

# STATEMENT OF ADDITIONAL INFORMATION

**Madison Funds®**  
550 Science Drive  
Madison, Wisconsin 53711

## **Supplement dated November 10, 2022**

*This Supplement amends the Statement of Additional Information (SAI) of the Madison Funds dated February 28, 2022, as supplemented on April 29, 2022.*

### **All Funds**

Effective as of the date hereof, Ms. Carrie J. Thome resigned from the Board of Trustees of the Trust. Accordingly, all references to Ms. Thome contained in this Statement of Additional Information ("SAI") are hereby removed.

**Madison Funds®**  
**Supplement dated April 29, 2022**

*This Supplement amends the Prospectus and the Statement of Additional Information (SAI) of the Madison Funds dated February 28, 2022, and the Summary Prospectus for the Madison Investors Fund dated February 28, 2022.*

**Madison Investors Fund**

Effective as of April 29, 2022, the Investors Fund is co-managed by Richard Eisinger, Haruki Toyama, and Joe Maginot. All references to Matt Hayner as co-manager of the Fund are deleted, and the disclosures related to portfolio management are hereby deleted and replaced in their entirety as follows:

**Fund Summary - Portfolio Management**

The investment adviser to the Fund is Madison Asset Management, LLC. Richard Eisinger (Co-Head of Investments and Portfolio Manager/Analyst), Haruki Toyama (Director of Research and Portfolio Manager/Analyst) and Joe Maginot (Vice President and Portfolio Manager/Analyst) co-manage the Fund. Mr. Eisinger served in this capacity from January 2000 until May 2010, and again since June 2019; and Messrs. Toyama and Maginot have served in this capacity since February 2022.

**Prospectus – Portfolio Management**

**Investors Fund.** The Investors Fund is co-managed by Richard Eisinger, Haruki Toyama, and Joe Maginot. Mr. Eisinger, Co-Head of Investments and Portfolio Manager/Analyst of Madison, co-managed the Fund from January 2000 until May 2010 and again since June 2019. Since he joined the firm in 1997, Mr. Eisinger's focus is on the firm's equity teams. He has served as portfolio manager on the U.S. Equity Team since 1998 with primary responsibility for management of the firm's mid-cap and large cap equity portfolios. Mr. Toyama, Director of Research and Portfolio Manager/Analyst of Madison, has co-managed the Fund since February 2022. His Director of Research responsibilities cover both the Mid Cap and Investors Funds. Prior to re-joining Madison in 2014, Mr. Toyama was co-founder and President of Marcus Asset Management in Milwaukee where he was portfolio manager of a long/short hedge fund. He was previously a member of Madison's equity team from 2002-2004, and prior to that he served in portfolio management and analyst roles at MFS Investment Management and David L. Babson & Company. Mr. Maginot, Vice President and Portfolio Manager/Analyst of Madison, has co-managed the Fund since February 2022. Mr. Maginot has worked in the financial services industry since 2012 and joined Madison in 2019 as an equity analyst. Prior to joining Madison, he was an investment analyst at Zuckerman Investment Group.

***Please keep this Supplement with your records.***

## STATEMENT OF ADDITIONAL INFORMATION

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Madison, Wisconsin 53711

Fund	Ticker Symbol					
	Class A	Class B	Class C	Class Y	Class I	Class R6
<b>Madison Conservative Allocation Fund</b>	MCNAX	MCNBX	MCOCX	N/A	N/A	N/A
<b>Madison Moderate Allocation Fund</b>	MMDAX	MMDRX	MMDCX	N/A	N/A	N/A
<b>Madison Aggressive Allocation Fund</b>	MAGSX	MAGBX	MAACX	N/A	N/A	N/A
<b>Madison Tax-Free Virginia Fund</b>	N/A	N/A	N/A	GTVAX	N/A	N/A
<b>Madison Tax-Free National Fund</b>	N/A	N/A	N/A	GTFHX	N/A	N/A
<b>Madison High Quality Bond Fund</b>	N/A	N/A	N/A	MIIBX	MIIRX	N/A
<b>Madison Core Bond Fund</b>	MBOAX	MBOBX	N/A	MBOYX	MBOIX	MBORX
<b>Madison Diversified Income Fund</b>	MBLAX	MBLNX	MBLCX	N/A	N/A	N/A
<b>Madison Covered Call &amp; Equity Income Fund</b>	MENAX	N/A	MENCX	MENYX	MENIX	MENRX
<b>Madison Dividend Income Fund</b>	MADAX	N/A	N/A	BHBFX	MDMIX	MADRX
<b>Madison Investors Fund</b>	MNVAX	N/A	N/A	MINVX	MIVIX	MNVRX
<b>Madison Sustainable Equity Fund</b>	N/A	N/A	N/A	MFSYX	MFSIX	N/A
<b>Madison Mid Cap Fund</b>	MERAX	MERBX	N/A	GTSGX	MDCIX	MMCRX
<b>Madison Small Cap Fund</b>	MASMX	N/A	N/A	BVAOX	MSCIX	MSCRX
<b>Madison International Stock Fund</b>	MINAX	MINBX	N/A	MINYX	N/A	N/A

N/A Fund does not offer this share class.

This is not a prospectus. This statement of additional information (“SAI”) should be read in conjunction with the currently effective prospectus (the “prospectus”) for Madison Funds (the “Trust”), which is referred to herein. The prospectus concisely sets forth information that a prospective investor should know before investing. For a copy of the Trust’s prospectus dated February 28, 2022, please call 1-800-877-6089 or write Madison Funds, P.O. Box 219083, Kansas City, MO 64121-9083.

The audited financial statements for the funds are incorporated herein by reference to the funds’ most recent annual report, which has been filed with the Securities and Exchange Commission (the “SEC”) and provided to all shareholders. For a copy, without charge, of the funds’ most recent annual report to shareholders, please call the Trust at 1-800-877-6089 or visit our website at [www.madisonfunds.com](http://www.madisonfunds.com).

The date of this SAI is February 28, 2022.

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## GENERAL INFORMATION

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Madison Funds (the "Trust"), is a diversified, open-end management investment company consisting of separate investment portfolios or funds (each, a "fund" and collectively, the "funds"), each of which has a different investment objective and policies. Each fund is a diversified, open-end management investment company, commonly known as a mutual fund. The funds described in this SAI are as follows: **Conservative Allocation, Moderate Allocation and Aggressive Allocation Funds (collectively, the "Target Allocation Funds"); Tax-Free Virginia and Tax-Free National Funds (collectively, the "Tax-Free Funds"); High Quality Bond and Core Bond Funds (collectively, the "Income Funds"); Diversified Income, Covered Call & Equity Income, Dividend Income, Investors, Sustainable Equity, Mid Cap, and Small Cap Funds (collectively, the "Equity Funds")** and **International Stock Fund**.

The Trust was organized under the laws of the state of Delaware on May 21, 1997 and is a Delaware statutory trust. As a Delaware statutory trust, the operations of the Trust are governed by its Amended and Restated Declaration of Trust (the "Declaration of Trust") and its Certificate of Trust (the "Certificate"). The Certificate is on file with the Office of the Secretary of State in Delaware. Each shareholder agrees to be bound by the Declaration of Trust, as amended from time to time, upon such shareholder's initial purchase of shares of beneficial interest in any one of the funds. Prior to February 2013, the Trust was known as MEMBERS Mutual Funds.

## INVESTMENT PRACTICES

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The prospectus describes the investment objective and policies of each of the funds. The following information is provided for those investors wishing to have more comprehensive information than that contained in the prospectus.

Since each **Target Allocation Fund** will invest in shares of other investment companies, except as disclosed in the prospectus, to the extent that an investment practice noted below describes specific securities, if a **Target Allocation Fund** invests in those securities, it does so indirectly, through its investment in underlying funds.

### Lending Portfolio Securities

Each fund may lend portfolio securities. Loans will be made only in accordance with guidelines established by the Board of Trustees of the Trust (the "Board" or the "Board of Trustees") and on the request of broker-dealers or institutional investors deemed qualified, and only when the borrower agrees to maintain cash or U.S. government securities as collateral with a fund equal at all times to at least 102% of the value of domestic securities and 105% of the value of non-domestic securities, based upon the prior days market value for securities loaned. A fund will continue to receive interest or dividends, in the form of substitute payments which may not be as beneficial from a tax perspective to the fund as the actual interest or dividend payment, on the securities loaned and will, at the same time, earn an agreed-upon amount of interest on the collateral which will be invested in readily marketable short-term, high quality government securities. A fund will retain the right to call the loaned securities and may call loaned voting securities if important shareholder meetings are imminent. Such security loans will not be made if, as a result, the aggregate of such loans exceeds 33 $\frac{1}{3}$ % of the value of a fund's assets. The fund may terminate such loans at any time.

The primary risk associated with securities lending is loss associated with investment of cash and non-cash collateral. To mitigate this risk, the funds will invest collateral only in high quality government securities. A secondary risk is if the borrower defaults on its obligation to return the securities loaned because of insolvency or other reasons. To mitigate the risk, loans will be made only to firms deemed by the funds' Investment Adviser, Madison Asset Management, LLC ("Madison"), to be in good financial standing and will not be made unless, in Madison's judgment, the consideration to be earned from such loans would justify the risk. The fund could experience delays and costs in recovering securities loaned or in gaining access to the collateral. Under the funds' agreement with State Street Bank and Trust Company, the fund's securities lending agent, the securities lending agent has provided a limited indemnification in the event of a borrower default. The funds do not have a master netting agreement.

### Illiquid Securities

Each fund may invest in illiquid securities (i.e., securities that are not readily marketable) as a non-principal investment strategy up to the percentage limits described below in the "Higher-Risk Securities and Practices" section. In accordance with Rule 22e-4 under the Investment Company Act of 1940, as amended (the "1940 Act"), the funds are subject to the guidelines set forth in the Trust's liquidity risk management program. The term "illiquid security" is defined as a security that the Investment Adviser reasonably expects cannot be sold or disposed of in current market conditions in seven calendar days or less without the sale or disposition significantly changing the market value of the security.

### Foreign Transactions

*Foreign Securities.* With the exception of the **Tax-Free Funds**, each fund may invest in foreign securities. Investing in foreign securities is a principal investment strategy of the **International Stock Fund** (refer to the prospectus for more information). The percentage limitations on each fund's investment in foreign securities are set forth in the prospectus and below in the "Higher-Risk Securities and Practices" section.

Foreign securities refers to securities that are: (i) issued by companies organized outside the U.S. or whose principal operations are outside the U.S., or issued by foreign governments or their agencies or instrumentalities ("foreign issuers"); (ii) principally traded outside of the U.S.; and/or (iii) quoted or denominated in a foreign currency ("non-dollar securities").

Foreign securities may offer potential benefits that are not available from investments exclusively in securities of domestic issuers or dollar-denominated securities. Such benefits may include the opportunity to invest in foreign issuers that appear to offer better opportunity for long-term capital appreciation, more income or current earnings than investments in domestic issuers, the opportunity to invest in foreign countries with economic policies or business cycles different from those of the U.S. and the opportunity to invest in foreign securities markets that do not necessarily move in a manner parallel to U.S. markets.

Investing in foreign securities involves significant risks that are not typically associated with investing in U.S. dollar-denominated securities or in securities of domestic issuers. Such investments may be affected by changes in currency exchange rates, changes in foreign or U.S. laws or restrictions applicable to such investments and in exchange control regulations (e.g., currency blockage). Some foreign stock markets may have substantially less volume than, for example, the New York Stock Exchange and securities of some foreign issuers may be less liquid than securities of comparable domestic issuers. Commissions and dealer mark-ups on transactions in foreign investments may be higher than for similar

transactions in the U.S. In addition, clearance and settlement procedures may be different in foreign countries and, in certain markets, on certain occasions, such procedures have been unable to keep pace with the volume of securities transactions, thus making it difficult to conduct such transactions.

Foreign issuers are not generally subject to uniform accounting, auditing and financial reporting standards comparable to those applicable to domestic companies. There may be less publicly available information about a foreign issuer than about a domestic one. In addition, there is generally less government regulation of stock exchanges, brokers, and listed and unlisted issuers in foreign countries than in the U.S. Furthermore, with respect to certain foreign countries, there is a possibility of expropriation or confiscatory taxation, imposition of withholding taxes on dividend or interest payments, limitations on the removal of funds or other assets of the fund making the investment, or political or social instability or diplomatic developments which could affect investments in those countries. Investments in short-term debt obligations issued either by foreign issuers or foreign financial institutions or by foreign branches of U.S. financial institutions (collectively, "foreign money market securities") present many of the same risks as other foreign investments. In addition, foreign money market securities present interest rate risks similar to those attendant to an investment in domestic money market securities.

*Investments in ADRs, EDRs, GDRs and SDRs.* Many securities of foreign issuers are represented by American Depositary Receipts ("ADRs"), European Depositary Receipts ("EDRs"), Global Depositary Receipts ("GDRs") and Swedish Depositary Receipts ("SDRs"). With the exception of the **Tax-Free Funds**, each fund may invest in ADRs, EDRs, GDRs and SDRs.

ADRs are receipts typically issued by a U.S. financial institution or trust company which represent the right to receive securities of foreign issuers deposited in a domestic bank or a foreign correspondent bank. Prices of ADRs are quoted in U.S. dollars, and ADRs are traded in the U.S. on exchanges or over-the-counter and are sponsored and issued by domestic banks. In general, there is a large, liquid market in the U.S. for ADRs quoted on a national securities exchange or the NASDAQ Global Market. The information available for ADRs is subject to the accounting, auditing and financial reporting standards of the domestic market or exchange on which they are traded, which standards are more uniform and more exacting than those to which many foreign issuers may be subject.

EDRs, GDRs and SDRs are receipts evidencing an arrangement with a non-U.S. bank similar to that for ADRs and are designed for use in non-U.S. securities markets. EDRs are typically issued in bearer form and are designed for trading in the European markets. GDRs, including SDRs, are issued either in bearer or registered form, are designed for trading on a global basis. EDRs and GDRs are not necessarily quoted in the same currency as the underlying security.

Depositary receipts do not eliminate all the risk inherent in investing in the securities of foreign issuers. To the extent that a fund acquires depositary receipts through banks which do not have a contractual relationship with the foreign issuer of the security underlying the receipt to issue and service such depositary receipts, there may be an increased possibility that the fund would not become aware of and be able to respond to corporate actions such as stock splits or rights offerings involving the foreign issuer in a timely manner. The market value of depositary receipts is dependent upon the market value of the underlying securities and fluctuations in the relative value of the currencies in which the receipts and the underlying are quoted. In addition, the lack of information may result in inefficiencies in the valuation of such instruments. However, by investing in depositary receipts rather than directly in the stock of foreign issuers, a fund will avoid currency risks during the settlement period for either purchases or sales.

*Investments in Emerging Markets.* Each fund, except the **Tax-Free Funds**, may invest in securities of issuers located in countries with emerging economies and/or securities markets, often referred to as "emerging markets." For this purpose, emerging markets are those not normally associated with generally recognized developed markets identified by industry observers such as Standard and Poor's ("S&P") or Morgan Stanley Capital International ("MSCI"). Political and economic structures in many of these countries may be undergoing significant evolution and rapid development, and such countries may lack the social, political and economic stability characteristic of more developed countries. Certain of these countries may have in the past failed to recognize private property rights and have at times nationalized or expropriated the assets of private companies. As a result, the risks of foreign investment generally, including the risks of nationalization or expropriation of assets, may be heightened. In addition, unanticipated political or social developments may affect the values of a fund's investments in those countries and the availability to the fund of additional investments in those countries.

The small size and inexperience of the securities markets in certain of these countries and the limited volume of trading in securities in those countries may also make investments in such countries illiquid and more volatile than investments in more developed markets, and the funds may be required to establish special custody or other arrangements before making certain investments in those countries. There may be little financial or accounting information available with respect to issuers located in certain of such countries, and it may be difficult as a result to assess the value or prospects of an investment in such issuers.

A fund's purchase or sale of portfolio securities in certain emerging markets may be constrained by limitations as to daily changes in the prices of listed securities, periodic trading or settlement volume and/or limitations on aggregate holdings of foreign investors. Such limitations may be computed based on aggregate trading volume by or holdings of a fund, Madison or its affiliates, a subadviser and its affiliates, and each such person's respective clients and other service providers. A fund may not be able to sell securities in circumstances where price, trading or settlement volume limitations have been reached.

Foreign investment in certain emerging securities markets is restricted or controlled to varying degrees that may limit investment in such countries or increase the administrative cost of such investments. For example, certain countries may restrict or prohibit investment opportunities in issuers or industries important to national interests. Such restrictions may affect the market price, liquidity and rights of securities that may be purchased by a fund.

Settlement procedures in emerging markets are frequently less developed and reliable than those in the U.S. and may involve a fund's delivery of securities before receipt of payment for their sale. In addition, significant delays are common in certain markets in registering the transfer of securities. Settlement or registration problems may make it more difficult for a fund to value its portfolio assets and could cause a fund to miss attractive investment opportunities, to have its assets uninvested or to incur losses due to the failure of a counterparty to pay for securities that the fund has delivered or due to the fund's inability to complete its contractual obligations.

Currently, there is no market or only a limited market for many management techniques and instruments with respect to the currencies and securities markets of emerging market countries. Consequently, there can be no assurance that suitable instruments for hedging currency and market related risks will be available at the times when the Investment Adviser of the fund wishes to use them.

*Sovereign Debt.* The **Core Bond Fund** may invest in sovereign debt, which may trade at a substantial discount from face value. The funds may hold and trade sovereign debt of emerging market countries in appropriate circumstances and participate in debt conversion programs. Emerging country sovereign debt involves a high degree of risk, is generally lower-quality debt, and is considered speculative in nature. The issuer or governmental authorities that control sovereign debt repayment (“sovereign debtors”) may be unable or unwilling to repay principal or interest when due in accordance with the terms of the debt. A sovereign debtor’s willingness or ability to repay principal and interest due in a timely manner may be affected by, among other factors, its cash flow situation, the extent of its foreign reserves, the availability of sufficient foreign exchange on the date a payment is due, the relative size of the debt service burden to the economy as a whole, the sovereign debtor’s policy towards the International Monetary Fund (the “IMF”) and the political constraints to which the sovereign debtor may be subject. Sovereign debtors may also be dependent on expected disbursements from foreign governments, multilateral agencies and others abroad to reduce principal and interest arrearage on their debt. The commitment of these third parties to make such disbursements may be conditioned on the sovereign debtor’s implementation of economic reforms or economic performance and the timely service of the debtor’s obligations. The sovereign debtor’s failure to meet these conditions may cause these third parties to cancel their commitments to provide funds to the sovereign debtor, which may further impair the debtor’s ability or willingness to timely service its debts. In certain instances, the **International Stock Fund** may invest in sovereign debt that is in default as to payments of principal or interest. Under these circumstances, the funds may incur additional expenses in connection with any restructuring of the issuer’s obligations or in otherwise enforcing its rights thereunder.

*Supranational Entities.* The **Core Bond Fund** may invest in securities issued by supranational entities, such as the International Bank for Reconstruction and Development (commonly called the “World Bank”), the Asian Development Bank and the Inter-American Development Bank. The governmental members of these supranational entities are “stockholders” that typically make capital contributions to support or promote such entities’ economic reconstruction or development activities and may be committed to make additional capital contributions if the entity is unable to repay its borrowings. A supranational entity’s lending activities may be limited to a percentage of its total capital, reserves and net income. There can be no assurance that the constituent governments will be able or willing to honor their commitments to those entities, with the result that the entity may be unable to pay interest or repay principal on its debt securities, and the fund may lose money on such investments. Obligations of a supranational entity that are denominated in foreign currencies will also be subject to the risks associated with investments in foreign currencies, as described in the section “Foreign Currency Transactions.”

*Foreign Currency Transactions.* Because investment in foreign issuers will usually involve currencies of foreign countries, and because each fund, except the **Tax-Free Funds**, may have currency exposure independent of their securities positions, the value of the assets of these funds, as measured in U.S. dollars, will be affected by changes in foreign currency exchange rates. An issuer of securities purchased by a fund may be domiciled in a country other than the country in whose currency the instrument is denominated or quoted.

Currency exchange rates may fluctuate significantly over short periods of time causing, along with other factors, a fund’s net asset value (“NAV”) to fluctuate as well. They generally are determined by the forces of supply and demand in the foreign exchange markets and the relative merits of investments in different countries, actual or anticipated changes in interest rates and other complex factors, as seen from an international perspective. Currency exchange rates also can be affected unpredictably by intervention by U.S. or foreign governments or central banks, or the failure to intervene, or by currency controls or political developments in the U.S. or abroad. The market in forward foreign currency exchange contracts and other privately negotiated currency instruments offers less protection against defaults by the other party to such instruments than is available for currency instruments traded on an exchange. To the extent that a substantial portion of a fund’s total assets, adjusted to reflect the fund’s net position after giving effect to currency transactions, is denominated or quoted in the currencies of foreign countries, the fund will be more susceptible to the risk of adverse economic and political developments within those countries.

In addition to investing in securities denominated or quoted in a foreign currency, certain of the funds may engage in a variety of foreign currency management techniques. These funds may hold foreign currency received in connection with investments in foreign securities when, in the judgment of the fund’s Investment Adviser, it would be beneficial to convert such currency into U.S. dollars at a later date, based on anticipated changes in the relevant exchange rate. These funds will incur costs in connection with conversions between various currencies.

*Forward Foreign Currency Exchange Contracts.* Each fund, except the **Tax-Free Funds**, may also purchase or sell forward foreign currency exchange contracts for defensive or hedging purposes when the fund’s Investment Adviser anticipates that the foreign currency will appreciate or depreciate in value, but securities denominated or quoted in that currency do not present attractive investment opportunities and are not held in the fund’s portfolio. In addition, these funds may enter into forward foreign currency exchange contracts in order to protect against anticipated changes in future foreign currency exchange rates and may engage in cross-hedging by using forward contracts in a currency different from that in which the hedged security is denominated or quoted if the fund’s Investment Adviser determines that there is a pattern of correlation between the two currencies.

These funds may enter into contracts to purchase foreign currencies to protect against an anticipated rise in the U.S. dollar price of securities it intends to purchase. They may enter into contracts to sell foreign currencies to protect against the decline in value of its foreign currency denominated or quoted portfolio securities, or a decline in the value of anticipated dividends from such securities, due to a decline in the value of foreign currencies against the U.S. dollar. Contracts to sell foreign currency could limit any potential gain which might be realized by a fund if the value of the hedged currency increased.

If a fund enters into a forward foreign currency exchange contract to buy foreign currency for any purpose, the fund will be required to place cash or liquid securities in a segregated account with the fund’s custodian in an amount equal to the value of the fund’s total assets committed to the consummation of the forward contract. If the value of the securities placed in the segregated account declines, additional cash or securities will be placed in the segregated account so that the value of the account will equal the amount of a fund’s commitment with respect to the contract.

Forward contracts are subject to the risk that the counterparty to such contract will default on its obligations. Since a forward foreign currency exchange contract is not guaranteed by an exchange or clearinghouse, a default on the contract would deprive a fund of unrealized profits, transaction costs or the benefits of a currency hedge or force the fund to cover its purchase or sale commitments, if any, at the current market price.

A fund will not enter into such transactions unless the credit quality of the unsecured senior debt or the claims-paying ability of the counterparty is considered to be investment grade by the fund's Investment Adviser.

Forward foreign currency exchange contract transactions are considered transactions in derivative securities. The Investment Adviser must obtain the explicit approval of the Board of Trustees prior to engaging in derivative transactions of this type.

*Options on Foreign Currencies.* Each fund, except the **Tax-Free Funds**, may also purchase and sell (write) put and call options on foreign currencies for the purpose of protecting against declines in the U.S. dollar value of foreign portfolio securities and anticipated dividends on such securities and against increases in the U.S. dollar cost of foreign securities to be acquired. These funds may use options on currency to cross-hedge, which involves writing or purchasing options on one currency to hedge against changes in exchange rates for a different currency, if there is a pattern of correlation between the two currencies. As with other kinds of option transactions, however, the writing of an option on foreign currency will constitute only a partial hedge, up to the amount of the premium received. A fund could be required to purchase or sell foreign currencies at disadvantageous exchange rates, thereby incurring losses. The purchase of an option on foreign currency may constitute an effective hedge against exchange rate fluctuations; however, in the event of exchange rate movements adverse to a fund's position, the fund may forfeit the entire amount of the premium plus related transaction costs. In addition, these funds may purchase call or put options on currency to seek to increase total return when the fund's Investment Adviser anticipates that the currency will appreciate or depreciate in value, but the securities quoted or denominated in that currency do not present attractive investment opportunities and are not held in the fund's portfolio. When purchased or sold to increase total return, options on currencies are considered speculative. Options on foreign currencies to be written or purchased by these funds will be traded on U.S. and foreign exchanges or over-the-counter. See the "Options on Securities and Securities Indices—Risks Associated with Options Transactions" section, below, for a discussion of the liquidity risks associated with options transactions.

Foreign currency options are considered derivative securities. The Investment Adviser must obtain the explicit approval of the Board of Trustees prior to engaging in derivative transactions of this type.

*Special Risks Associated with Options on Currency.* An exchange traded options position may be closed out only on an options exchange which provides a secondary market for an option of the same series. Although a fund will generally purchase or write only those options for which there appears to be an active secondary market, there is no assurance that a liquid secondary market on an exchange will exist for any particular option, or at any particular time. For some options no secondary market on an exchange may exist. In such event, it might not be possible to effect closing transactions in particular options, with the result that a fund would have to exercise its options in order to realize any profit and would incur transaction costs upon the sale of underlying securities pursuant to the exercise of put options. If a fund as a covered call option writer is unable to effect a closing purchase transaction in a secondary market, it will not be able to identify the underlying currency (or security quoted or denominated in that currency) until the option expires or it delivers the underlying currency upon exercise.

There is no assurance that higher than anticipated trading activity or other unforeseen events might not, at times, render certain of the facilities of the Options Clearing Corporation inadequate, and thereby result in the institution by an exchange of special procedures which may interfere with the timely execution of customers' orders.

Each fund, except the **Tax-Free Funds**, may purchase and write over-the-counter options to the extent consistent with its limitation on investments in restricted securities. See the "Higher-Risk Securities and Practices" section, below, for each fund's limitations on investments in restricted securities. Trading in over-the-counter options is subject to the risk that the other party will be unable or unwilling to close-out options purchased or written by a fund.

The amount of the premiums which a fund may pay or receive may be adversely affected as new or existing institutions, including other investment companies, engage in or increase their option purchasing and writing activities.

### **Options on Securities and Securities Indices**

*Writing Options.* Each fund may write (sell) covered call and put options on any securities in which it may invest. A call option written by a fund obligates such fund to sell specified securities to the holder of the option at a specified price if the option is exercised at any time before the expiration date. All call options written by a fund are covered, which means that such fund will effectively own the securities subject to the option so long as the option is outstanding. It should be noted that a principal investment strategy of the **Covered Call & Equity Income Fund** is to write covered call put options (see the prospectus for more information). A fund's purpose in writing covered call options is to realize greater income than would be realized on portfolio securities transactions alone. However, a fund may forgo the opportunity to profit from an increase in the market price of the underlying security.

A put option written by a fund would obligate such fund to purchase specified securities from the option holder at a specified price if the option is exercised at any time before the expiration date. All put options written by a fund would be covered, which means that such fund would have deposited with its custodian cash or liquid securities with a value at least equal to the exercise price of the put option. The purpose of writing such options is to generate additional income for a fund. However, in return for the option premium, a fund accepts the risk that it will be required to purchase the underlying securities at a price in excess of the securities' market value at the time of purchase.

In addition, in the Investment Adviser's discretion, a written call option or put option may be covered by maintaining cash or liquid securities (either of which may be denominated in any currency) in a segregated account with the fund's custodian, by entering into an offsetting forward contract and/or by purchasing an offsetting option which, by virtue of its exercise price or otherwise, reduces a fund's net exposure on its written option position.

Each fund may also write and sell covered call and put options on any securities index composed of securities in which it may invest. Options on securities indices are similar to options on securities, except that the exercise of securities index options requires cash payments and does not involve the actual purchase or sale of securities. In addition, securities index options are designed to reflect price fluctuations in a group of securities or segment of the securities market rather than price fluctuations in a single security. A fund may cover call options on a securities index by owning securities whose price changes are expected to be similar to those of the underlying index, or by having an absolute and immediate right to acquire such securities without additional cash consideration (or for additional cash consideration held in a segregated account by its custodian) upon conversion or exchange of other securities in its portfolio. A fund may cover call and put options on a securities index by maintaining cash or liquid securities with a value equal to the exercise price in a segregated account with its custodian. Writing and selling options on securities indices is

considered transacting in derivative securities. Except for the **Covered Call & Equity Income Fund**, the Investment Adviser must obtain the explicit approval of the Board of Trustees prior to engaging in derivative transactions of this type.

A fund may terminate its obligations under an exchange-traded call or put option by purchasing an option identical to the one it has written. Obligations under over-the-counter options may be terminated only by entering into an offsetting transaction with the counterparty to such option. Such purchases are referred to as "closing purchase" transactions.

*Purchasing Options.* Each fund may purchase put and call options on any securities in which it may invest or options on any securities index based on securities in which it may invest. A fund would also be able to enter into closing sale transactions in order to realize gains or minimize losses on options it had purchased.

A fund would normally purchase call options in anticipation of an increase in the market value of securities of the type in which it may invest. The purchase of a call option would entitle a fund, in return for the premium paid, to purchase specified securities at a specified price during the option period. A fund would ordinarily realize a gain if, during the option period, the value of such securities exceeded the sum of the exercise price, the premium paid and transaction costs; otherwise such a fund would realize a loss on the purchase of the call option.

A fund would normally purchase put options in anticipation of a decline in the market value of securities in its portfolio ("protective puts") or in securities in which it may invest. The purchase of a put option would entitle a fund, in exchange for the premium paid, to sell specified securities at a specified price during the option period. The purchase of protective puts is designed to offset or hedge against a decline in the market value of a fund's securities. Put options may also be purchased by a fund for the purpose of affirmatively benefiting from a decline in the price of securities which it does not own. A fund would ordinarily realize a gain if, during the option period, the value of the underlying securities decreased below the exercise price sufficiently to cover the premium and transaction costs; otherwise such a fund would realize no gain or loss on the purchase of the put option. Gains and losses on the purchase of protective put options would tend to be offset by countervailing changes in the value of the underlying portfolio securities.

A fund would purchase put and call options on securities indices for the same purpose as it would purchase options on individual securities.

*Yield Curve Options.* The **Tax-Free Funds, Income Funds and Diversified Income Fund** may enter into options on the yield "spread," or yield differential between two securities. Such transactions are referred to as "yield curve" options. In contrast to other types of options, a yield curve option is based on the difference between the yields of designated securities, rather than the prices of the individual securities, and is settled through cash payments. Accordingly, a yield curve option is profitable to the holder if this differential widens (in the case of a call) or narrows (in the case of a put), regardless of whether the yields of the underlying securities increase or decrease.

These five (5) funds may purchase or write yield curve options for the same purposes as other options on securities. For example, a fund may purchase a call option on the yield spread between two securities if it owns one of the securities and anticipates purchasing the other security and wants to hedge against an adverse change in the yield between the two securities. A fund may also purchase or write yield curve options in an effort to increase its current income if, in the judgment of the Investment Adviser, the fund will be able to profit from movements in the spread between the yields of the underlying securities. The trading of yield curve options is subject to all of the risks associated with the trading of other types of options. In addition, however, such options present risk of loss even if the yield of one of the underlying securities remains constant, if the spread moves in a direction or to an extent which was not anticipated.

Yield curve options written by the **Tax-Free Funds, Income Funds and Diversified Income Funds** will be "covered." A call (or put) option is covered if a fund holds another call (or put) option on the spread between the same two securities and maintains in a segregated account with its custodian cash or liquid securities sufficient to cover the fund's net liability under the two options. Therefore, a fund's liability for such a covered option is generally limited to the difference between the amount of the fund's liability under the option written by the fund less the value of the option held by the fund. Yield curve options may also be covered in such other manner as may be in accordance with the requirements of the counterparty with which the option is traded and applicable laws and regulations. Yield curve options are traded over-the-counter, and because they have been only recently introduced, established trading markets for these options have not yet developed.

Yield curve options are considered derivative securities. The Investment Adviser must obtain the explicit approval of the Board of Trustees prior to engaging in derivative transactions of this type.

*Risks Associated with Options Transactions.* There is no assurance that a liquid secondary market on an options exchange will exist for any particular exchange-traded option or at any particular time. If a fund is unable to effect a closing purchase transaction with respect to covered options it has written, the fund will not be able to sell the underlying securities or dispose of assets held in a segregated account until the options expire or are exercised. Similarly, if a fund is unable to effect a closing sale transaction with respect to options it has purchased, it will have to exercise the options in order to realize any profit and will incur transaction costs upon the purchase or sale of underlying securities.

