

# Madison Mid Cap Fund

Investment Strategy Letter | December 31, 2025



For the full year, the Russell Midcap Index returned 10.6%, capping off an exceptionally strong three year run, amounting to an annual increase of over 14%. Similar to recent years, in 2025, market leadership favored more volatile and speculative companies. This was most pronounced in the strong rebound off of the Russell Midcap Index's low on April 8th, from which areas like unprofitable technology companies, bitcoin exposed equities, and quantum computing businesses advanced over 100%. There were also several other more speculative areas of the market that advanced meaningfully during the year. This type of market environment typically represents a headwind for our portfolio, given our focus on high-quality, highly profitable, durable businesses, which we believe sell for reasonable prices. Historically, this has been a strong foundation for attractive long-term investment performance, and we remain committed to this discipline. In fact, we're excited by the opportunities that the market presented in our types of businesses during the year and we were active in taking advantage of them.

## Portfolio Performance

The Madison Mid Cap Fund decreased 1.2% in the fourth quarter of 2025, compared to the 0.2% increase in the Russell Midcap Index.

The top five contributors for the quarter were Ross Stores, MKS, Waters, PACCAR, and Amphenol. Ross Stores reported very strong sales results in the quarter and management offered an optimistic outlook for the rest of the year. The company is benefiting from its strategy to offer even better value, by further emphasizing familiar brands at low prices. Sales are up across all categories and more consumers are visiting Ross stores. MKS shares advanced nicely during the quarter as the business continues to benefit from end markets picking up. Specifically, their Electronics and Packaging business is showing accelerating growth, partly due to AI-related applications. Waters' 3Q results reflected continued strong organic growth in both its instruments and consumables businesses as well as across all geographies.

PACCAR's current results continued to be pressured by the depressed end market environment, but tariff relief, environmental regulations, and a cyclical end market recovery point to results improving from here. Amphenol's IT/Datacom business continues to produce spectacular organic growth on the back of AI-related data center spending, which is driving up the earnings and share price of the stock.

The bottom five detractors for the quarter were Trex, Brown & Brown, CDW, Floor & Décor, and Liberty Broadband. Trex shares declined meaningfully following their 3Q results and management's outlook for 4Q. The company is facing headwinds from a slowing demand environment as well as an intensifying competitive environment. Brown & Brown reported another quarter of slowing organic growth and management suggested the fourth quarter will see more of the same. While growth is slowing, it is simply moderating to a more normalized level and profitability remains high, setting up the company well to continue to compound value over the long run. CDW reported improving revenue growth in 3Q, however, operating expenses grew faster in the quarter, so earnings growth was muted. Longer term, we believe that expenses will be held in check and earnings growth will pick back up.

Floor & Décor lagged the market as the difficult housing market continues to weigh on the sales of flooring. We believe the company is managing well through this cycle. Liberty Broadband, which derives nearly all its value from its ownership stake in Charter Communications, dropped as Charter reported a second straight quarter of disappointing profitability and broadband subscriber losses. Despite this, we believe the prospects for increased free cash flow provide solid valuation support for the stock.

## Tickers

Class R6: MRCRX	Class I: MDCIX
Class Y: GTSGX	Class A: MERAX

## Portfolio Management



**Haruki Toyama**  
Head of Mid & Large Cap Equity,  
Portfolio Manager  
Industry since 1994



**Andy Romanowich, CFA**  
Portfolio Manager, Analyst  
Industry since 2004



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

*Performance data shown represents past performance. Investment returns and principal value will fluctuate, so that fund shares, when redeemed, may be worth more or less than the original cost. Past performance does not guarantee future results and current performance may be lower or higher than the performance data shown. Visit [madisonfunds.com](http://madisonfunds.com) or call 800.877.6089 to obtain performance data current to the most recent month-end.*



## Portfolio Activity

We added four new investments to the portfolio: Bio-Techne, ServiceTitan, A.O. Smith, and MSA Safety. Bio-Techne is a leader in the life sciences research market with a broad portfolio of products that are used to enable discoveries of new drugs, therapeutics, and diagnostics. These products include over 6,000 proteins, 400,000 antibody types, and 2,400 diagnostic assays. Around 80% of the business is recurring revenues. We are encouraged by the new CEO's strategy to leverage the core business and expand the company's leadership position in protein research. Consternation surrounding the health of customer research spending gave us the opportunity to buy the stock at a discount to our estimate of intrinsic value.

ServiceTitan is the dominant provider of software to residential trade contractors, such as HVAC technicians, plumbers, and pest control employees. Its software helps run all aspects of their business, including dispatching, marketing, invoicing, and estimating, and the company boasts high retention rates and strong recurring revenue. We see a long runway of growth ahead as penetration among contractors has lagged other industries. Investor caution regarding near-term growth rates provided us with a buying opportunity.

