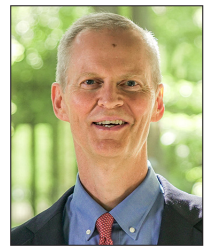
Madison INVESTMENTS

Madison Dividend Income Fund
Investment Strategy Letter

Performance Review



John Brown, CFA
Portfolio Manager
Industry since 1983

Drew Justman, CFA
Portfolio Manager
Industry since 2001

For the fourth quarter, the Madison Dividend Income Fund (Class Y) declined -6.2%, which outperformed the S&P 500 Index® decline of -13.5%. Please see the Fund fact sheet beginning on page 5 for the performance of other classes. Both sector allocation and stock selection were positive versus the Index with most of the outperformance due to stock selection. For sector allocation, an underweight position in Technology and an overweight position in Consumer Staples were additive to results. In terms of stock selection, there were positive contributions from all sectors, with the most significant outperformance coming from Health Care, Consumer Discretionary, Financials, Consumer Staples and Technology. Within Health Care, global pharmaceutical firm Merck (MRK) was a strong performing stock. It has a solid drug pipeline and reported better than expected earnings. In Consumer Discretionary, global coffee restaurant firm Starbucks (SBUX) was the best performing stock in the portfolio. It reported better than expected same-store sales and continues to have a long growth runway in our view. McDonald's (MCD) was another global restaurant franchise that contributed nicely to results. Within Financials, exchange operator CME Group (CME) was another notable outperforming stock. It benefitted from higher volatility in financial markets and associated strong volumes in its products. In Consumer Staples, consumer products manufacturer Procter & Gamble (PG) also performed well as it reported its fastest organic growth rate in many years. The company has good pricing power which helped drive its growth.

On the negative side, within Industrials, multi-industry conglomerate United Technologies (UTX) was the worst performing stock in the portfolio. It closed its acquisition of aerospace and defense firm Rockwell Collins (COL) and the market appeared disappointed with the timeline presented for realizing expected synergies. We have a long-term view and believe UTX will successfully integrate COL into its existing aerospace business. Industrial conglomerate Emerson (EMR) also negatively impacted performance in that sector. In Energy, exploration and production firm Exxon Mobile (XOM) and oilfield service company Schlumberger (SLB) detracted from results. Both firms were hurt by falling oil prices, which declined significantly in the quarter. The fund sold SLB as we believe it will take longer than expected for capital spending in Energy to recover. Another notable underperforming stock was off-price retailer TJX Group (TJX) in the Consumer Discretionary sector. We believe TJX is executing well and the thesis remains on track. With the exception of COL and SLB, the fund continues to hold all stocks mentioned above.

For the full year, the Class Y share of the fund declined -0.7%, which outperformed the S&P 500 Index decline of -4.4%. Sector allocation was negative and stock selection accounted

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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.

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.

for all of the outperformance versus the index. For sector allocation, overweight positions in Industrials and Energy detracted from results. In terms of stock selection, there were positive contributions from Health Care, Financials, Consumer Staples, Technology, Industrials and Materials, which were partially offset by weakness in Energy and Utilities. Within Health Care, MRK was the best performing stock in the portfolio. Global pharmaceutical firm Pfizer (PFE) also performed well. Both companies have solid drug pipelines and reported better than expected earnings. In Financials, CME was a top performing stock. Within Technology, software firm Microsoft (MSFT) and internet routing company Cisco Systems (CSCO) were notable outperforming stocks. Each firm is benefitting from a transition to its cloud services, which appear to have better growth prospects than traditional hardware products.

