



PINNACLE VALUE FUND  
A SERIES OF THE  
BERTOLET CAPITAL TRUST

SEMI-ANNUAL  
REPORT

June 30, 2008

Pinnacle Value Fund Semi Annual Report

June 30, 2008

Dear Fellow Shareholders,

It's now official. With most of the major indexes down 20% from their highs set last fall, it appears we are in a bear market. The carnage has been widespread with very few sectors unscathed. This reflects the economic woes which we are all well aware of - slowing growth, higher gasoline and food prices, tumbling housing values, an unstable financial system, falling consumer confidence and contracting credit availability. The last expansion was built on the back of widespread credit expansion (which fueled rising asset prices) and credit contraction is having a sobering effect. How bad will it get? We're not sure but with the S&P 500 trading at a robust 21X earnings, 2.5X book value and yielding 2.3%, the downside could be substantial.

Total Return	YTD 2008	2007	2006	2005	2004
Pinnacle Value Fund	(9.5)%	15.4%	13.2%	8.5%	19.6%
Russell 2000*	(9.4)	(1.5)	18.4	4.6	18.3
S&P 500*	(11.9)%	5.6%	15.8%	4.9%	10.9%

\* Includes 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 can be seen from the above box scores, we had a dismal first half - no way to sugar coat it . While we approximated the benchmark Russell 2000 performance, we should have done much better given our high cash position. Please see below for details but suffice it to say we were caught by the market's increasing focus on credit quality and by our own premature accumulation of some financial stocks. We were way too early and, as a wise investor once said, if you're two years early, you're 18 months wrong. We were wrong.

Some of you have inquired whether we've changed our investment philosophy. The answer is no and now might be a good time to review our approach. We are seeking:

1. businesses that are well capitalized with favorable long term prospects, and are
2. run by capable managers with exceptional ability, unyielding determination and unquestionable integrity (many are large shareholders themselves), and are
3. available at a reasonable price.

We invest only for the long term and attempt to keep permanent capital loss (as opposed to short term quotational loss) to a minimum. As value investors, we are actively looking for opportunities in markets like these and are encouraged that small caps are returning to more reasonable valuations. We expect the stock market to remain volatile and are pleased to have the firepower to exploit opportunities which may occur.

**What Happened to the Portfolio?**

As you can see from the Winners & Sinners page opposite, the Sinners ruled the day. Most of the damage occurred in two areas. First, we have a few positions like WHX Corp. and International Textiles Corp. (ITC) that are being run by smart people but face dual negatives of having leveraged balance sheets and slowing end user markets. Conglomerate WHX is exposed to slowing automotive, appliance and construction markets while ITC is exposed to slowing apparel and automotive markets. WHX is in the process of raising capital via a rights offering which

should put them on sounder financial footing. WHX also appears to be making progress in rationalizing operations to enhance profitability and asset utilization. ITC is controlled by billionaire Wilbur Ross who is attempting to create a worldwide textile company via the rollup of a couple domestic producers (Burlington Industries, Cone Denim) complemented by newly built plants in Nicaragua, China and Vietnam. This has been debt financed and has taken longer than expected, hence the decline in share price. While the ultimate outcome is uncertain, the majority owners of both WHX and ITC have their reputations on the line and have suffered the same humiliating common stock losses as we have.

An equal amount of damage was done by our premature purchase of some well managed, well capitalized, high return commercial banks such as Preferred Bank and Corus Bank at what we thought were compelling valuations. We've followed both institutions for years and were aware of their large construction loan portfolios and the risks therein but felt their underwriting criteria, strong balance sheets and workout abilities were enough to get them through the down cycle. Yes, a certain portion of the loans will go sour but we believe this is more than reflected in the stock price. Many of the construction loans were used to build condos in metropolitan areas of the southeast and southwest. Retiring baby boomers will most likely continue to migrate to these areas which should put an eventual floor on real estate values. Insiders at Preferred and Corus Banks are both large holders owning 30% and 32% respectively. Recently, they have been aggressive buyers of their own shares which led us to become too comfortable in our purchases. Banks and financial stocks have been terrible performers for the last year or so and sentiment remains extremely negative. Investors are worried Preferred and Corus may need to raise new capital which would dilute our interests. Whether this occurs remains to be seen.

