INNOVATOR®

2025 INVESTMENT OUTLOOK

Animal Spirits Awaken

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Executive Summary

Equities are poised for continued growth in the new year, riding a wave of investor optimism and the anticipation of pro-growth policies.

But bulls beware. Any disruptions to the current narrative could quickly unravel recent momentum. Congressional pushback, a faltering Fed, or disappointing economic growth could leave equities vulnerable to a correction.

A second Trump term could be a boon to small caps and those who invest in them, with deregulation giving smaller businesses some breathing room.

Meanwhile, proposed tariffs, coupled with harsher immigration policy, could be counterproductive to the growth agenda, with consumers' wallets and the labor market shouldering the burden.

All in all, we see reason for investors to maintain or increase equity exposure—without losing sight of risk mitigation.

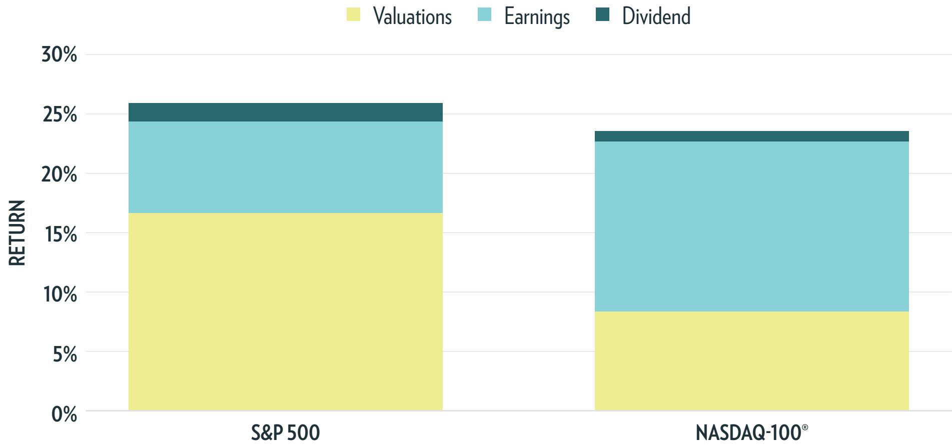
Section 1: Animal Spirits Awaken

As we edge closer to 2025, a profound transformation is unfolding across financial markets. The resurgence of "animal spirits," is injecting new life into equities, with the potential to drive markets even higher.

Investor sentiment is surging, buoyed by easing inflation, Fed rate cuts, accelerating corporate earnings, and a favorable policy environment. These dynamics have shifted psychology to the forefront, where behavioral biases are playing an outsized role in market movements. This sentiment can be seen clearly when examining the surge in price-to-earnings (P/E). In 2024 alone, PE expansion has accounted for **61%** of the S&P 500 Index's returns and **33%** of the NASDAQ-100 Index's gains.

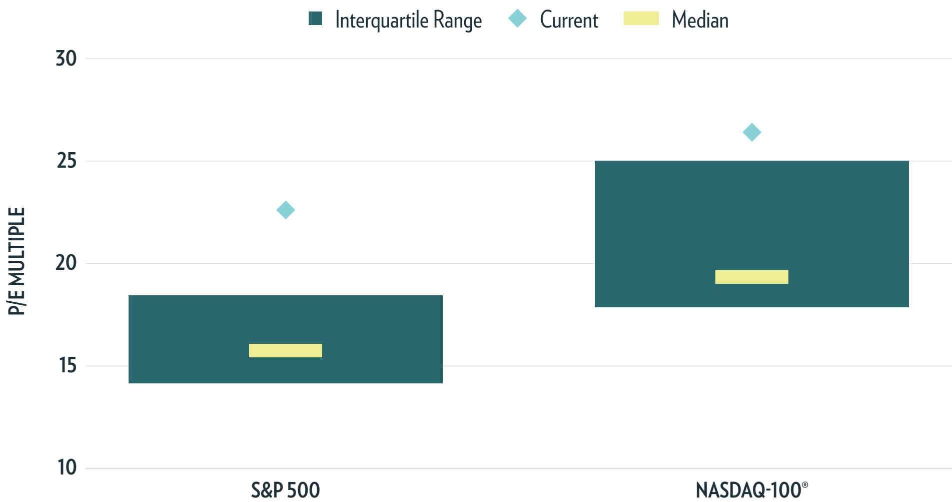
S&P 500 valuations are now positioned in the 93rd percentile since 1990, and Nasdaq-100 valuations are slightly less stretched in the 82nd percentile, where they have been since 2001. Despite these elevated levels, we believe robust economic growth and fervent animal spirits will not only sustain current valuations but also have the potential to drive further expansion, offering a tailwind for equity returns in 2025.

VALUATIONS EXPANSION DRIVING INDEX RETURNS



Source: Bloomberg, Innovator Research & Investment Strategy. Return components calculated from 12/31/2023 - 11/26/2024. Past performance is no guarantee of future results. One cannot invest directly in an index.

U.S. EQUITY VALUATIONS NEAR HISTORIC HIGHS



Source: Bloomberg, Innovator Research & Investment Strategy. S&P 500 consensus forward 12-month blended PE multiples from 3/31/1990 - 11/26/2024. Nasdaq-100 data from 6/29/2001 – 11/26/2024. Interquartile range is the spread between the medians of the upper and lower half of data. Price-to-earnings ratio ("P/E") is a ratio of a company's share price to its earnings per share over a year.

Can the Momentum Continue from Here?

The trajectory for 2025 will be influenced by the interplay between policy, fundamentals, and investor sentiment. The balance of bullish and bearish catalysts should determine whether momentum is sustained or falters.

