

# FAQ: THE INNOVATOR DEFINED WEALTH SHIELD ETF (BALT)

## What is BALT?

The Innovator Defined Wealth Shield ETF (BALT) is designed to be a defensive investment that seeks to offer a built-in buffer against downside losses while providing upside return potential to a cap, over each quarterly outcome period.

BALT is not a bond and does not produce income; accordingly, it does not carry interest rate or credit risk associated with bond. It does, however, seek to provide a 20% buffer against losses every quarter.

## How does BALT work?

BALT holds a customized basket of FLEXible Exchange® options (FLEX options) with the same expiration date (approximately three months), but with varying strike prices.<sup>1</sup> In combination, these options give BALT a defined buffer level and upside growth potential to a cap, over an outcome period. BALT is designed to roll into a new basket of FLEX options at the end of each quarterly outcome period.

## How are BALT's buffer and cap determined?

On Innovator's original series of Buffer ETFs, the buffers are reset to the same levels (9%, 15% or 30%) at the start of each outcome period and the caps are always a function of those starting buffers. BALT is designed to function in much the same way; BALT's three-month buffer against losses is targeted to be 20%. For its first two quarters, BALT had caps of 0.70% and 1.00%.

## Is BALT actively managed?

BALT is registered as an actively managed fund, but it is designed offer exposure to the upside price return of the SPDR S&P 500 ETF. BALT's investment objective is pursued through a rules-based process.

## Does BALT have a maturity date?

No. Upon the conclusion of the outcome period, BALT will roll into a new portfolio of FLEX options with the same reference asset (SPY) and term (three months), and a new upside cap and buffer will be determined.

## Can an investor buy and hold BALT?

Yes. BALT's underlying options have an expiration date, but BALT does not have a maturity or expiration date that would prevent investors' from buying and holding BALT indefinitely.

## Who is BALT for?

BALT may appeal to investors who are looking for an investment with defensive profile that is similar to that of bonds, but that offers upside potential that is higher than current bond yields.<sup>2</sup>

## Could BALT be a potential equity or bond alternative?

BALT is an equity-based investment, but it may produce a risk profile more in line with that of bonds, resulting from its 20% quarterly buffer. Additionally, it offers annual upside potential that exceeds the yields of many segments of the bond market.<sup>2</sup>

In pursuit of higher yields, many investors have taken on more risk, either by going further out on the yield curve or further down the credit spectrum.<sup>1</sup> In recent years, however, even the longer-dated and lower-quality segments of the bond market have failed to offer yields comparable to those offered by their shorter-dated, higher-quality counterparts prior to the 2008 financial crisis.

## Why would investors be wary of bonds?

Bond investors have never been paid so little to risk so much. In September 2021, the Bloomberg US Aggregate Bond Index carries 61% more duration than it did in September 1981, while offering 91% less yield. With bond yields and credit spreads near all-time lows and interest rate risk near all-time highs, investors may be looking for new ways to construct their defensive portfolio allocations.<sup>1</sup>

	Short-term Bonds	Treasuries	Core Bonds	Corporates	High Yield
<b>DURATION</b> (years)	1.9	8.1	6.9	8.3	5.2
<b>YIELD-TO MATURITY<sup>1</sup></b>	0.45%	1.45%	1.52%	2.20%	4.68%
<b>REAL YIELD<sup>1</sup></b>	-4.95%	-3.95%	-3.88%	-3.20%	-0.72%

Source: Bloomberg, as of 9/30/21. Real Yield assume the 5.4% inflation rate as of 9/30/21. See below for indexes used to represent each market segment.<sup>3</sup>

<sup>1</sup>See Page 2 for Definitions

**Past performance does not guarantee future results. The indices shown are for informational purposes only. 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.**

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.

The fund does not provide investment income and loss of principal is possible.



## How should investors think about BALT's liquidity?

In addition to being exchange-traded, BALT holds exchange-traded options on one of the most liquid securities in the world (SPY).

## Will BALT pay any dividends?

No. Like Innovator's other Defined Outcome ETFs, BALT uses the dividend to finance the options positions.

## Is BALT's quarterly rebalance a taxable event?

No. BALT is able to use the creation/redemption process to remove holdings with gains and keep holdings with losses. This enables BALT to reduce the likelihood of incurring a capital gain and of making a capital gain distribution, ultimately giving investors control to decide when to incur a capital gain.

1. The strike price is the price at which the option purchaser may buy or sell the reference asset at the expiration date.
2. Source: Bloomberg, as of 9/30/2021. Based on the 1.72% yield to maturity of the Bloomberg Aggregate U.S. Bond Index. Also based on BALT's minimum quarterly cap of 0.60% (approximately 2.40% annualized).
3. Bond market segments are represented by the following ICE BofA Indexes: **Short-term bonds:** the 1-3 Year US Broad Market Index is a measure of the broad market for 1-3 year investment grade bonds. **Treasuries:** the U.S. Treasury 7-10 Year Bond Index is a measure of the market for U.S. Treasury bonds with 7-10 years remaining to maturity. **Core Bonds:** The US Broad Market Index is a measure of the broad market for investment grade corporate bonds. **Corporates:** the US Corporate Index is a measure of the broad market for U.S. investment grade corporate bonds. **High Yield:** the US High Yield Index is a measure of the broad market for speculative grade corporate bonds.

### Definitions

The **yield curve** is a chart that plots bond yields against bond maturities.

**Credit spreads** are a measure of credit risk and refer to a bond's yield in excess of the yield of a Treasury bond with a similar maturity date.

**Yield to maturity** is the total return a bond is expected to generate if held to its maturity date.

**Real yield** is a bond's yield to maturity minus the rate of inflation.

**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 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.

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**

## Does BALT have duration risk?

BALT is not a fixed-income security and does not hold fixed-income securities and therefore does not have duration risk associated with an investment in bonds.

## What happens if I buy BALT after the first day of the outcome period?

Investors purchasing shares of BALT after the first day of its outcome period may receive a different payoff profile than those who entered BALT on day one. However, investors purchasing shares after the first day will still be able to know what their potential outcomes are, no matter when they invest during the 3-month period, based on the current ETF price and the length of time remaining before expiration.

Please visit [innovatoretfs.com/define](http://innovatoretfs.com/define) to learn more and view the defined outcome web tool, which provides investors with detailed information about each ETF's payoff profile (current share price in relation to its cap, buffer and outcome period).

**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.**

**The Funds only seek to provide shareholders that hold shares for the entire Outcome Period with their respective buffer level against losses of the SPY 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.**

*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](http://innovatoretfs.com). Read it carefully before investing.*

Innovator ETFs are distributed by Foreside Fund Services, LLC.

Copyright © 2021 Innovator Capital Management, LLC | 800.208.5212