

MADISON DIVIDEND INCOME FUND

1Q 2021 Investment Strategy Letter

Tickers: BHBFX | MDMIX | MADAX

PERFORMANCE REVIEW

For the first quarter, the Madison Dividend Income Fund Class Y (at NAV) returned +7.6%, which outperformed the S&P 500 return of +6.2% and compared to the Russell 1000 Value Index return of +11.2% and the Lipper Equity Income peer group return of +8.2%.

The Dividend Income Fund is a conservatively managed equity strategy that owns a high quality portfolio of stocks with strong balance sheets and sustainable competitive advantages. We define high quality objectively by using financial strength ratings from Standard & Poor's and moat ratings from Morningstar¹.

At the end of the quarter, 3/31/2021, 86%, or 37 out of 43, of fund holdings were rated A- or better by S&P compared to 32%, or 142 out of 438* for the S&P 500 and 21%, or 138 out of 644* holdings for the Russell 1000 Value Index. All fund holdings were investment grade rated, which is a BBB- rating or better by S&P.

For Morningstar Economic Moat Ratings, 74% of fund holdings were rated wide moat by Morningstar compared to 25%, or 124 out of 489**, for the S&P 500 and 16%, or 109 out of 682** for the Russell 1000 Value Index.²

	Rated A- or Better by Standard & Poor's	# of Holdings
Madison Dividend Income	86%	37 out of 43
S&P 500 Index	32%	142 out of 438*
Russell 1000 Value Index	22%	138 out of 644*

	Rated Wide Moat by Morningstar	# of Holdings
Madison Dividend Income	74%	32 out of 43
S&P 500 Index	25%	124 out of 489**
Russell 1000 Value Index	13%	109 out of 682**

Source: Factset, Morningstar, as of 3/31/2021.

*Among the companies in the index with ratings by S&P. Not every index constituent has an S&P rating, and these statistics only include companies with ratings.

**Among the companies in the index with moat ratings by Morningstar. Not every index constituent has a Morningstar moat rating, and these statistics only include companies with ratings.

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.

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.

2. Financial strength and moat ratings data is not aggregated for the Lipper Equity Income peer group. Benchmark comparisons are made wherever applicable, based on data availability.



John Brown, CFA
Portfolio Manager
Industry since 1983



Drew Justman, CFA
Portfolio Manager
Industry since 2001



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PERFORMANCE COMPARISON OF WEAK VS. STRONG BALANCE SHEETS

As shown in the graph, we observe that stocks with the weakest balance sheets had the best quarterly performance versus strong balance sheet stocks in at least fifteen years.³ Companies with weak balance sheets (rated below investment grade) are beating stronger companies, those rated A- or higher, by over 20 percentage points, according to data from Goldman Sachs Group Inc. and Bloomberg.

Exhibit 1:



Source: Goldman Sachs, Bloomberg. As of March 19, 2021.

While our focus on balance sheet strength was a headwind to performance versus the Russell 1000 Value Index and Lipper Equity Income peer group in the quarter, we believe that owning high quality stocks is the best way to generate attractive long-term returns over a full market cycle while limiting drawdowns in bear markets and market corrections. We also believe it is important to stay disciplined to the investment process throughout the full market cycle despite changing short-term dynamics. As we discuss more in the next section, we employ a repeatable and sustainable investment process. We expect the fund to outperform in falling markets, flat markets, and normally rising markets. We expect the fund to underperform in rapidly rising or speculative markets, and we believe the first quarter can be characterized as a rapidly rising and speculative market.

