Madison INVESTMENTS

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UPDATE

SPRING 2022

ECONOMIC REVIEW

We entered 2022 following three strong years in which the S&P 500® Index basically doubled, driving valuations well above historic averages. As such, the stock market was positioned for a rollback on any negative news -- which proceeded to arrive in spades. The persistence of supply chain issues kept pressure on prices, extending the sharpest inflationary period in decades well past the hoped-for "transitory" phenomenon. Strong economic indicators, especially concerning employment, set the stage for Federal Reserve hikes, which some observers felt could reach six or seven by the end of the year. With these headwinds, the market began to weaken from the start of the year. And then came the war in Ukraine.

The stock market, in tune with the rest of the world, spent a good deal of the quarter focused on the unsettling Russian preparations for war and then their shocking decision to launch a full-scale attack on Ukraine. The sad spectacle of millions of refugees, wanton destruction, and civilian deaths cast a pale over the entire world, sharpened by worries that the conflict could expand. As Western sanctions put a grip on the Russian economy, the eleventh largest in the world, worries over oil supplies sparked sharp increases in the spot cost for crude oil, spiking to more than $120 a barrel, almost twice what oil had cost as recently as the beginning of December. By mid-March average U.S. pump prices hit an all-time national high as per gallon costs shot up over $4. Higher oil prices hit the economy across the board, acting as a tax hike in repressing consumer spending and adding input costs to a wide range of companies and industries. By mid-March all the major U.S. indices were down double digits from their highs, with the NASDAQ index down more than 20% as high-flying tech stocks suffered, putting it into official bear market territory.

In the wake of all these factors, some leading economists trimmed their predictions for 2022 GDP by as much as a full percent. As short-term rates rose in anticipation of Federal Reserve action, the yield curve flattened (short-term rates coming closer to longer term rates). A flat or inverted yield curve signals the possibility of a recession. A land war in Europe with immediate reverberations in the currency exchanges along with energy price spikes put additional stresses into the global economy. On the other hand, some market watchers were encouraged as they assessed it will be hard for the Fed to be overly aggressive into an economy which is already slowing. Increasing levels of pessimism in measures of investor sentiment have also been noted as contrarian signals that this year's market could see a recovery from its first-quarter woes. With so much of the market action focused on Ukraine, any movements towards a resolution of the conflict would be a positive, but as of this writing, no such prospect is apparent.

It is impossible to see the images of the Ukrainian war without deep sympathy for the victims of this unprovoked aggression and admiration for the spirit of freedom demonstrated by the overmatched Ukrainian fighters. At the same time, we must look at world events as stewards of your assets and try to assess what this means to the investment landscape. One of the ways to do so is to look at the historic record for precedents. Since Russia is one of the world's largest producers of crude oil a relevant case is the Iraqi invasion of Kuwait in 1990 which had a major influence on energy supplies. The S&P 500 fell close to -17% in the wake of this event but took only a little more than six months to recover these losses. Other major geopolitical shocks such as North Korea's invasion of South Korea in 1950 or the Tet Offensive in Vietnam resulted in market drops and recoveries measured in days rather than months. While not trying to minimize the serious repercussions the Russian invasion can still create, this review suggests the probability that serious geopolitical events can produce limited damage on the domestic investment front. The exception in today's crisis may be companies with heavy exposure to the Russian retail market or investments in the Russian energy sector, not a significant factor in any Madison fund.

For much of the past two years, the major concern in terms of daily life, as well as market results, has been the status of the Covid pandemic. Thanks to vaccinations the unbridled fears of the early pandemic have faded, but we were still seeing some 1,700 daily deaths across the country at the end of February. Regional differences remain high, and hospitalizations and deaths remain concentrated in the unvaccinated, but the trend line is positive as we roll off early February peaks. As we head into warmer weather and as mask mandates are lifted, we can expect more Americans to feel a return to normalcy. This has already been seen in commercial trends as some of the stay-at-home spending trends such as home exercise equipment and remodeling projects have waned.

Companies across the board will have challenges in the environment that is unfolding for the rest of the year. Even if a slowing economy dampens inflation, increases in Fed Fund rates typically put pressure on stock prices. Consumers are facing high and potentially rising pump prices while companies will have to deal with the same on commodities as well as shipping and price spikes due to now-chronic supply chain disruptions. We see the stock pullback over the past months as a positive for valuations as the market's price-to-earnings metric settles closer to historic norms. When we look over the investment landscape, we believe that all these pressures and uncertainties should have investors focused on the companies with the strongest fundamentals, the best business models, and dominant market positions. This approach comports nicely with the fundamental investment philosophy underlying Madison Funds.

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. 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 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 2021 (IRS Forms 1099-Div, 1099-R and 1099-B) have been mailed. You can view your tax information online by logging into your account via Account Access at 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 IRS Form 5498 which reports contributions made to an education savings account ("ESA") (Form 5498-ESA) or an individual retirement account ("IRA") (Form 5498) will be mailed by April 30, 2022 and May 31, 2022, respectively. The tax form reports contributions made to the respective accounts through April 18, 2022 for the 2021 tax year and the fair market value of such accounts as of December 31, 2021. This information is furnished to the Internal Revenue Service and the form should be kept for your record.

Individual Retirement and Education Savings Accounts

Prior Year Contributions. You have until Monday, April 18, 2022, to make 2021 contributions to an IRA or an ESA, as April 15 falls on a Friday (considered as a weekend). Contribution limits for 2021 are up to $6,000 for an IRA, with additional $1,000 catch-up for owners age 50 and over, and $2,000 for an ESA.

2022 Contribution Limits. The contribution limits for 2022 for an IRA or an ESA are the same as tax year 2021 noted above.

Please consult with your tax adviser or financial advisor, as IRA and ESA 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.

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