

Leveraged ETFs: Pursuing Daily Targets in Volatile Markets



THE DAILY OBJECTIVE

The Direxion Daily 3x Exchange Traded Funds (ETFs) seek to provide daily leveraged investment results that are either 300% or -300% of the returns of the benchmark index (before fees and expenses) from close of market on one day to the close on the next day.

A MOVING TARGET

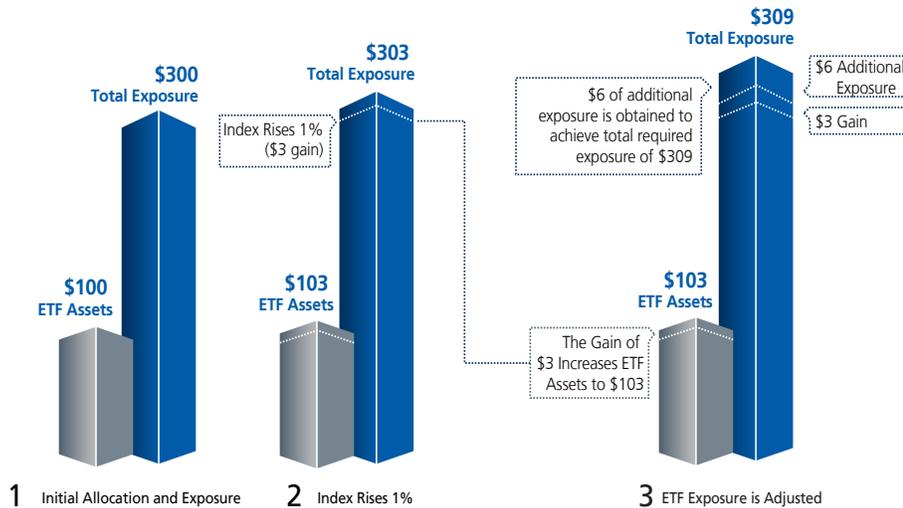
Intra-day, the total exposure of a Fund may be higher or lower than the stated daily objective depending on the movement of the target index away from its value at the end of the prior trading day.

After a move in the index that is favorable to the fund - either up for a bull fund or down for a bear fund - total exposure will decline below the daily stated objective. Conversely, if the value of the index moves in a direction that is unfavorable to the fund - either down for a bull fund or up for a bear fund - total exposure would rise above the daily stated objective. This occurs because, although the net asset levels of the fund and the total exposure to the index move directionally together, the percentage change in net assets exceeds the percentage change in exposure.

On days when market fluctuation is minimal, the intra-day changes to exposure levels are small. However, on days when there is substantial fluctuation in the value of the benchmark index, the intra-day changes to exposure levels could be greater. Direxion Daily ETFs are intended to be used as short-term trading vehicles.

FIGURE 1: HYPOTHETICAL EXAMPLE (A DAILY 3X BULL FUND)

Index Rises 1%
(in millions)



1. Initial Allocation and Exposure:

If a 3x ETF has \$100 million in net assets, \$300 million of net exposure to the fund's underlying index must be maintained.

2. Index Rises 1%

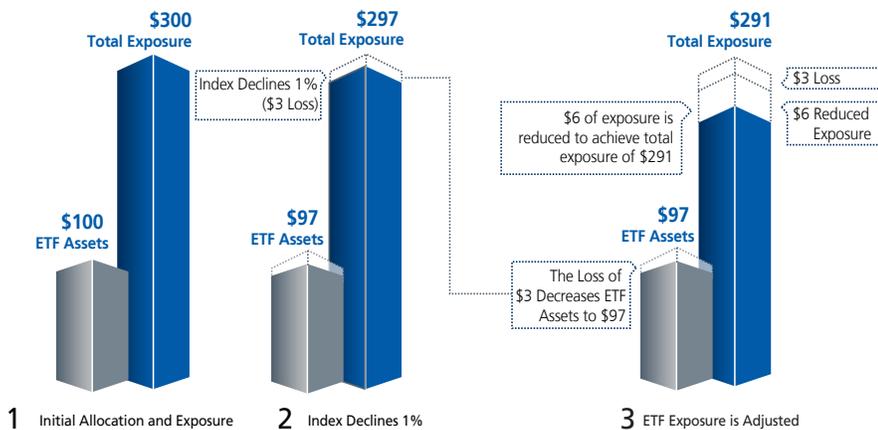
If the index increases by 1% in a trading day, the gross exposure would rise to \$303 million and net assets would rise to \$103 million, resulting in a \$3 million gain.

3. ETF Exposure Adjusted

Since gross exposure must always equal 300% of net assets (\$103 million in net assets x 300% = \$309 million) at the beginning of each trading day, \$6 million of exposure must be added to the portfolio.

