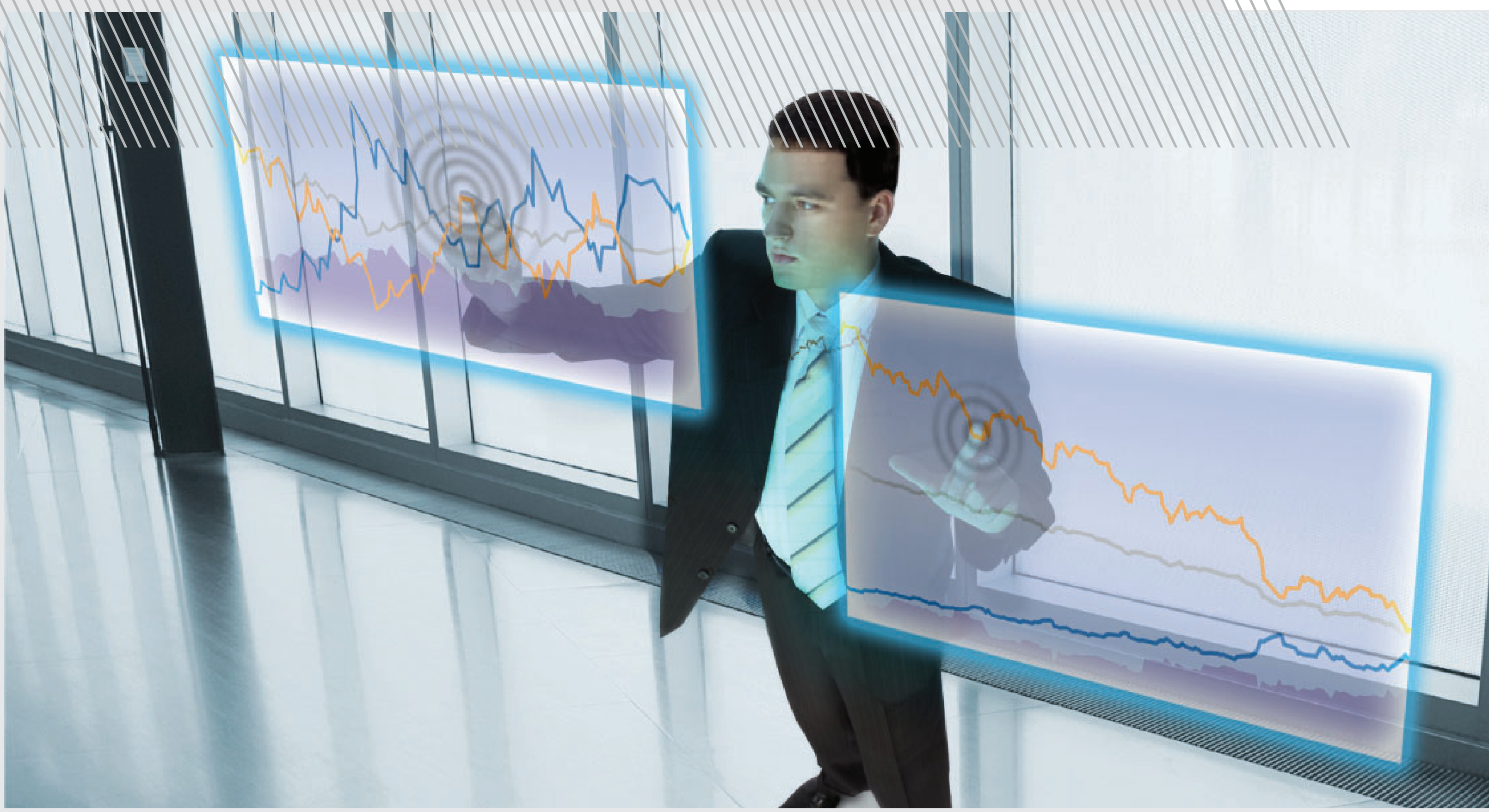
Direxion

ETFs | Funds

Volatility Matters

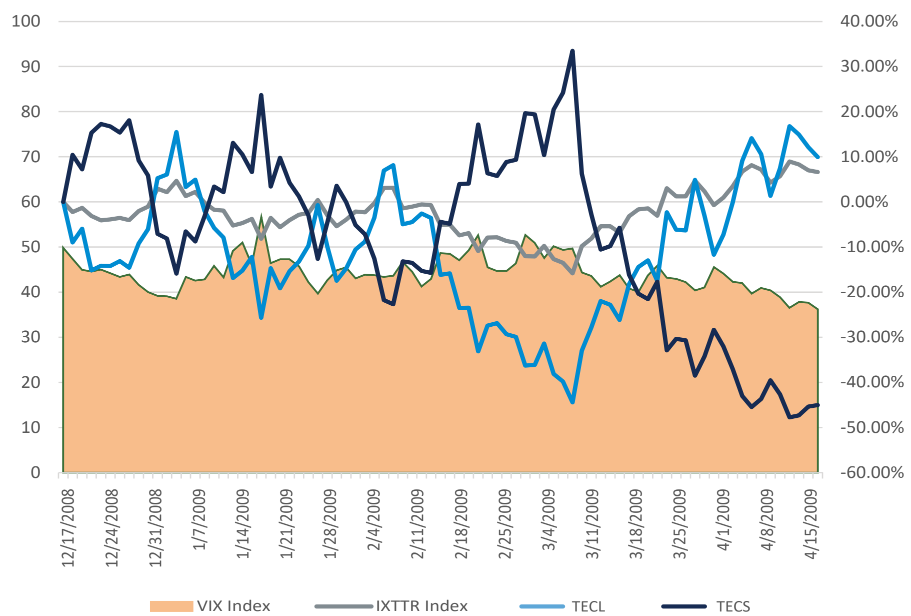


Direxion's leveraged ETFs seek daily goals, which means that the returns of the ETFs over time should not be expected to be a multiple of the cumulative return off the benchmark for a period longer than one day. This piece illustrates how different volatility levels of an ETF's benchmark index can impact the returns of leveraged ETFs for periods greater than one day.

More Is Not Always Better

For the period of mid-December 2008 through mid-April 2009 – The Technology Select Sector Index (IXTTR), the benchmark for the Direxion Daily Technology Bull (TECL) and Bear (TECS) 3X Shares, experienced higher volatility, which affected the ETFs' returns. Volatility in these graphic examples is a statistical measure of the dispersion of returns for the above market index. Generally, the higher the volatility, the riskier the security and the higher risk to investment.

Although the benchmark index gained 6.64% over the holding period, the Bull ETF gained only 9.94%, much less than 3X the benchmark's return. The Bear ETF lost 45.06%, much more than -3X the benchmark's return.



Index Return (IXTTR) = 6.64%

3X Index Return = 19.92%
Bull ETF Return (TECL) = 9.94%
Difference = -9.98%

-3X Index Return = -19.92%
Bear ETF Return (TECS) = -45.06%
Difference = -25.14%

Past performance is not indicative of future results. One cannot invest directly in an index.

Source: Bloomberg. Date: 12/17/2008 - 4/15/2009. Returns for TECL and TECS are based upon market price (not NAV).

The recent growth rate in the stock market has helped to produce short term returns that are not typical and may not continue in the future. Because of ongoing market volatility, fund performance may be subject to substantial short term changes.

The performance data quoted represents past performance. Past performance does not guarantee future results. The investment return and principal value of an investment will fluctuate. An investor's shares, when redeemed, may be worth more or less than their original cost. Current performance may be lower or higher than the performance quoted. For the most recent month end performance please visit www.direxion.com.

Performance (as of 06/30/2021)

There is no guarantee the funds will achieve their investment objective.

