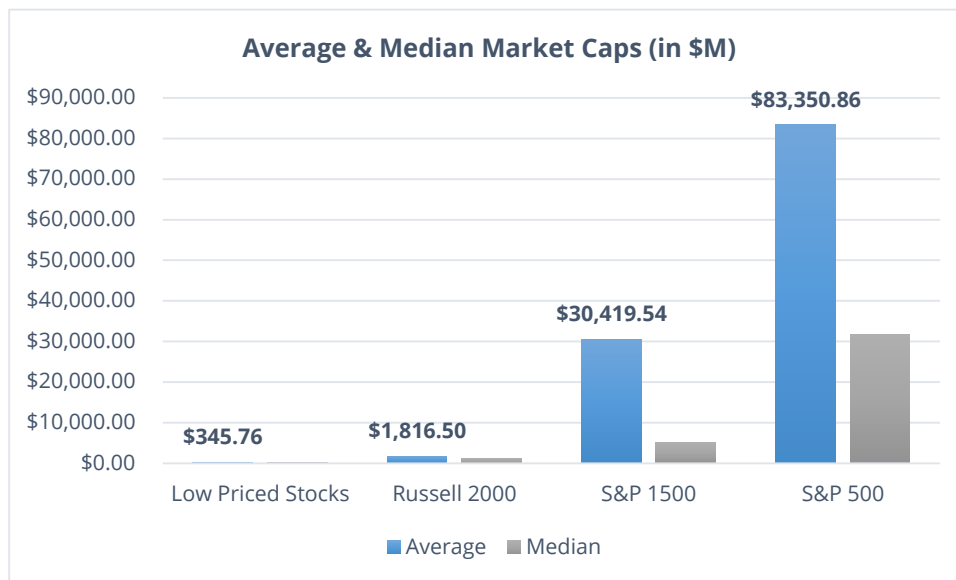


Discovering the Unknown in the Land of Low Priced Stocks

MARKET INEFFICIENCY OF LOW PRICED STOCKS

Low priced stocks, and many small cap equities in general, tend to be vastly under-covered by analysts, traders and investors alike. As a result, the market often over looks their worth. That does not necessarily mean market participants are misinformed or confused about a given name—there simply tends to be less research available, relative to large cap stocks.

