



**PINNACLE VALUE FUND  
A SERIES OF  
BERTOLET CAPITAL TRUST**

**ANNUAL REPORT**

**December 31, 2009**

**Pinnacle Value Fund Annual Report**

**Dec. 31, 2009**

Dear Fellow Shareholders,

Our Fund gained 12.7% during 2009. We ended the year with net assets of \$59.8 million and 45 positions with a weighted average market cap of \$400 million. As you can see from the box scores below, after several years of doing fairly well against the benchmark Russell 2000 index, in 2009 we under-performed it.

<b>Total Return</b>	<b>2009</b>	<b>2008</b>	<b>2007</b>	<b>2006</b>	<b>2005</b>
Pinnacle Value Fund	12.7%	(16.9)%	15.4%	13.2%	8.5%
Russell 2000	27.1	(33.8)	(1.5)	18.4	4.6
S&P 500	26.5%	(37.0)%	(5.6)%	15.8%	4.9%

(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.)

The market's response to low interest rates, generous liquidity and robust government stimuli was a little more powerful than we thought. We expected investors to have longer memories of the recent painful lessons of taking risks too casually. They are again embracing risk and value has taken a back seat. Stocks that did the best in 2009 were often those with minimal earnings, high betas and leveraged balance sheets. Many were on the verge of distress but did well once it became clear they would be able to refinance and survive. This backdrop did not favor our conservative approach to owning well capitalized, low beta firms with demonstrated earnings and cash flows. The late Ben Graham once said that in the short run, the market is a voting machine but in the long run it is a weighing machine. That is, short term, stock prices reflect popularity and sentiment while longer term they reflect earnings, cash flows and asset values. For the last year, in our opinion, the ballots cast on the voting machine have far outweighed those cast on the weighing machine.

In late 2008 and early 2009, asset values reached extremes. Commodities and equities were quite oversold while U.S. Government bonds were very overbought (30 yr. treasuries yielded 2.5% briefly in late 2008). These extremes no longer exist. Returns may be more modest in 2010. We believe caution is in order for several reasons. The general consensus is that the economy is well on the road to recovery and stock prices largely reflect this. But can the economy gain traction without government life support? Many expect interest rates to rise (longer rates already have) once the government steps aside, which is usually trouble for stocks. Unemployment remains high and home prices remain weak in much of the country muting consumer demand. Taxes and regulation are going up which will probably dent corporate profits. Corporate revenue growth remains a major question mark. Finally, a large portion of current share volume is the result of momentum based, quantitative trading models which are "long" presently but could turn negative very quickly if market conditions change. Disappointments may not be taken lightly.

Widespread complacency and a bullish consensus does not mean we are on the verge of a collapse. But as the market has risen, so have the risks. We expect a tough 2010 where capital preservation and a margin of safety will be important. Volatility will continue and a reversion to the mean of long term equity returns is likely.

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We believe we can make money in this type of market but it will take astute stock picking, careful analysis of risk vs. reward and intelligent capital allocation.

### **Portfolio Activity**

Since our last Semi-annual Report (June 30), two stocks migrated to the Top 10 holdings list and two came off. The two arrivals were PAM Transport and Montpelier Re. PAM Transport is a full load trucker serving most of North America and parts of Mexico. Historically, a large part of their business came from transporting auto parts between factories and the shares reached bargain status as the auto turmoil unfolded. Since then vehicle production is back on track (albeit at lower levels) and PAM's new CEO is busy trying to penetrate non auto customers. Montpelier Re is a Bermuda based re-insurer meaning they provide insurance to other insurance companies. Montpelier has a top notch management team, a focused strategy to expand market share and a conservative balance sheet. In the crisis, the shares got too cheap and we were able to acquire a position at bargain prices.

The departed include oil and gas producer Unit Corp. and the Hancock Bank & Thrift Opportunity Fund, a closed end fund. Sizeable gains were taken on Unit after energy prices rebounded from the depths reached in late 2008. The same is true of the Bank & Thrift Fund where the underlying Net Asset Value (NAV) had collapsed and the stock price was selling at a significant discount to NAV. Once the crisis passed, the underlying NAV rose and the discount narrowed resulting in a double whammy on the upside. We took similar gains in many of our other closed end fund positions which had similar experiences.

### **A Post Mortem**

One of the things we always like to do at year end is analyze our mistakes. What went wrong and why? While not always easy, we think this type of exercise is essential to becoming a better investor. In 2009 we had a few.