FIGURE 2: HYPOTHETICAL EXAMPLE (A DAILY 3X BULL FUND)

Index Declines 1%
(in millions)



1. Initial Allocation and Exposure:

If a 3x ETF has \$100 million in net assets, \$300 million of net exposure to the fund's underlying index must be maintained.

2. Index Declines 1%

If the index decreases by 1% in a trading day, the gross exposure would decline to \$297 million and net assets would decline to \$97 million, resulting in a \$3 million loss.

3. ETF Exposure Adjusted

Since 300% of \$97 million equals \$291 in exposure, the current exposure must be reduced by \$6 million from \$297 million to \$291.

BULL AND BEAR FUNDS: INDEX MOVES AND RESULTING EXPOSURE LEVELS

The table below shows how, for a Bull fund, a decline in the target index results in increased exposure and a gain in the target index results in decreased exposure.

Bull Fund Index Move	Resulting Exposure
-5%	335%
-4%	323%
-3%	320%
-2%	313%
-1%	306%
0%	300%
1%	294%
2%	289%
3%	284%
4%	279%
5%	274%

The table below shows how, for a Bear fund, a decline in the target index results in decreased exposure and a gain in the target index results in increased exposure.

Bear Fund Index Move	Resulting Exposure
-5%	248%
-4%	257%
-3%	267%
-2%	277%
-1%	288%
0%	300%
1%	312%
2%	326%
3%	340%
4%	355%
5%	371%



How to monitor intra-day NAV values (INAV)

Investors should monitor the difference between the current market value of a Direxion Daily 3x ETF and its most recently calculated closing NAV in order to determine actual exposure levels at the time of purchase. The best way to understand an ETF's intra-day market value is to monitor a data point known as the 'INAV.' The INAV is calculated by various data providers and can be accessed in real time throughout the trading day. The INAV is a very good indication of what a

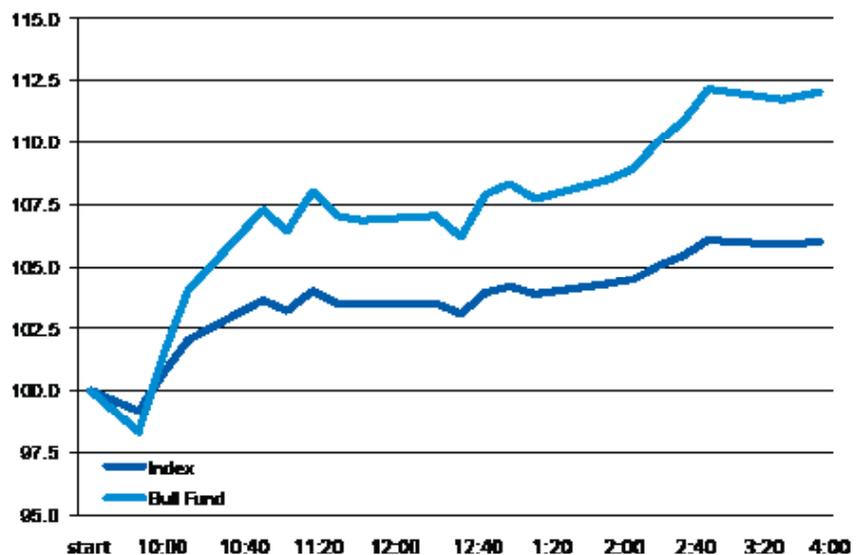
fund's actual NAV per share would be if it were calculated at that point in time. The INAV can be accessed on various data systems and websites by typing "[ETF symbol]-IV" into the quote request field. For example, to find the INAV for the Direxion Daily Technology Bull 3x Shares, type ^TECL-IV. Investors can compare the INAV of an ETF to its most recently calculated NAV and calculate their expected exposure level prior to purchasing the fund. This will help set performance expectations properly.

DAILY HYPOTHETICAL \$10,000 INVESTMENT SCENARIOS

The following examples show various scenarios on how intra-day movements can impact shareholders' exposure levels for Daily 3x Bull and Daily 3x Bear Funds. Hypothetical examples do not reflect the impact of expenses, such as commission charges and taxes, which would lower the results shown.

