PINNACLE VALUE FUND
A SERIES OF
BERTOLET CAPITAL TRUST

ANNUAL REPORT

December 31, 2008

www.pinnaclevaluefund.com

Pinnacle Value Fund Annual Report **Dec. 31, 2008**

Dear Fellow Shareholders,
As you can see from the box scores below, we had a disappointing year. While we managed to beat the benchmark Russell 2000, we should have done much better given our large cash holdings. Our mistakes are well documented in our June 30 Semi-Annual Report and the final Sinners table looks largely the same. The good news is we still have plenty of cash and have been deploying it on a consistent basis.

Total Return	2008	2007	2006	2005	2004
Pinnacle Value Fund	(16.9)%	15.4%	13.2 %	8.5%	19.6%
Russell 2000	(33.8)	(1.5)	18.4	4.6	18.3
S&P 500	(37.0)%	(5.6)%	15.8 %	4.9%	10.9%

All returns include dividend reinvestment. Past performance does not guarantee future results. Returns do not reflect taxes payable on distributions or redemptions of shares held in taxable accounts.

As you can see from the portfolio, we added several new names and ended the year with 55 positions. We added new positions in the Manufactured Housing/Recreational Vehicle (RV) group which has been bumping along the bottom for months. Manufacturing housing sales peaked at 373,000 units in 1998 before collapsing to 80,000 units in 2008 (down 79%). While manufactured housing quality has improved dramatically in recent years, low mortgage rates and questionable underwriting standards put home buyers into conventional site built homes instead. Historically, when housing does rebound, it is manufactured housing which leads the way. RV sales are also down dramatically in recent years on declining consumer confidence, high gasoline prices and affordability issues. When the economy improves, we believe that retiring baby boomers will show renewed appetites for manufactured homes (in warmer climates) and RVs.

You'll also notice we bought several closed end funds (CEFs) . Many are down 60-80% from recent highs and were purchased at significant discounts to underlying Net Asset Values (NAVs). Closed end funds offer several advantages. They allow us to own a diversified basket of stocks representing a particular country or industry. In times of distress, they can often be acquired at a substantial discount to NAV. When the market improves, the underlying stocks appreciate AND the discount narrows providing a "double whammy" on the upside. Finally, CEFs are often magnets for activists seeking to unlock shareholder value. Often they will "convince" CEFs to buy back shares, convert to an open ended fund or in some cases liquidate, often resulting in a higher share price.

After years of patience, we were able to acquire some "net-nets". Those of you who follow Ben Graham (Buffett's professor at Columbia) know that Graham had a fondness for statistically cheap stocks. He was especially attracted to shares trading at a discount to net-net working capital. How's that calculated? Start with current assets (cash, inventories, accounts receivable, etc.) and subtract all liabilities (current and non-current). If the result is still positive, divide by shares outstanding to arrive at a "net-net" value per share. At this price you're getting the non-current assets (property, plant & equipment, patents, deferred tax assets, etc,) for free. Graham suggests buying such nuggets at 2/3 or less of "net-net" working capital and selling when the price rebounds to 100% of "net-net". Along the way you make 50% with a good margin of safety.

What inning are we in?

Some of you have asked what inning of the “crisis” we’re in. It depends which “crisis”. With the Fed and Treasury willing to backstop just about any major financial institution, the risk of one of these failing and setting off a rapid decline like we had last Fall is probably fairly small. I’d say we are well through the “financial crisis”. Regarding the “economic crisis”, there are big cross currents at work. On a positive note, enormous fiscal/monetary stimulus is coming, the timing and amount of which has yet to be determined. But this is battling an undertow of rising unemployment, lower economic activity , collapsed housing/credit markets and low consumer and business confidence. As for the “funding crisis” and potential problems for the dollar and bonds, I don’t think many folks realize this game has been scheduled. Whether the stimulus package works remains to be seen but we will most likely see higher inflation and/or higher taxes neither of which are good for the economy. Large deficits risk pushing up interest rates and interfering with an economic recovery down the road. Finally, if the dollar weakens and overseas holders of our dollar denominated securities continue to see their principal erode, one wonders if they say “enough” and demand a higher interest rate or worse, sell.

