



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

ANNUAL REPORT

December 31, 2012

Pinnacle Value Fund Annual Report

Dec. 31, 2012

Dear Fellow Shareholders,

Our Fund’s NAV rose 18.9% during 2012. We ended the year at 49 positions with a weighted average market cap of \$330 million, a dividend yield of 1.4% and a price to book value ratio of 100%. Our performance was somewhat better than the benchmark R2000 which rose 16.3%.

Total Return	2012	2011	2010	2009	2008
Pinnacle Value Fund	18.9%	(4.9)%	13.5%	12.7%	(16.9)%
Russell 2000	16.3	(4.2)	26.9	27.1	(33.8)
S&P 500	15.9%	2.1%	15.1%	26.5%	(37.0)%

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

The State of the Market

Market volatility continued in 2012 as the R2000 notched big gains in Q1, gave back roughly a third in Q2 and then ground slowly higher in the last six months to end the year up 16.3%. Volatility was driven largely by macro factors such as the fiscal cliff/national debt crisis, the state of Europe/ China/(fill in the blank) and the impact of continuing fiscal and monetary stimulus here at home. At the individual company level, most firms delivered as expected and earnings disappointments were few. With liquidity at record highs and interest rates at record lows, investors continued to value earnings and cash flows at robust multiples. However, liquidity is a two edged sword. It can raise asset prices but it can also create overcapacity, over confidence and over valuations. Currently, I suspect we are seeing all three.

The R2000 recently made an all time high, surpassing pre-crisis levels. The higher the market, the fewer undervalued securities and we are having trouble finding an adequate number of attractive ideas. As most of you know, we’ve been cautious about the general stock market level for the last few years. To date, this worry has been unnecessary. However, with the abundance of cheap money and the prevalence of high frequency trading, we believe there is a fairly high speculative component to today’s market with a corresponding risk of loss. Perhaps we’re wrong but we’d rather suffer the penalties of being too conservative than face the consequences of error, perhaps including capital loss, from embracing the current environment where equities are the only “viable/suitable” asset class.

Portfolio Activity

Back at the ranch, portfolio activity was fairly modest with portfolio turnover of 8% as we watched many of the seeds we planted a few years ago begin to blossom. We lowered our stake in furniture makers Flexsteel and Stanley Furniture which benefitted from the uptick in housing. While housing may still have some upside, we feel much of the improvement is already reflected in the share price

and we felt it wise to take some profits. We also reduced our position in machine tool maker Hardinge where we suspect much of the recent sales uptick is artificially driven by low cost financing, the absence of which could decimate a cyclical industry like machine tools.

On the buy side we added to our position in National Security Group, a small Alabama based property & casualty insurer with significant timber holdings. We also added to our position in Guggenheim Solar, an ETF specializing in solar stocks that is down 95% from the solar share peak set in mid 2008. Generally when an industry is down 90-95%, it gets our attention especially when an ETF provides the opportunity to own a basket of stocks. So far this bet hasn't worked but as it's early, we still believe solar has a bright future. Finally, we bought Alco Stores, a regional variety store whose share price trades at a discount to net working capital- an investment approach pioneered by Ben Graham.

Winners vs. Sinners- 2012

As you might expect in an up year like 2012, winners outpaced sinners. Top performer Christopher & Banks, a woman's apparel chain, benefitted from the turnaround expertise of a new CEO who quickly rationalized the store base and revamped merchandising. Profits and a higher stock price quickly followed. Our banks did well and benefitted from low cost funding, modest loan growth and receding problem loans. Preferred Bank, Wilshire Bank and Anchor Bancorp were all purchased near the point of maximum pessimism a few years ago. The regulators forced each to strengthen their capital ratios by issuing common equity at favorable terms, which we were able to take advantage of. The additional capital provided comfort to the banks' clients allowing business as usual to continue as the economy improved. At this point their balance sheets are fairly liquid, providing a buffer against the prospect of higher interest rates. With the heavy lifting largely complete, we've taken some profits.

The top detractor was Guggenheim Solar, an ETF specializing in solar stocks. This industry has undergone significant changes in recent years as capacity mushroomed, prices plunged and governments became less generous with subsidies and tax credits. The industry is rationalizing and the survivors will be well positioned as prices stabilize and the cost of solar per KW Hour approaches parity with traditional grid sources. First Acceptance (non standard auto insurance) continues to struggle with poor industry pricing and a high fixed cost structure. New management is making progress at growing premiums and reducing losses. Our ultra-short market ETFs have so far been a mistake given the market's rise.

