MADISON HIGH QUALITY INTERMEDIATE GOVERNMENT CORPORATE BOND

September 30, 2020 | Separately Managed Account Investment Strategy Letter

Madison's philosophy revolves around the principle of "Participate and Protect®", which means we strive to build portfolios that participate as fully as possible in favorable markets and, more importantly, protect principal in difficult markets. We believe that this is best accomplished through active duration, yield curve and sector management with the goal of minimizing portfolio risk. Our general objective for this portfolio is to pursue the highest risk-adjusted total investment return within the policy limitations of (1) investing in U.S Treasuries, U.S. Agencies and "A" or better corporate bonds issued by U.S. domiciled firms (2) maintaining a dollar weighted average maturity of ten years or less.

As we approach the final months of 2020, it's already clear this year will be one for the record books. The disruption, adaptation, and change in our personal and professional lives is ongoing and will, with all likelihood, be with us for some time to come. As we look forward to returning to more normal routines, our lasting appreciation goes out to those caring for the sick, researching therapies, and working to make ends meet. We remain optimistic that happier times and broader perspectives are around the corner.

THE ENGINE IS RUNNING … BUT THE ROAD IS BUMPY

After the second quarter's economic shut-down, summer brought phased re-openings across the country. These re-openings brought a welcome jump in regional activity and many furloughed workers back on payrolls. The jump in activity, aided by strong policy responses, supported personal consumption and housing demand/refinancing via low mortgage rates. In fact, the most recent Blue Chip consensus anticipates third quarter (Q3) GDP will advance nearly 20% after declining by more than 30% in the second quarter. Markets welcomed the prospect of a return to more normal conditions and continued to advance, buoyed by optimism for Covid-19 therapies and additional monetary and fiscal stimulus. However, as the back-to-school season approached, optimism was tempered by re-opening difficulties, resurgent infection numbers, and fading prospects for additional stimulus.

Despite initial signs of economic growth, challenges lie ahead. Many communities, coincident with schools opening and college students returning to campus, are experiencing difficulties returning to pre-Covid activity levels. Stubborn infection rates are extending the need for preventative measures and further challenging small businesses already struggling as portions of the Coronavirus Aid, Relief and Economic Security (CARES) Act expire. In the coming months, many small businesses remain at risk of permanent closure. With the winter months rapidly approaching and the election year becoming even more contentious the months ahead present a challenging backdrop for growth.

What looked like a 'V' shaped recovery earlier this summer has proven uneven despite unprecedented stimulus measures put in place by the Federal Reserve and Treasury Department. Many of the original programs remain in effect but there are growing calls for additional measures. For their part, the Federal Reserve reaffirmed at their last meeting a desire to keep the Fed Funds rate at or near the lower bound for the foreseeable future. The most recent dot-plot survey of terminal Fed Fund rates estimates put the 'foreseeable future' as far out as 2023. While the survey is not binding, it's clear that the FOMC is willing to keep monetary policy accommodative until the economy recovers, and inflation pressures increase.

Just as the Covid-19 shut-down produced a wide range of impacts on economic sectors, the subsequent recovery has also impacted sectors of the economy differently. Sectors involved in technology, manufacturing, housing, and mass retail have recovered, well buoyed by low rates and a weaker dollar while dining, local retail, air travel, and tourism continue to struggle. Small and medium sized businesses, which produced much of our economy's job growth in recent years, play a vital role in bringing back labor markets. Clearly the activity increase in recent months is a welcome development but likely represented more easily achieved gains. While we expect further economic growth, a more sustained bounce will depend on the speed of pandemic's course, medical developments, and policy response.

THE FED'S NEW FOCUS

The Treasury yield curve steepened further during the quarter as front-end rates anchored by Fed policy fell, while longer rates rose in response to renewed economic activity and an expanding federal deficit. During the quarter the 10-year Note yield rose from 0.65% to 0.68% and the 2-year Note fell from 0.25% to 0.13% during the quarter. Short-term interest rates moved little following the Fed's guidance of no rate changes over the next few years.

