Madison Corporate Bond Fund Investment Strategy Letter

2019 Third Quarter Market Overview

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Corporate bonds generated strong returns through the first nine months of 2019, with additional, if somewhat more modest gains in the third quarter. Corporate bond risk premiums ("spreads") tightened significantly in the first four months of the year as spreads started the year at fairly attractive levels, giving bonds room to trade at higher valuations. Since the end of April, spreads have been more volatile. Spreads started to widen in May as trade-related tensions and geopolitical risks escalated. But by early June, the expectation that the Federal Reserve ("Fed") would implement interest rate cuts (which proved to be correct) started to surface, causing spreads to tighten. In recent months, trade issues have resurfaced and politician tensions in Washington have heated up, leading to increased volatility in the corporate bond market. But overall, corporate bonds have generally performed very well in year-to-date 2019.

The tightening in corporate bond spreads this year has been characterized by investors seeking yield and willing to take on risk – up to a point. In the investment grade market, lower-quality BBB securities have performed better than most higher-quality bonds. At the same time, there has been reluctance to take on the credit risk inherent in the high-yield ("junk-bond") market. Longer-term securities have performed much better than shorter-term securities. On a sector basis, Communications has been the best performing sector on an excess return basis as the sector has benefited from several of the large players focusing on deleveraging. Utilities has been the worst performing sector, as the traditionally defensive sector trailed in a risk-on market with the added weight from the recent bankruptcy filing by a large California utility.

The domestic corporate bond market is currently facing some conflicting signals. On the technical side, the picture is strong. The flow of funds into investment grade mutual funds/exchange-traded funds ("ETFs") continues to be hearty. This is largely a function of very low or negative international yields, which makes the U.S. market attractive to foreign investors. In addition, new investment-grade debt issuance in year-to-date 2019 has been static, keeping demand above supply. So, the technical picture for corporate bonds is set up very well. On the fundamental side, things are much more mixed. While the domestic economy is still growing modestly and U. S. companies continue to generate earnings growth, many international economies are challenged. In addition, trade/tariff tensions are creating a backdrop that could potentially reverse the growth story. Combine that with many sectors that have increased leverage over the past decade and the plethora of shareholder-friendly initiatives being implemented by many companies, and it creates a fundamental backdrop that is not quite as rosy as the technical one.

So, what does that mean for the corporate bond market going forward? The corporate bond market is clearly in the latter stages of the cycle, and spreads remain relatively tight. However,

Past performance does not predict future results. Please refer to the final two pages of this piece which contain current performance information for the fund, the risks of investing in the fund and a complete list of the fund's individual portfolio holdings as of quarter end. Individual portfolio holdings are identified to illustrate our approach to investing the fund's portfolio and are not intended to represent a recommendation to buy or sell any such security.

in the near term, strong technicals, the need for yield especially by international investors, and the potential for the Fed to continue cutting interest rates will likely continue to keep spreads tighter than fundamentals might indicate. Longer-term, uncertainty with regards to trade policies, higher leverage, muted liquidity in the corporate bond market, next year's presidential election, and other issues could lead investors to demand higher spreads to compensate for these risks.

At Madison, we have selectively added some attractive securities on the new issue market while paring back some legacy bonds that have performed well in recent quarters. We slightly extended the duration of the portfolio as we felt expected Fed interest rate cuts and strong technicals had the potential to drive solid corporate bond returns. Versus prior years, we have moved slightly more up in quality especially with regard to high-yield exposure and have tried to avoid certain sectors that have heightened event risk or have been prone to increasing leverage.

The Bloomberg Barclays U. S. Corporate Index® and Bloomberg Barclays U. S. Corporate High Yield Index® posted +13.20% and +11.41% total returns, respectively, in year-to-date 2019. Total returns by rating category in year-to-date 2019 were AAA(+14.96%), AA(+10.31%), A(+12.27%), and BBB(+14.33%). In the high-yield category, total returns by rating category in year-to-date 2019 were BB(+12.75%), B(+11.88%), and CCC(+5.57%).

Portfolio Performance and Positioning

In year-to-date 2019, Madison Corporate Bond Fund underperformed the Bloomberg Barclays U. S. Corporate Index® on a net basis. The fund benefited from some of its high yield/Communications holdings, some new issue purchases, and its underweight to Utilities. The fund was negatively impacted by its shorter-than-benchmark duration position and underweight of long-term securities.

The fund's yield to maturity remains close to the Index, while having significantly lower interest rate risk due to its shorter duration. We continue to remain underweight the long-end of the yield curve as all-in yields and spreads remain fairly low versus historical levels. In the high-yield corporate bond market, we remain extremely selective and focused on higher-quality issuers as we view the lower-quality high-yield space as overvalued.

Paul Lefurgey *Allen Olson*

Bloomberg Barclays US Corporate Bond Index measures the investment grade, fixed-rate, taxable corporate bond market.

Bloomberg Barclays US Corporate High Yield Index measures the USD-denominated, high yield, fixed-rate corporate bond market.

Bonds are subject to certain risks including interest-rate risk, credit risk and inflation risk. As interest rates rise, the prices of bonds fall. Long-term bonds are more exposed to interest-rate risk than short-term bonds.

