

## MADISON INVESTORS FUND

### 3Q 2022 Investment Strategy Letter

Tickers: MNVRX | MIVIX | MINVX | MNVAX

The Madison Investors Fund (Class Y) was down -5.46% in the third quarter, compared to the -4.88% decline in the benchmark S&P 500 Index. The Fund (-21.21%) remains ahead of the benchmark (-23.87%) for the year-to-date period.

After a strong rebound in the stock market early in summer, it took a swoon and recently tested its June lows. Investors appear to oscillate almost daily between concluding that higher rates are good for stocks, to higher rates are bad; that the Federal Reserve is going too slow, to it's going too fast; that a sharp decline in earnings is bad for stocks, to it's good for stocks since it'll cool off inflation. We even heard one commentator say that the Federal Reserve needs to raise rates more now so that it has room to lower rates later this year.

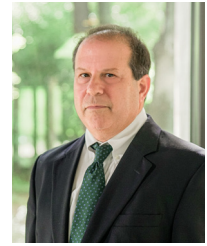
We are owners of partial stakes in companies with durable competitive advantages, excellent cash flows and financial positions, and favorable long-term growth outlooks. The management teams of these companies are doing everything they can to protect their company's profits and ensure they weather whatever comes next, while at the same time, look for ways to strengthen their franchise and invest for the future while others retrench. We would expect no less. We invest in companies that have this management mindset and attendant capabilities to begin with – we don't scramble to look for that when the environment gets tough.

For that reason, we've had fairly low activity in the quarter and year-to-date in terms of new investments and exits. We like what we own, and we've added to our stakes in the companies we believe have the best risk-rewards. We added to a couple of holdings, exited one investment, and didn't make any new investments.

#### PORTFOLIO ACTIVITY

We added to our stakes in Arch Capital Group and Alcon.

We've discussed Arch Capital extensively in the past, and our admiration for its management team remains unchanged. At a high level, its business consists of a U.S. mortgage insurance operation, and a global commercial property and casualty insurance operation. Investors appear concerned about a slowdown in its mortgage operation, but are ignoring the fact that it operates with long-tailed revenues wherein a big drop in originations only translates to a small drop in revenues. This is because the vast majority of revenues is dependent on the existing base of mortgages outstanding, rather than new mortgages originated. In the past year, Arch's new mortgage insurance written is down 18%, yet policies-in-force are down less than 3%. This stability in its policy base means that the value of the mortgage business



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Co-Head of Investments  
Portfolio Manager/Analyst  
Industry since 1994



Haruki Toyama  
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Industry since 1994



Joe Maginot  
Portfolio Manager/Analyst  
Industry since 2012

*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](http://madisonfunds.com) or call 800.877.6089 to obtain performance data current to the most recent month-end.*



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## 3Q 2022 MADISON INVESTORS FUND - INVESTMENT STRATEGY LETTER

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is relatively stable regardless of the mortgage environment. In the meantime, the prospects in the medium-term for its property and casualty business are getting better and better. Competitors are starting to report losses from policies written in 2015 through 2019, while Arch's discipline in those years is now being revealed. Global natural catastrophes are also starting to erode industry capital and risk appetites. The tide is going out, and we are starting to see who has been swimming naked. Arch is leaning into this environment, and we expect continuing good results through next year at least.

Alcon is a global manufacturer of R&D-intensive eye care products including surgery equipment and devices, and vision care items such as contact lenses. It dominates the surgery side, while it is one of a handful of competitors in an oligopolistic market for lenses. Until a few years ago, Alcon was a unit within the pharmaceutical giant Novartis, but it is now wholly independent. The business has very high margins due to its excellent technological strengths, but we think there is even more room to expand margins over the next few years. Its new product pipeline is full, and it continues to have headroom in optimizing its business as an independent company rather than a unit of a larger conglomerate. The contact lens business can be fairly resilient, but eye surgery tends to be more discretionary, so Alcon may feel the effects of macroeconomic turmoil in its results. The shares have come down along with the market downdraft, and we added to our investment.

