

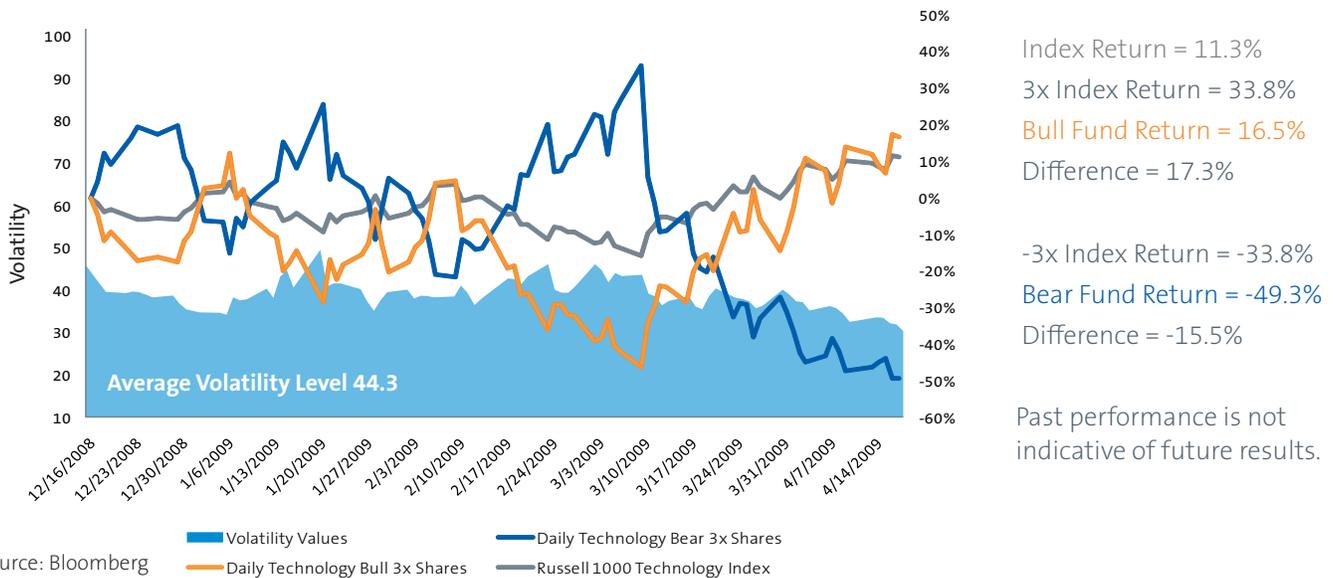
# Volatility Matters



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 the longer period. This piece illustrates how different volatility levels of a fund's benchmark index can impact the returns of leveraged ETFs for periods greater than a day.

### More Is Not Always Better

For the period of mid-December 2008 through mid-April 2009 – the Russell 1000 Technology Index, the benchmark for the Direxion Daily Technology 3x Bull (TECL) and Bear (TECS) funds, experienced higher volatility, which affected the funds' 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 11.30% over the holding period, the Bull Fund gained only 16.50%, much less than 3x the benchmark's return. The Bear Fund lost 49.30%, much more than -3x the benchmark's return.

*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.direxioninvestments.com](http://www.direxioninvestments.com).*

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.

As of 06/29/2012 the index for the funds was changed to the S&P Technology Select Sector Index. Rafferty has voluntarily agreed to waive all or a portion of its management fee and/or reimburse the funds for other expense through September 1, 2016 to the extent the Net Annual Operating Expenses exceed .95%.

### Performance (as of 12/31/2015)

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

	TECL		TECS	
	NAV	Market Close	NAV	Market Close
YTD %	4.77	4.68	-31.40	-31.13
1 Year %	4.77	4.68	-31.40	-31.13
3 Year %	44.18	44.07	-44.97	-45.03
5 Year %	26.78	26.66	-42.13	-42.11
Since Inception %	42.62	42.69	-52.64	-52.64
Expense Ratio Gross/Net*	1.02/0.95		1.18/0.95	
Inception Date	12/17/2008		12/17/2008	

