

Moderate Duration Fund Commentary



Market Overview

Credit markets were much calmer in the second quarter after a volatile first quarter of 2023. Headline inflation continued to fall, a welcome sign for investors. The regional banking crisis eased, allowing credit-based sectors to outperform. While yields trended lower initially, the relief of these pressures also was encouraging for the economy. Consumers continued to spend their excess savings, resulting in stronger than expected economy. This has kept core inflation higher than the Federal Reserve (The Fed) would like, and ultimately resulted in yields rising during the period. Ten-year U.S. Treasury yields rose 37 basis points (0.37%) to 3.84%, while the 2-year yield rose 87 basis points to 4.90%, with the market anticipating higher rates for longer. The Fed raised rates one additional time in the second quarter, bringing the target federal funds rate to 5.00% - 5.25%, the highest level since 2007.

Positioning the Bond Fund

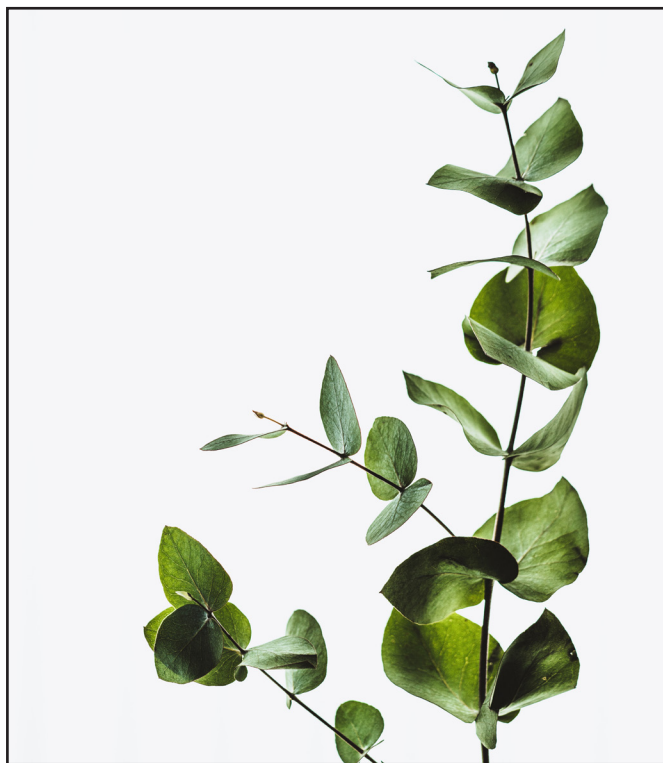
Portfolio composition is subject to change.

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 remain neutral on the portfolio's duration exposures versus the benchmark index. We expect to be opportunistic in increasing credit exposure should the economic outlook deteriorate.

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. We believe this fund's conservative positioning should be beneficial in a more risk-averse economic environment.



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.