Direxion
ETFs | Funds

Forward and Reverse Split Q&A

Q: Who participates in a reverse or forward split?

A: Anyone who owns shares of an ETF affecting a reverse or forward split at the close of the markets on the record date will participate in the split.

Q: Will a reverse or forward split affect the total value of my investment?

A: No. The total value of your investment will not change. A split simply means there will be a reduction (reverse split) or addition (forward split) in the number of the ETF's shares outstanding and a proportionate increase (reverse split) or decrease (forward split) in the ETF's price per share. This means that your total number of shares owned will change; however, the aggregate value of those shares will remain the same as before the reverse or forward split. The exception to this is the case when, as a result of a reverse split, a shareholder receives fractional shares of an ETF. Fractional shares cannot trade on the ETF's listing exchange. Thus, an ETF will redeem for cash a shareholder's fractional shares at the ETF's split-adjusted net asset value (NAV) after the close of the markets on the record date.

Q: How many shares will I receive and how will my price per share be adjusted after a reverse or forward split?

A: It depends on the split ratio for the ETF. Here are a couple of examples.

The table below illustrates the effect of a hypothetical 1-for-5 Reverse Split

Period	# of Shares Owned	Hypothetical NAV	Total Market Value
Pre-Split	100	$10	$1,000
Post-Split	20	$50	$1,000

The table below illustrates the effect of a hypothetical 5-for-1 Forward Split

Period	# of Shares Owned	Hypothetical NAV	Total Market Value
Pre-Split	10	$100	$1,000
Post-Split	50	$20	$1,000

Q: Will forward or reverse splits create taxable events for me?

A: As a result of a reverse split, a shareholder of the ETF could potentially hold a fractional share. However, fractional shares cannot trade on the ETF's listing exchange. Thus, an ETF will redeem for cash a shareholder's fractional shares at the ETF's split-adjusted NAV after the close of markets on the record date. Such redemptions could cause a shareholder to realize a gain or loss. Otherwise, a reverse split will not result in a taxable transaction for holders of ETF shares. No transaction fee will be imposed on shareholders for such redemptions.

Forward splits will not result in a taxable transaction for holders of the ETF's shares and no transaction fees will be imposed on shareholders in connection with forward share splits.

Q: Will splits affect trading availability or liquidity?

A: Shares after splits are expected to trade with normal availability and liquidity. We do not expect splits to affect availability or liquidity.

Q: Why has Direxion decided to split ETFs?

A: Direxion believes it is in our shareholders' best interest to affect forward or reverse splits in order to keep an ETF's price in a convenient trading price range. In the instance of a reverse split, Direxion expects the costs associated with trading its ETFs to decrease due to the split. The bid-ask spread is expected to decline as a percentage of the price paid per share. For instance, a penny spread on a $5 stock is 20 basis points[1] (.2%), while a penny spread on a $50 stock is 2 basis points (.02%). Further, commissions charged by brokers who assess their clients on a per share basis will be smaller as investors will need to buy or sell fewer shares to meet their investment goals. In short, Direxion believes that the reverse splits will adjust the share prices to a more cost-effective level for an ETF's shareholders. In the case of forward splits, Direxion expects the reduction in the NAV will be beneficial for shareholders as the price per shares has gotten too high to be convenient for traders.

[1] A basis point can be summarized as follows: 1% change = 100 basis points. 0.01% = 1 basis point

Q: Will a split affect limit and GTC orders?

A: Yes. Splits will cancel limit and GTC orders. Investors should replace these orders and adjust them to the post-split price. Please note, splits may also affect orders for options as well.

Please note: Direxion attempts to notify all trading platforms with details of impending forward or reverse splits. We encourage you to contact your broker or trading platform with any questions associated with the forward or reverse splits.

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