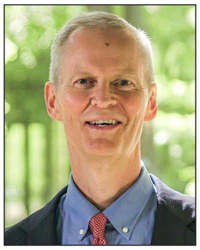
Madison Dividend Income Fund Investment Strategy Letter

Performance Review

For the third quarter, the Madison Dividend Income Fund (Class Y at net asset valuse (NAV)) returned +2.22%, which outperformed the S&P 500® return of +1.70%. Sector allocation was mildly detractive while stock selection accounted for all of the outperformance. For sector allocation, underweights position in Real Estate and Technology negatively impacted results. In terms of stock selection, there were positive contributions from Consumer Discretionary, Communication Services, Consumer Staples, Health Care and Financials, which were partially offset by weakness in Technology and Industrials. In Consumer Staples, chocolate snack maker Hershey (HSY) was the best performing stock in the portfolio. It had pricing power and gained market share, both of which led to strong earnings. Consumer products good company Procter & Gamble (PG) was another Consumer Staples stock that contributed nicely to performance. It reported its fastest organic growth rate in over a decade due in part to successful product innovation.



John Brown, CFA
Portfolio Manager
Industry since 1983

Drew Justman, CFA
Portfolio Manager
Industry since 2001

Within Utilities, renewable power utility NextEra (NEE) was additive to results. The company generated solid growth from its investments in clean energy including wind and solar power. In Technology, semiconductor manufacturer Texas Instruments (TXN) was a notable outperforming stock. The company generated significant free cash flow which it is returning to shareholders through increased dividends and share repurchases. Another notable outperforming stock was medical device maker Medtronic (MDT) in Heath Care. It reported better than expected earnings and reaffirmed favorable long-term growth goals. On the negative side, within Health Care, pharmaceutical firm Pfizer (PFE) was the worst performing stock in the portfolio. It is in the process of making a transformational acquisition that will temporarily slow down its growth. We believe the thesis remains in-tact and that PFE is well positioned long-term. In Technology, internet router manufacturer Cisco Systems (CSCO) detracted from results. It faced short-term headwinds from the ongoing trade war. We believe CSCO continues to execute well and valuation is now attractive following the stock's pullback. In Financials, regional bank PNC Financial Services Group (PNC) negatively impacted performance. The fund sold the stock to reposition the portfolio. Within Energy, integrated oil firm Exxon Mobile (XOM) was a notable underperforming stock. Like much of the Energy sector, it faced challenges from low oil prices. Another notable underperforming stock was mining equipment manufacturer Caterpillar (CAT) within Industrials. We believe the theses for both XOM and CAT are in-tact despite short-term performance issues. The fund continues to hold all stocks mentioned above except for PNC.

On a year-to-date basis, the Fund returned +18.61%, which compared to the S&P 500 return of +20.55%. Sector allocation was detractive versus the index while stock selection was

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.

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.

additive. For sector allocation, underweights position in Real Estate and Technology negatively impacted results. In terms of stock selection, there were positive contributions from Consumer Staples, Consumer Discretionary, Materials, Energy and Utilities, which were partially offset by weakness in Industrials and Financials. In Consumer Staples, HSY was the best performing stock in the portfolio, and PG also was additive to performance. Within Technology, TXN contributed nicely to results. Software firm Microsoft (MSFT) was another Technology stock that performed well. It gained market share in many businesses including its cloud services unit. In Consumer Discretionary, global coffee chain Starbucks (SBUX) was a notable outperforming stock. It benefited from accelerating same-store sales growth and further penetration into China. On the negative side, in Health Care, PFE was the worst performing stock in the portfolio. Within Financials, exchange operator CME Group (CME) detracted from results. The fund sold CME to reduce exposure to the sector. PNC and Bank of America were two bank stocks that also negatively impacted performance. We recently purchased BAC and discuss it in more detail below. Within Industrials, global conglomerate 3M (MMM) was a notable underperforming stock. It struggled with slower than expected growth and deteriorating margins. The fund sold MMM as we believe the thesis was invalidated. The fund continued to hold all stocks mentioned except for MMM and PNC.

