

PEARL MUTUAL FUNDS

THIRD QUARTER REPORT

SEPTEMBER 30, 2004



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PEARL...
FUNDS

Pearl Mutual Funds

2004 Third Quarter Report

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Did you know?

We are shareholders too! **All** our Trustees, Officers, and employees are Pearl Funds shareholders. We eat our own cooking! If your Pearl Funds investment grows or declines, so does ours!

All performance figures for Pearl Funds are **after** deduction of **all expenses** (all fees, transaction costs, etc.) – including all expenses of each Pearl Fund and all expenses of the mutual funds in its portfolio.

Both Pearl Funds are **no-load** – no sales charge or commission. To help protect long-term shareholders and discourage frequent trading of Fund shares, a 2% redemption fee is charged if a shareholder sells shares owned for 30 days or less.

We **avoid transaction costs**. **Pearl Aggressive Growth Fund** has never paid – and **Pearl Total Return Fund** has not paid since 1998 – any sales charge, commission, or redemption fee.

Daily prices (net asset value) and monthly portfolio holdings of both Pearl Funds are available at www.pearlfunds.com.

October 26, 2004

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NEWS for Pearl Shareholders:

- **Pearl Total Return Fund** gained **5.59%** during the first 9 months of 2004 – **outperforming** all 5 of its comparison indexes, more than doubling the front-running benchmark, MSCI World with a 2.48% gain.
- For the 5 years through September 30, 2004, **Pearl Total Return Fund** was **up 56.10%**, strongly outperforming all 5 of its comparison indexes: DJ Wilshire 5000 **down (0.20%)**, MSCI World **down (7.80%)**, Value Line Geometric **down (14.02%)**, EFPA (Lipper Equity Funds Performance Analysis) **up 18.21%**, and Lipper All Long-Term Taxable Funds Average **up 21.96%**. These 5 years included the 3-year bear market (2000-2002) and a strong market rise in 2003.
- **Pearl Total Return Fund** **outperformed** all 5 of its comparison indexes during these periods through September 30, 2004: Quarter, Year-to-Date, 1 year, 3 years, and 5 years.
- **Pearl Aggressive Growth Fund** gained **2.47%** during the first 9 months of 2004 – **outperforming** 4 of its 5 comparison indexes. The fifth index was up 2.48%, only one-hundredth of one percent more than your Fund.
- For the 3 ¼ years from its inception through September 30, 2004, **Pearl Aggressive Growth Fund** was **up 30.76%** – strongly outperforming all 5 of its comparison indexes: DJ Wilshire 5000 **up 0.50%**, MSCI World **up 1.61%**, Value Line Geometric **down (10.21%)**, S&P 500 **down (1.46%)**, and EFPA (Lipper Equity Funds Performance Analysis) **up 1.66%**
- **Pearl Aggressive Growth Fund** has **outperformed** all 5 benchmarks during the last 1 year, 3 years, and 3 ¼ years since inception.

Please consider everything in this report and 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. 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



David M. Stanley



Robert H. Solt



Christopher A. Hoffman

Pearl Total Return Fund

Performance of Pearl Total Return Fund and Comparison Indexes through 9-30-04:

Total Returns for periods ended September 30, 2004 with dividends reinvested (except for Value Line Index):	3 months*	Year-to-Date*
Pearl Total Return Fund	+ 0.83%	+ 5.59%
DJ Wilshire 5000 Index	- 1.83%	+ 2.08%
MSCI World Index	- 1.00%	+ 2.48%
Value Line (Geometric) Index	- 4.71%	- 0.98%
EFPA (Lipper Equity Funds Performance Analysis)	- 1.83%	+ 1.77%
All Long-Term Taxable Funds Average (Lipper)	- 0.69%	+ 2.00%

* 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. All Pearl Funds performance figures are **after** deducting all expenses, fees, and transaction costs. Past performance does not predict future performance.