The major news during the quarter was Fed Chairman Jerome Powell announcing a new focus for monetary policy. The Fed will now target an average inflation rate of 2% over an entire cycle. This implies the Fed will allow inflation to run higher than target to offset periods of low inflation. On the surface, this is a significant change to monetary policy. The inflation rate has trended down over the last forty years with the rate barely above the 2% target over the last ten years. However, since the announcement longer-term interest rates have moved little signaling skepticism by market participants that the Fed has the tools to generate inflation. Zero interest rates, asset purchases and forward guidance have been the main tools used to stabilize the economy and markets. With the Fed reaffirming that the Federal Funds Rate is likely to stay near zero until at least 2023 with asset purchases continuing, the Fed will be closely watched as they seek to create different tools or lean on fiscal stimulus in order to make good on their newly stated inflation goal.

RISK RALLY CONTINUES

Risk assets continued to perform well during the third quarter. The Bloomberg Barclay's U.S. Corporate Index achieve a total return of 1.54% versus the Bloomberg Barclay's U.S. Treasury Index only returning 0.17%. The Fed has continued its purchases of both corporate bond exchange-traded funds (ETFs) and the underlying corporate bonds. Given the total size of these markets, the amount of purchases is fairly limited in scope. However, most market participants believe that the Fed will increase purchases if volatility increases. Corporations have issued a record amount of debt this year but with the Fed actively involved in these markets, the implicit backstop continues to make corporate bonds attractive to purchase versus Treasuries.

PERFORMANCE & POSITIONING

During the third quarter, the Madison High Quality IGC Portfolio produced positive returns although slightly underperforming the benchmark (on a gross and net of fee basis). The Bloomberg Barclay's Intermediate Government Corporate A+ Index returned 0.36%. for the quarter.

Duration Positioning was additive to performance during the third quarter of 2020 as Treasury rates moved slightly higher. Conservative duration positioning contributed about seven basis points of relative performance.

Sector/Quality was additive to performance during the quarter as spreads on corporate bonds tightened and increased portfolio exposure contributed positively to relative performance. Sector/quality positioning contributed approximately four basis points of relative performance.

Conservative Maturity Positioning was detractive to yield/income as portfolio yield advantage was reduced due to falling rates. Yield/income positioning detracted about five basis points of relative performance.

Portfolio Curve Positioning was detractive from performance during the quarter yield curve steepened slightly. Increased portfolio holdings in 7- to 10-year credit holdings contributed to the negative impact of steepening during the quarter. Yield curve positioning detracted about three basis points of relative performance.

Security Selection detracted from returns this quarter as high-quality names tightened less on a relative basis than lower quality issues. Security selection detracted around seven basis points of relative performance. Residual/Trading: 0bps.

During the quarter, the portfolio continued to add exposure to corporate securities as increased corporate issuance provided attractive purchase candidates. By adding holdings of attractive high-quality credits, the portfolio sought to maintain yield and take advantage of attractive roll down characteristics of the recently steepened yield curve. The portfolio continues to sell short-term Treasuries to fund 7- to 10-year credit purchases and increased 5- to 7-year Treasury holdings. We view Treasuries maturing inside of two years as anchored near zero given our near-term Fed policy outlook making them attractive swap candidates to maintain portfolio yield and duration.

We believe that while the domestic economy has bounced back significantly from the depths of the Covid-19 shut down, we are entering a more gradual and difficult period. The path forward is largely dependent upon the progress of reopening efforts and identification of successful Covid-19 therapies and vaccines. Against this backdrop, we expect increased market volatility across sectors. However, with monetary stimulus remaining at all-time highs, the stage is set for a significant rebound as the path forward becomes more certain. While the relative attractiveness of corporate credit remains strong, the impact of the pandemic upon certain sectors could last for years to come. The past nine months has, once again, reinforced the need for diversification and rewarded those who have maintained exposure to high-quality fixed income within their overall portfolio. We will continue to position portfolios with a defensive duration posture and high-quality credit holdings as we navigate the coming months.

Thank you for your ongoing confidence in these challenging times. Stay well!

MADISON HIGH QUALITY INTERMEDIATE GOVERNMENT CORPORATE BOND

September 30, 2020 | Separately Managed Account Performance & Characteristics

Portfolio Characteristics may help you understand how the portfolio, taken as a whole, is situated relative to other portfolios or the benchmark. See the Definitions section on the last page for more details about each metric presented below.

