



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

**SEMI-ANNUAL
REPORT**

June 30, 2006

Pinnacle Value Fund Semi Annual Report

June 30, 2006

Dear Fellow Shareholders,

Domestic equity markets both large and small continued to move ahead in the first half of 2006. However, the difference between quarters one and two was remarkable. In the first quarter, stocks soared as most investors adopted a “goldilocks” posture towards the economy- one not too hot or too cold which might bring an end to the Fed’s two year campaign of raising interest rates. Then, in early May the Fed Chairman and various Fed officials made some hawkish comments about the outlook for rates which promptly sent equity markets down worldwide before they finally stabilized at quarter’s end.

Even with the decline, valuations remain robust in our opinion with the S&P 500 trading at 18 times earnings, 3.3 times book and yielding 1.7%. The major indices are still ahead for the year and fear, doubt and uncertainty are largely absent. Emerging market and high yield credit spreads relative to treasuries remain low indicating an appetite for risk. Whether this continues in the face of recalcitrant energy prices, weakening housing and percolating inflation remains to be seen. The pickings remain slim but our enthusiasm continues unabated. Rest assured we are ready for any opportunities that unfold.

While it ‘s very challenging to make money in today’s stock market, our year to date results were acceptable on both an absolute and relative basis:

Total Return	YTD 2006	2005	2004	2003*
Pinnacle Value Fund	7.6%	8.5%	19.6%	13.7%
Russell 2000**	8.2	4.6	18.3	47.5
S&P 500**	2.7%	4.9%	10.9%	28.7%

*Fund inception April 1, 2003.

** Includes dividend reinvestment. Returns do not reflect taxes on Fund distributions or redemptions of shares held in taxable accounts.

We ended June 50% invested and averaged about 45% invested for the six months. We are hitting on 4 cylinders instead of the preferred 8. It is our hope to be hitting on all 8 (be fully invested) at some point in the future but not at the risk of permanent impairment to our capital. Cash is now earning 5.2% with minimal risk. Our benchmark, the Russell 2000 was quite volatile during the period. By early May it was up roughly 14% which promptly evaporated in the following month as investors reacted to the Fed’s comments. Both the Russell and the S&P rebounded in late June ending in the black. This volatility is indicative of the tremendous amount of money being managed in hair trigger fashion where sentiment can shift between bullishness and bearishness in minutes.

June 30 Fund net assets were \$21,000,000 up from \$12,000,000 a year ago. We now own 49 positions across a variety of industries with a weighted average market cap of \$90 million. We were net sellers during the first quarter when prices were rising and net buyers during the second quarter when prices were falling.

The Importance of Management Contact.

Some of you have asked whether speaking with a company's management is a requirement for our initiating or maintaining a position. In the world of small and micro-cap investing, getting to know management is a key part of our due diligence. We're in ongoing contact with the management of virtually every company we own. To get a sense of how and when we speak with management, let's look at our investment process:

1. **Idea generation.** Investment ideas come from a variety of sources including the daily new low list, quantitative screens, review of SEC filings, general and trade periodicals and discussions with corporate executives and like minded investors. Initially, the company must exhibit a strong balance sheet and a 5-10 year operating history.

2. **Grass roots due diligence.** Once we decide to pursue an idea, we subject it to rigorous qualitative and quantitative research. Basically, we're trying to learn as much as possible about the company and the industry in which it competes. This involves an assessment of management (intelligence, energy, integrity, experience, share ownership), the financials, growth prospects, competitive landscape, barriers to entry, bargaining power of customers and vendors and vulnerability to imports or other substitutes. This process involves a lot of reading, data base searches and talking on the phone. At its end, we'll hopefully have identified 4-6 "critical issues" which, addressed correctly, can help pinpoint a company's prospects.