My guess is the market moves sideways for many months punctuated by rallies and declines reflecting investor sentiment. We won’t predict how long the recession will last or how deep it will be. We’ll continue our strategy of buying well managed companies with strong balance sheets and the resources to withstand the current decline and emerge ready to do business. Volatility continues to be our friend, allowing us to accumulate shares at reasonable prices on most down days. We’ve learned that ironically, the “right” investment move almost always feels “wrong” at the ideal time. This is when the most money is made.

Currently, about 50% of the R2000 stocks are trading under $10/sh. History shows that when the market rises, these low priced stocks do very well. At year end, about 63% of our stock portfolio was in shares trading below $10 and we are buying more….

Shareholder Distribution

As you know, the Fund recently paid a taxable distribution over 80% of which is subject to favorable long term capital gains treatment for shares held in taxable accounts. While making a taxable distribution in a year of negative results is never appealing, successful investing is a process of planting and harvesting. We harvested gains on securities that we believed were fully valued early in the year before the market collapse. With the benefit of hindsight, we should have sold more. The increased taxes owed would have been far less than the value decline incurred by not selling and we would have ended the year with a higher NAV. We did some tax loss selling to offset part of the gains. In the end, we held on to many of our Sinners believing that time and more rational markets will allow many to recover. Finally, if there is a year to realize long term gains, 2008 might be as good as it gets since the new administration may raise capital gains taxes.

By now you should have received your Dec. 31 statement. As always, should you have any questions or concerns about your account or the Fund, don’t hesitate to call or write.

Thank you for your continued support.

John E. Deysher
President & Portfolio Manager
212-508-4537

Pinnacle Value Fund
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New York, NY 10019

TOP 10 POSITIONS	**% net assets**
1. MVC Capital- Business Development Company	4.2%
2. First Acceptance Corp.- Auto insurance for low income customers	3.3
3. Zapata Corp.- Cash rich corporate shell seeking acquisition(s)	2.7
4. Preferred Bank- Chinese American commercial bank	2.6
5. WHX Corp.- Holding Co.- multiple industrial companies	2.6
6. Argan, Inc.- Power plant construction, nutraceuticals, telcom services	2.2
7. Capital Southwest- Business Development Company	1.8
8. Hancock Bank & Thrift Fund- Closed end fund specializing banks/thrifts	1.7
9. Hallmark Insurance- Specialty property & casualty insurer	1.5
10. Wesco Financial- Holding Co.- insurance, furniture rentals, steel service ctr.	1.3
Total	**23.9%**

YTD TOP 5 Winners (realized & unrealized gains)	
1.Proshares Ultrashort Oil & Gas ETF	$416,840
2. XLF, IWM Put options	275,740
3. Centre Financial	271,420
4. Hallmark Financial	246,660
5. Flanders Corp.	217,900
Total	**$1,428,560**

YTD TOP 5 Sinners (realized & unrealized losses)	
1. WHX Corp.	$2,097,940
2. Corus Bank	1,564,060
3. Asta Funding	1,183,710
4. Conrad Industries	997,850
5. MVC Capital	887,190
Total	**$6,730,750**

SECURITY CLASSIFICATIONS	
Government Money Market Fund	$31,841,500
Financial Services	7,315,900
Conglomerates	3,916,000
Closed End & Exchange Traded Funds	3,920,800
Insurance	3,724,400
Industrial Goods & Services	3,053,100
Commercial Banks	1,807,000
Consumer Goods & Services	1,786,400
Total	**$57,365,100**

