Moderate Duration Fund Commentary

Market Overview

Fixed income endured a highly volatile first quarter. The Federal Reserve (The Fed) raised rates twice in the first quarter, each time by 25 basis points (0.25%), bringing the federal funds rate to 4.75% - 5.00%, as the consumer inflation rate was still three times the Fed's 2% target. Beyond concerns about sticky inflation and aggressive rate hikes, a mini-banking crisis unfolded with the demise of Silicon Valley Bank and Signature Bank, followed shortly by the rescue of Credit Suisse, which was purchased by UBS. The yield curve remains heavily inverted inside of 10 years, with short duration yields higher than long duration yields. This is typical of recessionary conditions. The recent turmoil in the financial services industry likely will lead to tightened lending standards, which could have a dampening effect on the U.S. economy. We recommend continuing to trim exposure to credit while spreads remain relatively contained.

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, adding to high-quality sectors, including government-backed and high-quality corporate bonds. We are also reducing the Fund's liquidity risk by trimming allocations to asset-backed securities. Given the rate uncertainty in the months ahead, we are neutral on the portfolio's duration exposure versus the benchmark index.

Why Should Investors Consider Investing in This Fund?

Expected 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. 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.