Madison High Quality Bond Fund
Investment Strategy Letter

Review - 4th Quarter 2018

As is often said around here, if you don't like the weather, wait five minutes. Such was the case in the fourth quarter as investor sentiment changed rapidly and led to a very volatile and newsworthy quarter for markets of all types. For investors in fixed income, the volatility brought a bid back to bonds after several quarters of rising rates. As the debate continues regarding monetary policy, trade negotiations and changes in Washington, we anticipate unsettled markets to continue in 2019. While we think the current market reaction has been overdone, we are mindful of the fundamentals as we approach the later stages of the Fed tightening cycle.

Paul Lefurgey, CFA
Head of Fixed Income
Industry since 1988

Treasury yields navigated a wide range during the quarter as the market's view on Federal Reserve Bank (Fed) monetary policy shifted significantly. Beginning the quarter at 3.06%, the 10-year Treasury traded just above 3.23% in early October (and again in early November) before closing the year at 2.68%. The two-year Treasury note was also well travelled, beginning the quarter at 2.82%, peaking at 2.97% in early November and closing the year at 2.49%. The sudden shift resulted in positive quarterly returns in most bond indices, pulling some out of negative territory for the full year.

Chris Nisbet, CFA
Portfolio Manager
Industry since 1990

Why the sudden shift in opinion? In October, Fed Chairman Jerome Powell indicated that monetary policy was still accommodative and that we remained a long way from a neutral Federal Funds rate. This hawkish tone pressured interest rates across the yield curve higher in October and November as investors anticipated multiple hikes into early 2020. Both the equity markets and the White House expressed displeasure with that view, the latter in a quite unconventional and public fashion. While the Fed pressed on with an additional rate hike to a range of 2.25%-2.50% and reiterated its balance sheet reduction plan at their December Federal Open Market Committee (FOMC) meeting, they struck a more cautious tone by lowering their expected number of rate hikes to reach a new and currently lower view of neutral. The less hawkish tenor of December's Fed statement paved the way for the steep decline in yields headed into year-end.

As the adage goes, expansions do not die of old age but rather at the hand of policy errors. While the current expansion is the second longest in post WWII history, a more cautious approach by the Fed reduces the odds of such an error on that front. Yet markets are pricing in a higher degree of concern as the ongoing U.S./China trade dispute, lingering Brexit negotiations and political discord at home and abroad continue to weigh on potential economic growth.

In our view, the bond market appears to be premature and overly anxious in its response. While a more cautious approach by the Fed -- and perhaps a lower end point for the Fed Funds rate -- is likely, an examination of forward rates suggests that Treasury yields are now priced for no additional rate increases in 2019 and increasing odds of an actual rate cut in 2020. We see that as

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.

unlikely without a corresponding and significant decline in global growth. This is not to say that concerns for a slower pace of economic growth in 2019 are wrong. Higher financing rates and the drawn out trade dispute between the world's two largest economies are headwinds to growth. Conversely, labor market conditions remain firm, wages are rising, tax refunds are likely to be higher and household balance sheets remain in reasonable shape.

With this in mind, we anticipate that even a more cautious and, perhaps, pausing Fed is likely to implement more rate hikes than the market currently expects. We're also fully aware that an expanding budget deficit and corresponding borrowing needs by the Treasury will stress intermediate- and longer-term maturities. Taken together, we expect Treasury yields to reclaim higher levels and the yield curve to steepen as market sentiment adjusts to a less gloomy outlook. Stability in equity markets and credit spreads would be powerful signals that investors have refocused on reasonably sound underlying economic fundamentals. We expect that this adjustment will be a bumpy process in the early weeks of 2019 and that portfolio opportunities will emerge. Until the adjustment is complete, we will maintain a conservative, shorter and more defensive duration positioning in the Madison High Quality Bond Fund, as well as an up-in-quality bias with respect to corporate bond positioning. As always, the protection of your capital is first and foremost in our mind.

Paul Lefurgey *Chris Nisbet*

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

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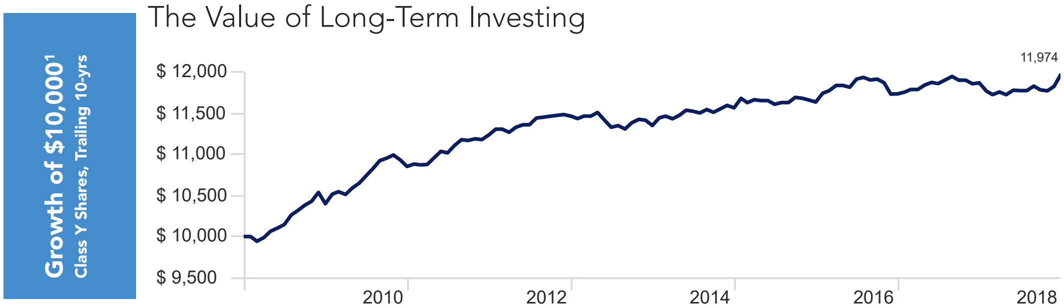
Madison High Quality Bond Fund

