MADISON COVERED CALL & EQUITY INCOME FUND

1Q 2024 Investment Strategy Letter

Tickers: MENRX | MENYX | MENAX | MENCX | MENIX

Covered Call strategies, by their nature, are defensive. They are structured to knowingly sacrifice a portion of upside growth potential in order to provide additional downside protection. The Madison Covered Call & Equity Income Fund does exactly that by owning a very high quality portfolio of individual equities and selling equity call options on the portfolio holdings. The Fund offers a solid total return platform which includes capital appreciation and a high distribution rate which is primarily sourced from call option premiums and realized capital gains on the underlying portfolio. It is a relatively concentrated, actively managed portfolio providing a risk-reduced way to participate in US equity markets.

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Industry since 1986

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Industry since 2000

THE UNSINKABLE S&P 500

Even though we know that equity markets are inherently cyclical, there are periods of cognitive dissonance whereby the vast consensus believes the only direction for stocks is higher. Investors focus on very narrow drivers (Fed rate cuts, "AI") while ignoring danger signs. That has certainly been the case since November of 2023. Above the surface, markets are roaring and might even be deemed unsinkable. But, the bulk of every iceberg lies below the surface, out of sight. These hidden risks, if left unaccounted for, can potentially disrupt even the most unsinkable markets. Let's examine the risks that lie just below the surface of this stock market:

1. The S&P 500 has gained more than 26% over the past five months. This puts the rally in the 98th percentile of all rallies since 1936. The index is already 8% higher than the average 2024 year-end targets of Wall Street strategists. 40% of all trading days in the first quarter were new all-time record highs… most since 2013. Too far, too fast?

2. Concentration returned. While the S&P 500 returns broadened out somewhat late last year, in the first quarter, only six stocks contributed 60% of the market's return. This is similar to levels in early 2023. Highly concentrated?

3. Since 1944, the S&P 500 has had higher Q1 returns only ten times. In 60% of those years, the market corrected in April/May, with an average drawdown of -7.2%.

4. Since 1964, there have been 27 market corrections of 10% or more. All share at least one of the following catalysts: higher rates, rising unemployment, or a global geopolitical issue. In over 50% of the corrections, higher rates were the primary catalyst. Rates continue to be "higher for longer".

5. Speaking of rates, the November 2023 rally began with the assumption that the Fed would cut rates in March (with absolute certainty). March has come and gone without a rate cut and a June cut is now only a 50/50 probability.

6. The market is craving rate cuts, but when the cuts actually occur, focus will likely shift to cuts signaling a weakening economy. Be careful what you wish for.

7. The economy is great (tongue firmly planted in cheek). If the economy is so strong, why do we require a multi-trillion-dollar budget deficit? Why are lower interest rates so critical? A good Keynesian economist would assume that strong economies generate surpluses, which go towards paying down debt, which accumulated in rougher economic patches. The opposite is occurring. All of the recent growth in U.S. GDP has been financed by an increasingly unsustainable debt load. In Q4 2023, U.S. GDP grew an impressive 3.4% or $347 billion. However, this was financed by an increase in federal debt of $834 billion. Total U.S. Federal debt is now almost $35 trillion and has recently grown by almost $1 trillion every QUARTER. Smoke and mirrors… the numbers don't seem to have meaning any more.

Although we haven't talked about other risks such as high market valuations, less money on the sidelines than most believe, very high bullish sentiment, imploding commercial real estate, geo-political risks, etc., it's clear with the strong upward momentum of the stock market over the past five months that many headwinds are being under-appreciated. Defensive strategies such as ours clearly underperform in periods of exuberant momentum. Considering the risks below the surface and avoiding or minimizing mishaps – like icebergs – is the utility of defensive strategies. Like many types of insurance, they may not always be needed but are critical when the inevitable disorderly market comes calling.

Q1 2024 PERFORMANCE REVIEW

Early in the first quarter, the S&P 500 blasted through the previous all-time high set at the end of 2021 and momentum carried the market steadily higher with very little resistance. The index went on to gain 10.6% in Q1 following an 11.8% return in the previous quarter. As had been the case in most of 2023, the market performance was dominated by a handful of mega-cap growth stocks. The equally weighted version of the S&P 500 gained 7.9% during the quarter. The CBOE S&P 500 Buy-Write Index (BXM), being a hedged version of the S&P 500, rose 6.0% in the quarter. The Fund entered the year with a very defensive posture and ultimately lagged in such a euphoric environment, gaining 2.0% during the quarter (Class Y).