LOW PRICED STOCKS TEND TO BE SMALL IN MARKET CAP

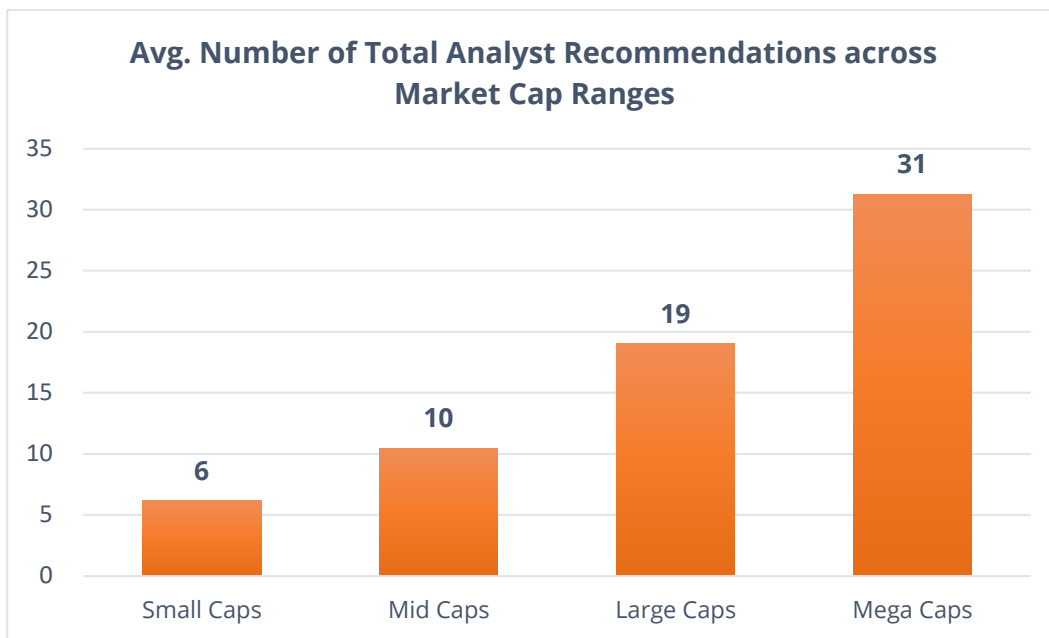
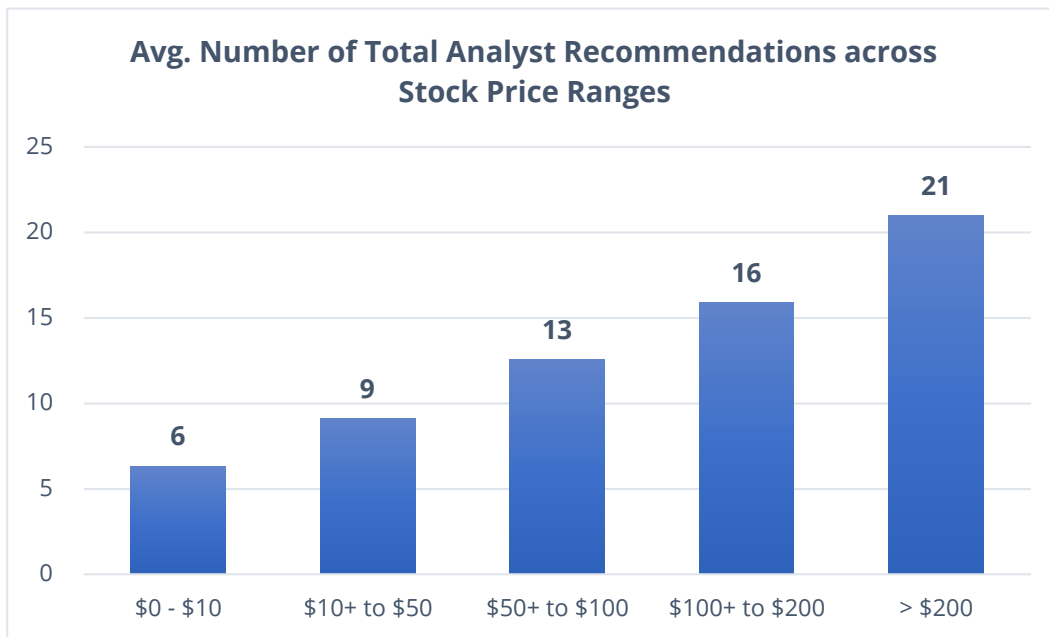


Source: Bloomberg Finance, L.P. as of 8/11/2021. Low Priced Stocks refers to stocks trading between \$2 and \$5 as of 8/11/2021 that are listed on major U.S. exchanges, including CBOE, Nasdaq, and the NYSE ARCA, and at least \$100M in market cap.

This reality, can result in a level of market inefficiency throughout the low priced stock universe. One way to potentially measure market efficiency may be to look at the total number of analysts covering stocks across the price and market cap spectrums. For example, we set out to see how many analysts are thinking about, reading about, and writing recommendations on U.S. listed stocks as a way to measure the amount of available information across these names.

Based on data from Bloomberg and FactSet, total analyst recommendations appear to increase with **both** market cap size and stock price, and the spread between low priced stock recommendation and those of higher priced stocks is quite significant.

COVERAGE AND INFORMATION IN STOCKS INCREASE WITH BOTH PRICE AND MARKET CAP



Source: Bloomberg Finance, L.P., FactSet, as of 8/11/2021.

On average, stocks trading below \$10 a share have 54% less analyst coverage than stocks trading above \$50 per share, and 63% less coverage relative to stocks trading above \$100 per share. As is the case with low priced stocks often being small (even micro) cap companies, the lack of coverage is even more significant relative to large and mega caps. Small cap stocks are 68% less covered relative to large cap stocks, and have 81% fewer eyes on them relative to the companies that have become household names. There are many reasons for this, as most investment analysts do not have the capacity to cover the entire universe of stocks, and they tend to focus on larger, more active names. We believe this lack of information and coverage can lead to opportunity in many of these companies trading at low prices.

SO, WHAT ARE LOW PRICED STOCKS?

