

SECOND QUARTER 2023

GOVERNMENT SECURITIES MONEY MARKET FUND | APCXX, APHXX, APSXX  
U.S. TREASURY FUND | APGXX, APKXX, APNXX, APJXX

# Money Market Fund Commentary

## (Government Securities Money Market Fund & U.S. Treasury Fund)



### Market overview

The good times continued to roll for the money market fund industry as the Federal Reserve (The Fed) continued to raise interest rates. From the start of the Fed's monetary tightening campaign in 2022 to June 30, 2023, the federal funds target range was raised 500 basis points (5.00%) to 5.00%-5.25%. At quarter end, the Crane 100 Money Fund Index yielded 4.95%, up from a paltry 0.02% in February 2022.

The attractive yields have not gone unnoticed. Domestic money market fund assets rose by \$6.9 billion in June, according to Money Fund Intelligence, and ended at a staggering \$5.861 trillion. Over the past 12 months, assets have risen by \$875.9 billion, or 17.6%. Bank deposit products, according to a May Money Fund Intelligence article, typically yield less than 1%. This fact, together with investor angst in the wake of problems with Silicon Valley Bank and Signature Bank, has prompted the reallocation of sizable amounts of assets from banks to money market funds.

### Positioning the Money Market Funds

*Portfolio composition is subject to change.*

The Fed is almost certainly close to the end of its tightening campaign. The Funds continue to have short weighted average maturities to take advantage of higher rates, as markets price a high probability of at least one more hike this year. However, we have a small position in longer maturity bonds in the Government Securities Money Market Fund, and will likely extend more in both funds later this year to lock in higher yields.

### Notable changes to the portfolio

In May, we began investing in repurchase agreements (repos) with the Federal Reserve Bank of New York in the U.S. Treasury Fund, as we have been doing for about a year in the Government Securities Money Market Fund. This added a highly creditworthy counterparty, offering very attractive yields.

### Why should investors consider investing in this Fund?

We believe money market funds provide a very liquid, creditworthy, and currently high-yielding alternative to bank deposit products. This was demonstrated earlier this year as investors withdrew deposits from certain banks and reallocated massive amounts of funds to the money market sector.

## 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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