



2H2023 Outlook & Investment Playbook

OUTLOOK

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Our outlook for the second half of 2023 remains largely consistent with what we highlighted at the beginning of the year. We continue to believe the following:

- 1 | The market is underestimating the likelihood and impact of the Fed keeping interest rates higher for longer.
- 2 | Given the strength of the consumer, fear of recession in 2023 may be premature.
- 3 | Growth will continue to slow, weighing on earnings.

Overall, we continue to advocate for being risk aware and taking a diversified approach to growth, income, and risk management.



INNOVATOR[®]
exchange-traded funds



HIGHER FOR LONGER

In our 2023 Outlook, we outlined our expectations for the Fed and the path of interest rates in 2023. Our view was that the Fed would take interest rates up to 5.25%, hold them there for the remainder of the year, and that the 10-year treasury would remain range bound, fluctuating between 3.5%-4.25%. This view was rooted in the premises that inflation would continue to gradually subside, and that rate cuts would come later than the market was and is still forecasting.

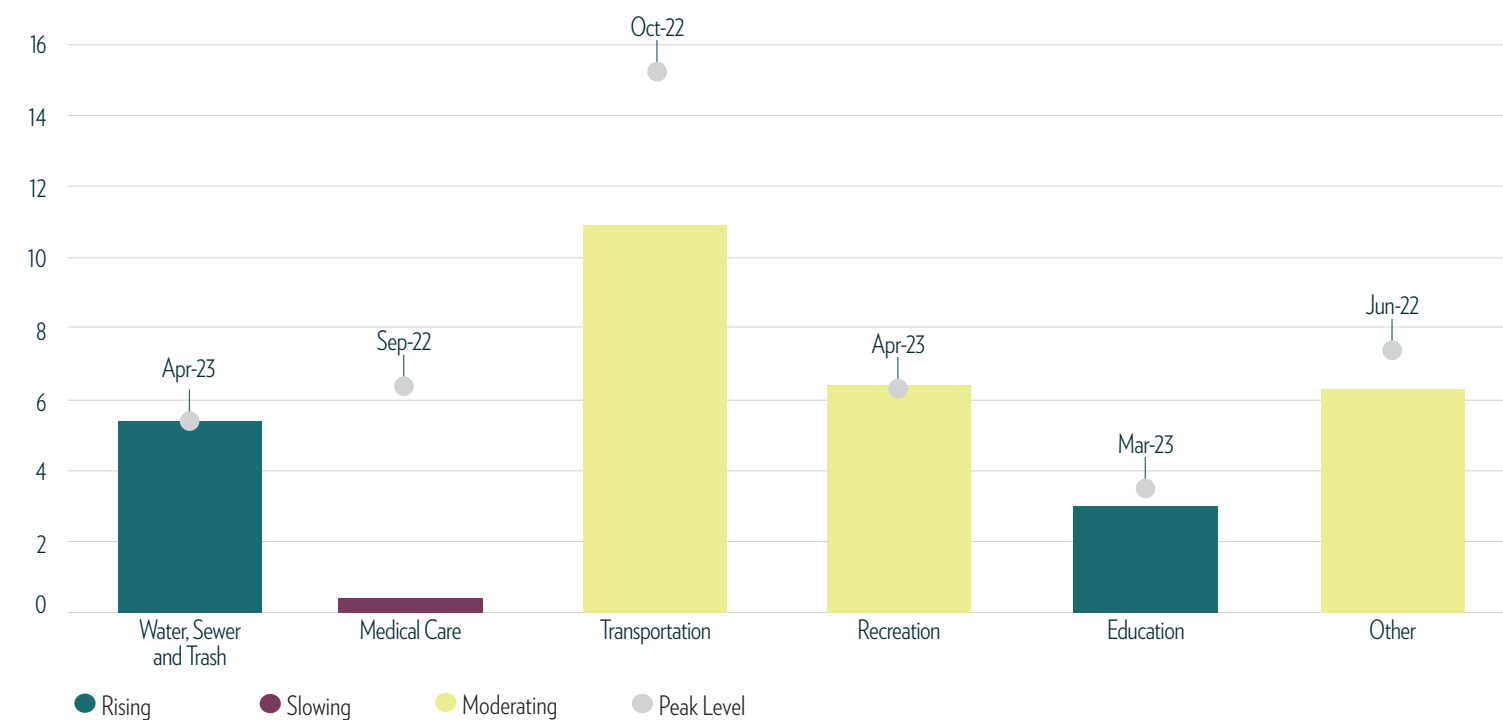
Our view has not changed and we believe investors need to learn how to invest in a world where interest rates are structurally higher for longer. We see two main drivers.

First: core inflation is moving in the right direction, but it continues to do so at a very slow rate. It has become clear that inflation is firmly ingrained in specific pockets of the economy, particularly within services, and will take time to unwind.

Second: the risks of the Fed cutting rates too early far outweigh the risks of a near term recession. As shown in the chart to the right, there were multiple instances in the '70's and '80's (**purple circles**), where the Fed cut rates prematurely, financial conditions eased, and inflation surged.

