direxion®

Direxionshares

Direxion Shares ETF Trust

PROSPECTUS

33 Whitehall Street, 10th Floor New York, New York 10004 866-476-7523

BULL FUNDS	BEAR FUNDS
Domestic Equity Index Funds	
Direxion Daily S&P 500® Bull 3X Shares	Direxion Daily S&P 500® Bear 3X Shares
Sector Funds	
Direxion Daily Basic Materials Bull 3X Shares	Direxion Daily Basic Materials Bear 3X Shares
Direxion Daily Consumer Discretionary Bull 3X Shares	Direxion Daily Consumer Discretionary Bear 3X Shares
Direxion Daily Consumer Staples Bull 3X Shares	Direxion Daily Consumer Staples Bear 3X Shares
Direxion Daily Healthcare Bull 3X Shares	Direxion Daily Healthcare Bear 3X Shares
Direxion Daily Retail Bull 3X Shares	Direxion Daily Retail Bear 3X Shares
Direxion Daily Semiconductor Bull 3X Shares	Direxion Daily Semiconductor Bear 3X Shares
Direxion Daily Utilities Bull 3X Shares	Direxion Daily Utilities Bear 3X Shares

MARCH 11, 2010

The Funds offered in this Prospectus are exchange-traded funds that seek *daily leveraged* investment results. The Funds are intended to be used as short-term trading vehicles. The Funds are not intended to be used by, and are not appropriate for, investors who do not intend to actively monitor and manage their portfolios. The Funds are very different from most mutual and exchange-traded funds. Investors should note that:

(1) The Funds pursue *daily leveraged* investment goals, which means that the Funds are riskier than alternatives that do not use leverage because the Funds magnify the performance of the benchmark of an investment.

(2) Each Bear Fund pursues investment goals which are inverse to the performance of its benchmark, a result opposite of most mutual and exchange-traded funds.

(3) The Funds seek *daily leveraged* investment results. The pursuit of daily leveraged investment goals means that the return of a Fund for a period longer than a full trading day will be the product of the series of daily leveraged returns for each trading day during the relevant period. As a consequence, especially in periods of market volatility, the path of the benchmark during the longer period may be at least as important to the Fund's return for the longer period as the cumulative return of the benchmark for the relevant longer period. Further, the return for investors that invest for periods less than a full trading day or for a period different than a trading day will not be the product of the return of the Fund's stated goal and the performance of the target index for the full trading day. The Funds are not suitable for all investors.

The Funds are designed to be utilized only by sophisticated investors, such as traders and active investors employing dynamic strategies. Such investors are expected to monitor and manage their portfolios frequently. Investors in the Funds should:

(a) understand the risks associated with the use of leverage,

(b) understand the consequences of seeking daily leveraged investment results,

(c) understand the risk of shorting, and

(d) intend to actively monitor and manage their investments.

Investors who do not understand the Funds or do not intend to actively manage their funds and monitor their investments should not buy the Funds. There is no assurance that the Funds will achieve their objectives and an investment in a Fund could lose money. No single Fund is a complete investment program.

If a Fund's underlying benchmark moves more than 33% on a given trading day in a direction adverse to the Fund, the Fund's investors would lose all of their money. The Fund's investment adviser, Rafferty Asset Management, LLC ("Rafferty" or "Adviser"), will attempt to position each Fund's portfolio to ensure that a Fund does not lose more than 90% of its net asset value on a given trading day. The cost of such downside protection will be limitations on a Fund's gains. As a consequence, a Fund's portfolio may not be responsive to index movements beyond 33% on a given trading day in a direction favorable to the Fund. For example, if a Bull Fund's target index was to gain 35%, the Bull Fund might be limited to a daily gain of 90%, which corresponds to 300% of an index gain of 30%, rather than 300% of the index gain of 35%.

The Securities and Exchange Commission has not approved or disapproved these securities or passed upon the adequacy of this prospectus. Any representation to the contrary is a criminal offense.

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OVERVIEW OF THE DIREXION SHARES ETF TRUST

The Direxion Shares ETF Trust ("Trust") is a registered investment company offering a number of separate exchange-traded funds ("Funds"). Rafferty Asset Management LLC serves as the investment adviser to each Fund. This Prospectus describes the exchange-traded funds noted below (which are sometimes referred to in this Prospectus as the "Funds") of the Trust.

The Trust will file an application to list and trade the shares of the Funds ("Shares") on NYSE Arca, Inc. ("Exchange"). When the Shares are listed and trade on the Exchange, the market prices for the Shares may be different from the intra-day value of the Shares disseminated by the Exchange and from their net asset value ("NAV"). Unlike conventional mutual funds, Shares are not individually redeemable securities. Rather, each Fund issues and redeems Shares on a continuous basis at NAV only in large blocks of Shares called "Creation Units." A Creation Unit consists of 50,000 Shares. Creation Units of the Bull Funds are issued and redeemed in cash and/or in-kind for securities included in the relevant underlying index. Creation Units of the Bear Funds are issued and redeemed for cash.

Shares may only be purchased from or redeemed with the Funds in Creation Units. As a result, retail investors generally will not be able to purchase or redeem Shares directly from or with the Funds. Most retail investors will purchase or sell Shares in the secondary market with the assistance of a broker. Thus, some of the information contained in this prospectus, such as information about purchasing and redeeming Shares from or with a Fund and all references to the transaction fee imposed on purchases and redemptions, is not relevant to retail investors.

The Funds described in this Prospectus seek to provide *daily leveraged* investment results, before fees and expenses, which correspond to the performance of a particular index or benchmark. As used in this prospectus, the terms "daily," "day," and "trading day," refer to the period from the close of the markets one trading day to the close of the markets on the next trading day. The Funds with the word "Bull" in their name (collectively, the "Bull Funds") attempt to provide investment results that correlate positively to the return of an index or benchmark, meaning the Bull Funds attempt to move in the same direction as the target index or benchmark. The Funds with the word "Bear" in their name (collectively, the "Bear Funds") attempt to provide investment results that correlate negatively to the return of an index or benchmark, meaning that the Bear Funds attempt to move in the opposite or inverse direction of the target index or benchmark. The correlations sought by the Bull Funds and the Bear Funds are generally a multiple of the returns of the target index or benchmark. The benchmark for the Direxion Daily Utilities Bull 3X Shares is 300% of the daily price performance of the Russell 1000® Utilities Index, while the benchmark for the Direxion Daily Utilities Bear 3X Shares is 300% of the inverse, or opposite, of the daily price performance of the Russell 1000® Utilities Index. If, on a given day, the Russell 1000® Utilities Index gains 1%, the Direxion Daily Utilities Bull 3X Shares is designed to gain approximately 3% (which is equal to 300% of 1%), while the Direxion Daily Utilities Bear 3X Shares is designed to lose approximately 3%. Conversely, if the Russell 1000® Utilities Index loses 1% on a given day, the Direxion Daily Utilities Bull 3X Shares is designed to lose approximately 3%, while the Direxion Daily Utilities Bear 3X Shares is designed to gain approximately 3%.

Fund	Index or Benchmark	Daily Target
Direxion Daily Basic Materials Bull 3X Shares Direxion Daily Basic Materials Bear 3X Shares	Russell 1000® Materials & Processing Index	300% –300%
Direxion Daily Consumer Discretionary Bull 3X Shares Direxion Daily Consumer Discretionary Bear 3X Shares	Russell 1000® Consumer Discretionary Index	300% –300%
Direxion Daily Consumer Staples Bull 3X Shares Direxion Daily Consumer Staples Bear 3X Shares	Russell 1000® Consumer Staples Index	300% –300%
Direxion Daily Healthcare Bull 3X Shares Direxion Daily Healthcare Bear 3X Shares	Russell 1000® Healthcare Index	300% –300%
Direxion Daily Retail Bull 3X Shares Direxion Daily Retail Bear 3X Shares	Russell 1000® Retail Index	300% –300%
Direxion Daily S&P 500® Bull 3X Shares Direxion Daily S&P 500® Bear 3X Shares	S&P 500® Index	300% –300%
Direxion Daily Semiconductor Bull 3X Shares Direxion Daily Semiconductor Bear 3X Shares	PHLX Semiconductor Sector Index	300% –300%
Direxion Daily Utilities Bull 3X Shares Direxion Daily Utilities Bear 3X Shares	Russell 1000® Utilities Index	300% –300%

To pursue these results, the Funds listed above use aggressive investment techniques such as engaging in futures, swaps and options transactions. As a result, these Funds are designed principally for experienced investors

who intend to follow an asset allocation strategy and are suitable for purchase by active investors as well as investors who engage in market timing activities. There is no assurance that the Funds will achieve their objectives and an investment in a Fund could lose money. No single Fund is a complete investment program.

Changes in Investment Objective. Each Fund's investment objective is not a fundamental policy and may be changed by the Fund's Board of Trustees without shareholder approval.

INVESTMENT TECHNIQUES AND POLICIES

Rafferty Asset Management, LLC ("Rafferty" or "Adviser"), the investment adviser to the Funds, uses a number of investment techniques in an effort to achieve the stated goal for each Fund. For the Bull Funds, Rafferty attempts to magnify the returns of each Bull Fund's index or benchmark for a one-day period. The Bear Funds are managed to provide returns inverse (or opposite) by a defined percentage to the return of each Bear Fund's index or benchmark for a one-day period. Rafferty creates net "long" positions for the Bull Funds and net "short" positions for the Bear Funds. (Rafferty may create short positions in the Bull Funds and long positions in the Bear Funds even though the net exposure in the Bull Funds will be long and the net exposure in the Bear Funds will be short.) Long positions move in the same direction as their index or benchmark, advancing when the index or benchmark advances and declining when the index or benchmark declines. Short positions move in the opposite direction of the index or benchmark, advancing when the index or benchmark declines and declining when the index or benchmark advances. Rafferty generally does not use fundamental securities analysis to accomplish such correlation. Rather, Rafferty primarily uses statistical and quantitative analysis to determine the investments each Fund makes and the techniques it employs. As a consequence, if a Fund is performing as designed, the return of the index or benchmark will dictate the return for that Fund. Each Fund pursues its investment objective regardless of market conditions and does not take defensive positions.

Each Fund has a clearly articulated goal which requires the Fund to seek economic exposure in excess of its net assets. To meet its objectives, each Fund invests in some combination of financial instruments so that it generates economic exposure consistent with the Fund's investment objective.

Each Fund invests significantly in swap agreements, futures contracts on stock indices, options on futures contracts, financial instruments such as options on securities and stock index options, and exchange-traded funds ("ETFs"). Rafferty uses these types of investments to produce economically "leveraged" investment results. Leveraging allows Rafferty to generate a greater positive or negative return than what would be generated on the invested capital without leverage, thus changing small market movements into larger changes in the value of the investments of a Fund.

The Bull Funds generally may hold a representative sample of the securities in its benchmark index. The sampling of securities that is held by a Fund is intended to maintain high correlation with, and similar aggregate characteristics (e.g., market capitalization and industry weightings) to, the benchmark index. A Fund also may invest in securities that are not included in the index or may overweight or underweight certain components of the index. A Fund's assets may be concentrated in an industry or group of industries to the extent that the Fund's benchmark index concentrates in a particular industry or group of industries. In addition, each Fund is non-diversified, which means that it may invest in the securities of a limited number of issuers.

At the close of the markets each trading day, each Fund will position its portfolio to ensure that the Fund's exposure to its benchmark is consistent with the Fund's stated goals. The impact of market movements during the day determines whether a portfolio needs to be repositioned. If the target index has risen on a given day, a Bull Fund's net assets should rise, meaning the Fund's exposure may need to be increased. Conversely, if the target index has fallen on a given day, a Bull Fund's net assets should fall, meaning the Fund's exposure may need to be reduced. If the target index has risen on a given day, a Bear Fund's net assets should fall, meaning the Fund's exposure may need to be reduced. If the target index has fallen on a given day, a Bear Fund's net assets should rise, meaning the Fund's exposure may need to be increased. A Fund's portfolio may also need to be changed to reflect changes in the composition of an index. Rafferty increases the Fund's exposure when its assets rise and reduces the Fund's exposure when its assets fall.

Each Bull and Bear Fund is designed to provide daily leveraged investment returns, before fees and expenses, that are a multiple of the returns of its index or benchmark for the stated period. While Rafferty attempts to minimize any "tracking error" (the statistical measure of the difference between the investment results of a Fund and the performance of its index or benchmark), certain factors will tend to cause a Fund's investment results to vary from the stated objective. A Fund may have difficulty in achieving its daily target due to fees and expenses, high portfolio turnover, transaction costs, significant purchase and redemption activity by Fund shareholders and/or a temporary lack of liquidity in the markets for the securities held by the Fund.

Each Bull and Bear Fund invests significantly in swap agreements, forward contracts, reverse repurchase agreements, options, futures contracts, options on futures contracts and financial instruments such as options on securities and stock index options, and caps, floors and collars. Rafferty uses these types of investments to produce economically "leveraged" investment results. Leveraging allows Rafferty to generate a greater positive or negative return than what would be generated on the invested capital without leverage, thus changing small market movements into larger changes in the value of the investments of a Fund.

Seeking daily leveraged investment results provides potential for greater gains and losses relative to benchmark performance. For instance, the Direxion Daily Utilities Bull 3X Shares seeks to provide, before fees and expenses, 300% of the daily return of the Russell 1000® Utilities Index. If the Russell 1000® Utilities Index gains 2% on a given day, the Direxion Daily Utilities Bull 3X Shares would be expected to gain about 6%. Conversely, if the Russell 1000® Utilities Index declines 2% on a given day, the Direxion Daily Utilities Bull 3X Shares would be expected to lose about 6%. However, for a period longer than one day, the pursuit of daily goals may result in daily leveraged compounding, which means that the return of an index over a period of time greater than one day multiplied by the Fund's daily target (*e.g.,* 300% or -300%) generally will not equal a Fund's performance over that same period. Consider the following examples:

Mary is considering investments in two Funds, Fund A and Fund B. Fund A is a traditional index ETF which seeks (before fees and expenses) to match the performance of the XYZ index. Fund B is a leveraged ETF and seeks daily leveraged investment results (before fees and expenses) that correspond to 300% of the daily performance of the XYZ index.

On Day 1, the XYZ index increases in value from $100 to $105, a gain of 5%. On Day 2, the XYZ index declines from $105 back to $100, a loss of 4.76%. In the aggregate, the XYZ index has not moved.

An investment in Fund A would be expected to gain 5% on Day 1 and lose 4.76% on Day 2 to return to its original value. The following example assumes a $100 investment in Fund A when the index is also valued at $100:

Day	Index Value	Index Performance	Value of Investment
	$100.00		$100.00
1	$105.00	5.00%	$105.00
2	$100.00	–4.76%	$100.00

The same $100 investment in Fund B, however, would be expected to gain 15% on Day 1 (300% of 5%) but decline 14.28% on Day 2.

Day	Index Value	Index Performance	300% of Index Performance	Value of Investment
	$100.00			$100.00
1	$105.00	5.00%	15.0%	$115.00
2	$100.00	–4.76%	–14.28%	$ 98.57

Although the percentage decline is smaller on Day 2 than the percentage gain on Day 1, the loss is applied to a higher principal amount so the investment in Fund B has a loss even when the aggregate index value for the two-day period has not declined. (These calculations do not include the charges for expense ratio and financing charges.)

As you can see, an investment in Fund B has additional risks due to the effects of leverage and compounding.