3. **Discussions with management.** At this point, we'll attempt to speak with the firm's CEO or CFO to address the "critical issues". Realizing that we only have a limited time with them we want to get to the heart of the matter quickly. We've already done a good deal of preliminary work and have a good understanding of the basics. What we're attempting to do now is get inside their heads to determine or further understand their strategic, operating and financial priorities. Sometimes they're comfortable discussing these matters, sometimes not. Obviously, we don't want inside information which would severely limit our options. However, good securities analysis is often about obtaining intelligence no one else has. Sometimes that requires asking tough questions. But, if done diplomatically, you'd be surprised at the answers you get.

4. **Sanity check.** Assuming we like what management says, our final step is a sanity check to make sure we've covered all the bases. What are we missing? Are our facts, reasoning and logic correct? What about valuations? If the answers are satisfactory, we'll normally start buying shares. If not, we'll go back and attempt to "fill in the blanks" to arrive at a reasonable conclusion. Once we own shares, we'll stay in regular touch with management via quarterly earnings conference calls or more frequently if necessary.

By now you should have received your June 30 statement. The Fund celebrated its third anniversary on April 1 - a special thanks to all loyal shareholders. As always, if you have any questions about your account or the Fund, don't hesitate to call or write.

Thank you for your continued support and enthusiasm.

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

Pinnacle Value Fund
1414 Sixth Ave- 900
New York, NY 10019

TOP 10 POSITIONS**% net assets**

1. MVC Capital- Business Development Company	6.0%
2. Conrad Ind.- Gulf of Mexico shipbuilding and repair	5.8
3. Cadus- Cash rich shell with substantial net operating loss carryforwards	3.0
4. WHX Corp.- Bankruptcy reorganization Handy & Harman	2.4
5. Utd. Capital- Net leases real estate, automotive components	2.4
6. Regency Affiliates- Real estate, aggregates, power generation	2.1
7. American Locker Gp.- Mailboxes & metal storage lockers	1.9
8. Aristotle Corp. Conv. Pfd.- Supplementary education materials	1.7
9. SCPIE Hldgs.- Medical malpractice insurer	1.5
10. New Horizons- IT training centers	1.5
Total	28.3%

YTD TOP 5 WINNERS (realized & unrealized gains)

1. Conrad Industries	\$601,300
2. MVC Capital	262,000
3. Utd. Retail	153,400
4. Utd. Capital	104,400
5. New Horizons	96,000
Total	\$1,217,100

YTD TOP 5 SINNERS (realized & unrealized losses)

1. Quaker Fabrics	\$129,300
2. IWM, XLF Put contracts (hedge)	106,000
3. Brantley Capital Corp.	87,300
4. Delta Woodside	74,000
5. American Locker Group	57,000
Total	\$453,600

SECURITY CLASSIFICATIONS

Cash Equivalents	50.0%
Industrial Goods & Services	18.7
Conglomerates	8.8
Financial Services/ Insurance	7.3
Business Development Cos.	7.1
Consumer Goods & Services	5.0
Auction Market Pfds	1.9
Put Options	1.2
Total	100.0%

Schedule of Investments (Unaudited)

