2H2024 Outlook & Investment Playbook

OUTLOOK

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EXECUTIVE **SUMMARY**

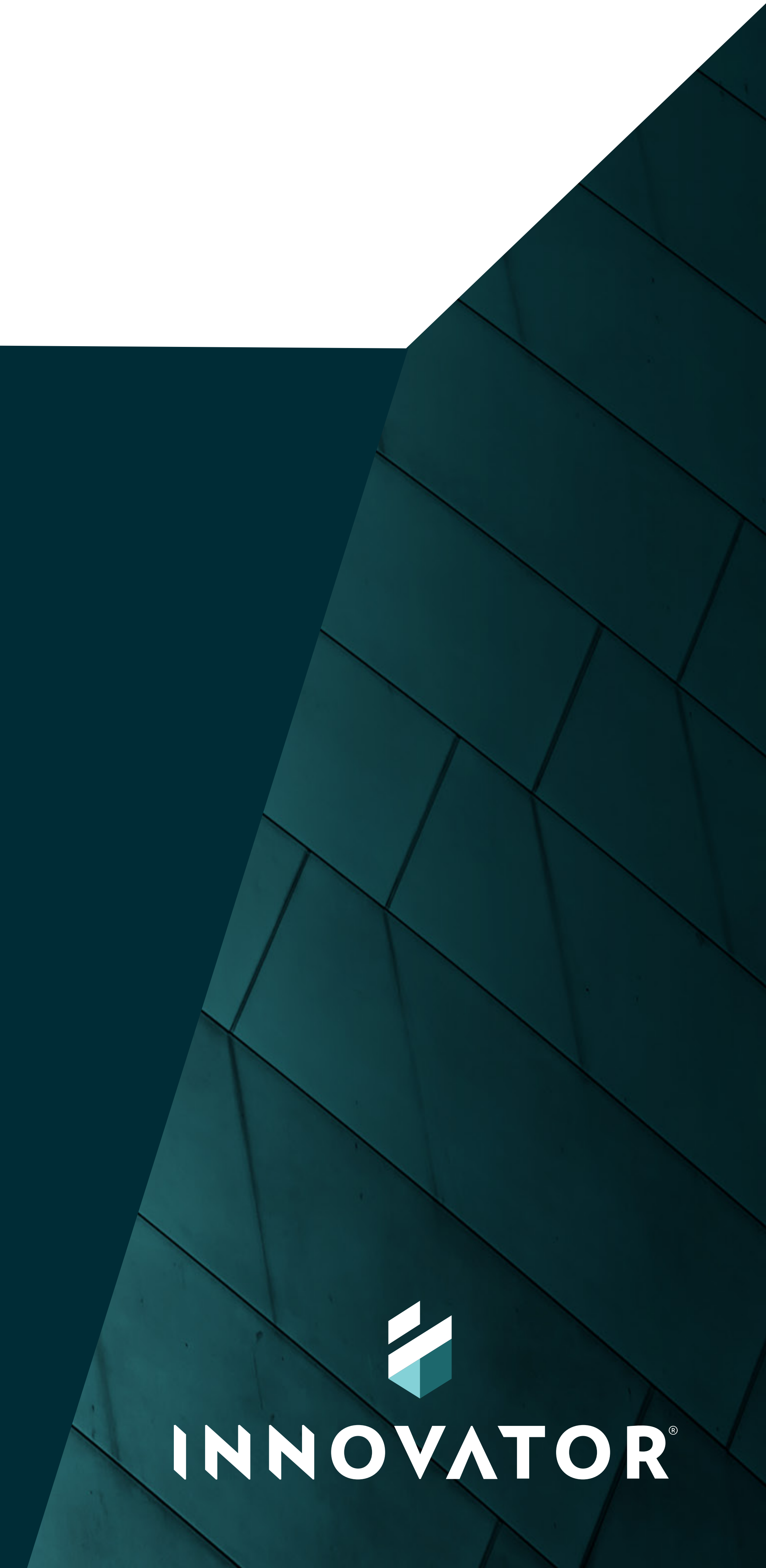
We are halfway through 2024 and—in line with Innovator's earlier predictions but contrary to market expectations—we have yet to see a single rate cut. With equities continuing their forward march and uncertainty around the election brewing, how should investors be thinking about their portfolios? In our 2024 midyear outlook, we outline the conditions shaping markets:

1 | The Fed pause is a profitable time to be in equities. For the next several months, we are likely to remain in the sweet spot, with optimism about a soft-landing driving equities higher.

2 | That said, investors should stay aware of medium-term risks. If inflation subsides, the narrative could change, and we could see another round of corporate layoffs. The outcome of the election will also play a significant role in which industries perform well and which lag.

3 | All things considered, a robust labor market, AI-driven earnings growth, and increased government spending should continue to prop up equities.

While buying at all-time highs counters conventional wisdom, investors waiting for a recession or major correction might miss additional highs. Securities with built-in downside protection can help investors stay in the markets while managing risk.