	TECL		TECS	
	NAV	Market Close	NAV	Market Close
YTD %	36.66	36.81	-75.25	-41.28
1 Year %	139.73	139.99	-71.96	-75.35
3 Year %	61.56	61.60	-66.82	-71.96
5 Year %	72.95	72.96	-66.82	-66.82
10 Year %	48.27	48.29	-56.43	-56.43
Since Inception %	51.89	51.93	-58.28	-58.28
Expense Ratio Gross/Net*	1.02 / 1.01		1.17 / 1.10	
Inception Date	12/17/2008		12/17/2008	

** The Net Expense Ratio includes management fees, other operating expenses and Acquired Fund Fees and Expenses. If Acquired Fund Fees and Expenses were excluded, the Net Expense Ratio would be 0.95%. The Funds' adviser, Rafferty Asset Management, LLC ("Rafferty") has entered into an Operating Expense Limitation Agreement with each Fund. Under the Operating Expense Limitation Agreement, Rafferty has contractually agreed to waive all or a portion of its management fee and/or reimburse each Fund for Other Expenses through September 1, 2022, to the extent that the Fund's Total Annual Fund Operating Expenses exceed 0.95% of the Fund's average daily net assets (excluding, as applicable, among other expenses, taxes, swap financing and related costs, acquired fund fees and expenses, dividends or interest on short positions, other interest expenses, brokerage commissions and extraordinary expenses). If these expenses were included, the expense ratio would be higher.*

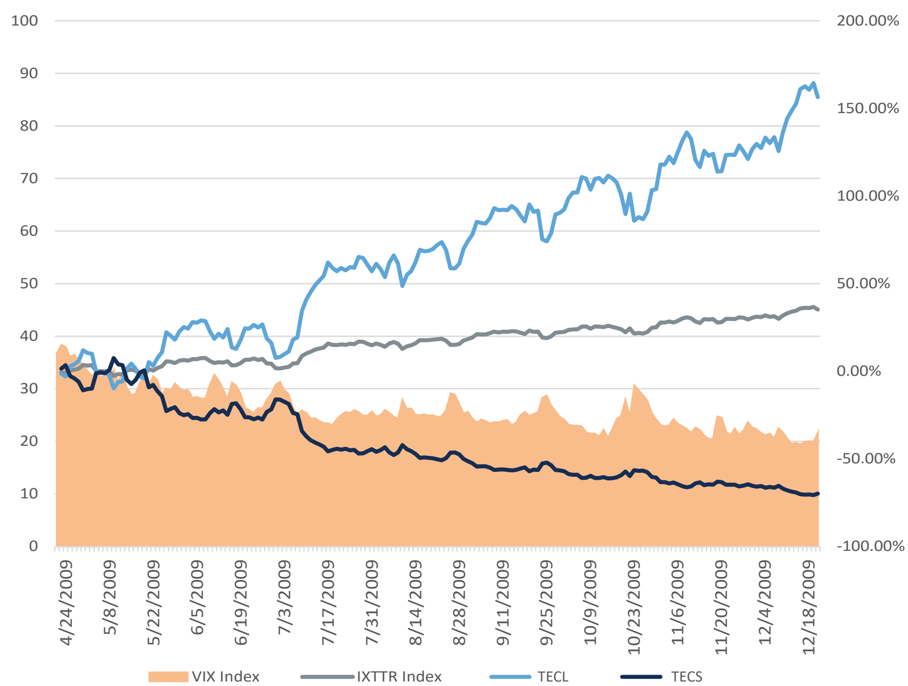
Less May Be More

During the period from mid-April, 2009 through December 31, 2009, the same index experienced much less volatility than in the previous example.

The benchmark index gained 35.18% over the holding period. The Bull ETF gained 157.17%. That's 51.63 percentage points MORE than 3X of the benchmark's return. The Bear ETF lost 69.82%, which is 35.72 percentage points better than -3X of the benchmark's return.

Warning!

