

Madison Dividend Income Fund

Investment Strategy Letter | June 30, 2026



For the second quarter, the Madison Dividend Income Fund (class I) returned +1.8%, which compared to the S&P 500 Index, Russell 1000 Value Index, and Lipper Equity Income peer group returns of +15.2%, +13.9% and +9.7%, respectively.

On a year-to-date basis, the Dividend Income Fund returned +7.7%, which compared to the S&P 500 Index, Russell 1000 Value Index, and Lipper Equity Income peer group returns of +10.2%, +16.3% and +9.9%, respectively.

We believe one of the most notable developments in the second quarter was the historically strong performance of the Technology sector. Data from Standard & Poor's (S&P) showed that Technology was up +32%, which outperformed all other sectors and was the only sector to outperform the S&P 500. Driving the strong returns were 12 Technology stocks that gained over +100% in the quarter alone, which was the highest number since 1999. None of those 12 stocks have a dividend greater than the S&P 500, which puts them outside of the strategy's investable universe. We think it is worth pointing out that the strength in Technology stocks has lifted the valuation of the S&P 500 to all-time high levels. According to FactSet, the index is trading at its highest price-to-sales ratio ever at 3.6x.

S&P 500 Price-to-Sales Ratio 1999-2026



Source: FactSet

Another development worth noting was the historically poor performance of the Energy sector in the quarter. Data from S&P showed that Energy was down -13.5%, which was the worst performing sector. According to J.P. Morgan research, Energy fell each month (April, May, and June) and its -13.5% return was the weakest performance in a second quarter since 1990. Unlike Technology, many Energy stocks have dividends above the S&P 500 and are in the strategy's investable universe.

We believe the underperformance in Energy in the second quarter provides an opportunity to buy and own Energy stocks at attractive valuations and dividend yields. More research from J.P. Morgan shows that Energy has only been down greater than -10% in the second quarter twice since 1990 – this quarter and in 2010. In the 2010 instance, Energy had strong performance for the rest of the year including gains of +13% and 22% in the third and fourth quarters, respectively.

More importantly, we think fundamentals in the Energy sector are healthy. There appears to be industry-wide discipline in production volumes, companies have strong and improved balance sheets from the decade prior, and cash is being returned to shareholders through regular dividends, special dividends, and share repurchases.

Tickers

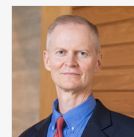
Class R6: MADRX

Class I: MDMIX

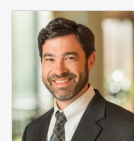
Class Y: BHBFX

Class A: MADAX

Portfolio Management



John Brown, CFA
Portfolio Manager, Analyst
Industry since 1983



Drew Justman, CFA
Portfolio Manager, Analyst
Industry since 2000

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 or call 800.877.6089 to obtain performance data current to the most recent month-end.



One of the fund's top holdings is **Exxon Mobile (XOM)**. XOM is the world's premier integrated oil and gas company. It has attractive upstream exploration and production assets in the low-cost Permian Basin and a unique, ultra-low-cost growth opportunity in Guyana, along with developing liquid natural gas (LNG) assets for data centers. The company has a downstream Product Solutions segment that refines energy, chemical and specialty products. Its low-cost position, diversified asset base, scale, integrated assets and strong balance sheet provide a sustainable competitive advantage, in our view.

XOM's five-year "Plan to 2030" provides a framework for higher growth and substantial capital returns. It targets 65% of upstream production from its "advantaged" assets by 2030, up from 59% today, which will drive a favorable mix shift and expand margins. The company thinks it can add \$25 billion in earnings and \$35 billion in cash flow while keeping capital expenditures flat in the \$22-27 billion range.

Another reason we like XOM is because it has a strong balance sheet and is a dividend compounder. The company has an AA- rated balance sheet by S&P with strong cash flow generation and track record of 43 consecutive years of dividend increases. XOM paid \$150 billion in dividends from 2021-2025, which is more distributed cash than all but five other S&P 500 stocks. At quarter end, XOM had an absolute dividend yield of 3% and a relative dividend yield versus the S&P 500 of 2.2x.

