

Spotlight: Hyped Up Hydrogen

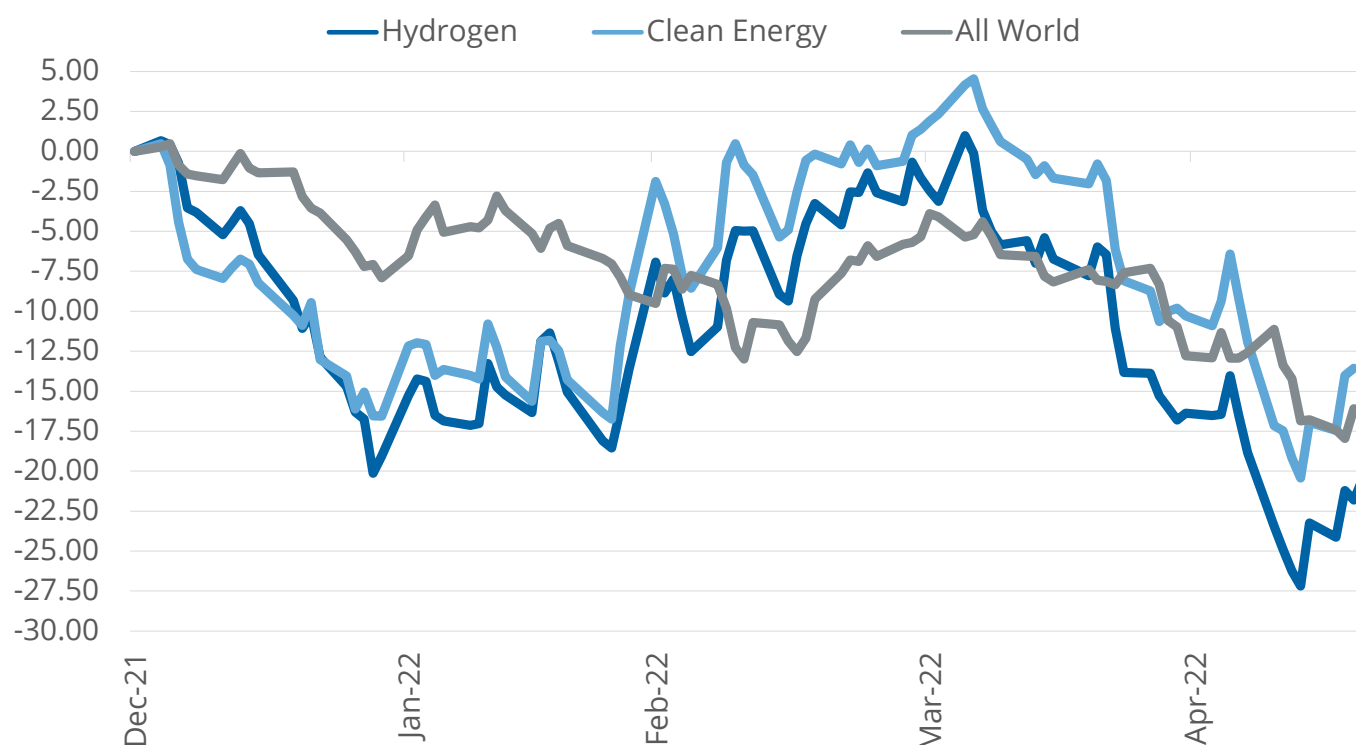
Alongside other clean energy names, hydrogen stocks have been hammered this year. For some investors, these names were all hype, so they are happy. For others, it is simply that hydrogen is hydroplaning. In other words, hydrogen's long-term potential for disruption remains robust. But, in the meantime, markets have spoken and hydrogen is out of favor. The Indxx Hydrogen Economy Index is down 20% in 2022. The Indxx Hydrogen Economy Index tracks the performance of 30 global companies that provide goods and/or services for the hydrogen industry, including hydrogen generation and storage, transportation and supply of hydrogen, fuel cells, and hydrogen fueling stations.

The index peaked in February 2021, and has been in a worsening drawdown since then. A key reason for hydrogen's struggles is the negative impact rising interest rates have had on disruptive technologies.

Three of the best known names dropped over 25% since the start of the year. Plug Power Inc. (PLUG), which designs and develops fuel cell systems for electric lift trucks and materials handling equipment, is down over 40%. Bloom Energy Corporation (BE), a manufacturer of on-site power generation systems using fuel cell technology to generate electricity, has fallen 28%. FuelCell Energy, Inc. (FCEL) develops and commercializes fuel cell power plants for electric power generation, and is down close to 28%.

