

Mid Cap Diverse Leadership Fund Commentary

(Formerly Mid Cap Core Equity Fund)



Morningstar Star Rating



Overall Morningstar Rating™ out of 367 Mid Cap Blend funds (for the overall period, Institutional Shares)

Morningstar star ratings are based on risk adjusted total returns.

Market Overview

Persistently high inflation and the Federal Reserve's actions to tame it were the front and center issues for the second quarter. Investors grew more apprehensive as mounting evidence of an economic slowdown appeared, all while the Fed was under increasing pressure to raise interest rates higher and faster than previously assumed. The continuing war in Ukraine also contributed to higher energy prices and further economic problems worldwide, especially in European nations dependent upon Russian supplied oil and natural gas. All of these contributed to negative returns for equities in the second quarter.

For the quarter, value outperformed growth by a wide margin. However, value stocks trailed growth in June. The energy sector and other, more defensive sectors, such as consumer staples and utilities, held up the best. Increased expectations for a slower economy and weakening consumer outlook had a negative impact on the consumer discretionary and technology sectors. This all contributed to value indexes outperforming growth indexes by a substantial margin. However, the

defensive nature of the market was most evident in the significant outperformance of lower-beta (less volatile) stocks versus high-beta stocks during the quarter.

Positioning the Mid Cap Diverse Leadership Fund

Portfolio composition is subject to change.

The large outperformance of the energy sector has also caused the Fund's weight in that sector to grow as we have held on to those investments. Likewise, we have also maintained a slight overweight to technology. Conversely, we have moved to a more underweight stance in consumer-sensitive sectors such as communications and consumer discretionary. Increased uncertainty on both economic growth and interest rates calls for a greater emphasis on risk management at this juncture. Consequently, from a style perspective, we remain focused on higher-quality, more profitable companies with lower volatility. As well, the Fund continues to pursue lower risk related to environmental, social and governance (ESG) issues and companies that have displayed more recognition for diverse leadership and strong governance principles.

Why should investors consider investing in this Fund?

U.S. equities still appear attractive relative to international stocks, especially considering how global growth could be even more negatively affected relative to the U.S. After a large sell-off such as what has occurred so far in 2022, it is easy to become excessively pessimistic, especially in the face of such a bearish investor and consumer sentiment. However, this bearishness may provide an opportunity for equity investors if too much negativity is already priced in. The Fund's approach of investing in high-quality, mid-cap stocks could provide a better balance of risk and return given the current macroeconomic and market backdrop. The Fund's ESG aspect may also appeal to some investors who wish to reduce that risk and invest in companies that are working on issues of fairness with and between 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 367 funds over the last three years, and 325 over the last five years, and 217 investment over the last 10 years.

Past performance is no guarantee of future results.

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