

# Direxion Moonshot Innovators ETF (MOON)

## Invest in the Innovators, Disruptors and Inventors

The idea of a moonshot became associated with making the impossible possible when President John Fitzgerald Kennedy delivered his plans to put a man on the moon in a 1962 speech at Rice University. It is now recognized as one of the most influential speeches, and changed the course of history.

***“We choose to go to the moon. We choose to go to the moon in this decade and do the other things, not because they are easy, but because they are hard, because that goal will serve to organize and measure the best of our energies and skills, because that challenge is one that we are willing to accept, one we are unwilling to postpone, and one which we intend to win.”*** - President John Fitzgerald Kennedy

Moonshots are often thought of in a technological context, and are projects undertaken with the potential for far-reaching, significant, and disruptive impact, but with the expectation the potential for profitability may not come in the near-term. Technologies that may seem like they are decades away from being viable, could come to fruition much quicker than the past, as transformation is happening faster than ever. In order to have disruptive success, a technology needs to be economical, have potential for mass adoption, and favorable regulatory support. Simply put, imagine investing in smartphones in 2007. While they existed before, the iPhone was a game changer immediately.

***“The day before something is a breakthrough, it’s a crazy idea.”*** - Peter Diamandis

In today’s dynamic economy, moonshots exist well beyond the technology sector, driven by the common theme of innovation. A combination of factors, such as resources spent on research and development, along with corporate cultures focused on breaking new ground, support the path towards creating the future in their respective sectors and industries.

### Technological Innovations:

- Ray Kurzweil, a futurologist, expects AI to reach human levels of intelligence by 2029, as defined by the Turing test.<sup>1</sup>
- 38% of the world’s population is still not connected to the internet.<sup>2</sup>
- There will be over 200 billion connectable devices by 2025.<sup>3</sup>

### Market Dynamics:

- 4% of companies created 100% of net wealth over the last 90 years on U.S. stock market.<sup>4</sup>
- Due to incumbent companies being disrupted, the average seven-year rolling lifespan of an S&P 500 company has decreased from 61 years in 1958 to 30 years in the 1980s to 24 years in 2016. At the same pace, the average will be 12 years in 2027.<sup>5</sup>

The S&P Kensho Moonshots Index eligible universe begins with all common equity securities, including depository receipts listed in the U.S. on the NYSE, Nasdaq, or Cboe exchanges, subject to size and liquidity constraints.

It then seeks to capture the 50 most innovative U.S. companies at the forefront of changing our lives today, and tomorrow, by identifying the companies both pursuing innovation, and having the potential to disrupt existing technologies and/or industries. These 50 companies selected for inclusion are deemed to have the highest “early-stage composite innovation scores” and the they span themes and emerging sectors such as smart transportation, clean power, and the human evolution.

### FUND FACTS

Symbol	MOON
CUSIP	25460G732
Inception Date	11/12/2020
Rebalance	Semi-annually
Benchmark Index	S&P Kensho Moonshots Index (KMOON)

The early stage composite score is based on a company's "allocation to innovation" and "innovation sentiment" score.

- **Allocation to Innovation Score:** ranking based on the ratio of its research and development expenses to revenue, as compared to other companies in the same industry.
- **Innovation Sentiment Score:** conduct a review of a company's regulatory filings for the previous 12 months for the use of words related to innovation. The Index includes companies utilizing a greater than average variety of innovation terms.

The Index is equal-weighted, with an annual reconstitution and semi-annual rebalancing. The weighting methodology takes into consideration the liquidity of constituents, with individual weights modified by their tradability.

Within the broader moonshot themes, sit subsectors and technologies that are poised to solve some of the world's most difficult, and interesting, problems. From the final frontiers of space and drones, to the future of communication and security, these radical pursuits are shaping the future, today.

## Thematic Sub-Sector Overview

Sub-Sector	Weight (%)
Biotechnology	20.65%
Application Software	11.65%
Internet Services & Infrastructure	8.66%
Electronic Equipment & Instruments	7.07%
Interactive Media & Services	5.80%
Consumer Finance	4.83%
Automobile Manufacturers	4.32%
Aerospace & Defense	4.32%
Semiconductors	4.28%
Systems Software	3.37%
Electrical Components & Equipment	2.86%
Automotive Parts & Equipment	2.56%
Specialty Chemicals	2.56%
Financial Exchanges & Data	2.54%
Investment Banking & Brokerage	2.22%
Interactive Home Entertainment	2.04%
Technology Hardware, Storage & Peripherals	2.00%
Construction Machinery & Heavy Transportation Equipment	1.75%
Research & Consulting Services	1.66%
Environmental & Facilities Services	1.52%
Broadline Retail	1.46%
Health Care Equipment	1.35%
Cargo Ground Transportation	0.53%

Source: S&P Kensho Indices as of 12/31/2023.

References:

- 1 BofA Global Research (2019): "Eureka! Future Tech Primer"
- 2 Internet World Stats (2020)
- 3 BofA Global Research (2019): "Eureka! Future Tech Primer"
- 4 BofA Global Research (2019): "Eureka! Future Tech Primer"
- 5 BofA Global Research (2019): "Eureka! Future Tech Primer"

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**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 innovation and technology are 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. Innovative technology companies may struggle to capitalize on new technology or may face competition and obsolescence. Additional risks of the Fund include, but are not limited to, Innovative Technologies Risk, Index Correlation Risk, Index Strategy Risk, Security Volatility Risk, Natural Language Processing Risk, Cash Transaction Risk, Tax Risk, as well as risks related to the market capitalizations of the securities, and the specific industries or sectors, 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.

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