On the negative side, in Energy, SLB negatively impacted performance. The fund sold SLB as we believed the thesis was unlikely to play out due to low energy prices. Within Financials, regional bank firm Wells Fargo (WFC) was the worst performing stock in the portfolio. While there were market concerns about slowing loan growth and potential margin pressure, we believe the thesis remains intact. Within Industrials, global conglomerate 3M (MMM) and airfreight and logistics firm UPS (UPS) underperformed due to worries about slowing global growth. Despite the short-term setback, we believe each thesis is intact. Another notable underperforming stock was coffee and pet food manufacturer J.M. Smucker (SJM) in Consumer Staples. The fund sold SJM as we believe it lacked pricing power and it participated in slow growth categories with little product differentiation. The fund continues to hold all stocks mentioned above except for SJM and SLB.

Our Approach to Investing – Relative Yield Strategy

This quarter we want to highlight the risk parameters we have in place to protect the portfolio from negative events and permanent loss of capital. We have six parameters that we believe limit portfolio risk including:

1. Relative yield strategy
2. Investing in companies with sustainable competitive advantages
3. Investing in companies with strong balance sheets
4. Sector diversification rules
5. Individual position size limits
6. Looking for stocks acting much differently than peers

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 accomplish 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. We believe constructing a portfolio of relative yield stocks limits downside in difficult market environments while also offering solid participation in strong markets.

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Investing in companies with sustainable competitive advantages

Once relative yield candidates are identified, we then conduct fundamental analysis on those companies including evaluating their business model, balance sheet and cash flow generation. We think analyzing a company's business model is of critical importance. We want to own companies that have attractive business models with sustainable competitive advantages (wide moats). Some characteristics of wide moat companies include strong pricing power, leading market share positions, global distribution advantages and brand recognition, to name a few. We believe a company has a sustainable competitive advantage (wide moat) if it is able to consistently generate return on invested capital (ROIC) above its weighted average cost of capital (WACC) over a long time period and going forward. Morningstar provides moat ratings for many companies and over 70% of the portfolio has a wide moat rating from Morningstar versus just 25% for the S&P 500.

Investing in companies with strong balance sheets

We also place importance on investing in companies with strong balance sheets. The fund invests in companies with superior financial strength as approximately 90% of the portfolio consists of companies with an A- rated or better financial strength rating by S&P, compared to just 35% for the S&P 500. We also look at balance sheet strength and cash flow generation in order to evaluate a company's dividend sustainability and ability to increase dividends in the future. We seek to own companies that have low debt leverage and generate significant free cash flow with the ability to raise the dividend annually. We believe owning companies with these characteristics allows for solid participation in up markets and good downside protection in tough markets.

Sector diversification rules

The fund uses sector diversification rules to prevent over-concentration in one particular sector, which could hurt long-term performance if that sector underperforms. Specifically, the fund can invest up to 20% in a sector, or two times the S&P 500 sector weight, whichever is greater. For example, the Consumer Discretionary sector is approximately 10% of the S&P 500. Using the sector diversification rule, the fund could theoretically invest up to 20% of the portfolio in Consumer Discretionary stocks. We believe this rule allows the fund to be different than the Index but also remain sufficiently diversified.

Individual position size limits

The fund places limits on the size of individual stock positions. We have a 5% position limit for establishing new positions. This limits the risk that any one stock can significantly hurt long-term performance. The quarter provided a real-time example of how position limits can help mitigate risk. On December 14, Reuters reported a story that alleged Health Care company Johnson & Johnson (JNJ) had asbestos risk in its talc baby powder. The stock declined over 10% on the day, which was the largest single day decline for JNJ in over a decade. Coming into the day, JNJ was the fund's largest position at just under 4% of the portfolio. Despite the negative impact from JNJ, the fund outperformed the S&P 500 on the day. If position size limits weren't in place, the fund could have been more negatively impacted than it was.

Stocks acting much differently than peers

The last risk parameter in place is looking for companies that demonstrate stock price performance and/or earnings announcements that are significantly different than industry peers. During the quarter, we observed that oilfield service firm Schlumberger (SLB) was acting much worse than other Energy stocks. This observation led us to look more closely at its cash generation and dividend paying ability. We concluded that SLB was unlikely to earn its dividend in 2019. As a result, the fund sold SLB as it no longer met the criteria of a stock that had ability to earn and/or increase its dividend. A similar dynamic occurred in 2017 with General Electric (GE) in Industrials. In that instance, the fund sold GE after we concluded its dividend was at risk.