On the bullish side, several factors are aligning to strengthen the case for continued market gains. The Trump administration's pro-growth policies, such as a proposed extension of the Tax Cuts and Jobs Act ("TCJA") and a potential reduction in the corporate tax rate from 21% to 15%, have captivated investor attention. These measures, coupled with a broader push to reduce regulatory burdens, promise to provide a substantial tailwind for corporate profitability and economic growth. Furthermore, the Department of Government Efficiency ("DOGE") initiative has the potential to streamline federal operations, boost productivity, and foster innovation, setting the stage for long-term economic expansion. Together, these factors could sustain earnings growth well into 2025 and 2026, while strong investor sentiment could maintain elevated valuations.

However, a market that appears "priced to perfection" is not without risks. Any disruptions to the current narrative could quickly unravel the recent momentum. If pro-growth policies encounter obstacles in Congress, or if the Federal Reserve's anticipated rate cuts proceed more slowly than expected, market sentiment could sour. Similarly, a reacceleration of inflation or disappointing economic growth could challenge the bullish outlook, leaving equities vulnerable to a correction.

Despite these risks, our overall outlook remains optimistic. We anticipate the S&P 500 Index will climb by double digits in 2025, albeit at a more moderate pace compared to the exceptional gains of the past two years. In our view, this increase could be driven predominantly by earnings growth, with valuation expansion playing a smaller role than it did in 2024. While the road ahead may include periods of volatility, the combination of robust economic fundamentals and heightened investor enthusiasm suggests that equity markets are well-positioned to maintain their upward trajectory in the year ahead.

INNOVATOR CAPITAL 12-MONTH S&P 500 PRICE TARGET

	CURRENT	BEAR	BASE	BULL
Price	6,022	5,600	6,723	7,392
P/E Ratio	23	20	24	26
EPS	266	277	283	283

Note: Innovator Forecast as of 11/26/2024. Earnings per share ("EPS") is the value of earnings per outstanding share of common stock during a year.

Add Structural Alpha

XUSP

Innovator Uncapped Accelerated US Equity ETF

Accelerate upside returns on the S&P 500 ETF (SPY) while seeking to participate in losses on a one-to-one basis.

Hedge Downside Risks

SFLR

US Equity Managed Floor ETF®

Smooth out market corrections with a built-in 10% laddered floor, while maintaining uncapped upside potential by participating in 70-80% of U.S. Large Cap equity returns.

CASE	Base	Bull	Bear
RATIONALE	New regime in Washington awakens animal spirts with pro-growth policy. Looser regulations and the prospect of more favorable taxes allow for valuations to expand. U.S. companies pass the earnings expectations bar per usual.	Similar to the base case but tariff policy remains only focused on China leaving demand for American goods with other trading partners unaffected. Additionally, greater tax cuts are approved than initially expected.	Sentiment sours as congress takes longer than expected to achieve tax cuts. The new administration goes overboard on tariffs leading to inflation or demand destruction. Inflation weighs on valuations.

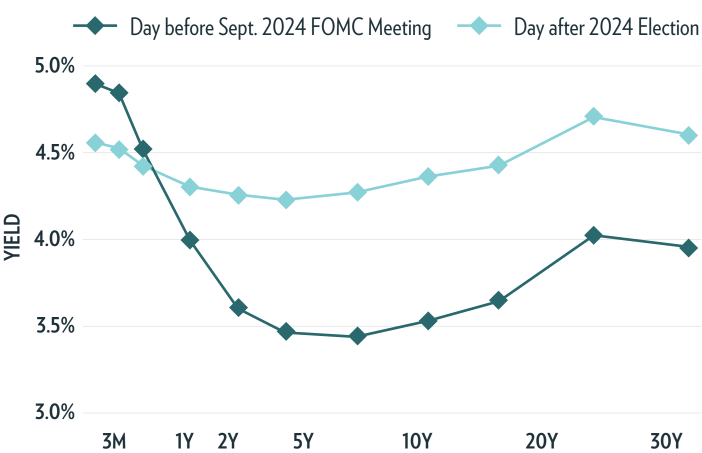
Note: Innovator Forecast as of 11/26/2024.

In our view, maintaining or increasing equity exposure, while remaining alert to risks due to the heightened starting point, would be a prudent approach.

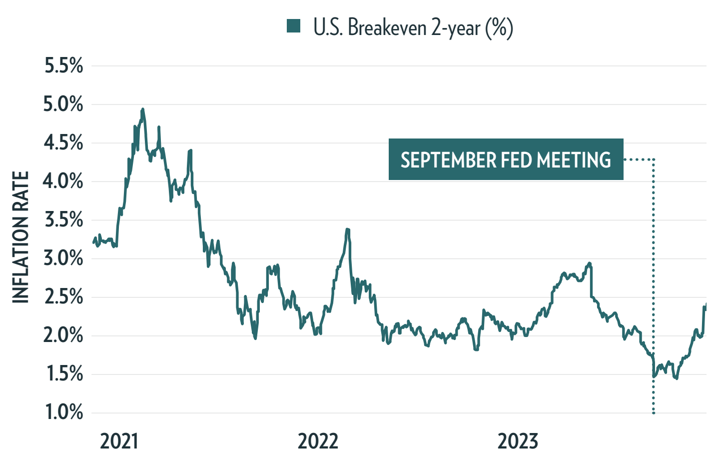
Section 2: Persistent Price Pressures

As 2024 closes, equity markets have climbed on optimism surrounding a less restrictive interest rate environment and the prospect of pro-growth policies accompanying a regime change in Washington. However, persistent price pressures remain a concern. Since the Federal Reserve's 0.50% rate cut in September, long-term yields on the Treasury curve have increased, reflecting a market focus on future growth and inflation rather than short-term monetary policy adjustments. Having said that, monetary policy adjustments can influence investors' expectations for a fertile growth environment.

