year Ended Sep 30, 2009</b>
Return of capital	\$6,914	-0-

The Fund did not pay any distributions for the year ended September 30, 2009. The Fund paid a return of capital distribution of \$0.08181 per share on September 8, 2010, for a total distribution of \$6,914.

### NOTE 6. RISKS AND UNCERTAINTIES

#### *Non-Diversification Risk*

The Fund is classified as non-diversified. This means that the Fund can invest a greater percentage of its assets in fewer securities than a diversified fund. Because the Fund invests its assets in fewer securities, the Fund is subject to greater risk of loss if any of those securities become permanently impaired. Additionally, the net asset value of a non-diversified fund generally is more volatile and a shareholder may have a greater risk of loss if he or she redeems during a period of high volatility. Lack of broad diversification also may cause the Fund to be more susceptible to economic, political or regulatory events than a diversified fund.

#### *Sector Focus Risk*

The Fund's investments in commodity-related companies can be significantly affected by events relating to those sectors. The prices of agriculture, metals, and energy sector commodities may fluctuate widely due to changes in value, which depend largely on the price and supply, international political events relating to commodity producing countries, the success of new projects, and tax and other governmental regulatory policies. As a result, the securities owned by the Fund may react similarly to and move in unison with one another. Because the Fund may focus its investments in the agriculture, metals, or energy sectors, it is subject to the risks affecting those sectors and the Fund's share price may be more volatile than a fund that invests in a wide variety of market sectors.

#### *Foreign Securities Risk*

Foreign investments can involve significant risks in addition to the risks inherent in U.S. investments. The value of securities denominated in or indexed to foreign currencies, and of dividends and interest from such securities, can

## **Notes to Financial Statements (Continued)** **September 30, 2010**

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change significantly when foreign currencies strengthen or weaken relative to the U.S. dollar. Foreign securities markets generally have less trading volume and less liquidity than U.S. markets, and prices on some foreign markets can be highly volatile. Many foreign countries lack uniform accounting and disclosure standards comparable to those applicable to U.S. companies and it may be more difficult to obtain reliable information regarding an issuer's financial condition and operations. In addition, the costs of foreign investing, including withholding taxes, brokerage commissions, and custodial costs, generally are higher than for U.S. investments.

Foreign markets may offer less protection to investors than U.S. markets. Foreign issuers, brokers, and securities markets may be subject to less government supervision. Foreign security trading practices, including those involving the release of assets in advance of payment, may invoke increased risks in the event of a failed trade or the insolvency of a broker-dealer, and may involve substantial delays. It also may be difficult to enforce legal rights in foreign countries.

Investing abroad also involves different political and economic risks. Foreign investments may be affected by actions of foreign governments adverse to the interests of U.S. investors, including the possibility of expropriation or nationalization of assets, confiscatory taxation, and restrictions on U.S. investment or on the ability to repatriate assets or convert currency into U.S. dollars, or other government intervention. There may be a greater possibility of default by foreign governments or foreign government-sponsored enterprises. Investments in foreign countries also involve a risk of local political, economic or social instability, military action or unrest, or adverse diplomatic developments. There is no assurance that the Adviser will be able to anticipate or counter these potential events and their impacts on the Fund's share price.

### *Credit Risk of Debt Securities*

A debt instrument's credit quality depends on the issuer's ability to pay interest on the security and repay the debt: the lower the credit rating, the greater the risk that the security's issuer will default. The credit risk of a security may also depend on the credit quality of any bank or financial institution that provides credit enhancement for the security.

### *Commodity-Linked Notes Securities*

The Fund will invest indirectly in commodities through instruments that invest in or are a derivative of commodities, such as commodity-linked notes. In a typical commodity-linked note, sometimes referred to as a commodity-linked structured note, the principal and/or coupon payments are linked to the value of an individual commodity, or the performance of commodity indices. Therefore,

## **Notes to Financial Statements (Continued)** **September 30, 2010**

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these securities are "commodity-linked". Also, at maturity, the Fund may receive more or less principal than it originally invested. The commodity-linked notes in which the Fund invests, may be issued by U.S. and foreign banks, brokerage firms, insurance companies and other corporations. These notes are debt securities of the issuer and so, in addition to fluctuating in response to changes in the underlying commodity index, will be subject to credit and interest rate risks that typically affect debt securities.

