

Madison Large Cap Value Fund

Investment Strategy Letter

Performance Review

For the fourth quarter, the Madison Large Cap Value Fund Class Y shares¹ declined -17.6%, which compared to the Russell 1000 Value Index® decline of -11.7%. Please see the Fund fact sheet beginning on page 4 for performance of other share classes. Sector allocation was positive while stock selection was negative and accounted for all of the performance discrepancy versus the index. In general, many of the stocks held in the portfolio that had performed well in prior quarters fell more than the Index this quarter. For sector allocation, an overweight position in Utilities and an underweight position in Financials were additive to results. In terms of stock selection, there were positive contributions from Utilities and Health Care, which were more than offset by negative results in Energy, Communication Services, Materials, Technology and Industrials. In Utilities, independent power producer **NRG Energy (NRG)** contributed nicely to performance. It remains on track to sell non-core assets and reduce debt levels, a strategy we believe will create significant shareholder value. Independent power producer **AES (AES)** was another stock that performed well in the Utility sector. In Health Care, pharmaceutical firm **Eli Lilly (LLY)** was the best performing stock in the portfolio. It has a solid drug pipeline that is driving faster revenue growth, a dynamic we think will persist for a few years. Within Materials, gold producer **Barrick Gold (GOLD)** outperformed the Index. It benefitted from higher gold prices and remains well positioned if gold continues to rise. Another notable outperforming stock was consumer product firm **Procter & Gamble (PG)** within Consumer Staples. It reported its fastest organic growth rate in many years. Importantly, the company has good pricing power which helped drive its growth. We discuss PG in more detail below. On the negative side, within Energy, there were four companies that significantly trailed the Index. Deepwater oil driller **Transocean (RIG)**, natural gas producer **Range Resources (RRC)**, and exploration and production companies **Murphy Oil (MUR)** and **EOG Resources (EOG)** all came under pressure. Oil prices declined considerably in the quarter which negatively impacted our investments in the Energy sector. The fund sold RIG and RRC as we believe low oil and natural gas prices will limit earnings growth for longer than we previously expected. Another notable underperforming stock was iron ore producer **Cleveland-Cliffs (CLF)** in



John Brown, CFA
Portfolio Manager
Industry since 1983



Drew Justman, CFA
Portfolio Manager
Industry since 2001

1. Class Y shares do not impose a front-end sales charge or a contingent deferred sales charge. The fund offers multiple share classes, which are subject to differed fees and expenses that will affect their performance. Fund returns reflect the effect of fees and expenses, while an index does not have such costs. Please refer to the final two pages of this piece which contains performance data for all share classes offered by 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.

Materials. It fell due to market worries about slowing global growth and trade wars between the U.S. and China. CLF was the best performing stock in the portfolio last quarter and is one of many stocks held in the fund that had performed well in prior quarters but declined more than the Index this quarter. CLF has restructured its business to focus on its domestic operations, a move we think will add value for shareholders over time. The fund continues to hold all stocks mentioned above except for RIG and RRC.

For the one-year period ended December 31, 2018, the Class Y shares of the fund returned -12.95%, which compared to the Russell 1000 Value Index decline of -8.27%. Sector allocation was positive while stock selection was negative and accounted for all of the performance discrepancy versus the Index. For sector allocation, an overweight position in Utilities and an underweight position in Financials were additive to results. In terms of stock selection, there were positive contributions in Utilities, Health Care, Industrials and Consumer Staples, which were more than offset by negative results in Energy, Materials, Communications Services, Consumer Discretionary and Real Estate. In Utilities, NRG was the best performing stock in the portfolio, while AES was another stock that performed well in that sector. Within Technology, disk drive manufacturer **Seagate Technology (STX)** contributed nicely to results. It benefitted from strong demand for its hard and solid-state discs that are being used in a variety of different areas within computing. The fund sold STX after it reached a full valuation. In Health Care, LLY was a strong performing stock, along with managed care firm **Humana (HUM)**. It benefitted from solid enrollment growth in its Medicare Advantage health plans. On the negative side, the fund's Energy and Materials investments underperformed coincident with falling oil prices and slowing global growth expectations. Within Energy, RIG, RRC, MUR, and oilfield service firm **Haliburton (HAL)** all trailed the Index. The fund sold HAL, RIG and RRC. Another notable underperforming stock was gold producer **Newmont Mining (NEM)**. It was negatively impacted by falling gold prices early in the year and was sold. The fund continues to hold AES, HUM, LLY, NRG and MUR.

