

PEARL MUTUAL FUNDS

ANNUAL REPORT

DECEMBER 31, 2003

**IMPORTANT
NEWS:
SEE PAGE 1**

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PEARL...
FUNDS

Pearl Mutual Funds

2003 Annual Report

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IMPORTANT NEWS!

February 20, 2004

- **Pearl Total Return Fund** gained **35.73%** during 2003 – and outperformed 4 of its 5 comparison indexes.
- **Pearl Aggressive Growth Fund** was **up 53.36%** during 2003 – strongly outperforming all 5 of its comparison indexes.
- For the **4 years** through December 31, 2003, **Pearl Total Return Fund** was **up 26.88%**, while most stock indexes had big losses, including: Wilshire 5000 **down (17.38%)**, MSCI World **down (22.99%)**, Value Line (Geometric) **down (15.86%)**, All Equity Funds Average (Lipper) **down (11.70%)**, All Long-Term Taxable Funds Average (Lipper) **down (1.65%)**, and S&P 500 **down (19.71%)**. These 4 years included the 3-year bear market (2000-2002) and a strong market rise in 2003.
- **Pearl Total Return Fund** strongly outperformed all 5 of its comparison indexes for the last 3 and 5 years through December 31 – both in total return and **risk-adjusted** total return.
- During its **first 2 ½ years** through December 31, 2003, **Pearl Aggressive Growth Fund** was **up 27.61%** while all 5 of its comparison indexes had losses: Wilshire 5000 **down (1.55%)**, MSCI World **down (0.85%)**, Value Line (Geometric) **down (9.32%)**, All Equity Funds Average (Lipper) **down (0.11%)**, and S&P 500 **down (5.33%)**.
- Both Pearl Funds are **no-load** – no sales charge, commission, or redemption fee. In addition, both Funds continued to make **all** their investments on a **no-load** basis in 2003.

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

Thank you for your confidence in Pearl Mutual Funds.

**You are invited to visit our Website at www.pearlfunds.com.
Please call, e-mail, fax, or write to us. We are here to help you.**

Sincerely,

YOUR INVESTMENT MANAGEMENT TEAM:

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

Pearl Mutual Funds

Performance Review as of December 31, 2003

Review of 2003 Performance. Total Return of Pearl Total Return Fund, Pearl Aggressive Growth Fund, and each Fund's Comparison Indexes:*

For the year ended 12-31-03:	
Pearl Total Return Fund	+ 35.73%
Wilshire 5000 Index	+ 31.64%
MSCI World Index	+ 33.11%
Value Line (Geometric) Index	+ 37.39%
All Equity Funds Average (Lipper)	+ 34.73%
All Long-Term Taxable Funds Avg.	+ 27.99%

For the year ended 12-31-03:	
Pearl Aggressive Growth Fund	+ 53.36%
Wilshire 5000 Index	+ 31.64%
MSCI World Index	+ 33.11%
Value Line (Geometric) Index	+ 37.39%
Standard & Poor's 500 Index	+ 28.69%
All Equity Funds Average (Lipper)	+ 34.73%

* All total returns include dividends reinvested, except Value Line Index. The total returns do not reflect the deduction of taxes that a shareholder would pay on fund dividends or on redemption of fund shares. Likewise, the total returns on indexes do not reflect the deduction of taxes that an investor in stocks would pay on dividends or on sale of stocks. See Page 13 for a description of each index.

Pearl Aggressive Growth Fund strongly outperformed all 5 of its comparison indexes during 2003. The more conservative **Pearl Total Return Fund** outperformed 4 of its 5 benchmark indexes. Past performance does not predict future performance.

2003 Performance Factors. We believe **Pearl Total Return Fund's** and **Pearl Aggressive Growth Fund's** comparative performance and total return during 2003 were affected by many factors, including each Fund's investment strategy and decisions by the Funds' Manager, Pearl Management Company. These factors include:

- U.S. and global stock markets recovered strongly during 2003 after the painful 3-year bear market (2000-2002). Most stocks struggled early in the year. However, stock markets rose sharply in the final nine months of the year as investors appeared to be encouraged by the signs of a recovering economy.
- Both growth-style and value-style funds performed very well in the strong 2003 market. As in the previous 3 years, smaller-capitalization stocks continued to perform better than larger companies. Overall, international stocks also improved, performed better than U.S. stocks during the year, and had the same pattern of significantly better returns from smaller companies. U.S. high-yield bonds as a group were also up strongly. We believe these trends had a positive effect on **Pearl Total Return Fund** and an even greater positive effect on **Pearl Aggressive Growth Fund**.
- During 2003, a majority of **Pearl Total Return Fund's** investments were in relatively conservative mutual funds with below-average risk records, a value emphasis, and a focus on small-cap to mid-cap stocks. The Fund invested globally through mutual funds holding U.S. or foreign securities or both. The Fund also continued to hold two bond funds. We believe these decisions reduced risk and helped the Fund's comparative performance – small caps helped significantly as did the Fund's foreign stock exposure. This Fund was 80-93% invested in equity funds throughout 2003. The equity funds position was highest in the first half of the year and was gradually decreased from mid-year through November as perceived risks increased; this caution slightly reduced both risk and performance.

- **Pearl Aggressive Growth Fund** held more growth-style mutual funds than **Total Return Fund** and had an even greater small-cap emphasis, both of which helped its performance in 2003. **Aggressive Growth Fund** continued its significant investment in international equity funds and they contributed to the Fund's strong outperformance. As its investment strategy requires, this Fund is always fully invested (95% or more) in equity mutual funds.
- Both Funds did not pay any sales charge, commission, or redemption fee. Both Funds made all their investments on a no-load basis. See "No-Load Investing" below. This helped both Funds control costs and helped their performance.
- Pearl Management Company, the Funds' Manager, continues to research, analyze, and evaluate data on many mutual funds, categories of funds, and global stock markets. We believe this work helps our allocation decisions and selection of mutual funds.

Investment Strategy

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

Pearl Aggressive Growth Fund is a diversified fund of funds that seeks long-term aggressive growth of capital by being fully invested (95% or more) in equity mutual funds at all times.

"Equity mutual funds" means funds whose objective is growth or capital appreciation, including funds that invest in U.S. or foreign securities or both.

Long-Term Investing, Not Trading. Both Pearl Funds are long-term investors, not short-term traders. Your investment management team is always ready to change investments when we believe this is in our shareholders' interest, but we work to avoid excessive turnover of the Funds' portfolios.

We are pleased that both Funds' portfolio turnover for the entire year 2003 was relatively low: **34%** for **Pearl Total Return Fund** and **47%** for **Pearl Aggressive Growth Fund**.

No-Load Investing. Both Funds are **completely no-load** – no sales charge, no commission, no redemption fee. The Funds do not impose any distribution fee (12b-1 fee). Some of the mutual funds in which the Funds may invest may impose a 12b-1 fee. The Funds can invest only in no-load (no sales charge and no redemption fee), load-waived (no-load due to large purchases), or low-load (sales load and redemption fee together must not exceed 2%) mutual funds. The Funds also can invest in closed-end funds but have not yet done so.

Both Funds seek to **avoid completely all sales charges, commissions, and redemption fees** – and both Funds **did completely avoid them again in 2003**.

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

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

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

Another potential benefit to Pearl Funds shareholders is that both Funds are able to purchase shares of some mutual funds that are **closed** to new investors. **Pearl Total Return Fund** holds 11 equity funds, and 8 of these are no longer open to new investors. At year-end these funds comprised 64% of the Fund's total assets. Of the 12 equity funds **Pearl Aggressive Growth Fund** holds, 9 are closed to new investors. At year-end these funds comprised 75% of the Fund's total assets.

Current Investments. At December 31, 2003, 82.5% of **Pearl Total Return Fund's** net assets were invested in a diversified group of equity mutual funds, 9.9% in a high-yield bond fund, 2.0% in a high-quality bond fund, and 5.6% in cash.

At December 31, 2003, 96.4% of **Pearl Aggressive Growth Fund's** net assets were invested in a diversified group of equity mutual funds, with only 3.6% in cash.

Year-end investments of both Funds are listed in the financial statements. Portfolio investments are subject to change at any time without notice.

