

Relative Weight Spotlight

IS VALUE READY TO RUN?

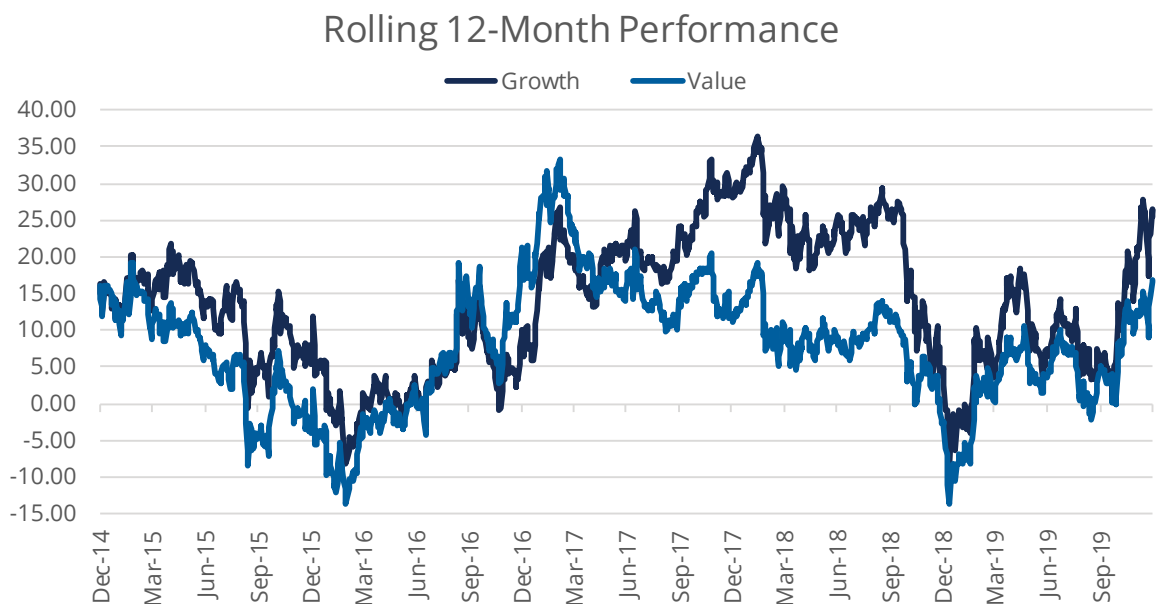
While value stocks are off to a slightly better start than growth stocks in the early days of December, its most recent run of outperformance lasted for only one month – September – before growth resumed its upward trajectory in the subsequent two months, quieting the value zealots once again.

While it may be tempting to follow the crowd into buying beaten-down value stocks, we feel that it is prudent to remain overweight growth for the time being, even as the eventual long-term returns for value over growth are growing in attractiveness as growth may begin to approach unreasonable valuations.

MAYBE IT'S JUST TIME

- Over the last 5 years, the trailing 12-month returns of growth stocks have outperformed those of value stocks 79% of the time, which is truly a testament to growth's longer-term run relative to value. Over the last year, results have been even more impressive with growth besting value 96% of the time.
- Other than 2 days in late September, growth has consistently outperformed since April 2017 with an average trailing excess return of 9.00%. Recent outperformance has remained strong, standing at more than 8.53% over the last year.

