INNOVATOR
exchange-traded funds

2021 Case Study

Using Buffer ETFs to Reposition Your Defensive Allocation

PROBLEM

The potential negative impact of rising interest rates coupled with ultra-low yields has many investors looking for defensive alternatives. At the beginning of 2021, the yield on core bonds was 1.04% and interest rate risk was near an all-time high of 6.4 years, yet equities were at record highs with stretched valuations[1]. Rather than move a portion of their defensive allocation to unhedged equity exposure, some advisors chose to implement Buffer ETFs.

POTENTIAL SOLUTION

» *Innovator U.S. Equity Power Buffer ETF – January (PJAN)*

» *Innovator U.S. Equity Ultra Buffer ETF – January (UJAN)*

PJAN and UJAN are defensive strategies. They seek to track the return of the SPDR S&P 500 ETF Trust (SPY) up to a predetermined cap, while buffering investors against the first 15% or 30% (-5% to -35%) of losses over the outcome period. In this context, buffer means a protection from losses. The ETF can be held indefinitely, resetting at the end of each outcome period, approximately annually.Unlike bonds, they do not provide income and don't formally receive par at maturity.

Although Buffer ETFs carry equity risk, which has historically been greater than bond risk, importantly they do not carry bond interest rate risk that many investors are fearful of today. This type of balance between growth potential and known built-in buffers without direct interest rate risk may be considered as something of a hybrid between bond and equity risk.

The Funds will not receive or benefit from any dividend payments made by the Underlying ETF. The Funds are not an appropriate investment for income-seeking investors.

RESULTS

Over the course of 2021, equities have continued to extend gains, soaring more than 15% while core bonds have lost nearly 2% as interest rates have risen. Investors in PJAN and UJAN have seen their investments appreciate 8.87% and 5.91% with volatility levels closer to those of core bonds and corporates than to the volatility of equities.

YTD through 12.31.2021	PJAN	UJAN	Core Bonds[1]	Corporates[1]	High Yield[1]	U.S. Treasuries[1]	S&P 500
NAV Return	8.87%	5.91%	-1.63%	-1.49%	4.48%	-3.13%	28.68%
Volatility[2]	4.80%	3.75%	3.50%	5.85%	2.39%	5.13%	13.09%
Max Drawdown[3]	-2.25%	-1.35%	-3.88%	-6.44%	-2.20%	-5.83%	-5.12%

Source: Bloomberg L.P. as of 12.31.2021

Performance quoted represents past performance, which is no guarantee of future results. Investment returns and principal value will fluctuate, so you may have a gain or loss when shares are sold. Current performance may be higher or lower than that quoted. Visit innovatoretfs.com for current month-end performance.

[1]Core bonds represented by the ICE BofA US Corp, Govt & Mtg Index, Corporates by the iBoxx USD Liquid Investment Grade Index, High Yield by the iBoxx USD Liquid High Yield Index, and U.S. Treasuries by the ICE U.S. Treasury 7-10 Year Bond Index.

[2]Volatility: A statistical measure of the dispersion of returns for a given security or market index.

[3]Max drawdown: The maximum observed loss from a peak to a trough of a portfolio, before a new peak is attained.

The referenced indices are shown for general market comparisons. Investors cannot directly invest in an index and unmanaged index returns do not reflect any fees, expenses or sales charges. Each of these indices represent asset classes that have their own set of characteristics and risks that may differ from actual investments and investors should consider these risks carefully prior to making any investment decisions.

Comparisons to indexes have limitations. Particularly, index results do not represent actual trading or any material economic and market factors that might have had an impact on an adviser's decision making. The data shown does not reflect or compare features of an actual investment, such as its objectives, costs and expenses, liquidity, safety, guarantees or insurance, fluctuation of principal or return, or tax features.