GROWTH & INFLATION DRIVING LONGER YIELDS



INFLATION EXPECTATIONS CLIMBING

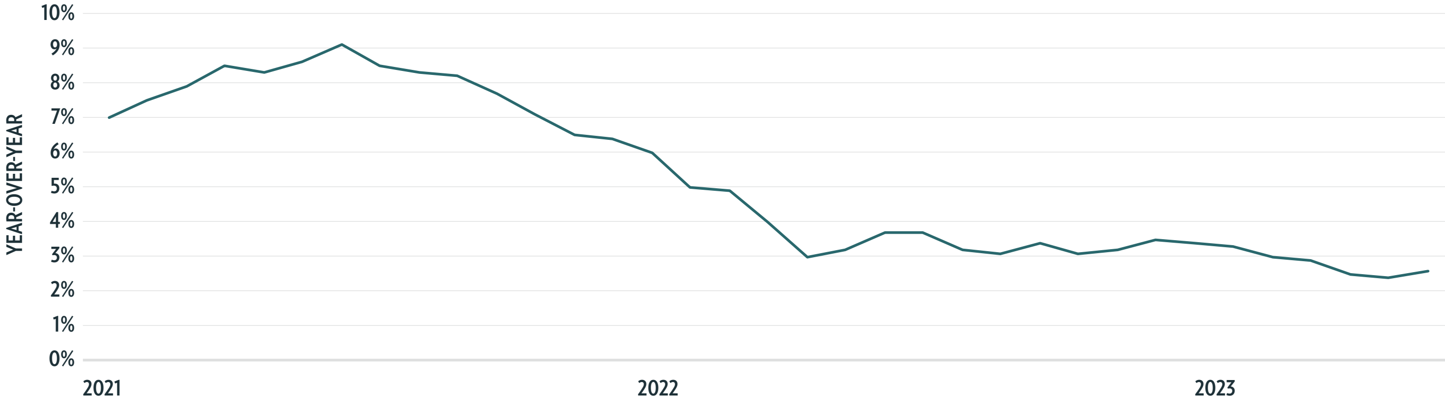


Source: Bloomberg, Innovator Research & Investment Strategy. Left: Yield curve dates are 9/17/2024 and 11/6/2024. Right: U.S. 2-Year Breakeven Inflation Rate (USGGBE02 Index). Data from 12/31/2021 – 10/31/2024.

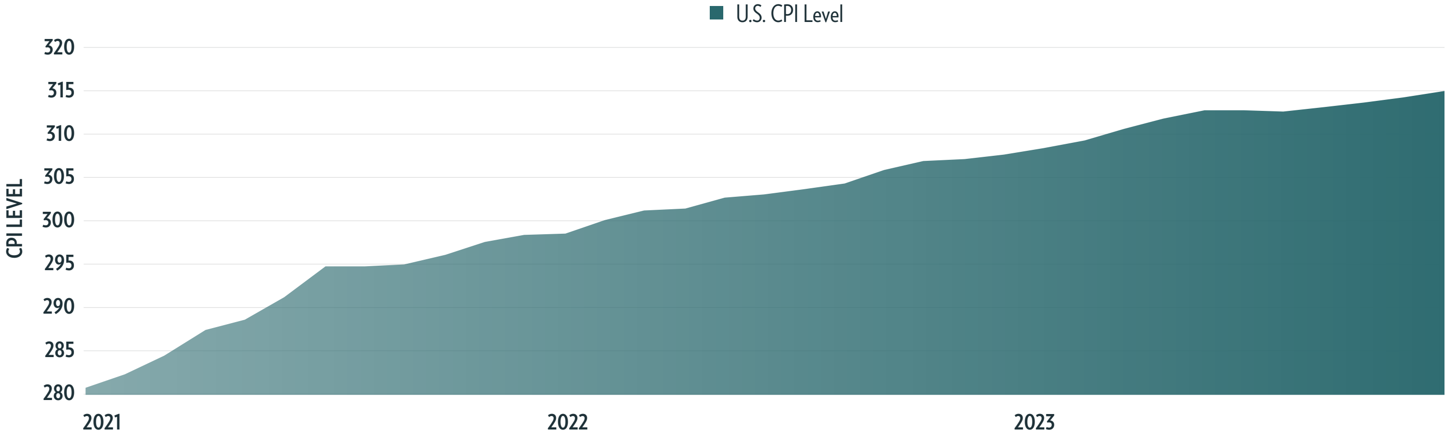
Persistent Price Pressures *cont.*

Our 2024 outlook challenged the consensus, which predicted six 0.25% rate cuts by the end of 2024. In contrast, our base case anticipated a Federal Funds rate upper bound of 5%-5.5% and a 10-year Treasury that would fluctuate between 4% to 4.75%, citing concerns that rapid easing could reignite inflation. While inflation has come down meaningfully since last year, we still hold the view that cutting too much or too fast in an environment primed for growth would be a mistake. Headline year-over-year inflation figures are well off the peak, but at such elevated consumer price levels, incremental increases can significantly impact wallets. For 2025, with both the Federal Reserve and futures markets projecting three 0.25% rate cuts, we anticipate fewer cuts, reflecting our view that pro-growth policy changes could amplify inflationary risks. Chair Powell faces a complex task in balancing economic expansion with inflation control amid shifting policies from the new administration.

HEADLINE CPI TRENDING LOWER...



