

MADISON DIVIDEND INCOME

Strategy Overview

This overview is an introduction to Madison's Dividend Income philosophy, process, and investment team.

OUR APPROACH

1. Relative yield strategy
2. Pursuing companies with sustainable competitive advantages
3. Investing in companies with strong balance sheets
4. Sector diversification rules
5. Individual position size limits
6. Looking for stocks acting much differently than peers

RELATIVE YIELD STRATEGY

1 We believe constructing a portfolio of relative yield stocks limits downside in difficult market environments while also offering solid participation in strong markets.

Relative yield is defined as a stock's dividend yield divided by the market dividend yield. An attractive relative yield candidate is a stock with a relative yield near the high-end of its historical range and a long dividend paying history with a record of dividend increases. Once we identify high relative yield stocks, we then analyze a company's business model, balance sheet and cash flow profile to evaluate its ability to continue paying and growing dividends. We want to find stocks that have low valuations with potential for valuation multiple expansion, while seeking to avoid stocks that may have high dividend yields but face secular challenges.

INVESTING IN COMPANIES WITH SUSTAINABLE COMPETITIVE ADVANTAGES

2 We believe that companies with sustainable competitive advantages tend to have strong free cash generation and the ability to consistently increase the dividends while allowing for participation in up markets and downside protection in tough markets.

We want to own companies that have attractive business models with sustainable competitive advantages (wide moats). Some characteristics of wide moat companies include strong pricing power, leading market share positions, global distribution advantages, and brand recognition, to name a few. In addition, we believe a company has a sustainable competitive advantage (wide moat) if it is able to consistently generate return on invested capital (ROIC) above its weighted average cost of capital (WACC) over a long time period and going forward. Generally 75% of the holdings within our portfolio by market weight have a wide moat rating according to Morningstar, versus around 25% of the companies held within the S&P 500 by weight.

INVESTMENT OBJECTIVE

- + Pursue long-term outperformance by focusing on risk management
- + Seek better-than market yield with a growing income stream

KEY FACTS

Strategy Inception:	Jul-09
Benchmarks:	S&P 500® Index Lipper Equity Income Funds Index Russell 1000 Value Index
Universe:	U.S. dividend paying stocks > \$2 billion market cap
Positions:	30-55 high quality, potentially undervalued stocks with high relative dividend yield 5% maximum per position 20% maximum per sector or 2x S&P 500
Turnover:	Typically 25-35%
Vehicles:	Separately Managed Account Mutual Fund, Class Y Shares - BHBFX
Weighting in Top 10	Typically 30-35%

Following our Participate and Protect® investment philosophy, our goal is to build portfolios so that investors will participate in favorable markets and be protected during market declines compared with investors in portfolios holding more speculative and volatile securities. There is no assurance that this goal will be realized.



INVESTING IN COMPANIES WITH STRONG BALANCE SHEETS

3

We believe companies that exhibit these characteristics tend to have more sustainable dividends while also having the ability to increase dividends in the future.

We place importance on investing in companies with strong balance sheets. This includes finding companies that generate significant free cash flow and that have low debt leverage. Generally, more than 80% of the stocks in our portfolio are invested in companies with an A- or better credit rating as measured by Standard & Poor's compared to approximately 35% of the stocks in the S&P 500.

4

SECTOR DIVERSIFICATION RULES

We believe this allows the strategy to be different than the index but also remain sufficiently diversified.

The strategy uses sector diversification rules to prevent over-concentration in one particular sector, which could hurt long-term performance if that sector underperforms. Specifically, the strategy can invest up to 20% in a sector, or two times the S&P 500 sector weight, whichever is greater.

5

INDIVIDUAL POSITION SIZE LIMITS

We believe this limits the risk that any one stock can significantly hurt long-term performance.

The strategy places a 5% maximum allocation at the time of purchase for each new position.

STOCKS ACTING MUCH DIFFERENTLY THAN ITS PEERS

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This helps us discover potential problems or deterioration in company fundamentals in a timely manner. We've found this can give early clues that a thesis may not be playing out as expected.

The last risk parameter in place is looking for companies that demonstrate stock price performance and/or earnings announcements that are negatively diverging compared to industry peers.

Experienced Management



John Brown, CFA*
Portfolio Manager
Industry since 1983

John has been working in the financial services industry since 1983 with over 30 years of portfolio management experience running dividend income strategies. He earned his B.S. in finance and computer science from Northern Illinois University and his MBA from the University of Wisconsin-Madison.



Drew Justman, CFA*
Portfolio Manager
Industry since 2001

Drew has been working in the financial services industry since 2001 and joined Madison in 2005. He earned his BBA in finance and economics and M.S. in finance from the University of Wisconsin-Madison, specializing in the Applied Security Analysis Program. Prior to joining Madison he worked at Merrill Lynch.

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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.

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 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. An investment cannot be made directly into an index.

Lipper U.S. Index - Equity Income Funds Index. The Lipper Equity Income Fund Index 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.

RUSSELL 1000® VALUE: Russell 1000® Value Index is designed to track those securities within the broader Russell 1000 Index that FTSE Russell has determined exhibit value characteristics.

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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.

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 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. 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 is subject to change.

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