Portfolio Characteristics

	Madison High Quality Interm. Government/ Corporate Bond	Bloomberg Barclays U.S. Interm. Gov't/Credit A+ Bond Index
Effective Duration (years)	3.05	3.89
Wtd. Avg. Maturity (years)	3.23	4.11
Wtd. Avg. Quality[1]	AA	AA
Wtd. Avg. YTW	0.42%	0.42%
Wtd. Avg. Current Yield	2.12%	1.97%
Turnover Range	20-40%	-

Quality[2] & Sector Distribution (%)

	Madison	Index
Treasuries	49.42	69.27
Agency	5.50	5.40
Aaa	1.54	3.84
Aa	7.96	3.59
A	33.18	17.88
Baa	0.00	0.01
Cash	2.40	0.00

Portfolio Statistics (%)

Since Inception	Madison	Index
Up Capture Ratio	78.08	100.00
Down Capture Ratio	65.40	100.00
Standard Deviation	1.55	2.14

Maturity Distribution (%)

	Madison	Index
0-1 Years	20.70	1.65
1-3 Years	30.56	38.87
3-5 Years	24.83	28.05
5-7 Years	16.87	16.93
7-10+ Years	7.04	14.49

Cash is included in 0-1 Year segment.

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Trailing Returns (%)

	MADISON		
	Gross	Net**	Index
QTD	0.35	0.23	0.36
YTD	4.50	4.11	6.07
1-Year*	4.87	4.35	6.26
3-Year*	3.60	3.08	4.25
5-Year*	2.70	2.19	3.08
Since Inception*	2.21	1.70	2.55

**Figures are annualized.*

Annual Returns (%)

	MADISON		
	Gross	Net**	Index
2012	2.46	1.95	3.14
2013	-0.33	-0.83	-1.00
2014	2.24	1.73	2.84
2015	1.15	0.65	1.31
2016	1.33	0.83	1.44
2017	1.55	1.05	1.60
2018	1.43	0.93	1.19
2019	5.09	4.56	5.89

***Net returns are calculated using the highest Madison annual fee of 0.50%, calculated quarterly. They do not reflect any third-party investment advisory fees or other expenses that may be incurred in the management of the account. Such fees and expenses will reduce the actual returns of the account. Actual fees and expenses will vary depending on each individual agreement, so readers should consult their advisors for additional details. See each entity's Part 2A Disclosure Brochure for more information. Actual returns may vary depending on a particular account's inception date, trading platform and trading discretion. Any differences in the timing of trades may result in various performance outcomes for Madison's separately managed accounts versus model manager accounts.*

Experienced Management

Paul Lefurgey, CFA
Co-Head of Fixed Income,
Portfolio Manager
Industry since 1988

Mike Sanders, CFA
Co-Head of Fixed Income,
Portfolio Manager
Industry since 2004

Chris Nisbet, CFA
Portfolio Manager
Industry since 1990

DISCLOSURES & DEFINITIONS

1.This measure is not the result of an assessment of the credit quality of the composite's portfolio by a Nationally Recognized Statistical Rating Agency ("NRSRO") or any other independent entity.

2. Credit quality ratings on underlying securities of the composite are received from one or more NRSRO (e.g., S&P, Moody's, Fitch, etc.) and converted to the equivalent major rating category commonly utilized by more than one NRSRO. In the event of split rating between NSRSOs, (i.e., when a majority rating cannot be derived), the lower rating is used. Bonds backed by U.S. Government or agency securities are given an implied rating equal to the rating of such securities. Ratings and portfolio credit quality may change over time. Portfolio distributions are rounded to the nearest 0.1%.

All or some of the above information is presented as "supplemental information" included as part of the GIPS® compliant performance presentation for the High Quality Intermediate Government/ Corporate Bond Composite on the following page, which must be included with this material. References to "Madison" are to that composite and references to inception date refer to performance since 1/1/2012. Past performance is no guarantee of future results. Year-to-date, quarterly and annualized performance figures are considered "preliminary" as of the date of this piece. GIPS® is a registered trademark of CFA Institute. CFA Institute does not endorse or promote this organization, nor does it warrant the accuracy or quality of the content contained herein.

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.

All investing involves risks including the possible loss of principal. There can be no assurance the portfolios will achieve their investment objectives. The risks associated with an investment in the portfolio can increase during times of significant market volatility. The principal risks of investing in the portfolio include: interest rate risk, call risk, risk of default and liquidity risk. As interest rates rise, the prices of bonds fall. Long-term bonds are more exposed to interest-rate risk than short-term bonds. Unlike bonds, bond portfolios have ongoing fees and expenses. Please consult with your financial advisor to determine your risk tolerance and investment objectives.

It should not be assumed that recommendations made in the future will be profitable or will equal the performance of the securities in this list.

