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Inflation Fears Feed Commodities

2nd Quarter Commentary 2021 Recap for COM ETF

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Commodities had another strong quarter. The continued fear of inflation becoming more than just transitory has been supported by some strong economic data.

Most of the notable broad commodity benchmarks were up anywhere from 10%-16% for the 2nd quarter. The Direxion Auspice Broad Commodity ETF (COM) was in line with the industry performance as it finished +10.3% for the quarter and roughly +20.2% YTD.* The energy focused broad-based commodity indices have outpaced year-to-date due to the outsized returns of that complex.

All three of the major commodity sectors (energy, metals, and agricultural) had positive returns in varying degrees for the quarter, with energy and grain markets leading the charge.

Energy markets continued their upward push in the Q2, led by OPEC+ continuing its commitment to measured production increases, combined with an expected pickup in demand as COVID-19 vaccinations accelerated. In addition, the anticipated onset of Iranian oil production never materialized in the quarter, further limiting supply. Crude oil and natural gas reached multi-year highs during the quarter as drawdown in oil inventories, and scorching weather in most of the U.S. contributed to their sizable moves. All of the four energy components that comprise of the COM ETF were positive for Q2.

The grain/soft commodity markets were also up soundly, with soybeans and cotton leading the way for COM. The fear of tightening supplies became more of a reality as USDA reports showed planting for corn and soybeans were well below estimates. The pressure on supply was already being felt as a result of poor weather conditions in South America. The supply issues are being compounded by record demand in China. This could further propel prices higher if the weather problems persist impacting crops in North America.

Precious metals rebounded as silver and gold were both positive. Some of this can be attributed to the U.S. Dollar stabilizing and moving slightly lower, along with the apparent likelihood of a bipartisan infrastructure bill becoming reality. However, gold for the year continued to lag. Along with silver, gold is one of just two commodities that are eligible to be in the Auspice Broad Commodity Index that are negative YTD. COM has held a cash position with its gold allocation throughout 2021, avoiding the gold pullback. Copper continued to lead the charge within the metal complex as the global rebound (particularly in China) and build back initiatives, both domestic and abroad have led to a demand push that short-term supply is having trouble matching, moving prices higher.

As we move into the second half of the year, we feel COM is well positioned to continue to take advantage of the early stages of a possible super cycle as we are currently long 11 out of the possible 12 commodities within the Fund. (Gold is in cash at present).

The strategy has been a strong performer in its peer group, and is an overall 5-star rated fund within the Morningstar Broad Commodity[1] category, while exhibiting lower risk characteristics as well.

[1] Out of 97 US Fund Commodities Broad Basket funds based on risk adjusted returns as of 6/30/2021

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 and Direxion Funds. 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.

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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.

The Fund is an actively managed ETF that does not seek to replicate the performance of a specified index and is not required to invest in the specific components of its benchmark index. Investing in the Fund may be more volatile than investing in broadly diversified funds. The Fund is not suitable for all investors and should be utilized only by sophisticated investors who understand leverage risk and intend to actively monitor and manage their investment.

Short-term performance, in particular, is not a good indication of the fund's future performance, and an investment should not be made based solely on returns. Because of ongoing market volatility, fund performance may be subject to substantial short-term changes. For additional information, see the fund's prospectus.

Direxion Shares Risks - Through the close of trading on August 30, 2021, COM is an actively managed ETF that does not seek to replicate the performance of a specified index and is not required to invest in the specific components of its benchmark index. Effective August 31, 2021, the ETF will track, before fees and expenses, the performance of the Auspice Broad Commodity Index. An investment in the Fund involves risk, including the possible loss of principal. The Fund is nondiversified 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 risks related to investment in commodity-linked derivatives and commodities, Futures Strategy Risk, Leverage Risk, Market Risk, Natural Disaster/Epidemic and Market Disruption 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 drought, floods, weather, embargoes, tariffs and international economic, political and regulatory developments. 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 Adviser'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.

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Distributor: Foreside Fund Services, LLC.