The Funds are exchange traded funds that seek daily leveraged investment results. The Funds are intended to be used as short-term trading vehicles. The Funds are not intended to be used by, and are not appropriate for, investors who do not intend to actively monitor and manage their portfolios. The Funds are very different from most mutual and exchange traded funds. First, each Fund pursues daily leveraged investment goals, which means that the Funds are riskier than alternatives that do not use leverage because the Funds magnify the performance of the benchmark of an investment. Second, the Bear Fund pursues investment goals which are inverse to the performance of its benchmark; a result opposite of most other mutual and exchange traded funds. Third, the Funds seek daily leveraged investment results. An investor who purchases shares intra-day will generally receive more, or less, than 300% exposure to the target index from that point until the end of the trading day. The actual exposure ("beta") is a function of the performance of the benchmark from the end of the prior trading day. If a Fund's shares are held for a period longer than a single trading day, the Fund's performance is likely to deviate from the multiple of the benchmark performance for the longer period. This deviation will increase with higher index volatility and longer holding periods. As a consequence, investors should not plan to hold the Funds unmonitored for periods longer than a single trading day. Further, the return for investors that invest for periods less than a full trading day or for a period different than a trading day will not be the product of the return of the Fund's stated goal and the performance of the target index for the full trading day. The Funds are not suitable for all investors.

For investments held for longer than a trading day, volatility in the performance of the benchmark from day to day is the primary cause of any disparity between a Fund's actual returns, the product of the Fund's beta and the returns of the benchmark for such longer period. Volatility causes such disparity because it exacerbates the effects of compounding

on a Fund's returns. For example, consider the following three examples:

Example 1 — Benchmark Index Experiences Low Volatility

Mary invests $10.00 in a 3X Fund at the close of trading on Day 1. During Day 2, the Fund's benchmark rises from 100 to 102, a 2% gain. Mary's investment rises 6% to $10.60. Mary holds her investment through the close of trading on Day 3, during which the Fund's benchmark rises from 102 to 104, a gain of 1.96%. Mary's investment rises to $11.22, a gain during Day 3 of 5.88%. For the two day period since Mary invested in the Fund, the benchmark gained 4% although Mary's investment increased by 12.2%. Because the benchmark index continued to trend upwards with low volatility, Mary's return closely correlates to the 300% return of the return of the index for the period.

John invests $10.00 in a 3X Bear Fund at the close of trading on Day 1. During Day 2, the Fund's benchmark gains 2%, and John's investment falls by 6% to $9.40. On Day 3, the benchmark rises by 1.96%, and John's fund falls by 5.88% to $8.85. For the two day period the benchmark returned 4% while the fund lost 11.5%. John's return still correlates to -300% return of the index, but not as closely as Mary's investment in a 3X Bull fund.

Example 2 — Benchmark Index Experiences High Volatility

Mary invests $10.00 in a 3X Fund after the close of trading on Day 1. During Day 2, the Fund's benchmark rises from 100 to 102, a 2% gain, and Mary's investment rises 6% to $10.60. Mary continues to hold her investment through the end of Day 3, during which the Fund's benchmark declines from 102 to 98, a loss of 3.92%. Mary's investment declines by 11.76%, from $10.60 to $9.35. For the two day period since Mary invested in the Fund, the Fund's benchmark index lost 2% while Mary's investment decreased from $10 to $9.35, a 6.47% loss. The volatility of the benchmark affected the correlation between the benchmark index's return for the two day period and Mary's return. In this situation, Mary lost more than three times the return of the benchmark index.

Conversely, John invests $10.00 in a 3X Bear Fund after the close of trading on Day 1. During Day 2, the Fund's benchmark rises from 100 to 102, a 2% gain, and John's investment falls 6% to $9.40. John continues to hold his investment through the end of Day 3, during which the Fund's benchmark declines from 102 to 98, a loss of 3.92%. John's investment rises by 11.76%, from $9.40 to $10.51. For the two day period since John invested in the Fund, the Fund's benchmark index lost 2% while John's investment increased from $10 to $10.51, a 5.06% gain. The volatility of the benchmark affected the correlation between the benchmark index's return for the two day period and John's return. In this situation, John gained less than three times the return of the benchmark index.

Example 3 — Intra-day Investment with Volatility

The examples above assumed that Mary purchased the Fund at the close of trading on Day 1 and sold her investment at the close of trading on a subsequent day. However, if she made an investment intra-day, she would have received a beta determined by the performance of the benchmark from the end of the prior trading day until her time of purchase on the next trading day. Consider the following example.

Mary invests $10.00 in a 3X Fund at 11 a.m. on Day 2. From the close of trading on Day 1 until 11 a.m. on Day 2, the index moved from 100 to 102, a 2% gain. In light of that gain, the Fund beta at the point at which Mary invests is 289%. During the remainder of Day 2, the Fund's benchmark rises from 102 to 110, a gain of 7.84%, and Mary's investment rises 22.7% (which is the benchmark gain of 7.84% multiplied by the 289% beta that she received) to $12.27. Mary continues to hold her investment through the close of trading on Day 2, during which the Fund's benchmark declines from 110 to 90, a loss of 18.18%. Mary's investment declines by 54.5%, from $12.27 to $5.58. For the period of Mary's investment, the Fund's benchmark declined from 102 to 90, a loss of 11.76%, while Mary's investment decreased from $10.00 to $5.58, a 56% loss. The volatility of the benchmark affected the correlation between the benchmark index's return for period and Mary's return. In this situation, Mary lost more than three times the return of the benchmark index. Mary was also hurt because she missed the first 2% move of the benchmark and had a beta of 289% for the remainder of Day 2.

The Funds are designed to be utilized only by sophisticated investors, such as traders and active investors employing dynamic strategies. Such investors are expected to monitor and manage their portfolios frequently. Investors in the Funds should: (a) understand the risks associated with the use of leverage, (b) understand the consequences of seeking daily leveraged investment results, (c) understand the risk of shorting, and (d) intend to actively monitor and manage their investments. Investors who do not understand the Funds or do not intend to actively manage their funds and monitor their investments should not buy the Funds. There is no assurance that the Funds will achieve their objectives and an investment in a Fund could lose money. No single Fund is a complete investment program.

Market Volatility. Each Fund seeks to provide a return which is a multiple of the daily performance of its benchmark. No Fund attempts to, and no Fund should be expected to, provide returns which are a multiple of the return of the benchmark for periods other than a single day. Each Fund rebalances its portfolio on a daily basis, increasing exposure in response to

that day's gains or reducing exposure in response to that day's losses.

Daily rebalancing will impair a Fund's performance if the benchmark experiences volatility. For instance, a hypothetical 3X Bull Fund would be expected to lose 11% (as shown in Table 1 below) if its benchmark provided no return over a one year period during which its benchmark experienced annualized volatility of 20%. A hypothetical 3X Bear Fund would be expected to lose 21% (as shown in Table 1 below) if its benchmark provided no return over a one year period during which its benchmark experienced annualized volatility of 20%. If the benchmark's annualized volatility were to rise to 40%, the hypothetical loss for a one year period for a Bull Fund widens to approximately 38% while the loss for a Bear Fund rises to 62%. At higher ranges of volatility, there is a chance of a near complete loss of Fund value even if the benchmark is flat. For instance, if annualized volatility of the benchmark is 90%, both a Bull and a Bear Fund targeted to the same benchmark would be expected to lose more than 90% of their value even if the cumulative benchmark return for the year was 0%. An index's volatility rate is a statistical measure of the magnitude of fluctuations in the returns of an index.

Table 1

Volatility Range	Bull Fund Loss	Bear Fund Loss
10%	–3%	–6%
20%	–11%	–21%
30%	–24%	–42%
40%	–38%	–62%
50%	–53%	–78%
60%	–67%	–89%
70%	–78%	–95%
80%	–87%	–98%
90%	–92%	–99%
100%	–96%	–99%

Table 2 shows the range of volatility for each of the indexes to which one of the Funds is benchmarked over the six months ended December 31, 2009. The indexes to which the Funds are benchmarked have historical volatility rates over that period ranging from 7% to 36%. Since market volatility has negative implications for Funds which rebalance daily, investors should be sure to monitor and manage their investments in the Funds in volatile markets. The negative implications of volatility in Table 1 can be combined with the recent volatility ranges of various indexes in Table 2 to give investors some sense of the risks of holding the Funds for long periods. **These tables are intended to simply underscore the fact that the Funds are designed as short-term trading vehicles for investors who intend to actively monitor and manage their portfolios. They are not intended to be used by, and are not appropriate for, investors who do not intend to actively monitor and manage their portfolios.**

Table 2

Index	Volatility Range
PHLX Semiconductor Sector Index	26%
Russell 1000® Consumer Discretionary Index	19%
Russell 1000® Consumer Staples Index	11%
Russell 1000® Healthcare Index	13%
Russell 1000® Materials & Processing Index	25%
Russell 1000® Retail Index	17%
Russell 1000® Utilities Index	14%
S&P 500® Index	17%

A Precautionary Note to Investors Regarding Dramatic Index Movement. Each Bull Fund seeks daily exposure to its target index equal to 300% of its net assets while each Bear Fund seeks daily exposure to its target index equal to -300% of its net assets. As a consequence, a Fund could theoretically lose an amount greater than its net assets in the event of a movement of its target index in excess of 33% in a direction adverse to the Fund (meaning a decline in the value of the target index of a Bull Fund and a gain in the value of the target index for a Bear Fund). Rafferty will attempt to position each Fund's portfolio to ensure that a Fund does not lose more than 90% of its net asset value on a given day. The cost of such downside protection will be symmetrical limitations on gains. If Rafferty successfully positions a Fund's portfolio to provide such limits, a Fund's portfolio and net asset value will not be responsive to movements in its target index beyond 30% in a given day, whether that movement is favorable or adverse to the Fund. For example, if a Bull Fund's target index were to gain 35%, the Bull Fund might be limited to a daily gain of 90%, which corresponds to 300% of an index gain of 30%, rather than 105%, which is 300% of the index gain of 35%. Rafferty cannot be assured of similarly limiting a Fund's losses and shareholders should not expect such protection. In short, the risk of total loss exists. In the event of a severe index movement within one trading day, which results in such a limit on gains and losses, a Fund's performance may be inconsistent with its stated investment objective.

The intra-day value of a Fund's shares, otherwise known as the "indicative optimized portfolio value" or "IOPV," which is disseminated by the Exchange every 15 seconds throughout the business day, is based on the current market value of the securities and cash required to be deposited in exchange for a Creation Unit on the prior business day. The IOPV does not necessarily reflect the precise composition of the current portfolio of securities held by a Fund at a particular point in time, nor the best possible valuation of the current portfolio. Therefore, the IOPV should not be viewed as a "real-time" update of the Fund's NAV, which is computed only once a day.

The Projected Return of a Bull Fund for a Single Trading Day. A Bull Fund seeks to provide a daily return that is a multiple of the daily return of a target index or benchmark. Doing so requires the use of leveraged investment techniques, which

necessarily incur financing charges. For instance, the Direxion Daily Utilities Bull 3X Shares seeks exposure to its benchmark in an amount equal to 300% of its assets, meaning it uses leveraged investment techniques to seek exposure to the Russell 1000® Utilities Index in an amount equal to 300% of its net assets. In light of the financing charges and a Bull Fund's operating expenses, the expected return of a Bull Fund over one trading day is equal to the gross expected return, which is the daily benchmark return multiplied by the Bull Fund's target, minus (i) financing charges incurred by the portfolio and (ii) daily operating expenses. For instance, if the Russell 1000® Utilities Index returns 2% on a given day, the gross expected return of the Direxion Daily Utilities Bull 3X Shares would be 6%, but the net expected return, which factors in the cost of financing the portfolio and the impact of operating expenses, would be lower. Each Fund will reposition its portfolio at the end of every trading day. Therefore, if an investor purchases Fund shares at close of the markets on a given trading day, the investor's exposure to the target index of a Bull Fund would reflect 300% of the performance of the index during the following trading day, subject to the charges and expenses noted above, regardless of whether the investor sells the shares during that day.

The Projected Return of a Bear Fund for a Single Trading Day. A Bear Fund seeks to provide a daily return which is a multiple of the inverse (or opposite) of the daily return of a target index or benchmark. To create the necessary exposure, a Bear Fund engages in short selling — borrowing and selling securities it does not own. The money that a Bear Fund receives from short sales — the short sale proceeds — is an asset of the Bear Fund that can generate income to help offset the Bear Fund's operating expenses. However, the costs of creating short exposure, which may require the Fund's counterparties to borrow and sell certain securities, may offset or outweigh such income. As the holder of a short position, a Bear Fund also is responsible for paying the dividends and interest accruing on the short position, which is an expense to the Fund that could cause the Fund to lose money on the short sale and may adversely affect its performance. Each Fund will reposition its portfolio at the end of every trading day. Therefore, if an investor purchases Fund shares at close of the markets on a given trading day, the investor's exposure to the target index of a Bear Fund would reflect 300% of the inverse performance of the index during the following trading day, subject to the charges and expenses noted above, regardless of whether the investor sells the shares during that day.

The Projected Returns of Leveraged Index Funds for Periods Other Than a Single Trading Day. The Funds seek leveraged investment results on a daily basis — from the close of regular trading on one trading day to the close on the next trading day — which should not be equated with seeking a leveraged goal for any other period.

The Projected Returns of Leveraged Index Funds for Intra-Day Purchases. Because the Funds rebalance their portfolios once daily, an investor who purchases shares during a day will likely have more, or less, than 300% leveraged investment exposure to the target index. The exposure to the target index received by an investor who purchases a Fund intra-day will differ from the Fund's stated daily 300% or -300% leveraged investment goal by an amount determined by the movement of the target index from its value at the end of the prior day. If the target index moves in a direction favorable to the Fund between the close of the market on one trading day through the time on the next trading day when the investor purchases Fund shares, the investor will receive less exposure to the target index than the stated 300% or -300% fund daily goal. Conversely, if the target index moves in a direction adverse to the Fund, the investor will receive more exposure to the target index than the stated 300% or -300% fund daily goal.

Table 3 below indicates the exposure to the target index that an intra-day purchase of a Bull Fund would be expected to provide based upon the movement in the value of the Bull Fund's target index from the close of the market on the prior trading day. Such exposure holds until a subsequent sale on that same trading day or until the close of the market on that trading day. For instance, if the target index of a Bull Fund has moved 2% in a direction favorable to the Bull Fund, the investor would receive exposure to the performance of the target index from that point until the investor sells later that day or the end of the day equal to approximately 289% of the investor's investment. Conversely, if the target index has moved 2% in a direction unfavorable to the Fund, an investor at that point would receive exposure to the performance of the target index from that point until the investor sells later that day or the end of the day equal to approximately 313% of the investor's investment. (The table includes a range of index moves from 5% to -5%; index moves beyond the range noted below will result in exposure further from the Fund's daily goal.)

Table 3

Index Move	Resulting Exposure
–5%	3.35
–4%	3.23
–3%	3.20
–2%	3.13
–1%	3.06
0%	3.00
1%	2.94
2%	2.89
3%	2.84
4%	2.79
5%	2.74

Table 4 below indicates the exposure to the target index that an intra-day purchase of a Bear Fund would be expected to

provide based upon the movement in the value of the Bear Fund's target index from the close of the market on the prior trading day. Such exposure holds until a subsequent sale on that same trading day or until the close of the market on that trading day. Table 4 indicates that, if the target index of a Bear Fund has moved 2% in a direction favorable to the Bear Fund, the investor would receive exposure to the performance of the target index from that point until the investor sells later that day or the end of the day equal to approximately -277% of the investor's investment. Conversely, if the target index has moved 2% in a direction unfavorable to the Fund, an investor would receive exposure to the performance of the target index from that point until the investor sells later that day or the end of the day equal to approximately -326% of the investor's investment. (The table includes a range of index moves from 5% to -5%; index moves beyond the range noted below will result in exposure further from the Fund's daily goal.)

