



A Relative Yield and High-Quality Approach to Dividend Investing

Relative yield: A stock's dividend yield divided by the broad market dividend yield.

High quality: Sustainable competitive advantages, strong balance sheets, and improving profit trends.

John Brown has been refining his Relative Yield investment process for over 30 years. While many investors are intrigued by high dividend payers, John and his team not only look for better-than-market dividend yield but also invest in companies that can continue to sustain and grow that high dividend into the future. This is why we have coined the phrase "High-Quality dividend payers".

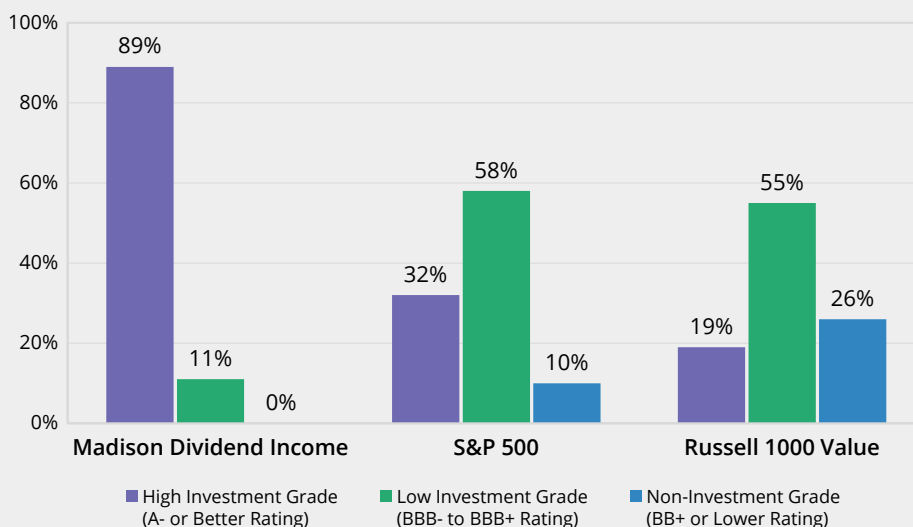
Relative Yield Investment Process

Relative yield is used as a valuation metric in our analysis of a stock. By looking at a company's relative yield over time, we can discern the points at which we believe the stock is attractively valued. When relative yield is high versus history, there is pessimism in the stock price, and valuation may be attractive. When relative yield is low versus history, the stock may be overvalued.

Paired with High-Quality Analysis

Relative dividend yield alone does not dictate our investment decisions. To build what we believe to be a resilient portfolio that pursues superior risk-adjusted returns over the long term, we conduct extensive fundamental analysis to ensure our portfolio companies also have:

- Sustainable competitive advantages (wide moats)
- Strong balance sheets with dependable cash flows
- Improving profit trends



BALANCE SHEET STRENGTH

We look at a company's credit ratings to assess its financial strength and dividend-paying ability. Standard & Poors awards the highest financial strength bond rating of A- or better to a vast majority of companies held in the portfolio, and the Fund does not hold any company with a rating below Investment Grade.

Source: Factset, as of 12/31/23



CASE STUDY: IBM

A recent earnings report from IBM is a great example of how this plays out in the real world. In July of 2022, IBM issued a quarterly dividend of \$1.65. A projected annual dividend of \$6.60 is roughly a 5% dividend yield, more than twice the market yield (S&P 500). The headline read, "IBM Board Approves Increase in Quarterly Cash Dividend for the 27th Consecutive Year". However, if you looked past the headlines and analyzed the cash flow statement for the quarter, nearly all of IBM's free cash flow is being sucked away by the dividend. So, while this may capture a headline due to the above-average dividend yield and continuing their streak of dividend increases, does this seem to be a good investment and a sustainable stream of income, given their cash flow? Some may refer to this as a Payout Ratio. Because of IBM's weak business fundamentals and cash flow generation, we would not be an investor.

It is this type of investment discipline that helps us control the volatility (especially the downside) of the Fund. While this isn't a "rules-based" strategy, there are several guidelines that we adhere to on an ongoing basis:

1.

Every stock in the portfolio pays a dividend

2.

Every stock in the portfolio must have a dividend yield that is 1.1x (10% greater than) the S&P 500 dividend yield

3.

Limit the holdings to 35-45 best ideas

4.

No more than 5% in one stock; no more than 20% in one sector (or 2x the S&P 500 index weight); cash less than 2%

5.