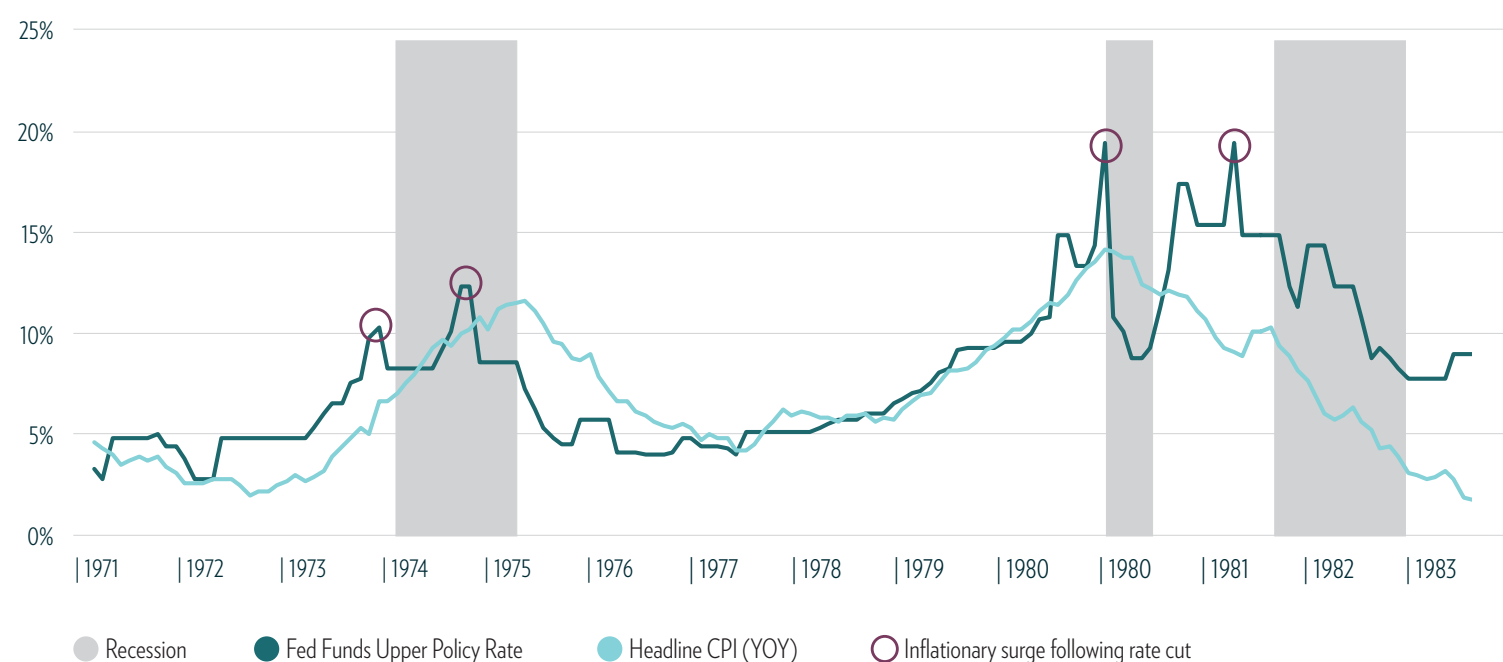
As Chair Powell continues to highlight in his press conferences, the economy doesn't work for anyone unless prices are stable. The Fed is unlikely to make this mistake again and this likely means no cuts in 2023, and rates remaining higher for longer than the market is projecting.

NON-HOUSING SERVICES INFLATION (YOY %)



Source: Bloomberg L.P. Inflation components as of 4/30/2023. Peak level dates indicated by gray circles in the graph.

TIGHTENING CYCLES AND INFLATION



Source: Bloomberg L.P. CPI = Consumer price index. Monthly data from 1/31/1971 - 3/31/1983.



PORTFOLIO STRATEGIES

All else equal, higher rates are likely to result in slower growth and lower equity returns. Until rates move lower, equities are unlikely to get a boost from an expansion of earnings multiples. As such, we find value in strategies that can help boost upside returns, without taking on additional risk.

10-year U.S. Treasury Range (%)		Forward P/E Ratio (Median)
0	2	18.4
2	3	16.9
3	4	16.1
4	5	16.9
Above	5	21.0

Source: Bloomberg L.P. Monthly data from 1/31/1991 – 5/31/2023

XDSQ

XDSQ seeks 2X upside exposure on SPDR S&P 500 ETF Trust (SPY), up to a cap of 8.12%, over the 3-month outcome period. The strategy participates 1:1 on the downside and does not employ leverage.

XDQQ

XDQQ seeks 2X upside exposure on the Invesco QQQ Trust (QQQ), up to a cap of 10.1%, over the 3-month outcome period. The strategy participates 1:1 on the downside and does not employ leverage.

FEATURED ETFs

Innovator U.S. Equity Accelerated ETF – Quarterly (XDSQ)
Innovator Growth Accelerated ETF – Quarterly (XDQQ)

Over the last 12 months, as markets have moved largely sideways, XDSQ has returned 10.33%, XDQQ returned 3.57%, while the S&P 500 Price Return Index has increased 1.15%:

	XDSQ	XDQQ	S&P 500
Total Return	10.33%	3.57%	1.15%
Volatility	17.36%	22.47%	21.60%
Return / Risk	0.60	0.16	0.05

Source: Bloomberg, L.P. Data from 5/31/2022 - 5/31/2023. XDQQ and XDSQ inceptioned on 3/31/2021, 0.79% expense ratio. 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 innovatoretf.com/performance for current month-end performance. One cannot invest directly in an index.

The outcomes that a Defined Outcome Fund seeks 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 quarter. There is no guarantee that the Outcomes for an Outcome Period will be realized or that the Fund will achieve its investment objective.

Defined Outcome ETFs 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.