By now you should have received your year end statement. The Fund distributed \$.56/sh in long term capital gains in late December so you should also have received a Form 1099-DIV for 2012 if you held your shares in a taxable account. As always, should you have any questions about your account or the Fund, don't hesitate to call or write. Thanks for your continued support.

John E. Deysher
President & Portfolio Manager
212-605-7100

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

TOP 10 POSITIONS

	% net assets
1. Preferred Bank- Chinese American bank	4.5%
2. Hallmark Financial- multi-line specialty insurer	4.5
3. Montpelier Re- multi-national reinsurer	4.2
4. Wilshire Bank- Korean American bank	4.1
5. MVC Capital- business development co.	3.3
6. Asta Funding- specialty finance co.	3.3
7. Capital Southwest- business development co.	3.2
8. First Acceptance- non standard personal auto insurance	3.2
9. Christopher & Banks- woman's retailer	3.1
10. Anchor Bank- savings bank	2.5
Total	35.9%

YTD TOP 5 WINNERS (realized & unrealized gains)

1. Christopher & Banks	\$1,809,600
2. Preferred Bank	1,130,000
3. Wilshire Bank	1,079,100
4. Anchor Bancorp	750,400
5. Capital Southwest	615,700
Total	\$5,384,800

YTD TOP 5 SINNERS (realized & unrealized losses)

1. Guggenheim Solar ETF	\$156,100
2. First Acceptance	144,300
3. Ultra short Tech ETF	58,500
4. Ultra short R2000 Growth ETF	57,000
5. Ambassador Group	17,600
Total	\$433,500

SECURITY CLASSIFICATIONS

Government & Prime Money Market Funds	35.3%
Insurance	19.1
Banks & Thrifts	11.5
Closed End & Exchange Traded Funds	9.8
Financial Services	8.3
Consumer Goods & Services	7.5
Industrial Goods & Services	3.8
Real Estate Investment Trusts	2.9
Conglomerates	1.8
Total	100%

PINNACLE VALUE FUND
BERTOLET CAPITAL TRUST

Schedule of Investments
December 31, 2012

Shares/Principal Amount		Basis	Market Value	% of Assets
COMMON STOCKS				
Banks & Thrifts				
93,800	Anchor Bancorp *	\$ 720,836	\$ 1,331,960	
1,600	BBCN Bancorp, Inc.	12,535	18,512	
165,904	Preferred Bank *	1,247,446	2,355,837	
13,700	Suffolk Bancorp *	112,764	179,470	
367,007	Wilshire Bancorp *	<u>1,099,792</u>	<u>2,154,331</u>	
		<u>3,193,373</u>	<u>6,040,110</u>	11.47%
Conglomerate				
100	Steel Partners Holdings L.P. *	1,109	1,179	
142,049	Regency Affiliates, Inc. *	<u>750,235</u>	<u>923,318</u>	
		<u>751,344</u>	<u>924,497</u>	1.76%
Fabricated Metal Products				
71,700	Hardinge, Inc.	256,224	712,698	
12,150	Keystone Consol Industries, Inc. *	<u>95,170</u>	<u>82,620</u>	
		<u>351,394</u>	<u>795,318</u>	1.51%
Financial Services				
181,387	Asta Funding, Inc.	255,942	1,724,990	
238,445	BKF Capital Group, Inc. *	783,446	250,367	
512,840	Cadus Corp. *	828,076	717,976	
285,670	CoSine Communications, Inc. *	697,285	571,340	
117,200	Kent Financial Services, Inc. *	265,452	199,240	
1,141,027	SWK Holdings Corp. *	<u>970,970</u>	<u>924,232</u>	
		<u>3,801,171</u>	<u>4,388,145</u>	8.34%
Furniture & Fixtures				
20,000	Hooker Furniture	210,009	290,600	
10,304	Flexsteel Industries, Inc. *	52,943	221,021	
107,218	Stanley Furniture Company, Inc. *	<u>324,652</u>	<u>482,481</u>	
		<u>587,604</u>	<u>994,102</u>	1.89%
Greeting Cards & Giftwrap				
39,600	CSS Industries, Inc.	<u>640,739</u>	<u>866,844</u>	1.65%
Insurance				
31,448	EMC Insurance Group, Inc.	578,620	750,978	
1,354,213	First Acceptance Corp. *	2,902,013	1,692,766	
250,724	Hallmark Financial Services, Inc. *	1,640,612	2,354,298	
26,840	Independence Holding Co.	116,279	255,517	
97,400	Montpelier Re Holdings Ltd.	1,301,861	2,226,564	
80,363	National Security Group, Inc.	670,101	687,104	
900	Navigators Group, Inc. *	33,483	45,963	
80,400	Old Republic International Corp.	627,565	856,260	
109,089	Seabright Holdings, Inc.	<u>700,444</u>	<u>1,207,615</u>	
		<u>8,570,978</u>	<u>10,077,065</u>	19.14%
Retail-Variety Stores				
15,050	ALCO Stores, Inc. *	<u>114,259</u>	<u>141,711</u>	0.27%
Retail-Women's Clothing Stores				
301,600	Christopher & Banks Corp. *	<u>318,627</u>	<u>1,643,720</u>	3.12%