Table 4

Index Move	Resulting Exposure
–5%	–2.48
–4%	–2.57
–3%	–2.67
–2%	–2.77
–1%	–2.88
0%	–3.00
1%	–3.12
2%	–3.26
3%	–3.40
4%	–3.55
5%	–3.71

The Projected Returns of Leveraged Index Funds for Shares Held Longer than a Full Trading Day. The Funds seek daily leveraged investment results which should not be equated with seeking a leveraged goal for longer than a day. For instance, if the Russell 1000® Utilities Index gains 10% for a week, the Direxion Daily Utilities Bull 3X Shares should not be expected to provide a return of 30% for the week even if it meets its daily target throughout the week. This is true because of the financing charges noted above but also because the pursuit of daily goals may result in daily leveraged compounding, which means that the return of an index over a period of time greater than one day multiplied by a Fund's daily target or inverse daily target (*e.g.*, 300% or -300%) will not generally equal a Fund's performance over that same period.

The following charts set out a range of hypothetical daily performances during a given 10 trading days of an index and demonstrate how changes in the index impact the Funds' performance for trading day and cumulatively up to, and including, the entire 10 trading day period. The charts are based on a hypothetical $100 investment in the Funds over a 10 trading day period and do not reflect expenses of any kind.

Table 5 — The Market Lacks a Clear Trend

	Index			Bull Fund			Bear Fund		
	Value	Daily Performance	Cumulative Performance	NAV	Daily Performance	Cumulative Performance	NAV	Daily Performance	Cumulative Performance
	100			$100.00			$100.00		
Day 1	105	5.00%	5.00%	$115.00	15.00%	15.00%	$ 85.00	–15.00%	–15.00%
Day 2	110	4.76%	10.00%	$131.43	14.29%	31.43%	$ 72.86	–14.29%	–27.14%
Day 3	100	–9.09%	0.00%	$ 95.58	–27.27%	–4.42%	$ 92.73	27.27%	–7.27%
Day 4	90	–10.00%	–10.00%	$ 66.91	–30.00%	–33.09%	$120.55	30.00%	20.55%
Day 5	85	–5.56%	–15.00%	$ 55.76	–16.67%	–44.24%	$140.64	16.67%	40.64%
Day 6	100	17.65%	0.00%	$ 85.28	52.94%	–14.72%	$ 66.18	–52.94%	–33.82%
Day 7	95	–5.00%	–5.00%	$ 72.48	–15.00%	–27.52%	$ 76.11	15.00%	–23.89%
Day 8	100	5.26%	0.00%	$ 83.93	15.79%	–16.07%	$ 64.09	–15.79%	–35.91%
Day 9	105	5.00%	5.00%	$ 96.52	15.00%	–3.48%	$ 54.48	–15.00%	–45.52%
Day 10	100	–4.76%	0.00%	$ 82.73	–14.29%	–17.27%	$ 62.26	14.29%	–37.74%

The cumulative performance of the index in Table 5 is 0% for 10 trading days. The hypothetical return of the Bull Fund for the 10 trading day period is -17.27%, while the hypothetical return of the Bear Fund is -37.74%. The volatility of the benchmark performance and lack of clear trend results in performance for each Fund for the period which bears little relationship to the performance of the index for the 10 trading day period.

Table 6 — The Market Rises in a Clear Trend

	Index			Bull Fund			Bear Fund		
	Value	Daily Performance	Cumulative Performance	NAV	Daily Performance	Cumulative Performance	NAV	Daily Performance	Cumulative Performance
	100			$100.00			$100.00		
Day 1	102	2.00%	2.00%	$106.00	6.00%	6.00%	$ 94.00	–6.00%	–6.00%
Day 2	104	1.96%	4.00%	$112.24	5.88%	12.24%	$ 88.47	–5.88%	–11.53%
Day 3	106	1.92%	6.00%	$118.71	5.77%	18.71%	$ 83.37	–5.77%	–16.63%
Day 4	108	1.89%	8.00%	$125.43	5.66%	25.43%	$ 78.65	–5.66%	–21.35%
Day 5	110	1.85%	10.00%	$132.40	5.56%	32.40%	$ 74.28	–5.56%	–25.72%
Day 6	112	1.82%	12.00%	$139.62	5.45%	39.62%	$ 70.23	–5.45%	–29.77%
Day 7	114	1.79%	14.00%	$147.10	5.36%	47.10%	$ 66.46	–5.36%	–33.54%
Day 8	116	1.75%	16.00%	$154.84	5.26%	54.84%	$ 62.97	–5.26%	–37.03%
Day 9	118	1.72%	18.00%	$162.85	5.17%	62.85%	$ 59.71	–5.17%	–40.29%
Day 10	120	1.69%	20.00%	$171.13	5.08%	71.13%	$ 56.67	–5.08%	–43.33%

The cumulative performance of the index in Table 6 is 20% for 10 trading days. The hypothetical return of the Bull Fund for the 10 trading day period is 71.13%, while the hypothetical return of the Bear is -43.33%. In this case, because of the positive index trend, the Bull Fund gain is greater than 300% of the index gain and the Bear Fund decline is less than -300% of the index gain for the 10 trading day period.

Table 7 — The Market Declines in a Clear Trend

	Index			Bull Fund			Bear Fund		
	Value	Daily Performance	Cumulative Performance	NAV	Daily Performance	Cumulative Performance	NAV	Daily Performance	Cumulative Performance
	100			$100.00			$100.00		
Day 1	98	–2.00%	–2.00%	$ 94.00	–6.00%	–6.00%	$106.00	6.00%	6.00%
Day 2	96	–2.04%	–4.00%	$ 88.24	–6.12%	–11.76%	$112.49	6.12%	12.49%
Day 3	94	–2.08%	–6.00%	$ 82.73	–6.25%	–11.76%	$119.52	6.25%	19.52%
Day 4	92	–2.13%	–8.00%	$ 77.45	–6.38%	–22.55%	$127.15	6.38%	27.15%
Day 5	90	–2.17%	–10.00%	$ 72.40	–6.52%	–27.60%	$135.44	6.52%	35.44%
Day 6	88	–2.22%	–12.00%	$ 67.57	–6.67%	–32.43%	$144.47	6.67%	44.47%
Day 7	86	–2.27%	–14.00%	$ 62.96	–6.82%	–37.04%	$154.32	6.82%	54.32%
Day 8	84	–2.33%	–16.00%	$ 58.57	–6.98%	–41.43%	$165.09	6.98%	65.09%
Day 9	82	–2.38%	–18.00%	$ 54.39	–7.14%	–45.61%	$176.88	7.14%	76.88%
Day 10	80	–2.44%	–20.00%	$ 50.41	–7.32%	–49.59%	$189.82	7.32%	89.82%

The cumulative performance of the index in Table 7 is -20% for 10 trading days. The hypothetical return of the Bull Fund for the 10 trading day period is -49.59%, while the hypothetical return of the Bear Fund 89.82%. In this case, because of the negative index trend, the Bull Fund decline is less than 300% of the index decline and the Bear Fund gain is greater than 300% of the index decline for the 10 trading day period.

PRINCIPAL RISKS

An investment in any of the Funds entails risks. The Funds could lose money, or their performance could trail that of other investment alternatives. Rafferty cannot guarantee that any of the Funds will achieve their objective. In addition, the Funds present some risks not traditionally associated with most mutual and exchange traded funds. It is important that investors closely review and understand these risks before making an investment in the Funds. Unprecedented recent turbulence in financial markets and reduced liquidity in equity, credit and fixed income markets may negatively affect many issuers worldwide, which could have an adverse effect on the Funds. The table below provides the principal risks of investing in the Funds. Following the table, each risk is explained.

	Adverse Market Conditions Risk	Adviser's Investment Strategy Risk	Basic Materials Sector Risk	Concentration Risk	Consumer Discretionary Sector Risk	Consumer Staples Sector Risk	Counterparty Risk	Credit Risk	Currency Exchange Rate Risk	Daily Correlation Risk	Derivatives Risk	Early Close/ Trading Halt Risk	Effects of Compounding and Market Volatility Risk	Emerging Markets Risk	Equity Securities Risk	Foreign Securities Risk	Gain Limitation Risk
Direxion Daily Basic Materials Bull 3X Shares	X	X	X	X			X	X	X	X	X	X	X		X	X	X
Direxion Daily Basic Materials Bear 3X Shares	X	X	X	X			X	X	X	X	X	X	X		X	X	X
Direxion Daily Consumer Discretionary Bull 3X Shares	X	X		X	X		X	X		X	X	X	X		X	X	X
Direxion Daily Consumer Discretionary Bear 3X Shares	X	X		X	X		X	X		X	X	X	X		X	X	X
Direxion Daily Consumer Staples Bull 3X Shares	X	X		X		X	X	X		X	X	X	X		X	X	X
Direxion Daily Consumer Staples Bear 3X Shares	X	X		X		X	X	X		X	X	X	X		X	X	X
Direxion Daily Healthcare Bull 3X Shares	X	X		X			X	X		X	X	X	X		X	X	X
Direxion Daily Healthcare Bear 3X Shares	X	X		X			X	X		X	X	X	X		X	X	X
Direxion Daily Retail Bull 3X Shares	X	X		X			X	X	X	X	X	X	X		X	X	X
Direxion Daily Retail Bear 3X Shares	X	X		X			X	X	X	X	X	X	X		X	X	X
Direxion Daily S&P 500® Bull 3X Shares	X	X					X	X		X	X	X	X		X		X
Direxion Daily S&P 500® Bear 3X Shares	X	X					X	X		X	X	X	X		X		X
Direxion Daily Semiconductor Bull 3X Shares	X	X		X			X	X		X	X	X	X		X		X
Direxion Daily Semiconductor Bear 3X Shares	X	X		X			X	X		X	X	X	X		X		X
Direxion Daily Utilities Bull 3X Shares	X	X		X			X	X	X	X	X	X	X	X	X	X	X
Direxion Daily Utilities Bear 3X Shares	X	X		X			X	X	X	X	X	X	X	X	X	X	X

	Healthcare Sector Risk	Intra-Day Investment Risk	Inverse Correlation Risk	Leverage Risk	Market Risk	Market Timing Risk	Negative Implications of Daily Goals in Volatile Markets	Non-Diversification Risk	Regulatory Risk	Retail Sector Risk	Risks of Investing in Other Investment Companies and ETFs	Semiconductors Industry Risk	Shorting Risk	Small and Mid Capitalization Company Risk	Tax and Distribution Risk	Tracking Error Risk	Utilities Sector Risk	Valuation Time Risk	Special Risks of Exchange Traded Funds
Direxion Daily Basic Materials Bull 3X Shares		X		X	X	X	X	X	X		X			X	X	X		X	X
Direxion Daily Basic Materials Bear 3X Shares		X	X	X	X	X	X	X	X		X		X	X	X	X		X	X
Direxion Daily Consumer Discretionary Bull 3X Shares		X		X	X	X	X	X	X		X			X	X	X		X	X
Direxion Daily Consumer Discretionary Bear 3X Shares		X	X	X	X	X	X	X	X		X		X	X	X	X		X	X
Direxion Daily Consumer Staples Bull 3X Shares		X		X	X	X	X	X	X		X			X	X	X		X	X
Direxion Daily Consumer Staples Bear 3X Shares		X	X	X	X	X	X	X	X		X		X	X	X	X		X	X
Direxion Daily Healthcare Bull 3X Shares	X	X		X	X	X	X	X	X		X			X	X	X		X	X
Direxion Daily Healthcare Bear 3X Shares	X	X	X	X	X	X	X	X	X		X		X	X	X	X		X	X
Direxion Daily Retail Bull 3X Shares		X		X	X	X	X	X	X	X	X			X	X	X		X	X
Direxion Daily Retail Bear 3X Shares		X	X	X	X	X	X	X	X	X	X		X	X	X	X		X	X
Direxion Daily S&P 500® Bull 3X Shares		X		X	X	X	X	X	X		X				X	X			X
Direxion Daily S&P 500® Bear 3X Shares		X	X	X	X	X	X	X	X		X		X		X	X			X
Direxion Daily Semiconductor Bull 3X Shares		X		X	X	X	X	X	X		X	X		X	X	X			X
Direxion Daily Semiconductor Bear 3X Shares		X	X	X	X	X	X	X	X		X	X	X	X	X	X			X
Direxion Daily Utilities Bull 3X Shares		X		X	X	X	X	X	X		X				X	X	X	X	X
Direxion Daily Utilities Bear 3X Shares		X	X	X	X	X	X	X	X		X		X		X	X	X	X	X

Adverse Market Conditions Risk

The performance of each Fund is designed to correlate to the performance of an index or benchmark. As a consequence, a Fund's performance will suffer during conditions which are adverse to the Fund's investment goals. For example, if the target index has risen on a given day, a Bear Fund's performance should fall. Conversely, if the target index has fallen on a given day, a Bull Fund's performance also should fall.

Adviser's Investment Strategy Risk

While the Adviser seeks to take advantage of investment opportunities for Funds that will maximize their investment returns, there is no guarantee that such opportunities will ultimately benefit the Funds. The Adviser will aggressively change the Funds' portfolios in response to market conditions that are unpredictable and may expose the Funds to greater market risk than conventional funds. There is no assurance that the Adviser's investment strategy will enable the Funds to achieve their investment objectives.

Basic Materials Risk

The Direxion Daily Basic Materials Bull 3X Shares and Direxion Daily Basic Materials Bear 3X Shares invest in the securities of companies in the basic materials sector. Companies in the basic materials sector could be adversely affected by commodity price volatility, exchange rates, import controls and increased competition. The production of industrial materials often exceeds demand as a result of over-building or economic downturns, leading to poor investment returns. Companies in the basic materials sector also are at risk for environmental damage and product liability claims, and may be adversely affected by depletion of resources, technical progress, labor relations, and governmental regulations.

Concentration Risk

Concentration risk results from focusing a Fund's investments in a specific industry or group of industries. The performance of a Fund that focuses its investments in a particular industry or sector may be more volatile than a fund that does not concentrate its investments. A Fund that concentrates its investments in an industry or group of industries also may be more susceptible to any single economic market, political or regulatory occurrence affecting that industry or group of industries.

Consumer Discretionary Risk

The Direxion Daily Consumer Discretionary Bull 3X Shares and Direxion Daily Consumer Discretionary Bear 3X Shares invest in the securities of companies in the consumer discretionary sector. Because companies in the consumer discretionary sector manufacture products and provide discretionary services directly to the consumer, the success of these companies is tied closely to the performance of the overall domestic and international economy, interest rates, competition and consumer confidence. Success depends heavily on disposable household income and consumer spending. Changes in demographics and consumer tastes also can affect the demand for, and success of, consumer discretionary products in the marketplace.

Consumer Staples Risk

The Direxion Daily Consumer Staples Bull 3X Shares and Direxion Daily Consumer Staples Bear 3X Shares invest in the securities of companies in the consumer staples sector. The consumer staples sector may be affected by the permissibility of using various food additives and production methods, fads, marketing campaigns and other factors affecting consumer demand. In particular, tobacco companies may be adversely affected by new laws, regulations and litigation. The consumer staples sector may also be adversely affected by changes or trends in commodity prices, which may be influenced or characterized by unpredictable factors.

