PEARL® MUTUAL FUNDS
STATEMENT OF
ADDITIONAL INFORMATION
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PEARL TOTAL RETURN FUND℠
PEARL AGGRESSIVE GROWTH FUND℠

This Statement of Additional Information ("SAI") is not a Prospectus, but provides information that should be read in conjunction with the Prospectus of **Pearl Total Return Fund ("PTRF")** and **Pearl Aggressive Growth Fund ("PAGF")** (each a "Fund" and together the "Funds") dated the date of this SAI and any supplement to the Prospectus. Audited financial statements, which are contained in the Funds' December 31, 2010 Annual Report, are incorporated by reference into this SAI. You can obtain a copy of the Prospectus and Annual Report at no charge by writing, e-mailing, or telephoning us at the address or telephone number shown above. The Prospectus and Annual Report are also available at **www.pearlfunds.com**.

TABLE OF CONTENTS

	Page
Investment Objectives and Policies	2
Investment Techniques and Risks	2
Investment Restrictions	17
Investment Manager and Portfolio Managers	18
Pearl Mutual Funds	22
Trustees and Officers and their Ownership of Shares of the Funds	22
Principal Shareholders of PTRF and PAGF	30
Purchasing and Redeeming Shares	31
Anti-Money-Laundering Compliance	32
Proxy Voting Procedures	32
Disclosure of Portfolio Information	32
Additional Tax Information	33
Portfolio Transactions	34
Code of Ethics	35
Custodian	35
Independent Registered Public Accounting Firm	35
Appendix A – Description of Bond Ratings	A-1
Appendix B – Procedures for Voting Proxies for Pearl Mutual Funds	B-1

Pearl Total Return Fund ("PTRF") and Pearl Aggressive Growth Fund ("PAGF") are each a series of Pearl Mutual Funds ("PMF"). Each Fund is an open-end, management investment

company (mutual fund). The discussion below supplements the description in the Prospectus of each Fund's investment objective, policies, and restrictions.

On July 2, 2001, Mutual Selection Fund, an Iowa corporation, was reorganized into a new series of Pearl Mutual Funds ("PMF"). The new series was designated Pearl Total Return Fund. Throughout this SAI, reference to "Pearl Total Return Fund" or "PTRF" refers to Pearl Total Return Fund, as a series of PMF, and to its predecessor corporation. Pearl Mutual Funds' name was changed from Mutual Selection Trust on September 11, 2000.

Investment Objectives and Policies

Pearl Total Return Fund seeks long-term total return. Pearl Aggressive Growth Fund seeks long-term aggressive growth of capital. PTRF and PAGF are not designed for investors seeking primarily income rather than capital appreciation. PTRF and PAGF are not, alone or together, a balanced investment program, and there can be no assurance that either of the Funds will achieve its investment objective.

PTRF and PAGF use the techniques, and invest in investment companies that may use the techniques and invest in the types of securities, described below and in the Prospectus.

Investment Techniques and Risks

Each Fund is a diversified fund of funds that invests in shares of mutual funds (open-end, management investment companies) registered under the Investment Company Act of 1940 (the "1940 Act"). The mutual funds in which the Funds may invest are referred to as "portfolio funds" throughout this SAI.

In addition to PTRF's and PAGF's principal investment strategies discussed in the Prospectus, the Funds' performance will be influenced by the following investment strategies and risks associated with the portfolio funds, in proportion to the amount of assets that each Fund allocates to the portfolio funds using its principal investment strategies.

Foreign Securities

A portfolio fund may invest up to 100% of its assets in securities of foreign issuers, which may entail a greater degree of risk than does investment in securities of domestic issuers. Investors should understand and consider carefully the risks involved in foreign investing. Investments in foreign securities, investments which are generally denominated in foreign currencies, and utilization of forward foreign currency exchange contracts involve risks and opportunities not typically associated with investing in U.S. securities. These considerations include: fluctuations in exchange rates of foreign currencies; possible imposition of exchange control regulation or currency restrictions that would prevent cash from being brought back to the United States; less public information with respect to issuers of securities; less governmental supervision of stock exchanges, securities brokers, and issuers of securities; lack of uniform accounting, auditing, and financial reporting standards; lack of uniform settlement periods and trading practices; less liquidity and frequently greater price volatility in foreign markets than in the United States; possible imposition of foreign taxes; possible investment in securities of companies in developing as well as developed countries; and sometimes less advantageous legal, operational,

and financial protections applicable to foreign subcustodial arrangements. In addition, the costs of investing in foreign securities are usually higher than the costs of investing in U.S. securities.

There is the possibility of expropriation or confiscatory taxation, seizure or nationalization of foreign bank deposits or other assets, establishment of exchange controls, the adoption of foreign government restrictions, or other adverse political, social, or diplomatic developments that could affect investment in these nations. Legal remedies available to investors in certain foreign countries may be more limited than those available with respect to investments in the United States or in other foreign countries. The laws of some foreign countries may limit a portfolio fund's ability to invest in securities of certain issuers located in those countries. Moreover, individual foreign economies may differ favorably or unfavorably from the U.S. economy in such respects as growth of gross national product, inflation rate, capital reinvestment, resource self-sufficiency, and balance of payment positions.

A portfolio fund's (and accordingly PTRF's or PAGF's) investment performance is affected by the strength or weakness of the U.S. dollar against the currencies of the foreign markets in which its securities trade or in which they are denominated. For example, if the dollar falls in value relative to the Japanese yen, the dollar value of a yen-denominated stock held by a portfolio fund will rise even though the price of the stock remains unchanged. Conversely, if the dollar rises in value relative to the yen, the dollar value of the yen-denominated stock will fall. A portfolio fund may seek to protect itself against the adverse effects of currency exchange rate fluctuations by entering into currency-forward, futures, or options contracts. Hedging transactions will not, however, always be fully effective in protecting against adverse exchange rate fluctuations and involve transaction costs and risks. (See discussion of transaction hedging and portfolio hedging under "Currency Exchange Transactions.")

Investments by a portfolio fund in emerging markets securities include special risks in addition to those generally associated with foreign investing. Many investments in emerging markets can be considered speculative, and the value of those investments can be more volatile than in more developed foreign markets. Emerging markets also have different clearance and settlement procedures, and delays in settlement could result in temporary periods when a portion of the assets is uninvested and no return is earned thereon. The inability to make intended security purchases due to settlement problems could cause a portfolio fund to miss attractive investment opportunities. Inability to dispose of portfolio securities due to settlement problems could result either in losses to a portfolio fund (and accordingly the Funds) due to subsequent declines in the value of those securities or possible liability to the purchaser. Many emerging markets have experienced substantial rates of inflation for many years, which has had and may continue to have adverse effects on the economies and securities markets of certain emerging market countries. In an attempt to control inflation, certain emerging market countries have imposed wage and price controls. Emerging market governmental issuers are among the largest debtors to commercial banks, foreign governments, international financial organizations, and other financial institutions. Debt obligations of emerging market countries may involve a high degree of risk, and may be in default or present the risk of default. Certain emerging market governmental issuers have not been able or have been unwilling to make payments of interest or principal on debt obligations as those payments have come due.

Income received by a portfolio fund from sources within foreign countries may be reduced by withholding and other taxes imposed by such countries. Tax conventions between certain

countries and the United States may reduce or eliminate such taxes. Any such taxes paid by a portfolio fund will reduce the net income of the portfolio fund available for distribution to PTRF or PAGF.

Currency Exchange Transactions. PTRF and PAGF may invest in portfolio funds that enter into currency exchange transactions. A currency exchange transaction may be conducted either on a spot (*i.e.,* cash) basis at the spot rate for purchasing or selling currency prevailing in the foreign exchange market or through a forward currency exchange contract ("forward contract"). A forward contract is an agreement to purchase or sell a specified currency at a specified future date (or within a specified time period) and price set at the time of the contract. Forward contracts are usually entered into with banks, foreign exchange dealers, or broker-dealers, are not exchange-traded, and are usually for less than one year, but may be renewed.

Forward currency transactions may involve currencies of the different countries in which a portfolio fund may invest, and serve as hedges against possible variations in the exchange rate between these currencies. Transaction hedging is the purchase or sale of a forward contract with respect to specific payables or receivables of a fund accruing in connection with the purchase or sale of portfolio securities. Portfolio hedging is the use of a forward contract with respect to a portfolio security position denominated or quoted in a particular currency. A portfolio fund may engage in portfolio hedging with respect to the currency of a particular country in amounts approximating actual or anticipated positions in securities denominated in that currency.

If a portfolio fund enters into a forward contract to hedge an anticipated purchase of portfolio securities, assets of that portfolio fund having a value at least as great as the portfolio fund's commitment under such forward contract will be segregated on the books of the portfolio fund while the contract is outstanding.

At the maturity of a forward contract to deliver a particular currency, a portfolio fund may either sell the portfolio security related to such contract and make delivery of the currency, or it may retain the security and either acquire the currency on the spot market or terminate its contractual obligation to deliver the currency by purchasing an offsetting contract with the same currency trader obligating it to purchase on the same maturity date the same amount of the currency.

It is impossible to forecast with absolute precision the market value of portfolio securities at the expiration of a forward contract. Accordingly, it may be necessary for a portfolio fund to purchase additional currency on the spot market (and bear the expense of such purchase) if the market value of the security is less than the amount of currency that the portfolio fund is obligated to deliver and if a decision is made to sell the security and make delivery of the currency. Conversely, it may be necessary to sell on the spot market some of the currency received upon the sale of the portfolio security if its market value exceeds the amount of currency that the portfolio fund is obligated to deliver.

Hedging against a decline in the value of a currency does not eliminate fluctuations in the prices of portfolio securities or prevent losses if the prices of such securities decline. Such transactions also preclude the opportunity for gain if the value of the hedged currency should rise. Moreover, it may not be possible for a portfolio fund to hedge against a devaluation that is so generally anticipated that the portfolio fund is not able to contract to sell the currency at a price above the devaluation level it anticipates. The cost to a portfolio fund of engaging in currency exchange

transactions varies with such factors as the currency involved, the length of the contract period, and prevailing market conditions. Since currency exchange transactions are usually conducted on a principal basis, no fees or commissions are involved.

Calculation of Net Asset Value. Foreign securities in which the portfolio funds may invest may be listed primarily on foreign stock exchanges that may trade on days, and at times, when the New York Stock Exchange is not open for business. Accordingly, the net asset value ("NAV") of a portfolio fund (and correspondingly PTRF or PAGF) may be significantly affected by such trading on days when neither Pearl Management Company, the Funds' investment adviser and manager ("Management" or the "Manager"), nor the Funds' shareholders have access to the portfolio funds and the Funds.

Options, Futures, and Derivatives

A portfolio fund may purchase and write both call options and put options on securities and on indexes, and enter into interest rate and index futures contracts, and may purchase or sell options on such futures contracts ("futures options") in order to provide additional revenue, or to hedge against changes in security prices or interest rates. A portfolio fund may also invest in derivatives. A portfolio fund may also use other types of options, futures contracts, and futures options currently traded or subsequently developed and traded, provided that the portfolio fund's Board determines that their use is consistent with the portfolio fund's investment objective.

Options. An option on a security (or index) is a contract that gives the purchaser (holder) of the option, in return for a premium, the right to buy from (call) or sell to (put) the seller (writer) of the option the security underlying the option (or the cash value of the index) at a specified exercise price at any time during the term of the option (normally not exceeding nine months). The writer of an option on an individual security or on a foreign currency has the obligation upon exercise of the option to deliver the underlying security or foreign currency upon payment of the exercise price or to pay the exercise price upon delivery of the underlying security or foreign currency. Upon exercise, the writer of an option on an index is obligated to pay the difference between the cash value of the index and the exercise price multiplied by the specified multiplier for the index option. An index is designed to reflect specified facets of a particular financial or securities market, a specific group of financial instruments or securities, or certain economic indicators.