Importantly, we believe the last four quarters provide a good example of how the fund attempts to realize long-term outperformance over a complete market cycle while taking lower than average risk. We believe this is a good example because it covers a period with both a significant market sell-off and a strong market rally. Below is a table that shows the total return performance comparison for the fund versus the S&P 500 over the last four quarters:

Exhibit 1: Total return performance comparison BHBFX vs. S&P 500 (%)

	4Q 2018	1Q 2019	2Q 2019	3Q 2019	Cumulative 12 months 9/30/18-9/30/19
BHBFX	-6.22	11.20	4.35	2.22	11.23
S&P 500	-13.52	13.65	4.30	1.70	4.25

As shown above, the fund protected on the downside during the sharp market sell-off in the fourth quarter of 2018, as it captured only 46% of the downside compared to the S&P 500. The fund also participated in the strong market rally over the last three quarters. When looking at the cumulative performance over the past year, the fund significantly outperformed the S&P 500 with lower volatility. We believe this highlights how Participate and Protect® worked in this instance. Please see the final two pages for additional information, including returns over 3, 5 and 10 year periods and since the fund's inception.

Our Approach to Investing – Relative Yield Strategy

The Madison Dividend Income Fund goal is to achieve long-term outperformance over a full market cycle while taking below average risk. To pursue this objective, we employ a relative yield strategy. Relative yield is defined as a stock's dividend yield divided by the market dividend yield. An attractive relative yield candidate is a stock with a relative yield near the high end of its historical range and a long dividend paying history with a record of dividend increases. Once we identify high relative yield stocks, we then analyze a company's business model, balance sheet and cash flow profile to assess its ability to continue paying dividends. We want to find stocks that have low valuations with potential for valuation multiple expansion, while avoiding stocks that may have high dividend yields but face secular challenges.

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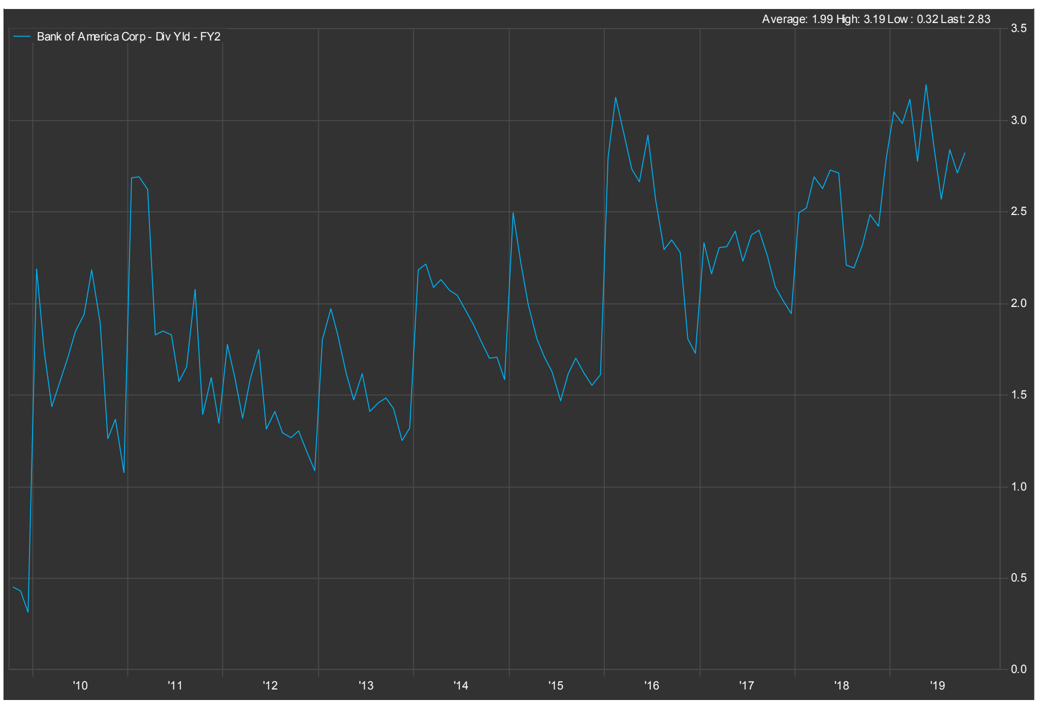
This quarter we are highlighting Bank of America (BAC) as a relative yield example within Financials. BAC is one of the biggest financial entities in the U.S. with more than $2.3 trillion in assets. We believe it has a sustainable competitive advantage due to high customer switching costs, its diverse product offerings and leading market share positions across business lines. It has one of the best retail branch networks in banking, a strong credit card business, and it owns Merrill Lynch, which is a leading brokerage and advisory firm. The company also benefits from scale and scope advantages and is able to outspend most competitors on technology, which is increasingly important in banking. For these reasons, we believe BAC has a wide moat.

