Madison High Quality Bond Fund Investment Strategy Letter

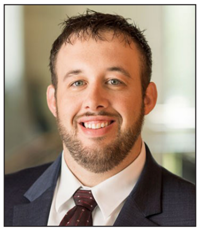
Third Quarter 2019

Against a backdrop of heightened domestic and geopolitical uncertainty, U.S. economic growth expanded at a moderate pace during the third quarter. The average consensus GDP forecast is for an annualized growth rate of 2.0% for the quarter, driven largely by consumer spending. Yet despite the steady pace of domestic growth, concerns about an economic downturn continue to intensify. Citing slowing global growth and uncertainties around trade, the Federal Reserve Bank (Fed) lowered the federal funds rate by 0.25% at each of their July and September Federal Open Market Committee (FOMC) meetings, leaving the current target range at 1.75%-2.00%.

In response, Treasury yields continued to move lower during the quarter. The 10-year Treasury note which began the quarter at 2.00%, traded as low as 1.46% in early September before closing the month at 1.67%. Similarly, the 2-year Treasury note began the quarter at 1.76%, traded as low as 1.43% in early September and closed the quarter at 1.50%. Lower yields translated into positive returns for bond holders in the quarter. The Bloomberg/Barclays Aggregate Bond Index generated a 2.27% return for the quarter, while the Bloomberg/Barclays Intermediate Government/Credit A+ Index posted a 1.25% result for the period. Overall, fixed income returns remain strong across asset classes for both the year-to-date and trailing 12-month period.

Paul Lefurgey, CFA
Head of Fixed Income
Industry since 1988

Chris Nisbet, CFA
Portfolio Manager
Industry since 1990



Mike Sanders, CFA
Portfolio Manager
Industry since 2004

Mid-Cycle or End of Cycle?

As the Fed initiated "insurance" rate cuts seeking to insulate the current economic expansion against growing headwinds, debate raged over the source of slowing growth and how much monetary policy can help. Indeed, Fed Chairman Powell characterized the cuts as a mid-cycle adjustment. However, it is important to note that the decision to cut rates and the magnitude of the adjustment was not unanimous amongst the voting Fed members, with two voters opposing any additional cuts and one voter favoring a larger cut. The division over the appropriate policy level of rates is driven by disagreement about how far along we are in this economic cycle as well as uncertainty about the root cause of the sub-par growth. We believe that interest rates, particularly following two additional 0.25% cuts, are now quite accommodative. Yet investor expectations reflected in forward markets are anticipating several more cuts to come.

Strained Manufacturing/Stable Consumer…

In our view the dislocation and uncertainty resulting from the trade impasse remains the biggest threat to global growth. Global and domestic manufacturing and agriculture sectors are showing strain as indicators like the JPM Global Purchasing Managers Index (PMI) and the U.S. ISM Manufacturing Index fall into "contractionary" territory. While a declining percentage of the U.S. economy, manufacturing remains large enough to have a significant impact on growth and business sentiment. Thus far the consumer has maintained momentum supported

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.

by a strong labor market and stable asset prices. We are carefully monitoring consumer sentiment and labor conditions for any signs of strain spilling over into the broader consumer sector.

Further interest rate cuts could indicate a willingness on the part of the Fed to move toward negative rates which would be ineffective and potentially harmful in our view. Low rate policy enacted by many European Central Banks has made our rates appear relatively attractive and brought significant capital flows to the dollar pushing U.S. yields lower. Reviewing economic performance in places like Germany, Switzerland and Japan, where negative yields are pervasive suggests little if any beneficial impact. In short, the level of interest rates is not the problem. Rather uncertainty over geopolitical concerns ranging from trade, to Brexit, to escalated Middle East tensions are likely holding back economic output. These geopolitical issues remain stubborn and are likely to remain for some time. Yet global economies seem to be adapting and moving forward, albeit at a modest pace. We expect calls for fiscal policy options to increase as monetary policy options are increasingly unable to boost growth around the globe.