All sectors of the S&P 500 were positive in the first quarter except for the small Real Estate sector. The market was generally led higher by mega-cap stocks which drove outsized performance in the Communication Services sector (Meta, Netflix, Disney) and the Information Technology sector (Nvidia plus other large AI chip related companies). The Energy sector was among the top performing areas as the WTI crude oil price gained 14% during the quarter. The Consumer Discretionary sector, which typically follows the mega-cap growth sectors was among the worst relative performers, despite Amazon performing very well. That was, however, offset by falling stocks prices in other large consumer companies such as Tesla, Starbucks and Nike. Other lagging sectors were traditionally defensive areas such as Utilities, Consumer Staples and Health Care. The Fund, which has been more heavily concentrated in defensive areas, failed to achieve benefit from the mega-cap leadership.

Performance of the Fund's individual equity positions lagged relative to index during the quarter. This was as much attributable to what the Fund didn't own compared to what it owned. The Fund has relatively small mega-cap growth exposure and, as such, did not benefit from that leadership group. Although the Energy sector performed well in general, a couple of the Fund's Energy holdings were unable to keep up. Offshore driller Transocean declined slightly during the period on concerns that drilling day-rates may have peaked. We do not agree with that sentiment and believe that day-rates will remain historically high for the foreseeable future as ultra-deep and harsh environment drilling demand accelerates while the availability of drill ships and semisubmersible rigs that can operate in such environments remain in short supply. Transocean is the global leader in these rigs. Apache also declined slightly after announcing a takeover of Callon Resources, which expands the company's exposure to the U.S. Permian basin. Diamondback also announced a merger with Endeavor Energy, which was favorably viewed by the market. Additionally, the Fund's gold related holdings, Barrick and Newmont, lagged as the price of gold trended lower for most of the quarter, but then sharply rose in March. The stocks followed the commodity lower and have been in catch-up mode as the quarter ended. Consumer Staple company Archer-Daniels-Midland delayed quarterly financial reporting as it investigated inter-segment financial results. Ultimately, certain cross-segment sales results were restated but had no impact on consolidated results. The short-term uncertainty surrounding the issue caused the stock to underperform. Aside from strong performance from Diamondback noted above, other areas of strength included consumer focused companies such as Target and Constellation Brands as well as Charles Schwab and industrial company Cummins Engine.

From a positioning standpoint, the Fund remained very defensively postured. Call option coverage ended the quarter at 89.7%, slightly higher than the December level of 87%. Although lower than year-end levels, cash levels have remained high given the dearth of investment ideas at attractive valuations and meaningful option assignment activity due to the rising market. Given the inverted shape of the yield curve, cash is achieving a good rate of return while we await better buying opportunities. With the strong upward move in the market during the quarter, both the option overlay and the cash position were a drag on Fund relative performance.

Given its overall defensive posture, the Fund was unable to keep up with the strong market performance during the quarter, however, its income generation capabilities remain strong.

OUTLOOK

2024 began much like 2023 ended, with risk assets dominating performance. Although the overall market performance seems to be somewhat broader, there's no doubt that the fuel for the rocket ship has been the dominance of mega-cap growth stocks. While it's difficult to predict how long this dominance will continue, the one-way nature of the steep rally in the first quarter of 2024 suggests to us that investors have become increasingly complacent with respect to potential pitfalls, some of which we noted in the first section of this commentary. The risks haven't gone away. As valuations become loftier without meaningful fundamental improvement in the economy, the risks become even more dangerous. Expectations are very high and trepidation is very low. To borrow from Warren Buffett, "be greedy when others are fearful and fearful when others are greedy". We believe that investors are currently very high on the greed scale.

Patience can certainly be a virtue. Being defensive in the face of five consecutive months of elevated market returns has definitely been challenging. However, remembering the purpose of a covered call writing strategy as being income-oriented and protective in downturns helps us to remain patient and consistent to that mandate. We will continue to position the Fund in a defensive manner, with the goal of protecting capital in an increasingly risky environment both above and below the surface.

Ray Di Bernardo *Drew Justman*

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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.

The CBOE S&P 500 BuyWrite Index (BXM) is a benchmark designed to track the performance of a hypothetical buy-write strategy (i.e., holding a long position in and selling covered call options on that position) on the S&P 500 Index.

The S&P 500® is an unmanaged index of large companies, and is widely regarded as a standard for measuring large-cap and mid-cap U.S. stock-market performance. Results assume the reinvestment of all capital gain and dividend distributions.

