
MADISON SMALL CAP FUND

4Q 2024 Investment Strategy Letter

Tickers: BVAOX | MSCIX | MASMX | MSCRX

The fourth quarter closed out a successful year for the Madison Small Cap Fund.

The fund delivered solid absolute and relative returns for the fourth quarter and the full year. Large caps continued to broadly outperform small caps and growth continued to outperform value. The AI boom marched on as Nvidia added \$2 trillion to its market value in 2024. The recession in the cyclically exposed Industrial economy continued, as measured by the Purchasing Managers' Index (PMI), even though treasury yields broke out to new highs. With the conclusion of the election, the market rallied, as the fog of policy uncertainty seemed to clear. However, by late November, new uncertainties around tariffs and inflation began to emerge, and the Russell 2000 Index gave back its entire post-election advance, finishing up a modest 0.33% for the quarter. The Madison Small Cap Fund (class I) returned 4.04% for the quarter, outperforming both the Russell 2000 Index (0.33%) and Russell 2500 Index (0.62%), driven by stock selection and favorable allocation.

Looking back at the full year, our outperformance versus our benchmarks was even more dramatic. Although the Russell 2000 Index was up 11.55% for the year, we outpaced our benchmark by a formidable 900 basis points, delivering a 22% total return. The overwhelming majority of our outperformance was a function of stock selection, although we did benefit from favorable sector allocation as well.

PORTFOLIO REVIEW

For the fourth quarter, our positive outperformance came from strong stock selection in Consumer Discretionary, Healthcare, and Information Technology, while Industrials, Financials, and Consumer Staples were drags to performance. We had one takeover in the portfolio as Summit Materials announced they were being acquired by privately held Quikrete Holdings in an all-cash deal that represented a 30% premium to the unaffected stock price.

If we zoom out to the full year, we see a similar picture from a positive performance perspective, with Consumer Discretionary, Info Tech, and Healthcare driving outperformance. However, detractors were concentrated in Industrials and Communications Services.



Faraz Farzam, CFA
Portfolio Manager/Analyst
Industry since 1999



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Portfolio Manager/Analyst
Industry since 2002

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In Industrials, one of our largest and oldest investments, Willscot Holdings Corp (WSC) had a difficult year. Not only did they walk from a transformative acquisition due to scrutiny from the FTC, but prolonged weakness in two of their most important end markets, nonresidential construction and residential construction, led to slowing volumes and disappointing uptake in high margin, value-added products. We believe these issues are not due to competitive dynamics or poor execution. Rather, the current weakness is driven by the cyclically weak end market. Although we are disappointed that the planned acquisition of McGrath Rent Corp fell through, we believe the company is still the same high quality, durable business that has consistently gained market share while generating material free cash flow that it always was. The company has focused its efforts on organic growth initiatives and aggressively repurchasing stock. We have used this near-term weakness to add to our position.

PORTFOLIO ACTIVITY

In the fourth quarter, we sold three stocks (FROG, GOGO, AMN) and added three new investments (KN, VFC, MEDP).

JFrog Ltd (FROG)

We sold our position in Software vendor JFrog. While we continue to feel this is a strategic asset in the critical software development automation market, we've grown increasingly uncomfortable with management's credibility and visibility into its business. In the final days of the second quarter (3 business days), in conjunction with an acquisition, the company reiterated its quarterly and annual guidance. It then proceeded to miss on both metrics only weeks later during the second quarter.

Gogo Inc. (GOGO)

Our thesis that the company would resolve its issues with 5G technology and provide a viable service was broken, and we decided to exit the position.

AMN Healthcare Services (AMN)

Temporary nurse staffing company AMN Healthcare's fundamentals have been challenged since 2022. During the pandemic, the company's billing rates reached record highs. As health services normalized, so did their billing rates. Although we believed we'd reached a trough in the company's valuation and fundamentals, we were wrong. We've decided to exit the position and reassess the business as we uncover further evidence of industry stabilization.

Knowles Corporation (KN)

We established a new investment position in Knowles Corp. Knowles supplies advanced micro-acoustic, audio processing, and precision device solutions. The underlying technologies are capacitors and RF filters. The company recently sold its low-margin consumer-facing business, which sold components into Apple's ear pods, the proceeds to pay down debt and reinvest in higher margin, more durable Industrial and medical businesses that should command a higher valuation. We believe the moats in their industrial and medical business are substantial and believe the intrinsic value for the stock is \$27.

