# THE MADISON QUARTERLY - 4Q21

## Madison Large Cap Equity Separately Managed Account

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KEY FACTS

| | |
|---|---|
| Strategy Inception: | January 1991 |
| Benchmark: | S&P 500® Index |
| Universe: | Domestically traded stocks over $1 billion in market capitalization. |
| Positions: | High conviction portfolios of 25-40 high quality companies |
| Turnover: | Typically 20-40% |
| Weighting in Top 10: | Typically 30-50% |

PORTFOLIO MANAGERS

**Matthew Hayner, CFA®**
**Portfolio Manager**

*Industry start:* 2002 | *Joined Madison:* 2002
*Prior experience*: Industrial chemist
*Education:* Bachelor's degree in chemistry from Eastern Illinois University, MBA from the University of St. Thomas

**Rich Eisinger**
**Portfolio Manager, Head of Equities**

*Industry start:* 1994 | *Joined Madison:* 1997
*Prior experience:* Spectrum Advisors
*Education:* JD degree from the University of Louisville, MBA from Cornell University


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INVESTMENT STRATEGY LETTER

# Madison Large Cap Equity Separately Managed Account

*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 with the goal of outperforming the S&P 500 Index over a full market cycle. 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 and purchased when valuations are reasonable.*

## MARKET REVIEW

The S&P500®, our benchmark index, returned 11.03% for the last quarter of 2021 and 28.71% for the full year. As of December 31, 2021, the index has achieved a compound annual return of 26.07% over the past three years. This three-year result is remarkable in that it was achieved through the COVID pandemic and because its product results in a perfectly even 100% total return over the three-year period. Who would have thought that the tumult of the past few years would have been the environment to facilitate this type of return? We think it shows the influence of the U.S. government's fiscal and monetary stimuli on asset prices, though we caution that the effects of such stimuli can fade away, or produce uncomfortable ripples, such as inflation. But many others have pursued discussions of these macro factors, and we quickly digress in the spirit of getting down to a discussion of your stock portfolio.

Returns for the Madison Large Cap Equity Strategy were solid for the quarter and year, but they were less than the index's returns. We are disappointed to have trailed our benchmark over the past year but remain committed to our discipline and approach. Our investment style has historically been out-of-favor during periods when other market participants are risk seeking, and we believe loose financial conditions have ignited people's animal spirits in just such a way as to have made 2021 a risk-seeking year that stands with the best in history. To name a few of the signs that defined 2021's financial markets we'd cite meme stocks[1], widespread high valuation levels in assets ranging from equities[2] to collectables like baseball cards[3] to cryptocurrencies to houses. One element that often accompanies speculative trends is the presence of new-paradigm narratives to justify investments that are experiencing price momentum. We feel like the anecdotes we read and heard about many new competitive entrants in financial technologies ("fintechs") and electric powertrain vehicles fit with the idea of powerful new-paradigm narratives. Fintechs are thought to threaten the existing financial system players from banks and insurance underwriters to more seasoned digital payment providers. And while electric powertrain vehicles are certainly propelling more and more people around the world, investors in new EV auto companies have been propelled even higher and faster.[4]

We mention these new paradigm dynamics because we believe they acted to compress valuation multiples of more established companies in our portfolio. Specifically, we feel that narratives around new, technology-centric alternative digital payments models like "buy-now, pay-later" have depressed the performance of our payments stocks, Fiserv and Visa. Likewise, new information-technology heavy insurance start-ups, known as "insurtechs,"[5] have contributed to a narrative that decades of underwriting expertise at legacy insurance companies like Progressive and GEICO will be superseded by newly created algorithms, designed by the young and tech-savvy, and run on the logic chips of computer servers. Finally, new entrants in pursuit of electric drive train commercial trucking caused investors to worry about the durability of established manufacturers like PACCAR.

We've been around the block before with the stocks of established companies in the face of new competition from tech-centric new entrants. In 2017, we felt that many excellent established retail stocks were pushed down to opportunistic prices by the narrative that Amazon was going to displace them all. That year, we purchased O'Reilly Automotive, with its omni-channel capabilities and deep industry domain knowledge, and O'Reilly stock proceeded to be a satisfactory investment. Yes, we think that new entrants are to be respected as competitors, but we don't think new entrants always win, or that an algorithm paired with machine learning functionality automatically supplants decades of acquired relationships, trade secrets, domain expertise, or the flexibility and savvy borne of experience with battle-tested competitive and risk management strategies. Moreover, established players have access to the same information technology tools as newcos, and they adapt as their survival and profitability demand they do. While our assessments of these situations won't always be right, we think that, presently, narrative-driven stock trading dynamics have created some opportunities for good future returns in established companies with strong competitive positions. We think we have several of these in the portfolio, including those just mentioned, and we will touch on more specifics later in this letter.

## PORTFOLIO REVIEW

The Madison Large Cap Equity Strategy returned in excess of 20% on both a gross and net of fees basis for the full year 2021. Positively, three holdings had returns of over 60%: Alphabet, Lowe's Companies, and Accenture. Each business enjoyed sales and profit growth for the year above initial expectations. For the first three quarters of the year that have been reported, Alphabet grew its Google and YouTube advertising businesses 20-25% higher than the corresponding 2019 periods (comparisons to 2020 are less meaningful given the cyclicality from COVID impacts), and 2022 earnings *estimates* are now 50% higher than they were at this time last year as both revenue growth and profit margins seem to have durability. Demand for digital advertising continues to eclipse that for traditional advertising. YouTube purports to reach an audience not reached by TV advertising, and retail businesses are advertising vigorously on Google as they compete for consumer's attention and money. Alphabet's management has achieved high profit margins, and we believe they'll remain higher than pre-COVID levels.

