

# PEARL MUTUAL FUNDS

## FIRST QUARTER REPORT

MARCH 31, 2002

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# Pearl Mutual Funds

## 2002 First Quarter Report

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April 22, 2002

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Dear Fellow Shareholders:

The U.S. economy has continued its recovery from last year's recession. Stock markets continue to be volatile but had an overall slightly positive first quarter.

First quarter highlights for Pearl Mutual Funds include:

- Both Pearl Funds had a positive total return in this quarter: **Pearl Total Return Fund + 5.21%** and **Pearl Aggressive Growth Fund + 5.35%**.
- **Pearl Total Return Fund** outperformed all five of its comparison indexes in the first quarter of this year and over the past one and five years ended March 31, 2002. See page 3.
- **Pearl Aggressive Growth Fund** also outperformed all five of its comparison indexes in the first quarter. This Fund had a total return in its first nine months (since its July 2, 2001 inception) of **+ 5.99%\*** -- again, ahead of all its comparison indexes. See page 5.
- As of March 31, 2002:
 

	Total Net Assets	Net Asset Value
<b>Pearl Total Return Fund</b>	<b>\$47,586,429</b>	<b>\$11.31</b> per share
<b>Pearl Aggressive Growth Fund</b>	<b>\$18,077,852</b>	<b>\$10.43</b> per share

As of Friday, April 19, 2002, **Pearl Total Return Fund's** year-to-date total return was **+ 7.26%\***, and **Pearl Aggressive Growth Fund's** year-to-date total return was **+ 6.97%\***.

Please consider the information in the Prospectus and the general information on page 6. Past performance does not guarantee future results.

You are invited to visit our Website at [www.pearlfunds.com](http://www.pearlfunds.com). Please call, write, fax, or e-mail us if you have any question.

Thank you for your confidence in Pearl Mutual Funds.

Sincerely,



Kevin J. Burns  
Vice President of  
Investment Management



Robert H. Solt  
Executive Vice President,  
Secretary, and Treasurer



David M. Stanley  
Chairman and  
President

\* Not Annualized.

# Pearl Total Return Fund

<b>Performance Year-to-Date, Quarter ended March 31, 2002: Total Returns of Pearl Total Return Fund and Comparison Indexes, with dividends reinvested (except for Value Line Index):</b>	<b>3 Months ended 3-31-02 *</b>
<b>Pearl Total Return Fund</b>	<b>+ 5.34%</b>
MSCI World Index	+ 0.34%
Value Line (Geometric) Index	+ 2.34%
Wilshire 5000 Index	+ 0.96%
All Equity Funds Average (Lipper)	+ 0.78%
All Long-Term Taxable Funds Average (Lipper)	+ 0.18%

\* Not annualized. The total returns in this report, including all tables, do not reflect the deduction of taxes that a shareholder would pay on fund dividends or on redemption of fund shares. Likewise, the total returns on indexes do not reflect the deduction of taxes that an investor in stocks would pay on dividends or on sale of stocks.

We are very pleased **Pearl Total Return Fund outperformed all five of its benchmark indexes for the first quarter of the year.** Although the Fund invests for the long term and not the short term, it is encouraging to start the year in this positive way.

The MSCI World Index is an unmanaged index that is market-capitalization weighted and is generally representative of the performance of the global (including U.S. and international) market for common stocks. The Value Line (Geometric) Index is an unmanaged index that equally weights a broad range of publicly-traded U.S. common stocks included in The Value Line Investment Survey and is generally representative of the performance of the average U.S. common stock. The Wilshire 5000 index is an unmanaged index that is market-capitalization weighted, includes all publicly-traded U.S. common stocks with readily available price data, and is generally representative of the performance of the average dollar invested in U.S. common stocks. The All Equity Funds Average (Lipper) is an unmanaged and unweighted average of the total return performance of all equity-oriented mutual funds as classified and calculated by Lipper Inc. The All Long-Term Taxable Funds Average (Lipper) is an unmanaged and unweighted average of the total return performance of all long-term taxable mutual funds as classified and calculated by Lipper Inc. The holdings of Pearl Total Return Fund are not identical to the MSCI World Index, the Value Line (Geometric) Index, the Wilshire 5000 Index, the All Equity Funds Average (Lipper), the All Long-Term Taxable Funds Average (Lipper), or any other market index. Therefore, the performance of the Fund will not mirror the returns of any particular index. It is not possible to invest directly in an index. Trademarks and copyrights relating to the indexes and averages are owned by the following: MSCI World Index: Morgan Stanley capital International; Value Line (Geometric) Index: Value Line, Inc.; Wilshire 5000 Index: Wilshire Financial Services; and Lipper Averages: Reuters Funds Information Limited (a United Kingdom corporation).

