MADISON DIVERSIFIED INCOME FUND

3Q 2020 Investment Strategy Letter

Tickers: MBLAX | MBLNX | MBLCX

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ECONOMIC OVERVIEW

After the second quarter's economic shut-down, summer brought phased re-openings across the country. These re-openings brought a welcome jump in regional activity and many furloughed workers back on payrolls. The jump in activity, aided by strong policy responses, supported personal consumption and housing demand/refinancing via low mortgage rates. In fact, the most recent Blue Chip consensus anticipates third quarter (Q3) GDP will advance nearly 20% after declining by more than 30% in the second quarter. Markets welcomed the prospect of a return to more normal conditions and continued to advance, buoyed by optimism for Covid-19 therapies and additional monetary and fiscal stimulus. However, as the back-to-school season approached, optimism was tempered by re-opening difficulties, resurgent infection numbers, and fading prospects for additional stimulus.

What looked like a 'V' shaped recovery earlier this summer has proven uneven despite unprecedented stimulus measures put in place by the Federal Reserve and Treasury Department. Many of the original programs remain in effect but there are growing calls for additional measures. For their part, the Federal Reserve reaffirmed at their last meeting a desire to keep the Fed Funds rate at or near the lower bound for the foreseeable future. The most recent dot-plot survey of terminal Fed Fund rates estimates put the "foreseeable future" as far out as 2023. While the survey is not binding, it's clear that the FOMC is willing to keep monetary policy accommodative until the economy recovers, and inflation pressures increase.

Just as the Covid-19 shut-down produced a wide range of impacts on economic sectors, the subsequent recovery has also impacted sectors of the economy differently. Sectors involved in technology, manufacturing, housing, and mass retail have recovered well buoyed by low rates and a weaker dollar while dining, local retail, air travel, and tourism continue to struggle. Small and medium sized businesses, who produced much of our economy's job growth in recent years, play a vital role in bringing back labor markets. Clearly the activity increase in recent months is a welcome development but likely represented more easily achieved gains. While we expect further economic growth, a more sustained bounce will depend on the speed of pandemic's course, medical developments, and policy response.

EQUITY PERFORMANCE REVIEW

For the third quarter, Madison Diversified Income Fund (Class A at NAV) returned 4.92% compared to the S&P 500® return of 8.93%. Year-to-date the Fund returned -0.37% compared to the S&P 500's 5.57%. With stocks showing such strong returns, the balanced strategy of Diversified Income, which holds significant bond positions, would be expected to lag a pure stock comparison.

Within the stock allocation, sector selection was additive to performance while security selection was detractive. For sector allocation, an underweight position in the Energy Sector positively impacted results. In terms of stock selection, there were overall positive contributions from Communication Services and Consumer Discretionary, which was more than offset by weakness in Technology,

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.

