

MADISON SMALL CAP EQUITY

Strategy Overview

We invest in stocks primarily in smaller capitalization, U.S. companies that have substantial capital appreciation potential. Further, we seek to purchase equity of businesses that are selling at what we believe are substantial discounts to prices that accurately reflect future earnings prospects.

FIVE PILLAR ANALYSIS

Pure bottom-up ideas are internally identified and utilizing the following criteria, we generate candidates for the portfolio.

We leverage the experience of industry suppliers, customers and competitors to identify candidates for the portfolio. If a company meets most, but not all of our criteria, they are added to an extensive list of similar companies which are continuously monitored.

- 1 QUALITY**
 - ▶ High levels of recurring revenue
 - ▶ Persistent margins
 - ▶ Sustainable Return on Invested Capital
 - ▶ In control of its destiny – ex; less regulated industries

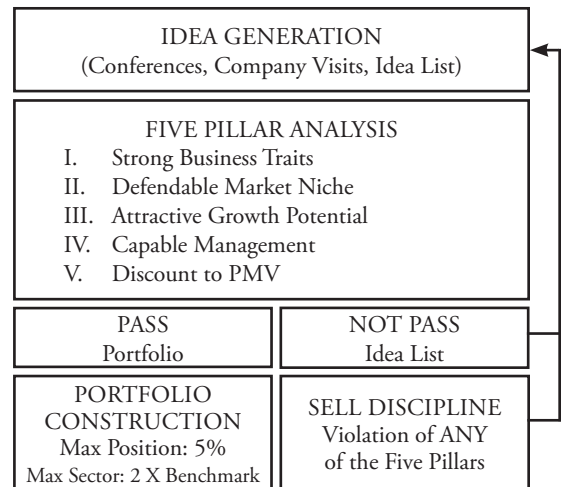
- 2 DURABILITY**
 - ▶ Defendable market niche or strategic value in the sector
 - ▶ Barriers to entry - the competitive moat around the business
 - ▶ Difficult to duplicate products or services through patents, knowhow, culture of excellence, etc.

- 3 GROWTH**
 - ▶ Focus on 2-3 year time horizon, not short term oriented
 - ▶ Owners not renters – long-term investors in a business not in a stock
 - ▶ Growth can come from myriad places – margin expansion, product cycle, cyclical recovery

- 4 STEWARDSHIP**
 - ▶ History of successful strategic decisions
 - ▶ Effective use of free cash flow for capital allocation
 - ▶ Interests and compensation aligned with shareholders

- 5 PRIVATE MARKET VALUE (PMV)**
 - ▶ Valuation framework for investment
 - ▶ Substantial discount at purchase
 - ▶ PMV is industry specific
 - ▶ Discipline and patience

OUR PROCESS



WHY MADISON SMALL CAP?

Our management discipline requires constant attention to individual stocks, continual monitoring of market conditions and the willingness to make tough decisions. It has meant having the wisdom to be patient, the courage to act on our convictions, and the discipline to stay true to our style.

CONSERVATIVE MANAGEMENT FOR OVER 40 YEARS

Since Madison was founded in 1974, managing client assets has been the sole focus of our company. Our investment professionals build risk-conscious portfolios and strive to deliver excellent investment results and best-in-class service to our clients. We partner with investors and their advisers to help clients achieve their investment goals through our offering of actively-managed stock, bond, and asset allocation portfolios constructed to emphasize downside protection.

INDEPENDENT AND ALIGNED WITH OUR CLIENTS

Madison is 100% employee-owned. Because our employees are owners, we are only successful if our clients' investing experience is excellent. We make decisions that are in the long-term best interest of those we serve. Our independence allows us to focus entirely on managing our clients' assets with no outside influences.

Experienced Management



Faraz Farzam, CFA
Portfolio Manager
Industry since 1999



Aaron Garcia, CFA
Portfolio Manager
Industry since 2002

"Madison" and/or "Madison Investments" is the unifying tradename of Madison Investment Holdings, Inc., Madison Asset Management, LLC, and Madison Investment Advisors, LLC, which also includes the Madison Scottsdale office. Madison Funds are distributed by MFD Distributor, LLC. Madison is registered as an investment adviser with the U.S. Securities and Exchange Commission. MFD Distributor, LLC is registered with the U.S. Securities and Exchange Commission as a broker-dealer and is a member firm of the Financial Industry Regulatory Authority. The home office for each firm listed above is 550 Science Drive, Madison, WI 53711. Madison's toll-free number is 800-767-0300.

Any performance data shown represents past performance. Past performance is no guarantee of future results.

Non-deposit investment products are not federally insured, involve investment risk, may lose value and are not obligations of, or guaranteed by, any financial institution. Investment returns and principal value will fluctuate.

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.

Russell 2000® Index measures the performance of the 2,000 smallest companies in the Russell 3000® Index, which represents approximately 11% of the total market capitalization of the Russell 3000® Index. 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.

Investing in small, mid-size or emerging growth companies involves greater risks not associated with investing in more established companies, such as business risk, significant stock price fluctuations and illiquidity.

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