June 30, 2006

Shares/Principal Amount	Basis	Market Value	% of Assets
COMMON STOCKS			
Apparel/Footwear/Components			
45,900 RG Barry*	59,025	231,525	
200 Velcro Industries NV	2,449	2,792	
	61,474	234,317	1.12%
Beverages & Food			
9,400 American Italian Pasta*	63,309	80,464	
13,700 Farmer Brothers	274,862	297,016	
50,000 Pyramid Brewery *	92,773	134,000	
	430,944	511,480	2.44%
Business Development Cos.			
77,630 Brantley Capital Corp. *	256,308	170,786	
8,300 BKF Capital Group, Inc.*	49,740	51,875	
93,900 MVC Capital	837,204	1,262,016	
	1,143,252	1,484,677	7.08%
Conglomerate			
70,268 Argan, Inc. *	328,082	186,210	
80,400 Regency Affiliates *	470,074	434,160	
19,800 United Capital Corp.	420,350	524,700	
54,922 WHX Corp. *	557,202	505,282	
14,800 McRae Industries	164,692	185,000	
	1,940,400	1,835,352	8.75%
Electric Housewares & Fans			
2,200 National Presto Industries, Inc.	89,068	115,016	0.55%
Financial Services			
394,110 Cadus Corp. *	630,768	622,694	
88,500 Cosine Comm.*	214,095	234,525	
60,000 Dynabazaar *	18,786	21,600	
28,100 Kent Financial Services, Inc. *	60,245	64,630	
67,869 LQ Corp. *	116,385	112,663	
31,250 Novoste *	91,299	82,812	
6,850 Webfinancial Corp. *	62,599	82,542	
	1,194,177	1,221,466	5.82%
Furniture & Fixtures			
13,900 Reconditioned Systems *	24,980	38,086	0.18%
Industrial Instruments For Measurement, Display, and Control			
24,000 Electronic Sensors	102,276	106,560	0.51%
Insurance			
13,700 SCPIE Holdings, Inc. *	119,201	318,525	1.52%
IT Services			
400,000 New Horizons Worldwide Inc.*	224,000	320,000	
19,100 Technology Solutions Company *	204,204	176,675	
	428,204	496,675	2.37%
Healthcare Products/Equipment			
21,600 Allied Healthcare Products, Inc. *	106,121	125,280	0.60%
Mailboxes & Lockers			
77,200 American Locker Group, Inc. *	459,549	386,000	1.84%
Motor Vehicle Parts & Accessories			
1,300 Safety Components International, Inc.*	17,784	17,888	0.09%

The accompanying notes are an integral part of the financial statements

Schedule of Investments (Unaudited)

June 30, 2006

Shares/Principal Amount	Basis	Market Value	% of Assets
Optical Instruments & Lenses			
28,500 Meade Instruments Corp.*	\$ 78,768	\$ 69,825	
3,000 Refac Optical*	\$ 14,856	\$ 24,000	
	<u>93,624</u>	<u>93,825</u>	0.45%
Patent Owners & Lessors			
4,000 4 Kids Entertainment, Inc.*	64,160	64,840	
68,500 Opti, Inc. *	<u>101,770</u>	<u>226,050</u>	
	<u>165,930</u>	<u>290,890</u>	1.39%
Plastic Products			
46,200 Peak International, Ltd. *	<u>130,665</u>	<u>143,220</u>	0.68%
Primary Smelting & Refining of Nonferrous Metals			
1,000 Blue Earth Refineries *	<u>1</u>	<u>1,250</u>	0.01%
Ship & Boat Building & Repairing			
353,722 Conrad Industries, Inc. *	<u>621,134</u>	<u>1,238,027</u>	5.90%
Real Estate Investment Trusts			
21,320 Winthrop Realty Trust	104,700	126,641	
30 USA Real Estate Investors Trust	<u>14,490</u>	<u>17,100</u>	
	<u>119,190</u>	<u>143,741</u>	0.69%
Textile Mill Products			
229,480 Delta Woodside Industries, Inc. *	181,943	39,012	
172,700 Quaker Fabric *	540,524	234,872	
56,800 Unifi, Inc. *	<u>131,283</u>	<u>164,720</u>	
	<u>853,750</u>	<u>438,604</u>	2.09%
Total for Common Stock	<u>\$ 8,101,724</u>	<u>\$ 9,240,879</u>	<u>44.05%</u>
Auction Market Preferreds			
4 Aim Select Real Estate, Inc. Fund Pfd - W	100,000	100,000	
4 Advent Claymore Conv. Sec. Inc. Fund Pfd - M7	100,000	100,000	
4 Pioneer High Income Trust Pfd - M	100,000	100,000	
4 Western Asset Premium Bond Fund Pfd - M	<u>100,000</u>	<u>100,000</u>	
Total for Auction Market Preferred Stock	<u>\$ 400,000</u>	<u>\$ 400,000</u>	<u>1.91%</u>
Convertible Preferreds			
26,200 Ameritrans Capital Corp. Pfd	304,905	299,990	
44,254 Aristotle Corp. Convertible Pfd - I	<u>347,475</u>	<u>362,883</u>	
Total for Convertible Preferred Stock	<u>\$ 652,380</u>	<u>\$ 662,873</u>	<u>3.16%</u>
Put Contracts			
24,000 Financial Select Sector Jan '08 *	120,960	76,800	
11,500 Ishares Russell 2000 Index Jan '07 *	91,400	34,500	
14,500 Ishares Russell 2000 Index Jan '08 *	<u>217,225</u>	<u>143,550</u>	
Total for Put Contracts	<u>\$ 429,585</u>	<u>\$ 254,850</u>	<u>1.21%</u>
SHORT TERM INVESTMENTS			
Money Market Fund			
10,470,790 First American Government Obligation Fund Cl Y 5	<u>10,470,790</u>	<u>10,470,790</u>	49.91%
Total for Short Term Investments	<u>\$ 10,470,790</u>	<u>\$ 10,470,790</u>	<u>49.91%</u>
Total Investments	<u>\$ 20,054,479</u>	<u>\$ 21,029,392</u>	100.24%
Liabilities in Excess of Other Assets		<u>(49,807)</u>	<u>-0.24%</u>
Net Assets		<u>\$ 20,979,585</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, 2006