Strong demand for home improvement spending has persisted at Lowe's while management continues to improve the profitability and selling efficiency of the business model. Lowe's expected profits for the 2022 are over 20% higher than they were a year ago. Strong home price appreciation, robust participation among younger, first-time home buyers, and continued excess consumer savings lend support to the idea that strong spending on housing should continue. Lowe's has enjoyed success raising retail prices as cost inflation has persisted, and this should help it leverage its fixed cost base going forward.  Few can match the capabilities of the two big home improvement retailers, and we remain optimistic about Lowe's future. Finally, Accenture continues to enjoy high demand for its services, which help large businesses employ digital information technology tools to enhance their business models. Management at Accenture has done a fantastic job positioning the company to offer the most relevant IT consulting and outsourcing services in the marketplace today, and Accenture is growing at a rate that could approach 20% this fiscal year, well above the long-term mid-to-high single digit expected revenue growth algorithm. Accenture has been held in the portfolio for nearly 10 years, and we couldn't be more pleased with how well management has executed on its opportunity over that time.

Finally, we'd note that the portfolio's overweight in financial stocks in 2021 bore fruit as the portfolio's holdings, collectively, appreciated more than the S&P500. Notably, Marsh & McLennan enjoyed a strong year with revenue and earnings well above its long-term trend as they capture strong pricing in insurance products and continue to save on travel and entertainment expenses relative to pre-COVID. For the year, organic revenue growth within Marsh's insurance brokerage business is expected to be the strongest in over a decade. Marsh stock returned over 50% in 2021.

Offsetting the strong returns just described, the portfolio held several positions that were laggards in 2021. Specifically, there were eight positions that returned less than 5% for the full year (or during our holding period, if shorter than a year) and collectively, these stocks detracted about a half percent from the portfolio's annual total return. We'd like to comment on four of these holdings, which can be grouped into two categories: 1)moderate-growth healthcare and 2)digital payments.

Becton Dickinson and Novartis constitute the portfolio's two steady, moderate-growth health care holdings (We wrote up Becton's current situation in detail in the second quarter letter). Both stocks exhibited tepid return performances in 2021, and both businesses have a series of things in common that may have contributed to their stocks' performances. First, both have seen detrimental patient volume impacts from COVID. At Novartis, fewer patients have visited their doctors for routine health screenings, and Novartis's dermatology, oncology,

*Net returns are reduced by an annual model bundled fee of 3.00% applied quarterly. This fee represents a hypothetical fee charged to clients and combines Madison's management fee plus a maximum advisor fee. Actual fees will vary depending on each individual agreement, so clients should consult their advisor for actual fees. See each entity's Part 2A Disclosure Brochure for more information. Actual returns may vary depending on a particular account's 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. See the fact sheet contained in these materials for more information.*

neurology, and ophthalmology product franchises have grown below their pre-COVID trends. At Becton, hospital and surgical volumes for non-COVID health care issues have lagged as they've been either crowded out by COVID-focused capacity utilization or people have elected to defer care. Second, both companies have suffered from slow regulatory product-approval dynamics. At Becton, its important Alaris infusion pump continues to have new sales efforts suspended while the FDA reviews the company's updated 510K submission for updates made to the pump over prior years. This is an important product for Becton, and the absence of new sales has dampened revenue while the company continues to pay compensation expenses to maintain its salesforce. At Novartis, the company recently received approval for Leqvio, its novel treatment for hypercholesterolemia or those with clinical ASCVD[6]. However, this approval was delayed at the FDA by one year as the federal agency was either dissatisfied or couldn't inspect (we're still not sure) the site at which Novartis was planning to manufacture the drug. This has been resolved, but the delay was costly given that Novartis paid nearly $10 billion to acquire The Medicines Company in January 2020 and had expected timely approval. That delay dampened sentiment for the stock; Novartis previously underperformed expectations with its Entresto[7] launch (2015-2016), and this may have seemed like a replay. Third, both companies are undertaking portfolio realignment: Becton is spinning off its slower growing diabetes business, and Novartis recently sold its stake in Roche Holdings and is exploring the separation of its Sandoz generics business. We believe that portfolio divestitures can be quite value- accretive in the health care sector, but there is often debate and uncertainty about the actions beforehand, and we have been in the "beforehand" period for a couple quarters.

While there is middling news looking backward at Novartis and Becton, we believe the prospective view is much better, and we think these good prospects are underappreciated. At Novartis, management has guided to mid-single digit revenue growth to 2026 and it highlighted a robust mid-stage pipeline at its recent investor day. The company has over 160 clinical studies ongoing in its development pipeline, and we believe the organization possesses one of the best scientific discovery engines in the industry. We expect Novartis to receive approval for its radioligand therapy for metastatic castration-resistant prostate cancer (mCRPC) in the first half of 2022, and this will be its third significant new drug approval since the fourth quarter of 2021. Meanwhile, the $20 billion in cash proceeds from the recent sale of the Roche stake will be used for value-accretive share repurchases and bolt-on acquisitions, both consequences of its strong financial position. Atop these dynamics, we expect positive pipeline news flow from Novartis in 2022 that could act to stimulate investor interest in the company's future prospects. Presently, we believe there is little to no growth priced into Novartis stock, and we think that view dramatically underestimates the company's future.

Likewise at Becton, we expect Alaris to receive 510K approval in 2022. At its recent investor day, management articulated the expectation for solid mid-single digit revenue growth and double-digit earnings growth through 2025, the latter supported by margin-enhancing product mix, price increases, and cost management. We think the plan is credibly supported by the past couple years' growth investments and bolt-on acquisitions, and the strongest financial position at Becton in over 5 years. The stock currently trades at a discount to the S&P500 on a price-to-earnings basis, and we think a return to its historical premium is deserved.  We believe there is significant underappreciated value to both Novartis and Becton, and that this value will become more apparent with the passage of time.

