

# PEARL MUTUAL FUNDS

## FIRST QUARTER REPORT

MARCH 31, 2004

**SEE PAGE 1**

[www.pearlfunds.com](http://www.pearlfunds.com)

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PEARL...  
FUNDS

# Pearl Mutual Funds

## 2004 First Quarter Report

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	Page
<b>NEWS</b> from Your Investment Management Team .....	1
<b>Pearl Total Return Fund</b> Overview .....	2 - 4
<b>Pearl Aggressive Growth Fund</b> Overview.....	5 - 7
General Information.....	8 - 9

### **Notice to Our Shareholders**

Pearl Mutual Funds are no-load – no sales charge to anyone. Until May 1, 2004, the Funds had no redemption fee.

Every shareholder has the right to redeem shares at any time.

Both Funds are intended for long-term investment, and seek to prevent and strongly discourage any short-term trading of the Funds' shares. We believe excessive trading can hurt Fund performance and shareholders.

Your Board of Trustees has concluded that the most fair, uniform, and effective way to discourage short-term trading is to require a 2% redemption fee for short-term trading of Fund shares – meaning sales of Fund shares owned for 30 days or less.

Effective May 1, 2004, a 2% redemption fee will be charged if a shareholder sells shares owned for 30 days or less. The Funds use the first-in-first-out method to determine when shares were purchased, so the shares you redeem are assumed to be your longest-held shares.

The redemption fee does not apply to exchanges between the Funds. Each shareholder is permitted to make up to two round-trip exchanges during any 12-month period, as stated in the Prospectus.

Also, there will be no redemption fee if either of these two exceptions applies: (1) if the amount redeemed is \$2,500 or less, or (2) if there is a verified emergency or hardship situation as determined by the Fund.

The redemption fee will be deducted from the redemption proceeds and will be kept by the Fund for the benefit of its shareholders.

Thank you for your cooperation in this step to help protect all long-term investors in Pearl Mutual Funds.

**Chairman & President**  
DAVID M. STANLEY

May 7, 2004

**Executive Vice President**  
ROBERT H. SOLT

**NEWS for Pearl Shareholders:**

**Vice President of Investment Management**  
KEVIN J. BURNS

- **Pearl Total Return Fund** gained **5.59%** during the first 3 months of 2004 – **outperforming** all 5 of its comparison indexes.
- For the 4 years through March 31, 2004, **Pearl Total Return Fund** was **up 28.38%**, while most stock indexes had big losses, including: Wilshire 5000 **down (18.32%)**, MSCI World **down (21.78%)**, Value Line Geometric **down (12.08%)**, Lipper All Equity Funds Average **down (12.04%)**, and S&P 500 **down (20.05%)**. The Lipper All Long-Term Taxable Funds Average was up **1.01%**. These 4 years included the 3-year bear market (2000-2002) and a strong market rise in 2003.
- **Pearl Total Return Fund** **strongly outperformed** all 5 of its comparison indexes during the last 3 years and 5 years through March 31, 2004.
- **Pearl Aggressive Growth Fund** gained **5.89%** during the first 3 months of 2004 – **outperforming** all 5 of its comparison indexes.
- During its **first 2 ¾ years** through March 31, 2004, **Pearl Aggressive Growth Fund** was **up 35.13%** -- strongly outperforming all 5 of its comparison indexes: Wilshire 5000 **up 1.01%**, MSCI World **up 1.75%**, Value Line Geometric **down (5.76%)**, S&P 500 **down (3.72%)**, and Lipper All Equity Funds Average **up 3.28%**.
- **Pearl Aggressive Growth Fund** also **strongly outperformed** all 5 of its benchmarks during the last 1 year and 2 years through March 31, 2004.