Counterparty Risk

The Funds may invest in financial instruments involving counterparties for the purpose of attempting to gain exposure to a particular group of securities or asset class without actually purchasing those securities or investments, or to hedge a position. Such financial instruments include, but are not limited to, total return, index, interest rate, and credit default swap agreements, and structured notes. The Funds will use short-term counterparty agreements to exchange the returns (or differentials in rates of return) earned or realized in particular predetermined investments or instruments. The Funds will not enter into any agreement involving a counterparty unless the Adviser believes that the other party to the transaction is creditworthy. The use of swap agreements and structured notes involves risks that are different from those associated with ordinary portfolio securities transactions. For example, the Funds bear the risk of loss of the amount expected to be received under a swap agreement in the event of the default or bankruptcy of a swap agreement counterparty. In addition, the Funds may enter into swap agreements with a limited number of counterparties, and certain of the Funds may invest in commodity-linked structured notes issued by a limited number of issuers that will act as counterparties, which may increase the Fund's exposure to counterparty credit risk. Swap agreements also may be considered to be illiquid. Further, there is a risk that no suitable counterparties are willing to enter into, or continue to

enter into, transactions with the Funds and, as a result, the Funds may not be able to achieve their investment objectives.

Credit Risk

A Fund could lose money if the issuer or guarantor of a debt security goes bankrupt or is unable or unwilling to make interest payments and/or repay principal. Changes in an issuer's financial strength or in an issuer's or debt security's credit rating also may affect a security's value and thus have an impact on Fund performance.

Currency Exchange Rate Risk

Changes in foreign currency exchange rates will affect the value of what a Fund owns and the Fund's share price. Generally, when the U.S. dollar rises in value against a foreign currency, an investment in that country loses value because that currency is worth fewer U.S. dollars. Devaluation of a currency by a country's government or banking authority also will have a significant impact on the value of any investments denominated in that currency. Currency markets generally are not as regulated as securities markets.

Daily Correlation Risk

There can be no guarantee that a Fund will achieve a high degree of correlation with its investment objective relative to its benchmark index. A failure to achieve a high degree of correlation may prevent a Fund from achieving its investment objective. A number of factors may adversely affect a Fund's correlation with its benchmark, including fees, expenses, transaction costs, costs associated with the use of leveraged investment techniques, income items and accounting standards. A Fund may not have investment exposure to all securities in its underlying benchmark index, or its weighting of investment exposure to such stocks or industries may be different from that of the index. In addition, a Fund may invest in securities or financial instruments not included in the index underlying its benchmark. A Fund may be subject to large movements of assets into and out of the Fund, potentially resulting in the Fund being over- or under-exposed to its benchmark. Activities surrounding annual index reconstitutions and other index rebalancing or reconstitution events may hinder the Funds' ability to meet their daily investment objective on that day. Each Fund seeks to rebalance its portfolio daily to keep leverage consistent with each Fund's daily investment objective.

Derivatives Risk

The Funds use investment techniques, including investments in derivatives and other instruments that attempt to track the price movement of underlying securities or indices, which may be considered aggressive. The derivative instruments that the Funds may invest in and how Rafferty uses derivatives to obtain leveraged investment results are described in "Investment Techniques and Policies." Investments in derivatives in general are subject to market risks that may cause their prices to fluctuate over time. In addition, such instruments may experience potentially dramatic price changes (losses) and imperfect correlations between the price of the contract and the underlying security or index which will increase the volatility of the Funds and may involve a small investment of cash relative to the magnitude of the risk assumed. The use of derivatives may expose the Funds to additional risks that they would not be subject to if they invested directly in the securities underlying those derivatives. The use of derivatives may result in larger losses or smaller gains than otherwise would be the case.

Early Close/Trading Halt Risk

An exchange or market may close or issue trading halts on specific securities, or the ability to buy or sell certain securities or financial instruments may be restricted, which may result in a Fund being unable to buy or sell certain securities or financial instruments. In such circumstances, a Fund may be unable to rebalance its portfolio, may be unable to accurately price its investments and/or may incur substantial trading losses.

Effects of Compounding and Market Volatility Risk

There can be no guarantee that a Fund will achieve a high degree of correlation with its investment objective relative to its benchmark index. A failure to achieve a high degree of correlation may prevent a Fund from achieving its investment objective. A number of factors may adversely affect a Fund's correlation with its benchmark, including fees, expenses, transaction costs, costs associated with the use of leveraged investment techniques, income items and accounting standards. A Fund may not have investment exposure to all securities in its underlying benchmark index, or its weighting of investment exposure to such stocks or industries may be different from that of the index. In addition, a Fund may invest in securities or financial instruments not included in the index underlying its benchmark. A Fund may be subject to large movements of assets into and out of the Fund, potentially resulting in the Fund being over- or under-exposed to its benchmark. Activities surrounding annual index reconstitutions and other index rebalancing or reconstitution events may hinder the Funds' ability to meet their daily investment objective on that day. Each Fund seeks to rebalance its portfolio daily to keep leverage consistent with each Fund's daily investment objective.

Each Fund does not attempt to, and should not be expected to, provide returns which are a multiple of the return of the

Index for periods other than a single day. Each Fund rebalances its portfolio on a daily basis, increasing exposure in response to that day's gains or reducing exposure in response to that day's losses. This means that for a period longer than one day, the pursuit of daily goals may result in daily leveraged compounding. It also means that the return of an index over a period of time greater than one day multiplied by the Fund's daily target (*e.g.,* 300% or -300%) generally will not equal the Fund's performance over that same period.

As a result, over time, the cumulative percentage increase or decrease in the value of the Fund's portfolio may diverge significantly from the cumulative percentage increase or decrease in the multiple of the return of the Fund's underlying index due to the compounding effect of losses and gains on the returns of the Fund. It also is expected that the Fund's use of leverage will cause the Fund to underperform the compounded return of three times its benchmark in a trendless or flat market.

The effect of compounding becomes more pronounced on the Fund's performance as the Index experiences volatility. The Index's volatility rate is a statistical measure of the magnitude of fluctuations in the returns of the Index. The tables below provide examples of how Index volatility could affect the Funds' performance. The charts show estimated Fund returns for a number of combinations of performance and volatility over a five-year period.

As shown in Tables 8 and 9 below, a Bull Fund would be expected to lose 17.1% and a Bear Fund would be expected to lose 31.3% if their Index provided no return over a one year period during which the Index experienced annualized volatility of 25%. If the Index's annualized volatility were to rise to 75%, the hypothetical loss for a one year period widens to approximately 81.5% for the Bull Fund and 96.6% for the Bear Fund.

At higher ranges of volatility, there is a chance of a near complete loss of value even if the Index is flat. For instance, if the Index's annualized volatility is 100%, it is likely that the Bull Fund would lose 95% of its value and the Bear Fund would lose approximately 100% of its value, even if the cumulative Index return for the year was only 0%.

Table 8 — 3X Bull Fund

One Year Index Return	300% One Year Index Return	Volatility Rate 10%	25%	50%	75%	100%
–60%	–180%	–93.8%	–94.7%	–97.0%	–98.8%	–99.7%
–50%	–150%	–87.9%	–89.6%	–94.1%	–97.7%	–99.4%
–40%	–120%	–79.0%	–82.1%	–89.8%	–96.0%	–98.9%
–30%	–90%	–66.7%	–71.6%	–83.8%	–93.7%	–98.3%
–20%	–60%	–50.3%	–57.6%	–75.8%	–90.5%	–97.5%
–10%	–30%	–29.3%	–39.6%	–65.6%	–86.5%	–96.4%
0%	0%	–3.0%	–17.1%	–52.8%	–81.5%	–95.0%
10%	30%	29.2%	10.3%	–37.1%	–75.4%	–93.4%
20%	60%	67.7%	43.3%	–18.4%	–68.0%	–91.4%
30%	90%	113.2%	82.1%	3.8%	–59.4%	–89.1%
40%	120%	166.3%	127.5%	29.6%	–49.2%	–86.3%
50%	150%	227.5%	179.8%	59.4%	–37.6%	–83.2%
60%	180%	297.5%	239.6%	93.5%	–24.2%	–79.6%

Table 9 — 3X Bear Fund

One Year Index Return	–300% One Year Index Return	Volatility Rate 10%	25%	50%	75%	100%
–60%	180%	1371.5%	973.9%	248.6%	–46.5%	–96.1%
–50%	150%	653.4%	449.8%	78.5%	–72.6%	–98.0%
–40%	120%	336.0%	218.2%	3.3%	–84.2%	–98.9%
–30%	90%	174.6%	100.4%	–34.9%	–90.0%	–99.3%
–20%	60%	83.9%	34.2%	–56.4%	–93.3%	–99.5%
–10%	30%	29.2%	–5.7%	–69.4%	–95.3%	–99.7%
0%	0%	–5.8%	–31.3%	–77.7%	–96.6%	–99.8%
10%	–30%	–29.2%	–48.4%	–83.2%	–97.4%	–99.8%
20%	–60%	–45.5%	–60.2%	–87.1%	–98.0%	–99.9%
30%	–90%	–57.1%	–68.7%	–89.8%	–98.4%	–99.9%
40%	–120%	–65.7%	–75.0%	–91.9%	–98.8%	–99.9%
50%	–150%	–72.1%	–79.6%	–93.4%	–99.0%	–99.9%
60%	–180%	–77.0%	–83.2%	–94.6%	–99.2%	–99.9%

The annualized historical volatility rate for each Fund's underlying index for the five-year period ended December 31, 2009 is as follows:

Index	Annualized Historical Volatility Rate
PHLX Semiconductor Sector Index	32.4%
Russell 1000® Consumer Discretionary Index	25.1%
Russell 1000® Consumer Staples Index	29.5%
Russell 1000® Healthcare Index	15.9%
Russell 1000® Materials & Processing Index	47.5%
Russell 1000® Retail Index	25.4%
Russell 1000® Utilities Index	22.1%
S&P 500® Index	24.1%

The highest volatility rate for each Fund's underlying index during the five-year period ended December 31, 2009 is as follows:

Index	Highest Volatility Rate
PHLX Semiconductor Sector Index	46.5%
Russell 1000® Consumer Discretionary Index	42.1%
Russell 1000® Consumer Staples Index	61.2%
Russell 1000® Healthcare Index	21.1%
Russell 1000® Materials & Processing Index	94.9%
Russell 1000® Retail Index	41.7%
Russell 1000® Utilities Index	39.1%
S&P 500® Index	41.0%

The annualized performance for each Fund's underlying index for the five-year period ended December 31, 2009 is as follows:

Index	Annualized Performance
PHLX Semiconductor Sector Index	–2.62%
Russell 1000® Consumer Discretionary Index	–1.96%
Russell 1000® Consumer Staples Index	5.33%
Russell 1000® Healthcare Index	1.42%
Russell 1000® Materials & Processing Index	0.23%
Russell 1000® Retail Index	0.72%
Russell 1000® Utilities Index	2.00%
S&P 500® Index	0.42%

Historical index volatility and performance are not indications of what the index volatility and performance will be in the future.

For additional graphs and charts demonstrating the effects of volatility and index performance on the long-term performance of the Fund, see "Negative Implications of Daily Goals in Volatile Markets" in this prospectus and "Special Note Regarding the Correlation Risks of Leveraged Funds" in the Funds' Statement of Additional Information.

Holding an unmanaged position opens the investor to the risk of market volatility adversely affecting the performance of the investment. The Fund is not appropriate for investors who do not intend to actively monitor and manage their portfolios. This table is intended to underscore the fact that the Fund is designed as a short-term trading vehicle for investors who intend to actively monitor and manage their portfolios.

Emerging Markets Risk

Indirect investments in emerging markets instruments involve greater risks than investing in foreign instruments in general. Risks of investing in emerging market countries include political or social upheaval, nationalization of businesses, restrictions on foreign ownership and prohibitions on the repatriation of assets. There may also be risks from an economy's dependence on revenues from particular commodities or industries. In addition, currency transfer restrictions, limited potential buyers for such instruments, delays and disruption in settlement procedures and illiquidity or low volumes of transactions may make exits difficult or impossible at times.

Equity Securities Risk

Investments in publicly issued equity securities, including common stocks, in general are subject to market risks that may cause their prices to fluctuate over time. Fluctuations in the value of equity securities in which a Fund invests will cause the NAV of the Fund to fluctuate.

Foreign Securities Risk

Indirectly investing in foreign instruments may involve greater risks than investing in domestic instruments. As a result, a Fund's returns and net asset values may be affected to a large degree by fluctuations in currency exchange rates, political, diplomatic or economic conditions and regulatory requirements in other countries. The laws and accounting, auditing, and financial reporting standards in foreign countries typically are not as strict as they are in the U.S., and there may be less public information available about foreign companies.

Gain Limitation Risk

Rafferty will attempt to position each Fund's portfolio to ensure that a Fund does not lose more than 90% of its net asset value on a given day. The cost of such downside protection will be limitations on a Fund's gains. As a consequence, a Fund's portfolio may not be responsive to index movements beyond 30% in a given day in a direction favorable to the Fund. For example, if a Bull Fund's target

index were to gain 35%, the Bull Fund might be limited to a daily gain of 90% rather than 105%, which is 300% of the index gain of 35%.

Healthcare Sector Risk

The Direxion Daily Healthcare Bull 3X Shares and Direxion Daily Healthcare Bear 3X Shares invest in the securities of companies in the healthcare sector. The profitability of companies in the healthcare sector may be affected by extensive government regulation, restrictions on government reimbursement for medical expenses, rising costs of medical products and services, pricing pressure, an increased emphasis on outpatient services, limited number of products, industry innovation, changes in technologies and other market developments. Many healthcare companies are heavily dependent on patent protection. The expiration of patents may adversely affect the profitability of these companies. Many healthcare companies are subject to extensive litigation based on product liability and similar claims. Healthcare companies are subject to competitive forces that may make it difficult to raise prices and, in fact, may result in price discounting. Many new products in the healthcare sector may be subject to regulatory approvals. The process of obtaining such approvals may be long and costly.

Intra-Day Investment Risk

The Funds seek daily leveraged investment results which should not be equated with seeking a leveraged goal for shorter than a day. Thus, an investor who purchases Fund shares after the close of the markets on one trading day and before the close of the markets on the next trading day will likely have more, or less, than 300% or -300% leveraged investment exposure to the target index, depending upon the movement of the target index from the end of one trading day until the time of purchase. If the target index moves in a direction favorable to the Fund, the investor will receive exposure to the target index less than 300% or -300%. Conversely, if the target index moves in a direction adverse to the Fund, the investor will receive exposure to the target index greater than 300% or -300%. Investors may consult the Funds' website at any point during the day to determine how the current value of a Fund's target index relates to the value of the target index at the end of the previous day. In addition, Graphs 1 through 4 and the accompanying text on pages 21 through 24 provide a detailed discussion of such risk.

Inverse Correlation Risk

Each Bear Fund is negatively correlated to its index or benchmark and should lose money when its index or benchmark rises — a result that is the opposite from conventional funds. Because each Bear Fund seeks daily returns inverse by a defined percentage to its index or benchmark, the difference between a Bear Fund's daily return and the price performance of its index or benchmark may be negatively compounded during periods in which the markets decline. By its nature, inverse correlation magnifies the impact of compounding and market volatility. For instance, if a benchmark gains 5%, the relevant Bull Fund would be expected to gain 15% and the Bear Fund would be expected to lose 15%. The Bull Fund performance differs from the benchmark by 10%, while the Bear Fund performance differs by 20%. The Bear Fund has moved a greater distance from its benchmark, which illustrates the greater volatility experienced by Bear Funds.

