

# MADISON MID CAP EQUITY

## Strategy Overview

Madison’s Mid Cap Equity strategy is a high-conviction and concentrated portfolio of companies with attractive growth characteristics, purchased at reasonable valuations.

### PHILOSOPHY

Madison’s Mid Cap portfolios follow the firm’s long-term philosophy of “Participate and Protect®” with the goal of seeking superior returns while exposing our clients’ portfolios to only moderate risks. To pursue our goals, we emphasize high-quality growth companies that exhibit sustainable competitive advantages and consistent cash flow. We perform multiple screens to develop a high conviction portfolio concentrated in companies with attractive growth characteristics.

### INVESTMENT STRATEGY & PROCESS

We employ a fundamental “bottom-up” strategy in constructing our equity portfolios. The companies that we typically invest in are consistently growing at an above average pace, yet sell at a below average multiple.

We follow a rigorous three-step process when evaluating companies:

- 1 BUSINESS MODEL ANALYSIS**  
*How good is the business? When evaluating the business model, we look for:*

  - ▶ Sustainable competitive advantage
  - ▶ Cash flow that is both predictable and growing
  - ▶ Rock-solid balance sheet
- 2 MANAGEMENT TEAM ASSESSMENT**  
*Do they create value for the shareholder?*

  - ▶ How they have allocated capital in the past
  - ▶ Their track record for enhancing shareholder value
  - ▶ The nature of their accounting practices
- 3 VALUATION**  
*What is the business worth?*

  - ▶ We strive to purchase securities trading at a discount to their intrinsic value as determined by cash flows
  - ▶ We corroborate this valuation work with additional valuation methodologies

Often we find companies that clear the first or second hurdle, but not the third. Those companies are monitored for inclusion at a later date when the valuation is more appropriate. With this focus, we are able to avoid the volatility of high-growth/high-multiple equities, while still investing in high-quality growth companies.

### WHY MADISON MID CAP?

1. Portfolio Managers have over 70 years of combined investment experience
2. High quality, concentrated portfolio strives to deliver strong performance with reduced risk
3. Self-invested Portfolio Managers, in alignment with our clients

### KEY FACTS

Strategy Inception:	March 1996
Benchmark:	Russell Midcap® Index
Positions:	25-40
Turnover:	20-30%

### EXPERIENCED MANAGEMENT



**Rich Eisinger**  
 Co-Head of Investments  
 Portfolio Manager/Analyst  
 Industry start: 1994  
 Joined Madison: 1997



**Haruki Toyama**  
 Head of Mid Cap & Large  
 Cap Equity, Portfolio Manager  
 Industry start: 1994  
 Joined Madison: 2014



**Andy Romanowich, CFA®**  
 Portfolio Manager/Analyst  
 Industry start: 2004  
 Joined Madison: 2009



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## 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, our objective has been to offer our clients investment strategies that deliver positive risk-adjusted returns while preserving capital. We partner with investors and their advisers to help clients pursue their investment goals by offering actively managed stock, bond, and asset allocation portfolios constructed to emphasize downside protection. As we continue to innovate and expand our offerings, we remain true to serving our clients with the same risk-conscious philosophy we've relied on since our founding.

## INDEPENDENT AND ALIGNED WITH OUR CLIENTS

Madison is an independent, employee and founder-owned firm. With this structure, we are only successful if our clients' investing experience is excellent. Additionally, our portfolio managers are heavily invested right alongside our clients, further reinforcing an alignment of interests. We make decisions that are in the long-term best interest of those we serve, and our independence allows us to focus entirely on managing our clients' assets with no outside influences.

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"Madison" and/or "Madison Investments" is the unifying tradename of Madison Investment Holdings, Inc., Madison Asset Management, LLC ("MAM"), and Madison Investment Advisors, LLC ("MIA"). MAM and MIA are registered as investment advisers with the U.S. Securities and Exchange Commission. Madison Funds are distributed by MFD Distributor, LLC. 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.

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.

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.

Equity risk is the risk that securities held by the fund will fluctuate in value due to general market or economic conditions, perceptions regarding the industries in which the issuers of securities held by the fund participate, and the particular circumstances and performance of particular companies whose securities the fund holds. In addition, while broad market measures of common stocks have historically generated higher average returns than fixed income securities, common stocks have also experienced significantly more volatility in those returns.

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.

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.

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The Russell Midcap® Index measures the performance of the mid-cap segment of the U.S. equity universe. The Russell Midcap® Index is a subset of the Russell 1000® Index. It includes approximately 800 of the smallest securities based on a combination of their market cap and current index membership.