Madison Core Bond Fund
Investment Strategy Letter

4Q 2018

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Investor sentiment entering the fourth quarter was cautious but stable. During the third quarter, equity indices rose, credit spreads narrowed and interest rates increased to levels not seen since 2013. As investors entered the fourth quarter there were few signs that risk appetite would diminish quickly. However, plunging oil prices, the fourth increase in the Federal Funds Rate in 2018, a shrinking Federal Reserve balance sheet and a continuing trade war all weighed on investor sentiment as cracks began to surface in risk assets. Equity markets were the first to turn south and had one of the worst quarters in a number of years with the S&P 500 Index® returning -13.52% during the fourth quarter, bringing the year-to-date performance to -4.39%. Equity market weakness and investor worries pushed investment grade credit returns versus Treasuries negative for the first time since 2015. Market participants are clearly more pessimistic on economic growth today versus a few months ago. Market psychology drives decision making and there is a real possibility that belief in a slowing economy may create a self-fulfilling prophecy of slower growth. Near-term economic data and firm guidance for 2019 will determine the path of the economy and investor sentiment.

End of Credit Cycle?

Risk assets underperformed significantly during the fourth quarter as liquidity deteriorated and investors began to price in an economic slowdown. There were also significant outflows from investment grade and high-yield corporate bond funds as well as leveraged loan funds. According to a recent Wells Fargo report (Credit Flows: Supply & Demand for the Week of December 20-December 26), money market funds had the largest positive flow for 2018 while leveraged loans, high yield and equities had the largest outflows. The likelihood that foreign investors will pick up the slack is low given hedging costs remain high due to the large disparity in funding rates around the world.

Investment grade corporate bonds turned in their worst quarterly performances since 2011. The Bloomberg Barclays U.S. Credit Index® had an excess return of -2.85% versus Treasuries and a total return of 0.01% during the quarter. Intermediate-maturity bonds outperformed longer maturity bonds by a significant margin with the Bloomberg Barclays U.S. Intermediate Credit Index® having a -1.57% excess return compared to the Bloomberg Barclays U.S. Long Credit Index® excess return of -5.78%. There was no place to hide on a sector level as excess returns were negative across Industrials, Utilities and Financials. Higher quality investment grade bonds outperformed as double-A rated bonds outperformed triple-B rated bonds during the quarter.

High yield bonds reversed course during the fourth quarter with the Bloomberg Barclays U.S. Corporate High Yield Index® returning -4.53%. Lower quality triple-C rated bonds significantly underperformed double-B rated bonds as access to the capital markets greatly diminished

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.

for highly leveraged firms. Liquidity became so poor that there wasn't a single index eligible high yield bond issued in December. This was the first time since December 2008 that this has occurred.

Continuing of Interest Rate Volatility

Volatility was not isolated to the equity and credit markets during the final three months of 2018. Interest rates swung wildly as market participants needed to price in both a more aggressive and cautious Fed during the fourth quarter. The two-year Treasury hit a high of 2.97% in early November as market participants priced in three Federal Funds Rate hikes in 2019 and additional hikes in 2020. However, the markets view on growth quickly soured. Cautious guidance by multinational firms partially based on the trade war, along with lowered growth forecasts, caused the market to price out all interest rate hikes in 2019 and 2020. In fact, the market has become so pessimistic regarding global economic growth that five-year Treasury rates are currently lower than two-year Treasury rates -- implying an expectation of interest rate reductions within the next five years.

Longer interest rates fared no better. Ten-year and thirty-year Treasuries reached highs of 3.24% and 3.46% in early November before quickly succumbing to risk asset weakness and lowered growth expectations. The ten-year Treasury ended the year at 2.69%, while the thirty-year Treasury ended the year at 3.02%.

Performance and Positioning

During the fourth quarter, the Core Bond Fund (Class Y) underperformed the Bloomberg Barclay's U.S. Aggregate Index® by 68 basis points. The fund owned more corporate bonds than the Index but they were shorter in maturity. Shorter corporate bonds outperformed but the market value overweight hurt overall performance. The fund benefited from owning longer Treasuries, but this impact was negated by having a lower overall duration and market value versus the benchmark.

As we move forward into 2019, the fund is currently at 95% duration versus the Index, which is the longest in the last five years. The credit allocation will continue to be scrutinized and opportunities to sell credit and swap into securitized products will be explored. The fund continues to look for opportunities to move the duration towards neutral versus the benchmark while owning a higher credit quality portfolio versus many of its peers.

