

Direxion Fallen Knives ETF (NIFE)

Target stocks primed to reignite

There are many ways to approach, and fulfill, the need for satellite equity exposure. Many, however, can be duplicative relative to core positions. That is, while the strategy is unique, the holdings are similar, making them less diverse than intended. Looking for, and investing in, equities that may be subject to some short-term controversy – fallen knives – is a commonly deployed strategy, but we believe it requires a disciplined, rules-based approach in order to consistently identify the names positioned for strong future performance.

Fallen knives may offer the opportunity for outperformance within an equity allocation. A systematic approach brings a concentrated basket of the prospective securities within the US stock market. Screening for eligible names that have recently experienced substantial negative returns helps identify differentiated exposure. By further screening this universe for companies with strong financial health (e.g., current ratio, cash flow coverage, and debt-to-equity), the Direxion Fallen Knives ETF (NIFE) seeks to consistently capture the companies with the most promising fundamentals for potential outperformance in the future by tracking the Index.

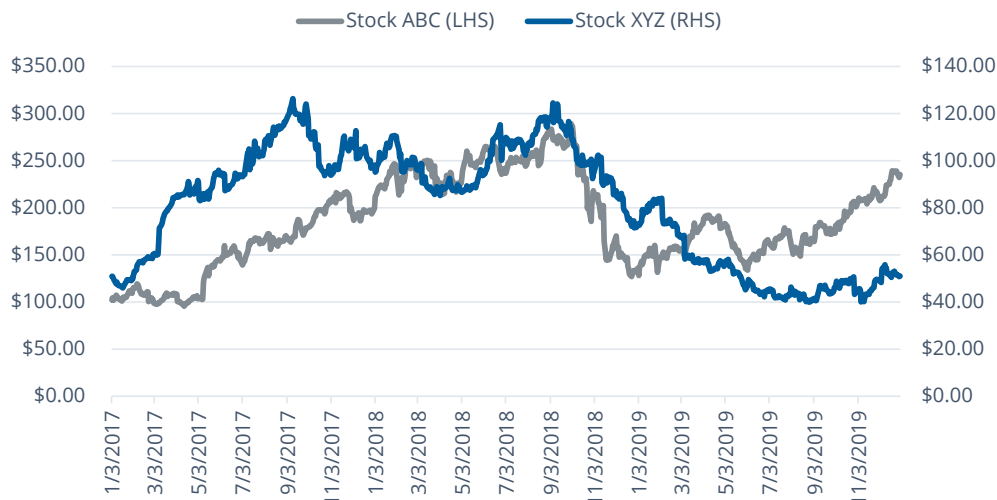
FUND FACTS

Symbol	NIFE
CUSIP	25460G757
Expense Ratio* (Gross/Net)	0.50%/0.50%
Inception Date	6/11/2020
Rebalance	Semi-annually; with annual reconstitution
Benchmark Index	Indxx US Fallen Knives Index ("Index")

Seeks to Systematically Target the Best Opportunities among Short-term Underperformers

The Index for NIFE tracks the performance of companies listed within the United States having generated negative returns in the recent past, but may be candidates for likely revival in the future on account of their sound financial health relative to others that have also underperformed. As illustrated below, the hypothetical ABC and XYZ stocks had strong performance in 2017 and for most of 2018. Both fell at the end of 2018, but only ABC rebounded in 2019, while XYZ continued to struggle. Why might this be the case?

Hypothetical Stock Prices



Source: Bloomberg Finance, L.P., Direxion, as December 31, 2019. For illustrative purposes only. There is no guarantee the strategy will be successful in identifying stocks poised for a rebound. Robust balance sheets do not guarantee favorable return. There are many factors which can affect a stocks price causing it to go up or down.

While there could be reasons outside of fundamentals that drive one stock to outperform another, a large part of this could relate to the differences in liquidity and solvency. For example, ABC fell more than XYZ, but ABC's financial health was superior. Savvy investors may have realized that this was the case helping to push its price up. XYZ's price, on the other hand continued to drop, making it a falling knife, not a fallen one.

	Stock ABC	Stock XYZ
Trailing Returns (%)	-55	-40
Current Ratio (x)	1.60	1.10
Cash Flow Coverage (x)	1.15	0.65
Debt to Equity (%)	20	120

Source: Direxion.

Fall-en, Not Fall-ing

NIFE is a compelling option for satellite, or differentiated, exposure within a portfolio. Targeting stocks with short-term negative returns is distinctive, and offers a way to apply a rules-based, systematic approach for seeking out attractive stocks. For those looking for opportunities in equities that may have temporarily underperformed, the basket-level approach of 50 names offers the differentiation among single stocks and sectors they need, and the right financial health metrics that may help identify the companies with the best potential for outperformance.

Financial Health Ratios	Current Ratio	Cash Flow Coverage Ratio	Debt to Equity Ratio
Formula	Total Current Assets / Total Current Liabilities	Net Operating Cash Flow / Total Debt	Total Debt / Total Shareholder's Equity
Why?	Shows how many times over a firm can pay its current debt obligations based on its most liquid assets.	Shows a firm's ability to pay its total debt obligations from its business operations.	Shows how much debt a firm has relative to the value of its common and preferred equity.

Source: Indxx.

Implementation: May be considered a satellite equity holding, which tilts simultaneously toward temporarily out of favor stocks with the characteristics for a potential rebound.

Definitions:

Indxx US Fallen Knives Index: The Index is designed by Indxx, LLC to consist of U.S equity securities that have experienced considerable share price declines over the prior year and have financial health, suggesting that the security has potential for share price recovery in the future.

FOR INFORMATION: 866-476-7523 | INFO@DIREXION.COM | DIREXION.COM

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. 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.

* The Fund's adviser, Rafferty Asset Management, LLC ("Rafferty") has entered into an Operating Services Agreement with the Fund. Under this Operating Services Agreement, Rafferty has contractually agreed to pay all expenses of the Fund as long as it is the advisor of the Fund other than the following: management fees, Rule 12b-1 distribution and/or service fees, taxes, swap financing and related costs, dividends or interest on short positions, other interest expenses, brokerage commissions, expenses incurred in connection with any merger or reorganization, acquired fund fees and expenses, and extraordinary expenses. If these expenses were included, the expense ratio would be higher.

Direxion Shares ETF Risks - Investing involves risk including possible loss of principal. There is no guarantee that the investment strategy will be successful or that U.S equity securities that have experienced considerable share price declines may continue to decline and there is no guarantee they will provide positive returns. Risks of the Fund include, but are not limited to, Index Correlation/Tracking Risk, Index Strategy Risk, Market Disruption Risk, risks associated with the market capitalizations of the securities in which the Fund may invest, and risks related to investment in a specific industry or sector. Please see the summary and full prospectuses for a more complete description of these and other risks of the Fund.

Distributor for Direxion Shares: Foreside Fund Services, LLC.

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