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## MADISON SMALL CAP FUND

### 3Q 2022 Investment Strategy Letter

Tickers: BVAOX | MSCIX | MASMX | MSCRX

#### PORTFOLIO REVIEW

The 2022 bear market continued into the third quarter as inflation pressures remained elevated and the Fed reiterated its resolve to contain inflation with tighter monetary policy. This sent risk assets lower in another volatile quarter. The Russell 2000 declined 2.2% and the Madison Small Cap Fund (Class Y) underperformed the benchmark. With the exception of Energy and Healthcare, all sectors delivered negative returns. Both sector allocation and stock selection hurt our relative performance.



Faraz Farzam, CFA  
Portfolio Manager/Analyst  
Industry since 1999

#### SECTOR AND STOCK COMMENTARY

Within the Russell 2000, the only sectors that delivered positive returns were Energy and Healthcare (driven by biotech), where we have zero exposure and a significant underweight respectively. Our underweight in healthcare was exacerbated by our investment in Owens and Minor (OMI). Hospital volumes remain anemic, a dynamic observed across the industry. Although OMI did slightly reduce guidance, nothing in their results impacts our long-term thesis, as we continue to believe the company has an underappreciated opportunity to accelerate earnings and cash flow growth through a margin expansion program in their Global Products segment. OMI should also continue to benefit from its domestic manufacturing base during the supply chain crisis.



Aaron Garcia, CFA  
Portfolio Manager/Analyst  
Industry since 2002

Consumer Staples continue to drive relative underperformance in our portfolio. Hain Food's European exposure continues to be pressured by the geopolitical and macroeconomic pressures dominating the continent and the UK. Although we lowered our exposure to this name, the stock continued its decline as we head into a European winter that will be very challenging for consumers. Both energy and food prices are elevated and there is no relief in sight. We are observing the situation closely but feel the stock more than adequately discounts this risk. The outlook for HAIN in 2023 could be much easier as winter ends and perhaps a political solution is reached in the Ukrainian War. Hain's North American business (~60% of revenue) is executing flawlessly.

*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 SMALL CAP FUND - INVESTMENT STRATEGY LETTER

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Our best-performing sectors were Industrials, Financials and Consumer Discretionary, in that order, all driven by stock selection. Within Industrials, Willscot (WSC), our largest position in the Fund, continues to deliver outstanding results and stock appreciation. Willscot has dominant share in a fragmented market with a durable, recurring-revenue, rental business model. Although we have taken some profits, we continue to believe their fundamentals will hold up in a recessionary scenario and this is still our largest position. Within financials, our decision to sell our cyclical, housing-exposed banks and concentrate into Texas Capital Bancshares (TCBI) paid off. TCBI is a turnaround story in an attractive market. Unlike many other regional banks, Texas Capital is extremely well funded and is growing its loan portfolio nicely, a combination that is rare in today's regional banking environment.

### PORTFOLIO TRANSACTIONS

In the third quarter, we sold Hydrofarm Holdings Group (HYFM), Scotts Miracle-Gro Co. (SMG), PetIQ (PETQ), PacWest Bancorp (PACW), MGIC Investment Corp (MTG), and Health Catalyst (HCAT). We initiated new positions in BRP Group (BRP) and Saia (SAIA).

BRP Group (BRP) operates as one of largest middle market insurance brokers in a highly fragmented domestic market. Historically, insurance brokerage has been very resilient in economic downturns. Their unique acquisition strategy in a highly fragmented industry should lead to above-average growth for many years. We also like BRP's organic growth characteristics due to their exposure in middle market brokerage. BRP has attractive margins with room for meaningful expansion. The market selloff gave us an opportunity to initiate this new investment at very attractive prices. We estimate BRP's private market value to be \$35.

### OUTLOOK

While all major asset classes have experienced a volatile and disappointing year-to-date, we continue to believe we are well positioned for the future. During the quarter we consolidated our portfolio into 50 stocks. These represent our most durable businesses. Our largest weighting is in Information Technology, arguably the most punished stocks in aggregate. Should the economy tilt into recession, we believe our technology holdings' business models will prove resilient. With very few exceptions, our investments have sticky, recurring revenue, or consumable business models with high barriers to entry. The sell-off in these stocks has been severe, should the economic damage be equally severe, central banks may well pause or reduce benchmark interest rates. Technology stocks have historically been positively correlated to rate cuts. The combination of extremely attractive valuation, subdued cyclicality and favorable rate cuts could be a powerful driver of future outperformance.