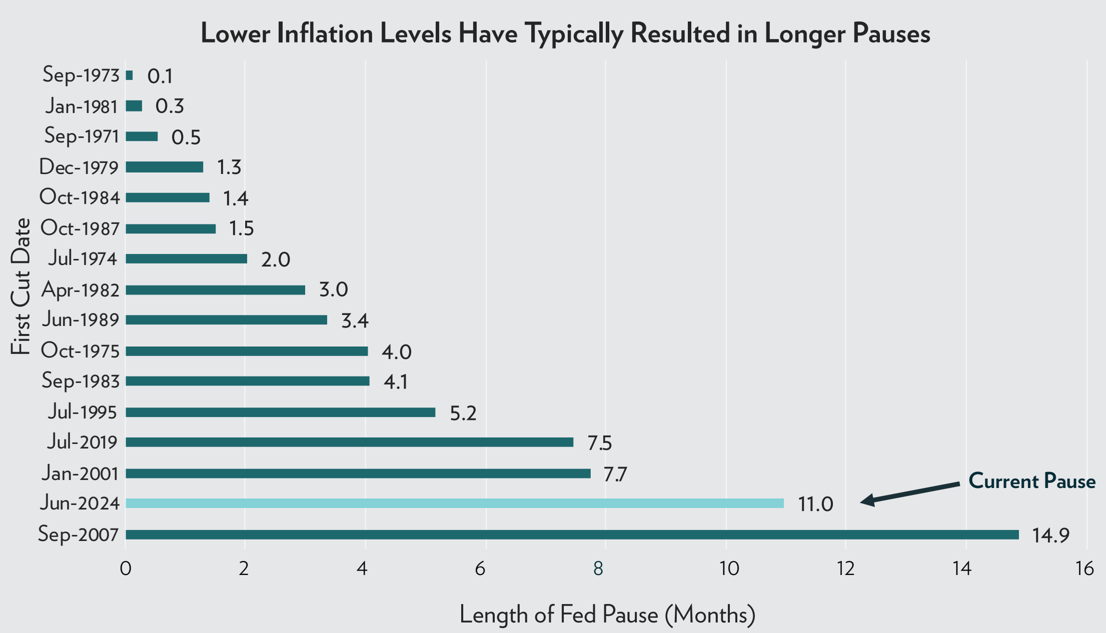
INNOVATOR®

THE **FINAL** LEG OF THE **PAUSE**

In our 2023 Outlook, we outlined our expectations for the Fed and the Despite the market's expectation of six rate cuts in 2024, our view heading into the year was that the Fed would not cut rates at all—and, subsequently, that the 10-year Treasury would continue to trade rangebound between 4-4.75%. This view was primarily based on the strength we saw coming from the labor market, and the consistency displayed by historical patterns of inflation.

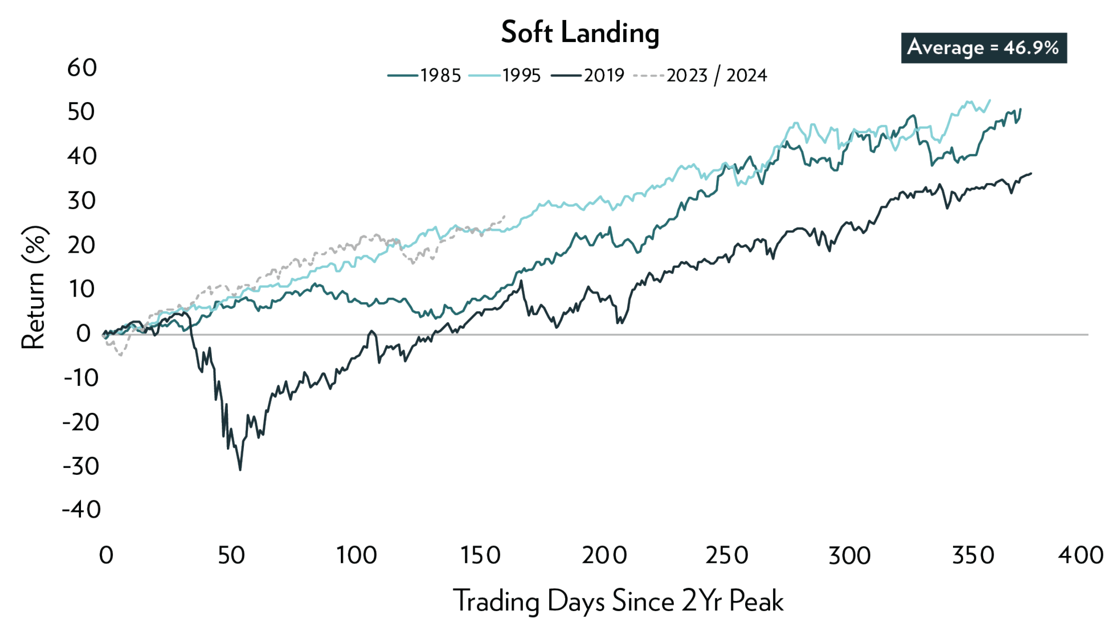
Thus far, this view has played out as expected, with market expectations for the first Fed cut currently pushed out to into September/November, and the 10-year trading in the projected range. But where do we go from here?