A portfolio fund will write call options and put options only if they are "covered." For example, in the case of a call option on a security, the option is "covered" if a portfolio fund owns the security underlying the call or has an absolute and immediate right to acquire that security without additional consideration (or, if additional consideration is required, assets having a value at least equal to that amount are segregated on the books of the portfolio fund) upon conversion or exchange of other securities held in its portfolio.

Prior to the earlier of exercise or expiration, an option may be closed out by an offsetting purchase or sale of an option of the same series (type, exchange, underlying security or index, exercise price and expiration). There can be no assurance, however, that a closing purchase or sale transaction can be effected when a portfolio fund desires.

A put or call option purchased by a portfolio fund is an asset of that portfolio fund, valued initially at the premium paid for the option. The premium received for an option written by a portfolio fund is recorded as a deferred credit. The value of an option purchased or written is marked-to-market daily and is valued at the closing price on the exchange on which it is traded or, if not traded on an exchange or if no closing price is available, at the mean between the last bid and asked prices.

OTC Derivatives. A portfolio fund may buy and sell over-the-counter ("OTC") derivatives. Unlike exchange-traded derivatives, which are standardized with respect to the underlying instrument, expiration date, contract size, and strike price, the terms of OTC derivatives (derivatives not traded on exchanges) generally are established through negotiation with the other party to the contract. While this type of arrangement allows a portfolio fund greater flexibility to tailor an instrument to its needs, OTC derivatives generally involve greater credit risk than exchange-traded derivatives, which are guaranteed by the clearing organization of the exchanges where they are traded. See "Illiquid and Restricted Securities" below for more information on the risks associated with investing in OTC derivatives.

Risks Associated with Options. There are several risks associated with transactions in options. For example, there are significant differences between the securities markets, the currency markets, and the options markets that could result in an imperfect correlation between these markets, causing a given transaction not to achieve its objectives. A decision as to whether, when, and how to use options involves the exercise of skill and judgment, and even a well-conceived transaction may be unsuccessful to some degree because of market behavior or unexpected events.

There can be no assurance that a liquid market will exist when a portfolio fund seeks to close out an option position. If a portfolio fund were unable to close out an option that it had purchased on a security, it would have to exercise the option in order to realize any profit or the option would expire and become worthless. If a portfolio fund were unable to close out a covered call option that it had written on a security, it would not be able to sell the underlying security until the option expired. As the writer of a covered call option on a security, a portfolio fund foregoes, during the option's life, the opportunity to profit from increases in the market value of the security covering the call option above the sum of the premium and the exercise price of the call. As the writer of a covered call option on a foreign currency, a portfolio fund foregoes, during the option's life, the opportunity to profit from currency appreciation.

If trading were suspended in an option purchased or written by one of the portfolio funds, that portfolio fund would not able to close out the option. If restrictions on exercise were imposed, the portfolio fund might be unable to exercise an option it has purchased.

Futures Contracts and Options on Futures Contracts. A portfolio fund may use interest rate futures contracts and index futures contracts. An interest rate or index futures contract provides for the future sale by one party and purchase by another party of a specified quantity of a financial instrument or the cash value of an index at a specified price and time. A public market exists in futures contracts covering various indexes (including but not limited to: Standard & Poor's 500 Index; Value Line Composite Index; Russell 2000 Index; and New York Stock Exchange Composite Index) as well as financial instruments (including but not limited to: U.S. Treasury bonds; U.S. Treasury notes; Eurodollar certificates of deposit; and foreign currencies).

Other index and financial instrument futures contracts are available and it is expected that additional futures contracts will be developed and may be traded by portfolio funds.

A portfolio fund may purchase and write call and put futures options. Futures options possess many of the same characteristics as options on securities and indexes (discussed above). A futures option gives the holder the right, in return for the premium paid, to assume a long position (call) or short position (put) in a futures contract at a specified exercise price at any time during the period of the option. Upon exercise of a call option, the holder acquires a long position in the futures contract and the writer is assigned the opposite short position. In the case of a put option, the opposite is true.

A portfolio fund might use futures contracts to hedge against fluctuations in the general level of stock prices, anticipated changes in interest rates, or currency fluctuations that might adversely affect either the value of a portfolio fund's securities or the price of the securities that a portfolio fund intends to purchase. A portfolio fund's hedging may include sales of futures contracts as an offset against the effect of expected declines in stock prices or currency exchange rates or increases in interest rates and purchases of futures contracts as an offset against the effect of expected increases in stock prices or currency exchange rates or declines in interest rates. Although other techniques could be used to reduce a portfolio fund's exposure to stock price, interest rate, and currency fluctuations, a portfolio fund may be able to hedge its exposure more effectively and perhaps at a lower cost by using futures contracts and futures options.

The success of any hedging technique depends on the ability of a portfolio fund's investment adviser correctly to predict changes in the level and direction of stock prices, interest rates, currency exchange rates, and other factors. Should those predictions be incorrect, a portfolio fund's return might have been better had hedging not been attempted. However, in the absence of the ability to hedge, the investment adviser might have taken portfolio actions in anticipation of the same market movements with similar investment results but, presumably, at greater transaction costs.

When a purchase or sale of a futures contract is made by a portfolio fund, that portfolio fund is required to deposit with its custodian or broker a specified amount of cash or U.S. Government securities or other securities acceptable to the broker ("initial margin"). The margin required for a futures contract is generally set by the exchange on which the contract is traded. However, the margin requirement may be modified during the term of the contract, and the portfolio fund's broker may require margin deposits in excess of the minimum required by the exchange. The initial margin is in the nature of a performance bond or good faith deposit on the futures contract, which is returned to the portfolio fund upon termination of the contract, assuming all contractual obligations have been satisfied. The portfolio funds expect to earn interest income on their initial margin deposits. A futures contract held by a portfolio fund is valued daily at the official settlement price of the exchange on which it is traded. Each day the portfolio fund pays or receives cash, called "variation margin," equal to the daily change in value of the futures contract. This process is known as "marking-to-market." Variation margin paid or received by a portfolio fund does not represent a borrowing or loan by the portfolio fund but is instead settlement between that portfolio fund and the broker of the amount one would owe the other if the futures contract had expired at the close of the previous day. In computing NAV, the portfolio funds will mark-to-market their open futures positions.

The portfolio funds are also required to deposit and maintain margin with respect to put and call options on futures contracts they write. Such margin deposits will vary depending on the nature of the underlying futures contract (and the related initial margin requirements), the current market value of the option, and other futures positions held by the portfolio funds.

Although some futures contracts call for making or taking delivery of the underlying securities, usually these obligations are closed out prior to delivery by offsetting purchases or sales of matching futures contracts (same exchange, underlying security or index, and delivery month). If an offsetting purchase price is less than the original sale price, the portfolio funds realize a capital gain, or if it is more, the portfolio funds realize a capital loss. Conversely, if an offsetting sale price is more than the original purchase price, the portfolio fund engaging in the transaction realizes a capital gain, or if it is less, the portfolio fund realizes a capital loss. The transaction costs must also be included in these calculations.

Risks Associated with Futures. There are several risks associated with the use of futures contracts and futures options as hedging techniques. A purchase or sale of a futures contract may result in losses in excess of the amount invested in the futures contract. There can be no guarantee that there will be a correlation between price movements in the hedging vehicle and in the portfolio securities being hedged. In addition, there are significant differences between the securities and futures markets that could result in an imperfect correlation between the markets, causing a given hedge not to achieve its objectives. The degree of imperfection of correlation depends on circumstances such as: variations in speculative market demand for futures, futures options, and the related securities, including technical influences in futures and futures options trading and differences between a portfolio fund's investments being hedged and the securities underlying the standard contracts available for trading. For example, in the case of index futures contracts, the composition of the index, including the issuers and the weighting of each issue, may differ from the composition of a portfolio fund's portfolio, and, in the case of interest rate futures contracts, the interest rate levels, maturities, and creditworthiness of the issues underlying the futures contract may differ from the financial instruments held in a portfolio fund's portfolio. A decision as to whether, when, and how to hedge involves the exercise of skill and judgment, and even a well-conceived hedge may be unsuccessful to some degree because of market behavior or unexpected stock price or interest rate trends.

Futures exchanges may limit the amount of fluctuation permitted in certain futures contract prices during a single trading day. The daily limit establishes the maximum amount that the price of a futures contract may vary either up or down from the previous day's settlement price at the end of the current trading session. Once the daily limit has been reached in a futures contract subject to the limit, no more trades may be made on that day at a price beyond that limit. The daily limit governs only price movements during a particular trading day and therefore does not limit potential losses because the limit may work to prevent the liquidation of unfavorable positions. For example, futures prices have occasionally moved to the daily limit for several consecutive trading days with little or no trading, thereby preventing prompt liquidation of positions and subjecting some holders of futures contracts to substantial losses. Stock index futures contracts are not normally subject to such daily price change limitations.

There can be no assurance that a liquid market will exist at a time when a portfolio fund seeks to close out a futures or futures option position. The portfolio fund would be exposed to possible loss on the position during the interval of inability to close, and would continue to be required to

meet margin requirements until the position is closed. In addition, many of the contracts discussed above are relatively new instruments without a significant trading history. As a result, there can be no assurance that an active secondary market will develop or continue to exist.

Swap Agreements. A portfolio fund may engage in swap agreements. A swap agreement is generally individually negotiated and structured to include exposure to one or more of a variety of different types of investments or market factors. Depending on its structure, a swap agreement may increase or decrease a portfolio fund's exposure to changes in the value of an index of securities in which the portfolio fund might invest, the value of a particular security or group of securities, or foreign currency values. Swap agreements can take many different forms and are known by a variety of names.

A swap agreement tends to shift a portfolio fund's investment exposure from one type of investment to another. For example, if a portfolio fund agrees to exchange payments in dollars at a fixed rate for payments in a foreign currency the amount of which is determined by movements of a foreign securities index, the swap agreement would tend to increase that portfolio fund's exposure to foreign stock market movements and foreign currencies. Depending on how it is used, a swap agreement may increase or decrease the overall volatility of a portfolio fund's investments and its NAV, which accordingly may increase or decrease the overall volatility of a Fund's investments and its NAV.

The performance of a swap agreement is determined by the change in the specific currency, market index, security, or other factors that determine the amounts of payments due to and from a portfolio fund. If a swap agreement calls for payments by a portfolio fund, that portfolio fund must be prepared to make such payments when due. If the counterparty's creditworthiness declines, the value of a swap agreement would be likely to decline, potentially resulting in a loss.

A portfolio fund will segregate assets to cover its current obligations under a swap agreement. If a portfolio fund enters into a swap agreement on a net basis, it will segregate assets with a daily value at least equal to the excess, if any, of that portfolio fund's accumulated obligations under the swap agreement over the accumulated amount the portfolio fund is entitled to receive under the agreement. If a portfolio fund enters into a swap agreement on other than a net basis, it will segregate assets with a value equal to the full amount of that portfolio fund's accumulated obligations under the agreement.

The swaps market was largely unregulated prior to the enactment of the Dodd-Frank Act on July 21, 2010. It is possible that developments in the swaps market, including government regulation, could adversely affect a portfolio fund's ability to terminate existing swap agreements or to realize amounts to be received under such agreements.

Short Sales and Short Sales against the Box

A portfolio fund may sell securities short. In a short sale the portfolio fund sells stock it does not own and makes delivery with securities "borrowed" from a broker. The portfolio fund then becomes obligated to replace the security borrowed by purchasing it at the market price at the time of replacement. This price may be more or less than the price at which the security was sold by the portfolio fund. Until the security is replaced, the portfolio fund is obligated to pay to the lender any dividends or interest accruing during the period of the loan. In order to borrow

the security, the portfolio fund may be required to pay a premium that would increase the cost of the security sold. The proceeds of the short sale will be retained by the broker, to the extent necessary to meet margin requirements, until the short position is closed out.