*Faraz Farzam*

*Aaron Garcia*

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## 3Q 2022 MADISON SMALL CAP FUND - INVESTMENT STRATEGY LETTER

Tickers: BVAOX | MSCIX | MASMX | MSCRX

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Russell 2000® Index measures the performance of the 2,000 smallest companies in the Russell 3000® Index, which represents approximately 11% of the total market capitalization of the Russell 3000® Index. The Russell 3000 Index measures the performance of the largest 3,000 U.S. companies representing approximately 98% of the investable U.S. equity market. The Russell 3000 Index is constructed to provide a comprehensive, unbiased and stable barometer of the broad market and is completely reconstituted annually to ensure new and growing equities are reflected. Russell Investment Group is the source and owner of the trademarks, service marks and copyrights related to the Russell Indexes. Russell® is a trademark of Russell Investment Group.

The Russell 2500 Index combines a portion of midcap stocks with small cap stocks – forming a “SMID” (small/mid) cap segment of stocks from the Russell 3000®.

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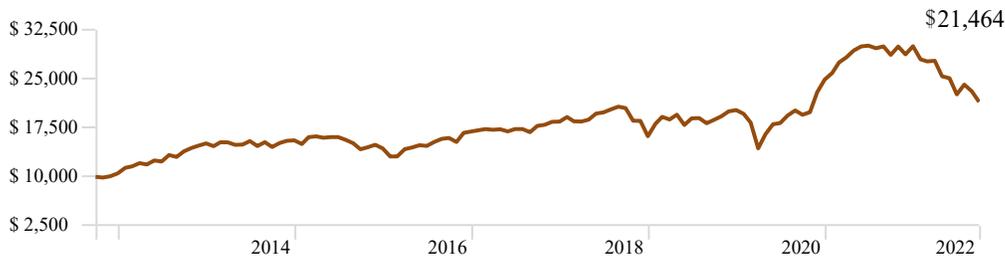
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# MADISON SMALL CAP FUND

September 30, 2022

## Growth of \$10,000 Class Y Shares, Trailing 10 Years<sup>1,3</sup>



## Average Annual Total Returns<sup>2,3</sup> (%)

	Three Months	YTD	1 Yr	3 Yr	5 Yr	10 Yr	Since Inception
Class I	-5.08	-28.33	-24.98	-	-	-	-14.26
Class R6	-4.97	-	-	-	-	-	-22.21
Class Y	-5.09	-28.41	-25.09	4.69	3.82	7.94	12.21
Class A without sales charge	-5.15	-28.49	-25.20	4.49	-	-	5.29
Class A with sales charge	-10.63	-32.61	-29.51	2.45	-	-	3.29
Russell 2000® Index	-2.19	-25.10	-23.50	4.29	3.55	8.55	-
Russell 2500® Index	-2.82	-24.01	-21.11	5.36	5.45	9.58	-

## Calendar Year Returns<sup>2,3</sup> (%)

	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Class Y	13.33	43.48	3.06	-7.90	18.04	8.90	-12.09	24.67	23.09	20.52
Russell 2000®	16.35	38.82	4.89	-4.41	21.31	14.65	-11.01	25.52	19.96	14.82
Russell 2500®	17.88	36.80	7.07	-2.90	17.59	16.81	-10.00	27.77	19.99	18.18

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## Characteristics

Median Market Cap (\$Mil)	\$2.9
EPS Growth Rate (3-5 year)	12.9%
P/E (trailing 12 months)	15.2x
P/E (forward 12 months)	14.4x

## 5-Yr Risk Measure (%)

Class Y vs. Russell 2000® Index

Standard Deviation	21.81
Downside Capture	92.62
Upside Capture	94.09

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) 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 Y shares do not impose an up-front sales charge or a contingent deferred sales charge ("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. The performance shown for the Small Cap Fund (the "Fund") for periods prior to August 31, 2019, for the Class Y shares are based on the performance of the Broadview Opportunity Fund (the "Predecessor Fund") which was the accounting survivor and reorganized into the Class Y shares of the Fund after market close on August 30, 2019 (the "Reorganization"). Periods prior to November 29, 2013 represents the performance of the FMI Focus Fund (the "FMI Fund") which merged with and into the Predecessor Fund on November

29, 2013. Prior to November 29, 2013, the Adviser of the Predecessor Fund served as sub-adviser to the FMI Fund.

