High Conviction ETFs

Exemplifying the Value of ETF Investing & Why They Belong in Your Portfolio

Most of the largest and most common ETFs in the world are missing something; conviction. Rather than invest in top-ranked investments, they invest in all, or a large subset, of an investment universe.

We believe high-conviction ETFs are rare. They invest in only the most highly-ranked investments (i.e. top 1%) rather than a large subset (i.e. 50%) of an investment universe. We believe a high-conviction approach maximizes the benefits of the ETF structure, provide exposure not available in broad ETFs or mutual funds and provides pure and timely exposure to specific research or factor.

Benefits of High Conviction ETFs

- » Maximize structural benefits offered by ETFs
- » Add purity to tactical investing through concentration
- » Tax-efficient
- » Alternative to active management

Take the Innovator IBD® 50 ETF (FFTY) as an example. FFTY seeks to track the IBD® 50 Index, which is based on a fully rules-based stock list first calculated by Investor's Business Daily (IBD) in 2003. It rebalances each week, averages more than 1000% turnover on an annual basis, only selecting the top 50 growth stocks out of a universe of more than 8,000. It has never made a cap gains distribution, is fully transparent[1], liquid[2], and lower-cost than active management[3]. It provides exposure not available in some of the broadest and largest U.S. Growth or Momentum Indexes and ETFs.

ATTRIBUTE	INNOVATOR IBD® 50 ETF (FFTY)	TRADITIONAL ETFS	INVESTOR BENEFIT
Conviction	**High** – Only selects the top 50 growth stocks out of all U.S.-listed stocks (8,000+)	**Low** – Typically a broad index, or large subset of a broad index or universe	• Only selects the most highly-ranked investments (i.e. top 1%) versus a large subset (i.e. top 50%). • Low overlap to traditional ETFs and mutual funds • Clear & precise exposure to a factor/investment view
Turnover	**Very High** – Turnover averages 20% each week, more than 1,000% annually	**Low** – Typically turnover is minimal	• Adapt to evolving market more quickly • Turnover handled for you in tax-efficient ETF
Rebalance Frequency	**High** – Weekly	**Very Low** – Typically quarterly or annually	• Stay on top of quickly evolving markets • Timely exposure to a factor/investment view
Tax-Efficiency	**High** – Has never made a capital gains distribution	**High** – Most have never made a capital gains distribution	• Regardless of turnover or rebalance frequency ETF shareholder can potentially defer all capital gains until they sell their shares • More tax-efficient than active mutual funds

Innovator IBD® 50 ETF

The only ETF to track the IBD® 50

Why High Conviction ETFs Belong in your Portfolio

» **Simplify Your Investing** – High-turnover strategies can be time consuming, incur high trading costs and be less tax-efficient to manage on your own instead of using an ETF.

» **Replacement for Active** – An ETF like FFTY is likely more active and has higher turnover than active mutual funds yet is likely more cost-effective and tax-efficient.

» **Pure & Timely** – High-conviction ETFs provide exposure not available in traditional growth or momentum ETFs. FFTY may be a more compelling way to own the growth or momentum factor.

OVERLAP ANALYSIS	S&P 500 GROWTH INDEX	RUSSELL 1000 GROWTH INDEX	RUSSELL 2000 GROWTH INDEX
% weight overlap to FFTY	9%	9%	3%

As of Feb. 22nd, 2018. Subject to change.

ETFs have always provided exposures to targeted areas of the market. We expect the use of high-conviction ETFs to grow because they offer exposures not currently available in many mainstream indexes and ETFs.

To learn more about high-conviction investing including the IBD® 50 and IBD® ETF Leaders ETFs call us at 800.208.5212 or email us at info@innovatoretfs.com.

1. FFTY's holdings are disclosed daily at innovatoretfs.com/ffty.

2. FFTY is exchange traded and its shares can be bought or sold throughout the day.

3. Source: CFA Institute Research Foundation, 2015, https://www.cfainstitute.org/learning/foundation/research/Documents/exchange_traded_funds.pdf

Investing involves risks. Principal loss is possible. The Fund's return may not match the return of the Index. Along with general market risks, an ETF that concentrates its investments in the securities of a particular industry, market, sector, or geographic area may be more volatile than a fund that invests in a broader range of industries. Additionally, the Fund may invest in securities that have additional risks. Foreign companies can be more volatile, less liquid, and subject to the risk of currency fluctuations. This risk is greater for emerging markets. Small and mid-cap companies can have limited liquidity and greater volatility than large-cap companies. Also, ETFs face numerous market trading risks, including the potential lack of an active market for Fund shares, losses from trading in secondary markets, periods of high volatility and disruption in the creation/redemption process of the Fund. Unlike mutual funds, ETFs may trade at a premium or discount to their net asset value. ETFs are bought and sold at market price and not individually redeemed from the fund. Brokerage commissions will reduce returns. One cannot invest directly in an index. FFTY's model-driven weekly rebalances will result in a significant turnover ratio. A higher portfolio turnover will cause the Fund to incur additional transaction costs which may affect the Fund's performance.

The "IBD®" mark and logo have been licensed to the Adviser by Investor's Business Daily, Inc. (IBD) for use in connection with the Fund under certain circumstances. The Fund is not sponsored, endorsed or sold by IBD. IBD makes no representation regarding the advisability of investing in the Fund. Investor's Business Daily® and CAN SLIM® marks and associated logos are used with permission by IBD.

The Fund's 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.