Leverage Risk

If you invest in the Funds, you are exposed to the risk that any adverse daily performance of a Fund's target index will be leveraged. This means that, if a Fund's target index experiences adverse daily performance, your investment in the Fund will be reduced by an amount equal to 3% for every 1% of adverse performance, not including the cost of financing the portfolio and the impact of operating expenses, which would further lower your investment. A Fund could theoretically lose an amount greater than its net assets in the event of a movement in its target index in excess of 33% in a direction adverse to the Fund (meaning a decline in the value of the target index of a Bull Fund and a gain in the value of the target index for a Bear Fund). Further, purchasing shares during a day may result in greater than 300% or -300% exposure to the performance of the target index if the target index moves in a direction averse to the Fund between the close of the markets on one trading day and before the close of the markets on the next trading day. Graphs 1 through 4 and the accompanying text on pages 21 through 24 provide a detailed discussion of such risks. In addition, the Funds' website will provide information on a daily basis regarding the current relevant exposure if an investor purchases new shares of a Fund.

Market Risk

A Fund is subject to market risks that can affect the value of its shares. These risks include political, regulatory, market and economic developments, including developments that impact specific economic sectors, industries or segments of the market. A Bull Fund typically would lose value on a day when its underlying index declines. A Bear Fund typically would lose value on a day when its underlying index increases.

Market Timing Risk

Rafferty expects a significant portion of the assets of each Fund to come from professional money managers and investors who use the Funds as part of "asset allocation"

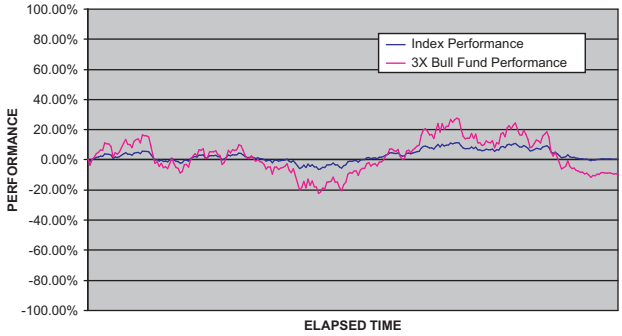
and "market timing" investment strategies. These strategies often call for frequent trading to take advantage of anticipated changes in market conditions. Frequent trading could increase the rate of the Funds' portfolio turnover, which involves correspondingly greater expenses to a Fund, including brokerage commissions or dealer mark-ups/mark-downs and other transaction costs on the sale of securities and reinvestments in other securities. Such sales also may result in adverse tax consequences to a Fund's shareholders. The trading costs and tax effects associated with portfolio turnover may adversely affect the Funds' performance. In addition, large movements of assets into and out of the Funds may have a negative impact on their ability to achieve their investment objectives or their desired level of operating expenses. The risks associated with market timing activity and high portfolio turnover will have a negative impact on longer-term investments.

Negative Implications of Daily Goals in Volatile Markets

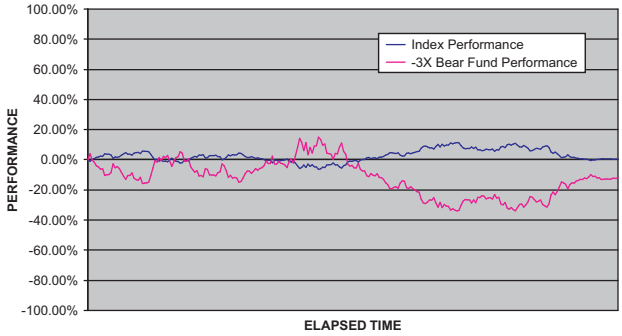
Each Fund seeks to provide a return which is a multiple of the daily performance of its benchmark. No Fund attempts to, and no Fund should be expected to, provide returns which are a multiple of the return of the benchmark for periods longer than a single trading day. Each Fund repositions its portfolio at the end of each trading day, increasing exposure in response to that day's gains or reducing exposure in response to that day's losses. If adverse daily performance of a Fund's target index reduces the amount of a shareholder's investment, any further adverse daily performance will lead to a smaller dollar loss because the shareholder's investment had already been reduced by the prior adverse performance. Equally, however, if favorable daily performance of a Fund's target index increases the amount of a shareholder's investment, the dollar amount lost due to future adverse performance will increase correspondingly.

Daily repositioning will impair a Fund's performance if the benchmark experiences volatility. For instance, a hypothetical Bull Fund and Bear Fund would be expected to lose 9.96% and 12.16%, respectively (as shown in Graphs 1 and 2 below) if its benchmark was flat over a hypothetical one year period during which its benchmark experienced annualized volatility of 15%. If the benchmark's annualized volatility were to rise to 50%, the hypothetical loss for a one year period would widen to approximately 55.51% for the Bull Fund and 77.75% for the Bear Fund (as illustrated in Graphs 3 and 4). An index's volatility rate is a statistical measure of the magnitude of fluctuations in the returns of an index. Since market volatility, like that experienced by the markets currently, has negative implications for Funds which rebalance daily, investors should be sure to monitor and manage their investments in the Funds in volatile markets.

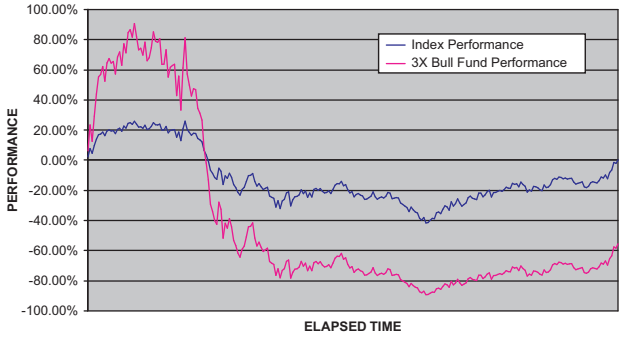
Graph 1 — Hypothetical 3X Bull Fund Performance With Low Volatility



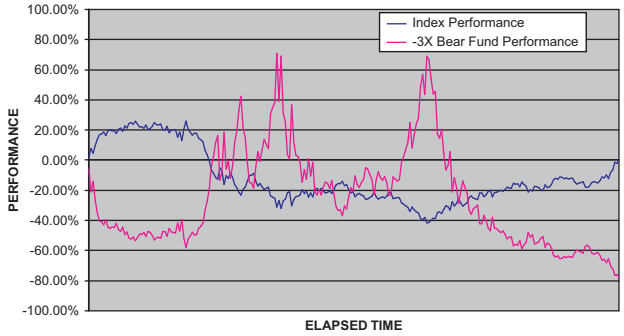
Graph 2 — Hypothetical –3X Bear Fund Performance With Low Volatility



Graph 3 — Hypothetical 3X Bull Fund Performance With High Volatility



Graph 4 — Hypothetical –3X Bear Fund Performance With High Volatility



Non-Diversification Risk

A non-diversified fund invests a high percentage of its assets in a limited number of securities. A non-diversified fund's net asset values and total returns may fluctuate more or fall greater in times of weaker markets than a diversified mutual fund.

Regulatory Risk

Each Fund is subject to the risk that a change in U.S. law and related regulations will impact the way the Funds operate, increase the particular costs of the Fund's operations and/or change the competitive landscape. In particular, there is no guarantee that the Bear Funds will be permitted to continue to engage in short sales, which are designed to earn the Fund a profit from the decline of the price of a particular security, basket of securities or index.

Retail Sector Risk

The Direxion Daily Retail Bull 3X Shares and Direxion Daily Retail Bear 3X Shares invest in the securities of companies in the retail sector. Retail and related industries can be significantly affected by the performance of the domestic and international economy, consumer confidence and spending, intense competition, changes in demographics, and changing consumer tastes and preferences. In addition, the retailing industry is highly competitive and a company's success can be tied to its ability to anticipate changing consumer tastes.

Risks of Investing in Other Investment Companies and ETFs

Investments in the securities of other investment companies and ETFs, (which may, in turn invest in equities, bonds, and other financial vehicles) may involve duplication of advisory fees and certain other expenses. By investing in another investment company or ETF, a Fund becomes a shareholder of that investment company or ETF. As a result, Fund shareholders indirectly bear the Fund's proportionate share of the fees and expenses paid by shareholders of the other investment company or ETF, in addition to the fees and expenses Fund shareholders directly bear in connection with the Fund's own operations. As a shareholder, the Fund must rely on the investment company or ETF to achieve its investment objective. If the investment company or ETF fails to achieve its investment objective, the value of the Fund's investment will decline, adversely affecting the Fund's performance. In addition, because ETFs are listed on national stock exchanges and are traded like stocks listed on an exchange, ETF shares potentially may trade at a discount or a premium. Investments in ETFs are also subject to brokerage and other trading costs, which could result in greater expenses to a Fund. Finally, because the value of ETF shares depends on the demand in the market, the Adviser may not be able to liquidate a Fund's holdings at the most optimal time, adversely affecting the Fund's performance.

Shorting Risk

A Bear Fund may engage in short sales designed to earn the Fund a profit from the decline in the price of particular securities, baskets of securities or indices. Short sales are transactions in which a Fund borrows securities from a broker and sells the borrowed securities. The Fund is obligated to replace the security borrowed by purchasing the security at the market price at the time of replacement. If the market price of the underlying security goes down between the time the Fund sells the security and buys it back, the Fund will realize a gain on the transaction. Conversely, if the underlying security goes up in price during the period, the Fund will realize a loss on the transaction. Any such loss is increased by the amount of premium or interest the Fund must pay to the lender of the security. Likewise, any gain will be decreased by the amount of premium or interest the Fund must pay to the lender of the security. The Fund's investment performance may also suffer if the Fund is required to close out a short position earlier than it had intended. This would occur if the securities lender required the Fund to deliver the securities the Fund borrowed at the commencement of the short sale and the Fund was unable to borrow the securities from another securities lender or otherwise obtain the security by other means. In addition, a Fund may be subject to expenses related to short sales that are not typically associated with investing in securities directly, such as costs of borrowing and margin account maintenance costs associated with the Fund's open short positions. As the holder of a short position, a Fund also is responsible for paying the dividends and interest accruing on the short position, which is an expense to the Fund that could cause the Fund to lose money on the short sale and may adversely affect its performance.

Semiconductors Industry Risk

The Semiconductor Funds are subject to the risk that companies that are in the semiconductor industry may be similarly affected by particular economic or market events, which may, in certain circumstances, cause the value of securities of all companies in the semiconductor sector of the market to decrease. Specific risks faced by companies in the semiconductor industry include, but are not limited to: intense competition, both domestically and internationally, including competition from subsidized foreign competitors with lower production costs; securities prices may fluctuate widely due to risks of rapid obsolescence of products; economic performance of the customers of semiconductor companies; research costs and the risks that their products may not prove commercially successful; capital equipment expenditures could be substantial and suffer from rapid obsolescence; and thin capitalization and limited product lines, markets, financial resources or personnel.

Small and Mid Capitalization Company Risk

Investing in the securities of small and mid capitalization companies involves greater risks and the possibility of greater price volatility than investing in more-established, larger capitalization companies. Smaller companies may have limited operating history, product lines, and financial resources, and the securities of these companies may lack sufficient market liquidity. Smaller companies often have narrower markets and more limited managerial and financial resources than larger, more established companies.

Tax and Distribution Risk

The Funds have extremely high portfolio turnover which causes the Funds to generate significant amounts of taxable income. This income is typically short-term capital gain, which is generally treated as ordinary income when distributed to shareholders, or short-term capital loss. The Funds rarely generate long-term capital gain or loss. Each Fund will generally need to distribute this income in order to satisfy certain tax requirements. Because of the Funds' high portfolio turnover, the Funds could make larger and/or more frequent distributions than traditional unleveraged ETFs. Because each Fund's asset level changes frequently, these distributions could comprise a substantial portion or even all of a Fund's net assets if a Fund distributes this income after a decline in its net assets. Shareholders in the Funds on the day of such distributions may receive substantial distributions, which could lead to negative tax implications for such shareholders. Potential investors are urged to consult their own tax advisers for more detailed information.

Rules governing the U.S. federal income tax aspects of certain derivatives, including total return equity swaps, real estate-related swaps, credit default swaps and other credit derivatives are not entirely clear. Because the Funds' status as a regulated investment company might be affected if the Internal Revenue Service did not accept the Funds' treatment of certain transactions involving derivatives, the Funds' ability to engage in these transactions may be limited. Please see the Funds' SAI for more information.

Tracking Error Risk

Several factors may affect a Fund's ability to achieve its daily target. A Fund may have difficulty achieving its daily target due to fees and expenses, high portfolio turnover, transaction costs, and/or a temporary lack of liquidity in the markets for the securities held by a Fund. A failure to achieve a daily target may cause a Fund to provide returns for a longer period that are worse than expected. In addition, a Fund that meets its daily target over a period of time may not necessarily produce the returns that might be expected in light of the returns of its index or benchmark for that period. Differences may result from the compounding effect of daily market fluctuations, the use of leverage and the Bear Funds' inverse correlation.

Utilities Sector Risk

The Direxion Daily Utilities Bull 3X Shares and Direxion Daily Utilities Bear 3X Shares invest in the securities of companies in the utilities sector. The rates that traditional regulated utility companies may charge their customers generally are subject to review and limitation by governmental regulatory commissions. Although rate changes of a utility usually fluctuate in approximate correlation with financing costs due to political and regulatory factors, rate changes ordinarily occur only following a delay after the changes in financing costs. This factor will tend to favorably affect a regulated utility company's earnings and dividends in times of decreasing costs, but conversely, will tend to adversely affect earnings and dividends when costs are rising. The value of regulated utility debt securities (and, to a lesser extent, equity securities) tends to have an inverse relationship to the movement of interest rates. Certain utility companies have experienced full or partial deregulation in recent years. These utility companies are frequently more similar to industrial companies in that they are subject to greater competition and have been permitted by regulators to diversify outside of their original geographic regions and their traditional lines of business. These opportunities may permit certain utility companies to earn more than their traditional regulated rates of return. Some companies, however, may be forced to defend their core business and may be less profitable.

Among the risks that may affect utility companies are the following: risks of increases in fuel and other operating costs; the high cost of borrowing to finance capital construction

during inflationary periods; restrictions on operations and increased costs and delays associated with compliance with environmental and nuclear safety regulations; and the difficulties involved in obtaining natural gas for resale or fuel for generating electricity at reasonable prices. Other risks include those related to the construction and operation of nuclear power plants; the effects of energy conservation and the effects of regulatory changes.

Valuation Time Risk

The Funds value their portfolio as of the close of regular trading on the New York Stock Exchange ("NYSE") (generally 4:00 P.M. Eastern time). In some cases, foreign market indices close before the NYSE opens or may not be open for business on the same calendar days as the Funds. As a result, the daily performance of a Fund that tracks a foreign market index can vary from the performance of that index.

Special Risks of Exchange-Traded Funds

Not Individually Redeemable. Shares are not individually redeemable and may be redeemed by a Fund at NAV only in large blocks known as Creation Units. You may incur brokerage costs purchasing enough Shares to constitute a Creation Unit.

Trading Issues. Trading in Shares on the Exchange may be halted due to market conditions or for reasons that, in the view of the Exchange, make trading in Shares inadvisable, such as extraordinary market volatility or other reasons. There can be no assurance that Shares will continue to meet the listing requirements of the Exchange, and the listing requirements may be amended from time to time.

Market Price Variance Risk. Individual Shares of a Fund that are listed for trading on the Exchange can be bought and sold in the secondary market at market prices. The market prices of Shares will fluctuate in response to changes in NAV and supply and demand for Shares. The Adviser cannot predict whether Shares will trade above, below or at their NAV. Differences between secondary market prices and NAV for Shares may be due largely to supply and demand forces in the secondary market, which forces may not be the same as those influencing prices for securities or instruments held by a Fund at a particular time. Given the fact that Shares can be created and redeemed in Creation Units, the Adviser believes that large discounts or premiums to the NAV of Shares should not be sustained. There may, however, be times when the market price and the NAV vary significantly and you may pay more than NAV when buying Shares on the secondary market, and you may receive less than NAV when you sell those Shares. The market price of Shares, like the price of any exchange-traded security, includes a "bid-ask spread" charged by the exchange specialists, market makers or other participants that trade the particular security. In times of severe market disruption, the bid-ask spread often increases significantly. This means that Shares may trade at a discount to NAV and the discount is likely to be greatest when the price of Shares is falling fastest, which may be the time that you most want to sell your Shares. A Fund's investment results are measured based upon the daily NAV of the Fund. Investors purchasing and selling Shares in the secondary market may not experience investment results consistent with those experienced by those creating and redeeming directly with a Fund. There is no guarantee that an active secondary market will develop for Shares of the Funds.

