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Spotlight

DAVID MAZZA, MANAGING DIRECTOR, HEAD OF PRODUCT

Tell Me You Don't Like My Tie, But Don't Talk to Me About Valuations

Work From Home Stocks. Remote Productivity is Here for Good

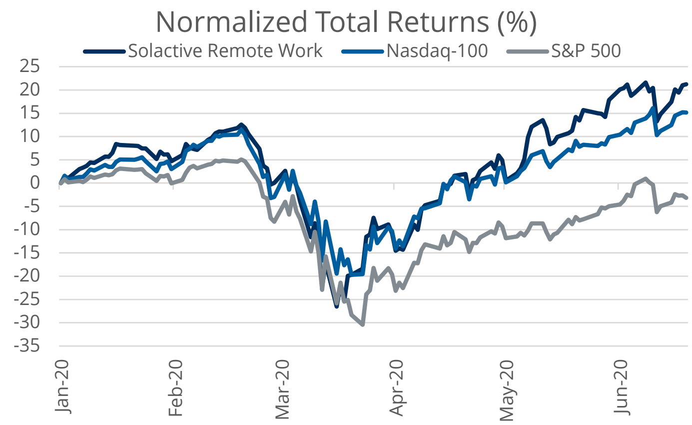
"Somebody tells you they got money problems about buying 200 shares is lying to you. You know what I say to that? I say, hey look, man, tell me you don't like my firm, tell me you don't like my idea, tell me you don't like my neck tie, but don't tell me you can't put together 2,500 bucks." Jim Young, J.T. Marlin

I feel the same way about WFH. If someone tells me they don't like WFH because they don't like our firm, the strategy, the ticker. That's fine, but if they tell me they don't like the fund because it's overvalued, they may not be lying to me, but in my opinion they're misinformed.

Here's why

The COVID-19 pandemic has uprooted the lives of billions across the globe. Some behaviors have been forced to change, while others have been voluntary. Millions have lost their jobs, and more may follow, as the economic consequences have a long tail. One of the largest, and increasingly long-lasting, is the trend of remote work, especially working from one's home for jobs that allow it. The investment community identified this early, as shares of relatively unknown companies, such as Zoom Video Communications*, rallied tremendously even as the broader market remains negative on the year.

Remote Work Stocks have Rallied



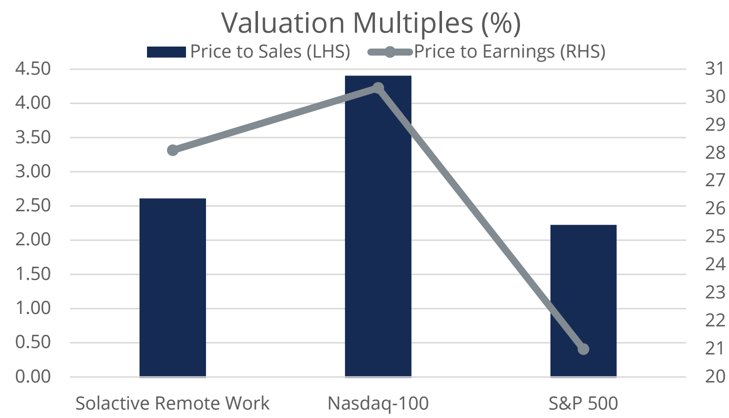
The Solactive Remote Work Index is comprised of U.S. listed securities and American Depository Receipts ("ADRs") of companies that provide products and services in at least one of the following business segments that facilitate the ability of people to work from home: remote communications, cyber security, online project and document management, and cloud computing technologies ("WFH Industries"). The Index consists of 40 companies, namely, the top 10 ranked companies in each of the four WFH Industries. The Index is equal weighted at each semi-annual reconstitution and rebalance date. One cannot directly invest in an index.

Source: Bloomberg Finance, L.P, as June 21, 2020. Past Performance is not indicative of future results. You cannot invest directly in an index. Short-term performance may often reflect conditions that are likely not sustainable and may not be repeated in the future.

Rightfully so, some believe they have missed out, or that this is a passing fad. Some on Twitter have said these stocks are in a bubble, but that's a conversation for another day. While time will tell, I believe these views are shortsighted. Even though I prefer using historical valuations, they'd likely matter less here due to the construction of the 40 stocks in the Remote Work Index, including a wide range of established and emerging companies across market cap spectrums.