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 where we buy stocks that have a dividend yield at least 1.1x the S&P 500. 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 consistent 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 Nucor (NUE) as a relative yield example within the Materials sector. NUE is a leading

3. Bloomberg.com March 19, 2021: <https://www.bloomberg.com/news/articles/2021-03-19/stock-market-s-weakest-links-dominate-with-full-throttle-fed-sref=C9gGUQz8>

1Q 2021 MADISON DIVIDEND INCOME FUND - INVESTMENTS STRATEGY LETTER

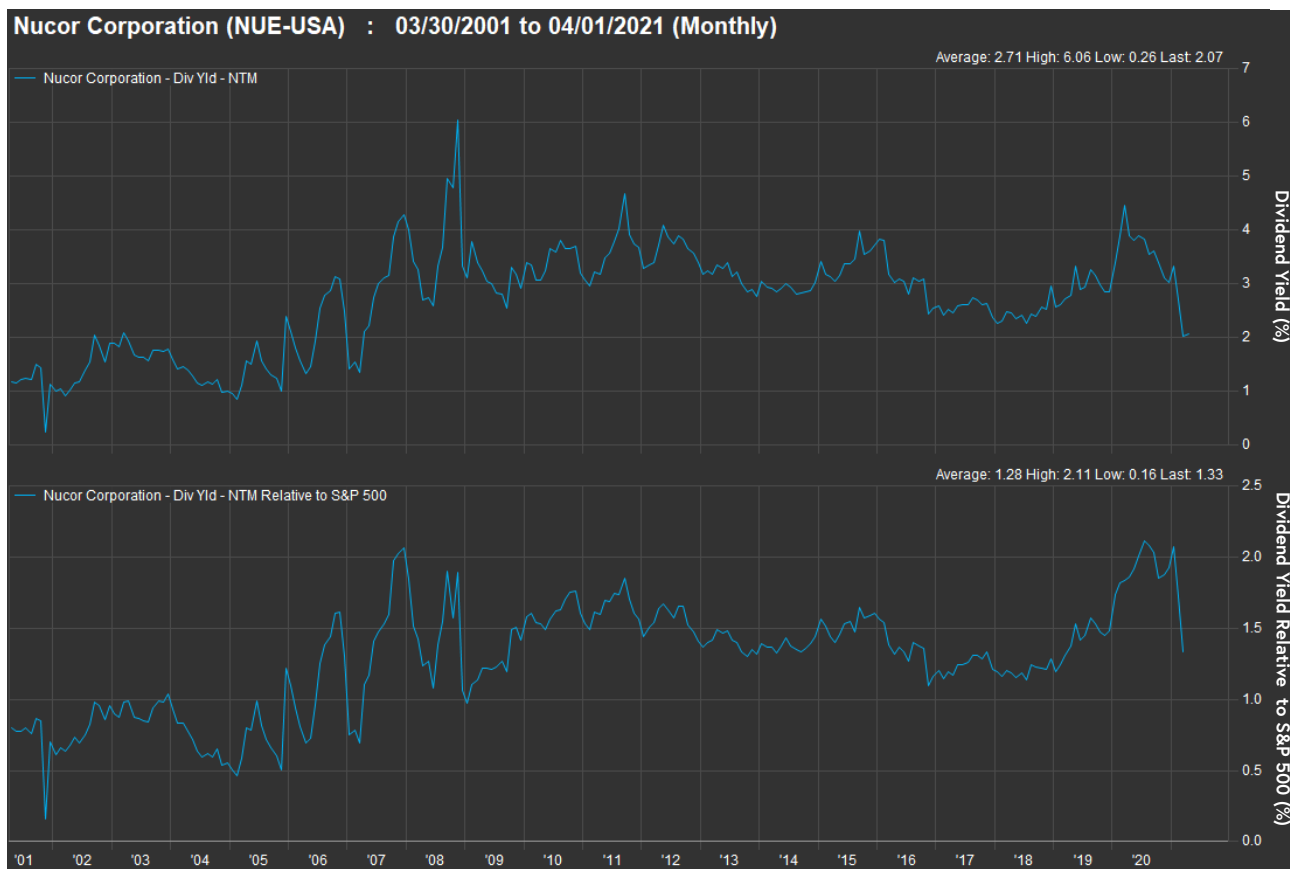
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manufacturer of steel and steel products. It is the largest steelmaker in the U.S. based on production volume with a vertically integrated business model. The company has a low fixed-cost position due to its use of electric arc furnaces, which are cleaner, less labor and energy-intensive than blast furnaces, and this results in low total costs per unit of steel produced. Our view is that a low cost position is an important attribute in a commodity business. NUE's historical financial record supports this view as it has been profitable every year except for one over the past fifty years, unlike many steel producing peers. In addition, the company has a diverse product and mill portfolio that takes market share over time. We believe its scale, low fixed-cost position, consistent record of profitability and diverse mill portfolio result in a sustainable competitive advantage versus peers.

