BRANDYWINE

(Equity Small Cap Value)

Fresno County Employees' Retirement Association

Brandywine Asset Management
Diversified Small Cap Value Equity Portfolio
January, 2006

Performance Summary

Period Ending: 01/31/06

	January 2006	First Quarter to Date	1 Year*	3 Year*	5 Year*	Since* Inception 8/21/1995
Fresno County Employees Retirement Association	5.44%	5.44%	12.75%	26.31%	16.73%	14.68%
Russell 2000 Value	8.27%	8.27%	17.93%	27.70%	14.76%	13.98%
Russell 2000	8.97%	8.97%	18.89%	26.86%	9.01%	10.16%
S&P 500	2.65%	2.65%	10.37%	16.42%	0.37%	10.07%

*Periods greater than one year are annualized.

Portfolio Composition

	Market Value	% of Total
Equities	$131,406,228	97.5%
Cash / Equivalents	$3,420,209	2.5%
Total	$134,826,437	100.0%

Portfolio Characteristics

As of :1/31/2006

	P/E	P/BK	Market Cap ($MM)
Fresno County Employees Retirement Association	11.9	1.81	1,281
Russell 2000 Value	22.1	1.88	1,170
Russell 2000	26.4	2.53	1,230
S&P 500	17.3	2.82	89,550

The information contained in this report is preliminary and may be subject to change pending full reconciliation of the portfolio with the custodial bank. Gross returns do not reflect the deduction of any fees, are calculated on a trade date basis, and assume the reinvestment of all dividends, interest and capital gains.

January 2006 Market and Portfolio Performance

US equities advanced sharply in January, despite oil approaching $70 per barrel and short-term interest rates threatening to rise above long-term rates. Historically, inverted yield curves have preceded economic slowdowns. Nonetheless, investors were optimistic that the Fed would soon end its nearly two-year series of short-term rate hikes and also reacted positively to employment gains. The continual back and forth in 2005 on economic expectations reverted back to positive again as 2006 began.

Although the S&P 500 gained 2.7%, small caps enjoyed returns in January that exceeded the returns for all of 2005. The Russell 2000 was up 9.0% and the Russell 2000 Value gained 8.3%. Small caps again led performance as they have for most of the last few years while growth returns exceeded value returns. Energy was the best performing sector, continuing its momentum from 2005, as stocks rose in tandem with oil prices. Technology stocks were another leading group as they rebounded from last year's lagging returns. Steels and other metal suppliers also bounced back from lagging performance in 2005 as the market anticipated sustained domestic and international growth. Utilities were one of the weaker groups as investors focused on more economically sensitive stocks. Within small cap, the micro-cap stocks performed in line with rest of the small cap market.

Your portfolio significantly trailed the Russell value benchmarks in January with the portfolio's holdings lagging in a number of different sectors. Consistent with our value discipline, we reduced our energy holdings following their strong returns last year. These sells hurt performance as the group remained strong and our holdings lagged the average small cap oil stock. The producer manufacturing stocks also continued their strong run from 2005. We reduced our weighting as stocks reached our sell valuation targets, but this discipline again restricted performance as the stocks continued higher. Our under weight position in steel and metal stocks was a negative as these stocks were also strong in January. Insurance companies, one of the best performers in 2005, trailed other small caps as 2006 began. Our overweight position in these stocks detracted from portfolio returns. Auto parts manufacturers, one of the portfolio's worst performers in 2005, rebounded in January and provided a small positive contribution to returns.

Financials remain the largest absolute sector in the portfolio, as this group comprises nearly one third of the holdings of both the portfolio and the index. While some insurers reached sell targets, many banks and insurers remain attractive buy candidates. Retail stocks remain the largest overweight, followed by consumer durables. We are under index weight in energy, manufacturing, and materials. As mentioned, we were a seller in these groups when stocks reached our valuation targets.

Market and Portfolio Outlook

Clearly the market responded optimistically to the start of a new year. Even with higher oil prices and a flat interest rate yield curve, strong employment and other reports indicated continuing economic strength. However, in February, preliminary economic growth for fourth quarter 2005 unexpectedly came in at only 1.1%—well below previous quarters. This information bolstered the view that energy prices and borrowing rates may be imposing a significant drag on economic activity. Final revisions to the growth figures will show whether a slowdown has occurred. Historically, periods of slowing economic growth have been difficult times for our disciplined value style compared with other small cap and small cap value managers. However, anticipating such changes in economic trends is difficult. Usually, once the slowdown is recognized, the poor relative performance has already occurred. Consequently, as the economy recovers, small cap value performance also recovers. Therefore, despite the lagging relative returns, we remain confident in our ability to perform well in the small cap value sector over full economic and market cycles.

Fresno County Employees Retirement Association

Preliminary Investment Summary - Unreconciled

January 31, 2006

	Total Cost	Current Value	% of Portfolio
Cash Equivalent	3,420,208.70	3,420,208.70	2.5%
Equities	102,687,477.52	131,348,205.84	97.4%
Fixed			0.0%
Total Investment	106,107,686.22	134,768,414.54	100.0%
Accrued Dividend		58,022.48	0.0%
Total Value	106,107,686.22	134,826,437.02	100.0%

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