* Non-Income producing securities.

** Variable rate security; the money market rate shown represents the yield at December 31, 2012.

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, 2012

Shares/Principal Amount			Basis	Market Value	% of Assets
Test & Measurement					
50,200	Electro Sensors, Inc.		199,619	189,254	
21,600	Perceptron, Inc.		<u>57,442</u>	<u>127,440</u>	
			<u>257,061</u>	<u>316,694</u>	0.60%
Security Services					
65,107	Costar Technologies, Inc. *		<u>554,772</u>	<u>145,189</u>	0.28%
Educational Services					
70,201	Ambassador Group, Inc.		<u>297,108</u>	<u>299,056</u>	0.57%
Real Estate Investment Trusts					
30,700	American Land Lease, Inc. PFD 7.75% Series A		644,555	739,870	
41,500	Getty Realty Corp.		586,745	749,490	
2,100	Vestin Realty Mortgage I, Inc. *		2,597	2,310	
4,400	Vestin Realty Mortgage II, Inc. *		<u>6,377</u>	<u>6,424</u>	
			<u>1,240,274</u>	<u>1,498,094</u>	2.85%
Trucking					
45,972	P.A.M. Transportation Services, Inc.		<u>184,182</u>	<u>470,293</u>	0.89%
Water Supply					
100	Consolidated Water Co.		<u>731</u>	<u>740</u>	0.00%
Total for Common Stock			<u>\$ 20,863,617</u>	<u>\$ 28,601,578</u>	<u>54.34%</u>
Closed-End & Exchange Traded Funds					
17,100	Capital Southwest Corp.		1,269,721	1,703,673	
2,600	Central Europe & Russia Fund, Inc.		31,314	88,192	
5,190	Guggenheim Solar		79,579	81,172	
64,780	Japan Smaller Capitalization Fund, Inc.		414,665	466,416	
143,437	MVC Capital, Inc.		1,254,961	1,742,759	
29,059	Petroleum & Resources Corp.		494,948	695,091	
4,200	ProShares UltraShort Russell 2000 Growth *		125,697	101,296	
4,000	ProShares UltraShort Technology *		165,667	148,000	
4,217	Singapore Fund, Inc.		25,623	58,954	
5,062	Turkish Investment Fund, Inc.		<u>21,581</u>	<u>84,232</u>	
Total for Closed-End & Exchange Traded Funds			<u>\$ 3,883,756</u>	<u>\$ 5,169,785</u>	<u>9.82%</u>
SHORT TERM INVESTMENTS					
Money Market Fund					
19,628,895	First American Government Obligation Fund Class Z 0.02% **		<u>19,628,895</u>	<u>19,628,895</u>	<u>37.29%</u>
Total for Short Term Investments			<u>\$ 19,628,895</u>	<u>\$ 19,628,895</u>	<u>37.29%</u>
Total Investments			<u>\$ 44,376,268</u>	<u>\$ 53,400,258</u>	<u>101.45%</u>
Liabilities in excess of other Assets				<u>(762,894)</u>	<u>-1.45%</u>
Net Assets				<u>\$ 52,637,364</u>	<u>100.00%</u>

* Non-Income producing securities.

