

Q&A WITH MICHAEL BINGER, CFA

GRADIENT TACTICAL ROTATION STRATEGY ETF PORTFOLIO MANAGER AND PRESIDENT OF GRADIENT INVESTMENTS



1. Your team has been managing the global tactical rotation strategy since 2015. What does the strategy seek to provide investors?

The strategy seeks to provide long-term capital appreciation and is ideal for the portion of a client's portfolio allocation that is dedicated to "growth." Our long-term objective is to outpace the S&P Global BMI index (total global stock market).

2. What is the selection universe for the strategy? Why?

We evaluate nine global sub-sectors within the U.S., Int'l Developed Markets, and Emerging Markets. Within each of those respective broad geographic regions, we evaluate three market sub-sectors which include the Low Volatility index, the traditional market cap-weighted index, and either the High Beta or Momentum Index. This universe gives us the opportunity to have a defensive, neutral or aggressive posture as current market conditions dictate.

In addition, the strategy has the ability to go to cash (short-term T-Bills) during steep and sustained declines across all global sub-sectors. Worth noting is that typically at least one sub-sector has exhibited relative strength, and allocations to cash have been rare.

3. How significant can this dispersion be?

The average annual dispersion between the best and worst performing indices in the IGTR universe is 43%, a massive performance differential not to be ignored. When designing tactical strategies, we look for groups of asset classes that display wide dispersions in returns and have regular rotation in leadership. The universe we use for the IGTR ETF showed some of the widest performance differentials we had ever seen.

4. How does the global tactical rotation strategy exploit this?

Given the high and consistent level of performance differential in the global market sub-sectors we evaluate, we aim to exploit this trend by using price momentum to determine the single best global sub-sector to own every month. The objective is to invest in global market sub-sector strength, and avoid the weaker sub-sectors.

5. There are many different ways to approach momentum. How do you approach it and why?

There are many different ways to approach momentum. Our process is best described as a 'barbell' approach that utilizes a combination of both medium and longer-term moving averages. We believe this has been key to the strategy's success as we are able to ignore much of the short-term noise, be nimble enough to respond to significant and sudden shifts in market sentiment, and overall remain focused on the primary trends in the market.

6. Where have you seen advisors successfully using this strategy in the context of an asset allocation?

In our experience, advisors have positioned the Gradient Tactical Rotation Strategy as follows:

- » A portfolio allocation focused on long term capital appreciation
- » An independent driver of equity outperformance

Mr. Michael Binger is the President of Gradient Investments, LLC ("Gradient") and a Portfolio Manager of the Gradient Tactical Rotation Strategy ETF. Gradient receives compensation from Innovator Capital Management, LLC, to provide marketing support services to the Fund pursuant to a written agreement, which includes specified cash amounts to be paid each quarterly period.

It is recognized that conflicts of interest will result from Gradient's relationship with Innovator Capital Management LLC as a result of the economic incentive to recommend funds to potential investors.



The Fund seeks to achieve its investment objective by identifying the global equity market segment that is displaying the strongest price momentum metrics, as described below. Pursuant to its investment strategy, the Fund will invest in equity securities, which will include direct investments in U.S. and non-U.S. listed common stocks and depositary receipts. The Fund's direct investments in non-U.S. listed securities may be denominated in foreign currency.

Non-U.S. securities and Emerging Markets are subject to higher volatility than securities of domestic issuers due to possible adverse political, social or economic developments, restrictions on foreign investment or exchange of securities, lack of liquidity, currency exchange rates, excessive taxation, government seizure of assets, different legal or accounting standards, and less government supervision and regulation of securities exchanges in foreign countries.

Depositary Receipts Risk The Fund invests in depositary receipts which are currently expected to be comprised of American Depositary Receipts (ADRs) and Global Depositary Receipts (GDRs). Depositary receipts, such as ADRs or GDRs, may be subject to certain of the risks associated with direct investments in the securities of foreign companies, such as currency, political, economic and market risks, because their values depend on the performance of the non-dollar denominated underlying foreign securities.

The Fund expects to declare and distribute all of its net investment income and its net realized capital gains, if any, at least annually. The Fund may distribute such income dividends and capital gains more frequently, if necessary, in order to reduce or eliminate federal excise or income taxes on the Fund. The amount of any distribution will vary, and there is no guarantee the Fund will pay either an income dividend or a capital gains distribution.

A momentum style of investing emphasizes investing in securities that have had stronger recent performance compared to other securities, on the basis that these securities will continue to increase in value. Securities that previously exhibited relatively high momentum

characteristics may not experience positive momentum or may experience more volatility than the market as a whole. High momentum may also be a sign that the securities' prices have peaked, and therefore the returns of such securities may be less than the returns of other styles of investing. The performance of the Fund and the Market Segment Indices that represent the global equity market segments the Fund invests in may vary for a variety of reasons.

The S&P Global Broad Market Index is designed to capture the global, investable opportunity set.

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.

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