

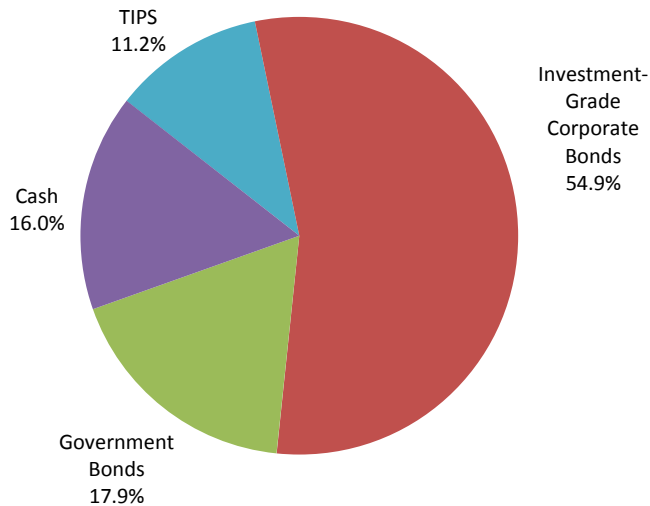
The University of Arkansas FOUNDATION, INC.

For the quarter ended September 30, 2011

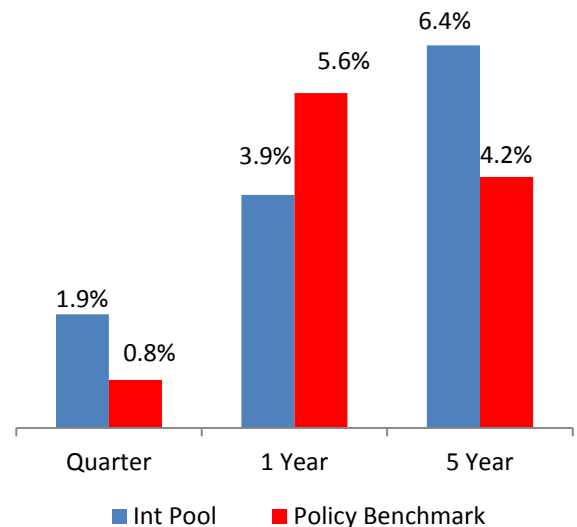
Intermediate Pool (non-endowed)

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 1.9% in the second quarter, well ahead of its policy index. All of the bond components generated positive returns during the quarter with the strongest performance coming from TIPS which rose 4.5% and government bonds which rose 3.2%.

In a defensive move, cash holdings were increased during the quarter by selling government bonds while maintaining the corporate bond exposure for yield.