Schedule of Investments
December 31, 2008

Shares/Principal Amount		Basis	Market Value	% of Assets
COMMON STOCKS				
Commercial Banks				
295,500	Corus Bankshares, Inc.*	1,795,164	328,005	
246,500	Preferred Bank	2,022,285	1,479,000	
		3,817,449	1,807,005	3.15%
Conglomerates				
117,951	Argan, Inc. *	$ 469,849	$ 1,285,666	
1,700	Leucadia National Corp. *	23,375	33,660	
142,049	Regency Affiliates *	750,235	355,123	
2,667	Wesco Financial Corp.	952,998	767,829	
184,211	WHX Corp. *	5,205,701	1,473,691	
		7,402,158	3,915,969	6.82%
Electronic Components				
192,500	Nu Horizons Electronics Corp. *	227,756	331,100	0.58%
Fabricated Metal Products				
130,900	Hardinge, Inc.	670,874	528,836	
7,500	Keystone Consol Industries, Inc. *	66,584	45,000	
		737,458	573,836	1.00%
Financial Services				
199,200	Asta Funding, Inc.	1,725,234	541,824	
330,845	BKF Capital Group, Inc. *	1,200,242	264,676	
512,840	Cadus Corp. *	828,076	692,334	
9,300	Capital Southwest Corp.	847,801	1,005,888	
271,570	CoSine Communications, Inc. *	668,134	475,247	
117,200	Kent Financial Services, Inc. *	265,452	175,800	
218,600	MVC Capital, Inc.	2,588,494	2,398,042	
170,650	Novt Corp. *	400,596	199,661	
259,100	Zapata Corp. *	1,742,223	1,562,373	
		10,266,252	7,315,845	12.75%
Furniture & Fixtures				
90,510	Flexsteel Industries, Inc.	833,023	605,512	1.06%
Industrial Instruments For Measurement, Display, and Control				
50,200	Electronic Sensors, Inc.	199,619	160,640	0.28%
Insurance				
400	Alleghany Corp. *	76,092	112,800	
647,900	First Acceptance Corp. *	2,304,863	1,878,910	
97,700	Hallmark Financial Services, Inc. *	610,170	856,829	
24,400	Independence Holding Co.	116,279	88,084	
23,900	Montpelier Re Holdings Ltd.	351,847	401,281	
8,050	Safety Insurance Group, Inc.	272,771	306,383	
300	White Moutain Insurance Group Ltd.	64,809	80,130	
		3,796,831	3,724,417	6.49%
IT Services				
281,500	New Horizons Worldwide Inc. *	157,640	239,275	
104,600	Technology Solutions Company *	760,456	109,830	
		918,096	349,105	0.61%
Mobile Homes & RVs				
31,600	Nobility Homes, Inc.	252,363	249,956	
16,600	Skyline Corp.	283,686	331,834	
21,300	Thor Industries, Inc.	267,244	280,734	
		803,293	862,524	1.50%
Mailboxes & Lockers				
77,200	American Locker Group, Inc. *	459,549	69,480	0.12%

* Non-Income producing securities **Dividend Yield

The accompanying notes are an integral part of the financial statements.

Schedule of Investments
December 31, 2008

Shares/Principal Amount		Basis	Market Value	0% of Assets
Optical Instruments & Lenses				
522,705	Meade Instruments Corp. *	768,633	50,284	
34,100	Perceptron, Inc. *	111,406	115,940	
		880,039	166,224	0.29%
Security Services				
11,800	Napco Security Systems, Inc. *	12,154	15,104	
1,627,683	Sielox, Inc. *	554,777	105,799	
		566,931	120,903	0.21%
Ship & Boat Building & Repairing				
83,272	Conrad Industries, Inc. *	103,734	437,178	0.76%
Real Estate Investment Trusts				
533	USA Real Estate Investors Trust *	249,424	199,875	0.35%
Retail-Family Clothing Stores				
159,100	Stein Mart, Inc. *	588,219	179,783	0.31%
Trucking				
53,700	P.A.M. Transportation Services, Inc. *	260,247	375,900	0.66%
Textile Mill Products				
250,455	International Textile Group, Inc. *	305,378	12,523	0.02%
Total for Common Stock		$ 32,415,456	$ 21,207,819	36.96%
Preferreds				
51,970	Aristotle Corp. Pfd - I	408,688	394,972	
Total for Preferred Stock		$ 408,688	$ 394,972	0.69%
Closed-End & Exchange Traded Funds				
6,700	Central Europe & Russia Fund	107,222	110,081	
24,500	H&Q Life Sciences Investors	168,133	211,680	
23,300	i-Shares Russell Microcap ETF	720,985	742,105	
16,400	Japan Smaller Capitalization Fund	106,893	119,064	
70,100	John Hancock Bank & Thrift Opportunity Fund	1,087,215	962,473	
1,010	Korea Fund*	90,707	34,764	
91,300	New Ireland Fund	739,028	420,893	
20,900	Singapore Fund	150,526	162,184	
30,900	Turkish Fund	155,297	182,310	
14,000	UltraShort Lehman 20 Proshares ETF	504,806	528,220	
75,000	Western Asset High Income Fund	416,321	447,000	
Total for Closed-End & Exchange Traded Funds		$ 4,247,133	$ 3,920,774	6.83%
SHORT TERM INVESTMENTS				
Money Market Fund				
33,070,947	First American Government Obligation Fund Cl Z 0.93% **	33,070,947	33,070,947	57.63%
Total for Short Term Investments		$ 33,070,947	$ 33,070,947	57.63%
	Total Investments	$ 70,142,224	$ 58,594,512	102.11%
	Liabilities in excess of other Assets		(1,229,434)	(2.11)%
	Net Assets		$ 57,365,078	100.00%

* Non-Income producing securities **Dividend Yield

The accompanying notes are an integral part of the financial statements.

