

# Investing in Options-Enhanced Index Products

## Where to Go in a Risk-Off Environment?

May 19, 2020

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## Index

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## Options

- For the sake of simplicity, the examples included do not take into consideration commissions and other transaction fees, tax considerations, or margin requirements, which are factors that may significantly affect the economic consequences of a given strategy. An investor should review transaction costs, margin requirements and tax considerations with a broker and tax advisor before entering into any options strategy.
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# Agenda

## Nasdaq-100 Index

- The barometer for Technology and Large Cap Growth
- Comparisons to the S&P 500
- Potential benefits as an underlying benchmark for options strategies

## Portfolio Hedging with Options

- Nasdaq-100 Index Options
- Introductory NDX Strategies

# Nasdaq-100<sup>®</sup> Index

The Benchmark of the 21<sup>st</sup>  
Century Industrials

# Nasdaq-100 Index: Overview

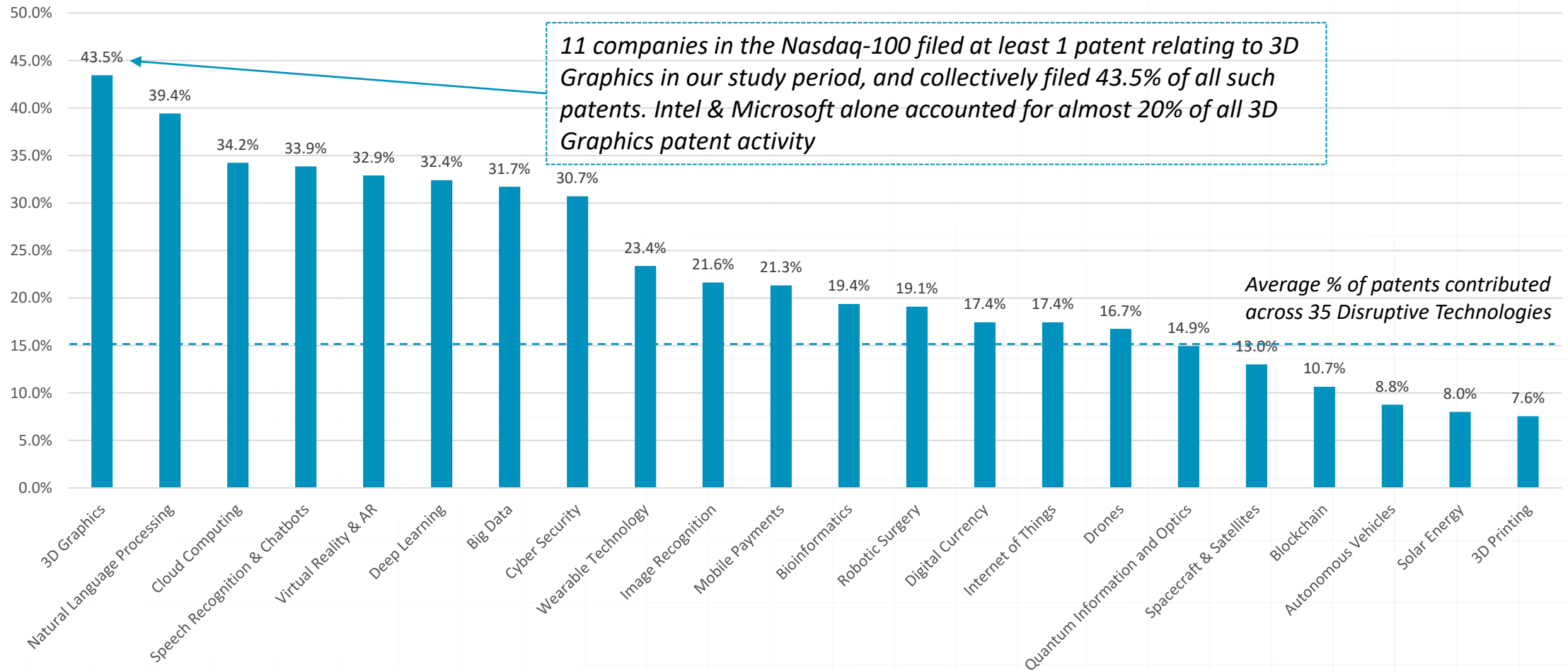
The disruptors; the game-changers; the forward-thinkers.  
Companies that influence our lives daily.

- Technology stocks that have evolved from creating consumer products to a group of companies upon which every industry and sector have become dependent. From day-to-day tasks to social interaction, each has an important influence on everyday life.
- GE, Chicago Gas Company, American Sugar Company, and the other original Dow Industrials helped spur the economic growth of the US economy in 1896.
- Today, Apple, Amazon, Intel, and Microsoft have become global leaders in the technology sector by helping create products which continue to be in high demand from consumers. From computers to cell phones, all of these products will continue to become more advanced in the future.
- From a social perspective, Facebook has become a quick and efficient way of interacting with friends around the globe. Starbucks also continues to improve its efficiency to customers by utilizing advanced technology.



# Technology and R&D

Patent Contribution of Nasdaq-100 Companies to Selected Disruptive Technologies (trailing 1 year as of 8/31/2019)



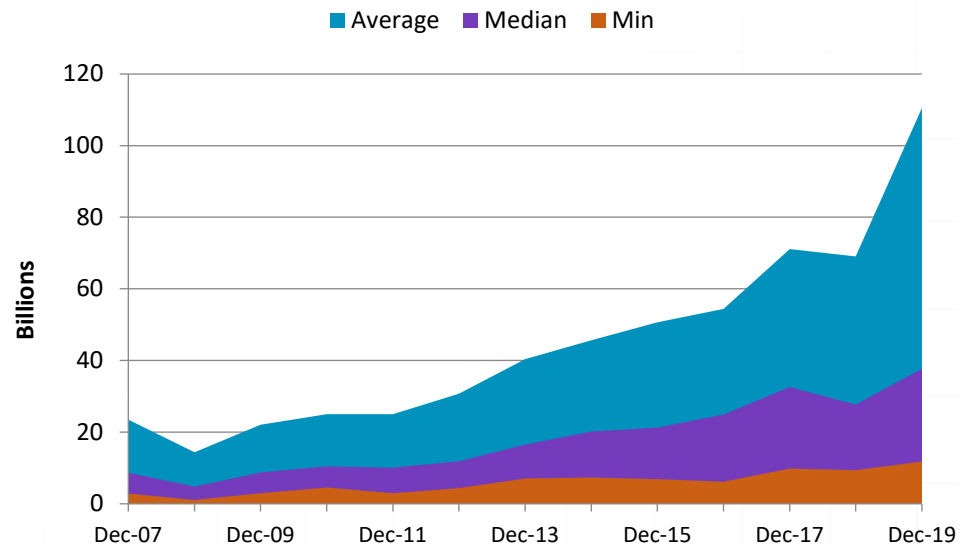
# Coveted Placement: The 100 that Make the Index

# Nasdaq-100 Index: Components

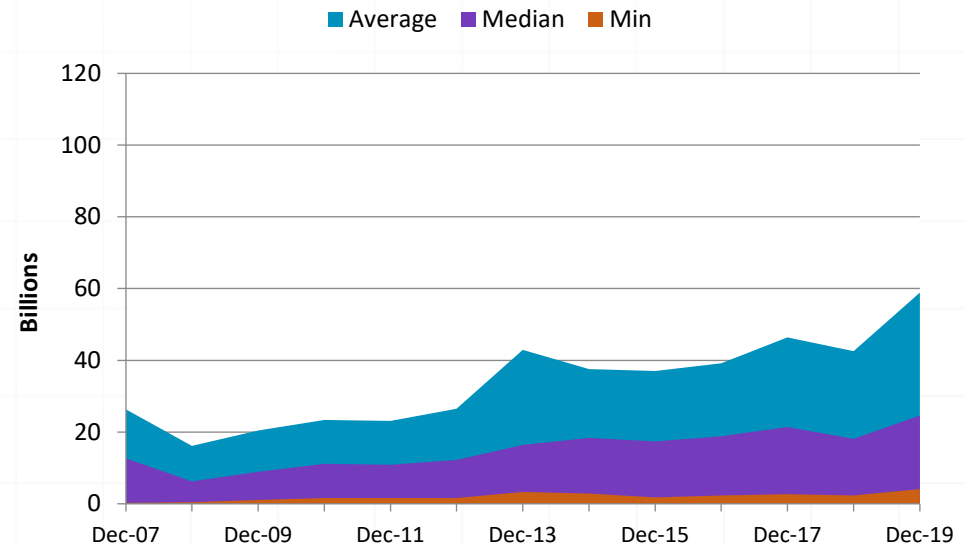
## Average, median and minimum market caps of the NASDAQ-100 and the S&P 500

- All figures dropped during the financial crisis and have been steadily rebounding until a brief pause during 2018's Q4 mini bear-market.
- Ten of the last eleven years the average market cap has been higher in NDX than SPX. As of Feb '20, NDX: \$117B, SPX: \$59B.
- The median market cap has been higher for NDX than SPX in each of the last five years — as of Feb '20 the medians were \$37.7B for NDX and \$24.6B for SPX. Despite any large companies, the market cap of NDX tends to be truer to large cap than SPX.
- The smallest company in NDX (\$11.8B) has been larger than the smallest company in SPX (\$4.1B) for the last eleven years.

NASDAQ-100: MARKET CAP



S&P 500: MARKET CAP





# Nasdaq-100 Index: Sectors

## Sector Breakdown

- While heavy in technology, consumer industries and healthcare make up a comparable weight
- Consumer Services contains companies like Amazon, Starbucks, Netflix, Sirius and Costco

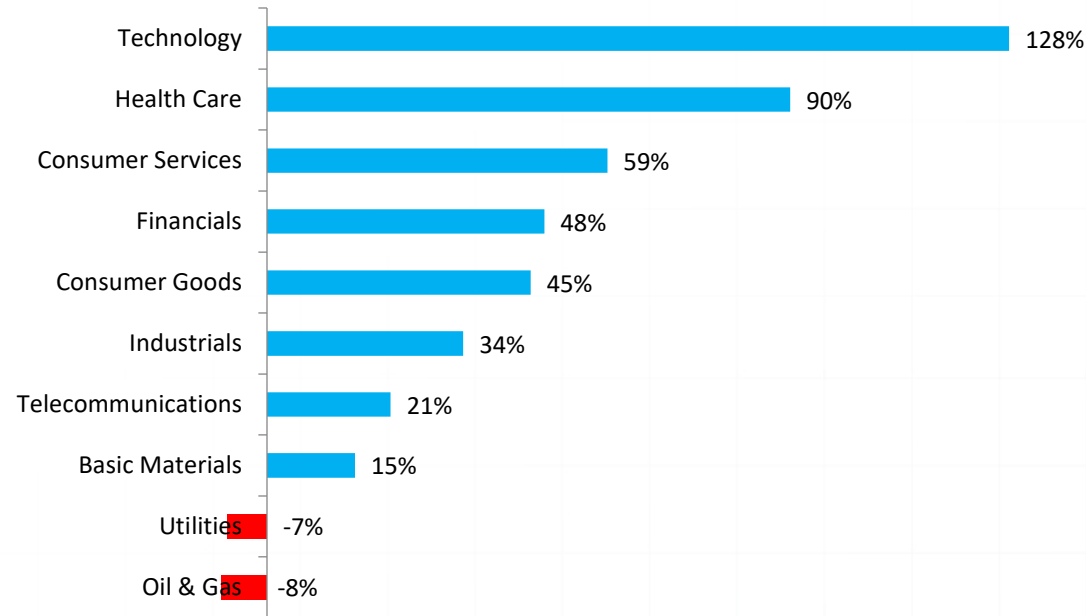
Industry	Weight (12/31/2019)	Contributed Return (FY 2019)	Pure Return (FY 2019)	Benchmark return (FY 2019)
Technology	57.3%	27.1%	51.1%	42.5%
Consumer Services	22.1%	6.7%	26.0%	22.3%
Health Care	7.0%	1.7%	19.7%	20.6%
Consumer Goods	6.1%	1.7%	26.3%	18.9%
Industrials	5.8%	1.9%	34.7%	27.8%
Telecommunications	0.8%	0.2%	23.3%	12.4%
Utilities	0.9%	0.1%	30.1%	18.6%
Basic Materials	0.0%	0.0%	0.0%	14.4%
Oil & Gas	0.0%	0.0%	0.0%	8.0%
Financials	0.0%	0.0%	0.0%	20.9%

Source: Nasdaq, Bloomberg. Data as of 12/31/2019.

