

Relative Weight Spotlight

IS THAT IT FOR VALUE?

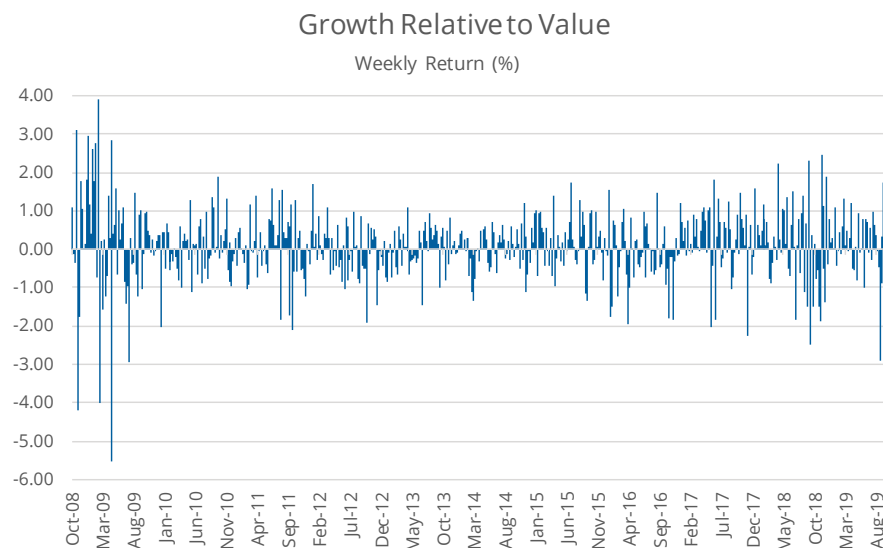
After receiving considerable attention by investors following its best weekly performance since August 2009, value stocks have pulled back relative to growth stocks in the subsequent weeks making any rotation feel short lived at this point.

While relative positioning toward growth (and momentum) will continue to have the potential for reversals due to crowding, we believe that value stocks will remain under pressure until this cycle comes to an end and will maintain an overweight to growth stocks.

WHAT WE'VE SEEN

- Long-suffering value investors got a taste of the good life when value outperformed growth in the trading week ending September 13. Prior to that, the Russell 1000 Growth Index had returned 25.16% beating the Russell 1000 Value Index by 9.12% as investors shied away from out of favor companies and favored growing ones.
- Often when investors become overly focused on one area relative to another, positioning can become overly biased and subject to bouts of reversals as either investors take profits or weak hands are shaken out at the first sign of the trend breaking; this seems to have been the case last month when the yield curve re-steepened after finally inverting.

VALUE STOCKS OUTPERFORMED SHARPLY IN ONE WEEK, BUT HAVE NOT DONE MUCH SINCE

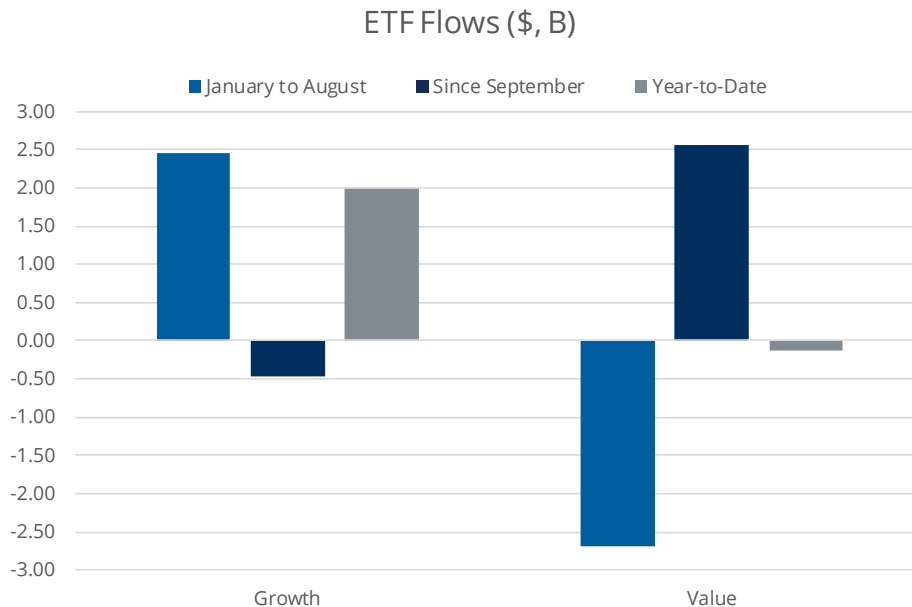


Source: Bloomberg Finance, L.P., as of October 8, 2019. Growth represented by the Russell 1000 Growth Index and Value represented by the Russell 1000 Value Index. One cannot invest directly in an index. Past performance is not indicative of future returns.

MONEY IN MOTION

- Through the first eight months of the year, investors created \$2.46 billion of Growth ETFs and redeemed \$2.69 billion from Value ETFs. Since the start of September, Growth ETFs have seen modest outflows of \$0.46 billion, but Value ETFs have taken in over \$2.56 billion helping to cut into what remains a sharp lead for growth.
- Going from \$5.15 billion in favor of growth to \$2.12 billion still pales in comparison to the \$6.21 billion lead that remains in favor of Value ETFs since the start of October 2018. This longer-term flow figure highlights the massive amount going into value at the end of 2018 when investors were continuing to be long and wrong when it came to their hopes of a rotation.