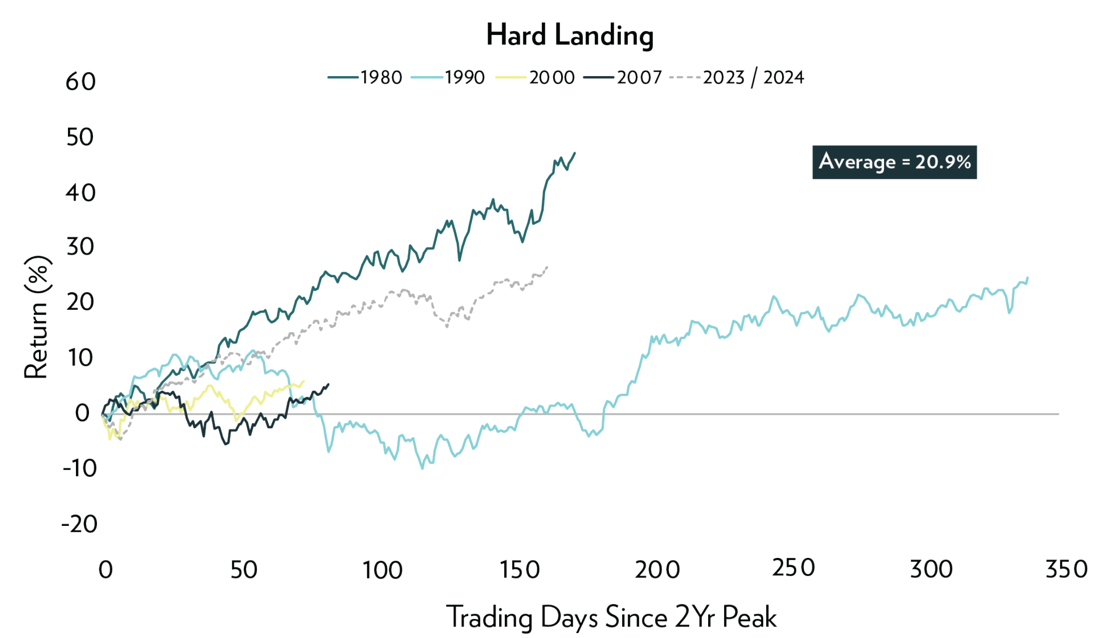
After the final hike in July 2023, the Fed has now been on hold for 11 months. To put this into context, this marks the second-longest pause in history. While this is already on the longer end, we still believe the Fed will remain on hold for the next several months and that long-end rates will remain rangebound. Whether the first cut comes in November, December, or January, our expectation is that the cut will be more about dialing back restriction rather than full blown easing with a cutting cycle, similar to what we just saw from the European Central Bank. We still have an economy on solid ground, and there is no need to cut at this point.



Source: Bloomberg L.P., Innovator Research & Investment Strategy, Federal Funds Rate

As we also highlighted in the 2024 outlook, the Fed pause is a profitable time to be in equities, even if the end result for the economy is poor. For the next several months we are likely to remain in the sweet spot, where equities can continue to push forward as optimism about a soft landing grows. Should the inflation data come in on the softer side and the economy remain firm, we would expect the rally to broaden, with small caps being the biggest beneficiary.





To be clear, while the market is sold on the soft-landing narrative, we are not there yet. There is still a long road ahead; however, the "immaculate disinflation" narrative will likely carry markets over the next several months, as it has throughout historical pauses. After that, though, the picture gets blurry. Corporate revenues have been growing through price increases. If inflation subsides, that narrative could change, and if it does, it has the potential to trigger a wave of layoffs as companies look to protect margins. Regardless, we believe investors should continue to lean into equities in the short run, while staying aware of medium-term risks.

PORTFOLIO **STRATEGIES**

JAJL	**The Innovator Equity Defined Protection ETF - 6-Month Outcome Period** seeks to track the return of SPDR S&P 500 ETF Trust (SPY), to a cap, with a 100% downside buffer over the 6-month outcome period, before fees and expenses.
ZJUL	**The Innovator Equity Defined Protection ETF - 1-Year Outcome Period** seeks to track the return of SPDR S&P 500 ETF Trust (SPY), to a cap, with a 100% downside buffer over the 1-year outcome period, before fees and expenses.
AJUL	**The Innovator Equity Defined Protection ETF - 2-Year Outcome Period** seeks to track the return of SPDR S&P 500 ETF Trust (SPY), to a cap, with a 100% downside buffer over the 2-year outcome period, before fees and expenses.

