ADVISOR IMPLEMENTATION IDEA

Create a “Step-up” Strategy for Clients

The ability to buy and sell Defined Outcome ETFs throughout the outcome period introduces some truly innovative applications. This includes the ability to lock-in gains on Defined Outcome ETFs at any point during the outcome period. Using the timing tool available on Innovator ETFs website, a financial advisor can evaluate the benefits and risks of moving from one ETF to another within the same series.

Stepping up into a new series allows an advisor to:
A. expand the upside cap
B. obtain a fresh downside buffer
C. eliminate downside before buffer risk

UP MARKETS

The chart below illustrates the starting buffer and cap levels of various series of Innovator Buffer ETFs. In rising markets, “stepping up” into a newer Buffer ETF may be a beneficial approach to locking in gains, expanding upside potential, and resetting the buffer level at the same time. This is possible because of the monthly issuance of Defined Outcome ETFs. The resetting of a buffer means a new full downside buffer can be achieved. This allows an investor to hedge against the next 9, 15, or 30% of losses.

The chart above highlights how an investor could use the January series, achieve an approximate +10% return, then roll into the April series. Doing so would expand the cap (7% from the original cap) as well as reset the buffer at a new, higher level. Moving from the April to the August series expands the cap by 0.1%, but since the April series has appreciated approximately +5%, this sets the new buffer at a 5% higher level. We believe this type of rotation, through the liquidity of the ETF, allows an investor to expand upside caps while resetting downside buffers at higher levels.

The ETF will typically lag its benchmark returns in the interim period. Selling in a upmarket will not produce a 1:1 return with the S&P 500 Index.

The funds seek to generate returns that match the returns of its benchmark Index, up to the Cap on potential upside returns, while limiting downside losses, over the course of a 1-year period. There is no guarantee the fund will achieve its investment objective. 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.
Stepping up, or rotating into a different Defined Outcome ETF, may generate tax implications such as short-term capital gains and should be considered in your investment decision making process. 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 detailed list of fund risks see the prospectus.

FLEX Options Risk. The Fund will utilize FLEX Options issued and guaranteed for settlement by the Options Clearing Corporation (OCC). In the unlikely event that the OCC becomes insolvent or is otherwise unable to meet its settlement obligations, the Fund could suffer significant losses. 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.

These Funds are designed to provide point-to-point exposure to the price return of the Index via a basket of Flex Options. As a result, the ETFs are not expected to move directly in line with the Index during the interim period.

Investors purchasing shares after an outcome period has begun may experience very different results than funds’ investment objective. Initial outcome periods are approximately 1-year beginning on the Funds’ inception date. Following the initial outcome period, each subsequent outcome period will begin on the first day of the month the fund was inceptioned. After the conclusion of an outcome period, another will begin.

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

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