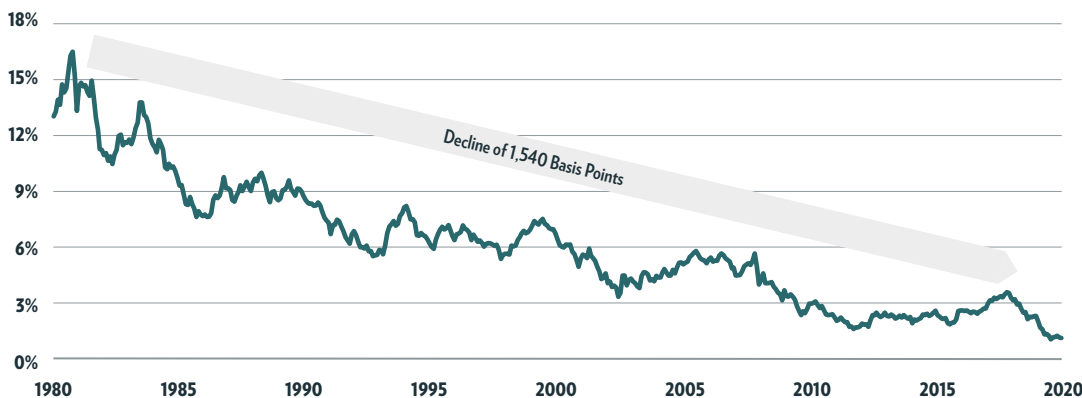


The case for using Defined Outcome ETFs as a core bond fund alternative

The case for considering defined outcome ETFs as a bond alternative begins with a brief look at both the history of the bond market's returns, and the implications of the immense change the market has experienced. Simply stated, over the last 40 years, gradually declining bond yields have generated bond market returns that will be virtually impossible to replicate over the next decade, much less the next 40 years. From its peak in September 1981 through the end of 2020, the yield to maturity¹ of the Barclays U.S. Aggregate Bond Index (Barclays Agg)² declined 1,540 basis points³, generating an annualized total return of 7.9%:

BARCLAYS AGG YIELD TO MATURITY



Barclays Agg Yield to Maturity

9/30/1981	16.5%
12/31/2020	1.1%

7.9% Annualized Return of the Barclays Aggregate Index from the date of its peak yield (September 1981) through the end of 2020

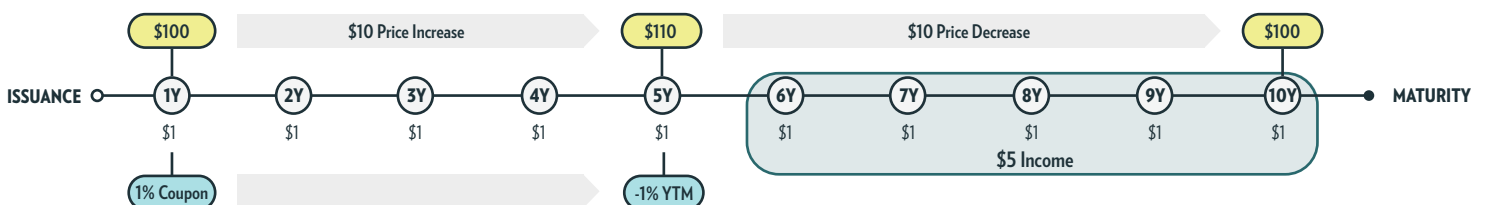
Past performance does not guarantee future results. The referenced index is shown for informational purposes only and is not meant to represent the Fund. Investors cannot directly invest in an index.

THE FUTURE OF BOND RETURNS ISN'T WHAT IT USED TO BE

The single most important implication of this four-decade decline in yields is related to return expectations, especially for investors that have used bonds as part of a blended portfolio strategy. 60/40 blend of the S&P 500 and Barclays Agg from September 30, 1981 through December 31, 2020 (without any rebalancing) would have generated an annualized total return of 10.4%. For the Barclays Agg to make the same 7.9% annualized contribution to a blended portfolio over the next 40 years, its yield would have to fall deeply into negative territory. Consider also that bonds offering negative yields at issuance have no coupon⁴ and must rely solely on price movements to generate positive returns. In other words, they have to trade at increasingly negative yields if they are to continue generating positive returns in subsequent years.