These six risk parameters drive fund performance. In terms of expectations for fund performance, we expect the fund to outperform in falling markets, flat markets, and normally rising markets. The combination of the fund's above-average dividend yield along with its high quality nature and focus on superior financial strength usually limits downside in tough market environments. While the fund may lag in strong up markets, we believe our focus on downside protection will result in outperformance over a full market cycle with lower than average risk.

Outlook

The fund is heavily positioned in high quality, large cap, above average dividend yield stocks. Compared to the broader market, the fund is overweight Health Care and Consumer Staples. The fund is underweight Technology and Communication Services, which is a function of those sectors offering few above-average dividend yield stocks meeting our investment criteria. In our view, high quality, large cap, "blue chip" stocks sold at very high valuations in the year 2000, and have generally been out of favor and underperformed since then. Over the last decade, we believe they have reached attractive valuations and are poised to outperform going forward. We see this as a main area of opportunity for the fund.

John Brown *Drew Justman*

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.

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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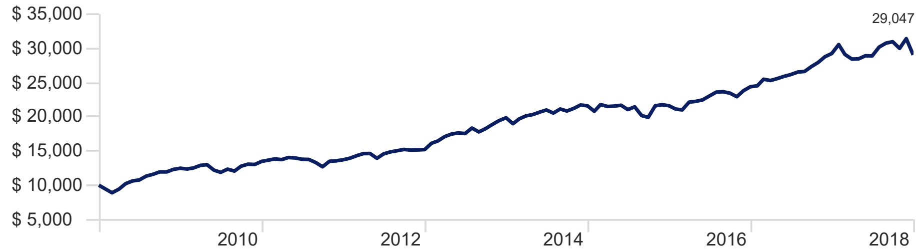
Madison Dividend Income Fund

Madison FUNDS®

The Value of Long-Term Investing

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



Experienced Management

John Brown, CFA
Portfolio Manager
Industry since 1983

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Portfolio Manager
Industry since 2001

Average Annual Total Returns[2] (%)

	Three Months	YTD	1 Yr	3 Yr	5 Yr	10 yr	Since Inception
Class Y	-6.22	-0.70	-0.70	10.33	7.90	11.25	7.95
S&P 500® Index	-13.52	-4.38	-4.38	9.26	8.49	13.12	9.92
Lipper Equity Income Funds Index	-10.78	-6.62	-6.62	7.53	5.95	10.97	–

Calendar Year Returns[2] (%)

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Class Y	24.82	8.02	1.73	10.86	30.59	8.81	0.07	12.79	19.93	-0.70
S&P 500® Index	26.46	15.06	2.11	16.00	32.39	13.69	1.38	11.96	21.83	-4.38
Lipper Equity Income Funds Index	28.85	14.04	2.66	13.66	28.70	10.69	-2.96	14.30	16.43	-6.62

Fund Features

- Fund seeks current income with an opportunity for capital appretiation
- 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[3]
Y	BHBFX	12/18/86	0.95%

Characteristics

TTM P/E	17.2x
P/B	3.3x
ROE	24.6%
Active Share (vs S&P)	76.8%
Dividend Yield	2.8%
Wtd. Avg. Market Cap (Billions)	$157.1

Risk Measures (10-year)

Class Y vs. S&P 500® Index

Standard Deviation	10.33%
Downside Capture	71.34%
Upside Capture	78.33%

Distribution Frequency

Quarterly

Distribution History Per Share

Year	Total	Yr-End Nav
2018	$2.99	$23.46
2017	$1.04	$26.70
2016	$0.87	$23.16
2015	$1.29	$21.31
2014	$1.71	$22.59
2013	$1.00	$22.33
2012	$1.13	$17.90

Total Net Assets

$119.9 Million

Portfolio Turnover

32%

Total Number of Holdings

42

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. **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.