There is some good news. We still have plenty of cash left to take advantage of opportunities. However, given our painful experience of catching "falling knives", we remain cautious in deploying it. We'll pay extra close attention to balance sheets, operating results and market perceptions. We'll be much more willing to step away when issues of interest to us are in freefall because of gloomy investor perceptions. In short, we've learned some painful lessons recently which we hope not to repeat.

Two final notes. First, your portfolio manager remains the largest individual shareholder and, having purchased shares in January, May and July feels your pain. Second, despite being down year to date, we will most likely pay a distribution of net investment income and net capital gains in late December. We'll have a better feel for the exact amount after Oct. 31. This distribution is taxable for shares held in non-retirement accounts.

By now you should have received your June 30 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**  
**1414 Sixth Ave.-900**  
**New York, NY 10019**

## TOP 10 POSITIONS

	% net assets
1. Argan- Power plant construction, nutraceuticals, telecom services	6.5%
2. MVC Capital- Business Development Company	3.7
3. Preferred Bank- Korean American commercial bank	3.4
4. Conrad Ind.- Gulf of Mexico shipbuilding & repair	2.7
5. Asta Funding- Buys and sells, collects defaulted consumer receivables	2.6
6. First Acceptance Corp.- Auto insurance for low income customers	2.5
7. Pro shares Ultrashort Oil & Gas ETF - 2X inverse of DJ US Oil & Gas Index	2.2
8. Corus Bankshares- Commercial bank specializing in construction loans	2.0
9. Flanders Corp.- Air filters- residential, commercial, industrial	1.5
10. Cadus Corp.- Cash rich shell with large NOL carryforwards	1.3
<b>Total</b>	<b>28.4%</b>

## YTD TOP 5 Winners (realized & unrealized gains)

1. Technology Solutions	\$206,000
2. IWM, XLF Put options	166,300
3. Argan	97,600
4. Flanders Corp.	79,100
5. Stein Mart	25,000
<b>Total</b>	<b>\$574,000</b>

## YTD TOP 5 Sinners (realized & unrealized losses)

1. Preferred Bank	\$1,873,600
2. WHX Corp.	951,300
3. Corus Bankshares	674,000
4. International Textiles Corp.	476,700
5. Pro shares Ultrashort Oil & Gas ETF	448,500
<b>Total</b>	<b>\$4,424,100</b>

## SECURITY CLASSIFICATIONS

Government Money Market Fund	\$34,376,200
Financial Services	7,873,300
Conglomerates	6,278,100
Industrial Goods & Services	5,856,600
Commercial Banks	4,173,500
Insurance	2,326,100
Exchange Traded Funds	1,418,300
Consumer Goods & Services	1,096,500
<b>Total</b>	<b>\$63,398,600</b>