** Variable rate security; the money market rate shown represents the yield at December 31, 2012.

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

Statement of Assets and Liabilities

December 31, 2012

Assets:

Investment Securities at Market Value	\$ 53,400,258
(Identified Cost \$44,376,268)	
Cash	7,183
Receivables:	
Shareholder Subscriptions	102,200
Dividends and Interest	42,561
Prepaid Expenses	<u>4,000</u>
Total Assets	<u>53,556,202</u>

Liabilities:

Payable to Advisor	683,526
Shareholder Redemptions	216,785
Accrued Expenses	<u>18,527</u>
Total Liabilities	<u>918,838</u>

Net Assets	<u><u>\$ 52,637,364</u></u>
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Net Assets Consist of:

Paid-In Capital	\$ 43,796,944
Accumulated Realized Loss on Investments - Net	(183,570)
Unrealized Appreciation in Value of Investments Based on Identified Cost - Net	<u>9,023,990</u>

Net Assets	<u><u>\$ 52,637,364</u></u>
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Net Asset Value and Redemption Price

Per Share (\$52,637,364/3,300,819 shares outstanding), no par value, unlimited shares authorized	<u><u>\$ 15.95</u></u>
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The accompanying notes are an integral part of the financial statements.

Statement of Operations

For the Year Ended December 31, 2012

Investment Income:

Dividends	\$ 608,718
Interest	<u>4,145</u>
Total Investment Income	<u>612,863</u>

Expenses:

Investment Advisor Fees (Note 3)	624,660
Transfer Agent & Fund Accounting Fees	42,224
Insurance Fees	16,189
Custodial Fees	16,737
Audit Fees	15,043
Registration Fees	7,057
Trustee Fees	10,013
Legal Fees	573
Miscellaneous Fees	6,882
Printing & Mailing Fees	<u>4,254</u>
Total Expenses	743,632
Expense Recoupment (Note 3)	<u>879</u>
Net Expenses	<u>744,511</u>

Net Investment Loss	<u>(131,648)</u>
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Realized and Unrealized Gain (Loss) on Investments:

Net Realized Gain on Investments	1,232,019
Capital Gain Distributions from Regulated Investment Companies	336,256
Change in Unrealized Appreciation on Investments	<u>7,127,874</u>

Net Realized and Unrealized Gain on Investments	<u>8,696,149</u>
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Net Increase in Net Assets from Operations	<u>\$ 8,564,501</u>
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Statement of Changes in Net Assets

	Year Ended <u>12/31/2012</u>	Year Ended <u>12/31/2011</u>
From Operations:		
Net Investment Loss	\$ (131,648)	\$ (519,346)
Net Realized Gain on Investments	1,232,019	472,127
Capital Gain Distributions from Regulated Investment Companies	336,256	63,909
Net Unrealized Appreciation (Depreciation)	<u>7,127,874</u>	<u>(2,807,778)</u>
Increase (Decrease) in Net Assets from Operations	<u>8,564,501</u>	<u>(2,791,088)</u>
From Distributions to Shareholders:		
Net Realized Gain from Security Transactions	<u>(1,787,127)</u>	<u>-</u>
Total Distributions to Shareholders	<u>(1,787,127)</u>	<u>-</u>
From Capital Share Transactions: ^(a)		
Proceeds From Sale of Shares	4,956,212	11,074,982
Shares issued in Reinvestment of Dividends	1,663,219	-
Cost of Shares Redeemed	<u>(8,398,971)</u>	<u>(25,119,765)</u>
Net Decrease from Shareholder Activity	<u>(1,779,540)</u>	<u>(14,044,783)</u>
Net Increase (Decrease) in Net Assets	<u>4,997,834</u>	<u>(16,835,871)</u>
Net Assets at Beginning of Period	<u>47,639,530</u>	<u>64,475,401</u>
Net Assets at End of Period ^(b)	<u>\$ 52,637,364</u>	<u>\$ 47,639,530</u>
Share Transactions:		
Issued	323,531	763,925
Reinvested	105,134	-
Redeemed	<u>(557,787)</u>	<u>(1,746,369)</u>
Net increase in shares	(129,122)	(982,444)
Shares outstanding beginning of Period	<u>3,429,941</u>	<u>4,412,385</u>
Shares outstanding end of Period	<u>3,300,819</u>	<u>3,429,941</u>

^(a) Net of Redemption Fees of \$6,474 for December 31, 2012, and \$9,668 for December 31, 2011.