The term *low priced* generally refers to stocks that trade below \$5 per share. Low priced does not necessarily mean “cheap” or “value”, but low priced stocks often carry low price-to-book ratios, and may even represent rebound stories or recovering companies. These stocks tend to be smaller cap in nature, generally carry higher betas relative to the broader market, and can exhibit greater idiosyncratic volatility. In the past some of these formerly low priced names have proven to be excellent investments, eventually becoming market leaders. Many investors may remember that Amazon hit an all-time low of \$5.97 in September 2001. While some stocks may be rebound stories, some never recover their potential, so investors need to be cautious.

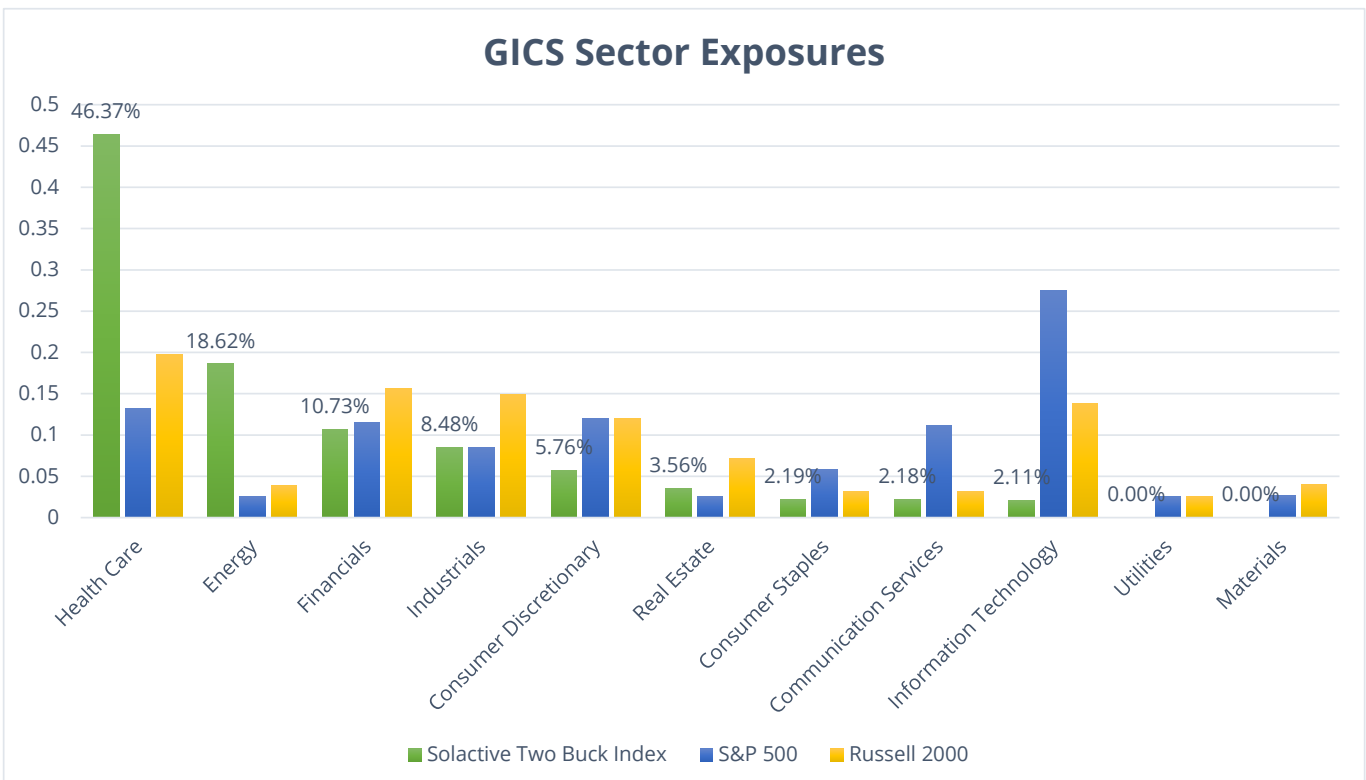
INVESTING IN LOW PRICED STOCKS

The [Direxion Low Priced Stock ETF](#) (NYSE: [LOPX](#)) seeks to deliver on the investment opportunity that sits within the universe of low priced stocks. The ETF implements an opportunistic approach that systematically captures the 50 largest (by market capitalization) stocks trading between \$2 and \$5 at the time of its annual reconstitution (in August) with each stock being equally weighted. These companies must carry a market capitalization of at least \$85 million at the time of selection, and an average daily volume of at least \$1 million. These stocks must also be listed on a major, regulated U.S. exchange, remaining eligible for inclusion should they remain above \$1.25, or below \$10 in share price, at each quarterly rebalance. While simple in approach, we believe the ETF delivers a robust and diversified way to gain exposure to low priced stocks.