Our biggest was selling too soon. Virtually every stock we bought late 2008, early 2009 did well but we were too quick to take money off the table. While we were buying heavily in the downturn (sometimes 1% of assets per day), we seriously underestimated the market's positive response to the government's fiscal and monetary stimuli. We had too much cash throughout the year and our early sales cost us several percentage points of return. Next, some of our larger positions fared poorly because underlying results were disappointing. We remain confident in their prospects and added to several at lower prices during the year. Finally, some of our inverse sector ETFs fared poorly. We purchased these as a hedge against a market decline which never came. All investors make mistakes, the important thing is to learn from them and move ahead.

By now you should have received your year end statement. As always, should you have any questions or comments 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**  
**212-605-7100**

**Pinnacle Value Fund**  
**745 Fifth Ave.- 2400**  
**New York, NY 10151**

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**TOP 10 POSITIONS**

	<b>% net assets</b>
1. MVC Capital- Business Development Co.	5.0
2. Asta Funding- buys & collects upon defaulted consumer receivables	4.8
3. First Acceptance- non standard auto insurance	4.4
4. Wesco Financial- conglomerate	3.9
5. Hallmark Insurance- specialty insurer	2.7
6. PAM Transport- truckload transport	2.7
7. Flexsteel- residential, commercial, RV furniture	2.7
8. Harbinger Group- cash rich shell in search of acquisitions	2.7
9. Montpelier Re- multinational insurer	2.3
10. Capital Southwest- Business Development Co.	2.2
<b>Total</b>	<b>33.4%</b>

**YTD TOP 5 WINNERS (realized & unrealized gains)**

1. Asta Funding	\$2,522,100
2. Unit Corp.	1,081,600
3. Steinmart	675,100
4. Turkish Fund	577,000
5. Nu Horizons	462,000
<b>Total</b>	<b>\$5,317,800</b>

**YTD TOP 5 SINNERS (realized & unrealized losses)**

1. Preferred Bank	\$1,110,600
2. WHX Corp.	990,500
3. First Acceptance	822,300
4. Ultrashort R2000 Growth ETF	670,800
5. Ultrashort Technology ETF	567,600
<b>Total</b>	<b>\$4,161,800</b>

**SECURITY CLASSIFICATIONS**

Government Money Market Fund	44.8%
Financial Services	18.3
Insurance	10.1
Closed End and Exchange Traded Funds	9.1
Industrial Goods & Services	7.1
Conglomerates	5.9
Consumer Goods & Services	3.7
Commercial Banks	1.0
<b>Total</b>	<b>100%</b>

**PINNACLE VALUE FUND**  
**BERTOLET CAPITAL TRUST**

<b>Schedule of Investments</b> <b>December 31, 2009</b>			
<b>Shares/Principal Amount</b>	<b>Basis</b>	<b>Market Value</b>	<b>% of Assets</b>
<b>COMMON STOCKS</b>			
<b>Commercial Banks</b>			
354,500 Preferred Bank *	2,292,060	638,100	1.07%
<b>Conglomerate</b>			
142,049 Regency Affiliates, Inc. *	750,235	440,352	
6,867 Wesco Financial Corp.	2,034,457	2,355,381	
304,612 WHX Corp. *	4,164,521	731,069	
	6,949,213	3,526,802	5.90%
<b>Electronics</b>			
9,500 White Electronics Designs Corp. *	38,285	44,365	
192,500 Nu Horizons Electronics Corp. *	227,756	793,100	
	266,041	837,465	1.40%
<b>Fabricated Metal Products</b>			
216,400 Hardinge, Inc.	1,009,587	1,190,200	
7,500 Keystone Consol Industries, Inc. *	66,584	30,000	
	1,076,171	1,220,200	2.04%
<b>Financial Services</b>			
409,000 Asta Funding, Inc.	1,185,180	2,899,810	
330,845 BKF Capital Group, Inc. *	1,200,242	307,686	
512,840 Cadus Corp. *	828,076	733,361	
16,500 Capital Southwest Corp.	1,332,891	1,300,200	
271,570 CoSine Communications, Inc. *	668,134	521,414	
117,200 Kent Financial Services, Inc. *	265,452	176,972	
255,700 MVC Capital, Inc.	2,897,676	3,017,260	
170,650 Novt Corp. *	400,596	401,028	
228,656 Harbinger Group, Inc. *	1,483,416	1,605,165	
	10,261,663	10,962,896	18.33%
<b>Furniture &amp; Fixtures</b>			
157,610 Flexsteel Industries, Inc.	1,235,794	1,612,350	2.70%
<b>HVAC &amp; Constructon Products</b>			
2,600 Continental Materials Corp. *	21,962	28,987	0.05%
<b>Industrial Instruments For Measurement, Display, and Control</b>			
50,200 Electronic Sensors, Inc.	199,619	186,744	0.31%
<b>Insurance</b>			
1,345,825 First Acceptance Corp. *	3,872,668	2,624,359	
206,700 Hallmark Financial Services, Inc. *	1,346,806	1,645,332	
24,400 Independence Holding Co.	116,279	141,520	
79,300 Montpelier Re Holdings Ltd.	1,016,554	1,373,476	
25,400 Old Republic International Corp.	199,354	255,016	
	6,551,661	6,039,703	10.10%
<b>Industrial Distribution</b>			
1,713 Lawson Products, Inc.	17,113	30,234	0.05%
<b>Mailboxes &amp; Lockers</b>			
77,200 American Locker Group, Inc. *	459,549	123,520	0.21%
<b>Mobile Homes</b>			
56,200 Nobility Homes, Inc. *	436,278	587,290	0.98%
<b>Oil &amp; Gas</b>			
1,294 Unit Corp. *	24,107	54,995	0.09%