^(b) Includes undistributed net investment income of \$0 at December 31, 2012 and \$0 at December 31, 2011

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>12/31/2012</u>	Year Ended <u>12/31/2011</u>	Year Ended <u>12/31/2010</u>	Year Ended <u>12/31/2009</u>	Year Ended <u>12/31/2008</u>
Net Asset Value -					
Beginning of Period	\$ 13.89	\$ 14.61	\$ 12.87	\$ 11.45	\$ 15.57
Net Investment Income (Loss) *	(0.04)	(0.13)	(0.12)	(0.04)	0.15
Net Gains or Losses on Securities (realized and unrealized)	2.66	(0.59)	1.86	1.49	(2.80)
Total from Investment Operations	2.62	(0.72)	1.74	1.45	(2.65)
Distributions from Net Investment Income	-	-	-	-	(0.14)
Distributions from Capital Gains	(0.56)	-	-	(0.03)	(1.33)
	(0.56)	-	-	(0.03)	(1.47)
Paid-in Capital from Redemption Fees (Note 2) ^(a)	-	-	-	-	-
Net Asset Value -					
End of Period	\$ 15.95	\$ 13.89	\$ 14.61	\$ 12.87	\$ 11.45
Total Return	18.88%	(4.93)%	13.52%	12.71%	(16.87)%
Ratios/Supplemental Data					
Net Assets - End of Period (Thousands)	\$ 52,637	\$ 47,640	\$ 64,475	\$ 59,795	\$ 57,365
Before Reimbursement					
Ratio of Expenses to Average Net Assets	1.49%	1.48%	1.47%	1.47%	1.44%
Ratio of Net Income (Loss) to Average Net Assets	(0.26)%	(0.93)%	(0.91)%	(0.35)%	1.12%
After Reimbursement					
Ratio of Expenses to Average Net Assets	1.49%	1.47%	1.47%	1.49%	1.49%
Ratio of Net Income (Loss) to Average Net Assets	(0.26)%	(0.91)%	(0.91)%	(0.37)%	1.06%
Portfolio Turnover Rate	8.14%	34.11%	5.46%	63.12%	66.37%

* 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 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 on that day. Lacking a last sale price, a security is valued at its last bid price on that day 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 by 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. 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 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 investment which are summarized in the following three broad levels:

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

The availability of observable inputs may vary by security and is affected by a wide variety of factors including type of security, liquidity and other characteristics unique to the security. If valuation is based on models or inputs that are less observable or unobservable in the market, determination of fair value requires more judgment. Thus, the degree of judgment exercised in determining fair value is greatest for Level 3 investments. Inputs used in valuing securities are not indicative of associated risks. The below table summarizes the inputs used at December 31 2012:

	Level 1	Level 2	Level 3	Total
Equity *	\$33,626,174	145,189	0	\$33,771,363
Money Market Funds	19,628,895	0	0	19,628,895
Investments at Market	\$53,255,069	145,189	0	\$53,400,258

* See Schedule of Investments for industry breakout.

The Fund has adopted the financial accounting reporting rules required by the Derivatives and Hedging Topic of FASB Accounting Standards Codification (FASB ASC). Fund is required to include enhanced disclosure that enables investors to understand how and why a fund uses derivatives, how they are accounted for and how they affect a fund's results. For year end December 31, 2012, Fund held no derivative instruments.

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 December 31, 2012 the Fund invested approximately 37% of net assets in the First American Government Obligations Money Market Fund which normally invests 100% of assets in Government and Agency securities with an objective of maximum current income consistent with capital preservation and maintenance of liquidity. First American Government Obligations Money Market Fund's financial statements are available on the SEC website www.sec.gov.

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 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 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 upon examination by tax authority. Management has analyzed the Fund's tax positions and concluded that no liability for unrecognized tax benefits should be recorded related to uncertain tax positions taken on the prior three year returns or expected to be taken on the Fund's 2012 tax return. The Fund is not aware of any tax position for which it is reasonably possible that the total amount or unrecognized tax benefits will change materially in the next 12 months.

GAAP requires 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 ended Dec. 31, 2012, the Fund increased paid in capital by \$35,405, and decreased net investment loss by \$131,648, increased accumulated realized loss by \$167,053.

ESTIMATES:

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

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 NAV of shares at the time of redemption and is deducted from proceeds otherwise payable to shareholder. For the year ended December 31, 2012, \$6,474 of redemption fees were returned to 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 year ended Dec. 31, 2012, Adviser earned \$624,660 in fees.

A Fund officer and trustee is also an officer and trustee of Adviser. Advisory Agreement provides for fee waiver and expense reimbursement by Adviser if Fund Annual Total Expenses exceed 1.49% average daily net assets through Dec. 31, 2012.