Statement of Assets and Liabilities

December 31, 2008

Assets:	
Investment Securities at Market Value	$ 58,594,512
(Identified Cost $ 70,142,224)	
Cash	1,000
Receivables:	
Dividends and Interest	335,812
Prepaid Expenses	8,052
Shareholder Subscriptions	30,675
Securities Sold	2,574
Total Assets	58,972,625
Liabilities:	
Payable to Advisor	779,756
Accrued Expenses	21,631
Shareholder Redemptions	117,419
Securities Purchased	688,741
Total Liabilities	1,607,547
Net Assets	$ 57,365,078
Net Assets Consist of:	
Paid-In Capital	$ 68,831,651
Accumulated Realized Gain on Investments - Net	81,139
Unrealized Depreciation in Value of Investments Based on Identified Cost - Net	(11,547,712)
Net Assets	$ 57,365,078
Net Asset Value and Redemption Price Per Share (57,365,078/5,010,407 shares outstanding) , no par value, unlimited shares authorized	$ 11.45

The accompanying notes are an integral part of the financial statements.

Statement of Operations

For the Year Ended December 31, 2008

Investment Income:	
Dividends	$ 773,755
Interest	852,304
Total Investment Income	1,626,059
Expenses:	
Investment Advisor Fees (Note 3)	795,679
Transfer Agent & Fund Accounting Fees	45,557
Insurance Fees	16,563
Custodial Fees	20,585
Audit Fees	13,527
Registration Fees	7,990
Trustee Fees	6,309
Legal Fees	4,992
Miscellaneous Fees	1,940
Printing & Mailing Fees	3,214
Total Expenses	916,356
Expense Recapture (Note 3)	32,093
Net Expenses	948,449
Net Investment Income	677,610
Realized and Unrealized Gain on Investments:	
Realized Gain From Investment Cos.	183,012
From Option Contracts	275,774
From Other Investments	3,597,397
Change in Unrealized Depreciation on Investments	(16,196,430)
Net Realized and Unrealized (Loss) on Investments	(12,140,247)
Net Decrease in Net Assets from Operations	$ (11,462,637)

The accompanying notes are an integral part of the financial statements.

Statement of Changes in Net Assets

	Year Ended 12/31/2008	Year Ended 12/31/2007
From Operations:		
Net Investment Income	$ 677,610	$ 713,312
Net Realized Gain on Investments	4,056,183	2,037,797
Net Unrealized Appreciation (Depreciation)	(16,196,430)	2,931,946
Increase (Decrease) in Net Assets from Operations	(11,462,637)	5,683,055
From Distributions to Shareholders:		
Net Investment Income	(611,918)	(677,681)
Net Realized Gain from Security Transactions	(5,836,864)	(721,605)
	(6,448,782)	(1,399,286)
From Capital Share Transactions[(a)]		
Proceeds From Sale of Shares	13,322,064	30,220,329
Shares issued in Reinvestment of Dividends	6,292,016	1,370,512
Cost of Shares Redeemed	(8,546,150)	(2,243,422)
Net Increase from Shareholder Activity	11,067,930	29,347,419
Net Increase in Net Assets	(6,843,489)	33,631,188
Net Assets at Beginning of Period	64,208,567	30,577,379
Net Assets at End of Period[(b)]	$ 57,365,078	$ 64,208,567
Share Transactions:		
Issued	936,039	1,963,453
Reinvested	556,815	88,592
Redeemed	(607,312)	(143,693)
Net increase in shares	885,542	1,908,352
Shares outstanding beginning of Period	4,124,865	2,216,513
Shares outstanding end of Period	5,010,407	4,124,865

[(a)] Net of redemption fees of $3,754.
[(b)] Includes undistributed net investment income of $0 at December 31, 2008 and $35,631 at December 31, 2007

The accompanying notes are an integral part of the financial statements.