When it engages in short sales, a portfolio fund must also deposit in a segregated account an amount of cash or U.S. Government securities equal to the difference between (1) the market value of the securities sold short at the time they were sold short and (2) the value of the collateral deposited with the broker in connection with the short sale (not including the proceeds from the short sale). A portfolio fund will incur a loss as a result of a short sale if the price of the security increases between the date of the short sale and the date on which the portfolio fund replaces the borrowed security. The portfolio fund will realize a gain if the security declines in price between such dates. The amount of any gain will be decreased and the amount of any loss increased by the amount of any premium, dividends or interest the portfolio fund may be required to pay in connection with a short sale.

A short sale is "against the box" if at all times when the short position is open the portfolio fund owns an equal amount of the securities or securities convertible into, or exchangeable without further consideration for, securities of the same issue as the securities sold short.

Debt Securities

A portfolio fund may invest in debt securities, including lower-rated securities (*i.e.,* securities rated BB or lower by Standard & Poor's Corporation, a division of The McGraw Hill Companies ("S&P") or Ba or lower by Moody's Investor Services, Inc. ("Moody's"), commonly called "junk bonds"), and securities that are not rated. A portfolio fund may or may not have restrictions as to the ratings of debt securities acquired by it or the portion of its assets that may be invested in debt securities in a particular ratings category.

Securities rated BBB or Baa are considered to be medium grade and to have speculative characteristics. Lower-rated debt securities are predominantly speculative with respect to the issuer's capacity to pay interest and repay principal. Investment in medium- or lower-quality debt securities involves greater investment risk, including the possibility of issuer default or bankruptcy. An economic downturn could severely disrupt the market for such securities and adversely affect the value of such securities. In addition, lower-quality bonds are less sensitive to interest rate changes than higher-quality instruments and generally are more sensitive to adverse economic changes or individual corporate developments. During a period of adverse economic changes, including a period of rising interest rates, the junk bond market may be severely disrupted, and issuers of such bonds may experience difficulty in servicing their principal and interest payment obligations.

Medium- and lower-quality debt securities may be less marketable than higher-quality debt securities because the market for them is less broad. The market for unrated debt securities is even narrower. During periods of thin trading in these markets, the spread between bid and asked prices is likely to increase significantly, and a portfolio fund may have greater difficulty selling its portfolio securities. See "Purchasing and Redeeming Shares – Net Asset Value." The market value of these securities and their liquidity may be affected by adverse publicity and investor perceptions.

Low and below investment grade securities may be structured as fixed-, variable-, or floating-rate obligations or as zero-coupon, pay-in-kind, or step-coupon securities and may be privately placed or publicly offered.

The debt securities held by a portfolio fund may have redemption or call provisions. If an issuer exercises these provisions in a declining interest rate market, the portfolio fund would have to replace the security with a lower yielding security, resulting in a decreased return for the investors in the portfolio fund, including a Fund. Conversely, a high yield, high risk security's value will decrease in a rising interest rate market, as will the value of the portfolio fund's assets.

Special tax considerations are associated with investing in debt securities structured as zero coupon or pay-in-kind securities. A portfolio fund will report the interest on these securities as income even though it receives no cash interest until the security's maturity or payment date.

Credit ratings evaluate the safety of principal and interest payments, not the market value risk of debt securities. Rating agencies may fail to change the credit ratings in a timely manner to reflect subsequent events. To the extent that a portfolio fund invests in medium- and lower-quality debt securities, the achievement of a portfolio fund's investment objective may be more dependent on the portfolio fund's own credit analysis than is the case for higher quality bonds. A more complete description of the characteristics of bonds in each ratings category is included in Appendix A to this SAI.

Many lower-rated securities are not registered for offer and sale to the public under the Securities Act of 1933 (the "1933 Act"). Restricted securities may be less liquid than other lower-rated securities, potentially making it difficult for portfolio funds to value or sell them.

Warrants

A portfolio fund may invest in warrants. Warrants are options to purchase equity securities at specific prices valid for a specified period of time. The prices do not necessarily move in parallel to the prices of the underlying securities. Warrants have no voting rights, receive no dividends and have no rights with respect to the assets of the issuer. If a warrant is not exercised within the specified time period, it becomes worthless and the portfolio fund loses the purchase price and the right to purchase the underlying security.

Leverage

A portfolio fund may borrow on an unsecured basis from banks to increase its holdings of portfolio securities. Under the 1940 Act, a mutual fund is required to maintain continuous asset coverage of 300% with respect to such borrowings and to sell (within three days) sufficient portfolio holdings in order to restore coverage if it should decline to less than 300% due to market fluctuation or otherwise. That sale must occur even if it is disadvantageous from an investment point of view. Leveraging aggregates the effect of any increase or decrease in the value of portfolio securities on the portfolio fund's NAV. In addition, money borrowed is subject to interest costs (which may include commitment fees and the cost of maintaining minimum average balances) which may or may not exceed the interest and option premiums received from the securities purchased with borrowed funds.

Master Demand Notes

A portfolio fund (particularly a money market fund) may invest up to 100% of its assets in master demand notes. These are unsecured obligations of U.S. corporations redeemable upon notice that permit investment by a mutual fund of fluctuating amounts at varying rates of interest pursuant to direct arrangements between the mutual fund and the issuing corporation. Because master demand notes are direct arrangements between the mutual fund and the issuing corporation, there is no secondary market for the notes. The notes are, however, redeemable at face value plus accrued interest at any time.

Asset-Backed Securities

A portfolio fund may invest in mortgage pass-through securities, which are securities representing interests in pools of mortgage loans secured by residential or commercial real property in which payments of both interest and principal on the securities are generally made monthly, in effect passing through monthly payments made by individual borrowers on mortgage loans which underlie the securities (net of fees paid to the issuer or guarantor of the securities). Early repayment of principal on some mortgage-related securities (arising from prepayments of principal due to sale of the underlying property, refinancing, or foreclosure, net of fees and costs which may be incurred) may expose a portfolio fund to a lower rate of return upon reinvestment of principal. Also, if a security subject to prepayment has been purchased at a premium, the value of the premium would be lost in the event of prepayment.

Like other fixed-income securities, when interest rates rise, the value of a mortgage-related security generally will decline. However, when interest rates are declining, the value of mortgage-related securities with prepayment features may not increase as much as other fixed income securities.

A portfolio fund may invest in collateralized mortgage obligations ("CMOs"), which are hybrid mortgage-related instruments. Similar to a bond, interest and pre-paid principal on a CMO are paid, in most cases, semiannually. CMOs are collateralized by portfolios of mortgage pass-through securities and are structured into multiple classes with different stated maturities. Monthly payments of principal, including prepayments, are first returned to investors holding the shortest maturity class; investors holding the longer maturity classes receive principal only after the first class has been retired.

Other mortgage-related securities in which a portfolio fund may invest include other securities that directly or indirectly represent a participation in, or are secured by and payable from, mortgage loans on real property, such as CMO residuals or stripped mortgage-backed securities, and may be structured in classes with rights to receive varying proportions of principal and interest. In addition, a portfolio fund may invest in other asset-backed securities that have been offered to investors or will be offered to investors in the future.

Several types of asset-backed securities have already been offered to investors, including certificates for automobile receivables, which represent undivided fractional interests in a trust whose assets consist of a pool of motor vehicle retail installment sales contracts and security interest in the vehicles securing the contracts.

Mortgage-backed and asset-backed securities may be structured as fixed-, variable-, or floating-rate obligations or as zero-coupon, pay-in-kind, or step-coupon securities and may be privately placed or publicly offered.

Mortgage-backed securities may be issued or guaranteed by a U.S. Government agency or instrumentality (such as Ginnie Mae); issued and guaranteed by a government-sponsored stockholder-owned corporation, though not backed by the full faith and credit of the United States (such as by Fannie Mae or Freddie Mac, and described in greater detail below); or issued or guaranteed by other issuers, including private companies. Ginnie Mae is a government-owned corporation that is an agency of the U.S. Department of Housing and Urban Development. It guarantees, with the full faith and credit of the United States, full and timely payment of all monthly principal and interest on its mortgage-backed securities.

The U.S. Treasury has historically had the authority to purchase obligations of Fannie Mae and Freddie Mac (collectively, the "GSEs"). However, in 2008, due to capitalization concerns, Congress provided the U.S. Treasury with additional authority to lend the GSEs emergency funds and to purchase their stock. In September 2008, those capital concerns led the U.S. Treasury and the FHFA to announce that the GSEs had been placed in conservatorship.

Since that time, the GSEs have received significant capital support through U.S. Treasury preferred stock purchases as well as Treasury and Federal Reserve purchases of their mortgage-backed securities ("MBS"). The FHFA and the U.S. Treasury (through its agreement to purchase GSE preferred stock) have imposed strict limits on the size of their mortgage portfolios. While the MBS purchase programs ended in 2010, the U.S. Treasury announced in December 2009 that it would continue its support for the entities' capital as necessary to prevent a negative net worth through at least 2012. While the U.S. Treasury is committed to offset negative equity at the GSEs through its preferred stock purchases through 2012, no assurance can be given that the Federal Reserve, U.S. Treasury, or FHFA initiatives will ensure that the GSEs will remain successful in meeting their obligations with respect to the debt and mortgage-backed securities they issue beyond that date. In addition, Fannie Mae and Freddie Mac also are the subject of several continuing class action lawsuits and investigations by federal regulators over certain accounting, disclosure, or corporate governance matters, which (along with any resulting financial restatements) may adversely affect the guaranteeing entities. Importantly, the future of the entities is in serious question as the U.S. Government reportedly is considering multiple options, ranging on a spectrum from nationalization, privatization, consolidation, or abolishment of the entities.

In addition, the problems faced by the GSEs resulting in their being placed into federal conservatorship and receiving significant U.S. Government support have sparked serious debate among federal policy makers regarding the continued role of the U.S. Government in providing liquidity for mortgage loans. The Obama Administration produced a report to Congress on February 11, 2011 outlining a proposal to wind down the GSEs by increasing their guarantee fees, reducing their conforming loan limits (the maximum amount of each loan they are authorized to purchase), and continuing progressive limits on the size of their investment portfolio.

Credit risk is increased for mortgage-backed securities that are backed by mortgages to so-called subprime borrowers (who may pose a greater risk of defaulting on their loans) or that are

subordinated to another security (i.e., if the holder of a mortgage-backed security is entitled to receive payments only after payment obligations to holders of the other security are satisfied).

Illiquid and Restricted Securities

A portfolio fund may invest up to 15% of its net assets in illiquid securities. An illiquid security generally is one that cannot be sold in the ordinary course of business within seven days at substantially the value assigned to it in calculations of a portfolio fund's NAV. Repurchase agreements maturing in more than seven days, OTC derivatives, and restricted securities are generally illiquid. Other types of investments may also be illiquid from time to time. If, through the appreciation of illiquid securities or the depreciation of liquid securities, a portfolio fund is in a position where more than 15% of the value of its net assets are invested in illiquid assets, that portfolio fund will take appropriate steps to protect liquidity. Illiquid securities are priced at a fair value determined in good faith by the Board of Directors or Trustees of the portfolio fund or their delegate. A portfolio fund may be unable to realize a favorable price upon sale of the securities, or in some cases may not be able to sell the securities.

Restricted securities may be sold only in privately negotiated transactions or in a public offering with respect to which a registration statement is in effect under the 1933 Act. Where registration is required, a portfolio fund may be obligated to pay all or part of the registration expenses and a considerable period may elapse between the time of the decision to sell and the time the portfolio fund may be permitted to sell a security under an effective registration statement. If, during such a period, adverse market conditions were to develop, the portfolio fund might obtain a less favorable price than prevailed when it decided to sell. Restricted securities will be priced at a fair value as determined in good faith by the Board of the portfolio fund.

