NEWSLETTER

VOL. 32 ISSUE 1 · JAN 2024

BUFFERED ETF'S - WHAT ARE THEY AND HOW DO THEY WORK?

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In a previous newsletter we described buffered ETF's, as follows:

There is an investment vehicle that fits the description of what is needed in these uncertain times. It is called a Buffered ETF; also known as a defined outcome investment. It provides downside protection, yet still has the ability to benefit from a rising market. The downside protection is 15% and the upside potential averages around 15% for the buffers we are using. This investment vehicle is issued at the beginning of each month and matures one year later. If at the end of the year the S&P is 15% down or less, then there will be no loss for the investor*.

However, if the loss was 20%, then the investor would only lose 5% (20-15=5)

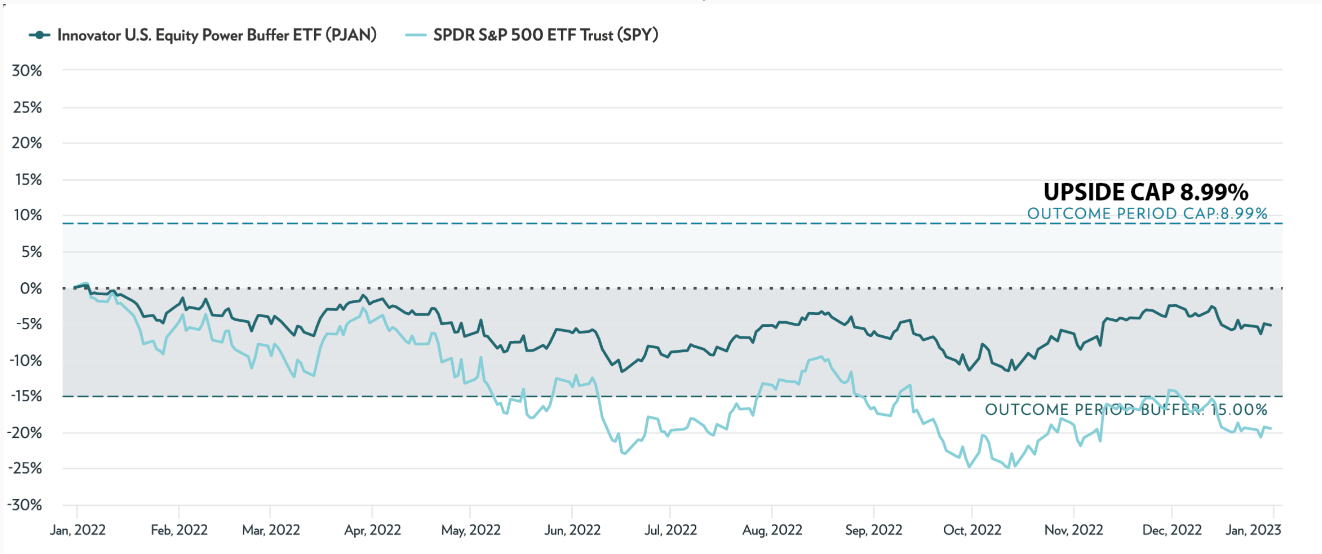
Alternatively, if the market is higher one year later, then the investor will benefit to the extent of the gain up to the cap (averaging about 15% - ranging from 9% to 20% - established at the beginning of each one-year period). If the market was up 20%, the investor would be capped at the 15% level. The tradeoff, giving up some potential upside for the downside protection in this uncertain economic time appears to be well worth it.

**The annual internal cost for the INNOVATOR Buffered ETF's is .79%.*

PREVIOUS BUFFERED ETF EXAMPLES

BUFFERED ETF EXAMPLE 1: DOWNSIDE PROTECTION

The following graph illustrates a negative market period (year 2022). It shows that the S&P 500 index ETF (SPY) was down 19.48%. At the same time, buffered ETF, PJAN was only down 5.22%.



