

# Titans Leveraged & Inverse ETFs Q&A

## **Q: What are Titans Leveraged & Inverse ETFs?**

**A:** Titan Leveraged & Inverse ETFs are a new suite of funds that give tactical traders leveraged or leveraged inverse exposure to an equal-weighted basket of the top five companies within a specific sector or industrial group. These companies are the largest by market capitalization and represent the sector's leadership. The funds seek to deliver daily multiples of that basket's performance, either positive or negative, depending on the fund's objective.

## **Q: Why focus on the top five stocks?**

**A:** In many sectors, a handful of dominant companies drive the majority of performance and market sentiment. These stocks often lead sector rallies or declines and are closely followed by traders. By focusing on the top five, Titan L&I ETFs allow traders to target the most influential companies in a sector, rather than diluting exposure across dozens of smaller names that may have less impact on price movements.

This approach allows for precision in trading, giving active traders a way to align their strategies with the companies that historically set the pace for sector performance.

## **Q: Why are the stocks equal weighted instead of market cap weighted?**

**A:** Equal weighting ensures that no single company dominates the portfolio. In many traditional sector indexes, the largest stock can represent 30%, or even more of the index's weight. This can create excess concentration risk, particularly in leveraged and inverse strategies where moves are amplified.

By weighting each of the five companies equally, the Titans L&I ETFs provide a balanced exposure to sector leaders, giving each stock an equal role in driving performance.

This structure allows traders to benefit from broader leadership within a target market or sector, rather than targeting an outsized position in one name.

## Q: How often do the Titans Leveraged & Inverse ETFs' Indexes rebalance or change their holdings?

**A:** The Titans Leveraged & Inverse ETFs are tied to indexes that keep the focus on the five largest stocks in a sector, equally weighted (20% each). Over time, the stock weightings will shift due to market movements however, the index rebalances every calendar quarter to ensure that the basket remains focused on the current largest five companies within the targeted sector or category, and to ensure the five holdings are reset and rebalanced to 20% each.

- If the same five companies are still the largest, they stay in — just re-balanced. If leadership has changed, a company that has dropped out of the top five will be replaced by the new entrant.

Quarterly rebalancing allows the index the ability to adapt to these changes, maintaining its objective of representing the sector's most influential companies at any given time.

*Note: The quarterly stock weightings rebalance of each fund's index, is separate and distinct from the fund's daily leverage exposure rebalance.*

## Q: How do Titans compare to Direxion's other Leveraged & Inverse ETFs?

**A:** Just like our original Broad Market Leveraged & Inverse ETFs and Single Stock L&I ETFs, Titans Leveraged & Inverse ETFs seek a daily objective and are designed for short-term tactical traders, but there are key differences:

**Single Stock L&I ETFs:** Focus entirely on one company, allowing for maximum concentration and precision but with higher single-name risk.

**Titans L&I ETFs:** Spread exposure across five leaders in a sector, reducing single-stock risk while still maintaining a highly focused strategy.

Titans fill the exposure gap between broad sectors and single stocks, offering a middle ground for traders who want targeted leadership exposure without concentration on a single name.

**Leveraged & Inverse ETFs that target Broad Markets, Sectors and Themes:** Provide exposure to broad markets such as the S&P 500®, or an entire sector such as Technology or Energy, or an industry like Semiconductors.

## Q: Why are Titans considered short-term tools?

**A:** Like all Direxion Leveraged & Inverse ETFs, Titan L&I ETFs seek to deliver a multiple or inverse multiple of the daily return of their index. This means that they reset exposure at the end of each trading day. As a result, returns over periods longer than a day can deviate significantly from what some who are unaware of the reset feature may expect, especially during periods of volatility.

Titans are best suited for active traders who monitor positions daily and who understand the potential impact of compounding on returns.

## Q: What risks should traders be aware of?

**A: Daily Reset Risk:** Performance over periods longer than a day can differ from the intended daily multiple or inverse multiple.

**Leverage Risk:** Magnified exposure increases both gains and losses.

**Concentration Risk:** While Titans hold five stocks, they are still far less diversified than broad sector ETFs.

**Rebalancing Impact:** Quarterly index rebalancing can lead to changes in exposure, which may impact performance if sector leadership shifts.

## Q: What value do Titans bring to the trading community?

**A:** Titans provide a focused and flexible way to trade sector leadership, allowing traders to:

- Express high-conviction views on the companies that matter most in a sector.
- Use leverage or inverse exposure to target specific short-term outcomes.
- Attempt to benefit from equal weighting and quarterly rebalancing, which help manage concentration risk while keeping the basket aligned with current sector dynamics.
- Target baskets of some of the most liquid names, for tactical positioning.

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*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.