

Strategic Enhanced Yield Fund Commentary



Market Overview

The U.S. gross domestic product and the consumer price inflation rate are both at levels not seen in the past 10-plus years. However, despite these high levels of economic growth and inflation, interest rates remain at extremely low levels. The Federal Reserve (the Fed) is maintaining the federal funds rate at 0 - 0.25% and is committed to keeping it there for the foreseeable future. These very low interest rates combined with tight credit spreads make investing in the fixed income market difficult.

Positioning the Strategic Enhanced Yield Fund

Portfolio composition is subject to change.

We have positioned the Fund as aggressively as we can get comfortable with. We expect economic growth and inflation to remain very strong in the near term, so we are making allocations to riskier market segments likely to benefit from these conditions in search of relative outperformance.

Why should investors consider investing in this Fund?

We believe active management of fixed income portfolios makes more sense now than ever. With benchmark yields near historically low levels, targeting less efficient areas of the market in search of additional yield can lead to large relative outperformance.

The Fund's small size allows us to be active in some of the smaller sectors of the fixed income market. We have been very active in smaller areas of the securitized markets, which we believe currently offer some of the best potential reward versus risk.



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.

Short-term investment-grade bonds offer less risk and generally a lower rate of return than longer-term higher yielding bonds. High-yield bonds, "commonly referred to as junk bonds," have a higher risk of default or other adverse credit events, but have the potential to pay higher earnings over investment-grade bonds. The higher risk of default, or the inability of the creditor to repay its debt, is the primary reason for the higher interest rates on high-yield bonds. International investing involves increased risk and volatility.

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