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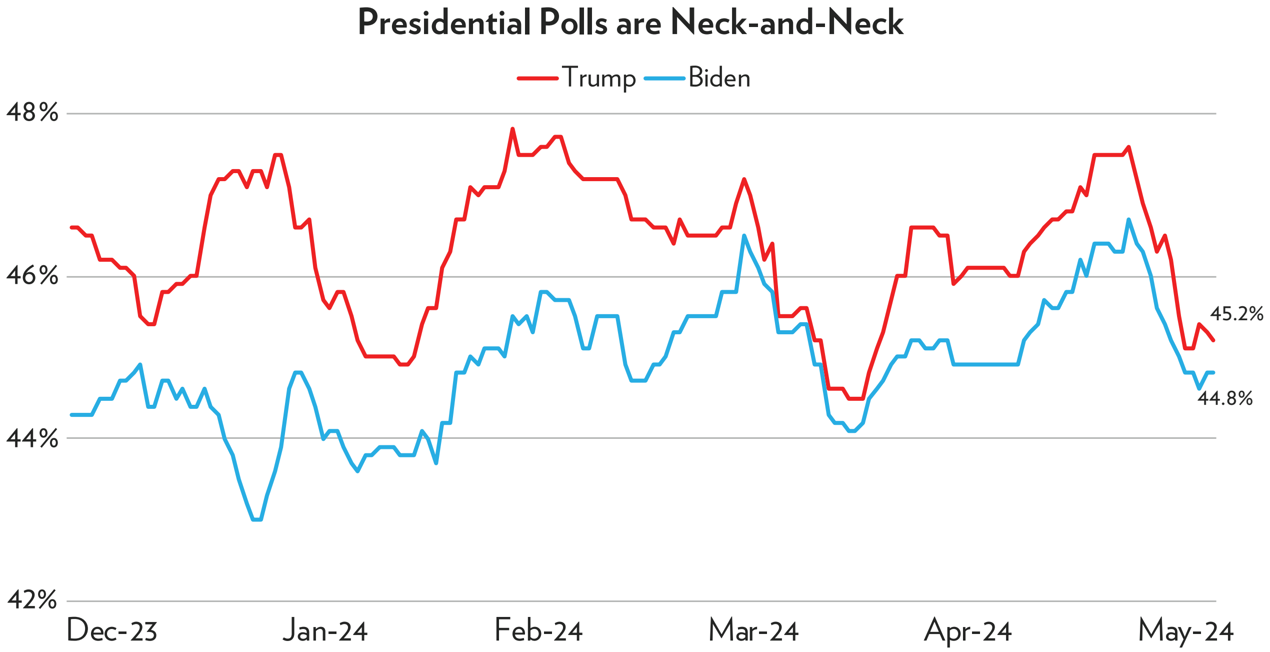
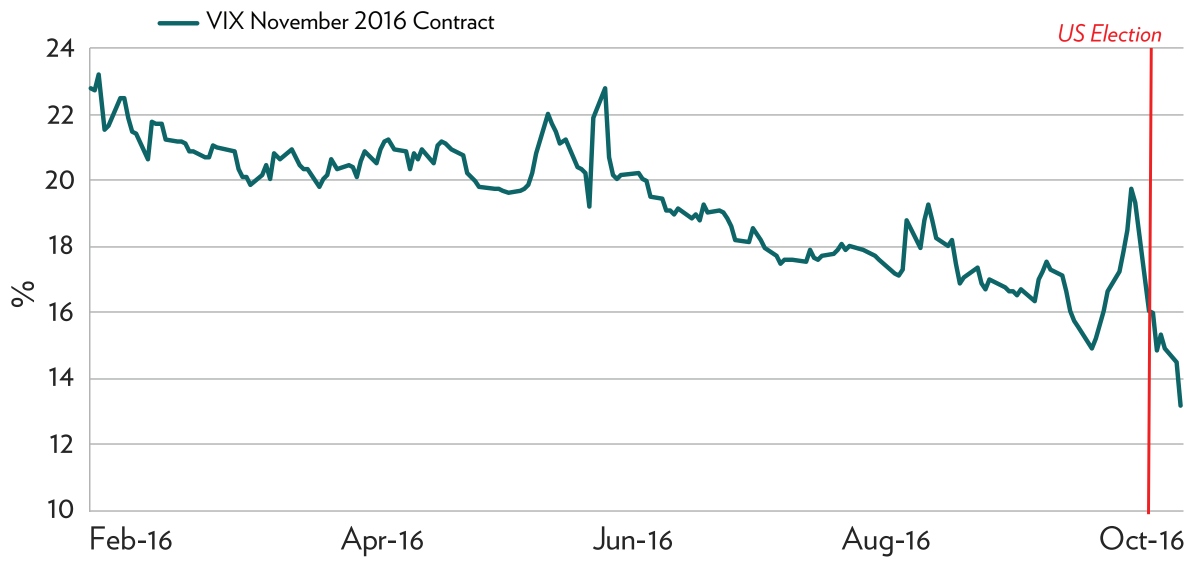
THE IMPACT OF ELECTION UNCERTAINTY

The election is just five months away, and the 2020 rematch between Biden and Trump is shaping up to be a close one. According to a recent poll by Bloomberg, the candidates are polling within 0.40% of one another.

