Dear Shareholder:

The Securities and Exchange Commission ("SEC") has proposed regulations that may **limit your ability to trade leveraged and inverse funds** ("L&I Funds"). The proposed regulations are contained in SEC Release No. 34-87607 ("Release"), which can be found [here](#).

The proposed regulations, if adopted by the SEC, will **require you to provide extensive financial and personal information** to your brokerage firm or financial advisor who, after review and evaluation of your financial and personal information, **will decide for you** whether you are sufficiently "capable of evaluating the risks" of using L&I Funds. It is possible that you will not be permitted to continue to use L&I Funds if your brokerage firm or financial advisor deems you “incapable” of adequate risk assessment—even if you affirmatively represent that you understand and accept the risks of L&I Funds. The proposed Rules also **may cause brokerage firms to cease offering L&I Funds** given the unprecedented and burdensome due diligence requirement.

The SEC has proposed the new regulations because it believes that you may be incapable of understanding the characteristics and risks of L&I Funds and making your own informed trading decisions. The SEC has not provided any data or evidence in support of this belief and, as you know, Direxion provides comprehensive disclosure of the risks and characteristics of the L&I Funds in our Prospectuses and other materials, which the SEC has not indicated is inadequate in any way. (Appendix A below summarizes a few of the many risks from the Direxion Prospectus.) **The belief that investors cannot be trusted to understand clearly disclosed risks is an unprecedented, alarming and notable departure from the bedrock principles of the capital markets and of how the SEC regulates the offering of other securities.**

The SEC is seeking public comment on the proposed Rule. Direxion encourages you to provide comments. Please be thoughtful, comprehensive and detailed in your comments to ensure that the SEC understands your perspective as a user of L&I Funds. Please feel free to provide general comments on the appropriateness of such unprecedented regulation and consider addressing any or all of the following topics:

- **A statement that you understand the characteristics and risks of L&I Funds.**

- **A description of some of the risks of L&I Funds, including the risk associated with holding these daily beta products for longer periods of time.** (Feel free to use your own language or language from the Prospectus or Appendix A.)
The SEC believes that many users of L&I Funds do not monitor their investments. Tell the SEC that you do monitor your L&I Fund positions. Helpful information may include some description of the frequency with which you log-in to your brokerage account.

Your opinion on the notion that your brokerage firm should have the right to decide whether you are sufficiently “capable” to assess risk, or to disqualify you from trading L&I Funds or any other publicly offered investment.

A description of the warnings that your brokerage firm already provides in connection with your investments in L&I Funds. In connection with this, given the disclosure of the Prospectus and the attention in the media and the warnings provided by your brokerage firms, do you think it is likely that you would fail to understand the risks of L&I Funds?

Your opinion of whether your prior use of L&I Funds should automatically qualify you to continue trading L&I Funds under the proposed regulations.

You may submit your comments here. You can also call us with any questions at 877-437-9363.

Thank you for your attention to this important matter, and your continued trust in Direxion.

Sincerely,

Robert D. Nestor
President
Appendix A – Certain L&I Risk Factors

L&I Funds are not suitable for all investors and are not intended to be used by, and is not appropriate for, investors who do not intend to actively monitor and manage their portfolios. Investors who do not understand the Funds, or do not intend to actively manage their funds and monitor their investments, should not buy the Funds.

L&I Funds seek daily leveraged investment results and may lose more money in market conditions that are adverse to its investment objective than a fund that does not utilize leverage. An investment in the Fund is exposed to the risk that a decline in the daily performance of the Index will be magnified.

L&I Funds pursue daily leveraged investment objectives, which means that the Funds are riskier than alternatives that do not use leverage because the Funds magnify the performance of their underlying index.

The pursuit of daily investment objectives by L&I Funds means that the returns will be the product of a series of daily leveraged returns for each trading day during the relevant period. As consequence, the volatility of the underlying index may affect a Fund's return as much as, or more than, the return of the underlying index. Compounding affects all investments, but has a more significant impact on funds that are leveraged and that rebalance daily. The effect of compounding becomes more pronounced as Index volatility and the holding period increase.

L&I Funds are designed to be utilized only by active investors who: (a) understand the risks associated with the use of leverage; (b) understand the consequences of seeking daily leveraged investment results; (c) for a Bear Fund, understand the risk of shorting; and (d) intend to actively monitor and manage their investments.

Bear Funds pursue daily leveraged investment objective that is inverse to the performance of its underlying index, a result opposite of most mutual funds and exchange-traded funds.