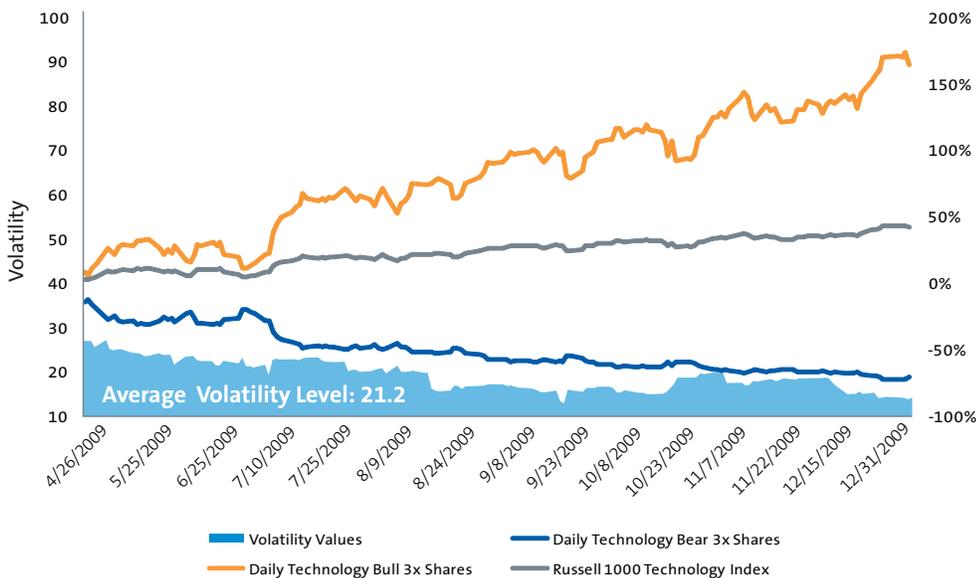
## Less May Be More

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 42.00% over the holding period. The Bull Fund gained 165.00%. That's 39 percentage points MORE than 3x of the benchmark's return. The Bear Fund lost 71.00%, which is 55 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 fund) your exposure levels beyond your original 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 = 42%  
 3x Index Return = 126%  
 Bull Fund Return = 165%  
 Difference = 39%

-3x Index Return = -126%  
 Bear Fund Return = -71%  
 Difference = 55%

Past performance is not indicative of future results.

## Volatility – Why Does it Matter?

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 fund'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 funds, while sustained market trends can result in positive effects on returns.

## The Bottom Line

### Monitor and Act When Necessary

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

- During highly volatile periods for a fund'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.

The Funds 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 managed their investments.

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*\* The Net Expense Ratio includes management fees and other operating expenses, but does not include expenses such as Acquired Fund Fees and Expenses, leveraged interest and brokerage commissions. The Funds' Advisor, Rafferty Asset Management, LLC ("Rafferty") has entered into an Operating Expense Limitation Agreement with each Fund. Under this agreement, Rafferty has contractually agreed to cap all or a portion of its management fee and/or reimburse each Fund for Other Expenses through September 1, 2017 to the extent that each Fund's Total Annual Fund Operating Expenses exceed 0.95%.*

***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, please visit [www.direxioninvestments.com](http://www.direxioninvestments.com). The prospectus should be read carefully before investing.***

For additional information, see the funds prospectus. As stated in the prospectus, the Daily Technology Bull 3x Shares annual operating expense ratio (gross) is 1.02% and the Daily Technology Bear 3x Shares annual operating expense ratio (gross) is 1.18% . Rafferty has voluntarily agreed to waive all or a portion of its management fee and/or reimburse the funds for other expenses through September 1, 2016 to the extent the Net Annual Operating Expenses exceed .95%. For the most recent month's end performance, please visit the funds website at [www.direxioninvestments.com](http://www.direxioninvestments.com).

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 the funds means the funds are riskier than alternatives which do not use leverage. The ETFs are intended to be used as short-term trading vehicles.

Shares of Direxion Shares are bought and sold at Market Price (not NAV) and are not individually redeemed from the Fund. Brokerage commissions will reduce returns. Market price returns are based upon the midpoint of the bid/ask spread at 4:00 PM Eastern Time (when NAV is normally determined) and do not represent the returns you would receive if you traded shares at other times. Fund returns assume that dividends and capital gains distributions have been reinvested in the Fund at NAV. Some performance results reflect expense subsidies and waivers in effect during certain periods shown. Absent these waivers, results would have been less favorable.

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.

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