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

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

**PINNACLE VALUE FUND**  
**BERTOLET CAPITAL TRUST**

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**Schedule of Investments**  
**December 31, 2009**

<b>Shares/Principal Amount</b>	<b>Basis</b>	<b>Market Value</b>	<b>0% of Assets</b>
<b>Optical Instruments &amp; Lenses</b>			
49,116 Meade Instruments Corp. *	806,828	135,069	
102,400 Perceptron, Inc. *	311,513	337,920	
	<u>1,118,341</u>	<u>472,989</u>	0.79%
<b>Security Services</b>			
1,627,683 Sielox, Inc. *	<u>554,777</u>	<u>69,502</u>	0.12%
<b>Real Estate Investment Trusts</b>			
533 USA Real Estate Investors Trust *	<u>249,424</u>	<u>90,610</u>	0.15%
<b>Trucking</b>			
156,500 P.A.M. Transportation Services, Inc. *	<u>740,730</u>	<u>1,616,645</u>	2.70%
<b>Textile Mill Products</b>			
55,600 Lydall, Inc. *	<u>121,701</u>	<u>289,676</u>	0.48%
<b>Total for Common Stock</b>	<u>\$ 32,576,204</u>	<u>\$ 28,388,708</u>	<u>47.47%</u>
<b>Closed-End &amp; Exchange Traded Funds</b>			
14,700 Central Europe & Russia Fund, Inc.	184,741	484,953	
14,500 First Trust ISE-Revere Natural Gas	144,125	255,055	
70,560 Japan Smaller Capitalization Fund, Inc.	443,643	516,499	
14,147 Korea Fund, Inc.	248,463	502,926	
39,559 Petroleum & Resources Corp.	698,970	939,131	
25,400 ProShares UltraShort Russell 2000 Growth*	1,176,266	505,460	
23,700 ProShares UltraShort Technology *	1,098,951	531,354	
38,300 Singapore Fund, Inc.	248,731	509,390	
40,000 Turkish Investment Fund, Inc.	182,153	534,800	
13,100 Proshares UltraShort Long Bond *	<u>472,247</u>	<u>653,428</u>	
<b>Total for Closed-End &amp; Exchange Traded Funds</b>	<u>\$ 4,898,290</u>	<u>\$ 5,432,996</u>	<u>9.09%</u>
<b>SHORT TERM INVESTMENTS</b>			
<b>Money Market Fund</b>			
26,879,159 First American Govt. Obligation Fund Class Z 0.00% **	<u>26,879,159</u>	<u>26,879,159</u>	<u>44.95%</u>
<b>Total for Short Term Investments</b>	<u>\$ 26,879,159</u>	<u>\$ 26,879,159</u>	<u>44.95%</u>
<b>Total Investments</b>	<u>\$ 64,353,653</u>	<u>\$ 60,700,863</u>	<u>101.51%</u>
Liabilities in excess of other Assets		<u>(905,873)</u>	<u>(1.51)%</u>
<b>Net Assets</b>		<u>\$ 59,794,990</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****December 31, 2009****Assets:**