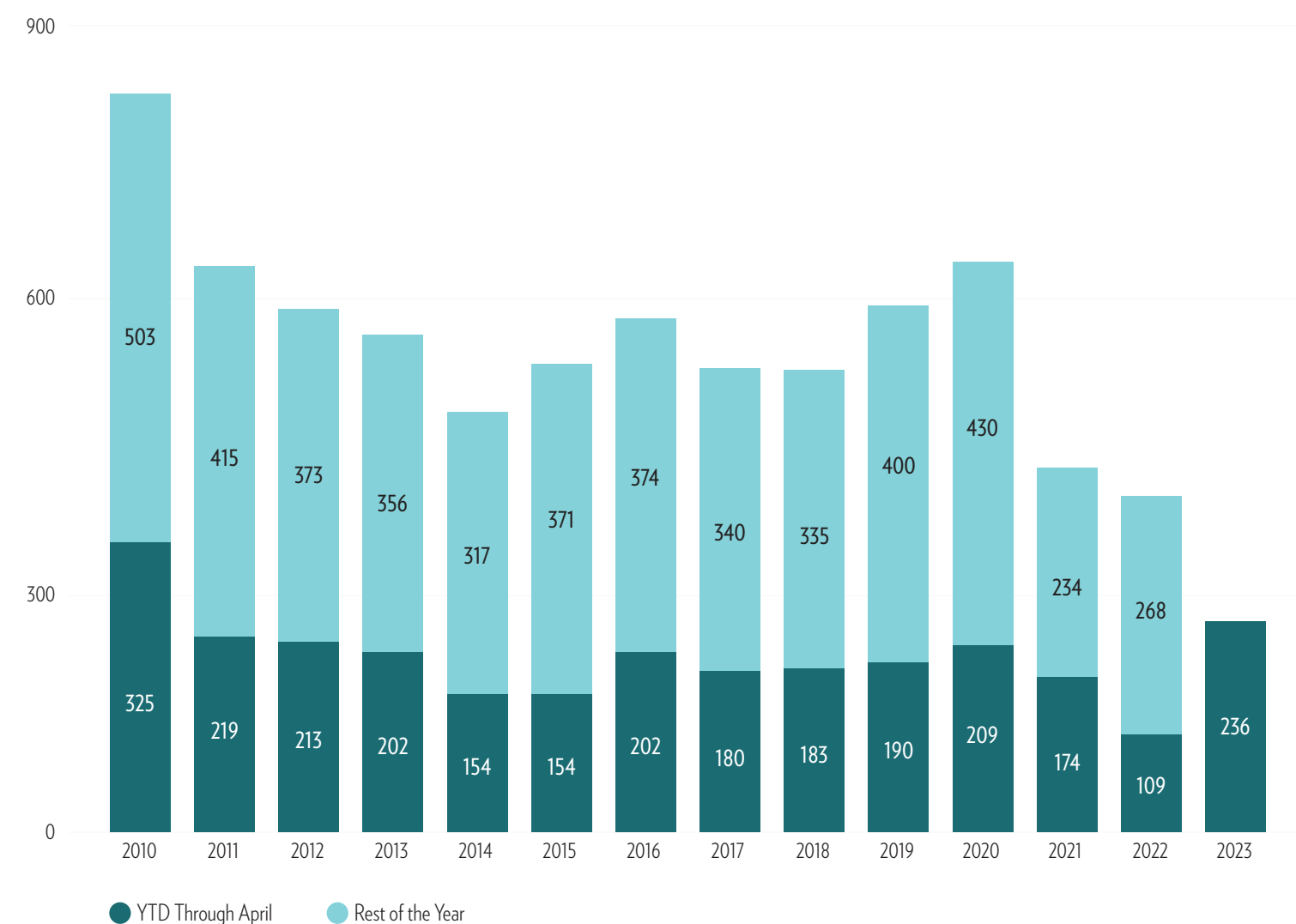


ELEVATED RISK BUT **NO RECESSION** UNTIL 2024

We continue to believe a recession is likely, but that it won't arrive until next year. Our 2023 outlook indicated an elevated probability of a recession late in the year as we expected restrictive monetary policy to weigh on economic growth. In the near term, there are admittedly some segments of the economy that on their own give the appearance that a recession lurks around the corner. Layoffs from companies like Morgan Stanley, Meta, McDonald's, Deloitte, Disney, and others feel like regular news headlines.

Through the end of April, 236 U.S. corporations filed for bankruptcy, putting 2023 on pace for the largest year of bankruptcies since 2011. Three of the largest U.S. banks have failed. Despite the increased risks and negative headlines, however, we believe the strength of the consumer and labor market can push the recession debate out to 2024.

