INNOVATOR
exchange-traded funds

The Use Case for Defined Outcome ETFs by Institutions

While defined outcomes have been available for decades through insurance & bank wrappers, we believe Innovator's 2018 introduction of Defined Outcome ETFs was a ground-breaking moment for institutions. Just as ETFs transformed investing in the equity, fixed income, and commodities markets, our belief is that Defined Outcome ETFs are transforming the options investing landscape. What was once an opaque arena dominated by inefficient and expensive insurance & bank solutions is now a thriving ecosystem where liquidity, low-cost, and simplicity have led to exponential growth and utility for institutional clientele.

Innovator, as a pioneer in the Defined Outcome ETF space, has launched 70 funds attracting >$5 billion in AUM in 3 years and our subadvisor, Milliman FRM, manages more than $100bln in risk-managed strategies. With the longest track-record of any provider in the space and over 75 successful resets, Innovator has earned its reputation on transparency and consistency.

EQUITY BUFFER ETFs	Seek to provide 9%, 15%, 20% or 30% buffers over 3-mo or 1-year outcome periods.
EQUITY ACCELERATED RETURN ETFs	2X or 3X the upside return of SPY or QQQ, to a cap, with approximately single exposure to the downside over 3-mo or 1-year outcome periods
BOND ETFs	Seeks to provide a 5% built-in floor or 9% buffer against loss of TLT over 3-mo or 1-year outcome periods.
EQUITY STACKER ETFs	Seek to offer a "stacked" exposure to the upside with a single exposure to the downside on SPY, QQQ and/or IWM over 1-year outcome periods

The Potential Value-Add of Defined Outcomes:

- Known potential outcomes prior to investing
- Built-in buffers that provide a known level of mitigation against market losses
- Built-in acceleration to the market's upside, without added downside risk, offering known levels of potential structural alpha

The introduction of these payoffs into an ETF wrapper deliver a number of compelling benefits specific to the institutional community.

TAX-EFFICIENCY

- Deferred capital gains until sold, due to tax-efficiency of ETF structure
- Trading individual options outside of ETF structure may force investors to recognize and pay taxes on capital gains
- Recognition of gains is determined by the shareholder, not the structure:

TAXES CAN BE MORE DETRIMENTAL THAN FEES

Many investors tend to prioritize low fees when selecting funds, but overlooking the potential effects of taxes can be more detrimental to portfolio returns than fees.

U.S. Large Cap mutual funds Average annual costs, 2011-2020		**What does this mean for you?** Annual cost of $100K investment
0.89% Annual fund expense ratio	▶	**$890** Expense ratio cost
1.79% Annual fund tax cost	▶	**$1,790** Tax cost

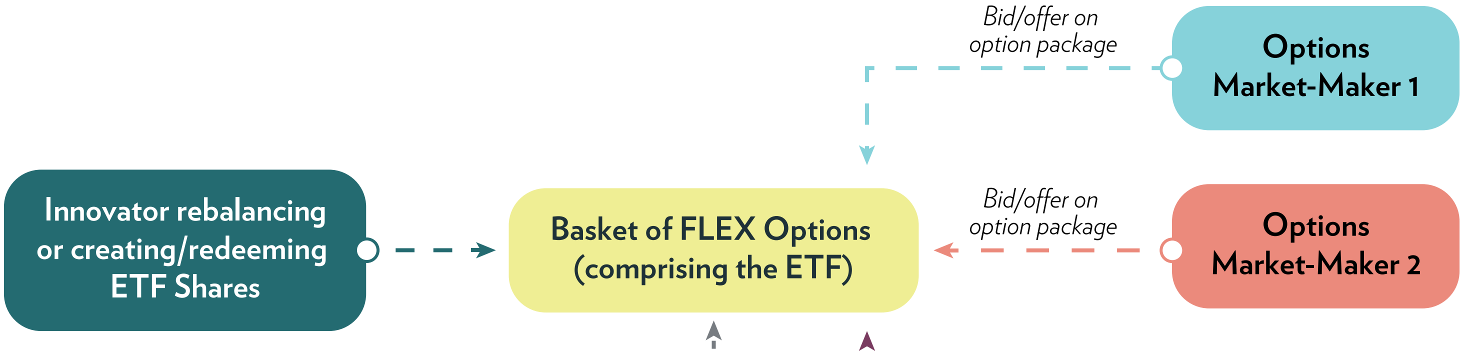
"Tax cost" is a measure of the impact of taxes on capital gains and income distributions on performance.
Source: iShares

EASE OF IMPLEMENTATION

- ETF is exchange traded and professionally managed
- Access payoffs in a single ETF vs. purchasing and managing a portfolio of options
- No minimums or round lot issues with ETF vs. individual options
- Single outsized ETF block trade can be allocated across numerous client accounts

COST

- ETF expense vs. cost of internally managing portfolio of options
- Pay single spread on ETF trade vs. spread on individual FLEX® Option leg trades
- Trading options outside of the ETF creates a tax liability for investors
- Economies of scale and option liquidity-provider relationships enable the ETF to trade options as a basket vs. individual legs and places liquidity providers into competition to obtain the best price.



Innovator's economies of scale + ability to trade the underlying options as a package enables superior execution through decreased costs/spread-crossing. An institution attempting to mimic a comparable Defined Outcome Strategy by purchasing each individual leg would experience excess costs/difficulty.

PRICE DISCOVERY

» Option + structured product strategies are a relatively opaque market even for the most sophisticated institutions.

