

# Direxion Connected Consumer ETF (CCON)

## Invest in the Digitally Connected World

Pandemics, such as COVID-19, cause major short-term impacts, but also create long-term disruption to both living and working conventions. One of the long-term trends the coronavirus has accelerated is, “what, where and how” consumers behave. Due to technological innovations underway well before the crisis, consumers now connect to products and services in different ways than they did historically. For example, they are increasingly more comfortable consuming in new ways, especially virtual ones, as the world shifts from offline to online activities. In the near-term, much of this will occur at home due to the need for social distancing, thanks to the pandemic.

The connected consumer theme comprises more than one technology, or company, across 4 established and emerging technological pillars, all positioned to capitalize on a rapidly increasing, virtually connected, online world

**Home Entertainment:** Companies offering and enabling exposure to streaming services, gaming and e-sports.

- 75% of customers added additional streaming subscriptions and/or connected devices during the periods of lockdown.<sup>1</sup>
- Total e-sports viewership is expected to grow to 646 million in 2023, up from 454 million in 2019.<sup>2</sup>

**Online Education:** Companies creating, or servicing, technologies for online education.

- 91% of all students worldwide experienced school shutdowns due to the coronavirus.<sup>3</sup>
- The global online education market is expected to reach approximately \$132.98 billion by 2023, growing at a Compound Annual Growth Rate (CAGR) of 28.55% from 2017 to 2023.<sup>4</sup>

**Remote Health and Well-Being:** Companies providing access to virtual healthcare services and wellness experiences.

- Telemedicine is forecast to grow by 64.3% in 2020, and that the category will have a 5-year CAGR of 38.2% by 2025<sup>5</sup>
- 2/3 of consumers will consider telemedicine in the future, with 1/4 only considering it as an option prior to COVID-19.<sup>6</sup>

**Virtual & Digital Social Interaction:** Companies that directly, or indirectly, deliver the means to interact in virtual and digital ways.

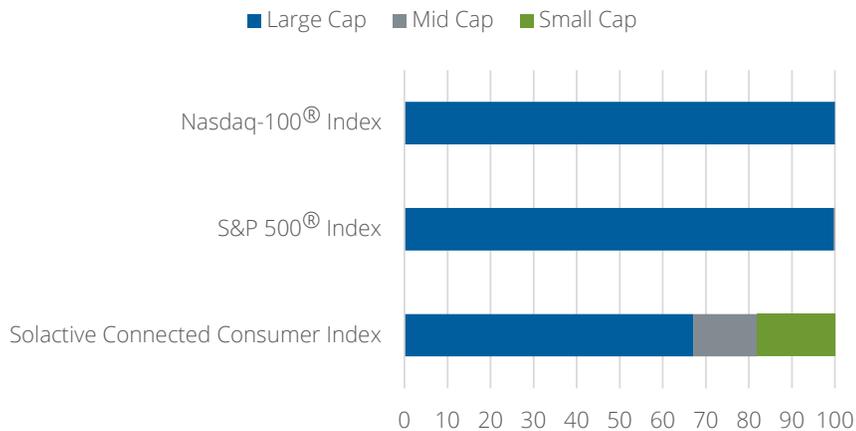
- 47% of users increased social media usage, versus 16% reporting declined usage during US lockdown periods.<sup>7</sup>
- Social media engagement increased by 61% in the later stages of the pandemic, when compared to normal usage rates.<sup>8</sup>

Companies powering consumer technologies span the market cap spectrum. By traditional lenses, 67% are considered large, 15% mid, and 18% small.

### FUND FACTS

Symbol	CCON
CUSIP	25460G724
Expense Ratio* (Gross/Net)	0.45%/0.45%
Inception Date	8/25/2020
Rebalance	Semi-annually
Benchmark Index	Solactive Connected Consumer Index

## Market Cap Ranges



Source: Bloomberg Finance, L.P., as of June 30, 2020. Weightings are subject to change. One cannot invest directly in an index.

The benchmark index for CCON is comprised of 40 U.S. listed securities and American Depositary Receipts of companies that specialize in providing products focused on technological connection of, and amongst, consumers. Companies are selected for inclusion in the index by ARTIS, a proprietary natural language processing algorithm, which uses key words to evaluate large volumes of publicly available information, such as annual reports, business descriptions and financial news.

Home Entertainment	Online Education
Activision Blizzard, Inc. (ATVI)	K12 Inc. (LRN)
NetEase, Inc. (NTES)	2U, Inc. (TWOU)
Take-Two Interactive Software, Inc. (TTWO)	TAL Education Group (TAL)
Netflix, Inc. (NFLX)	New Oriental Education & Technology Group, Inc. (EDU)
NVIDIA Corporation (NVDA)	Chegg, Inc. (CHGG)
Electronic Arts Inc. (EA)	Strategic Education, Inc. (STRA)
Comcast Corporation (CMCSA)	GSX Techedu, Inc. (GSX)
Amazon.com, Inc. (AMZN)	Perdoceo Education Corporation (PRDO)
iQIYI, Inc. (IQ)	Grand Canyon Education, Inc. (LOPE)
World Wrestling Entertainment, Inc. (WWE)	John Wiley & Sons, Inc. (JW/A)

Remote Health and Well-Being	Virtual & Digital Social Interaction
Teladoc Health, Inc. (TDOC)	Facebook, Inc. (FB)
Peloton Interactive, Inc. (PTON)	Snap, Inc. (SNAP)
BioTelemetry, Inc. (BEAT)	Alphabet Inc. (GOOGL)
SmileDirectClub Inc (SDC)	8x8, Inc. (EGHT)
eHealth, Inc. (EHTH)	Zoom Video Communications, Inc. (ZM)
Fitbit, Inc. (FIT)	Weibo Corp (WB)
MEDNAX, Inc. (MD)	Twilio, Inc. (TWLO)
Apple Inc. (AAPL)	Twitter, Inc. (TWTR)
Huami Corporation (HMI)	PTC Inc. (PTC)
1Life Healthcare, Inc. (ONEM)	JOYY, Inc. (YY)

Source: Bloomberg Finance, L.P. and Solactive AG, as of June 30, 2020.