Fiserv and Visa, both established companies that enable digital payments, were large detractors to the portfolio's 2021 relative returns, despite reporting business results that we deemed quite satisfactory. Market sentiment was significantly impacted as valuation multiples de-rated for both these investments and for their peers.

The culprits weighing on market sentiment in the payments industry include a combination of limited cross-border travel during the year and new entrants to the competitive landscape. On the first point, cross-border transactions are some of the highest-margin transactions in the payments industry. Since international travel remains stubbornly below pre-COVID levels, this high-margin source of revenue has not yet returned. We expect this to remedy with time, and we think it's reasonable to expect demand for international travel to be strong as more borders reopen and consumers feel safe to travel again.

As it relates to the competitive environment within the payments industry, there are new fintech entrants, regulatory evolutions, and technological developments to consider. Additionally, wide open capital markets have facilitated significant amounts of investor capital flowing into the fintech space. However, we believe these well-financed new entrants are meeting a current payments industry structure that is already highly efficient and populated by successful players at scale. In his new book The Future of Money, Eswar Prasad describes the characteristics of an efficient payment system: identifying and connecting the parties to a transaction; facilitating and validating the actual transaction; making sure the transaction is easily verifiable and immutable (can't be undone); and precluding double spending of the same unit of money.[8] Our analysis has led us to conclude that the existing digital payments infrastructure satisfies these criteria well and at scale, and that the majority of consumers are satisfied with efficient infrastructure in place. Moreover, Visa and Fiserv are not resting on their laurels but are adapting and evolving with the industry. They are both active in forming partnerships and introducing new products. For instance, many of the upstart fintechs are partnering with Visa rather than disintermediating them in order to quickly gain acceptance at millions of merchants worldwide. Fiserv is investing behind its highly regarded small and medium-sized business acquiring product, Clover, which is outgrowing the competition, both fintech and legacy alike. In short, as long as fragmentation remains among consumers, merchants, and issuers, and consumers choose to pay with cards, then Visa and Fiserv should continue to be well positioned.

As a result of these factors, the payments stocks look attractively priced to us. Fiserv trades at a meaningful discount to the market, despite having an above-average growth profile, and Visa trades at a smaller premium than it has in recent years, especially when considering the latent earnings power from a rebound in cross-border transactions. We also note a number of open-market share purchases by members of Fiserv's board of directors during the fourth quarter, which we view as a positive signal regarding their view on the attractiveness of Fiserv's stock.

## OUTLOOK

Two new names were added to the portfolio in the fourth quarter and two were sold to make room for the new ideas. Those that were sold include Meta Platforms (formerly known as Facebook) and American Tower. Regarding Meta Platforms, management's plans to spend significant sums of capital on augmented and virtual reality projects are plans we did not contemplate in our initial thesis on the stock. We have less confidence in the returns on these investments vis-à-vis those we expect on the existing social media business. Furthermore, as a result of publicly available investigative journalism in late 2021, we became concerned about how well the existing artificial intelligence mechanisms at the company are actually performing[9] at content moderation. As such, we don't have confidence in what's being achieved today versus what may need to be achieved in the future to satisfy stakeholder concerns about the safety and security of the social media platforms. We sold Meta stock for these reasons. American Tower was sold because the stock appreciated beyond our intrinsic value estimate, and we felt we had better new ideas in which to invest.

The two new names added to the portfolio were Black Knight and Parker-Hannifin. Black Knight is a leading provider of real estate and mortgage related software and data and analytics solutions. Nearly 60% of mortgages in the U.S. use Black Knight's mortgage servicing software platform. Switching costs are high – it takes an estimated 12-18 months to switch platforms. Black Knight is using this strong share position to cross-sell its loan origination software platform. Most of Black Knight's revenue is subscription-based, structured on a price per loan basis, with minimum loan volume requirements and long-term contracts (5-7 years). About 90% of revenue is recurring, with the rest based on real estate transaction activity (refinancing, new purchases), which we like at this point in the economic cycle. We invested at a price near the low of the prior 12 months, which approximated the market multiple, representing a good value given the company's strong competitive advantages and above-average growth potential.

Parker-Hannifin is a leading diversified industrial manufacturer producing more than 800,000 products for 466,000 customers in dozens of end markets in almost every significant manufacturing, transportation, and processing industry. The company was founded in 1917, has operations in 45 countries and is headquartered in Cleveland, Ohio.

We admire what Parker's management team has accomplished so far in transforming the company into a faster growing, higher margin, and less cyclical business. The strategy to accomplish this is two-fold. First, improve existing operations through a variety of internal initiatives broadly named The Win Strategy™ and second, make use of the balance sheet and free cash flow generation to make accretive acquisitions within existing or adjacent markets. With adjusted earnings before interest, taxes, depreciation, and amortization (EBITDA) margins improving 660 basis points (bps) since 2016, it's clear the strategy is working, and that Parker is a better business than it's been historically. Further, our research gives us confidence that Parker's overall business quality will continue to improve as additional initiatives come to fruition. This should not only improve earnings and free cash flow but also result in a higher valuation-multiple for the stock. In our opinion, the market has not fully appreciated the structural improvements made at the company. As a bonus, we think industrial end markets to which Parker is exposed could be stronger than currently anticipated by investors. De-bottlenecking production, shifting supply chains, above-average spending on capital expenditures, recovering auto and commercial truck markets, and an aerospace recovery all should help fuel faster top-line growth at Parker over the next several years.

In conclusion, despite the portfolio's returns having trailed our benchmark index in 2021, we believe the health of the underlying holdings is strong. Business results have been very good for the payments businesses, for example, and we believe recognition is yet to come to the stocks. For Novartis and Becton Dickinson, our expectations are that future results will be better than the recent past results that suffered impacts from COVID disruptions and regulatory delays. We also think PACCAR is poised to take significant market share when it can procure sufficient semiconductor supply to deliver on its order book.