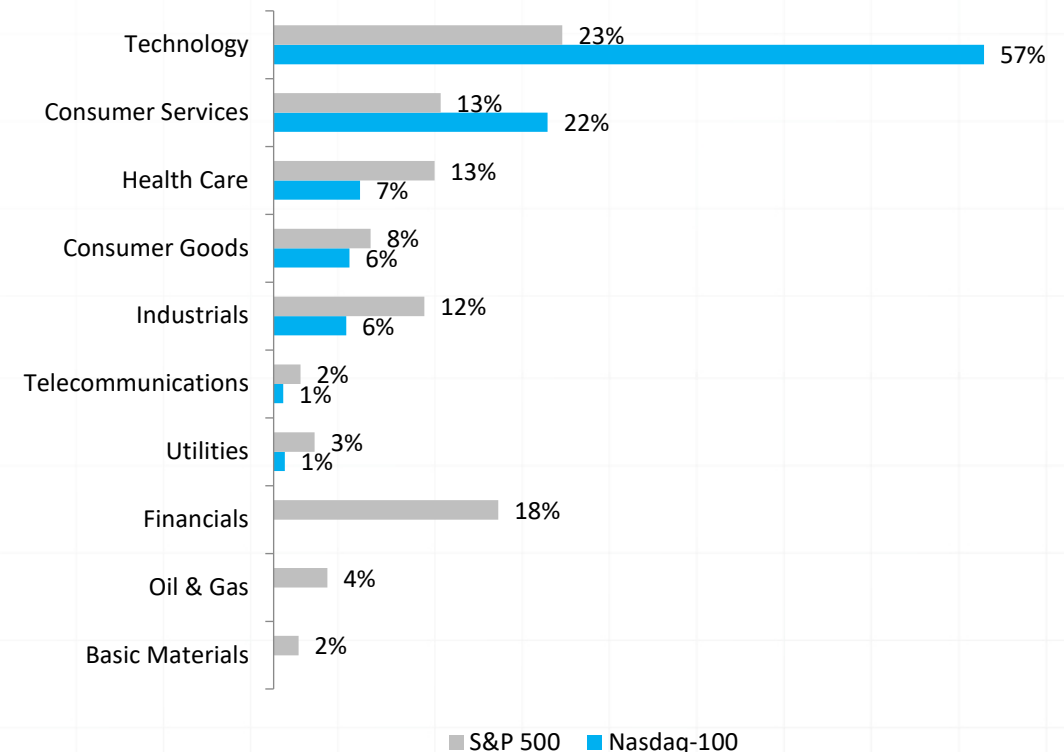
# The Decade of the Nasdaq-100

The underlying story for the rise in the Nasdaq-100 is that the U.S.'s economic growth is shifting from the traditional industries (Basic Materials and Oil & Gas) to the newer sectors (Health Care and Technology).

10-Year Sales Growth Across Industries in the Nasdaq US Large Mid Benchmark as of December 31, 2019



Industry (ICB) Breakdown in Nasdaq-100 and S&P 500 as of December 31, 2019

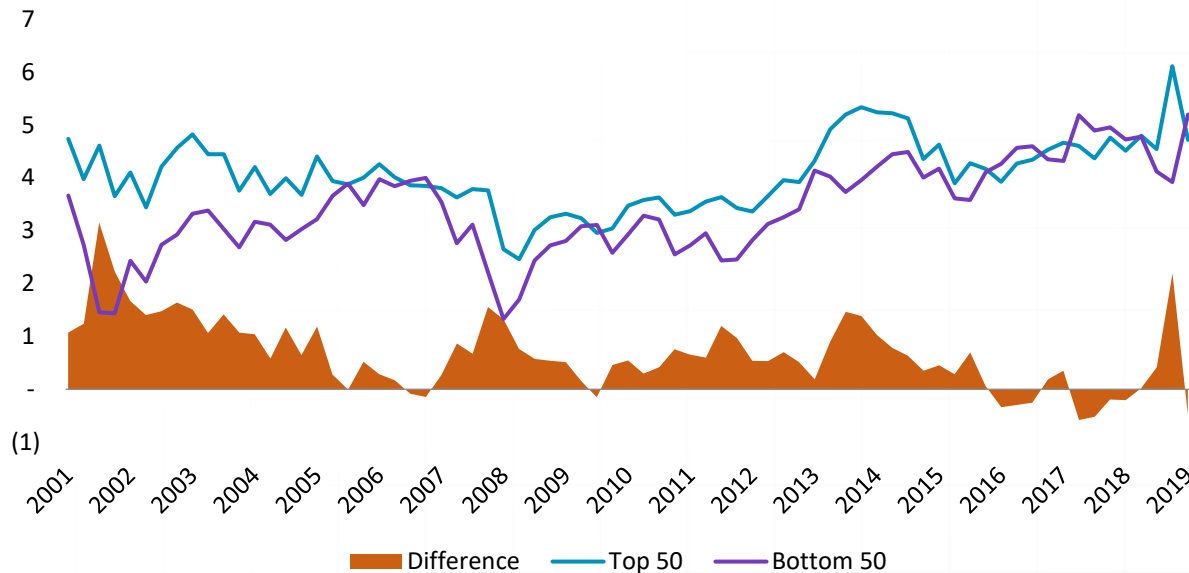


Source: Nasdaq, Factset. Data as of dates noted above.

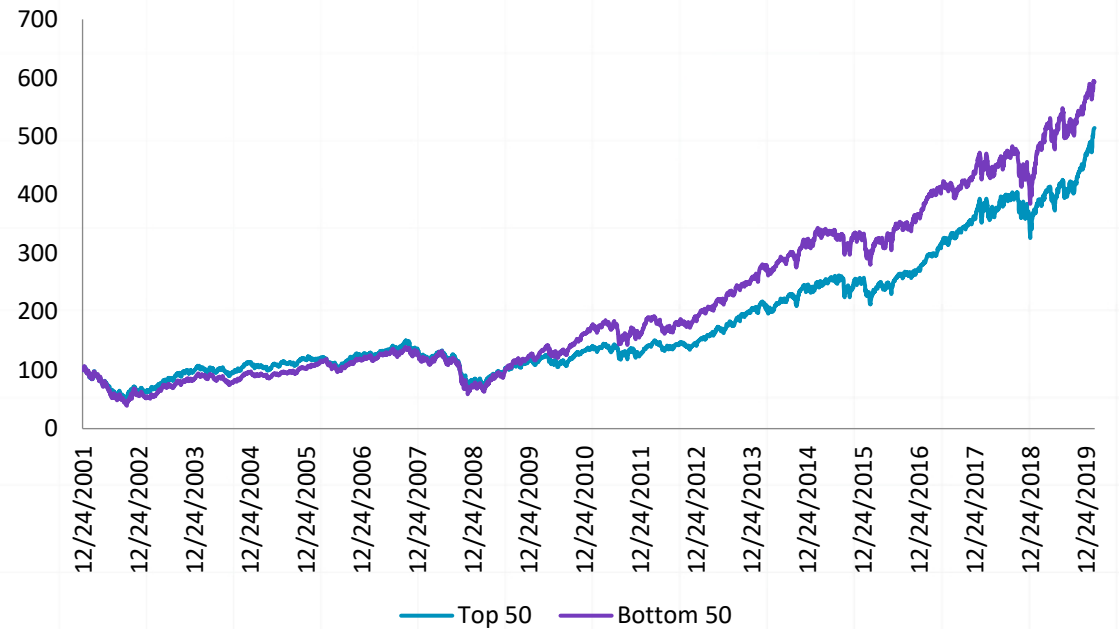
# Top 50 vs Bottom 50

The top positions in market capitalization weighted indexes are often heavily focused on larger holdings while putting less emphasis on smaller holdings. We can visualize it with a sample test. Let's equally divide the stocks in the Nasdaq-100 into two segments based on market capitalization: the Top 50 and the Bottom 50. The average Price to Book ratio chart shows a consistent bias toward the Top 50 - they are highly valued. This means that great values exist in the bottom 50 of the Nasdaq-100. Our back-tests also verified that the equally weighted bottom 50 portfolio has outperformed the top 50 portfolio since 2001.

Price to Book Ratios within Nasdaq-100



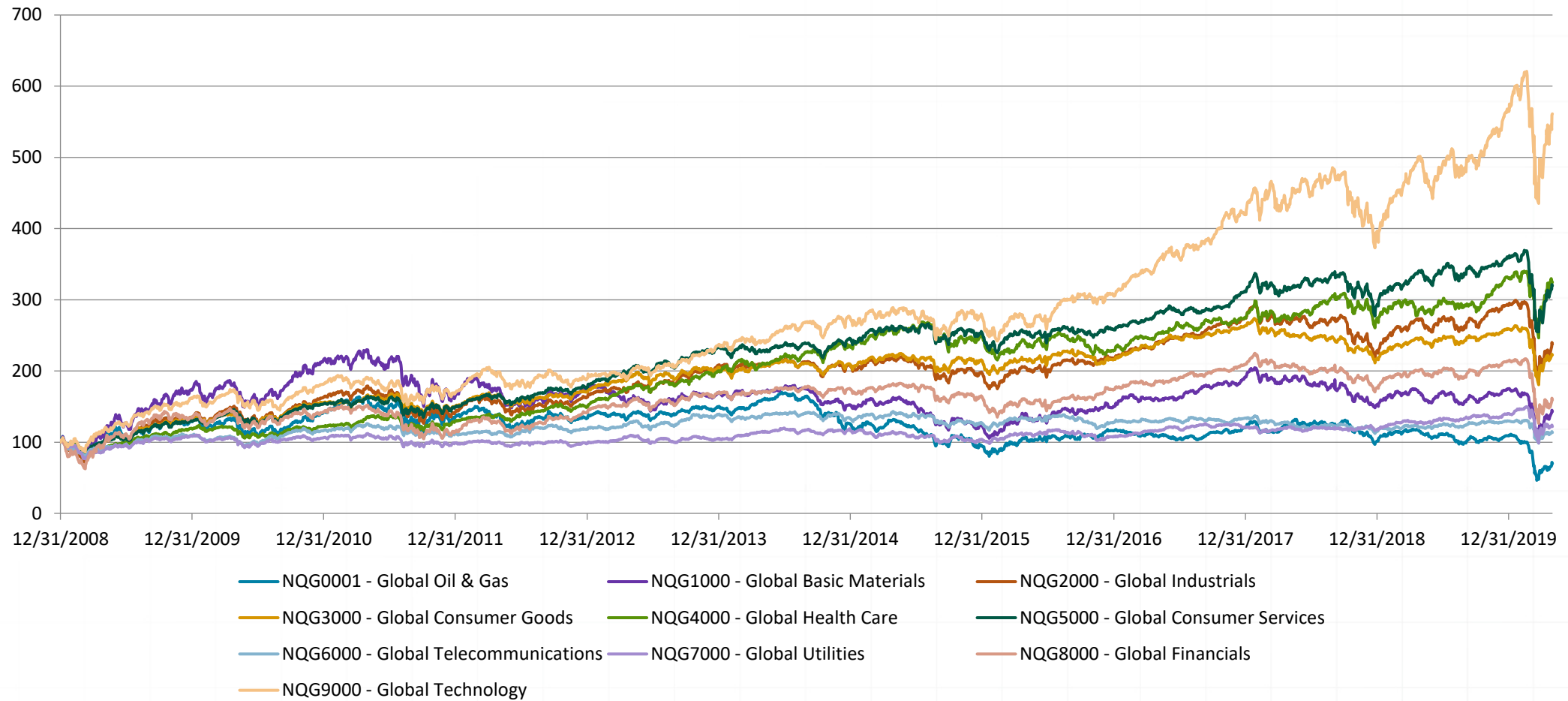
The Bottom 50 of Nasdaq-100 is outperforming



Source: Nasdaq, Bloomberg. Data as of 2/18/2020.

