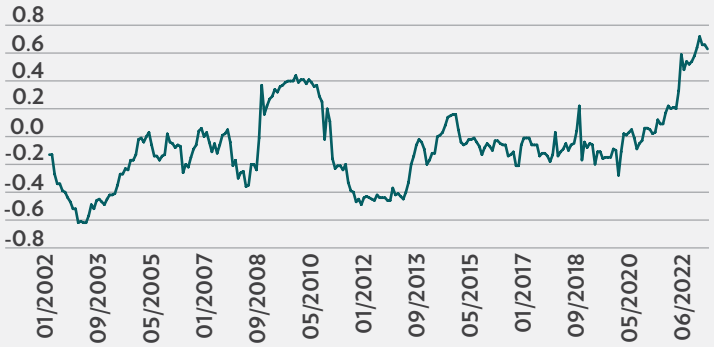
Defined Outcome ETF Case Study - Core bonds

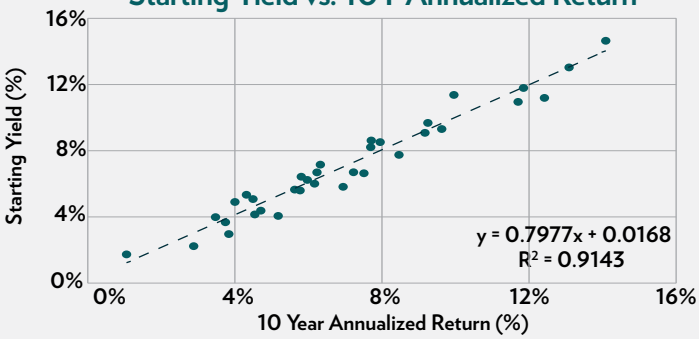
Aggregate bonds have played a key role within a well-diversified portfolio over the years, offering a low (often negative) correlation to equity markets, and protection in times of market stress. Today, the high correlation to equities and mediocre yields have left many investors questioning their bond allocations within a portfolio going forward, and rightly so. Over the past 30 years, expected yield has explained over 95% of the total return of the Bloomberg US Aggregate Bond Index, highlighting just how binding starting levels are to total returns. Given these dynamics, we believe the risk reward trade off for core bonds remains poor and as such, investors may want to consider a potential alternative solution.

Bond-Equity Correlation



Source: Bloomberg LP as of 12/31/2022, Bloomberg US Aggregate Bond Index Monthly Data from Dec 1991-Dec 2022

Core Bonds: Starting Yield vs. 10Y Annualized Return



Source: Bloomberg LP as of 12/31/2022, Bloomberg US Aggregate Bond Index Data Annual Data, Starting Calendar Year Coupon and 12 Month Forward Returns

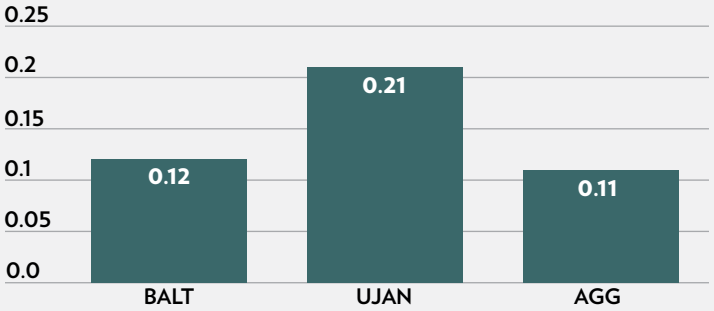
Performance is historical, for illustrative purposes only, and is not representative of future results. The S&P 500 is a broad measure of US large cap stocks. Standard Deviation is a statistical measure of the dispersion of returns for a given security or market index relative to its mean. Beta is a measure of the volatility of an individual stock in comparison to the unsystematic risk of the entire market. Sharpe ratio is the average return earned in excess of the risk-free rate per unit of volatility or total risk. Maximum drawdown is the maximum peak-to-trough performance over the period.

DEFINED OUTCOME ETFs™ VS. CORE BONDS

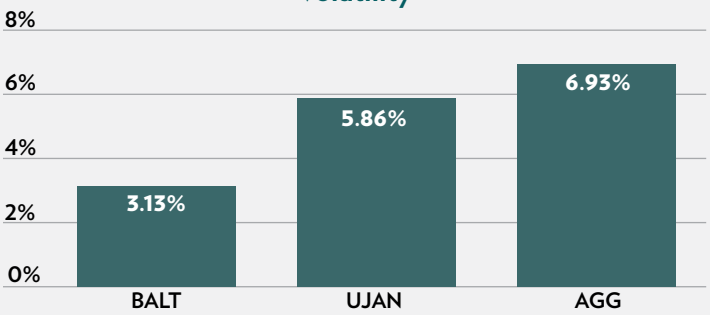
The following case study attempts to demonstrate why we believe Innovator Buffer ETFs™ may be used as an equity-based substitute for or complement to traditional core bonds, providing many of the same attributes investors appreciate about the asset class (e.g., risk management and potentially impactful returns. Note the funds do not provide investment income) while avoiding the current risk reward trade-off.