Investment Securities at Market Value	\$ 60,700,863
(Identified Cost \$ 64,353,653)	
Cash	41,734
Receivables:	
Dividends and Interest	69,954
Subscriptions Receivable	53,212
Prepaid Expenses	5,624
Total Assets	<u>60,871,387</u>

**Liabilities:**

Payable to Advisor	821,789
Redemptions Payable	235,046
Accrued Expenses	19,562
Total Liabilities	<u>1,076,397</u>

Net Assets	<u><u>\$ 59,794,990</u></u>
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**Net Assets Consist of:**

Paid-In Capital	\$ 63,701,226
Accumulated Realized Loss on Investments - Net	(253,446)
Unrealized Depreciation in Value	
of Investments Based on Identified Cost - Net	<u>(3,652,790)</u>

Net Assets	<u><u>\$ 59,794,990</u></u>
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**Net Asset Value and Redemption Price**

Per Share (59,794,990/4,644,566 shares outstanding) , no par value, unlimited shares authorized	<u><u>\$ 12.87</u></u>
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The accompanying notes are an integral part of the financial statements.

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## Statement of Operations

### For the Year Ended December 31, 2009

Investment Income:

Dividends	\$ 614,285
Interest	<u>73,616</u>
Total Investment Income	<u>687,901</u>

Expenses:

Investment Advisor Fees (Note 3)	768,865
Transfer Agent & Fund Accounting Fees	45,547
Insurance Fees	16,600
Custodial Fees	20,881
Audit Fees	16,499
Registration Fees	8,856
Trustee Fees	7,514
Legal Fees	3,159
Miscellaneous Fees	7,185
Printing & Mailing Fees	<u>7,379</u>
Total Expenses	902,485
Expense Recapture (Note 3)	<u>14,002</u>
Net Expenses	916,487

Net Investment Loss	<u>(228,586)</u>
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Realized and Unrealized Gain (Loss) on Investments:

Net Realized Gain (Loss) on Investments	(173,165)
Change in Unrealized Appreciation on Investments	<u>7,894,922</u>

Net Realized and Unrealized Gain on Investments	<u>7,721,757</u>
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Net Increase in Net Assets from Operations	<u>\$ 7,493,171</u>
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The accompanying notes are an integral part of the financial statements.

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## Statement of Changes in Net Assets

	Year Ended <u>12/31/2009</u>	Year Ended <u>12/31/2008</u>
From Operations:		
Net Investment Income (Loss)	\$ (228,586)	\$ 677,610
Net Realized Gain (Loss) on Investments	(173,165)	4,056,183
Net Unrealized Appreciation (Depreciation)	<u>7,894,922</u>	<u>(16,196,430)</u>
Increase (Decrease) in Net Assets from Operations	<u>7,493,171</u>	<u>(11,462,637)</u>
From Distributions to Shareholders:		
Net Investment Income	0	(611,918)
Net Realized Gain from Security Transactions	<u>(161,401)</u>	<u>(5,836,864)</u>
	<u>(161,401)</u>	<u>(6,448,782)</u>
From Capital Share Transactions: <sup>(a)</sup>		
Proceeds From Sale of Shares	15,548,482	13,322,064
Shares issued in Reinvestment of Dividends	152,301	6,292,016
Cost of Shares Redeemed	<u>(20,602,641)</u>	<u>(8,546,150)</u>
Net Increase from Shareholder Activity	<u>(4,901,858)</u>	<u>11,067,930</u>
Net Increase (Decrease) in Net Assets	<u>2,429,912</u>	<u>(6,843,489)</u>
Net Assets at Beginning of Period	<u>57,365,078</u>	<u>64,208,567</u>
Net Assets at End of Period <sup>(b)</sup>	<u>\$ 59,794,990</u>	<u>\$ 57,365,078</u>
Share Transactions:		
Issued	1,303,382	936,039
Reinvested	12,078	556,815
Redeemed	<u>(1,681,301)</u>	<u>(607,312)</u>
Net increase in shares	<u>(365,841)</u>	<u>885,542</u>
Shares outstanding beginning of Period	<u>5,010,407</u>	<u>4,124,865</u>
Shares outstanding end of Period	<u>4,644,566</u>	<u>5,010,407</u>

<sup>(a)</sup> Net of Redemption Fees of \$19,843 for December 31, 2009, and \$3,754 for December 31, 2008.

