Madison Core Bond Fund Investment Strategy Letter

2019 will be viewed as a year where investors could do no wrong. Almost every asset class had strong performance for the year. The S&P 500® was up 31.49%, 10-year Treasury yields fell 77 basis points (bps) returning 8.90% and the Bloomberg Barclays U.S. Corporate Index tightened versus comparable Treasuries by 58 bps returning 14.54%. Some of the performance can be attributed to the Federal Reserve (Fed) aggressively cutting interest rates during the year in response to uncertainty regarding China-U.S. trade relations and slower global growth. The Fed also injected billions of reserves into the banking system in response to stresses in the funding markets.

With all the positives experienced over the past year, we believe that the odds of a repeat performance in 2020 are extremely low. The Fed seems to be content with keeping interest rates at current levels, most appreciation of the stock market was due to multiple expansion and not real earnings growth and corporations continue to borrow thereby increasing leverage in the system. Investor complacency is high which normally leads to increased volatility as expectations get reset. Investors need to be aware of the risks and plan accordingly as the next twelve months will most likely be more volatile than the past.

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Industry since 1988

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Industry since 2004

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Portfolio Manager
Industry since 1984

Ending with a Bang

Both investment grade and high yield corporate bonds ended the year with strong outperformance versus Treasuries. During the fourth quarter, the Bloomberg Barclay's U.S. Corporate Index had an excess return versus Treasuries of 2.42% and for 2019 had an excess return of 6.76%. High yield faired even better with an excess return of 2.51% for the quarter and 9.34% for the year. Strong fund flows, better economic data and easing trade tensions all contributed to the strong performance of corporate bonds. Current corporate bond spreads over Treasuries are only 10 bps from the tights in early 2018. In all reality, credit spreads have a limited path to move significantly tighter. Corporate fundamentals are weak and at the rate corporations issue debt and buyback stock, they are unlikely to improve in the near term. Investors should remain cautious when allocating to the corporate bond market in 2020.

Re-Steepening Curve

In contrast to the third quarter, longer maturity bond yields rose during the fourth quarter. The curve bear steepened during the quarter as the five-year, ten-year and thirty-year Treasury rates rose by 0.15%, 0.25% and 0.28%, respectively. In fact, the term spread between two-year and 10-year Treasury rates ended 2019 at the highest levels since October 2018, which coincided with a 10-year Treasury above 3%. The sharp move higher in yields during the quarter was due to easing trade tensions, higher oil prices and a general risk-on environment. Interest rates could remain range-bound in the near term until more clarity is obtained on trade relations and possible election outcomes.

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.

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 and Positioning

During the fourth quarter, the Core Bond Fund (Class Y at NAV) underperformed, returning -0.01% lagging the Bloomberg Barclay's U.S. Aggregate Index which was up 0.18%. For 2019 the Fund returned 8.52%, compared to the Index's 8.72%. For the quarter the Fund's overweight to longer maturity Treasuries hurt performance given the rise in yields. The allocation to securitized products was a detractor to performance given the relative underperformance versus corporate bonds. The strong performance of corporate bonds versus Treasuries helped performance during the quarter as the Fund was marginally overweight.

During the quarter, the Fund actively sold corporate bonds to reduce risk in the portfolio. Most of the proceeds from the corporate bond sales were placed into mortgaged-backed securities (MBS). Spreads on MBS are at attractive levels relative to recent history and are attractive on a risk/return basis versus corporate bonds. Finally, the Fund will continue to look for opportunities to participate in the new issue corporate bond market when appropriate. New issue concessions have fallen over the last few months but actively participating in that market has been additive to performance.

Paul Lefurgey *Mike Sanders* *Greg Poplett*

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 Barclay's U.S. Corporate Index measures the performance of US dollar-denominated corporate bonds by overall credit quality groupings, as determined by Bloomberg.

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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Non-deposit investment products are not federally insured, involve investment risk, may lose value and are not obligations of, or guaranteed by, any financial institution. Investment returns and principal value will fluctuate.

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.

Consider the investment objectives, risks, and charges and expenses of Madison Funds carefully before investing. Each fund's prospectus contains this and other information about the fund. Call 800.877.6089 or visit madisonfunds.com to obtain a prospectus and read it carefully before investing.

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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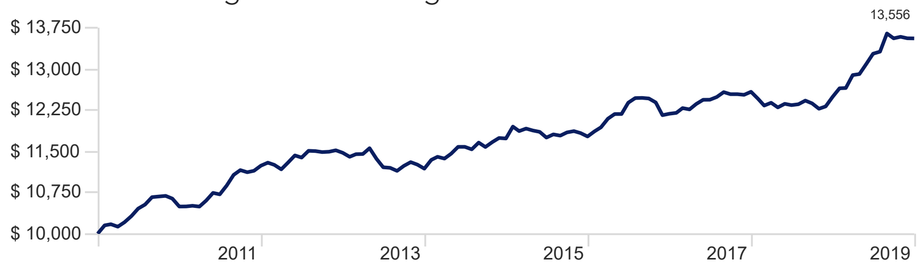
Madison Core Bond Fund