Performance and Positioning

During the third quarter, the Madison High Quality Bond Fund (Class Y at net asset value (NAV)) trailed the benchmark, returning +0.93% (+4.33% year to date) versus the Bloomberg Barclay's Intermediate Government Corporate A+ Index return of +1.25% (+5.71% year to date). While the funds conservative duration positioning and yield curve exposure proved detractive to overall performance during the quarter, exposure to high quality credit and individual security selection benefited overall performance.

Our base case is that domestic economic growth continues to remain moderately positive. Expectations are low and interest rates around the globe and at home reflect an overly dour outlook in our view. Hence even modest growth that beats these lowered expectations could lead to a revaluation in interest rates. Meaningful advancement on trade negotiations between the U.S. and China, even an extended détente, is likely to elevate future expectations. Risk assets in the form of equities and credit spreads, while prone to bouts of volatility, continue to reflect a better outlook than Treasury yields portend. Fixed income investors have been rewarded handsomely over the past year, as yields have fallen, enjoying above-average returns. From this point forward, yields appear fully valued elevating risk levels. With that in mind, we continue to position portfolios with a defensive duration posture and high-quality bias designed to protect principal should rates rise or volatility increase.

Paul Lefurgey *Chris Nisbet*

The Bloomberg Barclays U.S. Aggregate Bond Index is a broad-based flagship benchmark that measures the investment grade, U.S. dollar-denominated, fixed-rate taxable bond market. The index includes Treasuries, government-related and corporate securities, mortgage backed securities, asset-backed securities and corporate securities, with maturities greater than one year.

Bloomberg Barclays Intermediate Government Credit A+ Index measures the performance of United States dollar-denominated United States Treasuries, government-related and investment-grade United States corporate securities that have a remaining maturity of greater than or equal to one year and less than 10 years.

JPM Global Purchasing Managers Index (PMI) tracks sentiment among purchasing managers at manufacturing, construction and/or services firms. An overall sentiment index is generally calculated from the results of queries on production, orders, inventories, employment, prices, etc.

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

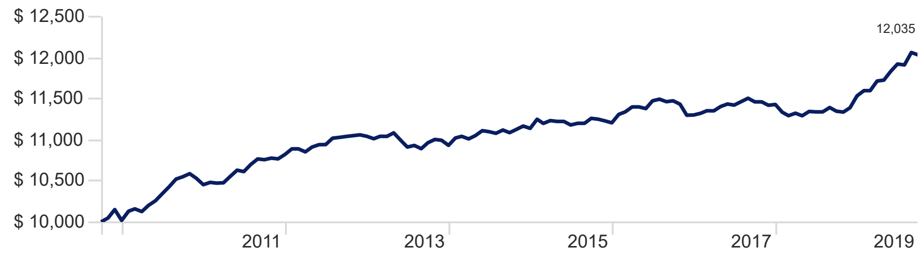
September 30, 2019

Madison High Quality Bond Fund

Madison FUNDS®

The Value of Long-Term Investing

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



Average Annual Total Returns[2] (%)

	Three Months	YTD	1 Yr	3 Yr	5 Yr	10 Yr	Since Inception
Class Y	0.93	4.33	6.05	1.60	1.65	1.87	3.44
Bloomberg Barclays U.S. Interm. Govt/Credit A+ Index	1.25	5.71	7.78	2.08	2.43	2.72	4.31

Calendar Year Returns[2] (%)

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Class Y	3.99	4.35	3.53	2.04	-1.00	1.89	0.61	0.85	1.14	0.91
Bloomberg Barclays. Interm. Govt/Credit A+ Index	2.85	5.48	5.67	3.14	-1.00	2.84	1.31	1.44	1.60	1.19

Characteristics (years)