Holdings may vary depending on account inception date, objective, cash flows, market volatility, and other variables. Any securities identified and described herein do not represent all of the securities purchased or sold, and these securities may not be purchased for a new account. There is no guarantee that any securities transactions identified and described herein were, or will be profitable. Any securities identified and described herein are not a recommendation to buy or sell, and is not a solicitation for brokerage services.

Upon request, Madison may furnish to the client or institution a list of all security recommendations made within the past year.

Although the information in this report has been obtained from sources that the firm believes to be reliable, we do not guarantee its accuracy, and any such information may be incomplete or condensed. All opinions included in this report constitute the firm's judgment as of the date of this report and are subject to change without notice. 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.

This piece is not intended to provide investment advice directly to investors. Opinions stated are informational only and should not be taken as investment recommendation or advice of any kind whatsoever (whether impartial or otherwise).

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: a portfolio's performance in down markets relative to its benchmark. The security's downside capture return is divided it by the benchmark's downside capture return over the time period. Upside Capture Ratio: a portfolio's performance in up markets relative to its benchmark. The security's upside capture return is divided by the benchmark's upside capture return over the time period. Effective Duration: a measure of a portfolio's interest-rate sensitivity. The longer a portfolio's duration, the more sensitive the portfolio is to shifts in interest rates. Average Maturity: computed by weighting the maturity of each security in the portfolio by the market value of the security, then averaging these weighted figures. Yield to Maturity measures the annual return an investor would receive if they held a particular bond until maturity as of the end of a report period. In order to make comparisons between instruments with different payment frequencies, a standard yield calculation basis is assumed. This yield is calculated assuming semiannual compounding. Portfolio Turnover: a measure of the trading activity in an investment portfolio—how often securities are bought and sold by a portfolio. The range represents the typical turnover of the portfolio.

"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"), which also includes the Madison Scottsdale office. Hansberger Growth Investors, L.P. or "HGI" is an affiliate of "Madison Investments." MAM, MIA and HGI 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.

Gross performance results do not reflect the deduction of investment advisory fees. Your returns will be reduced by advisory fees and other expenses that may be incurred in the management of your investment advisory account. Investment advisory fees are described in our disclosure brochure.

Our expectation is that investors will participate in market appreciation during bull markets and be protected during bear markets compared with investors in portfolios holding more speculative and volatile securities. There is no assurance that these expectations will be realized.

MADISON

HIGH QUALITY INTERMEDIATE GOVERNMENT/CORPORATE BOND COMPOSITE

ANNUAL DISCLOSURE PRESENTATION

Year End	Total Firm Assets (millions)	Composite Assets		Annual Performance Results						
		USD (millions)	Number of Accounts	Composite Gross	Composite Net	Index	Composite Dispersion	Composite 3-Yr. Annualized Ex-Post Standard Deviation	Index 3-Yr. Annualized Ex-Post Standard Deviation	% of Non-Fee Paying Accounts
2019	13,993	127	19	5.09%	4.56%	5.89%	0.1%	1.59%	2.05%	Less than 1%
2018	12,895	120	28	1.43%	0.93%	1.19%	0.1%	1.57%	2.12%	Less than 1%
2017	13,761	144	29	1.55%	1.05%	1.60%	0.1%	1.40%	2.11%	Less than 1%
2016	13,312	171	41	1.33%	0.83%	1.44%	0.1%	1.48%	2.20%	Less than 1%
2015	13.030	165	46	1.15%	0.65%	1.31%	0.1%	1.42%	2.00%	Less than 1%
2014	13,953	158	40	2.24%	1.73%	2.84%	0.1%	-	-	Less than 1%
2013	12,112	180	27	-0.33%	-0.83%	-1.00%	0.1%	-	-	Less than 1%
2012	6,984	238	30	2.46%	1.95%	3.14%	0.2%	-	-	Less than 1%

Assets above are rounded to the nearest million

As of December 31, 2019, total assets under advisement in this strategy are $1,539 million encompassing bundled fee accounts, non-bundled fee accounts and non-discretionary accounts. This is presented as supplemental information.