A.O. Smith designs and manufactures water heaters, boilers, and water treatment products. Around 80-85% of water heater demand is from replacement units, providing for a more consistent demand profile. A.O. Smith is the market share leader, operating within a rational oligopoly that drives high returns on invested capital. The company is well positioned to benefit from upcoming energy regulations as well as improved capital deployment from new CEO Steve Shafer. The stock traded down to an appealing valuation following weakening results in its China business as well as general negative sentiment on anything housing-related.

MSA Safety is the dominant provider of fire fighter safety equipment, gas/flame detection equipment, and industrial protective products. The company benefits from leading market positions and strong brand recognition. Growth is driven by technological advancements and updated regulatory standards that catalyze multi-year replacement cycles. The business is conservatively managed, has low balance sheet leverage, and generates fantastic returns on invested capital. The stock is trading at an attractive valuation given the quality of the business and what we believe is the potential for growth to accelerate.

We sold two holdings, Trex and Microchip Technology. Shortly after we purchased Trex, their largest competitor, Azek, was acquired by a large building products company, James Hardie. Hardie offered Azek greater scale for marketing and promoting their brands, and had a reputation for being very aggressive in going after market share and distribution agreements. Trex's third quarter earnings report suggested that margins would be lower next year as they fend off this competitive threat. Additionally, demand has started to slow, providing another headwind to margins. We concluded that the competitive environment had meaningfully changed since our purchase and that Trex's margins and earnings power may be lower for a prolonged period, thus we decided to sell.

Microchip Technology is one of the leading analog and microcontroller companies, benefiting from long product lifecycles and diverse end markets. Microchip struggled with supply chain challenges over the past 24 months as lengthening production lead times led to customer over-ordering. The company's founder, Steve Sanghi returned to the CEO role this past summer and has been successful in reducing excess inventory and positioning the company for a recovery in market share. We are encouraged by Steve's action plans, but as the stock's valuation has recovered, we elected to sell our small stake.

We trimmed our position in Amphenol during the quarter, on valuation. We brought the position size down to a level commensurate with the stock's current risk/reward following a tremendous run of strong performance for the business and the stock.



## Outlook and Positioning

As always, we continue our search for quality companies with shareholder-oriented management teams selling below our assessments of intrinsic value. We are invested in a variety of high-quality, durable businesses in a wide range of industries, selling for reasonable, or even cheap, prices. This has historically been a formula for solid, long-term performance. We don't think that has changed. But recently, these attributes have been unpopular, as the market has favored the short-term over the long-term, the promise versus the proven, and momentum over durability. While we dedicate a considerable amount of time to understanding new technologies and using them ourselves we will not risk our investors' hard-earned savings by abandoning a philosophy that makes rational, clear-headed sense to us, and that has worked for decades, in order to conform to something that may be fleeting, and appears to be dependent on highly optimistic scenarios. Our style of companies may temporarily be out of favor, but we believe our all-weather portfolio remains well-positioned to deliver attractive risk adjusted returns in a variety of market environments.

Respectfully,

*Haruki Toyama*

*Andy Romanowich*

*Rich Eisinger*

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# Madison Mid Cap Fund

Fact Sheet | December 31, 2025



## Why Madison Mid Cap Fund?

High-quality, concentrated portfolio of 25-40 stocks

Focused on risk management and downside protection

Long-tenured management

### Average Annual Total Returns<sup>1</sup> (%)

	3-Months	YTD	1-Year	3-Year	5-Year	10-Year	Since Inception
Class R6	-1.18	1.75	1.75	12.50	9.32	11.36	11.53
Class I	-1.17	1.66	1.66	12.43	--	--	11.14
Class Y	-1.16	1.62	1.62	12.34	9.12	11.14	10.25
Class A without sales charge	-1.21	1.22	1.22	11.85	8.65	10.67	10.57
Class A with sales charge	-6.90	-4.62	-4.62	9.66	7.37	10.01	10.06
Russell Midcap	0.16	10.60	10.60	14.36	8.67	11.01	--

### Calendar Year Returns<sup>1</sup> (%)

	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Class Y	12.06	15.63	-1.91	33.52	9.45	26.32	-13.60	26.50	10.30	1.62
Russell Midcap	13.80	18.52	-9.06	30.54	17.10	22.58	-17.32	17.23	15.34	10.60

Performance data shown represents past performance. Investment returns and principal value will fluctuate, so that fund shares, when redeemed, may be worth more or less than the original cost. Past performance does not guarantee future results and current performance may be lower or higher than the performance data shown. Visit [madisonfunds.com](http://madisonfunds.com) or call 800.877.6089 to obtain performance data current to the most recent month-end.

