

# When ‘Beating the Cap’ Isn’t the Win It Seems: A Closer Look at Upside Potential

We have seen instances of other issuers framing their results in a potentially confusing way, claiming they outperform their caps frequently. In our view, the reality is that what matters most to investors is not beating the cap, but rather, where that cap is set in the first place.

Intentionally setting lower caps just to boast about outperforming can be interpreted as marketing spin. Innovator’s priority is pursuing the highest possible upside caps, in a manner consistent with the Fund’s investment objective, so their growth potential isn’t limited by design.

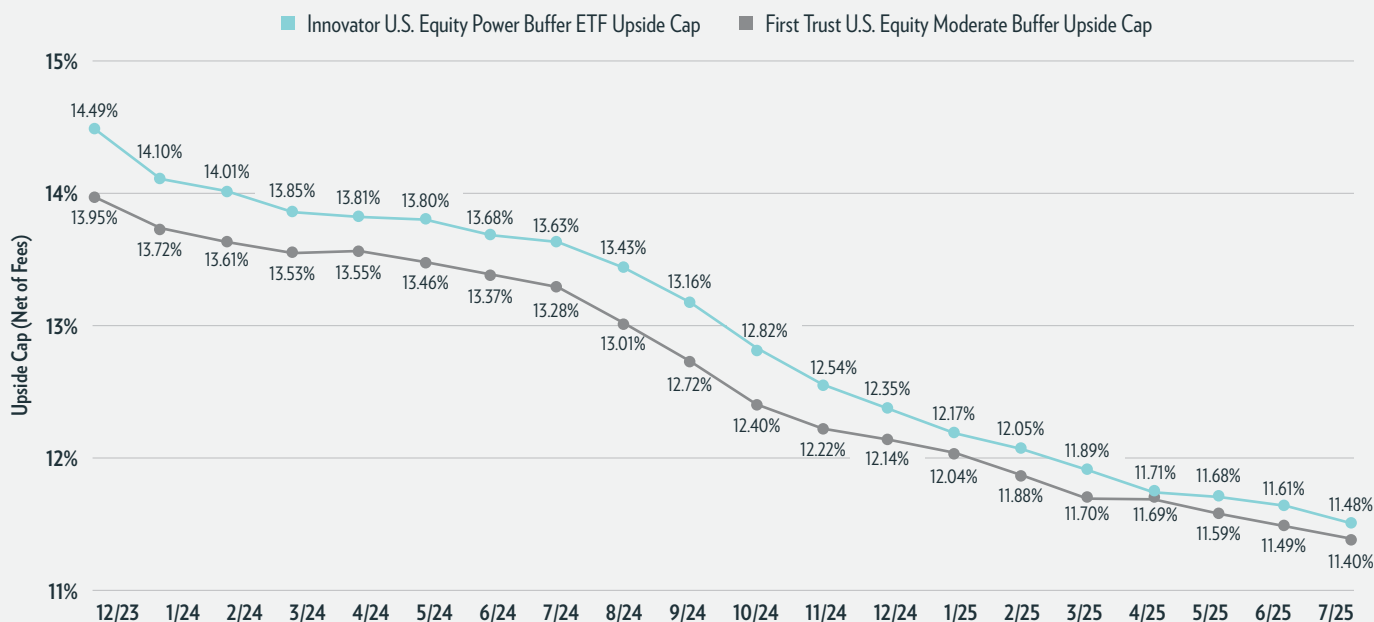
To that end, our team analyzed the historical upside caps, net of fees, and performance for the Innovator U.S. Equity Power Buffer ETF™ series relative to the First Trust U.S. Equity Moderate Buffer series, both offering 15% buffers.

## Consistently Higher Caps

Innovator begins its Outcome Periods at the start of each month, while First Trust starts theirs on the third Friday of every month. In seeking to achieve a fair comparison, we measured the average starting cap over a full 12 month cycle, diminishing the impact from differing start dates.