As a result of the addition of Parker-Hannifin, the portfolio is now overweight Industrial Sector stocks. We think it's likely that an extended industrial recovery from both the 2018-2019 U.S.-China trade war and from COVID effects will become apparent once COVID disruptions decline. Management teams at our holdings are reporting strong demand and the best pricing power in decades. We don't think a robust growth scenario is priced into several of our holdings with exposure to manufacturing and infrastructure services. We anticipate strong business results in the sector.

We thank you for your trust, and we remain invested alongside you for the long-term.

# Madison Large Cap Equity Separately Managed Account

*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 Large Cap[1] | S&P 500® Index |
|---|---|---|
| Number of holdings | 29 | 505 |
| Weighted avg. market cap (billions) | $246.8 | $674.3 |
| Dividend yield | 0.78% | 1.24% |
| Active Share | 89.2% | - |
| Turnover Range | 20-40% | - |

## Portfolio Statistics (%)

| 20-Year | Madison Large Cap | S&P 500® Index |
|---|---|---|
| Up Capture Ratio | 92.03 | 100.00 |
| Down Capture Ratio | 86.41 | 100.00 |
| Standard Deviation | 14.00 | 14.65 |

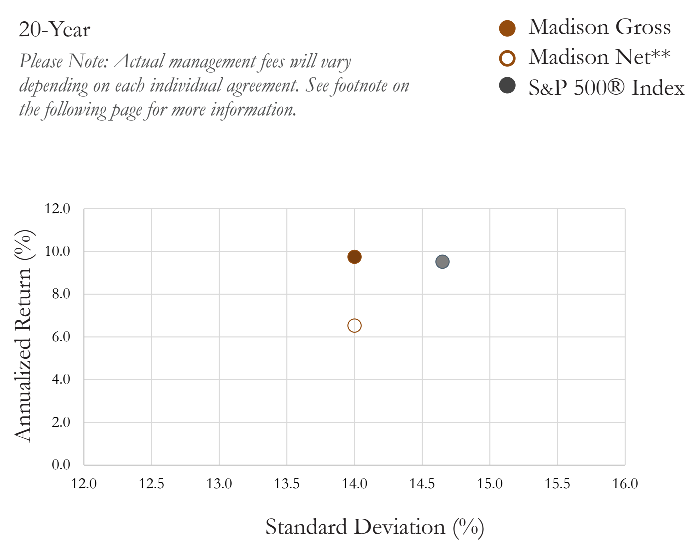
## Sector Distribution (%)

| | Madison Large Cap[1] | S&P 500® Index |
|---|---|---|
| Communication Services | 9.27 | 10.16 |
| Consumer Discretionary | 14.18 | 12.54 |
| Consumer Staples | -- | 5.88 |
| Energy | -- | 2.67 |
| Financials | 21.34 | 10.69 |
| Health Care | 13.78 | 13.29 |
| Industrials | 13.61 | 7.78 |
| Information Technology | 20.66 | 29.17 |
| Materials | 5.36 | 2.56 |
| Real Estate | -- | 2.77 |
| Utilities | -- | 2.50 |
| Cash | 1.81 | -- |

## Risk/Reward

20-Year

*Please Note: Actual management fees will vary depending on each individual agreement. See footnote on the following page for more information.*



## PERFORMANCE & CHARACTERISTICS

# Madison Large Cap Equity Separately Managed Account

*Portfolio Performance 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.*

### Trailing Returns (%)

| | MADISON Gross | MADISON Net** | S&P 500® Index |
|---|---|---|---|
| QTD | 9.88 | 9.09 | 11.03 |
| YTD | 23.94 | 20.35 | 28.71 |
| 1-Year* | 23.94 | 20.35 | 28.71 |
| 3-Year* | 23.36 | 19.81 | 26.07 |
| 5-Year* | 18.50 | 15.07 | 18.47 |
| 10-Year* | 16.39 | 13.01 | 16.55 |
| 20-Year* | 9.75 | 6.53 | 9.52 |
| Since Inception* | 12.37 | 9.10 | 11.24 |

**Figures are annualized*

### Experienced Management

**Matt Hayner, CFA**
**Portfolio Manager**
Industry start 2002

**Rich Eisinger**
**Head of Equities,**
**Portfolio Manager**
Industry start 1994

### Annual Total Returns (%)

| | MADISON Gross | MADISON Net** | S&P 500® Index |
|---|---|---|---|
| 2012 | 15.39 | 12.08 | 16.00 |
| 2013 | 30.53 | 26.91 | 32.39 |
| 2014 | 12.47 | 9.11 | 13.69 |
| 2015 | 1.21 | -1.76 | 1.38 |
| 2016 | 13.88 | 10.50 | 11.96 |
| 2017 | 23.67 | 20.07 | 21.83 |
| 2018 | 0.63 | -2.31 | -4.38 |
| 2019 | 31.67 | 27.89 | 31.49 |
| 2020 | 15.03 | 11.74 | 18.40 |
| 2021 | 23.94 | 20.35 | 28.71 |

***Net returns are reduced by an annual model bundled fee of 3.00% applied quarterly. This fee represents a hypothetical fee charged to clients and combines Madison's management fee plus a maximum advisor fee. Actual fees will vary depending on each individual agreement, so clients should consult their advisor for actual fees. See each entity's Part 2A Disclosure Brochure for more information. Actual returns may vary depending on a particular account's 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.*

# QUARTERLY ATTRIBUTION

## Madison Large Cap Equity Separately Managed Account

### Top Performing Sectors in relation to the S&P 500 TR Index

| *Sector* | *+/- in basis points (bps)* | *Reasoning* |
| --- | --- | --- |
| Consumer Discretionary | +140 bps | Security selection of Dollar Tree, Inc. and Lowe's Companies, Inc. added to performance. |
| Financials | +58 bps | Security selection of Arch Capital Group Ltd., Marsh & McLennan Companies, Inc., & Progressive Corp contributed to performance |
| Materials | +33 bps | Security selection of Linde plc, PPG Industries, Inc. added to performance. |

