

Introducing the Direxion Titans Leveraged & Inverse ETFs

Targeting the Leaders by Trading the Titans

When most investors think of Direxion Leveraged & Inverse ETFs, they usually picture funds that target magnified or inverse exposure to broad indexes or sectors that cover a wide range of stocks. At the other extreme, there are Direxion's Single Stock Leveraged & Inverse ETFs, which focus on the daily performance of one individual company. Direxion's Titans Leveraged & Inverse ETFs are designed to sit in between these two approaches. They target the largest five companies, by market capitalization, in a given sector or industry group.

This article explains what Titans Leveraged & Inverse ETFs are, how they compare to broad-market, or sector Leveraged & Inverse ETFs, and Single Stock Leveraged & Inverse ETFs. Most importantly, we outline what traders need to understand before using them.

What Are Direxion Titans Leveraged & Inverse ETFs?

Titans Leveraged & Inverse ETFs track an index that includes the top five stocks within a specific sector or industry. Each stock is given equal weight, which avoids overconcentration in just one or two companies. This design gives traders exposure to the leaders of a sector, companies that tend to move markets, while keeping the basket more focused than a traditional fully cap-weighted broad market or sector ETF.

Like other ETFs in Direxion's lineup, Titans Leveraged & Inverse ETFs are available in daily leveraged and leveraged inverse versions, which means they seek to deliver a multiple or inverse multiple of the daily return of the targeted index such as 2X Bull or for some, including -2X Bear.

How They Fit into the Direxion Suite

Direxion offers three main categories of Leveraged & Inverse ETFs for tactical trading:

Leveraged & Inverse ETFs that target Broad Markets, Sectors

- Provide daily magnified or magnified inverse exposure to broad markets such as the S&P 500®, or an entire sector such as Technology or Energy, or an industry like Semiconductors.
- Target indexes with broad coverage across dozens of stocks.

Single Stock Leveraged & Inverse ETFs

- Focus on the magnified or inverse daily performance of a single company's stock.
- Highest level of concentration and company-specific risk.

Titans Leveraged & Inverse ETFs

- Target magnified or inverse magnified daily performance of an equally weighed basket of the five largest companies within a sector, industry or category.
- Attempts to provide a balance between diversification and focus.

Similarities to Other Daily Leveraged & Inverse ETFs

As with all Leveraged and Inverse ETFs these Funds pursue daily leveraged or leveraged inverse investment objectives which means they are riskier than alternatives which do not use leverage. They seek daily goals and should not be expected to track their respective index over periods longer than one day. They are not suitable for all investors and should be utilized only by sophisticated investors who understand leverage risk and who actively manage their investments.

Even though Titans Leveraged & Inverse ETFs represent a new way to target your trades, they share key features with broad market/sector Leveraged ETFs and Single Stock Leveraged & Inverse ETFs in the Direxion lineup:

- **Daily Reset:** Titan Leveraged & Inverse ETFs reset their exposure at the end of each trading day, just like other Leveraged and Inverse ETFs. This means performance over periods longer than a day can differ significantly from the stated daily objective.
- **Short-Term Trading Tools:** They are designed for active traders who monitor positions daily, not for buy-and-hold investors.
- **Magnified Exposure:** Just like other Leveraged and Inverse ETFs, gains and losses are magnified. This creates the potential for magnified returns (in either direction) but also higher risk.

How They Differ

While they share the same mechanics, most importantly the daily reset feature, Titans Leveraged & Inverse ETFs stand apart in the following ways:

- **Stock Selection:** Titans include only the top five companies in a sector, whereas sector ETFs may hold 30 to 70 names, and Single Stock Leveraged & Inverse ETFs hold just one.

Note: Each quarter each Fund's index is rebalanced to be equal weighted and will be reconstituted if any of the existing stocks are no longer the top 5 largest stocks by market capitalization in their category.

- **Diversification Level:** Titans reduce the concentration risk of a single stock but are more focused than a sector ETF.
- **Sector Leadership Focus:** By targeting an index that is designed to include the top 5 largest companies, Titans highlight the market leaders that often drive sector performance.
- **Quarterly Index Rebalancing:** Able to reconstitute by adding/deleting names to maintain each index's top-5 target exposure.
- **Liquidity:** The individual stocks in each Fund's index are some of the most highly traded in their categories.