BUT OVERALL PRICES REMAIN ELEVATED



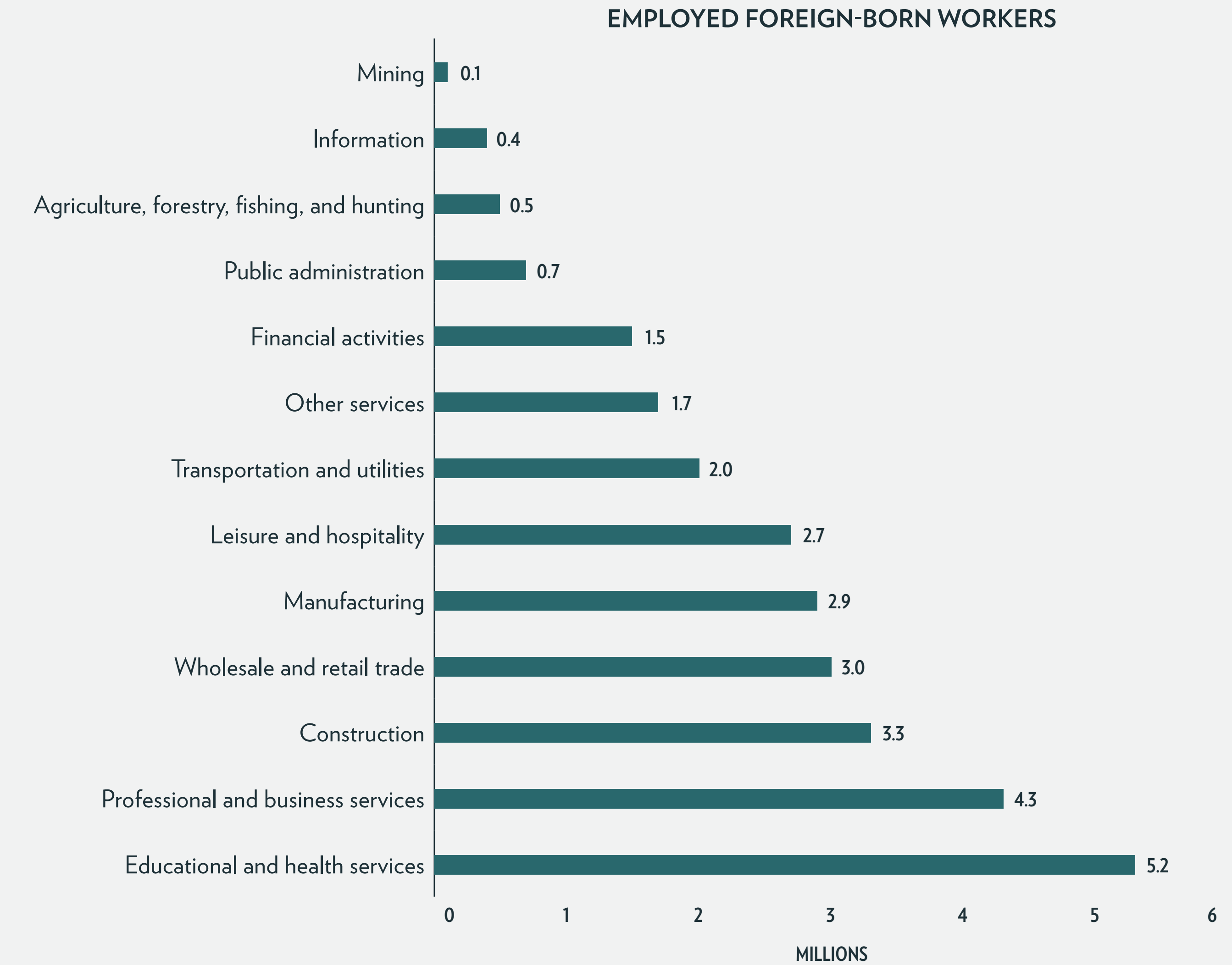
Source: Bloomberg, Innovator Research & Investment Strategy. Consumer Price Index ("CPI") 12-month percentage change shown at the top. CPI Index Level shown on the bottom. Data from 12/31/2021-10/31/2024.

Policy Impacts: Immigration and Tariffs

Two central tenets of the new administration's agenda—immigration reform and tariff policy—could intensify price pressures.

1 IMMIGRATION POLICY AND LABOR MARKETS

Proposed immigration restrictions, including mass deportations, stricter border control, and reduced legal immigration, threaten to tighten labor supply in critical industries like construction and agriculture. As of 2022, foreign-born workers represented 3.3 million jobs in construction and 470,000 in agriculture. Labor shortages could exacerbate existing supply-demand imbalances, particularly in housing, while higher agricultural costs could translate into more expensive groceries. Both scenarios would add upward pressure to consumer prices.



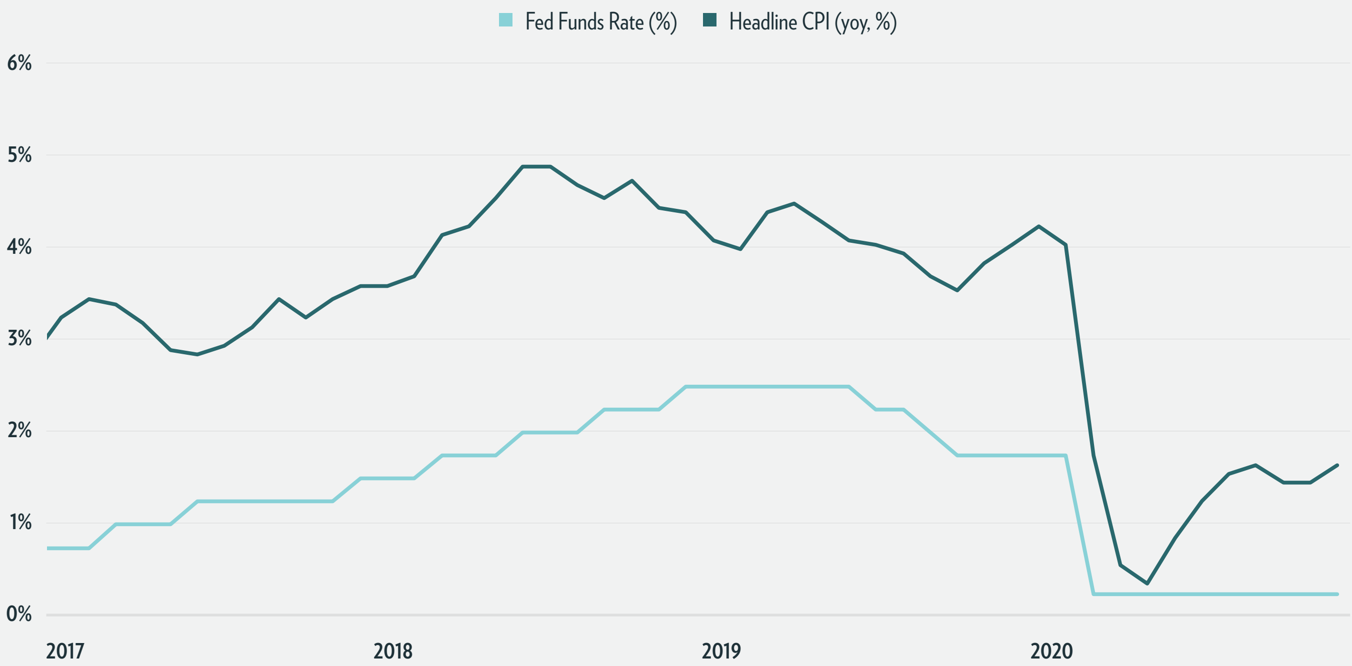
Source: U.S. Census Bureau, Foreign-Born: 2022 Current Population Survey.

