Equity Management Team
The Mid Cap Core Equity Fund is managed by the Quantitative Equity Management Team of Cavanal Hill Investment Management, Inc. The team is responsible for the overall management of the Mid Cap Equity Strategy. While all members of the team actively contribute their experience, expertise and unique insights to the investment process, the manager primarily responsible for the day-to-day management of the Mid Cap Core Equity Fund is:

Thomas W. Verdel, CFA
Senior Quantitative Equity Portfolio Manager
Thomas Wesley Verdel is responsible for the research, development, and implementation of Cavanal Hill’s quantitative equity offerings. Mr. Verdel joined Cavanal Hill in 2005 and has been a Portfolio Manager of the Fund since 2016.

Mid Cap Core Equity Fund Commentary
Cavanal Hill Funds (Institutional Shares) vs. Benchmark Returns

<table>
<thead>
<tr>
<th>Fund/Index</th>
<th>Quarter*</th>
<th>1 Year</th>
<th>Since Inception</th>
<th>Expense Ratio (gross/net)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mid Cap Core Equity Fund (12/30/16)</td>
<td>5.74%</td>
<td>25.05%</td>
<td>8.21%</td>
<td>9.22%/0.81%</td>
</tr>
<tr>
<td>Russell MidCap® Index</td>
<td>7.06%</td>
<td>30.54%</td>
<td>12.04%</td>
<td></td>
</tr>
<tr>
<td>Lipper Mid-Cap Growth Funds Average†</td>
<td>7.88%</td>
<td>34.02%</td>
<td>16.89%</td>
<td></td>
</tr>
</tbody>
</table>

*Aggregate returns
The returns presented reflect fee waivers that have been in effect during the applicable periods. Without such waivers, the total returns would have been lower. Currently, contractual fee waivers are in effect from December 26, 2019 through December 31, 2020.

Lipper Rankings*

<table>
<thead>
<tr>
<th>Fund/Ranking</th>
<th>Rank</th>
<th>Percentile</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mid Cap Core Equity Fund</td>
<td>Category: Lipper Mid-Cap Growth Funds</td>
<td>396/407</td>
</tr>
<tr>
<td>Lipper Mid Cap Growth Funds Rank</td>
<td>1 Year</td>
<td>296/406</td>
</tr>
</tbody>
</table>

Rankings are for Institutional Class and are based on average annual total returns, but do not consider sales charges. Lipper rankings for other share classes will differ due to differences in expenses, fees, or sales charges. Morningstar rankings are independently calculated and not combined to create an overall ranking. For periods not shown, Morningstar does not provide rankings based on synthetic performance.

How did stocks fare overall?
U.S. gross domestic product (GDP) annualized growth continued at a muted 2.1% in the third quarter of 2019, up slightly from the second quarter’s reading of 2.0%. Forecasts call for GDP growth to slow down to roughly 1.7% in the fourth quarter of 2019 and first quarter of 2020 and then pick back up to the 2.0% level. Leading indicators had another difficult quarter as the Institute for Supply Management (ISM) manufacturing indexes and Conference Board Leading Economic Indicators extended their slowdown that began in late 2018. Businesses and consumers remain divided on their outlooks. While business confidence and sentiment have pulled back to more cautious levels, consumers appear to be more optimistic. The combination of a strong labor market, healthy consumer balance sheets, and low inflation has helped to keep consumer spending elevated.

The Federal Open Market Committee’s accommodative stance in 2019 and the corresponding three 0.25% cuts to the federal funds rate during the year also served to pull down mortgage rates in the second half of the year. This led to a major rebound in housing affordability, existing home sales, and housing starts. In addition to support from the U.S. Federal Reserve Board (the Fed), some resolution on Brexit was found and the announcement of a “Phase One” U.S. trade deal with China reversed the consensus outlook from slower growth and a potential recession to a pickup in growth and a renewed expansion. This shift in perspective helped to move markets higher and contributed to a resurgence of cyclical themes while defensive areas lagged.

The fourth quarter started out on a shaky note but quickly recovered, rising steadily higher throughout November and December as investor sentiment turned more optimistic. Risk aversion, as evidenced by narrowing credit spreads and declining equity volatility, moved to multi-year lows in the quarter. After a number of misfires on trade talks with China, the announcement of the Phase One deal clearly took many investors by surprise. While previous trade announcements had only a short-lived impact on the market’s outlook, the

(Continued on page 2)
**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. Mid- and Small-cap companies may be more vulnerable to adverse business or economic developments.

Phase One deal took root and remained center stage for the rest of the quarter. This bolstered more cyclical sectors and those companies with greater exposure to China. In contrast, defensive styles and sectors lagged behind. Getting the timing correct in regards to when the Phase One agreement would be announced and gauging the importance that the market would attach to it was exceedingly difficult. As mentioned previously, trade negotiations had gone through a number of false starts. Knowing when Phase One would finally come through was impossible to predict, and knowing how much the market would buy into it added further complexity. The position of the Fed and the U.S.-China trade status completely reversed over the past 12 months. The extreme pivots and the market's swift and volatile reactions were difficult to navigate, especially for managers that may have limits on turnover and tax consequences. The upcoming 2020 U.S. presidential race will no doubt gain attention going forward. However, for now markets appear satisfied that the macroeconomic headwinds to growth have been offset by accommodative central bank policy and the promise of the U.S.-China trade deal.