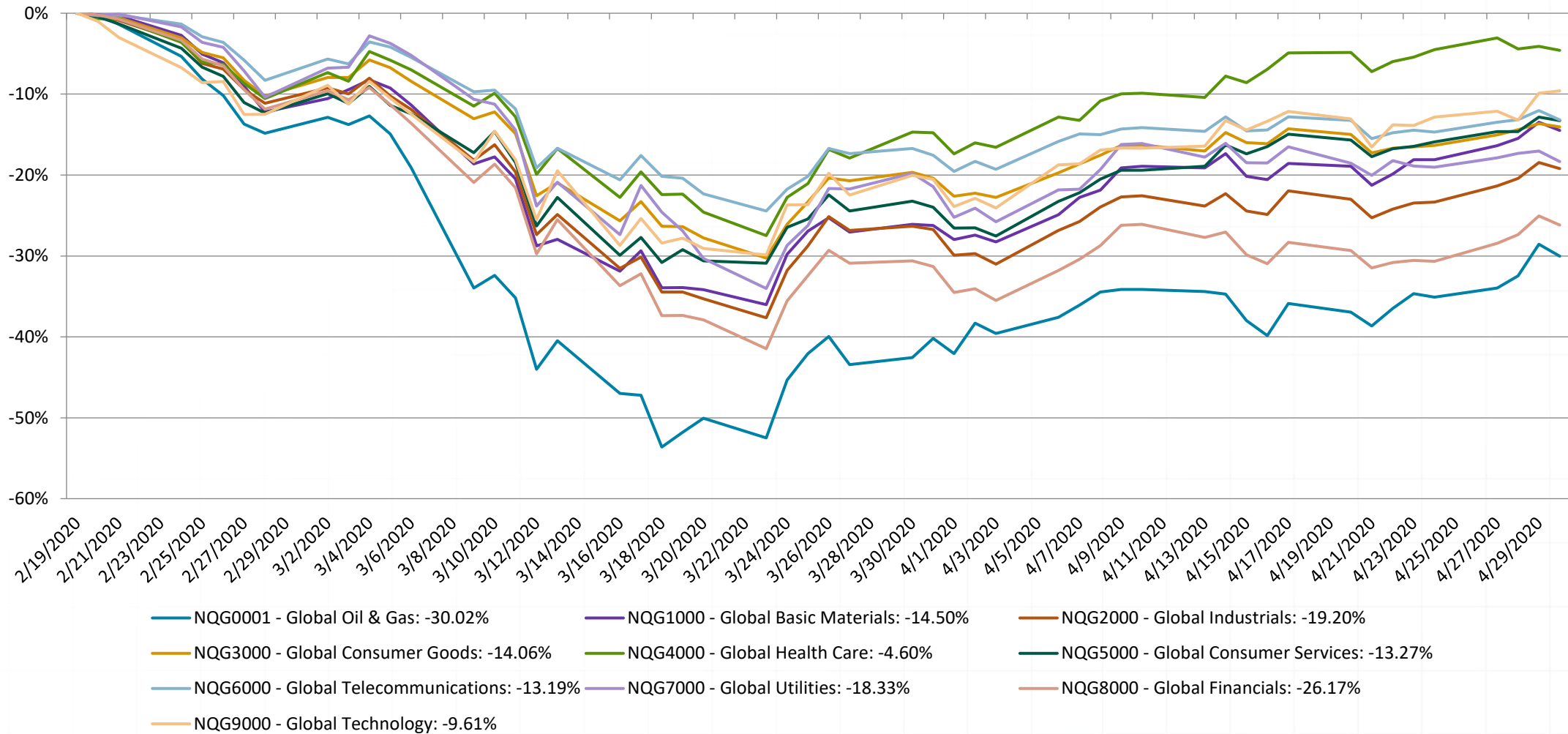
# Sector Exposure Matters

# Sector Exposure Matters



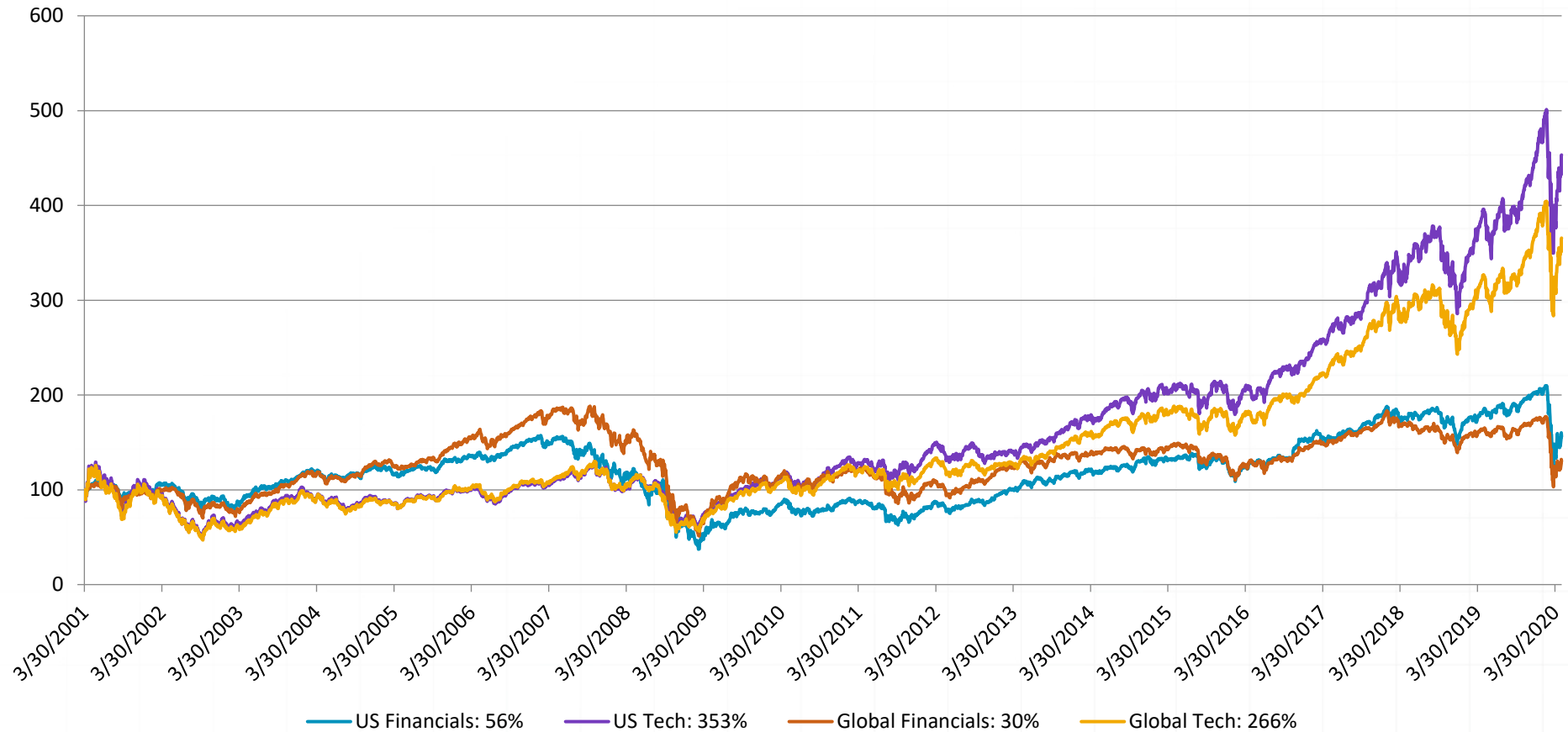
Source: Nasdaq. Data as of 04/30/2020.

# Sector Exposure Matters



Source: Nasdaq. Data from 2/19/2020 - 04/30/2020.

# Technology or Financials



Source: Nasdaq. Data as of 04/30/2020.

# The Fundamentals



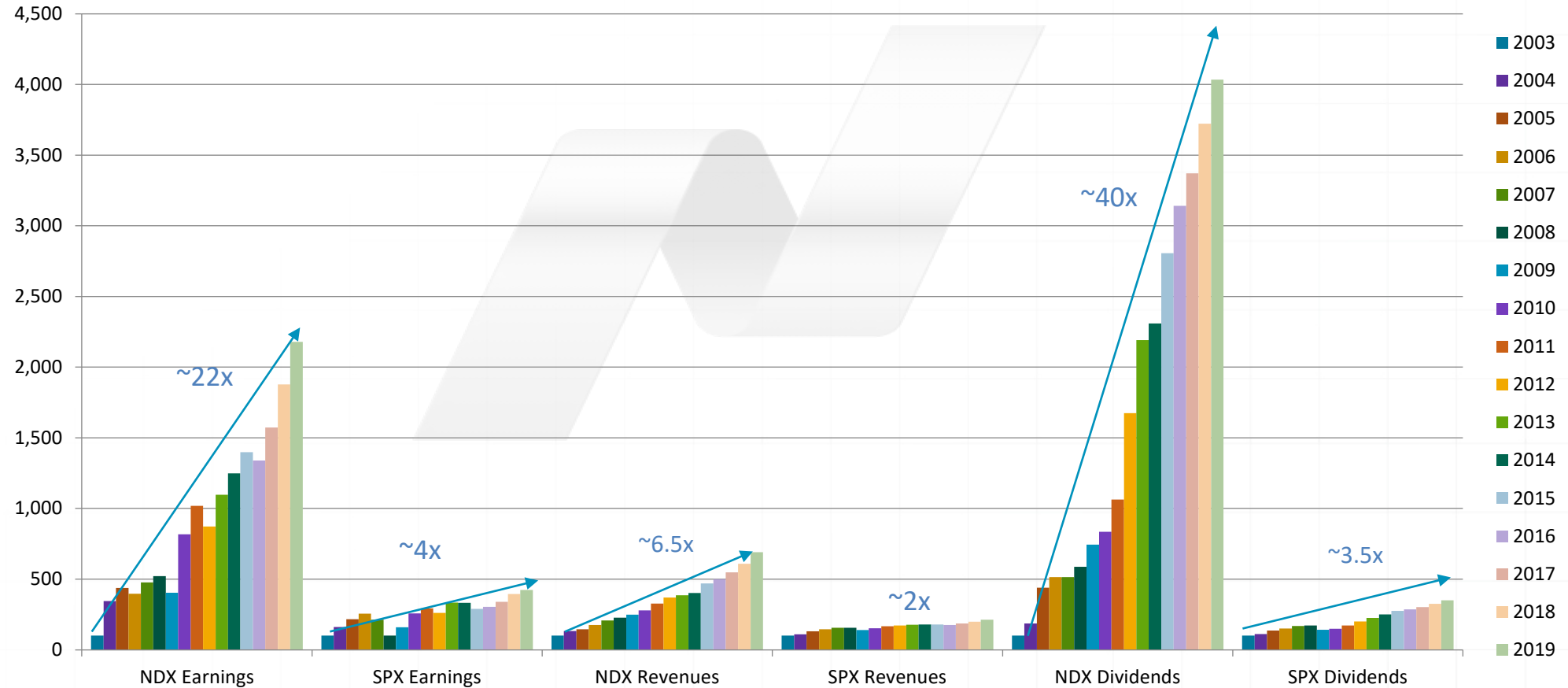
# Nasdaq-100 Index: Fundamentals

- The fundamental data behind the NASDAQ-100 has drastically improved over the past decade despite a volatile economy and the greatest financial market collapse since the Great Depression.
- Earnings, the most basic number to value a company, have skyrocketed, showing maturation of the companies as they increase revenues but reduce costs. Costs have been controlled, shares were bought back, dividends have increased and P/E has contracted.
- Since 2003, NDX has had a Compound Annual Growth Rate (CAGR) of:
  - + 21% in earnings
  - + 13% in revenues
  - + 26% in dividend value
  - - 9% in P/E
- The shift in NDX fundamentals has resulted in significant outperformance over other US large cap indexes.