Our thesis on BAC is that it has transitioned into an efficient bank through simplifying, reducing risks, improving underwriting, cutting costs and investing in technology. Its balance sheet has returned to growth after years of selling assets and de-risking, it has significantly cut expenses and its lending practices have improved. For example, consumer loans are now mostly to customers with average FICO scores above 750, which has reduced the risk of default on its loans. A decade of conservative underwriting has reduced overall credit risks. The company is also using technology to its advantage. In its Consumer Banking segment, there has been a 14% point improvement in the expense ratio over the last several years as revenues have grown while costs have been decreased. As a result, it has an expense ratio of 45%, which is one of the best in all of banking. Another result of its technology spending is that it there has been increasing mobile adoption as customers use digital channels to conduct their banking transactions. This increases customer stickiness and also raises margins. We believe there is room for additional margin gains as mobile adoption grows.

In addition to being an efficient, well run bank with a sustainable competitive advantage, BAC has other attributes that make it an attractive relative yield stock. It has a strong balance sheet and a consistent record of dividend increases. Dividends per share have grown from $0.04 in 2013 up to $0.66 in 2019, which is a compound growth rate of 68%. As shown below, the stock now yields 2.6%, which compares favorably to the S&P 500 dividend yield of 1.9%. We believe additional dividend increases and share repurchases will continue in the future and help drive shareholder value.



Source: FactSet

Exhibit 2: Dividend Yield history for Bank of America

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The fund purchased BAC in the quarter after it reached an attractive valuation. At the purchase price between $29-30, the stock traded for just nine times estimated earnings expected over the forward 12 months and at less than 0.6 times the S&P 500 which is near the low end of its historical range. We believe this low valuation can grow over time if BAC continues to execute well and generate solid return on invested capital above its cost of capital.

Risks to our thesis include a consistently inverted yield curve, which could negatively impact BACs net interest margin, a key metric of bank lending profitability. Other risks include a slowdown in economic growth, poor underwriting and increased competition from digital competitors, to name a few. If these risks materialize, our thesis on BAC might not be valid.

Outlook

The Fund is heavily positioned in high quality, large cap, above-average dividend yield stocks. Compared to the S&P 500, the fund is overweight Financials, Industrials and Consumer Staples. The Fund is underweight Technology, Real Estate, and Communication Services which is a function of those sectors offering few above-average dividend yield stocks meeting our investment criteria. In our view, high quality, large cap, "blue chip" stocks sold at very high valuations in the year 2000 and have generally been out of favor and underperformed since then. Over the last decade, we believe they have reached attractive valuations and are poised to outperform going forward. We see this as a main area of opportunity for the fund.