MOST U.S. CALENDAR YEAR BANKRUPTCIES THROUGH APRIL SINCE 2010



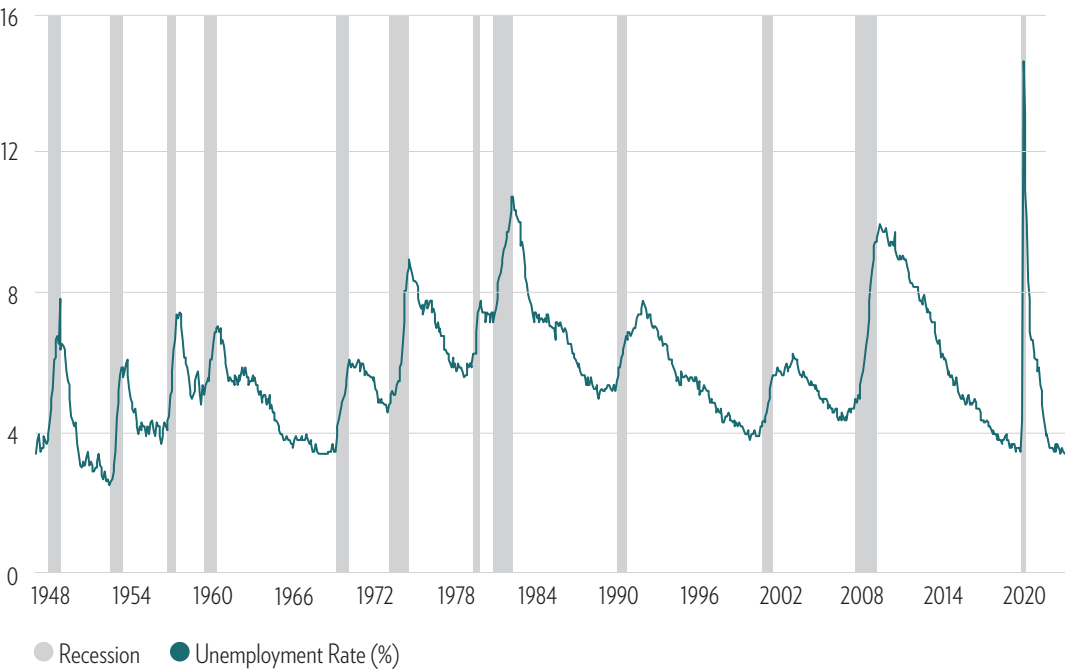
Source: S&P Global, Innovator Research & Investment Strategy. Data as of 4/30/2023.



Since the release of our outlook, the Fed raised rates four more times to 5.25%. Over that period, initial jobless claims and continuing claims have trended higher, indicating a softening in the labor market. Despite these developments, the unemployment rate sits at a historic low of 3.4%, a rate not seen since 1969. Looking at recessions historically, more than 70% have begun when the unemployment rate exceeded 4%. Overall, we believe the long and variable lags of monetary policy will require more time to drive unemployment higher and the US into a recession.

Another reason we believe a recession is more likely in 2024 than 2023 is the health of the consumer. Higher wages and excess savings accumulated during the pandemic have enabled the consumer to cover the elevated costs of goods and services and we believe this will continue to hold true in the near term. In addition to higher wages and greater savings, households' ability to service their debt should comfort investors worried about a 2023 recession. The ratio of credit card balances to limit fell well below the post-2000 mean after Covid-19 and shows little signs of acceleration.

RECESSIONS TYPICALLY START AFTER UNEMPLOYMENT EXCEEDS 4%



Source: Bloomberg, NBER, Innovator Research & Investment Strategy. Monthly data from 1/31/1948 - 4/30/2023.

As for the stock market, this could mean that equities continue to tick higher in the short term. Looking at the S&P 500 Index throughout the last 10 recessions, returns have been positive, on average, in the 3, 6, and 12 months, leading up to a recession, but have fallen in the 3-, 6-, and 12-months post-recession onset.

Recession Onset	12M Pre-Recession Onset	6M Pre-Recession Onset	3M Pre-Recession Onset
Aug-57	0.39%	9.14%	4.92%
Apr-60	2.93%	-0.95%	-6.66%
Dec-69	-11.00%	-7.96%	-1.62%
Nov-73	-1.50%	2.17%	1.63%
Jan-80	17.85%	8.78%	0.84%
Jul-81	18.57%	-2.45%	-3.77%
Jul-90	15.97%	1.26%	6.64%
Mar-01	-8.97%	-17.92%	-5.35%
Dec-07	9.02%	1.99%	4.11%
Feb-20	23.53%	17.40%	9.02%
Average	6.68%	1.14%	0.98%

Source: Bloomberg L.P. Data from 1/1/1957 - 5/31/2023. Past performance is not indicative of future results. You cannot invest directly in an index.

ELEVATED EARNINGS, COVID-19 SAVINGS ALLOW FOR GREATER SPENDING



Source: Bloomberg L.P. Data from 12/31/2016 - 4/30/2023





PORTFOLIO SOLUTIONS

With recession risks potentially further out than many think, we favor a posture of being risk aware rather than risk off. Many investors are moving to cash, which could be costly in the short term. We believe investors will do well to seek strategies with built-in risk management that can help cautiously maintain equity market exposure.

Innovator Equity Managed Floor ETF (SFLR)

Innovator U.S. Equity Power Buffer ETF – June (PJUN)

