

MADISON DIVIDEND INCOME FUND

3Q 2020 Investment Strategy Letter

Tickers: BHBFX | MDMIX | MADAX

PERFORMANCE REVIEW

For the third quarter, the Madison Dividend Income Fund, Class Y at NAV, returned 6.8%, which compared to the S&P 500® return of 8.9%. Sector allocation was additive to performance while stock 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, 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 intact. 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.



John Brown, CFA
Portfolio Manager
Industry since 1983



Drew Justman, CFA
Portfolio Manager
Industry since 2001

On a year-to-date basis, the Fund (Class Y at NAV) declined -4.2%, which compared to the S&P 500 return of 5.6%. 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. Within Consumer Discretionary, home improvement retailer Home Depot (HD) was the most additive stock in the portfolio. LOW also contributed nicely to results. Both companies reported strong same-store sales as more people spend on their homes. Within Industrials, industrial equipment distributor Fastenal (FAST) outperformed. It had strong same-store sales as many customers purchased safety supplies. In Financials, asset manager BlackRock (BLK) was another notable outperforming stock. It is assisting the Federal Reserve in implementing emergency policies to help mitigate the financial impact of the Covid-19 pandemic. In Materials, industrial gas supplier Linde (LIN) was additive to performance. Its customers increased capital expenditures which is driving solid growth for the company.

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.



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On the negative side, in Technology, software and cloud service provider Microsoft (MSFT) was the most detractive stock in the portfolio. The fund sold the stock in the first quarter as it no longer had an above-average dividend yield, and it subsequently went up significantly which caused a relative performance headwind. Another underperforming technology stock was CSCO. In Financials, banks J.P. Morgan (JPM) and U.S. Bancorp (USB) negatively impacted the portfolio as there were concerns about large loan losses in a slowing economy. We believe these are high-quality franchises and that the thesis is intact for each stock. NTRS was another stock within Financials that trailed the index. The fund continues to hold all stocks mentioned above except MSFT.

The Madison Dividend Income Fund is in the value category at Morningstar. As a result, we also compare our performance to value peers and the Russell 1000® Value Index. According to Morningstar, the fund has top quartile performance across each time period versus value peers, as shown below:

Morningstar peer rankings for Madison Dividend Income Fund in the Value category

Madison Dividend Income Fund Performance (at NAV) vs. Morningstar Large Value Category Peers' Performance					
	YTD	1-year	3-year	5-year	10-year
Percentile rank	12	19	5	3	20
# of funds in category	1127	1117	1060	939	679

Sourced from Morningstar as of September 30, 2020

For the third quarter, the Fund (Class Y at NAV) returned +6.84%, which outperformed the Russell 1000 Value Index return of 5.59%. On a year-to-date basis, the fund declined -4.21%, which also outperformed the Russell Value Index decline of -11.58%, and was a downside capture ratio of only 36%. See additional time periods and benchmark comparisons on the last two pages of this document. Sector allocation and stock selection were positive versus this benchmark over both periods. Each holding in the fund has an investment grade credit rating, and 85%, or 35 of 41 holdings, are rated A- or better by S&P (as of 9/30/20). Additionally, the fund owns stocks that we believe have sustainable competitive advantages (also known as wide moats). Morningstar provides Moat Ratings¹ for many companies, and 85% of fund holdings are rated wide moat by Morningstar (as of 9/30/20). It is our view that owning high quality companies with strong balance sheets and sustainable competitive advantages helped our portfolio hold up better than many value peers.

OUR APPROACH TO INVESTING – RELATIVE YIELD STRATEGY

The Madison Dividend Income Fund's 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 make sure it will be able 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.

This quarter we are highlighting Honeywell (HON) as a relative yield example within Industrials. 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.

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

Morningstar Large Value Category: Large-value portfolios invest primarily in big U.S. companies that are less expensive or growing more slowly than other large-cap stocks. Stocks in the top 70% of the capitalization of the U.S. equity market are defined as large cap. Value is defined based on low valuations (low price ratios and high dividend yields) and slow growth (low growth rates for earnings, sales, book value, and cash flow). ©2020 Morningstar, Inc. All Rights Reserved.

1. The Morningstar Economic Moat Rating represents a company's sustainable competitive advantage. Morningstar has identified five sources of economic moats: intangible assets, switching costs, network effect, cost advantage, and efficient scale.

