



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

**SEMI-ANNUAL  
REPORT**

**June 30, 2007**

**Pinnacle Value Fund Semi-Annual Report**

**June 30, 2007**

Dear Fellow Shareholders,

There's an old saying that bull markets climb a wall of worry. This continued during the first half of 2007. Despite worries about the economy, interest rates, geo-politics, the sub-prime impact on housing, consumer spending, budget/trade deficits and a variety of other ills, the markets continued to move higher. Sentiment remains positive, expectations of a "goldilocks" economy (not too hot or cold) and robust corporate profits remain intact and most markets trade at or near all time highs. The question is whether these expectations become reality.

Here's a remarkable statistic. In the last 4.5 years (through June 30, 2007), the Russell 2000 (our benchmark) compounded at 20.5%/yr, including dividend reinvestment. During this period, the biggest correction sustained by the R2000 was 11% in early 2005. Is such performance sustainable? Perhaps over the short-term but longer term, we are big believers in "regression to the mean" and that periods of out performance are generally followed by periods of under performance so that overall performance (including good & bad) is average. Average for the R2000 is 13.3%/yr since inception. History bears this out. Small cap returns come in big doses: from 1979-1983 the R2000 rose 26.7%/yr; from 1991-1999 it rose 17.7%/yr; and from 2003-June 2007 it rose 20.5%/yr. Each of those periods of out performance was followed by a period of under performance: from 1984-1990 the R2000 rose 4.5%/yr; from 2000-2002 it fell 7.4%/yr (yes, fell). What will follow the most recent period of out performance? We can't say for certain but our guess is the Russell's performance will be below the historical average of 13.3% per year.

As can be seen from the box scores below, we had a respectable first six months:

<b><u>Total Return</u></b>	<b><u>YTD 2007</u></b>	<b><u>2006</u></b>	<b><u>2005</u></b>	<b><u>2004</u></b>	<b><u>2003*</u></b>
Pinnacle Value Fund**	11.5%	13.2%	8.5%	19.6%	13.7%
Russell 2000**	6.5	18.4	4.6	18.3	47.5
S&P 500**	7.0%	15.8%	4.9%	10.9%	28.7%

\*Inception April 1, 2003. \*\* Includes dividend reinvestment. Past performance does not guarantee future results. Returns do not reflect taxes payable on distributions or share redemptions held in taxable accounts.

We ended the month 49% invested and were 48% invested on average for the six months. Despite the large amounts of cash, our results were acceptable because of solid operating results from some of our larger positions. We ended the period with 38 equity positions (excluding cash equivalents and options) with a weighted average market cap, price to book and beta of \$165 million, 1.8 times and 0.7, respectively. While we are comfortable with all our holdings, some have cyclical exposure which we're monitoring closely.

Fund net assets are \$45.4 million up from \$30.7 million at year end. Part of the increase is due to performance, the rest is due to an expanded investor base. Unfortunately the cash is accumulating faster than it can be deployed but is earning 4.9% in a government money market fund. However, we will not abandon our conservative, risk adverse approach to investing. We are very disciplined at finding, evaluating and accumulating attractive merchandise which meets our strict investment criteria. Our goal is to achieve above average, risk adjusted rates of return over the long term. The pickings may now be slim but our enthusiasm is unabated.

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**Quaker Fabric- a mistake.**

Recently we had a mistake. While successful investing depends on knowledge and proper risk assessment, it can also hinge on probabilities. We will always make mistakes. However, we want to be right more times than wrong and when we're right, we want to have a substantial commitment in place. Likewise, if we're wrong the wager is hopefully a small one that keeps the damage minimal.