# Nasdaq-100 Index: Fundamentals over time

## NDX VS SPX FUNDAMENTALS



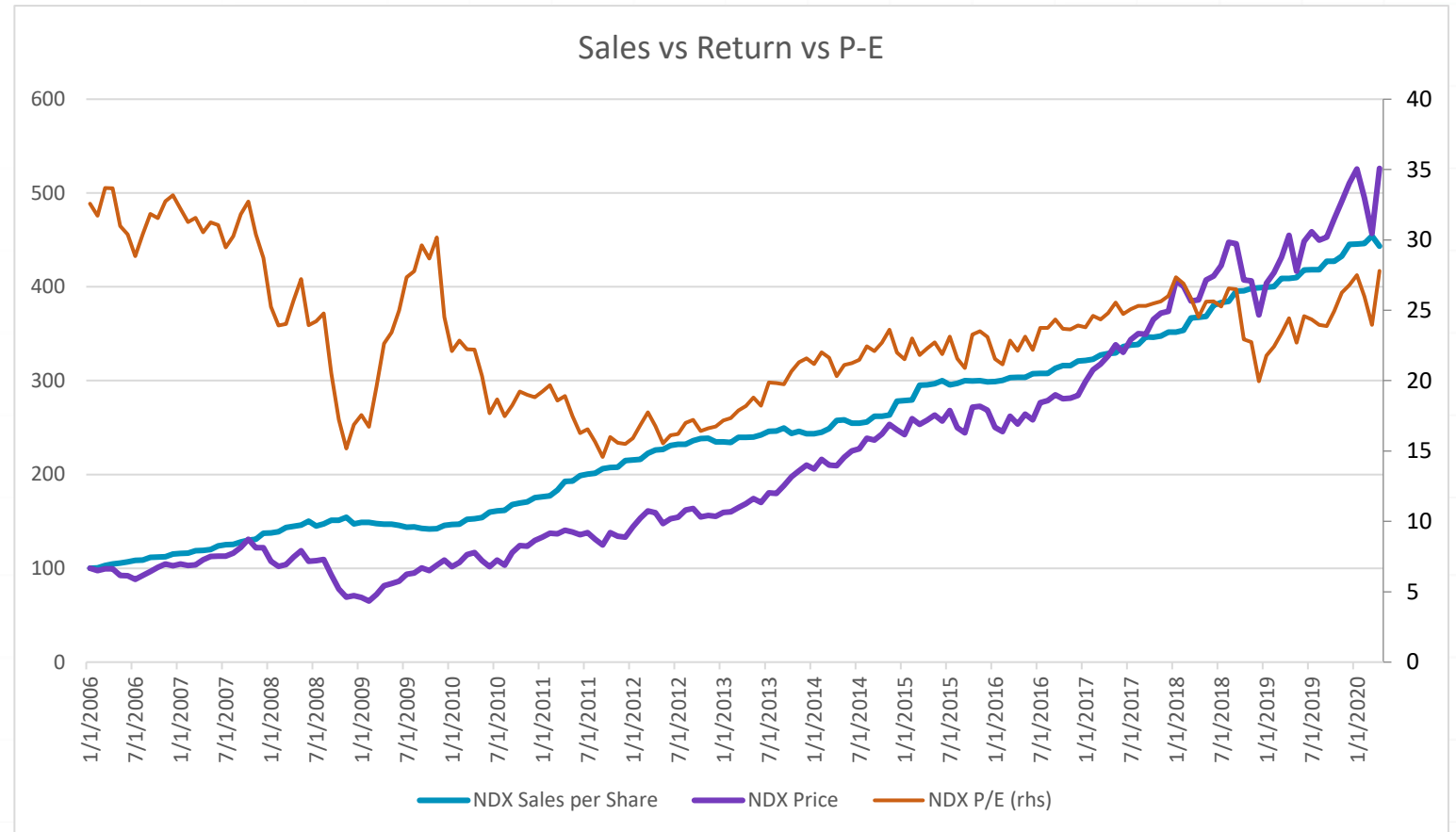
Source: Nasdaq, Factset. Data as of 12/31/2019.

# Nasdaq-100

## Performance and Volatility

# Market Performance and Technology

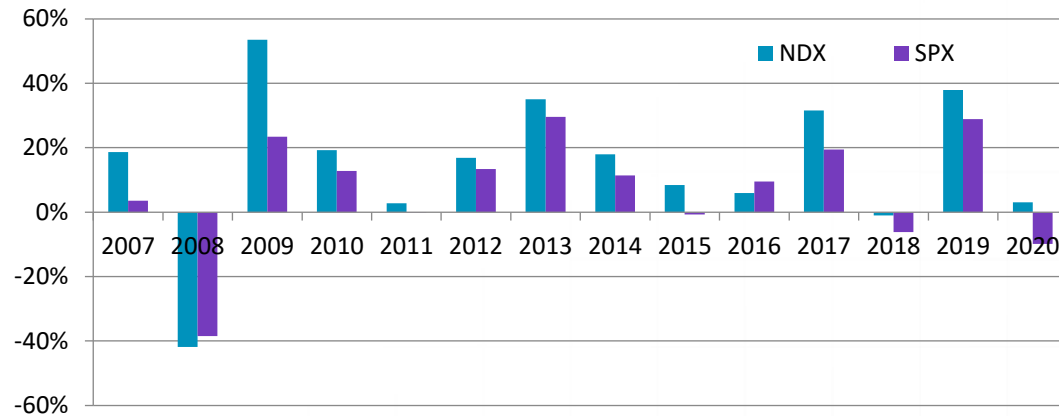
- P/E ratio has stabilized in the mid 20s over the past several years – substantially lower than even in the mid-2000s post-Tech bubble & crash
- Fundamental story drives recovery rewarding the growth of NDX companies
- Sales: +343%  
Price: +426%  
Valuation: -15%



Source: Nasdaq, FactSet, Bloomberg. Data as of 4/30/2020.

# Nasdaq-100 Index: Performance

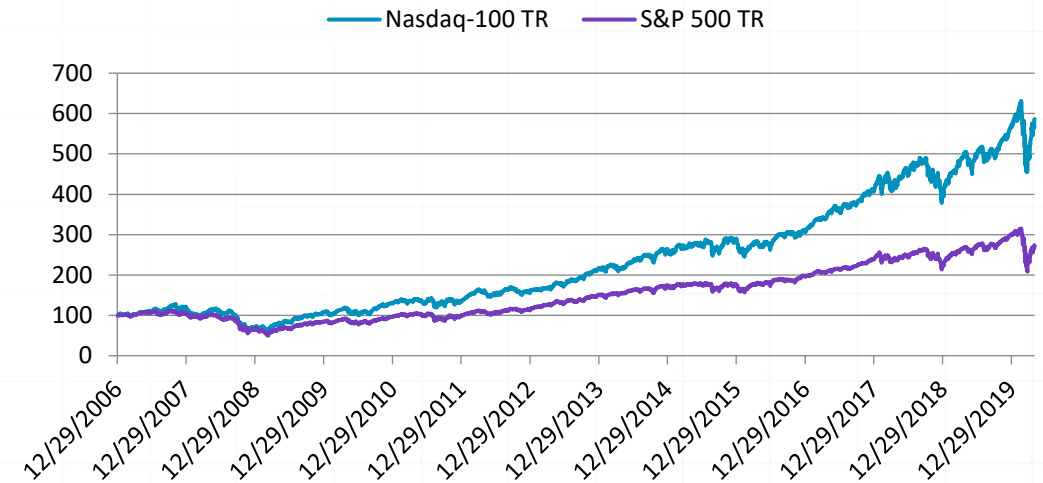
INDEX ANNUAL PRICE RETURNS – 2020 DATA AS OF APRIL 30



- NDX has been marked by both the growth and maturation of the companies in the index over the years. Through the financial crisis, in the subsequent market rebound and the following bull market, NDX's P/E has stabilized. NDX's P/E as of year-end 2019 was 26.8— somewhat but not drastically higher than SPX's 21.4.
- There were substantial increases in market cap along with earnings in NDX from year-end 2009 to 2019 (from \$3.2T to \$9.8T in market cap and from \$145B in earnings to \$326B).

INDEX PERFORMANCE FROM 2007 TO APRIL 30, 2020

## Cumulative Total Return Performance



- NDX realized volatilities over the past 13 full calendar years averaged 19.7% vs. 17.3% for SPX (the S&P 500 Index).
- Cumulative total returns through April 30, 2020 were 486% for NDX – more than doubling the returns of 172% for SPX.

Source: Nasdaq, FactSet, Bloomberg. Data as of 4/30/2020

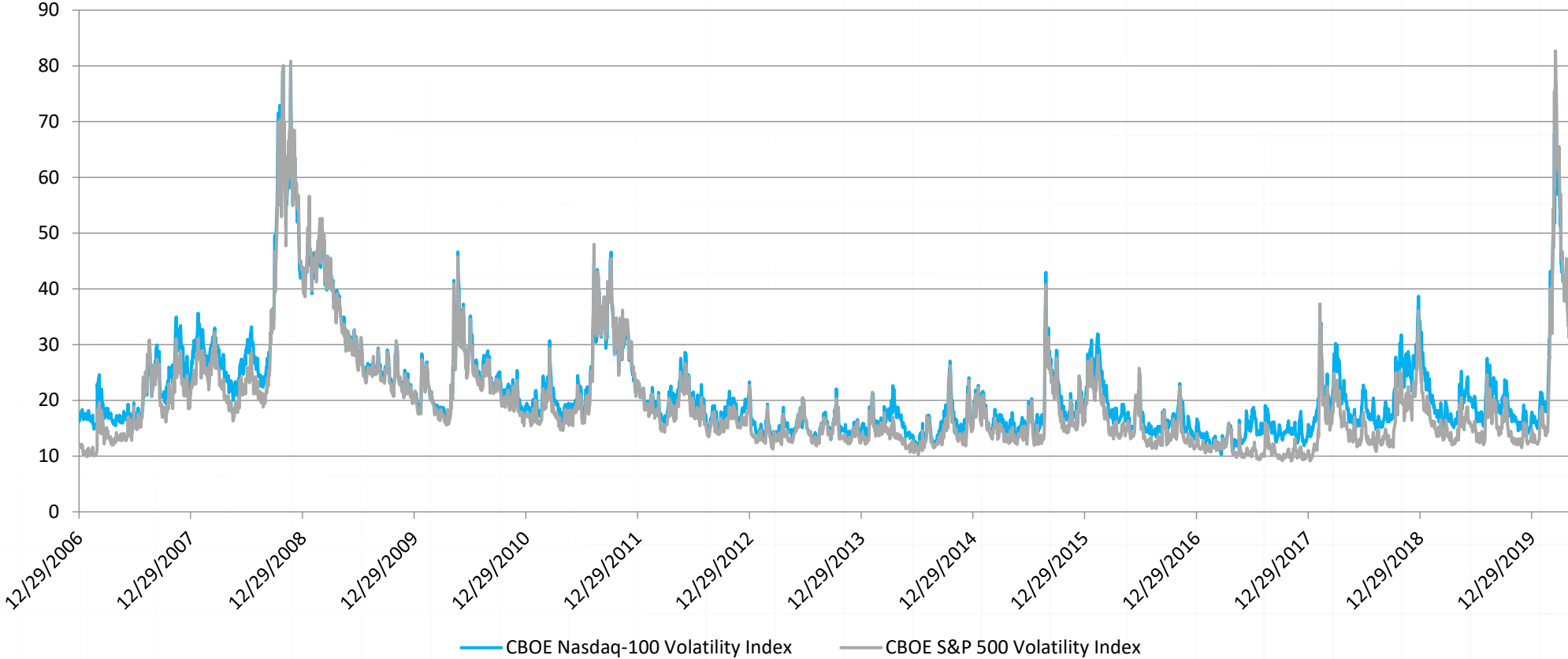
# Performance Data (Total Return)

Year	Calendar Year Return		Correlation	Calendar Year Volatility	
	Nasdaq-100	S&P 500	NDX + SPX	Nasdaq-100	S&P 500
2007	19.24%	5.49%	0.890	18.68%	15.99%
2008	-41.57%	-37.00%	0.945	42.22%	40.89%
2009	54.61%	26.46%	0.935	26.47%	27.25%
2010	20.14%	15.06%	0.949	19.48%	18.06%
2011	3.66%	2.11%	0.948	23.75%	23.24%
2012	18.35%	16.00%	0.920	15.44%	12.74%
2013	36.92%	32.39%	0.901	12.49%	11.16%
2014	19.40%	13.69%	0.924	14.06%	11.36%
2015	9.75%	1.38%	0.947	17.85%	15.50%
2016	7.27%	11.96%	0.916	16.17%	13.11%
2017	32.99%	21.83%	0.801	10.32%	6.69%
2018	0.04%	-4.38%	0.949	22.70%	17.04%
2019	39.46%	31.49%	0.950	16.31%	12.46%
2020	3.37%	-9.29%	0.972	53.13%	53.24%

Source: Nasdaq, FactSet, Bloomberg. Data as of 4/30/2020.

