Madison Tax-Free National Fund Investment Strategy Letter

Muni Bonds Performed Well in the Face of Turbulence

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Municipal bonds staged a comeback during the last two months of the year which resulted in positive calendar year performance --a remarkable result given the quarter included a ten week span of net mutual fund and ETF outflows. Muni prices were supported by low fourth quarter supply, a well-functioning secondary market and a surprise decline in Treasury yields. Stock market volatility surged during the fourth quarter as U.S.-China trade negotiations increased uncertainty and the Federal Reserve maintained its pace for normalizing interest rates. Many investors sought refuge in Treasury securities, causing yields to fall. However, municipal bond yields failed to keep pace and muni/Treasury yield ratios increased slightly.

The U.S. economy continued its positive trajectory as evidenced by favorable economic growth, encouraging employment levels and fairly steady inflation. The tax reforms enacted a year ago appear to have boosted consumer and business confidence, leading to an increase in retail spending, business investment and corporate earnings growth. States continue to benefit from the constructive economic environment with an increase in tax revenues. As most investors expected, the Fed raised its policy target to 2.50% in December and indicated the possibility for two more increases during 2019 -- assuming the economic situation remains satisfactory.

The net outflows experienced from October through early December seem to have been influenced mainly by investors conducting loss harvesting to decrease tax liabilities as well as repositioning assets. The near 4% average price decline of municipal bonds through September created an opportunity for investors to realize muni losses and offset taxable gains. Some of these sellers likely repurchased municipal bonds while avoiding violation of wash sale rules. In addition, other investors possibly took advantage of improved muni valuations in November to reposition their holdings into asset classes aligned better with their market outlook and investment objectives.

Municipal bonds have sustained positive annual performance for the past five years. Income generated on federally tax-exempt securities has more than offset price declines triggered by the gradual rise in interest rates. However, excess returns (versus comparable maturity Treasuries) fell marginally short of positive territory during both the quarter and full year as Treasury yields for maturities two years and longer unexpectedly dropped between 20 and 40 basis points. Although muni yields typically lag movement in Treasury rates, excess returns could have been further pressured by supply challenges. Perhaps fortunate for muni valuations, new issue supply was down nearly 40% for the quarter in comparison to last year

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.

Portfolio Performance and Positioning

After posting negative performance in October, municipal bonds rallied through yearend, resulting in positive performance for both the quarter and year. An unanticipated decline in Treasury rates was the primary catalyst for the positive results. Both the Tax-Free National Fund and the ICE Bank of America Merrill Lynch 1-22 Year Municipal index generated an identical 1.62% net return during the quarter. For the year, the Tax-Free National Fund posted a 0.86% net return while the ICE Bank of America Merrill Lynch 1-22 Year Municipal index posted a 1.37% annual return.

During the quarter, the fund benefited from its high quality bias as well as yield curve positioning. In comparison to the benchmark, the fund was more heavily positioned in double-A and triple-A municipal securities, as well as maturities between 4 and 12 years. Also accretive to performance was the above Index exposure to local general obligation (GO) bonds. Detracting from quarterly performance was the fund's less than benchmark exposure to specific revenue subsectors including tax revenue and toll/turnpike. In contrast, the fund's relative underperformance for the year was due to similar (but opposite) reasons cited for the quarter including the fund's high quality bias, allocation to local GOs and limited positioning of maturities beyond 17 years.

We believe the fund is positioned well for the possibility of both rising interest rates and wider risk premiums. During the past few months, we've taken advantage of overpriced securities by selling these positions and purchasing bonds with better prospects for long-term return. The fund also experienced a few redemptions of shorter maturities, which provided the necessary liquidity to reposition assets. Our purchases have focused on high quality issuers which we consider less prone to valuation adjustments should risk premiums increase due to a deterioration in fundamental credit conditions. We've also targeted coupons of at least 4% to dampen price erosion should interest rates move upward. Going forward, we plan to maintain a yield advantage over the benchmark without assuming an abundance of call risk, and a near neutral interest rate posture.

Outlook

Our forecast calls for short-term interest rates to gradually move higher during 2019. At this point, we foresee the Federal Reserve (Fed) raising rates twice during the upcoming year, although the timing of any such rate move will be dependent upon the general health of the U.S. economy and global market stability. From a return standpoint, we anticipate a portion of annual muni income will be offset by slight price erosion should interest rates rise. We do not expect a significant change in credit fundamentals and therefore have confidence that absolute muni returns, along with price volatility, will be driven by technical factors such as supply/demand, cross-sector valuations and momentum.

Going into 2019, there's likely to be additional uncertainty emanating from the current administration and Congress which may impact a few municipal sectors. Overall, municipal issuer credit quality remains fundamentally strong given the favorable economic backdrop and the limited number of bond impairments during the past few years. State and local issuers continue to be advantaged by increasing tax revenues, although pension and other post-retirement benefits remain a long-term concern. Persistent budget challenges seem to be the norm for many General Obligation (GO) issuers, but most have risen to the task of balancing their fiscal situation. We also have an encouraging outlook for revenue bonds, perhaps more so given the more identifiable cash flows associated with most revenue subsectors such as Water/Sewer, Toll/Turnpike and Tax Revenue.

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.

A growing concern is the potential for rating agencies to further refine their respective rating methodologies. Recently, Standard and Poor's modified their Priority Lien criteria, which resulted in a number of rating changes (both upgrades and downgrades). The change impacted a significant portion of the 1,300 or so affected issuers, some of which were downgraded from triple-A. Despite risk premiums remaining fairly stable after this particular change, it's quite possible investors react much differently to future methodology revisions. On a related note, some issuers are choosing to attain ratings from a single rating agency. Reports suggest this is especially true for riskier issuers, which should be of concern to investors relying solely on rating agency opinions.