Utilize the historical relative yield process (defined below)

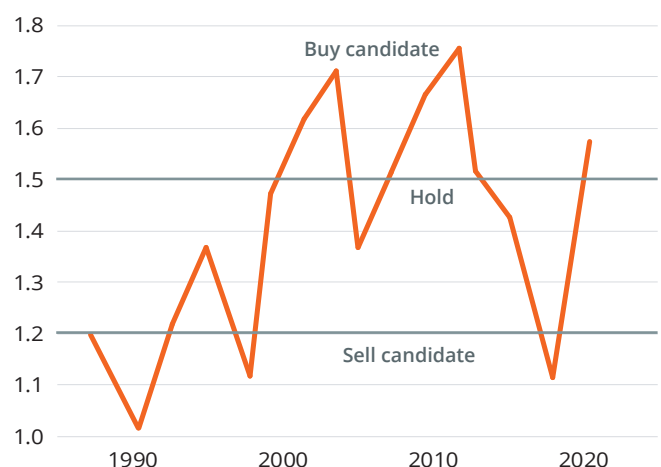
Understanding a High Relative Yield

High relative yield is often the result of a depressed stock price. We use fundamental analysis to determine if the issues driving the stock's price lower (and thus relative yield valuation higher) are temporary or terminal.

- If issues are temporary and the balance sheet is strong, we consider buying.
- If issues are terminal and/or the balance sheet is not strong, we don't consider buying.

The typical result is a portfolio of companies higher in quality than the market based on our quality metrics and active management process. While we don't necessarily trust the well-known rating agencies, we believe the 30,000-foot view provides a good comparison of our Fund versus the general U.S. stock market and our large cap value benchmark.

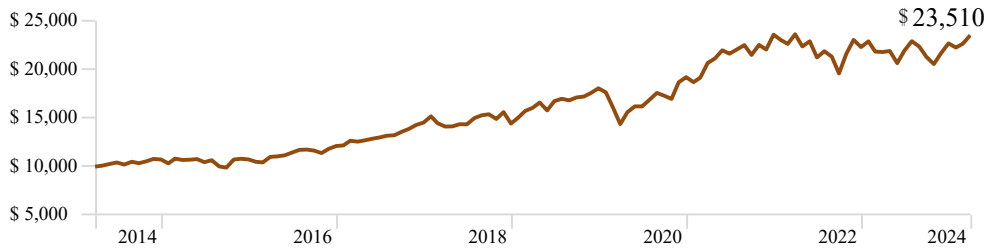
$$\text{Relative Yield} = \frac{\text{Stock's Dividend Yield}}{\text{S\&P 500 Dividend Yield}}$$



MADISON DIVIDEND INCOME FUND

March 31, 2024

Growth of \$10,000 Class Y Shares, Trailing 10 Years¹



Average Annual Total Returns² (%)

	Three Months	YTD	1 Yr	3 Yr	5 Yr	10 Yr	Since Inception
Class I	3.71	3.71	8.03	4.51	-	-	8.57
Class R6	3.73	3.73	8.12	-	-	-	2.08
Class Y	3.68	3.68	7.92	4.40	7.95	8.92	8.20
Class A without sales charge	3.61	3.61	7.65	4.14	-	-	9.93
with sales charge	-2.33	-2.33	1.46	2.11	-	-	8.24
S&P 500® Index	10.56	10.56	29.88	11.49	15.05	12.96	-
Russell 1000® Value Index ³	8.99	8.99	20.27	8.11	10.32	9.01	-
Lipper Equity Income Funds Index	7.85	7.85	18.75	8.85	10.60	9.21	-

Calendar Year Returns² (%)

	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Class Y	8.81	0.07	12.79	19.93	-0.70	25.16	6.34	22.76	-5.42	1.72
S&P 500®	13.69	1.38	11.96	21.83	-4.38	31.49	18.40	28.71	-18.11	26.29
Russell 1000® Value	13.45	-3.83	17.34	13.66	-8.27	26.54	2.80	25.16	-7.54	11.46
Lipper	10.69	-2.96	14.30	16.43	-6.62	26.38	4.58	24.20	-5.57	10.37

Performance data shown represents past performance. Investment returns and principal value will fluctuate, so that fund shares, when redeemed, may be worth more or less than the original cost. Past performance does not guarantee future results and current performance may be lower or higher than the performance data shown. Visit madisonfunds.com or call 800.877.6089 to obtain performance data current to the most recent month-end.