Summary

With S&P 500 valuations at all-time high levels, we believe there are risks of multiple contraction and market correction. The Dividend Income Fund is trying to protect against these risks by owning a diversified portfolio of high-quality, above-average dividend stocks in cheaper areas of the market. We think Dividend Income has important defensive characteristics that help protect capital in down markets. These favorable attributes include:

- An absolute portfolio dividend yield of 2.6%, which compares favorably to the absolute dividend yields of 1.1% for the S&P 500 and 1.7% for the Russell 1000 Value Index as of year-end.
- A growing income stream that protects against inflation. Portfolio holdings have increased their dividends by 6% on average over the past year, which is well above inflation rates over that period. Consistent annual dividend increases are a key metric we require in portfolio holdings.
- A high-quality portfolio with strong balance sheets that could protect on the downside in a market correction. 94% of fund holdings are rated A- or better by Standard & Poor's, which compares favorably to the S&P 500 at 35% and the Russell 1000 Value at 22%. If there is a down market and/or credit spreads begin to widen, we believe our high-quality portfolio is likely to hold up much better than the overall market.

The Madison Dividend Income Fund is a conservatively managed equity strategy that owns a high-quality portfolio of above-average dividend yield stocks with strong balance sheets and sustainable competitive advantages (wide moats). We believe that owning high-quality stocks with above-average dividend yields is the best way to provide income and generate attractive long-term returns over a full market cycle while limiting drawdowns in bear markets and market corrections.

Respectfully,

John Brown

Drew Justman

Our expectation is that investors will participate near fully in market appreciation during bull markets and experience something less than full participation during bear markets compared with investors in portfolios holding more speculative and volatile securities. Therefore, the investment philosophy is intended to represent a conservative investment strategy. There is no assurance that Madison's expectations regarding this investment strategy will be realized.

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 the report constitute the authors' judgment

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Madison Dividend Income Fund

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Why Madison Dividend Income Fund?

High-conviction portfolio of high-quality, above-average dividend yield stocks

Relative yield strategy; buys stocks trading at the high end of historic dividend yield range

Disciplined approach to risk management

Average Annual Total Returns¹ (%)

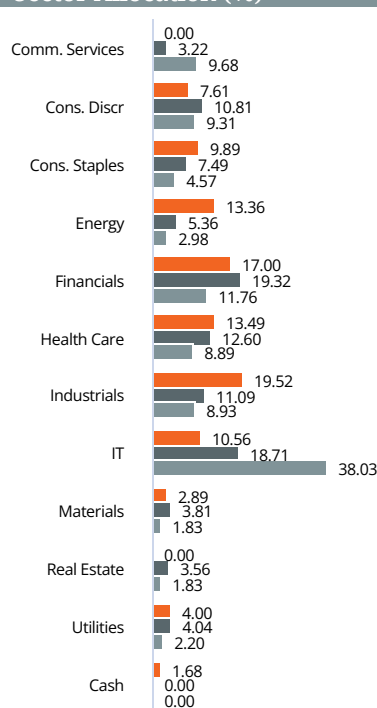
	3-Months	YTD	1-Year	3-Year	5-Year	10-Year	Since Inception
Class R6	1.75	7.70	11.75	9.22	--	--	5.61
Class I	1.77	7.66	11.68	9.12	5.72	--	8.69
Class Y	1.70	7.60	11.55	9.01	5.62	9.52	8.23
Class A without sales charge	1.64	7.47	11.28	8.74	5.35	--	9.40
Class A with sales charge	-4.19	1.31	4.86	6.61	4.11	--	8.34
Russell 1000 Value	13.87	16.26	27.12	17.79	11.17	11.52	--
S&P 500	15.20	10.21	22.32	20.61	13.41	15.51	--
Lipper Equity Income	9.71	9.91	18.99	15.15	10.37	11.21	--

Calendar Year Returns¹ (%)

	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Class Y	12.79	19.93	-0.70	25.16	6.34	22.76	-5.42	1.72	7.61	8.17
Russell 1000 Value	17.34	13.66	-8.27	26.54	2.80	25.16	-7.54	11.46	14.37	15.91
S&P 500	11.96	21.83	-4.38	31.49	18.40	28.71	-18.11	26.29	25.02	17.88
Lipper Equity Income	14.34	16.44	-6.62	26.38	4.58	24.20	-5.57	10.37	14.13	15.20

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Sector Allocation (%)



5-Year Risk Metrics (%) - Class Y

	Madison	R1000V
Standard Deviation	14.15	14.93
Up Capture	80.41	100.00
Down Capture	98.96	100.00
Beta	0.89	1.00

5-Year Risk Metrics (%) - Class Y

	Madison	S&P 500
Standard Deviation	14.15	15.85
Up Capture	65.83	100.00
Down Capture	83.52	100.00
Beta	0.69	1.00

Investment Objective

The Madison Dividend Income Fund seeks to produce current income while providing an opportunity for capital appreciation.