**PINNACLE VALUE FUND  
BERTOLET CAPITAL TRUST**

Shares/Principal Amount	Schedule of Investments June 30, 2008 (Unaudited)		
	Basis	Market Value	% of Assets
<b>COMMON STOCKS</b>			
<b>Conglomerate</b>			
297,068 Argan, Inc. *	\$ 1,229,155	\$ 4,111,421	
115,449 Regency Affiliates *	640,038	468,723	
14,400 United Capital Corp. *	316,779	276,480	
2,097 Wesco Financial Corp.	810,373	801,054	
413,614 WHX Corp. *	<u>3,205,801</u>	<u>620,421</u>	
	<u>6,202,146</u>	<u>6,278,099</u>	9.90%
<b>Electric Housewares &amp; Fans</b>			
2,200 National Presto Industries, Inc.	<u>89,068</u>	<u>141,196</u>	0.20%
<b>Exchange Traded Funds</b>			
53,100 Ultrashort Oil & Gas Proshares	<u>1,866,764</u>	<u>1,418,301</u>	2.24%
<b>Fabricated Metal Products</b>			
5,500 Keystone Consol Industries, Inc. *	<u>54,850</u>	<u>60,500</u>	0.10%
<b>Filtration</b>			
157,900 Flanders Corp. *	<u>803,761</u>	<u>955,295</u>	1.51%
<b>Financial Services</b>			
181,300 Asta Funding, Inc.	1,987,241	1,642,578	
330,845 BKF Capital Group, Inc. *	1,200,242	744,401	
507,840 Cadus Corp. *	821,627	827,779	
3,700 Capital Southwest Corp.	370,955	385,651	
271,570 CoSine Communications, Inc. *	668,135	722,376	
117,200 Kent Financial Services, Inc. *	265,452	191,036	
171,600 MVC Capital, Inc.	2,069,491	2,349,204	
157,850 Novt Corp. *	384,457	285,709	
6,850 Webfinancial Corp. *	62,599	116,450	
87,000 Zapata Corp. *	<u>606,489</u>	<u>608,130</u>	
	<u>8,436,688</u>	<u>7,873,314</u>	12.42%
<b>Furniture &amp; Fixtures</b>			
2,800 Flexsteel Industries, Inc.	<u>33,460</u>	<u>31,500</u>	0.05%
<b>Industrial Instruments For Measurement, Display, and Control</b>			
75,100 Electronic Sensors, Inc.	<u>307,988</u>	<u>341,705</u>	0.54%
<b>Insurance</b>			
490,500 First Acceptance Corp. *	1,842,388	1,569,600	
18,900 Montpelier Re Holdings Ltd.	297,430	278,775	
13,400 Safety Insurance Group, Inc.	<u>467,735</u>	<u>477,710</u>	
	<u>2,607,553</u>	<u>2,326,085</u>	3.67%
<b>IT Services</b>			
369,500 New Horizons Worldwide Inc. *	206,920	624,455	
108,800 Technology Solutions Company *	<u>816,478</u>	<u>507,008</u>	
	<u>1,023,398</u>	<u>1,131,463</u>	1.78%
<b>Commercial Banks</b>			
83,500 Center Financial Corp.	718,284	707,245	
297,600 Corus Bankshares, Inc. *	1,842,636	1,238,016	
11,200 Hammi Financial Corp.	69,069	58,352	
418,900 Preferred Bank	<u>4,043,476</u>	<u>2,169,902</u>	
	<u>6,673,465</u>	<u>4,173,515</u>	6.58%

\* Non-Income producing securities

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

**PINNACLE VALUE FUND  
BERTOLET CAPITAL TRUST**

Shares/Principal Amount	Schedule of Investments June 30, 2008 (Unaudited)		
	Basis	Market Value	0% of Assets
<b>News Paper Publishing &amp; Printing</b>			
25,700 McClatchy Co.	<u>637,946</u>	<u>174,246</u>	0.27%
<b>Mailboxes &amp; Lockers</b>			
77,200 American Locker Group, Inc. *	<u>459,549</u>	<u>270,200</u>	0.43%
<b>Optical Instruments &amp; Lenses</b>			
476,105 Meade Instruments Corp. *	<u>756,080</u>	<u>428,495</u>	0.68%
<b>Security Services</b>			
1,627,683 Sielox, Inc. *	<u>554,777</u>	<u>309,260</u>	0.49%
<b>Ship &amp; Boat Building &amp; Repairing</b>			
130,672 Conrad Industries, Inc. *	<u>173,878</u>	<u>1,710,496</u>	2.70%
<b>Real Estate Investment Trusts</b>			
479 USA Real Estate Investors Trust	<u>233,764</u>	<u>159,986</u>	0.25%
<b>Retail-Family Clothing Stores</b>			
116,800 Stein Mart, Inc. *	<u>495,040</u>	<u>526,768</u>	0.83%
<b>Telecommunications</b>			
341,600 NMS Communications *	<u>532,791</u>	<u>379,176</u>	0.60%
<b>Textile Mill Products</b>			
369,310 International Textil Group, Inc. *	<u>809,057</u>	<u>129,259</u>	0.20%
<b>Total for Common Stock</b>	<u>\$ 32,752,023</u>	<u>\$ 28,818,859</u>	<u>45.46%</u>
<b>Preferreds</b>			
34,200 Ameritrans Capital Corp. Pfd	392,133	345,420	
49,870 Aristotle Corp. Pfd - I	<u>392,770</u>	<u>411,428</u>	
<b>Total for Preferred Stock</b>	<u>\$ 784,903</u>	<u>\$ 756,848</u>	<u>1.19%</u>
<b>SHORT TERM INVESTMENTS</b>			
<b>Money Market Fund</b>			
34,376,171 First American Government Obligation Fund CI Z 2.18% **	<u>34,376,171</u>	<u>34,376,171</u>	<u>54.22%</u>
<b>Total for Short Term Investments</b>	<u>\$ 34,376,171</u>	<u>\$ 34,376,171</u>	<u>54.22%</u>
Total Investments	<u>\$ 67,913,097</u>	<u>\$ 63,951,878</u>	<u>100.87%</u>
Liabilities in excess of other Assets		<u>(553,323)</u>	<u>(0.87)%</u>
Net Assets		<u>\$ 63,398,555</u>	<u>100.00%</u>