### Bottom Performing Sectors in relation to the S&P 500 TR Index

| *Sector* | *+/- in basis points (bps)* | *Reasoning* |
| --- | --- | --- |
| Information Technology | -209 bps | Security selection of Fiserv, Inc. and Visa Inc. Class A detracted from performance as well as a portfolio underweight to this outperforming sector detracted from performance |
| Health Care | -67 bps | Security selection of Becton, Dickinson and Company detracted from performance. |
| Communication Services | -12 bps | Security selection of Liberty Broadband Corp. Class C detracted from performance. |

### Top Performing Securities in relation to the S&P 500 TR Index

| *Security* | *+/- in basis points (bps)* | *Reasoning* |
| --- | --- | --- |
| Dollar Tree, Inc. | +96 bps | Management announced the decision to increase prices to more than $1, noting test stores results were overwhelmingly positive. This is expected to lead to stronger profit growth. |
| Lowe's Companies, Inc. | +64 bps | Strong consumer demand for home improvement products continued in Q4 vs. market expectations for demand to taper off. |
| Accenture Plc Class A | +40 bps | Sales growth accelerated for the 5th consecutive quarter to a multi-year high as demand for Accenture's information technology services remains robust across all segments globally. |
| PPG Industries, Inc. | +28 bps | Many of PPG's end markets continue to perform at depressed levels, but are expected to recover in the coming years. Also, the coatings industry has been successful thus far in pushing through price increases to partially offset raw material price inflation. |
| TE Connectivity Ltd. | +20 bps | Despite being held back by lower than expected production in automotive, secular content gains from electric vehicles, data centers, and factory automation came through strongly. Management also expects content per vehicle to be at the high end of it's historical range in 2022. |

### Bottom Performing Securities in relation to the S&P 500 TR Index

| *Security* | *+/- in basis points (bps)* | *Reasoning* |
| --- | --- | --- |
| Liberty Broadband Corp. Class C | -83 bps | Broadband net adds disappointed expectations in the quarter. Additionally, market sentiment weakened due to concerns around competitors investing in new internet offerings. |
| Fiserv, Inc. | -61 bps | Investor sentiment towards the payments industry has weakened due to concerns around new entrants, regulatory evolutions, and technological developments. |
| U.S. Bancorp | -53 bps | U.S. Bancorp provided a disappointing outlook for Q421 as PPP-related net interest income runs off. Management will also defer share repurchases until 2Q22, after the MUFG Union Bank acquisition closes. Interest rate declines in the quarter also weighed on the stock. |
| Becton, Dickinson and Company | -36 bps | The proliferation of COVID variants has suppressed medical procedure and routine testing volumes. Furthermore, they continue to work to remediate an adverse regulatory event related to their infusion pump. |
| Visa Inc. Class A | -32 bps | Investor sentiment towards the payments industry has dampened due to concerns around new entrants, regulatory evolutions, and technological developments. Also, international travel has not fully recovered to pre-COVID levels which has limited cross-border payment transactions. |

# PORTFOLIO TRANSACTIONS

Madison Large Cap Equity Separately Managed Account

| Company | Ticker | Sector | Bought | Sold |
|---|---|---|---|---|
| Parker Hannifin | PH | Industrials | • | |
| Black Knight | BKI | Technology | • | |
| American Tower | AMT | Real Estate | | • |
| Facebook | FB | Communications Services | | • |

## BOUGHT

### Parker Hannifin (PH)

The Madison Large Cap strategy has initiated a 2% position in Parker Hannifin (PH). Parker is a diversified industrial manufacturer serving dozens of end markets in almost every significant manufacturing, transportation, and processing industry. The company was founded in 1917, has operations in 45 countries and is headquartered in Cleveland, Ohio.

We believe Parker is a better business than it has been historically. We also see compelling evidence that Parker's overall business quality will continue to improve. Parker's CEO and President are in the process of transforming the company into a faster growing, higher margin, and less cyclical business. This will not only improve earnings and free cash flow but should also result in a higher valuation-multiple for the stock. In our opinion, the market has not fully appreciated the structural improvements made at the company.

Lastly, we think industrial end markets to which Parker is exposed could be stronger than currently anticipated by investors. De-bottlenecking production, shifting supply chains, above average spending on capital expenditures, recovering auto and commercial truck markets, and an aerospace recovery all should help fuel growth at Parker over the next several years.

### Black Knight (BKI)

We recently initiated a position in Black Knight, a leading provider of real estate and mortgage related software and data and analytics solutions. Nearly 60% of mortgages in the U.S. use Black Knight's mortgage servicing platform. Switching costs are high – it takes an estimated 12-18 months to switch mortgage servicing software platforms. Black Knight is using this strong share position to cross-sell its loan origination software platform. Most

## PORTFOLIO TRANSACTIONS

Madison Large Cap Equity Separately Managed Account

of Black Knight's revenue is subscription-based, structured on a price per loan basis, with minimum loan volume requirements and long-term contracts (5-7 years). About 90% of revenue is recurring, with the rest based on real estate transaction activity (refinancing, new purchases), which we like at this point in the economic cycle. Black Knight has strong competitive advantages and above-average growth potential. With the stock declining to a price where it was two years ago and now trading close to a market multiple, we believe now is a good time to initiate a position.

### SOLD

American Tower (AMT)

We recently exited American Tower (AMT) on the fulfillment of our thesis and to make room for new ideas. Large Cap purchased AMT in 2Q15. AMT has outperformed the S&P 500 during our ownership period.