Key Benefits for Traders

These ETFs are designed with active traders in mind, offering targeted exposure and flexibility to help attempt to capture opportunities where market leadership matters most, offering:

- **Focused Leadership Exposure:** Only the top five market-cap leaders in each sector.
- **Magnified Daily Exposure:** Daily reset leveraged and leveraged inverse structure for tactical positioning.
- **Balanced Concentration:** Equal weighting reduces the dominance of any one stock while maintaining exposure to leaders.
- **Liquidity:** Targets a highly liquid basket of names, for tactical positioning.
- **Flexibility Across Sectors:** Initial offerings include Titans for Technology, Semiconductors, Biotech, and Energy.

Key Risks to Keep in Mind

As with all Leveraged and Inverse ETFs, the daily reset feature is critical to understand. Holding periods longer than a single trading day can lead to returns that diverge, sometimes significantly, from the intended daily multiple or inverse multiple of the index. Positions can be held for longer periods, but should be monitored frequently – especially during volatile periods.

Other risks include:

- **Compounding:** In volatile markets, results over multiple days may be very different than expected.
- **Leverage Risk:** Both gains and losses are magnified.
- **Concentration Risk:** Because Titans underlying indices only include five stocks, they are less diversified than broad market or sector ETFs.

Who Might Consider Titans Leveraged & Inverse ETFs?

These ETFs are designed for active traders looking to take advantage of specific sector themes while avoiding the concentration risk of one stock and the dilution of a full sector index.

So what could drive opportunities for the top players in sectors like Semiconductors, Technology, Biotech, and Energy? For example, let's explore some of the short-term catalysts traders may watch in the Energy category.

Energy sector titans are influenced by global forces beyond their control, which means traders need to watch the headlines.

- **Oil Price Swings:** Driven by OPEC decisions, supply shocks, or demand forecasts.
- **Geopolitical Tensions:** Events in key oil-producing regions can create sharp price moves.
- **Earnings Linked to Commodity Prices:** Energy leaders' profits often move in step with crude oil.
- **Green Transition Headlines:** Policy or corporate strategy shifts toward renewables can shift investor sentiment.

The Bottom Line

Direxion's Titan Leveraged & Inverse ETFs bring a new layer to the tactical trading toolkit. They bridge the gap between broad market and sector exposure and single-stock concentration. This allows traders to target the leaders of an industry. But just like any Leveraged or Inverse ETF, they are designed for short-term use and carry the same characteristics and risks, particularly due to the daily reset feature.

For traders who understand the mechanics of Leveraged and Inverse ETFs, the Direxion Titan Leveraged & Inverse ETFs provide another way to express bold views on where the market's biggest players in each sector might move next.

| Feature | Broad Market/Sector Leveraged & Inverse ETFs | Titans Leveraged & Inverse ETFs | Single Stock Leveraged & Inverse ETFs |
|-----------------------------------|--|---|---------------------------------------|
| Exposure Target | Entire sector index | Index of top five companies in a sector | One individual company |
| Weighting | Market cap weighted | Equal weighted | N/A (single stock) |
| Diversification Level | Broad | Concentrated (five stocks) | None |
| Concentration Risk | Lower than Titans and Single Stocks | Moderate | High |
| Fund Rebalancing Frequency | Daily (reset leverage) | Daily reset + quarterly index rebalance | Daily (reset leverage) |
| Use Case | Sector trend trading | Trading sector leadership trends | Company-specific catalyst trades |

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

Investing in a Direxion Shares ETF may be more volatile than investing in broadly diversified funds. The use of shorting by a Fund increases the risk to the Fund. The Direxion Shares ETFs are not suitable for all investors and should be utilized only by sophisticated investors who understand shorting and inverse risk, consequences of seeking daily inverse investment results and intend to actively monitor and manage their investment.

Direxion Shares ETF Risks – An investment in the ETFs involves risk, including the possible loss of principal. The ETFs are non-diversified and include risks associated with concentration that results from an ETF's investments in a particular industry or sector which can increase volatility. The use of derivatives such as futures contracts and swaps are subject to market risks that may cause their price to fluctuate over time. The ETFs do not attempt to, and should not be expected to, provide returns which are a multiple of the return of their respective index for periods other than a single day. For other risks including leverage, correlation, daily compounding, market volatility and risks specific to an industry or sector, please read the prospectus.

Leverage Risk - The Fund obtains investment exposure in excess of its net assets by utilizing leverage and may lose more money in market conditions that are adverse to its investment objective than a fund that does not utilize leverage. A total loss may occur in a single day even if the Index does not lose all of its value. Leverage will also have the effect of magnifying any differences in the Fund's correlation with the Index and may increase the volatility of the Fund.