**Vice President**  
CHRISTOPHER A. HOFFMAN

**Trustees**  
JOHN W. AXEL  
JEFFREY R. BOEYINK  
DOUGLAS B. CODER  
DR. DAVID N. DEJONG  
DAVID L. EVANS  
ROBERT H. SOLT  
DAVID M. STANLEY  
DR. JAMES P. STEIN

**Staff**  
KAREN M. BROOKHART  
PEGGY A. CHERRIER  
KAREN J. GRELL  
RENATA R. LAMAR

Please consider all information in this report and in the Prospectus. Past performance does not guarantee future results. Figures above are not annualized.

**You are invited to visit our Website at [www.pearlfunds.com](http://www.pearlfunds.com). Please call, write, fax, or e-mail us. We are here to help you.**

Thank you for your confidence in Pearl Mutual Funds.

Sincerely,

YOUR INVESTMENT MANAGEMENT TEAM,

  
Kevin J. Burns    Christopher A. Hoffman    Robert H. Solt    David M. Stanley

# Pearl Total Return Fund

## Performance of Pearl Total Return Fund and Comparison Indexes through 3-31-04:

Total Returns for quarter ended March 31, 2004 with dividends reinvested (except for Value Line Index):	3 months*
<b>Pearl Total Return Fund</b>	<b>+ 5.59%</b>
Wilshire 5000 Index	+ 2.60%
MSCI World Index	+ 2.62%
Value Line (Geometric) Index	+ 3.92%
All Equity Funds Average (Lipper)	+ 3.66%
All Long-Term Taxable Funds Average (Lipper)	+ 3.19%

\* Not annualized. The total returns do not reflect the deduction of taxes that a shareholder would pay on fund dividends or on redemption of fund shares. Likewise, 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. See page 9 for a description of each index.

**Performance Summary.** Past performance does not predict future performance.

- During the **4 years** through March 31, 2004, your Fund was **up 28.38%** while its 5 comparison indexes were **down (12.64%)** on average (not annualized). See page 1. This period included the 3-year bear market (2000-2002) and the strong 2003 rise.
- Your Fund strongly outperformed all 5 of its comparison indexes during the past 3 years and 5 years and outperformed 4 of these 5 benchmarks during the past 1 year and 10 years (all as of March 31, 2004). See page 3.
- **Pearl Total Return Fund's** total return was **+ 35.73%** in 2003, **- 10.75%** in 2002, **+ 3.13%** in 2001, **+ 1.56%** in 2000, and **+ 26.99%** in 1999 (years ended December 31).

**Net Asset Value and Net Assets.** **At the close of March 31, 2004:**

NAV (net asset value) per share: \$ 13.40 -- up from \$12.69 at 12-31-03

Net assets: \$ 60,824,274 -- up from \$53,352,177 at 12-31-03

**No-Load Investing.** Your **no-load** Fund seeks to do **no-load** investing, to avoid transaction costs for you and all our shareholders. The Fund can invest **only** in no-load (no sales charge, no redemption fee), load-waived (no-load due to large purchases), or low-load (sales load and redemption fee together must not exceed 2%) mutual funds. The Fund also can invest in closed-end funds but has not yet done so. Some mutual funds in which the Fund may invest may impose a distribution fee (12b-1 fee).