Financial Highlights

Selected data for a share outstanding throughout the period.

	Year Ended 12/31/2008	Year Ended 12/31/2007	Year Ended 12/31/2006	Year Ended 12/31/2005	Year Ended 12/31/2004
Net Asset Value - Beginning of Period	$ 15.57	$ 13.80	$ 13.09	$ 12.84	$ 11.27
Net Investment Income (Loss) *	0.15	0.23	0.24	0.15	(0.02)
Net Gains or Losses on Securities (realized and unrealized)	(2.80)	1.90	1.49	0.94	2.23
Total from Investment Operations	(2.65)	2.13	1.73	1.09	2.21
Distributions from Net Investment Income	(0.14)	(0.17)	(0.20)	(0.10)	-
Distributions from Capital Gains	(1.33)	(0.19)	(0.74)	(0.74)	(0.64)
Distributions from Return of Capital	-	-	(0.08)	-	-
	(1.47)	(0.36)	(1.02)	(0.84)	(0.64)
Paid-in Capital from Redemption Fees (Note 2) [a]	-	-	-	-	-
Net Asset Value - End of Period	$ 11.45	$ 15.57	$ 13.80	$ 13.09	$ 12.84
Total Return	(16.87)%	15.43 %	13.23 %	8.53 %	19.65 %
Ratios/Supplemental Data					
Net Assets - End of Period (Thousands)	$ 57,365	$ 64,209	$ 30,577	$ 17,175	$ 7,633
Before Reimbursement					
Ratio of Expenses to Average Net Assets	1.44%	1.49%	1.62%	1.90%	2.17%
Ratio of Net Income (Loss) to Average Net Assets	1.12%	1.53%	1.64%	0.68 %	(0.54)%
After Reimbursement					
Ratio of Expenses to Average Net Assets	1.49%	1.49%	1.49%	1.49%	1.79%
Ratio of Net Income (Loss) to Average Net Assets	1.06%	1.53%	1.77%	1.10 %	(0.16)%
Portfolio Turnover Rate	66.37%	27.11%	29.44%	27.88%	71.66%

* Per share net investment Income (loss) determined on average shares outstanding during year.

[a] Less than $0.01 per share

The accompanying notes are an integral part of the financial statements.

Notes to Financial Statements

1.) ORGANIZATION:

Pinnacle Value Fund (”Fund”) is registered under the Investment Company Act of 1940 as an open-end investment management company and is the only series of the Bertolet Capital Trust, a Delaware business trust organized on January 1, 2003 (“Trust”). The Trust’s Declaration of Trust authorizes the Board of Trustees to issue an unlimited number of Fund shares. Each Fund share has equal voting, dividend, distribution, and liquidation rights. The Fund’s investment objective is long term capital appreciation with income as a secondary objective.

2.) SIGNIFICANT ACCOUNTING POLICIES SECURITY VALUATION:

The Fund will primarily invest in equities and convertible securities. Investments in securities are carried at market value. Securities traded on any exchange or on the NASDAQ over-the-counter market are valued at the last quoted sale price. Lacking a last sale price, a security is valued at its last bid price except when, in Adviser’s opinion, the last bid price does not accurately reflect the current value of the security. When market quotations are not readily available, when Adviser determines the last bid price does not accurately reflect the current value or when restricted securities are being valued, such securities are valued as determined in good faith by Adviser, in conformity with guidelines adopted by and subject to review of the Board of Trustees.

Fixed income securities are valued by using market quotations, but may be valued on the basis of prices furnished by a pricing service when Adviser believes such prices accurately reflect their fair market value. A pricing service uses electronic data processing techniques based on yield spreads relating to securities with similar characteristics to determine prices for normal institutional-size trading lots of debt securities without regard to sale or bid prices. When prices are not readily available from a pricing service, or when restricted or illiquid securities are being valued, securities are valued at fair value determined in good faith by Adviser, subject to review of the Board of Trustees. Investments in fixed income securities with maturities of less than 60 days when acquired, or which are within 60 days of maturity, are valued by using the amortized cost method.