We still believe there are many risks in the U.S. stock market, including continued overvaluation of many stocks, built-in high expectations for economic and earnings growth, possible further terrorist attacks, and the inevitable uncertainties leading up to the November 2004 elections.

However, we believe the current historically-low interest rates are very positive for stocks; they provide support for company earnings and encourage some investors to move their money from low-yielding accounts into stock investments. Recent research by Bank Credit Analyst indicates an unusually large amount of investor cash is still on the sidelines.

Although always difficult to judge, on balance we believe the reward/risk ratio is moderately positive for the near term but more negative longer-term. We also believe the near-term outlook continues to favor small-to-mid-cap stock funds, although their relative attractiveness has lessened as their outperformance has continued.

Compared to the U.S., we believe international stocks overall (including those in emerging markets), especially international small-cap and mid-cap stocks, still appear to offer a slightly better reward/risk ratio than U.S. stocks. As always, foreign markets have unique risks and opportunities.

Weighing these factors, **Pearl Total Return Fund** remains mostly invested in equity mutual funds. A majority of this Fund's investments are in equity funds that emphasize value and that we believe are relatively conservative, and in equity funds that hold mostly small-to-mid-cap stocks rather than large-caps. This Fund continues its significant investment in international stock funds.

Pearl Aggressive Growth Fund continues to be fully invested (95% or more) in equity mutual funds. In comparison with **Total Return Fund**, **Aggressive Growth Fund's** portfolio as a whole is more volatile, includes more growth-style funds, has an even greater emphasis on small-cap stock funds, and also continues a significant investment in international stock funds.

A more precise way to measure each Fund's asset allocation is its **investment portfolio asset breakdown**, which counts each Fund's indirect investments through the mutual funds held in its portfolio, using recent information on the portfolio assets of those mutual funds. Based on the Funds' portfolio holdings at December 31, 2003, each Fund's investment portfolio asset breakdown was:

	<u>Total Return Fund</u>	<u>Aggressive Growth Fund</u>
	(as a percentage of total assets)	
Total Stocks	73.7%	91.2%
U.S. Stocks	36.5%	44.2%
Foreign Stocks	37.2%	47.0%
Bonds	13.0%	0.6%
Cash	13.3%	8.2%

For example, at December 31, 2003, **Pearl Total Return Fund's** direct cash position was 5.6%, but the percentage increases to 13.3% when the varying amounts of cash held by the mutual funds in this Fund's portfolio are added.

Each Fund's asset allocation and portfolio holdings vary with changes in investments.

We diligently seek to select the best mutual funds in view of changing market conditions. Taking into account the opportunities and the risks, we believe each Fund's current portfolio mix is appropriate for the current market environment.

Top 5 Mutual Fund Holdings at December 31, 2003 (as a percentage of net assets):

Pearl Total Return Fund:

First Eagle Overseas, Class I	20.46%
William Blair International Growth, Class I	10.47%
N/I Numeric Investors Small Cap Value	9.99%
Pioneer High Yield, Class A	9.90%
Bridgeway Ultra-Small Company Market	9.39%

Pearl Aggressive Growth Fund:

Dreyfus Premier Emerging Mkts., Class A	12.81%
Bjurman, Barry Micro-Cap Growth	11.83%
American Century Int'l Opportunity, Inv. Cl.	11.35%
Wasatch Micro Cap	11.30%
Artisan International Small Cap, Inv. Class	9.80%

Both Funds are actively managed and may change investments at any time. Both Funds have already made some portfolio changes during 2004 to date. Each Fund's portfolio holdings will be at least slightly different, and may be significantly different, by the time you read this report.

Investment Management Team

Pearl Mutual Funds' investment manager is Pearl Management Company. The Manager's Investment Committee manages each Fund's portfolio. The Investment Committee includes:

David M. Stanley, Chairman, President, and Chief Executive Officer
 Robert H. Solt, Executive Vice President, Chief Operating Officer, and Chief Financial Officer
 Kevin J. Burns, Vice President of Investment Management and Chief Investment Officer
 Christopher A. Hoffman, Vice President

Information on the entire Pearl Management Company staff is on pages 14-17.

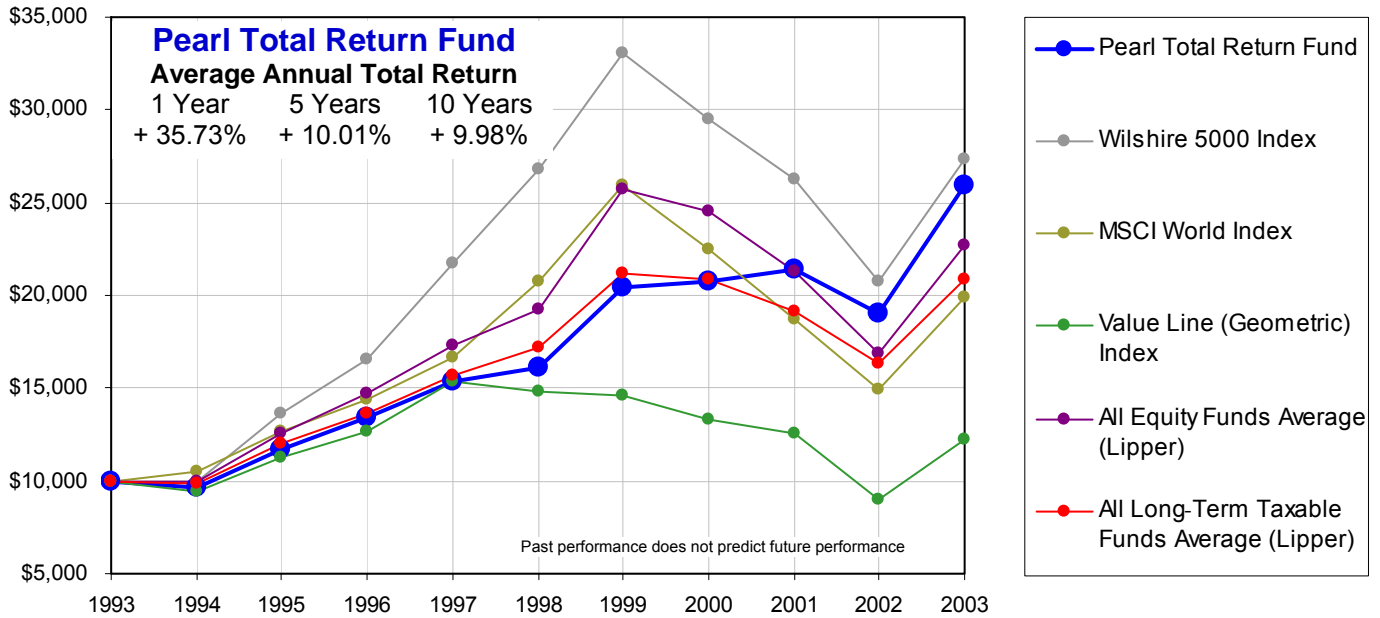
For more information, go to www.pearlfunds.com – pages on Management and Real, Live People.

Pearl Total Return Fund

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

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

(as of 12-31 each year) (with dividends reinvested, except for Value Line Index)



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

Pearl Total Return Fund's average annual total return was **+ 10.01%** during the last 5 years and **+ 9.98%** over the last 10 years. The value of an investment in **Total Return Fund** grew **61%** during the last 5 years and **159%** during the last 10 years.

Performance of Pearl Total Return Fund and Comparison Indexes through 12-31-03:

Average Annual Total Returns for years ended 12-31-03 with dividends reinvested (except for Value Line Index):	1 year	3 years	5 years	10 years
Pearl Total Return Fund	+ 35.73%	+ 7.70%	+ 10.01%	+ 9.98%
Wilshire 5000 Index	+ 31.64%	- 2.48%	+ 0.42%	+ 10.59%
MSCI World Index	+ 33.11%	- 3.92%	- 0.77%	+ 7.14%
Value Line (Geometric) Index	+ 37.39%	- 2.68%	- 3.67%	+ 2.08%
All Equity Funds Average (Lipper)	+ 34.73%	- 2.58%	+ 3.34%	+ 8.53%
All Long-Term Taxable Funds Average (Lipper)	+ 27.99%	+ 0.01%	+ 3.80%	+ 7.64%

See Page 13 for a description of each index.