### ROLLING 12-MONTH UPSIDE CAP AVERAGE

*Innovator U.S. Equity Power Buffer vs First Trust Vest U.S. Equity Moderate Buffer*



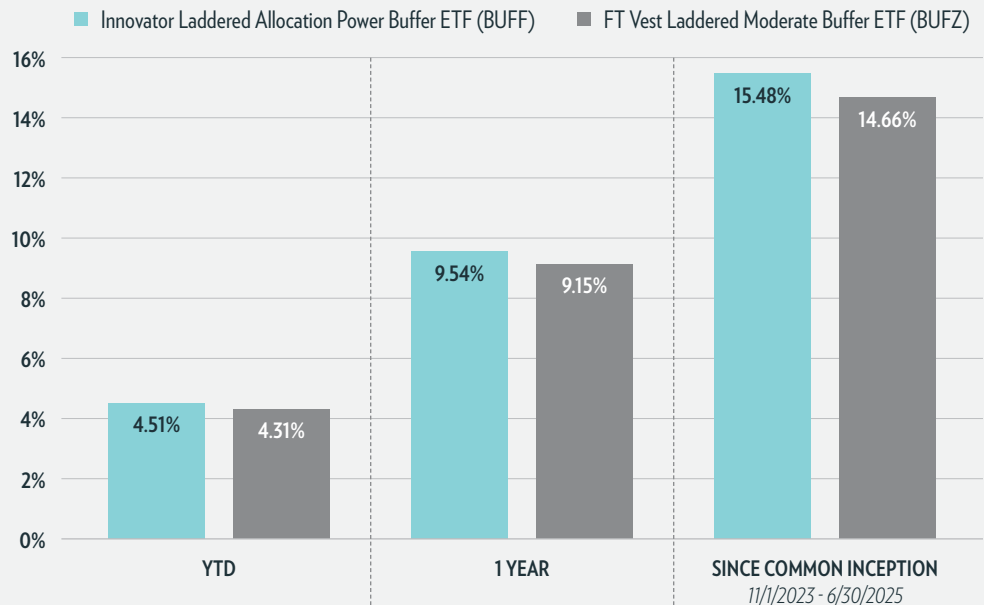
Sources: Innovator and First Trust. Data from 12/31/2023 – 7/31/2025. Each data label is the simple average of the net starting upside cap for each issuer’s sponsored ETFs with the following characteristics: 15% buffer, SPY reference asset, and 1-year outcome period. Past upside caps are not indicative of future upside caps.



## Historical Performance

Performance is often the clearest way to evaluate which solution has delivered the most value to investors seeking downside protection. Below, we compare the performance of a 15% ladder buffer portfolios from Innovator and First Trust.

### COMPARISON OF 15% LADDERED BUFFER PORTFOLIOS



**BUFF outperformed BUFZ** by an **annualized 82bps**, and cumulative 151bps, over the short 19-months since common inception

*The Funds do not have stated buffers; rather the funds held by BUFF and BUFZ pursue a buffer with returns limited by the caps of the underlying funds.*

*Source: Morningstar, Innovator. 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 quoted. For BUFF's current month-end performance, visit [innovatoretfs.com/BUFF](https://www.innovatoretfs.com/BUFF). For BUFZ's current month-end performance, visit <https://www.ftportfolios.com/Retail/Etf/EtfSummary.aspx?Ticker=BUFZ>.*



It appears that First Trust takes an approach which results in modest upside caps, potentially below what the market could have offered. This then allows for an incomplete picture of success when those self-imposed limits are exceeded. **Investors deserve transparency**, and in our opinion the true measure of value lies in **achieving full upside caps**, and subsequently, performance. We believe that is where Innovator excels, and where we can clearly demonstrate our value to advisors who may be distracted by alternative framing.



