IN THIS CHAPTER

- Knowing what a buffer ETF is
- Appreciating what it can do
- Exploring buffer ETF types
- Building a portfolio (the basics)
- Navigating intra-outcome periods

Chapter 1

Brushing Up on Buffer ETF Fundamentals

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The longest journey starts with the first step. When it comes to investing in *buffer exchange-traded funds* (buffer ETFs), the first step involves wrapping your brain around the concept, which starts with understanding what they are, what they can and can't do, and how you can use them to build or enhance an investment portfolio.

This chapter covers all that and more while introducing you to key concepts and essential steps covered in greater detail in subsequent chapters.

What Is a Buffer ETF?

In short, a *buffer ETF* is an investment vehicle that enables you to participate in market gains up to a predetermined cap while also setting a defined level of downside protection (the "buffer"), as shown in Figure 1-1. (An *exchange-traded fund*

[ETF] is a basket of securities that trades like a stock; every ETF has its own ticker symbol.) Every buffer ETF is defined by the following five characteristics:

- **Reference asset:** The asset the buffer ETF is designed to track during its defined outcome period, such as SPDR S&P 500 ETF Trust (SPY), Invesco QQQ Trust (QQQ), or iShares Russell 2000 ETF (IWM).
- **Downside buffer:** The initial amount of reference asset loss the fund seeks to protect against over the full outcome period. Typically, the buffer protects against the first loss of 9, 10, 15, or 20 percent, but some funds have deeper buffers offering up to 100 percent protection.
- **Upside cap:** The maximum return the fund can earn over the full outcome period. Caps vary depending on the fund, the buffer level, the underlying reference asset, market conditions (volatility and interest rates), and other factors. Some buffer ETF issuers publish the estimated upside cap levels on their websites beginning one week prior to the start of the new outcome period. The final cap for the new outcome period is determined at the close of trading on the reset date (the last trading day of the outcome period).
- **Outcome period:** The duration the upside cap and downside buffer are in effect, typically 3, 6, or 12 months. During the outcome period, the remaining cap and buffer fluctuate; for example, if the buffer starts at 15 percent, and the reference asset loses 5 percent three months into the fund's 12-month outcome period, the remaining buffer likely will be less than 15 percent, depending on how closely the buffer ETF tracks the reference asset. The cap and buffer reset at the start of each outcome period with fresh downside protection and a new upside cap.
- **ETF wrapper:** The ETF wrapper facilitates the buying and selling process and makes buffer ETFs highly liquid and tax-efficient, meaning they typically contain gains and losses within the fund without creating a taxable event for shareholders.

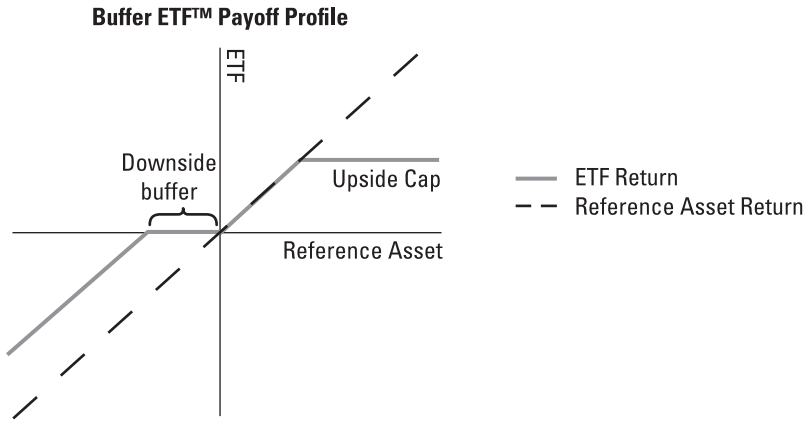


FIGURE 1-1: Buffer ETF payoff profile.

Courtesy of Innovator

Buffer ETFs, often referred to as defined outcome ETFs, are designed to provide more predictable, predetermined outcomes compared to the underlying reference asset they track. You may also see them referred to as *target outcome ETFs* or *buffered ETFs*.