BONDS HAVE A MATH PROBLEM

Suppose an investor purchased a 10-year bond with a coupon of 1%. At maturity, the bond will have generated a return of 1% per year through the end of the 10th year. In order for the bond to generate a higher rate of return in the interim, the price of the bond would need to increase. For example, in order to generate a 3% annualized return over the first 5 years, the price of the bond would have to increase to approximately \$110:



Such a price increase, however, would push the yield to maturity down to -1%. The coupon payments during the last five years (\$5 total) would be insufficient to offset the \$10 price decline from \$110 to its \$100 par value at maturity.

NEGATIVE YIELDS

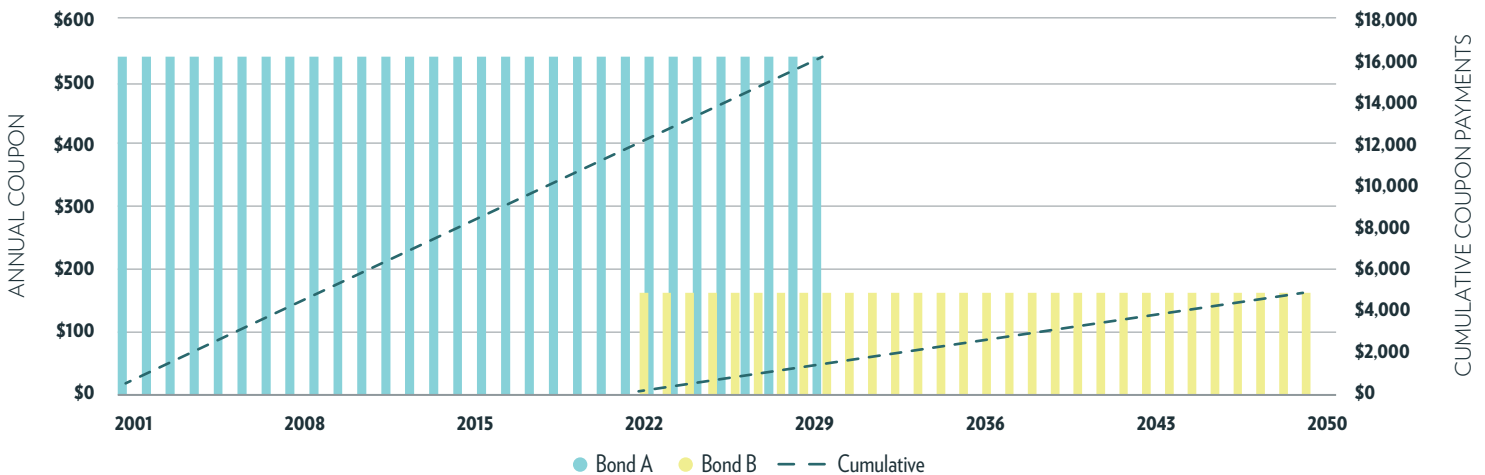
Prior to 2012, negative yields were virtually non-existent. Since then they have become more prevalent. In fact, from the beginning of 2020 through January 31, 2021, there were 234 bonds (not including inflation-linked notes) with tenors of at least one year that were issued with negative yields. In USD terms, the amount of negative yielding debt around the globe reached a record high in 2020, surpassing \$18 trillion. Notwithstanding the recent growth in the amount of negative yielding debt, if investors assign any value to the bond's currency and aren't anticipating widespread price deflation, there would seem to be a limit to how negative bond yields can get, and by extension, how high bond prices can climb.