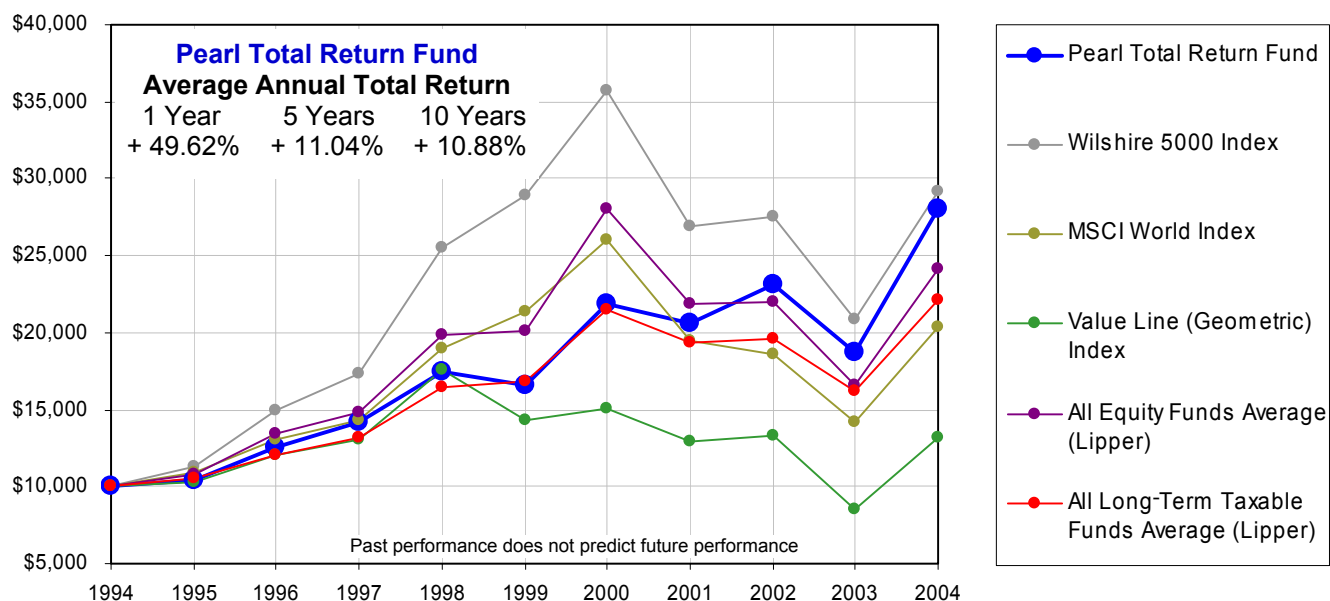
The Fund **seeks to avoid completely all sales charges, commissions, and redemption fees** – and continues to avoid them in 2004 to date.

The Fund **has not paid any sales charge, commission, or redemption fee** since 1998. **All** of the Fund's investments in the years 1999 through 2004 to date were made on a **no-load** basis.

# 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.

**Pearl Total Return Fund's** average annual total return was **+ 11.04%** during the last 5 years and **+ 10.88%** over the last 10 years (ended March 31). The value of an investment in this Fund grew **69%** in the last 5 years and **181%** during the last 10 years.

## Performance of Pearl Total Return Fund and Comparison Indexes through 3-31-04:

Average Annual Total Returns for years ended 3-31-04 with dividends reinvested (except for Value Line Index):	1 year	3 years	5 years	10 years
<b>Pearl Total Return Fund</b>	<b>+ 49.62%</b>	<b>+ 10.81%</b>	<b>+ 11.04%</b>	<b>+ 10.88%</b>
Wilshire 5000 Index	+ 39.37%	+ 2.78%	+ 0.19%	+ 11.29%
MSCI World Index	+ 43.87%	+ 1.46%	- 0.95%	+ 7.35%
Value Line (Geometric) Index	+ 54.17%	+ 0.68%	- 1.63%	+ 2.84%
All Equity Funds Average (Lipper)	+ 45.68%	+ 3.39%	+ 3.84%	+ 9.20%
All Long-Term Taxable Funds Average (Lipper)	+ 35.99%	+ 4.57%	+ 4.23%	+ 8.25%

See page 9 for a description of each index.

# Pearl Total Return Fund

**Risk-adjusted Return.** **Pearl Total Return Fund** seeks to outperform its 5 benchmark indexes on a long-term risk-adjusted total return basis. We believe 2 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 information on your Fund's risk-adjusted total return, see our 2003 Annual Report, page 7.