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VF Corporation (VFC)

We initiated a new investment position in VF Corporation (~8\$b market cap). Formerly known as Vanity Fair, VF is the owner of a portfolio of apparel and footwear brands, namely Vans, The North Face, and Timberlands, which make up the lion's share of the revenues. VFC is in a special situation with relatively new management, executing a turnaround strategy that we believe is value-maximizing and very shareholder-friendly. The company recently sold one of its portfolio brands, Supreme, for \$1.5b and used the proceeds to pay down debt. They've reduced costs across the portfolio, including shrinking the Van's retail business.

Although margins have improved from the recent trough as a result of these actions, there is ample room for expansion, and we believe the portfolio can be further rationalized. We would not be surprised if Timberland gets sold to further de-lever the balance sheet, leaving the company focused on two strong brands that have, we believe, room to grow mostly in international markets but also domestically. We further believe a fully rationalized portfolio with a cleaner balance sheet alongside a recovery in the Vans business could improve the intrinsic value, which we currently estimate to be \$28 per share.

Medpace Holdings, Inc. (MEDP)

MedPace is the leading CRO (contract research organization) with a focused model on the Biopharma industry. The focus on small and medium-sized biopharmaceutical companies leads to customer intimacy, consistent execution, and fixed pricing, which are the keys to the company's moats and consistent market share gains over the last 10 years. Despite large swings in biotech funding, MEDP has driven sequentially positive revenue growth since 2015 and continues to boast an impressive backlog of business, which we believe can drive durable growth going forward. MEDP has a pristine balance sheet, generates healthy free cash flow (20%+ margins on earnings before interest, taxes, depreciation and amortization), and is opportunistic with stock buybacks. We estimate intrinsic value at \$450.

OUTLOOK

After a brutal 2022, the market and our fund have rebounded nicely. Small caps were able to briefly recapture their 2021 peak but were unable to breakthrough. Meanwhile, the S&P 500, led by the Magnificent 7 broke the 2021 peak early in 2024 and continue to make new highs. Over the last several years, we've shared data highlighting the attractiveness of small caps both as relative and absolute values. Although small caps continue to represent good relative value, the small cap market is no longer broadly "cheap." However, there are almost always pockets of value or pockets of opportunity—which is why strong stock selection will be even more crucial. There are several questions that we're pondering that we believe are worth sharing.

1. Will the AI boom continue?

Over the last five years, the five hyperscalers (Google, Amazon, Microsoft, Meta, and Oracle) have spent nearly \$1 trillion dollars on capital spending. Quite a lot of these dollars have fueled the massive growth in Nvidia's business and valuation. An ecosystem of other technologies and businesses has grown alongside Nvidia, including some in our portfolio of investments. Over the last few months, some investors have wondered if there's an actual economic return from these investments.

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While it's too early to say, we will be looking for actual applications beyond just Chat GPT and generative AI to materialize to justify this spend. If investors lose confidence in Big Tech's ability to generate a real economic return, the boom could easily turn into bust.

2. When will housing recover?

Housing is one of the most important subsectors of the economy that's been challenged for at least two years. High housing costs and high interest rates have been a significant headwind to activity. The new administration's ability to tackle this issue will be important to watch, although solutions could be complex and drawn out. Although the fed has eased back on short term rates, we have not seen a meaningful retreat in mortgage rates.

3. Will 2025 bring a broad industrial recovery?

The Purchasing Managers' Index (PMI) is a widely used economic indicator that assesses the health of a country's manufacturing or services sector. Indications below 50 signal contraction and the PMI has been below 50 for 21 months. Although quite a bit of this is inventory absorption from the COVID supply shocks, weakness in housing and nonresidential construction have been negative contributing factors.

With these questions in mind, we enter 2025 very cautiously. We reiterate there are always opportunities in the vast reservoir of small cap stocks, but the challenge, as always, is to find quality and durable businesses at attractive valuations.

Faraz Farzam

Aaron Garcia

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Russell 2000® Index measures the performance of the 2,000 smallest companies in the Russell 3000® Index, which represents approximately 11% of the total market capitalization of the Russell 3000® Index. The Russell 3000 Index measures the performance of the largest 3,000 U.S. companies representing approximately 98% of the investable U.S. equity market. The Russell 3000 Index is constructed to provide a comprehensive, unbiased and stable barometer of the broad market and is completely reconstituted annually to ensure new and growing equities are reflected. 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.