Assets:

Investment Securities at Market Value	\$ 21,029,392
(Identified Cost \$ 20,054,479)	

Receivables:

Dividends and Interest	56,065
Prepaid Expenses	12,258

Total Assets	21,097,715
--------------	------------

Liabilities:

Payables:

Advisory Fee Payable	110,147
Accrued Expenses	7,983

Total Liabilities	118,130
-------------------	---------

Net Assets	\$ 20,979,585
------------	---------------

Net Assets Consist of:

Paid-In Capital	\$ 18,380,392
-----------------	---------------

Accumulated Undistributed Net Investment Income	178,504
---	---------

Accumulated Realized Gain on Investments - Net	1,445,776
--	-----------

Unrealized Appreciation in Value of Investments Based on Identified Cost - Net	974,913
---	---------

Net Assets	\$ 20,979,585
------------	---------------

Net Asset Value and Redemption Price

Per Share (\$20,979,585/1,489,056 shares outstanding) , no par value, unlimited shares authorized	\$ 14.09
--	----------

Statement of Operations

For the six months ended June 30, 2006 (Unaudited)

Investment Income:	
Dividends	\$ 59,803
Interest	239,197
	<hr/>
Total Investment Income	299,000
Expenses: (Note 2)	
Investment Advisor Fees	119,739
Transfer Agent & Fund Accounting Fees	12,397
Legal Fees	2,975
Audit Fees	4,959
Insurance Fees	4,215
Printing & Mailing Fees	992
Trustee Fees	1,984
Custodial Fees	1,785
Registration Fees	2,680
Miscellaneous Fees	595
	<hr/>
Total Expenses	152,321
Reimbursed Expenses	(9,592)
	<hr/>
Net Expenses	142,729
	<hr/>
Net Investment Income	156,271
	<hr/>
Realized and Unrealized Gain (Loss) on Investments:	
Realized Gain on Investments	1,311,176
Change in Unrealized Depreciation on Investments	(34,519)
	<hr/>
Net Realized and Unrealized Gain (Loss) on Investments	1,276,657
	<hr/>
Net Increase in Net Assets from Operations	\$ 1,432,928
	<hr/>

Statement of Changes in Net Assets (Unaudited)