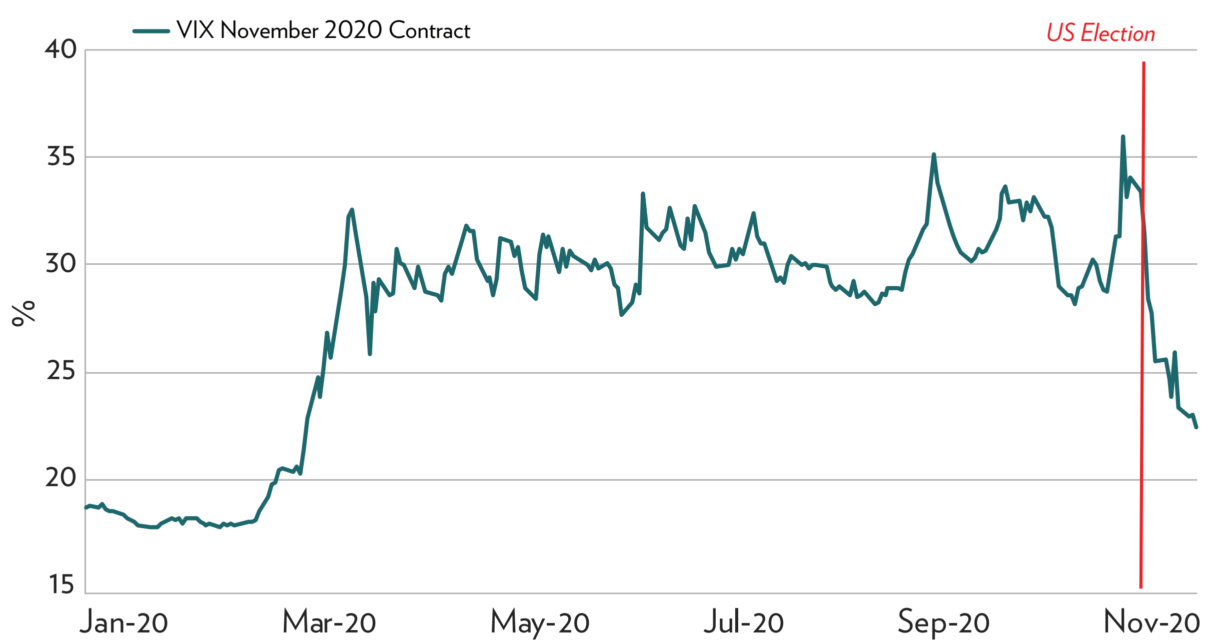


Source: Bloomberg L.P., Innovator Research & Investment Strategy. Daily RCPP4PDT Index and PCPP4PJB Index price returns from 12/31/2023 – 6/12/2024.

These razor thin margins, paired with the drastic differences in policy and all that is at stake, are likely to lead to increased volatility as November approaches. Investors hate unknowns, and we believe this cycle is going to bring a lot of them. The charts below show how volatility spiked in both 2016 and 2020: as Election Day approached, the VIX increased significantly, only to fall right after the outcome of the election and balance of power in Congress became clear.



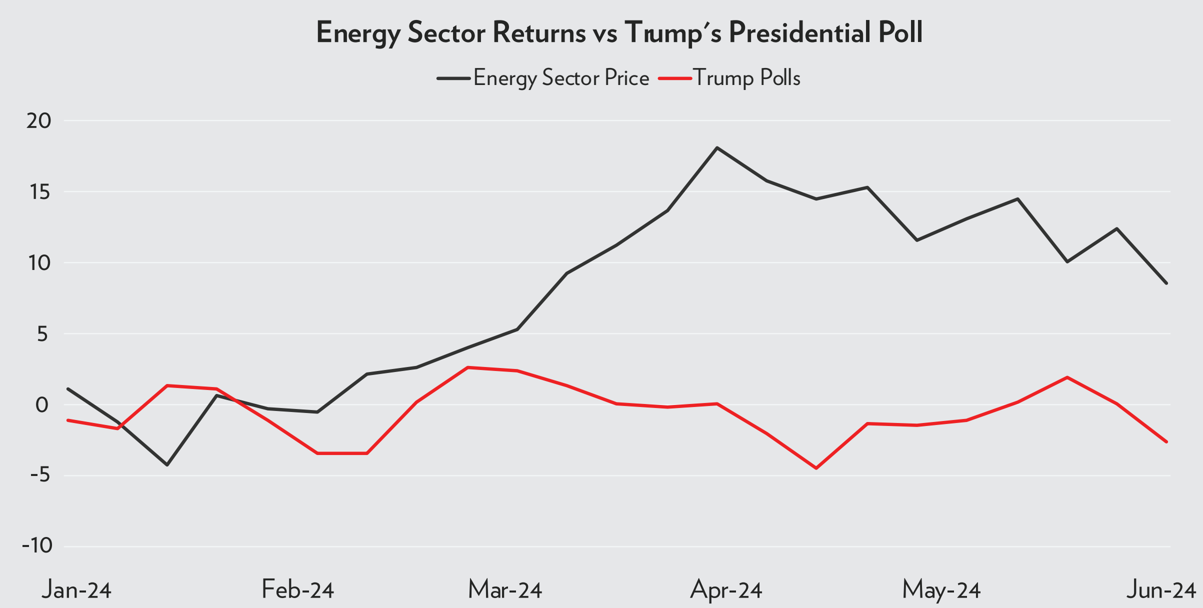
Source: Bloomberg L.P., CBOE Volatility Index Future, Feb 2016-Nov2016