② TARIFF IMPACTS

Proposed tariff increases, including a 60% levy on Chinese imports and a broad 10%-20% tariff on imports from other countries, may shield domestic producers but would likely elevate costs for consumers. While we anticipate the final tariff rate on Chinese goods to settle closer to 20%, even this adjustment could erode household purchasing power. A Tax Policy Center analysis estimates a worldwide 10% tariff combined with a 60% tariff on Chinese goods could reduce U.S. households' after-tax income by $1,800 annually[1]— a figure likely lower under a 20% tariff but still impactful, particularly for low-income households. To play devil's advocate, some investors may point to President Trump's first term and correctly show CPI levels go no higher than 2.9% year-over-year. We would argue that the tightening cycle at the end of 2016 may have been partly responsible for restraining inflation.

These estimates fail to incorporate retaliation from other trading partners. Just as our tariffs result in higher costs for international goods, retaliatory tariffs would increase the cost of U.S. exports abroad, potentially dampening global demand for American goods.

PRIOR TARIFF INCREASES OCCURRED DURING A TIGHTENING CYCLE



Source: Bloomberg. Monthly data from 12/31/2017 - 12/31/2020. This chart reflects the year over year ("yoy") change in Headline CPI alongside the Fed funds rate upper limit.

[1]Urban-Brookings Tax Policy Center, "A More Aggressive Trump Tariff Would Lower Household Incomes By Nearly $3,000" (October 28, 2024), available at https://taxpolicycenter.org/taxvox/more-aggressive-trump-tariff-would-lower-household-incomes-nearly-3000.

Market Implications and Yield Expectations

The interplay of policies—including the extension of the TCJA, regulatory rollbacks, tariff implementations, and monetary policy adjustments— expected to shape 2025's interest rate environment. We forecast a Fed funds rate reduction of 0.25%-0.50% and a 10-year Treasury yield in the 4.00% - 4.75% range. As shown in the chart below, historical analysis of Fed cutting cycles reflects a wide range of outcomes for the 10-year yield in 2025.

While optimism about pro-growth policies and easing monetary conditions has buoyed markets, the underlying risks of inflation and elevated consumer costs remain. Policymakers and investors alike must navigate a delicate balancing act in 2025. Maintaining economic momentum without reigniting inflation will require a measured approach to both monetary and fiscal policies. For investors, vigilance in monitoring these evolving dynamics will be critical in managing portfolio risks and opportunities.