Pearl Total Return Fund

Risk-Adjusted Total Return. **Pearl Total Return Fund** seeks to outperform its 5 comparison indexes on a long-term risk-adjusted total return basis. Two factors should be considered together in assessing a mutual fund's performance: its total return and its risk. Therefore, we measure the Fund's total return in relation to the risk (volatility) it incurred, and then we compare this with the risk-adjusted return of the Fund's 5 benchmark indexes.

Standard deviation is the conventional statistical measure used to determine the volatility (variability) — and therefore the risk — of a mutual fund or an index. The higher the standard deviation, the greater the volatility risk. To minimize risk, a **low** standard deviation is desirable.

Standard Deviations of Pearl Total Return Fund and Comparison Indexes through 12-31-03:

Annualized Standard Deviations:	1 year	3 years	5 years
Pearl Total Return Fund	11.97%	16.30%	15.70%
Wilshire 5000 Index	11.76%	19.05%	18.95%
MSCI World Index	13.30%	17.75%	16.55%
Value Line (Geometric) Index	16.08%	22.80%	19.86%
All Equity Funds Average (Lipper)	11.92%	17.76%	18.33%
All Long-Term Taxable Funds Average (Lipper)	9.19%	13.43%	13.64%

See page 13 for a description of each index.

The **Sharpe ratio** is a conventional measure that combines total return and standard deviation to produce a risk-adjusted performance figure. It is a ratio of reward (total return in excess of the 90-day Treasury bill return) to the volatility risk (standard deviation). The higher the number, the better the risk-adjusted return. A **high** Sharpe ratio is desirable.

Sharpe Ratios of Pearl Total Return Fund and Comparison Indexes through 12-31-03:

Sharpe Ratios:	1 year	3 years	5 years
Pearl Total Return Fund	+ 2.92	+ 0.36	+ 0.48
Wilshire 5000 Index	+ 2.62	- 0.26	- 0.19
MSCI World Index	+ 2.43	- 0.36	- 0.31
Value Line (Geometric) Index	+ 2.28	- 0.22	- 0.44
All Equity Funds Average (Lipper)	+ 2.85	- 0.28	- 0.01
All Long-Term Taxable Funds Average (Lipper)	+ 2.96	- 0.17	+ 0.03

See page 13 for a description of each index.

The Fund's risk-adjusted performance was better than 4 of its 5 comparison indexes for the past one year, and was significantly better than all 5 comparison indexes during the past 3 and 5 years through December 31, 2003. **Pearl Total Return Fund** had a positive Sharpe ratio for both the 3- and 5-year periods, in contrast to all 5 benchmark indexes. Most of the 3- and 5-year Sharpe ratios were negative, because stock markets underperformed Treasury bills during the long, deep 3-year bear market (2000-2002) – but the Fund had positive risk-adjusted performance for all 3 periods.

Pearl Total Return Fund

Performance Summary. Past performance does not predict future performance.

- **Pearl Total Return Fund** had a + **35.73%** total return for the year ended December 31, 2003.
- **Pearl Total Return Fund's** + **35.73%** total return outperformed the average (+ 32.97%) of this Fund's 5 comparison indexes during 2003. See page 2. We believe this outperformance is significant because it was achieved during the big 2003 market rise. **Total Return Fund** had a risk-reducing partial defensive position, with only about three-fourths of its total assets invested in stocks (through the mutual funds in this Fund's portfolio) during the second half of the year, while 3 of its 5 benchmark indexes are pure stock indexes that are always 100% invested.
- The Fund's total return was + **35.73%** in 2003, - **10.75%** in 2002, + **3.13%** in 2001, + **1.56%** in 2000, and + **26.99%** in 1999.
- During the **entire 4 years** through December 31, 2003, **Total Return Fund** was **up 26.88%** while its 5 comparison indexes were **down (13.92%)** on average (not annualized). See p. 1.
- The Fund strongly outperformed all 5 comparison indexes during the last 3 years and 5 years — and outperformed 4 of the 5 during the last 10 years. See page 6.
- **Pearl Total Return Fund's risk-adjusted** total return strongly outperformed all 5 comparison indexes during the last 3 years and 5 years.

Fund Expenses. **Pearl Total Return Fund's** total net expenses, after reimbursement by the Manager (see page 12), were **0.98%** of the Fund's average net assets during 2003. We believe this expense ratio is one of the lowest for all funds of its type (independent fund of funds) in the U.S.

Net Asset Value & Dividend. **Pearl Total Return Fund's** net asset value per share increased 35.73%, from \$9.50 (ex-dividend) at December 31, 2002 to \$12.89 at December 31, 2003. The \$12.89 net asset value was then reduced to \$12.69 by payment of the year-end income dividend of \$.2041 per share. There was no capital gains distribution for 2003. The dividend did not change the Fund's total return. The Fund seeks long-term total return, not current income.

Net Asset Value, December 31, 2002 (ex-dividend)	\$ 9.50
Total return, year 2003 (+ 35.73%)	+ 3.39
Net Asset Value, December 31, 2003 (before dividend)	12.89
Income dividend per share (\$.2041, rounded to nearest whole cent)	- .20
Net Asset Value, December 31, 2003 (ex-dividend)	12.69

Year-end 2003 Dividend. Last month we mailed your Shareholder Account Statement showing your 2003 dividend and the total value of your **Total Return Fund** shares at year-end. Nearly all shareholders reinvested this dividend as of December 31 to buy more Fund shares at the ex-dividend net asset value of \$12.69 per share.

We also mailed to you last month a Tax Form 1099-DIV for your 2003 year-end dividend. However, you did not receive a 1099-DIV if your dividend was less than \$10.

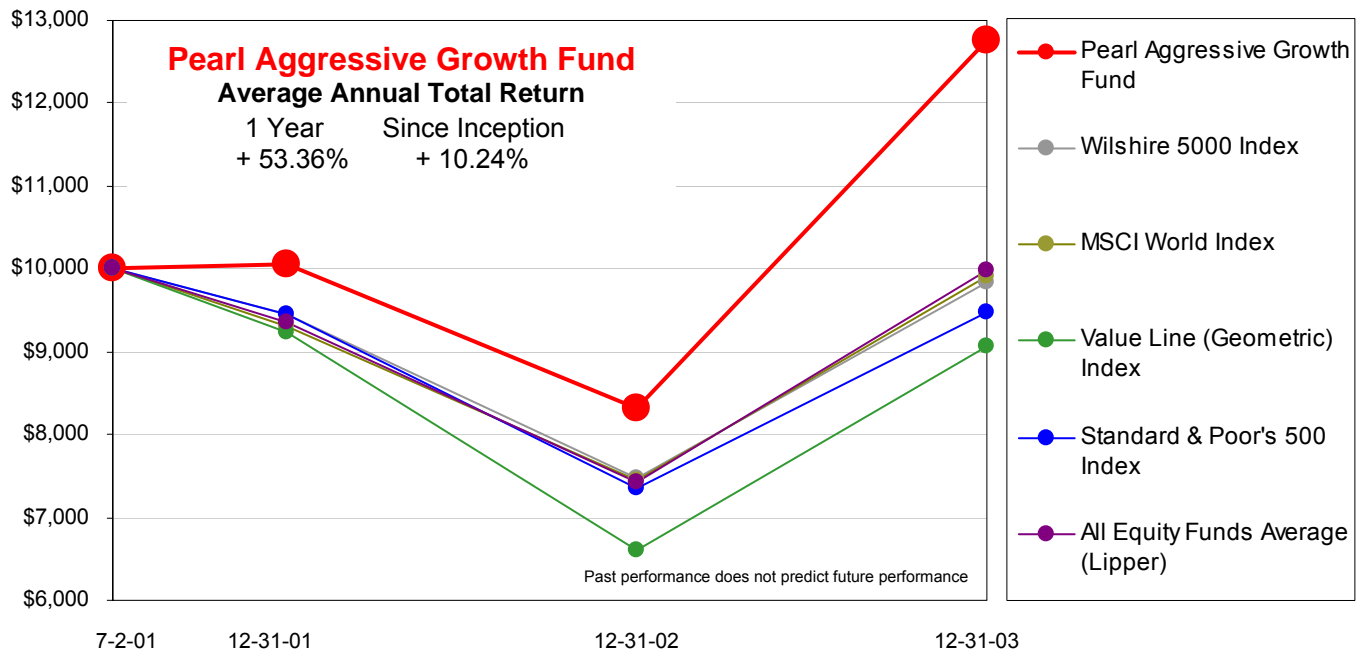
Net Assets of **Pearl Total Return Fund** increased from \$39,928,483 at December 31, 2002 to \$53,352,177 at December 31, 2003. This was primarily due to investment results.