- During the **5 years** through September 30, 2004, your Fund was **up 56.10%** while its 5 comparison indexes were **up 3.63%** 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 also outperformed all 5 benchmarks during the past 3 months, 9 months, and 1 year through September 30, 2004.
- **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 September 30, 2004:

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

Net assets: \$ 66,627,814 –up from \$56,352,177 at 12-31-03

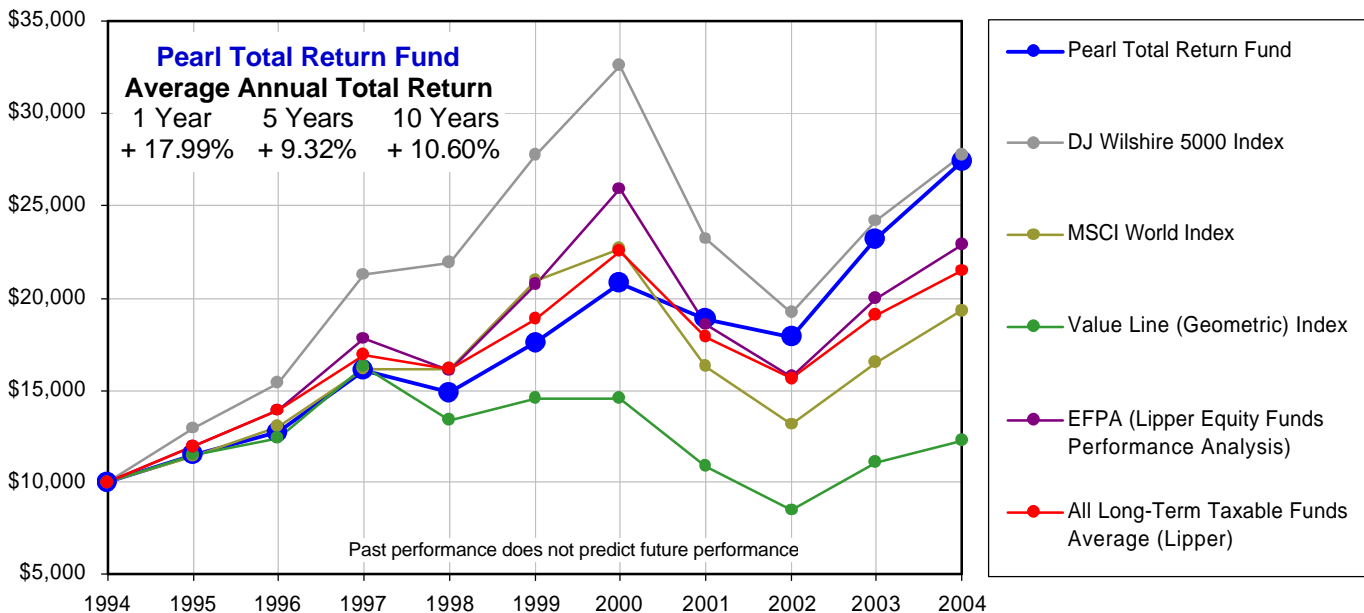
No-Load Investing. Your **no-load** Fund is a **no-load** investor, seeking to prevent transaction costs for you and all our shareholders. The Fund can invest **only** in no-load (no sales charge, no redemption fee), load-waived (no-load due to large purchases), or low-load (sales load and redemption 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).

Pearl Total Return Fund seeks to avoid completely all sales charges, commissions, and redemption fees – and does continue 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 9-30 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 + **9.32%** during the last 5 years and + **10.60%** over the last 10 years ended September 30, 2004. The value of an investment in this Fund grew **56%** in the last 5 years and **174%** during the last 10 years.

Performance of Pearl Total Return Fund and Comparison Indexes through 9-30-04:

Average Annual Total Returns for years ended 9-30-04 with dividends reinvested (except for Value Line Index):	1 year	3 years	5 years	10 years
Pearl Total Return Fund	+ 17.99%	+ 13.14%	+ 9.32%	+ 10.60%
DJ Wilshire 5000 Index	+ 14.76%	+ 6.12%	- 0.04%	+ 10.74%
MSCI World Index	+ 17.10%	+ 5.87%	- 1.60%	+ 6.80%
Value Line (Geometric) Index	+ 12.68%	+ 4.90%	- 2.98%	+ 2.24%
EFPA (Lipper Equity Funds Performance Analysis)	+ 14.76%	+ 7.98%	+ 2.23%	+ 8.62%
All Long-Term Taxable Funds Average (Lipper)	+ 12.15%	+ 7.37%	+ 3.18%	+ 7.93%

See page 9 for a description of each index.

Pearl Total Return Fund

Fund Expenses. **Pearl Total Return Fund's** total net expenses (annualized), after reimbursement by the Manager, were **0.98%** of the Fund's average net assets during the first 9 months of 2004. See Limits on Expenses, page 8. We believe this 0.98% expense ratio is one of the lowest for all funds of its type (independent fund of funds) in the U.S.

All of your Fund's performance figures are after deduction of all expenses (all fees, transaction costs, etc.) – including all expenses of your Fund and all expenses of the mutual funds in its portfolio.