Notwithstanding the above, a portfolio fund may purchase securities that have been privately placed but that are eligible for purchase and sale under Rule 144A under the 1933 Act. That rule permits certain qualified institutional buyers, such as the portfolio funds, to trade in privately placed securities that have not been registered for sale under the 1933 Act. The portfolio fund's investment adviser, under the supervision of the board of directors, will consider whether securities purchased under Rule 144A are illiquid and thus subject to a portfolio fund's restriction of investing no more than 15% of its assets in illiquid securities. Investing in Rule 144A securities could have the effect of increasing the amount of a portfolio fund's assets invested in illiquid securities if qualified institutional buyers are unwilling to purchase such securities.

The 1940 Act provides that a mutual fund whose shares are purchased by a Fund is obliged to redeem shares held by a Fund only in an amount up to 1% of the portfolio fund's outstanding securities during any period of less than 30 days. Accordingly, shares held by a Fund in excess of 1% of a portfolio fund's outstanding securities would, if the Fund had not made the election described in this paragraph, be considered illiquid securities that, together with other such securities, may not exceed 15% of that Fund's net assets. However, since each Fund has elected to reserve the right to pay redemption requests by a distribution in kind of securities from its portfolio, instead of cash, these positions may be treated as liquid. Under certain circumstances a portfolio fund may determine to make payment of a redemption by a Fund (wholly or in part) by a distribution in kind of securities from its portfolio, instead of cash. As a result, a Fund may

hold securities distributed by a portfolio fund until such time as Management determines it appropriate to dispose of the securities. That disposition will impose additional costs on the Fund.

Repurchase Agreements

A portfolio fund may engage in repurchase agreements. Repurchase agreements are transactions in which a portfolio fund purchases a security from a bank or recognized securities dealer and simultaneously commits to resell that security to the bank or dealer at an agreed-upon price, date, and market rate of interest unrelated to the coupon rate or maturity of the purchased security. Repurchase agreements involve certain risks, such as default by, or insolvency of, the other party to the repurchase agreement. A portfolio fund's right to liquidate its collateral in the event of a default could involve certain costs, losses, or delays. To the extent that the proceeds from any sale upon a default in the obligation to repurchase were less than the repurchase price, the portfolio fund would suffer a loss. If the financial institution that is party to the repurchase agreement petitions for bankruptcy or otherwise becomes subject to bankruptcy or other liquidation proceedings, there may be restrictions on a portfolio fund's ability to sell the collateral and the portfolio fund could suffer a loss.

If a counterparty defaults, a portfolio fund could realize a loss on the sale of the underlying security to the extent that the proceeds of the sale are less than the resale price specified in the repurchase agreement including interest. In the event that a counterparty fails to perform because it is insolvent or subject to insolvency proceedings against it, a portfolio fund's right to take possession of the underlying securities would be subject to applicable insolvency law and procedures, including an automatic stay (which would preclude immediate enforcement of the portfolio fund's rights) and exemptions from the stay (which could permit the portfolio fund to take possession of the underlying securities or void the repurchase agreement altogether). Since it is possible that an exemption from the automatic stay would not be available, the portfolio fund might be prevented from immediately enforcing its rights against the counterparty. In such a case, the portfolio fund may incur delays in, or be prevented from, liquidating the underlying securities while the portfolio fund seeks to enforce its rights under the agreement, as well as diminished levels of income or lack of access to income during such time. A portfolio fund may also incur costs in enforcing the portfolio fund's rights. In addition, if the portfolio fund enters into a repurchase agreement with a broker that becomes insolvent, it is possible for the Securities Investor Protection Corporation ("SIPC") to institute a liquidation proceeding in federal court against the broker counterparty that could lead to a foreclosure by SIPC on the underlying securities, or SIPC may stay, or preclude, the portfolio fund's ability under contract to terminate the repurchase agreement. The risks associated with counterparty and broker insolvency are significantly decreased when a portfolio fund enters into repurchase agreements with the Fixed Income Clearing Corporation.

When-Issued and Delayed Delivery Securities; Reverse Repurchase Agreements

A portfolio fund may purchase securities on a when-issued or delayed delivery basis. Although the payment and interest terms of these securities are established at the time the portfolio fund enters into the commitment, the securities may be delivered and paid for a month or more after the date of purchase, when their value may have changed. A portfolio fund generally makes such commitments only with the intention of actually acquiring the securities, but may sell the

securities before the settlement date if the portfolio fund's investment adviser deems it advisable for investment reasons. A portfolio fund may utilize spot and forward foreign currency exchange transactions to reduce the risk inherent in fluctuations in the exchange rate between one currency and another when securities are purchased or sold on a when-issued or delayed delivery basis.

A portfolio fund may enter into reverse repurchase agreements with banks and securities dealers. A reverse repurchase agreement is a repurchase agreement in which the portfolio fund is the seller of, rather than the investor in, securities and agrees to repurchase them at an agreed-upon time and price. Use of a reverse repurchase agreement may be preferable to a regular sale and later repurchase of securities because it avoids certain market risks and transaction costs.

At the time a portfolio fund enters into a binding obligation to purchase securities on a when-issued basis or enters into a reverse repurchase agreement, assets of the portfolio fund having a value at least as great as the purchase price of the securities to be purchased will be segregated on the books of the portfolio fund and held by the custodian throughout the period of the obligation. The use of these investment strategies, as well as any borrowing by a portfolio fund, may increase fluctuation of a portfolio fund's NAV (and accordingly a Fund's NAV).

Loans of Portfolio Securities

A portfolio fund may lend its portfolio securities as long as: (1) the loan is continuously secured by collateral consisting of U.S. Government securities or cash or cash equivalents maintained on a daily mark-to-market basis in an amount at least equal to the current market value of the securities loaned; (2) the portfolio fund may at any time call the loan and obtain the securities loaned; (3) the portfolio fund will receive any interest or dividends paid on the loaned securities; and (4) the aggregate market value of the securities loaned will not at any time exceed one-third of the total assets of the portfolio fund. Lending portfolio securities involves risk of delay in the recovery of the loaned securities and, in some cases, the loss of rights in the collateral if the borrower fails.

Industry Concentration

A portfolio fund may concentrate its investments within one industry. The value of the shares of such a portfolio fund may be subject to greater market fluctuation than an investment in a fund that invests in a broader range of securities.

Temporary Strategies

PTRF, PAGF, and each portfolio fund has the flexibility to respond promptly to changes in market and economic conditions. In the interest of preserving shareholders' capital, the Funds' or the portfolio funds' investment advisers may employ a temporary defensive investment strategy if it determines such a strategy to be warranted. Pursuant to a temporary defensive strategy, PTRF, PAGF, or a portfolio fund may hold cash (U.S. dollars, foreign currencies, multinational currency units) and/or invest up to 100% of its assets in high quality debt securities or money market instruments of U.S. issuers, and most or all of the Funds' and a portfolio fund's investments may be made in the United States and denominated in U.S. dollars. It is impossible to predict whether, when, or for how long PTRF, PAGF, or a portfolio fund might employ

temporary defensive strategies. However, as stated in the Prospectus, PAGF almost never takes a defensive position.

In addition, pending investment of proceeds from new sales of portfolio fund shares or to meet ordinary daily cash needs, PTRF, PAGF, or a portfolio fund temporarily may hold cash (U.S. dollars, foreign currencies, or multinational currency units) and may invest any portion of its assets in money market instruments.

Portfolio Turnover

Although PTRF, PAGF, and the portfolio funds do not purchase securities with a view to rapid turnover, there are no limitations on the length of time that portfolio securities must be held. Portfolio turnover can occur for many reasons such as general conditions in the securities markets, more favorable investment opportunities in other securities, or other factors relating to the desirability of holding or changing a portfolio investment. A portfolio fund's high rate of portfolio turnover, if it should occur, would result in increased transaction costs which must be borne by the portfolio fund. High portfolio turnover may also result in the realization of capital gains or losses and, to the extent net short-term capital gains are realized, any dividends resulting from such gains will be considered ordinary income for federal income tax purposes. PTRF's portfolio turnover rates of 50% in 2008, 82% in 2009 and 58% in 2010 reflect PTRF's response to the volatile changes that occurred in global stock markets and the market's return to more normal levels of volatility subsequently.

Investment Restrictions

In pursuing its investment objective, each of Pearl Total Return Fund and Pearl Aggressive Growth Fund will not:

1. With respect to 75% of its total assets, invest more than 5% (valued at time of investment) in securities of any one issuer, except in U.S. Government securities and securities of other investment companies.

2. Invest more than 25% of its total assets (valued at time of investment) in securities of any one investment company. However, this restriction does not apply when the Fund reinvests dividends and distributions from an investment company in shares of that investment company.

3. Invest in a security if more than 25% of its total assets (valued at time of investment) would be invested in the securities of issuers in any particular industry, except that this restriction does not apply to securities issued or guaranteed by the U.S. Government or its agencies or instrumentalities.

4. Purchase and sell real estate or interests in real estate, although it may invest in marketable securities of enterprises, including real estate investment trusts, which invest in real estate or interests in real estate.

5. Make loans.

6. Sell securities short or maintain a short position.

7. Invest in puts, calls, straddles, spreads, or combinations thereof.

8. Purchase and sell commodities or commodity contracts.

9. Underwrite the distribution of securities of other issuers.

10. Issue any senior security except to the extent permitted under the 1940 Act.

11. Borrow money except (a) from banks for temporary or emergency purposes in amounts not exceeding 33% of the value of the Fund's assets at the time of borrowing, and (b) for temporary purposes in an amount not exceeding 5% of the value of the Fund's total assets at the time of the borrowing.

12. Invest in issuers for the purpose of management or the exercise of control.

The above restrictions for PTRF, PAGF, and each Fund's investment objective are "fundamental," which means that they cannot be changed without the approval of the lesser of (a) 67% of each Fund's shares present at a meeting if more than 50% of the shares outstanding are present or (b) more than 50% of each Fund's outstanding shares.

A portfolio fund may, but need not, have the same investment policies as PTRF or PAGF. In addition, although each of the Funds may from time to time invest in shares of the same portfolio funds, the percentage of each Fund's assets so invested may vary and the Fund's portfolio managers will determine that the investments are consistent with the investment objectives and policies of each Fund.

Investment Manager and Portfolio Managers

Pearl Management Company (the "Manager" or "Management"), 2610 Park Avenue, P.O. Box 209, Muscatine, IA 52761 serves as the investment adviser and manager for the Funds. The Funds are its only clients that pay for its services. As of March 31, 2011, the Manager has approximately $134 million under management, consisting entirely of Pearl Total Return Fund and Pearl Aggressive Growth Fund plus the Manager's own investment assets. The Manager does not manage any other accounts.

The Manager is an Iowa corporation whose shareholders are Capital Formation Council, Free Enterprise Advocates, Investor Protection, Inc., Public Interest Committee, and Taxpayer Rights Association, each an Iowa nonprofit organization and public interest organization. Each shareholder has been in existence for more than 25 years and has supported advocacy on public policy issues. None of the shareholder organizations has any shareholders or beneficial owners. David M. Stanley and Jean Leu Stanley, his wife, and Robert H. Solt and Dana D. Solt, his wife, may together be deemed to control the Manager because one or more of them serves as an Officer and Director of each of the five shareholders of the Manager; each of them serves as an Officer or Director (or both) of the Manager; and Robert H. Solt serves as Chief Executive Officer and Director of the Manager.