The Fund adopted Financial Accounting Standards Board Statement of Financial Accounting Standards No. 157, Fair Value Measurements (“FAS 157”), effective January 1, 2008. In accordance with FAS 157, “fair value” is defined as the price that a Fund would receive upon selling an investment in an orderly transaction to an independent buyer in the principal or best market for the investment. Various inputs are used in determining the value of a Fund’s investments. FAS 157 established a three-tier hierarchy of inputs to establish a classification of fair value measurements for disclosure purposes which is summarized in the three broad Levels listed below:

Level 1 – quoted prices in active markets for identical securities
Level 2 – other significant observable inputs (including quoted prices for similar securities, interest rates, prepayment speeds, credit risk, etc.)
Level 3 – significant unobservable inputs (including the Fund’s own assumptions in determining fair value of investments)

Following is a summary of the inputs used to value Fund investments as of Dec. 31, 2008:

Valuation Inputs	Investment in Securities
Level 1 – Quoted Prices	$58,594,512
Level 2 – Other Significant Observable Inputs	-
Level 3 – Significant Unobservable Inputs	-
Total	$58,594,512

In March 2008, Statement of Financial Accounting Standards No. 161. “Disclosures about Derivative Instruments and Hedging Activities” (“SFAS 161”) was issued and is effective for fiscal years beginning after Nov. 15, 2008. SFAS 161 is intended to improve financial reporting for derivative instruments by requiring enhanced disclosure that enables investors to understand how and why an entity uses derivatives, how derivatives are accounted for, and how derivatice instruments affect an entity's results f operation and financial position. Management is currently evaluating the implications of SFAS 161 and the impact on the Fund's financial statement disclosures, if any.

SHORT TERM INVESTMENTS:
The Fund may invest in money market funds and short term high quality debt securities such as commercial paper, repurchase agreements and certificates of deposit. Money market funds typically invest in short term instruments and attempt to maintain a stable net asset value. While the risk is low, these funds may lose value.

SECURITY TRANSACTIONS AND INVESTMENT INCOME:
The Fund records security transactions based on a trade date. Dividend income is recognized on the ex-dividend date, and interest income is recognized on an accrual basis. Discounts and premiums on securities purchased are amortized over the lives of the respective securities.

INCOME TAXES:
Federal income taxes. The Fund's policy is to continue to comply with the requirements of the Internal Revenue Code that are applicable to regulated investment companies and to distribute all its taxable income to its shareholders. Therefore, no federal income tax provision is required.

Distribution to shareholders. Distributions to shareholders, which are determined in accordance with income tax regulations, are recorded on the ex-dividend date. All short term capital gain distributions are ordinary income distributions for tax purposes.

In July 2006, FASB released FASB Interpretation No. 48 "Accounting for Uncertainty in Income Taxes" (FIN 48). FIN 48 provides guidance for how uncertain tax positions should be recognized, measured, presented and disclosed in financial statements. FIN 48 requires the evaluation of tax positions taken or expected to be taken in the course of preparing the Fund's tax returns to determine whether tax positions are "more-likely-than-not" of being sustained by the applicable tax authority. Tax positions not deemed to meet the more-likely-than-not threshold would be recorded as a tax benefit or expense in the current year. Effective June 29, 2007, the Fund adopted FIN 48 which had no material impact on the Fund's financial statements. At Dec. 31, 2008, four tax years are open: Dec. 31, 2005 - Dec. 31, 2008.

ESTIMATES:
The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported assets and liabilities and disclosure of contingent assets and liabilities at the financial statement date and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Reclassification of Capital Accounts. U.S. generally accepted accounting principles require that certain components of net assets relating to permanent differences be reclassified between financial and tax reporting. The reclassifications have no effect on NAV. For the year end Dec. 31, 2008 undistributed net investment income was decreased by $101,323 and accumulated net realized gain was increased by $101,323.

The Fund imposes a redemption fee of 1.00% on shares redeemed within one year of purchase. The fee is assessed on an amount equal to the Net Asset Value of the shares at the time of redemption and is deducted from proceeds otherwise payable to the shareholder. For the year ended Dec. 31, 2008, $3,754 of redemption fees were returned to the Fund through shareholder redemptions.

3.) INVESTMENT ADVISORY AGREEMENT

The Fund entered into an Investment Advisory Agreement with Bertolet Capital LLC (Adviser) whereby,Adviser receives a fee equal to the annual rate of 1.25% of the Fund's average daily net assets. For the year ended Dec. 31, 2008, the Adviser earned $795,679 in Advisor fees. At Dec. 31, 2008 the Fund owed the Adviser a net fee of $36,733 for recapture of prior years expense waivers. An officer and trustee of the Fund is also an officer and trustee of the Adviser.