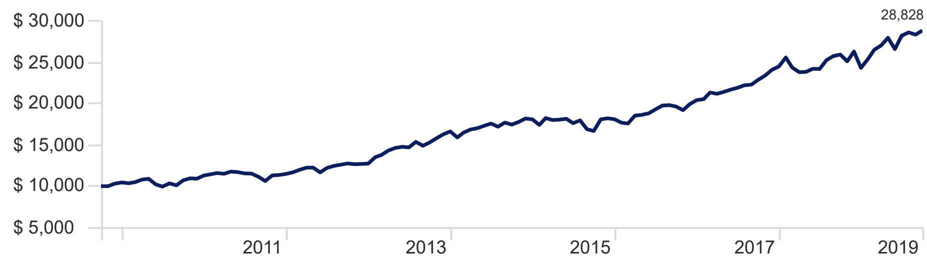
John Brown *Drew Justman*

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.

Madison Dividend Income Fund

The Value of Long-Term Investing

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



Experienced Management

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Portfolio Manager
Industry since 1983

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Average Annual Total Returns[2] (%)

	Three Months	YTD	1 Yr	3 Yr	5 Yr	10 yr	Since Inception
Class Y	2.22	18.61	11.23	13.67	10.57	11.17	8.32
S&P 500® Index	1.70	20.55	4.25	13.39	10.84	13.24	10.31
Lipper Equity Income Funds Index	2.58	18.68	5.88	10.67	8.26	11.10	-

Calendar Year Returns[2] (%)

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Class Y	24.82	8.02	1.73	10.86	30.59	8.81	0.07	12.79	19.93	-0.70
S&P 500® Index	26.46	15.06	2.11	16.00	32.39	13.69	1.38	11.96	21.83	-4.38
Lipper Equity Income Funds Index	28.85	14.04	2.66	13.66	28.70	10.69	-2.96	14.30	16.43	-6.62

Characteristics

TTM P/E	19.2x
P/B	3.1x
ROE	24.3%
Active Share (vs S&P)	76.9%
Dividend Yield	2.5%
Wtd. Avg. Market Cap (billions)	$165.8

Risk Measures (10-year)

Class Y vs. S&P 500® Index

Standard Deviation	9.79%
Downside Capture	73.62%
Upside Capture	79.19%

Fund Features

- Fund seeks current income with an opportunity for capital appretiation
- High conviction of approx. 50 holdings
- Relative yield strategy; buy stocks trading at high end of historic dividend yield range
- Focus on risk management

Class	Ticker	Inception Date	Exp. Ratio[3]
Y	BHBFX	12/18/86	0.95%

Class	30-Day SEC Yield
Y	1.52%

If fees had not been waived and/or expenses reimbursed, the SEC yields would have been lower.

Distribution Frequency

Quarterly

Distribution History Per Share

Year	Total	Yr-End Nav
2018	$2.99	$23.46
2017	$1.04	$26.70
2016	$0.87	$23.16
2015	$1.29	$21.31
2014	$1.71	$22.59
2013	$1.00	$22.33
2012	$1.13	$17.90

1 Growth of $10,000 is calculated at NAV and assumes all dividends and capital gain distributions were reinvested. It does not take into account sales charges (if applicable) 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.

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.

The investment adviser has contractually agreed to waive a portion of its management fees and/or other expenses for the fund. The investment adviser is waiving 0.10% of its management fee and 0.05% of its service fee until at least February 27, 2020. Investment returns reflect the waivers, without which the results would have been lower. These fee waiver agreements may by modified or terminated at any time or for any reason, but only with fund Board approval. These fee waivers commenced June 29, 2012.

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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. The Lipper Equity Income Fund Index tracks funds that seek relatively high current income and growth of income by investing at least 65% of their portfolio in dividend-paying equity securities.

Prior to March 1, 2012 it was known as Madison Mosaic Equity Trust Balanced Fund. At that time, the fund changed investment policies. As a result, the manner in which the fund is currently being managed is not similar to the way in which it was previously managed. Therefore, the fund's historical performance data prior to March 1, 2012 may not be relevant to current (and future) investors.