**What factors influenced the Fund's performance?**

From a market cap perspective, we are in line with the benchmark. As to sectors, our approach this quarter leaned on an overweight to technology, energy, and financials while we had an underweight to utilities, communication services, and healthcare. Energy stocks benefited from the cyclical shift, which made our overweight in this sector additive to performance. While large-cap technology did very well, mid-cap tech delivered roughly average performance, so the technology overweight was a wash. The underweight to healthcare was the most detrimental to relative performance as those stocks made large gains, reflecting the changing political backdrop. Overall, in the fourth quarter, the return from our sector allocations relative to the benchmark was negative (around -0.18%).

From a style perspective, we held stocks that had some positive price momentum, higher profitability metrics, and lower leverage. These higher-quality characteristics had mixed results but overall they added around 0.20%. Other, smaller risk exposures netted each other out. The drop in market risk aversion and the quick shift back to cyclical, higher-risk market segments had a negative impact on our stock picks within sectors—primarily within technology and software—which ended up detracting around 0.49% versus the benchmark. Cash holdings and large transactions into and out of the fund also created a sizable drag on performance. Overall, we underperformed the benchmark by roughly 1.32% for the quarter.

An overweight to the energy sector and an underweight to consumer discretionary helped the Fund’s relative performance the most. The stock of Fortinet (2.97% of investments), a cybersecurity company, rose 39.1% during the quarter, as it continued to produce strong financial results and had steady price appreciation. Allegion (1.07%), a Dublin-based security device and service company, had a solid fourth quarter, rebounding 20.2% after a third-quarter selloff as it benefited from the Phase One U.S.-China trade deal. Align Technology (0.84%), a medical device maker, soared 54.2% in the quarter, rebounding from a third-quarter selloff after some patent infringement litigation was settled in its favor.** On the other hand, our overweight to the industrials sector and an underweight to healthcare hurt relative performance the most. The stock of Hasbro (0.82%), an entertainment and toy company, fell 11.0% in the fourth quarter after a major miss on its third-quarter earnings. Online retailer Etsy (0.70%) fell short of expectations and its stock declined by 21.6% in the fourth quarter. ServiceMaster (0.69%), a residential and commercial cleaning, restoration, and pest control company, missed its earnings expectations and reduced its forward guidance, resulting in a 30.8% quarterly loss.**

**What is your outlook?**

Macroeconomic data in the U.S. had mixed results in the fourth quarter. Manufacturing surveys and purchasing manager indices continued to decline but housing-related industries had positive results. The job market, wages, and consumer activity also stayed strong during the quarter. The divergence between the outlook of businesses and business owners, on the one hand, and consumers remains, with businesses much less optimistic. However, positive sentiment has overtaken the market with expectations of a cyclical rebound. Previously, we anticipated a rebound late in the first or second quarter of 2020 and, from a macroeconomic perspective, we think that the data will improve.

The market’s shift to such a positive outlook happened much sooner than we anticipated. However, while we think riskier, cyclical stocks will perform better on the margins, the magnitude of the differences going forward may be smaller. Because the market anticipates a rosier growth environment in 2020, the risks are that a policy error or geopolitical event could stall out the recovery. Considering how much less risk aversion is present in markets than even three months ago, we are constructive on markets and cyclical themes but also aware that negative events could quickly offset the balance. This is an environment where we will be trying to find higher quality, risk-managed companies in the value

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Mid Cap Core Equity Fund Commentary

and cyclical space. Risk management will be crucial over the next six to 12 months.

The announcement of the Phase One deal with China and the shift in market sentiment happened sooner than we had anticipated. While we have leaned on growth and profitability themes for a number of quarters based upon expectations that macroeconomic data would slow further, the outlook has changed enough that we will shift away from a defensive posture to opportunities in the more cyclical areas of the market. Should the macroeconomic data continue to improve, then there will likely be a rebound in more beaten-down, value names while growth stocks trading at higher multiples could stagnate. The portfolio will remain focused on high quality, profitable ideas but cyclical themes such as value will grow in importance.**

** Portfolio composition is subject to change.

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1 Definitions

Conference Board Leading Economic Index is an American economic leading indicator intended to forecast future economic activity. It is calculated by The Conference Board, a non-governmental organization, which determines the value of the index from the values of ten key variables. Gross Domestic Product (GDP) measures the value of all final goods and services produced by labor and property within the respective country/economic region. ISM Manufacturing Index (ISM) is based on surveys of more than 300 manufacturing firms by the Institute of Supply Management. The ISM monitors employment, production, inventories, new orders, and supplier deliveries. A composite diffusion index monitors conditions in national manufacturing and is based on the data from these surveys. Russell MidCap® Index measures the performances of the 800 smallest companies in the Russell 1000® Index. Russell 1000® Growth Index measures the performance of the large-cap growth segment of the U.S. equity universe. It includes those Russell 1000 companies with higher price-to-book ratios and higher forecasted growth values. Russell 1000® Value Index measures the performance of the large-cap value segment of the U.S. equity universe. It includes those Russell 1000 companies with lower price-to-book ratios and lower expected growth values. S&P 500 Value Index measures the performance of the large-capitalization value sector in the US equity market. It is a subset of the S&P 500 Index and consists of those stocks in the S&P 500 Index exhibiting the strongest value characteristics. The indexes are unmanaged and does not reflect the fees and expenses associated with a mutual fund. An investor cannot invest directly in an index.

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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