The fourth quarter, and in turn the full year, was among the most difficult periods of our investing career. In general, stocks with strong balance sheets performed the best and, conversely, stocks with the most debt on the balance sheet performed the worst. The fund sold stocks that had considerable debt outstanding and has repositioned into companies with stronger balance sheets. We believe this will add value in 2019. In prior instances of challenging results, the fund has recovered well by sticking to our process of owning stocks with rising return on invested capital. We will continue to work hard to find these stocks and improve upon the investment results realized in 2018.

Our Approach to Investing

The Madison Large Cap Value Fund has a goal of achieving long-term outperformance over a cycle on a risk-adjusted basis. To achieve this goal, we employ a process to find stocks with rising return on invested capital (ROIC), which is the most important metric for evaluating stocks, in our view. We believe that owning companies with increasing ROIC and an attractive valuation is the right strategy to generate outperformance. Common characteristics of stocks with rising ROIC include expanding margins, accelerating earnings growth and/or working capital improvement

on the balance sheet. Stocks with improving ROIC also tend to benefit from valuation multiple expansion, which helps drive superior performance results. Additionally, our process attempts to manage risks by avoiding value traps and dead money stocks, both of which can damage long-term performance.

This quarter we are highlighting **Procter & Gamble (PG)** as an example of a Consumer Staples stock that, we believe, has good prospects for rising ROIC over the next 12-18 months. PG is the world's largest consumer product goods manufacturers with several leading brands including Tide laundry detergent, Charmin toilet paper and Pampers diapers, to name a few. In total, PG has 21 brands that realize more than \$1 billion in annual sales, along with another 11 brands that generate \$500 million - \$1 billion in sales. Its combination of scale benefits, strong brand recognition and global distribution provide PG a sustainable competitive advantage in our view.

Our thesis on PG is that it can accelerate sales and earnings growth by raising prices and rationalizing its product line-up while also significantly cutting costs. The company is in the midst of a multi-year effort to eliminate 100 non-core brands. This will allow the remaining 65 brands or so to get more marketing and investment support. The fund purchased PG near \$89 during the fourth quarter after it reported 4% organic sales growth, which was the fastest organic growth rate in many years and indicated to us that the company has good pricing power. PG also remains focused on reducing unnecessary spending. It has a goal to eliminate \$10 billion of costs by reducing overhead, decreasing materials spending and improving manufacturing efficiencies. We believe this dual strategy of accelerating sales and cutting spending will drive sales, earnings and ROIC higher over the next few years.

Risks to our thesis include brand erosion with key brands, which would make it more difficult for sales growth to accelerate. Another risk is the inability to raise prices and offset rising raw material costs. We believe PG has good pricing power and will be able to manage key input costs. A more competitive environment, slower economic growth or a recession would also jeopardize our thesis.

John Brown

Drew Justman

The Russell 1000® Value 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.

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U.S. Dollar Index measures the value of the United States dollar relative to a basket of foreign currencies, often referred to as a basket of U.S. trade partners' currencies.

Index performance returns do not reflect any management fees, transaction costs, or expenses. Indices are unmanaged and one cannot invest directly in an index.

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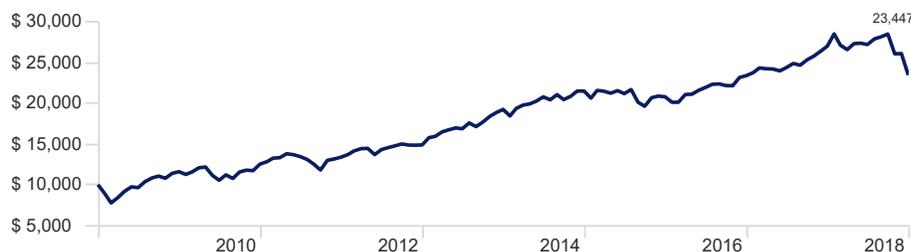
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Madison Large Cap Value Fund



Growth of \$10,000¹
Class A Shares, Trailing 10-yr

The Value of Long-Term Investing



Average Annual Total Returns² (%)

| | Three Months | YTD | 1 Yr | 3 Yr | 5 Yr | 10 yr | Since Inception |
|------------------------------|--------------|--------|--------|------|------|-------|-----------------|
| Class Y | -17.62 | -12.95 | -12.95 | 4.36 | 4.29 | 9.17 | 4.73 |
| Class A without sales charge | -17.69 | -13.14 | -13.14 | 4.10 | 4.04 | 8.90 | 4.67 |
| Class A with sales charge | -22.41 | -18.11 | -18.11 | 2.05 | 2.81 | 8.25 | 4.38 |
| Class B without sales charge | -17.83 | -13.81 | -13.81 | 3.32 | 3.25 | 8.26 | 4.37 |
| Class B with sales charge | -21.08 | -17.22 | -17.22 | 2.48 | 3.03 | 8.26 | 4.37 |
| Russell 1000® Value Index | -11.72 | -8.27 | -8.27 | 6.95 | 5.95 | 11.18 | - |