Shortly after June 30, one of our long term holdings, Quaker Fabric announced it was liquidating, causing an immediate price decline. This impacted the Fund's NAV by a negative \$.11/sh or 0.7%, not a disaster but still painful. We first purchased Quaker shares in early 2005 attracted by its major presence in furniture fabrics, a strong reputation for quality/design, a conservative operating philosophy/balance sheet and a committed management team lead by CEO Larry Liebenow who owned 16% of the shares. The valuations were compelling based on past performance and our view of the future. Unfortunately, we didn't properly estimate several headwinds that increasingly impacted the business- Chinese fabric imports that eroded market share, higher raw material costs (petrochemical based) that crimped margins and a housing slowdown that dampened sales of upholstered furniture. Quaker responded by aggressively downsizing its manufacturing footprint and workforce, selling off excess assets (with proceeds to debt pay down) and establishing a Chinese joint venture. While expenses declined substantially, revenues fell even faster and losses persisted. Throughout this multi year restructuring, Quaker maintained a clean balance sheet and retained key employees. We held our shares envisioning a day in the not too distant future when Quaker would be a much smaller yet profitable company. We were wrong. In the end, they ran out of time and the lenders called the loans rather than continue to fund an unprofitable enterprise. From start to finish this was an extremely difficult, time consuming investment. It confirms that losing money is much harder than making it.

**Lessons learned.**

Lesson 1- a strong balance sheet does not guarantee a company can overcome periods of adversity. While Quaker had some debt, we felt the balance sheet was strong enough to get them through an extremely tough transition period. It wasn't.

Lesson 2- a bad business (textiles) will beat a good management team no matter how talented.

Lesson 3- sometimes good management does bad things. In our opinion management waited too long to establish a low cost Chinese source of fabrics. Competitors got there first. They also failed to sell key real estate parcels whose proceeds would've made a big difference.

Lesson 4- don't be fooled by just one insider buying shares for his/her own account. Wait for several to buy in size on the open market, then follow their lead.

By now you should have received your June 30 statement. 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 and enthusiasm.

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

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

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**TOP 10 POSITIONS**

	<b>% net assets</b>
1. Conrad Ind.- Gulf of Mexico ship building & repair	10.0
2. Argan Inc.- Power plant construction, nutraceuticals, IT infrastructure	7.3
3. WHX Corp.- Bankruptcy reorganization- Handy & Harman	4.0
4. MVC Capital- Business Development Co.	3.9
5. Cadus - Cash rich shell with large NOL carry forwards	1.9
6. BKF Capital - Cash rich shell with large NOL carry forwards	1.7
7. Technology Sols.- Strategic & IT consulting to Fortune 1000	1.4
8. McClatchy Co. – Daily and non daily newspapers	1.4
9. Meade Instruments – Telescopes, binoculars, riflescopes	1.2
10. PDI Inc. – Pharmaceutical contract sales organization	1.1
<b>Total</b>	<b>33.9%</b>

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

1. Conrad Ind.	\$2,369,900
2. Argan Inc.	1,273,400
3. MVC Capital	511,800
4. Cadus	109,900
5. Electro-Sensors	69,900
<b>Total</b>	<b>\$4,334,900</b>

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

1. BKF Financial	\$310,000
2. New Horizons Worldwide	80,000
3. McClatchy Co.	76,400
4. LEAP put options	48,300
5. NMS Communications	33,000
<b>Total</b>	<b>\$547,700</b>

**SECURITY CLASSIFICATIONS**

Cash & equivalents	\$23,271,600
Industrial goods & services	8,179,300
Conglomerates	6,224,800
Consumer goods & services	1,989,800
Financial Services	2,677,500
Business Development Cos.	2,480,400
Auction market preferreds	300,000
LEAP put options	250,500
<b>Total</b>	<b>\$45,373,900</b>