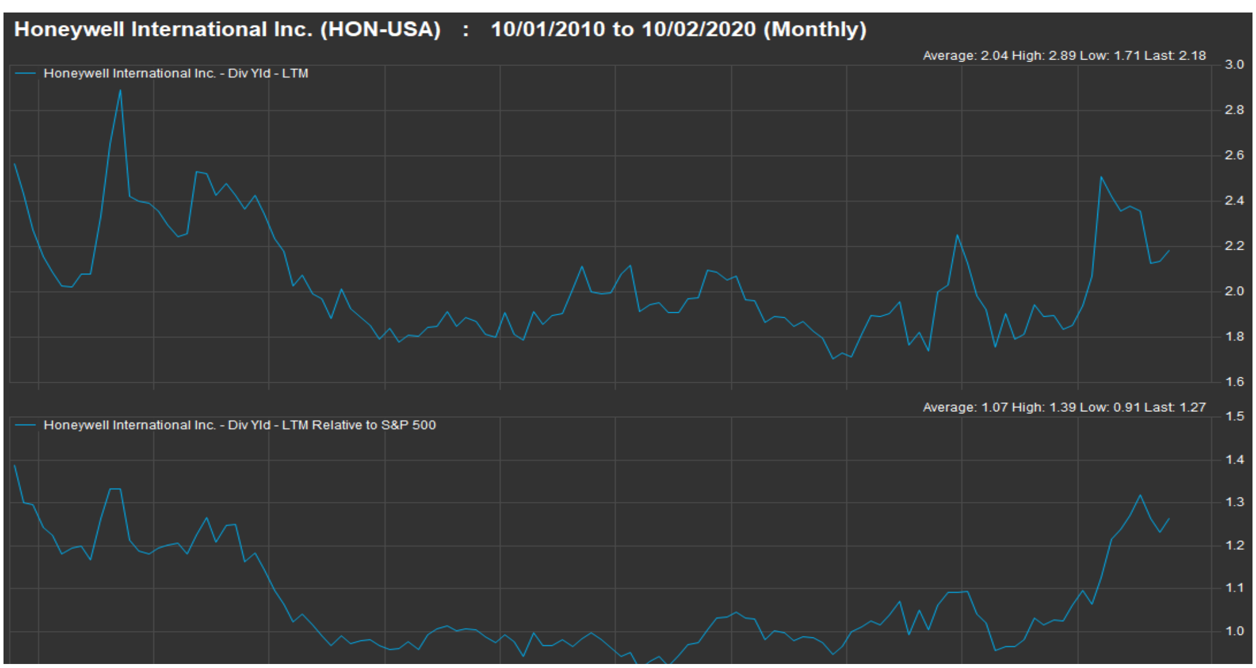
Past performance does not predict future results. Please refer to the final two pages of this piece which contain current performance information for the fund, the risks of investing in the fund and a complete list of the fund's individual portfolio holdings as of quarter end. Individual portfolio holdings 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.

Industrials and Financials. Within Communication Services, media, entertainment and communications company Comcast (CMCSA) was the most additive stock in the portfolio. It had strong subscriber growth and solid pricing power in its latest earnings report. In Consumer Discretionary, fast food restaurant operator McDonald's (MCD) and home improvement retailer Lowe's Companies (LOW) were other strong stocks in the sector. Both companies reported improving same-store sales in the period. In Industrials, construction and mining equipment manufacturer Caterpillar (CAT) contributed nicely to results. It reported improving demand for its products in emerging markets. Within Utilities, renewable power generator NextEra Energy (NEE) was a notable outperforming stock as it increased its long-term earnings growth guidance. On the negative side, in Technology, internet router and service provider Cisco Systems (CSCO) was the most detractive stock in the portfolio. While the company reported a slowdown in customer orders, we believe this is temporary and the thesis remains in-tact. Semiconductor manufacturer Analog Devices (ADI) was another Technology stock that trailed the index It is also worth noting there are some large technology stocks that don't pay dividends, and therefore are outside of the Fund's investable universe, that performed better than the market which created a performance headwind versus the index. Within Utilities, power generator and pipeline operator Dominion Energy (D) was an underperforming stock. It agreed to sell its pipeline business to Berkshire Hathaway which reduced its short-term earnings guidance. We believe the thesis remains in place and that the transaction should increase its long-term growth. In Financials, asset custodian firm Northern Trust (NTRS) and property and casualty insurance company Travelers (TRV) both lagged. These stocks have low valuations and high dividend yields relative to their historical range. The Fund continues to hold all stocks mentioned above.

On a year-to-date basis, the equity portion of the Fund remained negative, trailing the S&P 500's return. Both sector allocation and stock selection were detractive. For sector allocation, an underweight position in Technology hurt relative performance. For stock selection, there were positive contributions from Utilities, Industrials, Energy, Consumer Staples and Materials, which was more than offset by weakness in Technology, Health Care, Communication Services and Financials.

This quarter we are highlighting Industrial Sector holding Honeywell (HON) as an example of our relative yield strategy. HON is a leading industrial conglomerate with an increasing focus on software and automation. We believe its global scale, history of innovation and strong culture focused on continuous operational efficiency create a sustainable competitive advantage. HON operates four segments including Aerospace, Building Technologies, Performance Materials and Technologies, and Safety and Productivity Solutions. These businesses serve diverse end markets including aerospace, U.S. defense contractors, e-commerce and oil and gas customers.