\* Non-Income producing securities, \*\* Dividend Yield

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

**Statement of Assets and Liabilities (Unaudited)****June 30, 2008**

## Assets:

Investment Securities at Market Value	\$ 63,951,878
(Identified Cost \$ 67,913,097)	
Cash	1,670
Receivables:	
Dividends and Interest	89,657
Securities Sold	143,130
Total Assets	<u>64,186,335</u>

## Liabilities:

Management Fees	383,260
Payables:	
Securities Purchased	404,241
Accrued Expenses	279
Total Liabilities	<u>787,780</u>

Net Assets \$ 63,398,555

## Net Assets Consist of:

Paid-In Capital	\$ 63,426,961
Accumulated Undistributed Net Investment Income	232,214
Accumulated Realized Gain on Investments - Net	3,700,599
Unrealized Depreciation in Value	
of Investments Based on Identified Cost - Net	<u>(3,961,219)</u>

Net Assets \$ 63,398,555

## Net Asset Value and Redemption Price

Per Share (\$63,398,555/4,498,726 shares outstanding) , no par value, unlimited  
shares authorized \$ 14.09

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

**Statement of Operations (Unaudited)****For the Six Months Ended June 30, 2008**

## Investment Income:

Dividends	\$ 156,252
Interest	<u>529,149</u>
Total Investment Income	<u>685,401</u>

## Expenses:

Investment Advisor Fees (Note 3)	410,083
Transfer Agent & Fund Accounting Fees	22,570
Expense Recapture (Note 3)	21,178
Insurance Fees	8,245
Custodial Fees	6,926
Audit Fees	6,721
Registration Fees	3,956
Trustee Fees	2,690
Legal Fees	2,471
Miscellaneous Fees	2,378
Printing & Mailing Fees	<u>1,600</u>
Total Expenses	488,818

Net Investment Income 196,583

## Realized and Unrealized Gain on Investments:

Realized Gain on Investments	1,940,103
Change in Unrealized Depreciation on Investments	<u>(8,609,939)</u>
Net Realized and Unrealized (Loss) on Investments	<u>(6,669,836)</u>

Net Decrease in Net Assets from Operations \$ (6,473,253)

