

Relative Weight Spotlight

THE GREAT GROWTH GIVE-UP

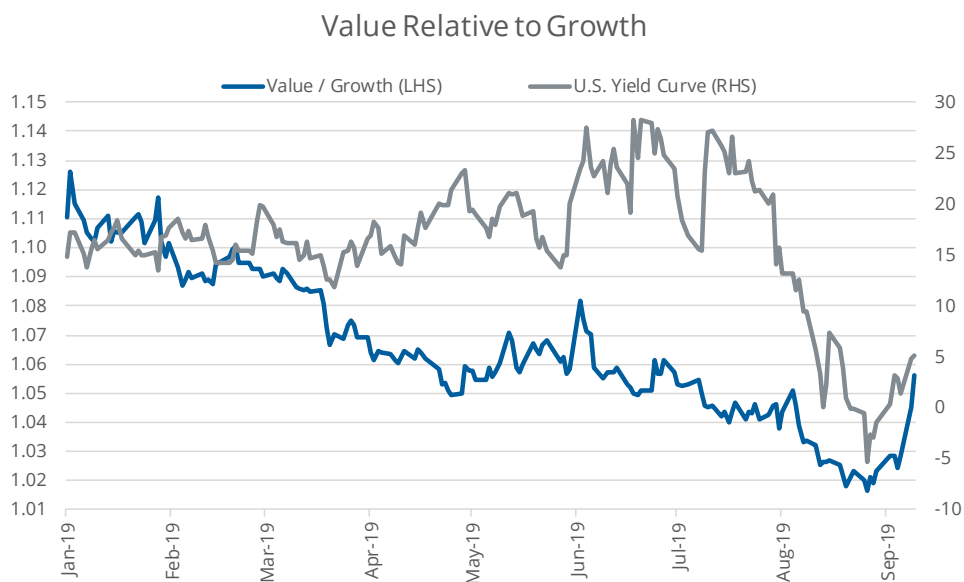
After yields on 2-year U.S. Treasuries closed above those for 10-year U.S. Treasuries for the last seven days of August, the yield curve has steepened sharply in September, erasing all of its declines in a short time period. With rates moving higher, value stocks have had their best weekly performance in 2019 and are on pace for their best month since last October making some to conclude that value's long-standing suffering may finally be coming to an end.

We caution that this conclusion may be premature and will continue to overweight growth stocks until signs that the yield curve is entering a period of consistent steepening driven on the back of an increase in inflation expectations.

WHAT WE'VE SEEN

- September's performance of value relative to growth stocks was a nearly three standard deviation event using daily data back to January 1991. While robust, the 1.62% return spread is 0.50% less than the return of value relative to growth seen on June 3rd of this year when it became public that the largest technology companies could face increased regulations sparking investors' fears. This illustrates that this pair's performance has been, and will be subject to, selloffs considering how far it has run in one direction.
- In short, September's performance thus far has been remarkable. Monday's move does bring the weekly returns for the pair to be on pace for the best weekly returns since 2009 when investors shifted back into value stocks after shunning them in 2008 as positive risk appetite returned and investors scooped up the most beaten down companies they could find to take advantage of this sentiment shift.

VALUE STOCKS HAVE RALLIED SHARPLY AS THE CURVE HAS RE-STEEPENED



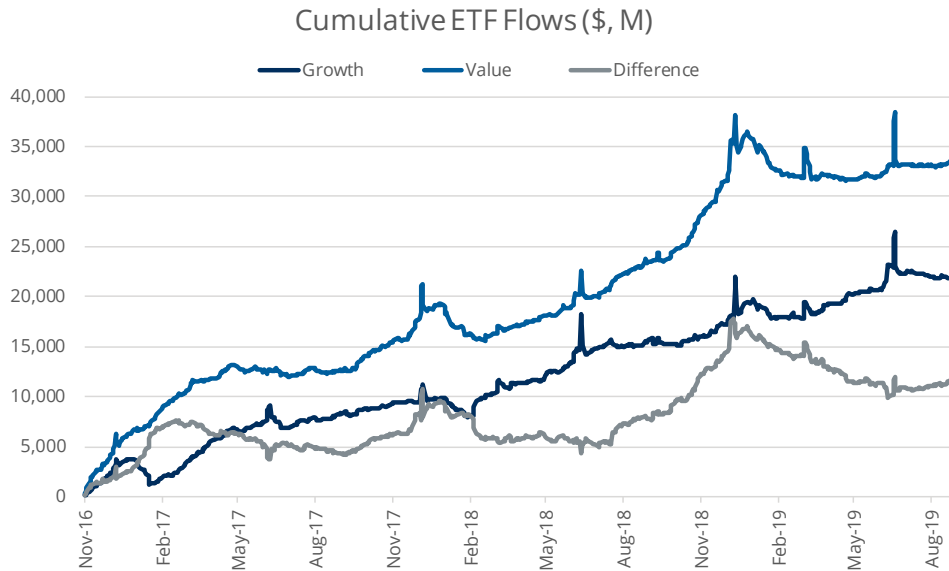
Source: Bloomberg Finance, L.P., as of September 10, 2019. Growth represented by the Russell 1000 Growth Index, Value represented by the Russell 1000 Value Index and U.S. Yield Curve represented by difference between yields on U.S. 10-Year Treasury Bonds and U.S. 2-Year Treasury Bonds. One cannot invest directly in an index.