Scenario #1: Bull Fund Purchased at an Increased Exposure Level

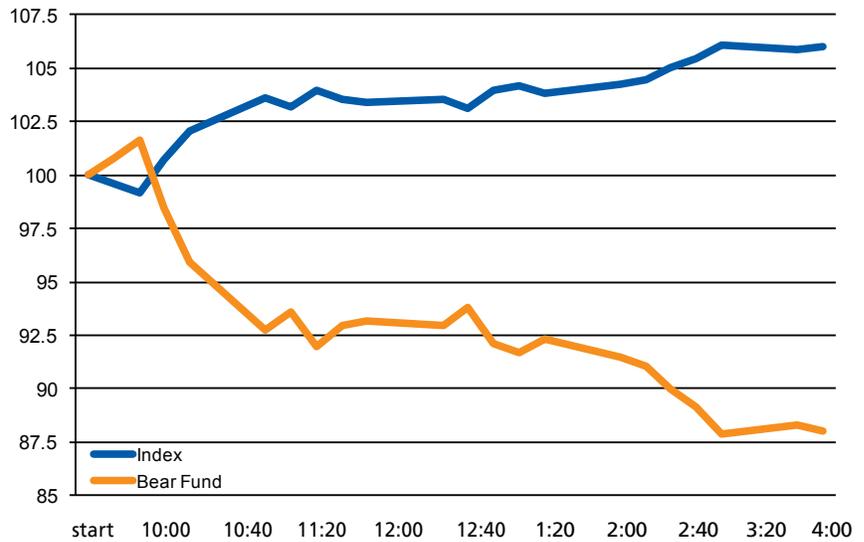
The Index, which closed the previous night at \$100, decreases to \$99 by 10:00 AM, causing the Bull Fund exposure level to rise to 306%. The Index moves from \$99 to \$102 during the holding period, a gain of 3.1%. The Bull Fund's NAV rises from \$97 to \$106 for the period, a gain of 9.3%, which is 306% of the Index move.



Time of Purchase	10:00 AM	Time of Sale	2:00 PM
Index Value	99	Index Value	102
Bull NAV	\$97	Bull NAV	\$106
Bull Exposure	306%	Fund Return	9.30%
Initial Investment	\$10,000	Index Return	3.10%
		Fund/Index Return	306%
		Investment at Sale	\$10,930

Scenario #2: Bear Fund Purchased at a Decreased Exposure Level

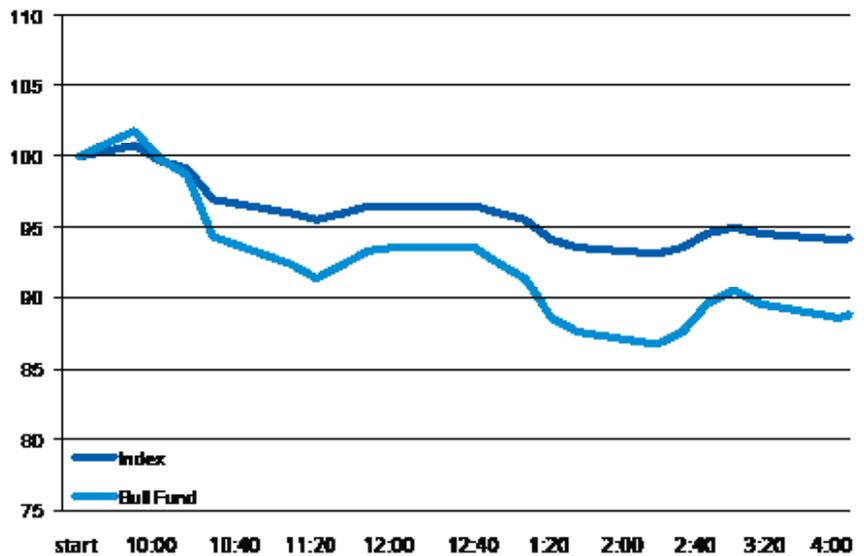
In light of the 1% loss in the Index, the Bear Fund exposure has decreased to -288% by 10:00 am. The Index moves from \$ 99 to \$102, a gain of 3.1%. The Bear Fund's NAV declines from \$103 to \$94 for the period, a loss of -8.7%, which is -288% of the Index gain.



Time of Purchase	10:00 AM	Time of Sale	2:00 PM
Index Value	99	Index Value	102
Bear NAV	\$103	Bear NAV	\$94
Bear Exposure	-288%	Fund Return	-8.70%
Initial Investment	\$10,000	Index Return	3.10%
		Fund/Index Return	-288%
		Investment at Sale	\$9,130