A Precautionary Note to Retail Investors. The Depository Trust Company ("DTC"), a limited trust company and securities depositary that serves as a national clearinghouse for the settlement of trades for its participating banks and broker-dealers, or its nominee will be the registered owner of all outstanding Shares of each Fund of the Trust. Your ownership of Shares will be shown on the records of DTC and the DTC Participant broker through whom you hold the Shares. THE TRUST WILL NOT HAVE ANY RECORD OF YOUR OWNERSHIP. Your account information will be maintained by your broker, who will provide you with account statements, confirmations of your purchases and sales of Shares, and tax information. Your broker also will be responsible for ensuring that you receive shareholder reports and other communications from the Fund whose Shares you own. Typically, you will receive other services (e.g., average cost information) only if your broker offers these services.

A Precautionary Note to Purchasers of Creation Units. You should be aware of certain legal risks unique to investors purchasing Creation Units directly from the issuing Fund. Because new Shares may be issued on an ongoing basis, a "distribution" of Shares could be occurring at any time. As a dealer, certain activities on your part could, depending on the circumstances, result in your being deemed a participant in the distribution, in a manner that could render you a statutory underwriter and subject you to the prospectus delivery and liability provisions of the Securities Act of 1933, as amended ("Securities Act"). For example, you could be deemed a statutory underwriter if you purchase Creation Units from an issuing Fund, break them down into the constituent Shares and sell those Shares directly to customers, or if

you choose to couple the creation of a supply of new Shares with an active selling effort involving solicitation of secondary market demand for Shares. Whether a person is an underwriter depends upon all of the facts and circumstances pertaining to that person's activities, and the examples mentioned here should not be considered a complete description of all the activities that could cause you to be deemed an underwriter. Dealers who are not "underwriters," but are participating in a distribution (as opposed to engaging in ordinary secondary market transactions), and thus dealing with Shares as part of an "unsold allotment" within the meaning of Section 4(3)(C) of the Securities Act, will be unable to take advantage of the prospectus delivery exemption provided by Section 4(3) of the Securities Act.

A Precautionary Note to Investment Companies. For purposes of the Investment Company Act of 1940, each Fund is a registered investment company, and the acquisition of Shares by other investment companies is subject to the restrictions of Section 12(d)(1) thereof.

The Trust and the Funds have obtained an exemptive order from the U.S. Securities and Exchange Commission (the "SEC") allowing a registered investment company to invest in a Fund beyond the limits of Section 12(d)(1) subject to certain conditions, including that a registered investment company enters into a Participation Agreement with the Trust regarding the terms of the investment. Any investment company considering purchasing Shares of a Fund in amounts that would cause it to exceed the restrictions under Section 12(d)(1) should contact the Trust.

A Precautionary Note Regarding Unusual Circumstances. The Trust can postpone payment of redemption proceeds for any period during which (1) the Exchange is closed other than customary weekend and holiday closings, (2) trading on the Exchange is restricted, as determined by the SEC, (3) any emergency circumstances exist, as determined by the SEC, or (4) the SEC by order permits for the protection of shareholders of a Fund.

Direxion Daily S&P 500® Bull 3X Shares
Direxion Daily S&P 500® Bear 3X Shares

Investment Objective

The Direxion Daily S&P 500® Bull 3X Shares seeks daily investment results, before fees and expenses, of 300% of the price performance of the S&P 500® Index. The Direxion Daily S&P 500® Bear 3X Shares seeks daily investment results, before fees and expenses, of 300% of the inverse (or opposite) of the price performance of the S&P 500® Index. (Collectively, the Direxion Daily S&P 500® Bull 3X Shares and the Direxion Daily S&P 500® Bear 3X Shares are referred to as the "S&P 500® Funds.")

Principal Investment Strategy

The Direxion Daily S&P 500® Bull 3X Shares, under normal circumstances, creates long positions by investing at least 80% of its net assets in the equity securities that comprise the S&P 500® Index and/or: futures contracts; options on securities, indices and futures contracts; equity caps, collars and floors; swap agreements; forward contracts; short positions, reverse repurchase agreements; and other financial instruments (collectively, "Financial Instruments"). In combination, these equity securities and/or Financial Instruments provide leveraged and unleveraged exposure to the S&P 500® Index. The Direxion Daily S&P 500® Bear 3X Shares does not invest in equity securities. Under normal circumstances, it creates short positions by investing at least 80% of its net assets in Financial Instruments that, in combination, provide leveraged and unleveraged exposure to the S&P 500® Index, and the remainder in short-term debt instruments that have terms-to-maturity of less than 397 days and exhibit high quality credit profiles, including U.S. government securities and repurchase agreements (collectively, "Money Market Instruments"). On a day-to-day basis, the Direxion Daily S&P 500® Bull 3X Shares also holds Money Market Instruments.

Risks

The principal risks of investing in the S&P 500® Funds are Adverse Market Conditions Risk, Adviser's Investment Strategy Risk, Counterparty Risk, Credit Risk, Daily Correlation Risk, Derivatives Risk, Early Close/Trading Halt Risk, Effects of Compounding and Market Volatility Risk, Equity Securities Risk, Gain Limitation Risk, Intra-Day Investment Risk, Leverage Risk, Market Risk, Market Timing Risk, Negative Implications of Daily Goals in Volatile Markets Risk, Non-Diversification Risk, Regulatory Risk, Risks of Investing in Other Investment Companies and ETFs, Tax and Distribution Risk, Tracking Error Risk and Special Risks of Exchange Traded Funds.

Additional risks of investing in the Direxion Daily S&P 500® Bear 3X Shares are Inverse Correlation Risk and Shorting Risk. For more information on the S&P 500® Funds, including a description of each risk, please refer to the "Principal Risks" section above.

Target Index

The S&P 500® Index is a capitalization-weighted index composed of 500 common stocks. Standard & Poor's® selects the 500 stocks comprising the S&P 500® Index on the basis of market values and industry diversification. Most of the stocks in the S&P 500® Index are issued by the 500 largest companies, in terms of the aggregate market value of their outstanding stock, and generally are listed on the NYSE. "Standard & Poor's®", "S&P®", "S&P 500®" and "Standard & Poor's 500®" are trademarks of The McGraw-Hill Companies, Inc. and have been licensed for use. The S&P 500® Funds are not sponsored, endorsed, sold or promoted by Standard & Poor's® and Standard & Poor's® makes no representation regarding the advisability of investing in the S&P 500® Funds.

Performance

The S&P 500® Funds are newly organized and have not yet commenced operations; therefore, performance information is not yet available.

Fees and Expenses

These tables describe the estimated fees and expenses that you may pay if you buy, hold or sell Creation Units of the S&P 500® Funds. Annual fund operating expenses are estimates. Investors purchasing Shares in the secondary market will not directly pay the transaction fees paid by Authorized Participants,[1] but may be subject to costs (including customary brokerage commissions) charged by their broker.

Annual Operating Expenses[2] (as a percentage of daily assets):

Direxion Daily S&P 500® Bull 3X Shares

Management Fees	0.75%
Distribution and/or Service (12b-1) Fees[3]	0.00%
Other Expenses[4][5]	0.33%
Total Annual Operating Expenses	1.08%
Expense Waiver/Reimbursement	0.13%
Net Annual Operating Expenses	0.95%

Direxion Daily S&P 500® Bear 3X Shares

Management Fees	0.75%
Distribution and/or Service (12b-1) Fees[3]	0.00%
Other Expenses[4][5]	0.34%
Total Annual Operating Expenses	1.09%
Expense Waiver/Reimbursement	0.14%
Net Annual Operating Expenses	0.95%

(1) For the Direxion Daily S&P 500® Bull 3X Shares and the Direxion Daily S&P 500® Bear 3X Shares, fixed transaction fees of $1,250 and $250, respectively, will be charged when you create or redeem Creation Units regardless of the number of Shares redeemed on the date of the transaction. For the S&P 500® Funds, a variable transaction fee of up to 0.15% of the value of each Creation Unit will be charged to offset costs associated with processing the order. An additional fee of up to 3 times the fixed per order transaction fee plus up to 0.15% of the value of each Creation Unit may be charged if you do not create or redeem Shares through the Continuous Net Settlement System of the NSCC, or in circumstances in which cash is substituted for certain securities. Such transactions are allowed at the sole discretion of a Fund.

(2) Rafferty has contractually agreed to waive all or a portion of its management fee and/or reimburse the S&P 500® Funds for Other Expenses through March 15, 2011, for the Direxion Daily S&P 500® Bull 3X Shares and the Direxion Daily S&P 500® Bear 3X Shares to the extent that each S&P 500® Fund's Net Annual Operating Expenses exceed 0.95% (excluding, as applicable, among other expenses, taxes, leverage interest, Acquired Fund Fees and Expenses, dividends or interest on short positions, other interest expenses, brokerage commissions, expenses incurred in connection with any merger or reorganization and extraordinary expenses such as litigation). Any expense waiver is subject to reimbursement by each S&P 500® Fund, as applicable, within the following three years if overall expenses fall below these percentage limitations. This agreement may be terminated or revised at any time with the consent of the Board of Trustees.

(3) The S&P 500® Funds have adopted a Rule 12b-1 Plan pursuant to which the Funds may be subject to an annual Rule 12b-1 fee of up to 0.25%. No Rule 12b-1 fee is currently being charged to the S&P 500® Funds.

(4) Other Expenses include organizational costs, fees paid for legal services and audit fees, printing costs, registration fees, administration, custodial, transfer agency, fund accounting and other customary fund expenses.

(5) The Direxion Daily S&P 500® Bear 3X Shares may take short positions in securities. Estimated additional expenses associated with these investments are included in the calculation above.

Expense Example

The table below is intended to help you compare the cost of investing in the S&P 500® Funds with the cost of investing in other funds. Investors should note that the following examples are for illustration purposes only and are not meant to suggest actual or expected fees and expenses or returns, all of which may vary. The Direxion Daily S&P 500® Bull 3X Shares issues and redeems Shares in Creation Units for cash and also on an in-kind basis. The Direxion Daily S&P 500® Bear 3X Shares issues and redeems Shares in Creation Units for cash. Shares are issued and redeemed in Creation Unit aggregations only. The example does not include the brokerage commissions that secondary market investors may incur to buy and sell Shares.

The table assumes that you invest $10,000 in Creation Units of the S&P 500® Funds for the periods shown and then redeem all of your Shares at the end of the periods, but does not include transaction fees on purchases and redemptions of Shares. It also assumes that your investment has a 5% return each year and that the S&P 500® Funds' operating expenses remain the same through each year. Although your actual costs may be higher or lower, based on these assumptions your costs would be:

Direxion Daily S&P 500® Bull 3X Shares

1 Year	3 Years
$97	$331

Direxion Daily S&P 500® Bear 3X Shares

1 Year	3 Years
$97	$333

Direxion Daily Basic Materials Bull 3X Shares
Direxion Daily Basic Materials Bear 3X Shares

Investment Objective

The Direxion Daily Basic Materials Bull 3X Shares seeks daily investment results, before fees and expenses, of 300% of the price performance of the Russell 1000® Materials & Processing Index ("Basic Materials Index"). The Direxion Daily Basic Materials Bear 3X Shares seeks daily investment results, before fees and expenses, of 300% of the inverse (or opposite) of the price performance of the Basic Materials Index. (Collectively, the Direxion Daily Basic Materials Bull 3X Shares and the Direxion Daily Basic Materials Bear 3X Shares are referred to as the "Basic Materials Funds.")

Principal Investment Strategy

The Direxion Daily Basic Materials Bull 3X Shares, under normal circumstances, creates long positions by investing at least 80% of its net assets in the equity securities that comprise the Basic Materials Index and/or Financial Instruments. In combination, these equity securities and/or Financial Instruments provide leveraged and unleveraged exposure to the Basic Materials Index. The Direxion Daily Basic Materials Bear 3X Shares does not invest in equity securities. Under normal circumstances, it creates short positions by investing at least 80% of its net assets in Financial Instruments that, in combination, provide leveraged and unleveraged exposure to the Basic Materials Index, and the remainder in Money Market Instruments. On a day-to-day basis, the Direxion Daily Basic Materials Bull 3X Shares also holds Money Market Instruments.

Risks

The principal risks of investing in the Basic Materials Funds are Adverse Market Conditions Risk, Adviser's Investment Strategy Risk, Basic Materials Sector Risk, Concentration Risk, Counterparty Risk, Credit Risk, Currency Exchange Rate Risk, Daily Correlation Risk, Derivatives Risk, Early Close/ Trading Halt Risk, Effects of Compounding and Market Volatility Risk, Equity Securities Risk, Foreign Securities Risk, Gain Limitation Risk, Intra-Day Investment Risk, Leverage Risk, Market Risk, Market Timing Risk, Negative Implications of Daily Goals in Volatile Markets Risk, Non-Diversification Risk, Regulatory Risk, Risks of Investing in Other Investment Companies and ETFs, Small and Mid Capitalization Company Risk, Tax and Distribution Risk, Tracking Error Risk, Valuation Time Risk and Special Risks of Exchange Traded Funds.

Additional risks of investing in the Direxion Daily Basic Materials Bear 3X Shares are Inverse Correlation Risk and Shorting Risk. For more information on the Basic Materials Funds, including a description of each risk, please refer to the "Principal Risks" section above.

Target Index

The Basic Materials Index is an index that is comprised of companies that extract or process raw materials, and companies that manufacture chemicals, construction materials, glass, paper, plastic, forest products and related packaging products. The Basic Materials Index also includes metals and minerals miners, metal alloy producers, and metal fabricators.

Performance

The Basic Materials Funds are newly organized and have not yet commenced operations; therefore, performance information is not yet available.

Fees and Expenses

These tables describe the estimated fees and expenses that you may pay if you buy, hold or sell Creation Units of the Basic Materials Funds. Annual fund operating expenses are estimates. Investors purchasing Shares in the secondary market will not directly pay the transaction fees paid by Authorized Participants,[1] but may be subject to costs (including customary brokerage commissions) charged by their broker.

Annual Operating Expenses[2] (as a percentage of daily assets):

Direxion Daily Basic Materials Bull 3X Shares

Management Fees	0.75%
Distribution and/or Service (12b-1) Fees[3]	0.00%
Other Expenses[4][5]	0.33%
Total Annual Operating Expenses	1.08%
Expense Waiver/Reimbursement	0.13%
Net Annual Operating Expenses	0.95%

Direxion Daily Basic Materials Bear 3X Shares

Management Fees	0.75%
Distribution and/or Service (12b-1) Fees[3]	0.00%
Other Expenses[4][5]	0.34%
Total Annual Operating Expenses	1.09%
Expense Waiver/Reimbursement	0.14%
Net Annual Operating Expenses	0.95%

[1] For the Direxion Daily Basic Materials Bull 3X Shares and the Direxion Daily Basic Materials Bear 3X Shares,

a fixed transaction fee of $250 will be charged when you create or redeem Creation Units regardless of the number of Shares redeemed on the date of the transaction. For the Basic Materials Funds, a variable transaction fee of up to 0.15% of the value of each Creation Unit will be charged to offset costs associated with processing the order. An additional fee of up to 3 times the fixed per order transaction fee plus up to 0.15% of the value of each Creation Unit may be charged if you do not create or redeem Shares through the Continuous Net Settlement System of the NSCC, or in circumstances in which cash is substituted for certain securities. Such transactions are allowed at the sole discretion of a Fund.