GROWTH'S PERFORMANCE LEAD HAS INCREASED

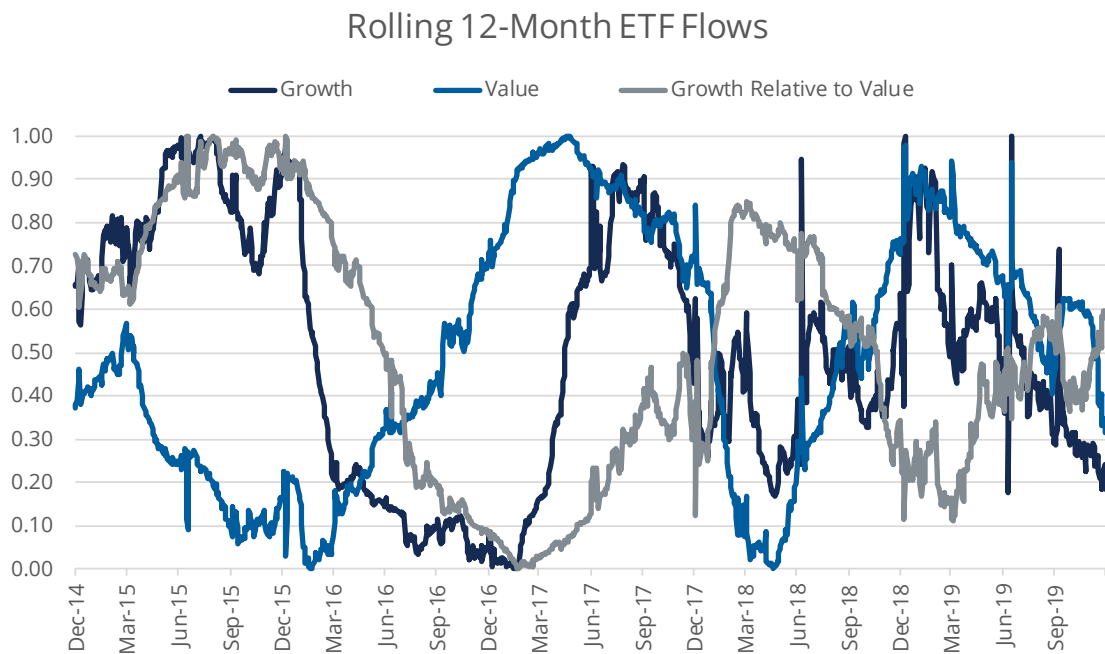


Source: FTSE Russell, as of December 11, 2014 to December 10, 2019. Growth represented by the Russell 1000 Growth Index and Value represented by the Russell 1000 Value Index. Past performance is not indicative of future results. One cannot invest directly in an index.

MONEY IN MOTION

- Over the last 12 months, large cap growth ETFs have seen \$5.16 billion of inflows, while large cap value ETFs have taken in over \$3 billion more with \$8.38 billion of inflows. While off of their near-term highs of investor interest, trailing 12-month flows have favored value for over 350 days stretching back to July 2018.
- Looking over the last 5 years, relative flows into value versus growth are creeping upwards and hovering around the 59th percentile, which is primarily driven by flows into growth trending lower. Currently, they sit at only the 19th percentile. On the other hand, value flows sit at only the 32nd percentile, which tells us that the so-called rotation to value is not actually occurring, and it may actually be waning.

FLOWS INTO VALUE ETFs ARE BEATING GROWTH



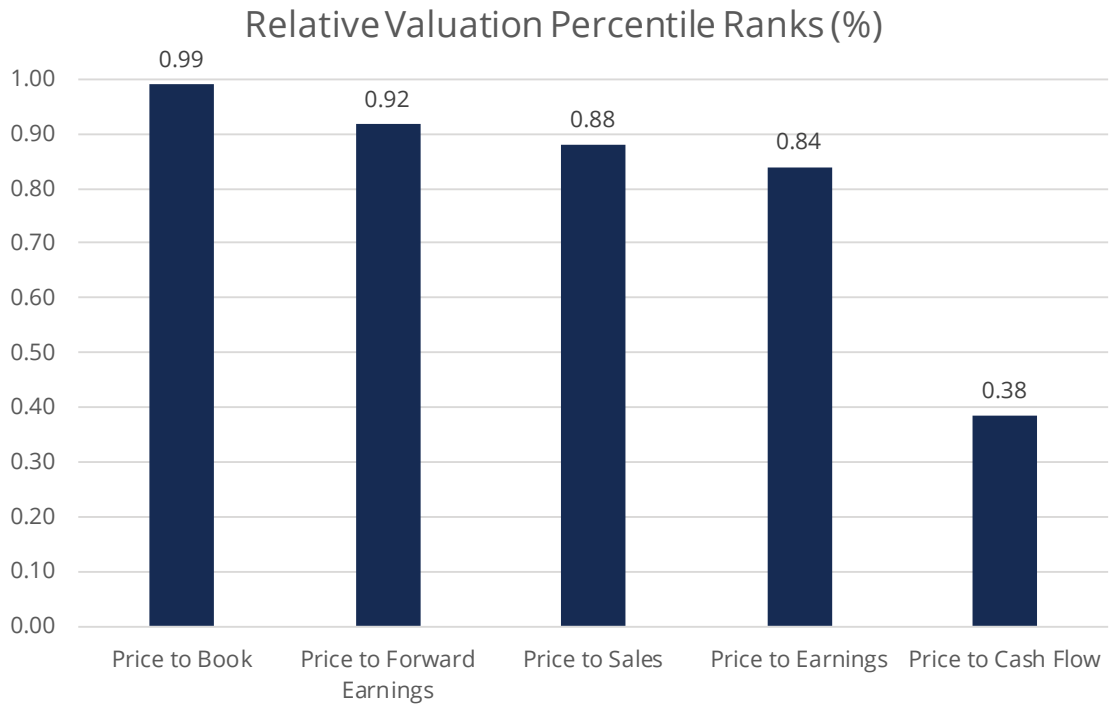
Source: Bloomberg Finance, L.P., as of December 11, 2014 to December 10, 2019. Data represents the net flows of U.S.-listed U.S. Large Cap Growth ETFs and U.S. Large Cap Value ETFs, specifically targeting exposure to U.S. Large Cap Growth and Value stocks, respectively.