ETF INVESTORS HAVE REVERSED COURSE SINCE THE START OF SEPTEMBER



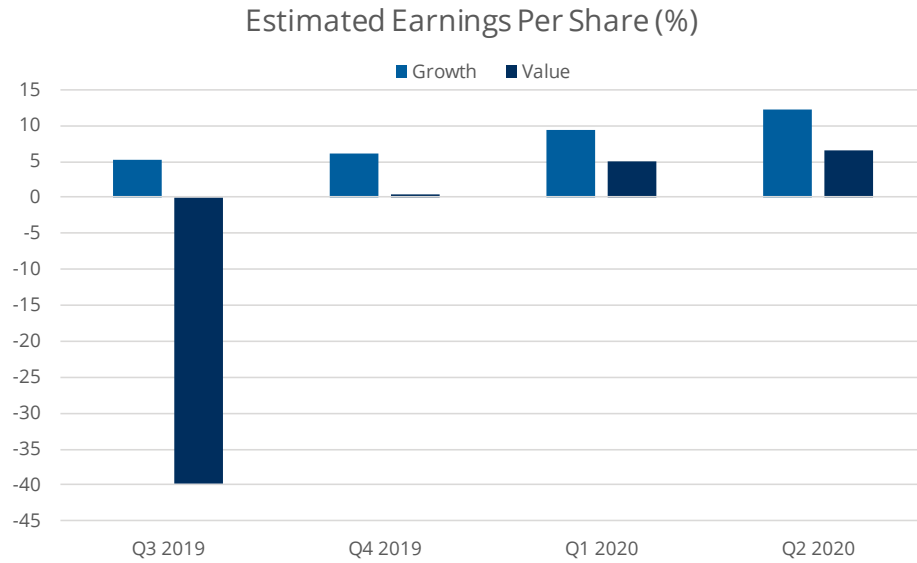
Source: Bloomberg Finance, L.P., as of January 1, 2019 to October 8, 2019. Data represents the net flows of U.S.-listed U.S. Large Cap Growth ETFs and U.S. Large Cap Value ETFs, specifically targeting exposure to U.S. Large Cap Growth and Value stocks, respectively.

WHAT'S NEXT?

Yesterday's larger than expected monthly drop in producer prices, which was the biggest fall in four years, reinforces that bad news is bad news again considering that US inflation expectations hit their lowest levels since 2016. In short, this continues to push the market into expecting that additional rate cuts will be needed to bolster deflationary forces.

- Third quarter earnings season begins in earnest on October 15, with financial heavyweights including Citigroup, Goldman Sachs, JP Morgan Chase, Morgan Stanley, and Wells Fargo reporting. Financials are by far the largest weight in the value index and would be key to leading any rally. Overall, analysts anticipate that growth stocks will see 5.13% growth in earnings, while value is expected to see a massive 39.82% decline primarily driven by energy. Even more important than Q3 results, may be guidance for the full-year 2019 and into 2020.
- While the macroeconomic data looks murky, the bond markets tell us that deflationary forces remain strong, and value stocks expect to see extremely weak earnings, barring a reversal of trends, we believe it will be difficult to see growth stocks ceding leadership to their value peers in the medium-term.

EARNINGS EXPECTATIONS LOOK EXTREMELY WEAK FOR VALUE



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IMPLEMENTATION IDEAS

- With a 150% weight to growth stocks and a negative 50% weight to value stocks, the Direxion Russell 1000® Growth Over Value ETF [RWGV] offers investors amplified exposure to companies with higher forecasted earnings growth relative to those with lower expected earnings expectations.
- The Direxion Russell 1000® Value Over Growth ETF [RWVG] provides investors with an overweight to companies with lower than average valuation multiples and an underweight to those with higher multiples thanks to its unique 150/50 construction.

DEFINITIONS

- Russell 1000® Growth Index: The Russell 1000 Growth Index measures the performance of those Russell 1000 companies with higher price-to-book ratios and higher forecasted growth values.
- Russell 1000® Value Index: The Russell 1000 Value Index measures the performance of those Russell 1000 companies with lower price-to-book ratios and lower forecasted growth values.

An investor should carefully consider a Fund's investment objective, risks, charges, and expenses before investing. A Fund's prospectus and summary prospectus contain this and other information about the Direxion Shares. To obtain a Fund's prospectus and summary prospectus call 866-476-7523 or visit our website at direxion.com. A Fund's prospectus and summary prospectus should be read carefully before investing.

Shares of the Direxion Shares are bought and sold at market price (not NAV) and are not individually redeemed from a Fund. Market Price returns are based upon the midpoint of the bid/ask spread at 4:00 pm EST (when NAV is normally calculated) and do not represent the returns you would receive if you traded shares at other times. Brokerage commissions will reduce returns. Fund returns assume that dividends and capital gains distributions have been reinvested in the Fund at NAV. Some performance results reflect expense reimbursements or recoupments and fee waivers in effect during certain periods shown. Absent these reimbursements or recoupments and fee waivers, results would have been less favorable.

Direxion Relative Weight ETFs Risks - Investing involves risk including possible loss of principal. The Funds' investments in derivatives may pose risks in addition to, and greater than, those associated with directly investing in or shorting securities or other investments. Investing in, and/or having exposure to, growth and value securities involves risks. Risks of growth securities include the risk of sharp price movement, and susceptibility to increased volatility, which may cause them to perform differently than the market as a whole. Risks of value securities include the risk that their intrinsic value may never be fully realized by the market. There is no guarantee that the returns on the Funds' long or short positions will produce high, or even positive returns and a Fund could lose money if either or both of the Fund's long and short positions produce negative returns. Please see the summary and full prospectuses for a more complete description of these and other risks of the Funds.

Distributor for Direxion Shares: Foreside Fund Services, LLC.