### **NOTE 7. CONTROL OWNERSHIP**

The beneficial ownership, either directly or indirectly, of more than 25% of the voting securities of a fund creates a presumption of control of the fund, under Section 2(a)(9) of the 1940 Act. As of September 30, 2010, Carolyn H. Henderson held in aggregate, approximately 32.50% of the Fund.

### **NOTE 8. DERIVATIVE INSTRUMENTS**

#### *Options Contracts*

The Fund may purchase and sell options involving individual securities, futures and indices. The Fund can buy and sell options for various purposes:

- to try to manage the risk that the prices of its portfolio securities and instruments may decline;
- to establish a position in the futures or options market as a temporary substitute for purchasing individual securities or instruments;
- to attempt to enhance its income or return by purchasing and selling call and put options on commodity futures, commodity indices, financial indices or securities;
- to gain exposure to price movements of various commodity sectors in accordance with the Fund's investment strategies.

An option involves either: (a) the right or the obligation to buy or sell a specific instrument at a specific price until the expiration date of the option; or (b) the right to receive payments or the obligation to make payments representing the difference between the closing price of a stock index and the exercise price of the option expressed in dollars times a specified multiple until the expiration date of the option. Options are sold (written) on securities and stock indices. The purchaser of an option on a security pays the seller (the writer) a premium for the right granted but is not obligated to buy or sell the underlying security. The purchaser of an option on a stock index pays the seller a premium for the right granted, and in return the seller of such an option is obligated to make the payment. A writer of an option may terminate the obligation prior to expiration of the option by making an offsetting purchase of an identical option. Options are traded on organized exchanges and in the over-the-counter market. To cover the potential obligations involved in writing options, a Fund will either: (a) own

## Notes to Financial Statements (Continued)

### September 30, 2010

the underlying security, or in the case of an option on a market index, will hold a portfolio of stocks substantially replicating the movement of the index; or (b) the Fund will segregate with the custodian high grade liquid assets sufficient to purchase the underlying security or equal to the market value of the stock index option, marked to market daily.

The purchase and writing of options requires additional skills and techniques beyond normal portfolio management, and involves certain risks. The purchase of options limits the Fund's potential loss to the amount of the premium paid and can afford the Fund the opportunity to profit from favorable movements in the price of an underlying security to a greater extent than if transactions were effected in the security directly. However, the purchase of an option could result in the Fund losing a greater percentage of its investment than if the transaction were effected directly. When the Fund writes a call option, it will receive a premium, but it will give up the opportunity to profit from a price increase in the underlying security above the exercise price as long as its obligation as a writer continues, and it will retain the risk of loss should the price of the security decline. When the Fund writes a put option, it will assume the risk that the price of the underlying security or instrument will fall below the exercise price, in which case the Fund may be required to purchase the security or instrument at a higher price than the market price of the security or instrument. In addition, there can be no assurance that the Fund can affect a closing transaction on a particular option it has written. Further, the total premium paid for any option may be lost if the Fund does not exercise the option or, in the case of over-the-counter options, the writer does not perform its obligations.

#### *Options Transactions*

Transactions in written options during the year ended September 30, 2010 were as follows:

	Number of Contracts	Premiums Received
Options outstanding at September 30, 2009	-	\$ -
Options written	17	7,463
Options exercised	(17)	(7,463)
Options outstanding at September 30, 2010	-	\$ -

**Notes to Financial Statements (Continued)**  
**September 30, 2010**

GAAP requires the Fund to disclose certain information about its level of derivative use. The Fund's derivative use includes purchased options.