**Access to Many Funds.** The Fund's investments in most mutual funds are generally large enough to take advantage of sales load waivers on large purchases. Thus, the Fund is able to select **no-load** investments from a very wide range of funds – even though many of those funds would require most investors to pay a sales load. The Fund also holds shares of some mutual funds that are now **closed** to most new investors. At March 31, 2004, **Pearl Total Return Fund** held 12 equity mutual funds, and 9 of them were closed to most new investors.

**Current Investments.** **Pearl Total Return Fund** is a diversified fund of funds that seeks long-term total return by investing 80% or more of its net assets in equity mutual funds, except when Management believes a lower percentage is justified by high risks affecting stock markets. This Fund seeks to limit shareholders' risk by frequently holding a modest defensive position and by selecting some mutual funds that have demonstrated relatively lower volatility.

At March 31, 2004, 87% 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), 10% in income funds that primarily hold bonds, and 3% in cash.

A more precise way to measure your Fund's asset allocation is its investment portfolio asset breakdown, which counts the Fund's indirect investments through the mutual funds held in its portfolio, using recent information on the portfolio assets of those mutual funds.

At March 31, 2004, **Pearl Total Return Fund's** investment portfolio asset breakdown was: 77% stocks (including 38% U.S. and 39% foreign stocks), 11% bonds, and 12% cash. The Fund's asset allocation and portfolio holdings vary with changes in investments.

We believe there are many stock market risks, including high valuations of many stocks, built-in high expectations for economic and earnings growth, possible further terrorist attacks, and potential panic by investors in a severe market decline. We believe the risk of a stock market correction has grown as the market rise has continued. However, we believe overall risks have been reduced by the very favorable interest rate environment.

We believe that: The near-term reward/risk ratio remains slightly positive overall for stock investing. The near-term outlook continues to favor small-to-mid-cap stock funds over large-cap funds, although the gap has continued to narrow. 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.

Weighing these factors, **Pearl Total Return Fund** remains mostly invested in equity mutual funds and has slightly decreased its defensive position. We diligently seek to select the best mutual funds in view of changing market conditions and this Fund's investment objective. We believe the Fund's current investments are appropriate for this market environment. Portfolio holdings are subject to change at any time without notice, and changes have been made in 2004 to date. The most recent month-end portfolio holdings are available at [www.pearlfunds.com](http://www.pearlfunds.com).

# Pearl Aggressive Growth Fund

## Performance of Pearl Aggressive Growth Fund and Comparison Indexes through 3-31-04:

Total Returns for periods ended March 31, 2004 with dividends reinvested (except for Value Line Index)	3 months*	Since 7-02-01 (inception)*
<b>Pearl Aggressive Growth Fund</b>	<b>+ 5.89%</b>	<b>+ 35.13%</b>
Wilshire 5000 Index	+ 2.60%	+ 1.01%
MSCI World Index	+ 2.62%	+ 1.75%
Value Line (Geometric) Index	+ 3.92%	- 5.76%
Standard & Poor's 500 Index	+ 1.69%	- 3.72%
All Equity Funds Average (Lipper)	+ 3.66%	+ 3.28%

\* Not annualized. The total returns do not reflect the deduction of taxes that a shareholder would pay on fund dividends or on redemption of fund shares. Likewise, 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. See page 9 for a description of each index.

**Performance Summary.** Past performance does not predict future performance.

- During the **2 ¾ years** from this Fund's inception through March 31, 2004, the Fund was **up 35.13%** while its 5 comparison indexes were **down (0.69%)** on average (not annualized).
- Your Fund strongly outperformed all 5 of its comparison indexes during the past 3 months, 1 year, and 2 years (all as of March 31, 2004). See page 6.