Source: Bloomberg L.P., CBOE Volatility Index Future, Jan 202-Nov 2020

WINNERS VS. LOSERS UNDER A TRUMP REGIME

Based on the outcome of both the presidential election and the balance of power in Congress, various winners and losers are likely to emerge. A Trump victory would likely put downward pressure on renewables and green energy companies as the Inflation Reduction Act comes under pressure. It would also breathe new life into traditional energy companies, given his friendlier stance towards fossil fuels. We are already seeing energy sector returns positively correlated with the odds of a Trump victory.



Source: Bloomberg L.P., Innovator Research & Investment Strategy. Weekly RCPP4PDT Index and S5ENRS Index price returns from 12/31/2023 – 6/12/2024.

A Trump win could also prove to be a tailwind for financials, as capital and antitrust rules ease, while the implementation of fresh tariffs on China, Mexico, and others could prove costly for developed ex-U.S. and emerging markets, along with U.S.-based companies with heavy exposure.

Trump Winners/Biden Losers	Trump Losers/Biden Winners
Energy	Electric Vehicles
Financials	Clean Energy
Coal	Defense
Manufacturing	

A re-election of President Biden would look much different. The spigot for green energy stocks (green hydrogen, battery companies, clean electricity, etc.) would remain on in full force, and policy would continue to be unfavorable for traditional energy companies as well as pharmaceuticals.

WHAT'S CONSISTENT REGARDLESS OF OUTCOME?

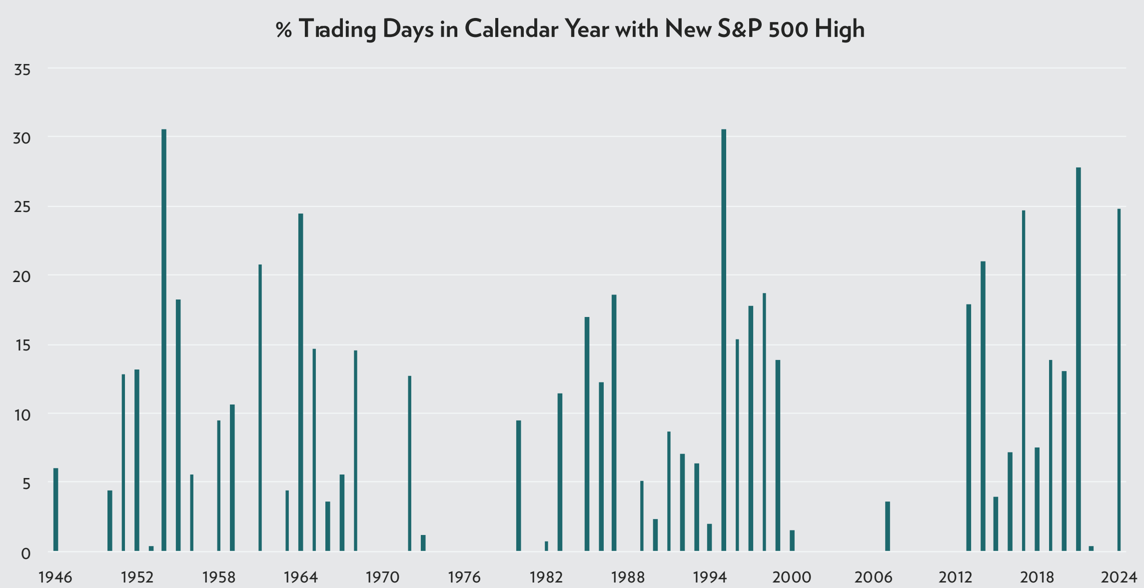
Both candidates have ignored the national debt issue, worsening it during their tenures—Trump added $7 trillion and Biden $6 trillion in three years. This is unlikely to change with a second term for either. While COVID-19 stimulus contributed, the problem existed pre-COVID, with Trump running a ~5% deficit as a percentage of GDP and Biden maintaining a ~3.7%+ deficit post-COVID. This could contribute to a sustained period of higher interest rates and inflation, a steepening yield curve, a weaker U.S. dollar, and continued support for equities thanks to stimulative spending.

