

# MADISON INVESTORS FUND

## 2Q 2022 Investment Strategy Letter

Tickers: MNVRX | MIVIX | MINVX | MNVAX

### PORTFOLIO REVIEW

The Madison Investors Fund (Class Y) declined 11.8% during the second quarter, compared to the S&P 500 Index’s return of -16.1%.

The Information Technology sector was the largest positive contributor to our relative performance in the second quarter, primarily due to contributions from Black Knight, and our underweight to this underperforming sector. Black Knight is the largest provider of software for the mortgage servicing industry. In May, they announced an agreement to be acquired by Intercontinental Exchange at a substantial premium to their unaffected public market valuation. We believe this offer represents fair value for the company.

In addition to Black Knight, our top individual contributors in the quarter were Dollar Tree, Progressive, Becton Dickinson, and Novartis. Dollar Tree reported strong results on the heels of rolling out the \$1.25 price point initiative at all Dollar Tree stores nationwide. Furthermore, they announced several executive leadership changes, undoubtedly catalyzed by new Executive Chairman Richard Dreiling. We remain encouraged by the progress to date and are excited to see what the new team can do at Dollar Tree over the coming years.

At automotive insurer Progressive, profitability has started to improve as it implements price increases to counter cost inflation and the increasing frequency of accidents. Becton Dickinson returned to its historical cadence of consistent performance as healthcare utilization has become increasingly resilient through each subsequent COVID wave. After the last couple years of stops and starts, this is welcome. Novartis continues to generate steady performance in what has been a volatile economic environment.

During the quarter, we exited Embecta and initiated a position in Nike. We received shares in Embecta as a result of Becton Dickinson spinning-off its Diabetes Care segment. In our assessment, Embecta was fairly valued, so we decided to exit the holding.

Nike is the largest seller of athletic footwear and apparel in the world. Started from humble beginnings as Phil Knight’s “crazy idea” in a Stanford entrepreneurship class, Nike marked its 50th anniversary this year. By remaining true to its innovative culture, the brand is as strong as ever and continues to generate attractive growth, soon to surpass \$50 billion in annual revenue. In addition to the continuous investments in brand innovation and marketing, over the last few years Nike has



Rich Eisinger  
Co-Head of Investments  
Portfolio Manager/Analyst  
Industry since 1994



Haruki Toyama  
Director of Research  
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Portfolio Manager/Analyst  
Industry since 2012

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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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## 2Q 2022 MADISON INVESTORS FUND - INVESTMENT STRATEGY LETTER

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invested heavily to lay the foundation for multi-channel commerce. Today, Nike generates approximately 40% of its revenues through its online channel and branded storefronts. Empowered by CEO John Donahoe's "Nike Consumer Direct Offense," Nike's ongoing investments are expected to further drive their overall revenue mix towards the direct-to-consumer channel which we estimate will result in substantial margin improvement over the next three to five years.

While Nike's business in China, which accounts for approximately 20% of revenue, is experiencing challenges today, our due diligence suggests that consumer preference for the Nike brand outside the U.S. remains incredibly strong. Overall, we expect Nike's broader ecosystem, often referred to as the Nike Marketplace, to continue to leverage the company's innovation and premier brand to build direct consumer relationships which deepen Nike's competitive moat and enhance its financial profile. Turbulence in the Chinese market and concerns over consumer spending in the US and Europe enabled us to initiate a position in Nike at an attractive discount to our appraisal of the company's long-term value.

The Consumer Staples sector was the best performing sector in the S&P 500 during the quarter, and our largest detractor on a relative basis as we don't own any investments in this sector.

Our largest individual detractors were Brookfield Asset Management, Alphabet, Berkshire Hathaway, Adobe, and Accenture. Capital markets declined substantially in the quarter, which we suspect weighed on the share price of Brookfield and, to a lesser extent, Berkshire Hathaway. As an investment manager in secularly growing asset classes such as private equity and infrastructure, however, Brookfield's profits should be cushioned by its recurring fee revenue and ability to raise funds despite falling stock and bond markets. At Berkshire, we suspect the falling equity market and recession concerns, which impact the common stock portfolio and underlying industrial businesses, respectively, contributed to the weakness in the share price during the quarter.