<sup>(b)</sup> Includes undistributed net investment income of \$0 at December 31, 2009 and \$0 at December 31, 2008.

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

## Financial Highlights

Selected data for a share outstanding throughout the period.

	Year Ended <u>12/31/2009</u>	Year Ended <u>12/31/2008</u>	Year Ended <u>12/31/2007</u>	Year Ended <u>12/31/2006</u>	Year Ended <u>12/31/2005</u>
Net Asset Value -					
Beginning of Period	\$ 11.45	\$ 15.57	\$ 13.80	\$ 13.09	\$ 12.84
Net Investment Income (Loss) *	(0.04)	0.15	0.23	0.24	0.15
Net Gains or Losses on Securities (realized and unrealized)	<u>1.49</u>	<u>(2.80)</u>	<u>1.90</u>	<u>1.49</u>	<u>0.94</u>
Total from Investment Operations	<u>1.45</u>	<u>(2.65)</u>	<u>2.13</u>	<u>1.73</u>	<u>1.09</u>
Distributions from Net Investment Income	-	(0.14)	(0.17)	(0.20)	(0.10)
Distributions from Capital Gains	(0.03)	(1.33)	(0.19)	(0.74)	(0.74)
Distributions from Return of Capital	<u>-</u>	<u>-</u>	<u>-</u>	<u>(0.08)</u>	<u>-</u>
	(0.03)	(1.47)	(0.36)	(1.02)	(0.84)
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>\$ 12.87</u>	<u>\$ 11.45</u>	<u>\$ 15.57</u>	<u>\$ 13.80</u>	<u>\$ 13.09</u>
Total Return	12.71 %	(16.87)%	15.43 %	13.23 %	8.53 %
Ratios/Supplemental Data					
Net Assets - End of Period (Thousands)	\$ 59,795	\$ 57,365	\$ 64,209	\$ 30,577	\$ 17,175
Before Reimbursement					
Ratio of Expenses to Average Net Assets <sup>(b)</sup>	1.47%	1.44%	1.49%	1.62%	1.90%
Ratio of Net Income (Loss) to Average Net Assets	(0.35)%	1.12%	1.53%	1.64%	0.68 %
After Reimbursement					
Ratio of Expenses to Average Net Assets <sup>(b)</sup>	1.49%	1.49%	1.49%	1.49%	1.49%
Ratio of Net Income (Loss) to Average Net Assets	(0.37)%	1.06%	1.53%	1.77%	1.10 %
Portfolio Turnover Rate	63.12%	66.37%	27.11%	29.44%	27.88%

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

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

<sup>(b)</sup> Expense ratios exclude acquired Fund Fees & expenses.

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 share of the Fund 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 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 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 Trust has performed an analysis of all existing investments to determine the significance and character of all inputs to their fair value determination. Various inputs are used in determining the value of each Fund investment which are summarized in the following three broad categories:

- Level 1 – unadjusted 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, yield curves and similar data)
- Level 3 – significant unobservable inputs (including the Fund's own assumptions in determining fair value of investments, which may require a high degree of judgement)

The following is a summary of the inputs used to value the Fund's investments at Dec. 31, 2009:

<u>Valuation Inputs</u>	<u>Equities</u>	<u>Money Market Fund</u>	<u>Total Securities</u>
Level 1 – Quoted Prices	\$33,821,704	\$26,879,159	\$60,700,863
Level 2 – Other Significant Observable Inputs	0	0	0
Level 3 – Significant Unobservable Inputs	0	0	0
Totals	<u>\$33,821,704</u>	<u>\$26,879,159</u>	<u>\$60,700,863</u>

The Fund has adopted the financial accounting reporting rules required by the Derivatives and Hedging Topic of FASB Accounting Standards Codification (FASB ASC). The Fund is required to include enhanced disclosure that enables investors to understand how and why a fund uses derivatives, how derivatives are accounted for and how they affect a fund's results. For the year ended Dec. 31, 2009, the Fund held no derivative instruments.

Interim and annual reporting periods beginning after Dec. 15, 2009 will require additional disclosure of transfers in and out of Level 1 and 2. Additional disclosure regarding activity in Level 3 measurement will also be effective for fiscal years beginning after Dec. 31, 2010. Management is currently evaluating the impact on the Fund's financial statements.

**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. At Dec. 31, 2009 the Fund invested 45% of net assets in the First American Government Obligations Money Market Fund.

