FIRST QUARTER 2023 | AAWEX, ACWEX, APWEX, AIWEX

World Energy Fund Commentary

Market Overview

Oil prices fell about 5% during the quarter as an abnormally warm winter across Europe and much of the United States reduced demand. At the same time, despite Western sanctions against Russian oil and oil products, Russian production still, for the most part, made it to global oil markets. The result was weakening oil prices throughout the quarter. However, in the first weekend of April, the Organization of Petroleum Exporting Countries Plus (OPEC+) announced a surprise production cut of more than 1 million barrels per day, effective May 2023 through the end of the year.

This latest production cut should result in global oil demand exceeding supply for much of 2023. As global inventories drain from near normal levels, we believe the backdrop is positive for oil prices and for oil-related equities.

Over the past year, the Biden administration made a historic drawdown of the U.S. Strategic Petroleum Reserve, reducing the inventory held in reserve from more than 630 million barrels in early 2022 to 375 million barrels as of December 31, 2022. The Reserve now sits at its lowest level since 1984, and at some point, some of this oil will have to be replaced, which will also be positive for demand.

In the first quarter, energy stocks were among the poorest performers in the market. However, this followed two years of exceptionally strong performance. We continue to see an overall positive trend for the sector.

Natural gas has been extremely weak, as a major U.S. liquefied natural gas (LNG) facility, Freeport LNG, has been offline for more than six months. As a result, more than 400 billion cubic feet of natural gas that would have been exported to other countries is instead bloating U.S. inventories and keeping prices low. Though we continue to be intrigued by the long-term prospects for U.S. natural gas, our near-term outlook for the commodity is bleak. As a result, we have focused the Fund on oil-related equities rather than natural gas.

Morningstar Star Rating

★★★★

Overall Morningstar Rating™ out of 68 Equity Energy Funds (for the overall period, Institutional Shares)

Morningstar star ratings are based on risk adjusted total returns.

Positioning the World Energy Fund

Portfolio composition is subject to change.

We remain heavily invested in fossil fuel stocks, though we have adjusted our focus. During the quarter, we increased our exposure to international integrated oil companies as well as internationally focused oil field service companies. Additionally, we see an opportunity in offshore services and rigs. As a result, we have increased our exposure to that area of the market as well.

Taking a longer-term view, we believe opportunities are being created in the U.S. natural gas industry as it is beginning to globalize, with capacity to now export more than 10% of its production via LNG. As a result of the Russia-Ukraine war, we believe Europe is likely to be a consistent buyer of low-cost natural gas from the U.S.

CAVANAL HILL Funds

World Energy Fund Commentary (continued)

Though U.S. natural gas prices may remain low for the next several quarters, we see opportunity for a re-rating of the industry as the commodity globalizes and prices rise.

We have reduced our investment in alternative energy, with our focus primarily on lithium, uranium, and copper as well as some solar and wind. We view alternatives as potential incremental solutions to the European power crisis. Though this war-driven energy crisis may last more than a few quarters, we expect the solutions from the U.S. LNG business, as well as alternative energies, will eventually reduce energy insecurity around the world.

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 so as 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 growing, oil demand likely will remain at or above supply as China reopens from nearly three years of COVID lockdown. Additionally, OPEC has been more active in balancing global markets than in the past, when shale oil was taking market share from OPEC. Over time, we believe U.S. natural gas presents an opportunity as the Russian invasion of Ukraine and subsequent limiting of natural gas flowing from Russia to Europe has forced a globalization of natural gas markets. Higher oil and natural gas prices are likely to lead consumers and countries to invest further in alternative energy sources. We believe this trend benefits our Fund, as 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.

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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-ended 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: 3 stars against 68 funds in the last three years, and 5 star against 68 funds in the last five years.

Past performance is no guarantee of future results.