Exhibit 1: Dividend Yield and Relative Dividend Yield History for HON



Source:FactSet

Our thesis on HON is that it will successfully leverage its software technology across its huge installed base of customers and products. Its installed base includes approximately 36,000 auxiliary power units, 25,000 engines, 20,000 wheels and brakes, 20,000 flight management systems and 10,000 units of communication hardware. Importantly, HON software technology is integrated into mission-critical operations of its customers including cockpit control in aircraft flights, warehouse automation in manufacturing and connected solutions in commercial buildings. We believe its technology advantage is due to above-average spending on research and development (R&D). For example, in key aerospace businesses, HON spends 4.5% of sales on R&D compared to 2-3% spending by most competitors.

The Fund purchased HON in the quarter after it reached a reasonable valuation with an attractive dividend yield and relative dividend yield versus the S&P 500. At the purchase price in the upper $160s, the stock traded for less than 20x estimated earnings expected over the forward 12 months. We believe this valuation can grow over time if HON continues to innovate and create new products, while its underlying end markets like aerospace recover over time. It also has an A rated balance sheet (as rated by S&P), an absolute dividend yield of 2.2%, and an attractive relative yield of 1.3x the S&P 500, which is the highest relative yield since 2012, as shown below. The company also has a history of dividend increases as it has grown dividends per share by 12.5% per year on average over the last five years.

Risks to the thesis include a prolonged economic downturn that results in sustainable declines in its key end markets like aerospace. We estimate about 40-45% of sales are exposed to these end markets. Other risks include lost market share if customers don't like its evolving software offerings, and the risk the company makes a value-destroying acquisition. We think this last risk is relatively low as HON has a history of successful acquisitions.

FIXED INCOME PERFORMANCE & POSITIONING

During the third quarter, the underlying fixed portion of the Madison Diversified Income Fund (Class A at NAV) was a modest positive for shareholders, producing a return in excess of its fixed income benchmark, the ICE BofA US Corp. Govt. & Mtg. Index which advanced 0.66%. In terms of total Fund results, this fractional return was overwhelmed by stock market moves, which were sharply up in July and August, followed by a partial retracement of these gains in September.

In terms of bond holdings, the Fund continued to add corporate bonds as spreads are wide by historic standards. Additionally, the Fund added asset-backed securities and non-agency mortgage backed securities given attractive relative valuations. The Fund sold Treasuries to fund most of these purchases. At current yield levels, short-to-intermediate Treasuries provide little value and are natural sell candidates. The Fund continues to own long Treasuries to provide a hedge if volatility returns.

We believe that while the domestic economy has bounced back significantly from the depths of the Covid-19 shut down, we are entering a more gradual and difficult period. The path forward is largely dependent upon the progress of reopening efforts and identification of successful Covid-19 therapies and vaccines. Against this backdrop, we expect increased market volatility across sectors. However, with monetary stimulus remaining at all-time highs, the stage is set for a significant rebound as the path forward becomes more certain.

John Brown　　*Paul Lefurgey*　　*Chris Nisbet*　　*Drew Justman*

Disclosures

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50% Fixed / 50% Equity Blend Benchmark consists of 50% Bank of America U.S. Corp. Govt. & Mtg. Index and 50% S&P 500® Index. ICE Bank of America U.S. Corporate, Government & Mortgage Index, "ICEBofA Corp/Govt & Mtg." is a broad-based measure of the total rate of return performance of the U.S. investment-grade bond markets. Index The S&P 500® Index is a large-cap market index which measures the performance of a representative sample of 500 leading companies in leading industries in the U.S.

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.

In a lower interest environment, there may be less opportunity for price appreciation.