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

## Statement of Changes in Net Assets

	(Unaudited)	
	Six Months Ended <u>6/30/2008</u>	Year Ended <u>12/31/2007</u>
From Operations:		
Net Investment Income	\$ 196,583	\$ 713,312
Net Realized Gain on Investments	1,940,103	2,037,797
Net Unrealized Appreciation (Depreciation)	<u>(8,609,939)</u>	<u>2,931,946</u>
Increase (Decrease) in Net Assets from Operations	<u>(6,473,253)</u>	<u>5,683,055</u>
From Distributions to Shareholders:		
Net Investment Income	0	(677,681)
Net Realized Gain from Security Transactions	0	(721,605)
Return of Capital	<u>0</u>	<u>0</u>
	<u>0</u>	<u>(1,399,286)</u>
From Capital Share Transactions:		
Proceeds From Sale of Shares	9,122,686	30,220,329
Shares issued in Reinvestment of Dividends	0	1,370,512
Cost of Shares Redeemed	<u>(3,459,445)</u>	<u>(2,243,422)</u>
Net Increase from Shareholder Activity	<u>5,663,241</u>	<u>29,347,419</u>
Net Increase in Net Assets	<u>(810,012)</u>	<u>33,631,188</u>
Net Assets at Beginning of Period	<u>64,208,567</u>	<u>30,577,379</u>
Net Assets at End of Period <sup>(a)</sup>	<u>\$ 63,398,555</u>	<u>\$ 64,208,567</u>
Share Transactions:		
Issued	607,111	1,963,453
Reinvested	0	88,592
Redeemed	<u>(233,250)</u>	<u>(143,693)</u>
Net increase in shares	373,861	1,908,352
Shares outstanding beginning of Period	<u>4,124,865</u>	<u>2,216,513</u>
Shares outstanding end of Period	<u>4,498,726</u>	<u>4,124,865</u>

<sup>(a)</sup> Includes undistributed net investment income of \$232,214 at June 30, 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.

	(Unaudited)				
	Six Months Ended <u>6/30/2008</u>	Year Ended <u>12/31/2007</u>	Year Ended <u>12/31/2006</u>	Year Ended <u>12/31/2005</u>	Year Ended <u>12/31/2004</u>
Net Asset Value -					
Beginning of Period	\$ 15.57	\$ 13.80	\$ 13.09	\$ 12.84	\$ 11.27
Net Investment Income (Loss) *	0.04	0.23	0.24	0.15	(0.02)
Net Gains or Losses on Securities (realized and unrealized)	<u>(1.52)</u>	<u>1.90</u>	<u>1.49</u>	<u>0.94</u>	<u>2.23</u>
Total from Investment Operations	<u>(1.48)</u>	<u>2.13</u>	<u>1.73</u>	<u>1.09</u>	<u>2.21</u>
Distributions from Net Investment Income	-	(0.17)	(0.20)	(0.10)	-
Distributions from Capital Gains	-	(0.19)	(0.74)	(0.74)	(0.64)
Distributions from Return of Capital	<u>-</u>	<u>-</u>	<u>(0.08)</u>	<u>-</u>	<u>-</u>
	<u>-</u>	<u>(0.36)</u>	<u>(1.02)</u>	<u>(0.84)</u>	<u>(0.64)</u>
Paid-in Capital from Redemption Fees (Note 2) <sup>(a)</sup>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Asset Value -					
End of Period	<u>\$ 14.09</u>	<u>\$ 15.57</u>	<u>\$ 13.80</u>	<u>\$ 13.09</u>	<u>\$ 12.84</u>
Total Return	(9.51)%	15.43 %	13.23 %	8.53 %	19.65 %
Ratios/Supplemental Data					
Net Assets - End of Period (Thousands)	\$ 63,399	\$ 64,209	\$ 30,577	\$ 17,175	\$ 7,633
Before Reimbursement					
Ratio of Expenses to Average Net Assets	1.49%	1.49%	1.62%	1.90%	2.17%
Ratio of Net Income (Loss) to Average Net Assets	0.60%	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	0.60%	1.53%	1.77%	1.10 %	(0.16)%
Portfolio Turnover Rate	20.22%	27.11%	29.44%	27.88%	71.66%

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

<sup>(a)</sup> Less than \$0.01 per share

The accompanying notes are an integral part of the 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 Jan. 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 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 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 the fair market value of such securities. 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. Short term investments in fixed income securities with maturities of less than 60 days or 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 Jan. 1, 2008. In accordance with FAS 157, "fair value" is defined as the price that Fund would receive upon selling an investment in an orderly transaction to an independent buyer in the principal or most advantageous market for the investment. Various inputs are used in determining Fund investment values. FAS 157 established a three-tier hierarchy of inputs to establish a classification of fair value measurements for disclosure purposes. The three-tier hierarchy of inputs 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)

The following is a summary of the inputs used to value the Fund's investments as of June 30, 2008:

<u>Valuation Inputs</u>	<u>Investment in Securities</u>
Level 1 – Quoted Prices	\$63,398,555
Level 2 – Other Significant Observable Inputs	-
Level 3 – Significant Unobservable Inputs	-
Total	<u>\$63,398,555</u>

**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.* Fund policy is to continue to comply with the requirements of the Internal Revenue Code that are applicable to registered 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.