MONEY IN MOTION

In 2019, investors have added \$2.45 billion to growth ETFs and redeemed \$2.59 billion from value ETFs as growth has dominated value for most of the last year.

- However, the cumulative net flows for value stands at \$33.49 billion, which is \$11.69 billion more than growth ETFs have seen since the day after U.S. elections in 2016. The initial part of this period coincided with what was now a short-lived steepening of the yield curve.
- Relative flows between growth and value ETFs peaked in December 2018. Thus far, flows in September have been extremely muted, so time will tell if this recent performance reversal causes investors to flock back into value ETFs or will be those who built positions are simply finally happy to see positive relative returns on what was a losing trade.

LONG-TERM FLOWS INTO VALUE ETFS HOLD A HEALTHY LEAD OVER GROWTH



Source: Bloomberg Finance, L.P., as of November 9, 2016 to September 10, 2019. Data represents the cumulative 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?

Of course, the rubber meets the road at the security level for any investment strategy. In the case of growth relative to value, their stark differences in industry exposures highlights why we saw such strong performance for growth as the curve was flattening and the massive returns for value as it has steepened. Case in point is the software and interactive media & services weight in growth, and banks and oil, gas and consumable fuels weight in value as these groups have extremely different sensitivities to the yield curve.

- September's relative returns for growth and value shows signs of a systematic unwind as it has coincided with some of the strongest performance for a basket of the most shorted stocks relative to the broader market indicating that this move may potentially be more than fundamentally driven.
- Either way, the road ahead for the growth/value pair will remain dependent on the flatness or steepness of the yield curve. While economic data remains mixed, it seems all but certain that the FOMC will lower the Federal Funds Rate by 25bps at next week's meeting. This move may only temporarily support a steeper yield curve should investors begin to discount the recent positive news regarding trade talks and reconsider the reasons why the Fed is cutting in the first place.

SOFTWARE AND BANKS SEE OVER 10% DIFFERENCES IN GROWTH RELATIVE TO VALUE

Industry	Growth (%)	Value (%)	Difference (%)
Software	13.57	0.26	13.31
Interactive Media & Services	8.72	0.10	8.62
IT Services	9.47	1.34	8.13
Technology Hardware, Storage & Peripherals	7.32	0.55	6.77
Internet & Direct Marketing Retail	6.48	0.05	6.42
Insurance	0.96	4.57	-3.61
Diversified Telecommunication Services	0.05	3.99	-3.93
Electric Utilities	0.00	3.99	-3.99
Oil, Gas & Consumable Fuels	0.28	7.77	-7.49
Banks	0.06	10.74	-10.68

Source: Bloomberg Finance, L.P., as of September 10, 2019. 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

- The Direxion Russell 1000® Growth Over Value ETF [RWGV] delivers investors a strategy with 150% long exposure to the Russell 1000 Growth Index and 50% short exposure to the Russell 1000 Value Index offering amplified exposure to growth stocks at the expense of value stocks driven by its considerable weight to industries, such as software, IT services and interactive media & services.
- With 150% exposure to value stocks and negative 50% to growth stocks, the Direxion Russell 1000® Value Over Growth ETF [RWVG] provides investors with a means to outperform traditional value strategies thanks to its increased exposure to sectors Financials and decreased to Information Technology.

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 866-476-7523 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.