Yield Curve is a graph showing the various yields of similar types of securities that vary in their maturity dates. A flat yield curve is one in which short-term bonds have yields similar to longer bonds.

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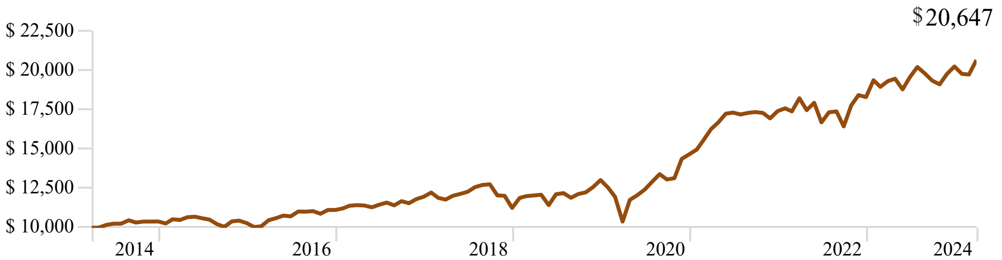
Madison FUNDS®

MADISON COVERED CALL & EQUITY INCOME FUND

March 31, 2024

Growth of $10,000 Class Y Shares, Trailing 10 Years[1]



Average Annual Total Returns[2] (%)

		Three Months	YTD	1 Yr	3 Yr	5 Yr	10 Yr	Since Inception
Class R6		2.09	2.09	7.06	8.39	11.54	7.67	8.37
Class I		2.03	2.03	6.97	-	-	-	8.61
Class Y		2.03	2.03	6.96	8.29	11.37	7.52	7.92
Class A	Without Sales Charge	2.03	2.03	6.68	8.01	11.09	7.26	7.67
	With Sales Charge	-3.82	-3.82	0.58	5.89	9.78	6.63	7.22
Class C	Without Sales Charge	1.81	1.81	5.83	7.23	10.29	6.47	7.16
	With Sales Charge	0.81	0.81	4.86	7.23	10.29	6.47	7.16
S&P 500® Index		10.56	10.56	29.88	11.49	15.05	12.96	-
CBOE S&P 500® BuyWrite Index		6.02	6.02	11.89	6.18	5.93	5.94	-

Calendar Year Returns[2] (%)

	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Class Y	6.25	-0.97	8.07	7.56	-5.96	15.72	12.54	18.70	5.12	10.62
S&P 500® Index	13.69	1.38	11.96	21.83	-4.38	31.49	18.40	28.71	-18.11	26.29
CBOE S&P 500® BuyWrite	5.64	5.24	7.07	13.00	-4.77	15.68	-2.75	20.47	-11.37	11.82

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.

Annual Distribution History Breakdown - Class Y, per share

	Year-end NAV	Total Distribution	30-Day SEC Yield[3]	Distribution Yield[4]
2023	$9.84	$0.76	0.65%	7.81%
2022	$9.60	$0.67	0.33%	6.91%
2021	$9.80	$0.63	0.63%	6.82%
2020	$8.80	$0.56	0.66%	6.49%
2019	$8.40	$0.59	0.70%	7.33%

Experienced Management

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Fund Features

- Fund seeks total return with high level of income
- Focus on large and mid cap stocks
- Generates income from selling covered call options on stocks held and from dividends
- Premiums from call options help offset potential market losses

Class	Ticker	Inception Date	Exp. Ratio
A	MENAX	10/30/09	1.30%
C	MENCX	7/31/12	2.05%
Y	MENYX	10/30/09	1.05%
I	MENIX	2/28/22	1.00%
R6	MENRX	7/31/12	0.92%

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

Distribution Frequency - Quarterly

30-Day SEC Yields

A	0.34%
C	-0.39%
Y	0.58%
R6	0.71%
I	0.63%

1 Growth of $10,000 is calculated at NAV and assumes all dividends and capital gain distributions were reinvested. It does not take into account sales charges (see Note 2) or the effect of taxes.

2 Average annual total returns and calendar year returns assume all distributions are reinvested and reflect applicable fees and expenses. Class A share returns without sales charge would be lower if sales charge were included. Class A share returns with sales charge reflect the deduction of the maximum applicable sales charge of 5.75%. Class C shares do not have an up-front sales charge, however, C shares are subject to a 1% CDSC on shares redeemed within 12 months of purchase. Class Y shares and Class R6 shares do not impose an up-front sales charge or a CDSC. Indices are unmanaged. An investor cannot invest directly in an index. They are shown for illustrative purposes only, and do not represent the performance of any specific investment. Index returns do not include any expenses, fees or sales charges, which would lower performance.