We sold our position in Novartis. We like the company's track record of innovation, and its diversified portfolio of drugs. However, we've become increasingly concerned about the outlook for some of its recently launched therapeutics, as well as some generic competition in a few of its mature drugs. If pressed, we still like the odds that Novartis will do well, but the outlook is a little cloudier than it's been in a while. As noted above, we've been big fans of its Alcon unit for many years, and now that Alcon is independent, we decided to concentrate our investment there.

Respectfully,

*Rich Eisinger*

*Haruki Toyama*

*Joe Maginot*

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## 3Q 2022 MADISON INVESTORS FUND - INVESTMENT STRATEGY LETTER

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### DISCLOSURES

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.

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.

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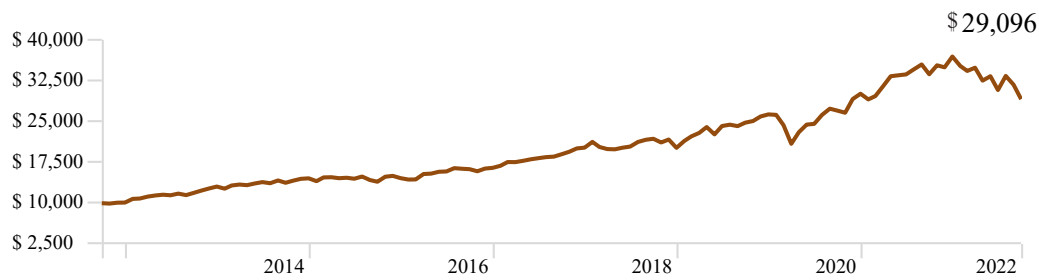
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# MADISON INVESTORS FUND

September 30, 2022

## Growth of \$10,000 Class Y Shares, Trailing 10 Years<sup>1</sup>



## Average Annual Total Returns<sup>2</sup> (%)

	Three Months	YTD	1 Yr	3 Yr	5 Yr	10 yr	Since Inception
Class R6	-5.41	-21.11	-13.42	5.68	9.12	-	10.43
Class I	-5.43	-21.16	-13.50	-	-	-	3.10
Class Y	-5.46	-21.21	-13.59	5.49	8.92	11.27	10.62
Class A without sales charge	-5.51	-21.37	-13.79	5.23	8.65	-	9.95
with sales charge	-10.96	-25.89	-18.74	3.17	7.37	-	9.23
S&P 500® Index	-4.88	-23.87	-15.47	8.16	9.24	11.70	-

## Calendar Year Returns<sup>2</sup> (%)

	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Class Y	14.05	29.08	11.54	0.23	12.97	22.51	-0.20	30.48	14.42	22.68
S&P 500® Index	16.00	32.39	13.69	1.38	11.96	21.83	-4.38	31.49	18.40	28.71

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## Characteristics

Characteristics	Risk Metrics (%) Class Y vs. S&P 500								
	Total Number of holdings	Active Share	% Assets in Top 10 stocks	Portfolio Turnover	Wtd. Average Market Cap (billions)	Total Net Assets (millions)	3 Yr	5 Yr	10 yr
Total Number of holdings	27								
Active Share	88.0%	Upside Capture				88.98	91.94	91.19	
% Assets in Top 10 stocks	46.3%	Downside Capture				95.93	90.38	87.49	
Portfolio Turnover	17%	Beta				0.91	0.89	0.88	
Wtd. Average Market Cap (billions)	\$211.5								
Total Net Assets (millions)	\$277.3								

<sup>1</sup> 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.

<sup>2</sup> 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 Y and 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.

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From February 6, 2009 through February 28, 2016 the investment adviser waived between 0.11% to 0.15% of its management and/or services fees annually for Class Y shares, 0.15% for Class A shares from September 23, 2013 to February 28, 2016; and 0.10% for Class R6 from September 23, 2013 until May 1, 2014. Investment returns reflect these fee waivers, without which returns would have been lower.