Advisory Agreement provides for expense reimbursement from the Adviser, if Fund total expenses, exclusive of taxes, interest on borrowings, dividends on securities sold short, brokerage commissions and extraordinary expenses exceed 1.49% average daily net assets through Dec. 31, 2008.

Adviser will be entitled to reimbursement of fees waived or reimbursed by Adviser to the Fund. Fees waived or expenses reimbursed during a given year may be paid to Adviser during the following three year period to the extent that payment of such expenses does not cause the Fund to exceed the expense limitation. At Dec. 31, 2008, Adviser may recapture $27,914 no later then Dec. 31, 2009. In 2008 Adviser received $32,093 of $51,592 available for reimbursement of prior expense waivers.

4.) PURCHASES AND SALES OF SECURITIES

For the year ended Dec. 31, 2008, purchases and sales of investment securities other than U.S. Government obligations/short-term investments totaled $29,502,118 and $18,025,129 respectively.
Fund may purchase put and call options. Put options are purchased to hedge against a decline in value of Fund securities. If such a decline occurs, put options permit Fund to sell securities underlying such options at exercise price or to close out options at a profit. Premiums paid for put or call options plus transaction costs will reduce the benefit, if any, realized upon option exercise and unless price of underlying security rises or declines sufficiently, option may expire worthless. In addition, in event that price of security in connection with option was purchased moves in a direction favorable to Fund, benefits realized as result of such favorable movement will be reduced by premium paid for option and related transaction costs.

5.) FEDERAL TAX INFORMATION

Net Investment income/(loss) and net realized gains/(losses) differ for financial statement and tax purposes due to differing treatments of wash sale losses deferred and losses realized after Oct. 31. Differences between book basis and tax basis unrealized appreciation/(depreciation) are attributable to tax deferral of losses on certain derivative instruments.

The tax character of distributions paid during years ended Dec. 31, 2008 and Dec. 31, 2007 is:

	2008	2007
Net Investment Income	$ 1,083,001	$ 677,681
Long Term Capital Gain	$ 5,365,781	$ 721,605

*The Fund designated $5,365,781 as a long term capital gain dividend pursuant to Internal Revenue Code Section 852 (b) (3)

At Dec. 31, 2008, the components of accumulated earnings/(losses) on a tax basis were as follows:

Costs of investments for federal income tax purposes	$70,222,505
Gross tax unrealized appreciation	$2,592,774
Gross tax unrealized depreciation	(14,220,767)
Net tax unrealized depreciation	(11,627,993)
Accumulated realized loss on investments –net	161,420
Accumulated Loss	$ (11,466,573)

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Shareholders and Board of Trustees
Bertolet Capital Trust
New York, New York

We have audited the accompanying statement of assets and liabilities of Pinnacle Value Fund, a series of shares of Bertolet Capital Trust ("Trust"), including the schedule of investments, as of December 31, 2008, and the related statement of operations for the year then ended, the statements of changes in net assets for each of the two years in the period then ended, and the financial highlights for each of the five years in the period ended December 31, 2008. These financial statements and financial highlights are the responsibility of the Trust's management. Our responsibility is to express an opinion on these financial statements and financial highlights based on our audits.

We conducted our audits in accordance with auditing standards of the Public Company Accounting Oversight Board (United States). 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. The Trust is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. Our audits included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Trust's internal control over financial reporting. Accordingly, we express no such opinion. 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, 2008, 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 Pinnacle Value Fund as of December 31, 2008, the results of its operations for the year then ended, the changes in its net assets for each of the two years in the period then ended, and its financial highlights for each of the five years in the period then ended December 31, 2008, in conformity with accounting principles generally accepted in the United States of America.

TAIT, WELLER & BAKER LLP
Philadelphia, Pennsylvania
February 14, 2009

PROXY VOTING (Unaudited)

A description of the policies and procedures the Fund uses to determine how to vote proxies relating to portfolio securities and information regarding how the Fund voted those proxies during the year ended Dec. 31, 2008, are available without charge upon request by calling 877-369-3705 or visiting www.pinnaclevaluefund.com or www.sec.gov.

