Limited Duration Fund Commentary

Market Overview

Yields shifted markedly higher in the third quarter, resulting in negative year-to-date returns for the Bloomberg Barclays Aggregate Index. The rise in yields was brought on by stronger-than-expected economic growth and declining inflation rates, which brought hope the economy could weather higher rates and a soft landing will ensue, instead of a potential recession. While not our base case, this argument has gained significant steam as economic data continue to come in better than expected and inflation has fallen below 4%. Additionally, equity markets have held up well, and company earnings have remained strong. Two economic pillars, housing and autos, have outperformed expectations.

The Federal Reserve (the Fed) raised rates by 25 basis points (0.25%) during the quarter, bringing the target federal funds rate to 5.25%-5.50%, the highest level since 2007. While the overall inflation rate fell further, core inflation remains above 4%, making it difficult for the Fed to end its long series of rate hikes. The yield curve remains inverted inside of 10 years, though not as deeply as it has been. For the quarter, the Bloomberg Barclays Aggregate index returned -3.23%.

Positioning the Bond Fund

Portfolio composition is subject to change.

With heightened market risks, and the potential for credit deterioration in 2023, we have increased credit quality. We believe agency mortgage-backed securities offer compelling value. We are increasing the liquidity of the Fund's holdings. To quickly capture favorable changes among rate opportunities, the Fund's duration is positioned shorter than that of its benchmark.

Why Should Investors Consider Investing in This Fund?

Expected fixed income market returns are higher than they have been in many years. With economic growth slowing and an aggressive Fed working to bring inflation down, high quality fixed income should be an attractive asset class. We believe this fund's conservative positioning should be beneficial in a more risk-averse economic environment.

CAVANAL HILL® Funds

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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. 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 rise 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.