

Mid Cap Diverse Leadership Fund Commentary

(Formerly Mid Cap Core Equity Fund)



Market Overview

The Russian invasion of Ukraine, increasing inflation pressures, and the potential for higher interest rates going forward all combined to increase investor risk aversion in the first quarter. The heightened volatility coincided with negative returns for equities. Large-cap stocks performed modestly better than mid- and small-caps. However, the divide between value and growth was much more significant. The sharp gains in oil, natural gas, and other commodity prices served as a major tailwind for the energy sector, which far outperformed any other sector during the quarter. Likewise, changing expectations for diminished growth, higher inflation, and higher interest rates weighted heavily on the consumer discretionary and technology sectors. This all contributed to value indices outperforming growth indices by a substantial margin. Lastly, lower beta (less volatile) stocks tended to hold in better in this “risk-off” phase of the market cycle. However, stocks with higher-quality balance sheets or greater profitability weren’t necessarily in favor.

Positioning the Mid Cap Diverse Leadership Fund

Portfolio composition is subject to change.

The Fund has moved back to a more neutral stance in terms of cyclical versus defensive themes. Technology and real estate both remain as slight overweights while we have small underweights to consumer-sensitive sectors, health care, and materials. From a style

perspective, we are focused on characteristics that we believe should perform better against a backdrop of diminished visibility and confidence in future economic growth, inflation, and interest rates. This translates to focusing more on higher quality and profitability metrics with valuation playing a role, but in a reduced capacity. Lastly, the Fund continues to pursue lower ESG risk and focuses on companies that have displayed more recognition for diverse leadership and strong governance principles.

Morningstar Star Rating



Overall Morningstar Rating™ out of 360 Mid Cap Blend funds (for the overall period, Institutional Shares)

Morningstar star ratings are based on risk adjusted total returns.

Why should investors consider investing in this Fund?

In terms of the asset class, U.S. equities still appear to be attractive relative to international stocks, especially considering the situation in Europe and continued COVID issues in China. Investor sentiment was severely damaged by a number of negative headlines in the first quarter along with the actual decline in markets. But, such pessimism may provide an opportunity if too much negativity is priced in going forward. Likewise, unlike large-cap indexes, mid-cap stocks aren’t as reliant on a few mega-cap tech names to do well. Instead, they could provide a better balance of risk and return given where we are in the current business cycle. Along these lines, the Fund provides exposure to high-quality, mid-cap stocks in a manner that is generally less risky than many of its peers, which can hold more small caps and more speculative names. The ESG aspect of the Fund may also appeal to some investors who wish to reduce that risk and invest in companies that are working on issues involving the fair treatment of employees.

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. Please read it carefully before investing.

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Investment Risks

Equity securities (stocks) are more volatile and carry more risk than other forms of investments, including investments in high-grade fixed income securities. The value of the Fund's investments may decline due to an increase in interest rates. In general, the longer a security's maturity, the greater the interest rate risk. The Fund's yield may decrease due to a decline in interest rates. International investing involves increased risk and volatility. Mid- and small-cap companies may be more vulnerable to adverse business or economic developments.

The Morningstar Rating for funds or "star rating", is calculated for managed products (including mutual funds, variable annuity and variable life subaccounts, exchange-traded funds, closed-ended funds, and separate accounts) with at least a three-year history. Exchange-traded funds and open-ended mutual funds are considered a single population for comparative purposes. It is calculated based on a Morningstar Risk-Adjusted Return measure that accounts for variation in a management product's monthly excess performance, placing more emphasis on downward variations and rewarding consistent performance. The top 10% of products in each product category receive 5 stars, the next 22.5% receive 4 stars, the next 25% receive 3 stars, the next 22.5% receive 2 stars, and the bottom 10% receive 1 star.

The Overall Morningstar Rating for a managed product is derived from a weighted average of the performance figures associated with its three-, five-, and 10-year (if applicable) Morningstar Rating metrics. The weights are: 100% three-year rating for 36-59 months of total returns, 60% five-year rating/50% three-year rating for 60-119 months of total returns, and 50% 10-year rating/30% five-year rating/20% three-year rating for 120 or more months of total returns. While the 10-year overall star rating formula seems to give the most weight to the 10-year period, the most recent three-year period actually has the greatest impact because it is included in all three rating periods.

Cavanal Hill Mid Cap Diverse Leadership Fund (formerly Cavanal Hill Mid Cap Core Equity Fund) was rated against the following numbers of mid-cap blend funds over the following time periods: 4 stars against 360 funds over the last three years, and 313 over the last five years..

Past performance is no guarantee of future results.

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