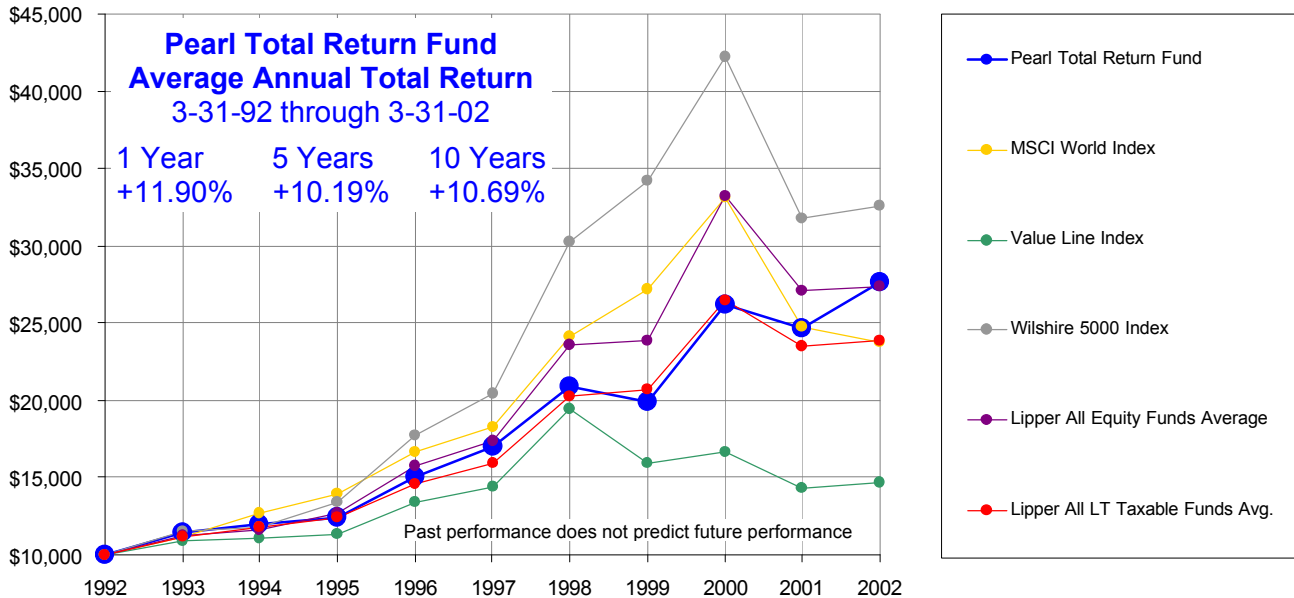
**Performance in Previous Years.** The total return of **Pearl Total Return Fund** was **+ 3.13%** in 2001, **+ 1.56%** in 2000, **+ 26.99%** in 1999, **+ 4.60%** in 1998, **+ 14.75%** in 1997, **+ 14.19%** in 1996, and **+ 21.13%** in 1995 (years ended December 31). Prior to July 2, 2001, this Fund's shares were not registered under the Securities Act of 1933 and sales were made only on a private basis. The Fund began offering its shares to the public pursuant to an effective registration statement on July 2, 2001.

Past performance does not predict future performance. See page 6.

# Pearl Total Return Fund

**10-Year Performance.** Pearl Total Return Fund's 10-year performance record is summarized in this graph:

**COMPARISON OF CHANGE IN VALUE OF \$10,000 INVESTMENT IN PEARL TOTAL RETURN FUND AND ITS COMPARISON INDEXES \***  
(as of 3-31 each year) (with dividends reinvested, except for Value Line Index)



\* The total returns in this report, including the graph and tables, do not reflect the deduction of taxes that a shareholder would pay on fund dividends or on redemption of fund shares. Likewise, the total returns on indexes do not reflect the deduction of taxes that an investor in stocks would pay on dividends or on sale of stocks.

This graph compares the results of \$10,000 invested in **Pearl Total Return Fund** on March 31, 1992 with the indexes listed below. Each of the indexes is unmanaged. All total returns include reinvested dividends (except for Value Line Index).

Performance is historical and does not guarantee future results. See page 6.