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Total Number of Holdings

43

Portfolio Turnover

32%

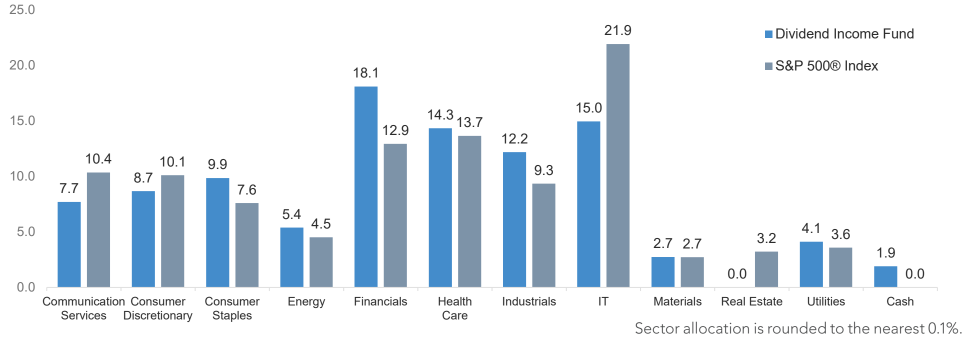
Total Net Assets

$219.0 Million

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

Sector Allocation (%)



Sector allocation is rounded to the nearest 0.1%.

Complete Stock Holdings (%)

COMCAST CORP CLASS A	4.0	ANALOG DEVICES INC	2.3
VERIZON COMMUNICATIONS INC	3.6	JOHNSON + JOHNSON	2.2
JPMORGAN CHASE + CO	3.5	HOME DEPOT INC	2.2
TEXAS INSTRUMENTS INC	3.4	UNITED TECHNOLOGIES CORP	2.1
US BANCORP	3.3	GENERAL DYNAMICS CORP	2.1
NESTLE SA SPONS ADR	3.1	HERSHEY CO/THE	2.0
MEDTRONIC PLC	3.0	NORTHERN TRUST CORP	2.0
MCDONALD S CORP	3.0	NOVARTIS AG SPONSORED ADR	2.0
EXXON MOBIL CORP	2.9	TJX COMPANIES INC	1.9
TRAVELERS COS INC/THE	2.7	BRISTOL MYERS SQUIBB CO	1.7
CISCO SYSTEMS INC	2.7	DOMINION ENERGY INC	1.6
BLACKROCK INC	2.7	UNION PACIFIC CORP	1.6
LINDE PLC	2.7	PFIZER INC	1.6
MERCK + CO. INC.	2.6	STARBUCKS CORP	1.5
FASTENAL CO	2.6	ACCENTURE PLC CL A	1.4
CATERPILLAR INC	2.5	PAYCHEX INC	1.4
NEXTERA ENERGY INC	2.5	BANK OF AMERICA CORP	1.3
CHEVRON CORP	2.5	AUTOMATIC DATA PROCESSING	1.2
PEPSICO INC	2.3	MICROSOFT CORP	1.2
PROCTER + GAMBLE CO/THE	2.3	EMERSON ELECTRIC CO	1.2
CHUBB LTD	2.3	TE CONNECTIVITY LTD	1.1
		AMGEN INC	1.1

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. **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. **Dividend Yield:** the portfolio's weighted average of the underlying fund holdings (as of 12/31/2018) and not the yield of the fund. **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. **30-day SEC Yield** (Class Y) is a standardized formula designed to approximate the Fund's annualized hypothetical current income from securities less expenses for the 30 day-period ended 12/31/18 and that date's maximum offering price. **Wtd Avg. Market Cap:** the size of the companies in which the fund invests. Market capitalization is calculated by number of a company's shares outstanding times its price per share.

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: equity risk, growth and value investing risk, special risks associated with dividend paying stocks, option risk, interest rate risk, capital gain realization risks to taxpaying shareholders, and foreign security and emerging market risk. More detailed information regarding these risks can be found in the fund's prospectus.

Madison Funds are distributed by MFD Distributor, LLC, member of FINRA and may be purchasedd 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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Any performance data shown represents past performance. Past performance is no guarantee of future results.

Non-deposit investment products are not federally insured, involve investment risk, may lose value and are not obligations of, or guaranteed by, any financial institution. Investment returns and principal value will fluctuate.

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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