At December 31, 2010, the Manager and its five shareholders each owned shares of both Funds. This group beneficially owned shares of the Funds having these aggregate values:

Pearl Total Return Fund	$1,470,214
Pearl Aggressive Growth Fund	$872,647
Both Funds	$2,342,861

All of these affiliated persons of PMF and the Funds are affiliated persons of the Manager:

Name	**Positions Held with Pearl Mutual Funds (PMF) and the Manager**
Robert H. Solt	President, Chief Executive Officer, Chief Operating Officer, Chief Financial Officer, Treasurer, and Trustee of PMF. Chairman, President, Chief Executive Officer, Chief Operating Officer, Chief Financial Officer, Treasurer, and Director of the Manager.
David M. Stanley	Senior Counsel, Chief Legal Officer, Secretary, and Trustee of PMF. Senior Counsel, Chief Legal Officer, Secretary, and Director of the Manager.
Richard R. Phillips	Vice President and Assistant Secretary of PMF. Vice President, Chief Compliance Officer, and Assistant Secretary of the Manager.

The Manager furnishes continuing investment supervision and other services to the Funds under an Investment Management Agreement and an Administrative Services Agreement (the "Agreements") and is responsible for overall management and investment of the Funds' assets. The Agreements may be continued from year to year only so long as their continuance is approved annually (a) by the vote of a majority of the Trustees who are not "interested persons" of Pearl Mutual Funds or of the Manager cast in person at a meeting called for the purpose of voting on such approval, and (b) by the Board of Trustees of PMF or by the vote of a majority (as defined in the 1940 Act) of the outstanding shares of each Fund. Any amendment to the Agreements must be approved in the same manner.

In this SAI, "independent Trustee(s)" means all Trustees who are not "interested persons," as defined in the 1940 Act, of PMF or of the Manager.

On December 11, 2010, the Board of Trustees approved the continuation of the Investment Management Agreement and the Administrative Services Agreement, through January 31, 2012. In connection with this Board action, the Board reviewed and reaffirmed the existing Expense Limit Agreement between the Manager and the Funds. These Board actions followed Contract Review Committee meetings held on September 27 and December 11, 2010. In considering whether to approve the continuation of Agreements the Contract Review Committee and the Board, including the independent Trustees, did not identify any single factor as determinative, and each Trustee weighed the various factors as he deemed appropriate. The Trustees considered, among other things: the nature, quality, and extent of services; performance of the Funds; costs of services and profits realized by the Manager; economies of scale; and other benefits to the Manager. A more detailed discussion pertaining to the approval of the Agreements is included in the December 31, 2010 annual report.

The Agreements may be terminated by the Funds or by either Fund without penalty, by the vote of the Board of Trustees of PMF or the shareholders of that Fund (by a majority as defined in the 1940 Act) on sixty days' written notice to the Manager, or by the Manager on one year's notice to the Fund, and will terminate automatically in the event of assignment. The fees payable by

each Fund under the Agreements are the obligation only of that Fund and impose no liability on the other Fund.

The total advisory and management fees each Fund pays to the Manager are accrued daily and payable monthly based on the Fund's net assets as of the beginning of the month, at the annual rates shown below:

Average Daily Net Assets	Rate of Fee
First $30 million	0.65%
More than $30 million to $100 million	0.58%
In excess of $100 million	0.40%

The Manager provides administrative and transfer agency services to PMF pursuant to the Administrative Services Agreement, for which the Manager receives a fee. The Funds pay the cost of custodial, audit, and legal services and membership in trade organizations. They also pay other expenses such as the cost of maintaining the registration of their shares under federal law, complying with state securities laws, proxy solicitations, printing and distributing notices and copies of the Prospectus and shareholder reports furnished to existing shareholders, taxes, insurance premiums, and the fees of the independent Trustees. The Manager bears all sales and promotional expenses, including the cost of Prospectuses and other materials used for sales and promotional purposes.

The administrative services fees each Fund pays to the Manager are accrued daily and payable monthly based on the Funds' net assets as of the beginning of the month, at the annual rates shown below:

Average Daily Net Assets	Rate of Fee
First $30 million	0.16%
More than $30 million to $100 million	0.14%
In excess of $100 million	0.08%

The advisory and management fees and administrative services fees paid by the Funds to the Manager for the fiscal years ended December 31, 2010, 2009, and 2008, which took into account the previous administrative fee that was five basis points higher through 2009, were as follows:

Fund	**2010**	**2009**	**2008**
Pearl Total Return Fund	$588,634	$562,529	$779,525
Pearl Aggressive Growth Fund	$326,431	$283,697	$455,467

The Manager has contractually agreed to reimburse each Fund for all ordinary operating expenses (including all management and administrative fees) exceeding 1.20% of a Fund's average net assets. When the Manager has reimbursed a Fund for expenses in excess of this limit, the Manager may recover the amounts reimbursed under this limit, for a period that does not exceed five years, to the extent this can be done without exceeding the expense limit. The Manager may similarly recover amounts reimbursed under the Funds' previous contractual expense limit, but only to the extent this can be done without exceeding that expense limit. The agreement to limit the Funds' ordinary operating expenses is limited to the Funds' direct operating expenses and, therefore, does not apply to the portfolio funds' fees and expenses, which are indirect expenses incurred by the

Funds through their investments in the portfolio funds. This expense limit does not have an expiration date, and will continue unless a change is approved by the Funds' Board of Trustees.

Robert H. Solt, David M. Stanley, and Richard R. Phillips are the portfolio managers and the Investment Committee for both Pearl Total Return Fund and Pearl Aggressive Growth Fund. Other Officers and employees of the Manager also provide research and analysis for the Investment Committee.

The Manager, Mr. Solt, Mr. Stanley, and Mr. Phillips do not manage any other registered investment companies, pooled investment vehicles, or other investment accounts other than the Funds, except that Mr. Stanley manages for himself and his wife two personal brokerage accounts with assets less than $300,000, Mr. Phillips manages two personal accounts with assets less than $300,000, and Mr. Solt manages one personal account with assets less than $10,000 as of December 31, 2010. One or more of the portfolio managers give limited and occasional investment advice to various non-profit organizations (most are shareholders of the Funds), but the recipients do not pay for these services. The Manager receives compensation only from the Funds.

The advisory fee and all fees received by the Manager in connection with management of the Funds are not based on the performance of the Funds. However, the performance of the Funds is a significant factor in the Board of Trustees' annual review and decision on the Agreement between the Manager and the Funds.

Material conflicts of interest are not anticipated in connection with the management of the Funds' investments because cross-trades between the Funds are not permitted, and no allocation of aggregated trades is done as a regular trading practice.

The portfolio managers receive all of their compensation from the Manager in the form of a fixed salary, employee benefits, and the possibility of a year-end bonus. Salaries and bonuses (if any) are determined by the Manager's Chief Executive Officer and Senior Counsel, taking into account all factors which they believe are relevant. Employee performance and achievements, employee responsibilities, the Manager's income, and the Funds' performance, growth, and net assets are among the many factors that may affect the decisions on portfolio managers' compensation. However, there is no formula, agreement, or policy regarding any relationship between the portfolio managers' compensation and the Funds' performance, growth, or net assets. The portfolio managers do not receive any other compensation with respect to managing the Funds or any other accounts.

The Manager strongly encourages all portfolio managers and all Officers and employees of the Manager to own shares of the Funds. The Manager believes this ownership will ensure that all of these persons have a shared interest with all shareholders of the Funds and a strong incentive to make the Fund's performance their high priority.

At December 31, 2010, each portfolio manager beneficially owned (as determined pursuant to Rule 16a-1(a)(2) under the 1934 Act) shares of PTRF and PAGF having values within these indicated dollar ranges:

	Pearl Total Return Fund	Pearl Aggressive Growth Fund
Robert H. Solt	$100,001 to $500,000	$100,001 to $500,000
David M. Stanley	over $1,000,000	over $1,000,000
Richard R. Phillips	$50,001 to $100,000	$100,001 to $500,000

Pearl Mutual Funds

Pearl Mutual Funds ("PMF") (formerly Mutual Selection Trust) is a Massachusetts business trust organized under an Amended and Restated Declaration of Trust dated September 11, 2000 (the "Declaration of Trust"). The Declaration of Trust may be amended by a vote of either PMF's shareholders or, in certain circumstances, by its Trustees without shareholder consent. PMF may issue an unlimited number of shares, in one or more series as the Board of Trustees may authorize. Any series of shares may be further divided, without shareholder approval, into two or more classes of shares having such preferences or special or relative rights or privileges as the Trustees may determine. The shares of the Funds are not currently divided into classes. Pearl Total Return Fund and Pearl Aggressive Growth Fund are the only series of PMF currently being offered. The Board of Trustees may authorize the issuance of additional series if deemed advisable, each with its own investment objective, policies, and restrictions. All shares issued will be fully paid and non-assessable and will have no preemptive or conversion rights.

Under Massachusetts law, the shareholders of PMF may, under certain circumstances believed to be remote, be held personally liable for PMF's obligations. However, the Declaration of Trust disclaims liability of shareholders and PMF's Trustees and Officers for acts or obligations of PMF and requires that notice of such disclaimer be given in each agreement, obligation, or contract entered into or executed by PMF or the Board of Trustees. The Declaration of Trust provides for indemnification out of the assets of PMF of all losses and expenses of any shareholder held personally liable for the obligations of PMF. Thus, the risk of a shareholder incurring financial loss on account of shareholder liability is remote, since it is limited to circumstances in which the disclaimer is inoperative and PMF itself is unable to meet its obligations.

On any matter submitted to a vote of shareholders, shares are voted in the aggregate and not by individual series except that shares are voted by individual series when required by the 1940 Act or other applicable law, or when the Board of Trustees determines that the matter affects only the interests of one series, in which case shareholders of the unaffected series are not entitled to vote on that matter. All shares of PMF are voted together in the election of Trustees.

Trustees and Officers and Their Ownership of Shares of the Funds

The Board of Trustees has overall responsibility for PMF's and the Funds' affairs. Each Trustee serves for an indefinite term of unlimited duration until the next meeting of shareholders called for the purpose of considering the election or re-election of such Trustee or a successor, and until the election and qualification of his or her successor. The Trustees may fill any vacancy provided that at least two-thirds of the Trustees, after such appointment, have been elected by the Fund's shareholders. A Trustee may be removed, with or without cause, at any time by a vote of at least two-thirds of the Funds' outstanding shares or by written instrument signed by at least two-thirds of the remaining Trustees.

The Board of Trustees elects or appoints the Officers of the Funds annually. Each Officer serves until the election and qualification of his or her successor, or until he or she sooner dies, resigns, or is removed or disqualified. The Board of Trustees may remove any Officer, with or without cause, at any time.

The names and ages of the Trustees and Officers of PMF and the Funds, the date each was first elected or appointed to office, and their principal business occupations and other public company directorships they have held during at least the last five years, are shown below. Each Trustee and Officer serves in that capacity for each of the two series of PMF.

Name and Age at April 1, 2011	Positions Held with Both Funds	Date First Elected or Appointed to Office **	Principal Occupations during Past 5 Years	Other Public Company Directorships
Trustees who are "Interested Persons" of the Funds: *				
Robert H. Solt, 43	President, Chief Executive Officer, Chief Operating Officer, Chief Financial Officer, Treasurer, and Trustee	Feb. 2001	Pearl Management Company: Director since 2001; Chairman, President, and Chief Executive Officer since May 2006; Chief Operating Officer, Chief Financial Officer, and Treasurer since 2001. Midwest Management Corporation (private investment company): Treasurer, Assistant Secretary, and Director until Dec. 2010.	None.
David M. Stanley, 82	Senior Counsel, Chief Legal Officer, Secretary, and Trustee	July 1972	Pearl Management Company: Director; Chief Legal Officer; Senior Counsel and Secretary since May 2006; Chairman, President, and Chief Executive Officer, 1972 to April 2006. Midwest Management Corporation (private investment company): Chairman and Director until Dec. 2010.	None.