Our thesis on NUE is that it should benefit from higher steel prices as the U.S. economy recovers from the downturn caused by the Covid-19 pandemic. The company may also be a beneficiary of on-shoring, where manufacturing returns to the United States. These two dynamics should drive growth this year, and if the United States Congress passes new infrastructure legislation, that will provide another avenue for growth longer-term.

Importantly, NUE has a strong balance sheet and flexible capital spending model that can quickly adjust to changing economic conditions. If economic growth slows, NUE can quickly reduce its cost structure, something it has done successfully in prior cyclical downturns. The company has low financial leverage as its net debt/adjusted earnings before interest, taxes, depreciation and amortization (EBITDA) was only 0.9x at the end of last year, and it consistently generates positive free cash flow. These

Exhibit 2: Dividend Yield and Relative Dividend Yield History for Nucor (NUE)



Source: FactSet

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favorable characteristics differentiate NUE from other steel producers and help the company gain market share through disciplined capital allocation.

The fund purchased NUE at \$56 in January, 2021, after it reached a low valuation with an attractive dividend yield and relative dividend yield versus the S&P 500. At the time of purchase, the stock yielded 3.3% and had a relative dividend yield of more than 2x the S&P 500, which was the high end of its historical range as shown in the bottom pane in the graph. The company is also a Dividend Aristocrat that has raised its dividend annually for 48 years. We expect continued dividend increases going forward.

Risks to the thesis include a prolonged economic downturn, lower steel prices and increasing steel import volumes that could hurt NUE financial performance. We believe these risks are manageable as economic growth is expected to be well above-average this year. Specifically, Goldman Sachs is forecasting U.S. gross domestic product (GDP) growth of +8% in 2021, which would be the fastest pace of growth since 1950. Strong growth is likely to result in higher manufacturing activity, which we believe would be supportive of higher steel prices and limit risks to the thesis.

Thank you for your continued trust and your investment.

John Brown, CFA[®]

Drew Justman, CFA[®]

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The Dividend Aristocrats are S&P 500 index constituents. Qualifications for a stock to be a Dividend Aristocrat are: 1) A stock must be a member of the S&P 500, 2) A stock must have increased their dividend payment for at least the past 25 consecutive years.

Consider the investment objectives, risks, and charges and expenses of Madison Funds carefully before investing. Each fund’s prospectus contains this and other information about the fund. Call 800.877.6089 or visit madisonfunds.com to obtain a prospectus and read it carefully before investing.

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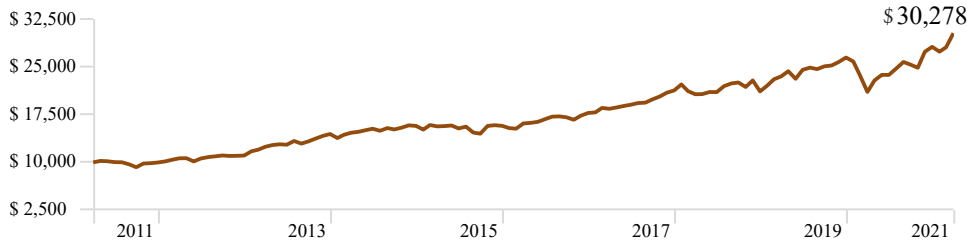
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MADISON DIVIDEND INCOME FUND

March 31, 2021

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	7.64	7.64	-	-	-	-	17.61
Class Y	7.61	7.61	43.78	13.53	13.44	11.72	8.54
Class A without sales charge	7.55	7.55	-	-	-	-	27.27
with sales charge	1.36	1.36	-	-	-	-	19.93
S&P 500 [®] Index	6.17	6.17	56.35	16.78	16.29	13.91	-
Russell 1000 [®] Value Index ³	11.26	11.26	56.09	10.96	11.74	10.99	-
Lipper Equity Income Funds Index	8.24	8.24	47.22	11.12	11.66	10.49	-