<b>Average Annual Total Returns for years ended 3-31-02 with dividends reinvested (except for Value Line Index):</b>	<b>1 year</b>	<b>5 years</b>	<b>10 years</b>
<b>Pearl Total Return Fund</b>	<b>+ 11.90%</b>	<b>+ 10.19%</b>	<b>+ 10.69%</b>
MSCI World Index	- 4.24%	+ 5.38%	+ 9.03%
Value Line (Geometric) Index	+ 2.42%	+ 0.40%	+ 3.93%
Wilshire 5000 Index	+ 2.54%	+ 9.76%	+ 12.54%
All Equity Funds Average (Lipper)	+ 0.99%	+ 7.44%	+ 10.60%
All Long-Term Taxable Funds Average (Lipper)	+ 1.52%	+ 6.77%	+ 9.09%

**The Fund's total return was better than all five of the comparison indexes over the past one and five years and better than four of the comparison indexes over the past ten years.** Of course, past performance does not predict future performance. See page 6.

# Pearl Total Return Fund

**Risk-adjusted Return: Pearl Total Return Fund.** This Fund seeks to outperform its five benchmark indexes on a long-term risk-adjusted total return basis. We believe that two factors should be considered together in assessing a mutual fund's performance: its total return and its risk. Therefore, we measure your Fund's total return in relation to the risk (volatility) it incurred.

For the one, three, and five years through December 31, 2001, Pearl Total Return Fund's risk-adjusted total return was better than all five comparison indexes. See our Annual Report, page 8. Again, past performance does not predict future performance.

**Current Investments: Pearl Total Return Fund.** This Fund seeks long-term total return by being primarily invested (80% or more) in equity mutual funds, except when in management's judgment a lower percentage is justified by high risks affecting stock markets. The Fund has sought to limit shareholders' risk by holding a modest defensive position at times and by selecting some mutual funds that have low volatility or a "value" investment style or both.

As of March 31, 2002, 93% of **Pearl Total Return Fund's** total assets were invested in equity mutual funds (a diversified group of funds investing in U.S. and international markets), 7% in income funds that primarily hold bonds, and less than 1% in cash.

A more precise way to measure the Fund's asset allocation is its investment portfolio asset breakdown, which counts the Fund's indirect investments through the mutual funds in its portfolio, using the most recent information (not necessarily as of the same date) on the portfolio assets of those mutual funds. As of March 31, 2002, this Fund's investment portfolio asset breakdown was: 86% stocks (including 50% U.S. and 36% foreign stocks), 7% bonds, and 7% cash. The Fund's asset allocation and portfolio holdings vary with changes in investments.

We continue to perceive many risks, including overvaluation in some stock market areas, uncertainty about the timing and strength of a probable economic recovery in the U.S. and the world, the Middle East situation, oil prices, and continued pressures on corporate profits. However, we believe overall market risks have been reduced by the very accommodative interest rate environment and by the deep decline in many stock prices since March 2000. We believe the reward/risk ratio is now somewhat positive overall for stock investing. We believe the near-term outlook continues to favor value-style mutual funds and small-to-mid-cap funds.

Considering the important factors of valuation, sentiment, and monetary conditions, we believe foreign stocks as a whole (especially small-cap and mid-cap stocks) continue to offer a slightly better reward/risk ratio than U.S. stocks. Foreign markets have unique risks and opportunities.

We diligently seek to select the best mutual funds for investment in view of changing market conditions and this Fund's investment objective. We believe your Fund's current investments provide a reasonable reward/risk ratio in this market environment. Portfolio holdings are subject to change, and several changes have been made during 2002 to date.

# Pearl Aggressive Growth Fund

Total Returns of Pearl Aggressive Growth Fund and Comparison Indexes, with dividends reinvested (except for Value Line Index)*	3 Months ended 3-31-02 *	7-02-01 (inception) to 3-31-02 *
<b>Pearl Aggressive Growth Fund</b>	<b>+ 5.35%</b>	<b>+ 5.99%</b>
MSCI World Index	+ 0.34%	- 6.70%
Value Line (Geometric) Index	+ 2.34%	- 5.43%
Wilshire 5000 Index	+ 0.96%	- 4.59%
Standard & Poor's 500 Index	+ 0.28%	- 5.30%
All Equity Funds Average (Lipper)	+ 0.78%	- 5.61%

\* Not annualized. The total returns in this report, including all tables, do not reflect the deduction of taxes that a shareholder would pay on fund dividends or on redemption of fund shares. Likewise, the total returns on indexes do not reflect the deduction of taxes that an investor in stocks would pay on dividends or on sale of stocks.