WHAT'S NEXT?

Much ink has been spilled on the attractiveness of value stocks, perhaps simply because growth has outperformed for such a significant period of time, but also because value stocks are trading considerably inexpensively relative to growth stocks. While we acknowledge that the long-term opportunity for value to outperform growth increase as the relative multiples expand, we continue to find the arguments for a value catalyst to be lacking.

- Below we display the percentile ranks of multiple common valuation ratios of the Russell 1000® Growth Index relative to the Russell 1000® Value Index. One does not need to spend much time in the markets to see that four of the five rankings point to high multiples for growth relative to value, especially with price-to-book ratios in the 99th percentile. On the other hand, price-to-cash flow is in the 38th percentile, implying that growth stocks may actually be inexpensive, especially if cash flow generation can remain robust.
- This contrasts with the peak of the tech bubble period in the late 1990s when all of the measures signaled that growth stocks were rich relative to value. While price-to-cash flow has displayed some of the most robust ability to identify individual stocks that may outperform, we advocate using a composite of measures. Simply put, growth has been, and remains, expensive relative to value and that likely will not change until we see a meaningful regime shift across markets.

GROWTH APPEARS EXPENSIVE ON MOST VALUATION METRICS



Source: Bloomberg Finance, L.P., FTSE Russell, as of January 31, 1995 to November 30, 2019. Data represents the percentile rank of the relative valuation of Growth represented by the Russell 1000 Growth Index and Value represented by the Russell 1000 Value Index. One cannot invest directly in an index.

IMPLEMENTATION IDEAS

- For those looking to take greater advantage of growth's outperformance, the Direxion Russell 1000® Growth Over Value ETF **[RWGV]** delivers investors 150% exposure to the Russell 1000® Growth Index and 50% to Russell 1000® Value Index.
- The Direxion Russell 1000® Value Over Growth ETF **[RWVG]** overweights value stocks relative growth stocks giving it the ability to potentially outperform traditionally constructed value strategies should value rebound.

DEFINITIONS

- Russell 1000® Growth Index: The Russell 1000 Growth Index measures the performance of those Russell 1000 companies with higher price-to-book ratios and higher forecasted growth values
- Russell 1000® Value Index: The Russell 1000 Value Index measures the performance of those Russell 1000 companies with lower price-to-book ratios and lower forecasted growth values.

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 646-627-9665 or visit our website at direxion.com. A Fund's prospectus and summary prospectus should be read carefully before investing.

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.

Direxion Relative Weight ETFs Risks– Investing involves risk including possible loss of principal. The Funds' investments in derivatives may pose risks in addition to, and greater than, those associated with directly investing in or shorting securities or other investments. Investing in, and/or having exposure to, growth and value securities involves risks. Risks of growth securities include the risk of sharp price movement, and susceptibility to increased volatility, which may cause them to perform differently than the market as a whole. Risks of value securities include the risk that their intrinsic value may never be fully realized by the market. There is no guarantee that the returns on the Funds' long or short positions will produce high, or even positive returns and a Fund could lose money if either or both of the Fund's long and short positions produce negative returns. Please see the summary and full prospectuses for a more complete description of these and other risks of the Funds.

Distributor for Direxion Shares: Foreside Fund Services, LLC.