

Moderate Duration Fund Commentary



Market Overview

The first quarter provided fixed-income investors with surprises and new challenges: The Russian-Ukraine War added to existing supply chain disruptions, leading to the worst quarterly performance for the asset class since 1980. Although the U.S. economy remains on strong footing, the high rate of inflation has been more persistent than anticipated. This puts pressure on the Federal Reserve to raise its short-term target federal funds rate more aggressively than had been forecast. Current expectations are for the rate to reach 2.25% by year-end 2022 and 3.25% by December 2023.

Morningstar Star Rating (if applicable)



Overall Morningstar Rating™ out of 560 short-term bond funds (for the overall period, Institutional Shares) Morningstar star ratings are based on risk adjusted total returns.

Positioning the Moderate Duration Fund

Portfolio composition is subject to change.

The Fund is short of its benchmark duration. It has a heavy overweight to taxable municipals and non-agency asset-backed securities. Within these markets, we focus on the higher-rated and more liquid securities. As monetary and fiscal policy become tighter, we favor moving up in quality and liquidity.

Why should investors consider investing in this Fund?

Interest rates have moved up significantly and the market has priced in aggressive tightening from the Federal Reserve. Higher interest rates along with the spread widening we have witnessed so far this year have greatly improved the yields available in the market. If more restrictive monetary policy weakens the economic outlook, rates have room to fall from current levels, adding the potential for price appreciation to the improved yield levels.



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

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.

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 Moderate Duration Fund was rated against the following numbers of short-term bond funds over the following time period: 2 star against 560 funds in the last three years, 3 star against 480 funds in the last five years, and 4 stars against 318 funds in the last ten years.

Past performance is no guarantee of future results.

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