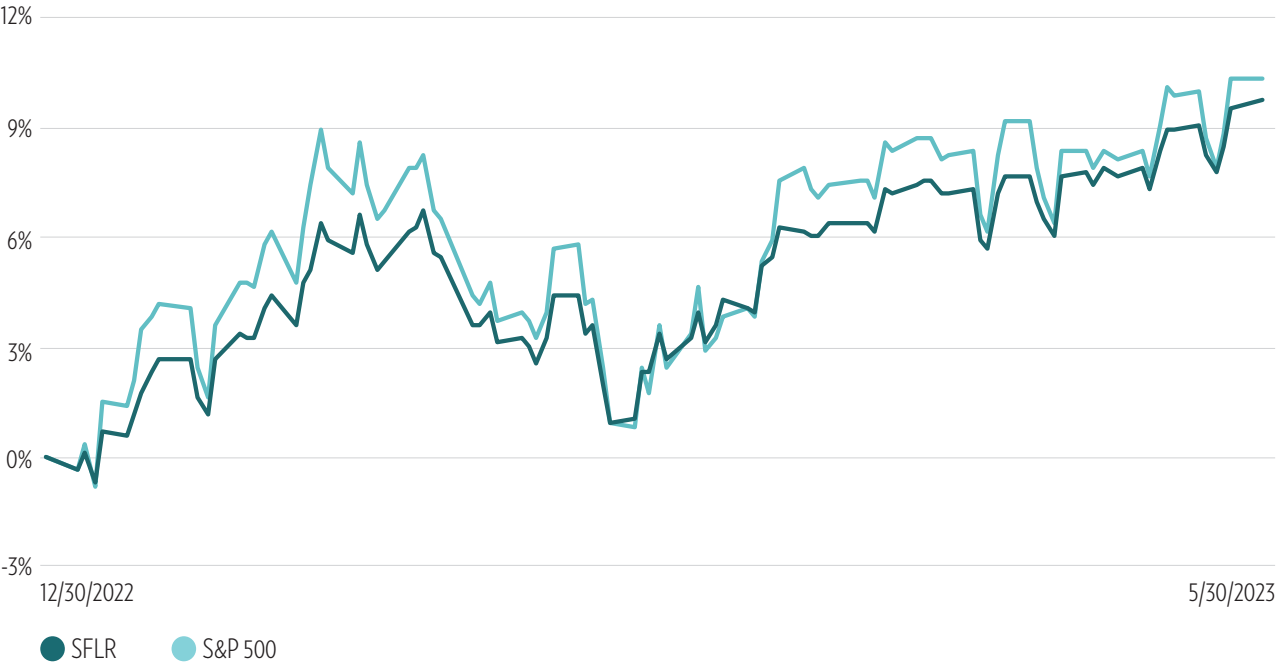
SFLR is subadvised by Parametric and seeks exposure to U.S. Equity upside while seeking to limit maximum losses to 10% on a rolling 1-year basis. It is the only equity ETF that targets a maximum loss level through a built-in floor.

To implement its strategy, SFLR:

- Owns a basket of equities providing dividend income
- Maintains a portfolio of rolling 12-month puts
- Leverages Parametric’s proprietary short-dated call selling strategy

For investors looking to achieve a defined outcome, **PJUN** seeks to offer investors upside to the SPY, to a 14.83% cap, while buffering investors against the first 15% of losses, over a one year outcome period ending May 31st, 2024.

YTD CUMULATIVE RETURNS



12/31/22 - 5/31/23

	SFLR	S&P 500
Return	9.60%	9.64%
Volatility	10.5%	15.1%
Max Drawdown	-5.4%	-7.5%

SFLR inception on 11/8/2022. 0.89% expense ratio. 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/performance for current month-end performance. One cannot invest directly in an index.

SFLR does not seek a defined outcome. There is no guarantee the Fund will be successful in providing the sought-after protection of the floor. The Fund’s option strategy may cause the Fund to forego a portion of any upside returns of the Equity Portfolio.



LIFE AFTER THE FED: DISINFLATION TO WEIGH ON EARNINGS

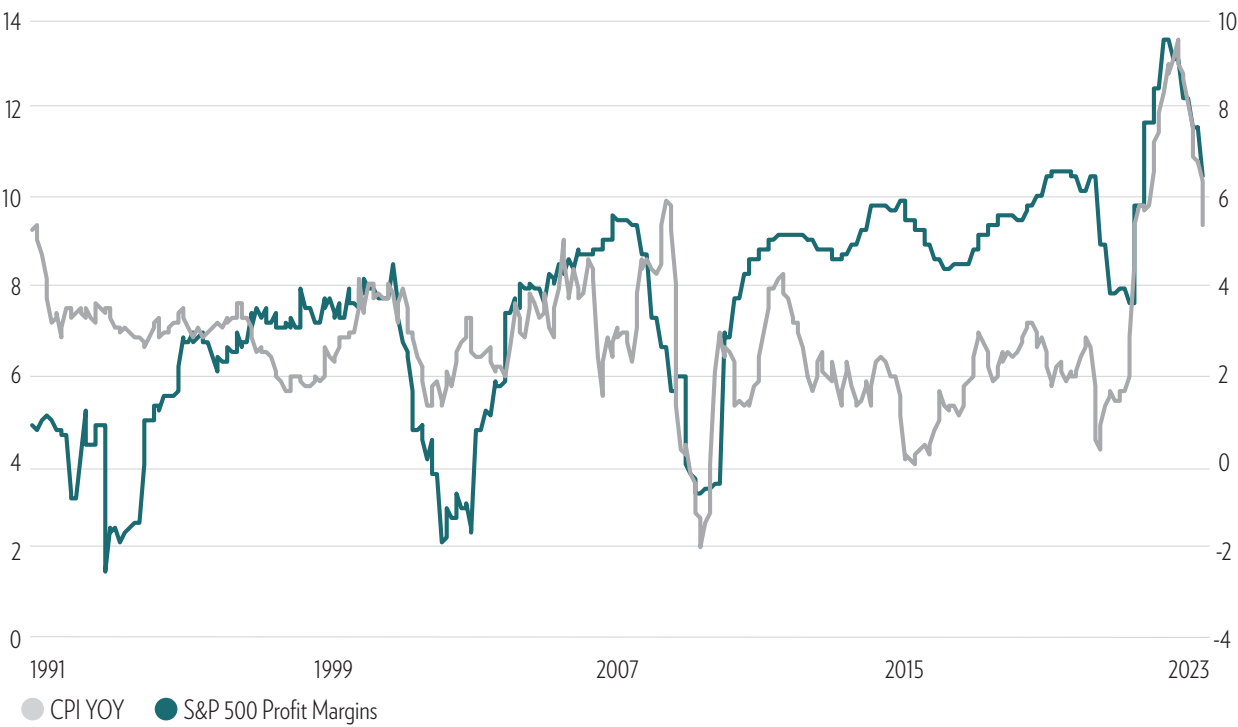
While we believe May’s 0.25% hike marked the end of the tightening cycle, we acknowledge the Fed may have to take rates further into restrictive territory, especially if upcoming data comes in strong. Regardless, we are entering a critical time in the cycle where the disinflation process (hopefully) continues across the U.S. economy, and the implications of falling inflation are assessed.