Facebook (FB)

The Madison Large Cap Strategy recently exited Facebook. The original thesis, predicated on commerce increasingly moving towards FB's social platforms, appeared largely on-track. However, recent segment disclosure and management communication indicates that they are investing less than we expected on the core social applications and increasingly channeling investments towards building out Zuckerberg's vision for the next computing platform (the "metaverse"). We have higher conviction in other opportunities.

## PORTFOLIO HOLDINGS

Madison Large Cap Equity Separately Managed Account

**HIGH CONVICTION - BEST IDEAS PORTFOLIO**
29 holdings

**INDEPENDENT THINKING**
89% active share

**DIFFERENTIATED APPROACH TO LARGE CAP EQUITIES**
9 current holdings in the S&P 500's top 50

| Position in the S&P 500® Index by % weight | Company | Madison % Assets | S&P 500 % Assets | Difference (% Absolute Value) |
|---|---|---|---|---|
| 6 | Alphabet Inc. Class C | 5.15 | 2.00 | 3.14 |
| 48 | Lowe's Companies, Inc. | 5.11 | 0.44 | 4.66 |
| 118 | Becton, Dickinson and Company | 4.15 | 0.18 | 3.97 |
| -- | Liberty Broadband Corp. Class C | 4.13 | -- | 4.13 |
| 268 | PACCAR Inc | 4.08 | 0.08 | 4.01 |
| -- | Brookfield Asset Management Inc. Class A | 4.02 | -- | 4.02 |
| 257 | Dollar Tree, Inc. | 3.93 | 0.08 | 3.85 |
| 139 | Progressive Corporation | 3.86 | 0.15 | 3.71 |
| 134 | Fiserv, Inc. | 3.80 | 0.15 | 3.64 |
| 379 | Jacobs Engineering Group Inc. | 3.69 | 0.04 | 3.65 |
| 97 | Marsh & McLennan Companies, Inc. | 3.61 | 0.22 | 3.39 |
| -- | Novartis AG Sponsored ADR | 3.57 | -- | 3.57 |
| 9 | Berkshire Hathaway Inc. Class B | 3.45 | 1.36 | 2.10 |
| 90 | Analog Devices, Inc. | 3.34 | 0.23 | 3.10 |
| 25 | Accenture Plc Class A | 3.32 | 0.65 | 2.67 |
| 92 | TJX Companies Inc | 3.31 | 0.23 | 3.09 |
| 201 | PPG Industries, Inc. | 3.27 | 0.10 | 3.17 |
| 115 | U.S. Bancorp | 3.26 | 0.19 | 3.07 |
| -- | Alcon AG | 3.23 | -- | 3.23 |
| 154 | TE Connectivity Ltd. | 3.20 | 0.13 | 3.07 |
| -- | Arch Capital Group Ltd. | 3.14 | -- | 3.14 |
| 15 | Visa Inc. Class A | 3.10 | 0.90 | 2.19 |
| 252 | Copart, Inc. | 2.95 | 0.08 | 2.87 |
| 200 | Parker-Hannifin Corporation | 2.88 | 0.10 | 2.78 |
| 40 | Danaher Corporation | 2.83 | 0.52 | 2.31 |
| - | Black Knight, Inc. | 2.19 | -- | 2.19 |
| 49 | Linde plc | 2.09 | 0.44 | 1.65 |
| 3 | Amazon.com, Inc. | 1.82 | 3.60 | -1.78 |
| 21 | Adobe Inc. | 1.72 | 0.67 | 1.05 |

The securities identified above are that of the Madison Large Cap Equity Model (excluding cash) and do not represent all of the securities purchased, sold or recommended.

The reader should not assume that these same securities will be purchased for a new account or that the securities were or will prove to be profitable. The securities listed are not a recommendation to buy or sell.

See additional disclosures regarding investment risk on the last page of these materials.

# DISCLOSURES & DEFINITIONS

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® Index is a large-cap market index which measures the performance of a representative sample of 500 leading companies in leading industries in the U.S.

The Consumer Price Index (CPI) is a measure of the average change over time in the prices paid by urban consumers for a market basket of consumer goods and services.

1. 2021 Is in the Record Books: A Year of Memes, Crypto, and Stock All-Time Highs. | https://www.barrons.com/articles/2021-records-memes-crypto-stocks-51640825444
2. The Shiller CAPE ratio was at 38x as of September, 2021, eclipsed in history only by its level during the "Dot-com Bubble."
3. https://www.forbes.com/sites/brettknight/2021/08/16/honus-wagner-card-sells-for-66-million-the-third-record-baseball-card-sale-in-a-year/?sh=46a7afbb65d8
4. https://www.cnn.com/2021/10/25/investing/tesla-stock-trillion-dollar-market-cap/index.html
5. https://medium.com/thoughts-from-primary-venture-partners/matters-of-scale-how-lemonade-and-root-followed-very-different-paths-to-success-332a087808de
6. atherosclerotic cardiovascular disease
7. For heart failure.  Now Entresto is a standard of care and a multi-billion dollar blockbuster.
8. The Future of Money, p.110
9. https://www.wsj.com/articles/facebook-ai-enforce-rules-engineers-doubtful-artificial-intelligence-11634338184

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).

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.

S&P/Case-Shiller National Home Price Index is a composite of single-family home price indices for the nine U.S. Census divisions and is calculated monthly. The index seeks to measure changes in the total value of all existing single-family housing stock.

The Consumer Price Index (CPI) is a measure of the average change over time in the prices paid by urban consumers for a market basket of consumer goods and services.

