



## IN THIS ISSUE

- Economic Review
- News You Can Use



SPRING 2017

## ECONOMIC REVIEW

The February stock market was almost all cheer as a broad rally took the S&P 500® up 4.0% to a year-to-date return of 5.9%. Meanwhile, the bond market was signaling a contrary message of caution as investors around the world seeking safety drove down the yield on the 10-Year Treasury. Despite these conflicting signals, along with the deepening political polarization post-election, the market took all of this in stride, preferring to focus on the potential benefits of business-friendly tax and regulation relief, rather than on the impact of trade, immigration and labor-related policies.

While most eyes were on Washington, the U.S. hardly had a cornered market on political concerns, as nationalist movements in France and Italy cast a further pale over the European Union, where concerns have been serious enough to continue to support miniscule and even negative interest rates on government bonds. Negative interest rates prevailed in Japan as well, indicating just how difficult it has become to stimulate broad economic growth.

The steady gains in U.S. stocks since the election has sometimes seemed at odds with what appears to be the generally unsteady hand of the new government. This dissonance has created some anxiety for both individual and professional investors. It is always a good idea in times of uncertainty to seek out the wisdom of those who have not only lived through many trying periods, but thought deeply about them. Fortunately, perhaps one of our greatest living sources of investment wisdom, Warren Buffett, "The Sage of Omaha," issued his annual investment letter on February 25. It couldn't have come at a better time.

One of the most immediate lessons gleaned from the octogenarian Buffett's insights is the importance of perspective. In essence, he reminds us that owners of U.S. companies are

investing in hundreds of years of American enterprise and success and in a future that depends more on this legacy than on the vagaries of elections and four-year presidential administrations. He writes: "American business – and consequently a basket of stocks – is virtually certain to be worth far more in the years ahead. Innovation, productivity gains, entrepreneurial spirit and an abundance of capital will see to that. Ever-present naysayers may prosper by marketing their gloomy forecasts. But heaven help them if they act on the nonsense they peddle."

He reminds us of the particular advantages we possess as Americans, both in terms of our economic bounty and the quality of our lives under a free and democratic society. He speaks to the American future: "This economic creation will deliver increasing wealth to our progeny far into the future. Yes, the build-up of wealth will be interrupted for short periods from time to time. It will not, however, be stopped. I'll repeat what I've both said in the past and expect to say in future years: Babies born in America today are the luckiest crop in history."

This sentiment of positivity resonates with us when we review the businesses and prospects of the great companies in your portfolio. Shifting government policies will invariably have an impact on particular industries and individual enterprises. But high-caliber management teams are used to dealing with an ever-changing business landscapes. Large, successful companies are generally widely diversified in terms of geography, product lines and income streams. While the market is currently focused on the business-friendly aspects of policy, such as tax and regulation reduction, we expect it will be the high-quality companies we invest in that will be most nimble should less benign policy impacts such as trade restrictions and labor issues arise.

In the end, we find Warren Buffett and his partner Charlie Munger's perspective particularly helpful and heartening in this, the early part of 2017. We agree that the reasons for owning high-quality U.S.-based companies are not dependent on current political

decisions or even how the economy or market will fare over the next month, or year, or even years. It is an act of faith in the long-term momentum of the most powerful economic force the world has ever seen and the society that sustains it. ▀

## NEWS YOU CAN USE

---

### Prospectus Update

In March, a summary prospectus was mailed to your household with updated information on the fund(s) you own. The summary prospectus contains the fund's investment objective and principal investment strategies, fees and expense, and historical return information. We encourage you to review the document(s) so you understand your investment. The Madison Funds statutory prospectus, statement of additional information (SAI) and annual report are available online at [madisonfunds.com](http://madisonfunds.com). You may also obtain printed copies of these documents at no cost by calling Shareholder Services at 1-800-877-6089, Monday through Friday from 8 a.m. to 7 p.m. Central time.

### Electronic Delivery of Disclosure Documents & Reports

For many of you, we offer the ability to consent to suppress paper copies of the Funds required disclosure documents, for instance the prospectus summary which was just mailed. "Consenting" to electronic delivery will provide you with fund information faster and should reduce fund expenses, which benefits all shareholders.

To enroll, log on to Account Access at [www.madisonfunds.com](http://www.madisonfunds.com) and click on "Electronic Delivery Options". An email notification will be sent to the email address you provide when a new report is made available. The email will contain a link to view, print and save the documents electronically. If at any time you wish to change your consent options, you simply log on to your account and withdraw your consent. Thereafter, the next available document will be mailed to you free of charge.

### Tax Forms

Madison Funds tax forms for 2016 (1099-Div, R and B) have been mailed. You can view your tax information online by logging into your account via Account Access at [madisonfunds.com](http://madisonfunds.com). If you did

not receive a tax form you expected, contact Shareholder Services and they will be able to confirm the tax forms that were mailed to you and provide you the data you need to file your returns.

Also a reminder that the fair market value statements for education savings accounts (Form 5498-ESA) and individual retirement accounts (Form 5498) are mailed in late April and early May, respectively. The form reports contributions made to the account through April 18, 2017 for the 2016 tax year and the fair market value of the account. This information is furnished to the Internal Revenue Service and the form should be kept for your record.

### Individual Retirement and Education Savings Accounts

#### *Custodian Change and Privacy Notice*

In November, we provided notice that UMB Bank, n.a., was named as custodian for your account replacing State Street Bank and Trust Company. This change required no action on your part. Pursuant to federal law, enclosed is UMB Bank n.a.'s privacy notice describing their privacy policies and practices. This notice, as well as Madison Funds privacy notice, are posted on our web site at [www.madisonfunds.com](http://www.madisonfunds.com).

#### *Prior Year Contributions*

You have until April 18, 2017 to make 2016 contributions to your Traditional or Roth individual retirement accounts (IRA) and Education Savings accounts. Contribution limits for 2016 are up to \$5,500 for IRAs and \$2,000 for education savings accounts. Please consult with your tax adviser or financial advisor as IRA contribution limits phase-out with higher income levels, and for individuals who are age 50 and over there are "special catch-up" contribution rules for IRAs. ▀

---

Nothing contained herein is or intended to be a recommendation to buy or sell any security nor is it intended to represent the performance of any Madison Fund or product. An investment cannot be made directly into an index. Past performance is no guarantee of future results.

Bonds are subject to certain risks including interest rate risk, credit risk and inflation risk. Equity risk is the risk that securities will fluctuate in value due to general market or economic conditions.

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

© Madison Asset Management, LLC.