The charts below highlight how the historical beta and volatility of Innovator's 20% quarterly and 30% annual Buffer ETFs™ (BALT & UJAN) historically compared to AGG–iShares Core Aggregate Bond ETF. While the live history is limited, given the stated objectives and composition of each strategy, we believe using a combination of these two Buffer ETFs™ may provide an alternative equity-based solution to traditional core bonds, potentially hedging equity market risk while providing a more attractive potential return.

Beta to S&P 500 Index



Volatility



Source: Bloomberg, as of 07/01/2021 - 12/31/2022.

Performance is historical, for illustrative purposes only, and is not representative of future results. The S&P 500 is a broad measure of US large cap stocks. Standard Deviation is a statistical measure of the dispersion of returns for a given security or market index relative to its mean. Beta is a measure of the volatility of an individual stock in comparison to the unsystematic risk of the entire market. Sharpe ratio is the average return earned in excess of the risk-free rate per unit of volatility or total risk. Maximum drawdown is the maximum peak-to-trough performance over the period.

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. Visit innovatoretfs.com/define and ishares.com/agg for current month-end performance.

REPLICATING THE RISK PROFILE OF CORE BONDS USING DEFINED OUTCOME ETFs

The risk/return statistics below highlight how three different combinations of BALT and UJAN have behaved relative to AGG since their inception in June of 2021. Overall, the Buffer ETFs™ demonstrated a slightly higher beta, lower volatility, and lower maximum drawdown, while increasing the total return and Sharpe Ratio relative to AGG.

COMBINATION 1

	80% BALT/20% UJAN	AGG	DIFFERENCE
Total Return	1.84%	-12.92%	14.76%
Standard Deviation	3.39%	6.76%	-3.37%
Beta	0.14	0.06	0.08
Maximum Drawdown	-3.51%	-17.89%	14.38%
Sharpe Ratio	0.00	-1.52	1.52

COMBINATION 2

	85% BALT/15% UJAN	AGG	DIFFERENCE
Total Return	2.23%	-12.92%	15.15%
Standard Deviation	3.30%	6.76%	-3.46%
Beta	0.13	0.06	0.07
Maximum Drawdown	-3.17%	-17.89%	14.72%
Sharpe Ratio	0.08	-1.52	1.60

COMBINATION 3

	90% BALT/10% UJAN	AGG	DIFFERENCE
Total Return	2.61%	-12.92%	15.53%
Standard Deviation	3.21%	6.76%	-3.55%
Beta	0.13	0.06	0.07
Maximum Drawdown	-2.84%	-17.89%	15.05%
Sharpe Ratio	0.16	-1.52	1.68

Source Bloomberg LP as of 12/31/2022, Data since earliest common inception of 7/1/2021

This combination was selected as it has historically provided a volatility similar to AGG.

Note: This is a small sample size given the limited history of defined outcome products not having a full market cycle of history. Investors should consider potential risks before investing.

Moving forward, we believe this combination of Buffer ETFs™ may be a compelling alternative to core bonds, given how low starting expected yields are today. **To see what Buffer ETFs™ look like in your portfolio, please reach out to your Regional Portfolio Consultant.**

AN IMPORTANT NOTE ABOUT BUFFER ETFs™ AND BONDS

BALT seeks to track the return of the SPDR S&P 500 ETF Trust (SPY), to a cap, while targeting a 20% buffer against losses over the quarterly outcome period. UJAN seeks to track the return of SPY, to a cap, while buffering against 30% (-5% to -35%) of losses over the outcome period. Both strategies use FLEX options to gain exposure. Buffer ETFs™ carry equity risk, which has historically been greater than bond risk. In order to produce a positive return, BALT and UJAN need equities to rise. If the equities fall more than the predetermined buffer, investors risk a loss. Unlike bonds, Defined Outcome ETFs™ cannot rise when equities fall.

Unlike equities, bonds pay coupons and their returns are not directly tied to the equity market. The price of a bond does not need to increase for an investor to profit. In addition, the price of bonds are affected by supply and demand. As a result bonds price have historically risen when equities have fallen as investors seek safety outside of equities. Bonds have maturity dates at which point principal must be repaid or a default occurs. Bonds are higher in the capital structure than equities and therefore carry significantly lower risk of loss.