**Net Asset Value and Net Assets.** At the close of March 31, 2004:

NAV (net asset value) per share: \$ 13.30 -- up from \$12.56 at 12-31-03

Net assets: \$ 23,048,673 -- up from \$21,056,350 at 12-31-03

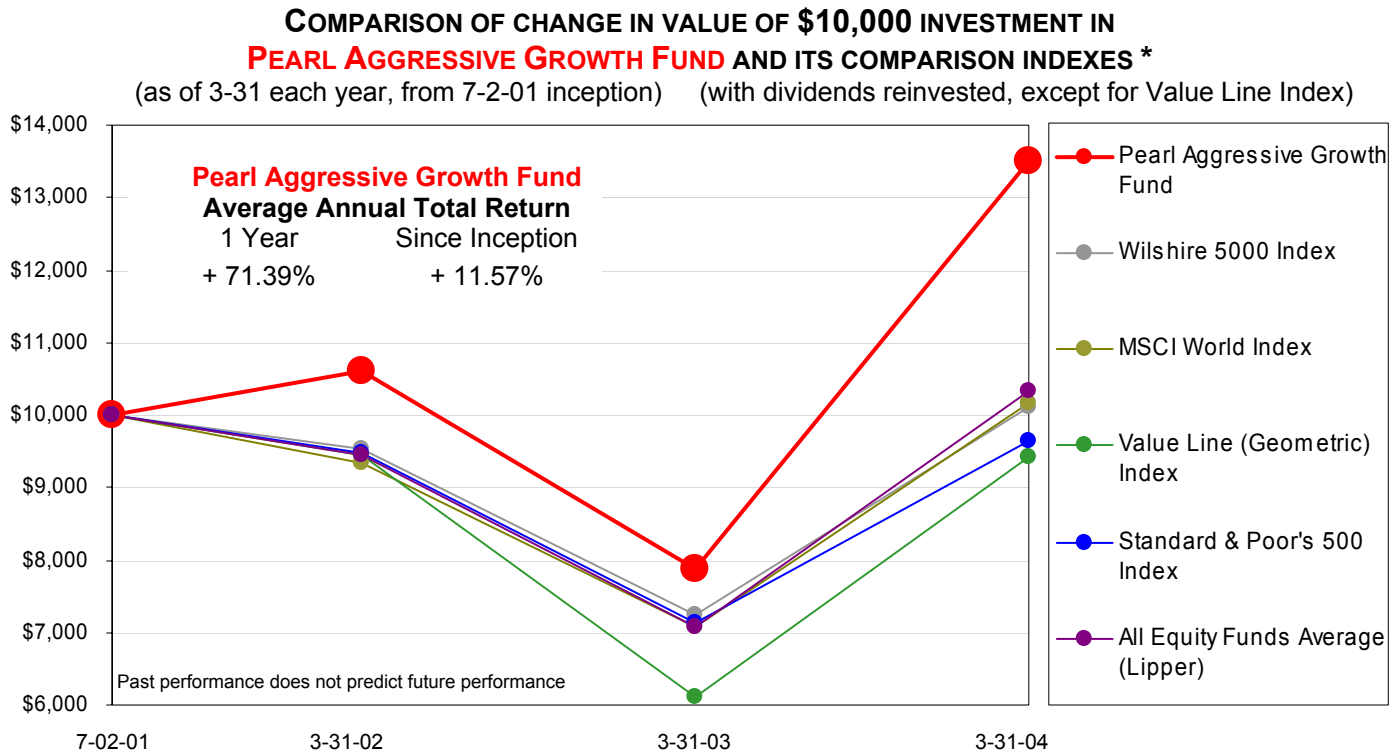
**No-Load Investing.** Your **no-load** Fund seeks to do **no-load** investing, to avoid transaction costs for you and all our shareholders. The Fund can invest **only** in no-load (no sales charge, no redemption fee), load-waived (no-load due to large purchases), or low-load (sales load and redemption fee together must not exceed 2%) mutual funds. The Fund also can invest in closed-end funds but has not yet done so. Some mutual funds in which the Fund may invest may impose a distribution fee (12b-1 fee).

