Madison Asset Allocation Funds Investment Strategy Letter

Review – Third Quarter 2019

Despite a rather steep mid-quarter sell-off, global stocks rebounded to produce generally mixed results during a rather topsy-turvy quarter for equities. For the quarter, U.S. stocks (Russell 3000) climbed 1.16%, while foreign equities (MSCI ACWI-ex U.S.) declined -1.80%; meanwhile, U.S. bonds (Barclays U.S. Aggregate), posted returns of 2.27%.

David Hottmann, CFA
Portfolio Manager
Industry since 1990

Patrick Ryan, CFA
Portfolio Manager
Industry since 2000

Perspectives

"Everything in moderation, including moderation."

- Julia Child

Let's review one of our core long-standing investment principles. Our approach to portfolio management is concisely summarized as follows (from our own Investment Policy Statement):

Approach – Valuation Driven

Portfolio allocations are driven by our assessment of valuation-based expected returns. We understand that rich valuations are typically followed by sub-par performance. Investment success can therefore be enhanced by embracing an evidence-based approach in conjunction with a flexible mandate and then repeatedly and opportunistically differentiating between relatively undervalued and overvalued asset classes.

Accordingly, we believe that financial markets can be notably inefficient. We will therefore, at times, utilize a "contrarian" mindset, identifying out-of-favor or misunderstood asset classes where investor expectations are not excessive, and worthwhile outcomes are attainable.

Our approach can be described as both fundamentally-based and conservative. You will also note that "momentum" is not a factor that we pay heed to. Conversely, we tend to look in the other direction to identify securities that have been "left behind" when momentum or speculation becomes an overly dominant or extreme factor for financial market participants.

Momentum-based markets, which have been more common recently, tend to be highly price-insensitive. Investors (or algorithmic traders) see what is working and then pile into these same securities. If perpetuated, these securities can become very pricey and untethered from their own fundamentals. In our view, this is not investing – it amounts to speculative trend following. At some point, it can become a game of "Old Maid" where some investors are suddenly and unexpectedly stuck holding the wrong cards. We'll pass and instead rely on our evidence-based approach. We'll leave it to other investors to press their luck against today's modern-day "dealers."

Outlook

The message from financial markets is a cautionary one. Safe-haven assets like Treasuries and gold continue to attract investors. Likewise, year-to-date Utility Sector returns are broadly outperforming other more cyclically sensitive sectors like Industrials, Financials and Materials. This is also a global phenomenon. We are pleased that our own positioning is very much aligned with this emerging picture of slowing global economies. To the point, we are notably and intentionally underweight cyclically sensitive asset classes.

Global central banks have essentially "nationalized" risk; they've done their best to perpetually soothe and medicate financial markets with extreme forms of monetary accommodation. Historically low, and often negative, global interest rates are but one example. This has led to investor complacency and a valuation disconnect between many richly priced risk assets and their true underlying intrinsic valuation. Thoughtful investors understand that this is a uniquely challenging investment environment. In our view, investor expectations should be tempered.

Portfolio Positioning

An optimal and efficient response to today's "unusual" investment climate likely requires a corresponding "outside the box" approach. What are the most unique, telltale attributes that we should be focusing on? For starters, inflation remains low and global debt levels remain extraordinarily high. These same elevated global debt levels also imply that global economies are operating in a perpetually fragile economic condition. This backdrop is likely to motivate global central banks to keep interest rates extraordinarily low for an extended period-of-time.

If this holds true, this should favor stable, relatively safe, long duration assets that have highly predictable future cash flows. Accordingly, high leverage and cyclical exposures should be carefully evaluated. The tortoise may beat the hare in this scenario. In other words, boring is beautiful.

Putting this together, our portfolios are comfortable with holding long duration assets such as Treasury bonds and high-quality, blue-chip stocks that are less susceptible to disruption risk, excessive leverage and economic cyclicality. U.S. large cap stocks with a long, stable and predictable history of growing their dividends are a good example of the type of equities we are particularly focused on. Foreign equity positioning has a similar profile. From a country perspective, Japan (positive economic reforms), the U.K. (attractive contrarian valuations) and China (durable economic growth) are relatively compelling in our view. On the other hand, continental Europe (dysfunctional governance), Australia and Canada (housing bubbles) are less appealing.

Summary

We are confident our Multi-Asset managed portfolios remain well-positioned for a growth-challenged global economy. We also understand and embrace our ongoing responsibility to insightfully differentiate between attractive and less attractive asset classes as we strive to deliver superior risk-adjusted returns. As always, we truly appreciate your confidence and your support.

Sincerely,

David Hottmann, CFA *Patrick Ryan, CFA*

See the following page for important information.

The Russell 3000 Index measures the performance of the largest 3,000 U.S. companies representing approximately 98% of the investable U.S. equity market. The Russell 3000 Index is constructed to provide a comprehensive, unbiased and stable barometer of the broad market and is completely reconstituted annually to ensure new and growing equities are reflected. Russell Investment Group is the source and owner of the trademarks, service marks and copyrights related to the Russell Indexes. Russell® is a trademark of Russell Investment Group.