INCREASINGLY POPULAR

Buffer ETFs are one of the fastest-growing segments of the ETF marketplace. According to *Morningstar*, assets have grown from $200 million in 2018 to over $80 billion in 2026, with more than 400 buffer ETFs trading on U.S. markets. Their growing popularity isn't surprising. After all, they're getting a lot of positive press. Here's a small sample:

> ". . . buffer ETFs draw billions amid jitters over market swings." — *The Wall Street Journal*
>
> "These ETFs promise protection in a down market. It's working." — *Barron's*
>
> "If you need downside protection, Buffer ETFs are having a moment." — *TheStreet*
>
> "Uncertain times drive record flow week for Innovator's defined outcome ETFs." — *Pension & Investments*
>
> "Buffered ETFs make gains in Retirement Portfolios." — *Financial Times*
>
> "Buffer ETFs add 'guard rails' to uneasy equity markets." — *Investment News*
>
> "Buffer ETFs can limit losses in uncertain times." — *Kiplinger*
>
> "Volatile markets increase appeal of ETFs with a buffer." — *Financial Times*
>
> "Buffered ETFs Grow as Investors Shun Risk." — ETF.com
>
> "The Balancing Act: Buffer ETFs offer both Downside Protection and Growth Potential." — Nasdaq.com

Their appeal is easy to understand — investors love to participate in the upside of the stock market, but they don't like the prospect of losing money. Buffer ETFs offer a potential solution by providing a defined level of downside protection while allowing investors to participate in stock market gains up to a predetermined cap.



TECHNICAL STUFF

Buffer ETFs don't actually own stocks. They use options to track the performance of a reference asset, such as SPDR S&P 500 ETF Trust (SPY), Invesco QQQ Trust (QQQ), or iShares Russell 2000 ETF (IWM). Historically, defined outcome investments have been available only through certain banks and insurance companies in the form of annuities and structured products. Now, you can invest using similar strategies but with the benefits of an ETF wrapper and without some of the drawbacks of structured products and annuities, such as illiquidity, lock-up periods, and surrender charges.

Understanding What Buffer ETFs Can and Can't Do

On their surface, buffer ETFs appear to be the perfect remedy for stock market volatility and investor jitters. However, everything comes with a price. With buffer ETFs, the price you pay for downside protection is your limited upside gain potential, which is determined by the upside cap. However, other factors need to be considered, as well. In the spirit of full transparency, the following sections reveal the advantages and limitations of buffer ETFs.



REMEMBER

All managed funds, including ETFs, charge a management fee. As you shop for a buffer ETF, be sure to compare fees. They will have an impact on your net return. See Chapter 5 for more about management fees and other expenses.

What they can do

Here's what buffer ETFs can do to benefit you as an investor:

- **Provide downside protection:** They can absorb the initial losses of the reference asset they track, typically the first 10 or 15 percent loss on a reference asset over the defined outcome period. For example, if your ETF has a 15 percent buffer and the reference asset it tracks drops 20 percent, you lose 5 percent of your investment, before fees.
- **Reduce short-term volatility:** Buffer ETFs are less susceptible to the daily rise and fall of the reference asset, resulting in a smoother ride through market corrections and less worry for risk-averse investors. Typically, the deeper the buffer, the smoother the ride.

- **Enable you to participate in the upside of the reference asset, to a cap:** In contrast to a fully hedged approach that removes upside potential, you can still reap the benefits of the gains in the reference asset up to the predetermined cap.
- **Feature transparency and rules-based performance:** You can check the key outcome parameters before you invest. Each buffer ETF issuer's website shows the buffer, upside cap, downside before buffer, remaining days in the outcome period, and the reference asset the buffer ETF tracks. If you do your homework, you know what you're getting into.
- **Provide liquidity:** You can trade buffer ETFs throughout the day from a brokerage account — just like other ETFs or individual stocks — and at any time during the outcome period.

  
  WARNING

  Although you *can* trade buffer ETFs like stocks and other ETFs, that doesn't mean you *should*. The remaining buffer and cap change over the course of the outcome period and even over the course of the trading day, so if you're trading during the intra-outcome period (any day other than the reset date), you may not get the exact buffer and cap you expect when you place your order. See the later section, "Trading Buffer ETFs during Their Intra-Outcome Periods," for details.
- **Facilitate tax efficiency:** With buffer ETFs, you can generally defer taxes until you cash out, avoiding nasty surprises from taxable year-end distributions typically seen when investing in actively managed mutual funds. If you sell your shares, any realized gains or losses are simply reported on a 1099 from your custodian.

What they can't do

Buffer ETFs are impressive, but they're not a perfect solution for all investors, in all situations. Here are some of the key limitations you need to be aware of — what buffer ETFs *can't* do:

- **Provide more total downside protection than published at the outset of the outcome period:** Buffer ETFs typically protect only against initial losses of the reference asset they are designed to track, say the first 10 or 15 percent loss. You, as a shareholder, absorb any losses beyond the protection level.

  
  REMEMBER

  Some buffer ETFs are structured to have shareholders absorb initial losses, say the first 5 percent loss, but provide deeper protection (for example, –5 percent to –30 percent). And some buffer ETFs provide total downside protection. (See the next section, "Becoming Familiar with Different Variations of Buffer ETFs," for details.)