Paul Lefurgey *Greg Poplett* *Mike Sanders*

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.

See additional disclosures on the following page.

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.

Bloomberg Barclays U.S. Credit Index: Is composed of all publicly issued, fixed-rate, nonconvertible, investment-grade corporate debt. Issues are rated at least Baa by Moody's Investors Service or BBB by Standard & Poor's, if unrated by Moody's. Collateralized Mortgage Obligations (CMOs) are not included. Total return comprises price appreciation/depreciation and income as a percentage of the original investment.

Bloomberg Barclays U.S. Intermediate Credit Indices measure the performance of US dollar-denominated corporate and government-related bonds by overall credit quality groupings, as determined by Bloomberg.

Bloomberg Barclay's U.S. Long Credit Index® Long sub-indices include securities with at least 10 years to final maturity.

Bloomberg Barclays US Corporate High Yield Index measures the USD-denominated, high yield, fixed-rate corporate bond market.

The Bloomberg Barclays US Aggregate Bond Index is a broad-based flagship benchmark that measures the investment grade, U.S. dollar-denominated, fixed-rate taxable bond market.

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.

Although the information in this report has been obtained from sources that the firm believes to be reliable, we do not guarantee its accuracy, and any such information may be incomplete or condensed. All opinions included in the report constitute the authors' judgment as of the date of this report and are subject to change without notice. This report is for informational purposes only and is not intended as an offer or solicitation with respect to the purchase or sale of any security.

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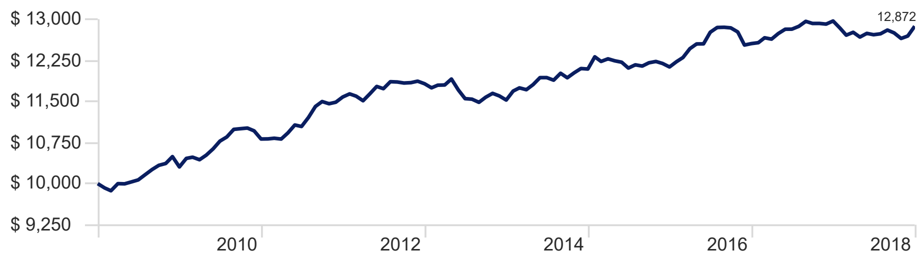
Madison Core Bond Fund

Madison FUNDS®

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

The Value of Long-Term Investing



Average Annual Total Returns[2] (%)

		Three Months	YTD	1 Yr	3 Yr	5 Yr	10 yr	Since Inception
Class Y		0.96	-0.74	-0.74	2.00	2.24	2.56	3.28
Class R6		0.95	-0.63	-0.63	2.10	2.33	–	1.52
Class A	without sales charge	0.90	-0.98	-0.98	1.74	1.96	2.29	3.63
	with sales charge	-3.60	-5.42	-5.42	0.18	1.03	1.83	3.40
Class B	without sales charge	0.72	-1.70	-1.70	0.96	1.21	1.69	3.33
	with sales charge	-3.78	-6.05	-6.05	-0.18	0.84	1.69	3.33
Bloomberg Barclays U.S. Aggregate Bond Index		1.64	0.01	0.01	2.06	2.52	3.48	–

Calendar Year Returns[2] (%)

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Class Y	5.36	3.05	4.94	7.09	2.09	-2.52	4.91	0.31	3.51	3.28	-0.74
Bloomberg Barclays U.S. Aggregate Bond Index	6.20	5.93	6.54	7.84	4.21	-2.02	5.97	0.55	2.65	3.54	0.01

Characteristics (years)

Effective Duration	5.64
Avg. Maturity	7.88

Yields Class Y

30-day SEC Yield	2.93%
30-day Effective Yield	2.72%

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 (see Note 2 below) 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. **Class A share returns with sales charge** reflect the deduction of the maximum applicable sales charge of 4.5%. **Class B shares** have no up-front sales charge. If redeemed within six years, however, B shares are subject to a maximum contingent deferred sales charge of 4.5%. Class B shares may not be purchased or acquired, except for exchange from Class B shares of another Madison fund, please see the most recent prospectus for details. **Index returns** reflect broad measures of market performance compared the fund and reflect no deduction for sales charges, account fees, expenses or taxes. You cannot invest directly in an index.