Pearl Aggressive Growth Fund

Fund Performance. Pearl Aggressive Growth Fund's performance record for the 2 ½ years since its inception is summarized in this graph:

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

(as of 12-31 each year, from 7-2-01 inception) (with dividends reinvested, except for Value Line Index)



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

Pearl Aggressive Growth Fund has come through a very volatile first 2 ½ years of existence with a solid gain – and strongly outperformed all of its 5 comparison indexes during this period.

Performance of Pearl Aggressive Growth Fund and Comparison Indexes through 12-31-03:

Average Annual Total Returns for periods ended 12-31-03 with dividends reinvested (except for Value Line Index):	1 Year	From 7-2-01 (inception)
Pearl Aggressive Growth Fund	+ 53.36%	+ 10.24%
Wilshire 5000 Index	+ 31.64%	- 0.62%
MSCI World Index	+ 33.11%	- 0.34%
Value Line (Geometric) Index	+ 37.39%	- 3.84%
Standard & Poor's 500 Index	+ 28.69%	- 2.17%
All Equity Funds Average (Lipper)	+ 34.73%	- 0.04%

See page 13 for a description of each index.

Pearl Aggressive Growth Fund

Risk-Adjusted Total Return. Even though **Aggressive Growth Fund** is not as focused as **Total Return Fund** on the potential riskiness of its portfolio, it is useful to measure **Aggressive Growth Fund's** total return in relation to the risk (volatility) it incurred. Then we compare this with the risk-adjusted return of the Fund's 5 comparison indexes.

Standard deviation is the conventional statistical measure used to determine the volatility (variability) — and therefore the risk — of a mutual fund or an index. The higher the standard deviation, the greater the volatility risk. To minimize risk, a **low** standard deviation is desirable. However, an aggressive growth fund by its nature will be more risky than a more conservative fund.

Standard Deviations of Pearl Aggressive Growth Fund and Comparison Indexes through 12-31-03:

Annualized Standard Deviations:	1 Year	From 7-2-01 (inception)
Pearl Aggressive Growth Fund	18.12%	21.76%
Wilshire 5000 Index	11.76%	19.29%
MSCI World Index	13.30%	17.86%
Value Line (Geometric) Index	16.08%	25.30%
Standard & Poor's 500 Index	11.82%	18.78%
All Equity Funds Average (Lipper)	11.92%	18.65%

See page 13 for a description of each index.

The **Sharpe ratio** is a conventional measure that combines total return and standard deviation to produce a risk-adjusted performance figure. It is a ratio of reward (total return in excess of the 90-day Treasury bill return) to the volatility risk (standard deviation). The higher the number, the better the risk-adjusted return. A **high** Sharpe ratio is desirable.

Sharpe Ratios of Pearl Aggressive Growth Fund and Comparison Indexes through 12-31-03:

Sharpe Ratios:	1 Year	From 7-2-01 (inception)
Pearl Aggressive Growth Fund	+ 2.91	+ 1.09
Wilshire 5000 Index	+ 2.62	- 0.30
MSCI World Index	+ 2.43	- 0.28
Value Line (Geometric) Index	+ 2.28	- 0.54
Standard & Poor's 500 Index	+ 2.36	- 0.51
All Equity Funds Average (Lipper)	+ 2.85	- 0.23

See page 13 for a description of each index.

Aggressive Growth Fund's risk-adjusted performance was better than all 5 of its comparison indexes in the year 2003 – and since its inception was significantly better than all 5 benchmarks. Within this group **Aggressive Growth Fund** had the only positive Sharpe ratio during the difficult market of the past 2 ½ years.

Pearl Aggressive Growth Fund

Performance Summary. Past performance does not predict future performance.

- **Pearl Aggressive Growth Fund** had a **+ 53.36%** total return for the year ended December 31, 2003.
- **Pearl Aggressive Growth Fund's + 53.36%** total return strongly outperformed the average total return (+ 33.11%) of this Fund's 5 comparison indexes during 2003. See page 2 for each index's total return.
- The Fund also strongly outperformed all 5 of its comparison indexes since its inception (July 2, 2001). During its first 2 ½ years though December 31, 2003, **Pearl Aggressive Growth Fund** was **up 27.61%** while all 5 benchmark indexes had losses, **down (3.43%)** on average (not annualized). See page 1 for each index's total return.
- **Pearl Aggressive Growth Fund** also strongly outperformed all 5 comparison indexes on a **risk-adjusted** total return basis for the 2 ½ -year period since its inception.

Fund Expenses. **Aggressive Growth Fund's** total net expenses, after reimbursement by the Manager (see page 12), were **0.98%** of the Fund's average net assets during 2003. We believe this 0.98% expense ratio is one of the lowest for all funds of its type (independent fund of funds) in the U.S.

Net Asset Value. **Aggressive Growth Fund's** net asset value per share increased 53.36%, from \$8.19 at December 31, 2002 to \$12.56 at December 31, 2003.

This Fund did not pay a dividend or distribution in 2003.

The Fund seeks long-term aggressive growth, not current income.

Net Assets of **Pearl Aggressive Growth Fund** increased from \$14,605,340 at December 31, 2002 to \$21,056,350 at December 31, 2003. This was primarily due to investment results.

General Information

This report is provided for the shareholders of Pearl Mutual Funds. This report is not authorized for distribution to prospective investors unless preceded or accompanied by a current Prospectus. The Prospectus contains more complete information on the Funds, including fees and expenses. Please read the Prospectus carefully before you invest or send money. To obtain a Prospectus, please call toll-free 866-747-9030 or visit our Website at www.pearlfunds.com.

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

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

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

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

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

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

Limits on Expenses. Pearl Management Company, the Funds' Manager, has contractually agreed to reimburse each Pearl Fund for all ordinary operating expenses (including management and administrative fees) exceeding these expense ratios: 0.98% of a Fund's average net assets up to \$100 million and 0.78% in excess of \$100 million. When the Manager has reimbursed a Fund for expenses in excess of these limits, the Manager may recover the reimbursed amounts, for a period that does not exceed five years, to the extent this can be done without exceeding the expense limits. These expense limits will continue at least through December 31, 2007 unless a change is approved by the Funds' Board of Trustees.

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

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

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

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

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

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

If we break this promise, tell us and you will receive our personal apology.

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

E-mail to info@pearlfunds.com

Fax to 563-288-4101

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

Description of Indexes: The Wilshire 5000 Index is an unmanaged index that is market-capitalization weighted, includes all publicly-traded U.S. common stocks with readily available price data, and is generally representative of the performance of the average dollar invested in U.S. common stocks. The MSCI World Index is an unmanaged index that is market-capitalization weighted and is generally representative of the performance of the global (including U.S. and international) market for common stocks. The Value Line (Geometric) Index is an unmanaged index that equally weights a broad range of publicly-traded U.S. common stocks included in The Value Line Investment Survey and is generally representative of the performance of the average U.S. common stock. The Standard & Poor's (S & P) 500 Index is an unmanaged index of 500 stocks that is market-capitalization weighted and is generally representative of the performance of larger companies in the U.S. The All Equity Funds Average (Lipper) is an unmanaged and unweighted average of the total return performance of all equity-oriented mutual funds as classified and calculated by Lipper Inc. The All Long-Term Taxable Funds Average (Lipper) is an unmanaged and unweighted average of the total return performance of all long-term taxable mutual funds as classified and calculated by Lipper Inc.

The holdings of each Pearl Fund are not identical to any of the indexes named above or any other market index. Therefore, the performance of each Pearl Fund will not mirror the returns of any particular index. It is not possible to invest directly in an index.

Trademarks and copyrights relating to the indexes are owned by: Wilshire 5000 Index: Wilshire Financial Services, Inc.; MSCI World Index: Morgan Stanley Capital International; Value Line (Geometric) Index: Valueline, Inc.; Standard & Poor's 500 Index: The McGraw Hill Companies; and Lipper Averages: Reuters Funds Information Limited, a United Kingdom corporation.