HYDROGEN STOCKS ARE UNDERPERFORMING

Year-to-Date Performance

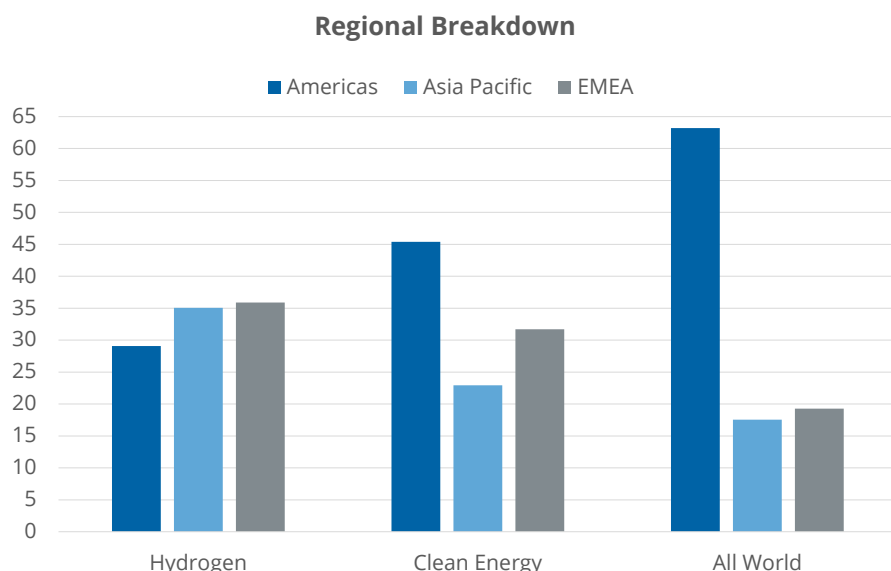


Source: Bloomberg Finance, L.P., as of May 19, 2022. Hydrogen represents the Indxx Hydrogen Economy Index, Clean Energy represents the S&P Global Clean Energy Index,* and All World represents the MSCI ACWI.*

Past performance is not indicative of future results. You cannot invest directly in an index. Index performance does not represent actual fund or portfolio performance. A fund or portfolio may differ significantly from the securities included in the index. Index performance assumes reinvestment of dividends but does not reflect any management fees, transaction costs, brokerage commissions on transactions. Such fees, expense and commissions would reduce returns.

It is also notable that hydrogen, as a theme, is more global in nature from a market capitalization perspective than clean energy and all world stocks. More specifically, the companies that comprise the hydrogen theme are more evenly balanced geographically than those in other thematic energy sectors. Hydrogen stocks have greater exposure to Asia Pacific, specifically where many of the most innovative hydrogen companies are located.

HYDROGEN STOCKS ARE TRULY GLOBAL



Index Top 10 Holdings	%
Bloom Energy Corp	11.11
Plug Power	9.74
Ballard Power Systems	8.47
Air Liquide	7.20
Linde Plc	6.34
Fuelcell Energy	5.95
Powercell Sweden	4.89
Itm Power	4.51
Ceres Power Holdings	4.41
Idemitsu Kosan	4.06

*Index data as of 03/31/2022.
Source: Bloomberg. Index sector weightings
and top holdings are subject to change.*

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WHAT IS HYDROGEN?

Hydrogen is one of the most promising sources of clean fuel on the path to net-zero emissions around the world. Hydrogen is the lightest and most abundant element in the universe, and it may be the key to fulfilling the world's growing energy needs, while fighting climate change. Hydrogen works as both a fuel and a carrier of energy with considerably wider applications than other alternative energy sources. Although hydrogen is touted as a low-carbon fuel source, the production process is a different story. The most popular form of hydrogen production is extremely carbon intensive and alternative green methods are still very costly. However, these costs are projected to decline markedly as the technology becomes more efficient.