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

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.

Experienced Management

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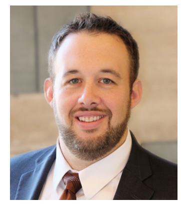

Mike Sanders, CFA
Portfolio Manager
Industry since 2004

Fund Features

- Fund seeks to generate a high level of income consistent with the prudent limitation of investment risk.
- Focus on investment grade bonds
- General maturity of less than 10 years; average duration is 3-7 years
- Active management of credit risk, sector allocation and yield curve position

Class	Ticker	Inception Date	Exp. Ratio[3]
A	MBOAX	12/29/97	0.90%
B	MBOBX	12/29/97	1.65%
Y	MBOYX	6/30/06	0.65%
R6	MCBRX	4/19/13	0.52%

Distribution Frequency

Monthly

Risk Measure (10-year) Class Y

Standard Deviation	2.65%
Downside Capture	98.31%
Upside Capture	83.95%

Total Net Assets

$162.9 Million

Portfolio Turnover

26%

Total Number of Holdings

260

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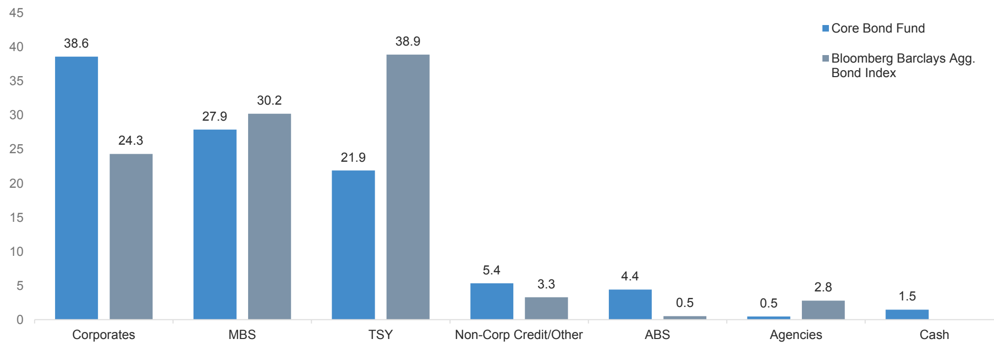
Sector Allocation (%)



Sector allocation is rounded to the nearest 0.1%.

Top Ten Holdings

DESCRIPTION	COUPON	MATURITY	%
US TREASURY N/B	3.125%	15 May 2021	1.9
US TREASURY N/B	1.75%	30 Sep 2022	1.8
US TREASURY N/B	2.875%	15 May 2028	1.4
US TREASURY N/B	3.75%	15 Aug 2041	1.4
US TREASURY N/B	2.25%	15 Nov 2025	1.4
E BATON ROUGE PARISH LA SWR CO	6.087%	01 Feb 2045	1.3
PALM BEACH CNTY FL PUBLIC IMPT	5%	01 Nov 2033	1.2
US TREASURY N/B	2.625%	15 Nov 2020	1.2
US TREASURY N/B	3%	15 May 2045	1.2
US TREASURY N/B	2.125%	31 Mar 2024	1.2

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Standard Deviation measures 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** measures a fund's performance in down markets relative to its benchmark. It is calculated by taking the security's downside capture return and dividing it by the benchmark's downside capture return over the time period. **Upside Capture Ratio** measures a fund's performance in up markets relative to its benchmark. It is calculated by taking the security's upside capture return and dividing it by the benchmark's upside capture return over the time period. **Effective Duration** provides 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** is 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** represents 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. **30-day Effective Yield** is a hypothetical figure that estimates what the yield would be if an investor continued to reinvest dividends at the current 30-day yield for one year. Calculated by annualizing dividends paid during the last 30 days of the period. It assumes that income earned from the fund's investments is reinvested and compounded. **Portfolio Turnover** is 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, liquidity risk, mortgage-backed security risk, credit risk and repayment/extension risk, non-investment grade securitiy risk and foreign security and emerging market 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.

For more complete information about Madison Funds®, including charges and expenses, obtain a prospectus from your financial adviser, by calling 800.877.6089 or by visiting madisonfunds.com and clicking on prospectus and reports to view or download a copy. Before investing in the funds, consider the investment objectives, risks, charges and expenses. he prospectus contains this and other information about funds and should be read carefully before investing.

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