Reasons for the absence of a liquid secondary market on an exchange include the following: (i) there may be insufficient trading interest in certain options; (ii) restrictions may be imposed by an exchange on opening transactions or closing transactions or both; (iii) trading halts, suspensions or other restrictions may be imposed with respect to particular classes or series of options; (iv) unusual or unforeseen circumstances may interrupt normal operations on an exchange; (v) the facilities of an exchange or the Options Clearing Corporation may not at all times be adequate to handle current trading volume; or (vi) one or more exchanges could, for economic or other reasons, decide or be compelled at some future date to discontinue the trading of options (or a particular class or series of options), in which event the secondary market on that exchange (or in that class or series of options) would cease to exist, although outstanding options on that exchange that had been issued by the Options Clearing Corporation as a result of trades on that exchange would continue to be exercisable in accordance with their terms.

Each fund may purchase and sell both options that are traded on U.S. and foreign exchanges (however, the **Tax-Free Funds** cannot purchase/sell options traded on foreign exchanges) and options traded over-the-counter with broker-dealers who make markets in these options. The ability to terminate over-the-counter options is more limited than with exchange-traded options and may involve the risk that broker-dealers participating in such transactions will not fulfill their obligations. Until such time as the staff of the SEC changes its position, the funds will treat purchased over-the-counter options and all assets used to cover written over-the-counter options as illiquid securities, except that with respect to options written with

primary dealers in U.S. Government securities pursuant to an agreement requiring a closing purchase transaction at a formula price, the amount of illiquid securities may be calculated with reference to the formula.

Transactions by a fund in options on securities and stock indices will be subject to limitations established by each of the exchanges, boards of trade or other trading facilities governing the maximum number of options in each class which may be written or purchased by a single investor or group of investors acting in concert. Thus, the number of options which a fund may write or purchase may be affected by options written or purchased by other investment advisory clients of the Investment Adviser. An exchange, board of trade or other trading facility may order the liquidations of positions found to be in excess of these limits, and it may impose certain other sanctions.

The writing and purchase of options is a highly specialized activity which involves investment techniques and risks different from those associated with ordinary portfolio securities transactions. The successful use of protective puts for hedging purposes depends in part on the Investment Adviser's ability to predict future price fluctuations and the degree of correlation between the options and securities markets.

### **Futures Contracts and Options on Futures Contracts**

The **Core Bond Fund** may purchase and sell futures contracts and purchase and write options on futures contracts. The fund may purchase and sell futures contracts based on various securities (such as U.S. Government securities), securities indices, foreign currencies and other financial instruments and indices. The fund will engage in futures or related options transactions only for bona fide hedging purposes as defined below or for purposes of seeking to increase total returns to the extent permitted by regulations of the Commodity Futures Trading Commission (the "CFTC"), including applicable registration requirements. All futures contracts entered into by a fund are traded on U.S. exchanges or boards of trade that are licensed and regulated by the CFTC or on foreign exchanges.

*Futures Contracts.* A futures contract may generally be described as an agreement between two parties to buy and sell particular financial instruments for an agreed price during a designated month (or to deliver the final cash settlement price, in the case of a contract relating to an index or otherwise not calling for physical delivery at the end of trading in the contract).

When interest rates are rising or securities prices are falling, a fund can seek through the sale of futures contracts to offset a decline in the value of its current portfolio securities. When rates are falling or prices are rising, a fund, through the purchase of futures contracts, can attempt to secure better rates or prices than might later be available in the market when it effects anticipated purchases. Similarly, a fund can sell futures contracts on a specified currency to protect against a decline in the value of such currency and its portfolio securities which are denominated in such currency. Funds can purchase futures contracts on foreign currency to fix the price in U.S. dollars of a security denominated in such currency that such fund has acquired or expects to acquire.

Positions taken in the futures markets are not normally held to maturity, but are instead liquidated through offsetting transactions which may result in a profit or a loss. While a fund's futures contracts on securities or currency will usually be liquidated in this manner, it may instead make or take delivery of the underlying securities or currency whenever it appears economically advantageous for the fund to do so. A clearing corporation (associated with the exchange on which futures on a security or currency are traded) guarantees that, if still open, the sale or purchase will be performed on the settlement date.

*Hedging Strategies.* Hedging by use of futures contracts seeks to establish more certainty of (than would otherwise be possible) the effective price, rate of return or currency exchange rate on securities that the fund owns or proposes to acquire. The fund may, for example, take a "short" position in the futures market by selling futures contracts in order to hedge against an anticipated rise in interest rates or a decline in market prices or foreign currency rates that would adversely affect the U.S. dollar value of the fund's portfolio securities. Such futures contracts may include contracts for the future delivery of securities held by a fund or securities with characteristics similar to those of the fund's portfolio securities. Similarly, the fund may sell futures contracts on a currency in which its portfolio securities are denominated or in one currency to hedge against fluctuations in the value of securities denominated in a different currency if there is an established historical pattern of correlation between the two currencies.

If, in the opinion of the Investment Adviser, there is a sufficient degree of correlation between price trends for the fund's portfolio securities and futures contracts based on other financial instruments, securities indices or other indices, the fund may also enter into such futures contracts as part of its hedging strategy. Although under some circumstances prices of securities in the fund's portfolio may be more or less volatile than prices of such futures contracts, the Investment Adviser will attempt to estimate the extent of this difference in volatility based on historical patterns and to compensate for it by having the fund enter into a greater or lesser number of futures contracts or by attempting to achieve only a partial hedge against price changes affecting the fund's securities portfolio. When hedging of this character is successful, any depreciation in the value of portfolio securities will substantially be offset by appreciation in the value of the futures position. On the other hand, any unanticipated appreciation in the value of the fund's portfolio securities would be substantially offset by a decline in the value of the futures position.

On other occasions, the fund may take a "long" position by purchasing such futures contracts. This would be done, for example, when the fund anticipates the subsequent purchase of particular securities when it has the necessary cash, but expects the prices or currency exchange rates then available in the applicable market to be less favorable than prices or rates that are currently available.

*Options on Futures Contracts.* The acquisition of put and call options on futures contracts will give the fund the right (but not the obligation) for a specified price, to sell or to purchase, respectively, the underlying futures contract at any time during the option period. As the purchaser of an option on a futures contract, the fund obtains the benefit of the futures position if prices move in a favorable direction but limits its risk of loss in the event of an unfavorable price movement to the loss of the premium and transaction costs.

The writing of a call option on a futures contract generates a premium which may partially offset a decline in the value of the fund's assets. By writing a call option, the fund becomes obligated, in exchange for the premium, to sell a futures contract which may have a value higher than the exercise price. Conversely, the writing of a put option on a futures contract generates a premium, which may partially offset an increase in the price of securities that the fund intends to purchase. However, the fund becomes obligated to purchase a futures contract, which may have a value lower than the exercise price. Thus, the loss incurred by the fund in writing options on futures is potentially unlimited and may exceed the amount of the premium received. The fund will incur transaction costs in connection with the writing of options on futures.

The holder or writer of an option on a futures contract may terminate its position by selling or purchasing an offsetting option on the same series. There is no guarantee that such closing transactions can be effected. The fund's ability to establish and close out positions on such options will be subject to the development and maintenance of a liquid market.

*Other Considerations.* Where permitted, the fund will engage in futures transactions and in related options transactions for hedging purposes or to seek to increase total return. The fund will determine that the price fluctuations in the futures contracts and options on futures used for hedging purposes are substantially related to price fluctuations in securities held by the fund or which it expects to purchase. Except as stated below, each fund's futures transactions will be entered into for traditional hedging purposes, that is to say, futures contracts will be used to protect against a decline in the price of securities (or the currency in which they are denominated) that the fund owns, or futures contracts will be purchased to protect the fund against an increase in the price of securities (or the currency in which they are denominated) it intends to purchase. As evidence of this hedging intent, the fund expects that on most of the occasions on which it takes a long futures or option position (involving the purchase of a futures contract), the fund will have purchased, or will be in the process of purchasing equivalent amounts of related securities (or assets denominated in the related currency) in the cash market at the time when the futures or option position is closed out. However, in particular cases, when it is economically advantageous for a fund to do so, a long futures position may be terminated or an option may expire without the corresponding purchase of securities or other assets.

The CFTC, a federal agency, regulates trading activity in futures contracts and related options contracts pursuant to the Commodity Exchange Act, as amended (the "CEA"). The CFTC requires the registration of a commodity pool operator ("CPO"), which is defined as any person engaged in a business which is of the nature of an investment trust, syndicate or a similar form of enterprise, and who, in connection therewith, solicits, accepts or receives from others funds, securities or property for the purpose of trading in a commodity for future delivery on or subject to the rules of any contract market. The CFTC has adopted Rule 4.5, which provides an exclusion from the definition of commodity pool operator for any registered investment company which files a notice of eligibility. The investment adviser, on behalf of the **Core Bond Fund**, which may invest in futures transactions and related options transactions, has filed a notice of eligibility claiming exclusion from the status of CPO and, therefore, is not subject to registration or regulation as a CPO under the CEA. Prior to engaging in such transactions, should the eligibility for continuing the claim of exclusion no longer be available, the fund may be subject to registration or regulation as a CPO if no other exclusion from these requirements are then available.

As permitted, the fund will engage in transactions in futures contracts and in related options transactions only to the extent such transactions are consistent with the requirements of the Internal Revenue Code of 1986, as amended (the "Code"), for maintaining its qualification as a regulated investment company for federal income tax purposes (see the "Distributions and Taxes" section, below).

Transactions in futures contracts and options on futures involve brokerage costs, require margin deposits and, in the case of contracts and options obligating a fund to purchase securities or currencies, require the fund to segregate with its custodian cash or liquid securities in an amount equal to the underlying value of such contracts and options.

While transactions in futures contracts and options on futures may reduce certain risks, such transactions themselves entail certain other risks. Thus, unanticipated changes in interest rates, securities prices or currency exchange rates may result in a poorer overall performance for the fund than if it had not entered into any futures contracts or options transactions. In the event of an imperfect correlation between a futures position and portfolio position which is intended to be protected, the desired protection may not be obtained and the fund may be exposed to risk of loss.

Perfect correlation between the fund's futures positions and portfolio positions may be difficult to achieve. The only futures contracts available to hedge a fund's portfolio are various futures on U.S. Government securities, securities indices and foreign currencies. In addition, it is not possible for a fund to hedge fully or perfectly against currency fluctuations affecting the value of securities denominated in foreign currencies because the value of such securities is likely to fluctuate as a result of independent factors not related to currency fluctuations.

## Swap Agreements

The **Core Bond Fund** may enter into interest rate, credit default, index, currency exchange rate and total return swap agreements for hedging purposes in attempts to obtain a particular desired return at a lower cost to the fund than if the fund had invested directly in an instrument that yielded the desired return, and to seek to increase the fund's total return. The funds may also enter into special interest rate swap arrangements such as caps, floors and collars for both hedging purposes and to seek to increase total return. The funds would typically use interest rate swaps to shorten the effective duration of their portfolios.

Swap agreements are contracts entered into by institutional investors for periods ranging from a few weeks to more than one year. In a standard "swap" transaction, two parties agree to exchange the returns (or differentials in rates of return) earned or realized on particular pre-determined investments or instruments. The gross returns to be exchanged or "swapped" between the parties are calculated with respect to a "notional amount" (i.e., the return on or increase in value of a particular dollar amount invested at a particular interest rate), in a particular foreign currency, or in a "basket" of securities representing a particular index. The "notional amount" of the swap agreement is only a fictive basis on which to calculate the obligations the parties to a swap agreement have agreed to exchange. A fund's obligations (or rights) under a swap agreement are equal only to the amount to be paid or received under the agreement based on the relative values of the positions held by each party (the "net amount"). A fund's obligations under a swap agreement are accrued daily (offset against any amounts owing to the fund) and any accrued but unpaid net amounts owed to a swap counterparty are covered by the maintenance of a segregated assets.

Interest rate swaps involve the exchange by a fund with another party of their respective commitments to pay or receive interest, such as an exchange of fixed rate payments for floating rate payments. Credit default swaps involve a contract by a fund with another party to transfer the credit exposure of a specific commitment between the parties. Currency swaps involve the exchange by a fund with another party of their respective rights to make or receive payments in specified currencies. A total return swap involves an agreement in which one party makes payments based on a set rate, either fixed or variable, while the other party makes payments based on the return of an underlying asset, which includes both the income it generates and any capital gains. The underlying asset that is used is usually an equities index, loan or a basket of assets. The purchase of an interest rate cap entitles the purchaser to receive from the seller of the cap payments of interest on a notional amount equal to the amount by which a specified index exceeds a stated interest rate. The purchase of an interest rate floor entitles the purchaser to receive from the seller of the floor payments of interest on a notional amount equal to the amount by which a specified index falls below a stated interest rate. An interest rate collar is

the combination of a cap and a floor that preserves a certain return within a stated range of interest rates. Since interest rate swaps, currency swaps and interest rate caps, floors and collars are individually negotiated, the funds expect to achieve an acceptable degree of correlation between their portfolio investments and their interest rate or currency swap positions entered into for hedging purposes.

The funds may only enter into interest rate swaps on a net basis, which means the two payment streams are netted out, with the fund receiving or paying, as the case may be, only the net amount of the two payments. Interest rate swaps do not involve the delivery of securities, or underlying assets or principal. Accordingly, the risk of loss with respect to interest rate swaps is limited to the net amount of interest payments that the fund is contractually obligated to make. If the other party to an interest rate swap defaults, a fund's risk of loss consists of the net amount of interest payments that the fund is contractually entitled to receive. In contrast, currency swaps usually involve the delivery of the entire principal value of one designated currency in exchange for the other designated currency. Therefore, the entire principal value of a currency swap is subject to the risk that the other party to the swap will default on its contractual delivery obligations.

To the extent the funds engage in such activity, the Trust would maintain in a segregated account with its custodian, cash or liquid securities equal to the net amount, if any, of the excess of each fund's obligations over its entitlements with respect to swap transactions. The funds will not enter into swap transactions unless the unsecured commercial paper, senior debt or claims paying ability of the other party is considered investment grade by the Investment Adviser. If there is a default by the other party to such a transaction, the funds will have contractual remedies pursuant to the agreement related to the transaction.

The use of interest rate, credit default and currency swaps (including caps, floors and collars) is a highly specialized activity which involves investment techniques and risks different from those associated with traditional portfolio securities activities. If the Investment Adviser is incorrect in its forecasts of market values, interest rates and currency exchange rates, the investment performance of the funds would be less favorable than it would have been if this investment technique were not used.

In as much as swaps are entered into for good faith hedging purposes or are offset by segregated assets, the Investment Adviser does not believe that swaps constitute senior securities as defined in the 1940 Act, and, accordingly, will not treat swaps as being subject to the funds' borrowing restrictions. The swap market has grown substantially in recent years with a large number of banks and investment banking firms acting both as principals and as agents utilizing standardized swap documentation. As a result, the swap market has become relatively liquid compared with the markets for other similar instruments which are traded in the interbank market. Nevertheless, the staff of the SEC takes the position that currency swaps are illiquid investments subject to a fund's 15% limitation on such investments.

In recent years, the SEC and the CFTC have adopted rules creating a new, comprehensive regulatory framework for swaps transactions. Under the new rules, certain swaps transactions are required to be executed on a regulated trading platform and cleared through a derivatives clearing organization. Additionally, the new rules impose other requirements on the parties entering into swaps transactions, including requirements relating to posting margin, and reporting and documenting swaps transactions. Funds engaging in swaps transactions may incur additional expense as a result of these new regulatory requirements. For these reasons, the Investment Adviser must obtain the explicit approval of the Board of Trustees prior to engaging in swap transactions for the **Core Bond Fund**.

#### **Certain Bond Fund Practices**

The **Income Funds** and **Diversified Income Fund** may invest all or a portion of their assets in debt securities. As stated in the prospectus, the funds will emphasize investment grade securities.

These funds may also make use of certain derivatives, such as options, to manage risks and returns, including the risk of fluctuating interest rates. These instruments will be used to control risk and obtain additional income and not with a view toward speculation. The funds will invest only in options which are exchange-traded or sold over-the-counter.

In the debt securities market, purchases of some issues are occasionally made under firm (forward) commitment agreements. The purchase of securities under such agreements can involve risk of loss due to changes in the market rate of interest between the commitment date and the settlement date. As a matter of operating policy, no fund will commit itself to forward commitment agreements in an amount in excess of 25% of total assets and will not engage in such agreements for leveraging purposes.

#### **Lower-Rated Corporate Debt Securities**

Each fund, except the **Tax-Free Funds** and **High Quality Bond Fund**, may make certain investments in corporate debt obligations that are unrated or rated below investment grade (i.e., ratings of BB or lower by Standard & Poor's or Ba or lower by Moody's). Bonds rated BB or Ba or below by Standard & Poor's or Moody's (or comparable unrated securities) are commonly referred to as "lower-rated" or "high yield" securities, or as "junk bonds," and are considered speculative with regard to principal and interest payments. In some cases, such bonds may be highly speculative with a high probability of default. As a result, investment in such bonds will entail greater speculative risks than those associated with investment in investment-grade bonds (i.e., bonds rated AAA, AA, A or BBB by Standard & Poor's or Aaa, Aa, A or Baa by Moody's). See [Appendix B](#) for more information.

Factors having an adverse impact on the market value of lower rated securities will have an adverse effect on a fund's NAV to the extent it invests in such securities. In addition, a fund may incur additional expenses to the extent it is required to seek recovery upon a default in payment of principal or interest on its portfolio holdings.

The secondary market for junk bond securities may not be as liquid as the secondary market for more highly rated securities, a factor which may have an adverse effect on a fund's ability to dispose of a particular security when necessary to meet its liquidity needs. Under adverse market or economic conditions, the secondary market for junk bond securities could contract further, independent of any specific adverse changes in the condition of a particular issuer. As a result, a fund's Investment Adviser could find it more difficult to sell these securities or may be able to sell the securities only at prices lower than if such securities were widely traded. Prices realized upon the sale of such lower rated or unrated securities, under these circumstances, may be less than the prices used in calculating a fund's NAV.

Since investors generally perceive that there are greater risks associated with lower-rated debt securities, the yields and prices of such securities may tend to fluctuate more than those of higher rated securities. In the lower quality segments of the fixed-income securities market, changes in

perceptions of issuers' creditworthiness tend to occur more frequently and in a more pronounced manner than do changes in higher quality segments of the fixed-income securities market resulting in greater yield and price volatility.

Another factor which causes fluctuations in the prices of fixed-income securities is the supply and demand for similarly rated securities. In addition, the prices of fixed-income securities fluctuate in response to the general level of interest rates. Fluctuations in the prices of portfolio securities subsequent to their acquisition will not affect cash income from such securities but will be reflected in a fund's NAV.

Lower-rated (and comparable non-rated) securities tend to offer higher yields than higher-rated securities with the same maturities because the historical financial condition of the issuers of such securities may not have been as strong as that of other issuers. Since lower rated securities generally involve greater risks of loss of income and principal than higher-rated securities, investors should consider carefully the relative risks associated with investment in securities which carry lower ratings and in comparable non-rated securities. In addition to the risk of default, there are the related costs of recovery on defaulted issues. A fund's Investment Adviser will attempt to reduce these risks through diversification of these funds' portfolios and by analysis of each issuer and its ability to make timely payments of income and principal, as well as broad economic trends in corporate developments.

### **Foreign Government Debt Securities**

Each fund, except the **Tax-Free Funds**, may invest in debt obligations of foreign governments and governmental agencies, including those of countries with emerging economies and/or securities markets. Investment in sovereign debt obligations involves special risks not present in debt obligations of corporate issuers. The issuer of the debt or the governmental authorities that control the repayment of the debt may be unable or unwilling to repay principal or interest when due in accordance with the terms of such debt, and the funds may have limited recourse in the event of a default. Periods of economic uncertainty or market stress may result in the volatility of market prices of sovereign debt, and in turn the fund's NAV, to a greater extent than the volatility inherent in debt obligations of U.S. issuers. A sovereign debtor's willingness or ability to repay principal and pay interest in a timely manner may be affected by, among other factors, its cash flow situation, the extent of its foreign currency reserves, the availability of sufficient foreign exchange on the date a payment is due, the relative size of the debt service burden to the economy as a whole, the sovereign debtor's policy toward principal international lenders and the political constraints to which a sovereign debtor may be subject.

### **Convertible Securities**

Each fund may invest in convertible securities. Convertible securities may include corporate notes or preferred stock but are ordinarily a long-term debt obligation of the issuer convertible at a stated conversion rate into common stock of the issuer. As with all debt and income-bearing securities, the market value of convertible securities tends to decline as interest rates increase and, conversely, to increase as interest rates decline. Convertible securities generally offer lower interest or dividend yields than non-convertible securities of similar quality. However, when the market price of the common stock underlying a convertible security exceeds the conversion price, the price of the convertible security tends to reflect the value of the underlying common stock. As the market price of the underlying common stock declines, the convertible security tends to trade increasingly on a yield basis, and thus may not decline in price to the same extent as the underlying common stock. Convertible securities rank senior to common stocks in an issuer's capital structure and are consequently of higher quality and entail less risk than the issuer's common stock. In evaluating a convertible security, a fund's Investment Adviser gives primary emphasis to the attractiveness of the underlying common stock. The convertible debt securities in which any other fund may invest are subject to the same rating criteria as that fund's investments in non-convertible debt securities. Convertible debt securities, the market yields of which are substantially below prevailing yields on non-convertible debt securities of comparable quality and maturity, are treated as equity securities for the purposes of a fund's investment policies or restrictions.

### **U.S. Government Securities**

Each fund may purchase U.S. Government securities (subject to certain restrictions regarding mortgage-backed securities described in the "Mortgage-Backed (Mortgage Pass-Through) Securities" section, below). U.S. Government securities are obligations issued or guaranteed by the U.S. Government, its agencies, authorities or instrumentalities.

Certain U.S. Government securities, including U.S. Treasury bills, notes and bonds, and Government National Mortgage Association ("Ginnie Mae") certificates, are backed by the full faith and credit guarantee of the U.S. Government. Certain other U.S. Government securities, issued or guaranteed by federal agencies or government sponsored enterprises, do not have the full faith and credit guarantee of the U.S. Government, but may be supported by the right of the issuer to borrow from the U.S. Treasury.

Pass-through securities that are issued by Ginnie Mae, the Federal Home Loan Mortgage Corporation ("Freddie Mac"), and the Federal National Mortgage Association ("Fannie Mae") are mortgage-backed securities which provide monthly payments which are, in effect, a "pass-through" of the monthly interest and principal payments (including any prepayments) made by individual borrowers on the pooled mortgage loans.

Collateralized mortgage obligations ("CMOs") in which a fund may invest are securities that are collateralized by a portfolio of mortgages or mortgage-backed securities. Each fund may invest in separately traded principal and interest components of securities guaranteed or issued by the U.S. Treasury if such components are traded independently under the Separate Trading of Registered Interest and Principal of Securities program ("STRIPS").

Each fund may acquire securities issued or guaranteed as to principal and interest by the U.S. Government, its agencies, authorities or instrumentalities in the form of custody receipts. Such receipts evidence ownership of future interest payments, principal payments or both on certain notes or bonds issued by the U.S. Government, its agencies, authorities or instrumentalities. For certain securities law purposes, custody receipts are not considered obligations of the U.S. Government.

### **Other Debt Securities**

*Zero Coupon, Deferred Interest, Pay-in-Kind and Capital Appreciation Bonds.* The **Income Funds** and **Diversified Income Fund** may invest in zero coupon bonds as well as in capital appreciation bonds ("CABs"), deferred interest and pay-in-kind bonds. Zero coupon, deferred interest, pay-in-kind and CABs are debt obligations which are issued at a significant discount from face value. The original discount approximates the total amount of interest the bonds will accrue and compound over the period until maturity or the first interest accrual date at a rate of interest reflecting the market rate of the security at the time of issuance.

Zero coupon bonds are debt obligations that do not entitle the holder to any periodic payments of interest prior to maturity or provide for a specified cash payment date when the bonds begin paying current interest. As a result, zero coupon bonds are generally issued and traded at a significant discount from their face value. The discount approximates the present value amount of interest the bonds would have accrued and compounded over the period until maturity. CABs are distinct from traditional zero coupon bonds because the investment return is considered to be in the form of compounded interest rather than accreted original issue discount. For this reason, the initial principal amount of a CAB would be counted against a municipal issuer's statutory debt limit, rather than the total par value, as is the case for a traditional zero coupon bond.

Zero coupon bonds benefit the issuer by mitigating its initial need for cash to meet debt service, but generally provide a higher rate of return to compensate investors for the deferment of cash interest or principal payments. Such securities are often issued by companies that may not have the capacity to pay current interest and so may be considered to have more risk than current interest-bearing securities. In addition, the market price of zero coupon bonds generally is more volatile than the market prices of securities that provide for the periodic payment of interest. The market prices of zero coupon bonds are likely to fluctuate more in response to changes in interest rates than those of interest-bearing securities having similar maturities and credit quality.

Zero coupon bonds carry the additional risk that, unlike securities that provide for the periodic payment of interest to maturity, the fund will realize no cash until a specified future payment date unless a portion of such securities is sold. If the issuer of such securities defaults, the fund may obtain no return at all on its investment. In addition, the fund's investment in zero coupon bonds may require it to sell certain of its portfolio securities to generate sufficient cash to satisfy certain income distribution requirements.

While zero coupon bonds do not require the periodic payment of interest, deferred interest bonds generally provide for a period of delay before the regular payment of interest begins. Although this period of delay is different for each deferred interest bond, a typical period is approximately one-third of the bond's term to maturity. Pay-in-kind securities are securities that have interest payable by the delivery of additional securities. Such investments benefit the issuer by mitigating its initial need for cash to meet debt service, but some also provide a higher rate of return to attract investors who are willing to defer receipt of such cash. Such investments experience greater volatility in market value due to changes in interest rates than debt obligations which provide for regular payments of interest. A fund will accrue income on such investments for tax and accounting purposes, as required, which is distributable to shareholders and which, because no cash is received at the time of accrual, may require the liquidation of other portfolio securities to satisfy the fund's distribution obligations.

*Structured Securities.* The **Income Funds** and **Diversified Income Fund** may invest in structured securities. The value of the principal of and/or interest on such securities is determined by reference to changes in the value of specific currencies, interest rates, commodities, indices or other financial indicators (the "Reference") or the relative change in two or more References. The interest rate or the principal amount payable upon maturity or redemption may be increased or decreased depending upon changes in the applicable Reference. The terms of the structured securities may provide that in certain circumstances no principal is due at maturity and, therefore, may result in the loss of the fund's investment. Structured securities may be positively or negatively indexed, so that appreciation of the Reference may produce an increase or decrease in the interest rate or value of the security at maturity. In addition, changes in interest rates or the value of the security at maturity may be a multiple of changes in the value of the Reference. Consequently, structured securities may entail a greater degree of market risk than other types of fixed-income securities. Structured securities may also be more volatile, less liquid and more difficult to accurately price than less complex fixed-income investments.

Structured securities are considered transactions in derivative securities. The Investment Adviser must obtain the explicit approval of the Board of Trustees prior to engaging in derivative transactions of this type.

### **Mortgage-Backed (Mortgage Pass-Through) Securities**

The **Income Funds** and **Diversified Income Fund** may invest in mortgage-backed, or mortgage pass-through, securities, which are securities representing interests in "pools" of mortgage loans. Monthly payments of interest and principal by the individual borrowers on mortgages are passed through to the holders of the securities (net of fees paid to the issuer or guarantor of the securities) as the mortgages in the underlying mortgage pools are paid off. The average lives of these securities are variable when issued because their average lives depend on interest rates. The average life of these securities is likely to be substantially shorter than their stated final maturity as a result of unscheduled principal prepayments. Prepayments on underlying mortgages result in a loss of anticipated interest, and all or part of a premium if any has been paid, and the actual yield (or total return) to the holder of a pass-through security may be different than the quoted yield on such security. Mortgage prepayments generally increase with falling interest rates and decrease with rising interest rates. Like other fixed income securities, when interest rates rise, the value of a mortgage pass-through security generally will decline; however, when interest rates are declining, the value of mortgage pass-through securities with prepayment features may not increase as much as that of other fixed income securities due to increased principal prepayments.

Interests in pools of mortgage-related securities differ from other forms of debt securities, which normally provide for periodic payment of interest in fixed amounts with principal payments at maturity or specified call dates. Instead, these securities provide a monthly payment which consists of both interest and principal payments. In effect, these payments are a "pass-through" of the monthly payments made by the individual borrowers on their mortgage loans, net of any fees paid to the issuer or guarantor of such securities. Additional payments are caused by prepayments of principal resulting from the sale, refinancing or foreclosure of the underlying property, net of fees or costs which may be incurred. Some mortgage pass-through securities (such as securities issued by Ginnie Mae), are described as "modified pass-through." These securities entitle the holder to receive all interest and principal payments owned on the mortgages in the mortgage pool, net of certain fees, at the scheduled payment dates regardless of whether the mortgagor actually makes the payment.

The principal governmental guarantor of mortgage pass-through securities is Ginnie Mae, which is a wholly owned U.S. Government corporation within the Department of Housing and Urban Development. Ginnie Mae is authorized to guarantee, with the full faith and credit of the U.S. Government, the timely payment of principal and interest on securities issued by institutions approved by Ginnie Mae (such as savings and loan institutions, commercial banks and mortgage bankers) and backed by pools of Federal Housing Administration-insured or Veteran's Administration (VA)-guaranteed mortgages. These guarantees, however, do not apply to the market value or yield of mortgage pass-through securities. Ginnie Mae securities are often purchased at a premium over the maturity value of the underlying mortgages. This premium is not guaranteed and will be lost if prepayment occurs.

Government-related guarantors (i.e., whose guarantees are not backed by the full faith and credit of the U.S. Government) include Fannie Mae and Freddie Mac. Fannie Mae is a government-sponsored corporation owned entirely by private stockholders. It is subject to general regulation by the Secretary of Housing and Urban Development. Fannie Mae purchases conventional residential mortgages (i.e., mortgages not insured or guaranteed by any governmental agency) from a list of approved seller/servicers which include state and federally-chartered savings and loan associations, mutual savings banks, commercial banks, credit unions and mortgage bankers. Pass-through securities issued by Fannie Mae are guaranteed as to timely payment by Fannie Mae of principal and interest.

Freddie Mac was created by Congress in 1970 as a corporate instrumentality of the U.S. Government for the purpose of increasing the availability of mortgage credit for residential housing. Freddie Mac issues Participation Certificates ("PCs") which represent interest in conventional mortgages (i.e., not federally insured or guaranteed) from Freddie Mac's national portfolio. Freddie Mac guarantees timely payment of interest and ultimate collection of principal regardless of the status of the underlying mortgage loans.

The obligations of Fannie Mae and Freddie Mac are not guaranteed by the U.S. Government. Fannie Mae and Freddie Mac were placed into conservatorship by the Federal Housing Finance Agency ("FHFA"), an independent regulator, in 2008, and FHFA succeeded to all of their rights, titles, powers, and privileges. At the time Fannie Mae and Freddie Mac were placed in conservatorship, the U.S. Treasury established preferred stock purchase agreements pursuant to which the U.S. Treasury will contribute cash capital to maintain a positive net worth in each enterprise. These agreements were amended in December 2009 to permit the U.S. Treasury's funding commitment to increase as necessary to accommodate any cumulative reduction in net worth of the enterprises for a three-year period. FHFA has the right to transfer or sell any asset or liability of Fannie Mae or Freddie Mac without any approval, assignment or consent, although FHFA has stated that it has no present intention to do so. In addition, holders of mortgage-backed securities issued by Fannie Mae or Freddie Mac may not enforce certain rights related to such securities against FHFA, or the enforcement of such rights may be delayed, during the conservatorship. On June 3, 2019, FHFA's "Single Security Initiative" intended to maximize liquidity for both Fannie Mae and Freddie Mac mortgage-backed securities in the To-Be-Announced ("TBA") market, Fannie Mae and Freddie Mac started issuing uniform mortgage-backed securities ("UMBS") in place of their separate offerings of TBA-eligible mortgage-backed securities. The issuance of UMBS may not achieve the intended results and may have unanticipated or adverse effects on the market for mortgage-backed securities.

Recently, the Trump Administration and FHFA have made it a policy priority to end these conservatorships. Proposals to end the conservatorships have included recapitalization initiatives, the use of loss-absorbing instruments, and regulatory capital and liquidity requirements to ensure that Fannie Mae and Freddie Mac can operate in a safe and sound manner without posing systemic risk to the economy. Furthermore, the existing preferred stock purchase agreements may be amended and further credit enhancements may be provided by guarantors chartered by FHFA and other sources of first-loss private capital to ensure that payments on mortgage-backed securities remain supported. However, the success of any such reforms, whether accomplished through legislation or administrative rulemaking, depends on a number of political, economic, and other factors, which may or may not materialize. For example, future presidential or congressional elections may result in legal and regulatory changes to government-sponsored enterprises' participation in the mortgage industry being reprioritized, revised, or abandoned altogether, and new guarantors and other sources of capital may not enter the secondary market for residential mortgage loans and mortgage-backed securities if reform efforts fail to reduce Fannie Mae's and Freddie Mac's competitive advantages. Accordingly, no assurances can be given that any existing credit support under the preferred stock purchase agreements will continue to remain in place or that any proposed new credit enhancement proposals will be implemented.

