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COM ETF - 1ST QTR 2023 RECAP

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The first quarter performance of the Direxion Auspice Broad Commodity Strategy ETF (**COM**), diverged significantly from its long–only (defined as always 100% static long) broad commodity benchmark peers. The COM ETF market price return was +4.25% for the 3 months ending in March, while the notable broad commodity indices (S&P GSCI, BCOM*) were down ranging anywhere from -3.75% to more than -6% for the quarter.

The performance quoted represents past performance and does not guarantee future results. The investment return and principal will fluctuate. Investor's Shares, when sold or redeemed, may be worth more or less than the original cost. Current performance may be lower or higher than the performance quoted. For the most recent month-end performance and standardized performance, please visit www.direxion.com/product/auspice-broad-commodity-strategy-etf.

It was a mixed quarter for the overall commodity markets, as the long-only passive broad commodity indices finished the quarter in negative territory primarily due to the declines across the Energy complex.

The COM ETF did not have any exposure to the Energy markets throughout the first quarter, as each of the individual components within the strategy showed a downward price trend, resulting in a Cash position for each component. The COM ETF finished the quarter, as it started, Long five out of the possible 12 components within the portfolio. As of 3/31, it was Long the following commodities: Gold, Copper, Silver, Soybeans, and Sugar.

Although U.S. economic data has somewhat softened over the quarter, inflation is still elevated, as the Consumer Price Index (CPI)* is still humming around 6.0% annualized. This is a far cry from where the Fed would like to see inflation at around 2.0%. The Fed might be in a quandary now as the recent Banking crisis has taken center stage, and as a result might force the Fed to ease the breaks on rate hikes, even though inflation is still not under control. One of the areas of inflation where we see continued spikes is with Food prices. If as many say, a key driver of the U.S. economy is the consumer, this certainly bears watching.

The Energy markets trended lower for the quarter in varying degrees as Natural Gas led the declines. Natural Gas was under pressure due to a number of factors, but most notably a milder winter than anticipated. The fears of a global economic slowdown/recession reemerged as worries over a potential banking crisis led to concerns of the impact on Oil demand. In addition, China's reopening of their economy might not have resulted in the springboard that many Energy bulls were anticipating. However, the overall geopolitical risks continue to pervade and this came to fruition at the end of the quarter, when OPEC+ unexpectedly announced a production cut for the balance of 2023, giving Oil a much needed short term lift.

The Metals complex saw some signs of life in the first quarter, as both the Precious Metals (Gold and Silver) as well as Industrial Metal (Copper) produced gains for the Fund. The flight to safety trade resurfaced with Gold in particular as the rally in U.S. Bonds and the resulting weaker U.S. Dollar helped propel the Precious Metals.

As we have touched on previously, the Precious Metals have the strongest direct tie with a weaker U.S. Dollar and that could portend well as the year progresses. The use of Gold as a reserve currency for central banks could certainly be jump started once again with the current banking situation. In addition, the current Gold/Silver ratio suggests that Silver has lagged its big brother and might play catch up based on being cheap on a relative basis. Gold finished the quarter right at the precipice of $2,000 per ounce which is both a psychological and technical barrier.

Copper had a strong quarter, as the continued underinvestment in mining of the Metal along with China slowly trying to get production levels elevated led to some shortfall in Copper supplies. The continued global government infrastructure initiatives will also be a key gauge for higher prices.

The Grains and Softs had a mixed quarter as the continued Ukraine/Russia conflict did not greatly curtail export efforts. The bright spot in the Grains/Softs sector was in the Sugar market. The current weather conditions in India and other areas might curtail this year's Sugar production and not meet the ongoing demand. Recently, Sugar hit 6 year highs and was the top performing commodity within the COM ETF for the first quarter.

Unlike most other commodity strategies, COM performance attribution is potentially more diverse, as each of the individual commodities Long within the portfolio are equally weighted based on their risk level. As an example, Sugar is currently at a 12.5% weighting within the strategy as of 3/31/2023. By comparison, most of the other notable long–only commodity indices are generally heavily concentrated in the Energy complex and always 100% invested.

As we enter the second quarter, we believe the COM ETF has once again shown its ability to differentiate itself amongst its peers by being a core holding within an overall commodity allocation. The rules based tactical nature of the strategy was evident in the first quarter, as its ability to be either Long or Cash with an individual commodity depending on price trends is why we believe it continues to be a l 5-star Morningstar† rated fund within the Broad Commodity category for the 5 year period ending 3/31/2023, and perhaps more importantly, with potentially lower risk associated with it.