Performance results prior to August 30, 2019 for the Class Y shares are based on the performance of the Predecessor Fund, which was reorganized into the Class Y shares of the Fund on August 30, 2019. Performance for Class A shares was deemed to be new effective August 31, 2019 as a result of the reorganization. Madison waived 0.04% of the Fund's annual services fee from August 31, 2019 through February 27, 2021. Investment returns reflect this fee waiver, without which returns would have been lower.

Madison lists the performance of the Predecessor Fund and accounting survivor of the Reorganization for the following reasons:

- Continuity of Fund portfolio managers through the Reorganization;
- Substantially the same investment objective and investment strategies between the Fund and the Predecessor Fund;
- Substantially similar investment policies between the Fund and the Predecessor Fund;
- A similar expense ratio (excluding acquired fund fees and expenses).

## Experienced Management



Faraz Farzam, CFA  
Portfolio Manager  
Industry since 1999



Aaron Garcia, CFA  
Portfolio Manager  
Industry since 2002

## Fund Features

- ▶ Seeks long-term capital appreciation
- ▶ Generally 50-90 holdings
- ▶ Seeks to purchase companies at a perceived discount compared to potential future earnings

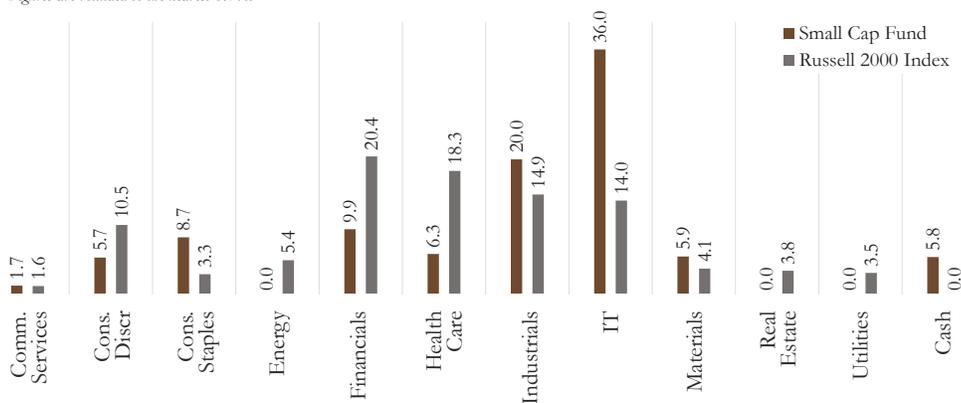
Class	Ticker	Inception Date	Exp. Ratio
A	MASMX	8/31/19	1.35%
Y	BVAOX	12/16/96	1.10%
I	MSCIX	2/26/21	1.00%
R6	MSCRX	2/28/22	0.92%

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

## Distribution Frequency - Annual

## Sector Diversification (%)

Figures are rounded to the nearest 0.1%.



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### Total Net Assets

\$174.0 Million

### Total Number of Holdings

51

### Portfolio Turnover

44%

### Top Ten Holdings (%)

WILLSCOT MOBILE MINI HOLDING	4.4
COMMVAULT SYSTEMS INC	3.3
BOX INC CLASS A	3.3
ENCOMPASS HEALTH CORP	3.0
MODEL N INC	2.9
CARLISLE COS INC	2.9
ENTEGRIS INC	2.8
AXIS CAPITAL HOLDINGS LTD	2.7
PTC INC	2.7
EDGEWELL PERSONAL CARE CO	2.5

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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: equity risk, small cap price volatility risk, small cap illiquidity risk, value investing risk, ETF risk, capital gain realization risks to taxpaying shareholders, and foreign security and emerging market risk. Investing in small, mid-size or emerging growth companies involves greater risks not associated with investing in more established companies, such as business risk, significant stock price fluctuations and illiquidity. More detailed information regarding these risks can be found in the fund's prospectus.

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