Credit unions, commercial banks, savings and loan institutions, private mortgage insurance companies, mortgage bankers and other secondary market issuers also create pass-through pools of mortgage loans. Such issuers may also be the originators and/or servicers of the underlying mortgage-related securities. Pools created by such non-governmental issuers generally offer a higher rate of interest than government and government-related pools because there are no direct or indirect government or agency guarantees of payments in the former pools. However, timely payment of interest and principal of mortgage loans in these pools may be supported by various forms of insurance or guarantees, including individual loan, title, pool and hazard insurance and letters of credit. The insurance and guarantees are issued by governmental entities, private insurers and the mortgage poolers. There can be no assurance that the private insurers or guarantors can meet their obligations under the insurance policies or guarantee arrangements.

### **Other Securities Related to Mortgages**

*CMOs and Multiclass Pass-Through Securities.* The **Income Funds** and **Diversified Income Fund** may invest a portion of their assets in CMOs, which are debt obligations collateralized by mortgage loans or mortgage pass-through securities. The following is a description of CMOs and types of CMOs but is not intended to be an exhaustive or exclusive list of each type of CMO a fund may invest in. Typically, CMOs are collateralized by certificates issued by Ginnie Mae, Fannie Mae or Freddie Mac, but also may be collateralized by whole loans or private mortgage pass-through securities (such collateral collectively hereinafter referred to as "Mortgage Assets"). The funds listed above may also invest a portion of their assets in multiclass pass-through securities which are equity interests in a trust composed of Mortgage Assets. Unless the context indicates otherwise, all references herein to CMOs include multiclass pass-through securities. Payments of principal of and interest on the Mortgage Assets, and any reinvestment income thereon, provide the funds to pay debt service on the CMOs or make scheduled distributions on the multiclass pass-through securities. CMOs may be issued by agencies or instrumentalities of the United States government or by private originators of, or investors in, mortgage loans, including credit unions, savings and loan associations, mortgage banks, commercial banks, investment banks and special purpose subsidiaries of the foregoing. The issuer of a series of CMOs may elect to be treated as a Real Estate Mortgage Investment Conduit ("REMIC").

In a CMO, a series of bonds or certificates are usually issued in multiple classes with different maturities. Each class of CMOs, often referred to as a "tranche," is issued at a specific fixed or floating coupon rate and has a stated maturity or final distribution date. Principal prepayments on the Mortgage Assets may cause the CMOs to be retired substantially earlier than their stated maturities or final distribution dates, resulting in a loss of all or a part of the premium if any has been paid. Interest is paid or accrues on all classes of the CMOs on a monthly, quarterly or semiannual basis. The principal of and interest on the Mortgage Assets may be allocated among the several classes of a series of a CMO in innumerable ways. In a common structure, payments of principal, including any principal pre-payments, on the Mortgage Assets are applied to the classes of the series of a CMO in the order of their respective stated maturities or final distribution dates, so that no payment of principal will be made on any class of CMOs until all other classes having an earlier stated maturity or final distribution date have been paid in full. Certain CMOs may be stripped (securities which provide only the principal or interest factor of the underlying security). See the "Stripped Mortgage-Backed Securities" subsection, below, for

a discussion of the risks of investing in these stripped securities and of investing in classes consisting primarily of interest payments or principal payments.

The funds listed above may also invest in parallel pay CMOs and Planned Amortization Class CMOs ("PAC Bonds"). Parallel pay CMOs are structured to provide payments of principal on each payment date to more than one class. These simultaneous payments are taken into account in calculating the stated maturity date or final distribution date of each class, which, as with other CMO structures, must be retired by its stated maturity date or final distribution date, but may be retired earlier. PAC Bonds generally require payments of a specified amount of principal on each payment date. PAC Bonds are always parallel pay CMOs with the required principal payment on such securities having the highest priority after interest has been paid to all classes.

CMOs and multiclass pass-through securities are considered derivative securities. The Investment Adviser must obtain the explicit approval of the Board of Trustees prior to engaging in derivative transactions of this type.

*Stripped Mortgage-Backed Securities.* The **Income Funds** and **Diversified Income Fund** may invest a portion of their assets in stripped mortgage-backed securities ("SMBS") which are derivative multiclass mortgage securities issued by agencies or instrumentalities of the U.S. Government or by private originators of, or investors in, mortgage loans, including savings and loan associations, mortgage banks, commercial banks and investment banks.

SMBS are usually structured with two classes that receive different proportions of the interest and principal distributions from a pool of Mortgage Assets. A common type of SMBS will have one class receiving some of the interest and most of the principal from the Mortgage Assets, while another class receives most of the interest and the remainder of the principal. In the most extreme case, one class will receive an "IO" (the right to receive all of the interest) while the other class will receive a "PO" (the right to receive all of the principal). The yield to maturity on an IO is extremely sensitive to the rate of principal payments (including prepayments) on the related underlying Mortgage Assets, and a rapid rate of principal payments may have a material adverse effect on such security's yield to maturity. If the underlying Mortgage Assets experience greater than anticipated prepayments of principal, a fund may fail to fully recoup its initial investment in these securities. The market value of the class consisting primarily or entirely of principal payments generally is unusually volatile in response to changes in interest rates.

Stripped mortgage-backed securities are considered transactions in derivative securities. The Investment Adviser must obtain the explicit approval of the Board of Trustees prior to engaging in derivative transactions of this type.

*Mortgage Dollar Rolls.* The **Income Funds** and **Diversified Income Fund** may enter into mortgage "dollar rolls" in which the fund sells securities for delivery in the current month and simultaneously contracts with the same counterparty to repurchase substantially similar (same type, coupon and maturity) but not identical securities on a specified future date. During the roll period, a fund loses the right to receive principal and interest paid on the securities sold. However, a fund would benefit to the extent of any difference between the price received for the securities sold and the lower forward price for the future purchase as well as from the receipt of any associated fee income plus interest earned on cash proceeds of the securities sold until the settlement date for the forward purchase. Unless such benefits exceed the income, capital appreciation and gain or loss due to mortgage prepayments that would have been realized on the securities sold as part of the mortgage dollar roll, the use of this technique will diminish the investment performance of a fund. Successful use of mortgage dollar rolls depends upon the Investment Adviser's ability to predict correctly interest rates and mortgage prepayments. There is no assurance that mortgage dollar rolls can be successfully employed. A fund will hold and maintain until the settlement date segregated cash or liquid assets in an amount equal to the forward purchase price. For financial reporting and tax purposes, each fund treats mortgage dollar rolls as two separate transactions; one involving the purchase of a security and a separate transaction involving a sale. These funds do not currently intend to enter into mortgage dollar rolls that are accounted for as a financing.

Mortgage dollar rolls are considered transactions in derivative securities. The Investment Adviser must obtain the explicit approval of the Board of Trustees prior to engaging in derivative transactions of this type.

## **Municipal Securities**

With regard to the **Tax-Free Funds**, Madison's principal investment strategy is to invest in municipal securities. In addition, the **Income Funds** may, from time to time, invest in municipal bonds. However, there are many different kinds of municipal securities and Madison must make various decisions in its efforts to follow this principal investment strategy. The market for municipal securities is diverse and constantly changing. The following is therefore not necessarily a complete description of all types of municipal securities Madison may purchase for these funds.

- *Who Issues Municipal Securities in General?* The term "municipal securities" includes a variety of debt obligations that are issued for public purposes by or on behalf of states, territories and possessions of the United States, their political subdivisions, the District of Columbia, Guam, Puerto Rico and other territories. They are also issued by the duly constituted authorities, agencies, public corporations and other instrumentalities of these jurisdictions.
- *What are Municipal Securities Used For?* Municipal securities may be used for many public purposes, including constructing public facilities such as airports, bridges, highways, housing, hospitals, mass transportation, schools, streets, water and sewer works and gas and electric utilities. Municipal securities may also be used to refund outstanding obligations, to obtain funds to lend to other public institutions and certain private borrowers or for general operating expenses.
- *How are Municipal Securities Classified by Purpose?* Municipal securities are usually classified as either "general obligation," "revenue" or "industrial development."
  - *General Obligation.* General obligation securities are the obligations of an issuer with taxing power and are payable from the issuer's general unrestricted revenues. These securities are backed by the full faith, credit and taxing power of the issuer for the payment of principal and interest. They are not limited to repayment from any particular fund or revenue source. For example, a bond issued directly by the State of Missouri is a general obligation bond.
  - *Revenue.* Revenue securities are repayable only from revenues derived from a particular facility, local agency, special tax, facility user or other specific revenue source. Certain revenue issues may also be backed by a reserve fund or specific collateral. Ordinary

revenue bonds are used to finance income producing projects such as public housing, toll roads and bridges. The investor bears the risk that the project will produce insufficient revenue and have insufficient reserves to cover debt service on the bonds.

- *Industrial Development.* Industrial development securities are revenue obligations backed only by the agreement of a specific private sector entity to make regular payments to the public authority in whose name they were issued. Collateral may or may not be pledged. States or local authorities generally issue industrial development securities on behalf of private organizations for the purpose of attracting or assisting local industry. These securities usually have no credit backing from any public body. Industrial development securities include pollution and environmental control revenue bonds. Industrial revenue bonds are used to finance privately-operated facilities for business, manufacturing, housing, sports and other purposes and are limited to \$10 million per issuer, except when used for certain exempted purposes. Pollution and environmental control revenue bonds are used to finance air and water pollution control facilities required by private users. Repayment of revenue bonds issued to finance privately used or operated facilities is usually dependent entirely on the ability of the private beneficiary to meet its obligations and on the value of any collateral pledged.
- *How are Municipal Securities Further Classified?* Municipal securities may be classified according to maturity as “notes” if up to about two years in term, or as “bonds” if longer in term.
  - *Callable Bonds.* Callable municipal bonds are municipal bonds that contain a provision in the bond indenture permitting the issuer to redeem bonds prior to maturity. A bond indenture is the legal document that contains the important terms of the security. Callable bonds are generally subject to call during periods of declining interest rates. If the proceeds of a called bond under such circumstances are reinvested, the result may be a lower overall yield due to lower interest rates. If, when purchased, Madison paid a premium for the bond, some or all of that premium may not be recovered, depending on the call price.
  - *Notes.* Notes are generally used to meet short-term financing needs and include the following specific types:
    - Tax Anticipation Notes. Normally, these are general obligation issues that are issued to meet cash needs prior to collecting taxes and generally are payable from specific future tax revenues.
    - Bond Anticipation Notes. Like tax anticipation notes, these also are normally general obligation issues. They are issued to provide interim financing in anticipation of sales of long-term bonds and generally are payable from the proceeds of a specific proposed bond issue.
    - Revenue Anticipation Notes. These may be general obligation issues and are issued to provide cash prior to receipt of expected non-tax revenues from a specific source, such as scheduled payments due from the federal government.
    - Project Notes. Local authorities issue these notes to finance various local redevelopment and housing projects conducted under sponsorship of the federal government. Project notes are guaranteed and backed by the full faith and credit of the United States.
    - Construction Loan Notes. These notes provide interim financing for construction projects. They are frequently issued in connection with federally insured or guaranteed mortgage financing and may also be insured or guaranteed by the federal government.
    - Tax-Exempt Commercial Paper. These notes (sometimes called “municipal paper”) are similar to conventional commercial paper, but are tax-free. Municipal paper may be either a general obligation or a revenue issue, although the latter is more common. These issues may provide greater flexibility in scheduling maturities than other municipal notes.
  - *Municipal Lease Obligations.* Municipalities issue municipal lease obligations to finance their obligation to pay rent on buildings or equipment they use. Madison intends to limit its investments in such obligations to those that represent liquid securities for purposes of each fund’s limitation on investments in illiquid securities. Madison will make daily determinations of the liquidity and appropriate valuation of each such obligation, basing its decision on all relevant facts including: (1) the frequency of trades and quotes for the obligation; (2) the number of dealers willing to purchase or sell the security; (3) the number of other potential buyers; (4) the willingness of dealers to make a market in the security; and (5) the nature of the marketplace. With regard to the nature of the marketplace, Madison will consider the time needed to dispose of the security, the method of soliciting offers and the mechanics of the transfer.

A municipal lease obligation will not be considered liquid unless there is reasonable assurance that its marketability will be maintained throughout the time Madison holds the instrument for the funds. Madison must conclude that the obligation is liquid considering: (1) whether the lease can be canceled; (2) what assurance there is that the assets represented by the lease can be sold; (3) the strength of the lessee’s general credit; (4) the likelihood that the municipality will discontinue appropriating funding for the leased property because the property is no longer deemed essential to the operations of the municipality; and (5) Madison’s legal recourse in the event of failure to appropriate.

- *How Can You Tell the Identity of the Issuer?* From time to time, Madison must make determinations as to the identity of the issuer of a particular municipal security. Madison will make this determination considering its understanding of the assets and revenue principally backing the issue and the most significant source of repayment of principal and interest for the issue. If the specific securities are backed by assets and revenues that are independent or separate from the assets and revenues of the jurisdiction or agency in whose name they were issued, then Madison will normally consider those securities to have a separate issuer.
- *What are the Risks of Geographic Concentration of Investments?* If the credit standing of a particular state or type of issuer generally declined, then a fund could be more adversely affected than if its investments were more diversified. This risk is greatest in the **Tax-Free Virginia Fund** since it is expected to invest principally in the securities of one state.
- *What are the Risks of Investing in Various Municipal Securities?* Municipal securities generally are subject to possible default, bankruptcy or insolvency of the issuer. Principal and interest repayment may be affected by federal, state and local legislation, referendums, judicial decisions and executive acts. The tax-exempt status of municipal securities may be affected by future changes in the tax laws, litigation

involving the tax status of the securities and errors and omissions by issuers and their counsel. Madison will not attempt to make an independent determination of the present or future tax-exempt status of municipal securities acquired for the funds.

While most municipal securities have a readily available market, a variety of factors, including the scarcity of issues and the fact that tax-free investments are inappropriate for significant numbers of investors, limit the depth of the market for these securities. Accordingly, it may be more difficult for the funds to sell large blocks of municipal securities advantageously than would be the case with comparable taxable securities.

- *Summary of the Economy of Virginia (applicable to the **Tax-Free Virginia Fund** only).* In fiscal year 2021 and fiscal year 2022 year-to-date general fund revenue collections have outperformed due to robust economic activity highlighted by better-than-expected individual income withholding tax and sales tax collections. In fact, fiscal 2021 general fund revenue grew 14.2% over fiscal 2020 levels, to \$25.6 billion after transfers, well ahead of 2.6% forecast growth. Economic assumptions forecast a national GDP of 4.5% for 2022 and Virginia is expected to follow that trend. The biggest risk factors to those assumptions are continued inflation caused by supply chain issues. However, Virginia's proximity to Washington, D.C., and the stable federal employment base should mitigate many economic concerns associated with COVID-related disruptions and slower consumer spending. In addition, Virginia's own economic diversity, a sizable military presence, and the defense industry sector have been important job providers and stabilizing factors for its economy in the past. Federal stimulus money over the last two years will also continue to provide relief to many sectors of the Commonwealth's economy that were hard-hit by the pandemic.

Virginia's labor market continues to show signs of improvement from the depths of the pandemic but experienced an uptick in its unemployment rate in fiscal 2021 to 5.6% from 4.3% in fiscal 2020. However, the state maintained its historical advantage over the nation on this economic indicator, which increased from 5.9% to 6.9% over the same time period. The elevated unemployment rate was primarily due to the continued effects of the pandemic as many workers chose to retire or disengage from the workforce for a period of time. Many employers in the state are looking for workers as opposed to the last recession when jobs were scarce.

Personal income provides an important gauge of the health of Virginia's economy. It is also a key determinant of consumer spending, which accounts for nearly 70 percent of GDP at the national level. State personal income growth continued at a moderate pace in fiscal 2021 (4.1 percent) which outpaced fiscal 2020's rate of 3.5%. Much of the improvement can be attributed to transfer receipts which were boosted by continued federal pandemic fiscal stimulus and relief. Transfer receipts grew 18.6% in fiscal year 2021 compared to 22.4% during the previous fiscal year. Wages and salaries, which make up the majority of total personal income, grew 2.5% in fiscal year 2021, and improvement over 1.7% growth rate in fiscal year 2020.

Specific to the state's economic outlook, Standard & Poor's believes the state's outlook reflects our opinion that the commonwealth will likely continue to demonstrate conservative financial management and make timely budget adjustments as necessary for structural balance if projected revenue growth fails to materialize. The commonwealth's practice of fully funding pension payments and directing certain deposits to an additional revenue reserve fund as a continued focus on structural balance should continue to position Virginia for unexpected economic slowdowns or shortfalls. As such, Standard & Poor's has assigned its highest rating of AAA with a stable outlook. However, if revenue significantly misses projections and budget management relies heavily on one-time resources or substantial draws on one-time reserves and liquidity sources with no plan to replenish, the rating could be adjusted lower.

According to S&P, Virginia's general obligation (GO) debt reflects a diverse economy with a solid cash and liquidity position-especially in regard to managing the budget during the pandemic. In addition, the commonwealth maintains strong financial policies and practices throughout its long history of proactive and conservative financial management. Finally, moderate debt levels are expected to remain manageable.

Virginia has a manageable debt burden with low debt service carrying charges due to extraordinarily low interest rates. As of June 30, 2021, the Commonwealth CAFR reported total debt of \$52.6 billion, an increase of \$4 billion, or 8.3 percent from the prior fiscal year. The Commonwealth issued new debt in the amount of \$7.6 billion which is a significant increase over fiscal 2020. Of this new debt, \$1.5 billion was for the primary government and \$6.1 billion for the component units. Tax-supported debt represented roughly 48% of total debt, of which 33% is scheduled to be retired within ten years. Total debt and aggregate tax-supported debt as a percentage of state GDP was 5.1% and 9.9%, respectively. Debt ratios are moderate, with overall tax-supported debt per capital of \$2775 and 5.37% of personal income.

As of the date of this SAI, bonds representing general obligations of the Commonwealth of Virginia carry ratings of AAA with a stable outlook by S&P and Aaa with a stable outlook by Moody's.

### **Privately Arranged Loans and Participations**

Madison may make or acquire participations in privately negotiated loans to municipal borrowers on behalf of the **Tax-Free Funds**. Frequently, such loans have variable interest rates and may be backed by a bank letter of credit. In other cases, they may be unsecured. If Madison engages in this type of investment strategy, Madison will rely on the opinion of tax or bond counsel to the borrower as to the tax status of these loans. Such transactions may provide an opportunity to achieve higher tax-free yields than would be available from municipal securities offered and sold to the general public.

Privately arranged loans, however, will generally not be rated by a credit rating agency and will normally be illiquid. In most cases, Madison will only be able to sell such loans through a provision requiring repayment following demand by the funds. Such loans made by the funds will normally have a demand provision permitting the funds to require repayment within seven days. Participations in such loans, however, may not have such a demand provision and may not be otherwise marketable. To the extent these securities are illiquid, they will be subject to each fund's limitation on investments in illiquid securities. Recovery of an investment in any private loan that is illiquid and payable on demand may depend on the ability of the municipal borrower to meet an obligation for full repayment of principal and payment of accrued interest within the demand period. The demand period is normally seven days or less (unless Madison determines that a particular loan issue, unlike most such loans, has a readily available market). If appropriate, Madison will establish procedures to monitor the credit standing of each such municipal borrower, including its ability to honor contractual payment obligations.

## Restricted Securities

Restricted securities may be sold only in privately negotiated transactions or in a public offering with respect to which a registration statement is in effect under the Securities Act of 1933, as amended. Where registration is required, a fund may be obligated to pay all or part of the registration expenses and a considerable period may elapse between the time of the decision to sell a security and the time a fund may be permitted to sell a security under an effective registration statement. If, during such a period, adverse market conditions were to develop, a fund might obtain a less favorable price than that which prevailed when it decided to sell. Restricted securities will be priced at fair value as determined in good faith in accordance with methodologies approved by the Board.

## Repurchase Agreements

Each fund may enter into repurchase agreements. In a repurchase agreement, a security is purchased for a relatively short period (usually not more than seven days) subject to the obligation to sell it back to the seller at a fixed time and price plus accrued interest. The funds will enter into repurchase agreements only with member banks of the Federal Reserve System, U.S. Central Credit Union and with "primary dealers" in U.S. Government securities. A fund's Investment Adviser will continuously monitor the creditworthiness of the parties with whom the funds enter into repurchase agreements.

The Trust has established a procedure providing that the securities serving as collateral for each repurchase agreement must be delivered to the Trust's custodian either physically or in book-entry form and that the collateral must be marked to market daily to ensure that each repurchase agreement is fully collateralized at all times. In the event of bankruptcy or other default by a seller of a repurchase agreement, a fund could experience delays in liquidating the underlying securities during the period in which the fund seeks to enforce its rights thereto, possible subnormal levels of income, declines in value of the underlying securities or lack of access to income during this period and the expense of enforcing its rights.

## Reverse Repurchase Agreements

Each fund may also enter into reverse repurchase agreements which involve the sale of U.S. Government securities held in its portfolio to a bank with an agreement that the fund will buy back the securities at a fixed future date at a fixed price plus an agreed amount of "interest" which may be reflected in the repurchase price. Reverse repurchase agreements are considered to be borrowings by a fund entering into them. Reverse repurchase agreements involve the risk that the market value of securities purchased by a fund with proceeds of the transaction may decline below the repurchase price of the securities sold by the fund which it is obligated to repurchase. A fund that has entered into a reverse repurchase agreement will also continue to be subject to the risk of a decline in the market value of the securities sold under the agreements because it will reacquire those securities upon effecting their repurchase. To minimize various risks associated with reverse repurchase agreements, each fund will establish and maintain with the Trust's custodian a separate account consisting of liquid securities, of any type or maturity, in an amount at least equal to the repurchase prices of the securities (plus any accrued interest thereon) under such agreements. No fund will enter into reverse repurchase agreements and other borrowings (except from banks as a temporary measure for extraordinary emergency purposes) in amounts in excess of 30% of the fund's total assets (including the amount borrowed) taken at market value. No fund will use leverage to attempt to increase income. No fund will purchase securities while outstanding borrowings exceed 5% of the fund's total assets. Each fund will enter into reverse repurchase agreements only with federally insured banks which are approved in advance as being creditworthy by the Board of Trustees. Under procedures established by the Board of Trustees, a fund's Investment Adviser will monitor the creditworthiness of the banks involved.

## Forward Commitment and When-Issued Securities

Each fund may purchase securities on a when-issued or forward commitment basis. "When-issued" refers to securities whose terms are specified and for which a market exists, but which have not been issued. Each fund will engage in when-issued transactions with respect to securities purchased for its portfolio in order to obtain what is considered to be an advantageous price and yield at the time of the transaction. For when-issued transactions, no payment is made until delivery is due, often a month or more after the purchase. In a forward commitment transaction, a fund contracts to purchase securities for a fixed price at a future date beyond customary settlement time.

When a fund engages in forward commitment and when-issued transactions, it relies on the seller to consummate the transaction. The failure of the issuer or seller to consummate the transaction may result in a fund's losing the opportunity to obtain a price and yield considered to be advantageous. The purchase of securities on a when-issued or forward commitment basis also involves a risk of loss if the value of the security to be purchased declines prior to the settlement date.

On the date a fund enters into an agreement to purchase securities on a when-issued or forward commitment basis, the fund will segregate cash or liquid securities, of any type or maturity, equal in value to the fund's commitment. These assets will be valued daily at market, and additional cash or securities will be segregated to the extent that the total value of the assets in the account declines below the amount of the when-issued commitments. Alternatively, a fund may enter into offsetting contracts for the forward sale of other securities that it owns.

## Real Estate Investment Trusts

Each fund, except the **Tax-Free Funds**, may invest in shares of real estate investment trusts ("REITs"). REITs are pooled investment vehicles that invest primarily in income-producing real estate or real estate related loans or interests. REITs are generally classified as equity REITs, mortgage REITs or a combination of equity and mortgage REITs. Equity REITs invest primarily in real property and earn rental income from leasing those properties. They also may realize gains or losses from the sale of properties. Equity REITs generally exercise some degree of control over the operational aspects of their real estate investments, lease terms and property maintenance and repair. Mortgage REITs invest primarily in mortgages and similar real estate interests and receive interest payments from the owners of the mortgaged properties and are paid interest by the owners of the financed properties. Hybrid REITs invest both in real property and in mortgages. A REIT generally is not taxed on income distributed to its shareholders if it complies with certain federal income tax requirements relating primarily to its organization, ownership, assets and income and, further, if it distributes at least 90% its taxable income to its shareholders each year. Consequently, REITs tend to focus on income-producing real estate investments.

The funds' investments in REITs may be adversely affected by deteriorations of the real estate rental market, in the case of REITs that primarily own real estate, or by deteriorations in the creditworthiness of property owners and changes in interest rates in the case of REITs that primarily hold mortgages. Equity and mortgage REITs also are dependent upon specialized management skills, may not be diversified in their holdings and are

subject to the risks of financing projects. REITs also may be subject to heavy cash flow dependency, defaults by borrowers and self-liquidation. Under certain circumstances, a REIT may fail to qualify for the special tax treatment available to REITs, which would subject the REIT to federal income taxes at the REIT level and adversely affect the value of its securities.

In general, qualified REIT dividends that an investor receives directly from a REIT are automatically eligible for the 20% qualified business income deduction available under Section 199A of the Code. Additionally, a dividend or part of a dividend paid by a regulated investment company and reported as a "Section 199A Dividend" is treated by the recipient as a qualified REIT dividend for purposes of the 20% qualified business income deduction.

### **Exchange-Traded Funds**

Each fund may invest in exchange-traded funds ("ETFs"), which are shares of publicly-traded unit investment trusts, open-end funds, or depositary receipts that seek to track the performance and dividend yield of specific indexes or companies in related industries. These indexes may be either broad-based, sector or international. ETF shareholders are generally subject to the same risks as holders of the underlying securities they are designed to track.

ETFs are also subject to certain additional risks, including (i) the risk that their prices may not correlate perfectly with changes in the prices of the underlying securities they are designed to track, and (ii) the risk of possible trading halts due to market conditions or other reasons, based on the policies of the exchange upon which an ETF trades. In addition, an exchange-traded sector fund may be adversely affected by the performance of that specific sector or group of industries on which it is based. The fund would bear, along with other shareholders of an ETF, its pro rata portion of the ETF's expenses, including management fees. Accordingly, in addition to bearing their proportionate share of the fund's expenses (i.e., management fees and operating expenses), shareholders of the fund may also indirectly bear similar expenses of an ETF.

### **Shares of Other Investment Companies**

Each fund, other than the **Target Allocation Funds**, may invest up to 10% of its assets in shares of other investment companies. Each fund, other than the **Target Allocation Funds**, complies with the general statutory limits for such investments prescribed by the 1940 Act. The statutory limits are that immediately after any investment: (i) not more than 5% of a fund's total assets are invested in the securities of any one investment company; (ii) not more than 10% of a fund's total assets are invested in the aggregate in securities of investment companies as a group; (iii) not more than 3% of the outstanding voting stock of any one investment company will be owned by the fund; and (iv) not more than 10% of the outstanding voting stock of any one investment company will be owned in the aggregate by the fund and other investment companies advised by Madison, or any of its affiliates. Notwithstanding the foregoing, each fund may invest in shares of money market funds in excess of the above described statutory limitations, in accordance with the exemption contained in Rule 12d1-1 under the 1940 Act.

Rule 12d1-4 of the 1940 Act provides an exemption from Section 12(d)(1) that allows a fund to invest all of its assets in other registered funds, including ETFs, if the fund satisfies certain conditions specified in the Rule, including, among other conditions, that the funds and their advisory group will not control (individually or in the aggregate) an acquired fund (e.g., hold more than 25% of the outstanding voting securities of an acquired fund that is a registered open-end management investment company). However, such control and other conditions under Rule 12d1-4 do not apply if either and acquiring fund is in the same group of investment companies as the acquired fund, or the acquiring fund's subadviser or an affiliate is the acquired fund's adviser.

As a shareholder of another investment company, a fund would bear, along with other shareholders, its pro rata portion of the expenses of such other investment company, including investment management fees, general fund expenses, trading, custodial and interest expenses and distribution/shareholder servicing fees (if any). These expenses would be in addition to the advisory and other expenses that a fund bears directly in connection with its own operations and may represent a duplication of fees to shareholders of the fund.

### **Temporary Defensive Positions**

Although each fund expects to pursue its investment objective utilizing its principal investment strategies regardless of market conditions, each fund may invest up to 100% in money market securities as a defensive tactic in abnormal market conditions (with regard to the **Tax-Free Funds**, the funds may invest up to 100% in tax-free money market securities for this purpose).

With regard to the **Tax-Free Funds**, under normal market conditions, Madison does not intend to invest in any taxable securities on behalf of the funds. Madison may decide, however, that extraordinary conditions require it to purchase taxable investments. The "taxable investments" that Madison may purchase for the funds are limited to the following U.S. dollar denominated investments: (i) U.S. Government securities; (ii) obligations of banks having total assets of \$750 million or more; (iii) commercial paper and other investment grade corporate debt securities; and (iv) repurchase agreements involving any of the foregoing securities or municipal securities. Maturities of taxable investments may exceed one year in extraordinary circumstances when Madison has determined to invest more than 20% of a fund's assets in taxable securities.

To the extent any fund engages in a temporary defensive position in this manner, it would not be invested in accordance with its stated investment objectives.

### **Definition of Market Capitalization**

Market capitalization is the value of a corporation determined by multiplying total outstanding shares by the current market price. Total outstanding shares include common stock, non-restricted exchangeable shares and partnership units/membership interests where applicable. Exchangeable shares are shares which may be exchanged at any time, at the holder's option, on a one-for-one basis for common stock. Membership or partnership units/interests represent an economic interest in a limited liability company or limited partnership. Market capitalization does not include preferred or convertible preferred stock, participating preferred stock, restricted or redeemable shares, warrants, rights or trust receipts.

### **Types of Investment Risk**

*Active or Frequent Trading Risk.* The risk of the realization and distribution to shareholders of higher capital gains as compared to a series with less active trading policies. Frequent trading also increases transaction costs, which could detract from the performance.

*Asset Allocation Risk.* The risk that the selection of the underlying funds and the allocation of the fund's assets among the various asset classes and market segments will cause the fund to underperform other funds with a similar investment objective.

*Call Risk.* The risk that the issuer of a security will retire or redeem ("call") the security with a higher rate of interest before the scheduled maturity date when interest rates have declined.

*Correlation Risk.* The risk that changes in the value of a hedging instrument or hedging technique will not match those of the asset being hedged (hedging is the use of one investment to offset the possible adverse effects of another investment).

*Counterparty Risk.* The risk that the counterparty under an agreement will not live up to its obligations.

*Credit Risk.* The risk that the issuer of a security, or the counterparty to a contract, will default or otherwise not honor a financial obligation.

*Currency Risk.* The risk that fluctuations in the exchange rates between the U.S. dollar and foreign currencies may negatively affect the U.S. dollar value of an investment.

*Cybersecurity Risk.* The risks associated with computer systems, networks and devices to carry out routine business operations. These systems, networks and devices employ a variety of protections that are designed to prevent cyberattacks. Despite the various cyber protections utilized by the funds, the Investment Adviser, a subadviser to the funds, and other service providers, their systems, networks, or devices could potentially be breached. The funds, their shareholders, and the Investment Adviser could be negatively impacted as a result of a cybersecurity breach. The funds cannot control the cybersecurity plans and systems put in place by service providers or any other third parties whose operations may affect the funds.

*Default Risk.* It is possible that unexpected events could cause the issuer to be unable to pay either principal or interest on its bond. This could cause the bond to go into default and lose value. Some federal agency securities are not backed by the full faith and credit of the United States, so in the event of default, a fund would have to look to the agency issuing the bond for ultimate repayment.

*Derivatives Risk.* The risk that loss may result from investments in options, forwards, futures, swaps and other derivatives instruments. These instruments may be illiquid, difficult to price and leveraged so that small changes in the value of the underlying instruments may produce disproportionate losses to the fund. Derivatives are also subject to counterparty risk, which is the risk that the other party to the transaction will not fulfill its contractual obligations.