Calendar Year Returns² (%)

| | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 |
|---------------------------|-------|-------|------|-------|-------|-------|-------|-------|-------|--------|
| Class A | 15.94 | 7.98 | 6.80 | 11.21 | 29.37 | 11.72 | -3.27 | 12.47 | 15.46 | -13.14 |
| Russell 1000® Value Index | 19.69 | 15.51 | 0.39 | 17.51 | 32.53 | 13.45 | -3.83 | 17.34 | 13.66 | -8.27 |

Characteristics

| | |
|-------------------------|----------|
| TTM P/E | 15.2x |
| P/B | 2.0x |
| ROE | 11.5% |
| Active Share | 85.5% |
| Wtd. Average Market Cap | \$79.8 B |

Risk Measure (10-year) Class A

| | |
|--------------------|-------|
| Standard Deviation | 13.47 |
| Downside Capture | 92.78 |
| Upside Capture | 87.30 |

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 (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 5.75%. 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.

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Experienced Management



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Fund Features

- Fund seeks outperformance over a full market cycle while taking lower than average risk
- High conviction of 25-40 holdings
- Seek companies with rising return on invested capital (ROIC)

| Class | Ticker | Inception Date | Exp. Ratio ³ |
|-------|--------|----------------|-------------------------|
| A | MGWAX | 12/29/97 | 1.16% |
| B | MGWBX | 12/29/97 | 1.91% |
| Y | MYLVX | 6/30/06 | 0.91% |

Distribution Frequency

Annual

Total Net Assets

\$66.0 Million

Portfolio Turnover

91%

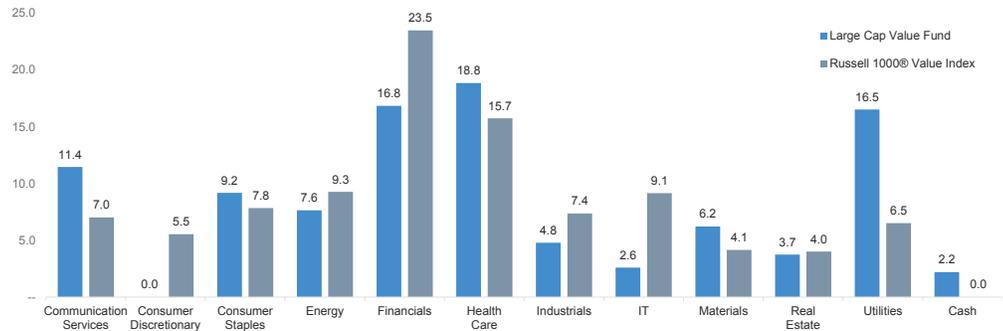
Total Number of Holdings

28

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Consultant and
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 550 Science Drive
 Madison, WI 53711
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Sector Allocation (%)



Sector allocation is rounded to the nearest 0.1%.

Complete Stock Holdings (%)

| | | | |
|------------------------------|-----|------------------------------|-----|
| AES CORP | 6.4 | US BANCORP | 3.5 |
| ELI LILLY + CO | 6.0 | BANK OF AMERICA CORP | 3.1 |
| MEDTRONIC PLC | 5.6 | HUMANA INC | 2.6 |
| NRG ENERGY INC | 5.5 | FIRST DATA CORP CLASS A | 2.6 |
| JACOBS ENGINEERING GROUP INC | 4.8 | VALE SA SP ADR | 2.3 |
| SEMPRA ENERGY | 4.8 | BOSTON PROPERTIES INC | 2.2 |
| BAXTER INTERNATIONAL INC | 4.8 | AON PLC | 2.2 |
| JPMORGAN CHASE + CO | 4.7 | AMERICAN EXPRESS CO | 2.1 |
| PROCTER + GAMBLE CO | 4.7 | CLEVELAND CLIFFS INC | 2.0 |
| EOG RESOURCES INC | 4.6 | BARRICK GOLD CORP | 1.9 |
| ARCHER DANIELS MIDLAND CO | 4.6 | MURPHY OIL CORP | 1.8 |
| CENTURYLINK INC | 4.0 | PROLOGIS INC | 1.5 |
| VERIZON COMMUNICATIONS INC | 3.8 | BANK OF NEW YORK MELLON CORP | 1.3 |
| DISCOVERY INC C | 3.7 | CHEVRON CORP | 1.3 |



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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 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. **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. The prospectus contains this and other information about funds and should be read carefully before investing.

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