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

Shares/Principal Amount		Schedule of Investments June 30, 2007 (Unaudited)		
		Basis	Market Value	% of Assets
<b>COMMON STOCKS</b>				
<b>Beverages &amp; Food</b>				
13,700	Farmer Brothers	274,862	310,031	
39,200	Pyramid Brewery *	<u>72,042</u>	<u>134,848</u>	
		<u>346,904</u>	<u>444,879</u>	0.98%
<b>Business Development Cos.</b>				
89,130	Brantley Capital Corp. *	179,912	223,716	
93,900	MVC Capital	837,204	1,766,259	
47,800	PDI, Inc. *	<u>451,714</u>	<u>490,428</u>	
		<u>1,468,830</u>	<u>2,480,403</u>	5.47%
<b>Conglomerate</b>				
440,268	Argan, Inc. *	1,900,582	3,302,010	
85,900	Regency Affiliates *	497,924	449,257	
14,400	United Capital Corp. *	316,779	414,000	
215,172	WHX Corp. *	1,860,626	1,828,962	
17,400	McRae Industries	<u>194,930</u>	<u>230,550</u>	
		<u>4,770,841</u>	<u>6,224,779</u>	13.72%
<b>Electric Housewares &amp; Fans</b>				
2,200	National Presto Industries, Inc.	<u>89,068</u>	<u>137,148</u>	0.30%
<b>Financial Services</b>				
323,445	BKF Capital Group, Inc. *	1,182,641	747,158	
457,840	Cadus Corp. *	731,326	842,425	
88,500	Cosine Comm. *	214,095	301,785	
884,000	Dynabazaar, Inc. *	273,920	247,520	
119,400	Kent Financial Services, Inc. *	270,771	245,964	
128,189	LQ Corp. *	200,497	121,780	
31,250	Novoste *	91,299	75,000	
6,850	Webfinancial Corp. *	<u>62,599</u>	<u>95,900</u>	
		<u>3,027,148</u>	<u>2,677,532</u>	5.90%
<b>Furniture &amp; Fixtures</b>				
1,500	Burnham Holdings	25,627	24,375	
13,900	Reconditioned Systems	<u>24,981</u>	<u>51,430</u>	
		<u>50,608</u>	<u>75,805</u>	0.17%
<b>Industrial Instruments For Measurement, Display, and Control</b>				
75,100	Electronic Sensors	<u>307,988</u>	<u>460,363</u>	1.01%
<b>IT Services</b>				
400,000	New Horizons Worldwide Inc. *	224,000	380,000	
96,000	Technology Solutions Company *	<u>785,282</u>	<u>640,320</u>	
		<u>1,009,282</u>	<u>1,020,320</u>	2.25%
<b>Healthcare Products/Equipment</b>				
21,600	Allied Healthcare Products, Inc. *	<u>106,121</u>	<u>143,424</u>	0.32%
<b>News Paper Publishing &amp; Printing</b>				
25,000	McClatchy Co.	<u>709,168</u>	<u>632,750</u>	1.39%
<b>Mailboxes &amp; Lockers</b>				
77,200	American Locker Group, Inc. *	<u>459,549</u>	<u>308,800</u>	0.68%

\* Non-Income producing securities

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

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

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**Schedule of Investments**  
**June 30, 2007 (Unaudited)**