*Depository Receipt Risk.* Depository receipts, such as ADRs, and global depository receipts ("GDRs"), may be issued in sponsored or un-sponsored programs. In a sponsored program, a security issuer has made arrangements to have its securities traded in the form of depository receipts. In an un-sponsored program, the issuer may not be directly involved in the creation of the program. Depository receipts involve many of the same risks as direct investments in foreign securities. These risks include, but are not limited to, fluctuations in currency exchange rates, which are affected by international balances of payments and other financial conditions; government interventions; and speculation. With respect to certain foreign countries, there is the possibility of expropriation or nationalization of assets, confiscatory taxation, political and social upheaval, and economic instability. Investments in depository receipts that are traded over the counter may also be subject to liquidity risk.

*Equity Risk.* Equity risk is the risk that securities held will fluctuate in value due to general market or economic conditions, perceptions regarding the industries in which the issuers of securities held by a fund participate, and the circumstances and performance of companies whose securities a fund holds. In addition, while broad market measures of common stocks have historically generated higher average returns than fixed income securities, common stocks have also experienced significantly more volatility in those returns.

*ETF Risks.* The main risks of investing in ETFs are the same as investing in a portfolio of equity securities comprising the index on which the ETF is based, although lack of liquidity in an ETF could result in it being more volatile than the securities comprising the index. Additionally, the market prices of ETFs will fluctuate in accordance with both changes in the market value of their underlying portfolio securities and due to supply and demand for the instruments on the exchanges on which they are traded (which may result in their trading at a discount or premium to their net asset values). Index-based ETF investments may not replicate exactly the performance of their specific index because of transaction costs and because of the temporary unavailability of certain component securities of the index.

*Europe Investing Risk.* The United Kingdom (UK) withdrew from the European Union (EU) on January 31, 2020, following a June 2016 referendum referred to as "Brexit." Although the UK and EU made a trade deal that was entered into force on May 1, 2021, certain post-EU arrangements were outside the scope of the negotiating mandate and remain unresolved and subject to further negotiation and agreement. There is significant market uncertainty regarding Brexit's ramifications, and the range of possible political, regulatory, economic and market outcomes are difficult to predict. The uncertainty surrounding the UK's economy, and its legal, political, and economic relationship with the remaining member states of the EU, may cause considerable disruption in securities markets, including increased volatility and illiquidity, as well as currency fluctuations in the British pound's exchange rate against the U.S. dollar.

*Extension Risk.* The risk that an unexpected rise in prevailing interest rates will extend the life of an outstanding mortgage-backed security by reducing the expected number of mortgage prepayments, typically reducing the security's value.

*Foreign Security Risk.* Investments in foreign securities involve risks relating to currency fluctuations and to political, social, and economic developments abroad, as well as risks resulting from differences between the regulations to which U.S. and foreign issuers and markets are subject. The investment markets of emerging countries are generally more volatile than markets of developed countries with more mature economies.

*Growth Investing Risk.* The risk that stocks with growth characteristics can experience sharp price declines as a result of earnings disappointments, even small ones. Investments in stocks with growth characteristics, will typically experience greater volatility over time than stocks with value characteristics.

*Hedging Risk.* When a fund hedges an asset it holds (typically by using a derivative contract or derivative security), any gain or loss generated by the hedge should be substantially offset by losses or gains on the hedged asset. Hedging is a useful way to reduce or eliminate risk of loss, but it will also reduce or eliminate the potential for investment gains.

*Information Risk.* The risk that key information about a security or market is inaccurate or unavailable.

*Interest Rate Risk.* The risk of declines in market value of an income bearing investment due to changes in prevailing interest rates. With fixed-rate securities, a rise in interest rates typically causes a decline in market values, while a fall in interest rates typically causes an increase in market values.

*Interest Rate Policy Risk.* Federal Reserve policy changes may expose fixed-income and related markets to heightened volatility and may reduce liquidity for certain fund investments, which could cause the value of a fund's investments and share price to decline. A low interest rate environment can pose risks to a fund, because low yields on the fund's portfolio holdings may have an adverse impact on the fund's ability to provide a positive yield to its shareholders and pay expenses out of fund assets. However, continued economic recovery and the cessation of the quantitative easing program increase the risk that interest rates will rise in the near future and that the funds will face a heightened level of interest rate risk. A fund that invests in derivatives tied to fixed-income markets may be more substantially exposed to these risks than a fund that does not invest in derivatives.

*Large Cap Risk.* Large capitalization companies may fall out of favor with investors based on market and economic conditions. In addition, larger companies may not be able to attain the high growth rates of successful smaller companies and may be less capable of responding quickly to competitive challenges and industry changes. As a result, the Fund's value may not rise as much as, or may fall more than, the value of funds that focus on companies with smaller market capitalizations.

*Leverage Risk.* The risks associated with securities or investment practices that enhance return (or loss) without increasing the amount of investment, such as buying securities on margin or using certain derivative contracts or derivative securities. A fund's gain or loss on a leveraged position may be greater than the actual market gain or loss in the underlying security or instrument. A fund may also incur additional costs in taking a leveraged position (such as interest on borrowings) that may not be incurred in taking a non-leveraged position.

*Liquidity Risk.* The risk that certain securities or other investments may be difficult or impossible to sell at the time the fund would like to sell them or at the price the fund values them.

*Litigation Risk.* The funds may be subject to third-party litigation, which could give rise to legal liability. These matters involving the funds may arise from their activities and investments and could have a materially adverse effect on the funds, including the expense of defending against claims and paying any amounts pursuant to settlements or judgments. There can be no guarantee that these matters will not arise in the normal course of business. If the funds were to be found liable in any suit or proceeding, any associated damages and/or penalties could have a materially adverse effect on the funds' finances, in addition to being materially damaging to their reputation.

*Management Risk.* The risk that a strategy used by a fund's Investment Adviser may fail to produce the intended result. This risk is common to all mutual funds.

*Market Risk.* The risk that the market value of a security may move up and down, sometimes rapidly and unpredictably, due to factors that have nothing to do with the issuer. This risk is common to all stocks and bonds and the mutual funds that invest in them.

*Mid Cap Risk.* Investments in midsize companies may entail greater risks than investments in larger, more established companies. Midsize companies tend to have narrower product lines, fewer financial resources, and a more limited trading market for their securities, as compared to larger companies. They may also experience greater price volatility than securities of larger capitalization companies because growth prospects for these companies may be less certain and the market for such securities may be smaller. Some midsize companies may not have established financial histories; may have limited product lines, markets, or financial resources; may depend on a few key personnel for management; and may be susceptible to losses and risks of bankruptcy.

*Mortgage-Backed Securities Risk.* The risk that mortgage holders prepay principal during a period of falling interest rates, a fund could be exposed to prepayment risk. In that case, a fund would have to reinvest the proceeds at a lower interest rate. The security itself may not increase in value with the corresponding drop in rates since the prepayment acts to shorten the maturity of the security.

*Natural Event Risk.* The risk of losses attributable to natural disasters, crop failures and similar events.

*Non-Investment Grade Security Risk.* Issuers of non-investment grade securities (i.e., "junk" bonds) are typically in weak financial health and their ability to pay interest and principal is uncertain. Compared to issuers of investment-grade bonds, they are more likely to encounter financial difficulties and to be materially affected by these difficulties when they do encounter them. "Junk" bond markets may react strongly to adverse news about an issuer or the economy, or to the perception or expectation of adverse news.

*Opportunity Risk.* The risk of missing out on an investment opportunity because the assets necessary to take advantage of it are committed to less advantageous investments.

*Political Risk.* The risk of losses directly attributable to government actions or political events of any sort, including military actions and/or expropriation of assets.

*Prepayment Risk.* The risk that an unexpected fall in prevailing interest rates will shorten the life of an outstanding mortgage-backed security by increasing the expected number of mortgage prepayments, thereby reducing the security's return.

*Real Estate Investment Trusts ("REITs") Risk.* REITs pool investors' funds for investment primarily in real estate properties or real estate-related loans. REITs generally derive their income from rents on the underlying properties or interest on the underlying loans, and their value is impacted by changes in the value of the underlying property or changes in interest rates affecting the underlying loans owned by the REITs. REITs are more susceptible to risks associated with the ownership of real estate and the real estate industry in general. These risks can include, but are not limited, fluctuations in the value of underlying properties; defaults by borrowers or tenants; market saturation; changes in general and local economic conditions; decreases in market rates for rents; increases in competition, property taxes, capital expenditures or operating expenses; and other economic, political or regulatory occurrences affecting the real estate industry. In addition, REITs depend upon specialized management skills, may not be diversified (which may increase the price volatility of REITs), may have less trading volume and liquidity, and may be subject to more abrupt or erratic price movements than the overall securities market. REITs are not taxed on income distributed to shareholders provided they comply with

several requirements of the Internal Revenue Code of 1986, as amended. REITs are subject to the risk of failing to qualify for favorable tax treatment under the Code.

*Small Cap Risk.* Investments in small capitalization companies may entail greater risks than investments in larger, more established companies. Small companies tend to have narrower product lines, fewer financial resources and a more limited trading market for their securities, as compared to larger companies. The securities of smaller companies also experience greater price volatility than securities of larger capitalization companies. During certain periods, the liquidity of the securities of small cap companies may shrink or disappear suddenly and without warning as a result of adverse economic or market conditions, or adverse investor perceptions. This liquidity risk could translate into losses for a fund if it has to sell illiquid securities at a disadvantageous time. The costs of purchasing or selling securities of small capitalization companies are often greater than those of more widely traded securities. Securities of smaller capitalization companies can also be difficult to value.

*Speculation Risk.* Speculation is the assumption of risk in anticipation of gain but recognizing a higher-than-average possibility of loss. To the extent that a derivative contract or derivative security is used speculatively (i.e., not used as a hedge), a fund is directly exposed to the risks of that derivative contract or security. Gains or losses from speculative positions in a derivative contract or security may be substantially greater than the derivative contract or security's original cost.

*Sustainable Investment Risk.* Sustainable investing involves investing in companies that embed sustainability in their overall strategy and demonstrate adherence to sustainable business practices. In pursuing such a strategy, a fund may be overweight or underweight in certain industries, or sectors relative to its benchmark index, which may cause the fund's performance to be sensitive to developments affecting those sectors. In addition, since sustainable investing takes into consideration factors beyond traditional financial analysis, the investment opportunities for a fund may be limited at times. As such, a fund may forgo opportunities to gain exposure to certain companies, industries or sectors, and it may choose to sell a security when it might otherwise be disadvantageous to do so. Sustainability related information provided by issuers and third parties, upon which the portfolio managers may rely, continues to develop, and may be incomplete, inaccurate, use different methodologies, or be applied differently across companies and industries. Madison's framework of sustainable investing will vary from other managers. Further, the regulatory landscape for sustainable investing in the United States is still developing and future rules and regulations may require a fund to modify or alter its investment process. Similarly, government policies incentivizing companies to engage in sustainable practices may fall out of favor, which could potentially limit a fund's investment universe. There is also a risk that the companies identified through the investment process may fail to adhere to sustainable business practices, which may result in a fund selling a security when it might otherwise be disadvantageous to do so.

*Underlying Funds Risk.* The risk that investment performance and its ability to achieve its investment goal are directly related to the performance of the underlying funds in which a fund invests. Each underlying fund's performance, in turn, depends on the particular securities in which that underlying fund invests and the expenses of that underlying fund. Accordingly, the fund is subject to the risks of the underlying funds in direct proportion to the allocation of its assets among the underlying funds.

*Valuation Risk.* The risk that a fund could not sell a security or other portfolio investment for the market value or fair value established for it at any time. Similarly, the risk that the fair valuation of securities or other portfolio investments may result in greater fluctuation in their value from one day to the next than would be the case if the market values were available.

*Value Investing Risk.* The risk that "value" stocks are subject to the risk that their perceived intrinsic values may never be realized by the market, and to the risk that, although the stock is believed to be undervalued, it is appropriately priced or overpriced due to unanticipated problems associated with the issuer or industry.

#### Higher-Risk Securities and Practices

Security or Practice	Description	Related Risks
American Depositary Receipts ("ADRs")	ADRs are receipts typically issued by a U.S. financial institution which evidence ownership of underlying securities of foreign corporate issuers. Generally, ADRs are in registered form and are designed for trading in U.S. markets.	Market, currency, information, natural event, and political risks (i.e., the risks of foreign securities).
Borrowing	The borrowing of money from financial institutions or through reverse repurchase agreements.	Leverage, interest rate policy, and credit risks.
Emerging Market Securities	Any foreign securities primarily traded on exchanges located in and/or issued by companies organized and/or primarily operating in countries that are considered lesser developed than countries like the U.S., Australia, Japan, or those of Western Europe.	Credit, market, currency, information, liquidity, interest rate, valuation, natural event, interest rate policy, and political risks.
European Depositary Receipt ("EDRs"), Global Depositary Receipts ("GDRs") and Swedish Depositary Receipts ("SDRs")	EDRs, GDRs and SDRs are receipts evidencing an arrangement with a non-U.S. financial institution similar to that for ADRs and are designed for use in non-U.S. securities markets. EDRs, GDRs and SDRs are not necessarily quoted in the same currency as the underlying security.	Market, currency, information, natural event, and political risks (i.e., the risks of foreign securities).
Foreign Money Market Securities	Short-term debt obligations issued either by foreign financial institutions or by foreign branches of U.S. financial institutions or foreign issuers.	Market, currency, information, interest rate, interest rate policy, natural event, and political risks.
Foreign Securities	Securities issued by companies organized and/or whose principal operations are outside the U.S., securities issued by companies whose securities are principally traded outside the U.S., and/or securities denominated or quoted in foreign currency. The term "foreign securities" includes ADRs, EDRs, GDRs, SDRs, and foreign money market securities.	Market, currency, information, natural event, and political risks.

<b>Security or Practice</b>	<b>Description</b>	<b>Related Risks</b>
Forward Foreign Currency Exchange Contracts	Contracts involving the right or obligation to buy or sell a given amount of foreign currency at a specified price and future date.	Currency, liquidity, and leverage risks. When used for hedging, also has hedging, correlation, and opportunity risks. When used speculatively, also has speculation risks.
Illiquid Securities	Any investment that the Investment Adviser reasonably expects cannot be sold or disposed of in current market conditions in seven calendar days or less without the sale or disposition significantly changing the market value of the investment.	Liquidity, valuation and market risks.
Mortgage-Backed Securities	Securities backed by pools of mortgages, including pass-through certificates, PACs, TACs, CMOs, and when available, pools of mortgage loans generated by credit unions.	Credit, extension, prepayment, interest rate, and interest rate policy risks.
Non-Investment Grade Securities	Investing in debt securities rated below BBB/Baa (i.e., "junk" bonds).	Credit, market, interest rate, interest rate policy, liquidity, valuation, and information risks.
Options	In general, an option is the right to buy (called a "call") or sell (called a "put") property for an agreed-upon price at any time prior to an expiration date. Both call and put options may be either written (i.e., sold) or purchased on securities or indices.	Market, hedging or speculation, leverage, correlation, liquidity, credit, and opportunity risks.
Repurchase Agreements	The purchase of a security that the seller agrees to buy back later at the same price plus interest.	Credit risk.
Restricted Securities	Securities originally issued in a private placement rather than a public offering. These securities often cannot be freely traded on the open market.	Liquidity, valuation, and market risks.
Reverse Repurchase Agreements	The lending of short-term debt securities; often used to facilitate borrowing.	Leverage and credit risks.
Securities Lending	The lending of securities to financial institutions, which provide cash or government securities as collateral.	Credit risk.
Shares of Other Investment Companies	The purchase of shares issued by other investment companies. These investments are subject to the fees and expenses of the underlying investment company(s).	Market risks and the layering of fees and expenses.
Short-Term Trading	Selling a security soon after purchase or purchasing it soon after it was sold (a fund engaging in short-term trading will have higher turnover and transaction expenses).	Market, liquidity and opportunity risks.
Smaller Capitalization Companies	The purchase of securities issued by a company with a market capitalization within the range of those companies represented in either the S&P Small Cap 600 Index or the Russell 2000® Index.	Market and liquidity risk.
Swaps	The entry into interest rate, credit default, index, currency exchange rate and total return swap agreements whereby the parties agree to exchange rates of return (or differentials therein) earned or realized on predetermined investments or instruments.	Market, liquidity, currency, credit, counterparty, leverage, interest rate policy, and opportunity risks.
When-Issued Securities and Forward Commitments	The purchase or sale of securities for delivery at a future date; market value may change before delivery.	Market, opportunity, and leverage risks.

**Higher-Risk Securities and Practices Table.** The following table shows each fund's investment limitations with respect to certain higher risk securities and practices as a percentage of total assets. A number in the column indicates the maximum percentage of total assets that the fund is permitted to invest in that practice or type of security. Numbers in this table show allowable usage only; for actual usage, consult the fund's annual and semi-annual reports.

	Target Alloc. Funds	Tax Free Funds	Core Bond	High Quality Bond	Diversified Income	Dividend Income	Covered Call & Equity Income	Investors	Sustainable Equity	Mid Cap	Small Cap	Int'l Stock
Borrowing	30	30	30	30	30	30	30	30	30	30	30	30
Repurchase Agreements	*	*	*	*	*	*	*	*	*	*	*	*
Securities Lending	33 $\frac{1}{3}$	33 $\frac{1}{3}$	33 $\frac{1}{3}$	33 $\frac{1}{3}$	33 $\frac{1}{3}$	33 $\frac{1}{3}$	33 $\frac{1}{3}$	33 $\frac{1}{3}$	33 $\frac{1}{3}$	33 $\frac{1}{3}$	33 $\frac{1}{3}$	33 $\frac{1}{3}$
Short-Term Trading	*	*	*	*	*	*	*	*	*	*	*	*
When-Issued Securities; Forward Commitments	**	25	25	25	25	25	25	25	25	25	25	25
Shares of Other Investment Companies <sup>1</sup>	100	10	10	10	10	10	10	10	10	10	10	10
Non-Investment Grade Securities	**	X	20	X	20	20**	20**	20**	20**	20**	30**	20**
Foreign Securities	**	X	25	10**	25	25	15	35	30	25	25	*
Emerging Market Securities	**	X	20	10**	15	15	15	15	15	15	15	40
Illiquid Securities	**	15	15	15	15	15	15	15	15	15	15	15
Restricted Securities	**	15	15	15	15	15	15	15	15	15	15	15
Mortgage-Backed Securities	**	X	25***	10***	25***	X	X	X	X	X	X	X
Futures Contracts <sup>2</sup>	X	X	5	X	X	X	X	X	X	X	X	X
Options on Future Contracts <sup>2</sup>	X	X	5	X	X	X	X	X	X	X	X	X
Options on Securities, Indices or Currencies	**	10**	10**	10**	15**	25**	*	20**	10**	20**	25**	10**
Forward Foreign Currency Exchange Contracts	**	X	10**	10**	10**	10**	10**	10**	10**	10**	10**	10**

<sup>1</sup> Includes ETFs.

<sup>2</sup> Financial futures contracts are related options only, including futures, contracts and options on future contracts and on currencies.

#### Legend

- \* One asterisk means that there is no policy limitation on the fund's usage of that practice or type of security, and that the fund may be currently using that practice or investing in that type of security.
- \*\* Two asterisks mean that the fund is permitted to use that practice or invest in that type of security, but is not expected to do so on a regular basis or in an amount that exceeds 5% of fund assets.
- \*\*\* Excluding government sponsored agency paper.
- X An "X" mark means that the fund is not permitted to use that practice or invest in that type of security.

#### FUND NAMES

The **Tax-Free Funds**, **Income Funds**, **Dividend Income**, **Sustainable Equity**, **Mid Cap**, **Small Cap** and **International Stock Funds** have names that suggest a focus on a particular industry, group of industries or type of investment. In accordance with the provisions of Rule 35d-1 of the 1940 Act, each of these funds will, under normal circumstances, invest at least 80% of its assets in the particular industry, group of industries, or type of investment of the type suggested by its name (the "80% policy"). For this purpose, "assets" means net assets plus the amount of any borrowings for investment purposes. In addition, in appropriate circumstances, synthetic investments may be included in the 80% basket if they have economic characteristics similar to the other investments included in the basket. Bonds that are subject to the federal alternative minimum tax are not considered "tax-free" for purposes of the requirement of the **Tax-Free Funds** to invest at least 80% of their assets in securities that generate tax-exempt income.

Except as provided below with regard to the **Tax-Free Funds**, a fund's 80% policy is not a "fundamental" one, which means that it may be changed without the vote of a majority of the fund's outstanding shares as defined in the 1940 Act. Accordingly, the names of these funds may be changed at any time by a vote of the Board of Trustees. As required by Rule 35d-1, shareholders of funds subject to Rule 35d-1 will receive a 60-day written notice of any change to the investment policy describing the type of investment that the name suggests.

With regard to the **Tax-Free Funds**, the funds' 80% policy is, in fact, a "fundamental" one, which means that it may not be changed without the vote of a majority of the respective fund's outstanding shares as defined in the 1940 Act.

## INVESTMENT LIMITATIONS

The Trust has adopted the following restrictions and policies relating to the investment of assets and the activities of each fund. The policies listed below are fundamental and may not be changed for a fund without the approval of the holders of a majority of the outstanding votes of that fund (which for this purpose and under the 1940 Act means the lesser of (i) sixty-seven percent (67%) of the outstanding votes attributable to shares represented at a meeting at which more than fifty percent (50%) of the outstanding votes attributable to shares are represented or (ii) more than fifty percent (50%) of the outstanding votes attributable to shares). Except as noted below, none of the funds within the Trust may:

1. with respect to 75% of the fund's total assets, purchase securities of an issuer (other than the U.S. Government, its agencies or instrumentalities), if (i) such purchase would cause more than 5% of the fund's total assets taken at market value to be invested in the securities of such issuer or (ii) such purchase would at the time result in more than 10% of the outstanding voting securities of such issuer being held by the fund;
2. invest 25% or more of its total assets in the securities of one or more issuers conducting their principal business activities in the same industry (excluding the U.S. Government or any of its agencies or instrumentalities); provided that each **Target Allocation Fund** may invest more than 25% of its assets in any one underlying affiliated fund;
3. borrow money, except that it may (a) borrow from any lender for temporary purposes in amounts not in excess of 5% of its total assets and (b) borrow from banks in any amount for any purpose, provided that immediately after borrowing from a bank the fund's aggregate borrowings from any source do not exceed 33 1/3% of the fund's total assets (including the amount borrowed). If, after borrowing from a bank, a fund's aggregate borrowings later exceed 33 1/3% of the fund's total assets, the fund will, within three days after exceeding such limit (not including Sundays or holidays), reduce the amount of its borrowings to meet the limitation. A fund may make additional investments while it has borrowings outstanding. A fund may make other borrowings to the extent permitted by applicable law;
4. make loans, except through (a) the purchase of debt obligations in accordance with the fund's investment objective and policies, (b) repurchase agreements with banks, brokers, dealers and other financial institutions, and (c) loans of securities as permitted by applicable law;
5. underwrite securities issued by others, except to the extent that the sale of portfolio securities by the fund may be deemed to be an underwriting;
6. purchase, hold or deal in real estate, although a fund may purchase and sell securities that are secured by real estate or interests therein, securities of real estate investment trusts and mortgage-related securities and may hold and sell real estate acquired by a fund as a result of the ownership of securities;
7. invest in commodities or commodity contracts, except that the fund may invest in currency, and financial instruments and contracts that are commodities or commodity contracts; or
8. issue senior securities to the extent such issuance would violate applicable law.

With regard to fundamental policy 2 above, as it relates to the **Target Allocation Funds**, Madison looks through to the assets held by affiliated underlying funds for purposes of the industry concentration limit, and for unaffiliated underlying funds, Madison applies the test the same way based on what Madison knows about the underlying fund.

With regard to fundamental policy 8 above, Section 18(f) of the 1940 Act prohibits an investment company from issuing a "senior security" except under certain circumstances. A "senior security" is any security or obligation that creates a priority over any other class to a distribution of assets or payment of a dividend. Permissible "senior securities" include, among other things, a borrowing from a bank where the fund maintains an asset coverage ratio of at least 300% while the borrowing is outstanding.

In addition to the fundamental policies listed above, the investment objective of each fund is a fundamental policy that cannot be changed without the approval of a majority of the fund's outstanding voting securities.

The following restrictions are not fundamental policies and may be changed without the approval of the shareholders in the affected fund:

1. no fund will sell securities short or maintain a short position, except for short sales against the box;
2. no fund will purchase illiquid securities if more than 15% of the total assets of the fund, taken at market value, would be invested in such securities;
3. with regard to the fundamental policy on industry concentration as it relates to the **Tax-Free Funds**, (i) in addition to U.S. Government securities, obligations which provide income exempt from federal income taxes are also excluded for purposes of the 25% limitation; (ii) the general obligations of governmental units are not considered related to any industry;<sup>1</sup> and (iii) industrial revenue obligations are classified by the industry of the private user;
4. with regard to the **Tax-Free Funds** and the **Core Bond**, and **High Quality Bond Funds**, no such fund will invest more than 5% of the value of its total assets (determined as of the date of purchase) in the securities of any one issuer (other than securities issued or guaranteed by the United States Government or any of its agencies or instrumentalities and excluding bank deposits), and Madison will not purchase, on behalf of any such fund, any securities when, as a result, more than 10% of the voting securities of the issuer would be held by the fund. For purposes of these restrictions, the issuer is deemed to be the specific legal entity having ultimate responsibility for payment of the obligations evidenced by the security and whose assets and revenues principally back the security;
5. with regard to the **Tax-Free Funds**, to the extent either of the funds invest in fixed income securities, only investment grade fixed income securities shall be purchased, with the lowest rated securities purchased by the **Tax-Free Virginia Fund** being those rated BBB or Baa;
6. with regard to the **High Quality Bond Fund**, only investment grade securities shall be purchased; and
7. with regard to the **Core Bond Fund**, at least 65% of the fund's assets must be invested in investment grade securities.

<sup>1</sup>However, revenue obligations backed by particular projects are considered related to the industry classifications of the associated projects.

Except for the limitations on borrowing from banks, if the above percentage restrictions, or any restrictions elsewhere in this SAI or in the prospectus covering fund shares, are adhered to at the time of investment, a later increase or decrease in such percentage resulting from a change in values of securities or amount of net assets will not be considered a violation of any of the foregoing restrictions.

Notwithstanding the foregoing investment limitations, the underlying funds in which the **Target Allocation Funds** may invest have adopted certain investment restrictions that may be more or less restrictive than those listed above, thereby permitting a **Target Allocation Fund** to engage indirectly in investment strategies that may be prohibited under the investment limitations listed above. The investment restrictions of each underlying fund are set forth in the prospectus and SAI for that underlying fund.

## PORTFOLIO TURNOVER

Each fund will trade securities held by it whenever, in the Investment Adviser's view, changes are appropriate to achieve the stated investment objectives. The Investment Adviser does not anticipate that unusual portfolio turnover will be required and intends to keep such turnover to moderate levels consistent with the objectives of each fund. Although the Investment Adviser makes no assurances, it is expected that the annual portfolio turnover rate for each fund will be generally less than 100%. This would mean that normally less than 100% of the securities held by the fund would be replaced in any one year.

For each of the two fiscal years ended October 31, portfolio turnover for each fund was as follows:

Fund	2021	2020
Conservative Allocation <sup>1</sup>	63%	73%
Moderate Allocation <sup>1</sup>	71%	87%
Aggressive Allocation <sup>1</sup>	84%	105%
Tax-Free Virginia	10%	7%
Tax-Free National	18%	13%
High Quality Bond	13%	21%
Core Bond <sup>2</sup>	30%	61%
Diversified Income	34%	31%

Fund	2021	2020
Covered Call & Equity Income <sup>3</sup>	162%	108%
Dividend Income	31%	33%
Investors <sup>4</sup>	17%	41%
Sustainable Equity Fund <sup>5</sup>	N/A	N/A
Mid Cap	24%	24%
Small Cap	44%	47%
International Stock <sup>6</sup>	120%	34%

<sup>1</sup> Turnover for 2021 was lower due to lesser amount of material asset allocation rotations in relation to 2020, where turnover was atypically high.

<sup>2</sup> Turnover for 2021 was lower due to the fund participating in fewer new issue corporate bond deals.

<sup>3</sup> Turnover for 2021 was higher due to a meaningful increase in call option assignment, particularly during the first half of the year.

<sup>4</sup> Turnover for 2021 was lower due to the decision to maintain the majority of the existing holdings throughout the year.

<sup>5</sup> Portfolio turnover for the previous two fiscal years is not provided, because the fund recently commenced investment operations.

<sup>6</sup> Turnover for 2021 was higher than 2020 due to repositioning of the fund due to the change of the investment adviser.

## MANAGEMENT OF THE TRUST

### Trustees and Officers

The Trust is governed by the Board of Trustees. The Board has the duties and responsibilities set forth under the applicable laws of the State of Delaware, including but not limited to the management and supervision of the funds.

The Board of Trustees, from time to time, may include individuals who may be deemed to be affiliated persons of Madison. At all times, however, a majority of Board members will not be affiliated with Madison or the funds (collectively referred to herein as the "Independent Trustees"). Board members serve until the end of the calendar year in which the first of the following two events occur: (1) he or she attains the age of seventy-six (76), or (2) he or she has served on the Board for a total of fifteen (15) years, subject in the latter case to extension by unanimous vote of the remaining Trustees on an annual basis.

The funds do not hold annual shareholder meetings, but may hold special meetings for such purposes as electing or removing Board members, changing fundamental policies, approving certain management contracts, approving or amending a 12b-1 plan, or as otherwise required by the 1940 Act or the Declaration of Trust.

The address of each Trustee and officer is 550 Science Drive, Madison, Wisconsin 53711.

**Independent Trustees**

<b>Name and Age</b>	<b>Position(s) Held, First Elected and Term of Office<sup>1</sup></b>	<b>Principal Occupation(s) During Past Five Years</b>	<b>Portfolios Overseen in Fund Complex by Trustee<sup>2</sup></b>	<b>Other Directorships Held by Trustee</b>
Scott C. Jones 60	Trustee, 2019 – 2034	Managing Director, Carne Global Financial Services (US) LLC (a provider of independent governance and distribution support for the asset management industry), 2013 - Present Managing Director, Park Agency, Inc., 2020 - Present	16	Madison Covered Call & Equity Strategy Fund, 2021 - Present XAI Octagon Floating Rate & Alternative Income Term Trust, 2017 - Present; Manager Directed Portfolios (open-end fund family, 9 portfolios), 2016 - Present and Lead Independent Trustee since 2017; Guestlogix Inc. (a provider of ancillary-focused technology to the travel industry), 2015 - 2016
Steven P. Riege 68	Trustee, 2005 – 2028	Ovation Leadership (management consulting), Milwaukee, WI, Owner/President, 2001 – Present Robert W. Baird & Company (financial services), Milwaukee, WI, Senior Vice President-Marketing and Vice President-Human Resources, 1986 – 2001	30	Ultra Series Fund (14), 2005 – Present; Madison Covered Call & Equity Strategy Fund, 2015 - Present
Richard E. Struthers 69	Trustee, 2004 – 2028	Clearwater Capital Management (investment advisory firm), Naples, FL, Chair and Chief Executive Officer, 1998 – Present Park Nicollet Health Services, Minneapolis, MN, Chairman, Finance and Investment Committee, 2006 – 2012	30	Ultra Series Fund (14), 2004 – Present; Madison Covered Call & Equity Strategy Fund, 2017 - Present
Carrie J. Thome 53	Trustee, 2017 – 2032	NVNG Investment Advisors, LLC, Madison, WI, Managing Director, 2019 - Present Wisconsin Alumni Research Foundation, Madison, WI, Chief Investment Officer, 2007- 2019	29	Ultra Series Fund (14), 2017- Present Dynamic Alternatives Fund, 2021 - Present

<sup>1</sup> Board terms end on December 31 of the year noted.

<sup>2</sup> As of the date of this SAI, the "Fund Complex" consists of Madison Funds with 15 portfolios, the Ultra Series Fund with 14 portfolios and the Madison Covered Call & Equity Strategy Fund (closed end fund), for a grand total of 30 separate portfolios in the Fund Complex. Not every Trustee is a member of the Board of Trustees of every fund in the Fund Complex, as noted above. References to the "Fund Complex" in this SAI have the meaning disclosed in this footnote.