Alphabet continues to perform well, but the price-to-earnings multiple contracted considerably due to concerns about the potential for revenue to be more economically sensitive than it has been historically given the vast size of the business today. Similarly, Adobe and Accenture continue to report strong sales growth, but performance has moderated a bit relative to the extremely robust results generated over the last year or so. In all three cases, we think that the longer-term outlook remains excellent.

*Rich Eisinger*

*Haruki Toyama*

*Joe Maginot*

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## 2Q 2022 MADISON INVESTORS FUND - INVESTMENT STRATEGY LETTER

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### DISCLOSURES

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.

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.

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

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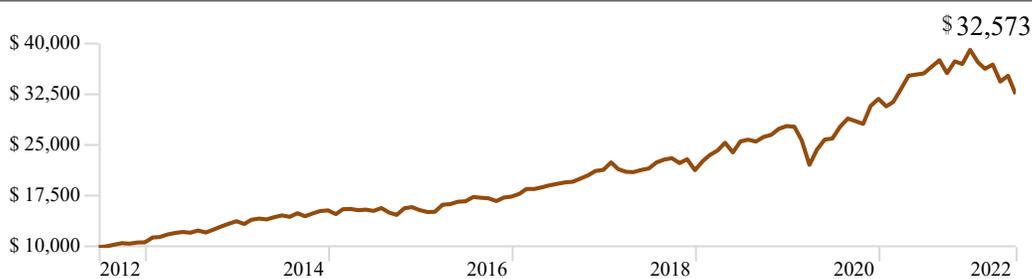
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# MADISON INVESTORS FUND

June 30, 2022

## Growth of \$10,000 Class Y Shares, Trailing 10 Years<sup>1</sup>



## Experienced Management



**Rich Eisinger**  
Co-Head of Investments,  
Portfolio Manager  
Industry since 1994



**Haruki Toyama**  
Director of Research,  
Portfolio Manager  
Industry since 1994



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## Average Annual Total Returns<sup>2</sup> (%)

	Three Months	YTD	1 Yr	3 Yr	5 Yr	10 yr	Since Inception
Class R6	-11.70	-16.60	-8.37	8.56	11.19	-	11.45
Class I	-11.72	-16.64	-8.43	-	-	-	6.74
Class Y	-11.76	-16.66	-8.53	8.38	11.00	12.53	10.83
Class A without sales charge	-11.82	-16.78	-8.76	8.10	10.72	-	10.96
with sales charge	-16.90	-21.56	-14.00	5.99	9.42	-	10.22
S&P 500® Index	-16.10	-19.96	-10.62	10.60	11.31	12.96	-

## Calendar Year Returns<sup>2</sup> (%)

	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Class Y	14.05	29.08	11.54	0.23	12.97	22.51	-0.20	30.48	14.42	22.68
S&P 500® Index	16.00	32.39	13.69	1.38	11.96	21.83	-4.38	31.49	18.40	28.71

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## Characteristics

		Risk Metrics (%) Class Y vs. S&P 500			
		3 Yr	5 Yr	10 yr	
Total Number of holdings	28				
Active Share	88.2%	Upside Capture	89.47	91.85	91.20
% Assets in Top 10 stocks	44.2%	Downside Capture	94.51	89.05	86.23
Portfolio Turnover	17%	Beta	0.90	0.88	0.88
Wtd. Average Market Cap (billions)	\$225.0				
Total Net Assets (millions)	\$308.8				

## Fund Features

- ▶ Fund seeks long-term capital appreciation
- ▶ High conviction; 25-40 holdings
- ▶ Pursues high-quality growth companies, growth at a reasonable price style (GARP)
- ▶ Focus on risk management

Class	Ticker	Inception Date	Exp. Ratio
A	MNVAX	9/23/13	1.16%
Y	MINVX	11/1/78	0.91%
I	MIVIX	8/31/20	0.81%
R6	MNVRX	9/23/13	0.73%

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

## Distribution Frequency - Annual

<sup>1</sup> 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.