The investment adviser has contractually agreed to waive a portion of its management fees and/or other expenses for the fund. The investment adviser is waiving 0.10% of its management fee and 0.05% of its service fee until at least February 27, 2019. **Investment returns reflect the waivers, without which the results would have been lower.** These fee waiver agreements may by modified or terminated at any time or for any reason, but only with fund Board approval. These fee waivers commenced June 29, 2012.

Prior to March 1, 2012 it 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.

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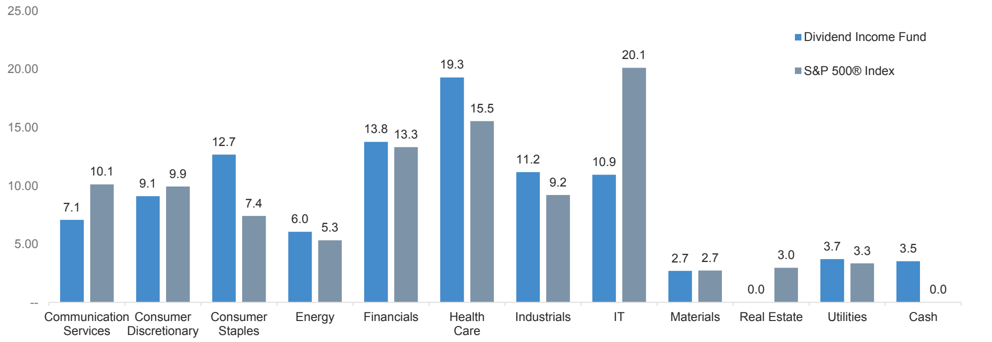
Sector Allocation (%)



Sector allocation is rounded to the nearest 0.1%.

Complete Stock Holdings (%)

MEDTRONIC PLC	4.0	DIAGEO PLC SPONSORED ADR	2.2
VERIZON COMMUNICATIONS INC	3.9	MICROSOFT CORP	2.1
JOHNSON + JOHNSON	3.8	NEXTERA ENERGY INC	2.0
MERCK + CO. INC.	3.8	AMGEN INC	1.9
PROCTER + GAMBLE CO	3.6	TRAVELERS COS INC	1.9
PFIZER INC	3.5	UNITED TECHNOLOGIES CORP	1.8
EXXON MOBIL CORP	3.4	HOME DEPOT INC	1.8
COMCAST CORP CLASS A	3.1	TJX COMPANIES INC	1.8
MCDONALDS CORP	3.0	HERSHEY CO	1.7
CME GROUP INC	2.9	3M CO	1.7
CISCO SYSTEMS INC	2.8	DOMINION ENERGY INC	1.7
PEPSICO INC	2.7	UNION PACIFIC CORP	1.6
WELLS FARGO + CO	2.7	CHUBB LTD	1.3
LINDE PLC	2.7	ANALOG DEVICES INC	1.3
CHEVRON CORP	2.7	EMERSON ELECTRIC CO	1.3
US BANCORP	2.7	ACCENTURE PLC CL A	1.2
STARBUCKS CORP	2.5	AUTOMATIC DATA PROCESSING	1.2
FASTENAL CO	2.4	PAYCHEX INC	1.2
NESTLE SA SPONS ADR	2.4	BLACKROCK INC	1.2
NOVARTIS AG SPONSORED ADR	2.3	NORTHERN TRUST CORP	1.1
UNITED PARCEL SERVICE CL B	2.3	TEXAS INSTRUMENTS INC	1.0

Madison Asset Management, LLC does not provide investment advice directly to shareholders of the Madison Funds. Materials on this document are informational only and should not be taken as investment recommendation or advice of any kind whatsoever (whether impartial or otherwise).

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. **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. 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. **Dividend Yield:** the portfolio's weighted average of the underlying fund holdings (as of 12/31/2018) and not the yield of the fund. **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. **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.

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.

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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