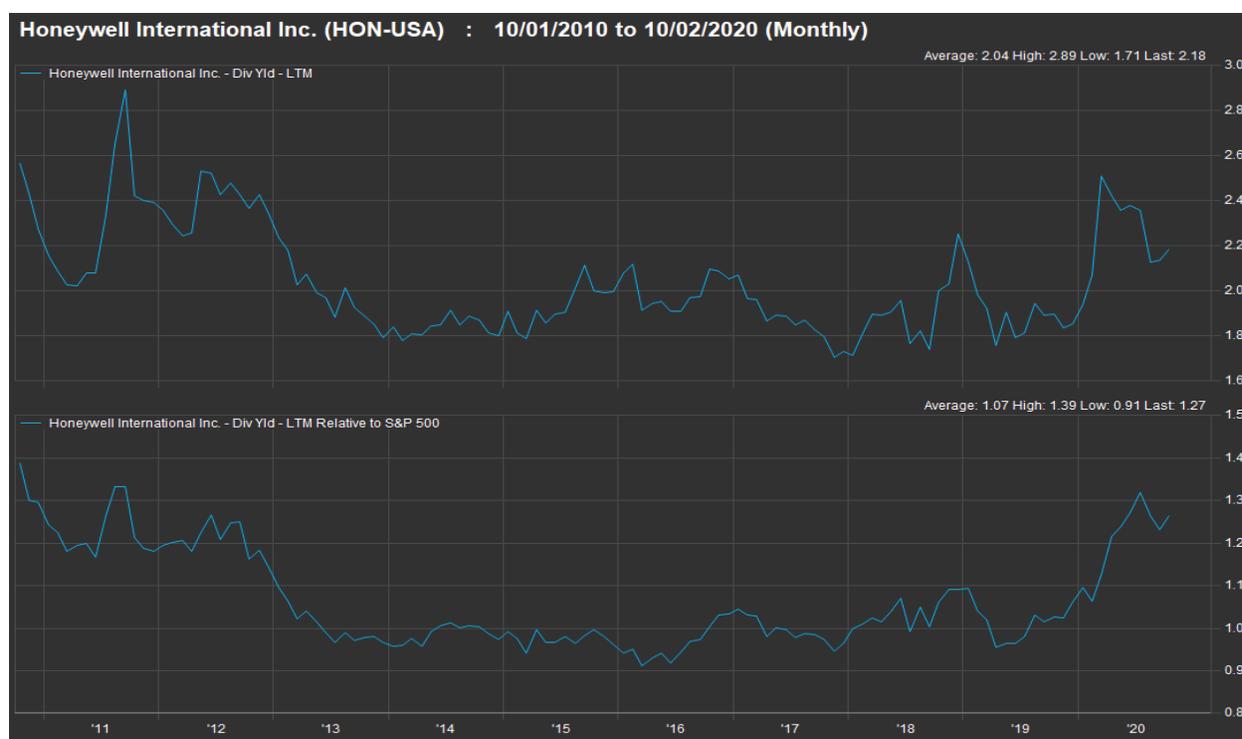
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operations of its customers including cockpit control in aircraft flights, warehouse automation in manufacturing and connected solutions in commercial buildings. We believe its technology advantage is due to above-average spending on research and development (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 versus 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.

Exhibit 2: Dividend Yield and Relative Dividend Yield History for HON



Source:FactSet

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.

John Brown

Drew Justman

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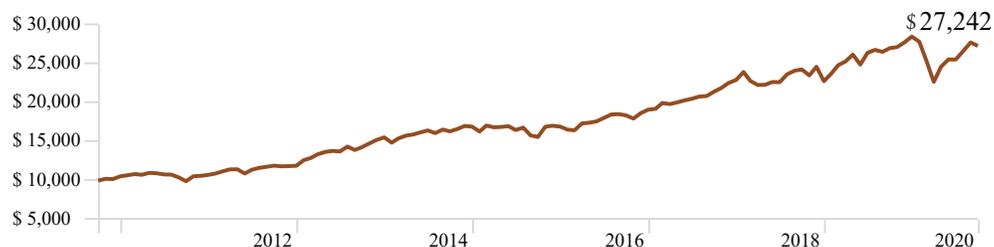
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September 30, 2020

Growth of \$10,000 Class Y Shares, Trailing 10 Years¹



Average Annual Total Returns² (%)

	Three Months	YTD	1 Yr	3 Yr	5 Yr	10 yr	Since Inception
Class I	-	-	-	-	-	-	-1.61
Class Y	6.84	-4.21	1.09	8.42	11.81	10.54	8.10
Class A	6.76	-	-	-	-	-	6.65
S&P 500 [®] Index	8.93	5.57	15.15	12.28	14.15	13.74	-
Russell 1000 [®] Value Index ³	5.59	-11.58	-5.03	2.63	7.66	9.95	-
Lipper Equity Income Funds Index	5.57	-7.37	-1.35	4.88	8.91	9.92	-

Calendar Year Returns² (%)