Diversify Bond Volatility

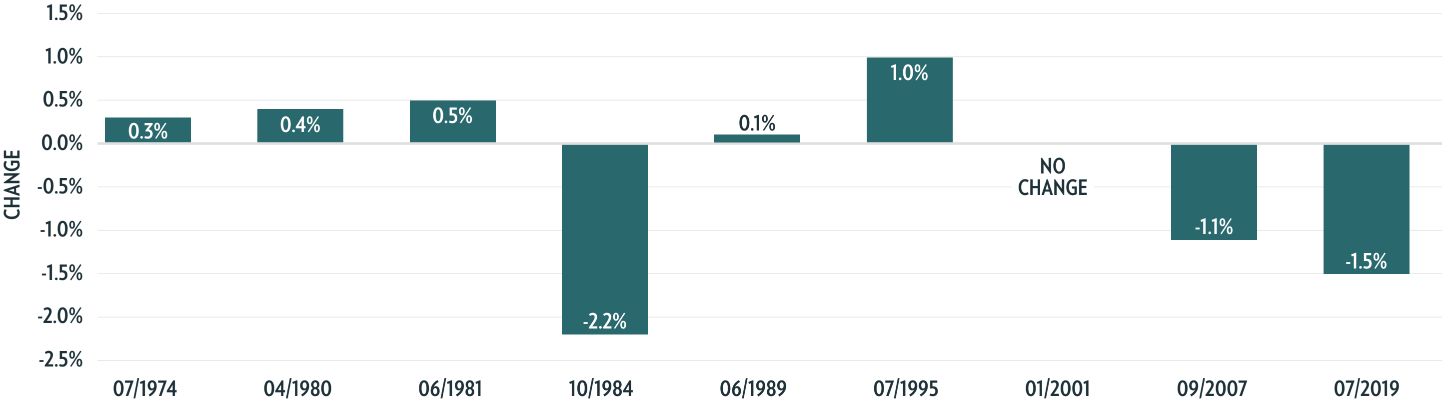
BALT

Innovator Defined Wealth Shield ETF

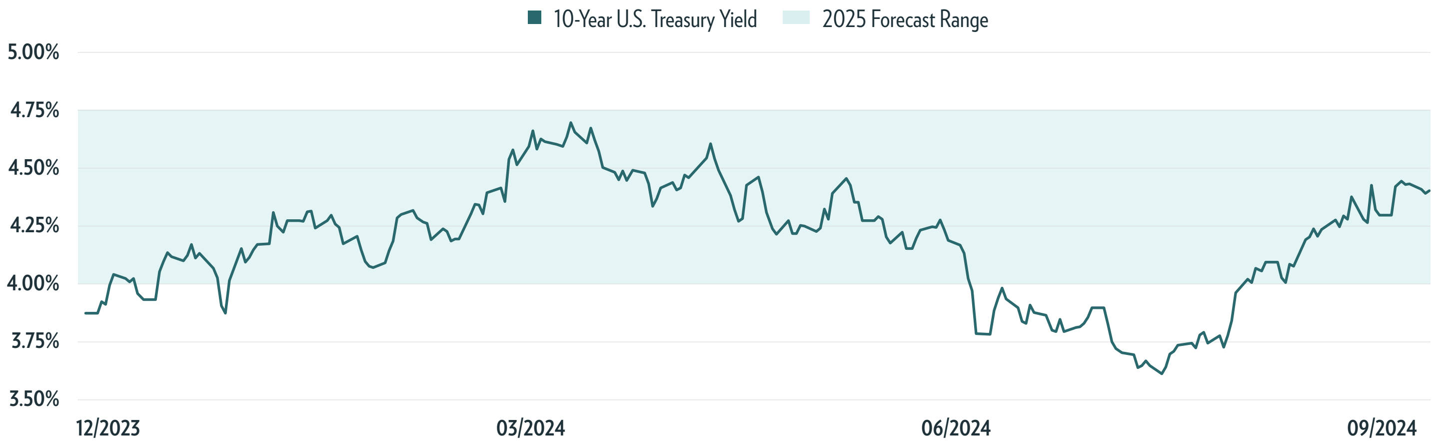
With longer term bond yields expected to remain elevated, reduce the reliance on rates for risk management with a built-in 20% buffer[2] against losses every quarter, while tying dollars to the equity market for upside potential.

U.S. 10-YEAR TREASURY YIELD

1-year after first cut



GROWTH AND INFLATION WILL KEEP RATES ELEVATED



Source: Bloomberg, Innovator Research & Investment Strategy. Top: First cut dates evaluated range from 7/1/1974 - 7/31/2019. Bottom: 10-year U.S Treasury yield data from 12/31/2023 - 11/20/2024.

[2]Although the ETF targets a 20% buffer, it may fall into a range of 15-20%; there is no guarantee that the buffer will be within this range or that the Fund will provide the buffer.

Section 3: Small Cap Tug of War

Since 1979, small and large cap equities have alternated as market leaders, passing the performance baton across multi-year cycles. Over the past decade, large caps have surged ahead, outperforming small caps by an annualized 5.4%. This divergence has led many to question the persistence of the "size premium," a concept first championed by Eugene Fama and Kenneth French in the early 1990s.

However, there have been several false starts throughout this period. At various inflection points—when inflation peaked, or when the Fed paused, or began cutting rates—the Russell 2000 has rallied sharply, only to fade soon after. The post-election rally seen in the first half of November remains under scrutiny. Will it sustain, or is it another head fake?

Could 2025 finally mark the resurgence of small caps? While we remain cautiously optimistic, the year is shaping up to be a tug of war between conflicting catalysts, both bullish and bearish.

Seize Small Cap Opportunities

RFLR

US Small Cap Managed Floor ETF®

Capitalize on strong small cap performance with uncapped upside potential, participating in 70-80% of gains on U.S. small cap equities, while providing a laddered 10% floor against losses.

	1979 1983	1983 1991	1991 1996	1996 2000	2000 2014	2014 2024
Years	3.5	8.5	4.4	4.3	13.5	10.7
Leader	Small	Large	Small	Large	Small	Large
Small Cap Return	25.6	5.2	16.3	11.2	7.4	7.4
Large Cap Return	13.5	10.5	12.3	23.2	3.8	12.8
Small - Large	12.1	(5.3)	4.0	(12.0)	3.6	(5.4)

Source: Bloomberg, Innovator Research & Investment Strategy. Small cap performance tracks the Russell 2000 Index while large cap performance tracks the Russell 1000 Index. Past performance is not indicative of future results. One cannot invest directly in an index.

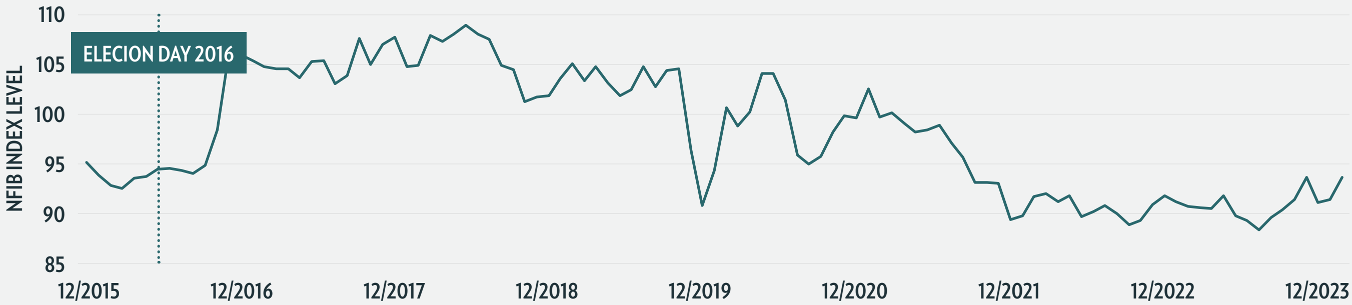
Bullish Catalysts

TRUMP 2.0: UNLEASHING SMALL CAP POTENTIAL?

