

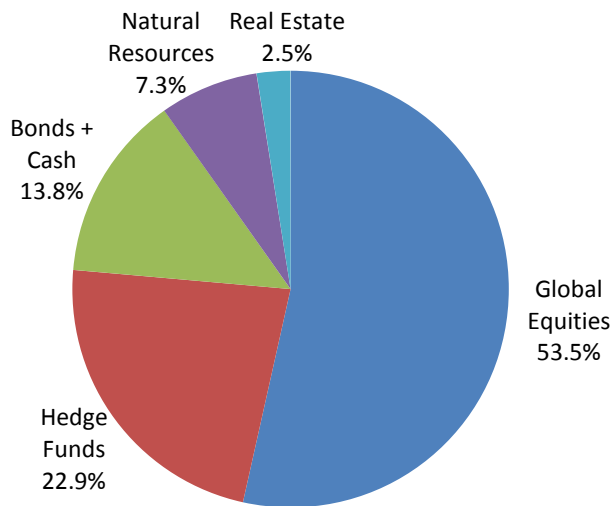
# The University of Arkansas FOUNDATION, INC.

For the quarter ended December 31, 2010

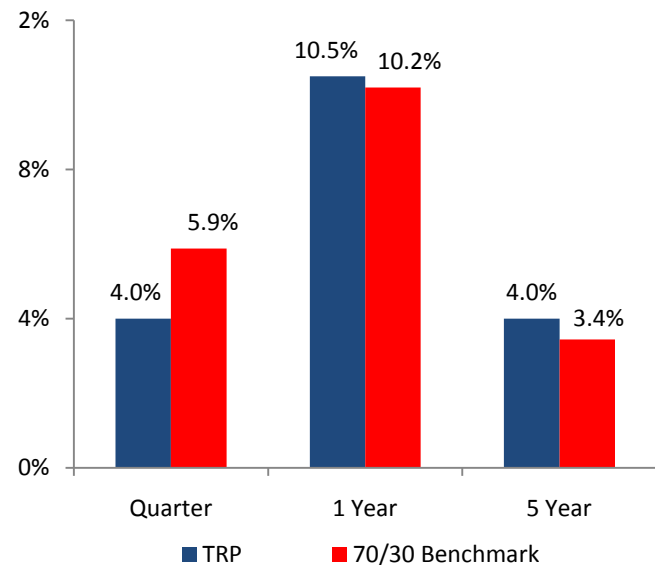
## Total Return Pool (Endowment)

The University of Arkansas Foundation supports the University of Arkansas System by administering and investing private gifts benefiting the campuses and units of the University of Arkansas System. The Foundation invests private endowed gifts in a single highly diversified investment pool (the Total Return Pool) pursuant to an investment policy designed to maintain over the long-term a target return of 8-9% per annum. The market value of the total return pool as of December 31, 2010, was approximately \$1,014.4 million.

### Asset Allocation



### Performance



### Commentary

The quarter ended December 31 closed a strong year in the global equity markets, which soared in response to improving economic data and increased expectations. For the quarter, the U.S. public equity portfolio returned over 9% while international developed and emerging markets returned 7% and 5%. The fiscal year is off to a strong start with year-to-date public equity returns exceeding 20% in all categories. However, it was a different story in the bond markets as rising yields during the quarter translated into negative returns for most fixed income sectors. The portfolio's holdings in U.S. Treasuries and non-dollar bonds suffered the most with an average decline of 5%. Corporate bonds fared relatively better as narrowing spreads helped cushion the blow of rising rates resulting in a 2% decline for the portfolio. For the fiscal year-to-date, the bond portfolio has returned 3%. Hedge funds returned 5% for the quarter. Overall, the marketable portion of the portfolio generated a quarterly return of 5% which results in a reported quarterly return of 4% for the total portfolio, including the temporary assumption of a 0% return for non-marketable investments which are reported on a one quarter lag. For the fiscal year-to-date, the marketable portfolio has returned 15%.

The portfolio is positioned fairly close to its target allocations. Two notable deviations from target are bonds which are underweighted approximately 6% relative to target due to low current yields and hedge funds which are overweighted. The bond underweight benefitted the portfolio as interest rates rose during the quarter. The overweight to hedge funds serves to cushion the portfolio from increases in market volatility.