LOOKING AHEAD

Equities may be susceptible to a sell-off given their extended move higher; nevertheless, many continue to favor equities over bonds. Despite the drop in bonds in 2021, core bond yields are still only at 1.7% with an even higher interest rate risk of 6.7 years. This means in the short-term a 1% rise in interest rates would equal a 6.7% drop in bond prices. As investors continue to evaluate the risk that rising yields pose to their portfolios, we believe Innovator Buffer ETFs, like PJAN and UJAN, can serve as a core allocation to the defensive portion of investor portfolios.

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 Funds is right for you, please see "Investor Suitability" in the prospectus.

The outcomes that the Funds seek to provide may only be realized if you are holding shares on the first day of the Outcome Period and continue to hold them on the last day of the Outcome Period, approximately one year. There is no guarantee that the Outcomes for an Outcome Period will be realized or that the Fund will achieve its investment objective.

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	YTD	1 Year	3 Year	5 Year	Since Inception
PJAN NAV	8.87%	8.87%	-	-	9.86%
PJAN Closing Price	8.80%	8.80%	-	-	9.88%
UJAN NAV	5.91%	5.91%	-	-	7.97%
UJAN Closing Price	5.79%	5.79%	-	-	7.99%

Data as of 12/31/2021. PJAN and UJAN incepted on 12/31/2018. PJAN and UJAN's expense ratio is 0.79%, Closing price returns are based on the bid/ask spread at 4 p.m. ET. and do not represent the returns an investor would receive if shares were traded at other times. Performance quoted represents past performance, which is no guarantee of future results. Investment returns and principal value will fluctuate, so you may have a gain or loss when shares are sold. Current performance may be higher or lower than that quoted. For performance date current to the most recent month end please visit www.innovatoretfs.com. Short-term performance may often reflect conditions that are likely not sustainable, and thus such performance may not be repeated in the future.

An Important Note About Buffers and Bonds

Buffer ETFs use FLEX options to gain equity exposure. Buffer ETFs carry equity risk, which has historically been greater than bond risk. In order to produce a positive return, Buffer ETFs need equities to rise. If the equities fall more than the predetermined buffer, investors risk a loss. Unlike bonds, Buffer ETFs cannot rise when equities fall.

Unlike equities, bonds pay coupons and their returns are not directly tied to the equity market. The price of a bond does not need to increase for an investor to profit. In addition, the price of bonds is affected by supply and demand. As a result, bond prices have historically risen when equities have fallen as investors seek safety outside of equities. Bonds have maturity dates at which point principal must be repaid or a default occurs. Bonds are higher in the capital structure than equities and therefore carry significantly lower risk of loss.

In addition, Buffer ETFs do not provide income which is the typical investment objective of bond funds. The underlying options provide exposure to the price return of the respective reference asset and therefore investors do not receive dividends or investment income through an investment in a Buffer ETF.

1. iBoxx USD Liquid Investment Grade Index: Tracks the performance of US dollar denominated investment grade debt publicly issued in the US domestic market. corporate bond market.

2. ICE BofA US Corp., Govt & Mortgage Index*:* Tracks the performance of US dollar- denominated investment grade debt publicly issued in the US domestic market, including US Treasuries, quasi-gov, corporates, covered bonds and residential mortgage pass-throughs.

3. iBoxx USD Liquid High Yield Index: Tracks the performance of US dollar denominated, sub-investment grade, corporate bond index.

4. ICE U.S. Treasury 7-10 Year Bond Index: Tracks the performance of US dollar denominated sovereign debt publicly issued by the US government in its domestic market.

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.

FLEX Options Risk. The Funds will utilize FLEX Options issued and guaranteed for settlement by the OCC (Options Clearing Corporation) . 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.

The Funds 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 the buffer. 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.

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 as information relating to the potential outcomes of an investment in a Fund on a daily basis.

The Fund's investment objectives, risks, charges and expenses must be considered carefully before investing. The prospectus contains this and other important information, and may be obtained by calling 800.208.5212 or visiting innovatoretfs.com. Read it carefully before investing.

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