STANDARDIZED PERFORMANCE	YTD	1 YEAR	3 YEAR	5 YEAR	INCEPTION
BUFF Market Price	4.51%	9.54%	12.39%	8.93%	8.26%
BUFF NAV	4.65%	9.63%	12.40%	8.94%	8.29%
BUFZ Market Price	4.31%	9.15%	-	-	14.62%
BUFZ NAV	4.18%	9.11%	-	-	14.62%

Data as of 6/30/2025. Returns less than one year are cumulative. BUFF Inception Date: 10/19/2016; Expense Ratio: 0.89%. BUFZ Inception Date: 10/25/2023; Expense Ratio: 0.95% BUFF began tracking the FTSE Laddered Power Buffer Strategy Index on August 11, 2020. Performance prior to this represents a different fund strategy. The index inceptioned on July 15, 2020.

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. One cannot invest directly in an index. For BUFF's current month-end performance, visit [innovatoretf.com/BUFF](https://www.innovatoretf.com/BUFF). For BUFZ's current month-end performance, visit <https://www.ftportfolios.com/Retail/Etf/EtfSummary.aspx?Ticker=BUFZ>.

Shares are bought and sold at market price, not net asset value (NAV), and are not individually redeemable from the fund. NAV represents the value of each share's portion of the fund's underlying assets and cash at the end of the trading day. Market price returns reflect the midpoint of the bid/ask spread as of the close of trading on the exchange where fund shares are listed.

## MATERIAL DIFFERENCES

	OBJECTIVES	KEY RISKS	LIQUIDITY
<b>BUFF</b>	BUFF is a passively managed ETF that seeks to provide exposure to the investment results of the FTSE Laddered Power Buffer Strategy Index. The Index is comprised of an equal-weight allocation to each of the 12 Innovator U.S. Equity Power Buffer ETFs™ which provide U.S. equity upside, subject to caps, while buffering against the first 15% of losses over their Outcome Period. BUFF, in accordance with the Index, will be continuously invested in each of the ETFs and will rebalance semi-annually by purchasing and selling the ETFs to equally weight the ETFs.	BUFF faces numerous risks, including fund-of-funds risks, underlying ETF risk, buffered loss risk, capped upside return risk, FLEX options risk, option contracts risk, clearing member default risk, counterparty risk, Outcome Period risk, upside participation risk, cap change risk, information technology companies risk, correlation risk, cash transactions risk, investment objective risk, liquidity risk, underlying ETF tax risk, valuation risk, concentration risk, cybersecurity risk, index provider risk, index risk, market risk, non-correlation risk, passive investment risk, authorized participant risk, market maker risk, operational risk, premium/discount risk, trading issues risk, among others. For a detailed list of BUFF risks, view its prospectus at <a href="https://www.innovatoretf.com/etf/?ticker=buff">https://www.innovatoretf.com/etf/?ticker=buff</a> .	The ETF trades on exchange and investors are able to source primary and secondary market liquidity.
<b>BUFZ</b>	BUFZ is an actively managed ETF which seeks to provide investors with capital appreciation through U.S. large-cap equity exposure while attempting to limit downside risk through a laddered portfolio of FT Vest U.S. Equity Moderate Buffer ETFs. BUFZ intends to generally rebalance its portfolio to equal weight quarterly. BUFZ itself does not pursue a target outcome strategy. The buffer is only provided by the underlying ETFs and the Fund itself does not provide any stated buffer against losses. The Fund will likely not receive the full benefit of the underlying ETF buffers and could have limited upside potential.	BUFZ faces numerous risks, including absence of an active market risk, buffered loss risk, cap change risk, capped upside risk, counterparty risk, current market conditions risk, cybersecurity risk, FLEX options risk, FLEX options valuation risk, index or model constituent risk, information technology companies risk, large capitalization companies risk, management risk, market fluctuation tax risk, market risk, non-diversification risk, operational risk, options risk, portfolio turnover risk, premium/discount risk, significant exposure risk, SPY Equity Risk, target outcome period risk, tax risk, trading issues risk, and underlying ETF risk, among others. For a detailed list of BUFZ risks, view its prospectus at <a href="https://tinyurl.com/bde2xcae">https://tinyurl.com/bde2xcae</a> .	The ETF trades on exchange and investors are able to source primary and secondary market liquidity.



