

Fourth Quarter 2025

# Cavanal Hill Bond Fund Quarterly Commentary

*AABOX, APBDX, AIBNX*

## Market Overview

The fourth quarter of 2025 presented investors with a complex economic landscape: strong headline growth numbers from prior quarters collided with deteriorating consumer sentiment, weakening U.S. labor data, and a sharply divided Federal Reserve. The result was an environment of heightened rate volatility, shifting dynamics regarding bond term premiums (the additional yield provided by longer bonds), and widening dispersion across credit sectors.

The December Federal Open Market Committee meeting marked the third rate cut of 2025, in which the federal funds target range was lowered to 3.5% – 3.75%. Policy uncertainty is likely to carry into early 2026, keeping the front end sensitive to incoming inflation and labor market releases. Fed minutes showed several officials were inclined to pause cuts to assess data, while others emphasized labor market softness.

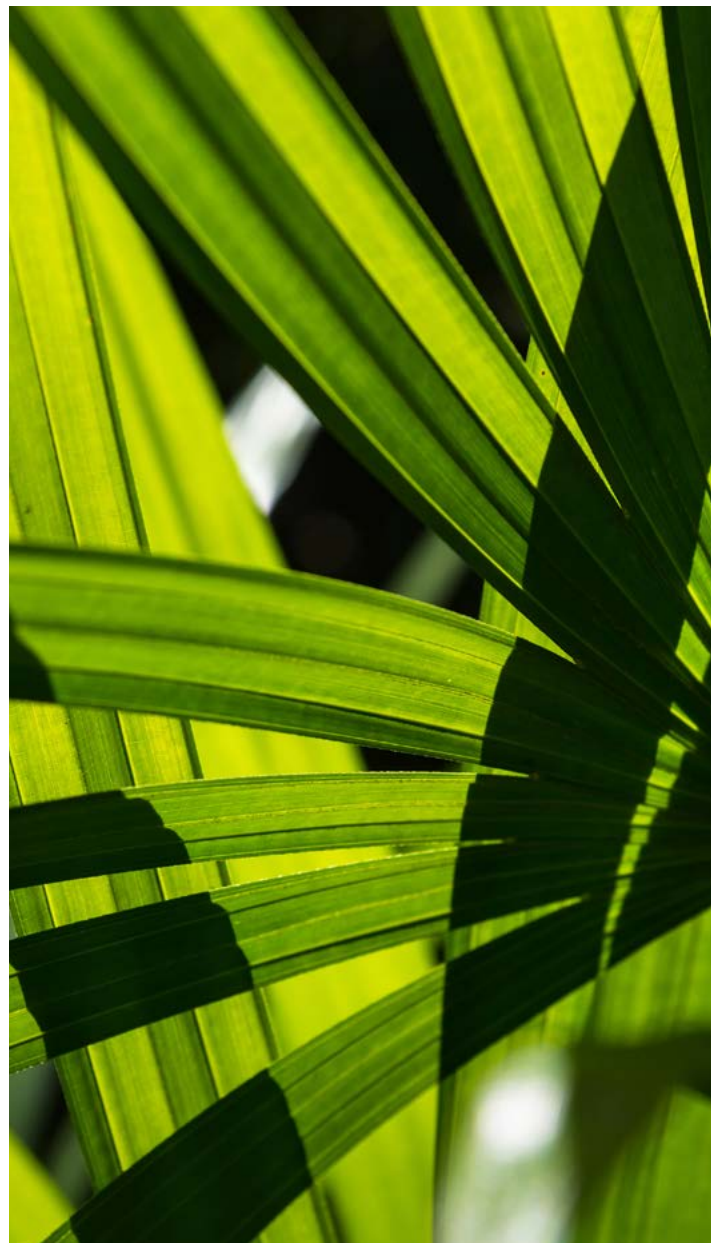
## How are you positioning the Fund?

We believe that yield spreads remain attractive in residential mortgage-backed securities. The Fund continues to have a significant allocation to asset-backed securities in response to wider spreads. The Fund's duration remains neutral.

## Why should investors consider investing in this fund?

With economic uncertainty rising along with financial market volatility, high quality fixed income remains an attractive asset class now and for the foreseeable future in our view.

**If you'd like additional information about this or any of the Cavanal Hill Funds, please contact Jim Nichols at [855.359.1898](tel:855.359.1898), [James.Nichols@cavanalhill.com](mailto:James.Nichols@cavanalhill.com), or [cavanalhillfunds.com](http://cavanalhillfunds.com).**



## Disclosures

**An investor should consider a fund's investment objectives, risks and charges and expenses carefully before investing or sending money. This and other important information about an investment company can be found in the fund's prospectus. To obtain a Cavanal Hill Funds prospectus or summary prospectus, please call 800-762-7085 or visit us at [www.cavanalhillfunds.com](http://www.cavanalhillfunds.com). Please read it carefully before investing.**

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## Investment Risks

Fixed income securities are subject to interest rate risks. The principal value of a bond falls when interest rates rise and rises when interest rates fall. During periods of rising interest rates, the value of a bond investment is at greater risk than during periods of stable or falling rates. Bond funds will tend to experience smaller fluctuations in value than stock funds. However, investors in any bond fund should anticipate fluctuations in prices, especially for longer-term issues and in environments of changing interest rates.

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