Prospectively, the balance between supply and demand has the potential to influence muni returns during 2019. On the supply side, issuance is likely to increase 15% to 20% from the roughly $320 billion issued during 2018. This projection for increased supply is based upon voters granting local governments the authority to issue about $50 billion in new municipal issuance. Additionally, since tax reform eliminated the advance refunding of tax-exempt bonds, it's possible that issuers of taxable Build America Bonds may decide to take advantage of an Internal Revenue Code (IRC) provision allowing them to advance refund their taxable issues with tax-exempt debt. Any forthcoming supply is likely to be absorbed by robust demand from individual investors. We anticipate institutional investors advantaged by low tax rates will continue to hold tax-exempt securities but purchase fewer muni bonds.

We aim to construct fundamentally strong municipal bond portfolios which generate a stream of federally tax-exempt income without taking unwarranted credit or interest rate risk. Our investment process is designed to discover long-term investment opportunities, while avoiding credit impairment and significant return volatility. We exercise patience and persistence while adhering to and implementing our investment plan.

Jeff Matthias *Mike Peters*

The ICE Bank of America Merrill Lynch 1-22 year Municipal Index tracks the performance of U.S. dollar denominated investment grade tax-exempt debt publicly issued by U.S. states and territories, their political subdivisions, in the U.S. domestic market, with a remaining term to final maturity less than 22 years.

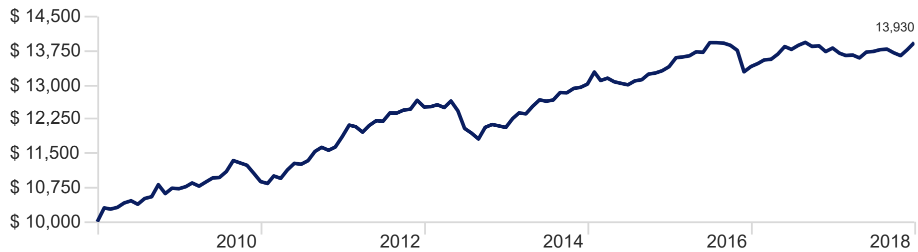
Bonds are subject to certain risks including interest-rate risk, credit risk and inflation risk. As interest rates rise, the prices of bonds fall. Long-term bonds are more exposed to interest-rate risk than short-term bonds.

Madison Tax-Free National Fund

Madison FUNDS®

The Value of Long-Term Investing

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



Experienced Management

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Portfolio Manager
Industry since 1987

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Fund Features

- Fund seeks income from municipal bonds and to distribute this income as tax-free dividends.
- Buys investment-grade bonds of states, municipalities and limited purpose bonds
- Seeks income that is exempt from federal income tax
- Focus on managing risk

Class	Ticker	Inception Date	Exp. Ratio[3]
Y	GTFHX	12/30/82	0.75%

Average Annual Total Returns[2] (%)

	Three Months	YTD	1 Yr	3 Yr	5 Yr	10 Yr
Class Y	1.62	0.86	0.86	1.30	2.91	3.37
ICE BofAML 1-22 yr US Muni Securities Index	1.59	1.36	1.36	2.03	3.30	4.33

Calendar Year Returns[2] (%)

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Class Y	7.25	1.46	9.07	5.48	-3.59	7.88	2.94	0.02	3.03	0.86
ICE BofAML 1-22 yr US Muni Securities Index	10.86	2.59	9.83	5.65	-1.54	7.46	3.07	0.24	4.53	1.36

Distribution Frequency

Monthly

Characteristics (years)

Effective Duration	5.12
Effective Maturity	6.66

Risk Measures (10-year)

Standard Deviation	3.56%
Downside Capture	115.42%
Upside Capture	92.60%

Yields

30-day SEC Yield	1.92%
30-day Effective Yield	2.18%

Total Net Assets

$23.6 Million

Portfolio Turnover

31%

Total Number of Holdings

58

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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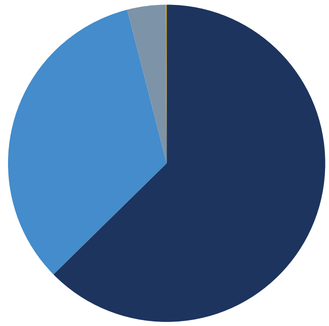
Portfolio Mix



Sector allocation is rounded to the nearest 0.1%.

Top Ten Holdings

DESCRIPTION	COUPON	MATURITY	%
MARGATE FL	5%	01 Jul 2025	3.9
VIRGINIA ST CMWLTH TRANSPRTN B	5%	15 May 2026	3.5
MAPLE WI SCH DIST	5%	01 Apr 2024	3.1
ROCKVILLE MD	5%	01 Jun 2024	3.0
COOK CNTY IL SCH DIST 111 BUR	5%	01 Dec 2035	2.6
WICHITA KS	5%	01 Dec 2024	2.5
ORLANDO FL UTILITIES COMMISSION	5%	01 Oct 2022	2.5
HAMPTON ROADS VA SANTN DIST WS	5%	01 Oct 2036	2.5
WSTRN VA REGL JAIL AUTH REGL J	5%	01 Dec 2034	2.4
CLEVELAND CUYAHOGA CNTY OH POR	5%	01 Jul 2024	2.4

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Standard Deviation measures dispersion from the 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 period 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, legislative risk, capital gains tax-related risk, alternative minimim tax risk, and risks of general oblications versus limited purpose bonds. Income from the Tax-Free National Fund may be subject to the federal Alternative Minimum Tax. Tax-Free National Fund income may be subject to state and municipal taxes.

Mutual funds that invest in 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. 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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