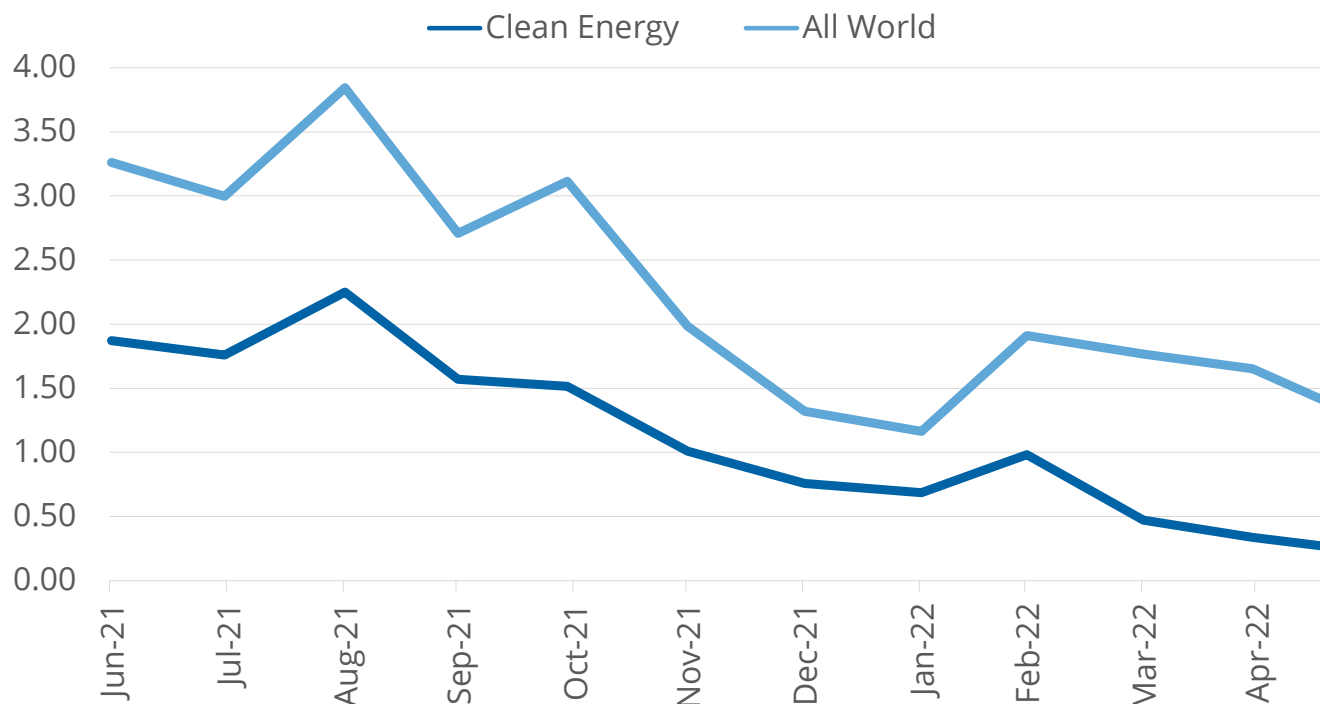
WHAT'S NEXT?

The global shift from regulators, investors, and consumers towards decarbonization offers upside potential for hydrogen as an investment theme. Hydrogen is gathering strong momentum as a major pillar in the global energy transition, with the momentum occurring across the entire value chain – from production, to distribution, to end applications. Thanks to its wide applications, hydrogen's potential as an energy source is significant, and the price multiples for hydrogen stocks have derated to more attractive levels. The relative price to earnings ratio for hydrogen stocks have collapsed compared to the broader clean energy industry and the global market.

So even though the space does not look great right now, it may be a better time to invest while the price for a greener future is lower.

HYDROGEN STOCKS APPEAR ATTRACTIVE

Hydrogen Relative Valuation



Source: Bloomberg Finance, L.P., as of May 19, 2022.

Relative valuation is measured as the price to earnings multiple of the Indxx Hydrogen Economy Index relative to the S&P Global Clean Energy Index and MSCI ACWI.

***Definitions:**

- The S&P Global Clean Energy Index is designed to measure the performance of companies in global clean energy-related businesses from both developed and emerging markets, with a target constituent count of 100.
- The MSCI ACWI Index is designed to represent performance of the full opportunity set of large- and mid-cap stocks across 23 developed and 24 emerging markets.

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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.

Indxx is not a sponsor of, or in any way affiliated with, the Direxion Hydrogen 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 ETF Risks – Investing involves risk including possible loss of principal. There is no guarantee the investment strategy will be successful. Hydrogen companies may be significantly impacted by obsolescence of existing technology, short product cycles, falling prices and profits, competition from new market entrants and general economic conditions. In addition, intense competition and legislation resulting in more strict government regulations and enforcement policies and specific expenditures for cleanup efforts can affect the industry. Because this is an emerging industry, companies are generally smaller and the share price of hydrogen companies may be more volatile than companies operating in other, more established industries.

Additional risks of the Fund include, but are not limited to, Index Correlation Risk, Index Strategy 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.

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