	Six Months Ended <u>6/30/2006</u>	Year Ended <u>12/31/2005</u>
From Operations:		
Net Investment Income	\$ 156,271	\$ 136,946
Net Realized Gain on Investments	1,311,176	732,848
Net Unrealized Appreciation (Depreciation)	<u>(34,519)</u>	<u>198,633</u>
Increase in Net Assets from Operations	<u>1,432,928</u>	<u>1,068,427</u>
From Distributions to Shareholders:		
Net Investment Income	0	(114,713)
Net Realized Gain from Security Transactions	<u>0</u>	<u>(899,591)</u>
	<u>0</u>	<u>(1,014,304)</u>
From Capital Share Transactions:		
Proceeds From Sale of Shares	2,489,705	8,629,713
Shares issued in Reinvestment of Dividends	0	960,226
Cost of Shares Redeemed	<u>(118,534)</u>	<u>(101,127)</u>
Net Increase from Shareholder Activity	<u>2,371,171</u>	<u>9,488,812</u>
Net Increase in Net Assets	<u>3,804,099</u>	<u>9,542,935</u>
Net Assets at Beginning of Period	<u>17,175,486</u>	<u>7,632,551</u>
Net Assets at End of Period ^(a)	<u><u>\$ 20,979,585</u></u>	<u><u>\$ 17,175,486</u></u>
Share Transactions:		
Issued	185,964	650,949
Reinvested	-	73,807
Redeemed	<u>(8,625)</u>	<u>(7,535)</u>
Net increase in shares	177,339	717,221
Shares outstanding beginning of period	<u>1,311,717</u>	<u>594,496</u>
Shares outstanding end of period	<u><u>1,489,056</u></u>	<u><u>1,311,717</u></u>

^(a) Includes undistributed net investment income of \$179,060 at June 30, 2006 and \$22,233 at December 31, 2005.

The accompanying notes are an integral part of the financial statements

Financial Highlights

Selected data for a share outstanding throughout the period.

	Six Months Ended <u>6/30/2006</u>	Year Ended <u>12/31/2005</u>	Year Ended <u>12/31/2004</u>	4/1/2003 [*] to <u>12/31/2003</u>
Net Asset Value -				
Beginning of Period	\$ 13.09	\$ 12.84	\$ 11.27	\$ 10.00
Net Investment Income (Loss) **	0.04	0.15	(0.02)	(0.09)
Net Gains or Losses on Securities (realized and unrealized)	<u>0.96</u>	<u>0.94</u>	<u>2.23</u>	<u>1.46</u>
Total from Investment Operations	<u>1.00</u>	<u>1.09</u>	<u>2.21</u>	<u>1.37</u>
Distributions from Net Investment Income	0.00	(0.10)	0.00	0.00
Distributions from Capital Gains	<u>0.00</u>	<u>(0.74)</u>	<u>(0.64)</u>	<u>(0.10)</u>
	0.00	(0.84)	(0.64)	(0.10)
Paid-in Capital from Redemption Fees (Note 2) ^(a)	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>
Net Asset Value -				
End of Period	<u>\$ 14.09</u>	<u>\$ 13.09</u>	<u>\$ 12.84</u>	<u>\$ 11.27</u>
Total Return	7.64 %	8.53 %	19.65 %	13.71 %
Ratios/Supplemental Data				
Net Assets - End of Period (Thousands)	\$ 20,980	\$ 17,175	\$ 7,633	\$ 4,725
Before Reimbursement				
Ratio of Expenses to Average Net Assets	1.59% ^(b)	1.90%	2.17%	4.00%
Ratio of Net Income (Loss) to Average Net Assets	1.53% ^(b)	0.68%	(0.54)%	(3.38)%
After Reimbursement				
Ratio of Expenses to Average Net Assets	1.49% ^(b)	1.49%	1.79%	1.78%
Ratio of Net Income (Loss) to Average Net Assets	1.63% ^(b)	1.10%	(0.16)%	(1.16)%
Portfolio Turnover Rate	40.59% ^(b)	28.00%	71.66%	68.44%

* Commencement of operations.

** Per share net investment Income (loss) is determined on basis of average shares outstanding during period.

^(a) Less than \$0.01 per share

^(b) Annualized

The accompanying notes are an integral part of the financial statements

Notes to Financial Statements (Unaudited)
June 30, 2006**1.) ORGANIZATION:**

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

2.) SIGNIFICANT ACCOUNTING POLICIES**SECURITY VALUATION:**

The Fund will primarily invest in equities and convertible securities. 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 the Adviser's opinion, last bid price does not accurately reflect the current value of the security. When market quotations are not readily available, when the 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 by the Board of Trustees.