Trustees and Officers.

The names and ages of the Trustees and Officers of Pearl Mutual 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 Pearl Mutual Funds: [Pearl Total Return Fund](#) and [Pearl Aggressive Growth Fund](#).

<u>Name and Age at 12-31-03</u>	<u>Positions Held with Both Funds</u>	<u>Date First Elected or Appointed to Office **</u>	<u>Principal Occupations during Past 5 Years</u>	<u>Other Public Company Directorships</u>
Trustees who are “Interested Persons” of the Funds: *				
Robert H. Solt, 36	Executive Vice President, Chief Operating Officer, Chief Financial Officer, Secretary, Treasurer, and Trustee	Feb. 2001 and Sept. 2002 (Trustee)	Director since Feb. 2001, Executive Vice President, Chief Operating Officer, Chief Financial Officer, Secretary, and Treasurer since June 2001, Vice President, Asst. Secretary, and Asst. Treasurer, Feb. 2001 to June 2001, Pearl Management Company. Prior thereto (beginning 1991), Officer, Iowans for Tax Relief, Tax Education Foundation, and Tax Education Support Organization (nonprofit public interest organizations).	None.
David M. Stanley, 75	Chairman, President, Chief Executive Officer, Asst. Secretary, and Trustee	July 1972	Chairman, President, Chief Executive Officer, Asst. Secretary, and Director, Pearl Management Company. Chairman and Director, Midwest Management Corporation (private investment company).	
Trustees who are not “Interested Persons” of the Funds:				
John W. Axel, 62	Trustee	Dec. 1974	Owner and Chief Executive Officer, Iowa Companies, Inc. (holding company). President, Environmental Services Inc. (waste hauling). President, Perfect Pallet Co. (pallet manufacturer).	None.
Jeffrey R. Boeyink, 41	Trustee	Oct. 1997	Executive Vice President, Iowans for Tax Relief, Tax Education Foundation, and Tax Education Support Organization (nonprofit public interest organizations).	None.
Douglas B. Coder, 67	Trustee	Dec. 1974	Owner, Coder Co. (business brokerage). Owner, DBC Realty (investments). Chairman and Director, Catalyst International (software).	None.
Dr. David N. DeJong, 40	Trustee	Dec. 1998	Professor of Economics, University of Pittsburgh.	None.

<u>Name and Age at 12-31-03</u>	<u>Positions Held with Both Funds</u>	<u>Date First Elected or Appointed to Office **</u>	<u>Principal Occupations during Past 5 Years</u>	<u>Other Public Company Directorships</u>
David L. Evans, 62	Trustee	June 1977	Owner and CEO, Evanwood Corporation (consulting) since Jan. 1992. Director, John Deere Receivables, Inc. (asset-backed securities). Chief Executive, Rose Creek Ridge, LLC (farming) since Aug. 2003. Chief Financial Officer, Netbeam, Inc. (Internet access) Oct. 1999 to Nov. 2000.	None.
Dr. James P. Stein, 52	Trustee	Oct. 2003	Chairman of Board of Directors (since 1999) and Director, Central Bancshares, Inc. Director, subsidiary banks of Central Bancshares, Inc. Director, Varied Investments, Inc. (grain processing and agricultural products). Doctor of Veterinary Medicine. Private investor.	None.

Other Officers of Pearl Mutual Funds:

Kevin J. Burns, 34	Vice President of Investment Management, Chief Investment Officer, Asst. Secretary, and Asst. Treasurer	Jan. 1996	Director since June 1998, Vice President of Investment Management and Chief Investment Officer since Feb. 2001, Asst. Secretary and Asst. Treasurer since March 1997, Vice President Jan. 1998 to Feb. 2001, and Research Director Jan. 1996 to Feb. 2001, Pearl Management Company.	None.
Christopher A. Hoffman, 37	Vice President	Oct. 2003	Vice President since Aug. 2003 and Director since Sept. 2003, Pearl Management Company. Managing Member, Hoffman Enterprises LLC. (Insurance). Agent, Life Investors, since June 2002. Registered Representative, SII Investments, Oct. 2002 to Aug. 2003. Registered Representative, ISI Securities, June 2002 to Sept. 2002. Registered Representative, Franklin Financial Services, Sept. 2000 to May 2002. Agent, American General Insurance, Sept. 2000 to May 2002. Account Executive, First Data Corp (e-commerce), April 1998 to Oct. 1999.	None.
Karen M. Brookhart, 32	Asst. Secretary and Administrative Assistant to Vice President of Investment Management	March 2002	Asst. Secretary since March 2002, Administrative Assistant to Vice President of Investment Management since Sept. 2001, Pearl Management Company. Customer Service Representative, HON Company (Office Furniture), July 1999 to Aug. 2001. Marketing Consultant, Elgin Broadcasting, Sept. 1998 to June 1999.	None.

<u>Name and Age at 12-31-03</u>	<u>Positions Held with Both Funds</u>	<u>Date First Elected or Appointed to Office **</u>	<u>Principal Occupations during Past 5 Years</u>	<u>Other Public Company Directorships</u>
Peggy A. Cherrier, 51	Asst. Secretary and Administrative Assistant	March 2001	Asst. Secretary since Feb. 2001, Administrative Assistant since Aug. 2000, Pearl Management Company. Administrative Assistant, Iowans for Tax Relief, Mar. 1999 to Aug. 2000. Prior thereto, Legal Assistant, Allbee, Allison & Denning.	None.
Karen J. Grell, 31	Asst. Treasurer and Accountant	June 2001	Assistant Treasurer since June 2001 and Accountant since Feb. 2001, Pearl Management Company. Bookkeeper, Davenport Printing Co., Dec. 1999 to Feb. 2001. Prior thereto, Bookkeeper, Kevin Grell Trucking.	None.
Renata R. LaMar, 39	Asst. Treasurer and Financial Administrator	March 2001	Asst. Treasurer and Financial Administrator since Feb. 2001, Accountant, Aug. 2000 to Feb. 2001, Pearl Management Company. Accountant, Mar. 1997 to Aug. 2000, Heart of America Restaurants & Inns.	None.

* Mr. Stanley is an "Interested Person" of Pearl Mutual Funds, as defined in the Investment Company Act of 1940, because he is the Chairman, President, Chief Executive Officer, and a Director of Pearl Management Company, the investment manager for Pearl Mutual Funds.

* Mr. Solt is an "Interested Person" of Pearl Mutual Funds, as defined in the Investment Company Act of 1940, because he is the Executive Vice President, Chief Operating Officer, Chief Financial Officer, Secretary, Treasurer, and a Director of Pearl Management Company, the investment manager for Pearl Mutual Funds.

** 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 business address of the Trustees and Officers affiliated with Pearl Management Company is 2610 Park Avenue, PO Box 209, Muscatine, Iowa 52761.

The addresses of the other Trustees are:

Mr. Axel – 2001 Circle Drive, Muscatine, IA 52761
Mr. Boeyink – 303 Woodcreek Lane, Muscatine, IA 52761
Mr. Coder – 8711 East Pinnacle Peak Rd., Scottsdale, AZ 85255
Dr. DeJong – Department of Economics, University of Pittsburgh, Pittsburgh, PA 15260
Mr. Evans – 32500 El Diente Court, Evergreen, CO 80439
Dr. Stein – Central State Bank Building, Room 207, 301 Iowa Avenue, Muscatine, IA 52761

The Board of Trustees has overall responsibility for the affairs of Pearl Mutual Funds. 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 Board of Trustees may fill any vacancy provided that at least two-thirds of the Trustees have been elected by the 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 Pearl Mutual 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.