Scenario #3: Bull Fund Purchased at a Decreased Exposure level

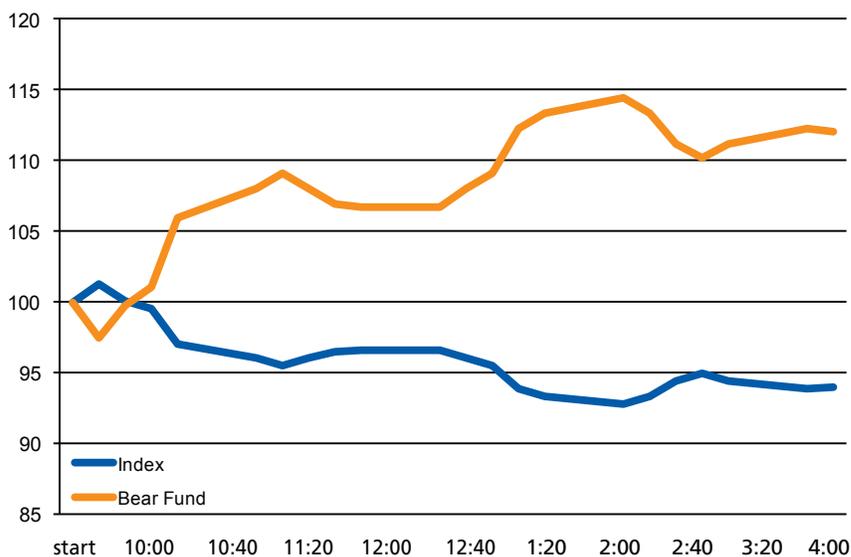
The Index, which closed the previous night at \$100, rises to \$101 by 10:00 AM, causing the Bull fund exposure to decrease to 294%. The Index moves from \$101 to \$102 during the holding period, a gain of 0.99%. The Bull Fund's NAV rises from \$103 to \$106 for the period, a gain of 2.91%, which is 294% of the Index move.



Time of Purchase	10:00 AM	Time of Sale	2:00 PM
Index Value	101	Index Value	102
Bull NAV	\$103	Bull NAV	\$106
Bull Exposure	294%	Fund Return	2.91%
Initial Investment	\$10,000	Index Return	0.99%
		Fund/Index Return	294%
		Investment at Sale	\$10,294

Scenario #4: Bear Fund Purchased at an Increased Exposure Level

In light of the 1% gain in the Index, the Bear Fund exposure has risen to -312% by 10:00 am. The Index moves from \$101 to \$102 during the holding period, a gain of 0.99%. The Bear Fund's NAV declines from \$97 to \$94 for the period, a loss of -3.09%, which is -312% of the Index gain.



Time of Purchase	10:00 AM	Time of Sale	2:00 PM
Index Value	101	Index Value	102
Bear NAV	\$97	Bear NAV	\$94
Bear Exposure	-312%	Fund Return	-3.09%
Initial Investment	\$10,000	Index Return	0.99%
		Fund/Index Return	-312%
		Investment at Sale	\$9,691

IMPORTANT TAKE AWAYS:

- If an investor purchases shares of a leveraged ETF at any other value than NAV during the day, the level of exposure will depend on the magnitude of the movement of the index.
- If the movement is in favor of the fund, the level of exposure will be less than the funds stated daily exposure target (3x in the case of Direxion Shares).
- If the movement is not in favor of the fund, the level of exposure will be greater than the funds stated daily exposure target (3x in the case of Direxion Shares).
- Once the investor has purchased, that level of exposure is set until he or she sells that position or until the next portfolio rebalance at the end of the day.
- Remember to watch INAV and understand exposure levels at the time of purchase.

Direxion Daily 3x ETFs are designed for sophisticated investors who:

- Understand the risks associated with the use of leverage
- Understand the consequences of seeking daily leveraged investment results
- Intend to actively monitor and manage their investments

These funds are not suited for conservative investors who:

- Cannot tolerate substantial losses in short periods of time
- Are unfamiliar with the unique nature and performance characteristics of funds that seek leveraged daily investment results
- Are long term investors who do not monitor their portfolios frequently

An investor should consider the investment objectives, risks, charges, and expenses of Direxion carefully before investing. The prospectus and summary prospectus contain this and other information about Direxion. To obtain a prospectus or summary prospectus, please visit www.direxioninvestments.com. The prospectus or summary prospectus should be read carefully before investing.

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. Returns for performance for one year and under are cumulative, not annualized. Short-term performance, in particular, is not a good indication of the fund's future performance, and an investment should not be made based solely on returns. For additional information, see each fund's prospectus.

Investing in funds that invest in specific industries or geographic regions may be more volatile than investing in broadly diversified funds. The use of leverage by a fund means the Funds are riskier than alternative investments which do not use leverage. The more a fund invests in leveraged instruments, the more the leverage will magnify gains or losses on those investments. The risks associated with each fund are detailed in the prospectus. These include adverse market condition risk, adviser's investment strategy risk, aggressive investment techniques risk, concentration risk, counterparty risk, credit and lower-quality debt securities risk, equity securities risk, currency exchange risk, daily correlation risk, daily rebalancing and market volatility risk, depository receipt risk, foreign and emerging markets securities risk, sector securities risk, interest rate risk, inverse correlation risk, leverage risk, market risk, non-diversification risk, shorting risk, small- and mid-cap company risk, tracking error risk, and special risks of exchange-traded funds.

Distributor: Foreside Fund Services, LLC.