

# What are Barrier ETFs™?

Innovator Barrier ETFs seek to provide a level of income and a barrier against losses, known to investors before they invest. The ETFs offer exposure to a reference asset, over 12 months, with a defined level of income and a downside barrier.

## What is a Barrier?

Barrier refers to a payoff profile which depends upon whether the underlying index breaches a predetermined performance level. For example, a 20% Barrier seeks to prevent investor losses up to the 20% level. If the 20% level is breached at the conclusion of the outcome period, the NAV of the ETF is designed to match the performance of the reference asset, and the fund will still seek to provide income equal to its stated Defined Distribution Rate.

## How do the Barrier ETFs™ generate income?

Each Innovator Barrier ETF holds a customized basket of FLEXible EXchange® options (FLEX options) with varying strike prices (the price at which the option purchaser may buy or sell the security at the expiration date), and the same expiration of approximately one year. The fund also holds U.S. Treasuries with maturities up to one year. This contributes to each ETF's defined level of income.

## When are the income payments made?

On the first day of the outcome period, the Defined Distribution Rate is set. The Defined Distribution Rate is paid quarterly and in equal amounts. The pay dates correspond with the start of calendar quarters.

## How do the distributions work?

Distributions follow a schedule that includes an ex-date, record date and payment date.

The ex-date is a cutoff date when new owners of the ETF are no longer entitled to the upcoming income distribution. At market open on the ex-date, the NAV of the ETF will drop by the amount of the upcoming distribution. The ex-date is the second to last trading day of each quarter.

The record date is the last trading day of the quarter. Owners of the ETF on the record date will receive a payment on the payment date. The payment date is the first trading day of the next quarter. For example, the schedule for the first distribution from the April series is as follows:

**Ex-date:** 6/29/2023

**Record date:** 6/30/2023

**Payment date:** 7/3/2023

## Do I still receive income if the index finishes below the Barrier level?

Yes. A level of income will be communicated at the start of each outcome period. The ETF is designed to pay the income whether the reference asset finishes above or below the barrier level. There is no guarantee that the Fund will be successful in its attempt to provide the outcomes.

## What if the Barrier level is breached in the middle of the outcome period?

The NAV of the Barrier will fluctuate throughout the outcome period – meaning that the ETF can potentially trade down if the index trades down, particularly as it approaches the barrier level.

However, a Barrier “breach” only occurs if the index is below the barrier level at the close of the final day of the outcome period.

## What if I buy shares of a Barrier ETF after the first day?

A Barrier ETF seeks to provide a Defined Outcome, regardless of purchase date. Visit the Potential Outcome Analyzer Tool to view the current Defined Outcome parameters for any of our funds: [innovatoretfs.com/define/secure/](http://innovatoretfs.com/define/secure/).

Investors purchasing shares of a Fund after its launch date will receive a different payoff profile than those who entered on day one.

Because the NAV of the fund will fluctuate throughout the course of the outcome period, investors can potentially purchase shares of a Barrier ETF opportunistically. For example, if the reference asset and Barrier ETF both trade down in the outcome period, an investor could purchase shares of the Fund and achieve capital appreciation in addition to the fund's income. However, there are potential risks of purchasing the funds in the middle of their outcome period. If an investor is considering purchasing Shares during the Outcome Period, and the value of the U.S. Equity Index has already decreased, an investor purchasing Shares at that time will receive less of a Barrier or no Barrier that the Fund seeks to offer for the remainder of the Outcome Period.

In addition, Investors purchasing Shares following a Distribution Date will not be entitled to Defined Distributions made prior to the Distribution Date and will therefore not receive the full Defined Distribution Rate for such Outcome Period. Similarly, investors selling Shares prior to a Distribution Date will not receive the full Defined Distribution Rate for the Outcome Period and will not be to Defined Distributions after such sale.



### Do these ETFs mature?

No. Upon conclusion of the outcome period, the Fund will reset into a new portfolio with the same exposure, barrier level, and term, and a new Defined Distribution Rate will be determined.

### What is the annual expense ratio?

The expense ratio is 0.79%.

### Does any entity guarantee I will not lose my investment?

No. Unlike certain insurance products and structured products, ETFs are not backed by the faith and credit of an issuing institution like an insurance company or a bank. This also means that Innovator Defined Outcome ETFs are not exposed to bank credit risk. The options held by the ETFs are 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 ETFs could suffer significant losses.

### Who are the ETFs for?

We believe the ability to know potential outcome parameters before investing has countless applications. Innovator has built several Barrier ETFs in an effort to appeal to a range of investors seeking high income with built-in risk management.

### Can an investor buy and hold a Barrier ETF, or do they need to be re-purchased every year?

Barrier ETFs “reset” at the conclusion of their respective outcome periods, but may be held indefinitely. At the end of the outcome period, each ETF will roll into a new set of options contracts and U.S. Treasuries with the same exposure, barrier level, and term length, and a new Defined Distribution Rate will be determined.

### Where can Barrier ETFs™ fit in a portfolio?

We believe high income potential, built-in risk management, and low interest-rate risk could enable Premium Income Barrier ETFs™ to make a meaningful and diversifying return contribution to a portfolio’s fixed income allocation. Additionally, Premium Income Barrier ETFs™ don’t carry bank credit risk, potentially helping to further diversify a portfolio’s bond allocation.

The funds invest in Options and U.S. Treasuries in pursuit of their investment objective. U.S. government securities are subject to interest rate risk but generally do not involve the credit risks associated with investments in other types of debt securities. As a result, the yields available from U.S. government securities are generally lower than the yields available from other debt securities.

## ADDITIONAL RESOURCES

[Microsite](#) | [Product Brief](#) | [Potential Outcome Analyzer](#) 

There are material differences between traditional fixed income asset classes and the Innovator Barrier ETFs, which seek to provide a high level of income. The NAV of Barrier ETFs are tied to the underlying options on the S&P 500. The value of fixed income products is tied to the value of the fixed income instruments the products hold.

**Investment Objective:** The Fund seeks to provide investors, over a 1 year period (outcome period), with an investment that provides a high level of income through a Defined Distribution Rate and that is not subject to any losses experienced by the U.S. Equity Index that are at or below the respective Barrier (10,20,30,40) 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.

Barrier ETFs distribution rate sought by the Funds are based upon a Distribution Rate that is comprised of the yield generated by the U.S. Treasuries and the premiums received from the Fund selling FLEX Options (the “Distribution Rate”).

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 seek to provide a predetermined barrier at [respectively 10, 20, 30, or 40]% 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.** At the commencement of the new Outcome Period, the Fund will sell new Barrier Options with an expiration date of approximately one year and invest in U.S. Treasuries with a maturity date that aligns with the expiration of the new Outcome Period.

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

The Fund’s 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 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.

**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.

*The Funds’ 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 [innovatoretfs.com](http://innovatoretfs.com). Read it carefully before investing.*

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