<u>High Quality Intermediate Government/Corporate Bond Composite</u> *contains fully discretionary direct intermediate fixed income government/corporate bond accounts. The composite seeks to invest in investment grade securities, both government and A or better corporate. Average maturities range from 0 to 12 years, with average duration of 0 to 9 years. Composite strategy is to determine the overall direction of interest rates and position durations accordingly, analyze the yield curve to determine the most advantageous portfolio construction and determine the relative attractiveness of corporate vs. government and/or government agency securities. For comparison purposes the composite is measured against the Bloomberg Barclays U.S. Intermediate Government/Credit A+ Bond Index (Index) which measures the performance of United States dollar-denominated United States Treasuries, government-related and A or better United States corporate securities that have a remaining maturity of greater than or equal to one year and less than 10 years.*

For the purposes of GIPS compliance and the determination of total assets under management, the Firm is defined as Madison. Madison represents Madison Investment Advisors, LLC (“MIA”) and Madison Asset Management, LLC (“MAM”), two investment advisers under common control registered with the U.S. Securities and Exchange Commission pursuant to the Investment Advisers Act of 1940. (Registration does not imply a certain level of skill or training.) During the first quarter of 2013, MIA and its parent company, MAM (also a registered investment adviser), began the process of eliminating the distinction between accounts and products managed by the two companies by (1) replacing the “MEMBERS” brand name formerly utilized by MAM in connection with its products and services with the “Madison” name and (2) by reorganizing the Madison Mosaic group of mutual funds managed by MIA with the rebranded Madison Funds managed by MAM. Because MIA and MAM share all resources and personnel at their mutual Wisconsin office location and because there is no longer a brand or line of business distinction between products and services offered by the two registered investment advisers, for periods after March 31, 2013, the collective definition of the firm (Madison) includes accounts and assets managed by MAM and MIA. However, the firm does not claim compliance with the GIPS standards for assets and accounts managed by MAM prior to April 1, 2013. As of December 31, 2013, Madison Scottsdale, LC (“Scottsdale”), another registered investment adviser under common control with MIA, merged its assets into, and became part of, MIA and subsequently those assets became part of the firm (Madison). The transaction resulted in no change to the resources or personnel as the sole purpose of this change was to simplify Madison’s legal corporate structure. Prior to January 1, 2014, Scottsdale did not claim GIPS compliance and no performance for composites formally maintained by Scottsdale are contained in this performance presentation or included in the definition of the firm (Madison). The firm maintains a list of composite descriptions, which is available upon request.

Madison claims compliance with the Global Investment Performance Standards (GIPS®) and has prepared and presented this report in compliance with the GIPS standards. The firm, as defined above, has been independently verified for the periods January 1, 1991 through September 30, 2019. A copy of the verification report is available upon request.

Verification assesses whether (1) the firm has complied with all the composite construction requirements of the GIPS standards on a firm-wide basis and (2) the firm’s policies and procedures are designed to calculate and present performance in compliance with the GIPS standards. Verification does not ensure the accuracy of any specific composite presentation.

Results are based on fully discretionary accounts under management, including those accounts no longer with the firm. Composite policy requires the temporary removal of any portfolio incurring a client-initiated significant cash inflow or outflow of greater than 75% of portfolio assets. Past performance is not indicative of future results.

The U.S. Dollar is the currency used to express performance. Returns are presented gross and net of management fees and include the reinvestment of all income. Net returns are calculated using the highest annual fee of 0.50%, as described below, applied quarterly. Actual returns will be reduced by investment advisory fees and other expenses that may be incurred in the management of the account. The collection of fees produces a compounding effect on the total rate of return net of management fees. As an example, the effect of investment management fees on the total value of a client’s portfolio assuming (a) quarterly fee assessment, (b) $1,000,000 investment, (c) portfolio return of 8% a year, and (d) 1.00% annual investment advisory fee would be $10,416 in the first year, and cumulative effects of $59,816 over five years and $143,430 over ten years. The annual composite dispersion presented is an equal-weighted standard deviation calculated for the accounts in the composite the entire year. The three-year annualized ex-post standard deviation (using monthly returns) of both the composite and the benchmark are presented for year-end periods beginning in 2011. At December 31, 2012, December 31, 2013, and December 31, 2014, the composite did not have a 36-month performance history; therefore the three-year annualized ex-post standard deviation is not presented. Policies for valuing portfolios, calculating performance, and preparing compliant presentations are available upon request.

The management fee schedule is as follows: 0.50% annually on the first $20 million; 0.40% annually on the next $30 million; 0.35% annually on the balance. Actual investment advisory fees incurred by clients may vary. Additional information regarding investment advisory fees are described in our disclosure brochure.

The High Quality Intermediate Government/Corporate Bond Composite was created January 1, 2012.

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