## Experienced Management



Rich Eisinger  
Co-Head of Investments,  
Portfolio Manager  
Industry since 1994



Haruki Toyama  
Director of Research,  
Portfolio Manager  
Industry since 1994



Joe Maginot  
Portfolio Manager  
Industry since 2012

## Fund Features

- ▶ Fund seeks long-term capital appreciation
- ▶ High conviction; 25-40 holdings
- ▶ Pursues high-quality growth companies, growth at a reasonable price style (GARP)
- ▶ Focus on risk management

Class	Ticker	Inception Date	Exp. Ratio
A	MNVAX	9/23/13	1.16%
Y	MINVX	11/1/78	0.91%
I	MIVIX	8/31/20	0.81%
R6	MNVRX	9/23/13	0.73%

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

## Distribution Frequency - Annual

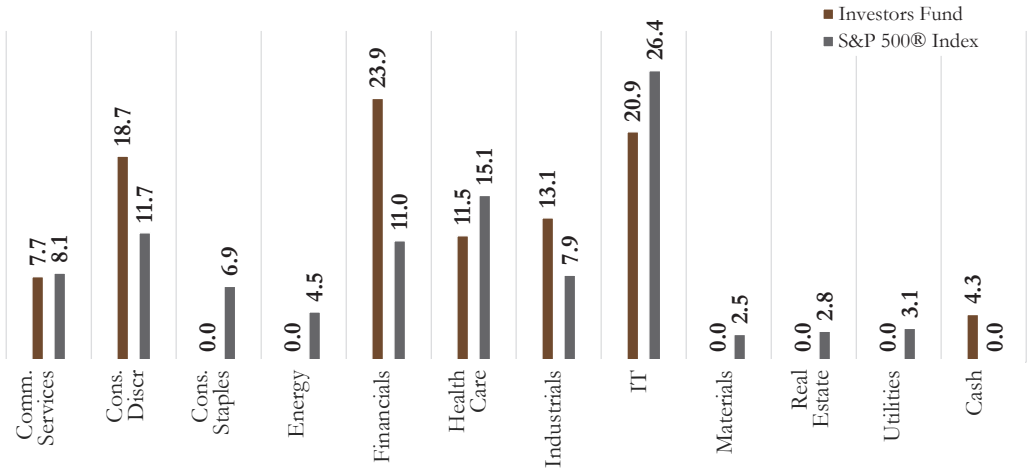


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## Sector Allocation (%)

Figures are rounded to the nearest 0.1% and may not total 100%.



## Complete Stock Holdings (%)

ARCH CAPITAL GROUP LTD	5.47	TJX COMPANIES INC	3.51
ALPHABET INC CL C	5.29	VISA INC CLASS A SHARES	3.28
DOLLAR TREE INC	4.93	US BANCORP	3.03
LOWE S COS INC	4.80	DANAHER CORP	2.88
BECTON DICKINSON AND CO	4.76	PARKER HANNIFIN CORP	2.84
AMAZON.COM INC	4.60	TE CONNECTIVITY LTD	2.83
FISERV INC	4.43	COPART INC	2.68
MARSH + MCLENNAN COS	4.01	ACCENTURE PLC CL A	2.67
ANALOG DEVICES INC	4.00	LIBERTY BROADBAND C	2.45
BERKSHIRE HATHAWAY INC CL B	3.99	BLACK KNIGHT INC	2.22
PROGRESSIVE CORP	3.87	ADOBE INC	1.44
ALCON INC	3.83	NIKE INC CL B	0.81
PACCAR INC	3.82		
JACOBS SOLUTIONS INC	3.73		
BROOKFIELD ASSET MANAGE CL A	3.52		

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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. 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 10/31/2020. 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. Beta: a measure of the fund's sensitivity to market movements. A portfolio with a beta greater than 1 is more volatile than the market, and a portfolio with a beta less than 1 is less volatile than the market. 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.

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, capital gain realization risks to taxpaying shareholders, foreign security and emerging market risk. More detailed information regarding these risks can be found in the fund's prospectus.

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