A TALE OF TWO TREASURY BONDS

For bonds, the ability to continue generating the same level of returns boils down to a math problem. Consider two actual 30-year Treasury bonds, one issued in 2001 and the other in 2020:

	Issue date	Tenor	Yield at Issuance	Coupon	Price at Issuance	12/31/2020 Price	Remaining Years to Maturity	12/31/2020 YTM	Price Appreciation Since Issuance
Treasury Bond A	2/15/2001	30 Yrs	5.9%	5.375%	\$97.90	\$143.69	10.1	0.86%	47%
Treasury Bond B	11/16/2020	30 Yrs	1.66%	1.625%	\$95.41	\$99.50	29.9	1.65%	4%

YEARLY COUPON CASH FLOWS FROM \$10,000 INVESTMENT



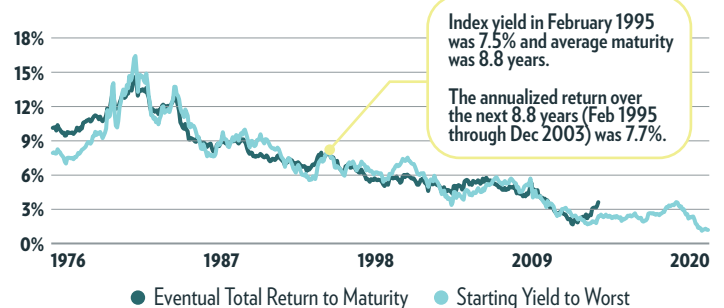
In addition to the coupon of Bond A being 3x that of Bond B, the price of Bond A has also enjoyed a 47% increase during the 20 years since its issuance. If the price of Bond B were to increase 47% during the first 20 years of its 30-year lifespan, its resulting yield to maturity would be approximately -2.5%.

IMPLICATION FOR BOND INVESTORS

Just like the example of Bond B above, the Barclays Agg faces similar circumstances. In order to match its 7.9% annualized return of the last 40 years with a starting yield of 1.1%, bond prices in the Index would need to rise enough to generate a 6.8% annualized return. As already noted, such price increases would push bond yields deep into negative territory.

History shows that yield to maturity is generally predictive of a bond portfolio's total return. It also shows that price returns have not been able to reliably generate returns in excess of yield to maturity for any sustained period of time:

BARCLAYS US AGGREGATE BOND INDEX: STARTING YIELD VS. SUBSEQUENT TOTAL RETURN



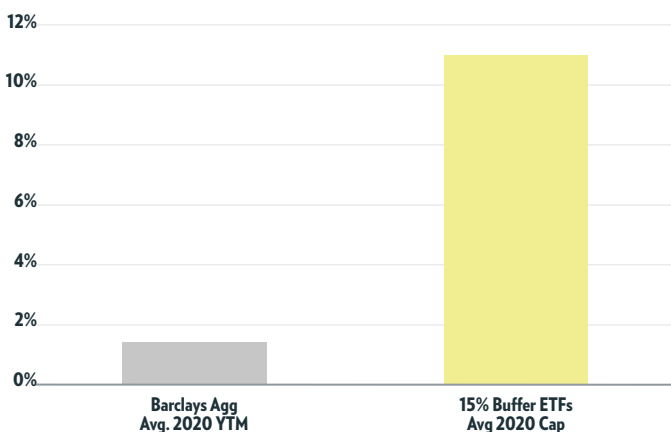
WHAT ARE INVESTORS TO DO?

The yield to maturity of the Barclays Agg has never started a calendar year lower than it started 2021. If history is any indication, eight years from now when the average-maturity bond in the Index has matured, the Index is likely to have generated an annualized return of approximately 1.1%. The changed characteristics of the bond market, i.e. the lower yields and higher duration, mean that while bonds may still offer some measure of protection against declining equity prices, they can no longer be relied upon to make the meaningful return contributions that they've made in the past. What are investors to do?