The Fund **seeks to avoid completely all sales charges, commissions, and redemption fees** – and continues to avoid them in 2004 to date.

**Pearl Aggressive Growth Fund** has never paid any sales charge, commission, or redemption fee. All of the Fund's investments to date were made on a **no-load** basis.

# Pearl Aggressive Growth Fund

**Performance: Fund's First 2 ¾ Years.** Pearl Aggressive Growth Fund's performance record since its inception is summarized in this graph:



\* 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.

## Performance of Pearl Aggressive Growth Fund and Comparison Indexes through 3-31-04:

Average Annual Total Returns for periods ended 3-31-04 with dividends reinvested (except for Value Line Index):	1 year	2 years	From 7-02-01 (inception)
<b>Pearl Aggressive Growth Fund</b>	<b>+ 71.39%</b>	<b>+ 12.92%</b>	<b>+ 11.57%</b>
Wilshire 5000 Index	+ 39.37%	+ 2.90%	+ 0.37%
MSCI World Index	+ 43.87%	+ 4.43%	+ 0.63%
Value Line (Geometric) Index	+ 54.17%	- 0.17%	- 2.14%
Standard & Poor's 500 Index	+ 35.12%	+ 0.83%	- 1.37%
All Equity Funds Average (Lipper)	+ 45.68%	+ 4.60%	+ 1.18%

See page 9 for a description of each index.

# Pearl Aggressive Growth Fund

**Access to Many Funds.** The Fund's investments in most mutual funds are generally large enough to take advantage of sales load waivers on large purchases. Thus, the Fund is able to select **no-load** investments from a very wide range of funds – even though many of those funds would require most investors to pay a sales load.

Another potential benefit to our shareholders is that the Fund also holds shares of some mutual funds that are now **closed** to most new investors. At March 31, 2004, **Pearl Aggressive Growth Fund** held 13 equity mutual funds, and 9 of them were closed to most new investors.

**Current Investments.** **Pearl Aggressive Growth Fund** is a diversified fund of funds that 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.

At March 31, 2004, 97% of **Pearl Aggressive Growth Fund's** total assets were invested in equity mutual funds (a diversified group of funds investing in U.S. and international markets) and 3% in cash.

In comparison with **Pearl Total Return Fund**, **Pearl Aggressive Growth Fund's** portfolio as a whole is more volatile, includes more growth-oriented funds, has an even greater emphasis on small-to-mid-cap stock funds, and has a significant and slightly larger investment in international stock funds, with a larger percentage invested in emerging markets.

**Pearl Aggressive Growth Fund's** investment portfolio asset breakdown counts the Fund's indirect investments through the mutual funds in its portfolio, using recent information on the portfolio assets of those mutual funds. At March 31, 2004, your Fund's investment portfolio asset breakdown was: 92% stocks (including 44% U.S. and 48% foreign stocks), 0% bonds, and 8% cash. The Fund's asset allocation and portfolio holdings vary with changes in investments.

Taking into account the stock market outlook summarized on page 4, **Pearl Aggressive Growth Fund** remains fully invested in equity mutual funds and has slightly decreased its cash position – from just under 4% of total assets to about 3% of total assets.

We diligently seek to select the best mutual funds in view of changing market conditions and this Fund's aggressive investment objective. We believe your Fund's current investments are appropriate for this market environment. Portfolio holdings are subject to change at any time without notice, and changes have been made in 2004 to date. The most recent month-end portfolio holdings are available at [www.pearlfunds.com](http://www.pearlfunds.com).