Madison FUNDS®

The Value of Long-Term Investing



Experienced Management

Paul Lefurgey, CFA
Head of Fixed Income
Industry since 1988

Chris Nisbet, CFA
Portfolio Manager
Industry since 1990

Average Annual Total Returns[2] (%)

	Three Months	YTD	1 Yr	3 Yr	5 Yr	10 Yr	Since Inception
Class Y	1.64	0.91	0.91	0.97	1.08	1.82	3.34
Bloomberg Barclays U.S. Interm. Govt/Credit A+ Index	1.96	1.19	1.19	1.41	1.67	2.43	4.18

Calendar Year Returns[2] (%)

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Class Y	3.99	4.35	3.53	2.04	-1.00	1.89	0.61	0.85	1.14	0.91
Bloomberg Barclays. Interm. Govt/Credit A+ Index	2.85	5.48	5.67	3.14	-1.00	2.84	1.31	1.44	1.60	1.19

Characteristics (years)

Effective Duration	3.08
Avg. Maturity	3.31

Yields

30-day SEC Yield	2.45%
30-day Effective Yield	1.86%

Fund Features

- Fund seeks the highest total return while maintaining an average maturity of 10 years or less.
- A or better quality: government, agency and corporate bonds
- Active duration, yield curve, sector and security selection decisions
- Focus on managing risk

Class	Ticker	Inception Date	Exp. Ratio[3]
Y	MIIBX	5/1/00	0.49%

Distribution Frequency

Quarterly

Risk Measures (10-year)

Standard Deviation	1.66%
Downside Capture	70.46%
Upside Capture	72.83%

Total Net Assets

$89.1 Million

Portfolio Turnover

31%

Total Number of Holdings

45

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 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. 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.

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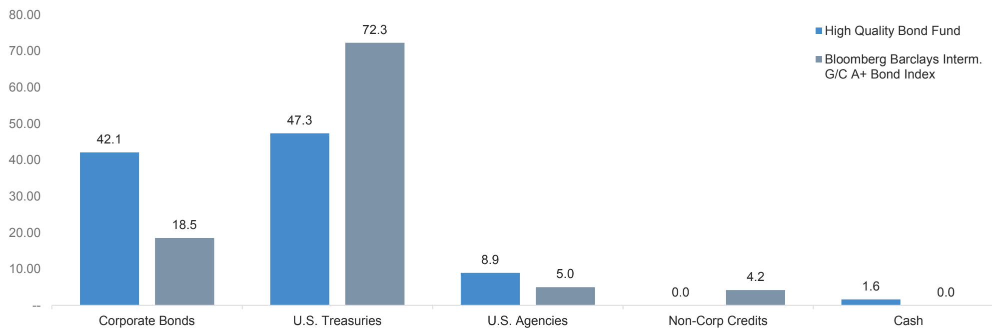
Sector Allocation (%)



Sector allocation is rounded to the nearest 0.1%.

Top Ten Treasury & Agency Holdings

DESCRIPTION	COUPON	MATURITY	%
US TREASURY N/B	2.125%	15 May 2025	5.0
US TREASURY N/B	2.375%	15 May 2027	4.9
FREDDIE MAC	2.375%	13 Jan 2022	4.5
FANNIE MAE	1.375%	07 Oct 2021	4.4
US TREASURY N/B	2.625%	15 Nov 2020	4.0
US TREASURY N/B	2.5%	15 Aug 2023	4.0
US TREASURY N/B	2.375%	15 Aug 2024	3.7
US TREASURY N/B	2.75%	15 Nov 2023	3.4
US TREASURY N/B	3.625%	15 Feb 2020	3.4
US TREASURY N/B	1.5%	15 Aug 2026	3.1

Top Ten Corporate Holdings

DESCRIPTION	COUPON	MATURITY	%
SALESFORCE.COM INC	3.25%	11 Apr 2023	2.3
TARGET CORP	2.9%	15 Jan 2022	2.3
HOME DEPOT INC	2%	15 Jun 2019	2.3
MORGAN STANLEY	2.8%	16 Jun 2020	2.3
SIMON PROPERTY GROUP LP	4.125%	01 Dec 2021	2.0
INTEL CORP	3.3%	01 Oct 2021	2.0
VISA INC	2.2%	14 Dec 2020	1.9
MERCK + CO INC	3.875%	15 Jan 2021	1.7
MICROSOFT CORP	3%	01 Oct 2020	1.7
CHEVRON CORP	2.427%	24 Jun 2020	1.7

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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. **Effective Duration:** 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:** 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:** 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:** 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:** 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 and liquidity 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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