As nice as it is to see greater than expected returns, you must understand that these compounded returns will increase (for a Bull ETF) your exposure levels, and possibly an outsized return greater than the 3X level, making your position more sensitive to future market movements. Consider selling your excess gains and managing to a specific exposure level.



Index Return (IXTTR) = 35.18%

3X Index Return = 105.54%

Bull ETF Return (TECL) = 157.17%

Difference = 51.63%

-3X Index Return = -105.54%

Bear ETF Return (TECS) = -69.82%

Difference = 35.72%

Past performance is not indicative of future results. One cannot invest directly in an index.

Source: Bloomberg. Date: 4/24/2009 - 12/31/2009. Returns for TECL and TECS are based upon market price (not NAV).

Volatility – Why Does it Matter?

These leveraged ETFs seek a return that is +300% or -300% of the return of their benchmark index for a single day. The funds should not be expected to provide three times or negative three times the return of the benchmark's cumulative return for periods greater than one day

In pursuit of their daily investment objectives, leveraged ETFs must rebalance their assets to exposure ratio on a daily basis. This means that their returns over time are the product of a series of daily returns, and not the ETF's beta multiplied by the cumulative return of the index for periods greater than a day.

This deviation in performance is commonly referred to as compounding. The example above illustrates that high volatility causes decay of long-term returns for the ETFs, while sustained market trends can result in positive effects on returns.

The Bottom Line

Monitor and Act When Necessary

Daily rebalancing ETFs are not meant to be held unmonitored for long periods. If you intend to hold leveraged ETFs for periods greater than one day, you must always watch them closely.

- During highly volatile periods for an ETF's benchmark index, you will need to adjust your positions frequently to maintain constant exposure levels.
- During periods of lower volatility for the benchmark index, you should continue to monitor, but position adjustments will likely be needed less frequently.
- If you don't have the resources, time or inclination to constantly monitor and manage your positions, leveraged ETFs are not for you.

These ETFs are not suitable for all investors and should be utilized only by sophisticated investors who understand leverage risk, the consequence of seeking daily leveraged investment results and intend to actively monitor and manage their investments.

FOR INFORMATION: 866-476-7523 | INFO@DIREXION.COM | DIREXION.COM

An investor should consider the investment objectives, risks, charges, and expenses of Direxion Shares carefully before investing. The prospectus and summary prospectus contain this and other information about Direxion Shares. To obtain a prospectus and summary prospectus call 866-476-7523 or visit our website at direxion.com. The prospectus and summary prospectus should be read carefully before investing.

Investing in a Direxion Shares ETF may be more volatile than investing in broadly diversified funds. The use of leverage by a Fund increases the risk to the Fund. The Direxion Shares ETFs are not suitable for all investors and should be utilized only by sophisticated investors who understand leverage risk, consequences of seeking daily leveraged, or daily inverse leveraged, investment results and intend to actively monitor and manage their investment.

Direxion Shares Risks - An investment in each Fund involves risk, including the possible loss of principal. Each Fund is non-diversified and includes risks associated with the Funds' concentrating their investments in a particular industry, sector, or geographic region which can result in increased volatility. The use of derivatives such as futures contracts and swaps are subject to market risks that may cause their price to fluctuate over time. Risks of each Fund include Effects of Compounding and Market Volatility Risk, Leverage Risk, Market Risk, Market Disruption Risk, Aggressive Investment Techniques Risk, Counterparty Risk, Intra-Day Investment Risk, and risks specific to the Technology Sector. 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. Additional risks include, for the Direxion Daily Technology Bull 3X Shares, Daily Index Correlation/Tracking Risk and Other Investment Companies (including ETFs) Risk, and for the Direxion Daily Technology Bear 3X Shares, Daily Inverse Index Correlation/Tracking Risk, and risks related to Shorting and Cash Transactions. Please see the summary and full prospectuses for a more complete description of these and other risks of each Fund.

Distributor: Foreside Fund Services, LLC.

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