LOPX IS CURRENTLY OVERWEIGHT THE HEALTHCARE, ENERGY, AND FINANCIALS SECTORS

As of August 4th, the Direxion Low Priced Stock ETF offers exposure across nine GICS sectors, and 22 unique industries, across just 50 stocks. However, the makeup of these exposures makes it unique relative to the broader market, especially the S&P 500 (Large Cap) and Russell 2000 (Small Cap) Indexes. As of this writing, the Low Priced Stock ETF is overweight the Healthcare and Energy sectors relative to both the Large Cap and Small Cap Indexes, two of the most under-represented sectors in the broader markets today. The Low Priced Stock ETF is most notably underweight the Information Technology and Consumer Discretionary sectors, two of the most heavily represented sectors today.

SECTOR EXPOSURES DIFFER DRAMATICALLY RELATIVE TO POPULAR BENCHMARKS



Source: Bloomberg Finance, L.P., as of 8/11/2021.

THE TOP 10 STOCKS IN LOPX OFFER EXPOSURE ACROSS BIOTECH, PHARMA, OIL & GAS, AND MORTGAGE REITS

Ticker	Name	Weight	Sector	Industry
KDMN	Kadmon Holdings Inc	3.00%	Health Care	Biotechnology
DPW	Ault Global Holdings Inc	2.45%	Industrials	Electrical Components & Equipm
PIRS	Pieris Pharmaceuticals Inc	2.43%	Health Care	Biotechnology
FI	Frank's International NV	2.34%	Energy	Oil & Gas Equipment & Services
SESN	Sesen Bio Inc	2.32%	Health Care	Biotechnology
MFA	MFA Financial Inc	2.30%	Financials	Mortgage REITs
AMRX	Amneal Pharmaceuticals Inc	2.28%	Health Care	Pharmaceuticals
GNW	Genworth Financial Inc	2.24%	Financials	Life & Health Insurance
ENDP	Endo International PLC	2.22%	Health Care	Pharmaceuticals
NYMT	New York Mortgage Trust Inc	2.19%	Financials	Mortgage REITs

Source: Bloomberg Finance, L.P., as of 8/11/2021. Holdings are subject to change and should not be considered investment advice. For performance information current to the most recent month-end, [click here](#).

The Direxion Low Priced Stock ETF may be an interesting investment tool for those looking for a differentiated approach to small cap exposure, and one that enables a systematic approach to investing in under-covered, under-observed, low priced stocks. While the prices are small, the opportunity across these names may prove to be quite big.

Definitions

S&P 500: The Standard and Poor's 500 is a stock market index that tracks 500 large companies listed on stock exchanges in the United States.

Russell 2000: A small-cap stock market index of the smallest 2,000 stocks in the Russell 3000 Index. The index is maintained by FTSE Russell, a subsidiary of the London Stock Exchange Group.

Beta: A measure of the volatility—or systematic risk—of a security or portfolio compared to the market as a whole.

Investments cannot be made in an index. Unmanaged index returns do not reflect any fees, expenses or sales charges. Past performance is no guarantee of future results.

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.

Direxion Shares ETF Risks – Investing involves risk including possible loss of principal. There is no guarantee the investment strategy will be successful. Stocks with a low trading price may be subject to short-term price movements and higher volatility. Further, low price securities may have limited liquidity and trade volume which may affect the Fund's ability to purchase or sell a position at the time of reconstitution, or to purchase or sell the security without effecting the price of the security. Companies with low trading volume and/or low security prices may be seen to have a deteriorating company reputation compared to those companies with greater market capitalization. Additional risks of the Fund include, but are not limited to, Index Correlation/Tracking Risk, Index Strategy Risk, Natural Disaster/ Epidemic and Market Disruption Risk, and risks associated with the market capitalizations and sectors 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.

Distributor: Foreside Fund Services, LLC.