FOR THE PORTFOLIO

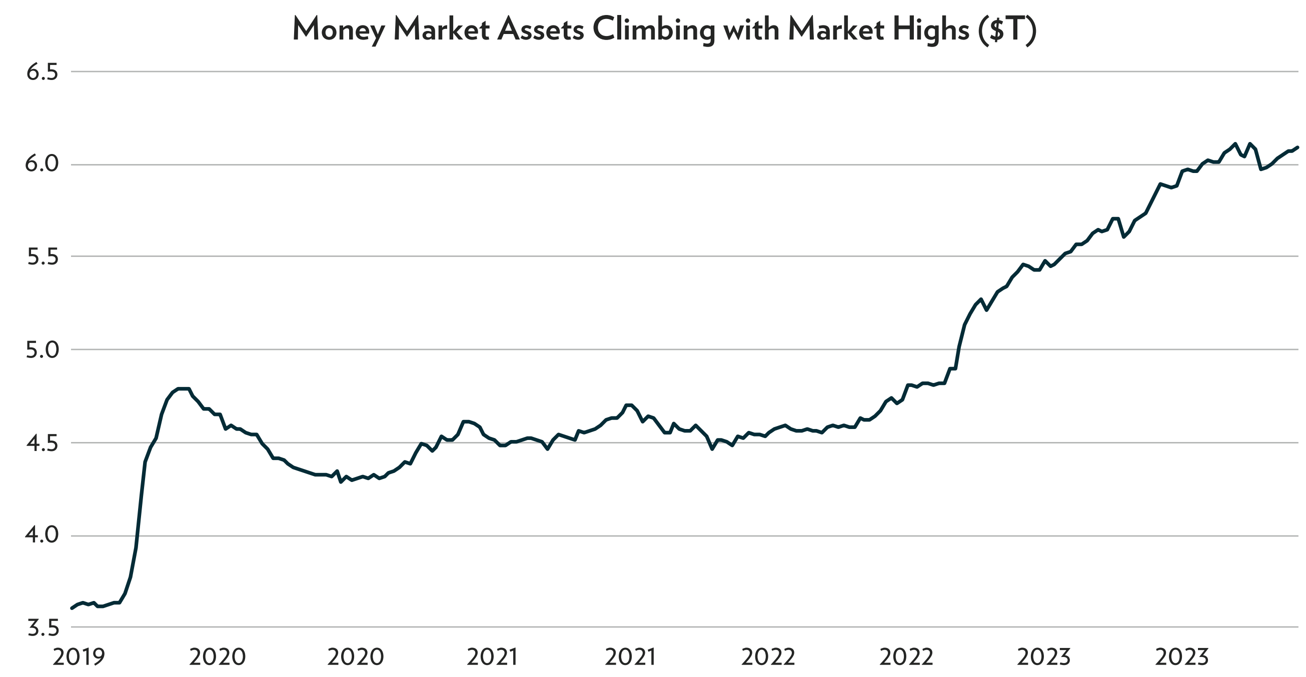
BALT	**The Innovator Defined Wealth Shield ETF** seeks to track the return of the SPDR S&P 500 ETF Trust (SPY), to a cap, and provide a measure of downside protection by seeking to buffer investors against losses. The ETF targets a 20% buffer every 3-month outcome period.
ZALT	**The Innovator U.S. Equity 10 Buffer 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 providing a 10% buffer over each 3-month outcome period.
EALT	**The Innovator U.S. Equity 5 to 15 Buffer 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 providing a buffer from -5% to -15% over each 3-month outcome period.

INVESTING AT **ALL-TIME HIGHS**

Propelled by investor enthusiasm for potential rate cuts, AI-driven technological advancements, and fiscal stimulus, it did not take very long for the S&P 500 to blow past analysts' year-end price targets. U.S. equities surged by 13.3%, achieving 28 new all-time highs along the way. Large technology stocks, bolstered by AI innovations, led the Nasdaq-100 to a new high approximately every five days on average. This trend isn't confined to the U.S.; Japan, hitting an all-time high for the first time since 1989, and Europe are also experiencing new historical peaks. Cash and short-term Treasury holdings climbed with the new market tops, as money market assets have soared by over $1 billion, reaching a staggering $6.1 trillion, according to the Investment Company Institute.



Source: Bloomberg L.P., Innovator Research & Investment Strategy. Daily S&P 500 returns from 12/31/1945 – 6/12/2024.