### Sector Allocation (%)

	Madison	Index
Comm Services	1.60	3.16
Cons Discr	16.54	12.00
Cons Staples	--	4.62
Energy	--	5.24
Financials	23.28	15.61
Health Care	11.94	9.56
Industrials	18.82	17.35
Info Tech	24.65	14.47
Materials	--	4.96
Real Estate	--	6.65
Utilities	--	6.39
Cash	3.17	--

### 5-Year Risk Metrics (%) - Class Y

	Madison	Index
Standard Deviation	16.08	17.04
Up Capture	93.24	100.00
Down Capture	88.73	100.00
Beta	0.89	1.00

### 10-Year Risk Metrics (%) - Class Y

	Madison	Index
Standard Deviation	15.82	17.50
Up Capture	90.36	100.00
Down Capture	84.58	100.00
Beta	0.86	1.00

## Investment Objective

The Madison Mid Cap Fund seeks long-term capital appreciation.

Class	Ticker	Inception	Exp. Ratio
R6	MMCRX	2/29/12	0.73%
I	MDCIX	8/31/20	0.81%
Y	GTSGX	7/21/83	0.91%
A	MERAX	4/19/13	1.16%

Expense ratios are based on the fund's most recent prospectus.

## Fund Characteristics

Number of Holdings	34
Active Share (%)	96.8
% Assets in Top 10 Stocks	46.1
Annual Portfolio Turnover (%)	17
Wtd. Avg. Market Cap (\$ billions)	33.9
Net Assets (\$ millions)	2,044.3
Distribution Frequency	Annual

## Portfolio Management

### Haruki Toyama

Head of Mid & Large Cap Equity, Portfolio Manager  
Industry since 1994

### Andy Romanowich, CFA

Portfolio Manager, Analyst  
Industry since 2004

### Rich Eisinger

Head of Equities, Portfolio Manager  
Industry since 1994



Complete Stock Holdings (%)

Arch Capital Group Ltd	7.86	WR Berkley Corp	3.07	Expeditors Intl Wash Inc	1.93
Ross Stores Inc	6.93	Waters Corp	2.84	Bio Techne Corp	1.81
Amphenol Corp Cl A	4.58	Teledyne Technologies Inc	2.75	Arista Networks Inc	1.80
PACCAR Inc	4.34	Thor Industries Inc	2.75	Servicitan Inc A	1.76
Brown + Brown Inc	4.10	MSA Safety Inc	2.54	Liberty Broadband C	1.60
Medpace Holdings Inc	3.95	Floor + Decor Holdings Inc A	2.46	Kinsale Capital Group Inc	1.54
Carlisle Cos Inc	3.85	Brookfield Asset Mgmt A	2.41	Liberty Media Corp Formula C	1.32
MKS Inc	3.78	Lithia Motors Inc	2.29	Cullen/Frost Bankers Inc	1.16
Gartner Inc	3.35	Asbury Automotive Group	2.12	Glacier Bancorp Inc	1.10
Labcorp Holdings Inc	3.34	Smith (A.O.) Corp	2.10	Graco Inc	0.99
CDW Corp/De	3.32	Moelis + Co Class A	2.03	--	--
Copart Inc	3.07	Liberty Media Corp Formula A	1.99	--	--

Shareholder Services

Madison Funds

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Madison Investments offers a series of funds that emphasize quality and durability—all built with the long run in mind. While a risk management approach is not unique to us, the way in which we deploy our investment strategies is what sets us apart.

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1. Average annual total returns and calendar year returns assume all distributions are reinvested and reflect applicable fees and expenses. Class A share returns without sales charge would be lower if sales charge were included. Class A share returns with sales charge reflect the deduction of the maximum applicable sales charge of 5.75%. Class Y and R6 shares do not impose an up-front sales charge or a CDSC.

The management fee is 0.75% on assets up to \$500 million, and reduced annually by 0.05% on assets exceeding \$500 million, and by another 0.05% on assets exceeding \$1 billion.

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Any performance data shown represents past performance. Past performance is no guarantee of future results.

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An investment in the Fund is subject to risk and there can be no assurance the Fund will achieve its investment objective. The risks associated with an investment in the Fund can increase during times of significant market volatility. Investments in midsize companies may entail greater risks than investments in larger, more established companies. Midsize companies tend to have narrower product lines, fewer financial resources, and a

more limited trading market for their securities, as compared to larger companies. They may also experience greater price volatility than securities of larger capitalization companies because growth prospects for these companies may be less certain and the market for such securities may be smaller. Some midsize companies may not have established financial histories; may have limited product lines, markets, or financial resources; may depend on a few key personnel for management; and may be susceptible to losses and risks of bankruptcy. More detailed information regarding these risks can be found in the Fund’s prospectus.

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

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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**Active Share:** the percentage of a portfolio that differs from its benchmark index. It can range from 0% for an index fund 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.

**Wtd Avg. Market Cap:** the size of the companies in which the fund invests. Market capitalization is calculated by number of a company’s shares outstanding times its price per share.

**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.

**Upside Capture Ratio:** a fund’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.

**Downside Capture Ratio:** a fund’s performance in down markets relative to its benchmark. The security’s downside capture return is divided by the benchmark’s downside capture return over the time period.

**Beta:** a measure of the fund’s sensitivity to market movements. A portfolio with a beta greater than 1 is more volatile than the market, and a portfolio with a beta less than 1 is less volatile than the market.

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