

# FLEX Options: The Engine Behind Defined Outcome ETFs™

FLEX options are a cornerstone of Defined Outcome ETFs™, offering the precision and customization required to deliver defined levels of downside protection and upside participation. As adoption has grown, so too has the market: FLEX options have experienced 26% annual growth over the past decade, driven largely by increased use in transparent, regulated ETF structures.<sup>1</sup>

Despite being less familiar to some investors, FLEX options share the same regulatory oversight and clearing protections as traditional listed options—trading on U.S. exchanges and cleared through the Options Clearing Corporation (OCC). The OCC acts as the central counterparty for most U.S. listed options, guaranteeing trades and reducing systemic risk. Its multi-layered risk management system helps protect the market from default and ensures overall stability. Building on this foundation, FLEX options offer key enhancements that make them uniquely suited for Defined Outcome strategies.

## DEFINED OUTCOME FLEX OPTIONS V. TRADITIONAL OPTIONS

	FLEX Options	Traditional Options
Exchange Traded	Yes	Yes
Counterparty Risk	No	No
Centrally Cleared (OCC)	Yes	Yes
Custom Tenor, Strike, and Exercise Styles	Yes	No
Transparent Pricing via Market-Makers	Yes	Yes
No Early Exercise (European Style)	Yes	No
Designed For Precise Hedging	Yes	No

## LIQUIDITY BY DESIGN

Innovator's Defined Outcome ETFs™ are purpose-built with embedded liquidity. Each strategy is linked to major, heavily-traded reference assets—such as SPY<sup>2</sup>, where standard options alone see >\$500 billion in daily volume and >\$1 trillion in open interest.<sup>3</sup>

FLEX option liquidity within Defined Outcome ETFs™ is supported by >10 of the world's leading market makers and investment banks. When facilitating trades, these firms hedge through the broader listed options complex, ensuring that liquidity is not isolated—but instead backed by a deep ecosystem.

## DEPENDABLE EXECUTION

Thanks to the structure and efficiency of the ecosystem, Defined Outcome ETFs™ have seen single block trades in excess of \$100 million—often at or inside the quoted spread. Market makers understand and price the risk efficiently, making large-scale execution straightforward. In periods of volatility (e.g. 2020), Defined Outcome ETFs™ (and their underlying FLEX options) delivered on their stated outcomes, while maintaining competitive bid-ask spreads and an orderly market.

## Conclusion: Confidence in the Structure

Defined Outcome ETFs™ offer more than just strategy—they offer clarity, consistency, and simplicity. Powered by FLEX options, they provide a modern solution for investors seeking defined risk and accessible liquidity in the transparent ETF wrapper.

It's a structure engineered for scale, built to withstand volatility, and trusted by investors seeking defined outcomes with daily liquidity.



<sup>1</sup> Cboe Insights, "Flex Appeal: Enhanced FLEX Functionality," April 2024.

<sup>2</sup> SPDR S&P 500 ETF Trust ("SPY").

<sup>3</sup> Average Daily Options Volume: an estimation calculated by the product of the underlying's price, contract multiplier, and contracts traded.

**Option:** A contract that provides the right to buy or sell a particular asset by a specified future date at an agreed upon price. **European-Style Option:** Option contracts that are only exercisable on the expiration date.

**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 Funds is right for you, please see "Investor Suitability" in the applicable prospectus.**

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.

There is no guarantee the Funds will be successful in providing the sought-after protection. If the Outcome Period has begun and the Underlying ETF has increased in value, any appreciation of the Funds by virtue of increases in the Underlying ETF since the commencement of the Outcome Period will not be protected by the Buffer, and an investor could experience losses until the Underlying ETF returns to the original price at the commencement of the Outcome Period.

**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](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 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 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.**

Investors purchasing shares after an Outcome Period has begun may experience very different results than the Fund's investment objective. Initial outcome periods are approximately 3-months, 6-months, 1-year, or 2-years 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.

**FLEX Options Risk.** The Funds 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 Funds could suffer significant losses. Additionally, FLEX Options may be less liquid than standard options. In a less liquid market for the FLEX Options, the Funds 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 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 ETFs®, Barrier ETF®, Buffer ETF®, Defined Income ETF®, Defined Outcome Bond ETF®, Defined Outcome ETFs™, Defined Protection ETF®, Define Your Future®, Enhanced ETF™, Floor ETF®, Innovator ETFs®, Leading the Defined Outcome ETF Revolution™, Managed Buffer ETFs®, Managed Outcome ETFs®, Step-Up™, Step-Up ETFs®, 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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