A second Trump administration could bring a shift in U.S. economic policies that benefits small caps. Regulatory rollbacks, a hallmark of Trump's policy agenda, could ease the disproportionate burden that compliance costs place on smaller businesses relative to their larger counterparts. This reversal of the regulatory expansions introduced under the Biden administration, particularly those tied to the Inflation Reduction Act, could remove barriers that hindered small cap performance.

The recent surge in the National Federation of Independent Business ("NFIB") Small Business Optimism Index reflects growing confidence among small businesses, bolstered by expectations of a more business-friendly regulatory environment. Coupled with pro-growth initiatives outlined in our "Animal Spirits Awaken" section, small caps may find renewed momentum as regulatory headwinds fade.

SMALL BUSINESS OPTIMISM SURGED AFTER 2016 ELECTION

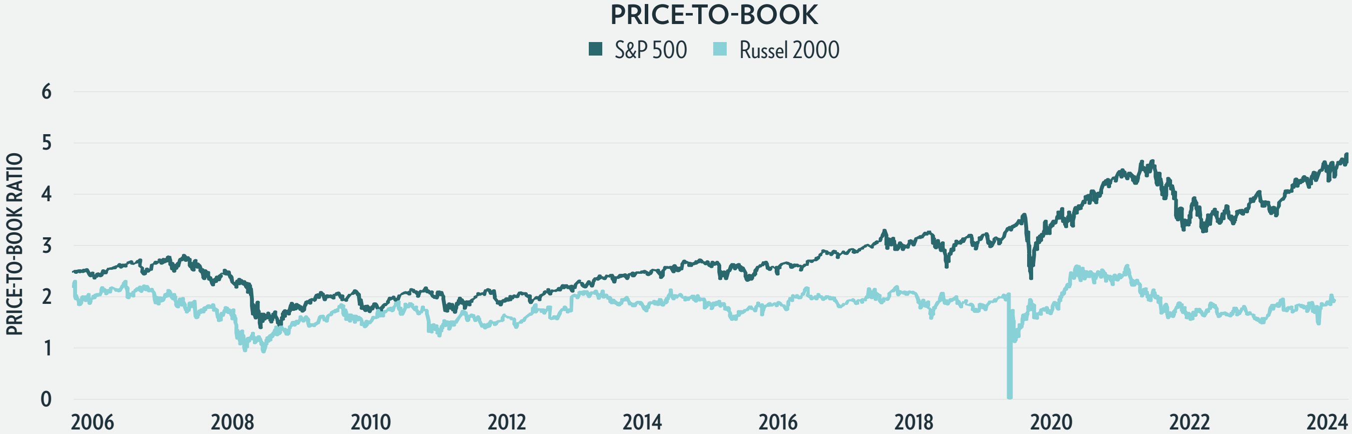


Source: Bloomberg, Innovator Research & Investment Strategy. Small Business Optimism measured by the NFIB Index Level. Monthly data from 12/31/2015 – 9/30/2024.

COMPELLING VALUATIONS

Relative to large caps, small caps are trading at historically low valuations. While lower valuations alone may not drive performance, they provide a foundation for outsized return potential when growth and earnings expectations improve. As shown in the chart below, small caps' discounted valuations could offer significant upside potential in a favorable economic environment.

PRICE-TO-BOOK



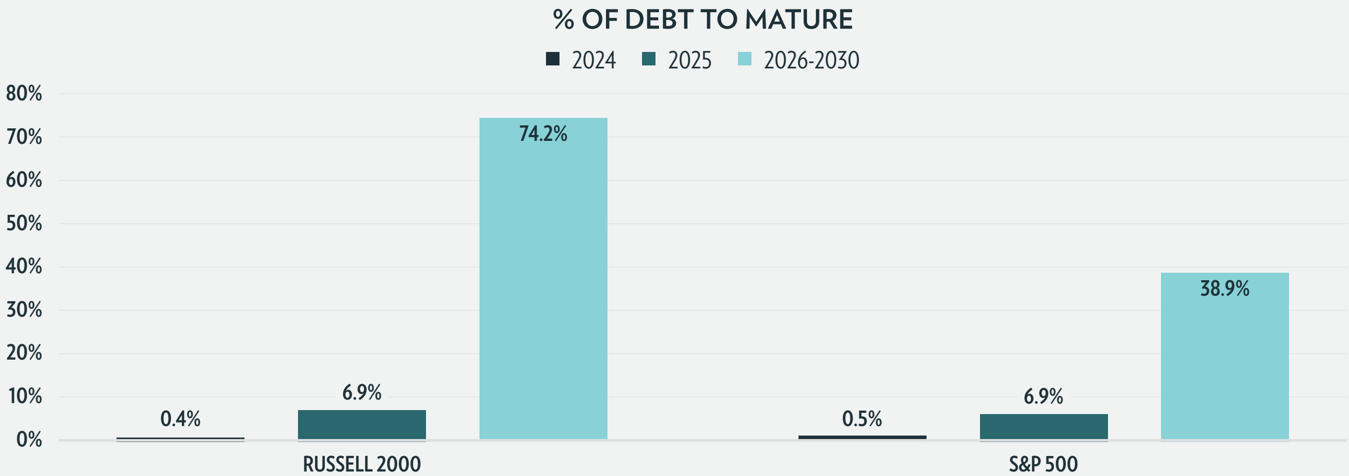
Source: Bloomberg, Innovator Research & Investment Strategy. Data from 2/16/2006 - 11/21/2024. This chart reflects the price-to-book ratio ("P/B") for the constituents of the S&P 500 Index and the Russell 2000 Index. P/B is the ratio of a company's market value to its book value. Book value reflects a companies assets minus its liabilities.