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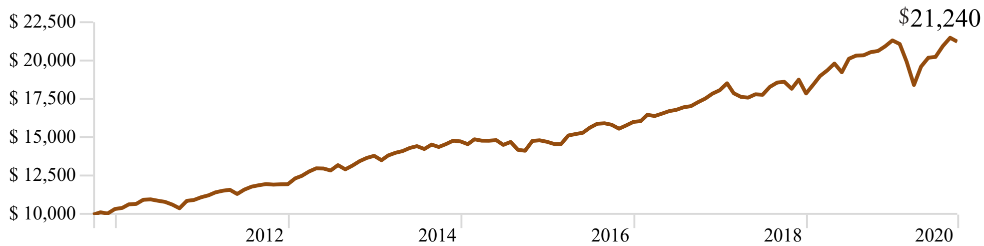
MADISON DIVERSIFIED INCOME FUND

September 30, 2020

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



Average Annual Total Returns[2] (%)

		Three Months	YTD	1 Yr	3 Yr	5 Yr	10 Yr	Since Inception
Class A	Without Sales Charge	4.92	-0.37	3.34	7.07	8.46	7.82	5.93
	With Sales Charge	-1.09	-6.09	-2.62	4.97	7.19	7.19	5.65
Class B	Without Sales Charge	4.69	-0.94	2.54	6.26	7.65	7.17	5.66
	With Sales Charge	0.19	-5.36	-1.82	5.22	7.35	7.17	5.66
Class C	Without Sales Charge	4.76	-0.87	2.60	6.29	7.65	-	6.64
	With Sales Charge	3.76	-1.86	1.63	6.29	7.65	-	6.64
50% Fixed / 50% Equity Blend		4.83	6.94	11.79	9.23	9.43	8.88	-
ICE BofA Corp/Govt & Mtg. Index		0.66	7.01	7.14	5.40	4.28	3.71	-
S&P 500® Index		8.93	5.57	15.15	12.28	14.15	13.74	-

Calendar Year Returns[2] (%)

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Class A	12.01	7.37	7.61	15.39	6.78	-0.16	8.75	12.83	-1.16	19.28
50% Fixed / 50% Equity	11.24	5.30	10.24	13.90	10.05	1.23	7.36	12.42	-1.90	20.03

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Distribution History

Class A - Per Share

Year	Total	Yr-End Nav
2019	$1.08	$16.07
2018	$1.53	$14.39
2017	$0.51	$16.13
2016	$0.79	$14.76
2015	$0.59	$14.31
2014	$0.24	$14.92

Risk Measures (10-year)

Class A vs. 50% Fixed / 50% Equity Blend

Standard Deviation	7.01%
Downside Capture	110.80%
Upside Capture	97.01%

Yields Class A

30-day SEC Yield	1.26%
Yield to Maturity	1.58%

Other available share classes have yields that may be higher or lower than the class presented.

Experienced Management

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Fund Features

- Fund seeks high total return by combining income and capital appreciation
- Focus on dividend paying stocks at attractive prices
- Active management of credit risk, sector allocation and yield curve position
- Target: 60% stocks and 40% bonds

Class	Ticker	Inception Date	Exp. Ratio
A	MBLAX	12/29/97	1.10%
B	MBLNX	12/29/97	1.85%
C	MBLCX	7/31/12	1.85%

Expense ratios are based on the fund's most recent prospectus.

Distribution Frequency - Monthly

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 ("CDSC") 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, however, C shares are subject to a 1% CDSC on shares redeemed within 12 months of purchase.