**Interested Trustees and Officers**

Name and Age	Position(s) Held, Length of Time Served and Term of Office <sup>1</sup>	Principal Occupation(s) During Past Five Years	Portfolios Overseen in Fund Complex by Trustee <sup>2</sup>	Other Directorships Held by Trustee
Paul A. Lefurgey <sup>3</sup> 57	Trustee, 2020 - Present; Vice President, 2009 – Present	Madison Investment Holdings, Inc. (“MIH”), Madison and Madison Investment Advisors, LLC (“MIA”), Co-Head of Investments, 2022 - Present; CEO, 2017 - 2021; Co-Head of Fixed Income, 2019 - 2021; Director of Fixed Income Investments, 2016 - 2019; Executive Director and Head of Fixed Income Investments, 2013 - 2016; Chairman - Executive Committee, 2015 - 2017 Ultra Series Fund (14) (mutual funds), Vice President, 2009 - Present; Madison Covered Call & Equity Strategy Fund (closed-end fund), Vice President, 2012 - Present; Madison Strategic Sector Premium Fund (closed-end fund), Vice President, 2010 - 2018	16	Madison Covered Call & Equity Strategy Fund, 2021 – Present
Patrick F. Ryan 43	President, 2020 - Present	MIH, MIA and Madison, Head of Multi-Asset Solutions and Portfolio Manager, 2018 – Present; Co-Head of Multi-Asset Solutions and Portfolio Manager, 2016 – 2017 Ultra Series Fund (14) and Madison Covered Call & Equity Strategy Fund, President, March 2020 - Present	N/A	N/A
Greg D. Hoppe 52	Vice President, 2020 – Present; Chief Financial Officer, 2019 - Present; Treasurer, 2009 – 2019	MIH and MIA, Vice President, 1999 - Present; Madison, Vice President, 2009 - Present Ultra Series Fund (14), Vice President, 2020 – Present; Chief Financial Officer, 2019 – Present; Treasurer, 2009 – 2019; Madison Covered Call & Equity Strategy Fund, Vice President, 2020 – Present; Chief Financial Officer, 2019 – Present; Treasurer, 2012 - 2019; Madison Strategic Sector Premium Fund, Treasurer, 2009 - 2018	N/A	N/A
Holly S. Baggot 61	Secretary, 1999 - Present; Assistant Treasurer, 1999 – 2007 and 2009 – Present	MIH and MIA, Vice President, 2010 - Present; Madison, Vice President, 2009 - Present; MFD Distributor, LLC (“MFD”) (an affiliated brokerage firm of Madison), Vice President, 2012 - Present Ultra Series Fund (14), Secretary, 1999 - Present and Assistant Treasurer, 2009 - Present; Madison Covered Call & Equity Strategy Fund, Secretary and Assistant Treasurer, 2012 - Present; Ultra Series Fund and Madison Covered Call & Equity Strategy Fund, Anti-Money Laundering Officer, 2019 - 2020; Madison Strategic Sector Premium Fund, Secretary and Assistant Treasurer, 2010 - 2018	N/A	N/A
Steve J. Fredricks 51	Chief Compliance Officer and Assistant Secretary, 2018 – Present	MIH, MIA and Madison, Chief Legal Officer, 2020 - Present and Chief Compliance Officer, 2018 – Present Ultra Series Fund (14) and Madison Covered Call & Equity Strategy Fund, Chief Compliance Officer and Assistant Secretary, 2018 - Present; Madison Strategic Sector Premium Fund, Chief Compliance Officer during 2018. Jackson National Asset Management, LLC, Senior Vice President and Chief Compliance Officer, 2005 - 2018	N/A	N/A
Trey D. Edgerle 31	Assistant Secretary, 2017 – Present; Anti-Money Laundering Officer, 2020 – Present	MIH, MIA and Madison, Senior Mutual Fund and Compliance Associate, 2016 - Present Ultra Series Fund (14) and Madison Covered Call & Equity Strategy Fund, Assistant Secretary, 2017 - Present; Anti-Money Laundering Officer, 2020 - Present; Madison Strategic Sector Premium Fund, Assistant Secretary, 2017 - 2018 U.S. Bancorp, Mutual Fund Compliance Officer, 2013 - 2016	N/A	N/A

<sup>1</sup> Board terms end on December 31 of the year noted.

<sup>2</sup> As of the date of this SAI, the "Fund Complex" consists of Madison Funds with 15 portfolios, the Ultra Series Fund with 14 portfolios and the Madison Covered Call & Equity Strategy Fund (closed end fund), for a grand total of 30 separate portfolios in the Fund Complex. References to the "Fund Complex" in this SAI have the meaning disclosed in this footnote.

<sup>3</sup> "Interested person" as defined in the 1940 Act. Considered an interested Trustee because of the position held with Madison.

## Trustee Compensation

During the fiscal year ended October 31, 2021, the Trustees were compensated as follows:

Trustee Name	Aggregate Compensation from Trust	Total Compensation Fund Complex <sup>1</sup>
Scott C. Jones	\$62,000	\$65,000
Steven P. Riege	\$66,900	\$108,000
Richard E. Struthers	\$62,000	\$100,000
Carrie J. Thome	\$62,000	\$88,000
Paul A. Lefurgey <sup>2</sup>	None	None

<sup>1</sup> The Trust consists of 15 separate portfolios, and the "Fund Complex" consists of 30 separate portfolios, as described in more detail above. Not every Trustee is a member of the Board of Trustees of every fund in the Fund Complex, as noted above.

<sup>2</sup> Non-compensated interested Trustee.

The Fund Complex does not have any sort of pension or retirement plans for the benefit of Trustees. However, as an employee of Madison, Mr. Lefurgey participates in a profit sharing plan sponsored by Madison for the benefit of its employees. No part of such plan is secured or funded by the Fund Complex. There have been no arrangements or understandings between any Trustee or officer and any other person(s) pursuant to which (s)he was selected as a Trustee or officer.

## Board Qualifications

The members of the Board of Trustees each have experience that led fund management to the conclusion that each should serve as a member of the Board, both at the time of the person's appointment and continuing as of the date of this SAI. Mr. Lefurgey, the sole member of the Board who is considered an "interested person" under the 1940 Act, has significant management and leadership experience in the asset management industry and currently serves as Co-Head of Investments for Madison and its affiliated companies, with a focus on the firm's fixed income and multi-asset solutions teams. Regarding the Independent Trustees, all four have substantial experience operating and overseeing a business, whether it be the management consulting business (for Mr. Riege), the investment management business (for Mr. Struthers and Mr. Jones), and the investment management and academic research business (for Ms. Thome). As a result of this experience, each has unique perspectives regarding the operation and management of the funds and the Board of Trustees' oversight function. They use this collective experience to oversee the funds for the benefit of fund shareholders. Moreover, each of the Independent Trustees has served as a trustee of one or more mutual funds for many years. They bring substantial and material experience and expertise to their roles as Trustees of the funds.

## Board Committees

The Board of Trustees has established two standing committees to help manage the funds, an Audit Committee and a Nominating and Governance Committee. Each such Committee is currently comprised of Messrs. Jones, Riege and Struthers and Ms. Thome, constituting all of the Trust's Independent Trustees. The Chair of the Nominating and Governance Committee is Mr. Riege, and the Chair of the Audit Committee is Mr. Struthers.

*Audit Committee.* The Audit Committee is responsible for reviewing the results of each audit of the funds by the funds' independent registered public accounting firm and for recommending the selection of independent auditors for the coming year. The Audit Committee meets at least quarterly and more often as necessary. The Committee met four times during the funds' last fiscal year.

*Nominating and Governance Committee.* The Nominating and Governance Committee is responsible for nominating trustees and officers to fill vacancies, for evaluating their qualifications. The Nominating and Governance Committee is also responsible for periodically reviewing the effectiveness of the Board of Trustees and its committees. Like the Audit Committee, the Nominating and Governance Committee meets at least quarterly and more often as necessary. The Nominating and Governance Committee met four times during the funds' last fiscal year. The Nominating and Governance Committee may consider candidates for the Board submitted by shareholders if a vacancy were to exist. Shareholders who wish to recommend a nominee may do so by submitting the appropriate information about the candidate to the Secretary of the Trust at the following address: 550 Science Drive, Madison, Wisconsin 53711.

## Leadership Structure of the Board

The Board of Trustees is relatively small (with five members, as noted in the tables above) and operates in a collegial atmosphere. Although no member is formally charged with acting as Chair, Mr. Lefurgey generally acts as the Chairperson during meetings. All Board members are expected to provide their input into establishing the Board's meeting agenda. Likewise, each Board of Trustees meeting contains a standing agenda item for any Board member to raise new or additional items he or she believes is important in connection with fund governance. The Board of Trustees has charged Mr. Riege with acting as the Lead Independent Trustee for purposes of communicating with Madison, the Trust's Chief Compliance Officer, counsel to the Independent Trustees and Trust counsel on matters relating to the Board as a whole. The Independent Trustees often meet in executive session without representatives of Madison present (including meetings with counsel, the Chief Compliance Officer and the independent registered public accountant).

As adviser to each series of the Trust, Madison is responsible for the overall risk management for the funds, including supervising their affiliated and third-party service providers and identifying and mitigating possible events that could impact the funds' business, operations or performance. Risks to the funds include investment, legal, compliance and regulatory risks, as well as the risk of operational failure or lack of business continuity. The Board of Trustees oversees risk management of the funds' investment programs through the Audit Committee and through oversight by the Board itself. The Trust's Chief Compliance Officer, who reports to the Independent Trustees, provides the Board of Trustees with quarterly updates and a comprehensive annual report regarding the processes and controls in place to address regulatory, compliance, legal and operational risk. The Board of Trustees exercises its oversight in conjunction with Madison, the Chief Compliance Officer, fund counsel and counsel to the Independent Trustees by requesting reports and presentations at regular intervals throughout the year. Additionally, the Audit Committee receives periodic reports from the

funds' independent accountants. The Board's committee structure requires an Independent Trustee to serve as Chair of the Nominating and Governance and the Audit Committees.

Given the small size of the Board of Trustees, its committee structure led by Independent Trustees, the openness of Board meetings to active input by all Board members, its utilization of executive sessions, the role of the Lead Independent Trustee and its quarterly focus on compliance and risk management, the Board of Trustees has determined that its current leadership structure is adequate for the protection of fund investors.

### Trustees' Holdings

Trustees' holdings in the Fund Complex as of December 31, 2021, was as follows:

Name of Trustee	Fund	Dollar Range of Equity Securities in the Trust <sup>1,2</sup>	Aggregate Dollar Range of Equity Securities in Fund Complex <sup>2</sup>
Scott C. Jones	None	None	None
Steven P. Riege	Aggressive Allocation Small Cap	\$1 - \$10,000 \$10,001 - \$50,000	\$10,001 - \$50,000
Richard E. Struthers	International Stock	\$50,001 - \$100,000	\$50,001 - \$100,000
Carrie J. Thome	None	None	None
Paul A. Lefurgey	Investors Mid Cap Core Bond High Quality Bond	over \$100,000 \$50,001 - \$100,000 \$10,001 - \$50,000 \$50,001 - \$100,000	Over \$100,000

<sup>1</sup> Dollar ranges are as follows: none; \$1-\$10,000; \$10,001-\$50,000; \$50,001-\$100,000; and over \$100,000.

<sup>2</sup> The Trust consists of 15 separate portfolios, and the "Fund Complex" consists of 30 separate portfolios, as described in more detail above.

### SALES LOAD WAIVERS FOR CERTAIN AFFILIATED PERSONS OF THE TRUST

Class A shares may be offered without front-end sales charges to individuals (and their "immediate family," as described in the prospectus) who, within the past twelve months, were (i) trustees, directors, officers, or employees of CMFG Life Insurance Company or its subsidiaries and affiliates (collectively referred to herein as "CMFG Life"); (ii) trustees, directors, officers or employees of MIH and/or its subsidiaries or affiliated companies; (iii) members of the Board of Trustees of the Trust or of the board of trustees of the Ultra Series Fund; and (iv) any trust, pension, profit sharing or other benefit plan which beneficially owns shares for these persons. Board members of the Trust and the Ultra Series Fund are offered Class A shares without front-end sales charges as an incentive for them to invest in the funds for which they serve as Trustees.

### CONTROL PERSONS AND PRINCIPAL HOLDERS OF THE TRUST'S SECURITIES

Based upon their investments, the Target Allocation Funds of the Madison Funds, and the Target Allocation Funds of the Ultra Series Fund, an affiliated investment company which is managed by the same investment adviser as the Trust, own more than 25% of certain fund's Class I shares and Class R6 shares, as indicated in the charts below, and may be deemed to control such funds and or share classes of such funds. In addition, Madison owns all (100%) initial seed capital shares of Class Y shares of the Sustainable Equity Fund; Class I shares of the High Quality Bond Fund and the Covered Call & Equity Income Fund; and Class R6 shares of the Core Bond Fund, Dividend Income Fund and Small Cap Fund as of the date of this SAI, and shall be deemed a control person of the respective share class of the fund. Madison is a Wisconsin limited liability company and the investment adviser to the Trust. Until their ownership is diluted by the sale of shares to other shareholders or the redemption of their investments, these shareholders may each be able to significantly influence the outcome of any shareholder vote of such funds and or such share classes of such funds.

The following tables set forth 5% or more beneficial ownership (unless otherwise stated) of shares of each class of each fund, if applicable, as of January 31, 2021.

#### Class A shares

Shareholder	Cons Alloc	Mod Alloc	Agg Alloc	Core Bond	Diversified Income	Cov Call & Eq Inc	Dividend Income	Investors	Mid Cap	Small Cap	Int'l Stock
Pershing LLC, Jersey City, NJ*	47.47%	29.06%	22.08%	42.42%	36.15%	59.01%	33.83%	35.07%	28.93%	28.67%	33.07%
First Community Credit Union, Retirement Health Funding Program, Chesterfield, MO				5.83%							
LPL Financial, San Diego, CA*						6.73%					
First South Financial Credit Union, 457(B) Plan, Bartlett, TN										6.32%	

\* Represents ownership of record rather than beneficial ownership.

#### Class B shares

Shareholder	Cons Alloc	Mod Alloc	Agg Alloc	Core Bond	Diversified Income	Mid Cap	Int'l Stock
Pershing LLC, Jersey City, NJ*	38.43%	44.09%	59.04%	49.62%	76.32%	58.12%	59.17%
UMB Bank NA Cust Roth IRA FBO Patcharee C. Lam, Dumfries, VA							7.08%

\*Represents ownership of record rather than beneficial ownership.

### Class C shares

Shareholder	Con Alloc	Mod Alloc	Agg Alloc	Diversified Income	Cov Call & Eq Inc
Pershing LLC, Jersey City, NJ*	77.38%	62.09%	62.56%	89.16%	65.22%
LPL Financial, San Diego, CA*	5.80%	5.66%			
William W. Goddard TTEE Family Trust of William W. Goddard, Riverside, CA			9.89%		
RBC Capital Markets LLC, Mutual Fund Omnibus Processing, Minneapolis, MN*					12.38%
Morgan Stanley Smith Barney LLC, Jersey City, NJ*					6.96%

\*Represents ownership of record rather than beneficial ownership.

### Class Y shares

Shareholder	Tax-Free Nat'l	Tax-Free VA	Core Bond	High Quality Bond	Dividend Income	Cov Call & Eq Inc	Investors	Sustainable Equity <sup>1</sup>	Mid Cap	Small Cap	Int'l Stock
Charles Schwab & Co – Special Custodial Account for Benefit of Customers, San Francisco, CA*				9.37%	28.35%		17.59%		28.03%		
Schwab & Co. Inc. Special Custody A/C FBO Customers, San Francisco, CA*			15.50%							28.67%	
National Financial Services LLC Exclusive Benefit of our Customers, New York, NY*				8.32%	30.70%	45.80%	8.72%		26.61%	12.01%	
TD Ameritrade, Inc. FBO Exclusive Benefit of our Customers, Omaha, NE*			17.89%		18.71%	21.03%			7.78%	5.63%	7.44%
Richard E. Struthers, Naples, FL											10.69%
Pershing LLC, Jersey City, NJ*						17.20%			10.45%		
Morgan Stanley Smith Barney, Jersey City, NJ*				9.10%							
RBC Capital Markets LLC Mutual Fund Omnibus Processing Accounts, Minneapolis, MN										16.82%	
John H Rys Sr & Virginia M Rys JTWROS POA John H Rys Jr, Kansas City, MO	11.63%										
Wayne G Johns, Alexandria, VA		30.64%									
Matrix Trust Company Cust. FBO Monterey CU, Denver, CO											11.10%
Matrix Trust Company Cust. FBO Tarrant County CU 457(B) Plan, Denver, CO											6.55%
Dapp Associates LLC, Pensacola, FL											5.97%
Ingrid Gunther & Claudia Buchinsky & Nina Hassin JTWROS, Reseda, CA			8.64%								
Madison Asset Management, LLC, Madison, WI								100.00%			

<sup>1</sup>The share class commenced investment operations on January 3, 2022.

\*Represents ownership of record rather than beneficial ownership.

## Class I shares

Shareholder	High Quality <sup>1</sup>	Core Bond	Dividend Income	Cov Call & Eq Inc <sup>1</sup>	Investors	Sustainable Equity	Mid Cap	Small Cap
Madison Conservative Allocation Fund, Madison, WI		11.91%						
Madison Moderate Allocation Fund, Madison, WI		14.28%	5.24%					
Madison Aggressive Allocation Fund, Madison, WI								
Ultra Series Conservative Allocation Fund, Madison, WI		28.08%	8.19%					
Ultra Series Moderate Allocation Fund, Madison, WI		19.12%	21.10%					
Ultra Series Aggressive Allocation Fund, Madison, WI			8.25%					
Charles Schwab & Co – Special Custodial Account for Benefit of Customers, San Francisco, CA*			20.53%		5.11%		11.03%	
Morgan Stanley Smith Barney, Jersey City, NJ*					13.92%		37.56%	
RBC Capital Markets LLC, Mutual Fund Omnibus Processing, Minneapolis, MN*					23.00%		30.22%	
Wells Fargo Clearing Services LLC, Special Custody Acct for the Exclusive Benefit of Customers, St. Louis, MO*					30.76%		5.83%	88.03%
Ameriprise Financial Services, LLC Omnibus Account, Minneapolis, MN*							5.36%	
Pershing LLC, Jersey City, NJ*		16.52%			24.35%			
LPL Financial Omnibus Customer Account, San Diego, CA*			25.72%					
Kim Lynette Morris, Milwaukee, WI						15.13%		
Outrider Foundation, Inc, Madison, WI						84.29%		
Madison Asset Management, LLC, Madison, WI <sup>1</sup>	100.00%			100.00%				

<sup>1</sup>The share class commenced investment operations on the date of this SAI.

\*Represents ownership of record rather than beneficial ownership.

## Class R6 shares

Shareholder	Core Bond <sup>1</sup>	Dividend Income <sup>1</sup>	Cov Call & Eq Inc	Investors	Mid Cap	Small Cap <sup>1</sup>
Madison Conservative Allocation Fund, Madison, WI				5.57%		
Madison Moderate Allocation Fund, Madison, WI				19.07%		
Madison Aggressive Allocation Fund, Madison, WI				12.42%		
Ultra Series Conservative Allocation Fund, Madison, WI				13.47%		
Ultra Series Moderate Allocation Fund, Madison, WI				26.75%		
Ultra Series Aggressive Allocation Fund, Madison, WI				10.73%		
Charles Schwab & Co – Special Custodial Account for Benefit of Customers, San Francisco, CA*			64.13%	8.99%	9.94%	
Saxon & Co., FBO 40400904099990, Cleveland, OH					34.50%	
Saxon & Co., FBO 40400907499991, Cleveland, OH					6.26%	
Wells Fargo Bank NA FBO Omnibus Cash Account for Benefit of Customers, Minneapolis, MN*					28.77%	
Matrix Trust Co. FBO NW Priority CU 457(b) Plan, Denver, CO			6.82%			
Matrix Trust Co. FBO Arsenal CU 457(b) Plan, Denver, CO			8.91%			
Matrix Trust Co. FBO MidUSA Credit Union Inc. 457(b) Plan, Denver, CO			6.86%			
Madison Asset Management, LLC, Madison, WI <sup>1</sup>	100.00%	100.00%				100.00%

<sup>1</sup>The share class commenced investment operations on the date of this SAI.

\*Represents ownership of record rather than beneficial ownership.

As of January 31, 2022, the Trust's trustees and officers, as a group, owned less than one percent of the outstanding voting securities of each fund.

## PORTFOLIO MANAGEMENT

The investment adviser to the Trust, Madison Asset Management, LLC ("Madison"), is a registered investment adviser located at 550 Science Drive, Madison, WI 53711. Madison is owned by Madison Investment Holdings, Inc. ("MIH"), 550 Science Drive, Madison, WI 53711. Madison shares investment personnel with Madison Investment Advisors, LLC, a wholly owned subsidiary of Madison. MIH was founded in 1974 and currently operates primarily as a holding company. In addition to Madison, the other firm under the MIH umbrella is Madison Investment Advisors, LLC (a registered investment adviser providing portfolio management services to wrap accounts and separately managed accounts), located in Madison, WI, which includes an insurance asset management division, Madison Scottsdale, located in Scottsdale, AZ, and an international equity team located in Toronto, Canada. Frank E. Burgess, who is the founder of MIH, owns a controlling interest in MIH.

*Investment Advisory Agreement.* Madison has entered into an investment advisory agreement with the Trust that requires Madison to provide continuous professional investment management of the investments of the Trust, including establishing an investment program complying with the investment objectives, policies, and restrictions of each fund. As compensation for its services under the investment advisory agreement, each fund pays Madison on a monthly basis, a management fee computed at an annualized percentage rate of the average daily value of the net assets of each fund.

During each of the three fiscal years ended October 31, the Trust paid the following investment advisory fees to Madison:

Fund	Management Fee <sup>1</sup>	2021	2020	2019
Conservative Allocation	0.20%	\$138,570	\$135,719	\$136,133
Moderate Allocation	0.20%	272,445	264,925	270,520
Aggressive Allocation	0.20%	135,605	124,868	124,618
Tax-Free Virginia	0.50%	104,663	110,357	108,803
Tax-Free National	0.40%	91,223	94,125	95,540
High Quality Bond	0.30% <sup>2</sup>	459,325	420,635	270,368
Core Bond	0.39% <sup>3</sup>	735,447	636,860	797,017
Diversified Income	0.65%	1,151,679	1,041,520	1,077,774
Covered Call & Equity Income	0.85%	747,149	850,221	1,107,604
Dividend Income	0.70% <sup>4</sup>	2,281,752	1,622,113	1,236,189
Investors	0.70% <sup>5</sup>	2,726,327	2,346,290	2,309,624
Sustainable Equity <sup>6</sup>	0.70%	N/A	N/A	N/A
Mid Cap	0.75% <sup>7</sup>	4,927,974	4,047,590	3,772,781
Small Cap	0.89% <sup>8</sup>	2,610,559	2,242,600	3,245,497
International Stock	1.05%	191,990	181,063	203,359

<sup>1</sup> Except for the Target Allocation Funds, Tax-Free Funds, High Quality Bond Fund, and Covered Call & Equity Income Fund, each fund's investment advisory fee will be reduced by 0.05% on assets exceeding \$500 million, and by another 0.05% on assets exceeding \$1 billion.

<sup>2</sup> For the period August 7, 2020 to February 27, 2021, Madison voluntarily waived 0.10% of its 0.30% annual management fee, and on February 28, 2021, Madison contractually agreed to the 0.10% waiver until at least February 27, 2022. Fees waived in 2021 and 2020 were \$153,108 and \$43,230, respectively. Madison does not have the right to recoup any waived fees. The fee waiver was discontinued effective February 28, 2022.

<sup>3</sup> Effective February 28, 2021, the annual management fee was reduced from 0.50% to 0.39%.

<sup>4</sup> Effective June 1, 2020, the annual management fee was reduced from 0.75% to 0.70% and the fee waiver agreement that had previously been in effect was terminated. Fees waived in 2020 and 2019 were \$121,658 and \$164,825, respectively. Madison does not have the right to recoup any waived fees.

<sup>5</sup> Effective June 1, 2020, the annual management fee was reduced from 0.75% to 0.70%.

<sup>6</sup> Fees paid for the previous three fiscal years is not provided, because the fund recently commenced investment operations.

<sup>7</sup> During the period ended October 31, 2021, the effective management fee rate was 0.74% due to investment advisory fee breakpoints.

<sup>8</sup> Effective February 28, 2021, the management fee was reduced from 1.00% to 0.89%.

**Administrative Services Agreement.** In addition to the management fee, the Investment Adviser is entitled to receive an administrative services fee from each fund pursuant to the terms of a separate Administrative Services Agreement. Under this fee agreement, Madison provides or arranges for each fund to have all of the necessary operational and support services it needs for a fee. Such services include:

- Handling bookkeeping and portfolio accounting for the Trust.
- Handling telephone inquiries, cash withdrawals and other customer service functions (including monitoring wire transfers).
- Providing appropriate supplies, equipment and ancillary services necessary to conduct the Trust's affairs.
- Arranging for and paying the custodian, fund transfer agent, fund accountant and fund administrator.
- Arranging for and paying the Trust's independent registered public accountants, legal counsel and outside counsel to the Independent Trustees.
- Registering the Trust and its shares with the SEC and notifying any applicable state securities commissions of the sale of such shares in their jurisdiction.
- Printing and distributing prospectus and periodic financial reports to current shareholders.
- Paying for trade association memberships.
- Preparing shareholder reports, proxy materials and holding shareholder meetings.
- Arranging for the payment of the Independent Trustees' meeting fees (which are direct fund expenses) and out-of-pocket expenses.

Madison provides all these services for a annual fee calculated as a percentage of each fund's average daily net assets. This fee is reviewed and approved at least annually by the Board of Trustees and is compared with the fees paid by other mutual funds of similar size and investment objective to determine if it is reasonable. The Board of Trustees considers the reasonableness of administrative services fees when it considers the compensation paid to the Investment Adviser under the investment advisory agreement. As compensation for its services under the administrative services agreement, each fund pays Madison on a monthly basis, an administrative services fee computed at an annualized percentage rate of the average daily value of the net assets of each fund.

During each of the last three fiscal years ended October 31, the Trust paid the following administrative service fees to Madison:

Fund	Administrative Services Fee	2021	2020	2019
Conservative Allocation	0.25%	\$173,213	\$169,648	\$170,166
Moderate Allocation	0.25%	340,557	331,157	338,150
Aggressive Allocation	0.25%	169,507	156,085	155,772
Tax-Free Virginia	0.35%	73,264	77,250	76,162
Tax-Free National	0.35%	79,821	82,360	83,598
High Quality Bond	0.19%	290,906	266,402	171,233
Core Bond	0.20% <sup>2,5</sup>	241,689	189,315	236,824
Diversified Income	0.20%	354,363	320,468	331,623
Covered Call & Equity Income	0.15% <sup>1</sup>	130,944	147,497	192,550
Dividend Income	0.20% <sup>2,4</sup>	594,122	620,230	576,888
Investors	0.20% <sup>1,2</sup>	552,995	554,710	602,387
Sustainable Equity Fund <sup>7</sup>	0.20% <sup>2</sup>	N/A	N/A	N/A
Mid Cap	0.40% <sup>1,2,3</sup>	1,080,673	1,117,324	1,211,324
Small Cap	0.20% <sup>2,6</sup>	595,725	560,650	254,245
International Stock	0.30%	54,854	51,732	58,103

<sup>1</sup> The annual administrative services fee for the fund's Class R6 share is 0.02%.

<sup>2</sup> The annual administrative services fee for the fund's Class I shares is 0.10%.

<sup>3</sup> Effective June 1, 2020, the annual administrative services fee for the fund's Class Y share was reduced from 0.23% to 0.20%.

<sup>4</sup> Effective June 1, 2020, the annual administrative services fee for the fund's Class Y share was reduced from 0.35% to 0.20%, and the fee waiver arrangement that had previously been in effect was terminated. Fees waived in 2020 and 2019 were \$60,829 and \$82,413, respectively. Madison does not have the right to recoup any waived fees.

<sup>5</sup> Effective February 28, 2021, the annual administrative services fee for the fund's Class A, B and Y shares was increased from 0.15% to 0.20%.

<sup>6</sup> Effective February 28, 2021, the Board of Trustees approved the termination of Madison's contractual agreement to waive 0.04% of the fund's 0.25% annual administrative services fee which commenced August 31, 2019 and was set to expire on August 31, 2021, and the annual administrative services fee was reduced from 0.25% to 0.20%. Fees waived in 2021, 2020 and 2019 were \$35,536, \$89,704 and \$9,356, respectively. Madison does not have the right to recoup any waived fees.

<sup>7</sup> Fees paid for the previous three fiscal years is not provided, because the fund recently commenced investment operations.

The Trust remains responsible for (i) transaction-related expenses including, but not limited to, brokerage commissions paid in connection with fund transactions, interest or fees in connection with fund indebtedness or taxes paid in connection with portfolio securities held, (ii) Rule 12b-1 distribution and service fees disclosed in the prospectus of the Trust, (iii) acquired fund fees, if any, and (iv) any extraordinary or non-recurring expenses it incurs and (iv) as of August 7, 2020, the Independent Trustee compensation, including Lead Independent Trustee compensation, which prior to August 6, 2020 was paid out of the administrative services fee on behalf of the funds.

## Subadvisers

Madison may manage the assets of all of the funds using a "manager of managers" approach under which Madison may manage some or all of the funds' assets and may allocate some or all of the funds' assets among one or more specialist subadvisers. Madison selects subadvisers based on a continuing quantitative and qualitative evaluation of their abilities in managing assets pursuant to a particular investment style. While superior performance is the ultimate goal, short-term performance by itself will not be a significant factor in selecting or terminating subadvisers, and Madison does not expect frequent changes in subadvisers. Madison compensates subadvisers out of its own assets.

Madison monitors the performance of each subadviser to the extent it deems appropriate to achieve a fund's investment objective, reallocates fund assets among its own portfolio management team and individual subadvisers or recommends to the Board of Trustees that a fund employ or terminate particular subadvisers. The Trust and Madison received an exemptive order from the SEC that permits the Board to appoint or change unaffiliated subadvisers without shareholder approval. If there is a new appointment or change in unaffiliated subadviser, you will receive an "information statement" within 90 days after the date of the change. The statement will provide you with relevant information about the reason for the change and information about any new subadviser.

With regard to the funds discussed in this SAI, Madison does not currently use a subadviser.

## PORTFOLIO MANAGERS

*Compensation.* Madison believes portfolio managers should receive compensation for the performance of the firm's client accounts, their individual effort, and the overall profitability of the firm. As such, as of the date of this SAI, portfolio managers receive a base salary, as well as an incentive bonus based on the attainment of certain goals and objectives in the portfolio management process (described below). The portfolio managers also participate in the overall profitability of the firm directly, through an ownership interest in the firm, or indirectly, through a firm-sponsored profit sharing plan. Madison believes its portfolio managers' goals are aligned with those of long-term investors, recognizing client goals to outperform over the long-term.

With regard to incentive compensation, the incentive pools for the asset allocation, equity and fixed-income teams are calculated based on a percentage of revenue from each investment strategy. Equity and fixed income teams managers are rewarded for performance relative to their benchmark(s) over both a one- and three-year period (measured on a pre-tax basis). The asset allocation team managers are rewarded for performance relative to their benchmark(s) over a one-, three- and five-year period (measured on a pre-tax basis), which is based on a risk-adjusted

return. Incentive compensation earned is paid out over a two year period, so that if a portfolio manager leaves the employ of Madison, he or she forfeits a percentage of his or her incentive compensation. The purpose of this structured payout is to aid in the retention of investment personnel. All incentive compensation must be approved by the CEO and CFO. The incentive compensation pool shared by the members of the firm's asset allocation and equity management teams is based on the performance of the firm's various asset allocation and equity mutual funds measured against the appropriate index benchmarks.

The incentive compensation pool shared by the members of the firm's fixed-income management team is based on the performance of the firm's various fixed-income composites measured against the appropriate index benchmarks. All firm fixed-income accounts, including mutual funds, regardless of whether they are included in such composites, are managed with the same general investment philosophy, approach and applicable allocations regarding duration, spreads and other fixed-income characteristics.

There is no difference in the way the firm compensates portfolio managers for managing a mutual fund or a private client account (or any other type of account). Instead, compensation is based on the entire employment relationship, not on the performance of any single account or type of account.

