

## MADISON COVERED CALL & EQUITY INCOME FUND

### Strategy Overview

*This overview is an introduction to Madison's Covered Call philosophy, process, and investment team.*

#### INCOME GENERATION

A high quality biased equity portfolio delivering an alternative income source via call writing. We implement a best ideas approach of buying individual companies and writing individual calls over those companies for the purpose of paying a quarterly distribution to shareholders.

#### PARTICIPATION IN STRONG MARKETS

Individual stock options, rather than index options, can offer higher premiums. Typically, we write out-of-the-money calls which allow the potential for limited upside participation if the underlying stock price advances.

#### DOWNSIDE PROTECTION

Hedged equity; ability for defensive positioning in weak markets by writing at-the-money or in-the-money calls.

#### OPTIONS OVERLAY

Single stock options vs index options

- Allow for limited potentially higher option premiums
- Ability to tailor each option to our view of the underlying equity
- Multiple calls written per equity position, varying by strike and expiration. Actively managed and diversified.

Typically writing 3-5% out-of-the-money

- Allows upside participation while achieving reasonable option premium

Ability to tilt slightly more defensive/aggressive

- Typically 80% covered with the flexibility to move higher for greater protection or lower for greater participation
- Write closer-to-the-money for greater protection or further out-of-the-money for greater participation

Typically writing 60-90 day expiration

- Long enough for stocks to work
- Short enough to benefit from option time value erosion

#### UNDERLYING EQUITY PORTFOLIO

30-50 holdings, actively managed

Primarily large-cap with some mid-cap exposure

Seeks high quality companies:

- Strong balance sheets
- Sustainable competitive advantage
- Rising Return on Invested Capital
- Strong free cash flow generation
- Reasonable valuation
- Positive technical trends

#### WHY MADISON COVERED CALL?

Madison has been a pioneer in covered call management since 2004. Madison's strategy of active stock and option management differentiates its portfolios from the more common passive strategies, and provides an opportunity to manage risk while exploiting the higher premiums available for individual stocks. The lead portfolio manager, Ray DiBernardo, CFA, has been working on the strategy since its inception, and the Equity Income team together brings over 60 years of collective investment experience to its clients.



## WHY MADISON?

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

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Ray Di Bernardo, CFA  
Portfolio Manager  
Industry since 1987



Drew Justman, CFA  
Portfolio Manager  
Industry since 2001

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For more complete information about Madison Funds®, including charges and expenses, obtain a prospectus from your financial adviser, by calling 800.877.6089 or by visiting [madisonfunds.com](http://madisonfunds.com) and clicking on prospectus and reports to view or download a copy. Before investing in the funds, consider the investment objectives, risks, charges and expenses. The prospectus contains this and other information about funds and should be read carefully before investing.

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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.

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 positions in. This report is for informational purposes only and is not intended as an offer or solicitation with respect to the purchase or sale of any security.

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](http://madisonfunds.com) or call 800.877.6089 to obtain performance data current to the most recent month-end.

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An investment in the fund is subject to risk and there can be no assurance that 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, mid-cap company risk, option risk, tax risk, concentration risk and foreign security and emerging market risk. More detailed information regarding these risks can be found in the fund's prospectus.

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