## General Information

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This report is provided for the shareholders of Pearl Mutual Funds. This report is not authorized for distribution to prospective investors unless preceded or accompanied by a current Prospectus. **An investor should carefully consider a Fund's objectives, risks, charges, and expenses before investing. To obtain a Prospectus containing this and other information, please call toll-free 866-747-9030 or visit our Website at [www.pearlfunds.com](http://www.pearlfunds.com). Please read the Prospectus carefully before you invest or send money.**

Shares of the Pearl Funds are available to persons residing in certain states. Please go to [www.pearlfunds.com](http://www.pearlfunds.com) or call toll-free 866-747-9030 to determine whether you are eligible to purchase Fund shares. This report is not an offer of or a solicitation of an offer to buy either Fund, nor shall either Fund be offered or sold to any person, in any jurisdiction in which the offer, solicitation, purchase, or sale would be unlawful under its securities law. The Funds are offered only to residents of the United States.

**Performance is historical and does not guarantee future results.** Investment return and principal value of an investment in each Pearl Fund will fluctuate, so that an investor's shares in the Fund, when redeemed, may be worth more or less than their original cost. Performance changes over time and may be materially different by the time you read this report. For recent performance information, go to [www.pearlfunds.com](http://www.pearlfunds.com) or call toll-free 866-747-9030.

All investments involve risk. Even though **Pearl Total Return Fund** and **Pearl Aggressive Growth Fund** each invest in many mutual funds, that investment strategy cannot eliminate risk.

Please consult your tax advisor regarding the tax consequences of owning shares of the Funds in your particular circumstances.

From July 1, 1972 through July 1, 2001, **Pearl Total Return Fund's** shares were not registered under the Securities Act of 1933 and only private sales were made. The Fund began offering its shares to the public pursuant to an effective registration statement on July 2, 2001.

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

**Limits on Expenses.** Pearl Management Company, the Funds' Manager, has contractually agreed to reimburse each Pearl Fund for all ordinary operating expenses (including management and administrative fees) exceeding these expense ratios: 0.98% of a Fund's average net assets 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. These expense limits will continue at least through December 31, 2007 unless a change is approved by the Funds' Board of Trustees.

The Manager's reimbursement of expenses that exceed the expense limit lowers the expense ratio and increases the overall return to investors.

**You May Send a Message to the Funds' Board of Trustees** on any subject. Send your message to the Pearl Mutual Funds office, addressed to the Board of Trustees. We will promptly send it to all of the Trustees.

**Communications Invited on Accounting and Auditing.** Any person may communicate, confidentially and anonymously, any concerns regarding accounting or auditing matters to David L. Evans, Chairman of the Audit Committee of Pearl Mutual Funds, by either of these two means:

1. Mail to 32500 El Diente Court, Evergreen, CO 80439 (preferred method)
2. Telephone to 303-679-9689

**Privacy Policy.** Because we consider the preservation of your privacy a priority, Pearl Mutual Funds has adopted a privacy policy. You may view the privacy policy at [www.pearlfunds.com](http://www.pearlfunds.com) (click the Privacy Policy page) or by calling toll-free 866-747-9030.

**We Invite and Welcome Your Calls.** A real, live person will talk with you, promptly. You will know the full name of the person you talk with. He or she will be one of our officers or key staff persons. You will get a straight answer. If we don't know the answer, we will find it and get back to you quickly. If we break this promise, tell us and you will receive our personal apology.

**We Also Invite You to E-mail, Fax, or Write to Us:**

E-mail to [info@pearlfunds.com](mailto:info@pearlfunds.com)

Fax to 563-288-4101

Write to Pearl Mutual Funds, 2610 Park Avenue, PO Box 209, Muscatine, IA 52761

**Description of Indexes:** 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 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 Standard & Poor's (S & P) 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. 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 each Pearl Fund are not identical to any of the indexes named above or any other market index. Therefore, the performance of each Pearl 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 are owned by: Wilshire 5000 Index: Wilshire Financial Services, Inc.; MSCI World Index: Morgan Stanley Capital International; Value Line (Geometric) Index: Valueline, Inc.; Standard & Poor's 500 Index: The McGraw-Hill Companies; and Lipper Averages: Reuters Funds Information Limited, a United Kingdom corporation.

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**FUNDS**