Class	Ticker	Inception	Exp. Ratio
R6	MADRX	02/28/22	0.73%
I	MDMIX	08/31/20	0.81%
Y	BHBFX	12/18/86	0.91%
A	MADAX	05/29/20	1.16%

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

Fund Characteristics

Number of Holdings	37
TTM Price/Earnings Ratio	23.53
Price/Book Ratio	4.00
Return on Equity (%)	24.62
Dividend Yield (%)	2.55
30-Day SEC Yield - Class Y (%)	1.47
Active Share vs. S&P 500 (%)	88.62
Annual Portfolio Turnover (%)	19.00
Wtd. Avg. Market Cap (\$ billions)	239.48
Net Assets (\$ millions)	87.73
Distribution Frequency	Quarterly

Distribution History - Class Y, Per Share

Year	Total	Yr-End NAV
2025	\$3.02	\$24.35
2024	\$3.57	\$25.29
2023	\$1.61	\$26.80
2022	\$2.62	\$27.96
2021	\$3.73	\$32.37

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Top 10 Holdings (%)

JOHNSON + JOHNSON	5.46	PROCTER + GAMBLE CO	3.76
EXXON MOBIL CORP	4.39	ABBVIE INC	3.65
CHEVRON CORP	4.13	UNION PACIFIC CORP	3.46
TEXAS INSTRUMENTS INC	4.06	CME GROUP INC	3.07
NEXTERA ENERGY INC	4.00	COLGATE PALMOLIVE CO	2.94

Shareholder Services

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Consultant and Advisor Services

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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.

Madison Asset Management, LLC does not provide investment advice directly to shareholders of the Madison Funds.

Madison Funds are distributed by MFD Distributor, LLC, member of FINRA. Portfolio data is as of the date of this piece unless otherwise noted and holdings are subject to change.

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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 and is not investment advice.

An investment in the Fund is subject to risk and there can be no assurance the Fund will achieve its investment objective. The risks associated with an investment in the Fund can increase during times of significant market volatility. The principal risks of investing in the Fund include equity risk, capital gain realization risks to taxpaying shareholders, growth and value risks, special risks associated with dividend-paying stocks, foreign security and emerging market risk, depository receipt risk, interest rate risk, and market risk. More detailed information regarding these risks can be found in the Fund's prospectus.

Prior to March 1, 2012, BHBFX was known as Madison Mosaic Equity Trust Balanced Fund. At that time, the fund changed investment policies. As a result, the manner in which the fund is currently being managed is not similar to the way in which it was previously managed. Therefore, the fund's historical performance data prior to March 1, 2012 may not be relevant to current (and future) investors.

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.

Russell 1000® Value Index: designed to track those securities within the broader Russell 1000 Index that FTSE Russell has determined exhibit value characteristics. Russell Investment Group is the source and owner of the trademarks, service marks and copyrights related to the Russell Indexes. Russell® is a trademark of Russell Investment Group.

S&P 500® Index: large cap market index that measures the performance of a representative sample of 500 leading companies in leading industries in the US.

Lipper Equity Income Fund Index: tracks funds that seek relatively high current income and growth of income by investing at least 65% of their portfolio in dividend-paying equity securities.

TTM Price/Earnings Ratio: measures how expensive a stock is. It is calculated by the weighted average of a stock's current price divided by the company's trailing 12-month (TTM) earnings per share of the stocks in a fund's portfolio.

Price/Book Ratio: measures a company's stock price in relation to its book value (the total amount raised if its assets were liquidated and paid back all its liabilities).

Return on Equity: a profitability ratio that measures the amount of net income returned as a percentage of shareholders' equity.

Dividend Yield: the portfolio's weighted average of the underlying fund holdings and not the yield of the fund.

30-day SEC Yield: represents net investment income earned by a fund over a 30-day period, expressed as an annual percentage rate based on the fund's share price at the end of the 30-day period. It is calculated based on the standardized formula set forth by the SEC.

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.

Wtd Avg. Market Cap: the size of the companies in which the fund invests. Market capitalization is calculated by the 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.