<sup>2</sup> 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 Y and R6 shares do not impose an up-front sales charge or a CDSC. 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.

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From February 6, 2009 through February 28, 2016 the investment adviser waived between 0.11% to 0.15% of its management and/or services fees annually for Class Y shares, 0.15% for Class A shares from September 23, 2013 to February 28, 2016; and 0.10% for Class R6 from September 23, 2013 until May 1, 2014. Investment returns reflect these fee waivers, without which returns would have been lower.

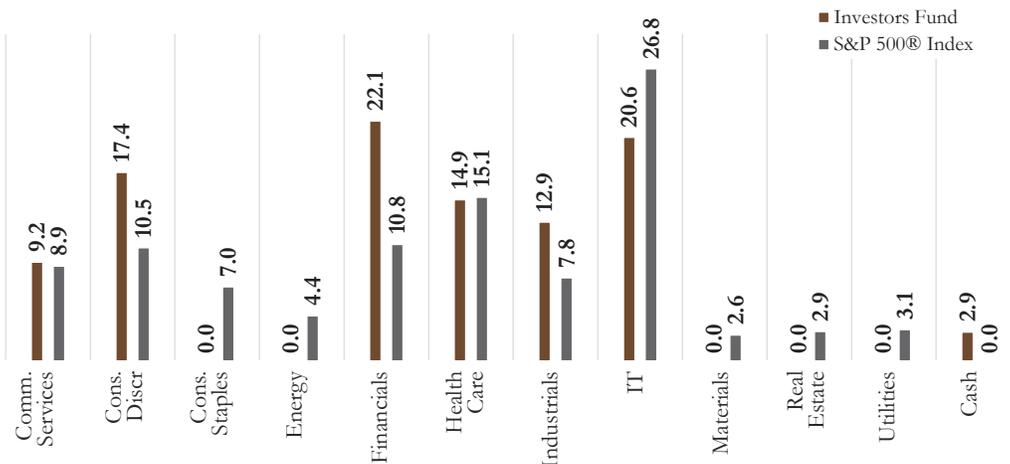


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## Sector Allocation (%)

Figures are rounded to the nearest 0.1% and may not total 100%.



## Complete Stock Holdings (%)

ALPHABET INC CL C	5.65	PACCAR INC	3.52
DOLLAR TREE INC	5.29	VISA INC CLASS A SHARES	3.41
BECTON DICKINSON AND CO	4.93	US BANCORP	3.24
NOVARTIS AG SPONSORED ADR	4.19	ALCON INC	3.14
LOWE S COS INC	4.19	TJX COMPANIES INC	2.95
JACOBS ENGINEERING GROUP INC	4.09	TE CONNECTIVITY LTD	2.72
AMAZON.COM INC	4.05	PARKER HANNIFIN CORP	2.70
FISERV INC	3.95	ACCENTURE PLC CL A	2.69
ANALOG DEVICES INC	3.93	DANAHER CORP	2.64
MARSH + MCLENNAN COS	3.91	COPART INC	2.56
ARCH CAPITAL GROUP LTD	3.90	BLACK KNIGHT INC	2.09
BERKSHIRE HATHAWAY INC CL B	3.82	ADOBE INC	1.79
PROGRESSIVE CORP	3.63	NIKE INC CL B	0.93
LIBERTY BROADBAND C	3.59		
BROOKFIELD ASSET MANAGE CL A	3.59		

**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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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. 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. 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 10/31/2020. 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. 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. 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 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, capital gain realization risks to taxpaying shareholders, 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.

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