<b>Shares/Principal Amount</b>	<b>Basis</b>	<b>Market Value</b>	<b>0% of Assets</b>
<b>Optical Instruments &amp; Lenses</b>			
251,200 Meade Instruments Corp.*	\$ 510,187	\$ 555,152	1.22%
<b>Plastic Products</b>			
86,400 Peak International, Ltd. *	<u>246,359</u>	<u>244,512</u>	0.54%
<b>Prepackaged Software</b>			
113,000 SYS *	<u>222,190</u>	<u>222,610</u>	0.49%
<b>Primary Smelting &amp; Refining of Nonferrous Metals</b>			
1,000 Blue Earth Refineries *	<u>1</u>	<u>2,100</u>	0.00%
<b>Ship &amp; Boat Building &amp; Repairing</b>			
353,722 Conrad Industries, Inc. *	<u>621,134</u>	<u>4,527,642</u>	9.98%
<b>Real Estate Investment Trusts</b>			
309 USA Real Estate Investors Trust	<u>152,209</u>	<u>154,500</u>	0.34%
<b>Telecommunications</b>			
140,400 NMS Communications *	<u>248,151</u>	<u>241,488</u>	0.53%
<b>Textile Mill Products</b>			
1,300 International Textil Group, Inc.*	17,784	9,100	
317,600 Quaker Fabric Corp. *	<u>698,886</u>	<u>362,064</u>	
	<u>716,670</u>	<u>371,164</u>	0.82%
<b>Total for Common Stock</b>	<u>\$ 15,062,408</u>	<u>\$ 20,925,371</u>	<u>46.12%</u>
<b>Auction Market Preferreds</b>			
4 Advent Claymore Conv. Sec. Inc. Fund Pfd - M7	100,000	100,000	
4 Pioneer High Income Trust Pfd - M7	100,000	100,000	
4 Western Asset Premium Bond Fund Pfd - M7	<u>100,000</u>	<u>100,000</u>	
<b>Total for Auction Market Preferred Stock</b>	<u>\$ 300,000</u>	<u>\$ 300,000</u>	<u>0.66%</u>
<b>Convertible Preferreds</b>			
26,500 Ameritrans Capital Corp. Pfd	308,229	323,300	
46,854 Aristotle Corp. Convertible Pfd - I	368,266	394,979	
2,000 Quanta Capital Preferred *	<u>36,094</u>	<u>40,300</u>	
<b>Total for Convertible Preferred Stock</b>	<u>\$ 712,589</u>	<u>\$ 758,579</u>	<u>1.67%</u>
<b>Put Contracts</b>			
24,000 Financial Select Sector Jan '08 *	120,960	33,600	
37,500 Financial Select Sector Jan '09 *	124,313	84,375	
19,500 Ishares Russell 2000 Index Jan '08 *	267,875	73,125	
6,000 Ishares Russell 2000 Index Jan '09 *	<u>111,900</u>	<u>59,400</u>	
<b>Total for Put Contracts</b>	<u>\$ 625,048</u>	<u>\$ 250,500</u>	<u>0.55%</u>
<b>SHORT TERM INVESTMENTS</b>			
<b>Money Market Fund</b>			
23,271,559 First American Government Obligation Fund Cl Y 4.92% **	<u>23,271,559</u>	<u>23,271,559</u>	<u>51.29%</u>
<b>Total for Short Term Investments</b>	<u>\$ 23,271,559</u>	<u>\$ 23,271,559</u>	<u>51.29%</u>
<b>Total Investments</b>	<u>\$ 39,971,604</u>	<u>\$ 45,506,009</u>	<u>100.30%</u>
Liabilities in excess of other Assets		<u>(133,880)</u>	<u>(0.30)%</u>
<b>Net Assets</b>		<u>\$ 45,372,129</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, 2007**

## Assets:

Investment Securities at Market Value	\$ 45,506,009
(Identified Cost \$ 39,971,603)	
Pending Shareholder Subscriptions	11,450
Receivables:	
Dividends and Interest	98,681
Prepaid Expenses	17,718
Total Assets	<u>45,633,858</u>

## Liabilities:

Payables:	
Advisory Fee Payable	237,642
Accrued Expenses	24,087
Total Liabilities	<u>261,729</u>

Net Assets	<u>\$ 45,372,129</u>
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## Net Assets Consist of:

Paid-In Capital	\$ 39,079,449
Accumulated Undistributed Net Investment Income	288,289
Accumulated Realized Gain on Investments - Net	469,985
Unrealized Appreciation in Value	
of Investments Based on Identified Cost - Net	<u>5,534,406</u>

Net Assets	<u>\$ 45,372,129</u>
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## Net Asset Value and Redemption Price

Per Share (\$45,372,129/2,948,560 shares outstanding) , no par value, unlimited shares authorized	<u>\$ 15.39</u>
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The accompanying notes are an integral part of the financial statements.

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## Statement of Operations (Unaudited)

For the Six Months Ended June 30, 2007

### Investment Income:

Dividends	\$ 82,892
Interest	<u>494,010</u>
Total Investment Income	<u>576,902</u>

### Expenses: (Note 2)

Investment Advisor Fees	240,603
Transfer Agent & Fund Accounting Fees	19,110
Insurance Fees	8,126
Custodial Fees	6,244
Audit Fees	5,000
Registration Fees	4,043
Legal Fees	3,298
Trustee Fees	3,020
Printing & Mailing Fees	1,935
Miscellaneous Fees	<u>195</u>
Total Expenses	291,574
Reimbursed Expenses	<u>(2,961)</u>
Net Expenses	<u>288,613</u>

Net Investment Income	<u>288,289</u>
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### Realized and Unrealized Gain on Investments:

Realized Gain on Investments	25,679
Change in Unrealized Appreciation on Investments	<u>3,817,634</u>

Net Realized and Unrealized Gain on Investments	<u>3,843,313</u>
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Net Increase in Net Assets from Operations	<u>\$ 4,131,602</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