The MSCI ACWI ex USA Index captures large and mid cap representation across 22 of 23 Developed Markets countries (excluding the US) and 23 Emerging Markets countries. With 1,843 constituents, the index covers approximately 85% of the global equity opportunity set outside the US.

Bloomberg Barclays U.S. Aggregate Bond Index is an unmanaged index of U.S. fixed income securities. The U.S. Aggregate Index covers the USD-denominated, investment-grade, fixed-rate, taxable bond market of SEC-registered securities. The index includes bonds from the Treasury, Government-Related, Corporate, MBS (agency fixed-rate and hybrid ARM passthroughs), ABS, and CMBS sectors.

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Any performance data shown represents past performance. Past performance is no guarantee of future results.

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Principal values of the funds are not guaranteed at any time, including at the time of target date and/or withdrawal. The funds are not a complete retirement program and there is no guarantee that the funds will provide sufficient retirement income to an investor. The funds seek to achieve the stated objectives but there is no guarantee the objectives will be met.

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Madison Asset Management, LLC does not provide investment advice directly to shareholders of the Madison Funds. Opinions stated are informational only and should not be taken as investment recommendation or advice of any kind whatsoever (whether impartial or otherwise).

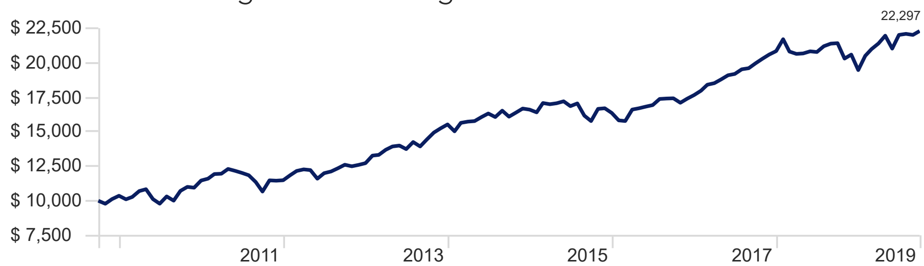
September 30, 2019

Madison Aggressive Allocation Fund

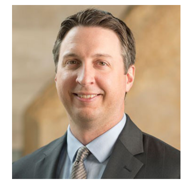
Madison FUNDS®

Growth of $10,000[1] Class A Shares, Trailing 10-yrs

The Value of Long-Term Investing



Experienced Management



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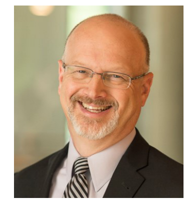

David Hottmann, CFA
Portfolio Manager
Industry since 1990

Average Annual Total Returns[2] (%)

		Three Months	YTD	1 Yr	3 Yr	5 Yr	10 Yr	Since Inception
Class A	Without Sales Charge	1.28	14.53	4.11	8.57	6.74	8.35	5.05
	With Sales Charge	-4.57	7.99	-1.86	6.45	5.48	7.70	4.59
Class B	Without Sales Charge	1.05	13.85	3.39	7.76	5.93	7.70	4.58
	With Sales Charge	-3.45	9.35	-0.82	6.75	5.63	7.70	4.58
Class C	Without Sales Charge	1.05	13.83	3.31	7.76	5.94	7.53	4.10
	With Sales Charge	0.05	12.83	2.37	7.76	5.94	7.53	4.10
S&P 500® Index		1.70	20.55	4.25	13.39	10.84	13.24	-
Aggressive Allocation Custom Index		0.70	15.82	3.66	9.41	7.35	9.28	-

Fund Features

- Fund seeks capital appreciation
- Globally diversified fund of funds
- Asset allocation with managed risk
- Target: 80% stocks, 20% bonds

Class	Ticker	Inception Date	Exp. Ratio[3]
A	MAGSX	6/30/06	1.16%
B	MAGBX	6/30/06	1.91%
C	MAACX	2/29/08	1.91%

Calendar Year Returns[2] (%)

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Class A	27.59	10.67	0.17	10.78	22.05	6.91	-1.45	7.91	18.05	-6.60
S&P 500® Index	26.46	15.06	2.11	16.00	32.39	13.69	1.38	11.96	21.83	-4.38
Aggressive Allocation Custom Index	26.98	13.86	-1.14	14.19	21.36	7.18	-0.82	8.83	18.83	-6.23

Distribution Frequency

Annual

Risk Measures (5-year) Class A

vs. Aggressive Allocation Custom Index

Standard Deviation	8.43%
Downside Capture	89.99%
Upside Capture	90.74%

1 Growth of $10,000 for the years indicated is calculated at NAV and assumes all dividends and capital gain distributions were reinvested. It does not take into account sales charges (see Note 2 below) or the effect of taxes.

