

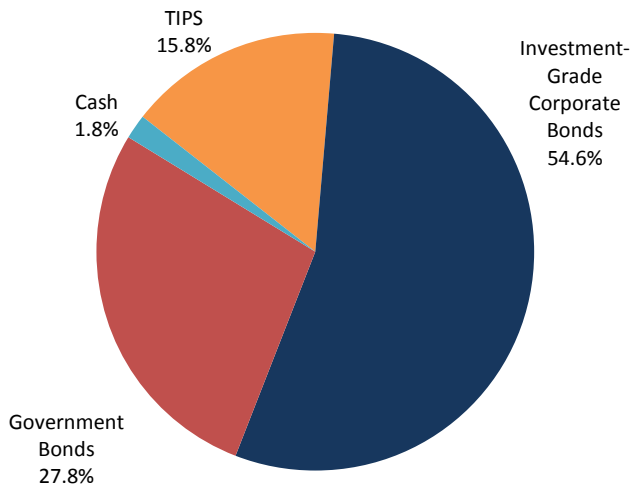
The University of Arkansas FOUNDATION, INC.

For the quarter ended June 30, 2011

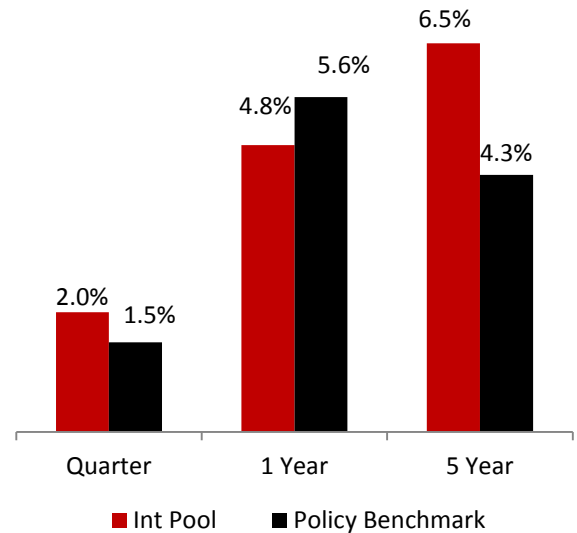
Intermediate Pool (non-endowed)

The University of Arkansas Foundation supports the University of Arkansas System by administering and investing non-endowed private gifts for benefit of 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 current investment objective is to exceed the rate of inflation by 100 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 June 30, 2011 was \$326.1 million.

Asset Allocation



Performance



Commentary

The Intermediate Pool returned 2% in the second quarter exceeding its policy index. The portfolio benefited from a 3.6% return to its TIPS allocation and a well-timed reduction in cash holdings.

For fiscal year 2011, the portfolio earned a terrific absolute return of 4.8% comparing favorably to a broad universe of intermediate-term investment-grade bonds. The TIPS allocation combined with several timely adjustments to the asset allocation helped returns. Due to the current low interest rate environment, the policy target was reduced to inflation plus 1% on June 30.