Access to Many Funds. Your 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.

Our shareholders have another potential benefit: this Fund also owns shares of some mutual funds that are now **closed** to most new investors. At September 30, 2004, **Pearl Total Return Fund** held 13 equity mutual funds, and 10 of them were closed to most new investors.

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 2004 Semi-Annual Report.

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 September 30, 2004, 88% 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), 5% in income funds that primarily hold bonds, and 7% 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 September 30, 2004, **Pearl Total Return Fund's** investment portfolio asset breakdown was: 76% stocks (including 33% U.S. and 43% foreign stocks), 8% bonds, and 16% cash. The Fund's asset allocation and portfolio holdings vary with changes in investments.

Pearl Total Return Fund continues to be mostly invested in equity mutual funds. We diligently seek to select the best mutual funds in view of changing market conditions and this Fund's 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 since September 30, 2004. The most recent month-end portfolio holdings are available at www.pearlfunds.com.

Pearl Aggressive Growth Fund

Performance of **Pearl Aggressive Growth Fund** and Comparison Indexes through 9-30-04:

Total Returns for periods ended September 30, 2004 with dividends reinvested (except for Value Line Index)	3 months*	Year-to-Date*
Pearl Aggressive Growth Fund	- 1.83%	+ 2.47%
DJ Wilshire 5000 Index	- 1.83%	+ 2.08%
MSCI World Index	- 1.00%	+ 2.48%
Value Line (Geometric) Index	- 4.71%	- 0.98%
Standard & Poor's 500 Index	- 1.87%	+ 1.51%
EFPA (Lipper Equity Funds Performance Analysis)	- 1.83%	+ 1.77%

* 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. All Pearl Funds performance figures are **after** deducting all expenses, fees, and transaction costs. Past performance does not predict future performance.

- During the **3 ¼ years** from its inception through September 30, 2004, your Fund was **up 30.76%** while its 5 comparison indexes were **down (1.58%)** on average (not annualized).
- **Pearl Aggressive Growth Fund** strongly outperformed all 5 comparison indexes since inception and during the past 3 years, and also outperformed all 5 benchmarks during the past 1 year. Your Fund outperformed 4 of 5 benchmarks year-to-date and slightly outperformed the benchmarks average in the 3rd quarter (all as of September 30, 2004).

Net Asset Value and Net Assets. At the close of September 30, 2004:

NAV (net asset value) per share: \$ 12.87 – up from \$12.56 at 12-31-03

Net assets: \$ 22,779,307 – 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.

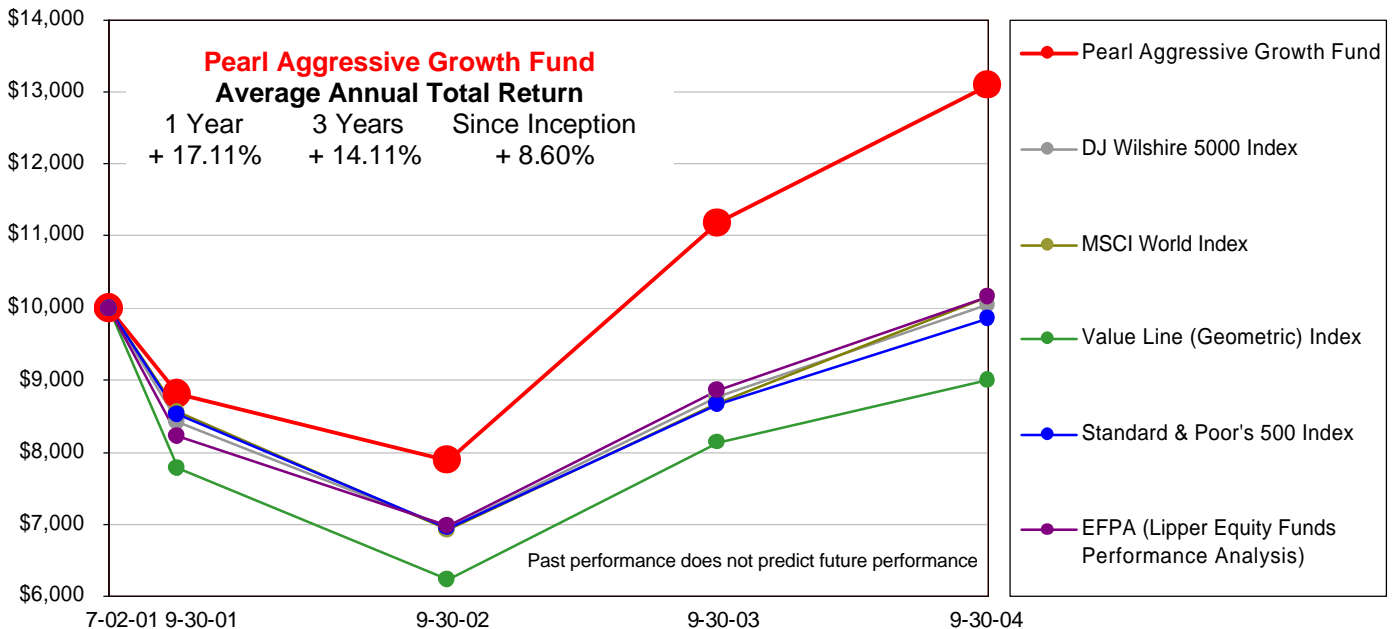
Pearl Aggressive Growth Fund has never paid any sales charge, commission, or redemption fee. All of the Fund's investments to date were made on a **no-load** basis.