Statement of Additional Information. The Funds' Statement of Additional Information includes more information about the Trustees and Officers. You may obtain a free copy of the Statement of Additional Information in any of these ways:

Download and view (and print, if desired) the Statement of Additional Information at www.pearlfunds.com

Call toll-free 866-747-9030

E-mail to info@pearlfunds.com

Fax to 563-288-4101

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



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INDEPENDENT AUDITORS' REPORT

To the Shareholders and Board of Trustees of Pearl Mutual Funds:

We have audited the accompanying statements of net assets of Pearl Mutual Funds, including Pearl Total Return Fund and Pearl Aggressive Growth Fund (collectively, the "Funds") as of December 31, 2003 and the related statements of operations for the year then ended, and the statements of changes in net assets and financial highlights for each of the periods presented. These financial statements and financial highlights are the responsibility of the Funds' management. Our responsibility is to express an opinion on these financial statements and financial highlights based on our audits. The financial highlights of Pearl Total Return Fund for the years ended prior to December 31, 1999 were audited by other auditors whose report, dated February 22, 1999, expressed an unqualified opinion on those financial highlights.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements and financial highlights are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. Our procedures included confirmation of securities owned as of December 31, 2003, by correspondence with the custodian. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements and financial highlights referred to above present fairly, in all material respects, the financial position of the Funds as of December 31, 2003, the results of their respective operations, the changes in their respective net assets and the financial highlights for the respective stated periods in conformity with accounting principles generally accepted in the United States of America.

Deloitte & Touche LLP

January 30, 2004

PEARL TOTAL RETURN FUND
STATEMENT OF NET ASSETS
December 31, 2003

ASSETS:

INVESTMENTS in mutual funds, all common stocks of unaffiliated issuers:

	Shares owned	% of net assets	Market value
Equity mutual funds:			
Bridgeway Ultra-Small Company Market Fund	354,186	9.39%	\$5,291,534
First Eagle Overseas Fund, Class I	632,030	20.46%	11,528,222
JP Morgan Mid Cap Value Fund, Select Shares	137,421	4.56%	2,569,768
Matthews Asian Growth and Income Fund.....	287,497	7.05%	3,973,214
N/I Numeric Investors Small Cap Value Fund	293,410	9.99%	5,630,529
Oakmark International Small Cap Fund, Class I	277,408	7.91%	4,455,172
Oakmark Select Fund, Class I	64,940	3.53%	1,988,452
Royce Special Equity Fund	113,883	3.63%	2,046,470
Wasatch Core Growth Fund	83,775	5.49%	3,092,987
William Blair International Growth Fund, Class I	312,956	10.47%	5,899,225
TOTAL EQUITY MUTUAL FUNDS.....		82.48%	46,475,573
Income mutual funds:			
PIMCO Total Return Fund, Institutional Class.....	107,430	2.04%	1,150,574
Pioneer High Yield Fund, Class A	467,121	9.90%	5,577,423
TOTAL INCOME MUTUAL FUNDS		11.94%	6,727,997
Money market mutual fund:			
Vanguard Money Market Prime Fund.....	10,959	0.02%	10,959
TOTAL INVESTMENTS (cost \$42,572,019, including reinvested dividends and distributions)		94.44%	53,214,529
Cash		5.65%	3,182,867
Accrued interest on bank account		0.00%	1,850
TOTAL ASSETS		100.09%	56,399,246
LIABILITIES:			
Income dividend to be paid in cash January 30, 2004		0.00%	1,922
Investment manager's fees payable (Note 5)		0.08%	36,965
Payable to manager for expenses of Fund (Note 5)		0.01%	7,218
Other liabilities		0.00%	964
TOTAL LIABILITIES		0.09%	47,069
NET ASSETS , applicable to 4,440,390 outstanding shares of beneficial interest (no par value); unlimited shares authorized		100.00%	56,352,177
NET ASSET VALUE -- OFFERING AND REDEMPTION PRICE PER SHARE			\$12.69
NET ASSETS CONSIST OF:			
Capital			\$47,492,825
Accumulated undistributed net investment income.....			408
Accumulated net realized losses			(1,783,566)
Net unrealized appreciation in value of investments			10,642,510
TOTAL NET ASSETS			\$56,352,177

See notes to financial statements.

**PEARL TOTAL RETURN FUND
STATEMENT OF OPERATIONS**

Year Ended
December 31, 2003

INVESTMENT INCOME:

Income:	
Dividends.....	\$1,318,447
Interest on bank account.....	9,284

TOTAL INVESTMENT INCOME.....	1,327,731
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Expenses, current year (Note 5):

Associations.....	1,795
Auditors' services.....	32,700
Custodian fees.....	4,415
Data processing.....	11,981
Trustees' fees (Note 6).....	26,571
Registration fees.....	12,381
Insurance.....	19,265
Investment management and administrative services fees (Note 5).....	369,306
Legal services.....	45,386
Meetings.....	6,012
Other.....	1,918

TOTAL EXPENSES BEFORE REIMBURSEMENT.....	531,730
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Expenses reimbursed by investment manager (Note 5).....	(96,067)
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TOTAL EXPENSES.....	435,663
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NET INVESTMENT INCOME	892,068
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NET REALIZED AND UNREALIZED GAINS (LOSSES) ON INVESTMENTS:

Net realized losses on investments (securities of unaffiliated issuers)	(710,322)
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Change in net unrealized appreciation of investments	14,164,350
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NET REALIZED AND UNREALIZED GAINS ON INVESTMENTS.....	13,454,028
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NET INCREASE IN NET ASSETS RESULTING FROM OPERATIONS.....	\$14,346,096
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See notes to financial statements.

**PEARL TOTAL RETURN FUND
STATEMENTS OF CHANGES IN NET ASSETS**

	<u>Year Ended December 31, 2003</u>	<u>Year Ended December 31, 2002</u>
INCREASE (DECREASE) IN NET ASSETS:		
FROM OPERATIONS:		
Net investment income	\$892,068	\$393,096
Net realized losses on investments.....	(710,322)	(1,027,139)
Change in net unrealized appreciation (depreciation) of investments.....	<u>14,164,350</u>	<u>(4,218,298)</u>
NET INCREASE (DECREASE) IN NET ASSETS RESULTING FROM OPERATIONS.....	<u>14,346,096</u>	<u>(4,852,341)</u>
FROM DISTRIBUTIONS TO SHAREHOLDERS (Note 7):		
Dividends from net investment income.....	<u>(892,068)</u>	<u>(393,096)</u>
FROM CAPITAL SHARES TRANSACTIONS:		
Proceeds received for shares sold (366,020 and 211,154 shares).....	4,062,507	2,155,143
Net asset value of shares (70,138 and 41,353 shares) issued in reinvestment of distributions.....	890,047	392,852
Paid on redemption of shares (198,681 and 402,934 shares), including exchanges into Pearl Aggressive Growth Fund.....	<u>(1,982,888)</u>	<u>(4,181,260)</u>
INCREASE (DECREASE) IN NET ASSETS FROM CAPITAL SHARES TRANSACTIONS: (net increase (decrease) of 237,477 and (150,427) shares).....	<u>2,969,666</u>	<u>(1,633,265)</u>
TOTAL INCREASE (DECREASE) IN NET ASSETS.....	16,423,694	(6,878,702)
NET ASSETS:		
Beginning of period.....	<u>39,928,483</u>	<u>46,807,185</u>
End of period (including accumulated undistributed net investment income, \$408 and \$308, respectively)	<u><u>\$56,352,177</u></u>	<u><u>\$39,928,483</u></u>

See notes to financial statements.