	(Unaudited) Six Months Ended 6/30/07	Year Ended 12/31/06
From Operations:		
Net Investment Income	\$ 288,289	\$ 379,732
Net Realized Gain on Investments	25,679	1,659,658
Net Unrealized Appreciation	3,817,634	707,340
Increase in Net Assets from Operations	4,131,602	2,746,730
From Distributions to Shareholders:		
Net Investment Income	0	(379,732)
Net Realized Gain from Security Transactions	0	(1,398,446)
Return of Capital	0	(155,702)
	0	(1,933,880)
From Capital Share Transactions:		
Proceeds From Sale of Shares	10,952,826	11,244,078
Shares issued in Reinvestment of Dividends	0	1,868,569
Cost of Shares Redeemed	(289,678)	(523,604)
Net Increase from Shareholder Activity	10,663,148	12,589,043
Net Increase in Net Assets	14,794,750	13,401,893
Net Assets at Beginning of Period	30,577,379	17,175,486
Net Assets at End of Period <sup>(a)</sup>	\$ 45,372,129	\$ 30,577,379
Share Transactions:		
Issued	751,421	806,413
Reinvested	0	135,600
Redeemed	(19,374)	(37,217)
Net increase in shares	732,047	904,796
Shares outstanding beginning of Period	2,216,513	1,311,717
Shares outstanding end of Period	2,948,560	2,216,513

<sup>(a)</sup> Includes undistributed net investment income of \$290,175 at June 30, 2007 and \$0 at December 31, 2006.

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

## Financial Highlights

Selected data for a share outstanding throughout the period.

	(Unaudited) Six Months Ended <u>6/30/07</u>	Year Ended <u>12/31/06</u>	Year Ended <u>12/31/05</u>	Year Ended <u>12/31/04</u>	4/1/2003* to <u>12/31/03</u>
Net Asset Value - Beginning of Period	\$ 13.80	\$ 13.09	\$ 12.84	\$ 11.27	\$ 10.00
Net Investment Income (Loss) **	0.11	0.24	0.15	(0.02)	(0.09)
Net Gains or Losses on Securities (realized and unrealized)	<u>1.48</u>	<u>1.49</u>	<u>0.94</u>	<u>2.23</u>	<u>1.46</u>
Total from Investment Operations	<u>1.59</u>	<u>1.73</u>	<u>1.09</u>	<u>2.21</u>	<u>1.37</u>
Distributions from Net Investment Income	0.00	(0.20)	(0.10)	0.00	0.00
Distributions from Capital Gains	0.00	(0.74)	(0.74)	(0.64)	(0.10)
Distributions from Return of Capital	<u>0.00</u>	<u>(0.08)</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>
	0.00	(1.02)	(0.84)	(0.64)	(0.10)
Paid-in Capital from Redemption Fees (Note 2) <sup>(a)</sup>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>
Net Asset Value - End of Period	<u>\$ 15.39</u>	<u>\$ 13.80</u>	<u>\$ 13.09</u>	<u>\$ 12.84</u>	<u>\$ 11.27</u>
Total Return	11.52 %	13.23 %	8.53 %	19.65 %	13.71 %
Ratios/Supplemental Data					
Net Assets - End of Period (Thousands)	\$ 45,372	\$ 30,577	\$ 17,175	\$ 7,633	\$ 4,725
Before Reimbursement					
Ratio of Expenses to Average Net Assets	1.50%	1.62%	1.90%	2.17%	4.00%
Ratio of Net Income (Loss) to Average Net Assets	1.47%	1.64%	0.68%	(0.54)%	(3.38)%
After Reimbursement					
Ratio of Expenses to Average Net Assets	1.49%	1.49%	1.49%	1.79%	1.78%
Ratio of Net Income (Loss) to Average Net Assets	1.48%	1.77%	1.10%	(0.16)%	(1.16)%
Portfolio Turnover Rate	3.11%	29.44%	27.88%	71.66%	68.44%

\* Commencement of operations.