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.

**ESTIMATES:**

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 amounts of assets and liabilities and disclosure of contingent assets and liabilities on 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. These reclassifications have no effect on net assets or NAV per share. For the period end June 30, 2008 there were no reclassifications.

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 six months ended June 30, 2008, \$2,331 of redemption fees were returned to the Fund through shareholder redemptions.

**3.) INVESTMENT ADVISORY AGREEMENT**

The Fund has entered into an Investment Advisory Agreement with Bertolet Capital LLC (Adviser). Under the Agreement, Adviser receives a fee equal to the annual rate of 1.25% of the Fund's average daily net assets. For the six months ended June 30, 2008, the Adviser earned \$410,083 in Advisor fees. At June 30, 2008 the Fund owed the Adviser a net fee of \$355,987. An officer and trustee of the Fund is also an officer and trustee of the Adviser.

**PINNACLE VALUE FUND  
BERTOLET CAPITAL TRUST**

**Notes to Financial Statements  
June 30, 2008 (Unaudited)**

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 December 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 June 30, 2008, amounts subject to future recoupment are as follows:

<u>Fiscal Year Ended</u>	<u>Recoverable Through</u>	<u>Fund</u>
December 31, 2005	December 31, 2008	51,592
December 31, 2006	December 30, 2009	27,914

In 2008, Adviser earned \$21,178 of \$51,592 available for reimbursement of prior expense waivers.

#### 4.) PURCHASES AND SALES OF SECURITIES

For the six months ended June 30, 2008, purchases and sales of investment securities other than U.S. Government obligations/short-term investments totaled \$15,814,894 and \$5,756,174 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 the underlying security rises or declines sufficiently, option may expire worthless. In addition, in the 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. Written and purchased options are non-income producing securities.

#### 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 the six months ended June 30, 2008 and the years ended December 31, 2007 is as follows:

	<u>2008</u>	<u>2007</u>
Net Investment Income	\$ 0	\$ 677,681
Long Term Capital Gain	\$ 0	\$ 721,605
Return of Capital	\$ 0	\$ 0

At June 30, 2008, the components of accumulated earnings/(losses) on a tax basis were as follows:

Costs of investments for federal income tax purposes	<u>\$67,913,097</u>
Gross tax unrealized appreciation	\$5,839,311
Gross tax unrealized depreciation	<u>(9,800,532)</u>
Net tax unrealized depreciation	<u>(3,961,219)</u>
Undistributed ordinary income	<u>232,214</u>
Accumulated realized gain on investments –net	<u>3,700,599</u>
Accumulated Loss	<u>\$ (28,406)</u>

**PINNACLE VALUE FUND  
BERTOLET CAPITAL TRUST**

#### 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 six month period ended June 30, 2008, are available without charge upon request by calling 877-369-3705 or visiting [www.pinnaclevaluefund.com](http://www.pinnaclevaluefund.com) or [www.sec.gov](http://www.sec.gov).

#### QUARTERLY PORTFOLIO HOLDINGS

The Fund files a complete schedule of investments with the SEC for the first and third quarter of each fiscal year on Form N-Q. The Fund's first and third fiscal quarters end on March 31 and Sept. 30. 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](http://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 also obtain copies by calling the Fund at 1-877-369-3705.