*Other Accounts Managed (as of December 31, 2021):*

**David Hottmann – Target Allocation Funds**

Types of Accounts	Number of Other Accounts Managed	Total Assets in Accounts	Accounts with Performance-Based Advisory Fees	Total Assets in Accounts with Performance-Based Advisory Fees
Registered Investment Companies	7	\$541,283,980	0	\$0
Other Pooled Investment Vehicles	0	\$0	0	\$0
Other Accounts	977	\$1,043,202,410	0	\$0

**Patrick Ryan – Target Allocation Funds**

Types of Accounts	Number of Other Accounts Managed	Total Assets in Accounts	Accounts with Performance-Based Advisory Fees	Total Assets in Accounts with Performance-Based Advisory Fees
Registered Investment Companies	7	\$541,283,980	0	\$0
Other Pooled Investment Vehicles	0	\$0	0	\$0
Other Accounts	990	\$1,051,592,916	0	\$0

**Michael Peters – Tax-Free Funds**

Types of Accounts	Number of Other Accounts Managed	Total Assets in Accounts	Accounts with Performance-Based Advisory Fees	Total Assets in Accounts with Performance-Based Advisory Fees
Registered Investment Companies	0	\$0	0	\$0
Other Pooled Investment Vehicles	0	\$0	0	\$0
Other Accounts	620	\$699,621,764	0	\$0

**Jeffrey Matthias – Tax-Free Funds**

Types of Accounts	Number of Other Accounts Managed	Total Assets in Accounts	Accounts with Performance-Based Advisory Fees	Total Assets in Accounts with Performance-Based Advisory Fees
Registered Investment Companies	0	\$0	0	\$0
Other Pooled Investment Vehicles	0	\$0	0	\$0
Other Accounts	6	\$208,244,337	0	\$0

**Chris Nisbet – High Quality Bond and Diversified Income (fixed income portion) Funds**

Types of Accounts	Number of Other Accounts Managed	Total Assets in Accounts	Accounts with Performance-Based Advisory Fees	Total Assets in Accounts with Performance-Based Advisory Fees
Registered Investment Companies	2	\$165,322,920	0	\$0
Other Pooled Investment Vehicles	0	\$0	0	\$0
Other Accounts	1,303	\$797,485,168	0	\$0

**Allen Olson – Core Bond and Diversified Income (fixed income portion) Funds**

Types of Accounts	Number of Other Accounts Managed	Total Assets in Accounts	Accounts with Performance-Based Advisory Fees	Total Assets in Accounts with Performance-Based Advisory Fees
Registered Investment Companies	4	\$286,958,916	0	\$0
Other Pooled Investment Vehicles	0	\$0	0	\$0
Other Accounts	664	\$300,868,063	0	\$0

**Mike Sanders – High Quality Bond, Core Bond, and Diversified Income (fixed income portion) Funds**

Types of Accounts	Number of Other Accounts Managed	Total Assets in Accounts	Accounts with Performance-Based Advisory Fees	Total Assets in Accounts with Performance-Based Advisory Fees
Registered Investment Companies	3	\$221,671,800	0	\$0
Other Pooled Investment Vehicles	0	\$0	0	\$0
Other Accounts	5,613	\$7,360,085,962	0	\$0

**John Brown – Diversified Income (equity portion) and Dividend Income Funds**

Types of Accounts	Number of Other Accounts Managed	Total Assets in Accounts	Accounts with Performance-Based Advisory Fees	Total Assets in Accounts with Performance-Based Advisory Fees
Registered Investment Companies	3	\$483,662,072	0	\$0
Other Pooled Investment Vehicles	0	\$0	0	\$0
Other Accounts	112	\$234,308,663	0	\$0

**Drew Justman – Covered Call & Equity Income, Diversified Income (equity portion) and Dividend Income Funds**

Types of Accounts	Number of Other Accounts Managed	Total Assets in Accounts	Accounts with Performance-Based Advisory Fees	Total Assets in Accounts with Performance-Based Advisory Fees
Registered Investment Companies	4	\$639,939,773	0	\$0
Other Pooled Investment Vehicles	0	\$0	0	\$0
Other Accounts	112	\$234,308,663	0	\$0

**Ray DiBernardo – Covered Call & Equity Income Fund**

Types of Accounts	Number of Other Accounts Managed	Total Assets in Accounts	Accounts with Performance-Based Advisory Fees	Total Assets in Accounts with Performance-Based Advisory Fees
Registered Investment Companies	1	\$156,277,701	0	\$0
Other Pooled Investment Vehicles	0	\$0	0	\$0
Other Accounts	0	\$0	0	\$0

**Matt Hayner – Investors Fund**

Types of Accounts	Number of Other Accounts Managed	Total Assets in Accounts	Accounts with Performance-Based Advisory Fees	Total Assets in Accounts with Performance-Based Advisory Fees
Registered Investment Companies	1	\$242,487,708	0	\$0
Other Pooled Investment Vehicles	0	\$0	0	\$0
Other Accounts	675	\$3,556,048,219	0	\$0

**Joe Maginot – Investors Fund**

Types of Accounts	Number of Other Accounts Managed	Total Assets in Accounts	Accounts with Performance-Based Advisory Fees	Total Assets in Accounts with Performance-Based Advisory Fees
Registered Investment Companies	0	\$0	0	\$0
Other Pooled Investment Vehicles	0	\$0	0	\$0
Other Accounts	675	\$3,556,048,219	0	\$0

### Richard Eisinger – Investors and Mid Cap Funds

Types of Accounts	Number of Other Accounts Managed	Total Assets in Accounts	Accounts with Performance-Based Advisory Fees	Total Assets in Accounts with Performance-Based Advisory Fees
Registered Investment Companies	2	\$425,463,716	0	\$0
Other Pooled Investment Vehicles	0	\$0	0	\$0
Other Accounts	2,311	\$7,042,818,024	0	\$0

### Haruki Toyama - Investors and Mid Cap Funds

Types of Accounts	Number of Other Accounts Managed	Total Assets in Accounts	Accounts with Performance-Based Advisory Fees	Total Assets in Accounts with Performance-Based Advisory Fees
Registered Investment Companies	1	\$182,976,008	0	\$0
Other Pooled Investment Vehicles	0	\$0	0	\$0
Other Accounts	870	\$2,141,030,411	0	\$0

### Maya Bittar – Sustainable Equity Fund

Types of Accounts	Number of Other Accounts Managed	Total Assets in Accounts	Accounts with Performance-Based Advisory Fees	Total Assets in Accounts with Performance-Based Advisory Fees
Registered Investment Companies	0	\$0	0	\$0
Other Pooled Investment Vehicles	0	\$0	0	\$0
Other Accounts	841	\$767,748,062	0	\$0

### Dave Geisler – Sustainable Equity Fund

Types of Accounts	Number of Other Accounts Managed	Total Assets in Accounts	Accounts with Performance-Based Advisory Fees	Total Assets in Accounts with Performance-Based Advisory Fees
Registered Investment Companies	0	\$0	0	\$0
Other Pooled Investment Vehicles	0	\$0	0	\$0
Other Accounts	841	\$767,748,062	0	\$0

### Andy Romanowich – Mid Cap Fund

Types of Accounts	Number of Other Accounts Managed	Total Assets in Accounts	Accounts with Performance-Based Advisory Fees	Total Assets in Accounts with Performance-Based Advisory Fees
Registered Investment Companies	1	\$182,976,008	0	\$0
Other Pooled Investment Vehicles	0	\$0	0	\$0
Other Accounts	865	\$2,139,582,950	0	\$0

### Aaron Garcia – Small Cap Fund

Types of Accounts	Number of Other Accounts Managed	Total Assets in Accounts	Accounts with Performance-Based Advisory Fees	Total Assets in Accounts with Performance-Based Advisory Fees
Registered Investment Companies	0	\$0	0	\$0
Other Pooled Investment Vehicles	0	\$0	0	\$0
Other Accounts	4	\$37,993,255	0	\$0

### Faraz Farzam – Small Cap Fund

Types of Accounts	Number of Other Accounts Managed	Total Assets in Accounts	Accounts with Performance-Based Advisory Fees	Total Assets in Accounts with Performance-Based Advisory Fees
Registered Investment Companies	0	\$0	0	\$0
Other Pooled Investment Vehicles	0	\$0	0	\$0
Other Accounts	4	\$37,993,255	0	\$0

### Thomas Tibbles – International Stock Fund

Types of Accounts	Number of Other Accounts Managed	Total Assets in Accounts	Accounts with Performance-Based Advisory Fees	Total Assets in Accounts with Performance-Based Advisory Fees
Registered Investment Companies	1	\$26,371,453	0	\$0
Other Pooled Investment Vehicles	0	\$0	0	\$0
Other Accounts	327	\$501,174,060	0	\$0

### Patrick Tan – International Stock Fund

Types of Accounts	Number of Other Accounts Managed	Total Assets in Accounts	Accounts with Performance-Based Advisory Fees	Total Assets in Accounts with Performance-Based Advisory Fees
Registered Investment Companies	1	\$26,371,453	0	\$0
Other Pooled Investment Vehicles	0	\$0	0	\$0
Other Accounts	327	\$501,174,060	0	\$0

### Alyssa Rudakas – International Stock Fund

Types of Accounts	Number of Other Accounts Managed	Total Assets in Accounts	Accounts with Performance-Based Advisory Fees	Total Assets in Accounts with Performance-Based Advisory Fees
Registered Investment Companies	1	\$26,371,453	0	\$0
Other Pooled Investment Vehicles	0	\$0	0	\$0
Other Accounts	327	\$501,174,060	0	\$0

*Material Conflicts of Interest:* Potential conflicts of interest may arise because Madison engages in portfolio management activities for clients other than the funds. For example, portfolio managers at Madison and its affiliates typically manage multiple accounts. These accounts may include, among others, mutual funds, separate accounts (assets managed on behalf of wealthy individuals as well as institutions such as pension funds, colleges and universities, insurance companies and foundations), subadvised accounts that we manage for other investment advisers and model accounts for which we only provide recommendations to our clients and do not have discretion to actually trade the accounts.

Our portfolio managers make investment decisions for each portfolio based on the investment objectives, policies, practices, and other relevant investment considerations that the managers believe are applicable to that portfolio. Consequently, portfolio managers may purchase (or sell) securities for one portfolio and not another portfolio. Likewise, we may purchase securities for one portfolio and sell the same security from another. To address the potential conflicts that occur as a result, Madison adopted a variety of portfolio security aggregation, brokerage and trade allocation policies which are designed to provide reasonable assurance that buy and sell opportunities are allocated fairly among clients. Likewise, Madison follows the funds' cross-trade (Rule 17a-7) policies and procedures when transacting from one account to another. In this manner, we seek to address any potential conflicts associated with managing multiple accounts for multiple clients. Also, as disclosed under the "Portfolio Manager Compensation" section, our portfolio managers' compensation is determined in the same manner with respect to all portfolios managed by the portfolio manager.

In connection with the management of the **Target Allocation Funds**, Trustees and officers of the **Target Allocation Funds** and the underlying affiliated mutual funds in which they invest (the "Underlying Madison Funds") and certain directors and officers of Madison and its affiliates also serve in similar positions with most of the Underlying Madison Funds. Therefore, if the interests of the **Target Allocation Funds** and the Underlying Madison Funds were ever to diverge, it is possible that a conflict of interest could arise and affect how fund Trustees and officers fulfill their fiduciary duties to these funds. Trustees of the **Target Allocation Funds** believe they have structured these funds to avoid these concerns. However, a situation could conceivably occur where proper action for the **Target Allocation Funds** could be adverse to the interests of an Underlying Madison Fund, or the reverse could occur. If such a possibility arises, Trustees and officers of the affected funds and the directors and officers of Madison will carefully analyze the situation and take all steps they believe are reasonable to minimize and, where possible, eliminate the potential conflict.

Fund Ownership: As of December 31, 2021, the portfolio managers' ownership in fund shares was as follows:

Portfolio Manager	Fund	Range <sup>1</sup>
David Hottmann	Conservative Allocation Core Bond	\$100,001 - \$500,000 \$100,001 - \$500,000
Patrick Ryan	Moderate Allocation	\$100,001 - \$500,000
Michael Peters	Conservative Allocation Moderate Allocation Core Bond Diversified Income Dividend Income Investors	\$100,001 - \$500,000 \$100,001 - \$500,000 \$100,001 - \$500,000 \$100,001 - \$500,000 \$100,001 - \$500,000 \$100,001 - \$500,000
Jeffrey Matthias	Tax-Free National Core Bond Dividend Income Mid Cap	\$10,001 - \$50,000 \$10,001 - \$50,000 \$100,001 - \$500,000 \$100,001 - \$500,000
Chris Nisbet	Moderate Allocation Aggressive Allocation Core Bond High Quality Bond Diversified Income	\$100,001 - \$500,000 \$50,001 - \$100,000 \$50,001 - \$100,000 \$50,001 - \$100,000 \$50,001 - \$100,000
Mike Sanders	Core Bond Dividend Income Mid Cap	\$50,001 - \$100,000 \$10,001 - \$50,000 \$10,001 - \$50,000
Drew Justman	Covered Call & Equity Income Dividend Income	\$100,001 - \$500,000 \$100,001 - \$500,000
John Brown	Diversified Income Covered Call & Equity Income Dividend Income Investors Mid Cap	\$100,001 - \$500,000 \$100,001 - \$500,000 Over \$1 million \$100,001 - \$500,000 \$100,001 - \$500,000
Ray DiBernardo	Covered Call & Equity Income	\$100,001 - \$500,000
Allen Olson	Core Bond	\$10,001 - \$50,000
Richard Eisinger	Investors <sup>2</sup> Mid Cap	\$500,001 - \$1 million Over \$1 million
Maya Bittar	Investors Mid Cap	\$10,001 - \$50,000 \$500,000 - \$1 million
Dave Geisler	None	None
Haruki Toyama	Investors <sup>2</sup> Mid Cap	\$100,001 - \$500,000 \$500,001 - \$1 million
Andy Romanowich	Mid Cap	\$100,001 - \$500,000
Matt Hayner	Dividend Income Investors Mid Cap	\$10,001 - \$50,000 Over \$1 million \$100,001 - \$500,000
Joe Maginot	Investors <sup>2</sup> Mid Cap	\$100,001 - \$500,000 \$10,001 - \$50,000
Aaron Garcia	Mid Cap Small Cap	\$50,001 - \$100,000 Over \$1 million
Faraz Farzam	Small Cap	\$500,001 - \$1 million
Thomas Tibbles	None	None
Patrick Tan	None	None
Alyssa Rudakas	None	None

<sup>1</sup> Ownership disclosure is made using the following ranges: None; \$1 – \$10,000; \$10,001 – \$50,000; \$50,001 – \$100,000; \$100,001 – \$500,000; \$500,001 – \$1 million; and Over \$1 million

<sup>2</sup> Range noted is as of the date of this SAI.

## TRANSFER AGENT

DST Asset Manager Solutions, Inc. ("DST"), 2000 Crown Colony Drive, Quincy, Massachusetts 02169, is the funds' transfer agent. As transfer agent, DST maintains the funds' shareholder records and reports. Shareholders can reach a fund representative at 1-800-877-6089. Shareholder inquiries and transaction requests should be sent to:

**Regular Mail:**

Madison Funds  
P.O. Box 219083  
Kansas City, MO 64121-9083

**Express, Certified or Registered Mail:**

Madison Funds  
c/o DST Asset Manager Solutions, Inc.  
420 W 7th Street STE 219083  
Kansas City, MO 64105-1407

## CUSTODIAN

State Street Bank and Trust Company ("State Street"), 225 Franklin Street, Boston, Massachusetts 02110, is the custodian for the securities and cash of the funds.

In its capacity as custodian, State Street holds all securities and cash owned by the funds and receives all payments of income, payments of principal or capital distributions with respect to securities owned by the funds. Also, the custodian receives payment for the shares issued by the funds. The custodian releases and delivers securities and cash upon proper instructions from the funds. Pursuant to, and in furtherance of, a custody agreement with State Street, the funds use automated instructions and a cash data entry system to transfer monies to and from the funds' account at the custodian. State Street Bank also serves as sub-administrator to the funds.

## LENDING PORTFOLIO SECURITIES

State Street serves as securities lending agent for the funds and in that role administers each fund's securities lending program pursuant to the terms of a securities lending agency agreement entered into between the Trust and State Street (the "Securities Lending Agreement").

As securities lending agent, State Street is responsible for the implementation and administration of each fund's securities lending program. State Street's responsibilities include: (1) lending available securities to approved borrowers; (2) determining whether a loan shall be made and negotiating the terms and conditions of the loan with the borrower, provided that such terms and conditions are consistent with the terms and conditions of the Securities Lending Agreement; (3) receiving and holding, on the fund's behalf, collateral from borrowers to secure obligations of borrowers with respect to any loan of available securities; (4) marking loaned securities and collateral to their market value each business day; (5) obtaining additional collateral, as needed, to maintain the value of the collateral relative to the market value of the loaned securities at the levels required by the Securities Lending Agreement; (6) returning the collateral to the borrower, at the termination of the loan, upon the return of the loaned securities; (7) investing cash collateral in permitted investments; and (8) establishing and maintaining records related to the funds securities lending activities.

State Street is compensated for the above-described services from its securities lending revenue split, as provided in the Securities Lending Agreement. The table below shows the income each fund earned and the fees and compensation it paid to State Street as securities lending agent in connection with its securities lending activities during the fiscal year ended October 31, 2021.

FUND	Gross Income from Securities Lending Activities	Fees Paid to Securities Lending Agent from a Revenue Split	Fees Paid for Cash Collateral Management Services	Rebate (paid to borrower)	Aggregate Fees/ Compensation Paid by the Fund for Securities Lending Activity	Net Income from Securities Lending Activities <sup>1</sup>
Conservative Allocation	\$29,618	\$8,458	\$1,420	\$0	\$9,878	\$19,740
Moderate Allocation	\$56,490	\$16,323	\$2,075	\$0	\$18,398	\$38,092
Aggressive Allocation	\$44,827	\$12,917	\$1,764	\$0	\$14,680	\$30,147
Tax-Free Virginia	\$0	\$0	\$0	\$0	\$0	\$0
Tax-Free National	\$0	\$0	\$0	\$0	\$0	\$0
Core Bond	\$2,918	\$784	\$302	\$0	\$1,086	\$1,832
High Quality Bond	\$1,697	\$455	\$176	\$0	\$631	\$1,066
Diversified Income	\$1,372	\$371	\$130	\$0	\$501	\$871
Dividend Income	\$974	\$60	\$20	\$754	\$834	\$140
Covered Call & Equity Income	\$9,527	\$2,604	\$123	\$720	\$3,447	\$6,080
Investors	\$3,174	\$952	\$0	\$0	\$952	\$2,222
Sustainable Equity <sup>2</sup>	—	—	—	—	—	—
Mid Cap	\$690	\$188	\$63	\$0	\$251	\$439
Small Cap	\$14,555	\$4,296	\$231	\$0	\$4,527	\$10,028
International Stock	\$1,783	\$518	\$50	\$3	\$571	\$1,212

<sup>1</sup> Net income from securities lending activities may not match the funds' current financial statements, which may reflect certain accrual adjustments.

<sup>2</sup> No fees were earned, because the fund recently commenced investment operations.

The funds do not pay separate indemnification fees, administration fees, or other fees not reflected above.

## DISTRIBUTION

### Principal Distributor and Distribution of Fund Shares

MFD Distributor, LLC (the "Distributor"), 550 Science Drive, Madison, WI 53711, acts as the Trust's principal distributor pursuant to a Distribution Agreement between the Trust, on behalf of each fund, and the Distributor. The Distributor is a wholly owned subsidiary of MIH. Shares of the funds are offered continuously by the Distributor on behalf of the funds and are purchased and redeemed at NAV, plus the applicable sales charge (if any) on purchases and less the applicable contingent deferred sales charge (if any) on redemptions. The Distribution Agreement provides that the Distributor will use its best efforts to render services to the funds, but in the absence of willful misfeasance, bad faith, gross negligence or reckless disregard of its obligations, it will not be liable to the funds or any shareholder for any error of judgment or mistake of law or any act or omission or for any losses sustained by the funds or the funds' shareholders.

The aggregate dollar amount of underwriting commission (i.e., front-end sales loads) paid to the Distributor for the fiscal years ended October 31, 2021, 2020, and 2019, and was \$530,443, 758,298, and \$606,423, respectively. Of these amounts, the Distributor retained \$64,060, \$98,383, and \$72,753, respectively.

The aggregate dollar amount of compensation on redemptions (i.e., contingent deferred sales charges) paid to the Distributor for the fiscal years ended October 31, 2021, 2020, and 2019, was \$7,853, \$19,962, and \$38,175, respectively. Of these amounts, the Distributor retained \$7,853, \$19,962, and \$38,175, respectively.

The table below shows the commissions and other compensation received by each principal underwriter who is an affiliated person of the Trust or an affiliated person of that affiliated person, directly or indirectly, from the Trust during the fiscal year ended October 31, 2021:

Name of Principal Underwriter	Net Underwriting Discounts and Commissions <sup>1</sup>	Compensation on Redemptions and Repurchases <sup>2</sup>	Brokerage Commissions	Other Compensation <sup>3</sup>
MFD Distributor, LLC	\$64,060	\$7,853	\$0	\$2,552,306

<sup>1</sup> Reflects amount paid from front-end sales loads.

<sup>2</sup> Reflects amount paid from contingent deferred sales charges.

<sup>3</sup> Reflects amount paid under the distribution plans discussed below.

### Distribution and Service Plans

Under the Distribution Agreement, the Distributor is obligated to use its best efforts to sell shares of the Trust. Shares of the Trust may be sold by selected broker-dealers (the "Selling Brokers") which have entered into selling agency agreements with the Distributor. The Distributor accepts orders for the purchase of the shares of the Trust at the NAV next determined, plus any applicable sales charge. In connection with the sale of Class A shares of the Trust, the Distributor and Selling Brokers receive compensation from a sales charge imposed at the time of sale. In connection with the sale of Class B and Class C shares of the Trust, the Distributor and Selling Brokers receive compensation from a sales charge imposed on a deferred basis.

The Board of Trustees has also adopted distribution and/or service plans with respect to the Trust's Class A, Class B and Class C shares (the "Plans") pursuant to Rule 12b-1 under the 1940 Act. Under the Plans the Trust will pay service fees for Class A, Class B and Class C shares at an aggregate annual rate of 0.25% of each fund's daily net assets attributable to the respective class of shares. The Trust will also pay distribution fees for Class B and Class C shares at an aggregate annual rate of 0.75% of each fund's daily net assets attributable to Class B and Class C, respectively. The distribution fees will be used to reimburse the Distributor for its distribution expenses with respect to Class B and Class C shares, including but not limited to: (i) initial and ongoing sales compensation to Selling Brokers and others engaged in the sale of fund shares, (ii) marketing, promotional and overhead expenses incurred in connection with the distribution of fund shares and (iii) interest expenses on unreimbursed distribution expenses. The service fees will be used to compensate Selling Brokers and others for providing personal and account maintenance services to shareholders. Because Madison is required to reimburse the Distributor for any expenses incurred by the Distributor that exceed the revenue it receives, in the event that the Distributor is not fully reimbursed by the Trust for expenses it incurs under either the Class B Plan or the Class C Plan in any fiscal year, Madison will reimburse the Distributor for such excess expenses.

The Plans are "compensation plans" which means that payments under the Plans are based upon a percentage of daily net assets attributable to the respective class of shares of each fund, regardless of the amounts actually paid or expenses actually incurred by the Distributor; however, in no event may such payments exceed the maximum allowable fee. It is, therefore, possible that the Distributor may realize a profit in a particular year as a result of these payments. In the event that fees payable to the Distributor under a Plan are less than the amount of expenses the Distributor incurs under the Plan in any fiscal year, the Distributor may carry these expenses forward, provided, however, that the Board may terminate the Plan and thus the Trust's obligation to make further payments at any time. Accordingly, the Trust does not treat such expenses as a liability.

A fund may engage in joint distribution activities with other series of the Trust and to the extent the expenses are not allocated to a specific fund, expenses will be allocated based on the fund's net assets.

The Plans must be approved annually by a majority of the Board, including a majority of the Independent Trustees, who are not interested persons of the Trust and who have no direct or indirect financial interest in the operation of the Plans, by votes cast in person at meetings called for the purpose of voting on such Plans.

Pursuant to the Plans, at least quarterly, the Distributor provides the Trust with a written report of the amounts expended under the Plans and the purpose for which these expenditures were made. The Board of Trustees reviews these reports on a quarterly basis to determine their continued appropriateness.

The Plans provide that they continue in effect only so long as their continuance is approved at least annually by a majority of both the Board and the Independent Trustees. Each Plan provides that it may be terminated without penalty: (a) by vote of a majority of the Independent Trustees; (b) by a

vote of a majority of the votes attributable to a fund's outstanding shares of the applicable class in each case upon 60 days' written notice to the Distributor; and (c) automatically in the event of assignment. Each of the Plans further provides that it may not be amended to increase the maximum amount of the fees for the services described therein without the approval of a majority of the votes attributable to the outstanding shares of the class of the Trust which has voting rights with respect to the Plan. And finally, each of the Plans provides that no material amendment to the Plan will, in any event, be effective unless it is approved by a majority vote of both the Board and the Independent Trustees. The holders of Class A shares, Class B shares and Class C shares have exclusive voting rights with respect to the Plan applicable to their respective class of shares.

In adopting the Plans, the Board of Trustees concluded that, in its judgment, there is a reasonable likelihood that each Plan will benefit the holders of the applicable class of shares of the fund by increasing overall fund assets. The Board of Trustees determined that shareholders will benefit from an increase in fund assets in several ways, including: (i) providing the Investment Adviser greater presence in the marketplace; (ii) reducing the potential adverse impact of redemptions on the Investment Adviser to carry out each fund's investment strategy; (iii) increasing each fund's economies of scale by spreading fixed costs over a larger shareholder base; (iv) simplifying compliance with the diversification rules of the 1940 Act and the Code; and (v) improving the image of the funds, making them more marketable.

The table below shows the dollar amounts spent by the Trust under the Plans for the fiscal year ended October 31, 2021 for each of the following items:

	Class A Plan	Class B Plan	Class C Plan
Advertising	0	0	0
Printing and mailing of prospectus to other than current shareholders	0	0	0
Compensation to underwriters	\$88	0	0
Compensation to selling brokers	\$1,724,178	\$223,634	\$604,406
Compensation to sales personnel	0	0	0
Interest, carrying, or other financing charges	0	0	0
<b>Total</b>	<b>\$1,724,266</b>	<b>\$223,634</b>	<b>\$604,406</b>

## BROKERAGE

Madison is responsible for: (1) decisions to buy and sell securities for each of the funds, (2) the selection of brokers and dealers to effect such transactions and (3) the negotiation of brokerage commissions, if any, charged on such transactions.

In general, Madison seeks to obtain prompt and reliable execution of orders at the most favorable prices or yields when purchasing and selling fund securities. In determining the best execution, Madison may take into account a dealer's operational and financial capabilities, the type of transaction involved, the dealer's general relationship with Madison and any statistical, research or other services the dealer provides it, including payment for Madison's use of research services. This may include brokerage and research provided by third parties that is paid for by so-called "soft dollars" earned as a result of fund brokerage transactions (to the extent permitted by law or regulation). Research and statistical information regarding securities may be used by Madison for the benefit of all members of the mutual funds and other clients of Madison and their affiliates. Therefore, the funds may not be Madison's only client that benefits from its receipt of research and brokerage from the brokers and dealers the funds use for their trading needs. However, as a policy matter, Madison will not pay higher commissions to any particular broker that provides it soft dollar brokerage or research benefits than Madison would pay to any other full-service institutional broker that did not provide such benefits (although "full service" commission rates are generally higher than "execution only" commission rates). Madison considers brokerage and research benefits earned through soft dollars in determining whether it is obtaining best execution of securities transactions for the funds. In the event that any non-price factors are taken into account and the execution price paid is increased, it would only be in reasonable relation to the benefit of such non-price factors to the Trust as Madison determines in good faith.

What is the "research" that is paid for with soft dollars? Research refers to services and/or products provided by a broker, the primary use of which must directly assist Madison in its "investment decision-making process" and not in the management of Madison. The term "Investment Decision-Making Process" refers to the quantitative and qualitative processes and related tools Madison uses in rendering investment advice to the funds and its other clients, including financial analysis, trading and risk analysis, securities selection, broker selection, asset allocation, and suitability analysis.

Research may be proprietary or third party. Proprietary research is provided directly from a broker (for example, research provided by broker analysts and employees about a specific security or industry or region, etc.). Third party research is provided by the payment by a broker, in full or in part, for research services provided by third parties. Both types of research may involve electronically and facsimile provided research and electronic portfolio management services and computer software supporting such research and services.

Typical third party research providers may include, but are not limited to, Bloomberg, Factset, Research Direct, Baseline, Bondedge, Tegus, Bank Credit Analysis, S&P CreditWeek, etc. For example, research may include a tool that helps Madison decide what might happen to the price of a particular bond following a specific change in interest rates. This analytical tool may be considered research because it affects Madison's decision making process regarding that bond.

Madison may receive from brokers products or services which are used by Madison both for research and for administrative, marketing or other non-research purposes. In such instances, Madison makes a good faith effort to determine the relative proportion of its use of such product/service that is for research. Only that portion of the research aspect of the cost of obtaining such product/service may be paid for using soft dollars. Madison pays the remaining portion of the cost of obtaining the product or service in cash from its own resources.

Although Madison believes that all its clients and those of its affiliates, including the funds, benefit from the research received by it from brokers, Madison may not necessarily use such research or brokerage services in connection with the accounts that paid commissions to or otherwise traded with the brokers providing such research or services in any given period.

Brokers or dealers who execute portfolio transactions for the funds may also sell fund shares; however, any such sales will not be either a qualifying or disqualifying factor in selecting brokers or dealers. Such activity is not considered when making portfolio brokerage decisions.

In addition to transactions on which Madison pays commissions, Madison may also engage in portfolio transactions directly with a dealer acting as a principal. As a result, the transaction will not involve payment of commissions. However, any purchases from an underwriter or selling group could involve payments of fees and concessions to the underwriting or selling group.

With respect to the **Target Allocation Funds**, shares of underlying funds, except for ETFs, will be purchased in principal transactions directly from the issuer of the underlying fund and brokers will not be used. The **Target Allocation Funds** will not incur any commissions or sales charges when they purchase shares of the underlying funds, except for ETFs, as they are traded on securities exchanges.

Madison's policy and procedures with respect to brokerage is and will be reviewed by the Board of Trustees from time to time. Because of the possibility of further regulatory developments affecting the securities exchanges and brokerage practices generally, the foregoing policies and practices may be changed, modified or eliminated without prior notice to shareholders.

For each of the three fiscal years ended October 31, the Trust paid aggregate brokerage commissions as follows:

<b>Fund</b>	<b>2021</b>	<b>2020</b>	<b>2019</b>
Conservative Allocation	\$28,052	\$19,490	\$28,673
Moderate Allocation	73,072	55,358	70,148
Aggressive Allocation	43,900	32,973	38,867
Tax-Free Virginia	0	0	0
Tax-Free National	0	0	0
Core Bond	240	240	1,200
High Quality Bond	0	0	0
Diversified Income	32,068	23,959	33,295
Dividend Income	81,032	69,322	77,446
Covered Call & Equity Income <sup>1</sup>	151,090	222,569	237,150
Investors <sup>2</sup>	53,858	98,044	65,023
Sustainable Equity <sup>3</sup>	N/A	N/A	N/A
Mid Cap <sup>4</sup>	230,557	164,916	167,303
Small Cap <sup>2</sup>	304,725	343,466	154,992
International Stock <sup>5</sup>	28,022	9,714	12,879

<sup>1</sup> Commissions were lower in 2021 compared to 2020 because of higher cash levels particularly during the first half of the year.

<sup>2</sup> Commission were lower in 2021 compared to 2020 because portfolio turnover was lower, which reduced commissions generated.

<sup>3</sup> Commission fees paid for the previous three fiscal years is not provided, because the fund recently commenced investment operations.

<sup>4</sup> Commissions were higher in 2021 compared to 2020 due to increase in fund assets, which resulted in greater quantities of shares being bought and sold.

<sup>5</sup> Commission were higher in 2022 compared to 2021 because the fund was repositioned due to a change in the investment adviser.

During the fiscal year ended October 31, 2021, for the funds noted above, the Trust paid \$1,026,618 in brokerage commissions to firms for providing research services involving approximately \$1,649,634,590 of transactions. The provision of third party research services was not necessarily a factor in the placement of all of this business with such firms; however, as a general matter, trades may be placed on behalf of the funds with firms that provide research, subject to seeking to achieve best execution and compliance with applicable laws and regulations.