- **Provide the published downside protection if you sell early:** Selling before the end of the outcome period may negate the buffer or forfeit a portion of the upside. Their performance is most predictable when purchased at the start of the outcome period and held to the next reset date.
- **Allow unlimited upside potential:** In a strong bull market, the reference asset the buffer ETF tracks may rise significantly higher than the cap, so you miss out on any gains that exceed the cap during the outcome period. (Note, uncapped buffer ETFs allow for unlimited upside potential beyond the "spread." See Chapter 14 for detailed coverage.)
- **Guarantee a buffer/cap if bought during the intra-outcome period:** The remaining buffer and cap change over the course of the outcome period, so if you buy during the intra-outcome period, you may not get the full downside protection or the maximum return potential published at the start of the outcome period.
- **Compete with comparable long-term stock index ETF returns:** Buffer ETFs aren't built to maximize returns but to reduce exposure to risk while allowing for limited participation in the upside of the reference asset. As a result, they tend to underperform the reference asset over the long run.

Becoming Familiar with Different Variations of Buffer ETFs

Not all buffer ETFs are the same. They vary not only according to their outcome periods, buffers, caps, and reference assets, but also in terms of their objectives. As you research buffer ETFs, you're likely to encounter the following classifications:

- **Buffer ETFs** use options to provide a specified range of investment returns over a set outcome period (usually one year), protecting against a specific percentage of initial losses (for example, 15 percent) while capping potential gains.
- **Buffer step-up strategy ETFs** reevaluate the buffer and cap on a regular basis, looking for opportunities to increase the upside cap and adjust the level of protection. If a step-up threshold is met, the fund rolls into a new outcome period with a fresh buffer and a new, higher cap. (You can do this yourself by actively trading conventional buffer ETFs, but buffer step-up strategy ETFs take the monitoring and active management off your plate.)

- **Laddered buffer ETFs** hold multiple underlying buffer ETFs with different reset months, so you always have some holdings early, in the middle of, and near the end of an outcome period. This strategy helps to smooth out the timing risk and diversify your holdings. Note, laddered buffer ETF strategies are most popular in the investment advisory community. (You can implement a laddered strategy yourself by actively managing a portfolio of conventional buffer ETFs, but a laddered buffer ETF does the work for you.)
- **Accelerated buffer ETFs** seek to provide two or three times the upside of the reference asset, to a cap. These ETFs are generally a good option when investing in a low-return market, when you expect the underlying reference asset to deliver positive, but only single-digit returns.
- **Uncapped buffer ETFs** blend the best of both worlds — downside protection with unlimited growth potential. What's the catch? Uncapped buffer ETFs have a spread, so you participate in upside gains only if the reference asset rises above the spread. For example, if you own an uncapped buffer ETF with a net spread of 4 percent, and the reference asset produces a 10 percent return, you earn 6 percent. If the reference asset rises less than 4 percent, you earn nothing. So, you give up initial gains but have unlimited upside afterwards.
- **Dual-directional buffer ETFs** are designed to generate positive returns in both up and down markets while also providing downside protection. You win if the reference asset rises, win if it declines, and lose only if the reference asset experiences a loss that exceeds the buffer.
- **Floor products** protect you from losses beyond a predetermined level. For example, if the floor is –5 percent, you absorb the first 5 percent loss (plus fees) of your initial investment, but have protection below –5 percent.
- **Protected bitcoin ETFs** allow investors to participate in bitcoin's upside price potential, to a cap, while providing a predetermined percentage of downside protection. Note, many protected bitcoin strategies are designed to have shareholders absorb initial losses, but provide deeper protection due to the volatile nature of this asset class.
- **Gold strategy buffer ETFs** allow investors to participate in the upside of the price of gold, to a cap, while providing a predetermined percentage of downside protection.
- **Buffer income ETFs** are designed to generate income over the outcome period, typically with monthly distributions, while providing downside protection against initial losses in the reference asset. These products are designed for risk-averse investors who want their investments to generate a predictable income stream.

- **Barrier income ETFs** generate a predefined rate of income (paid quarterly) as long as the value of the reference asset doesn't fall below a certain level (the barrier). Although these ETFs may offer higher yields than others, if a barrier is breached at the end of the outcome period, it could result in no protection whatsoever, so there can be a greater risk of loss.

See Part 4 for details about each of these buffer ETF types.

Getting Up To Speed on Buffer ETF Investing Basics

Investing in buffer ETFs is easy because you can buy and sell them on any trading platform. Investing in them intelligently, however, requires some know-how. In this section, I bring you up to speed on the basics of finding and researching buffer ETFs, developing an investment strategy, and building a portfolio. (See Part 3 for more detailed coverage.)

Finding and researching buffer ETFs

Buffer ETFs trade like traditional ETFs. Each has its own ticker symbol, and you can buy and sell them through any trading platform, such as E*TRADE, Fidelity, or Schwab. However, they may not be easy to find and research on these platforms. As of this writing, ETF screeners typically don't allow users to pull up a list of buffer ETFs exclusively, and they don't highlight key information about these products, such as the cap and buffer and how many days remain in the outcome period.



