

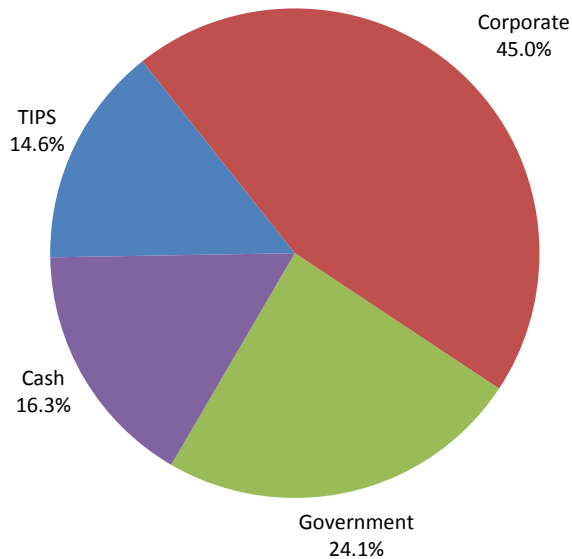
The University of Arkansas FOUNDATION, INC.

For the quarter ended March 31, 2011

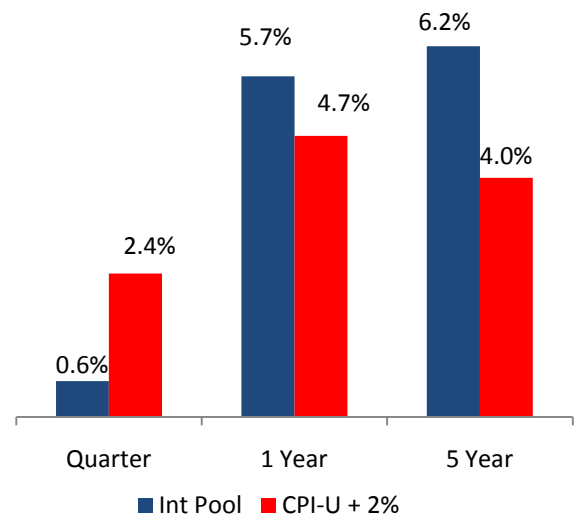
Intermediate Pool (non-endowed)

The University of Arkansas Foundation supports the University of Arkansas System by administering and investing non-endowed private gifts benefiting the campuses and units of the University of Arkansas System. The Foundation invests private non-endowed gifts with a three to five year investment horizon in a single investment pool (the Intermediate Pool). The Intermediate Pool's primary investment objective is to exceed the rate of inflation by 200 basis points over three to five year periods while maintaining a high level of liquidity for pool participants. With the preservation of capital being an important consideration, the Foundation seeks to achieve reasonable consistency of return on a year-to-year basis while recognizing the inherent volatility of securities markets on a short-term basis. The market value of the Intermediate Pool as of March 31, 2010 was \$333.7 million.

Asset Allocation



Performance



Commentary

The Intermediate Pool returned 0.6% in the first quarter. U.S. government bonds were adversely affected as yields rose. Returns for the portfolio's government bond holdings were flat for the quarter. Corporate bond spreads tightened as the economy showed signs of improvement resulting in a 1% return for the corporate bond portfolio. TIPS returned 2% as inflation expectations rose. For the trailing one-year period the fund has earned 5.7%

The portfolio has benefitted its cash allocation which was increased last fall and helped to "lock-in" some of the earlier gains. In March the cash position was reduced by 15% and the funds were moved into corporate bonds and TIPS.