Adviser will be entitled to reimbursement of fees waived or expenses reimbursed by Adviser to Fund. Fees waived or expenses reimbursed during a given year may be paid to Adviser during the following three year period if payment of such amounts does not cause the Fund to exceed the expense limit. For the year ended Dec. 31, 2012, Adviser recouped \$879 of prior waivers/reimbursements from the Fund and has \$7,829 available for recoupment expiring Dec. 31, 2014.

4.) PURCHASES AND SALES OF SECURITIES

For the year ended Dec. 31, 2012, purchases and sales of investment securities other than U.S. Government obligations/short-term investments totaled \$2,567,917 and \$5,294,659, 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 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 event that an option related security price moves in a direction favorable to Fund, benefits realized as result of such favorable movement will be reduced by the option premium 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.

The tax nature of distributions paid during year end Dec 31, 2012 and year end Dec 31, 2011 are:

	<u>2012</u>	<u>2011</u>
Net Investment Income	\$ 0	\$ 0
Long Term Capital Gain	\$ 1,787,127	\$ 0

At Dec. 31, 2012, the components of accumulated earnings/(losses) on a tax basis were as follows:

Costs of investments for federal income tax purposes	<u>\$44,770,984</u>
Gross tax unrealized appreciation	\$11,238,058
Gross tax unrealized depreciation	<u>(2,608,784)</u>
Net tax unrealized appreciation	8,629,274
Accumulated realized gain on investments –net	<u>211,146</u>
Accumulated Gain	<u>\$ 8,840,420</u>

6.) SUBSEQUENT EVENTS

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

7.) NEW ACCOUNTING PRONOUNCEMENT

In Dec. 2011, FASB issued ASU No. 2011-11 related to disclosures about offsetting assets and liabilities. The amendments in this ASU require an entity to disclose information about offsetting and related arrangements to enable users of its financial statements to understand the effect of those arrangements on its financial position. The ASU is effective for annual reporting periods beginning on or after Jan. 1, 2013, and interim periods within those annual periods. The guidance requires retrospective application for all comparative periods presented. The Adviser is currently evaluating the impact ASU 2011-11 will have on the financial statement disclosures.

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, 2012, 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 then ended. 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, 2012, 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, 2012, 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 25, 2013**

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 most recent 12 month period ended June 30, are available without charge upon request by calling 877-369-3705 or visiting www.pinnaclevaluefund.com or www.sec.gov.

QUARTERLY PORTFOLIO HOLDINGS (unaudited)

Fund files a complete schedule of investments with the SEC for the first and third quarter of each fiscal year on Form N-Q. Fund's first and third fiscal quarters end on March 31 and Sept. 30. Form N-Q filing must be made within 60 days of the end of the quarter, and Fund's first Form N-Q was filed with the SEC on Nov. 29, 2004. Fund Form N-Qs 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 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
Interested Trustee				
John E. Deysher, CFA (57)	Trustee	Unlimited Since Inception	President, Secretary, Treasurer Pinnacle Value Fund	None
Independent Trustees				
Edward P. Breau, CFA (80)	Trustee	Unlimited Since Inception	Private Investor	None
Richard M. Connelly (57)	Trustee	Unlimited Since Inception	Counsel, Chief Compliance Officer JG Wentworth (finance)	None
James W. Denney (47)	Trustee	Unlimited Since Inception	President, Mohawk Asset Management	None

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- 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,- 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, 2012 through Dec. 31, 2012.

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.

Pinnacle Value Fund	Beginning Account Value July 1, 2012	Ending Account Value December 31, 2012	Expenses Paid during the Period* July 1, 2012 to December 31, 2012
Actual	\$1,000.00	\$1,078.52	\$7.78
Hypothetical (5% Annual Return before expenses)	\$1,000.00	\$1,017.65	\$7.56

* Expenses are equal to the Fund’s annualized expense ratio of 1.49%, multiplied by the average account value over the period, multiplied by 184/366 (to reflect the one-half year period).

AVERAGE ANNUAL RATE OF RETURN (%) FOR PERIOD ENDED DECEMBER 31, 2012

	<u>1 Year</u>	<u>3 Year</u>	<u>5 Year</u>	<u>Since Inception</u>
Pinnacle Value Fund	18.88%	8.65%	3.75%	9.01%
Russell 2000 Index	16.36%	12.23%	3.55%	9.99%

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. Investment return and principal value will fluctuate so that your shares, when redeemed, may be worth more or less than their 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.