REMEMBER

To find and research buffer ETFs, use tools on the issuer's website. For example, if you go to Innovator's website at `www.innovatoretfs.com` and select ETFs from the menu near the top, then select Product Table, you'll see a complete list of Innovator's ETFs (a partial list is shown in Figure 1-2). You can also create an account with an issuer to access more advanced tools.



TIP

Poke around on issuer websites to see whether they provide additional tools for finding and researching their products. For example, Innovator's ETF Finder enables you to search for products by investment goal and reference asset, and then use sliders to specify an acceptable range for the buffer, cap, and outcome period.

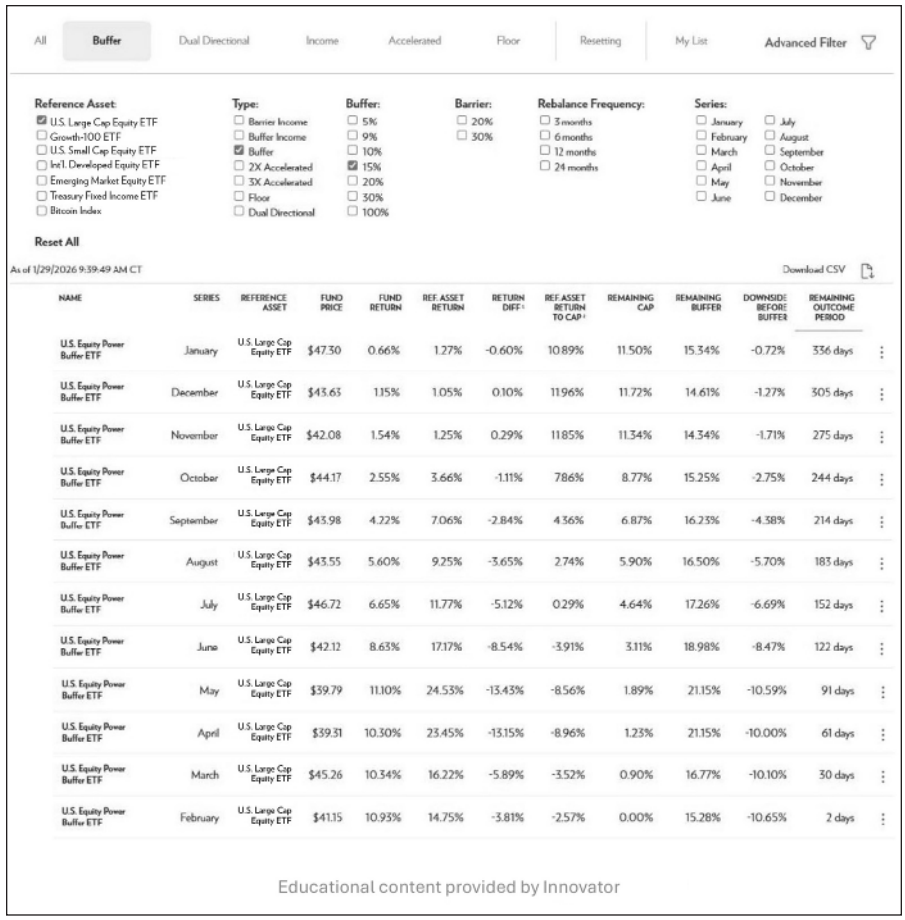


FIGURE 1-2: Innovator's ETF product table.

Courtesy of Innovator

Above the comprehensive list of ETFs are checkbox options that enable you to filter the list based on Reference Asset, Type, Buffer, Rebalance Frequency, and Series (the month the buffer and cap reset).

The list contains key details about each buffer ETF that matches your search criteria, including the fund's price, the fund's return since its most recent reset date versus that of its reference asset, the cap and what remains of it, the remaining buffer, and the downside-before-buffer risk (the percentage loss you're exposed to before the buffer provides any protection). These details are mostly relevant only if you're trading buffer ETFs during the intra-outcome period (see the later section "Trading Buffer ETFs during Their Intra-Outcome Periods" for details).

Select a buffer ETF from the list to view its summary, as shown in Figure 1-3. Here, you'll see the series, outcome period, rebalance frequency, starting cap, starting buffer, and exposure (reference asset). These are the details you want to be looking at if you're planning to invest in the fund at the start of the outcome period and hold it for the duration of the period or longer.



REMEMBER

To take full advantage of the fund's published buffer and cap, buy the fund at the beginning of the outcome period and hold it to the next reset date or longer. Place your order in the closing hours of the market, on the trading day before the new outcome period's start date.