As has been the case historically, the disinflation process has weighed heavily on earnings. In addition to signaling stalling economic growth and slowing topline growth, it also suggests that margins will likely continue to face pressure.

As shown in the chart below, margins tend to move up with inflation, as they have this time around to an extreme, and they also move down with inflation, as they have since mid-2022. As the recent rate hikes continue to put downward pressure on inflation, margins are likely to continue falling from their record levels. Pairing this dynamic with slowing sales growth, we believe earnings estimates for later this year and into 2024 are too optimistic and need to come down.

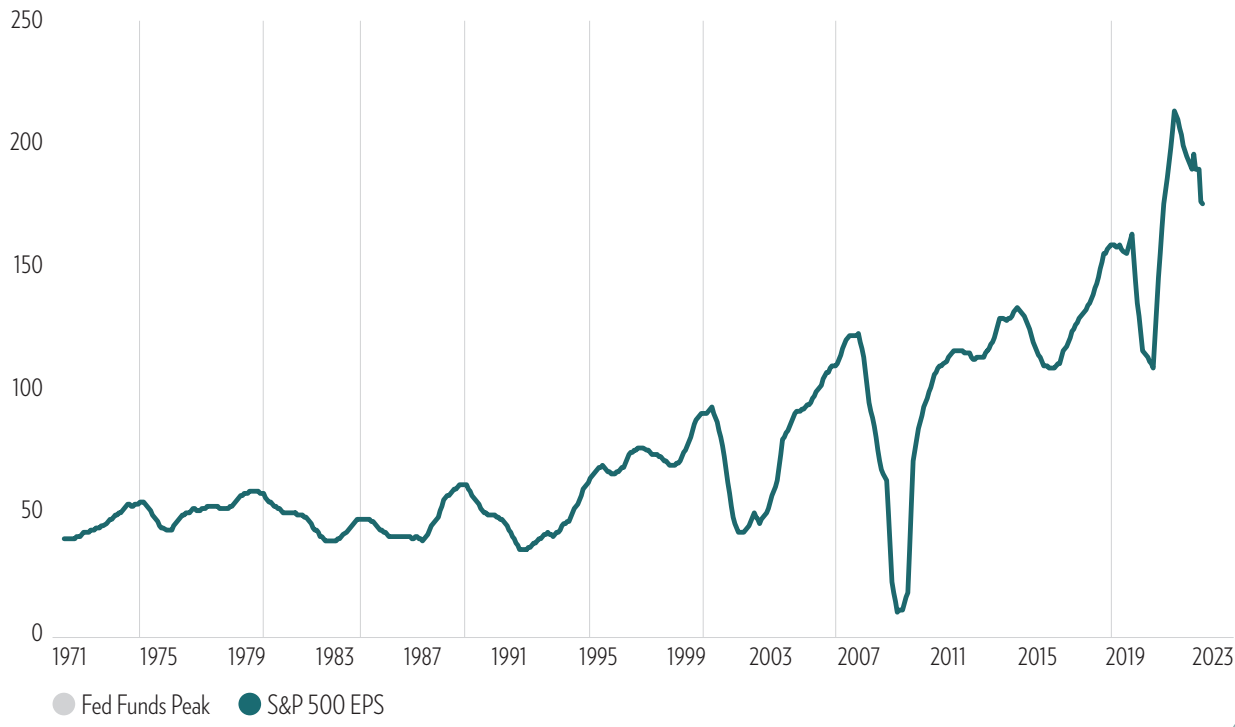
Additionally, earnings have historically seen a very consistent pattern after the last hike of a tightening cycle. As shown in the chart below, S&P 500 EPS have bottomed anywhere from 13 months to 38 months after the last Fed hike, and never before. The average drop in EPS from the cycle’s final hike to the trough in earnings has been 36%.

CORPORATE MARGINS: UP WITH INFLATION, DOWN WITH INFLATION



Source: Bloomberg, Innovator Research & Investment Strategy. Monthly data from 4/30/1991 – 4/30/2023.

EARNINGS TYPICALLY BOTTOM -2 YEARS AFTER THE LAST FED HIKE



Source: Bloomberg, S&P, Robert Shiller, Innovator Research and Investment Strategy. Monthly data from 1/31/1971 – 3/31/2023.



PORTFOLIO SOLUTIONS

Earnings headwinds may mean slow or negative growth in the short term. Additionally, risks of the Fed having to take rates further into restrictive territory should be managed. Seek strategies that can help accelerate returns with built-in risk management. Diversify income sources to hedge additional rate hikes.

Innovator U.S. Equity Accelerated 9 Buffer ETF™ – April (XBAP)

Innovator Premium Income 30 Barrier ETF – April (APRJ)

XBAP seeks 2X Upside Exposure on SPY, up to a 14.5% cap, with a 9% buffer against downside losses over the outcome period.