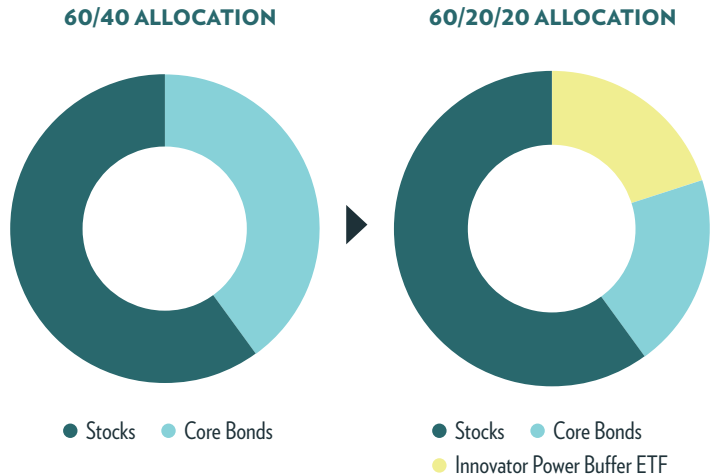
BUFFER ETFS AS A CORE BOND ALTERNATIVE

One way investors can attempt to address the quandary of lower expected bond returns is by replacing some portion of their bond allocation with Innovator Buffer ETFs. In exchange for capping the upside return, Buffer ETFs offer a built-in buffer against a specified range of equity market declines over a full outcome period (e.g. one year). For example, the Innovator Power Buffer February ETF (PFEB) has a buffer against the first 15% of losses and a starting upside cap of 11.7%. The caps on Buffer ETFs, set at the beginning of each ETF's outcome period, are a function of market conditions, including volatility and dividend yield. As such, the caps can be and usually are different from one month to the next. One difference between a bond fund and a Buffer ETF is that while the return of a Buffer ETF in a given year won't exceed its cap, the return of a bond fund in a given year is capable of exceeding its starting yield to maturity. In 2020, however, the average upside cap for Innovator's suite of 12 Power Buffer ETFs was 11.0%, ranging from a low of 8.5% to a high of 15.5%. Even at the low end of their range, the caps during 2020 were still more than 5x the 1.4% average yield to maturity of the Barclays Agg during the year:

BOND YIELDS VS. BUFFER ETF CAPS



After starting 2020 with a yield to maturity of 2.3%, the year's extraordinary circumstances pushed the yield of the Barclays Agg down to 1.1% by year end, resulting in a total return of 7.5%. By comparison, the Cboe S&P 500 Buffer Protect January Index⁵ started the year with a cap of 8.5% and finished the year up 8.5%.



FOR ILLUSTRATIVE PURPOSES ONLY

As previously noted, historically low bond yields don't eliminate the possibility of meaningful bond returns, but they do make them less likely. In an effort to increase return potential beyond what might be reasonably expected from bonds, investors might consider re-allocating a portion of their bond portfolios into Buffer ETFs. For example, an investor with a 60/40 stock/bond allocation who expects yields to remain largely unchanged or perhaps move higher could re-allocate half of their bond allocation into Buffer ETFs:

By offering capped upside exposure to equity markets with a built in downside buffer, Buffer ETFs may be able to offer greater return potential than bonds currently can, but with a built-in buffer that investors have traditionally looked to bonds to provide.

Innovator is committed to helping investors better control their financial outcomes by providing investment opportunities they never considered or thought possible.

[INNOVATORETFS.COM](https://www.innovatoretfs.com)



Defined Outcome ETFs do not provide income and may not be a suitable alternative to bonds. Defined Outcome ETFs and Bonds have their own set of investment characteristics and risks that should be carefully considered before making any investment decisions.



1. **Yield to maturity:** The annualized total return of a bond from the date of purchase through its maturity date.
2. **Barclays Agg:** A market cap weighted index generally considered representative of the U.S. investment grade bond market.
3. **Basis point:** One one-hundredth of one percent (0.01%).
4. **Coupon:** The annual interest rate paid on a bond, expressed as a percentage of the bond's face value.
5. **Cboe S&P 500 Buffer Protect January Index:** Measures the performance of the price return of the S&P 500 with an annually resetting upside cap and 15% downside buffer.

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 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.

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 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 inception. 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 Funds' website, 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 reference asset losses during the Outcome Period. You will bear all reference asset losses exceeding 9, 15, or 30%. 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. Read it carefully before investing.

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