The following sets forth the fair value and location in the Statement of Assets and Liabilities of the Fund's derivative instruments as of September 30, 2010:

Derivatives not accounted for as hedging instruments	Statement of Assets and Liabilities location	Fair Value as of Sep 30, 2010
Equity contracts - purchased warrants	Investments in securities, at value	\$ 164,882
The following sets forth the effect of derivative instruments on the Statement of Operations of the Fund for the year ended September 30, 2010:		
Derivatives not accounted for as hedging instruments	Statement of Operations location	Gains (Losses)
Equity contracts - purchased options	Net realized loss on investments	\$ (4,953)
Equity contracts - purchased warrants	Net realized loss on investments	\$ (36,043)
Equity contracts - purchased warrants	Net change in unrealized appreciation on Investments	\$ 241

**NOTE 9. NEW ACCOUNTING PRONOUNCEMENTS**

In January 2010, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") No. 2010-06 "Improving Disclosures about Fair Value Measurements". ASU No. 2010-06 amends FASB Accounting Standards Codification Topic 820, Fair Valuation Measurements and Disclosures, to require additional disclosures regarding fair value measurements. Certain disclosures required by ASU No. 2010-06 are effective for interim and annual reporting periods beginning after December 15, 2009 and others for fiscal years beginning after December 15, 2010 and for interim periods within those fiscal years. Management is currently evaluating the impact ASU No. 2010-06 will have on the Fund's financial statement disclosures.

**Notes to Financial Statements (Continued)**  
**September 30, 2010**

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**NOTE 10. INDEMNIFICATIONS**

Under the Company's organizational documents, its Officers and Directors are indemnified against certain liabilities arising out of the performance of their duties to the Fund. In the normal course of business, the Fund enters into contracts that contain a variety of representations, which provided general indemnifications. The Fund's maximum exposure under these arrangements is unknown as this would involve future claims that may be made against the Fund that have not yet occurred. However, the Fund expects the risk of loss to be remote.



## REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

### To the Shareholders of the WorldCommodity Fund and the Board of Directors of WorldCommodity Funds, Inc.

We have audited the accompanying statement of assets and liabilities, including the schedule of investments, of the WorldCommodity Fund, a series of shares of WorldCommodity Funds, Inc., as of September 30, 2010, and the related statement of operations for the year then ended, the statements of changes in net assets for each of the years in the two-year period then ended and the financial highlights for each of the years in the three-year period then ended and for the period from October 27, 2006 (commencement of operations) to September 30, 2007. 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 audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audits 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 September 30, 2010, 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 WorldCommodity Fund, as of September 30, 2010, the results of its operations for the year then ended, the changes in its net assets for each of the years in the two-year period then ended and its financial highlights for each of the years in the three-year period then ended and for the period from October 27, 2006 (commencement of operations) to September 30, 2007, in conformity with accounting principles generally accepted in the United States of America.

*BBD, LLP*

**BBD, LLP**

**Philadelphia, Pennsylvania  
November 29, 2010**

## Additional Information (Unaudited)

The following table contains information concerning each officer of the Company and each Director of the Company who is an "interested person" of the Company, as defined in the 1940 Act. Mr. Llewellyn is an interested person as defined in the 1940 Act by virtue of his employment with the Adviser.

### INTERESTED DIRECTORS AND OFFICERS

Name, Address and Age	Position(s) Held with the Company	Term of Office & Length of Time Served**	Principal Occupation(s) During Past Five Years	Number of Portfolios in Fund Complex Overseen by Director	Other Directorships Held by Director
James Llewellyn  6700 Vernon Woods Drive, Suite 100, Atlanta, GA 30328  Year of Birth: 1969	Director, President and Treasurer	Mr. Llewellyn has served as a director of the Fund since the Fund's inception in 2006.	Managing Member, McConnell Asset Mgmt, LLC, April 2004: Private Client Consultant, E*TRADE Securities, LLC, 2000  Financial Consultant, Merrill Lynch Futures, Inc., 1998	One	None

## Additional Information (Unaudited)

The following table contains information regarding each director who is not an "interested person" of the Company, as defined in the 1940 Act.