The following table indicates for each fund, as applicable, the value of such fund's aggregate holdings of the securities of its regular brokers or dealers or their parents that derive more than 15% of gross revenues from securities-related activities for the fiscal year ended October 31, 2021:

Fund	Name of Regular Broker or Dealer of Parent (Issuer)	Type of Security Owned	Value Owned as of October 31, 2021
Aggressive Allocation	State Street Corp.	Debt	\$11,332,107
Aggressive Allocation	JP Morgan Chase & Co.	Equity	\$1,032,869
Aggressive Allocation	Robert W. Baird & Co. Inc.	Equity	\$505,545
Conservative Allocation	State Street Corp.	Debt	\$7,361,470
Conservative Allocation	JP Morgan Chase & Co.	Equity	\$350,526
Conservative Allocation	Robert W. Baird & Co. Inc.	Equity	\$8,122,679
Core Bond	Bank of America Corp.	Debt	\$636,766
Core Bond	Goldman Sachs Group Inc.	Debt	\$1,576,343
Core Bond	JP Morgan Chase & Co.	Debt	\$8,006,544
Core Bond	Morgan Stanley & Co., Inc.	Debt	\$903,208
Core Bond	State Street Corp.	Debt	\$10,755,366
Core Bond	Wells Fargo & Co.	Debt	\$900,390
Core Bond	RBC Capital Markets	Debt	\$497,453
Covered Call & Equity Income	State Street Corp.	Debt	\$31,200,172
Diversified Income	Bank of America Corp.	Debt	\$762,784
Diversified Income	JP Morgan Chase & Co.	Debt	\$1,600,247
Diversified Income	JP Morgan Chase & Co.	Equity	\$3,954,190
Diversified Income	Goldman Sachs Group Inc.	Debt	\$684,917
Diversified Income	Morgan Stanley & Co., Inc.	Debt	\$446,441
Diversified Income	State Street Corp.	Debt	\$3,977,192
Diversified Income	Wells Fargo & Co.	Debt	\$259,718
Dividend Income	JP Morgan Chase & Co.	Equity	\$10,091,466
Dividend Income	State Street Corp.	Debt	\$4,563,775
High Quality	Bank of America Corp.	Debt	\$2,109,958
High Quality	JP Morgan Chase & Co.	Debt	\$3,244,032
High Quality	State Street Corp.	Debt	\$4,216,790
High Quality	Wells Fargo & Co.	Debt	\$1,859,454
Investors	State Street Corp.	Debt	\$20,236,146
International Stock	Credit Suisse	Equity	\$424,341
International Stock	Credit Suisse	Debt	\$14,430
International Stock	State Street Corp.	Debt	\$164,114
Mid Cap	State Street Corp.	Debt	\$27,551,318
Moderate Allocation	State Street Corp.	Debt	\$15,425,762
Moderate Allocation	JP Morgan Chase & Co.	Equity	\$1,387,285
Moderate Allocation	Robert W. Baird & Co. Inc.	Equity	\$8,468,801
Small Cap	State Street Corp.	Debt	\$22,073,347

## PROXY VOTING POLICIES, PROCEDURES AND RECORDS

The Trust, on behalf of each of the funds, has adopted the proxy voting policies and procedures of Madison, the summary of which may be found in [Appendix A](#) hereto. The policies and procedures are used to determine how to vote proxies relating to the funds' portfolio securities. Included in the policies and procedures are procedures that are used on behalf of the funds when a vote presents a conflict of interest between the interests of: (1) the funds' shareholders and (2) Madison and the Distributor.

Form N-PX, which contains the proxy voting records for each of the funds for the most recent twelve-month period ended June 30, is available to shareholders upon request at no cost by calling 1-800-877-6089 or on the SEC's web site at [www.sec.gov](http://www.sec.gov).

## SELECTIVE DISCLOSURE OF PORTFOLIO HOLDINGS

The funds' portfolio holdings must be adequately protected to prevent the misuse of that information by a third party to the potential detriment of the shareholders. Accordingly, the funds have adopted, and the Board of Trustees has approved, policies and procedures designed to ensure that the disclosure of the funds' portfolio holdings is in the best interest of the funds' shareholders in the manner described in the summary of the policies and procedures noted below. Various non-fund advisory clients of Madison may hold portfolio securities substantially similar to those held by the funds. Although Madison has also adopted policies and procedures regarding the selective disclosure of the contents of those other clients' portfolios and representative account portfolios, those policies and procedures may contain different procedures and limitations than the policies and procedures that apply to the disclosure of the funds' portfolio holdings.

Each fund provides fund holdings information as required in regulatory filings and shareholder reports and may disclose fund holdings information in response to requests by governmental authorities. Regulatory filings with fund holdings information are made approximately 60 days after the end of each fiscal quarter. Such information is also posted to the funds' website: [www.madisonfunds.com](http://www.madisonfunds.com), at the same time. Each fund's portfolio holdings are disclosed at month-end on the funds' website, generally five (5) business days after month-end, and each fund's top ten holdings are made public on the funds' website on a quarterly basis, typically in fund literature and fact sheets. The Trust may distribute, on a monthly basis, portfolio holdings to mutual fund evaluation services such as Morningstar or Lipper Analytical Services; consultants to retirement plans such as Mercer; due diligence departments of broker-dealers and wirehouses that regularly analyze the portfolio holdings of mutual funds before their public disclosure; and broker-dealers that may be used by the Trust, for the purpose of efficient trading and receipt of relevant research.

The funds' portfolio holdings information may be disseminated more frequently, or as of different periods, than as described above only when legitimate business purposes of the funds are served and the potential and actual conflicts of interest between the interests of fund shareholders and those of the funds' affiliates are reviewed and considered. Selective disclosures could be considered to serve the legitimate business purposes of the funds if (1) done to further the interests of the funds and (2) the disclosure is not expected to result in harm to the funds (such harm could occur by permitting third parties to trade ahead of, or front run, the funds or to effect trades in shares of the funds with information about portfolio holdings that other potential investors do not have). For example, the funds may provide portfolio holdings information to certain vendors that provide services that are important to the operations of the funds, or that assist Madison in providing services to the funds or in conducting its investment management business activities in general. Potential and actual conflicts of interest between the funds and their affiliates must also be reviewed and considered. There may be situations where the disclosure facilitates portfolio management activities or the potential growth of the funds, which could legitimately serve the common interests of both the funds and Madison. However, selective disclosures will not be made for the benefit of Madison or its affiliates unless the disclosure would be in the interests of the funds or, at a minimum, result in no harm to the funds. The funds may also disclose any and all portfolio information to their service providers and others who generally need access to such information in the performance of their contractual duties and responsibilities and are subject to duties of confidentiality, including a duty not to trade on non-public information, imposed by law and/or contract. These service providers include the funds' custodians, auditors, investment advisers, administrator, printers, proxy voting services and each of their respective affiliates and advisers. In connection with providing investment advisory services to its clients, Madison may utilize nonproprietary portfolio analytic tools offered by third party service providers to analyze portfolio composition. Madison also provides portfolio information to Morningstar and Lipper (after at least a 30 day lag unless publicly disclosed sooner as described above) for mutual fund analysis.

Neither the Trust, nor Madison or its affiliates, may receive any compensation in connection with an arrangement to make available information about the funds' portfolio holdings. Notwithstanding the above, if, in the discretion of the Trust's Chief Compliance Officer and the applicable portfolio manager(s) for any series of the Trust, more frequent and earlier public dissemination of portfolio holdings (to the Trust's website) would not harm the Trust and would serve to further the interest of its shareholders (by, for example, encouraging additional investments in the applicable series of the Trust), then such holdings may be made public. Any exceptions to the above disclosure rules must be pre-approved by the Trust's Chief Compliance Officer. There can be no assurance that the funds' policies and procedures on disclosure of portfolio holdings will protect the funds from misuse of such information by individuals or entities that come into possession of the information. The Trust's Chief Compliance Officer monitors compliance with the aforementioned policies and procedures and reports any violations to the Board. The Board will review any disclosure of fund portfolio holdings outside of the permitted disclosure described above on a quarterly basis to ensure the disclosure of information about portfolio holdings is in the best interest of fund shareholders and to address any conflicts between the interests of the fund shareholders and those of Madison or any other fund affiliate.

## **CODE OF ETHICS**

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The Trust, Madison and the Distributor have adopted a joint code of ethics under Rule 17j-1 of the 1940 Act that covers the conduct (including the personal securities transactions) of each of their respective officers, trustees and employees.

In general, the code of ethics restrict purchases or sales of securities being purchased or sold, or being considered for purchase or sale, on behalf of the Trust by any person subject to the code. In addition, the codes restrict such persons in their purchases of securities in an initial public offering and in private offerings of securities. The codes of ethics also establish certain "blackout periods" during which persons subject to the code, or certain classes of persons, may not effect personal securities transactions. Certain specified transactions are exempt from the provisions of the codes of ethics.

The code of ethics generally prohibit employees from engaging in personal securities transactions in any security that a Madison client might trade, except certain de minimis transactions may be exempt. Employees must request preclearance to trade any securities that are not otherwise specifically exempted from this preclearance requirement. Securities exempt from preclearance are mutual funds, U.S. Treasury securities and certain securities identified in the code of ethics. Madison (or its affiliates) may manage accounts of its employees in the same manner as other clients pursuant to a particular model or strategy. When managing employee accounts, in order to address potential conflicts of interest, Madison must trade the employee account at the conclusion of trading of all other clients managed pursuant to the same strategy (including any fund portfolio managed pursuant to a particular strategy) and employee accounts must be managed in the same manner as the applicable strategy model without exceptions. Likewise, employees may establish accounts with independent asset managers and are not required to obtain preclearance for transactions in their accounts as long as Madison's employees are prohibited from exercising any discretion over the account.

## SHARES OF THE TRUST

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### Shares of Beneficial Interest

The Declaration of Trust permits the Board of Trustees to issue an unlimited number of full and fractional shares of beneficial interest of the Trust without par value. Under the Declaration of Trust, the Board of Trustees has the authority to create and classify shares of beneficial interest in separate series, without further action by shareholders. As of the date of this SAI, the Board of Trustees has authorized shares of each of the series or funds described in the prospectus. Additional series may be added in the future. The Declaration of Trust also authorizes the Board of Trustees to classify and reclassify the shares of the Trust, or new series of the Trust, into one or more classes. As of the date of this SAI, the Board of Trustees has authorized the issuance of six classes of shares of the funds, designated as Class A, Class B, Class C, Class Y, Class I, and Class R6. Additional classes of shares may be offered in the future.

The shares of each class of each fund represent an equal proportionate interest in the aggregate net assets attributable to that class of that fund. Holders of each class of shares have certain exclusive voting rights on matters relating to their respective class of shares. The different classes of a fund may bear different expenses relating to the cost of holding shareholder meetings necessitated by the exclusive voting rights of any class of shares.

Dividends paid by each fund, if any, with respect to each class of shares will be calculated in the same manner, at the same time and on the same day and will be in the same amount, except for differences resulting from the fact that: (i) the distribution and service fees relating to Class A, Class B and Class C shares will be borne exclusively by that class; (ii) Class B and Class C shares will pay higher distribution and service fees than Class A shares; and (iii) each of the share classes will bear any other class expenses properly allocable to such class of shares, subject to the requirements imposed by the IRS on funds having a multiple-class structure. Similarly, the NAV per share may vary depending on which share class is purchased.

In the event of liquidation, shareholders of each class of each fund are entitled to share pro rata in the net assets of the class of the fund available for distribution to these shareholders. Shares entitle their holders to one vote per dollar value of shares, are freely transferable and have no preemptive, subscription or conversion rights. When issued, shares are fully paid and non-assessable.

Share certificates will not be issued.

### Voting Rights

Each shareholder is entitled to one vote for each dollar of net asset value standing in such shareholder's names on the books of the funds. Unless otherwise required by the 1940 Act or the Declaration of Trust, the Trust has no intention of holding annual meetings of shareholders. Fund shareholders may remove a trustee by the affirmative vote of at least two-thirds of the Trust's votes attributable to the outstanding shares and the Board of Trustees shall promptly call a meeting for such purpose when requested to do so in writing by the record holders of not less than 10% of the votes attributable to the outstanding shares of the Trust. Shareholders may, under certain circumstances, communicate with other shareholders in connection with requesting a special meeting of shareholders. However, at any time that less than a majority of Trustees holding office were elected by the shareholders, the Board will call a special meeting of shareholders for the purpose of electing Trustees.

### Limitation of Shareholder Liability

Generally, Delaware statutory trust shareholders are not personally liable for obligations of the Delaware statutory trust under Delaware law. The Delaware Statutory Trust Act ("DSTA") provides that a shareholder of a Delaware statutory trust shall be entitled to the same limitation of liability extended to shareholders of private for-profit corporations. The Declaration of Trust expressly provides that the Trust has been organized under the DSTA and that the Declaration of Trust is to be governed by and interpreted in accordance with Delaware law. It is nevertheless possible that a Delaware statutory trust, such as the Trust, might become a party to an action in another state whose courts refuse to apply Delaware law, in which case the Trust's shareholders could possibly be subject to personal liability.

To guard against this risk, the Declaration of Trust: (1) contains an express disclaimer of shareholder liability for acts or obligations of the Trust and provides that notice of such disclaimer may be given in each agreement, obligation and instrument entered into or executed by the Trust or its trustees; (2) provides for the indemnification out of fund property of any shareholders held personally liable for any obligations of the Trust or any fund; and (3) provides that the Trust shall, upon request, assume the defense of any claim made against any shareholder for any act or obligation of the Trust and satisfy any judgment thereon. Thus, the risk of a shareholder incurring financial loss beyond his or her investment because of shareholder liability is limited to circumstances in which all of the following factors are present: (1) a court refuses to apply Delaware law; (2) the liability arose under tort law or, if not, no contractual limitation of liability was in effect; and (3) the Trust itself would be unable to meet its obligations. In the light of DSTA, the nature of the Trust's business, and the nature of its assets, the risk of personal liability to a shareholder is remote.

### Limitation of Trustee and Officer Liability

The Declaration of Trust further provides that the Trust shall indemnify each of its trustees and officers against liabilities and expenses reasonably incurred by them, in connection with, or arising out of, any action, suit or proceeding, threatened against or otherwise involving such trustee or officer, directly or indirectly, by reason of being or having been a trustee or officer of the Trust. The Declaration of Trust does not authorize the Trust to indemnify any trustee or officer against any liability to which he or she would otherwise be subject by reason of or for willful misfeasance, bad faith, gross negligence or reckless disregard of such person's duties.

### Limitation of Interseries Liability

All persons dealing with a fund must look solely to the property of that particular fund for the enforcement of any claims against that fund, as neither Trustees, officers, agents nor shareholders assume any personal liability for obligations entered into on behalf of a fund or the Trust. No fund is liable for the obligations of any other fund. Since the funds use more than one combined prospectus, however, it is possible that one fund might become liable for a misstatement or omission in the prospectus regarding another fund with which its disclosure is combined.

## NET ASSET VALUE OF SHARES

The NAV per share for all classes of shares is calculated as of the close of regular trading on the New York Stock Exchange ("NYSE") (usually 4:00 p.m., Eastern Time) on each day on which the New York Stock Exchange is open for trading. NAV per share is determined by dividing each fund's total net assets by the number of shares of such fund outstanding at the time of calculation. Total net assets are determined by adding the total current value of portfolio securities (including shares of other investment companies), cash, receivables, and other assets and subtracting liabilities. Since the assets of each **Target Allocation Fund** consist primarily of shares of underlying funds, the NAV of each **Target Allocation Fund** is determined based on the NAVs of the underlying funds. Shares will be sold and redeemed at the NAV per share next determined after receipt in good order of the purchase order or request for redemption.

### Portfolio Valuation

Equity securities, including closed-end investment companies, American Depositary Receipts ("ADRs"), Global Depositary Receipts ("GDRs") and ETFs listed on any U.S. or foreign stock exchange or quoted on the National Association of Securities Dealers Automated Quotation System ("NASDAQ") are valued at the last quoted sale price or official closing price on that exchange or NASDAQ on the valuation day (provided that, for securities traded on NASDAQ, the funds utilize the NASDAQ Official Closing Price ("NOCP")). If no sale occurs, equities traded on a U.S. exchange, foreign exchange or on NASDAQ are valued at the bid price. Debt securities purchased (other than short-term obligations) with a remaining maturity of 61 days or more are valued on the basis of last available bid prices or current market quotations provided by dealers or pricing services approved by the Trust. In determining the value of a particular investment, pricing services may use certain information with respect to transactions in such investments, quotations from dealers, pricing matrixes, market transactions in comparable investments, various relationships observed in the market between investments and calculated yield measurements based on valuation technology commonly employed in the market for such investments.

Municipal debt securities are traded via a network among dealers and brokers that connect buyers and sellers. They are valued on the basis of last available bid prices or current market quotations by dealers or pricing services approved by the Trust. There may be little trading in the secondary market for particular bonds and other debt securities, making them more difficult to value or sell. Asset-backed and mortgage-backed securities are valued by independent pricing services using models that consider estimated cash flows of each tranche of the security, establish a benchmark yield and develop an estimated tranche specific spread to the benchmark yield based on the unique attributes of the tranche.

Investments in shares of open-end mutual funds are valued at their daily NAV which is calculated as of the close of regular trading on the New York Stock Exchange ((the "NYSE") usually 4:00 p.m. Eastern Standard Time) on each day on which the NYSE is open for business. NAV per share is determined by dividing each fund's total net assets by the number of shares of such fund outstanding at the time of calculation. Because the assets of the Target Allocation Funds consist primarily of shares of underlying funds, the NAV of each of these funds is determined based on the NAVs of the underlying funds. Total net assets are determined by adding the current value of portfolio securities, cash, receivables, and other assets and subtracting liabilities. Short-term instruments having maturities of 60 days or less.

Over-the-counter securities not listed or traded on NASDAQ are valued at the last sale price on the valuation day. If no sale occurs on the valuation day, an over-the-counter security is valued at the last bid price. Exchange traded options are valued at the mean of the best bid and ask prices across all option exchanges. Over-the-counter options are valued based upon prices provided by market makers in such securities or dealers in such currencies. Financial futures contracts generally are valued at the settlement price established by the exchange(s) on which the contracts are primarily traded. The Trust's Pricing Committee (the "Committee") shall estimate the fair value of futures positions affected by the daily limit by using its valuation procedures for determining fair value, when necessary. Spot and forward foreign currency exchange contracts are valued based on quotations supplied by dealers in such contracts. Overnight repurchase agreements are valued at cost, and term repurchase agreements (i.e., those whose maturity exceeds seven days), swaps, caps, collars and floors are valued at the average of the closing bids obtained daily from at least one dealer.

The value of all assets and liabilities expressed in foreign currencies will be converted into U.S. dollar values using the then-current exchange rate at the close of regular trading on the NYSE.

All other securities for which either quotations are not readily available, no other sales have occurred, or in the opinion of the Investment Adviser, do not reflect the current fair value, are appraised at their fair values as determined in good faith by the Committee and under the general supervision of the Board of Trustees. When fair value pricing of securities is employed, the prices of securities used by the funds to calculate NAV may differ from market quotations or NOCP. Because the Target Allocation Funds primarily invest in underlying funds, government securities and short-term paper, it is not anticipated that the Investment Adviser will need to "fair value" any of the investments of these funds. However, an underlying fund may need to "fair value" one or more of its investments, which may, in turn, require a Target Allocation Funds to do the same because of delays in obtaining the underlying fund's NAV.

A fund's investments will be valued at fair value if, in the judgment of the Committee, an event impacting the value of an investment occurred between the closing time of a security's primary market or exchange (for example, a foreign exchange or market) and the time the fund's share price is calculated as of the close of regular trading on the NYSE. Significant events may include, but are not limited to, the following: (1) significant fluctuations in domestic markets, foreign markets or foreign currencies; (2) occurrences not directly tied to the securities markets such as natural disasters, armed conflicts or significant government actions; and (3) major announcements affecting a single issuer or an entire market or market sector. In responding to a significant event, the Committee would determine the fair value of affected securities considering factors including, but not limited to: fundamental analytical data relating to the investment; the nature and duration of any restrictions on the disposition of the investment; and the forces influencing the market(s) in which the investment is purchased or sold. The Committee may rely on an independent fair valuation service to adjust the valuations of foreign equity securities based on specific market-movement parameters established by the Committee and approved by the Trust.

The Committee is comprised of the following employees of Madison: Greg Hoppe (CFO of the funds), Mike Sanders (Head of Fixed Income and Portfolio Manager), Drew Justman (Portfolio Manager), Patrick Tan (Portfolio Manager), Jeff Matthias (Portfolio Manager), Brian Milligan (Equity Analyst), and Alan Shepard (Fixed Income Analyst).

## DISTRIBUTIONS AND TAXES

### Distributions

It is the intention of the Trust to distribute substantially all of the net income and net capital gains, if any, of each fund thereby avoiding the imposition of any fund-level income or excise tax, as described below. Distributions shall be made in the following manner:

- (i) Distributions of net investment company taxable income, if any, with respect to the **Tax-Free Virginia, Tax-Free National, Core Bond, and Diversified Income Funds** will be declared and reinvested monthly in additional full and fractional shares of the respective fund, unless otherwise directed; and
- (ii) Distributions of net investment company taxable income, if any, with respect to the **Conservative Allocation, High Quality Bond, Dividend Income and Covered Call & Equity Income Funds** will be declared and reinvested quarterly in additional full and fractional shares of the fund, unless otherwise directed; and
- (iv) Distributions of net investment company taxable income, if any, with respect to the **Moderate Allocation, Aggressive Allocation, Investors, Sustainable Equity, Mid Cap, Small Cap, and International Stock Funds** will be declared and reinvested annually in additional full and fractional shares of the respective fund, unless otherwise directed; and
- (v) All net realized short-term and long-term capital gains of each fund, if any, will be declared and distributed at least annually, but in any event, no more frequently than allowed under SEC rules, to the shareholders of each fund to which such gains are attributable.

### Federal Tax Status of the Funds

*Qualification as Regulated Investment Company.* Each fund will be treated as a single, separate entity for federal income tax purposes so that income earned and capital gains and losses realized by the Trust's other portfolios will be separate from those realized by each fund.

Each fund intends to meet the requirements of Subchapter M of the Code applicable to regulated investment companies. In the event a fund fails to qualify as a "regulated investment company" under Subchapter M (and is ineligible for, or chooses not to take advantage of, available remediation provisions), it will be treated as a regular corporation for federal income tax purposes. Accordingly, such fund would be subject to federal income taxes on the full amount of its taxable income and gains, and any distributions that such fund makes would not qualify for the dividends paid deduction. This would increase the cost of investing in such fund for shareholders and would make it more economical for shareholders to invest directly in securities held by such fund instead of investing indirectly in securities through such fund. Given these risks, compliance with the above requirements is carefully monitored by Madison and each fund intends to comply with these requirements as they exist or as they may be modified from time to time.

A fund must meet several requirements to maintain its status as a regulated investment company. These requirements include the following: (1) at least 90% of its gross income for each taxable year must be derived from (a) dividends, interest, payments with respect to loaned securities, gains from the sale or disposition of securities (including gains from related investments in foreign currencies), and other income (including gains from options or forward contracts) derived with respect to its business of investing in such securities or currencies, and (b) net income derived from an interest in a "qualified publicly traded partnership;" and (2) at the close of each quarter of the fund's taxable year, (a) at least 50% of the value of the fund's total assets must consist of cash, cash items, securities of other regulated investment companies, U.S. Government securities and other securities (provided that no more than 5% of the value of the fund may consist of such other securities of any one issuer, and the fund may not hold more than 10% of the outstanding voting securities of any issuer), and (b) the fund must not invest more than 25% of its total assets in the securities of any one issuer (other than U.S. Government securities or the securities of other regulated investment companies), the securities of two or more issuers that are controlled by the fund and that are engaged in the same or similar trades or businesses or related trades or businesses, or the securities of one or more "qualified publicly traded partnerships."

A regulated investment company generally must distribute in each calendar year an amount equal to at least the sum of: (1) 98% of its ordinary taxable income for the year, (2) 98.2% of its capital gain net income for the 12-month period ended on October 31 of that calendar year and (3) any ordinary income or net capital gain income not distributed in prior years. To the extent that a regulated investment company fails to do this, it is subject to a 4% nondeductible federal excise tax on undistributed earnings. Therefore, in order to avoid the federal excise tax, each fund must make (and the Trust intends that each will make) the foregoing distributions.

Each fund generally will endeavor to distribute (or be deemed to distribute) to its respective shareholders all of such fund's net investment company taxable income and net capital gain, if any, for each taxable year so that such fund will not incur federal income or excise taxes on its earnings. However, no assurances can be given that these anticipated distributions will be sufficient to eliminate all taxes.

*Capital Loss Carryforward.* As of October 31, 2021, the following funds had capital loss "carryforwards" as indicated below. To the extent provided in the Code and regulations thereunder, a fund may carry forward such capital losses to offset realized capital gains in future years. To the extent that these losses are used to offset future capital gains, it is probable that the gains so offset will not be distributed to shareholders. For the Core Bond and the Dividend Income Funds, the inherited losses from mergers are subject to an annual limitation.

Fund	No Expiration Date	
	Short-Term	Long-Term
Core Bond	\$ 348,969	\$ 1,644,468
Dividend Income	1,577,945	—

*Investments in Foreign Securities.* If a fund purchases foreign securities, interest and dividends received by the fund may be subject to income withholding or other taxes imposed by foreign countries and U.S. possessions that could reduce the return on these securities. Tax treaties and conventions between the United States and certain foreign countries, however, may reduce or eliminate the amount of foreign taxes to which a fund would be subject. Also, many foreign countries do not impose taxes on capital gains in respect of investments by foreign investors. The effective

rate of foreign tax cannot be predicted since the amount of fund assets to be invested within various countries is uncertain. However, the Trust intends to operate so as to qualify for treaty-reduced tax rates when applicable.

A fund may invest in the stock of certain foreign companies that constitute passive foreign investment companies ("PFICs"). There are several elections available under federal law to determine how the fund's shareholders will be taxed on PFIC investments. Depending upon the election the fund selects, the fund's shareholders may be subject to federal income taxes (either capital or ordinary) with respect to a taxable year attributable to a PFIC investment, even though the fund receives no distribution from the PFIC and does not dispose of the PFIC investment during such year, and/or the fund's shareholders may be subject to federal income taxes upon the disposition of the PFIC investments. Any fund that acquires stock in foreign corporations may limit and/or manage its holdings in PFICs to minimize its tax liability.

If more than 50% of the value of a fund's total assets at the close of its taxable year consists of securities of foreign corporations, it will be eligible to, and may, file an election with the IRS that would enable its shareholders, in effect, to receive the benefit of the foreign tax credit with respect to any foreign and U.S. possessions income taxes paid by it. Pursuant to the election, a fund would treat those taxes as dividends paid to its shareholders and each shareholder would be required to (1) include in gross income, and treat as paid by him, his proportionate share of those taxes, (2) treat his share of those taxes and of any dividend paid by the fund that represents income from foreign or U.S. possessions sources as his own income from those sources, and (3) either deduct the taxes deemed paid by him in computing his taxable income or, alternatively, use the foregoing information in calculating the foreign tax credit against his federal income tax. Each fund will report to its shareholders shortly after each taxable year their respective share of its income from sources within, and taxes paid to, foreign countries and U.S. possessions if it makes this election. The Code may limit a shareholder's ability to claim a foreign tax credit. Shareholders who elect to deduct their portion of the fund's foreign taxes rather than take the foreign tax credit must itemize deductions on their income tax returns. The **International Funds** anticipate that they may qualify for and make this election in most, but not necessarily all, of their taxable years.

*Investments with Original Issue Discount.* Each fund that invests in certain payment-in-kind instruments, zero coupon securities or certain deferred interest securities (and, in general, any other securities with original issue discount or with market discount if the fund elects to include market discount in current income) must accrue income on such investments prior to the receipt of the corresponding cash. However, because each fund must meet the 90% distribution requirement to qualify as a regulated investment company and each fund seeks to avoid any imposition of the excise tax, a fund may have to dispose of its portfolio investments under disadvantageous circumstances to generate cash, or may have to leverage itself by borrowing the cash, to satisfy distribution requirements.

*Federal Tax Treatment of Options and Foreign Currency Transactions.* Certain option transactions have special tax results for the funds. Expiration of a call option written by a fund will result in short-term capital gain. If the call option is exercised, the fund will realize a gain or loss from the sale of the security covering the call option and, in determining such gain or loss, the option premium will be included in the proceeds of the sale.

If a fund writes options other than "qualified covered call options," as defined in Section 1092 of the Code, or purchases puts, any losses on such options transactions, to the extent they do not exceed the unrealized gains on the securities covering the options, may be subject to deferral until the securities covering the options have been sold.

A fund's investment in Section 1256 contracts, such as most foreign currency forward contracts traded in the interbank market and options on most stock indices, are subject to special tax rules. All Section 1256 contracts held by a fund at the end of its taxable year are required to be marked to their market value, and any unrealized gain or loss on those positions will be included in the fund's income as if each position had been sold for its fair market value at the end of the taxable year. The resulting gain or loss will be combined with any gain or loss realized by a fund from positions in Section 1256 contracts closed during the taxable year. Provided such positions were held as capital assets and were not part of a "hedging transaction" nor part of a "straddle," 60% of the resulting net gain or loss will be treated as long-term capital gain or loss, and 40% of such net gain or loss will be treated as short-term capital gain or loss, regardless of the period of time the positions were actually held by a fund.

The preceding rules regarding options and foreign currency transactions may cause a fund to recognize income without receiving cash with which to make distributions in amounts necessary to satisfy the 90% distribution requirement and the excise tax avoidance requirements described above. To mitigate the effect of these rules and prevent disqualification of a fund as a regulated investment company, the Trust seeks to monitor transactions of each fund, seeks to make the appropriate tax elections on behalf of each fund and seeks to make the appropriate entries in each fund's books and records when the fund acquires any option, futures contract or hedged investment.

The federal income tax rules applicable to interest rate swaps, caps and floors are unclear in certain respects, and a fund may be required to account for these transactions in a manner that, in certain circumstances, may limit the degree to which it may utilize these transactions.

## Shareholder Taxation

The following discussion applies to all funds, except the **Tax-Free Funds**:

- *Distributions.* Distributions from a fund's net investment company taxable income (which includes dividends, interest, net short-term capital gains, and net gains from foreign currency transactions), if any, generally are taxable as ordinary income whether reinvested or received in cash, unless such distributions are attributable to "qualified dividend" income eligible for reduced federal income tax rates applicable to long-term capital gains or unless you are exempt from taxation or entitled to a tax deferral.

Generally, "qualified dividend" income includes dividends received during the taxable year from certain domestic corporations and "qualified foreign corporations." PFICs and corporations incorporated in a country that does not have an income tax treaty and an exchange of information program with the U.S. are not qualified foreign corporations. The portion of a distribution that the fund pays that is attributable to qualified dividend income received by the fund will qualify for such treatment in the hands of the non-corporate shareholders of the fund. If a fund has income of which more than 95% was qualified dividends, all of the fund's dividends will be eligible for the lower rates on qualified dividends. Certain holding period requirements applicable to both the fund and the shareholder also must be satisfied to obtain qualified dividend treatment.

Distributions of non-qualified dividend income, interest income, other types of ordinary income, and short-term capital gains will be taxed at the ordinary income tax rate applicable to the taxpayer whether reinvested or received in cash. Distributions paid by each fund from net

capital gains (the excess of net long-term capital gains over short-term capital losses) are taxable as long-term capital gains whether reinvested or received in cash and regardless of the length of time you have owned your shares.

In general, qualified REIT dividends that an investor receives directly from a REIT are automatically eligible for the 20% qualified business income deduction available under Section 199A of the Code. The IRS has issued proposed Treasury Regulations that, if finalized as proposed, would permit a dividend or part of a dividend paid by a regulated investment company and reported as a "Section 199A Dividend" to be treated by the recipient as a qualified REIT dividend for purposes of the 20% qualified business income deduction. Although taxpayers, including the funds, are entitled to rely on these proposed Treasury Regulations until final Treasury Regulations are issued, these proposed Treasury Regulations have not been finalized, may not be finalized in their proposed form, and are potentially subject to change.

Any dividend declared by a fund in October, November, or December of any calendar year, payable to shareholders of record on a specified date in such a month and actually paid during January of the following year, is treated as if it had been received by the shareholders on December 31 of the year in which the dividend was declared.

- *Dividends Received Deduction.* Assuming a fund qualifies as regulated investment company, the dividends received deduction for shareholders of such fund who are corporations will apply to ordinary income distributions to the extent the distribution represents amounts that would qualify for the dividends received deduction to the fund if such fund were a regular corporation, and to the extent designated by the fund as so qualifying.

The following discussion applies to the **Tax-Free Funds** only:

- *Distributions.* Shareholders of a fund will be subject to federal income tax on any ordinary net income and net short- or long-term capital gains realized by the fund and distributed to them as regular or capital gains dividends. It does not matter whether the dividend is distributed in cash or in the form of additional shares. Generally, dividends declared by the funds during October, November or December of any calendar year and paid to shareholders before February 1 of the following year will be treated for tax purposes as received in the year the dividend was declared. Exemption from federal income tax of dividends derived from municipal securities does not necessarily result in an exemption under the tax laws of any state or local taxing authority. A shareholder may be exempt from state and local taxes on dividends derived from municipal securities issued by entities located within the shareholder's state of residence, but the shareholder may be subject to state or local tax on dividends derived from other obligations. Shareholders will receive a breakdown of dividends by state on an annual basis for the **Tax-Free National Fund**. Shareholders should consult with their own tax advisors about the status of distributions from the funds in their tax jurisdiction.
- *Pass Through of Tax-Exempt Dividends.* The Code permits mutual funds with at least 50% of the value of their assets invested in tax-exempt securities as of the close of each fiscal quarter to "flow through" to shareholders the tax-exempt character of the interest paid. The funds intend to qualify under this provision so that dividends paid to shareholders will be treated as "exempt-interest dividends" in the same proportion as each fund's annual net investment income is derived from tax-exempt sources. This means that, to the extent a fund's dividends are exempt-interest dividends, shareholders may treat them for federal income tax purposes as if they were interest excluded from gross income.
- *Dividends Received Deduction.* No portion of the dividends paid by the funds to shareholders is expected to be eligible for the dividends received deduction for corporation shareholders.
- *Alternative Minimum Tax Considerations.* Madison may purchase bonds for a fund on which the interest received may be subject to the federal "alternative minimum tax" ("AMT") for non-corporate shareholders. Under the Code, interest received on certain otherwise tax-exempt securities is subject to AMT. AMT will apply to interest received on "private activity" bonds issued after August 7, 1986 that are used to finance activities other than those generally performed by governmental units (for example, bonds issued to finance commercial enterprises or reduced interest rate home mortgage loans). Interest income received on AMT bonds will be a "tax preference item" that may make non-corporate shareholders liable for payment of AMT. Deductions and preference items such as state and local taxes, excess depletion and excess intangible drilling costs (in addition to interest on AMT bonds) are among the items that are added to taxable income to determine whether AMT is due in place of ordinary income tax.
- *Distribution of Market Discount.* If Madison buys a security for a fund at a "market discount", the amount of gain earned by the fund when Madison sells it may be considered ordinary taxable income. Such income earned as a result of "market discount" will be distributed to shareholders and may not qualify as tax-exempt.