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

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

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

**1.) ORGANIZATION:**

Pinnacle Value Fund ("Fund") is registered under the Investment Company Act of 1940 as an open-end investment management company and is the only series of the Bertolet Capital Trust, a Delaware business trust organized on 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 investments in fixed income securities with maturities of less than 60 days when acquired, or which are within 60 days of maturity, are valued at cost.

In September 2006, the Financial Accounting Standards Board (FASB) issued FASB Statement No. 157, "Fair Value Measurement" (SFAS 157) which defines fair value, establishes a framework for measuring fair value, and expands disclosures about fair value measurements. SFAS 157 is effective for fiscal years starting after Nov. 15, 2007, and interim periods within those fiscal years. The Fund believes adoption of SFAS 157 will have no material impact on its 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.

**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.

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**Notes to Financial Statements**  
**June 30, 2007 (Unaudited)**

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**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.

In July 2006, FASB released FASB Interpretation No. 48 "Accounting for Uncertainty in Income Taxes" (FIN 48). FIN 48 provides guidance for how uncertain tax positions should be recognized, measured, presented and disclosed in financial statements. FIN 48 requires the evaluation of tax positions taken or expected to be taken in the course of preparing the Fund's tax returns to determine whether tax positions are "more-likely-than-not" of being sustained by the applicable tax authority. Tax positions not deemed to meet the more-likely-than-not threshold would be recorded as a tax benefit or expense in the current year. Adoption of FIN 48 is required no later than June 29, 2007 and is to be applied to all open tax years as of that date. Management believes the adoption of FIN 48 will have no material impact on the Fund's financial statements.

**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.

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 six months ended June 30, 2007, \$74 of redemption fees were returned to the Fund through shareholder redemptions.

**3.) INVESTMENT ADVISORY AGREEMENT**

The Fund has entered into an Investment Advisory Agreement with Bertolet Capital LLC (Adviser). Under Agreement, Adviser receives a fee equal to the annual rate of 1.25% of Fund average daily net assets. For the six months end June 30, 2007, Adviser earned \$240,603 in fees. At June 30, 2007 Fund owed Adviser a net fee of \$237,642. A Fund officer/ trustee is also an officer/trustee of the Adviser.

Advisory Agreement provides for expense reimbursement from the Adviser, if Fund total expenses, exclusive of taxes, interest on borrowings, dividends on securities sold short, brokerage commissions and extraordinary expenses exceed 1.49% average daily net assets through Dec. 31, 2007.

Adviser will be entitled to reimbursement of fees waived or reimbursed by Adviser to the Fund. Fees waived or expenses reimbursed during a given year may be paid to Adviser during the following three year period to the extent that payment of such expenses does not cause the Fund to exceed the expense limitation. At June 30, 2007, the cumulative unreimbursed amount paid or waived by Adviser on behalf of the Fund is \$105,350. Adviser may recapture \$22,883 no later than Dec. 31, 2007, \$51,592 no later than Dec. 31, 2008, \$27,914 no later than Dec. 31, 2009, \$2,961 no later than Dec. 31, 2010.

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Notes to Financial Statements  
June 30, 2007 (Unaudited)

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

For the six months ended June 30, 2007, purchases and sales of investment securities other than U.S. Government obligations/short-term investments totaled \$3,065,152 and \$581,295 respectively.

Fund may purchase put and call options. Put options are purchased to hedge against a decline in value of Fund securities. If such a decline occurs, put options permit Fund to sell securities underlying such options at exercise price or to close out options at a profit. Premiums paid for put or call options plus transaction costs will reduce the benefit, if any, realized upon option exercise and unless price of the underlying security rises or declines sufficiently, option may expire worthless. In addition, in the event that price of security in connection with option was purchased moves in a direction favorable to Fund, benefits realized as result of such favorable movement will be reduced by premium paid for option and related transaction costs. Written and purchased options are non-income producing securities.

#### 5.) FEDERAL TAX INFORMATION

Net Investment income/(loss) and net realized gains/(losses) differ for financial statement and tax purposes due to differing treatments of wash sale losses deferred and losses realized after Oct. 31.