The Russell 2500 Index combines a portion of midcap stocks with small cap stocks – forming a “SMID” (small/mid) cap segment of stocks from the Russell 3000®.

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.

The Magnificent Seven stocks are a group of high-performing and influential companies in the U.S. stock market: Alphabet, Amazon, Apple, Meta Platforms, Microsoft, NVIDIA, and Tesla.

Madison’s expectation is that investors in the strategy 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.

A basis point is one hundredth of a percent.

An investment thesis is a reasoned argument for a particular investment, based on research and analysis of its potential for profit.

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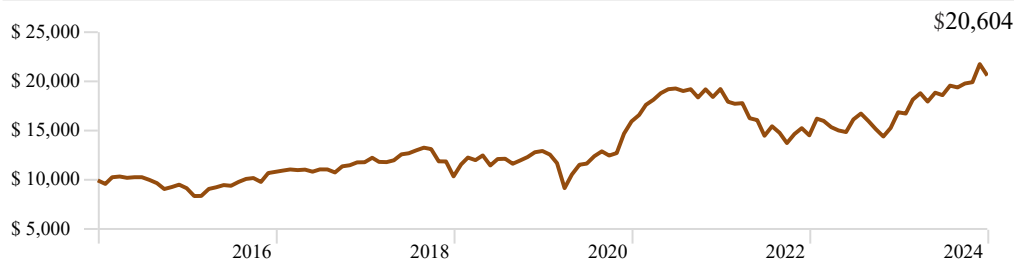
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MADISON SMALL CAP FUND

December 31, 2024

Growth of \$10,000 Class Y Shares, Trailing 10 Years^{1,3}



Average Annual Total Returns^{2,3} (%)

	Three Months	YTD	1 Yr	3 Yr	5 Yr	10 Yr	Since Inception
Class I	4.04	22.02	22.02	2.38	-	-	4.20
Class R6	4.11	22.18	22.18	-	-	-	5.60
Class Y	4.03	21.94	21.94	2.30	9.69	7.50	12.78
Class A without sales charge	3.97	21.55	21.55	2.03	9.45	-	10.95
Class A with sales charge	-1.99	14.56	14.56	0.04	8.15	-	9.73
Russell 2000® Index	0.33	11.54	11.54	1.24	7.40	7.82	-
Russell 2500® Index	0.62	12.00	12.00	2.39	8.77	8.85	-

Calendar Year Returns^{2,3} (%)

	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Class Y	-7.90	18.04	8.90	-12.09	24.67	23.09	20.52	-24.36	16.05	21.94
Russell 2000®	-4.41	21.31	14.65	-11.01	25.52	19.96	14.82	-20.44	16.93	11.54
Russell 2500®	-2.90	17.59	16.81	-10.00	27.77	19.99	18.18	-18.37	17.42	12.00

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Characteristics

Median Market Cap (billions)	\$5.2	5-Yr Risk Measure (%) Class Y vs. Russell 2000® Index	Standard Deviation	22.35
EPS Growth Rate (3-5 year)	17.4%	Downside Capture		84.44
P/E (trailing 12 months)	29.7x	Upside Capture		92.60
P/E (forward 12 months)	20.0x			

1. Growth of \$10,000 is calculated at NAV and assumes all dividends and capital gain distributions were reinvested. It does not take into account sales charges (see Note 2) or the effect of taxes.

2. 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 shares do not impose an up-front sales charge or a contingent deferred sales charge ("CDSC"). 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.

3. The performance shown for the Small Cap Fund (the "Fund") for periods prior to August 31, 2019, for the Class Y shares are based on the performance of the Broadview Opportunity Fund (the "Predecessor Fund") which was the accounting survivor and reorganized into the Class Y shares of the Fund after market close on August 30, 2019 (the "Reorganization"). Periods prior to November 29, 2013 represents the performance of the FMI Focus Fund (the "FMI Fund") which merged with and into the Predecessor Fund on November

29, 2013. Prior to November 29, 2013, the Adviser of the Predecessor Fund served as sub-adviser to the FMI Fund.

