

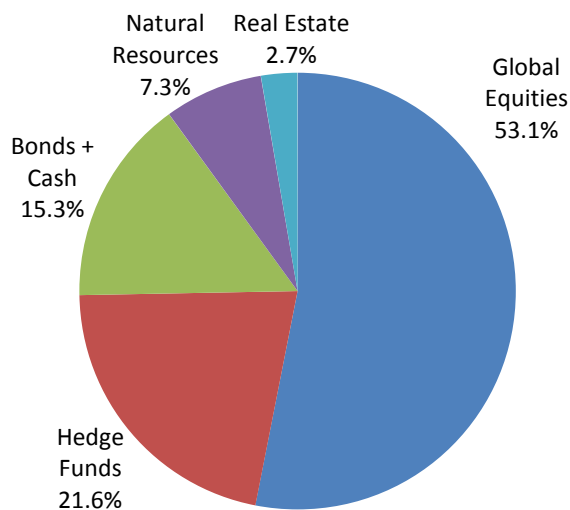
# The University of Arkansas FOUNDATION, INC.

For the quarter ended March 31, 2011

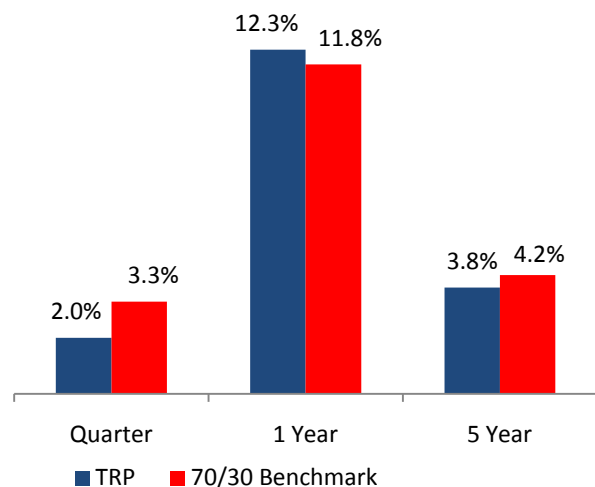
## Total Return Pool (Endowment)

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 March 31, 2011, was approximately \$1.067 billion.

### Asset Allocation



### Performance



## Commentary

Global equity markets continued to perform well in the first quarter, fueled by the easy monetary policies of central banks and government deficit spending. Investments in public natural resources were the strongest contributors for the quarter generating a return of 8%. Global equities, except for emerging markets, also performed well, with U. S. equities earning 6% while international developed markets generated a 2% return. The bond portfolio returned 1%, benefitting from its Euro bond exposure which rose 4%. Hedge funds returned 2%, lagging the strong equity rally. For the quarter, the Total Return Pool earned a 2% return from the marketable portion of the portfolio, temporarily assuming 0% for non-marketable investments which are reported on a one-quarter lag. For the trailing one-year period, the portfolio has earned 12% with 11% coming from the marketable portfolio combined with a 20% contribution from the non-marketable portfolio.

The portfolio continues to be 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 over weighted approximately 4%. The overweight to hedge funds serves to protect the portfolio from increases in market volatility while providing a higher expected return than bonds.