Name and Age at April 1, 2011	Positions Held with Both Funds	Date First Elected or Appointed to Office **	Principal Occupations during Past 5 Years	Other Public Company Directorships
Trustees who are not "Interested Persons" of the Funds:				
John W. Axel, 69	Trustee	Dec. 1974	Owner and Chief Executive Officer, Iowa Companies, Inc. (holding company engaged in waste hauling, recycling, and manufacturing). President, Environmental Services, Inc. (waste hauling). President, Perfect Pallet Co. (pallet manufacturing). President, Earthcare Recycling, LLC, since 2005.	None.
Douglas B. Coder, 75	Trustee	Dec. 1974	Owner, Coder Co. (former purchaser and seller of existing mortgages). Owner, DBC Realty (investments). Director, Chata Biosystems, Inc. (manufacturing pharmaceutical solutions).	Chairman and Director, Catalyst International, Inc. (software) 1996-2004.
Dr. David N. DeJong, 47	Trustee	Dec. 1998	Vice Provost and Professor of Economics, University of Pittsburgh.	None.
David L. Evans, 69	Vice Chairman of the Board and Trustee	June 1977	Owner and Chief Executive Officer, Evanwood Corporation (consulting). Director, John Deere Receivables, Inc. (asset-backed securities). Chief Executive Officer, Rose Creek Ridge, LLC (farming).	None.
Dr. James P. Stein, 60	Chairman of the Board and Trustee	Oct. 2003	Chairman of Board of Directors and Director, Central Bancshares, Inc. Director, subsidiary banks of Central Bancshares, Inc. Doctor of Veterinary Medicine. Private investor.	None.
Other Officers of Pearl Mutual Funds:				
Karen M. Brookhart, 39	Portfolio Management Associate	March 2002	Pearl Management Company: Portfolio Management Associate; employee since 2001.	None.
Peggy A. Cherrier, 58	Compliance Associate, Transfer Agent Representative, and Assistant Secretary	March 2001	Pearl Management Company: Compliance Associate and Assistant Secretary; Transfer Agent Representative since Mar. 2009; employee since 2000.	None.

Name and Age at April 1, 2011	Positions Held with Both Funds	Date First Elected or Appointed to Office **	Principal Occupations during Past 5 Years	Other Public Company Directorships
Christopher S. Ingstad, 30	Shareholder Services Director	Aug. 2006	Pearl Management Company: Shareholder Services Director since Aug. 2006. Allsteel (office furniture): Financial Analyst, 2005 to Aug. 2006.	None.
Renata R. LaMar, 46	Controller and Assistant Treasurer	March 2001	Pearl Management Company: Controller and Assistant Treasurer; employee since 2000.	None.
Richard R. Phillips, 57	Vice President and Assistant Secretary	Sept. 2005	Pearl Management Company: Vice President since 2005; Assistant Secretary and Chief Compliance Officer since May 2006. Reynolds Engineering (industrial equipment): Vice President and Secretary since 1998; General Counsel (1998 to 2009). Phillips Law Office: Owner, 1998 to Aug. 2006.	None.
Anthony J. Toohill, 34	Chief Compliance Officer	Aug. 2004	Pearl Mutual Funds: Chief Compliance Officer since 2004. Stinnett & Associates (risk management), Senior Associate, 2004 to Dec. 2007.	None.

* Mr. Solt is an "interested person" of PMF and the Funds, as defined in the 1940 Act, because he is an Executive Officer and a Director of the Manager. Mr. Stanley is an "interested person" of PMF and the Funds because he is an Executive Officer and a Director of the Manager.

** Dates prior to June 2001 correspond to the date first elected or appointed as a Director or Officer of Mutual Selection Fund, Inc., the Funds' predecessor.

The address of the Trustees and Officers is: Pearl Mutual Funds, 2610 Park Avenue, PO Box 209, Muscatine, Iowa 52761.

Leadership Structure and Qualifications of the Board of Trustees

The Board of Trustees oversees the Manager and certain other principal service providers in the operations of the Funds. The Board of Trustees consists of five Trustees who are not "interested persons" of PMF as defined in the 1940 Act (each an "independent Trustee") and two Trustees who are "interested persons" of PMF. The Board of Trustees meets in-person at regularly scheduled meetings throughout the year. In addition, the Board may meet in-person or by telephone at special meetings or on an informal basis at other times. As described below, the Board of Trustees has established four standing committees – Audit, Nominating and Governance, Contract Review, and Executive – and may establish ad hoc committees or working groups from time to time, to assist the Board of Trustees in fulfilling its oversight responsibilities. The independent Trustees also have engaged independent legal counsel to assist them in fulfilling their responsibilities.

The Chairman of the Board of Trustees is an independent Trustee. The Chairman presides at all meetings of the Board of Trustees at which the Chairman is present. Among other things, the Chairman reviews and approves the agenda for each Board meeting and facilitates communication among PMF's independent Trustees. The Trustees believe that the Board's leadership structure is appropriate given the characteristics and circumstances of PMF. The Trustees also believe that this structure facilitates the exercise of the Board's independent judgment in fulfilling its oversight function and efficiently allocates responsibility among Committees.

The Board of Trustees has concluded that, based on each Trustee's experience, qualifications, attributes, or skills on an individual basis and in combination with those of the other Trustees, each Trustee should serve as a member of the Board. In making this determination, the Board has taken into account the actual service of the Trustees during their tenure in concluding that each should continue to serve. The Board also has considered each Trustee's background and experience. Set forth below is a brief discussion of the specific experience qualifications, attributes, or skills of each Trustee that led the Board to conclude that he should serve as a Trustee.

Each of Messrs. Stanley, Axel, Coder, and Evans has served for more than 30 years as a Trustee of PMF and its predecessor, while Mr. Solt and Drs. DeJong and Stein have served for 8, 12, and 7 years, respectively. Each of Messrs. Solt and Stanley has extensive experience in the financial services industry. Each of Messrs. Axel, Coder, and Evans and Dr. Stein has significant executive experience in other industries. Dr. DeJong has been a Professor of Economics for over 20 years. Each of Messrs. Solt, Stanley, Axel, Coder, and Evans and Drs. DeJong and Stein holds an advanced degree.

Committee Structure

Messrs. Evans (Chairman) and Coder and Dr. Stein serve as members of the Audit Committee. This Committee makes recommendations to the Board of Trustees regarding the selection of auditors and confers with the auditors regarding the scope and results of the audit. The Audit Committee met two times during the year 2010.

Mr. Axel (Chairman) and Dr. DeJong serve as members of the Nominating and Governance Committee. This Committee makes recommendations to the Board of Trustees regarding Board committees and committee assignments, the composition of the Board of Trustees, any candidate for appointment as the independent Chairman of the Board of Trustees, any candidates for election as independent Trustees, and compensation of independent Trustees, and oversees the process for evaluating the functioning of the Board of Trustees. The Nominating and Governance Committee will consider recommendations by shareholders regarding candidates for election as Trustee. However, if such a recommendation is received at a time when the Committee is not considering prospective candidates for nomination as independent Trustees, the Committee in its discretion may defer consideration until an appropriate time. The Nominating and Governance Committee met one time during the year 2010.

Dr. DeJong (Chairman), Messrs. Axel, Coder, and Evans, and Dr. Stein serve as members of the Contract Review Committee. This Committee establishes and oversees the process for the

annual consideration and evaluation of the agreements between PMF and Pearl Management Company. The Contract Review Committee met two times during the year 2010.

Dr. Stein (Chairman of the Board) and Messrs. Evans (Vice Chairman of the Board), Solt (President), and Stanley (Senior Counsel) serve as members of the Executive Committee. This Committee generally has the authority to exercise the powers of the Board of Trustees during intervals between meetings. The Executive Committee did not meet during the year 2010.

Risk Oversight

The operation of a mutual fund, including its investment activities, generally involves a variety of risks. As part of its oversight of the Funds, the Board of Trustees oversees risk through various regular Board and Committee activities. The Board of Trustees, directly or through its Committees, reviews reports from, among others, the Manager, the Funds' Chief Compliance Officer, the Funds' independent registered public accounting firm, and outside legal counsel, as appropriate, regarding risks faced by the Funds and the risk management programs of the Manager and certain service providers. The actual day-to-day risk management with respect to the Funds resides with the Manager and other service providers to the Funds. Although the risk management policies of the Manager and the service providers are designed to be effective, there is no guarantee that they will anticipate or mitigate all risks. Not all risks that may affect the Funds can be identified, eliminated, or mitigated. Some risks simply may not be anticipated or may be beyond the control of the Board of Trustees or the Manager, its affiliates, or other service providers.

Trustee Compensation

Each Trustee who is not an "interested person" of the Funds, as defined in the 1940 Act, receives from the Funds an annual Trustee's fee (retainer) of $13,000 except that the annual amount is $20,000 for the Chairman of the Board of Trustees and $17,000 for the Chairman of the Audit Committee, the Chairman of the Nominating and Governance Committee, and the Chairman of the Contract Review Committee. Each independent Trustee also receives a quarterly Board meeting attendance fee of $2,250 (annual rate $9,000) if the Trustee is present for all or substantially all of the meeting. However, the quarterly Board meeting attendance fee of the Chairman of the Board is $2,750 (annual rate $11,000) if he or she serves as presiding officer for all or substantially all of the meeting. If a Board meeting in addition to the 4 quarterly meetings is held, the attendance fee for that meeting is equal to the quarterly attendance fee amount.

Each independent Trustee also is paid an attendance fee of $1,250 per day for each of these meetings, if the Trustee is present for all or substantially all of the meeting: (a) a meeting of a Committee of the Board that is not held during or in connection with a Board meeting; and (b) an approved outside education experience in accordance with the Orientation and Education Program for Independent Trustees, if the Trustee presents a brief report to the Board in accordance with the Orientation and Education Program for Independent Trustees. Attendance and presence at Board and Committee meetings include participation by telephone or other electronic communication. However, attendance fees are not paid for a Committee meeting if it is conducted primarily by telephone conference or other electronic communication, unless the Board or Committee determines that attendance fees should be paid and promptly requests payment. The Vice Chairman of the Board does not receive any compensation for serving in that

position, except that when performing the duties and exercising the powers of the Chairman of the Board, the Vice Chairman of the Board receives the same compensation as the Chairman of the Board. All attendance fees are paid in cash, which is applied to the purchase of shares of PTRF or PAGF or both.

The preceding provisions are included in a revised independent Trustees' compensation plan adopted by the Board and effective January 1, 2011. For the fiscal year ended December 31, 2010, the Funds paid fees aggregating $121,000 to Trustees who were not affiliated with the Manager, as defined by the 1940 Act. The Funds have no retirement or pension plans.

The following table sets forth the total compensation paid by Pearl Mutual Funds during the fiscal year ended December 31, 2010 to each of the Trustees of PMF**:**

Name of Trustee	Pearl Total Return Fund	Pearl Aggressive Growth Fund	Aggregate Compensation from the Funds
Trustees who are interested persons of the Funds:			
Robert H. Solt	$0	$0	$0
David M. Stanley	$0	$0	$0
Trustees who are independent (not interested persons of the Funds):			
John W. Axel	$15,680	$8,320	$24,000
Douglas B. Coder	$13,067	$6,933	$20,000
Dr. David N. DeJong	$15,680	$8,320	$24,000
David L. Evans	$15,680	$8,320	$24,000
Dr. James P. Stein	$18,947	$10,053	$29,000

The Officers and Trustees affiliated with the Manager serve without any compensation from PMF and the Funds.

Trustee Ownership of Fund Shares

As of March 31, 2011, the Trustees and Officers of the Trust as a group beneficially owned 3.86% of the outstanding shares of Pearl Total Return Fund and 5.48% of Pearl Aggressive Growth Fund.

The following table illustrates the dollar range of any equity securities "beneficially" owned (within the meaning of that term as defined in rule 16a-1(a)(2) under the Securities Exchange Act of 1934) by the Trustees of Pearl Total Return Fund and Pearl Aggressive Growth Fund as of December 31, 2010. The dollar range for the securities represented in the table was determined using the NAV of a share of the Fund as of the close of business on December 31, 2010.