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Madison FUNDS

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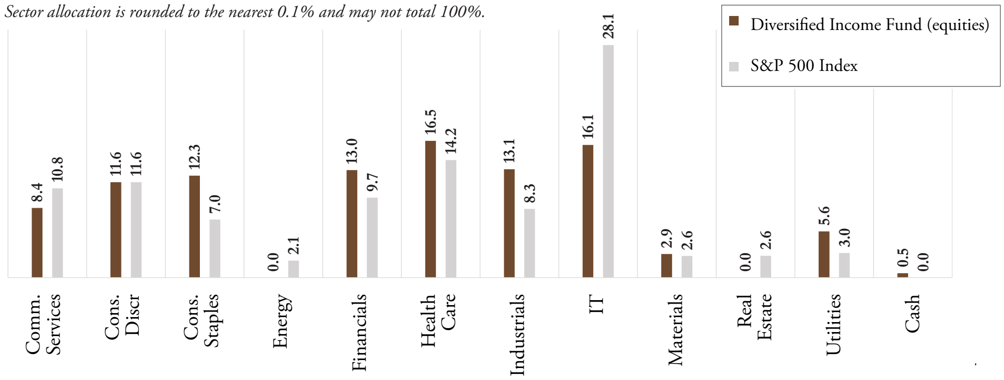
Equity Sector Allocation (%)

Sector allocation is rounded to the nearest 0.1% and may not total 100%.



Portfolio Mix (%)

Stocks	66.6
Corporate Bonds	13.0
Mortgage Backed Securities	8.5
U.S. Treasuries	6.1
Asset Backed Securities	4.2
Cash & Short Term Securities	0.9
Municipal Bonds	0.7

Top Ten Holdings (%)

HOME DEPOT INC	3.2
VERIZON COMMUNICATIONS	2.9
COMCAST CORP CLASS A	2.9
JOHNSON + JOHNSON	2.8
BLACKROCK INC	2.4
MCDONALD S CORP	2.3
BRISTOL MYERS SQUIBB CO	2.3
CISCO SYSTEMS INC	2.2
PEPSICO INC	2.2
CATERPILLAR INC	2.1

Characteristics

TTM P/E	22.1x
P/B	3.8x
ROE	27.2%
Active Share	81.6%
Wtd. Avg. Market Cap (billions)	$155.0
Effective Duration (years)	6.16
Avg. Maturity (years)	8.5
Total Net Assets (millions)	$160.9
Portfolio Turnover	34%
Total Number of Holdings	289

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: a statistical measurement of dispersion about an average, which, for a portfolio, depicts how widely the returns varied over a certain period of time. Investors may use the standard deviation of historical performance to understand the range of returns for a portfolio. When a portfolio has a higher standard deviation than its benchmark, it implies higher relative volatility. Standard deviation has been calculated using the trailing monthly total returns for the appropriate time period. The standard deviation values are annualized. 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. TTM P/E (Price-to-Earnings Ratio): measures how expensive a stock is. It is calculated by the weighted average of a stock's current price divided by the company's trailing 12-month (TTM) earnings per share of the stocks in a fund's portfolio. P/B (Price-to-Book Ratio): measures a company's stock price in relation to its book value (the total amount raised if its assets were liquidated and paid back all its liabilities). ROE (Return on Equity): a profitability ratio that measures the amount of net income returned as a percentage of shareholders equity. Active Share: the percentage of a portfolio that differs from its benchmark index. Active Share can range from 0% for an index fund that perfectly mirrors its benchmark to 100% for a portfolio with no overlap with an index. 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. It is designed to standardize the yield calculation so that all mutual fund companies with the same or similar portfolios use a uniform method to obtain yield figures. 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: 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 10/31/2019. Wtd. Avg. Market Cap measures the size of the companies in which the fund invests. Market capitalization is calculated by multiplying the number of a company's shares outstanding by its price per share.

50% Fixed / 50% Equity Blend Benchmark consists of 50% Bank of America U.S. Corp. Govt. & Mtg. Index and 50% S&P 500® Index. ICE Bank of America U.S. Corporate, Government & Mortgage Index, "ICE BofA Corp/Govt & Mtg." is a broad-based measure of the total rate of return performance of the U.S. investment-grade bond markets. Index The S&P 500® Index is a large-cap market index which measures the performance of a representative sample of 500 leading companies in leading industries in the U.S.

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: equity risk, interest rate risk, credit risk, non-investment grade security risk, option risk, capital gain realization risks to taxpaying shareholders, and foreign security and emerging market risk.

Mutual funds that invest in 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. 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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