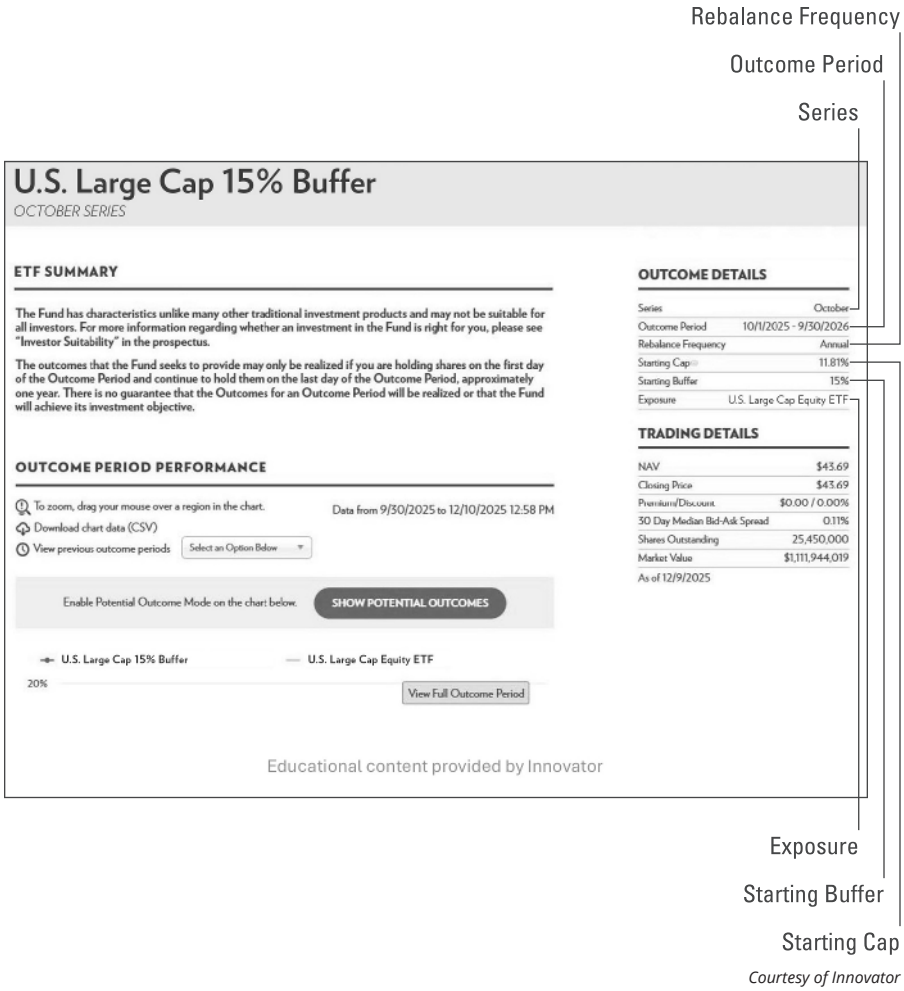


FIGURE 1-3: A buffer ETF summary sheet.

Courtesy of Innovator



WARNING

Buying during the intra-outcome period can be risky for the following reasons:

- If the reference asset has fallen, the buffer might be partially or fully depleted already, potentially increasing your exposure to further downside risk.
- If the reference asset has risen, the cap may be reduced (possibly down to zero), and you may be exposed to considerable downside-before-buffer risk (how much you could lose before the buffer starts to provide protection).

Trading a buffer ETF during its intra-outcome period can be advantageous, assuming you know what you're doing. See the later section "Opportunistic strategy" for details. See Part 3 for more in-depth guidance.

Placing your order

When you find a buffer ETF you want to purchase, you can place your order on any trading platform, as shown in Figure 1-4. You simply specify the ticker symbol of the buffer ETF you want to buy, the number of shares, and the type of order, such as Market (your order executes immediately at the best available price) or Limit (you specify the price you're willing to pay).

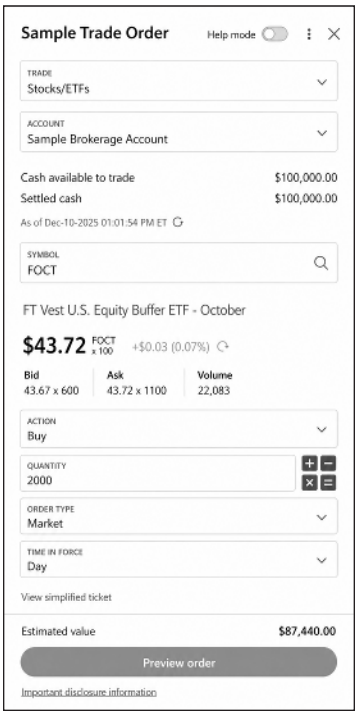


FIGURE 1-4: You can place your order on any trading platform.