**9/30/2021 to 12/31/2021**

| Top Contributors to Return | Average Weight (%) | Contribution to Relative Return (%) |
|---|---|---|
| Dollar Tree, Inc. | 3.50 | 0.96 |
| Lowe's Companies, Inc. | 4.86 | 0.64 |
| Accenture Plc Class A | 3.02 | 0.40 |
| PPG Industries, Inc. | 3.16 | 0.28 |
| TE Connectivity Ltd. | 3.18 | 0.20 |

| Bottom Contributors | Average Weight (%) | Contribution to Relative Return (%) |
|---|---|---|
| Liberty Broadband Corp. Class C | 4.39 | -0.83 |
| Fiserv, Inc. | 3.94 | -0.61 |
| U.S. Bancorp | 3.58 | -0.53 |
| Becton, Dickinson and Company | 4.21 | -0.36 |
| Visa Inc. Class A | 3.19 | -0.32 |

## DISCLOSURES & DEFINITIONS

1. Information is based on a model portfolio which is intended to provide a general illustration of the investment strategy. Individual client portfolios in the program may vary.

All or some of the information is presented as "supplemental information" included as part of the GIPS® compliant performance presentation for the Madison Large Cap Equity Sub-Advisory Composite on the reverse side, which must be included with this material Unless otherwise noted, references to "Madison" are to that composite and references to inception date refer to performance since 1/1/1991. 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.

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.

Risk

All investing involves risks including the possible loss of principal. There can be no assurance the portfolios will achieve their investment objectives. The portfolios may invest in equities which are subject to market volatility. Equity risk is the risk that securities held by the portfolio will fluctuate in value due to general market or economic conditions, perceptions regarding the industries in which the issuers of securities held by the portfolio participate, and the particular circumstances and performance of particular companies whose securities the portfolio 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.

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.

**Definitions:**

Wtd. Avg. Market Cap measures the size of the companies in which the portfolio invests. Market capitalization is calculated by multiplying the number of a company's shares outstanding by its price per share.

Dividend Yield: the portfolio's weighted average of the underlying portfolio holdings (as of 12/31/2019) and not the yield of the portfolio.

Active Share is defined as the percentage of a portfolio that differs from its benchmark index. Active Share can range from 0% for an index portfolio that perfectly mirrors its benchmark to 100% for a portfolio with no overlap with an index.

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.

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.

"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. 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.

# MADISON

## LARGE CAP EQUITY SUB-ADVISORY COMPOSITE
## GIPS COMPOSITE REPORT

| Year End | Total Firm Assets (millions) | Composite Assets | | Annual Performance Results | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | | USD (millions) | Number of Accounts | Composite Pure Gross | Composite Net | S&P 500 | Composite Dispersion | Composite 3-Yr. Annualized Ex-Post Standard Deviation | Index 3-Yr. Annualized Ex-Post Standard Deviation |
| 2021+ | 19,129 | 386 | 548 | 23.94% | 20.35% | 28.71% | 0.5% | 16.68% | 17.17% |
| 2020 | 14,498 | 399 | 874 | 15.03% | 11.74% | 18.40% | 0.8% | 16.85% | 18.53% |
| 2019 | 13,993 | 347 | 732 | 31.67% | 27.89% | 31.49% | 0.4% | 10.27% | 11.93% |
| 2018 | 12,895 | 181 | 446 | 0.63% | -2.31% | -4.38 | 0.3% | 9.11% | 10.80% |
| 2017 | 13,761 | 208 | 444 | 23.67% | 20.07% | 21.83% | 0.2% | 8.79% | 9.92% |
| 2016 | 13,312 | 160 | 380 | 13.88% | 10.50% | 11.96% | 0.3% | 9.58% | 10.59% |
| 2015 | 13,030 | 317 | 970 | 1.21% | -1.76% | 1.38% | 0.2% | 9.66% | 10.48% |
| 2014 | 13,953 | 406 | 1,168 | 12.47% | 9.11% | 13.69% | 0.2% | 8.45% | 8.98% |
| 2013 | 12,112 | 407 | 1,259 | 30.53% | 26.91% | 32.39% | 0.3% | 10.85% | 11.94% |
| 2012 | 6,984 | 364 | 1,426 | 15.39% | 12.08% | 16.00% | 0.2% | 13.94% | 15.09% |
| 2011 | 7,320 | 485 | 1,986 | 1.09% | -1.91% | 2.11% | 0.5% | 18.26% | 18.70% |
| 2010 | 7,349 | 658 | 2,633 | 10.91% | 7.69% | 15.06% | 0.3% | - | - |
| 2009 | 6,766 | 702 | 3,204 | 35.06% | 31.31% | 26.46% | 0.5% | - | - |
| 2008 | 5,282 | 623 | 3,846 | -31.61% | -33.85% | -37.00% | 0.6% | - | - |
| 2007 | 7,272 | 1331 | 5,716 | 0.88% | -2.11% | 5.49% | 0.4% | - | - |
| 2006 | 7,782 | 2153 | 8,342 | 17.22% | 13.88% | 15.79% | 0.3% | - | - |
| 2005 | 8,793 | 2384 | 10,597 | -2.05% | -4.97% | 4.91% | 0.2% | - | - |
| 2004 | 8,813 | 2319 | 9,925 | 13.06% | 9.80% | 10.88% | 0.3% | - | - |
| 2003 | 7,419 | 1453 | 7,029 | 23.03% | 19.55% | 28.68% | 0.6% | - | - |
| 2002 | 6,272 | 728 | 4,828 | -15.60% | -18.22% | -22.10% | 0.4% | - | - |
| 2001 | 5,526 | 214 | 1,231 | -1.16% | -4.11% | -11.89% | 0.5% | - | - |
| 2000 | 4,584 | 28 | 130 | 12.64% | 9.39% | -9.10% | 0.6% | - | - |
| 1999 | 3,956 | 21 | 83 | 6.23% | 3.12% | 21.04% | 0.5% | - | - |
| 1998 | 3,682 | 10 | 35 | 20.24% | 16.81% | 28.58% | 1.0% | - | - |
| 1997 | 3,122 | 6 | 22 | 36.85% | 33.09% | 33.36% | N.A. | - | - |
| 1996 | 2,641 | 2 | 6 | 33.25% | 29.57% | 22.96% | 0.6% | - | - |
| 1995 | 2,265 | 2 | 7 | 50.76% | 46.72% | 37.58% | 5.4% | - | - |
| 1994 | 1,833 | 2 | 7 | -0.34% | -3.31% | 1.32% | N.A. | - | - |
| 1993 | 1,696 | 1 | Five or fewer | -0.81% | -3.76% | 10.08% | N.A. | - | - |
| 1992 | 1,194 | <1 | Five or fewer | 11.76% | 8.53% | 7.62% | N.A. | - | - |
| 1991 | 724 | <1 | Five or fewer | 33.82% | 30.12% | 30.47% | N.A. | - | - |

+Preliminary Assets above are rounded to the nearest million

N.A. – Information is not statistically meaningful due to an insufficient number of portfolios in the composite for the entire year.