Effective Duration	2.64
Avg. Maturity	2.80

Yields

30-day SEC Yield	0.82%
Yield to Maturity	2.71%

Experienced Management

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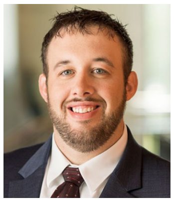

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Fund Features

- Fund seeks the highest total return while maintaining an average maturity of 10 years or less.
- A or better quality: government, agency and corporate bonds
- Active duration, yield curve, sector and security selection decisions
- Focus on managing risk

Class	Ticker	Inception Date	Exp. Ratio[3]
Y	MIIBX	5/1/00	0.49%

Distribution Frequency

Quarterly

Risk Measures (10-year)

Standard Deviation	1.68%
Downside Capture	76.73%
Upside Capture	72.17%

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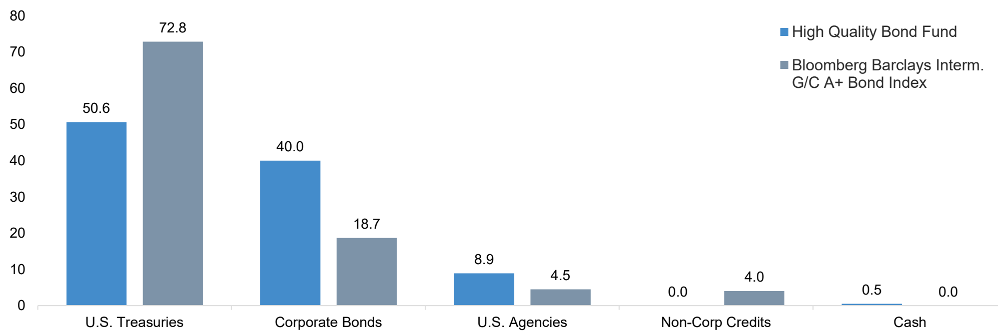
Performance data shown represents past performance. Investment returns and principal value will fluctuate, so that fund shares, when redeemed, may be worth more or less than the original cost. Past performance does not guarantee future results and current performance may be lower or higher than the performance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

Sector Allocation (%)



Sector allocation is rounded to the nearest 0.1%.

Total Net Assets

$90.5 Million

Portfolio Turnover

31%

Total Number of Holdings

46

Top Ten Treasury & Agency Holdings

DESCRIPTION	COUPON	MATURITY	%
US TREASURY	2.375%	15 May 2027	5.2
US TREASURY	2.125%	15 May 2025	4.6
FREDDIE MAC	2.375%	13 Jan 2022	4.5
FANNIE MAE	1.375%	07 Oct 2021	4.4
US TREASURY	1.625%	15 Mar 2020	3.9
US TREASURY	2.375%	15 Aug 2024	3.7
US TREASURY	2.75%	15 Nov 2023	3.5
US TREASURY	2.5%	15 Aug 2023	3.4
US TREASURY	2.625%	15 Nov 2020	3.3
US TREASURY	3.625%	15 Feb 2020	3.3

Top Ten Corporate Holdings

DESCRIPTION	COUPON	MATURITY	%
SALESFORCE.COM	3.25%	11 Apr 2023	2.3
TARGET CORP	2.9%	15 Jan 2022	2.3
SIMON PROPERTY	4.125%	01 Dec 2021	2.0
INTEL CORP	3.3%	01 Oct 2021	2.0
MORGAN STANLEY	2.8%	16 Jun 2020	1.9
VISA INC	2.2%	14 Dec 2020	1.9
UNITEDHEALTH	2.875%	15 Mar 2023	1.7
MERCK + CO INC	3.875%	15 Jan 2021	1.7
APPLE INC	2.4%	03 May 2023	1.7
JOHN DEERE CORP	2.65%	06 Jan 2022	1.7

Madison FUNDS®

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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. **Effective Duration:** 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:** 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:** 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:** 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 and liquidity 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.

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

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