We are very pleased that **Pearl Aggressive Growth Fund** outperformed all five of its benchmark indexes for the first quarter of the year – and also during the entire nine months since its inception.

The Standard & Poor's 500 Index is an unmanaged index of 500 stocks that is market-capitalization weighted and is generally representative of the performance of larger companies in the U.S. See page 2 for descriptions of the other indexes. Pearl Aggressive Growth Fund's holdings are not identical to the MSCI World Index, the Value Line (Geometric) Index, the Wilshire 5000 Index, the Standard & Poor's 500 Index, the All Equity Funds Average (Lipper), or any other market index. Therefore, the performance of the Fund will not mirror the returns of any particular index. It is not possible to invest directly in an index.

**Current Investments: Pearl Aggressive Growth Fund.** This Fund seeks long-term aggressive growth of capital by being fully invested (95% or more) in equity mutual funds. This Fund almost never takes a temporary defensive position, although it has the ability to do so if management determines that extreme circumstances exist.

As of March 31, 2002, 99.8% of **Pearl Aggressive Growth Fund's** total assets were invested in equity mutual funds and 0.2% in cash.

Based upon the most recent information (though not necessarily as of the same date), the March 31, 2002 investment portfolio asset breakdown, which counts your Fund's indirect investments through the mutual funds in its portfolio, was: 92% stocks (including 59% U.S. and 33% foreign stocks), 0% bonds, and 8% cash. These figures vary with changes in investments.

This Fund continues to hold more value-style equity funds than it would normally hold, taking into account the long-term pattern of alternating outperformance by value-style and growth-style funds. The Fund has been very gradually moving toward more growth-style equity funds and toward more international equity funds. We believe your Fund's current investments provide a reasonable reward/risk ratio for this aggressive Fund in this market environment. Portfolio holdings are subject to change, and several changes have been made in 2002 to date.

**General Information: Please consider this in connection with all information in this report:**

This report is provided for the general information of the shareholders of Pearl Mutual Funds. This report is not authorized for distribution to prospective investors unless preceded or accompanied by a current Prospectus. Please read the Prospectus carefully before you invest or send money. For more information on either Fund, including fees and expenses, please call (toll-free) 866-747-9030, or visit our Website at [www.pearlfunds.com](http://www.pearlfunds.com).

Shares of the Funds are available to persons residing in certain states. Please call 866-747-9030 (toll-free) to determine whether you are eligible to purchase Fund shares. This report is not an offer or a solicitation of an offer to buy any of the Pearl Mutual Funds, nor shall any of the Pearl Mutual Funds be offered or sold to any person, in any jurisdiction in which the offer, solicitation, purchase, or sale would be unlawful under the securities law of that jurisdiction.

Total return means total growth of the investment, with all dividends and distributions (including capital gains) reinvested.

Total returns for the quarter ended March 31, 2002, and all total returns for **Pearl Aggressive Growth Fund**, are not annualized.

**Performance is historical and does not guarantee future results.** Investment return and principal value of an investment in each Fund will fluctuate, so that an investor's shares in the Fund, when redeemed, may be worth more or less than their original cost. All investments involve risks. Even though **Pearl Total Return Fund** and **Pearl Aggressive Growth Fund** each invest in many mutual funds, that investment strategy cannot eliminate risk.

Performance changes over time and may be materially different by the time you receive this report. For recent performance information, call 866-747-9030 (toll-free) or visit [www.pearlfunds.com](http://www.pearlfunds.com).

Currently, Pearl Management Company has contractually undertaken to reimburse each Fund for all ordinary operating expenses (including all management and administrative fees) exceeding the following expense ratios: 0.96% of a Fund's average net assets up to \$30 million; 0.90% in excess of \$30 million up to \$100 million; and 0.78% in excess of \$100 million. When the Manager has reimbursed a Fund for expenses in excess of these limits, the Manager may recover the reimbursed amounts, for a period that does not exceed five years, to the extent this can be done without exceeding the expense limits.

Effective on or about May 1, 2002, Pearl Management Company will reimburse each Fund for all ordinary operating expenses (including all management and administrative fees) exceeding the following expense ratios: 0.98% of a Fund's average net assets up to \$100 million and 0.78% in excess of \$100 million. There will be no change in the provision allowing the Manager to recover reimbursed amounts subject to the stated restrictions. These expense limits will continue at least through December 21, 2007. A reimbursement lowers the expense ratio and increases overall return to investors.