In addition, Buffer ETFs™ do not provide income which is the typical investment objective of bond funds. The underlying options provide exposure to the price-return of their respective reference asset and therefore investors do not receive dividends or investment income through an investment in a Buffer ETF. It is important to note that investors holding units of the ETF for less than the entire holding period will experience different results. Investors purchasing units of the ETF may experience interim period results that deviate from the payoff profile line. However, the outcome at the conclusion of the point-to-point period will be within the parameters of the established payoff profile. The cap level is established at the beginning of each outcome period (approximately quarterly). The funds will not consistently track SPY.

The purpose of some of the information in this material is to provide Investors with a means to evaluate investment strategies of BALT, UJAN as compared to AGG. All funds are managed differently and do not react the same to economic or market events. The investment objectives, strategies, policies or restrictions of other funds may differ and more information can be found in their respective prospectuses. Therefore, we generally do not believe it is possible to make direct fund to fund comparisons in an effort to highlight the benefits of a fund versus another similarly managed fund.

See the end of this PDF for important disclosures.

	1 Year	3 Year	Since Inception
BALT NAV	2.54%	-	2.25%
BALT Market Price	2.54%	-	2.31%
UJAN NAV	-5.73%	2.21%	4.37%
UJAN Market Price	-5.95%	2.23%	4.33%

Data as of 12/31/2022. BALT incepted on 9/30/2021 and has a 0.69% expense ratio. UJAN incepted on 12/31/2018 and has a 0.79% expense ratio. AGG incepted on 9/22/2003 and has a 0.05% gross expense ratio. 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. Returns less than one year are cumulative. Visit innovatoretfs.com/define and ishares.com/agg for current month-end performance.

In seeking to provide a significant measure of downside protection on a quarterly basis, the options-based strategy underpinning BALT will likely offer investors an upside cap that is substantially lower than equity Buffer ETFs™ that operate over an annual outcome period.

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.

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.

Investors purchasing shares after an outcome period has begun may experience very different results than funds' investment objective. Initial outcome periods are approximately one quarter 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 incepted. 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 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 predetermined 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.

Innovator ETFs are distributed by Foreside Fund Services, LLC.

Milliman Financial Risk Management LLC is the fund's investment sub-adviser.

Fund Ticker/ Name	UJAN, Innovator US Equity Ultra Buffer January ETF	BALT, Innovator Defined Wealth Shield ETF	AGG, iShares Core US Aggregate Bond ETF
Inception Date	1/2/2019	1/2/2019	9/22/2003
Objective	The Innovator U.S. Equity Ultra Buffer ETF seeks to track the return of the SPDR S&P 500 ETF Trust (SPY), up to a predetermined cap, while buffering investors against losses from -5% to -35% over the outcome period. The ETF can be held indefinitely, resetting at the end of each outcome period, approximately annually.	The Innovator Defined Wealth Shield ETF seeks to track the return of the SPDR S&P 500 ETF Trust (SPY), to a cap, and provide a measure of downside protection by seeking to buffer investors against losses. The ETF targets a 20% buffer every 3-month outcome period. The ETF can be held indefinitely, resetting at the end of each outcome period.	The iShares Core U.S. Aggregate Bond ETF seeks to track the investment results of an index composed of the total U.S. investment-grade bond market.
Expense Ratio	0.79%	0.69%	0.04%
Index	CBOE S&P500 (-5% to -35%) Buffer Product Index January Series	Mercube Equity Protection Index	Bloomberg US Aggregate Bond Index
Principal Risk	UJAN targets a 30% (-5% to -35%) buffer every 12 months; there is no guarantee that the buffer will be within this range or that the Fund will provide the buffer. The funds only seek to provide their investment objective, which is not guaranteed, over the course of an entire outcome period. Investors who purchase shares after or sell shares before the end of an outcome period will experience very different outcomes than the funds seek to provide. 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 Funds are designed to provide point-to-point exposure to the price return of a 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. 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 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 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 predetermined buffer, an investor purchasing shares at that price may not benefit from the buffer. 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Shares are not actively managed and are subject to risks similar to those of investment grade bonds. Ordinary brokerage commissions apply. The Fund's return may not match the return of the Underlying Index. The Fund is subject to certain other risks. The fund carries concentration risk, valuation risk, security risk, tracking error risk, call risk asset class risk, cyber security risk, credit risk, financial sector risk, authorized participant concentration risk, infection illness risk, geographic risk, income risk, index risk, interest rate risk, market risk, management risk, securities lending risk, operational risk, risk of investing in the US, market trading risk, issuer risk; all of which are detailed in the fund prospectus.
AUM	**$288mm**	**$245mm**	**$77B**