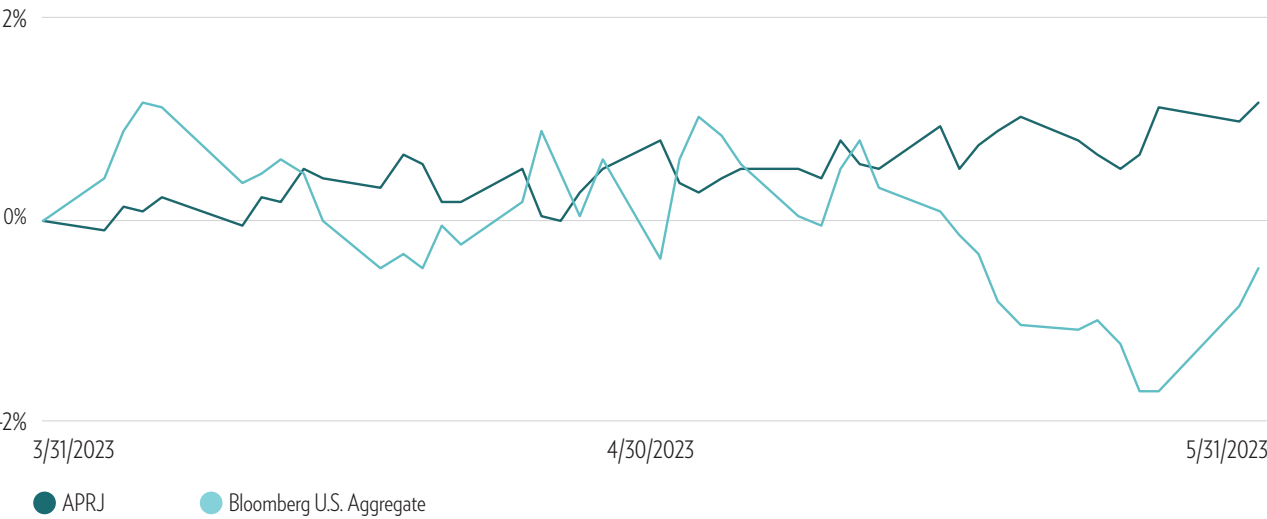
APRJ seeks a high level of income (starting distribution rate of 7.3%) with a built-in barrier against losses.

As an example of the potential value add of APRJ, since launching at the beginning of April, APRJ has posted a positive total return of 1.17%, while the Bloomberg US Aggregate Bond Index is down 0.5%.

3/31/23 - 5/31/23	APRJ	Bloomberg U.S. Aggregate
Return	1.17%	-0.5%
Volatility	3.9%	6.8%
Drawdown	-0.6%	-2.8%

APRJ inceptioned on 3/31/2023. 0.79% expense ratio. 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/performance for current month-end performance. One cannot invest directly in an index.

CUMULATIVE RETURNS



Source: Bloomberg, as of 5/31/23.



DISCLOSURES

STANDARDIZED PERFORMANCE

Ticker	Name	YTD	1YR	3YR	Inception	Inception Date
APRJ	APRJ NAV	–	–	–	–	3/31/23
APRJ	APRJ Closing Price	–	–	–	–	–
PJUN	PJUN NAV	3.57%	-4.20%	7.47%	5.22%	5/31/19
PJUN	PJUN Closing Price	3.52%	-4.37%	7.28%	5.21%	–
SFLR	SFLR NAV	6.41%	–	–	6.62%	11/8/22
SFLR	SFLR Closing Price	6.41%	–	–	6.58%	–
XBAP	XBAP NAV	7.76%	-1.13%	–	3.95%	3/31/21
XBAP	XBAP Closing Price	8.34%	-0.85%	–	4.08%	–
XDQQ	XDQQ NAV	12.06%	-18.30%	–	-5.49%	3/31/21
XDQQ	XDQQ Closing Price	12.28%	-18.21%	–	-5.48%	–
XDSQ	XDSQ NAV	10.36%	-2.93%	–	2.35%	3/31/21
XDSQ	XDSQ Closing Price	10.56%	-2.71%	–	2.40%	–

As of 3/31/2023. 0.79% expense ratio. Performance quoted represents past performance, which is no guarantee of future results.

The **forward P/E** estimates the relative value of the earnings. **Volatility** is a statistical measure of the dispersion of returns for a particular asset or index. **Max drawdown** is the maximum observed loss from a peak to a trough of a portfolio, before a new peak is attained. **Return/Risk** is the amount of return per unit of volatility.

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.

APRJ Information

Investment Objective: The Funds seeks to provide investors, over a 1 year outcome period, with an investment that provides a high level of income through a Defined Distribution Rate that is not subject to any losses experienced by the Price Return Index (U.S. Equity Index) that are at or below the 30% Barrier and is subject to initial losses experienced by the U.S. Equity Index beginning at the Barrier and to the full extent of U.S. Equity Index losses on a one-to-one basis beginning after the barrier threshold has been crossed.

The Barrier ETFs’ distribution rate is based upon a rate that is comprised of the income generated by the U.S. Treasuries and the premiums received from the Fund selling FLEX Options.

Over each Outcome Period, shareholders will also be subject to U.S. Equity Index losses that are based upon an investment “barrier,” which is an investment strategy whereby a payoff depends on whether an underlying asset has breached a predetermined performance level. The Funds seeks to provide a pre-determined barrier at 30% of U.S. Equity Index losses for each Outcome Period (the “Barrier”) by selling FLEX Options that reference the U.S. Equity Index for each Outcome Period (the “Barrier Options”). There is no guarantee that the Fund will be successful in its attempt to implement the Barrier.