Performance results prior to August 30, 2019 for the Class Y shares are based on the performance of the Predecessor Fund, which was reorganized into the Class Y shares of the Fund on August 30, 2019. Performance for Class A shares was deemed to be new effective August 31, 2019 as a result of the reorganization. Madison waived 0.04% of the Fund's annual services fee from August 31, 2019 through February 27, 2021. Investment returns reflect this fee waiver, without which returns would have been lower.

Madison lists the performance of the Predecessor Fund and accounting survivor of the Reorganization for the following reasons:

- Continuity of Fund portfolio managers through the Reorganization;
- Substantially the same investment objective and investment strategies between the Fund and the Predecessor Fund;
- Substantially similar investment policies between the Fund and the Predecessor Fund;
- A similar expense ratio (excluding acquired fund fees and expenses).

Experienced Management



Faraz Farzam, CFA
Portfolio Manager
Industry since 1999



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Portfolio Manager
Industry since 2002

Fund Features

- ▶ Seeks long-term capital appreciation
- ▶ Generally 40-60 holdings
- ▶ Seeks to purchase companies at a perceived discount compared to potential future earnings

Class	Ticker	Inception Date	Exp. Ratio
A	MASMX	8/31/19	1.35%
Y	BVAOX	12/16/96	1.10%
I	MSCIX	2/26/21	1.00%
R6	MSCRX	2/28/22	0.92%

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

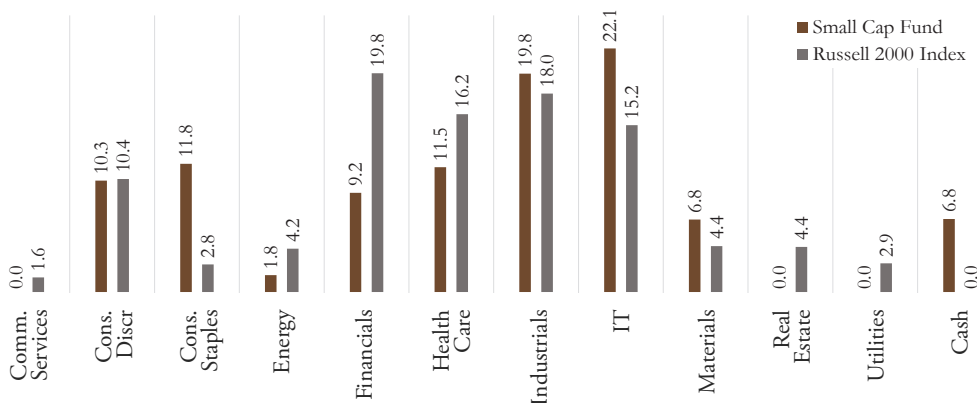
Distribution Frequency - Annual

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Sector Diversification (%)

Figures are rounded to the nearest 0.1%.



Total Net Assets

\$191.5 Million

Total Number of Holdings

46

Portfolio Turnover

39%

Top Ten Holdings (%)

SUMMIT MATERIALS INC CL A	4.7
CORE + MAIN INC CLASS A	3.6
ENCOMPASS HEALTH CORP	3.6
SIMPLY GOOD FOODS CO/THE	3.2
ONESP WORLD HOLDINGS LTD	3.1
HEALTH EQUITY INC	3.0
SCOTTS MIRACLE GRO CO	2.8
COGENT COMMUNICATIONS HOLDIN	2.8
WILLSCOT HOLDINGS CORP	2.8
BOX INC CLASS A	2.8

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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 measures a fund's performance in down markets relative to its benchmark. It is calculated by taking the security's downside capture return and dividing it by the benchmark's downside capture return over the time period. Upside Capture Ratio measures a fund's performance in up markets relative to its benchmark. It is calculated by taking the security's upside capture return and dividing it by the benchmark's upside capture return over the time period. Market Cap measures the size of the companies in which the fund invests. Market capitalization is calculated by multiplying the number of a company's shares outstanding by its price per share. Growth Rate (3-5 year) is the annual rate at which a company's earnings are expected to grow. P/E (Price-to-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.

An investment in the fund is subject to risk and there can be no assurance that 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, small cap price volatility risk, small cap illiquidity risk, value investing risk, ETF risk, capital gain realization risks to taxpaying shareholders, and foreign security and emerging market risk. Investing in small, mid-size or emerging growth companies involves greater risks not associated with investing in more established companies, such as business risk, significant stock price fluctuations and illiquidity. More detailed information regarding these risks can be found in the fund's prospectus.

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