

Spotlight

DAVID MAZZA, MANAGING DIRECTOR, HEAD OF PRODUCT

Talk is Cheap

While I'm dating myself, anyone in high school or college in the late 1990s will remember when DMX and the Ruff Ryders came onto the scene. Regardless of one's musical preferences, their presence was inescapable. DMX's song, "Ruff Ryder's Anthem" and its music video, are a classic example of that era and style of hip hop. It's raw, but stylized. It's authentic, but commercial. While I can't print much of the lyrics, the song's outro includes an incredible use of the term "talk is cheap". Today, the question is whether all of the talk about remote work is making its way to the revenues of WFH companies.

Taking a step back, India and Sweden, which are dealing with the coronavirus in their own ways, have both advocated for workers to stay home if possible due to the uncertainty related to what the fall and winter may bring. Influential companies, such as Alphabet have pushed return to office plans out until the middle of 2021. Uber has similarly followed suit, showing courageousness in helping to dampen the virus' impact.

However, thanks to recent positive headlines regarding the potential for a vaccine, there are questions whether the momentum in remote work will be a passing fad. Unless a universal vaccine is developed in the extremely short-term, the acceleration toward greater adoption of flexible work models will continue on its robust path. In fact, it will likely accelerate further. Regardless of how one slices the data, CFOs, hiring managers, and demographic data all point to its growth.

A recent Harvard Business Review article, aptly titled "Do We Really Need the Office", takes this a step further, contemplating whether offices are needed at all. A companion article, "What is an Office For?", provides a more nuanced perspective, highlighting how flexible working models are not new, it is simply that more companies were forced to realize its benefits in short order, especially when it comes to productivity.

Jennifer Magnolfi Astill, one of the leading researchers on the evolution of workspaces notes, "Individual focus work might not be a useful part of the office moving forward, because now that people are technically set up, they can perform better at home. At the same time, companies will still need physical workspaces for certain functions that require interaction in the real world."

This is all good, but has it started to benefit the companies at the forefront of these changes?

You'd better believe it.

The recent earnings releases from FireEye, Inc. (Ticker: FEYE) and Plantronics, Inc. (Ticker: PLT) made that point abundantly clear. On paper, these two companies are worlds apart. One offers cybersecurity solutions, while the other makes headsets. Both delivered impressive results in the most recent quarter.

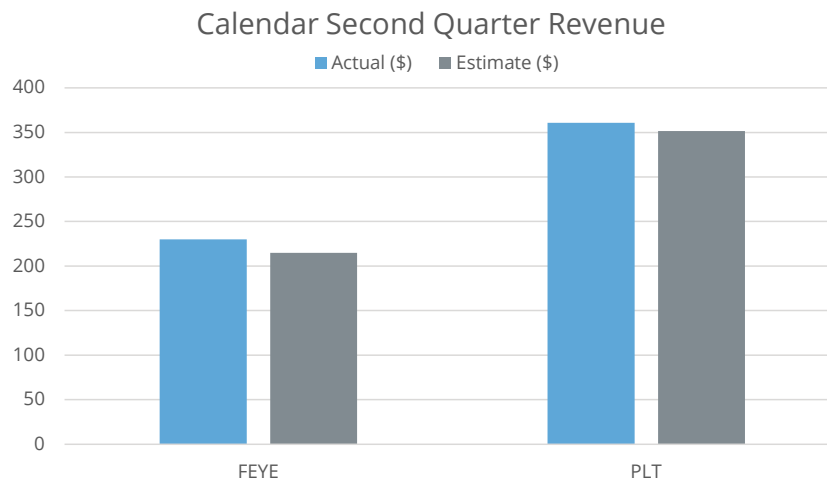
FEYE reported record-high revenue of \$229 million and EBITDA of \$46 million, beating consensus expectations by 7% and 214%, respectively. Revenue was up 6% from a year ago. CEO Kevin Mandia stated, "cybersecurity remains a top spending priority for organizations worldwide, and the uncertainty of the current environment is creating opportunities for solutions that allow customers to purchase exactly what they need, when they need it."

