

## Common Questions About Innovator Defined Outcome ETFs

### What is Innovator's track record as a pioneer in Defined Outcome ETFs?

Firm	Inception of first D.O. ETF
Innovator	8/8/2018
First Trust	11/7/2019
Allianz	6/1/2020
True Shares	7/1/2020
Pacer	12/23/2020

### What is Innovator's position regarding capital gains distributions from Defined Outcome ETFs?

### What is Innovator's philosophy regarding "hitting" their ETFs' upside caps?

Innovator filed for the first-ever Defined Outcome ETF in May 2017, marking the first time investors were able to access structured outcomes through an ETF vehicle. Since then, Innovator has launched more than 100 Defined Outcome ETFs<sup>™</sup> and gathered over \$15B in assets.

Innovator	
Date of First Defined Outcome ETF	August 8, 2018
Number of Defined Outcome ETFs	102
Average Expense Ratio	0.80%

Subadvisor: Milliman

Founded in 1998

\$156B AUM/AUA

There have been no capital gains distributions by any Innovator Defined Outcome ETF since October 17, 2019, when the SEC approved the rule which allowed for tax efficiency of options-based ETFs, and no distributions are anticipated in the future.

When Innovator brought the first Defined Outcome ETFs to market in 2018, the existing regulations did not permit options-based ETFs to make in-kind redemptions. As a result, these ETFs distributed capital gains in their first year (2018). In October 2019, the SEC approved a rule change that allowed for tax-efficient in-kind redemptions, catalyzed by the proactive efforts of Innovator and its partners.

Unlike other Defined Outcome ETF providers, Innovator does not withhold excess cash at the start of an outcome period to artificially inflate net performance.

1. ETF issuers always take their full expense ratio, unless there is a fee waiver in place.
2. To massage optics of "hitting caps", other Defined Outcome ETF providers may withhold cash at the start of an outcome period, and then inject this cash back at the end of the outcome period. This creates the appearance of "outperformance" relative to an ETF's net cap (gross starting cap less expense ratio). In reality, withholding excess cash creates a starting cap that is lower than could otherwise be had.
3. As of January 2024, 1bp of cash uninvested in the options package translates to 8bps of forgone upside cap. For example, holding 10bps of cash = 80bps lower upside cap:

<sup>1</sup>As of 12/31/2023.



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Cost of Ownership	Other D.O ETF Providers	Innovator
Expense Ratio	0.85%	0.79%
Forgone Upside Cap <sup>2</sup>	0.80%	0.00%
<b>Total Cost of Ownership</b>	<b>1.65%</b>	<b>0.79%</b>

80bps of foregone upside, with an 85bps expense ratio = 165bps total cost of ownership.

How does Innovator's practice of resetting Defined Outcome ETFs at month-end affect the caps?

The underlying option liquidity data shows that there is no significant advantage in choosing one reset schedule over another.

	Average SPY Options Open Interest (\$ Billions)	Average SPY Options Notional Traded <sup>3</sup> (Billions)	Average SPY Contracts Traded (millions)
<b>3<sup>rd</sup> Friday</b>	1,022	370	25
<b>Month-End</b>	916	346	23

Source: Bloomberg, L.P. Data from 9/30/2023 to 12/31/2023

2. Source: Milliman FRM, as of 12/31/2023. Assumes 2bps is the necessary cash holdback, and any additional cash contributes to foregone upside cap.

3. Average SPY Options Notional Traded is a simple estimation using closing SPY price, multiplied by 100 and the number of contracts traded. Certain contracts may be deep OTM and values may differ.

A basis point (bp) is one-hundredth of one percent.

**Investing involves risks.** Loss of principal is possible. The Funds face numerous market trading risks, including active markets risk, authorized participation concentration risk, buffered loss risk, cap change risk, capped upside return risk, correlation risk, liquidity risk, management risk, market maker risk, market risk, non-diversification risk, operation risk, options risk, trading issues risk, upside participation risk and valuation risk. For a detail list of fund risks see the prospectus.

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](http://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.

**Buffer ETFs™.** 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. You will bear all reference asset losses exceeding 9, 15,

or 30%. 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 have characteristics unlike many other traditional investment products and may not be suitable for all investors. For more information regarding whether an investment in the Fund is right for you, please see "Investor Suitability" in the prospectus.

*Investing involves risks. Loss of principal is possible. 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](http://innovatoretfs.com). Read it carefully before investing.*

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