The following discussion applies to all funds:

- *Gains and Losses on Redemption and Sales.* A redemption or sale of fund shares may result in a taxable gain or loss to a shareholder, depending on whether the proceeds are more or less than the shareholder's basis in the redeemed shares. An exchange of fund shares for shares in any fund of the Trust will have similar tax consequences. Any gain or loss arising from the sale or redemption of shares generally is a capital gain or loss. This capital gain or loss normally is treated as a long-term capital gain or loss if the shareholder has held his, her or its shares for more than one year at the time of such sale or redemption; otherwise, it generally will be classified as short-term capital gain or loss. If, however, a shareholder receives a capital gain distribution with respect to any share of a fund, and if the share is sold before it has been held by the shareholder for at least six months, then any loss on the sale or exchange of the share, to the extent of the capital gain distribution, is treated as a long-term capital loss.
- *Deduction of Capital Losses.* Non-corporate shareholders with net capital losses for a year (i.e., capital losses in excess of capital gains) generally may deduct up to \$3,000 of such losses against their ordinary income each year; any net capital losses of a non-corporate shareholder in excess of \$3,000 generally may be carried forward and used in subsequent years as provided in the Code. Corporate shareholders generally may not deduct any net capital losses for a year, but may carry back such losses for three years or carry forward such losses for five years.

- *Buying a Dividend.* Purchasing shares shortly before a distribution may not be advantageous. Since such shares are unlikely to substantially appreciate in value in the short period before the distribution, if the distribution is taxable, it will essentially result in a taxable return of a portion of the purchase price.
- *Reports to Shareholders.* The Trust sends to each of its shareholders, as promptly as possible after the end of each calendar year, a notice detailing, on a per share and per distribution basis, the amounts to be included in such shareholder's taxable income for such year as ordinary income (including any portion eligible to be treated as qualified dividend income or to be deducted pursuant to the dividends-received deduction) and as long-term capital gain. In addition, the federal tax status of each year's distributions generally is reported to the IRS.
- *Backup Withholding.* If a shareholder does not furnish the Trust with a correct social security number or taxpayer identification number and/or the Trust receives notification from the IRS requiring back-up withholding, the Trust is required by federal law to withhold federal income tax from the shareholder's distributions and redemption proceeds, currently at a rate of 24% for U.S. citizens and residents. The backup withholding is not an additional tax and may be returned or credited against a taxpayer's regular federal income tax liability if appropriate information is provided to the IRS.

**This section is not intended to be a full discussion of tax laws and the effect of such laws on a fund or an investor. There may be other federal, state, local or foreign tax considerations applicable to a particular fund or investor. Investors are urged to consult their own tax advisors.**

## **MORE ABOUT PURCHASING AND SELLING SHARES**

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The following discussion expands upon the section entitled "Your Account" in the prospectus.

### **Share Class Availability - Class I and Class R6 Shares**

In regard to Class I and Class R6 shares, members of the Board of Trustees of Madison Funds and any other board of trustees affiliated with Madison, and individuals and their immediate family members who are employees, directors, or officers of Madison or its affiliates may purchase Class I shares and Class R6 shares in any accounts that are held directly with the Funds' transfer agent, including non-retirement accounts, traditional and Roth individual retirement accounts (IRAs), Coverdell Education Savings Accounts, SEPS, SARSEPs, SIMPLE IRAs or individual 403(b) plans.

### **Investment Minimums - Class I and Class R6 Shares**

Class I shares and Class R6 shares are available for purchase directly from the Funds' transfer agent with no investment minimums to members of the Board of Trustees of Madison Funds and any other board of trustees affiliated with Madison, and individuals and their immediate family members who are employees, directors, or officers of Madison or its affiliates. The term "immediate family" is defined as the investor's spouse or domestic partner as recognized by applicable state law and children under the age of 21.

The Trust reserves the right to change or waive the funds' minimum investment requirements and to reject any order to purchase shares (including any purchase by exchange) when in the judgment of Madison, such rejection is in the funds' best interest.

### **Offering Price**

Shares of each fund are offered at a price equal to their NAV next determined after receipt in good order of the purchase order for such shares (see the "Net Asset Value of Shares" section, above) plus a sales charge which, depending upon the class of shares purchased, may be imposed either at the time of purchase (Class A shares) or on a contingent deferred basis (Class B and Class C shares). Class Y, Class I and Class R6 shares are sold without the imposition of a sales charge.

### **Calculation of the Sales Charge**

The sales charge percentage that you pay may be higher or lower than what is disclosed in the prospectus due to standard industry practice to round the public offering price to two decimal places (i.e., to the nearest penny) and rounding the number of shares purchased to three decimal places.

For example, assume that you purchased \$10,000 of the Class A shares of the **Core Bond Fund**.

#### **Prospectus Sales Charge: 4.50%**

NAV: \$10.04

Offering Price: \$10.51 [calculated as  $\$10.04 / (1 - 0.0450) = \$10.513089$  which rounds to \$10.51]

Shares Purchased: 951.475 ( $\$10,000 / \$10.51 = 951.47478$  which rounds to 951.475)

Account Balance:  $951.475 \times \$10.04$  (NAV) = \$9,552.80

#### **Statement and Confirm Sales Charge:**

$\$10,000 - \$9,552.80 = \$447.20$

$\$447.20 / \$10,000 = 4.472\%$ , which rounds to **4.47%**

### **Sales Charge on Class A Shares**

*Initial Sales Charge.* Class A shares are offered at a price that includes an initial "front-end" sales charge that is deducted from your investment at the time you purchase shares. Depending upon the amount you invest, the sales charge may be reduced and/or eliminated for larger purchases. The sales charges applicable to purchases of Class A shares of the funds are described in the relevant prospectus.

Class A shares may be offered without front-end sales charges to various individuals and institutions, or issued or purchased in specific transactions as described in the prospectus. Shares are offered at net asset value to these persons and organizations due to anticipated economies in sales effort and expense. Once an account is established under this net asset value privilege, additional investments can be made at net asset value for the life of the account.

*Sales Charge Reductions.* There are several ways investors may combine multiple purchases to reduce Class A sales charges as disclosed in the prospectus and further described below.

*Rights of Combination.* Purchases may be combined to reduce Class A sales charges if made by:

- you and your immediate family for your own account(s), including individual retirement, custodial and personal trust accounts;
- a trustee or other fiduciary purchasing for a single trust, estate or fiduciary account; and
- groups which qualify for the "Group Investment Program," described below.

*Group Investment Program.* Certain qualified pension plans or non-qualified group investment plan participants may be eligible for rights of combination. This would include a 401(k) plan with less than \$250,000 in assets and 457(f) plans.

*Rights of Accumulation.* For the purpose of calculating the sales charge on Class A shares, you may add the current market value of your existing holdings in any fund and class of shares of the Trust (including combinations), to the amount of your next purchase of Class A shares to qualify for reduced sales charges. The current value of existing individual holdings, as of the week prior to your investment, in your variable annuity contract sponsored by CMFG Life Insurance Company may also be taken into account to determine your Class A sales charges.

*Letter of Intent.* The reduced sales charges are also applicable to investments made pursuant to a Letter of Intent ("LOI"), which should be read carefully prior to its execution by an investor, pursuant to which investors make their investment over a period of thirteen (13) months. Such an investment must aggregate at least \$25,000 if investing in equity funds or at least \$50,000 if investing in bond funds during the 13-month period from the date of the LOI. The LOI period starts on the date on which your first purchase is made toward satisfying the LOI. Your accumulated holdings (including combination and accumulation as described above) eligible to be aggregated as of the day immediately before the start date of the LOI period may be credited towards satisfying the LOI. The sales charge applicable to all amounts invested under the LOI is computed as if the aggregate amount intended to be invested had been invested immediately. If such aggregate amount is not actually invested, excluding reinvested dividends and capital gains, the difference in the sales charge actually paid and the sales charge payable had the LOI not been in effect is due from the investor. However, for the purchases actually made within the 13-month period, the sales charge applicable will not be higher than that which would have applied (including accumulations and combinations) had the LOI been for the amount actually invested.

The LOI authorizes the Trust to hold in escrow sufficient Class A shares (approximately 5% of the purchase) to make up any difference in sales charges on the amount intended to be invested and the amount actually invested, until such investment is completed within the specified period, at which time the escrow shares will be released. If the total investment specified in the LOI is not completed, the Class A shares held in escrow may be redeemed and the proceeds used as required to pay such sales charge as may be due. By signing the LOI, the investor authorizes the Trust to act as the investor's attorney-in-fact to redeem any escrowed shares and adjust the sales charge, if necessary. A LOI does not constitute a binding commitment by an investor to purchase, or by the Trust to sell, any additional shares and may be terminated at any time.

In order to ensure that you receive a reduction or waiver of your Class A sales charge, you need to inform your financial representative or the Trust at the time you purchase shares that you qualify for such a reduction or waiver. If notification is not provided, you may not receive the sales charge discount or waiver to which you are otherwise entitled. The Trust may require evidence, including account statements of all relevant accounts invested in the Trust and reserves the right to request additional documentation, to verify you are eligible for a reduction or waiver of sales charges.

It is possible that a financial intermediary may not, in accordance with its policies and procedures, be able to offer one or more of these reduction or waiver categories. Please consult your financial adviser for further information.

The Funds may terminate or amend the terms of these sales charge reductions or waivers at any time.

### **Sales Charge on Class B and Class C Shares**

Class B shares may not be purchased or acquired, except by exchange from Class B shares of another Madison fund or through dividend and/or capital gains reinvestments. Exchanges from Class B shares of a fund to another Madison fund do not incur a sales charge. Shareholders with investments in Class B shares may continue to hold such shares until they convert to Class A shares and the shares are subject to a contingent deferred sales charge ("CDSC") described below.

*Deferred Sales Charge.* Investments in Class C shares are purchased at their NAV per share without the imposition of an initial sales charge so the fund will receive the full amount of the purchase payment. The funds' distributor pays a commission equal to 1% of the amount invested to broker/dealers who sell Class C shares. Similarly, when they were available, Class B shares were purchased at their NAV per share without the imposition of an initial sales charge and the funds' distributor paid a commission equal to 4% to the broker/dealer who sold the Class B shares.

Class B shares that are redeemed within six years of purchase and Class C shares that are redeemed within one year of purchase will be subject to a CDSC at the rates set forth in the prospectus. The amount of the CDSC, if any, will vary depending on the number of years from time of purchase until the time of redemption, and will be calculated using the methodology described in the prospectus. A hypothetical example is provided in the prospectus for further clarification.

Unless otherwise requested, redemption requests will be "grossed up" by the amount of any applicable CDSC charge and/or transaction charges such that the investor will receive the net amount requested.

Proceeds from the CDSC are paid to the Distributor and are used in whole or in part by the Distributor to defray its expenses related to providing distribution-related services to the Trust in connection with the sale of the Class B shares and Class C shares, such as the payment of the 4% commission to broker/dealers who sell Class B shares and the 1% commission to broker/dealers who sell Class C shares. The combination of the CDSC and distribution and service fees facilitates the ability of the Trust to sell Class C shares without a sales charge being deducted at the time of the purchase.

*Waiver of Deferred Sales Charge.* The CDSC may be waived on redemptions of Class B shares and Class C shares. The chart that follows is a restatement of the waivers found in the prospectus.

## Class B and Class C CDSC Waiver Chart

Type of Distribution	ERISA Plans	Non-ERISA Plans			
	401(a) Plan, 401(k) Plan or 403(b) Plan	Supplemental 403(b) Plan	457 Plan	IRA or IRA Rollover	Non-Retirement Plan
Death or Disability	Waived	Waived	Waived	Waived	Waived
72 and Over	Waived	Waived	Waived	Waived for mandatory distributions or up to 12% of account value annually in periodic payments	Waived for up to 12% of account value annually in periodic payments
Between 59½ and 72	Waived	Waived	Waived	Waived for Life Expectancy or up to 12% of account value annually in periodic payments	Waived for up to 12% of account value annually in periodic payments
Under 59½	Waived	Waived for annuity payments (72t) or up to 12% of account value annually in periodic payments	Waived for annuity payments (72t) or up to 12% of account value annually in periodic payments	Waived for annuity payments (72t) or up to 12% of account value annually in periodic payments	Waived for up to 12% of account value annually in periodic payments
Termination of Plan	Not Waived	Not Waived	Not Waived	Not Waived	N/A
Hardships	Waived	Waived	Waived	N/A	N/A
Return of Excess	Waived	Waived	Waived	Waived	N/A
Small Balance Accounts	N/A	N/A	N/A	N/A	Waived

In order to ensure you receive a waiver of the CDSC on redemption of your Class B shares and Class C shares, you need to notify your financial representative or the Trust that you qualify for such a waiver at the time you redeem the shares. If notice is not provided, you may not receive the waiver to which you are otherwise entitled. The Trust may require evidence, and reserves the right to request additional documentation, to verify you are eligible for a waiver of sales charges.

### Purchase by Exchange

As explained in the prospectus, within an account, you may exchange shares of one fund for shares of **the same class** of another fund, subject to the minimum investment requirements of the fund purchased, without paying any additional sales charge, if applicable.

Exchanges of Class B and Class C shares will continue to “age” from the date of original purchase of the Class B shares or Class C shares, respectively, and will retain the same CDSC rate as they had before the exchange. In addition, Class B shares may only be acquired by exchange from Class B shares of other Madison Funds.

If you wish to “move” your investment **between share classes** (within the same fund or between different funds), we generally will process your request as an exchange of the shares you currently hold for shares in the new class or fund. Below is more information about how sales charges are handled for various scenarios.

Exchanging Class A shares or Class Y shares for Class I shares or Class R6 shares - Provided it is eligible to invest in Class I shares or Class R6 shares, a retirement plan or other eligible accounts currently invested in Class A shares or Class Y shares may exchange its shares for Class I shares or Class R6 shares. Any Class A sales charges that the retirement plan or eligible accounts previously paid will not be credited back to the accounts. No contingent deferred sales charge will be assessed as part of the share class conversion.

Exchanging Class A shares or Class Y shares for Class I shares or Class R6 shares - Members of the Board of Trustees of Madison Funds and any other board of trustees affiliated with Madison, and individuals and their immediate family members who are employees, directors, or officers of Madison or its affiliates invested in Class A shares or Class Y shares may exchange into Class I shares or Class R6 shares in any accounts that are held directly with the funds, including non-retirement accounts, traditional and Roth individual retirement accounts (IRAs), Coverdell Education Savings Accounts, SEPS, SARSEPs, SIMPLE IRAs or individual 403(b) plans.

Exchanging Class C shares for Class A - If you exchange Class C shares for Class A shares, you are still responsible for paying any Class C contingent deferred sales charges and applicable Class A sales charges.

Exchanging Class I shares for Class R6 shares - Provided it is eligible to invest in Class I shares, a retirement plan or other eligible accounts currently invested in Class I shares may exchange its shares for Class R6 shares.

Moving between other share classes - If you desire to move your investment between share classes and the particular scenario is not described in this statement of additional information, please contact Madison Funds at 1-800-877-6089 for more information.

Non-reportable transactions - Automatic conversions described in the prospectus will be non-reportable for tax purposes. In addition, an exchange of shares from one share class of a fund to another share class of the same fund will typically be treated as a non-reportable exchange for tax purposes, provided that the exchange request is received in writing by Madison Funds and processed as a single transaction.

### Selling Shares

The methods for selling (redeeming) shares are described more fully in the prospectus. If you wish to sell your shares by contacting Madison Funds directly, any such request must be signed by the registered shareholders. To contact Madison Funds via overnight mail or courier service, see “How to Contact Us.”

A signature guarantee may be required for certain redemptions. In such an event, your signature may be guaranteed by a domestic stock exchange or the Financial Industry Regulatory Authority, bank, savings association or credit union that is an eligible guarantor institution. The Transfer Agent reserves the right to require a signature guarantee on any redemptions. Additional documentation may be required for sales of shares held in corporate, partnership or fiduciary accounts.

If you sell Class A, B or C shares and request a specific dollar amount to be sold, we will sell sufficient shares so that the sale proceeds, after deducting any applicable CDSC, equals the dollar amount requested.

Redemption proceeds will not be mailed until sufficient time has passed to provide reasonable assurance that checks or drafts (including certified or cashier's checks) for shares purchased have cleared (which may take up to seven business days from the purchase date). Except for delays relating to clearance of checks for share purchases or in extraordinary circumstances (and as permissible under the 1940 Act), redemption proceeds typically will be paid one business day following receipt and acceptance of a redemption order. However, payment may take longer than one business day and may take up to seven days as generally permitted by the 1940 Act. Interest will not accrue or be paid on amounts that represent uncashed distribution or redemption checks.

### **Redemptions in Kind**

Although no fund would normally do so, each fund has the right to pay the redemption price of shares of the fund in whole or in part in portfolio securities held by the fund. Any such securities would be valued for the purposes of making such payment at the same value as used in determining NAV. If the shareholder were to sell portfolio securities received in this fashion, the disposal of the securities received in-kind may be subject to brokerage costs and, until sold, such securities remain at market risk and liquidity risk, including the risk that such securities are or become difficult to sell. The Trust has, however, elected to be governed by Rule 18f-1 under the 1940 Act. Under that rule, each fund must redeem its shares for cash except to the extent that the redemption payments to any shareholder during any 90-day period would exceed the lesser of \$250,000 or 1% of the fund's NAV at the beginning of such period.

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## **ADDITIONAL INVESTOR SERVICES**

The following discussion expands upon the section entitled "Additional Investor Services" in the prospectus.

### **Automatic Investment Plan**

As explained in the prospectus, the Trust makes available to shareholders a systematic investment program. The investments under the program will be drawn on or about the day of the month indicated by the shareholder. Any shareholder's privilege of making investments through the systematic investment program may be revoked by the Trust without prior notice if any investment by the shareholder is not honored by the shareholder's financial institution. The program may be discontinued by the shareholder either by calling the Trust or upon written notice to the Trust which is received at least five (5) business days prior to the due date of any investment.

### **Systematic Withdrawal Plan**

As explained in the prospectus, the Trust makes available to shareholders a systematic withdrawal plan. Payments under this plan represent proceeds arising from the redemption of fund shares. The maintenance of a systematic withdrawal plan concurrently with purchases of additional shares of the fund could be disadvantageous to a shareholder because of the sales charges that may be imposed on new purchases. Therefore, a shareholder should not purchase shares of a fund at the same time as a systematic withdrawal plan is in effect for such shareholder with respect to that fund. The Trust reserves the right to modify or discontinue the systematic withdrawal plan for any shareholder on 30 days' prior written notice to such shareholder, or to discontinue the availability of such plan to all shareholders in the future. Any shareholder may terminate the plan at any time by giving proper notice to the Trust.

### **Systematic Exchange Plan**

As explained in the prospectus, the Trust makes available to shareholders a systematic exchange plan. The Trust reserves the right to modify or discontinue the systematic exchange program for any shareholder on 30 days' prior written notice to such shareholder, or to discontinue the availability of such plan to all shareholders in the future. Any shareholder may terminate the program at any time by giving proper notice to the Trust.

### **Reinstatement or Reinvestment Privilege**

After fund shares have been redeemed, a shareholder has a one-time right to reinvest any part of the proceeds, subject to the minimum investment of the fund, within 90 days of the redemption, at the current NAV. This privilege must be requested in writing when the proceeds are sent to the Trust.

For shareholders who exercise this privilege after redeeming Class A shares, the proceeds may be reinvested in Class A shares without a sales charge in the same fund and account from which the redemption was made.

For shareholders who exercise this privilege after redeeming Class B shares or Class C shares and paying a CDSC on the redemption, the proceeds may be reinvested in Class A shares without a sales charge in the same fund and account from which the redemption was made. The account will not be credited with the CDSC paid. If Class B shares or Class C shares were redeemed and no CDSC was paid, the proceeds may be reinvested in Class B shares or Class C shares in the same fund and account, respectively, from which the redemption was made. The holding period of the shares purchased will be "aged" back to the original purchase date.

To protect the interests of other investors in the funds, the Trust may cancel the reinvestment privilege of any parties that, in the opinion of the Trust, are using market timing strategies or making more than five exchanges per owner or controlling party per calendar year above and beyond any systematic or automated exchanges. Also, the Trust may refuse any reinvestment request. The Trust may change or cancel its reinstatement or reinvestment policies at any time.

A redemption or exchange of fund shares is a taxable transaction for federal income tax purposes even if the reinvestment privilege is exercised, and any gain or loss realized by a shareholder on the redemption or other disposition of fund shares will be treated for tax purposes as described under the "Distributions and Taxes" section, above.

## **INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM**

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The Board of Trustees has appointed Deloitte & Touche LLP, independent registered public accounting firm, located at 111 South Wacker Drive, Chicago, Illinois 60606 to perform the annual audits of the funds.

## **FINANCIAL STATEMENTS**

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The funds' audited financial statements, including the schedules of investments, statements of assets and liabilities, statements of operations, statements of changes in net assets, and financial highlights included in the funds' 2021 annual reports to shareholders, are incorporated herein by reference. Copies of the annual reports may be obtained free of charge by writing to Madison Funds, P.O. Box 219083, Kansas City, MO 64121-9083, or by calling 1-800-877-6089.

## APPENDIX A - SUMMARY OF PROXY VOTING POLICIES AND PROCEDURES

Each of the funds has adopted the proxy voting policies and procedures of its investment adviser, Madison Asset Management, LLC ("Madison").

A summary of the proxy voting policies and procedures or the proxy voting policies and procedures for Madison are found below, and constitute the proxy voting policies and procedures of Madison Funds (the "Trust").

### **MADISON ASSET MANAGEMENT, LLC PROXY VOTING POLICIES AND PROCEDURES**

#### **I. INTRODUCTION**

In accordance with Rule 206(4)-6 of the Investment Advisers Act of 1940, as amended, Madison Investment Holdings, Inc. and affiliates ("Madison" or the "Firm") has adopted the following proxy voting policies and procedures (the "Policy"). This Policy applies to Madison and anyone acting on its behalf and at its designation, in connection with the voting of proxies. This Policy consists of the policies, procedures and requirements set forth below and will be periodically reviewed and amended as needed. Capitalized terms used but not otherwise defined herein have the meanings ascribed to them in Madison's Compliance Manual.

#### **II. DEFINITIONS**

**Proxy** or **Proxies** as used in this Policy includes the submission of a security holder vote by Proxy instrument, in person at a meeting of security holders or by written consent.

#### **III. POLICY**

This Policy applies to Madison and each of its officers and anyone acting on its behalf and at its designation, in connection with the voting of proxies. This Policy consists of the policies, procedures and requirements set forth below and will be periodically reviewed and amended as needed. It is Madison's general policy to vote Proxies in the best interest of its clients. Accordingly, Madison will vote all Proxies in a manner intended to promote the client's investment objectives and to maximize investment returns, while following the investment restrictions and policies of each client, generally, as set forth in the governing documents of the relevant client. Madison will typically vote a security's proxy in accordance with the recommendations of that security's Board of Directors' recommendations, including, but not limited to:

- Changes in corporate governance;
- Changes in corporate structure;
- Appointment of auditors;
- Social responsibility programs;
- Compensation plans for executives; and
- Mergers and acquisitions, as applicable.

Madison will typically vote against shareholder proposals, however, Madison seeks the best of interests of its clients, and is not bound by the recommendations of a security's Board of Directors or the recommendations of any third-party proxy research and voting service.

Madison will use the services of an independent third party (e.g. Glass Lewis or Broadridge) for research, recommendations, and voting services. In the use of such services, Madison will typically vote the actual proxies on behalf of its clients. As discussed herein, where there is a material conflict of interest with a client or material conflict of interest with a client's portfolio holdings, Madison will typically defer to the voting recommendations of the third party proxy research provider, and vote that proxy in accordance with the instructions of the third party proxy voting service provider.

In the event Madison has proxies to vote, there may be instances when the Firm refrains from voting a Proxy, such as when Madison determines that the cost of voting the Proxy exceeds the expected benefit to the client and would not be in the client's best interest. For example, the cost of voting certain foreign proxies may exceed the benefit to clients. Madison cannot anticipate every situation, and certain issues are better handled on a case-by-case basis. Proxy voting decisions are generally made by the relevant Madison Portfolio Management teams with knowledge of the security and coordinated by Madison operations personnel.

In cases where a proxy will not be voted or, as described below, voted against the Board of Directors' recommendation, Madison's policy is to make a notation to the file containing the records for such security explaining the Firm's action or inaction, as the case may be. The majority of clients have elected that Madison vote the proxies on their behalf. The Firm votes client proxies in one of two ways. Proxy votes are either cast through Proxy Edge, a service which provides notification of proxy meetings and establishes voting through their electronic platform, or votes are made through proxyvote.com for those accounts which have not yet been set up on Proxy Edge.

#### **IV. ADMINISTRATION**

The CCO will be responsible for the following:

1. Overall compliance with this Policy; and
2. Reviewing and updating the Policy, as appropriate.

#### **IV. MATERIAL CONFLICTS OF INTEREST**

In the event Madison determines there is or may be a material conflict of interest between Madison and a client or client's portfolio holdings when voting Proxies, Madison will seek to resolve the issue in the best interest of its client. Madison will address such actual or potential material conflicts of interest using one of the following procedures:

1. Madison may vote the Proxy using the established objective policies described herein;
2. Madison may engage a third party to recommend a vote with respect to the Proxy based on application of the policies set forth herein or Madison may bring the Proxy to senior management of the Firm to make a determination; or
3. Madison may employ such other method as is deemed appropriate under the circumstances, given the nature of the conflict.

Although it is not likely, in the event there is a conflict of interest between Madison and a client in connection with a material proxy vote, Madison will typically employ the services of an independent third party proxy services firm to make the proxy voting decision in accordance with Rule 206(4)-6 under the Investment Advisers Act of 1940, as amended.

In the absence of any conflict, if any member of the relevant Portfolio Management team determines that it would be in the clients' best interests to vote against management recommendations (or, for Madison Scottsdale, any particular portfolio manager makes such determination), then the decision should be brought to the attention of the management team, or any subcommittee appointed by the management team from among its members, to ratify the decision to stray from the general policy of voting with management. Such ratification need not be in writing.

## **VI. DISCLOSURES**

Madison will make the following disclosures to clients:

1. Upon request by a client, a copy of the Policy; and
2. Upon request by a client, the Proxy voting record for Proxies voted on behalf of the client.

## **VII. RECORDKEEPING**

Madison will keep the following records, if applicable:

1. A copy of the Policy;
2. A copy of each Proxy statement received with respect to client portfolio securities, except when a Proxy statement is available on the SEC's EDGAR public filing system, Madison may rely on that filing in lieu of keeping its own copy;
3. A record of each Proxy vote cast by Madison on behalf of a client;
4. A record of each Proxy vote Madison refrained from voting on behalf of a client;
5. A copy of any document prepared by Madison that was material to a Proxy voting decision; and
6. A copy of each written client request for information regarding how Madison voted Proxies on behalf of clients and any written response by Madison to any client requests shall be maintained in such client's file.

Madison has retained the services of Proxy Edge to maintain the records of the proxy votes cast on behalf of clients. To the extent the Firm votes any proxies outside of this service, then copies of the voted proxy must be maintained in the applicable client or research file, as the case may be.

## **VIII. AMENDMENTS**

This Policy may be amended from time to time by the CCO.

December 2019

## APPENDIX B – QUALITY RATINGS

Any investment Madison makes for the funds will have a “quality rating” determined principally by ratings assigned by a nationally recognized statistical rating organization (an “NRSRO”). Otherwise, Madison will assign a rating according to comparable standards when there is no published rating or when published ratings differ or are considered obsolete.

Quality ratings will often be determined by referring to the ratings assigned by the two primary NRSROs that rate securities: Moody’s Investors Service, Inc. (“Moody’s”) and Standard and Poor’s Financial Services LLC. In addition, Madison may also refer to the ratings assigned by Fitch, Inc. (“Fitch”), another NRSRO. In cases where more than one NRSRO rates an issue, it will be graded according to whichever rating Madison deems appropriate. In cases where no organization rates an issue, Madison will grade it using the following standards that it believes are comparable to those followed by the NRSROs.

*Bonds.* Moody’s uses ratings Aaa, Aa, A, Baa, Ba, B, Caa, Ca and C; S&P uses ratings AAA, AA, A, BBB, BB, B, CCC, CC and C; and Fitch uses ratings AAA, AA, A, BBB, BB, B, CCC, CC, C and RD. Bonds rated Aaa or AAA are judged to be of the best quality. Bonds rated Aa or AA are also judged to be of high quality, but margins of protection for interest and principal may not be quite as good as for the highest rated securities.

Bonds rated A are considered upper medium grade by each organization. Protection for interest and principal is deemed adequate but susceptible to future impairment, and market prices of such obligations, while moving primarily with market rate fluctuations, also may respond to economic conditions and issuer credit factors.

Bonds rated Baa or BBB are considered medium grade obligations. Protection for interest and principal is adequate over the short term, but these bonds may have speculative characteristics over the long term and therefore may be more susceptible to changing economic conditions and issuer credit factors than they are to market rate fluctuations.

Notes and bonds rated Ba or BB are considered to have immediate speculative elements and their future cannot be considered well assured; protection of interest and principal may be only moderate and not secure over the long term; the position of these bonds is characterized as uncertain.

Notes and bonds rated B or lower by each organization are generally deemed to lack desirable investment characteristics; there may be only small assurance of payment of interest and principal or adherence to the original terms of issue over any long period.

Bond ratings may be further enhanced by the notation “+” or “-” by S&P and by numerical modifiers 1, 2 or 3 by Moody’s. For purposes of the funds and their investment policies and restrictions, such notations shall be disregarded. Thus, for example, bonds rated BBB- are considered investment grade while bonds rated BB+ are not.

*Notes.* Moody’s rates shorter term issues with “Moody’s Investment Grade” or “MIG” designations, MIG-1, MIG-2, MIG-3 and SG; it assigns separate “VMIG” ratings, VMIG-1, VMIG-2, VMIG-3 and SG to variable rate demand obligations for which the issuer or a third-party financial institution guarantees to repurchase the obligation upon demand from the holder.

MIG-1 and VMIG-1 notes are of the best quality, enjoying strong protection from established cash flows for debt service or well established and broadly based access to the market for refinancing. MIG-2 and VMIG-2 notes are of high quality, with ample margins of protection, but not as well protected as the highest rated issues. MIG-3 and VMIG-3 notes are of favorable quality, having all major elements of security, but lacking the undeniable strength of the higher rated issues and having less certain access to the market for refinancing. SG notes are speculative grade credit quality and may lack sufficient margins and protection.

S&P assigns the ratings, SP-1, SP-2, SP-3 and D, and Fitch assigns the ratings F1, F2, F3, B, C, RD and D to shorter term issues, which are comparable to Moody’s MIG-1, MIG-2 and MIG-3 ratings, respectively.

*Commercial Paper.* Commercial paper, only some of which may be tax-exempt, is rated by Moody’s with “Prime” or “P” designations, as P-1, P-2, P-3 or NP, all of which are considered investment grades. In assigning its rating, Moody’s considers a number of credit characteristics of the issuer, including: (1) industry position; (2) rates of return; (3) capital structure; (4) access to financial markets; and (5) backing by affiliated companies.

P-1 issuers have superior repayment capacity and credit characteristics; P-2 issuers have strong repayment capacity; and P-3 issuers have acceptable repayment capacity.

S&P rates commercial paper as A-1, A-2, A-3 or B, C or D. To receive a rating from S&P, the issuer must have adequate liquidity to meet cash requirements, long-term senior debt rated A or better (except for occasional situations in which a BBB rating is permitted), and at least two additional channels of borrowing. The issuer’s basic earnings and cash flow must have an upward trend (except for unusual circumstances) and typically, the issuer has a strong position in a well-established industry. S&P assigns the individual ratings A-1, A-2 and A-3 based on its assessment of the issuer’s relative strengths and weakness within the group of ratable companies.