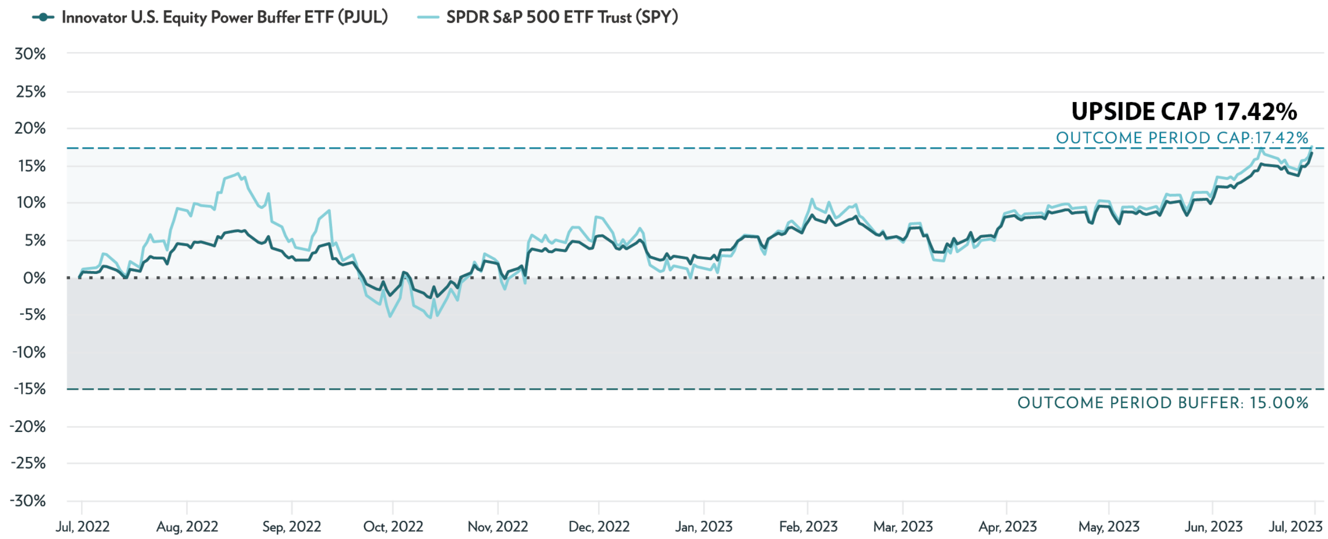
Outcome Period Statistics

DATE RANGE	Buffered ETF based on S&P 500	ETF of S&P 500 Index
1/1/2022 - 12/31/2022	PJAN	SPY
Return	-5.22%	-19.48%

ETF EXAMPLE 2: UPSIDE PARTICIPATION

The following graph illustrates a positive market period (7/1/2022 to 6/30/2023). It shows that the S&P 500 index ETF (SPY) was up 17.50%. At the same time, buffered ETF, PJUL was up 16.64%.

These are two good examples of how defined outcome investments have performed in two different market environments and it is the reason that we have been using them in our portfolios.