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Class Y	8.02	1.73	10.86	30.59	8.81	0.07	12.79	19.93	-0.70	25.16
S&P 500 [®]	15.06	2.11	16.00	32.39	13.69	1.38	11.96	21.83	-4.38	31.49
Russell 1000 [®] Value	15.51	0.39	17.51	32.53	13.45	-3.83	17.34	13.66	-8.27	26.54
Lipper	14.04	2.66	13.66	28.70	10.69	-2.96	14.30	16.43	-6.62	26.38

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10-Yr Risk Measures (%)

	Class Y	vs. S&P 500	Class Y	vs. R1000V	Class Y	vs. Lipper
Standard Deviation	10.85	13.25	10.85	13.87	10.85	12.32
Down Capture	82.64	100.00	70.89	100.00	82.76	100.00
Up Capture	79.78	100.00	84.79	100.00	92.84	100.00
Beta	0.78	1.00	0.74	1.00	0.85	1.00

Experienced Management



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Fund Features

- ▶ Fund seeks current income with an opportunity for capital appreciation
- ▶ 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
A	MADAX	5/29/20	1.15%
Y	BHBFX	12/18/86	0.90%
I	MDMIX	8/31/20	0.80%

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

Distribution Frequency - Quarterly

Distribution History

Year	Total	Yr-End Nav
2019	\$1.11	\$28.22
2018	\$2.99	\$23.46
2017	\$1.04	\$26.70
2016	\$0.87	\$23.16
2015	\$1.29	\$21.31

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.

³ Russell 1000[®] Value was added as a secondary comparison benchmark as of 6/1/2020.

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.

Prior to March 1, 2012, BHBFX 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.

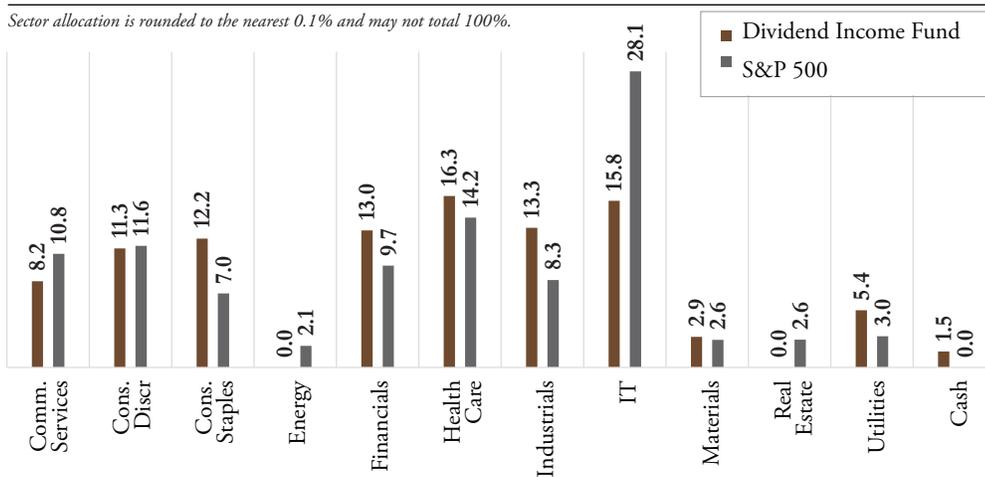


Shareholder Services
 Madison Funds
 P.O. Box 219083
 Kansas City, MO 64121-9083
 800.877.6089

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

Sector Allocation (%)

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



Characteristics

TTM P/E	22.1x
P/B	3.8x
ROE	27.22%
Active Share (vs S&P)	81.6%
Dividend Yield	2.7%
30-Day SEC Yield (Class Y)	1.8%
Wtd. Avg. Market Cap (billions)	\$154.3
Portfolio Turnover	28%
Number of Holdings	41
Total Net Assets (millions)	\$277.5

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

Top Ten Stock Holdings (%)

HOME DEPOT INC	4.5
VERIZON COMMUNICATIONS INC	4.1
COMCAST CORP CLASS A	4.1
JOHNSON + JOHNSON	4.0
BLACKROCK INC	3.3
BRISTOL MYERS SQUIBB CO	3.3
CISCO SYSTEMS INC	3.3
MCDONALD S CORP	3.2
PEPSICO INC	3.1
CATERPILLAR INC	3.1

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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: a fund's performance in down markets relative to its benchmark. The security's downside capture return is divided 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. Beta: a measure of the fund's sensitivity to market movements. A portfolio with a beta greater than 1 is more volatile than the market, and a portfolio with a beta less than 1 is less volatile than the market. 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. It 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. 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. 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: 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. 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 Russell 1000® Value (R1000V) index measures the performance of the Russell 1000's value segment, which is defined to include firms whose share prices have lower price/ to/book ratios and lower expected long/term mean earnings growth rates. 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 Lipper Equity Income Fund Index (Lipper) 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.

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.

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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.