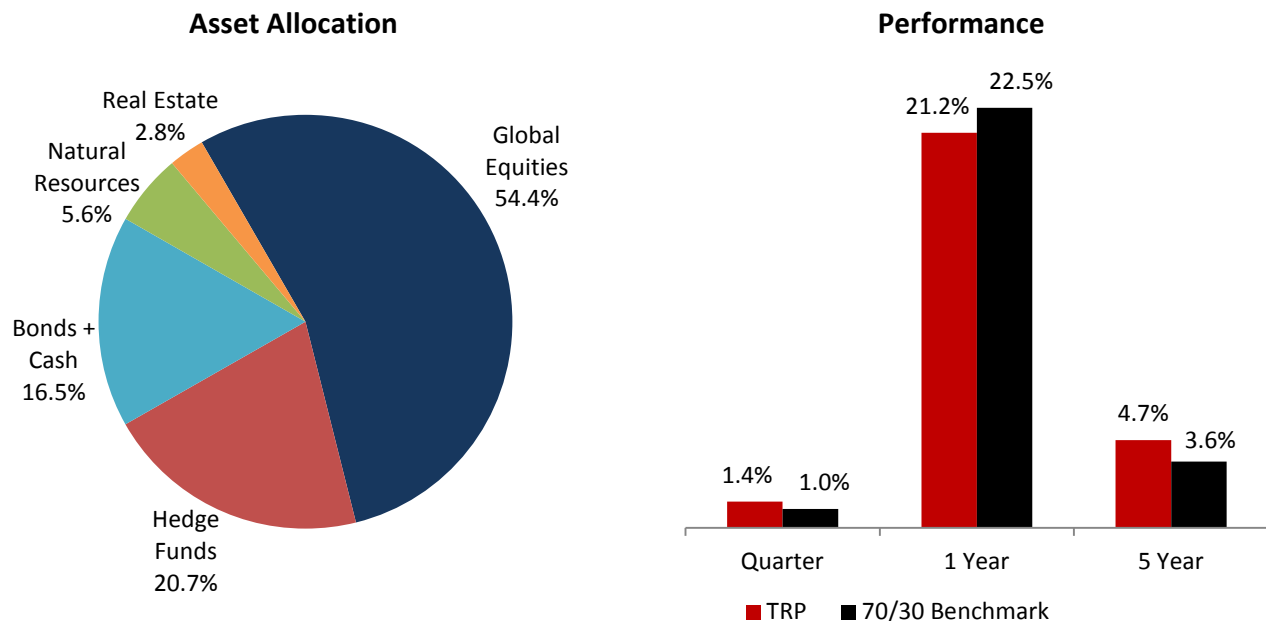


The University of Arkansas FOUNDATION, INC.

For the quarter ended June 30, 2011

Total Return Pool (Endowment)

The University of Arkansas Foundation supports the University of Arkansas System by administering and investing private gifts for benefit of 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 June 30, 2011, was approximately \$1.1 billion.



Commentary

The Total Return Pool returned 1.4% for the quarter ended June 30. Global equity markets were choppy as investors were faced with digesting a number of unsettling events including European sovereign debt troubles, a slowing economic recovery and political gridlock in the U.S., concerns about a potential "hard-landing" in China, and natural disasters. Returns of approximately 3% to the emerging markets, public real estate and fixed income portfolios and 2.5% to non-marketable helped to offset the relatively flat returns generated by U.S. equities and the hedge fund portfolio.

The return for fiscal year 2011 was a terrific 21.2%. The fund slightly lagged its benchmark due to its somewhat conservative positioning. Highlights of the year were the non-marketable portfolio, which was up 28% and good relative performance in fixed income and hedge funds.

The portfolio is positioned fairly close to its target allocations with a couple of exceptions. Bonds continue to be underweighted relative to target due to low current yields. Hedge funds remain overweighted to provide protection from market volatility while providing a higher expected return than bonds.