(2) Rafferty has contractually agreed to waive all or a portion of its management fee and/or reimburse the Basic Materials Funds for Other Expenses through March 15, 2011, for the Direxion Daily Basic Materials Bull 3X Shares and the Direxion Daily Basic Materials Bear 3X Shares to the extent that each Basic Materials Fund's Net Annual Operating Expenses exceed 0.95% (excluding, as applicable, among other expenses, taxes, leverage interest, Acquired Fund Fees and Expenses, dividends or interest on short positions, other interest expenses, brokerage commissions, expenses incurred in connection with any merger or reorganization and extraordinary expenses such as litigation). Any expense waiver is subject to reimbursement by each Basic Materials Fund, as applicable, within the following three years if overall expenses fall below these percentage limitations. This agreement may be terminated or revised at any time with the consent of the Board of Trustees.

(3) The Basic Materials Funds have adopted a Rule 12b-1 Plan pursuant to which the Funds may be subject to an annual Rule 12b-1 fee of up to 0.25%. No Rule 12b-1 fee is currently being charged to the Basic Materials Funds.

(4) Other Expenses include organizational costs, fees paid for legal services and audit fees, printing costs, registration fees, administration, custodial, transfer agency, fund accounting and other customary fund expenses.

(5) The Direxion Daily Basic Materials Bear 3X Shares may take short positions in securities. Estimated additional expenses associated with these investments are included in the calculation above.

Expense Example

The table below is intended to help you compare the cost of investing in the Basic Materials Funds with the cost of investing in other funds. Investors should note that the following examples are for illustration purposes only and are not meant to suggest actual or expected fees and expenses or returns, all of which may vary. The Direxion Daily Basic Materials Bull 3X Shares issues and redeems Shares in Creation Units for cash and also on an in-kind basis. The Direxion Daily Basic Materials Bear 3X Shares issues and redeems Shares in Creation Units for cash. Shares are issued and redeemed in Creation Unit aggregations only. The example does not include the brokerage commissions that secondary market investors may incur to buy and sell Shares.

The table assumes that you invest $10,000 in Creation Units of the Basic Materials Funds for the periods shown and then redeem all of your Shares at the end of the periods, but does not include transaction fees on purchases and redemptions of Shares. It also assumes that your investment has a 5% return each year and that the Basic Materials Funds' operating expenses remain the same through each year. Although your actual costs may be higher or lower, based on these assumptions your costs would be:

Direxion Daily Basic Materials Bull 3X Shares

1 Year	3 Years
$97	$331

Direxion Daily Basic Materials Bear 3X Shares

1 Year	3 Years
$97	$333

Direxion Daily Consumer Discretionary Bull 3X Shares
Direxion Daily Consumer Discretionary Bear 3X Shares

Investment Objective

The Direxion Daily Consumer Discretionary Bull 3X Shares seeks daily investment results, before fees and expenses, of 300% of the price performance of the Russell 1000® Consumer Discretionary Index ("Consumer Discretionary Index"). The Direxion Daily Consumer Discretionary Bear 3X Shares seeks daily investment results, before fees and expenses, of 300% of the inverse (or opposite) of the price performance of the Consumer Discretionary Index. (Collectively, the Direxion Daily Consumer Discretionary Bull 3X Shares and the Direxion Daily Consumer Discretionary Bear 3X Shares are referred to as the "Consumer Discretionary Funds.")

Principal Investment Strategy

The Direxion Daily Consumer Discretionary Bull 3X Shares, under normal circumstances, creates long positions by investing at least 80% of its net assets in the equity securities that comprise the Consumer Discretionary Index and/or Financial Instruments. In combination, these equity securities and/or Financial Instruments provide leveraged and unleveraged exposure to the Consumer Discretionary

Index. The Direxion Daily Consumer Discretionary Bear 3X Shares does not invest in equity securities. Under normal circumstances, it creates short positions by investing at least 80% of its net assets in Financial Instruments that, in combination, provide leveraged and unleveraged exposure to the Consumer Discretionary Index, and the remainder in Money Market Instruments. On a day-to-day basis, the Direxion Daily Consumer Discretionary Bull 3X Shares also holds Money Market Instruments.

Risks

The principal risks of investing in the Consumer Discretionary Funds are Adverse Market Conditions Risk, Adviser's Investment Strategy Risk, Concentration Risk, Consumer Discretionary Sector Risk, Counterparty Risk, Credit Risk, Daily Correlation Risk, Derivatives Risk, Early Close/Trading Halt Risk, Effects of Compounding and Market Volatility Risk, Equity Securities Risk, Foreign Securities Risk, Gain Limitation Risk, Intra-Day Investment Risk, Leverage Risk, Market Risk, Market Timing Risk, Negative Implications of Daily Goals in Volatile Markets Risk, Non-Diversification Risk, Regulatory Risk, Risks of Investing in Other Investment Companies and ETFs, Small and Mid Capitalization Company Risk, Tax and Distribution Risk, Tracking Error Risk, Valuation Time Risk and Special Risks of Exchange Traded Funds.

Additional risks of investing in the Direxion Daily Consumer Discretionary Bear 3X Shares are Inverse Correlation Risk and Shorting Risk. For more information on the Consumer Discretionary Funds, including a description of each risk, please refer to the "Principal Risks" section above.

Target Index

The Consumer Discretionary Index is a capitalization-weighted index of companies that manufacture products and provide discretionary services directly to the consumer. The Consumer Discretionary Index includes durable goods, apparel, home electronic devices, leisure equipment and automotives. The services segment of the Consumer Discretionary Index includes hotels, restaurants and other leisure facilities, media production services, consumer retailing and services, wholesalers, importers/exporters and E-commerce companies.

Performance

The Consumer Discretionary Funds are newly organized and have not yet commenced operations; therefore, performance information is not yet available.

Fees and Expenses

These tables describe the estimated fees and expenses that you may pay if you buy, hold or sell Creation Units of the Consumer Discretionary Funds. Annual fund operating expenses are estimates. Investors purchasing Shares in the secondary market will not directly pay the transaction fees paid by Authorized Participants,[1] but may be subject to costs (including customary brokerage commissions) charged by their broker.

Annual Operating Expenses[2] (as a percentage of daily assets):

Direxion Daily Consumer Discretionary Bull 3X Shares

Management Fees	0.75%
Distribution and/or Service (12b-1) Fees[3]	0.00%
Other Expenses[4][5]	0.33%
Total Annual Operating Expenses	1.08%
Expense Waiver/Reimbursement	0.13%
Net Annual Operating Expenses	0.95%

Direxion Daily Consumer Discretionary Bear 3X Shares

Management Fees	0.75%
Distribution and/or Service (12b-1) Fees[3]	0.00%
Other Expenses[4][5]	0.34%
Total Annual Operating Expenses	1.09%
Expense Waiver/Reimbursement	0.14%
Net Annual Operating Expenses	0.95%

(1) For the Direxion Daily Consumer Discretionary Bull 3X Shares and the Direxion Daily Consumer Discretionary Bear 3X Shares, a fixed transaction fee of $250 will be charged when you create or redeem Creation Units regardless of the number of Shares redeemed on the date of the transaction. For the Consumer Discretionary Funds, a variable transaction fee of up to 0.15% of the value of each Creation Unit will be charged to offset costs associated with processing the order. An additional fee of up to 3 times the fixed per order transaction fee plus up to 0.15% of the value of each Creation Unit may be charged if you do not create or redeem Shares through the Continuous Net Settlement System of the NSCC, or in circumstances in which cash is substituted for certain securities. Such transactions are allowed at the sole discretion of a Fund.

(2) Rafferty has contractually agreed to waive all or a portion of its management fee and/or reimburse the Consumer Discretionary Funds for Other Expenses through March 15, 2011, for the Direxion Daily Consumer Discretionary Bull 3X Shares and the Direxion Daily Consumer Discretionary Bear 3X Shares to the extent that each Consumer Discretionary Fund's Net Annual Operating Expenses exceed 0.95% (excluding, as applicable, among other expenses, taxes, leverage interest, Acquired Fund Fees and Expenses, dividends or interest on short positions, other interest expenses, brokerage commissions, expenses incurred in connection with any merger or

reorganization and extraordinary expenses such as litigation). Any expense waiver is subject to reimbursement by each Consumer Discretionary Fund, as applicable, within the following three years if overall expenses fall below these percentage limitations. This agreement may be terminated or revised at any time with the consent of the Board of Trustees.

(3) The Consumer Discretionary Funds have adopted a Rule 12b-1 Plan pursuant to which the Funds may be subject to an annual Rule 12b-1 fee of up to 0.25%. No Rule 12b-1 fee is currently being charged to the Consumer Discretionary Funds.

(4) Other Expenses include organizational costs, fees paid for legal services and audit fees, printing costs, registration fees, administration, custodial, transfer agency, fund accounting and other customary fund expenses.

(5) The Direxion Daily Consumer Discretionary Bear 3X Shares may take short positions in securities. Estimated additional expenses associated with these investments are included in the calculation above.

Expense Example

The table below is intended to help you compare the cost of investing in the Consumer Discretionary Funds with the cost of investing in other funds. Investors should note that the following examples are for illustration purposes only and are not meant to suggest actual or expected fees and expenses or returns, all of which may vary. The Direxion Daily Consumer Discretionary Bull 3X Shares issues and redeems Shares in Creation Units for cash and also on an in-kind basis. The Direxion Daily Consumer Discretionary Bear 3X Shares issues and redeems Shares in Creation Units for cash. Shares are issued and redeemed in Creation Unit aggregations only. The example does not include the brokerage commissions that secondary market investors may incur to buy and sell Shares.

The table assumes that you invest $10,000 in Creation Units of the Consumer Discretionary Funds for the periods shown and then redeem all of your Shares at the end of the periods, but does not include transaction fees on purchases and redemptions of Shares. It also assumes that your investment has a 5% return each year and that the Consumer Discretionary Funds' operating expenses remain the same through each year. Although your actual costs may be higher or lower, based on these assumptions your costs would be:

Direxion Daily Consumer Discretionary Bull 3X Shares

1 Year	3 Years
$97	$331

Direxion Daily Consumer Discretionary Bear 3X Shares

1 Year	3 Years
$97	$333

Direxion Daily Consumer Staples Bull 3X Shares
Direxion Daily Consumer Staples Bear 3X Shares

Investment Objective

The Direxion Daily Consumer Staples Bull 3X Shares seeks daily investment results, before fees and expenses, of 300% of the price performance of the Russell 1000® Consumer Staples Index ("Consumer Staples Index"). The Direxion Daily Consumer Staples Bear 3X Shares seeks daily investment results, before fees and expenses, of 300% of the inverse (or opposite) of the price performance of the Consumer Staples Index. (Collectively, the Direxion Daily Consumer Staples Bull 3X Shares and the Direxion Daily Consumer Staples Bear 3X Shares are referred to as the "Consumer Staples Funds.")

Principal Investment Strategy

The Direxion Daily Consumer Staples Bull 3X Shares, under normal circumstances, creates long positions by investing at least 80% of its net assets in the equity securities that comprise the Consumer Staples Index and/or Financial Instruments. In combination, these equity securities and/or Financial Instruments provide leveraged and unleveraged exposure to the Consumer Staples Index. The Direxion Daily Consumer Staples Bear 3X Shares does not invest in equity securities. Under normal circumstances, it creates short positions by investing at least 80% of its net assets in Financial Instruments that, in combination, provide leveraged and unleveraged exposure to the Consumer Staples Index, and the remainder in Money Market Instruments. On a day-to-day basis, the Direxion Daily Consumer Staples Bull 3X Shares also holds Money Market Instruments.

Risks

The principal risks of investing in the Consumer Staples Funds are Adverse Market Conditions Risk, Adviser's Investment Strategy Risk, Concentration Risk, Consumer Staples Sector Risk, Counterparty Risk, Credit Risk, Daily Correlation Risk, Derivatives Risk, Early Close/Trading Halt Risk, Effects of Compounding and Market Volatility Risk, Equity Securities Risk, Foreign Securities Risk, Gain Limitation Risk, Intra-Day Investment Risk, Leverage Risk, Market Risk, Market Timing Risk, Negative Implications of Daily Goals in Volatile Markets Risk, Non-Diversification Risk, Regulatory Risk, Risks of Investing in Other Investment Companies and ETFs, Small and Mid Capitalization Company Risk, Tax and Distribution Risk, Tracking Error Risk, Valuation Time Risk and Special Risks of Exchange Traded Funds.

Additional risks of investing in the Direxion Daily Consumer Staples Bear 3X Shares are Inverse Correlation Risk and Shorting Risk. For more information on the Consumer Staples Funds, including a description of each risk, please refer to the "Principal Risks" section above.

Target Index

The Consumer Staples Index is an index of companies that provide products directly to the consumer that are typically considered nondiscretionary items on the basis of consumer purchasing habits. The Consumer Staples Index includes manufacturers and distributors of food, beverages and tobacco, as well as producers of non-durable household goods. It also includes food- and drug-retailing companies, as well as agriculture, fishing, ranching and milling companies.

Performance

The Consumer Staples Funds are newly organized and have not yet commenced operations; therefore, performance information is not yet available.

Fees and Expenses

These tables describe the estimated fees and expenses that you may pay if you buy, hold or sell Creation Units of the Consumer Staples Funds. Annual fund operating expenses are estimates. Investors purchasing Shares in the secondary market will not directly pay the transaction fees paid by Authorized Participants,[1] but may be subject to costs (including customary brokerage commissions) charged by their broker.

Annual Operating Expenses[2] (as a percentage of daily assets):

Direxion Daily Consumer Staples Bull 3X Shares

Management Fees	0.75%
Distribution and/or Service (12b-1) Fees[3]	0.00%
Other Expenses[4][5]	0.33%
Total Annual Operating Expenses	1.08%
Expense Waiver/Reimbursement	0.13%
Net Annual Operating Expenses	0.95%

Direxion Daily Consumer Staples Bear 3X Shares

Management Fees	0.75%
Distribution and/or Service (12b-1) Fees[3]	0.00%
Other Expenses[4][5]	0.34%
Total Annual Operating Expenses	1.09%
Expense Waiver/Reimbursement	0.14%
Net Annual Operating Expenses	0.95%

(1) For the Direxion Daily Consumer Staples Bull 3X Shares and the Direxion Daily Consumer Staples Bear 3X Shares, a fixed transaction fee of $250 will be charged when you create or redeem Creation Units regardless of the number of Shares redeemed on the date of the transaction. For the Consumer Staples Funds, a variable transaction fee of up to 0.15% of the value of each Creation Unit will be charged to offset costs associated with processing the order. An additional fee of up to 3 times the fixed per order transaction fee plus up to 0.15% of the value of each Creation Unit may be charged if you do not create or redeem Shares through the Continuous Net Settlement System of the NSCC, or in circumstances in which cash is substituted for certain securities. Such transactions are allowed at the sole discretion of a Fund.

(2) Rafferty has contractually agreed to waive all or a portion of its management fee and/or reimburse the Consumer Staples Funds for Other Expenses through March 15, 2011, for the Direxion Daily Consumer Staples Bull 3X Shares and the Direxion Daily Consumer Staples Bear 3X Shares to the extent that each Consumer Staples Fund's Net Annual Operating Expenses exceed 0.95% (excluding, as applicable, among other expenses, taxes, leverage interest, Acquired Fund Fees and Expenses, dividends or interest on short positions, other interest expenses, brokerage commissions, expenses incurred in connection with any merger or reorganization and extraordinary expenses such as litigation). Any expense waiver is subject to reimbursement by each Consumer Staples Fund, as applicable, within the following three years if overall expenses fall below these percentage limitations. This agreement may be terminated or revised at any time with the consent of the Board of Trustees.