# Historical Volatility

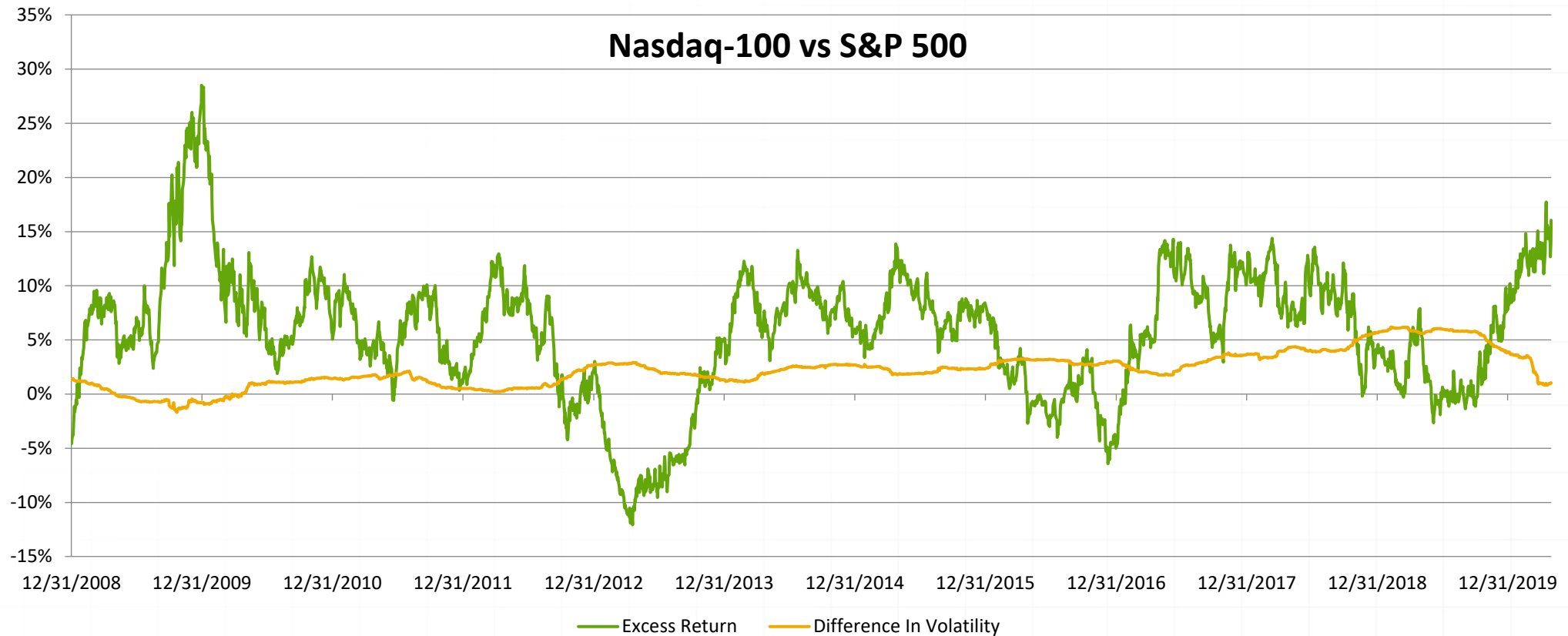
- Both the Nasdaq-100 and the S&P 500 have very similar volatility profiles



Source: Nasdaq, Bloomberg. Data as of 4/30/2020.

# 1-Year Excess Return vs. Volatility

From December 2008 through April 2020



Source: Nasdaq, Bloomberg. Data as of 4/30/2020.



# Nasdaq-100 Index Options

# Nasdaq-100 Index Options Products

## NDX

- *Nasdaq's flagship index options product*
- Trading Symbol: NDX
- Expiration
  - Monthly AM Settlement (NDX)
  - Weekly PM Settlement (NDXP)

## NQX

- *1/5 notional value of the Nasdaq 100*
- Trading Symbol: NQX
- Expiration
  - Monthly and Weekly PM Settlement (NQX)

# Benefits of NDX Options for Portfolio Hedging

## Cash Settlement

- Delivery of cash rather than underlying stock
- No risk of forced delivery

## European-Style Expiration

- Contracts can only be exercised at expiration
- No risk of early exercise/assignment

## Easy Profit/Loss Calculation

- One index point equals \$100
- Simple profit/loss

## Tax Advantages

- Favorable capital gains tax treatment – 60% long term/40% short term\*

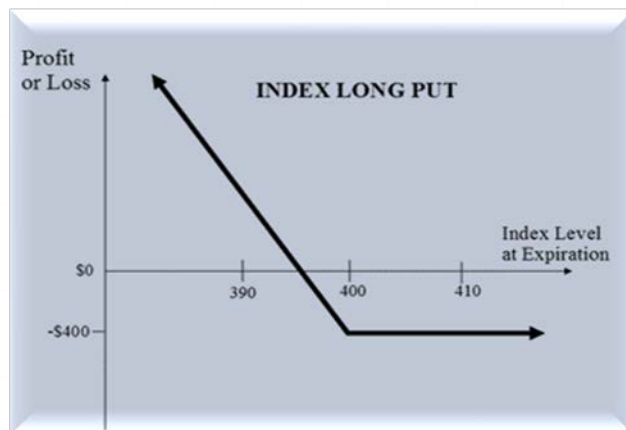


# Nasdaq-100 Portfolio Strategies

# Buying and Selling Puts

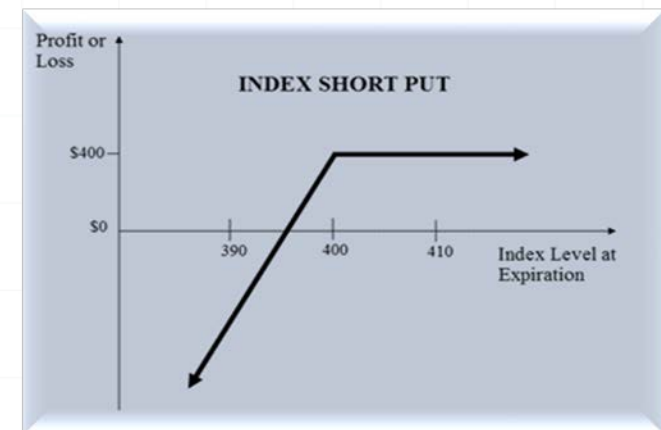
## Buying

- Outlook
  - Bearish outlook on the Nasdaq-100 Index
- Max Profit
  - Entire index price less premium paid
- Max Loss
  - Maximum loss is premium paid



## Selling

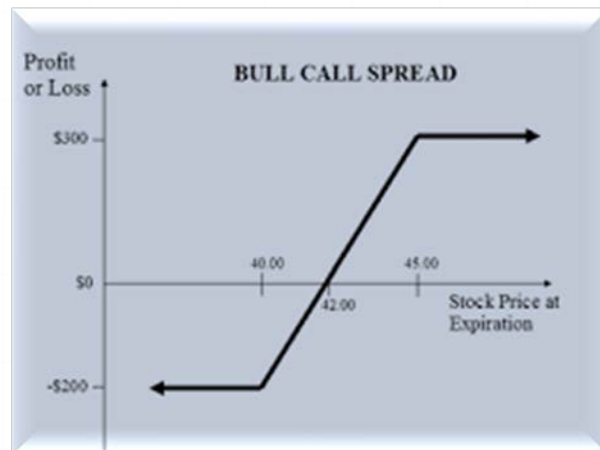
- Outlook
  - Bullish outlook on the Nasdaq-100 Index
- Max Profit
  - Maximum profit is premium paid by buyer
- Max Loss
  - Entire index price less premium paid by buyer



# Buying and Selling Call Spreads

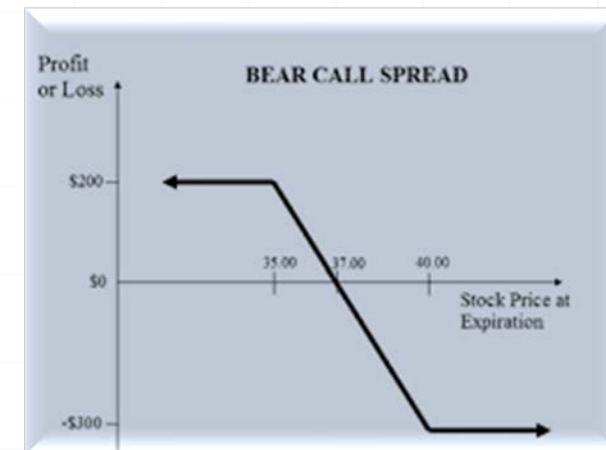
## Buying

- Outlook
  - Bullish outlook on the Nasdaq-100 Index
- Profit
  - Maximum profit is the difference between strike prices minus the premium paid
- Cost
  - Maximum loss is premium paid



## Selling

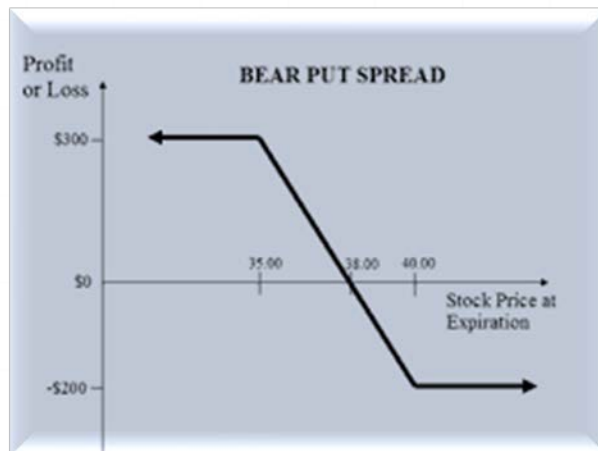
- Outlook
  - Bearish outlook on the Nasdaq-100 Index
- Profit
  - Maximum profit is premium paid by buyer
- Cost
  - Maximum loss is the difference between strike prices net the premium received



# Buying and Selling Put Spreads

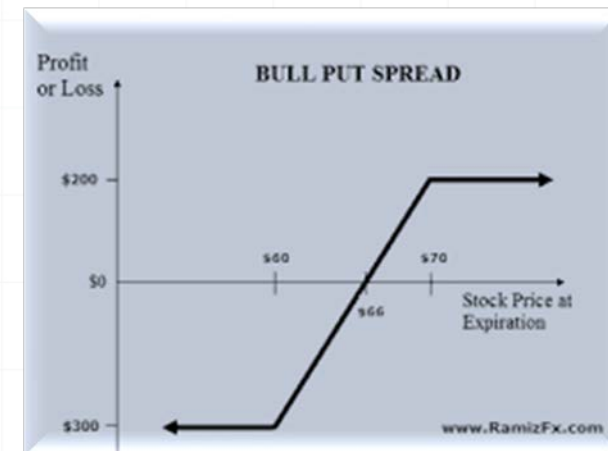
## Buying

- Outlook
  - Bearish outlook on the Nasdaq-100 Index
- Profit
  - Maximum profit is the difference between strike prices minus the premium paid
- Cost
  - Maximum loss is premium paid



## Selling

- Outlook
  - Bullish outlook on the Nasdaq-100 Index
- Profit
  - Maximum profit is premium paid by buyer
- Cost
  - Maximum loss is the difference between strike prices net the premium received





# An Introduction to the Nasdaq-100 Power Buffer ETFs Innovator Defined Outcome ETFs™

**THE FIRST EVER TAX-EFFICIENT, LIQUID & TRANSPARENT ETFS WITH A BUILT-IN  
DOWNSIDE BUFFER OF 15% OR 30% AND UPSIDE TO A CAP**

**May 19<sup>th</sup>, 2020**

The funds seek to generate returns that match the price return of a benchmark index, up to the Cap, on potential upside returns, while limiting downside losses over the course of a 1 year period before fees and expenses. 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.