Fixed income securities generally 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 utilizes electronic data processing techniques based on yield spreads relating to securities with similar characteristics to determine prices for normal institutional-size trading units 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 as determined in good faith by Adviser, subject to review by the Board of Trustees. Short term investments in fixed income securities with maturities of less than 60 days when acquired, or which subsequently are within 60 days of maturity, are valued by using the amortized cost method of valuation.

SHORT TERM INVESTMENTS:

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

SECURITY TRANSACTIONS AND INVESTMENT INCOME:

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

INCOME TAXES:

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

Notes to Financial Statements (Unaudited)

June 30, 2005

Distribution to shareholders. Distributions to shareholders, which are determined in accordance with income tax regulations, are recorded on the ex-dividend date.

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. The Fund accounts and reports for distributions to shareholders in accordance with the American Institute of Certified Public Accountant's Statement of Position 93-2; Determination, Disclosure and Financial Statement Presentation of Income, Capital and Return of Capital Distributions by Investment Companies.

The Fund imposes a redemption fee of 1.00% on shares that are redeemed within one year of purchase. The charge is assessed on an amount equal to the Net Asset Value of the shares at the time of redemption. The redemption fee is deducted from the proceeds payable to the shareholder. For the six months ended June 30, 2006, \$555 of redemption fees were returned to the Fund through shareholder redemptions.

3.) INVESTMENT ADVISORY AGREEMENT

The Fund has entered into an investment advisory agreement ("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, 2006, Adviser earned \$119,739 in Advisor fees of which Adviser waived \$9,592 of its fee. At June 30, 2006 Fund owed Adviser a net Advisory fee of \$110,147. A Fund officer and trustee is also an officer and trustee of the Adviser.

Agreement provides for expense reimbursement from Adviser, if Fund total expenses, exclusive of taxes, interest on borrowings, dividends on securities sold short, brokerage commissions and extraordinary expenses exceed 1.49% of the Fund's average daily net assets through June 30, 2006.

Adviser is entitled to reimbursement of fees waived or 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 to the extent that payment does not cause the Fund to exceed the expense limitation. At June 30, 2006, the cumulative unreimbursed amount paid/or waived by the Advisor on behalf of the Fund is \$128,638. Adviser may recapture \$44,571 no later than Dec. 31, 2006, \$22,883 no later than Dec. 31, 2007, \$51,592 no later than Dec. 31, 2008, and \$9,592 no later than Dec 31, 2009.

4.) PURCHASES AND SALES OF SECURITIES

For the six months ended June 30, 2006, purchases and sales of investment securities other than U.S. Government obligations and short-term investments were \$3,103,104 and \$1,775,672 respectively.

Notes to Financial Statements (Unaudited)
June 30, 2006

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 subsequent to October 31 on the sale of securities.

The tax character of distributions paid during the year ended Dec. 31, 2005 is as follows:

	<u>2005</u>
Net Investment Income	\$ 114,713
Short Term Capital Gain	\$ 470,927
Long Term Capital Gain	\$ 428,664

The Fund did not pay any distributions for the six months ended June 30, 2006.

As of June 30, 2006, the components of accumulated earnings/(losses) on a tax basis were as follows:

Costs of investments for federal income tax purposes	<u>\$20,054,479</u>
Gross tax unrealized appreciation	\$2,089,615
Gross tax unrealized depreciation	<u>(1,114,702)</u>
Net tax unrealized appreciation	974,913
Undistributed ordinary income	178,504
Accumulated realized gain on investments –net	<u>\$1,311,176</u>
Accumulated Earnings	<u>\$2,464,593</u>

PROXY VOTING

A description of Fund policies and procedures to determine how to vote proxies relating to portfolio securities and information regarding how Fund voted proxies during the twelve month period ended June 30, 2005, are available without charge upon request by (1) by calling the Fund at 1-877-369-3705 or visiting our website at www.pinnaclevaluefund.com and on the SEC's website at 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 September 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 November 29, 2004. Fund Forms N-Q are available on the SEC's website at <http://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 (Unaudited)