### Buffer ETFs™ Risk Information:

**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.**

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 detailed 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.

**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.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.**

### BUFF Risk Information:

The Fund, in accordance with the FTSE Laddered Power Buffer Strategy Index, will be continuously invested in a laddered portfolio of the twelve Underlying ETFs. The Fund, in accordance with the FTSE Laddered Power Buffer Strategy Index, will be continuously invested in a laddered portfolio of the twelve Underlying ETFs. The index is rebalanced semi-annually such that each Underlying ETF will constitute 1/12 of the Index portfolio before fees and expenses. Each Underlying ETF seeks to match the performance of the SPDR S&P 500 ETF Trust (SPY), up to a specified cap, while buffering against a 15% loss over the course of an approximately one-year time period that begins on the first trading day of the month indicated in the Underlying ETF’s name when the fund enters into its FLEX Option positions and ends on the market’s closure on the last trading day of the month immediately preceding the month indicated its name when those FLEX Options expire. **There is no guarantee that the defined outcome strategy of an Underlying ETF in any given Outcome Period will be achieved.**

**Fund-of-Funds Risk.** As the Fund invests in Underlying ETFs, the Fund also has

exposure to additional risks as well, which includes numerous market trading risks, active market risk, authorized participant concentration risk, buffered loss risk, cap change risk, cap 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 detailed list of risks to the Fund, see the prospectus. As each Underlying ETF may be invested in FLEXible EXchange™ Options (“FLEX Options”) that reference the SPDR S&P 500 ETF Trust, 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 Fund is a “fund-of-funds” and does not itself pursue a defined outcome strategy, nor does it seek to provide a buffer against reference asset losses. Depending upon prevailing market conditions, an investor purchasing Shares of the Fund may experience investment returns that underperform the investment returns provided by the Underlying ETFs themselves because one or more Underlying ETFs may have exhausted the buffer that it seeks to provide or have little upside available due to the reference asset return being close to or exceeding to its Cap. Additionally, as a shareholder in other ETFs, the Fund bears its proportionate share of each ETF’s expenses, subjecting Fund shareholders to duplicative expenses.

The Index seeks to provide “laddered” investing in the Underlying ETFs. Laddered investing refers to investments in several similar securities that have different maturities or reset dates, with the goal of mitigating timing risks associated with investing in a single investment. The laddered approach of the Index is designed to help an investor offset some of the timing risks inherent in the purchase of shares of a single Underlying ETF.

Innovator Capital Management, LLC maintains a webpage for the Fund and each Underlying ETF that provides current information relating to the Underlying ETF’s sought-after outcomes. **Prospective investors are encouraged to visit one or more of these webpages and read the prospectus and statement of additional information of the Underlying ETFs before investing in an either an Underlying ETF or the Fund.**

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 and summary prospectus contain this and other important information, and it may be obtained at [innovatoretfs.com](http://innovatoretfs.com). Read it carefully before investing.*

The following marks: Accelerated ETFs®, Accelerated Plus ETF®, Accelerated Return ETF®, Barrier ETF®, Buffer ETF™, Defined Outcome Bond ETF®, Defined Outcome ETFs™, Define Your Future®, Enhanced ETF™, Floor ETF®, Innovator ETFs®, Leading the Defined Outcome ETF Revolution™, Managed Buffer ETF®, Managed Outcome ETF®, Step-Up™, Step-Up ETFs®, Defined Protection ETF®, 100% Buffer ETFs™ and all related names, logos, product and service names, designs, and slogans are the trademarks of Innovator Capital Management, LLC, its affiliates or licensors. Use of these terms is strictly prohibited without proper written authorization.

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