3 SEC Yield equals Net Investment Income (Gross Investment Income less Operating Expenses) divided by average asset value (average shares outstanding less net asset value).

4 Distribution Yield equals the Total Distribution amount divided by the average of the beginning and end of year Net Asset Value (NAV). Distribution yield includes net investment income plus both short- and long-term capital gain distributions.

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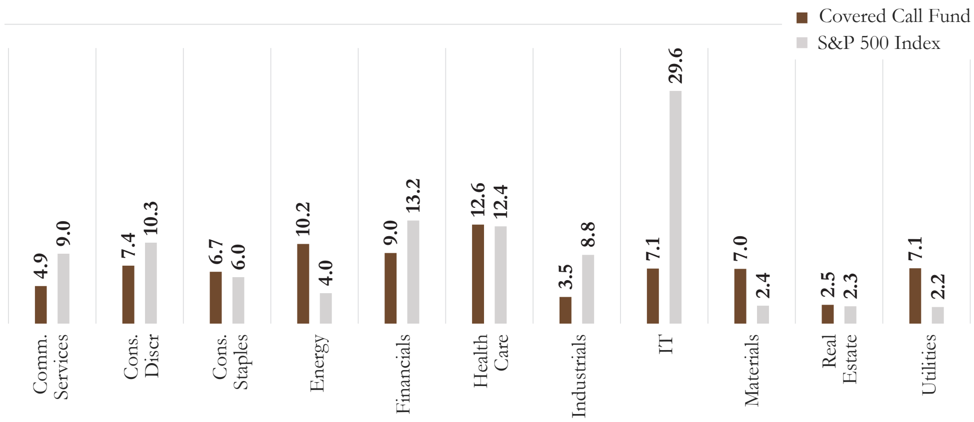
Sector Allocation (%)



Short-term investments, cash (22.6%) and other net assets and liabilities are not represented above. Equity sector allocations are rounded to the nearest 0.1% and may not equal 100% due to option liability.

5-Yr Risk Measures (%)

	MENYX	S&P 500
Std. Deviation	14.25	18.37
Down Capture	58.26	100.00
R^2	70.95	100.00

	MENYX	BXM
Std. Deviation	14.25	12.90
Down Capture	78.18	100.00
R^2	64.53	100.00

Top Ten Holdings (%)

LAS VEGAS SANDS CORP	3.9
TRANSOCEAN LTD	3.8
MEDTRONIC PLC	2.6
NEXTERA ENERGY INC	2.5
CVS HEALTH CORP	2.5
AES CORP	2.4
CONSTELLATION BRANDS INC A	2.4
BARRICK GOLD CORP	2.3
AMERICAN TOWER CORP	2.2
DANAHER CORP	2.2

Characteristics

TTM P/E	19.3x
P/B	2.4x
ROE	16.3%
Dividend Yield	2.3%
Active Share (vs. S&P)	94.1%
Equities covered by call options	89.7%
Average days to expiration	37.9
Number of Equity Holdings	39
Wtd. Average Market Cap (billions)	$134.2
Total Net Assets (millions)	$251.4

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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 measures a fund's performance in down markets relative to its benchmark. It is calculated by taking the security's downside capture return and dividing it by the benchmark's downside capture return over the time period. 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 a company would be worth if it liquidated its assets and paid back all its liabilities). ROE (Return on Equity) is a profitability ratio that measures the amount of net income returned as a percentage of shareholders equity. Dividend Yield: the portfolio's weighted average of the underlying fund holdings and not the yield of the fund. R-squared (R2) is generally interpreted as the percentage of a fund's movements that can be explained by movements in a benchmark index. Active Share is defined as the percentage of a portfolio that differs from its benchmark index. Active Share can range from 0% for an index fund that perfectly mirrors its benchmark to 100% for a portfolio with no overlap with an index. 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 12/31/22 and that date's maximum offering price. Wtd. Avg. Market Cap measures the size of the companies in which the fund invests. Market capitalization is calculated by multiplying the number of a company's shares outstanding by its price per share.

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As a writer of a covered call option, the fund forgoes, during the option's life, the opportunity to profit from increases in the market value of the security covering the call option above the sum of the premium and the strike price of the call, but has retained the risk of loss should the price of the underlying security decline. In addition to its covered call strategy, the fund may pursue an option strategy that includes the writing of both put options and call options on certain of the common stocks in the fund's portfolio.

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