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

Name, Age	Position with Fund	Term of Office Length of Time Served	Principal Occupation During Past 5 Years	Other Directorships
Interested Trustee				
John E. Deysher, CFA (51)	Trustee	Unlimited Since Inception	President, Secretary, Treasurer Pinnacle Value Fund since 2003 Principal, Portfolio Manager Royce & Associates (1990-2002)	None
Independent Trustees				
Edward P. Breau, CFA (73)	Trustee	Unlimited Since Inception	Private Investor since 1997	None
Richard M. Connelly (50)	Trustee	Unlimited Since Inception	General Counsel since 1999 JG Wentworth (finance)	None
James W. Denney (41)	Trustee	Unlimited Since Inception	President, Mohawk Asset Management since 1999	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-400, Broadview Hts. OH 44147

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

Independent Registered Public Accounting Firm: Tait, Weller & Baker,
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 (“Adviser”) was last renewed at a Board of Trustees meeting in March, 2006. At the meeting the Board considered factors material to the Agreement renewal including the nature and quality of services provided, the Adviser’s experience and the reasonableness of fees charged.

The Trustees gained extensive knowledge about the Fund and Adviser through periodic Board meetings and reports. The Board reviewed the Fund’s performance for 2005 and since inception relative to its benchmark and peers. It was noted that the Fund’s cash position has remained high since inception due to a dearth of reasonably priced investment ideas and that under these circumstances, the Adviser performed well and in accordance with the Fund’s investment objectives and strategies.

The Trustees reviewed the Fund’s successful increase in asset size resulting from both appreciation and new shareholder accounts. They considered the overall reputation of the Adviser and the quality of service providers overseen by the Adviser on behalf of the Fund. The Trustees evaluated the Adviser’s compliance procedures and internal control systems. Adviser management assured the Trustees that Adviser would continue to have the expertise and resources needed to provide advisory services required by the Fund.

The Trustees examined the fees paid to the Adviser and the Fund’s overall expense ratio relative to similar funds offering similar services. The Trustees reviewed the Adviser’s substantial experience in small and micro-cap research/portfolio management and the labor intensive nature of such endeavors. It was noted that Adviser provides many administrative, compliance and marketing services to the Fund. The Board noted the Adviser’s agreement to reimburse the Fund and cap expenses at 1.49%.

The Trustees considered the Adviser’s profitability with respect to the Fund and potential economies of scale that might be achieved if Fund growth continued and whether existing fees might therefore require adjustment. The Trustees did not believe that current asset levels justified any modification of existing fee levels. In light of Adviser’s performance, its providing of administrative, compliance, marketing and other services and the reasonableness of overall Fund expenses relative to its peers, the Trustees believed the retention of the Adviser was in the best interest of shareholders. As a result, the entire Board, with Independent Trustees voting separately, approved the Agreement’s renewal.

Expense Example

As a Fund shareholder, you incur various expenses including 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. Example is based on an investment of \$1,000 invested at the beginning of the period and held for the entire period, Jan 1, 2006 through June 30, 2006.

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 you paid over the period. Simply divide your account value by \$1,000 (for example, an \$8,600 account value divided by \$1,000 = 8.6), then multiply the result by the number in the first line under the heading entitled "Expenses Paid During Period" to estimate the expenses you paid on your account during this period.

Hypothetical Example for Comparison Purposes

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

Pinnacle Value Fund	Beginning Account Value January 1, 2006	Ending Account Value June 30, 2006	Expenses Paid During the Period* January 1, 2006 to June 30, 2006
Actual	\$1,000.00	\$1,076.39	\$7.67
Hypothetical (5% Annual Return before expenses)	\$1,000.00	\$1,017.41	\$7.45

* Expenses are equal to the Fund's annualized expense ratio of 1.49%, multiplied by the average account value over the period, multiplied by 181/365 (to reflect the one-half year period).