# TODAY'S AGENDA & SPEAKER

- 1 About Innovator and Why Defined Outcome ETFs
- 2 How the Buffer ETFs Work
- 3 How to implement Defined Outcome ETFs in client portfolios
- 4 NJAN Example

## SPEAKER:



**Graham Day, CFA**  
Innovator ETFs



# About Innovator Capital Management LLC.

THE CREATOR, PIONEER & LEADER IN DEFINED OUTCOME ETFs



## OUR HISTORY

Innovator Capital Management LLC currently manages over **\$2.5BLN in ETF AUM** and has a legacy of innovative investment solutions. The firm is headed by the founders of PowerShares, the 4th largest ETF provider in the world.

## CREATOR & PIONEER OF DEFINED OUTCOME ETFs

In 2018, Innovator launched the world's first Defined Outcome ETFs. Today, we have over \$2BLN in Defined Outcome ETF AUM and have the largest lineup of ETFs providing exposure to the S&P 500, MSCI EAFE, MSCI EM, Russell 2000 and Nasdaq 100 Indexes.

# How are advisors using the ETFs?

## SIMPLE STRUCTURE, LIQUID, TRANSPARENT STRATEGIC SOLUTION FOR ADVISORS

	Innovator Defined Outcome ETFs	Banks	Insurance
Defined Return & Risk Parameters	●	●	●
Point-to-Point	●	●	●
Easily Accessed & Liquid	●		
Low-Cost	●		
Transparent	●		
Ability to Manage	●	●	
No Credit Risk	●		
No Commission Load	●		
Tax Efficiency	●		

# 75%

of all wealth in the U.S. will be in the hands of pre-retirees or retirees in one year<sup>1</sup>

- “The simplicity and transparency of the ETF structure makes it straightforward to underwrite and to communicate to clients”
- “The 9% and 15% buffers may act as a first line of defense against normal market corrections that are often challenging to hedge”
- “The ETFs allow me to scale defined outcome payoffs across my practice more easily and build strategic model portfolios”
- “The buffer ETFs offer the opportunity to be tactical without abandoning our long-term investment strategy”
- “The downside buffer of the ETFs is known as opposed to low-vol stocks which appear expensive today”

Testimonials may not be representative of the experience of all customers and are no guarantee of future performance. Liquid refers to the ability to convert an investment into cash in a relatively short period of time. Payoffs refer to the defined outcomes the funds seek to provide.

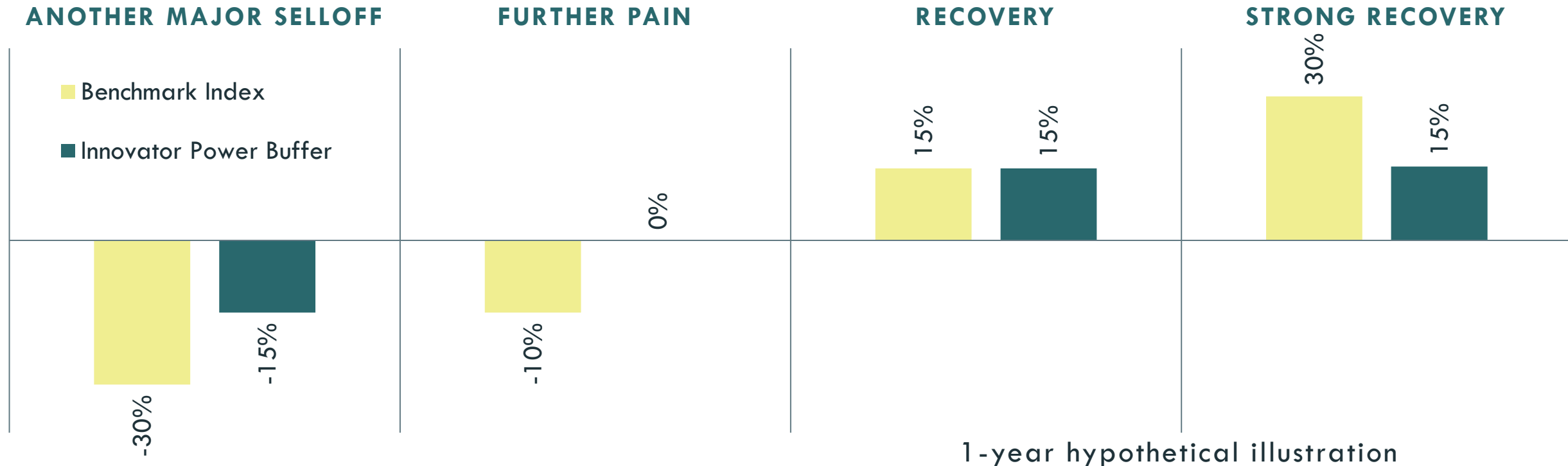
# Innovator Nasdaq-100 Power Buffer ETFs

Innovator Nasdaq 100 Power Buffer ETF – January (NJAN)

Innovator Nasdaq 100 Power Buffer ETF – April (NAPR)

Innovator Nasdaq 100 Power Buffer ETF – October (NOCT)

**DOWNSIDE BUFFER OF 15% WITH A 15% CAP OF 15%** (DELIVERED IN A HYPOTHETICAL MARKET)



For illustrative purposes only. Intended to visually show the fund's investment objectives in various market environments. Is not indicative of the performance of any investment product. The Funds only seek to provide shareholders that hold shares for the entire Outcome Period with their respective starting buffer level against index losses during the Outcome Period. You will bear all index losses exceeding 9, 15, or 30%. Shares purchased after the Outcome Period has begun or sold prior to the Outcome Period's conclusion, may experience investment returns very different from those that the Fund seeks to provide. 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. There is no guarantee that a Fund will achieve its investment objective.

# How Defined Outcome ETFs work

## INDEX EXPOSURE WITH BUILT-IN DOWNSIDE BUFFERS THROUGH 7 INDEX OPTIONS

### Layer #1: Nasdaq 100 Exposure

Synthetic 1:1 exposure to the Nasdaq 100 Index (4 Options)

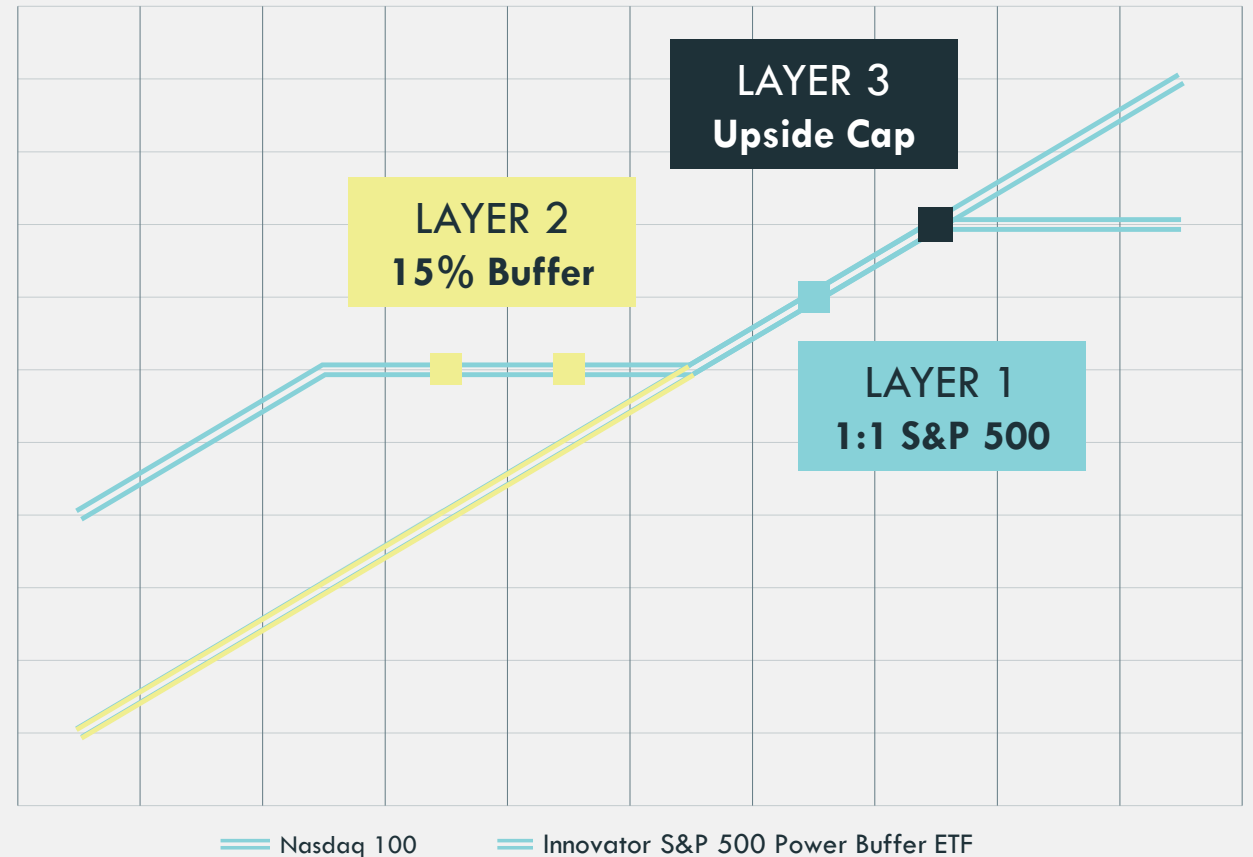
### Layer #2: Downside Buffers

Put spread to provide buffer of 15% to the Nasdaq 100 Index (2 Options)

### Layer #3: Upside Cap

Sell an upside call to finance downside buffers (1 Option)

### RESULTING ETF PAYOFF PROFILE



Options are financial derivatives that give buyers the right, but not the obligation, to buy (call) or sell (put) an underlying asset at an agreed-upon price and date. The funds use structured options strategies to achieve a return profile according to its buffer objective. There is no guarantee a fund will achieve its investment objective.