Pearl Aggressive Growth Fund

Performance: Fund's First 3 ¼ Years. Pearl Aggressive Growth Fund's performance record since its inception is summarized in this graph:

COMPARISON OF CHANGE IN VALUE OF \$10,000 INVESTMENT IN PEARL AGGRESSIVE GROWTH FUND AND ITS COMPARISON INDEXES *

(as of 9-30 each year, from 7-2-01 inception) (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.

Performance of Pearl Aggressive Growth Fund and Comparison Indexes through 9-30-04:

Average Annual Total Returns for periods ended 9-30-04 with dividends reinvested (except for Value Line Index):	1 year	3 years	Since Inception 7-2-01
Pearl Aggressive Growth Fund	+ 17.11%	+ 14.11%	+ 8.60%
DJ Wilshire 5000 Index	+ 14.76%	+ 6.12%	+ 0.15%
MSCI World Index	+ 17.10%	+ 5.87%	+ 0.49%
Value Line (Geometric) Index	+ 12.68%	+ 4.90%	- 3.26%
Standard & Poor's 500 Index	+ 13.87%	+ 4.05%	- 0.45%
EFPA (Lipper Equity Funds Performance Analysis)	+ 14.76%	+ 7.98%	+ 0.51%

See page 9 for a description of each index.

Pearl Aggressive Growth Fund

Fund Expenses. **Pearl Aggressive Growth Fund's** total net expenses (annualized), after reimbursement by the Manager, were **0.98%** of the Fund's average net assets during the first 9 months of 2004. See Limits on Expenses, page 8. We believe this 0.98% expense ratio is one of the lowest for all funds of its type (independent fund of funds) in the U.S.

All of your Fund's performance figures are after deduction of all expenses (all fees, transaction costs, etc.) – including all expenses of your Fund and all expenses of the mutual funds in its portfolio.

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 owns shares of some mutual funds that are now **closed** to most new investors. At September 30, 2004, **Pearl Aggressive Growth Fund** held 14 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 September 30, 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 and is more heavily weighted toward stocks.

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 September 30, 2004, your Fund's investment portfolio asset breakdown was: 94% stocks (including 44% U.S. and 50% foreign stocks), 0% bonds, and 6% cash. The Fund's asset allocation and portfolio holdings vary with changes in investments.

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 since September 30, 2004. The most recent month-end portfolio holdings are available at www.pearlfunds.com.

General Information

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 visit our Website at www.pearlfunds.com or call toll-free 866-747-9030. 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 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 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.

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. **866-747-9030** (toll-free)

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

E-mail to info@pearlfunds.com

Fax to 563-288-4101

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

You May Send a Message to the Funds' Board of Trustees on any subject. Send your message to the Pearl 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 (click the Privacy Policy page) or by calling toll-free 866-747-9030.

Description of Comparison Indexes. The DJ Wilshire 5000 Composite Index is an unmanaged index that is market-capitalization weighted, includes all publicly-traded U.S. common stocks headquartered in the U.S. 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 EFPA (Lipper Equity Funds Performance Analysis) 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: DJ Wilshire 5000 Index: Dow Jones Indexes and Wilshire Associates, Inc. MSCI World Index: Morgan Stanley Capital International. Value Line (Geometric) Index: Value Line, Inc. Standard & Poor's 500 Index: The McGraw-Hill Companies. Lipper indexes: Reuters Funds Information Limited, a United Kingdom corporation.

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