**As of December 31, 2021, total assets under advisement in this strategy are $4,203 million encompassing bundled fee accounts, non-bundled fee accounts and non-discretionary accounts which include $2,919 million in model-traded assets. This is presented as supplemental information.**

***Large Cap Equity Sub-Advisory Composite*** *contains fully discretionary large cap equity bundled fee accounts. The composite seeks to invest in high quality, larger companies with a growth orientation. Generally, such companies will have a market capitalization in excess of $12 billion. We are bottom-up stock-pickers, focused on high quality consistent growth companies trading at reasonable valuations. Our goals are to beat the market over a market cycle by fully participating in up markets, while protecting principal in difficult markets. There is no assurance that these goals will be realized. The portfolios may invest in equities which are subject to market volatility. Large Cap investing is based on the expectation of positive price performance due to continued earnings growth or anticipated changes in the market or within the company itself. However, if a company fails to meet that expectation or anticipated changes do not occur, its stock price may decline. For comparison purposes the composite is measured against the S&P 500 Index.*

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.) Prior to December 1, 2010, the Firm’s composites were maintained by Madison Investment Advisors, Inc. (“MIA Inc.”). On November 30, 2010, pursuant to a corporate reorganization that involved no change of control or personnel relating to account composite management, all composite accounts managed by MIA Inc. were transferred to MIA and performance information for periods prior to December 1, 2010 refer to this composite as managed by MIA Inc. 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. 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). *As of October 30, 2020, Hansberger Growth Investors, LP (“HGI LP”), an affiliated registered investment adviser under common control with MIA, consolidated its assets into 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 the legal corporate structure. Prior to October 30, 2020, HGI LP claimed GIPS® compliance and all composite accounts managed by HGI LP were transferred to MIA and performance information for periods prior to October 30, 2020 refer to those composites as managed by HGI LP. On June 11, 2021, Madison acquired the fixed income management assets of Reinhart Partners, Inc. (“Reinhart”), an unaffiliated registered investment adviser, and subsequently those assets became part of the firm (Madison). The Investment Team of Reinhart, who were responsible for composite performance prior to June 11, 2021, joined Madison on that date and continue to manage the Reinhart Fixed Income Strategies. A list of composite descriptions and a list of broad distribution pooled funds are 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 December 31, 2020. A copy of the verification report is available upon request. A firm that claims compliance with the GIPS standards must establish policies and procedures for complying with all the applicable requirements of the GIPS standards. Verification provides assurance on whether the firm's policies and procedures related to composite and pooled fund maintenance, as well as the calculation, presentation, and distribution of performance, have been designed in compliance with the GIPS standards and have been implemented on a firm-wide basis. Verification does not provide assurance on the accuracy of any specific performance report. 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.

Results are based on fully discretionary accounts under management, including those accounts no longer with the firm. Beginning January 1, 2001, 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.

# MADISON
## LARGE CAP EQUITY SUB-ADVISORY COMPOSITE
## GIPS COMPOSITE REPORT

The U.S. Dollar is the currency used to express performance. Time-weighted returns are presented gross and net of fees and include the reinvestment of all income. Pure gross returns are shown as supplemental information and are stated gross of all fees and have not been reduced by transaction costs; net returns are reduced by an annual model bundled fee of 3.00% applied quarterly. Bundled fees include Madison's portfolio management, as well as all charges for trading costs, custody, other administrative fees and any third-party manager fees. Bundled-fee accounts make up 100% of the composite for all periods shown. Actual returns may vary depending on a particular account's 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. The annual composite dispersion presented is an equal-weighted standard deviation calculated using the annual pure gross returns of the accounts in the composite for the entire year. The three-year annualized ex-post standard deviation of both the composite (using monthly pure gross returns) and the benchmark are presented for year-end periods beginning in 2011. Policies for valuing investments, calculating performance, and preparing GIPS Reports are available upon request.

The management fee schedule is as follows: 0.80% annually on the first $15 million; 0.60% annually on the balance. Total annual bundled fees charged by wrap/UMA sponsors familiar to Madison are generally in the range of 1.00% to 3.00% annually. Bundled fee schedules are provided by independent wrap/UMA program sponsors and are available upon request from the respective wrap/UMA sponsor. Actual investment advisory fees incurred by clients may vary. Additional information regarding investment advisory fees are described in our disclosure brochure.

Prior to January 1, 1997, balanced portfolio segments were included in this composite and performance reflected above for those periods only reflects total segment returns without a cash allocation. Total segment plus cash returns are not required for periods prior to January 1, 1997. As a reference, the following figures reflect total segment plus cash returns using a predetermined cash allocation percentage: Composite Gross – 1991=33.05%, 1992=11.52%, 1993=-0.66%, 1994=-0.23%, 1995=49.25%, & 1996=32.34%; Composite Net – 1991=29.36%, 1992=8.29%, 1993=-3.61%, 1994=-3.20%; 1995=45.24% & 1996=28.68%.

The Large Cap Equity Sub-Advisory Composite was created January 1, 2003, and the inception date is December 31, 1990.

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