5-Yr Risk Measures (%)

	Class Y vs. S&P 500	Class Y vs. R1000V	Class Y vs. Lipper
Standard Deviation	16.19 18.37	16.19 18.79	16.19 16.61
Up Capture	74.33 100.00	85.88 100.00	93.94 100.00
Down Capture	89.14 100.00	90.12 100.00	103.81 100.00
Beta	0.80 1.00	0.83 1.00	0.95 1.00

¹ Growth of \$10,000 is calculated at NAV and assumes all dividends and capital gain distributions were reinvested. It does not take into account sales charges (if applicable) or the effect of taxes.

² Average annual total returns and calendar year returns assume all distributions are reinvested and reflect applicable fees and expenses. Class A share returns without sales charge would be lower if sales charge were included.

³ Russell 1000® Value was added as a secondary comparison benchmark as of 6/1/2020.

Indices are unmanaged. An investor cannot invest directly in an index. They are shown for illustrative purposes only, and do not represent the performance of any specific investment. Index returns do not include any expenses, fees or sales charges, which would lower performance.

Prior to March 1, 2012, BHBFX was known as Madison Mosaic Equity Trust Balanced Fund. At that time, the fund changed investment policies. As a result, the manner in which the fund is currently being managed is not similar to the way in which it was previously managed. Therefore, the fund's historical performance data prior to March 1, 2012 may not be relevant to current (and future) investors.

Experienced Management



John Brown, CFA
Portfolio Manager
Industry since 1983



Drew Justman, CFA
Portfolio Manager
Industry since 2000

Fund Features

- ▶ Fund seeks current income with an opportunity for capital appreciation
- ▶ High conviction of approx. 50 holdings
- ▶ Relative yield strategy; buy stocks trading at high end of historic dividend yield range
- ▶ Focus on risk management

Class	Ticker	Inception Date	Exp. Ratio
A	MADAX	5/29/20	1.16%
Y	BHBFX	12/18/86	0.91%
I	MDMIX	8/31/20	0.81%
R6	MADRX	2/28/22	0.73%

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

Distribution Frequency - Quarterly

Distribution History

Class Y, Per Share

Year	Total	Yr-End Nav
2023	\$1.61	\$26.80
2022	\$2.62	\$27.96
2021	\$0.26	\$32.37
2020	\$0.45	\$29.48
2019	\$1.11	\$28.22

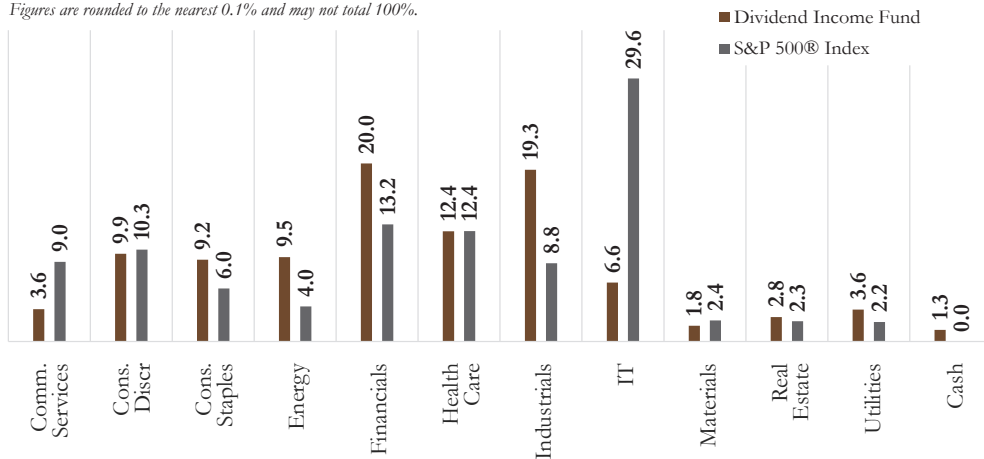


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Sector Allocation (%)

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



Top Ten Stock Holdings (%)

FASTENAL CO	4.4
HOME DEPOT INC	3.9
MEDTRONIC PLC	3.8
AUTOMATIC DATA PROCESSING	3.7
MORGAN STANLEY	3.7
COMCAST CORP CLASS A	3.6
NEXTERA ENERGY INC	3.6
CME GROUP INC	3.5
EOG RESOURCES INC	3.5
BLACKROCK INC	3.3

Characteristics

TTM P/E	20.1x
P/B	3.6x
ROE	24.1%
Active Share (vs S&P)	84.72%
Dividend Yield	2.8%
30-Day SEC Yield (Class Y)	1.8%
Wtd. Avg. Market Cap (billions)	\$170.5
Portfolio Turnover	26%
Number of Holdings	40
Total Net Assets (millions)	\$176.0

If fees had not been waived and/or expenses reimbursed, the SEC yields would have been lower.