# Where does it fit in my portfolio?

WE BELIEVE INNOVATOR DEFINED OUTCOME ETFS HAVE NUMEROUS PORTFOLIO APPLICATIONS

## Behavioral and Asset Allocation Applications



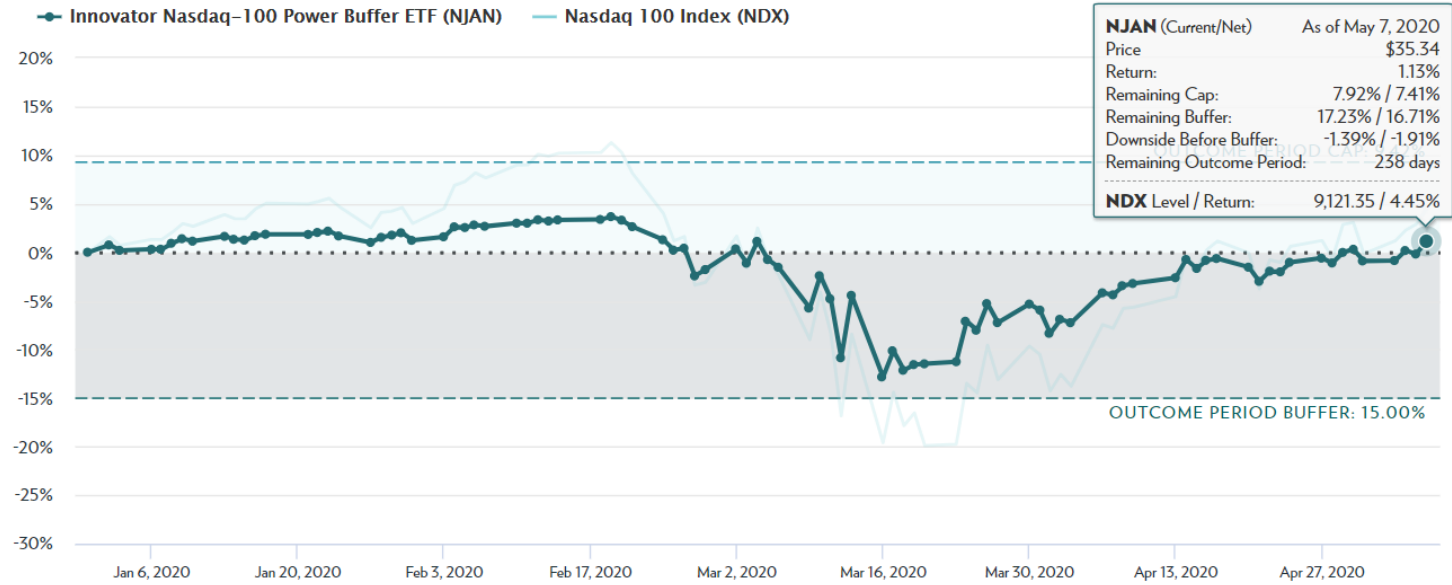
1. The Defined Outcome ETFs are not designed to provide income and the intention of using them as a fixed income alternative is to hedge interest rate risk and may not be appropriate for all investors.

# Innovator Pricing Tool



## ETF Pricing Tool:

- Know current outcome period and hypothetical outcomes
- Know your remaining upside potential
- Know your remaining downside buffer



### CURRENT OUTCOME PERIOD VALUES (CURRENT/NET) <sup>Ⓜ</sup> AS OF 5/7/2020 1:57 PM

Fund Price <sup>Ⓜ</sup>	Fund Return <sup>Ⓜ</sup>	NDX Return <sup>Ⓜ</sup>	Remaining Cap <sup>Ⓜ</sup>	Remaining Buffer <sup>Ⓜ</sup>	Downside Before Buffer <sup>Ⓜ</sup>	Remaining Outcome Period <sup>Ⓜ</sup>
\$35.34	1.13%	4.45%	7.92% / 7.41%	17.23% / 16.71%	-1.39% / -1.91%	238 days

### OUTCOME PERIOD VALUES (CURRENT/NET) <sup>Ⓜ</sup> AS OF 12/31/2019

Fund Price <sup>Ⓜ</sup>	Fund Return <sup>Ⓜ</sup>	NDX Return <sup>Ⓜ</sup>	Cap <sup>Ⓜ</sup>	Buffer <sup>Ⓜ</sup>	Downside Before Buffer <sup>Ⓜ</sup>	Outcome Period <sup>Ⓜ</sup>
\$34.94	0.00%	0.00%	9.42% / 8.62%	15.00% / 14.20%	0.00% / -0.80%	366 days

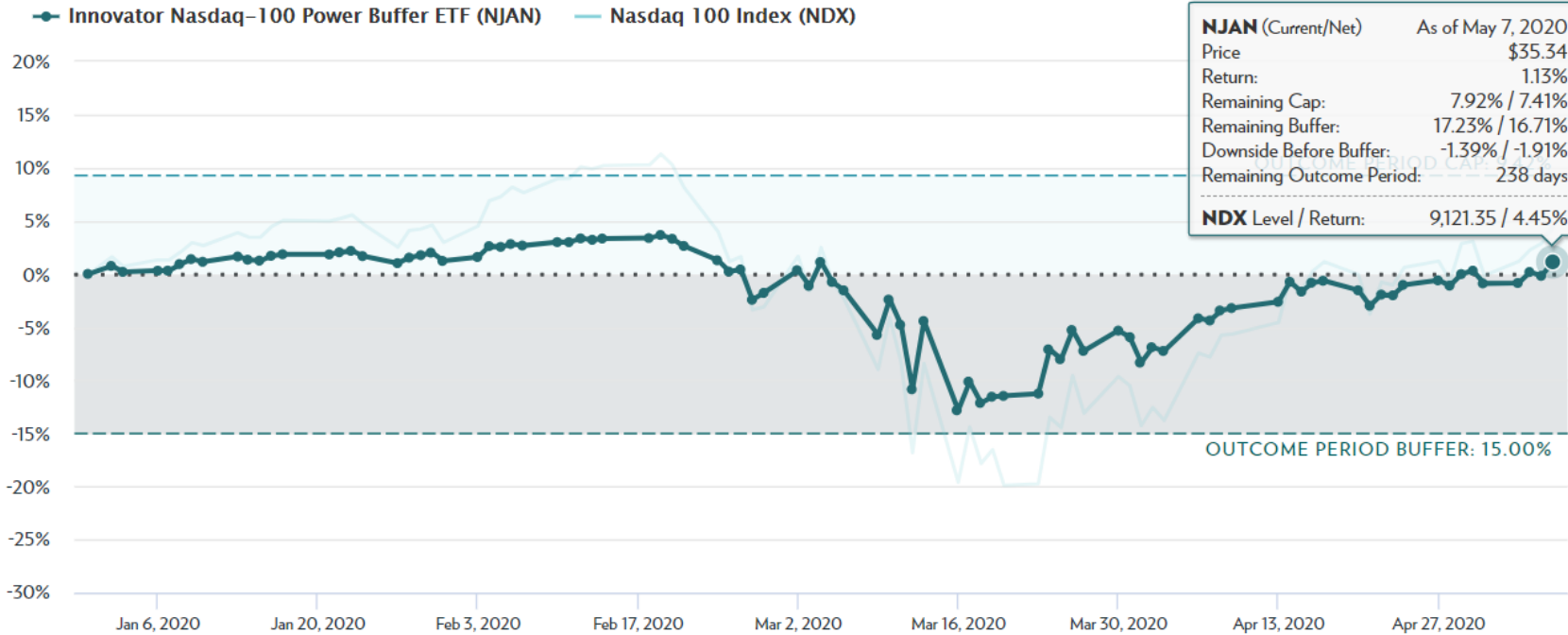
Source: [www.innovatoretf.com](http://www.innovatoretf.com)

Current figures are net of accrued Outcome Period expenses to date. Net figures include Outcome Period expenses yet to be incurred.

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. The most recent month-end performance can be found at [innovatoretf.com](http://innovatoretf.com).

Data as of 5/7/20. Expense ratio is 0.79. The remaining cap represents the maximum return the fund can achieve at its current price. The index may need to rise higher or lower than the remaining cap before the remaining cap is realized. If the remaining buffer is greater than the fund's starting buffer, a portion of the buffer will be realized before the downside before buffer begins. After the downside before buffer has been realized, the final portion of the buffer will begin again. A glossary of terms can be found on slide 14.

# Innovator Pricing Tool



- Appreciation of the ETF since beginning of outcome period.
- Amount of appreciation the ETF can experience up to its cap<sup>1</sup>
- Amount of buffer remaining<sup>1</sup>
- Potential losses before the buffer comes into effect<sup>1</sup>
- Days before rebalance
- Appreciation of the Index since the beginning of the outcome period.

## CURRENT OUTCOME PERIOD VALUES (CURRENT/NET) <sup>1</sup>

AS OF 5/7/2020 1:57 PM

Fund Price <sup>1</sup>	Fund Return <sup>1</sup>	NDX Return <sup>1</sup>	Remaining Cap <sup>1</sup>	Remaining Buffer <sup>1</sup>	Downside Before Buffer <sup>1</sup>	Remaining Outcome Period <sup>1</sup>
\$35.34	1.13%	4.45%	7.92% / 7.41%	17.23% / 16.71%	-1.39% / -1.91%	238 days

## OUTCOME PERIOD VALUES (CURRENT/NET) <sup>1</sup>

AS OF 12/31/2019

Fund Price <sup>1</sup>	Fund Return <sup>1</sup>	NDX Return <sup>1</sup>	Cap <sup>1</sup>	Buffer <sup>1</sup>	Downside Before Buffer <sup>1</sup>	Outcome Period <sup>1</sup>
\$34.94	0.00%	0.00%	9.42% / 8.62%	15.00% / 14.20%	0.00% / -0.80%	366 days

Source: www.innovatoretfs.com

1. Current figures are net of accrued Outcome Period expenses to date. Net figures include Outcome Period expenses yet to be incurred.

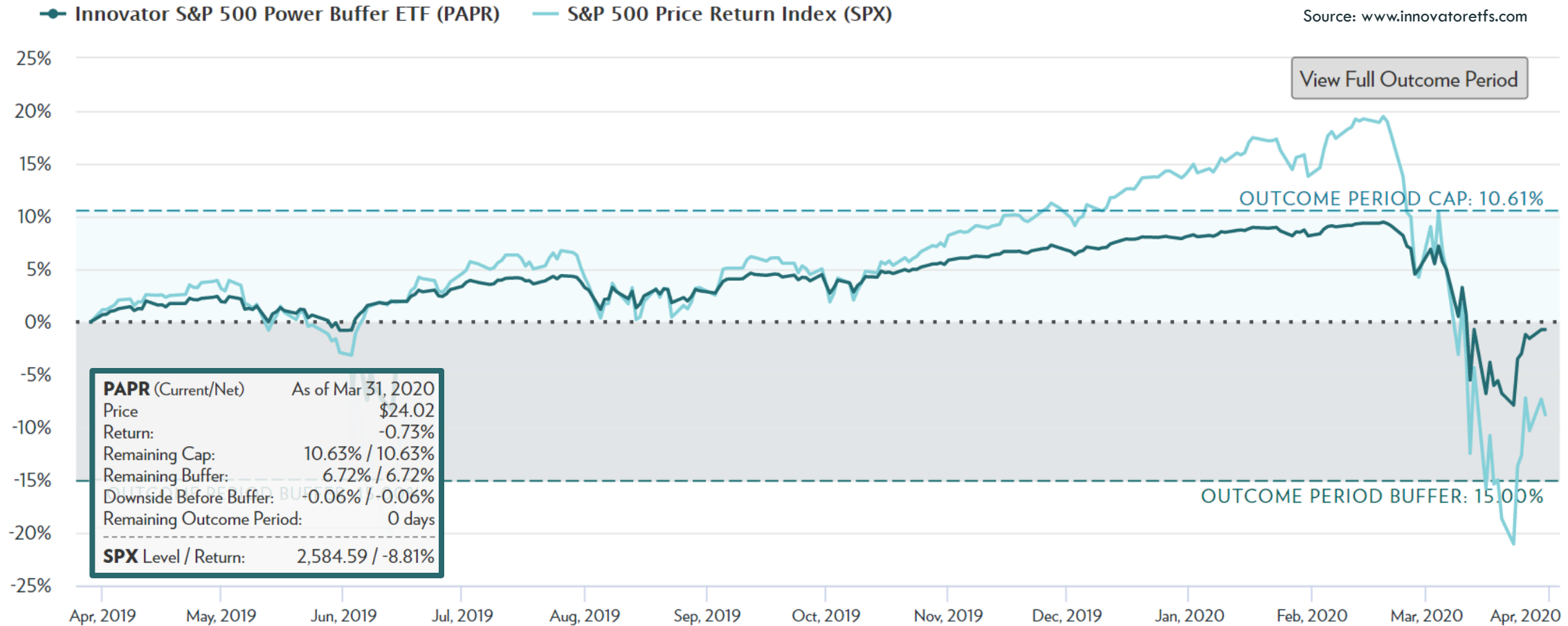
Data as of 5/7/20. Expense ratio is 0.79%. Performance quoted represents past performance, which is no guarantee of future results.. The remaining cap represents the maximum return the fund can achieve at its current price. The index may need to rise higher or lower than the remaining cap before the remaining cap is realized. If the remaining buffer is greater than the fund's starting buffer, a portion of the buffer will be realized before the downside before buffer begins. After the downside before buffer has been realized, the final portion of the buffer will begin again. A glossary of terms can be found on slide 14.