Differences between book basis and tax basis unrealized appreciation/(depreciation) are attributable to tax deferral of losses on certain derivative instruments. The tax character of distributions paid during the six months ended June 30, 2007 and year ended Dec. 31, 2006 are as follows:

	<u>2007</u>	<u>2006</u>
Net Investment Income	\$ 288,289	\$379,732
Long Term Capital Gain	\$ 469,985	\$1,398,446
Return of Capital	\$0	\$155,702

At June 30, 2007, the components of accumulated earnings/(losses) on a tax basis were as follows:

Costs of investments for federal income tax purposes	<u>\$39,971,603</u>
Gross tax unrealized appreciation	\$7,400,431
Gross tax unrealized depreciation	<u>(1,866,024)</u>
Net tax unrealized appreciation	5,534,407
Undistributed ordinary income	288,289
Accumulated realized gain on investments –net	469,985
Accumulated Earnings	<u>\$6,292,681</u>

#### 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 twelve month period ended June 30, 2007, are available without charge upon request by calling 877-369-3705 or visiting [www.pinnacle-valuefund.com](http://www.pinnacle-valuefund.com) or [www.sec.gov](http://www.sec.gov).

#### QUARTERLY PORTFOLIO HOLDINGS

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

**SUPPLEMENTAL INFORMATION (Unaudited)**

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

<b>Name, Age</b>	<b>Position with Fund</b>	<b>Term of Office Length Time Served</b>	<b>Principal Occupation During Past 5 years</b>	<b>Other Directorships</b>
<b>Interested Trustee</b>				
John E. Deysher, CFA (52)	Trustee	Unlimited Since Inception	President, Secretary, Treasurer Pinnacle Value Fund Principal, Portfolio Manager Royce & Associates	None
<b>Independent Trustees</b>				
Edward P. Breau, CFA (73)	Trustee	Unlimited Since Inception	Private Investor	None
Richard M. Connelly (51)	Trustee	Unlimited Since Inception	General Counsel JG Wentworth (finance)	None
James W. Denney (42)	Trustee	Unlimited Since Inception	President, Mohawk Asset Management	Director, Electric City Funds

**TRUSTEES AND SERVICE PROVIDERS**

Trustees: Edward P. Breau, Richard M. Connelly, James W. Denney, John E. 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 LLP, 1818 Market St, Suite 2400,  
Philadelphia PA 19103

## Board Approval of Investment Advisory Agreement

The investment advisory agreement (“Agreement”) between the Trust and Bertolet Capital LLC (“Advisor”) was last renewed by the Board at a meeting on Feb. 24, 2007. On that date the Board considered factors material to the Agreement renewal including:

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

**Investment Performance.** The Board reviewed data regarding the Fund’s returns since inception and for the year end Dec. 31, 2006. The Fund’s performance was compared to a peer group of mutual funds, private account of Advisor and Russell 2000 and S&P 500 indices. The Board noted that while the Fund’s 2006 performance was below the average of the peer group, private account and both indices, the Fund was less than 50% invested for the year because of a lack of acceptable investment ideas, substantial cash inflows and Advisor’s risk adverse approach. The Board felt the Fund’s performance was acceptable.

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

**Profitability & other Benefits to Advisor.** The Board considered the Fund’s income and expenses and the profitability of the Fund to Advisor. It reviewed Advisor’s 2006 income statement and concluded that Advisor’s profitability was reasonable in relation to the nature and quality of services provided to the Fund.

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

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

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Expense Example

As a shareholder of the Pinnacle Value Fund, you incur one type of cost: management fees. This Example is intended to help you understand your ongoing costs (in dollars) of investing in the Fund and to compare these costs with the ongoing costs of investing in other mutual funds.

The Example is based on an investment of \$1,000 invested at the beginning of the period and held for the entire period, January 1, 2007 through June 30, 2007.

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 <u>January 1, 2007</u>	Ending Account Value <u>June 30, 2007</u>	Expenses Paid During the Period* <u>January 1, 2007 to June 30, 2007</u>
Actual	\$1,000.00	\$1,115.22	\$7.76
Hypothetical (5% Annual Return before expenses)	\$1,000.00	\$1,017.46	\$7.40

\* Expenses are equal to the Fund’s annualized expense ratio of 1.48%, multiplied by the average account value over the period, multiplied by 181/365 (to reflect the one-half year period).