2 Average annual total returns and calendar year returns assume all distributions are reinvested and reflect applicable fees and expenses. Class A share returns without sales charge would be lower if sales charge were included. Class A share returns with sales charge reflect the deduction of the maximum applicable sales charge of 5.75%. Class B shares have no up-front sales charge. If redeemed within six years, however, B shares are subject to a maximum contingent deferred sales charge of 4.5%. Class B shares may not be purchased or acquired, except for exchange from Class B shares of another Madison fund, please see the most recent prospectus for details.Class C shares do not have an up-front sales charge. They do, however, carry a 1% contingent deferred sales charge on shares redeemed within 12 months of purchase.

Indices are unmanaged. An investor cannot invest directly in an index. They are shown for illustrative purposes only, and do not represent the performance of any specific investment. Index returns do not include any expenses, fees or sales charges, which would lower performance. 3 The fund's expense ratios are based on the most recent prospectus and include the weighted average expenses of the underlying funds in which the fund invests.

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Performance data shown represents past performance. Investment returns and principal value will fluctuate, so that fund shares, when redeemed, may be worth more or less than the original cost. Past performance does not guarantee future results and current performance may be lower or higher than the performance data shown. Visit madisonfunds.com or call 800.877.6089 to obtain performance data current to the most recent month-end.

Total Net Assets

$63.0 Million

Portfolio Turnover

71%

Total Number of Holdings

18

Shareholder Services
Madison Funds
P.O. Box 219083
Kansas City, MO 64121-9083
800.877.6089

Consultant and
Advisor Services
550 Science Drive
Madison, WI 53711
888.971.7135

Diversification by Fund Manager* (%)

Allocation Funds offer diversification by fund manager. When we combine the expertise and experience of Madison Asset Management, LLC (Madison) with a variety of outside managers, we can offer a more fully diversified portfolio.

MADISON	43.1
VANGUARD	24.6
BLACKROCK	20.9
STATE STREET GLOBAL ADVISORS	0.5
CASH & EQUIVALENTS	10.9

*Portfolio allocations are subject to change. Diversification does not guarantee a profit or protect against loss. Calculated as a % of Net Assets.

Top Ten Holdings (%)

MADISON DIVIDEND INCOME FUND	15.5
MADISON INVESTORS FUND	15.5
MADISON CORE BOND FUND	6.9
ISHARES EDGE MSCI MIN VOL EAFE	6.1
VANGUARD SHORT TERM CORPORATE ETF	5.7
ISHARES CORE S+P 500 ETF	5.5
MADISON MID CAP FUND	5.3
ISHARES EDGE MSCI MIN VOL USA	5.0
VANGUARD SHORT TERM TREASURY EX US	5.0
VANGUARD FTSE ALL WORLD EX US	4.1

This material is authorized for use only when preceded or accompanied by the current prospectus. Before investing, please fully consider the investment objectives, risks, charges and expenses of the fund. This and other important information is contained in the current prospectus, which you should carefully read before investing or sending money. For more complete information about Madison Funds® obtain a prospectus from your financial adviser, by calling 800.877.6089 or by visiting https://www.madisonfunds.com/individual/prospectus-and-reports to view or download a copy.

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Standard Deviation: the dispersion from an average, which, for a mutual fund, depicts how widely the returns varied over a certain period of time. Higher deviation represents higher volatility. **Downside Capture Ratio:** a fund's performance in down markets relative to its benchmark. The security's downside capture return is divided it by the benchmark's downside capture return over the time period. **Upside Capture Ratio:** a fund's performance in up markets relative to its benchmark. The security's upside capture return is divided by the benchmark's upside capture return over the time period. **Portfolio Turnover:** a measure of the trading activity in an investment portfolio—how often securities are bought and sold by a portfolio. It is calculated at the fund level and represents the entire fiscal year ending 10/31/2018.

An investment in the fund is subject to risk and there can be no assurance the fund will achieve its investment objective. The risks associated with an investment in the fund can increase during times of significant market volatility. The principal risks of investing in the fund include: asset allocation risk, equity risk, ETF risk, interest rate risk, credit and prepayment/extension risk, non-investment grade security risk, foreign security and emerging market risk.

Investing in foreign markets involves additional risks, including exchange rate changes, political and economic unrest, relatively low market liquidity and the potential difference in financial and accounting controls and standards. The portfolio may invest in small-, mid-sized, or emerging companies, which are susceptible to greater risk than is customarily associated with investing in more established companies. The portfolio may invest in high yield or lower-rated securities, which may provide greater returns but are subject to greater-than average risk.

The fund is subject to the risks of the underlying funds in direct proportion to the allocation of its assets among the underlying funds. More detailed information regarding these risks can be found in the fund's prospectus.

Madison Funds are distributed by MFD Distributor, LLC and may be purchased directly from the fund or through your investment professional. Portfolio data is as of the date of this piece unless otherwise noted and holdings are subject to change.

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Upon request, Madison may furnish to the client or institution a list of all security recommendations made within the past year.

Not FDIC Insured | No Financial Institution Guarantee | May Lose Value