Overall Morningstar Rating™ out of 100 US Fund Commodities Broad Basket funds based on risk adjusted returns as of 03/31/2023. Morningstar rankings are based on a fund's average annual total return relative to all funds in the same Morningstar category. Fund performance used within the rankings, reflects certain fee waivers, without which, returns and Morningstar rankings would have been lower. The highest (or most favorable) percentile rank is 1 and the lowest (or least favorable) percentile rank is 100. Past performance is not indicative of future results.

**** Definitions:***

- *The **Consumer Price Index (CPI)** measure of average change over time in the prices paid by consumers for a market basket of goods and services.*
- *The **S&P GSCI Excess Return Index (S&P GSCI)** is a composite index of commodity sector returns representing an unleveraged, long-only investment in commodity futures that is broadly diversified across the spectrum of commodities;*
- *The **Bloomberg Commodity Excess Return Index (BCOM)** is a broadly diversified index that allows investors to track 19 commodity* futures through a single, simple measure.

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Direxion Shares Risks - An investment in the Fund involves risk, including the possible loss of principal. The Fund is non-diversified and includes risks associated with concentration that results from the Fund's investments in a particular industry, sector, or geographic region which can result in increased volatility. The Fund's use of derivatives such as futures contracts and swaps are subject to market risks that may cause their price to fluctuate over time. Risks of the Fund include, but are not limited to, Index Correlation Risk, Index Strategy Risk, Derivatives Risk, Commodity-Linked Derivatives Risk, Futures Strategy Risk, Leverage Risk, Counterparty Risk, Cash Transaction Risk, Subsidiary Investment Risk, Interest Rate Risk, and Tax Risk. Please see the summary and full prospectuses for a more complete description of these and other risks of the Fund.

Exchange-traded commodity futures contracts generally are volatile and are not suitable for all investors. The value of a commodity-linked derivative investment typically is based upon the price movements of a physical commodity and may be affected by changes in overall market movements, volatility of the index, changes in interest rates, or factors affecting a particular industry or commodity, such as global pandemics, weather and other natural disasters, changes in supply and production, embargoes, tariffs and international economic, political and regulatory developments and changes in speculators' and/or investors' demand. Commodity-linked derivatives also may be subject to credit and interest rate risks that in general affect the value of debt securities. The Fund's investments in derivatives may pose risks in addition to, and greater than, those associated with directly investing in securities or other investments.

Risks associated with the use of futures contracts are (a) the imperfect correlation between the change in market value of the instruments held by the Fund and the price of the futures contract; (b) possible lack of a liquid secondary market for a futures contract and the resulting inability to close a futures contract when desired; (c) losses caused by unanticipated market movements, which are potentially unlimited; (d) the Index's inability to predict correctly the direction of securities prices, interest rates, currency exchange rates and other economic factors; (e) the possibility that the counterparty will default in the performance of its obligations; and (f) if the Fund has insufficient cash, it may have to sell securities or financial instruments from its portfolio to meet daily variation margin requirements, which may lead to the Fund selling securities or financial instruments at a time when it may be disadvantageous to do so.

 The Morningstar RatingTM for funds, or "star rating", is calculated for managed with at least a three-year history. Exchange-traded funds and open-ended mutual funds are considered a single population for comparative purposes. It is calculated based on a Morningstar Risk-Adjusted Return measure that accounts for variation in a managed product's monthly excess performance, placing more emphasis on downward variations and rewarding consistent performance. The top 10% of products in each product category receive 5 stars, the next 22.5% receive 4 stars, the next 35% receive 3 stars, the next 22.5% receive 2 stars, and the bottom 10% receive 1 star. The Overall Morningstar Rating for a managed product is derived from a weighted average of the performance figures associated with its three-, five-, and 10-year (if applicable) Morningstar Rating metrics. The weights are: 100% three-year rating for 36-59 months of total returns, 60% five-year rating/40% three-year rating for 60-119 months of total returns, and 50% 10-year rating/30% five-year rating/20% three-year rating for 120 or more months of total returns. While the 10-year overall star rating formula seems to give the most weight to the 10-year period, the most recent three-year period actually has the greatest impact because it is included in all three rating periods.

Distributor: Foreside Fund Services, LLC.