Outcome Period Statistics

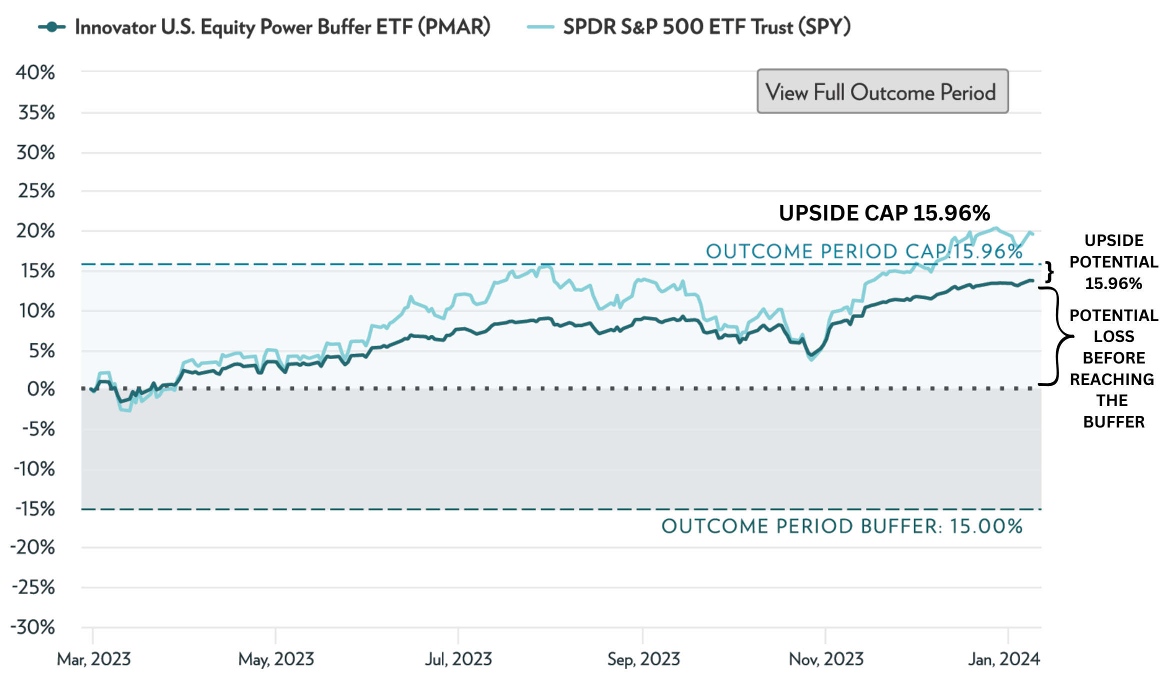
DATE RANGE	Buffered ETF based on S&P 500	ETF of S&P 500 Index
7/1/2022-6/30/2023	PJUL	SPY
Return	16.64%	17.50%

Now that we have seen how they function, let's look at how our recently deployed strategy has endeavored to take advantage of buffered ETF's.

During the first few trading days of 2024, we sold most of the S&P 500 buffered ETF's that were scheduled to mature in the February through May period of 2024, and we purchased the recently reset PJAN that matures at the end of 2024. We did this because of the strong market performance at the end of 2023 had significantly decreased the potential upside and at the same time also reduced the downside protection.