WARNING

Hold off on placing an order for any buffer ETF until you feel confident in your understanding of how they work and your ability to find and research buffer ETFs, and you have a clear investment goal and a strategy in place for achieving it.

Sampling common investment strategies

You can get creative with buffer ETFs by combining different funds and staggering your buys and sells strategically to maximize your potential returns or protection. In this section, I introduce you to three common strategies. (See Chapter 4 for details about these strategies, along with examples.)

Static strategy

Buy a single buffer ETF at the start of its outcome period and hold it through the entire outcome period to realize the defined outcome. The static strategy has two key advantages:

- **Predictability:** You benefit from the full downside protection and are aware in advance of the upside cap on your return.
- **Simplicity:** You buy at the beginning of the outcome period and hold it to the end or longer. No active monitoring or management is required.

For example, you purchase FT Vest U.S. Equity Buffer — December (FDEC) on its reset date, December 23, 2024, with a 10 percent buffer and a starting cap of 14.76 percent. One year later, the reference asset, SPDR S&P 500 ETF Trust (SPY), finishes the outcome period up 15.13 percent. FDEC delivers its defined outcome, providing a total return of 13.99 percent (net of fees).

Laddered strategy

A laddered strategy is implemented by purchasing multiple buffer ETFs that have different reset dates. For example, you allocate 25 percent of your portfolio to GJAN (FT Vest U.S. Equity Moderate Buffer ETF — January), 25 percent to GAPR (FT Vest U.S. Equity Moderate Buffer ETF — April), 25 percent to GJUL (FT Vest U.S. Equity Moderate Buffer ETF — July), and 25 percent to GOCT (FT Vest U.S. Equity Moderate Buffer ETF — October). This strategy has three key advantages:

- **Less work:** You don't need to continuously research and evaluate monthly buffer ETFs.
- **Low volatility:** Each fund is at a different point in its outcome period, which allows the average buffer and cap across your portfolio to remain relatively steady as the price of the reference asset changes.

- **Diversified exposure:** By spreading out your total investment over time, you avoid being locked into a single 12-month period, and you're not depending on one specific market entry point.



REMEMBER

You can place your orders for the different funds all on the same day (if you like the outcome parameters for each fund), or you can place your order for each fund on its reset date (an hour or two prior to the close of trading). Take the second approach if your objective is to get the full starting buffer and cap for each of the funds.

Opportunistic strategy

The opportunistic strategy involves monitoring your buffer ETFs for opportunities to improve your positions (obtain more downside protection or a higher cap). You purchase a buffer ETF with your desired buffer level and cap. If performance exceeds predetermined positive or negative thresholds, you rotate — "step up" or "step down" — into a buffer ETF that is closest to the start of its next outcome period, providing a new buffer and upside cap.



REMEMBER

Step up means to enter a fund with a higher remaining cap when the reference asset has risen, you expect it to rise even higher, and little to no cap remains in the existing fund. *Step down* means to enter a fund with more downside protection after the reference asset has dropped. You fear it may decline further, and little or no buffer remains in the existing fund.

The opportunistic strategy involves more monitoring and active management but offers the following potential benefits:

- **Less risk:** You can jump ship before the buffer is depleted.
- **Higher return:** You can step up to a fund with a higher remaining cap when the fund you currently hold has mostly maxed out its upside potential.

Building a portfolio

Your investment portfolio is like a canvas on which you paint your financial future. It can include stocks, bonds, mutual funds, ETFs, cash, gold, bitcoin, real estate, and more. How creative and diverse you want it to be is up to you. You can place all your eggs in one basket or distribute them widely. You can invest entirely in one or more buffer ETFs or use them for only a portion of your investment capital.

INVESTING STRATEGICALLY

During an interview I conducted with Johan Grahn, former Head ETF Strategist at Allianz Investment Management LLC, I asked, "Have you found that advisors are using your products with tactical strategies and making changes during the intra-outcome period — locking in profits, creating a new buffer — or are they passively invested?" Here's what he had to say:

> "The majority of advisors are thinking about this as an allocation. A strategic allocation to buffered ETFs provides diversification and portfolio-level downside protection. But at the same time, there might be some active management of that allocation so they can rotate in and out of different buffered ETFs depending on where they're trading in relation to the caps and what the market's doing. So, perhaps a passive allocation, but with some active management inside of it. So, that's one type of investor."

> "The other type of investor who wants to be more tactical and perhaps try to beat a benchmark, say a 60/40 benchmark [60 percent stocks/40 percent bonds], for example, that would imply they have a market opinion and want to implement that either by overweighting or underweighting equities. So, one of the really cool things with buffered ETFs is that if 'you're overweight equities because you have a positive view on the economy, 'let's say, but instead of buying just more equities at the expense of fixed income or cash (where you will immediately be judged if the market declines and you underperform) — instead, you could buy buffered ETFs."