PEARL AGGRESSIVE GROWTH FUND
STATEMENT OF NET ASSETS
December 31, 2003

ASSETS:

INVESTMENTS in mutual funds, all common
stocks of unaffiliated issuers:

	<u>Shares owned</u>	<u>% of net assets</u>	<u>Market value</u>
Equity mutual funds:			
American Century International Opportunities Fund, Investor Class.....	304,988	11.35%	\$2,391,106
Artisan International Small Cap Fund, Investor Class.....	132,176	9.80%	2,063,261
Bjurman, Barry Micro-Cap Growth Fund	73,522	11.83%	2,491,668
Bogle Small Cap Growth Fund, Institutional Class	69,476	8.70%	1,831,378
Century Small Cap Select Fund, Institutional Class.....	11,590	1.19%	251,159
Dreyfus Premier Emerging Markets Fund, Class A	160,513	12.81%	2,698,229
Matthews Pacific Tiger Fund	134,789	8.42%	1,772,474
Oakmark Global Fund, Class I	78,533	7.19%	1,514,117
Wasatch Micro Cap Fund	328,591	11.30%	2,379,002
Wasatch Micro Cap Value Fund	125,093	1.43%	301,474
Wasatch Small Cap Value Fund	194,800	4.90%	1,032,438
William Blair Small Cap Growth Fund, Class I	71,930	7.53%	1,584,611
TOTAL EQUITY MUTUAL FUNDS		<u>96.45%</u>	<u>20,310,917</u>
Money market mutual fund:			
Vanguard Money Market Prime Fund	6,388	0.03%	6,388
TOTAL INVESTMENTS (cost \$15,332,697, including reinvested dividends and distributions)		96.48%	20,317,305
Cash		3.59%	755,025
Accrued interest on bank account		0.00%	503
TOTAL ASSETS		<u>100.07%</u>	<u>21,072,833</u>
LIABILITIES:			
Investment manager's fees payable (Note 5)		0.06%	14,414
Payable to manager for expenses of Fund (Note 5)		0.01%	2,011
Other liabilities		0.00%	58
TOTAL LIABILITIES.....		<u>0.07%</u>	<u>16,483</u>
NET ASSETS , applicable to 1,676,067 outstanding shares of beneficial interest (no par value); unlimited shares authorized		<u>100.00%</u>	<u>\$21,056,350</u>
NET ASSET VALUE -- OFFERING AND REDEMPTION PRICE PER SHARE			<u>\$12.56</u>
NET ASSETS CONSIST OF:			
Capital			\$16,596,955
Accumulated net realized losses			(525,213)
Net unrealized appreciation in value of investments			4,984,608
TOTAL NET ASSETS			<u>\$21,056,350</u>

See notes to financial statements.

**PEARL AGGRESSIVE GROWTH FUND
STATEMENT OF OPERATIONS**

Year Ended
December 31, 2003

INVESTMENT INCOME (LOSS):

Income:		
Dividends.....		\$110,856
Interest on bank account.....		2,657
		113,513
Expenses, current year (Note 5):		
Associations.....		672
Auditors' services.....		12,001
Custodian fees.....		1,642
Data processing.....		4,502
Trustees' fees (Note 6).....		9,929
Registration fees.....		7,827
Insurance.....		7,560
Investment management and administrative services fees (Note 5).....		142,153
Legal services.....		17,106
Meetings.....		2,251
Other.....		754
		206,397
TOTAL EXPENSES BEFORE REIMBURSEMENT.....		206,397
Expenses reimbursed by investment manager (Note 5).....		(44,409)
		161,988
TOTAL EXPENSES.....		161,988
		(48,475)
NET INVESTMENT INCOME		(48,475)
NET REALIZED AND UNREALIZED GAINS ON INVESTMENTS:		
Net realized gains on investments (securities of unaffiliated issuers)		681,180
Change in net unrealized appreciation of investments		6,826,980
		7,508,160
NET REALIZED AND UNREALIZED GAINS ON INVESTMENTS.....		7,508,160
		\$7,459,685
NET INCREASE IN NET ASSETS RESULTING FROM OPERATIONS.....		\$7,459,685

See notes to financial statements.

PEARL AGGRESSIVE GROWTH FUND
STATEMENTS OF CHANGES IN NET ASSETS

	<u>Year Ended</u> <u>December 31, 2003</u>	<u>Year Ended</u> <u>December 31, 2002</u>
INCREASE (DECREASE) IN NET ASSETS:		
FROM OPERATIONS:		
Net investment loss.....	(\$48,475)	(\$131,951)
Net realized gains (losses) on investments.....	681,180	(1,206,451)
Change in net unrealized appreciation (depreciation) of investments.....	<u>6,826,980</u>	<u>(1,746,594)</u>
NET INCREASE (DECREASE) IN NET ASSETS RESULTING FROM OPERATIONS.....	<u>7,459,685</u>	<u>(3,084,996)</u>
FROM DISTRIBUTIONS TO SHAREHOLDERS (Note 7):		
Dividends from net investment income.....	0	0
Distributions from net realized gains.....	<u>0</u>	<u>0</u>
DECREASE IN NET ASSETS DUE TO DISTRIBUTIONS.....	<u>0</u>	<u>0</u>
FROM CAPITAL SHARES TRANSACTIONS:		
Proceeds received for shares sold (82,896 and 183,251 shares).....	915,735	1,850,762
Net asset value of shares (0 and 0 shares) issued in reinvestment of distributions.....	0	0
Paid on redemption of shares (190,372 and 626 shares), including exchanges into Pearl Total Return Fund.....	<u>(1,924,410)</u>	<u>(6,061)</u>
INCREASE (DECREASE) IN NET ASSETS FROM CAPITAL SHARES TRANSACTIONS: (net increase (decrease) of (107,476) and 182,625 shares).....	<u>(1,008,675)</u>	<u>1,844,701</u>
TOTAL INCREASE (DECREASE) IN NET ASSETS.....	6,451,010	(1,240,295)
NET ASSETS:		
Beginning of period	<u>14,605,340</u>	<u>15,845,635</u>
End of period	<u><u>\$21,056,350</u></u>	<u><u>\$14,605,340</u></u>

See notes to financial statements.

**PEARL TOTAL RETURN FUND and
PEARL AGGRESSIVE GROWTH FUND
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2003 AND 2002**

1. ORGANIZATION. Pearl Total Return Fund (PTRF) and Pearl Aggressive Growth Fund (PAGF) (the "Funds") are each a series of Pearl Mutual Funds, a Massachusetts business trust (the "Trust") registered under the Investment Company Act of 1940, and are diversified, no-load, open-end management investment companies (mutual funds).

The Funds' investments are limited to: (1) shares of mutual funds (open-end funds) that the Funds can buy no-load (with no applicable sales load or redemption fee); (2) shares of "low-load" mutual funds (open-end funds) that the Funds can buy with a sales load or redemption fee that together do not exceed 2% of the purchase price (however, the Funds expect that substantially all of their investments in mutual funds will be on a no-load basis); (3) closed-end fund shares with a sales commission or sales load that does not exceed 2% of the purchase price (although the Funds have never invested in closed-end funds); and (4) cash and cash equivalents.

2. SIGNIFICANT ACCOUNTING POLICIES. The following is a summary of significant accounting policies consistently followed by the Funds in the preparation of their financial statements. The policies are in conformity with accounting principles generally accepted in the United States of America. The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the amounts of income and expenses during the reporting period. Actual results could differ from those estimates. (a) Investments in shares of other mutual funds are valued at the net asset value as reported by each mutual fund. (b) Securities transactions are accounted for on the trade date. (c) Dividend income and the Funds' distributions to their shareholders are recorded on the ex-dividend date. (d) Gains or losses on sales of investments and unrealized appreciation or depreciation of investments are determined on the basis of average cost.
3. INCOME TAXES. It is the Funds' policy to comply with the special provisions of the Internal Revenue Code applicable to regulated investment companies and to make all necessary distributions of net investment income and realized gains so that the Funds will not be required to pay any federal or state income taxes. Therefore, the Funds make no provision for income taxes.

As of December 31, 2003, PTRF had the following capital loss carry-forwards available to offset future capital gains: \$46,105 through December 31, 2009; \$1,027,139 through December 31, 2010; and \$709,766 through December 31, 2011.

PTRF's cost for federal income tax purposes was \$42,572,019, including the amounts of all reinvested dividends and distributions, as of December 31, 2003; the aggregate gross unrealized appreciation was \$10,668,230; and the aggregate gross unrealized depreciation was (\$25,720); resulting in net unrealized appreciation of \$10,642,510.

As of December 31, 2003, PAGF had a capital loss carry-forward of \$525,155 that is available to offset future capital gains through December 31, 2010.

PAGF's cost for federal income tax purposes was \$15,332,697, including the amounts of all reinvested dividends and distributions, as of December 31, 2003; the aggregate gross unrealized appreciation was \$4,984,608; and the aggregate gross unrealized depreciation was \$0; resulting in net unrealized appreciation of \$4,984,608.

4. INVESTMENT TRANSACTIONS. PTRF's costs of purchases and proceeds of sales of investment securities (excluding money market mutual funds) were \$15,366,315 and \$14,966,309, respectively, for 2003. Purchases include reinvestments of dividends and distributions.

PAGF's costs of purchases and proceeds of sales of investment securities (excluding money market mutual funds) were \$7,803,624 and \$9,244,412, respectively, for 2003. Purchases include reinvestments of dividends and distributions.