Bearish Catalysts

INTEREST RATES AND DEBT CHALLENGES

The most significant headwind for small caps in 2025 may be persistently high interest rates. As highlighted in our "Price Pressure Persistence" section, we anticipate rates staying elevated, which could weigh heavily on small caps.

Debt is a particular concern. In 2025, 6.9% of small cap debt is set to mature, with 74.2% more due within the next five years. This compares to more manageable debt maturities for large caps. Rising rates would amplify the interest burden on small cap companies, potentially eroding margins and limiting earnings growth.



Source: Bloomberg, Innovator Research & Investment Strategy. Data as of 11/21/2024. This chart reflects the percentage of debt set to mature for the constituents of the Russell 2000 Index and the S&P 500 Index.

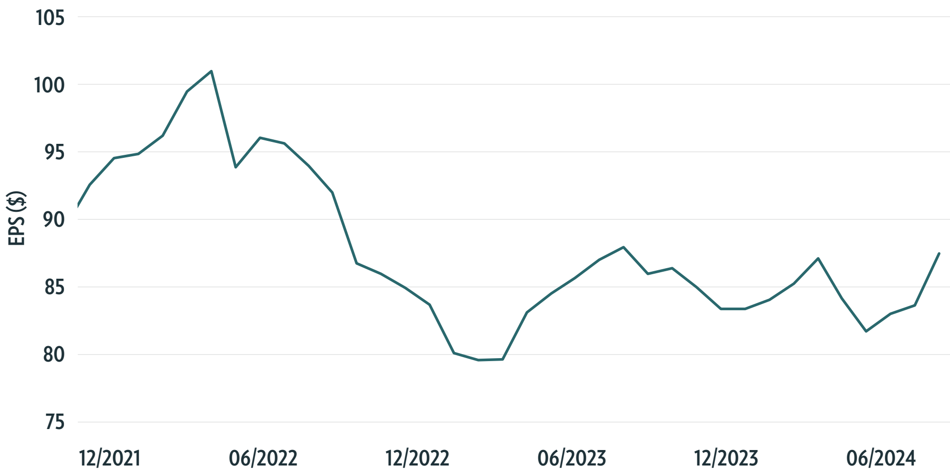
Higher inflation, if it resurfaces, could also further strain small cap performance, echoing challenges last seen in 2022.

What Could Increase Our Confidence?

For small caps to win the tug of war in 2025, earnings expectations must rebound, supported by a solid economic backdrop. While the post-election rally has lifted prices, earnings expectations have yet to follow. Sustained gains could depend on the alignment of these two factors.

We are closely monitoring small business optimism and key indicators like the Institute for Supply Management ("ISM") Manufacturing Purchasing Managers Index ("PMI"). Historically, shifts in the ISM Index have preceded small cap performance inflections, with positive momentum often emerging when ISM readings exceed 50. A turnaround in this metric could signal broader growth opportunities, benefiting small caps.

SMALL CAP FORWARD EARNINGS EXPECTATIONS TURNING HIGHER (EPS, $)



Source: Bloomberg, Innovator Research & Investment Strategy. Monthly data from 12/31/2021 - 11/21/2024. Forward EPS (1-year) shown for the constituents of the Russell 2000 Index.

Putting It All Together

By many indications, the market is ripe for continued growth into 2025 and beyond. Pro-growth policy, strong fundamentals, and investor confidence are working together to buoy business and economic expansion.

But risks remain, including to the labor market and consumer prices as unintended consequences of immigration and trade policy, respectively.

While our growth forecast for the S&P 500 suggests increasing or maintaining equity exposure, investors should still consider risk mitigation in preparation for possible volatility.

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 a Fund is right for you, please see "Investor Suitability" in the prospectus. Investing involves risks. Loss of principal is possible.

Investing involves risk. 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 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.

XUSP. There can be no guarantee that the Fund will be successful in implementing its investment strategy to provide the Accelerated Return Rate during market conditions where the Underlying ETF is increasing in value above the Accelerated Threshold.

Because the Fund ladders its Options Packages in three-month increments, the Fund's returns are likely to be different than the returns the Fund would produce if a single Options Package were used. The Fund uses four Options Packages with laddered expiration dates, different strike prices and differing initial values of the Underlying ETF, and therefore price movements of the Underlying ETF are likely to result in price movements of differing magnitude for each Options Package held by the Fund. This means that each Options Package may experience different Accelerated Returns Rate potential after the Accelerated Threshold, and some Options Packages may not yet experience Accelerated Return Rates while others do. If the Outcome Period has begun and the Fund has experienced an accelerated return, an investor purchasing Shares at that price may be subject to losses that exceed any losses of the Underlying ETF for the remainder of the Outcome Period and may have diminished or no ability to experience further accelerated return, therefore exposing the investor to greater downside risks.

Buffer ETFs™. 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 Funds 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 funds' investment objective. Initial outcome periods begin on the funds' inception date and are approximately one quarter, six months, or one year. 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 seeks 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. SFLR & RFLR: The Funds seek to provide risk-managed investment exposure to the U.S. Large Capitalization Companies represented by the Solactive GBS U.S. 500 Index or the Solactive U.S. 2000 Index, respectively, through their hedging strategy. There is no guarantee that the Funds will be successful in implementing their strategy to provide a hedge against overall market exposure.

The Funds seek to achieve their investment objective by purchasing substantially all of their assets in a series of four, one-year Flex Options packages with "laddered" expiration dates that are 3 months apart. The Funds 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 Funds do not provide principal protection or non-principal protection, and an investor may experience significant losses on its investment. In a market environment where the Solactive GBS U.S. 500 Index or the Solactive U.S. 2000 Index, respectively, is generally appreciating, the Fund may underperform the indices and/or similarly situated funds.

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

Small Cap Risk. Small cap companies may be more volatile and susceptible to adverse developments than their mid and large cap counterpart. In addition, the small cap companies may be less liquid than larger companies.

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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. Read it carefully before investing.

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