If you're an investor who doesn't want to spend much time monitoring the markets, you can take a simple approach by investing in one or two buffer ETFs and holding them for the long term.

For example, suppose you have $1 million you'd like to invest in buffer ETFs. You could build a portfolio using two funds from Innovator — U.S. Equity Buffer ETF — January Series (ticker symbol BJAN) and U.S. Equity Buffer ETF — April Series (ticker symbol BAPR). Both ETFs have a downside buffer of 9 percent at the start of each 12-month outcome period.

You check Innovator's website a week before the reset date, when the issuer gives an estimate as to the upcoming caps for the ETFs that will soon reset. The gross cap for the new outcome period is estimated at 16 percent for BJAN, and you're good with that. You invest half your portfolio ($500,000) in BJAN on December 31, 2025 (in the closing hours of trading the day before the new outcome period begins). The final cap came in at 16.4 percent (before fees).

You decide to wait a few months to allocate the remainder of your cash and purchase BAPR on its reset date. A week before the reset date, you check Innovator's website, and it indicates the gross cap for the new outcome period is estimated at 18 percent, and that's attractive to you. You invest the remainder of your cash ($500,000) in BAPR on March 31, 2026 (in the closing hours of trading the day before the new outcome period begins). The final cap came in at 18.4 percent (before fees).

You could stagger your purchases over several months or more and build a laddered portfolio. However, if the upside cap is attractive when you have cash available to invest, you have little reason to delay a purchase, unless you believe markets are very extended, overvalued, and due for a sizeable correction.



REMEMBER

If you believe current market prices are compelling, you may choose to allocate your entire portfolio all at once. There's nothing wrong with this approach, assuming the downside protection and upside cap levels meet your investment objectives.



WARNING

Never purchase a buffer ETF without knowing the current potential outcome parameters — the buffer, cap, downside-before-buffer risk (if any), and the days remaining in the outcome period. This warning cannot be overstated. Most issuers update these parameters daily, and they can change throughout the trading day, so always check them before making a purchase. See "Trading Buffer ETFs during Their Intra-Outcome Periods" later in this chapter for details.



REMEMBER

BUYING INTO BUFFER ETFS

I started tracking buffer ETFs in 2020 because I thought they could be very attractive for my clients. Most of my clients are either nearing retirement or retired. Buffer ETFs give my clients plenty of downside protection while enabling them to participate in stock market gains, to a cap. The ETFs are liquid with no lock-up periods or surrender charges. The buffer ETF concept was indeed a very innovative idea.

I did a lot of research prior to investing and spent considerable time getting comfortable with buffer ETFs and finding an opportune time to invest. I interviewed strategists at leading buffer ETF firms, along with sub-advisors of the ETFs. I wanted to talk to the individuals who actually managed the option strategies within the ETFs. The more I learned, the more comfortable I felt about investing for my clients.

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During the market sell-off in 2022, when both stocks and bonds were hit hard, I was focused on controlling risk for my clients. I had a lot of cash on hand in the fall of 2022, and I was considering where to reinvest. Valuations were decent, but stocks weren't cheap, and investors were pessimistic given how poorly the market had performed that year. I viewed the negative sentiment as healthy and thought it could help stocks surprise to the upside in 2023. Still, I wasn't willing to make an unhedged "bet" on the market — I wanted some protection.

I had been checking the upside cap levels of Innovator's buffer ETF offerings and was particularly intrigued by its 15 percent Power Buffer series as November approached. The S&P 500 was already down nearly 20 percent from its peak, so adding another 15 percent layer of protection was very appealing to me. At that point, the additional "buffer" would basically protect my clients from a very deep peak-to-valley decline in the market.

The 20.5 percent upside cap for Innovator's U.S. Equity Power Buffer ETF — November (PNOV is the trading symbol) on its reset date, October 31, 2022, was nearly the highest I had ever seen for a 15 percent buffer ETF. PNOV offered 15 percent downside protection, and if the reference asset, SPDR S&P 500 ETF Trust (SPY), rebounded in 2023, my clients had the potential to make approximately 20 percent during the 12-month outcome period. And, if SPY had another bad year, my clients had plenty of protection in place. What's not to like? I thought it was a tremendous risk versus reward opportunity.

My first purchase of PNOV on October 31, 2022, and another purchase of Innovator's U.S. Equity Power Buffer ETF — September (PSEP), during its intra-outcome period, represented a substantial percentage of my assets under management. I had no concern about entering sizeable orders in these ETFs due to the highly liquid underlying exposure in SPY. The bid-ask spreads were tight, and execution on both trades through the custodian's block trading desk was seamless.