**PEARL TOTAL RETURN FUND and
PEARL AGGRESSIVE GROWTH FUND**
NOTES TO FINANCIAL STATEMENTS (continued)
YEARS ENDED DECEMBER 31, 2003 AND 2002

5. **INVESTMENT MANAGER; EXPENSES.** Pearl Management Company (the “Manager”) has supervisory responsibility for the general management and investment of the Funds’ assets, including the decisions to buy and sell securities. The Manager provides personnel and office space for the Funds and pays all expenses of marketing the Funds’ shares. The Manager’s combined fees are at the annual rate of 0.86% of each Fund’s average net assets up to \$30,000,000 (computed at the beginning of each month); 0.77% of each Fund’s net assets in excess of \$30,000,000 and not exceeding \$100,000,000; and 0.53% of each Fund’s net assets in excess of \$100,000,000.

The Funds’ expenses are limited by contract with the Manager. Through April 30, 2002, each Fund’s total operating expenses in any year (including the Manager’s fees but excluding interest, taxes, expenses for purchase or sale of investments, and extraordinary expenses) could not exceed 0.96% of the Fund’s average net assets up to \$30,000,000 (computed at the beginning of each month); 0.90% of the Fund’s average net assets in excess of \$30,000,000 and not exceeding \$100,000,000; and 0.78% of the Fund’s average net assets in excess of \$100,000,000. Effective May 1, 2002, each Fund’s total operating expenses in any year (including the Manager’s fees but excluding interest, taxes, expenses for purchase or sale of investments, and extraordinary expenses) cannot exceed 0.98% of the Fund’s average net assets up to \$100,000,000 (computed at the beginning of each month) and 0.78% of the Fund’s average net assets in excess of \$100,000,000. The Manager reimburses all the Funds’ operating expenses beyond this limit.

For 2003 expenses totaling \$96,067 were reimbursed by the Manager beyond the expense limit for PTRF. PTRF remains liable to the Manager for a cumulative net total of \$415,147 reimbursed expenses which are to be repaid by PTRF in the future, subject to the annual expense limit and a five year period in which the Manager has the right to recover reimbursed expenses.

For 2003 expenses totaling \$44,409 were reimbursed by the Manager beyond the expense limit for PAGF. PAGF remains liable to the Manager for a cumulative net total of \$155,497 reimbursed expenses which are to be repaid by PAGF in the future, subject to the annual expense limit and a five year period in which the Manager has the right to recover reimbursed expenses.

The Manager has agreed to continue the expense limit at least through December 31, 2007.

The Manager and its Officers, Directors, and shareholders, as a group, owned 7.84% of PTRF’s outstanding shares as of December 31, 2003. Entities affiliated with one or more Officers and Directors of the Manager owned 86.20% of PTRF’s outstanding shares as of December 31, 2003.

The Manager and its Officers, Directors, and shareholders, as a group, owned 8.65% of PAGF’s outstanding shares as of December 31, 2003. Entities affiliated with one or more Officers and Directors of the Manager owned 86.06% of PAGF’s outstanding shares as of December 31, 2003.

6. **COMPENSATION.** The Officers and two Trustees (David M. Stanley and Robert H. Solt) of the Funds are also Officers of the Manager; they are paid by the Manager and receive no compensation from the Funds. The Funds’ six Trustees who are not affiliated with the Manager are John W. Axel, Jeffrey R. Boeyink, Douglas B. Coder, Dr. David N. DeJong, David L. Evans, and Dr. James P. Stein. The Trustees received fees from the Funds of \$36,500 for 2003 and \$36,000 for 2002.
7. **DISTRIBUTIONS.** On January 30, 2004, PTRF paid an income dividend of \$.2041 per share from 2003 net investment income, to shareholders of record on December 31, 2003. On January 31, 2003, PTRF paid an income dividend of \$.0944 per share from 2002 net investment income, to shareholders of record on December 31, 2002. For shareholders reinvesting dividends, each reinvestment date was the same as the record date.

On January 30, 2004, PAGF paid no dividend or distribution. On January 31, 2003, PAGF paid no income dividend or distribution.

**PEARL TOTAL RETURN FUND
FINANCIAL HIGHLIGHTS**

SELECTED PER-SHARE DATA derived from the financial statements:	Year ended December 31,									
	2003	2002	2001	2000	1999	1998	1997	1996	1995	1994
Net asset value, beginning of period.....	\$9.50	\$10.75	\$10.54	\$12.16	\$10.45	\$11.23	\$10.94	\$10.15	\$9.13	\$9.87
Income from Investment Operations										
Net investment income	0.20	0.09	0.12	0.69	0.45	0.23	0.42	0.20	0.26	0.26
Net realized and unrealized gains (losses) on investments.....	3.19	(1.25)	0.21	(0.50)	2.37	0.29	1.19	1.24	1.67	(0.58)
Total investment operations.....	3.39	(1.16)	0.33	0.19	2.82	0.52	1.61	1.44	1.93	(0.32)
Less Distributions (Note 7)										
Dividends from net investment income	(0.20)	(0.09)	(0.12)	(0.69)	(0.45)	(0.23)	(0.42)	(0.20)	(0.26)	(0.26)
Distributions from net realized capital gains on investments.....	None	None	None	(1.12)	(0.66)	(1.07)	(0.90)	(0.45)	(0.65)	(0.16)
Total distributions.....	(0.20)	(0.09)	(0.12)	(1.81)	(1.11)	(1.30)	(1.32)	(0.65)	(0.91)	(0.42)
Net asset value, end of period.....	\$12.69	\$9.50	\$10.75	\$10.54	\$12.16	\$10.45	\$11.23	\$10.94	\$10.15	\$9.13
Total Return	35.73%	(10.75%)	3.13%	1.56%	26.99%	4.60%	14.75%	14.19%	21.13%	(3.19%)

RATIOS AND SUPPLEMENTAL DATA

Net assets, end of period (thousands of dollars).....	56,352	39,928	46,807	58,875	59,603	48,752	46,662	32,910	25,623	7,557
Ratio of net expenses to average net assets.....	0.98%	0.97%	0.94%	0.93%	0.92%	0.94%	0.93%	0.95%	1.06%	1.48%
Ratio of gross expenses to average net assets.....	1.17%	1.26%	1.29%	1.05%	0.92%	0.94%	0.93%	0.95%	1.06%	1.48%
Ratio of net investment income to average net assets.....	1.97%	0.90%	0.95%	5.62%	3.85%	1.94%	3.82%	1.87%	4.52%	3.09%
Ratio of total investment income less gross expenses to average net assets	1.75%	0.61%	0.61%	5.50%	3.91%	2.00%	3.86%	1.91%	4.59%	3.26%
Portfolio turnover (excluding money market mutual funds).....	34%	55%	50%	78%	85%	79%	55%	78%	102%	87%

See notes to financial statements.

PEARL AGGRESSIVE GROWTH FUND
FINANCIAL HIGHLIGHTS

SELECTED PER-SHARE DATA derived from the financial statements:	Period July 2, 2001 (inception) through December 31, 2001	
	2003	2002
Net asset value, beginning of period.....	\$8.19	\$9.90
Income from Investment Operations		
Net investment income (loss)	(0.03)	(0.07)
Net realized and unrealized gains (losses) on investments.....	4.40	(1.64)
Total investment operations.....	4.37	(1.71)
Less Distributions (Note 7)		
Dividends from net investment income	None	None
Distributions from net realized capital gains on investments.....	None	None
Total distributions.....	None	None
Net asset value, end of period.....	\$12.56	\$8.19
Total Return.....	53.36%	(17.27%)
		0.60%

RATIOS AND SUPPLEMENTAL DATA

Net assets, end of period (thousands of dollars).....	21,056	14,605	15,846
Ratio of net expenses to average net assets.....	0.98%	0.98%	0.96% *
Ratio of gross expenses to average net assets.....	1.22%	1.31%	2.07% *
Ratio of net investment income (loss) to average net assets.....	(0.29%)	(0.82%)	1.48% *
Ratio of total investment income (loss) less gross expenses to average net assets	(0.55%)	(1.15%)	0.60% *
Portfolio turnover (excluding money market mutual funds).....	47%	56%	13% *

* Annualized

See notes to financial statements.

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