**SECURITY TRANSACTIONS AND INVESTMENT INCOME:**

The Company 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 Company'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.

The Fund recognizes the tax benefits of uncertain tax positions only when the position is "more likely than not" to be sustained assuming examination by tax authorities. Management has analyzed the Fund's tax positions and has concluded that no liability for unrecognized tax benefits should be recorded related to uncertain tax positions taken on prior years returns or expected to be taken on the Fund's 2009 tax return. The Fund is not aware of any tax positions for which it is reasonably possible that the total amount of unrecognized tax benefits will change materially in the next 12 months.

**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 amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements 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 year end Dec. 31, 2009, the Fund decreased undistributed net investment income by \$228,586, increased accumulated net realized investment loss by \$19 and decreased paid in capital by \$228,567.

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, 2009, \$19,843 of redemption fees were returned to the Fund through shareholder redemptions.

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### 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 year ended December 31, 2009, the Adviser earned \$768,865 in Advisor fees. 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 December 31, 2009.

Adviser will be entitled to recapture 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. In 2009 Adviser received \$14,002 of \$27,914 available for recapture of prior expense waivers. At Dec. 31, 2009 Adviser had no remaining balance left for recapture.

### 4.) PURCHASES AND SALES OF SECURITIES

For the year ended December 31, 2009, purchases and sales of investment securities other than U.S. Government obligations/short-term investments totaled \$22,199,774 and \$21,604,538 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 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 October 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 year ended Dec. 31, 2009 and the year ended Dec. 31, 2008 is as follows:

	<u>2009</u>	<u>2008</u>
Net Investment Income	\$ 0	\$ 1,083,001
Long Term Capital Gain	\$ 161,401	\$ 5,365,781

\* The Fund designated \$161,401 as a long term capital gain dividend pursuant to Internal Revenue Code Section 852 (b) (3).

At Dec. 31, 2009, the components of accumulated earnings/(losses) on a tax basis were as follows:

Costs of investments for federal income tax purposes	<u>\$64,394,416</u>
Gross tax unrealized appreciation	7,187,716
Gross tax unrealized depreciation	<u>(10,881,269)</u>
Net tax unrealized depreciation	<u>(3,693,553)</u>
Accumulated realized loss on investments –net	<u>(212,683)</u>
Accumulated Loss	<u><u>\$ (3,906,236)</u></u>

At Dec. 31, 2009, The Fund had net realized losses of \$196,099 which are deferred for tax purposes and were realized on Jan. 1, 2010. At Dec. 31, 2009 the Fund had a net capital loss carry forward of \$16,584 which expires in 2017.

### 6.) SUBSEQUENT EVENTS

Management has evaluated Fund related events and transactions occurring subsequent to yearend through February 26, 2010. There were no events or transactions that occurred during this period that materially impacted the Fund's financial statements.

**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, 2009, 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, 2009. 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, 2009, 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, 2009, 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, in conformity with accounting principles generally accepted in the United States of America.

**TAIT, WELLER & BAKER LLP  
Philadelphia, Pennsylvania  
February 20, 2010**

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### 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 December 31, 2009, 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 (unaudited)

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.

Name, Age	Position with Fund	Term of Office Length of Time Served	Principal Occupation During Past 5 years	Other Directorships
<b>Interested Trustee</b>				
John E. Deysher, CFA (54)	Trustee	Unlimited Since Inception	President, Secretary, Treasurer Pinnacle Value Fund	None
<b>Independent Trustees</b>				
Edward P. Breau, CFA (77)	Trustee	Unlimited Since Inception	Private Investor	None
Richard M. Connelly (54)	Trustee	Unlimited Since Inception	General Counsel JG Wentworth (finance)	None
James W. Denney (44)	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 Dr, Ste 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, 2009 through Dec. 31, 2009.

**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 “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% examples that appear in the shareholder reports of the other funds.

<b>Pinnacle Value Fund</b>	<b>Beginning Account Value</b> <u>July 1, 2009</u>	<b>Ending Account Value</b> <u>December 31, 2009</u>	<b>Expenses Paid During the Period*</b> <u>July 1, 2009 to December 31, 2009</u>
Actual	\$1,000.00	\$1,069.21	\$7.77
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 DEC. 31, 2009**

	<u>1 Year</u>	<u>Since Inception</u>
Pinnacle Value Fund	12.71%	9.16%
Russell 2000 Index	27.17%	9.01%

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