Fund shareholders also will be subject to all losses experienced by the U.S. Equity Index if the U.S. Equity Index experiences losses that exceed the Barrier at the end of the Outcome Period. If at the end of the Outcome Period the U.S. Equity Index has experienced a positive price return, or price return losses that are less than the Barrier, the Fund is designed to provide returns that equal the Distribution Rate. However, if the U.S. Equity Index has decreased in value below the Barrier at the end of the Outcome Period, the Fund’s investments will generate Outcomes that equal the Distribution Rate less the entirety of the U.S. Equity Index’s losses over the course of the Outcome Period. The Fund will not benefit from any increases in the U.S. Equity Index over the course of an Outcome Period but is subject to the possibility of significant losses experienced by the U.S. Equity Index if the value of the U.S. Equity Index drops below the Barrier at the end of the Outcome Period. An investor could lose its entire investment. The Fund will not receive or benefit from any dividend payments made by the constituents of the U.S. Equity Index.

A shareholder may lose its entire investment. In the event an investor purchases Shares after the commencement of the Outcome Period or sells Shares prior to the expiration of the Outcome Period, the Barrier that the Fund seeks to provide may not be available. In addition, the operatiolality of the Barrier is such that the Fund may experience dramatic changes in value of its NAV at the end of the Outcome Period, even if the changes in the U.S. Equity Index are minimal. If the U.S. Equity Index’s value is at or near the Barrier at the end of the Outcome Period, small changes in the value of the U.S. Equity Index could result in dramatic changes in the value of the Barrier Options and therefore the Fund’s NAV. Investors should understand these risks before investing in the Fund.

The Outcomes may only be realized by investors who continuously hold Shares from the commencement of the Outcome Period until its conclusion. Investors who purchase Shares after the Outcome Period has begun or sell Shares prior to the Outcome Period’s conclusion may C0623_PLB_2H

experience investment returns very different from those that the Fund seeks to provide.

The Funds’ website, www.innovatoretf.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 uses its net assets (including the premiums received by selling Barrier Options) to purchase U.S. Treasuries that expire at the end of the Outcome Period. The U.S. Treasuries are entitled to an interest rate, which when added to the premiums received for selling Barrier Options, produce the Distribution Rate. The Distribution Rate is distributed to shareholders in Fund Distributions. The amount of the Fund Distributions is dependent, in part, upon the income received from the U.S. Treasuries, which is not guaranteed. If the U.S. Treasuries fail to pay income or pay less income than anticipated, the Distribution Rate will not be obtained, and a Fund Distribution will be less than anticipated.

Buffer & Accelerated ETFs Information

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.

These Funds are designed to provide point-to-point exposure to the price return of the 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.

Investors purchasing shares after an outcome period has begun may experience very different results than fund’s investment objective. Initial outcome periods are approximately 1-year beginning on the fund’s inception date. Following the initial outcome period, each subsequent outcome period will begin on the first day of the month the fund was incepted. 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 Fund’s website, www.innovatoretf.com, provides important Fund information as well information relating to the potential outcomes of an investment in a Fund on a daily basis.

If the Outcome Period has begun and the Fund has experienced an accelerated return, an investor purchasing Shares at that price may be subject to losses that exceed any losses of the Underlying ETF for the remainder of the Outcome Period and may have diminished or no ability to experience further accelerated return, therefore exposing the investor to greater downside risks.

Technology Sector Risk Companies in the technology sector are often smaller and can be characterized by relatively higher volatility in price performance when compared to other economic sectors. They can face intense competition which may have an adverse effect on profit margins.

SFLR Information

The Fund seeks to provide risk-managed investment exposure to the U.S. Large Capitalization Companies represented by the Solactive GBS United States 500 Index through its hedging strategy. There is no guarantee that the Fund will be successful in implementing its strategy to provide a hedge against overall market exposure. The fund seeks to achieve its investment objective by purchasing a series of four, one-year Flex Options packages with “laddered” expiration dates that are 3 months apart. The Fund will also systemically sell short-dated call option contracts, which have an expiration date of approximately two weeks, with an objective of generating incremental returns above and beyond the premium outlay of the protective put option contracts. The Fund does not provide principal protection or non-principal protection, and an investor may experience significant losses on its investment. In a market environment where the Solactive GBS United States 500 Index is generally appreciating, the Fund may underperform the Solactive GBS United States 500 Index and/or similarly situated funds.

The Sub-Adviser will seek to “ladder” the Fund’s option contracts by entering into new purchased put option contracts packages every three-months. After such put option contracts expire, the Fund will enter into new put option contracts with one-year expiration dates that are staggered every three months.

As a result of the Fund’s laddered investment approach, on an ongoing basis the Fund will experience investment floors that are expected to be greater or less than the 10% floor provided by an individual Options Portfolio.

The Fund seeks to provide capital appreciation while seeking to limit the amount of losses experienced by investors.

Because the Fund ladders its option contracts and the Fund’s put option contracts will have different terms (including expiration dates), different tranches of put option contracts may produce different returns, the effect of which may be to reduce the Fund’s sought-after protection. Therefore, at any given moment the Fund may not receive the benefit of the sought-after protection on losses that could be available from Options Portfolio with a single expiration date.

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. The values of FLEX Options do not increase or decrease at the same rate as the reference asset and may vary due to factors other than the price of reference asset.

Investing involves risk. Principal loss is possible. Innovator ETFs are distributed by Foreside Fund Services, LLC.

The Fund’s 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 innovatoretf.com. Read it carefully before investing.