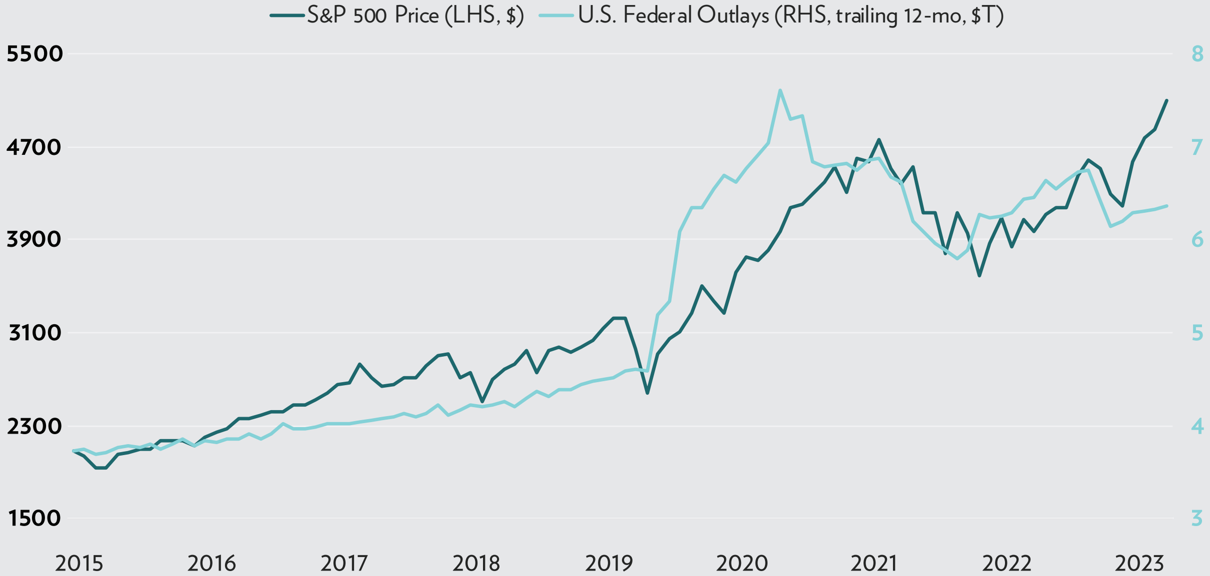


Source: Bloomberg L.P., Innovator Research & Investment Strategy, ICI. Weekly asset levels from 12/25/2019 – 6/5/2024.

Although investing at all-time highs seems to go against the age-old mantra of "buy low, sell high," it's important to note that a new high alone is not a catalyst for a sell-off. In fact, historical data shows that when markets hit all-time highs, they often do so in bunches. During the bull markets between 1989-2000 and 2013-2022, the S&P 500 reached new highs every eight and nine days on average. Investors waiting for a recession or a major correction might miss additional highs, potentially delaying their investment goals.

Despite slowing economic growth since Q3 2023, factors including a robust labor market, AI-driven earnings growth, and increased government spending should continue to propel equities higher. Leading economic indicators, such as initial jobless claims and continuing claims data, have not deteriorated to a level that suggests an imminent recession. We believe that the Biden administration's fiscal support, which is currently $1.4 trillion above pre-COVID levels, will provide sufficient stimulus to stave off a recession until at least after the upcoming election season.

U.S. Equities, Powered by the Federal Government



Source: Bloomberg L.P., Piper Sandler. Monthly data from 12/31/2024-4/30/2024.

FOR THE PORTFOLIO

QFLR	The Innovator Nasdaq-100 Managed Floor ETF is designed to provide Nasdaq-100 equity exposure with reduced volatility, built-in tail risk protection, and high upside capture.
JAJL **ZJUL** **AJUL**	The Innovator Equity Defined Protection ETF seeks to track the return of the SPDR S&P 500 ETF Trust (SPY), to a cap, with a 100% downside buffer over the outcome period, before fees and expenses.

DISCLOSURES

100% Buffer and Buffer ETFs (JAJL, ZJUL,AJUL,BALT,EALT,ZALT)

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 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.

There is no guarantee the Fund 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 Fund 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 Fund's 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.

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 fund's investment objective. Initial outcome periods are approximately 2-years beginning on the fund's 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.

QFLR

There is no guarantee the Fund will be successful in providing the sought-after protection of the floor. The Fund's option strategy may cause the Fund to forego a portion of any upside returns of the Equity Portfolio.

The Fund seeks to provide risk-managed investment exposure to large-capitalization U.S. equity securities of the Nasdaq-100 Index through its hedging strategy. There is no guarantee that the Fund will be successful in implementing its strategy to provide a hedge against overall market exposure. The fund seeks to achieve its investment objective by purchasing a series of four, one-year Flex Options packages with "laddered" expiration dates that are 3 months apart. The Fund will also systemically sell short-dated call option contracts, which have an expiration date of approximately two weeks, with an objective of generating incremental returns above and beyond the premium outlay of the protective put option contracts. The Fund does not provide principal protection or non-principal protection, and an investor may experience significant losses on its investment. In a market environment where the Nasdaq-100 Index is generally appreciating, the Fund may underperform the Nasdaq-100 Index and/or similarly situated funds.

The Sub-Adviser will seek to "ladder" the Fund's option contracts by entering into new purchased put option contracts packages every three-months. After such put option contracts expire, the Fund will enter into new put option contracts with one-year expiration dates that are staggered every three months.

As a result of the Fund's laddered investment approach, on an ongoing basis the Fund will experience investment floors that are expected to be greater or less than the 10% floor provided by an individual Options Portfolio.

The Fund seeks to provide capital appreciation while seeking to limit the amount of losses experienced by investors.

Because the Fund ladders its option contracts and the Fund's put option contracts will have different terms (including expiration dates), different tranches of put option contracts may produce different returns, the effect of which may be to reduce the Fund's sought-after protection. Therefore, at any given moment the Fund may not receive the benefit of the sought-after protection on losses that could be available from Options Portfolio with a single expiration date.

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.

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 contains this and other important information, and it may be obtained at innovatoretfs.com. Read it carefully before investing.