Madison FUNDS®

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

The Value of Long-Term Investing



Experienced Management

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Average Annual Total Returns[2] (%)

		Three Months	YTD	1 Yr	3 Yr	5 Yr	10 yr	Since Inception
Class Y		-0.01	8.52	8.52	3.62	2.93	3.09	3.66
Class R6		-0.01	8.78	8.78	3.77	3.06	-	2.57
Class A	without sales charge	-0.09	8.30	8.30	3.38	2.67	2.84	3.84
	with sales charge	-4.54	3.39	3.39	1.80	1.73	2.37	3.62
Class B	without sales charge	-0.26	7.60	7.60	2.61	1.91	2.22	3.55
	with sales charge	-4.73	3.10	3.10	1.49	1.54	2.22	3.55
Bloomberg Barclays U.S. Aggregate Bond Index		0.18	8.72	8.72	4.03	3.05	3.75	-

Calendar Year Returns[2] (%)

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Class Y	4.94	7.09	2.09	-2.52	4.91	0.31	3.51	3.28	-0.74	8.52
Bloomberg Barclays U.S. Aggregate Bond Index	6.54	7.84	4.21	-2.02	5.97	0.55	2.65	3.54	0.01	8.72

Characteristics (years)

Effective Duration	5.97
Avg. Maturity	8.28

Risk Measure (10-year) Class Y

Standard Deviation	2.71%
Downside Capture	97.41%
Upside Capture	88.20%

Yields Class Y

30-day SEC Yield	1.89%
Yield to Maturity	2.64%

Other available share classes have yields that may be higher or lower than the class presented.

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

Distribution Frequency

Monthly

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%

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 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 ("CDSC") 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. Class Y shares and Class R6 shares do not impose an up-front sales charge or a CDSC. Indices are unmanaged. An investor cannot invest directly in an index. They are shown for illustrative purposes only, and do not represent the performance of any specific investment. Index returns do not include any expenses, fees or sales charges, which would lower performance.

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

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Total Net Assets

$122.6 Million

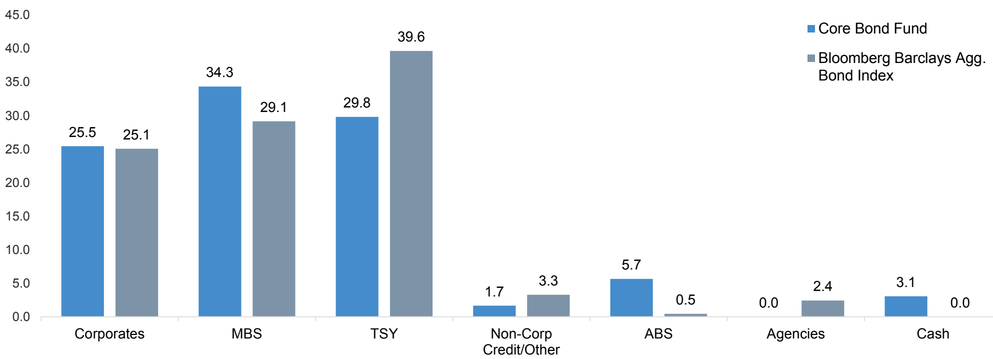
Portfolio Turnover

36%

Total Number of Holdings

211

Sector Allocation (%)



Sector allocation is rounded to the nearest 0.1%.

Top Ten Holdings

DESCRIPTION	COUPON	MATURITY	%
US TREASURY N/B	2.625%	15 Feb 2029	2.6
US TREASURY N/B	2%	15 Nov 2021	2.5
US TREASURY N/B	2.875%	15 May 2028	2.2
US TREASURY N/B	1.5%	15 Aug 2026	1.9
US TREASURY N/B	3.125%	15 May 2021	1.9
US TREASURY N/B	2.25%	15 Nov 2025	1.7
US TREASURY N/B	4.5%	15 May 2038	1.7
US TREASURY N/B	2.125%	15 Aug 2021	1.7
US TREASURY N/B	6.625%	15 Feb 2027	1.6
US TREASURY N/B	3.75%	15 Aug 2041	1.5

Madison FUNDS®

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Standard Deviation: a statistical measurement of dispersion about an average, which, for a portfolio, depicts how widely the returns varied over a certain period of time. Investors may use the standard deviation of historical performance to understand the range of returns for a portfolio. When a portfolio has a higher standard deviation than its benchmark, it implies higher relative volatility. Standard deviation has been calculated using the trailing monthly total returns for the appropriate time period. The standard deviation values are annualized. **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. **Yield to Maturity** measures the annual return an investor would receive if they held a particular bond until maturity as of the end of a report period. In order to make comparisons between instruments with different payment frequencies, a standard yield calculation basis is assumed. This yield is calculated assuming semiannual compounding. **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 10/31/2019.

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 security 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.

Madison Funds are distributed by MFD Distributor, LLC and may be purchased directly from the fund or through your investment professional. Portfolio data is as of the date of this piece unless otherwise noted and holdings are subject to change.

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