This material is authorized for use only when preceded or accompanied by the current prospectus. Before investing, please fully consider the investment objectives, risks, charges and expenses of the fund. This and other important information is contained in the current prospectus, which you should carefully read before investing or sending money. For more complete information about Madison Funds® obtain a prospectus from your financial adviser, by calling 800.877.6089 or by visiting <https://www.madisonfunds.com/individual/prospectus-and-reports> to view or download a copy.

Madison Asset Management, LLC does not provide investment advice directly to shareholders of the Madison Funds.

Standard Deviation: a statistical measurement of dispersion about an average, which, for a portfolio, depicts how widely the returns varied over a certain period of time. Investors may use the standard deviation of historical performance to understand the range of returns for a portfolio. When a portfolio has a higher standard deviation than its benchmark, it implies higher relative volatility. Standard deviation has been calculated using the trailing monthly total returns for the appropriate time period. The standard deviation values are annualized. Downside Capture Ratio: a fund's performance in down markets relative to its benchmark. The security's downside capture return is divided by the benchmark's downside capture return over the time period. Upside Capture Ratio: a fund's performance in up markets relative to its benchmark. The security's upside capture return is divided by the benchmark's upside capture return over the time period. Beta: a measure of the fund's sensitivity to market movements. A portfolio with a beta greater than 1 is more volatile than the market, and a portfolio with a beta less than 1 is less volatile than the market. TTM P/E (Price-to-Earnings Ratio): measures how expensive a stock is. It is calculated by the weighted average of a stock's current price divided by the company's trailing 12-month (TTM) earnings per share of the stocks in a fund's portfolio. P/B (Price-to-Book Ratio): measures a company's stock price in relation to its book value (the total amount raised if its assets were liquidated and paid back all its liabilities). ROE (Return on Equity): a profitability ratio that measures the amount of net income returned as a percentage of shareholders equity. Active Share: the percentage of a portfolio that differs from its benchmark index. It can range from 0% for an index fund that perfectly mirrors its benchmark to 100% for a portfolio with no overlap with an index. Dividend Yield: the portfolio's weighted average of the underlying fund holdings and not the yield of the fund. 30-day SEC Yield (Class Y) is a standardized formula designed to approximate the Fund's annualized hypothetical current income from securities less expenses for the 30 day-period ended 12/31/20 and that date's maximum offering price. Portfolio Turnover: a measure of the trading activity in an investment portfolio—how often securities are bought and sold by a portfolio. It is calculated at the fund level and represents the entire fiscal year ending 10/31/2022. Wtd Avg. Market Cap: the size of the companies in which the fund invests. Market capitalization is calculated by number of a company's shares outstanding times its price per share. The S&P 500® Index is a large-cap market index which measures the performance of a representative sample of 500 leading companies in leading industries in the U.S. The Russell 1000® Value (R1000V) index measures the performance of the Russell 1000's value segment,

which is defined to include firms whose share prices have lower price/ to/book ratios and lower expected long/term mean earnings growth rates. Russell Investment Group is the source and owner of the trademarks, service marks and copyrights related to the Russell Indexes. Russell® is a trademark of Russell Investment Group. The Lipper Equity Income Fund Index (Lipper) tracks funds that seek relatively high current income and growth of income by investing at least 65% of their portfolio in dividend-paying equity securities.

An investment in the fund is subject to risk and there can be no assurance the fund will achieve its investment objective. The risks associated with an investment in the fund can increase during times of significant market volatility. The principal risks of investing in the fund include: equity risk, growth and value investing risk, special risks associated with dividend paying stocks, option risk, interest rate risk, capital gain realization risks to taxpaying shareholders, and foreign security and emerging market risk. More detailed information regarding these risks can be found in the fund's prospectus. Madison Funds are distributed by MFD Distributor, LLC, member of FINRA and may be purchased directly from the fund or through your investment professional. Portfolio data is as of the date of this piece unless otherwise noted and holdings are subject to change.

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