Both PNOV and PSEP have provided meaningful double-digit gains since late 2022, but investing directly in a stock market index (for example, S&P 500, Nasdaq-100) would have resulted in even better performance over the same period, but obviously without any downside protection.

Comparing buffer ETFs to the returns of a stock market index is really "apples-to-oranges." One has a level of downside protection, and the other doesn't. In general, a conventional buffer ETF tends to lag its reference asset at least slightly in a rising market, due to fees, but it typically holds up better and outperforms in a declining market.

Trading Buffer ETFs during Their Intra-Outcome Periods

As explained earlier, in the section "Opportunistic strategy," buying and selling buffer ETFs during their intra-outcome period can be advantageous, but you need to know what you're doing. Buying when the buffer or cap is nearly exhausted is an easy yet serious mistake to make, so always check key intra-outcome parameters on the issuer's website, as shown in Figure 1-5, before buying or selling shares. Key intra-outcome parameters include the following (parameters may go by different names depending on the ETF issuer):

- **Reference asset:** The underlying asset the fund tracks.
- **Fund return:** The percentage the fund has gained or lost since the most recent reset date.
- **Reference asset return:** The percentage the underlying asset has gained or lost since the most recent reset date.
- **Return difference:** The percentage difference in performance between the underlying reference asset and the buffer ETF since the most recent reset date.
- **Reference asset return to cap:** How much the reference asset would have to increase for the buffer ETF to reach its upside cap.
- **Remaining cap:** The maximum percentage the fund's value can increase from now until the end of the outcome period.
- **Downside before buffer:** How much the fund's value could decrease before buffer protection kicks in. If the fund has increased in value since its most recent reset date, it must drop nearly the same amount before it reaches a level at which the buffer protects against a loss. So, suppose a fund's value rose 10 percent since the start of the current outcome period, and you buy it midperiod; you could lose 10 percent of your investment before you'd get any downside protection.
- **Remaining outcome period:** The number of days before the next reset date.

NAME	SERIES	REF. ASSET	FUND RETURN	ASSET RETURN	RETURN DIFF	ASSET RETURN TO CAP	REM. CAP	REM. BUFFER	DOWN BEFORE BUFFER	REM. OUT-PERIOD
U.S. Large Cap 9% Buffer ETF	April	U.S. Large Cap Equity ETF	5.47%	8.82%	-3.35%	8.88%	11.55%	10.40%	-5.98%	348
U.S. Large Cap 15% Buffer ETF	April	U.S. Large Cap Equity ETF	3.87%	8.82%	-4.95%	4.74%	8.94%	17.37%	-4.52%	348
U.S. Large Cap 9% Buffer ETF	March	U.S. Large Cap Equity ETF	2.44%	3.17%	-0.72%	13.38%	13.39%	8.62%	-3.18%	317
U.S. Large Cap 15% Buffer ETF	March	U.S. Large Cap Equity ETF	1.95%	3.17%	-1.22%	9.33%	9.84%	14.90%	-2.71%	317
U.S. Large Cap 9% Buffer ETF	February	U.S. Large Cap Equity ETF	2.04%	2.28%	-0.24%	14.01%	13.48%	8.23%	-2.79%	289
U.S. Large Cap 15% Buffer ETF	February	U.S. Large Cap Equity ETF	1.71%	2.28%	-0.57%	9.92%	9.73%	14.42%	-2.48%	289
U.S. Large Cap 9% Buffer ETF	January	U.S. Large Cap Equity ETF	3.14%	3.78%	-0.64%	12.21%	12.12%	8.48%	-3.84%	258
U.S. Large Cap 15% Buffer ETF	January	U.S. Large Cap Equity ETF	2.57%	3.78%	-1.22%	8.20%	8.69%	14.80%	-3.30%	258
U.S. Large Cap 9% Buffer ETF	December	U.S. Large Cap Equity ETF	3.60%	3.56%	0.04%	13.38%	12.55%	7.86%	-4.26%	227
U.S. Large Cap 15% Buffer ETF	December	U.S. Large Cap Equity ETF	3.24%	3.56%	-0.32%	9.25%	8.80%	13.99%	-3.93%	227
U.S. Large Cap 9% Buffer ETF	November	U.S. Large Cap Equity ETF	3.86%	3.76%	0.10%	13.34%	12.43%	7.79%	-4.51%	197
U.S. Large Cap 15% Buffer ETF	November	U.S. Large Cap Equity ETF	3.49%	3.76%	-0.27%	9.14%	8.64%	13.92%	-4.16%	197

As of 4/17/26

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FIGURE 1-5: Key intra-outcome parameters for a partial list of Innovator buffer ETFs as of April 17, 2026.

Courtesy of Innovator