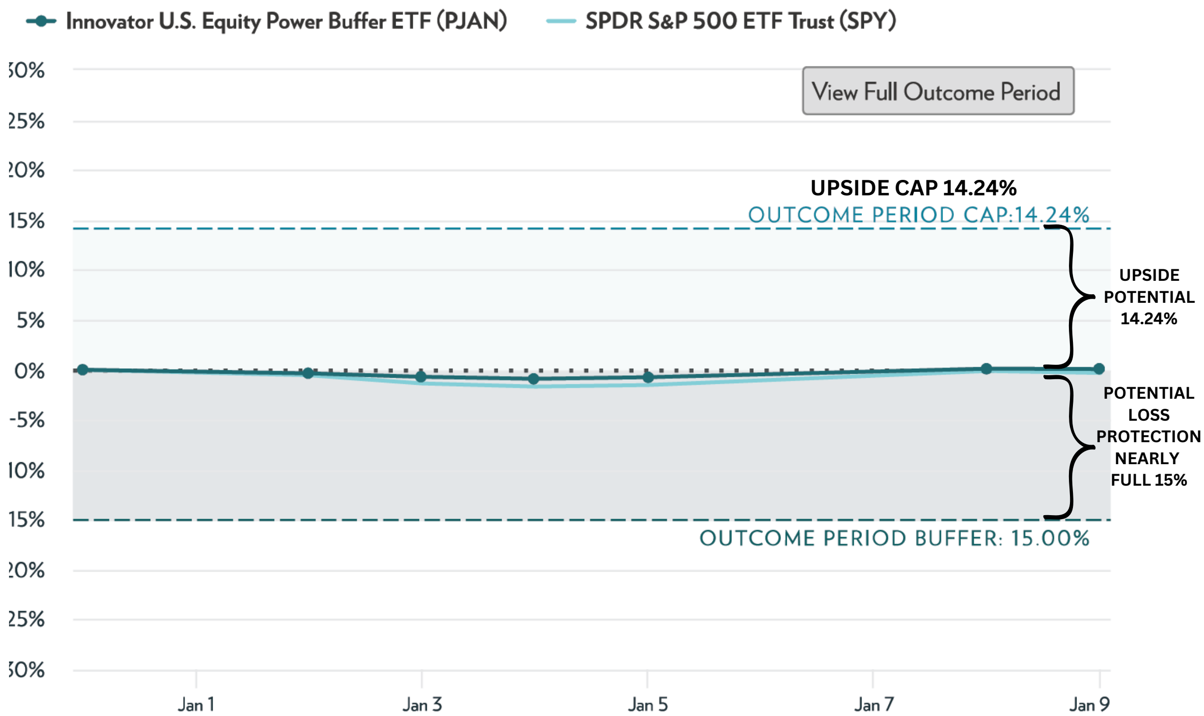
ETF EXAMPLE 3: APPROACHING UPSIDE CAP

The upside potential left for PMAR was only about 2%, because it was up about 14% and the upside cap was 15.9%. The downside potential was about 14% before reaching the 15% downside buffer. Therefore, the decision to exit PMAR was clear. We close to the ceiling and far from the floor.



ETF EXAMPLE 4: RESTORING UPSIDE POTENTION & DOWNSIDE PROTECTION

The PJAN INNOVATOR ETF reset On December 31, therefore, on the first day of trading in January 2024 it had a new upside cap (14.24%) and a new downside 15% buffer. Replacing PMAR with PJAN enables us to protect the 14% PMAR gain with PJAN's 15% downside buffer as well as increase the fund's ceiling.



To summarize: we feel that these buffered products were and still are appropriate for these times, especially last year when almost everyone was predicting a recession.

Presently, there is more optimism than last year, but with global conflicts and political uncertainty some caution still makes sense.

THE OUTLOOK

2023 turned out to be a good year for the stock market. The first half of the year was dominated by what are called the "magnificent 7" which are the large cap tech stocks (Apple, Microsoft, Nvidia, etc.). Then there was a correction in October, followed by a strong rally into the end of the year. There are some market gurus that are of the opinion that the market went up too far and too fast in November and December, consequently they feel that the market will have to have a correction before continuing to rally.

2024 is an election year with an incumbent President running for re-election. Historically, presidential election years are positive 80+% of the time. One of the reasons for this phenomenon is the fact that politicians generally spend a lot of money in election years to make sure that they get re-elected. However, there are also some substantive reasons for optimism. First, employment remains strong. Second, the rate of inflation is declining. Third, the Fed has indicated that they are finished raising interest rates and are expecting to start cutting rates later in the year. Fourth, corporate earnings are holding up. Fifth, the price of energy has been declining, and sixth, after last year's strong finish the trend of the market is bullish.

Although most of the factors are positive, there are still some potentially large negative forces like massive consumer debt with high credit card interest rates, Also, there are wars and warlike activities taking place around the world. And there is political uncertainty with elections taking place in many countries and especially here in the US. The ever-present possibility of an unforeseen "black swan event" adds to the risks facing the market. Nevertheless, 2024 is likely to wind up as a positive year despite experiencing some volatility. It will probably fall short of 2023 performance but continue the good record of presidential election years with an incumbent running. As always plans and analysis will change as actual events unfold but this is how the outlook appears at this time.