QUARTERLY PORTFOLIO HOLDINGS (Unaudited)

The Fund files a complete schedule of investments with the SEC for the first (March 31) and third (Sept. 30) quarter of each fiscal year on Form N-Q. The Form N-Q filing must be made within 60 days of the end of the quarter, and the Fund's first Form N-Q was filed with the SEC on Nov. 29, 2004. The Fund's Forms N-Q are available at www.sec.gov or may be reviewed and copied at the SEC's Public Reference Room in Washington, DC (call 1-800-732-0330 for information on the operation of the Public Reference Room). You may obtain copies by calling the Fund at 1-877-369-3705.

SUPPLEMENTAL INFORMATION (Unaudited)

The following table provides biographical information with respect to each Trustee.

Name, Age	Position with Fund	Term of Office	Length of Time Served	Principal Occupation During Past 5 years	Other Directorships
Interested Trustee					
John E. Deysher, CFA (53)	Trustee	Unlimited	Since Inception	President, Secretary, Treasurer Pinnacle Value Fund Principal, Portfolio Manager Royce & Associates	None
Independent Trustees					
Edward P. Breau, CFA (75)	Trustee	Unlimited	Since Inception	Private Investor	None
Richard M. Connelly (53)	Trustee	Unlimited	Since Inception	General Counsel JG Wentworth (finance)	None
James W. Denney (43)	Trustee	Unlimited	Since Inception	President, Mohawk Asset Management	Director, Electric City Funds

TRUSTEES AND SERVICE PROVIDERS

Trustees: Edward P. Breau, Richard M. Connelly, James W. Denney, John E. Deysher

Transfer Agent: Mutual Shareholder Services, 8000 Town Centre- 400, Broadview Heights, OH 44147

Custodian: US Bank, 425 Walnut St., Cincinnati OH 45202

Independent Registered Public Accounting Firm: Tait, Weller & Baker LLP, 1818 Market St, Suite 2400, Philadelphia PA 19103

Expense Example (Unaudited)

As a shareholder of the Pinnacle Value Fund, you incur one type of cost: management fees. This Example is intended to help you understand your ongoing costs (in dollars) of investing in the Fund and to compare these costs with the ongoing costs of investing in other mutual funds. The Example is based on an investment of $1,000 invested at the beginning of the period and held for the entire period, July 1, 2008 through Dec. 31, 2008.

Actual Expenses

The first line of the table below provides information about actual account values and actual expenses. You may use information in this line, together with the amount you invested, to estimate the expenses that you paid over the period. Simply divide your account value by $1,000 (for example, an $8,600 account value divided by $1,000 = 8.6), then multiply the result by the number in the first line under the heading entitled "Expenses Paid During Period" to estimate the expenses you paid on your account during this period.

Hypothetical Example for Comparison Purposes

The second line of the table below provides information about hypothetical account values and hypothetical expenses based on Fund's actual expense ratios and an assumed rate of return of 5% per year before expenses, which are not Fund's actual returns. Hypothetical account values and expenses may not be used to estimate actual ending account balance or expenses you paid for period. You may use this information to compare ongoing costs of investing in this Fund and other funds. To do so, compare this 5% hypothetical example with the 5% hypothetical examples that appear in the shareholder reports of other funds.

Pinnacle Value Fund	**Beginning Account Value** July 1, 2008	**Ending Account Value** December 31, 2008	**Expenses Paid During the Period*** July 1,2008 to December 31, 2008
Actual	$1,000.00	$918.58	$7.21
Hypothetical (5% Annual Return before expenses)	$1,000.00	$1,017.69	$7.58

* Expenses are equal to the Fund's annualized expense ratio of 1.49%, multiplied by the average account value over the period, multiplied by 184/365 (to reflect the one-half year period).

AVERAGE ANNUAL RATE OF RETURN (%) FOR PERIOD ENDED DECEMBER 31, 2008

	1 Year	**Since Inception**
Pinnacle Value Fund	-16.9%	8.6%
Russell 2000 Index	-33.8%	6.1%

Chart assumes an initial $10,000 investment on 4/1/2003 (commencement of operations). Total return is based on net NAV change and assumes reinvestment of all dividends and other distributions. Performance figures represent past performance which is not predictive of future performance. Investment return and principal value will fluctuate so your shares, when redeemed, may be worth more or less than their original cost. Throughout the period shown, investment adviser has voluntarily waived and reimbursed certain expenses of the Fund. Without such waivers and reimbursements returns would be lower.