### INDEPENDENT DIRECTORS

Name, Address and Age	Position(s) Held with the Company	Term of Office & Length of Time Served**	Principal Occupation(s) During Past Five Years	Number of Portfolios in Fund Complex Overseen by Director	Other Directorships Held by Director
Christopher Witte  6700 Vernon Woods Drive, Suite 100, Atlanta, GA 30328  Year of Birth: 1969	Independent Director	Mr. Witte has served as a director of the Fund since the Fund's inception in 2006.	Sr. Project Manager IT Operations, Cingular Wireless Inc/AT&T, 2002: Mgr. IT Operations, Cypress Restaurants of Georgia, Inc., 2001	One	None
Terry L. Cornett  6700 Vernon Woods Drive, Suite 100  Atlanta, GA 30328 Year of Birth: 1944	Independent Director	Mr. Cornett has served as a director of the Fund since the Fund's inception in 2006.	Private real estate investments, Cornett Consulting, Inc. 2001 Account manager, The Procter and Gamble Co. 1970-1994	One	None

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Each Director serves for an indefinite term.

## **Additional Information (Unaudited)**

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### **PROXY VOTING GUIDELINES**

A description of the policies and procedures that the Fund uses to determine how to vote proxies relating to portfolio securities is available upon request. The Fund annually discloses its complete proxy voting record on Form N-PX. The Fund is required to file Form N-PX, with its complete proxy voting record for the 12 months ended June 30th, no later than August 31st of each year. Information regarding how the Fund voted proxies relating to portfolio securities during the most recent 12 month period ended June 30th will be available without charge by calling 1-800-595-4922, by writing to WorldCommodity Funds, Inc. c/o Mutual Shareholder Services, LLC, 8000 Town Centre Drive, Suite 400, Broadview Heights, Ohio 44147, or visiting the SEC's web site at [www.sec.gov](http://www.sec.gov).

### **PORTFOLIO HOLDINGS DISCLOSURE POLICY**

The Fund files a complete schedule of investments with the SEC for the first and third quarter of each fiscal year on Form N-Q. The Fund's first and third fiscal quarters end on December 31 and June 30. The Form N-Q filing must be made within 60 days of the end of the quarter. The Fund's Forms N-Q are available on the SEC's website at [www.sec.gov](http://www.sec.gov), or they may be reviewed and copied at the SEC's Public Reference Room in Washington, DC (call 1-800-732-0330 for information on the operation of the Public Reference Room). You may also obtain copies by calling the Fund at 1-800-595-4922.

### **SHAREHOLDER TAX INFORMATION**

The information below is reported from the Fund's fiscal year and not calendar year, therefore, shareholders should refer to their Form 1099-DIV or other tax information which will be mailed in 2011 to determine the calendar year amounts to be included on their 2010 tax returns. Shareholders should consult their own tax advisers. The Fund is required to advise you within 60 days of the Fund's fiscal year end regarding the federal tax status of distributions received by the shareholders during the fiscal year. For the year ended September 30, 2010, the Fund paid a return of capital distribution of \$0.08181 per share on 9/8/2010 for a total distribution of \$6,914.

## **Additional Information (Unaudited)**

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### **APPROVAL OF INVESTMENT ADVISORY AGREEMENT**

On August 22, 2010, the Board of Directors of WorldCommodity Funds, Inc., with a majority of the independent Directors voting separately, renewed the Investment Company Services Agreement and Operating Services Agreement (collectively, the "Agreements") between the Fund and McConnell Asset Management, LLC. The Directors requested that they be provided certain information under 15(c) of the 1940 Act in connection with their consideration of the renewal of the Agreements. The Adviser provided such information in a letter to the Board (the "Section 15(c) Response Letter"). As required by the Section 15(c) and relevant court decisions, the Directors considered a variety of factors when contemplating the renewal of the Agreements. There were no material or substantive changes to the agreements since the Board last considered their approval.

In approving the existing investment advisory agreement, the Board of Directors considered a number of factors, including, but not limited to, the following:

- i. the nature, extent and quality of the services offered by the Adviser.
- ii. the Adviser's investment management capabilities, methodologies and performance.
- iii. the reasonableness of the compensation payable to the Adviser and the Fund's expense ratio.
- iv. the cost of services and the profit to be realized by the Adviser.
- v. economies of scale.

