

World Energy Fund Commentary



Market Overview

Steadily increasing demand for oil continues to outpace supplies. This has been putting even more pressure on already historically low global oil inventories. OPEC+ has once again raised its oil production quota. However, OPEC+ (Organization of Petroleum Exporting Countries) member countries are finally reaching their pre-pandemic levels, which is raising concerns about their ability to reach oil production expectations. At the G7 summit in June, we saw French President Macron telling President Biden that the United Arab Emirates and Saudi Arabia can barely raise oil output. Lead times for U.S. exploration and production companies to get supplies continue to extend beyond their already long wait times. Supplies that used to take a few months may now need to be booked out a year, as prices for some services have doubled or tripled due to supply chain and labor constraints. All this has compounded the difficulty of producing more oil in the United States. Despite all these upward price forces, we have seen oil prices sell off recently. This is mostly due to the increasing threat of a global recession and expectations of falling demand. However, even with the fear of recession on investors' minds, the energy market has not changed fundamentally, with demand continuing to outweigh supply.

Positioning the World Energy Fund

Portfolio composition is subject to change.

We remain overweight fossil fuel stocks, with a particular emphasis on oil field service companies along with exploration and production companies. We continue to see opportunities for companies to outperform in this environment of higher crude oil

prices. Although oil futures prices for 2023-2025 have risen, stocks still reflect lower long-term oil prices than the oil price futures curve is indicating. As a result, we continue to see value in oil stocks. We have also maintained our exposure to alternative energy despite the poor performance in this sector year to date. We believe the oil price spike we're currently experiencing will encourage a continued search for alternatives. While we continue to maintain weight in materials, we have also added renewable alternative energy generation firms as higher fossil fuel prices will continue to push people to explore alternative energy sources.



Morningstar Star Rating

Overall Morningstar Rating™ out of 69 Equity Energy funds (for the overall period, Institutional Shares)

Morningstar star ratings are based on risk adjusted total returns.

Why should investors consider investing in this Fund?

Cheap energy remains the lifeblood of economic development. Emerging markets continue to seek the least expensive source of energy they can find to improve the standard of living in their countries. In addition, developed nations are now trying to balance supplying energy to their consumers while investing in technologies to reduce greenhouse gas emissions. Even with fears of a recession, oil demand will continue to stay at or above supply. With a typical recession only lowering demand a few percent, there are still not enough sources to fill current demand shortfalls, keeping West Texas Intermediate crude oil prices elevated for the foreseeable future. In addition, we believe higher oil prices are likely to lead consumers and countries to further investment in alternative energy sources. Russia's invasion of Ukraine accelerated the need for greater domestic energy independence, which will cause European Union nations to secure fossil fuels from trusted allies and increase the development of renewable energy sources in their countries. We believe this benefits our fund, where we invest in both fossil fuel and alternative technologies.

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.

Cavanal Hill Investment Management, Inc. is an SEC registered investment adviser and a wholly-owned subsidiary of BOK Financial Corporation, a financial holding company ("BOKF"). BOKF, NA serves as the custodian for the Cavanal Hill Funds. Cavanal Hill Investment Management, Inc. provides investment advice, administration and other services for the Funds and receives a fee for providing such services as fully described in the prospectus. The Funds are distributed by Cavanal Hill Distributors, Inc. a registered Broker/Dealer, member FINRA and wholly-owned subsidiary of BOKF.

Commentary provided is for the indicated period and is designed to provide a frame of reference. It does not constitute investment advice. Information contained herein has been obtained from sources believed to be reliable, but not guaranteed. The opinions expressed herein reflect the judgment of the authors at this date and are subject to change without notice and are not a complete analysis of any sector, industry or security. This document contains forward-looking statements that are based on management's beliefs, assumptions, current expectations, estimates and projections about the Cavanal Hill Funds, the securities and credit markets and the economy in general. Words such as "anticipates," "believes," "estimates," "expects," "forecasts," "plans," "projects," variations of such words and similar expressions are intended to identify such forward-looking statements. Management judgments relating to and discussion of the value and potential future value or performance of any security, group of securities, type of security or market segment involve judgments as to expected events are inherently forward-looking statements. Management judgments relating to and discussion of the value and potential future value or performance of any security, group of securities, type of security, group of securities, type of security or market segment involve certain risks, uncertainties and assumptions that are difficult to predict with regard to timing, extent, likelihood and degree of occurrence. Therefore, actual results and outcomes may materially differ from what is expressed, implied, or forecasted in such forward-looking statements. The potential realization of these forward-looking statements is subject to a number of limitations and risks, which are described in the Fund's prospectuses, and investors or potential investors, are cautioned to review the Funds' prospectuses and the description of such risks. Neither the Funds nor the Funds' investment adviser, Cavanal Hill, undertake any obligation to update, amend, or clarify forward-looking statement, whether as a result of new information, future events or otherwise.

Investment Risks

Equity securities (stocks) are more volatile and carry more risk than other forms of investments, including investments in below investment-grade fixed income securities. 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. The Fund invests in foreign and emerging market securities, which involves certain risks such as currency volatility, political and social instability, and reduced market liquidity. Mid- and small-cap companies may be more vulnerable to adverse business or economic developments. During periods of rising interest rates, the value of a bond investment is at greater risk than during periods of stable or falling rates. International investing involves increased risk and volatility. The Fund's concentration in energy-related industry securities may present more risks than would be the case with funds that diversify investments in numerous industries and sectors of the economy. A downturn in the energy sectors would have a larger impact on the Fund than on a fund that does not concentrate in these industries. Energy sector securities can be significantly affected by events related to political developments, energy conservation, commodity prices, and tax and government regulations. The performance of securities in the Fund may, at times, lag the performance of companies in other sectors or the broader market as a whole. Emerging market investing may be subject to additional economic, political, liquidity, and currency risks not associated with more developed countries. The Fund may engage in active and frequent trading. Diversification does not assure a profit nor protect against loss.

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-end ed 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 35% 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 World Energy Fund was rated against the following numbers of equity energy funds over the following time periods: 5 stars against 69 funds in the last three years, and 5 star against 67 funds in the last five years, and 52 funds in the last ten years.

Past performance is no guarantee of future results.

©2022 Morningstar, Inc. All rights reserved. The information contained herein: (1) is proprietary to Morningstar and/or its content providers; (2) may not be copied or distributed; and (3) is not warranted to be accurate, complete, or timely. Neither Morningstar nor its content providers are responsible for any damages or losses arising from any use of this information.