Calendar Year Returns² (%)

	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Class Y	1.73	10.86	30.59	8.81	0.07	12.79	19.93	-0.70	25.16	6.34
S&P 500 [®]	2.11	16.00	32.39	13.69	1.38	11.96	21.83	-4.38	31.49	18.40
Russell 1000 [®] Value	0.39	17.51	32.53	13.45	-3.83	17.34	13.66	-8.27	26.54	2.80
Lipper	2.66	13.66	28.70	10.69	-2.96	14.30	16.43	-6.62	26.38	4.58

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5-Yr Risk Measures (%)

	Class Y vs. S&P 500	Class Y vs. R1000V	Class Y vs. Lipper
Standard Deviation	12.92 14.89	12.92 16.11	12.92 14.12
Down Capture	89.57 100.00	75.69 100.00	90.54 100.00
Up Capture	86.00 100.00	91.83 100.00	101.60 100.00
Beta	0.82 1.00	0.77 1.00	0.89 1.00

Experienced Management



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Portfolio Manager
Industry since 1983



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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

Class Y, Per Share		
Year	Total	Yr-End Nav
2020	\$0.45	\$29.48
2019	\$1.11	\$28.22
2018	\$2.99	\$23.46
2017	\$1.04	\$26.70
2016	\$0.87	\$23.16

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.

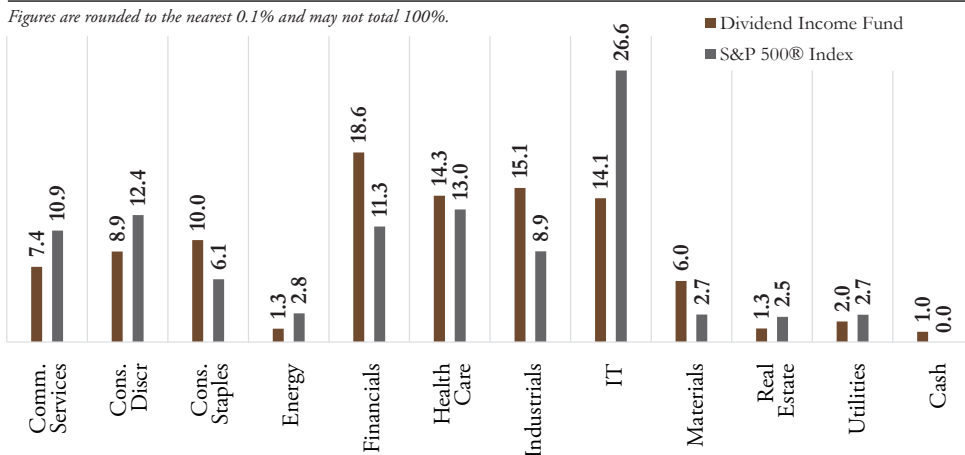


Shareholder Services
 Madison Funds
 P.O. Box 219083
 Kansas City, MO 64121-9083
 800.877.6089

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

Sector Allocation (%)

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



Top Ten Stock Holdings (%)

NUCOR CORP	4.3
HOME DEPOT INC	4.2
COMCAST CORP CLASS A	4.0
BLACKROCK INC	3.7
JOHNSON + JOHNSON	3.7
CISCO SYSTEMS INC	3.6
TRAVELERS COS INC/THE	3.4
VERIZON COMMUNICATIONS INC	3.4
EMERSON ELECTRIC CO	3.3
TEXAS INSTRUMENTS INC	3.3

Characteristics

TTM P/E	24.9x
P/B	3.8x
ROE	21.1%
Active Share (vs S&P)	82.9%
Dividend Yield	2.4%
30-Day SEC Yield (Class Y)	1.5%
Wtd. Avg. Market Cap (billions)	\$151.8
Portfolio Turnover	33%
Number of Holdings	43
Total Net Assets (millions)	\$323.2

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

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/individualprospectus-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:** 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 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 12/31/20 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 10/31/2020. **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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