Relative to the Nasdaq-100®, CCON's index has a lower-weighted average market cap, with stronger earnings growth potential, highlighting that the 40 stocks in CCON may offer an attractive combination of growth and valuation relative to the tech-dominated Nasdaq-100®, and especially the S&P 500®.

Metric	Solactive Connected Consumer Index	Nasdaq-100® Index	S&P 500® Index
Weighted Average Market Capitalization (\$, M)	157.49	744.52	428.59
Price to Earnings Ratio (x)	31.92	33.36	22.56
Estimated EPS Growth (%)	22.22	16.08	11.17

Source: Bloomberg Finance, L.P., as of June 30, 2020. Index metrics do not represent future performance potential. There is no guarantee that favorable metrics will translate to favorable fund performance.

**Compound Annual Growth Rate:** Compound annual growth rate is the rate of return that would be required for an investment to grow from its beginning balance to its ending balance, assuming the profits were reinvested at the end of each year of the investment's lifespan.

**Implementation:** May be considered a satellite holding with exposure to companies at the forefront of the evolution of how consumers connect with products and services.

#### Definitions:

**Nasdaq-100® Index:** The Index includes 100 of the largest domestic and international non-financial companies listed on the NASDAQ Stock Market® based on market capitalization. All companies listed on the index have an average daily trading volume of at least 200,000 shares. One cannot directly invest in an index.

**Solactive Connected Consumer Index:** The Index is comprised of U.S. listed securities and American Depositary Receipts ("ADRs") of companies that provide products and services in at least one of the following business segments that facilitate consumers' ability to connect: home entertainment, online education, remote health and well-being, and virtual and digital social interaction ("Connected Industries"). The Index consists of 40 companies, namely, the top 10 ranked companies in each of the four Connected Industries. The Index is equal weighted at each semi-annual reconstitution and rebalance date. One cannot directly invest in an index.

**Estimated EPS Growth:** Estimated earnings per share growth measures the estimated growth rate of earnings-per-share using consensus estimates of three to five-year earnings.

**Price/Earnings Ratio:** Compound Annual Growth Rate: The price to earnings ratio measures the current share price relative to earnings-per-share.

**Compound Annual Growth Rate:** Compound annual growth rate is the rate of return that would be required for an investment to grow from its beginning balance to its ending balance, assuming the profits were reinvested at the end of each year of the investment's lifespan.

Projected increases to the market size of online and virtual services are not guaranteed and may not translate to favorable fund performance. Forecasted growth should not be relied upon when making investment decisions.

#### References:

- [1] Nielsen (2020): "Streaming Consumption Rises in U.S. Markets With Early Stay-At-Home Orders During Covid-19"
- [2] Business Insider (2019): "Esports Industry in 2020: Key Stats & Market Growth Trends"
- [3] UNESCO (2020): "Reopening Schools: When, Where, and How?"
- [4] Kenneth Research (2018): "Global Online Education Market 2017-2023 Industry Research Report"
- [5] Frost & Sullivan (2020): "Telehealth - A Technology-Based Weapon in the War Against Coronavirus, 2020"
- [6] Sykes (Year): "Americans' Perceptions of Telehealth in the Era of COVID-19"
- [7] Bank of America Global Research (2020): "The World After Covid Primer"
- [8] Kantar (2020): "Dimension 2020: COVID-19's impact on customer media usage and attitudes"

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***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](http://direxion.com). A Fund's prospectus and summary prospectus should be read carefully before investing.***

\* The Fund's adviser, Rafferty Asset Management, LLC ("Rafferty") has entered into an Operating Services Agreement with the Fund. Under this Operating Services Agreement, Rafferty has contractually agreed to pay all expenses of the Fund as long as it is the advisor of the Fund other than the following: management fees, Rule 12b-1 distribution and/or service fees, taxes, swap financing and related costs, dividends or interest on short positions, other interest expenses, brokerage commissions, expenses incurred in connection with any merger or reorganization, acquired fund fees and expenses, and extraordinary expenses. If these expenses were included, the expense ratio would be higher.

Solactive AG is not a sponsor of, or in any way affiliated with, the Direxion Connected Consumer ETF.

**Direxion Shares ETF Risks** - Investing involves risk including possible loss of principal. There is no guarantee the investment strategy will be successful. The value of stocks of information technology companies and companies that rely heavily on technology is particularly vulnerable to rapid changes in technology product cycles, rapid product obsolescence, government regulation and competition, both domestically and internationally, including competition from competitors with lower production costs. ADRs are issued by non-U.S. companies and are subject to various foreign investment risks including but not limited to the risk that the currency in the issuing company's country will drop relative to the U.S. dollar, that politics or regime changes in the issuing company's country will undermine exchange rates or destabilize the company and its earnings. Additional risks of the Fund include, but are not limited to, Index Correlation/Tracking Risk, Index Strategy Risk, Market Disruption Risk, Information Technology Sector Risk, American Depositary Receipts Risk and risks associated with the market capitalizations of the securities in which the Fund may invest. Please see the summary and full prospectuses for a more complete description of these and other risks of the Fund.

**Distributor for Direxion Shares:** Foreside Fund Services, LLC.

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