# Do the ETFs work?

## APRIL SERIES SUCCESSFULLY COMPLETED FIRST OUTCOME PERIOD ON MARCH 31<sup>st</sup>.

Four series (July, October, January, and April) have successfully completed their inaugural outcome periods



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. The most recent month-end performance can be found at innovatoretfs.com. Standardized performance can be found on slide 15.

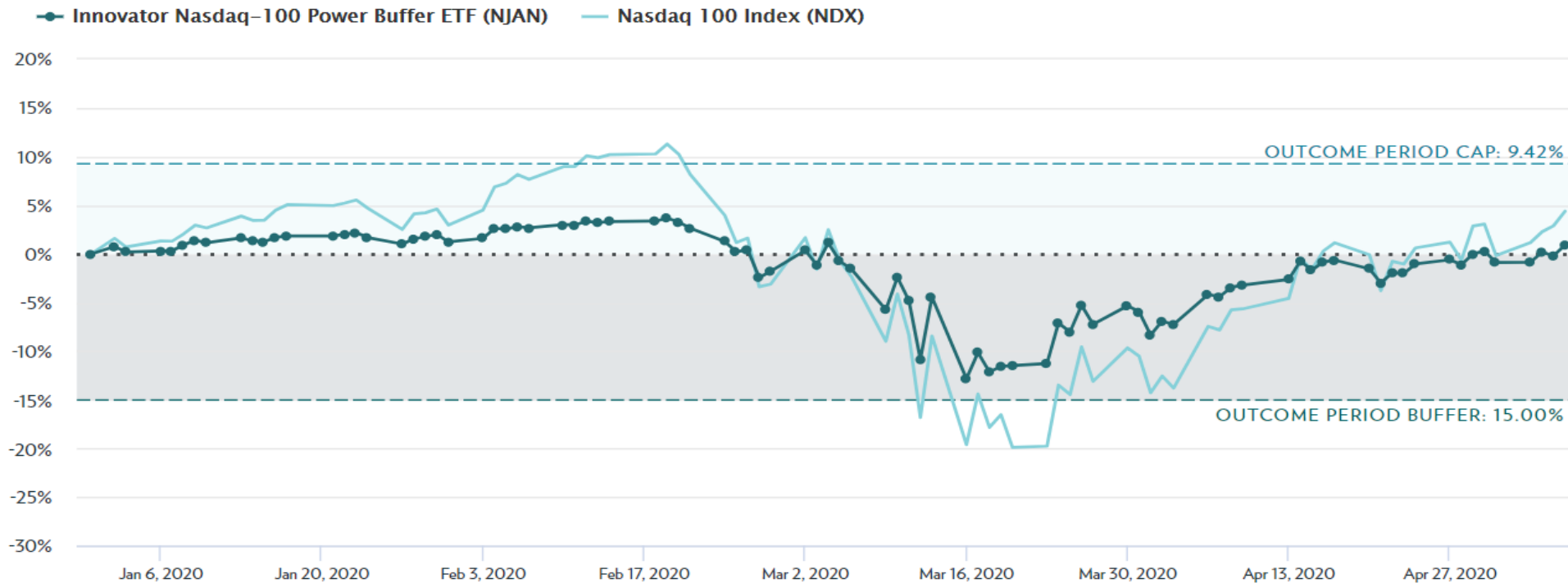
# Do the ETFs work?

APRIL SERIES SUCCESSFULLY COMPLETED FIRST OUTCOME PERIOD ON MARCH 31<sup>st</sup>

	RETURN	VOLATILITY	MAX DRAWDOWN	OUTCOME PERIOD CAPS
<b>Buffer ETF – April (BAPR)</b>	<b>-0.70%</b>	<b>20.72%</b>	<b>-24.57%</b>	<b>22.00%</b>
S&P 500 Index	-8.81%	30.02%	-33.92%	-
<b>Power Buffer ETF – April (PAPR)</b>	<b>-0.73%</b>	<b>15.11%</b>	<b>-15.86%</b>	<b>15.40%</b>
S&P 500 Index	-8.81%	30.02%	-33.92%	-
<b>Ultra Buffer ETF – April (UAPR)</b>	<b>-5.77%</b>	<b>11.75%</b>	<b>-14.20%</b>	<b>9.80%</b>
S&P 500 Index	-8.81%	30.02%	-33.92%	-

Source: Bloomberg L.P. Data from 3/31/2019 to 3/31/2020. The ETF's expense ratios are 0.79%. Outcome Period Caps are before fees and expenses. 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. The most recent month-end performance can be found at [www.innovatoretfs.com](http://www.innovatoretfs.com). **Volatility** is a statistical measure of the dispersion of returns for a given security or market index. **Max drawdown** is the maximum observed loss from a peak to a trough of a portfolio, before a new peak is attained. Maximum drawdown is an indicator of downside risk over a specified time period.

# Innovator Nasdaq-100 Power Buffer ETF (NJAN)



## CURRENT OUTCOME PERIOD VALUES (CURRENT/NET) ⓘ

AS OF 5/7/2020 2:23 PM

Fund Price ⓘ	Fund Return ⓘ	NDX Return ⓘ	Remaining Cap ⓘ	Remaining Buffer ⓘ	Downside Before Buffer ⓘ	Remaining Outcome Period ⓘ
\$35.26	0.90%	4.38%	8.17% / 7.65%	17.40% / 16.88%	-1.17% / -1.69%	238 days

## OUTCOME PERIOD VALUES (CURRENT/NET) ⓘ

AS OF 12/31/2019

Fund Price ⓘ	Fund Return ⓘ	NDX Return ⓘ	Cap ⓘ	Buffer ⓘ	Downside Before Buffer ⓘ	Outcome Period ⓘ
\$34.94	0.00%	0.00%	9.42% / 8.62%	15.00% / 14.20%	0.00% / -0.80%	366 days

Source: www.innovatoretfs.com

Past performance is not indicative of future results. 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.

# Disclosures

The funds seek to generate returns that match the Index, up to the Cap on potential upside returns, while limiting downside losses. **There is no assurance that the fund will achieve its investment objectives.**

**Investing involves risks.** 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, FLEX Option counterparty risk, cyber security risk, fluctuation of net asset value risk, investment objective risk, limitations of intraday indicative value risk, liquidity risk, management risk, market maker risk, market risk, non-diversification risk, operation risk, options risk, Outcome Period risk, tax risk, trading issues risk, upside participation risk and valuation risk. Unlike mutual funds, the Funds may trade at a premium or discount to their net asset value. ETFs are bought and sold at market price and not individually redeemed from the Fund. Brokerage commissions will reduce returns.

**FLEX Options Risk.** The Fund will utilize FLEX Options issued and guaranteed for settlement by the Options Clearing Corporation (OCC). The Fund bears the risk that the OCC will be unable or unwilling to perform its obligations under the FLEX Options contracts. In the unlikely event that the OCC becomes insolvent or is otherwise unable to meet its settlement obligations, the Fund could suffer significant losses.

These Funds are designed to provide point-to-point exposure to the price return of the Index via a basket of Flex Options. As a result, the ETFs are not expected to move directly in line with the Index during the interim period. Investors purchasing shares in 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 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](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 Index losses during the Outcome Period. You will bear all Index losses exceeding 9%. Shares purchased after the Outcome Period has begun or sold prior to the Outcome Period's conclusion, may experience investment returns very different from those that the Fund seeks to provide. 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.**

Innovator Capital Management LLC is not affiliated with Interactive Brokers LLC, or any other FINRA broker-dealer.

# Disclosures, continued

**Market Disruptions Resulting from COVID-19.** The outbreak of COVID-19 has negatively affected the worldwide economy, individual countries, individual companies and the market in general. The future impact of COVID-19 is currently unknown, and it may exacerbate other risks that apply to the Fund.

**Technology Sector Risk** Companies in the technology sector are often smaller and can be characterized by relatively higher volatility in price performance when compared to other economic sectors. They can face intense competition which may have an adverse effect on profit margins.

Fees and Expenses include the Fund's annualized management fee of 0.79%, any shareholder transaction fees, and any extraordinary expenses.

**Each Fund's investment objectives, risks, charges and expenses should be considered before investing. The prospectus contains this and other important information, and may be obtained at [www.innovatoretfs.com](http://www.innovatoretfs.com). Read it carefully before investing.**

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**Current Price/Return:** The current bid/ask midpoint of the Fund and the return of the Fund, after fees and expenses, since the start of the Outcome Period.

**Remaining Cap:** The current maximum potential return available at the ETF's current price, before remaining fees and expenses, if held to the end of the current Outcome Period. The remaining cap does not imply the Fund will achieve its maximum potential return. The benchmark index may need to rise higher or lower than the stated remaining cap.

**Remaining Buffer:** The current amount of downside protection the fund seeks to provide against falling index prices, before fees and expenses, if held to the end of the Outcome Period. Portions of the Remaining Buffer may be realized before or after the Downside Before Buffer is experienced. For instance, if the remaining buffer is greater than the funds' starting buffer, a portion of the buffer will be realized before the downside before buffer begins. After the Downside Before Buffer has been realized, the final portion of the buffer will begin. In these instances, the remaining buffer represents the aggregate of the portions of the buffer received before and after the Downside Before Buffer has been realized.

**Downside Before Buffer:** The amount of Fund loss incurred before the buffer begins.

**Remaining Outcome Period:** The amount of days remaining until the last day of the Outcome Period.

# Standardized Performance

	TICKER	NAV			MARKET PRICE			INCEPTION DATE
		YTD	1 YEAR	INCEPTION	YTD	1 YEAR	INCEPTION	
<u>Innovator Nasdaq-100 Power Buffer ETF</u>	<b>NJAN</b>	-5.96%		-5.96%	-5.61%		-5.61%	1/1/2020
	<b>NAPR</b>							4/1/2020
	<b>NOCT</b>	-5.33%		0.02%	-5.02%		0.16%	10/1/2019
<u>Innovator S&amp;P 500 Buffer ETF</u>	<b>BAPR</b>	-11.47%	-0.70%	-0.70%	-11.11%	-0.52%	-0.52%	4/1/2019
<u>Innovator S&amp;P 500 Power Buffer ETF</u>	<b>PAPR</b>	-8.14%	-0.73%	-0.72%	-7.35%	-0.15%	-0.15%	4/1/2019
<u>Innovator S&amp;P 500 Ultra Buffer ETF</u>	<b>UAPR</b>	-12.64%	-5.77%	-5.74%	-6.32%	0.93%	0.92%	4/1/2019

Data as of 3/31/2020. Each S&P 500, Nasdaq 100 and Russell 2000 ETF's expense ratio is 0.79%. Each MSCI EAFE and MSCI EM ETF's expense ratio is 0.85% and 0.89%, respectively. 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](http://innovatoretfs.com/define) for current month-end performance. One cannot invest directly in an index.

# Thank you.



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