#### SUPPLEMENTAL INFORMATION

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

<u>Name, Age</u>	<u>Position with Fund</u>	<u>Term of Office Length of Time Served</u>	<u>Principal Occupation During Past 5 years</u>	<u>Other Directorships</u>
<b>Interested Trustee</b> John E. Deyscher, CFA (53)	Trustee	Unlimited Since Inception	President, Secretary, Treasurer Pinnacle Value Fund Principal, Portfolio Manager Royce & Associates	None
<b>Independent Trustees</b> Edward P. Breau, CFA (74)	Trustee	Unlimited Since Inception	Private Investor	None
Richard M. Connelly (52)	Trustee	Unlimited Since Inception	General Counsel JG Wentworth (finance)	None
James W. Denney (42)	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. Deyscher  
Transfer Agent: Mutual Shareholder Svcs., 8000 Town Centre Dr-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

### Board Approval of Investment Advisory Agreement

The investment advisory agreement (“Agreement”) between the Trust and Bertolet Capital LLC (“Advisor”) was last renewed by the Board at a meeting on Feb. 23, 2008. On that date the Board considered factors material to the Agreement renewal including:

**Nature, Extent & Quality of Services.** The Board considered the Advisor’s deep value investment strategy/philosophy and substantial experience in small and micro-cap research and portfolio management. The Board reviewed Advisor’s Form ADV (policies/operations), staffing levels, research capability and overall reputation. The Board noted that Advisor has no plans to alter the way it manages the Fund and would continue to have the expertise and resources needed to provide advisory and administrative services to the Fund. The Board considered the Advisor’s compliance policies/procedures and noted that it had complied with the Trust’s Code of Ethics. The Board concluded it was satisfied with the nature, extent and quality of services provided by the Advisor.

**Investment Performance.** The Board reviewed data regarding Fund’s returns since inception and for the year end Dec. 31, 2007. The Fund’s performance was compared to a peer group of mutual funds, private account of Advisor and Russell 2000 and S&P 500 indices. The Board noted the Fund’s 2007 performance was above the peer group average and both indices but below the private account and that Fund was less than 50% invested for year because of a lack of acceptable investment ideas, substantial cash inflows and Advisor’s risk adverse approach. The Board concluded that the Fund’s performance was acceptable.

**Reasonableness of Fees.** The Board reviewed data comparing the Fund’s expense ratio to the peer group. The Board noted that the Fund’s expense ratio was approximately the same as the peer group’s average and that Advisor continues to cap expenses at 1.49% of average net assets and reimburse the Fund as necessary. The Board compared the advisory fee charged to the Fund with the advisory fee charged by the peer group and to the private account which it deemed reasonable given the many administrative, compliance and marketing services provided to the Fund which are not provided to the private account. Based on these factors and the labor intensive nature of small/micro cap research, the Board concluded the fees charged to the Fund are fair and reasonable.

**Profitability & Other Benefits to Advisor.** The Board considered the Fund’s income and expenses and the profitability of the Fund to Advisor. It reviewed Advisor’s 2007 financial statement and concluded that Advisor’s profitability was reasonable in relation to the nature and quality of services provided to the Fund.

**Economies of Scale.** The Board considered data regarding economies of scale and whether existing fees might require adjustment in light of any economies of scale. The Board determined that no modification of fees was necessary given the Fund’s small size, the fact that the Fund is not part of a large Fund complex and that the Fund’s expense ratio approximates the peer group average.

The Board concluded that the terms of the advisory contract were reasonable and fair and in the best interest of shareholders. As a result, the entire Board, with the Independent Trustees voting separately, approved the Agreement’s renewal.

### Expense Example

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, January 1, 2008 through June 30, 2008.

### Actual Expenses

The first line of the table below provides information about actual account values and actual expenses. You may use the 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 the Fund’s actual expense ratios and an assumed rate of return of 5% per year before expenses, which are not the Fund’s actual returns. The hypothetical account values and expenses may not be used to estimate the actual ending account balance or expenses you paid for the period. You may use this information to compare the 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 the other funds.

<b>Pinnacle Value Fund</b>	<b>Beginning Account Value January 1, 2008</b>	<b>Ending Account Value June 30, 2008</b>	<b>Expenses Paid During the Period* January 1, 2008 to June 30, 2008</b>
Actual	\$1,000.00	\$904.95	\$7.06
Hypothetical (5% Annual Return before expenses)	\$1,000.00	\$1,017.45	\$7.47

\* Expenses are equal to the Fund’s annualized expense ratio of 1.49%, multiplied by the average account value over the period, multiplied by 182/366 (to reflect the one-half year period).