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

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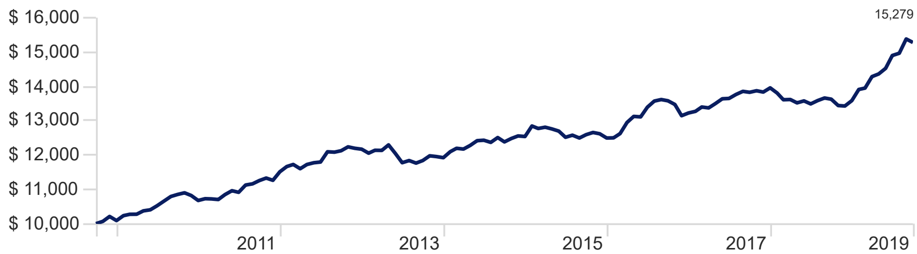
September 30, 2019

Madison Corporate Bond Fund

Madison FUNDS®

The Value of Long-Term Investing

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



Experienced Management

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Average Annual Total Returns[2] (%)

	Three Months	YTD	1 Yr	3 Yr	5 Yr	10 Yr	Since Inception
Class Y	2.55	12.47	12.13	4.01	4.29	4.33	5.10
Bloomberg Barclays U.S. Corporate Bond Index	3.05	13.20	13.00	4.50	4.72	5.56	5.75

Fund Features

- Fund seeks to obtain high total investment returns in the form of income and share price appreciation
- Active duration, yield curve, sector, quality and security selection decisions
- Goal is to find best combination of yield, credit risk and diversification
- Focus on managing risk

Calendar Year Returns[2] (%)

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Class Y	4.29	10.58	5.81	7.83	5.72	-2.03	5.17	-0.35	5.84	5.53	-2.67
Bloomberg Barclays U.S. Corporate Bond Index	-3.08	18.68	9.00	8.15	9.82	-1.53	7.46	-0.68	6.11	6.42	-2.51

Class	Ticker	Inception Date	Exp. Ratio[3]
Y	COINX	7/1/07	0.65%

Distribution Frequency

Monthly

Characteristics (years)

Effective Duration	7.12
Avg. Maturity	9.88

Risk Measures (10-year) Class Y

Standard Deviation	3.54%
Downside Capture	88.36%
Upside Capture	82.02%

Yields

30-day SEC Yield	2.57%
Yield to Maturity	2.94%

Total Net Assets

$15.1 Million

Portfolio Turnover

21%

Total Number of Holdings

119

1 Growth of $10,000 for the years shown is calculated at NAV and assumes all dividends and capital gain distributions were reinvested. It does not take into account sales charges 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. 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 Expense ratios are based on the fund's most recent prospectus.

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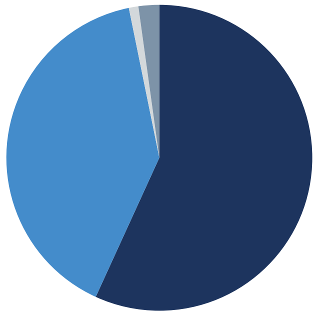
Portfolio Mix (%)



Sector allocation is rounded to the nearest 0.1%.

Top Ten Holdings

DESCRIPTION	COUPON	MATURITY	%
VALERO ENERGY CORP	6.625%	15 Jun 2037	2.6
HUNTINGTON NATIONAL BANK	3.55%	06 Oct 2023	1.7
KEYCORP	5.1%	24 Mar 2021	1.7
GOLDMAN SACHS GROUP INC	3.5%	16 Nov 2026	1.7
CITIGROUP INC	2.7%	27 Oct 2022	1.7
BERKSHIRE HATHAWAY FIN	4.2%	15 Aug 2048	1.6
VERIZON COMMUNICATIONS	4.4%	01 Nov 2034	1.5
AFFILIATED MANAGERS GROU	4.25%	15 Feb 2024	1.4
PRUDENTIAL FINANCIAL INC	3.5%	15 May 2024	1.4
CRH AMERICA INC	3.875%	18 May 2025	1.4

Madison FUNDS®

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Standard Deviation measures dispersion from the 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** measures a fund's performance in down markets relative to its benchmark. It is calculated by taking the security's downside capture return and dividing it by the benchmark's downside capture return over the time period. **Upside Capture Ratio** measures a fund's performance in up markets relative to its benchmark. It is calculated by taking the security's upside capture return and dividing it by the benchmark's upside capture return over the time period. **Effective Duration** provides a measure of a fund's interest-rate sensitivity. The longer a fund's duration, the more sensitive the fund is to shifts in interest rates. **Average Maturity** is computed by weighting the maturity of each security in the portfolio by the market value of the security, then averaging these weighted figures. **SEC 30-day Yield** represents net investment income earned by a fund over a 30-day period, expressed as an annual percentage rate based on the fund's share price at the end of the 30-day period. It is calculated based on the standardized formula set forth by the SEC. **Yield to Maturity** measures the annual return an investor would receive if they held a particular bond until maturity as of the end of a report period. In order to make comparisons between instruments with different payment frequencies, a standard yield calculation basis is assumed. This yield is calculated assuming semiannual compounding. **Portfolio Turnover** is 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 that 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: interest rate risk, call risk, risk of default, liquidity risk and non-investment grade security risk. As interest rates rise, the prices of bonds fall. Long-term bonds are more exposed to interest-rate risk than short-term bonds. Unlike bonds, bond funds have ongoing fees and expenses. More detailed information regarding these risks can be found in the fund's prospectus.

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