Name of Trustee	Name of Fund	Dollar Range of Equity Securities in each Fund	Aggregate Dollar Range of Equity Securities in All Registered Investment Companies Overseen by Trustee in Family of Investment Companies
Trustees who are interested persons of the Funds:			
Robert H. Solt	Total Return Fund	over $100,000	over $100,000*
	Aggressive Growth Fund	over $100,000	
David M. Stanley	Total Return Fund	over $100,000*	over $100,000*
	Aggressive Growth Fund	over $100,000*	
Trustees who are independent (not interested persons of the Funds):			
John W. Axel	Total Return Fund	over $100,000	over $100,000*
	Aggressive Growth Fund	$10,001-$50,000	
Douglas B. Coder	Total Return Fund	over $100,000*	over $100,000*
	Aggressive Growth Fund	$50,001-$100,000	
Dr. David N. DeJong	Total Return Fund	$10,001-$50,000	over $100,000
	Aggressive Growth Fund	over $100,000	
David L. Evans	Total Return Fund	over $100,000	over $100,000*
	Aggressive Growth Fund	over $100,000	
Dr. James P. Stein	Total Return Fund	over $100,000	over $100,000*
	Aggressive Growth Fund	over $100,000	

* Over $200,000

No independent Trustee owns, beneficially or of record, any security of the Manager or any person (other than a registered investment company) directly or indirectly controlling, controlled by, or under common control with the Manager.

The Funds' Board of Trustees and the Manager strongly encourage all Trustees, Officers, and employees of PMF, the Funds, and the Manager, plus the Manager and all its shareholders, to own shares of the Funds. The Board of Trustees and the Manager believe this ownership will help to ensure that all of these persons and entities have a shared interest with all shareholders of the Funds and a strong incentive to make the Funds' performance their high priority.

At December 31, 2010:

1. All Trustees, Directors, Officers, and employees of the Manager and of PMF and the Funds were shareholders of one or both of the Funds. This group beneficially owned shares of the Funds having these aggregate values:

Pearl Total Return Fund	$3,272,008
Pearl Aggressive Growth Fund	$2,497,982
Both Funds	$5,769,990

2. The Manager and its five shareholders each were shareholders of both Funds. This group beneficially owned shares of the Funds having these aggregate values:

Pearl Total Return Fund	$1,470,214

Pearl Aggressive Growth Fund	$872,647
Both Funds	$2,342,861

3. Groups 1 and 2 together beneficially owned shares of the Funds having these aggregate values:

Pearl Total Return Fund	$4,742,222
Pearl Aggressive Growth Fund	$3,370,629
Both Funds	$8,112,851

Principal Shareholders of PTRF and PAGF

As of March 31, 2011, Tax Education Support Organization may be deemed to control Pearl Total Return Fund by virtue of owning more than 25% of the outstanding shares of this Fund. Tax Education Support Organization owned of record and beneficially owned directly 28.01% of the outstanding shares of PTRF. This control relationship will continue to exist until such time as the share ownership described above represents 25% or less of the outstanding shares of PTRF. Through the exercise of voting rights with respect to shares of PTRF, Tax Education Support Organization may be able to determine the outcome of shareholder voting on matters on which approval of shareholders is required. Robert H. Solt may be deemed to have a controlling influence over Tax Education Support Organization because he serves as its Vice Chairman and a Director. David M. Stanley and Jean Leu Stanley, his wife, may be deemed to have a controlling influence over Tax Education Support Organization because he serves as its Chairman and a Director and she serves as a Director. Mr. Solt and Mr. and Mrs. Stanley may also have a controlling influence over some other shareholders of the Funds that are not controlling persons of the Funds.

As of March 31, 2011, the following entities owned beneficially 5% or more of the shares of Pearl Total Return Fund**:**

Name and Address	**Percentage Ownership**
Marriage Encounter Support Foundation 2610 Park Avenue Muscatine, IA 52761	8.29%
New Hope Foundation 2610 Park Avenue Muscatine, IA 52761	10.61%
Public Interest Institute Iowa Wesleyan College Mount Pleasant, IA 52641	5.67%
Tax Education Support Organization 2610 Park Avenue Muscatine, IA 52761	28.01%

As of March 31, 2011, the following entities owned beneficially 5% or more of the shares of Pearl Aggressive Growth Fund**:**

Name and Address	Percentage Ownership
New Hope Foundation 2610 Park Avenue Muscatine, IA 52761	15.88%
Public Interest Institute Iowa Wesleyan College Mount Pleasant, IA 52641	5.05%
Tax Education Support Organization 2610 Park Avenue Muscatine, IA 52761	22.31%

Purchasing and Redeeming Shares

Purchases and redemptions are discussed in the Funds' Prospectus under the heading "How to Buy and Sell Fund Shares." That information is incorporated herein by reference. The Funds are intended for long-term investment and seek to prevent, and strongly discourage, any frequent trading of Fund shares. The Funds do not have any arrangements with any person to permit frequent purchases and redemptions of Fund shares. See "Policy on Trading of Fund Shares" in the Prospectus.

Net Asset Value

Share purchase and redemption orders will be priced at a Fund's NAV per share next computed after these orders are received by PMF. Each Fund's NAV is determined only on days on which the New York Stock Exchange ("NYSE") is open for trading. The NYSE is regularly closed on Saturdays and Sundays and on New Year's Day, the third Monday in January, the third Monday in February, Good Friday, the last Monday in May, Independence Day, Labor Day, Thanksgiving, and Christmas. If one of those holidays falls on a Saturday or Sunday, the NYSE will be closed on the preceding Friday or the following Monday, respectively.

Computation of NAV (and the sale and redemption of Fund shares) may be suspended or postponed during any period when (a) trading on the NYSE is restricted, as determined by the Securities and Exchange Commission, or that exchange is closed for other than customary weekend and holiday closings, (b) the Commission has by order permitted such suspension, or (c) an emergency, as determined by the Commission, exists making disposal of portfolio securities or valuation of the net assets of the Funds not reasonably practicable.

For a description of the methods used to determine the share price, see "Net Asset Value" in the Prospectus.

PMF has elected to be governed by Rule 18f-1 under the 1940 Act pursuant to which it is obligated to redeem shares solely in cash up to the lesser of $250,000 or 1% of the NAV of a Fund during any 90-day period for any one shareholder. Redemptions in excess of the above amounts will normally be paid in cash, but may be paid wholly or partly by a distribution in kind of securities. If a redemption is made in kind, the redeeming shareholder would bear any transaction costs incurred in selling the securities received.

Anti-Money-Laundering Compliance

The Funds are required to comply with various anti-money-laundering laws and regulations. Consequently, the Funds may request additional information from you to verify your identity. If at any time the Funds believe a shareholder may be involved in suspicious activity or if certain account information matches information on government lists of suspicious persons, the Funds may choose not to establish a new account or may be required to "freeze" a shareholder's account. The Funds also may be required to provide a governmental agency with information about transactions that have occurred in a shareholder's account, or to transfer money received to establish a new account, transfer an existing account, or transfer the proceeds of an existing account to a governmental agency. In some circumstances, the law may not permit the Funds to inform the shareholder that it has taken the actions described above.

Proxy Voting Procedures

PMF's proxy voting procedures are included in this SAI as Appendix B. In accordance with SEC regulations the Funds' proxy voting record for the last twelve-months period ended June 30 has been filed with the SEC. You may obtain a copy of the Funds' proxy voting record (1) on the Securities and Exchange Commission's Website at **www.sec.gov**; (2) on the Funds' Website at **www.pearlfunds.com**; and (3) without charge, upon request, by calling 866-747-9030 (toll-free).

Disclosure of Portfolio Information

The Funds and the Manager believe frequent and uniform fair disclosure to the public of information on the portfolio holdings of the Funds is in the interest of the Funds' shareholders and potential investors. However, this information is confidential and proprietary until uniform fair disclosure to the public is made. Selective disclosure of such information could have adverse ramifications for the Funds' shareholders. The Manager and the Funds' Board of Trustees have adopted and implemented a portfolio holdings disclosure policy.

The Manager publicly discloses each Fund's month-end portfolio holdings to the public once a month, no later than the fifth day after month-end. The portfolio information is available at **www.pearlfunds.com** and also upon request. In addition, any Executive Officer of the Funds may decide to update the portfolio information on the Website at anytime if additional public disclosure is believed to be advisable. Only the most recent portfolio information report is posted on the Website, and it remains on the Website until replaced by the next portfolio information report. The information includes the name of each portfolio security and its percentage of the Fund's total assets. The scope of the information provided may change from time to time without prior notice.

After portfolio information has already been made public through Website disclosure or in an SEC filing, it may thereafter be disclosed to anyone and may be used in marketing literature and in communications to shareholders and others.

The Manager and the Funds will not disclose the portfolio information prior to public disclosure on the Website. The Manager and the Funds will not enter into any agreement to disclose Fund portfolio holdings information in exchange for any form of consideration. These restrictions

apply to all categories of persons, including, without limitation, individual investors, institutional investors, intermediaries, service providers, and rating and ranking organizations. Any Executive Officer of a Fund may disclose to Trustees of the Funds portfolio information prior to public disclosure on the Website, in connection with preparation for Board meetings and other instances appropriate for the operation of the Funds. Any such disclosure is made only if it is in the shareholders' interest. All personnel of the Manager and of the Funds who have access to the Funds' portfolio information prior to public disclosure are subject to the Code of Ethics described below. The Funds' Board of Trustees annually receives and evaluates a report on compliance with the Code of Ethics.

The Funds' portfolio holdings are currently disclosed to the public on the Funds' website at **www.pearlfunds.com** and through their filings with the SEC. The Funds file their portfolio holdings with the SEC for each quarter on Form N-CSR (with respect to each annual period and semi-annual period) and Form N-Q (with respect to the first and third quarters of the year). Shareholders may obtain the Funds' Forms N-CSR and N-Q filings on the SEC's website at **www.sec.gov**. In addition, the Funds' Forms N-CSR and N-Q filings may be reviewed and copied at the SEC's Public Reference Room in Washington, D.C. You may call the SEC at 800-SEC-0330 or 202-551-8090 for information about the SEC's website or the Public Reference Room's operations.

Additional Tax Information

The Prospectus describes generally the tax treatment of dividends by the Funds. This section of the SAI includes additional information concerning federal taxes. In the SAI, the term "dividend(s)" includes all distributions of income and capital gains, unless the context indicates otherwise.

Each Fund has qualified and intends to qualify annually for the special tax treatment afforded a "regulated investment company" under Subchapter M of the Internal Revenue Code (the "Code") so that it does not pay federal taxes on income and capital gains distributed to shareholders. To so qualify a Fund must, among other things, (1) derive at least 90% of its gross income in each taxable year from dividends, interest, payments with respect to securities loans, gains from the sale or other disposition of stock, securities, or foreign currency, certain other income (including but not limited to gains from options, futures, and forward contracts) derived with respect to its business of investing in stock, securities, or currencies, or net income derived from interests in "qualified publicly traded partnerships," as defined in the Code for this purpose; and (2) diversify its holdings so that at the end of each quarter of its taxable year the following two conditions are met: (a) at least 50% of the value of the Fund's total assets is represented by cash, U.S. Government securities, securities of other regulated investment companies, and other securities (for this purpose such other securities will qualify only if the Fund's investment is limited in respect to any issuer to an amount not greater than 5% of the Fund's assets and 10% of the outstanding voting securities of such issuer) and (b) not more than 25% of the value of the Fund's assets is invested in securities of any one issuer (other than U.S. Government securities or securities of other regulated investment companies), two or more issuers which the Fund controls and which are engaged in the same, similar, or related trades or businesses, or the securities of one or more qualified publicly traded partnerships.