In fact, the Solactive Remote Work Index trades at a slightly higher price to sales multiple** (2.6x) than the S&P 500's 2.2x, but a discount to the Nasdaq-100's whopping 4.4x. Remote work's price to earnings† of 28.1x is less than that of the Nasdaq's as well. Like any collection of securities in an index or not, some firms offering exposure to remote work technologies are likely overvalued, but on average the group trades at a discount to other indices, particularly the tech bellwether - Nasdaq-100.

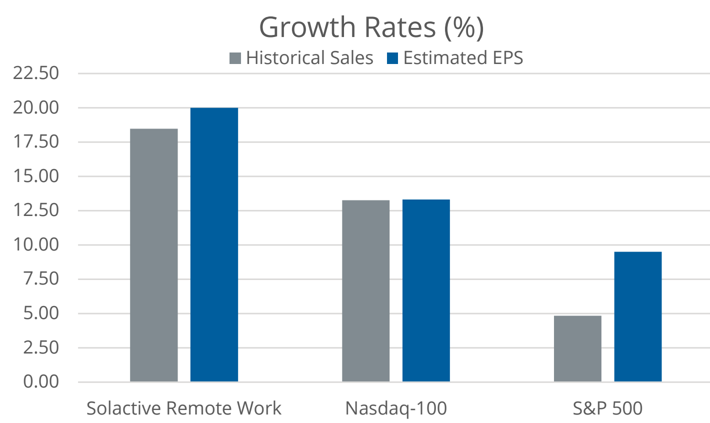
REMOTE WORK COMPANIES TRADE AT LOWER MULTIPLES THAN THE NASDAQ



Source: Bloomberg Finance, L.P, as June 21, 2020.

More importantly, many of those firms showed they have the ability to deliver on lofty expectations with robust earnings growth in the most recent reporting season. While past performance doesn't guarantee upcoming results will be as strong, the 40 stocks helping power the societal transformation toward more flexible work have considerably higher sales growth over the last 12 months. In addition, their forecasted earnings per share growth of 20% dwarfs even that of the Nasdaq's 13%, highlighting the vast potential that these stocks have today.

REMOTE WORK GROWTH RATES ARE HIGHER THAN THE NASDAQ 100



Earnings per share (EPS) is calculated as a company's profit divided by the outstanding shares of its common stock. The resulting number serves as an indicator of a company's profitability.

Source: Bloomberg Finance, L.P, as June 21, 2020.

Bottom-line, we're in an environment that sees considerable portions of the market that are trading at higher multiples than their historical averages partially due to the extremely low rate environment. However, the basket of work from home stocks isn't unique in that regard, and may actually be more attractively valued than at first glance. They're trading at lower multiples than the Nasdaq, with higher sales and forecasted earnings growth, making them a potentially attractive alternative to investors looking for exposure to transformative technologies.

Just remember, you can tell me that you don't like my tie, but not that work from home stocks are overvalued.

The Direxion Work From Home ETF, through seeking to track the Solactive Remote Work Index, offers exposure to companies across four technology pillars, allowing investors to gain exposure to those companies that stand to benefit from an increasingly flexible work environment. The four pillars include Cloud Technologies, Cybersecurity, Online Project and Document Management, and Remote

Find out more about investing in the remote revolution.

*Zoom Video Communications is 2.99% of index weight

** The price-to-sales (P/S) ratio is a valuation ratio that compares a company's stock price to its revenues. It is an indicator of the value placed on each dollar of a company's sales or revenues.

† The price-to-earnings ratio (P/E ratio) is the ratio for valuing a company that measures its current share price relative to its per-share earnings (EPS).

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 866-301-9214 or visit our website at direxion.com. A Fund's prospectus and summary prospectus should be read carefully before investing.

Market Disruptions Resulting from COVID-19. The outbreak of COVID-19 has negatively affected the worldwide economy, individual countries, individual companies and the market in general. The future impact of COVID-19 is currently unknown, and it may exacerbate other risks that apply to the Fund.

Solactive AG is not a sponsor of, or in any way affiliated with, the Direxion Work From Home ETF.

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 Shares 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 technology is 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. ADRs are issued by non-U.S. companies and are subject to various foreign investment risks including but not limited to the risk that the currency in the issuing company's country will drop relative to the U.S. dollar, that politics or regime changes in the issuing company's country will undermine exchange rates or destabilize the company and its earnings. Additional risks of the Fund include, but are not limited to, Index Correlation/Tracking Risk, Index Strategy Risk, Market Disruption Risk, American Depositary Receipts Risk and risks associated with the market capitalizations of the securities 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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