#### **i. the nature, extent and quality of the services offered by the Adviser.**

In considering approval of the Fund's advisory agreement, the Board evaluated the nature and extent of the services provided by the Adviser. The Adviser provides the Fund with office space, facilities, and equipment; administrative, clerical and compliance personnel; investment advice with respect to the Fund and invests and reinvests the cash, securities and property comprising the assets of the Fund; securities trading services and oversight of third party service providers.

## **Additional Information (Unaudited)**

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The Board also considered the quality of the services provided and quality of the Adviser's resources that are available to the Fund. The Board evaluated the professional qualifications and experience of the Adviser's personnel. The Board noted that the Portfolio Manager has over 15 years professional experience in the securities industry; and as a licensed professional completed the following NASD exams-Series 63, 3, 6, 7, and 65. The Portfolio Manger also has relevant experience with commodities trading at Merrill Lynch Futures, Inc. (NASD Series 3), where he was an associate member of the NFA (National Futures Association). The Board also noted, the Adviser's consulting experience with Beeland Management Company, LLC, sponsor of the Rogers International Commodities Index® Funds, and the Portfolio Manager's personal experience as a minority shareholder and non-managing member of Beeland from 1999-2004, and a member of the 2005 Rogers International Commodity Index® Committee.

### **ii. the Adviser's investment management capabilities, methodologies and performance.**

In its evaluation of the Adviser's performance, the Board noted that it will consider the performance of the Fund and thus the investment adviser, during the past one year and life of fund periods relative to the performance of market indices and the Fund's peer group during the same periods. Peer Group: The Board reviewed information provided by the Adviser comparing the historical performance of relevant market indices, and other "natural resources" funds advised by other investment advisers. This peer group consists of funds with similar investment objectives and policies as the Fund. Differences in asset size and expense ratios are noted along with the affect of any fee limitations or expense reimbursement on the Fund's and the peer group's performance.

### **iii. the reasonableness of the compensation payable to the Adviser and the Fund's expense ratio.**

The Board also reviewed information, including comparative information, regarding the fees paid to the Adviser and other expenses borne by the Fund. The Board reviewed comparative

## **Additional Information (Unaudited)**

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data in regard to the fees and expenses of the Fund, other natural resources funds, and other funds with comparable asset levels and distribution features. The Board noted that pursuant to an Operating Services agreement, the Adviser is responsible for paying all the Fund's expenses except commissions and other brokerage fees, taxes, interest and other extraordinary expenses. The Board concluded that the Fund's expense ratio is reasonable on both an absolute basis and relative to its peer group. Considering both the Advisory Agreement and Operating Agreement with the Adviser; and as a new fund with a small asset base, the Fund's actual expenses borne by the Adviser are considerably higher than those charged to investors in the Fund via the expense ratio.

### **iv. the cost of services and the profit to be realized by the Adviser.**

The Board also reviewed a cost and profitability analysis provided by the Adviser, which included a discussion and analysis of the profitability to the Adviser. In assessing profitability, the Board considered losses incurred by the Adviser in an effort to grow assets under management and losses related to initial organizational costs.

### **v. economies of scale.**

The Board considered, that as the Fund grows, it will be necessary to evaluate whether potential economies of scale are adequately shared by the Adviser with the Fund, and whether economies of scale should be reflected in the advisory fee through the use of breakpoints.

### **Conclusion:**

Based upon its review, the Board concluded that the Adviser's investment methodologies would fit with the Fund's investment policies, and that the Adviser had the capabilities, resources and personnel necessary to manage the Fund effectively. Further, the Board concluded that based on the services the Adviser would be required to render under the investment advisory agreement, that compensation to be paid to the Adviser was fair and reasonable. As a result, the entire Board, with Independent Directors voting separately, approved the Investment Advisory Agreement with the Adviser.

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**Board of Directors**

Christopher Witte  
Terry L. Cornett  
James Llewellyn

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