A Fund's net realized capital gains from securities transactions will be distributed only after reducing such gains by the amount of any available capital loss carryforwards. Capital losses may be carried forward to offset any capital gains for eight years, after which any undeducted capital loss remaining is lost as a deduction. However, for taxable years beginning after December 22, 2010, capital losses may be carried forward indefinitely.

A federal excise tax at the rate of 4% will be imposed on the excess, if any, of a Fund's "required distribution" over actual dividends in any calendar year. Generally, the "required distribution" is 98% of a Fund's ordinary income for the calendar year plus 98.2% of its net capital gains recognized during the one-year period ending on October 31 of the calendar year plus undistributed amounts from prior years. The Funds intend to make distributions sufficient to avoid imposition of the excise tax.

Under recent legislation, each Fund must report to the IRS and furnish to Fund shareholders cost basis and holding-period information for Fund shares purchased after December 31, 2011, and sold after that date. The Fund will permit Fund shareholders to elect from among several IRS-accepted cost basis methods, including average cost. In the absence of an election, the Fund will use the average-cost method as the default cost basis method. The cost basis method elected or applied may not be changed after the settlement date of a sale of Fund shares. Fund shareholders should consult with their tax advisors to determine the appropriate cost basis method for their tax situation and to obtain more information about how the new cost basis reporting law applies to them. The current law requirement to report only the gross proceeds from the sale of Fund shares will continue to apply to all Fund shares acquired through December 31, 2011, and sold on and after that date.

A Fund is required to withhold and remit to the U.S. Treasury a percentage of dividend income on any account if the shareholder fails to (1) provide a taxpayer identification number, (2) certify that the number is correct and that he or she is not subject to backup withholding, or (3) certify that he or she is a U.S. Person (including a U.S. resident alien); or if (4) the IRS informs the Fund that the tax identification number provided is incorrect.

Portfolio Transactions

The Manager is responsible for decisions to buy and sell securities for the Funds and for the placement of the Funds' portfolio business and negotiation of commissions, if any, paid on these transactions.

The Funds will seek to be included within a class of investors entitled not to pay sales loads by purchasing load fund shares under letters of intent, rights of accumulation, cumulative purchase privileges, and other quantity discount programs.

Each Fund may purchase shares of portfolio funds which charge a redemption fee (not exceeding 2%). A redemption fee is a fee imposed by a portfolio fund upon shareholders (such as a Fund) redeeming shares of the fund within a certain period of time. The fee is payable to the portfolio fund. Accordingly, if a Fund were to invest in a portfolio fund and, as a result of redeeming shares in such portfolio fund, incur a redemption fee, the redeeming Fund would bear the redemption fee. The Funds will not invest in shares of a mutual fund that is sold with a redemption fee or contingent deferred sales load exceeding 2%.

However, each Fund seeks to avoid completely all transaction costs (sales charges, commissions, and redemption fees). As of the date of this SAI, Pearl Total Return Fund has not paid any sales charge, commission, or redemption fee since 1998 and Pearl Aggressive Growth Fund has never paid any sales charge, commission, or redemption fee.

Code of Ethics

The 1940 Act and rules thereunder require that PMF and the Manager establish standards and procedures for the detection and prevention of certain conflicts of interest, including activities by which persons having knowledge of the investments and investment intentions of the Funds might take advantage of that knowledge for their own benefit. PMF and the Manager have adopted a Code of Ethics to meet those concerns and legal requirements. Although the Code does not prohibit employees who have knowledge of the investments and investment intentions of the Funds from engaging in personal securities investing, it does regulate such personal securities investing by these employees as a part of the effort by PMF and the Manager to detect and prevent conflicts of interest.

Custodian

First National Bank of Muscatine ("FNBM"), 300 East Second Street, Muscatine, Iowa 52761, is the custodian for the Funds. It is responsible for holding all securities and cash of the Funds, receiving and paying for securities purchased, delivering against payment securities sold, receiving and collecting income from investments, making all payments covering expenses of the Funds, and performing other administrative duties, all as directed by authorized persons of the Funds. FNBM does not exercise any supervisory function in such matters as purchase and sale of portfolio securities, payment of dividends, or payment of expenses of the Funds. The Funds have authorized FNBM to deposit certain portfolio securities of the Funds in central depository systems as permitted under federal law.

Independent Registered Public Accounting Firm

Deloitte & Touche LLP audits and reports on the Funds' annual financial statements and performs other authorized professional services when engaged to do so by the Funds with the Audit Committee's approval. The financial statements of the Funds and report of the independent registered public accounting firm appearing in the Funds' December 31, 2010 Annual Report are incorporated by reference in this SAI.

APPENDIX A

DESCRIPTION OF BOND RATINGS

A rating by a rating service represents the service's opinion as to the credit quality of the security being rated. However, the ratings are general and are not absolute standards of quality or guarantees as to the creditworthiness of an issuer. Consequently, the Fund's investment adviser believes that the quality of debt securities in which the Fund invests should be continuously reviewed and that individual analysts give different weightings to the various factors involved in credit analysis. A rating is not a recommendation to purchase, sell, or hold a security, because it does not take into account market value or suitability for a particular investor. When a security has received a rating from more than one service, each rating should be evaluated independently. Ratings are based on current information furnished by the issuer or obtained by the ratings services from other sources which they consider reliable. Ratings may be changed, suspended, or withdrawn as a result of changes in or unavailability of such information, or for other reasons.

The following is a description of the characteristics of rating used by Moody's Investors Service, Inc. ("Moody's") and Standard & Poor's, a division of The McGraw-Hill Companies ("S&P").

Ratings by Moody's:

Aaa-- Obligations rated Aaa are judged to be of the highest quality, with minimal credit risk.

Aa-- Obligations rated Aa are judged to be of high quality and are subject to very low credit risk.

A-- Obligations rated A are considered upper-medium grade and are subject to low credit risk.

Baa-- Obligations rated Baa are subject to moderate credit risk. They are considered medium-grade and as such may possess certain speculative characteristics.

Ba-- Obligations rated Ba are judged to have speculative elements and are subject to substantial credit risk.

B-- Obligations rated B are considered speculative and are subject to high credit risk.

Caa-- Obligations rated Caa are judged to be of poor standing and are subject to very high credit risk.

Ca-- Obligations rated Ca are highly speculative and are likely in, or very near, default, with some prospect of recovery of principal and interest.

C-- Obligations rated C are the lowest rated class of bonds and are typically in default, with little prospect for recovery of principal or interest.

Modifiers: Moody's appends numerical modifiers 1, 2, and 3 to each generic rating classification from Aa through Caa. The modifier 1 indicates that the obligation ranks in the higher end of its generic rating category; the modifier 2 indicates a mid-range ranking; and the modifier 3 indicates a ranking in the lower end of that generic rating category.

S&P Ratings:

AAA-- An obligation rated 'AAA' has the highest rating assigned by S&P. The obligor's capacity to meet its financial commitment on the obligation is extremely strong.

AA-- An obligation rated 'AA' differs from the highest-rated obligations only to a small degree. The obligor's capacity to meet its financial commitment on the obligation is very strong.

A-- An obligation rated 'A' is somewhat more susceptible to the adverse effects of changes in circumstances and economic conditions than obligations in higher-rated categories. However, the obligor's capacity to meet its financial commitment on the obligation is still strong.

BBB-- An obligation rated 'BBB' exhibits adequate protection parameters. However, adverse economic conditions or changing circumstances are more likely to lead to a weakened capacity of the obligor to meet its financial commitment on the obligation.

BB, B, CCC, CC and C--Bonds rated BB, B, CCC, CC, and C are regarded as having significant speculative characteristics. BB indicates the lowest degree of speculation among such bonds and C the highest degree of speculation. While such bonds will likely have some quality and protective characteristics, these may be outweighed by large uncertainties or major exposures to adverse conditions.

BB – An obligation rated 'BB' is less vulnerable to nonpayment than other speculative issues. However, it faces major ongoing uncertainties or exposure to adverse business, financial, or economic conditions which could lead to the obligor's inadequate capacity to meet its financial commitment on the obligation.

B – An obligation rated 'B' is more vulnerable to nonpayment than obligations rated 'BB', but the obligor currently has the capacity to meet its financial commitment on the obligation.

Adverse business, financial, or economic conditions will likely impair the obligor's capacity or willingness to meet its financial commitment on the obligation.

CCC – An obligation rated 'CCC' is currently vulnerable to nonpayment, and is dependent upon favorable business, financial, and economic conditions for the obligor to meet its financial commitment on the obligation. In the event of adverse business, financial, or economic conditions, the obligor is not likely to have the capacity to meet its financial commitment on the obligation.

CC – An obligation rated 'CC' is currently highly vulnerable to nonpayment.

C – A 'C' rating is assigned to obligations that are currently highly vulnerable to nonpayment, obligations that have payment arrearages allowed by the terms of the documents, or obligations of an issuer that is the subject of a bankruptcy petition or similar action which have not experienced a payment default. Among others, the 'C' rating may be assigned to subordinated debt, preferred stock or other obligations on which cash payments have been suspended in accordance with the instrument's terms or when preferred stock is the subject of a distressed exchange offer, whereby some or all of the issue is either repurchased for an amount of cash or replaced by other instruments having a total value that is less than par.

D – An obligation rated 'D' is in payment default. The 'D' rating category is used when payments on an obligation, including a regulatory capital instrument, are not made on the date due even if the applicable grace period has not expired, unless Standard & Poor's believes that such payments will be made during such grace period. The 'D' rating also will be used upon the filing of a bankruptcy petition or the taking of similar action if payments on an obligation are jeopardized. An obligation's rating is lowered to 'D' upon completion of a distressed exchange offer, whereby some or all of the issue is either repurchased for an amount of cash or replaced by other instruments having a total value that is less than par.

Plus (+) or Minus (-) – The ratings from 'AA' to 'CCC' may be modified by the addition of a plus (+) or minus (-) sign to show relative standing within the major rating categories.

NR – This indicates that no rating has been requested, that there is insufficient information on which to base a rating, or that Standard & Poor's does not rate a particular obligation as a matter of policy.

APPENDIX B

PROCEDURES FOR VOTING PROXIES FOR PEARL MUTUAL FUNDS

The following proxy voting procedures have been adopted by PMF and Pearl Management Company (the "Manager").

Pursuant to Section 12(d)(1)(E)(iii) of the Investment Company Act of 1940, all proxies voted by Pearl Mutual Funds, registered either in the name of Pearl Aggressive Growth Fund or Pearl Total Return Fund (each a "Fund"), will have the following voting instructions typed on the proxy form:

Vote these shares in the same proportion as the vote of all other holders of such shares. (Pearl Aggressive Growth Fund) (Pearl Total Return Fund) is a series of Pearl Mutual Funds, a registered investment company.

Proxies will be signed on behalf of PMF by the Chief Executive Officer of PMF and the Manager or, in his or her absence, by another designated Officer of PMF and the Manager.

A record of each proxy vote will be entered on Form N-PX located at account\quattro\PMF\Proxy Voting Records. A copy of each Form N-PX will be signed by the Chief Executive Officer of PMF and the Manager and will be filed in 2499-6 PMF: Proxy Voting Records.

The Manager will track all votes cast by PMF beginning July 1, 2003. The first Form N-PX is to be filed with the SEC by August 31, 2004 and a Form N-PX is to be filed each August 31 thereafter. Each reporting period covered by the Form N-PX runs from July 1 to June 30.

PMF will disclose in its annual and semi-annual reports to shareholders and in its registration statement (in the SAI) filed with the SEC on or after August 31, 2004 that each Fund's proxy voting record for the most recent twelve-month period ended June 30 is available without charge upon request by calling 866-747-9030 or on Pearl Funds' Website at **www.pearlfunds.com** and is also available on the SEC's Website at **www.sec.gov**.