For its part, PLT reported quarterly revenue of \$361 million and EBITDA* of \$98 million. While revenue was down 22% from a year ago, the firm beat estimates by 3%. Its EBITDA beat was 194%. Chairman and Interim CEO Bob Hagerty noted "It's clear that the hybrid working trends are here to stay. Market research firms estimate 30% to 40% of employees around the world will continue to work from home, with many adopting a flexible work schedule splitting their time between the office and home. As a result, the forecasted growth rate for headset and video markets has increased offsetting the impact to the voice

market. The net effect of this hybrid work environment is in increased TAM and a long term growth opportunity for our company, which we are working aggressively to capitalize on.”

So, two companies with unique product offerings on two different paths prior to COVID-19, both benefited from the pandemic accelerating tech spending. This underscores how the adoption of greater flexible work benefits more than only cloud companies as well.

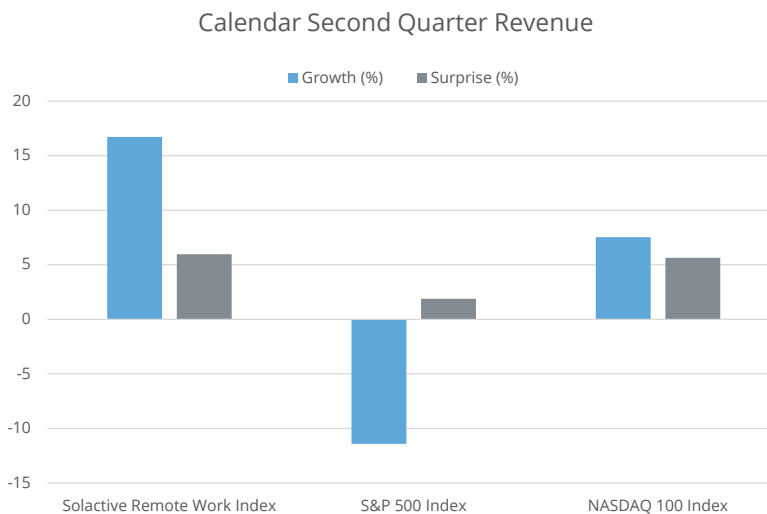
FEYE AND PLT BEAT EXPECTATIONS



Source: Bloomberg Finance, L.P., as of August 4, 2020.

With nearly half of WFH companies reporting earnings, are FEYE and PLT anomalies or emblematic of the broader trend? Both from an aggregate growth and surprise perspective, the results are impressive with the 18 firms reporting so far growing sales by 17% and beating estimates by 6%.

REMOTE WORK STOCKS HAVE SURPRISED TO THE UPSIDE



Source: Bloomberg Finance, L.P., as of August 4, 2020. Index descriptions presented under Definitions below. Past performance is not indicative of future results. One cannot directly invest in an index.

At this point in the pandemic, with a myriad of conflicting information on the near-term direction, investors need to embrace that any steps toward a return to normalcy will be a new one that opens up opportunities to find innovate companies like those powering the revolution toward remote work.

Talk is cheap, but the data speaks volumes.

The Direxion Work From Home ETF 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 Communications.

Here's how to invest in the remote revolution.

The Direxion Work From Home ETF seeks investment results, before fees and expenses, that track the Solactive Remote Work Index.

For the funds' standardized and most recent month end performance click here (www.direxion.com/etfs)

WFH as of 6/30/2020

Index Holdings and Weightings

Top 10 Holdings %

Twilio - Class A	4.45
Inseego	4.15
Crowdstrike	4.13
Zoom Video Communications	4.05
Elastic	3.08
Okta - Class A	3.08
Ping Identity	3.05
Box	2.99
Fortinet	2.75
Amazon.com	2.67

EBITDA is earnings before interest, taxes, depreciation and amortization.

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.

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.

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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. 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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