» The ETFs allow institutions to see the prices of the underlying options which can be particularly valuable during periods of market volatility and provide transparency around potential asymmetric payoffs.

ETF LIQUIDITY

» Transparent and competitive secondary market for ETF shares with tight spreads & consistent execution.

» Robust community (12+) of world-class market-makers/ specialists actively quoting Innovator's ETF line-up daily.

» Execute outsized block trades with ease due to the ETF's deep liquidity of underlying options markets (e.g., SPY, QQQ, etc.)

» No lockups, surrender charges or single counterparty for liquidity.

PROFESSIONALLY MANAGED

» Milliman FRM, one of the world's leading financial risk management firms overseeing >$100B AUM, sub-advises Innovator's suite of Defined Outcome ETFs.

» ETF-industry pioneers Bruce Bond + John Southard (co-founders of PowerShares) along with a team of industry specialists have created a firm that is hyper-focused on this suite of ETFs. Unlike other providers, Defined Outcome ETFs are Innovator's primary focus.

NO CREDIT RISK

» Unlike insurance or bank products offering defined outcomes via their corporate balance sheets, the ETFs do not carry credit risk, as the underlying options are held by the ETFs and cleared by OCC.

COMMON INSTITUTIONAL USE-CASES FOR DEFINED OUTCOME ETFs:

1 – Liquidity Sleeve

Groups that utilize beta ETFs such as SPY or QQQ as liquidity sleeves can de-risk these exposures by incorporating the corresponding Buffer ETFs as alternatives. If an institution trades underlying options, the ETF can be used a liquidity buffer as it may be more efficient to manage cash flows via the ETF than the buying / selling a portfolio of options or less liquid structured notes. The ETFs' low share prices facilitate trades for smaller amounts of notional exposure than trading a basket of options.

2 – Equitize Cash

To avoid cash drag, an institution may utilize the Buffer ETFs to remain invested in the market with known downside buffers.

3 – Strategic Allocation

For institutions that don't heavily utilize or trade options, it may be more cost-effective to use the ETFs than to take on the management, trading and personnel costs of an options portfolio. Furthermore, the tax-efficiency of the ETF structure provides significant structural alpha relative to managing the positions internally.

4 – Tactical Allocation

For institutions looking to employ an options strategy to express a defensive, optimistic or neutral view on the market, Defined Outcome ETFs provide a solution without having to construct the options portfolios directly.

5 – Transition Management

While seeking to find a replacement for a manager or fill an outstanding mandate, Defined Outcome ETFs enable groups to remain invested, avoiding cash drag while providing known upside and downside parameters over a specific outcome period.

6 – Long/Short Hedge Fund Alternative

Many hedge funds seek to provide a portion of market upside while limiting downside losses by actively selecting long and short bets. Rather than introduce additional market and manager risk, institutions can add more certainty to their portfolios via Defined Outcome ETFs.

CONCLUSION

Innovator's Defined Outcome ETFs provide institutions a means to access unique payoffs in a cost-effective, efficient and transparent manner, never before available. Similar to the operational benefits that institutions have sought in equity and fixed income ETFs to provide, we believe institutions can harness these same benefits in Defined Outcome ETFs.

CONTACT:

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There is no guarantee the funds will achieve their investment objectives. The funds have characteristics unlike other traditional investment products and may not be suitable for all investors. Please see "investor suitability" in the prospectus. Shares purchased after the start of an outcome period may be subject to enhanced risks

The funds only seek to provide their investment objective, which is not guaranteed, over the course of an entire outcome period. Investors who purchase shares after or sell shares before the end of an outcome period will experience very different outcomes than the funds seek to provide.

The Funds are designed to provide point-to-point exposure to the price return of a reference asset via a basket of Flex Options. As a result, the ETFs are not expected to move directly in line with the reference asset during the interim period. Additionally, FLEX Options may be less liquid than standard options. In a less liquid market for the FLEX Options, the Fund may have difficulty closing out certain FLEX Options positions at desired times and prices.

Fund shareholders are subject to an upside return cap (the Cap) that represents the maximum percentage return an investor can achieve from an investment in the funds' for the Outcome Period, before fees and expenses. If the Outcome Period has begun and the Fund has increased in value to a level near to the Cap, an investor purchasing at that price has little or no ability to achieve gains but remains vulnerable to downside risks. Additionally, the Cap may rise or fall from one Outcome Period to the next. The Cap, and the Fund's position relative to it, should be considered before investing in the Fund. The Funds' website, www.innovatoretfs.com, provides important Fund information as well information relating to the potential outcomes of an investment in a Fund on a daily basis.

The Funds only seek to provide shareholders that hold shares for the entire Outcome Period with their respective buffer level against reference asset losses during the Outcome Period. Depending upon market conditions at the time of purchase, a shareholder that purchases shares after the Outcome Period has begun may also lose their entire investment. For instance, if the Outcome Period has begun and the Fund has decreased in value beyond the pre-determined buffer, an investor purchasing shares at that price may not benefit from the buffer. Similarly, if the Outcome Period has begun and the Fund has increased in value, an investor purchasing shares at that price may not benefit from the buffer until the Fund's value has decreased to its value at the commencement of the Outcome Period.

The Funds' investment objectives, risks, charges and expenses should be considered carefully before investing. The prospectus contains this and other important information, and it may be obtained at innovatoretfs.com. Read it carefully before investing.

Innovator ETFs are distributed by Foreside Fund Services, LLC.