(3) The Consumer Staples Funds have adopted a Rule 12b-1 Plan pursuant to which the Funds may be subject to an annual Rule 12b-1 fee of up to 0.25%. No Rule 12b-1 fee is currently being charged to the Consumer Staples Funds.

(4) Other Expenses include organizational costs, fees paid for legal services and audit fees, printing costs, registration fees, administration, custodial, transfer agency, fund accounting and other customary fund expenses.

(5) The Direxion Daily Consumer Staples Bear 3X Shares may take short positions in securities. Estimated additional expenses associated with these investments are included in the calculation above.

Expense Example

The table below is intended to help you compare the cost of investing in the Consumer Staples Funds with the cost of investing in other funds. Investors should note that the following examples are for illustration purposes only and are not meant to suggest actual or expected fees and expenses or returns, all of which may vary. The Direxion Daily Consumer Staples Bull 3X Shares issues and redeems Shares in Creation Units for cash and also on an in-kind basis. The Direxion Daily Consumer Staples Bear 3X Shares issues and redeems Shares in Creation Units for cash. Shares are issued and redeemed in Creation Unit aggregations only. The example does not include the brokerage commissions that secondary market investors may incur to buy and sell Shares.

The table assumes that you invest $10,000 in Creation Units of the Consumer Staples Funds for the periods shown and then redeem all of your Shares at the end of the periods, but does not include transaction fees on purchases and redemptions of Shares. It also assumes that your investment has a 5% return each year and that the Consumer Staples Funds' operating expenses remain the same through each year. Although your actual costs may be higher or lower, based on these assumptions your costs would be:

Direxion Daily Consumer Staples Bull 3X Shares

1 Year	3 Years
$97	$331

Direxion Daily Consumer Staples Bear 3X Shares

1 Year	3 Years
$97	$333

Direxion Daily Healthcare Bull 3X Shares
Direxion Daily Healthcare Bear 3X Shares

Investment Objective

The Direxion Daily Healthcare Bull 3X Shares seeks daily investment results, before fees and expenses, of 300% of the price performance of the Russell 1000® Healthcare Index ("Healthcare Index"). The Direxion Daily Healthcare Bear 3X Shares seeks daily investment results, before fees and expenses, of 300% of the inverse (or opposite) of the price performance of the Healthcare Index. (Collectively, the Direxion Daily Healthcare Bull 3X Shares and the Direxion Daily Healthcare Bear 3X Shares are referred to as the "Healthcare Funds.")

Principal Investment Strategy

The Direxion Daily Healthcare Bull 3X Shares, under normal circumstances, creates long positions by investing at least 80% of its net assets in the equity securities that comprise the Healthcare Index and/or Financial Instruments. In combination, these equity securities and/or Financial Instruments provide leveraged and unleveraged exposure to the Healthcare Index. The Direxion Daily Healthcare Bear 3X Shares does not invest in equity securities. Under normal circumstances, it creates short positions by investing at least 80% of its net assets in Financial Instruments that, in combination, provide leveraged and unleveraged exposure to the Healthcare Index, and the remainder in Money Market Instruments. On a day-to-day basis, the Direxion Daily Healthcare Bull 3X Shares also holds Money Market Instruments.

Risks

The principal risks of investing in the Healthcare Funds are Adverse Market Conditions Risk, Adviser's Investment Strategy Risk, Concentration Risk, Counterparty Risk, Credit Risk, Daily Correlation Risk, Derivatives Risk, Early Close/Trading Halt Risk, Effects of Compounding and Market Volatility Risk, Equity Securities Risk, Foreign Securities Risk, Gain Limitation Risk, Healthcare Sector Risk, Intra-Day Investment Risk, Leverage Risk, Market Risk, Market Timing Risk, Negative Implications of Daily Goals in Volatile Markets Risk, Non-Diversification Risk, Regulatory Risk, Risks of Investing in Other Investment Companies and ETFs, Small and Mid Capitalization Company Risk, Tax and Distribution Risk, Tracking Error Risk, Valuation Time Risk and Special Risks of Exchange Traded Funds.

Additional risks of investing in the Direxion Daily Healthcare Bear 3X Shares are Inverse Correlation Risk and Shorting Risk. For more information on the Healthcare Funds, including a description of each risk, please refer to the "Principal Risks" section above.

Target Index

The Healthcare Index is an index of companies that manufacture health care equipment and supplies or provide health care-related services such as lab services, in-home medical care and health care facilities. The Healthcare Index also includes companies involved in research, development and production of pharmaceuticals and biotechnology.

Performance

The Healthcare Funds are newly organized and have not yet commenced operations; therefore, performance information is not yet available.

Fees and Expenses

These tables describe the estimated fees and expenses that you may pay if you buy, hold or sell Creation Units of the Healthcare Funds. Annual fund operating expenses are estimates. Investors purchasing Shares in the secondary market will not directly pay the transaction fees paid by Authorized Participants,[1] but may be subject to costs (including customary brokerage commissions) charged by their broker.

Annual Operating Expenses[2] (as a percentage of daily assets):

Direxion Daily Healthcare Bull 3X Shares

Management Fees	0.75%
Distribution and/or Service (12b-1) Fees[3]	0.00%
Other Expenses[4][5]	0.33%
Total Annual Operating Expenses	1.08%
Expense Waiver/Reimbursement	0.13%
Net Annual Operating Expenses	0.95%

Direxion Daily Healthcare Bear 3X Shares

Management Fees	0.75%
Distribution and/or Service (12b-1) Fees[3]	0.00%
Other Expenses[4][5]	0.34%
Total Annual Operating Expenses	1.09%
Expense Waiver/Reimbursement	0.14%
Net Annual Operating Expenses	0.95%

(1) For the Direxion Daily Healthcare Bull 3X Shares and the Direxion Daily Healthcare Bear 3X Shares, a fixed transaction fee of $250 will be charged when you create or redeem Creation Units regardless of the number of Shares redeemed on the date of the transaction. For the Healthcare Funds, a variable transaction fee of up to 0.15% of the value of each Creation Unit will be charged to offset costs associated with processing the order. An additional fee of up to 3 times the fixed per order transaction fee plus up to 0.15% of the value of each Creation Unit may be charged if you do not create or redeem Shares through the Continuous Net Settlement System of the NSCC, or in circumstances in which cash is substituted for certain securities. Such transactions are allowed at the sole discretion of a Fund.

(2) Rafferty has contractually agreed to waive all or a portion of its management fee and/or reimburse the Healthcare Funds for Other Expenses through March 15, 2011, for the Direxion Daily Healthcare Bull 3X Shares and the Direxion Daily Healthcare Bear 3X Shares to the extent that each Healthcare Fund's Net Annual Operating Expenses exceed 0.95% (excluding, as applicable, among other expenses, taxes, leverage interest, Acquired Fund Fees and Expenses, dividends or interest on short positions, other interest expenses, brokerage commissions, expenses incurred in connection with any merger or reorganization and extraordinary expenses such as litigation). Any expense waiver is subject to reimbursement by each Healthcare Fund, as applicable, within the following three years if overall expenses fall below these percentage limitations. This agreement may be terminated or revised at any time with the consent of the Board of Trustees.

(3) The Healthcare Funds have adopted a Rule 12b-1 Plan pursuant to which the Funds may be subject to an annual Rule 12b-1 fee of up to 0.25%. No Rule 12b-1 fee is currently being charged to the Healthcare Funds.

(4) Other Expenses include organizational costs, fees paid for legal services and audit fees, printing costs, registration fees, administration, custodial, transfer agency, fund accounting and other customary fund expenses.

(5) The Direxion Daily Healthcare Bear 3X Shares may take short positions in securities. Estimated additional expenses associated with these investments are included in the calculation above.

Expense Example

The table below is intended to help you compare the cost of investing in the Healthcare Funds with the cost of investing in other funds. Investors should note that the following examples are for illustration purposes only and are not meant to suggest actual or expected fees and expenses or returns, all of which may vary. The Direxion Daily Healthcare Bull 3X Shares issues and redeems Shares in Creation Units for cash and also on an in-kind basis. The Direxion Daily Healthcare Bear 3X Shares issues and redeems Shares in Creation Units for cash. Shares are issued and redeemed in Creation Unit aggregations only. The example does not include the brokerage commissions that secondary market investors may incur to buy and sell Shares.

The table assumes that you invest $10,000 in Creation Units of the Healthcare Funds for the periods shown and then redeem all of your Shares at the end of the periods, but does not include transaction fees on purchases and redemptions of Shares. It also assumes that your investment has a 5% return each year and that the Healthcare Funds' operating expenses remain the same through each year. Although your actual costs may be higher or lower, based on these assumptions your costs would be:

Direxion Daily Healthcare Bull 3X Shares

1 Year	3 Years
$97	$331

Direxion Daily Healthcare Bear 3X Shares

1 Year	3 Years
$97	$333

Direxion Daily Retail Bull 3X Shares
Direxion Daily Retail Bear 3X Shares

Investment Objective

The Direxion Daily Retail Bull 3X Shares seeks daily investment results, before fees and expenses, of 300% of the price performance of the Russell 1000® Retail Index ("Retail Index"). The Direxion Daily Retail Bear 3X Shares seeks daily investment results, before fees and expenses, of 300% of the inverse (or opposite) of the price performance of the Retail Index. (Collectively, the Direxion Daily Retail Bull 3X Shares and the Direxion Daily Retail Bear 3X Shares are referred to as the "Retail Funds.")

Principal Investment Strategy

The Direxion Daily Retail Bull 3X Shares, under normal circumstances, creates long positions by investing at least 80% of its net assets in the equity securities that comprise the Retail Index and/or Financial Instruments. In combination, these equity securities and/or Financial Instruments provide leveraged and unleveraged exposure to the Retail Index. The Direxion Daily Retail Bear 3X Shares does not invest in equity securities. Under normal circumstances, it creates short positions by investing at least 80% of its net assets in Financial Instruments that, in combination, provide leveraged and unleveraged exposure to the Retail Index, and the remainder in Money Market Instruments. On a day-to-day basis, the Direxion Daily Retail Bull 3X Shares also holds Money Market Instruments.

Risks

The principal risks of investing in the Retail Funds are Adverse Market Conditions Risk, Adviser's Investment Strategy Risk, Concentration Risk, Counterparty Risk, Credit Risk, Currency Exchange Rate Risk, Daily Correlation Risk, Derivatives Risk, Early Close/Trading Halt Risk, Effects of Compounding and Market Volatility Risk, Equity Securities Risk, Foreign Securities Risk, Gain Limitation Risk, Intra-Day Investment Risk, Leverage Risk, Market Risk, Market Timing Risk, Negative Implications of Daily Goals in Volatile Markets Risk, Non-Diversification Risk, Regulatory Risk, Retail Sector Risk, Risks of Investing in Other Investment Companies and ETFs, Small and Mid Capitalization Company Risk, Tax and Distribution Risk, Tracking Error Risk, Valuation Time Risk and Special Risks of Exchange Traded Funds.

Additional risks of investing in the Direxion Daily Retail Bear 3X Shares are Inverse Correlation Risk and Shorting Risk. For more information on the Retail Funds, including a description of each risk, please refer to the "Principal Risks" section above.

Target Index

The Retail Index is an index comprised of companies that sell to consumers those discretionary products supplied by manufacturers. These companies include specialty retailers as well as diversified retailers such as department stores, discount stores, and superstores. The Retail Index does not include retailers selling consumer staples, such as supermarkets, drugstores, and liquor stores.

Performance

The Retail Funds are newly organized and have not yet commenced operations; therefore, performance information is not yet available.

Fees and Expenses

These tables describe the estimated fees and expenses that you may pay if you buy, hold or sell Creation Units of the Retail Funds. Annual fund operating expenses are estimates. Investors purchasing Shares in the secondary market will not directly pay the transaction fees paid by Authorized Participants,[1] but may be subject to costs (including customary brokerage commissions) charged by their broker.

Annual Operating Expenses[2] (as a percentage of daily assets):

Direxion Daily Retail Bull 3X Shares

Management Fees	0.75%
Distribution and/or Service (12b-1) Fees[3]	0.00%
Other Expenses[4][5]	0.33%
Total Annual Operating Expenses	1.08%
Expense Waiver/Reimbursement	0.13%
Net Annual Operating Expenses	0.95%

Direxion Daily Retail Bear 3X Shares

Management Fees	0.75%
Distribution and/or Service (12b-1) Fees[3]	0.00%
Other Expenses[4][5]	0.34%
Total Annual Operating Expenses	1.09%
Expense Waiver/Reimbursement	0.14%
Net Annual Operating Expenses	0.95%

(1) For the Direxion Daily Retail Bull 3X Shares and the Direxion Daily Retail Bear 3X Shares, a fixed transaction fee of $250 will be charged when you create or redeem Creation Units regardless of the number of Shares redeemed on the date of the transaction. For the Retail Funds, a variable transaction fee of up to 0.15% of the value of each Creation Unit will be charged to offset costs associated with processing the order. An additional fee of up to 3 times the fixed per order transaction fee plus up to 0.15% of the value of each Creation Unit may be charged if you do not create or redeem Shares through the Continuous Net Settlement System of

the NSCC, or in circumstances in which cash is substituted for certain securities. Such transactions are allowed at the sole discretion of a Fund.

(2) Rafferty has contractually agreed to waive all or a portion of its management fee and/or reimburse the Retail Funds for Other Expenses through March 15, 2011, for the Direxion Daily Retail Bull 3X Shares and the Direxion Daily Retail Bear 3X Shares to the extent that each Retail Fund's Net Annual Operating Expenses exceed 0.95% (excluding, as applicable, among other expenses, taxes, leverage interest, Acquired Fund Fees and Expenses, dividends or interest on short positions, other interest expenses, brokerage commissions, expenses incurred in connection with any merger or reorganization and extraordinary expenses such as litigation). Any expense waiver is subject to reimbursement by each Retail Fund, as applicable, within the following three years if overall expenses fall below these percentage limitations. This agreement may be terminated or revised at any time with the consent of the Board of Trustees.

(3) The Retail Funds have adopted a Rule 12b-1 Plan pursuant to which the Funds may be subject to an annual Rule 12b-1 fee of up to 0.25%. No Rule 12b-1 fee is currently being charged to the Retail Funds.

(4) Other Expenses include organizational costs, fees paid for legal services and audit fees, printing costs, registration fees, administration, custodial, transfer agency, fund accounting and other customary fund expenses.

(5) The Direxion Daily Retail Bear 3X Shares may take short positions in securities. Estimated additional expenses associated with these investments are included in the calculation above.

Expense Example

The table below is intended to help you compare the cost of investing in the Retail Funds with the cost of investing in other funds. Investors should note that the following examples are for illustration purposes only and are not meant to suggest actual or expected fees and expenses or returns, all of which may vary. The Direxion Daily Retail Bull 3X Shares issues and redeems Shares in Creation Units for cash and also on an in-kind basis. The Direxion Daily Retail Bear 3X Shares issues and redeems Shares in Creation Units for cash. Shares are issued and redeemed in Creation Unit aggregations only. The example does not include the brokerage commissions that secondary market investors may incur to buy and sell Shares.

The table assumes that you invest $10,000 in Creation Units of the Retail Funds for the periods shown and then redeem all of your Shares at the end of the periods, but does not include transaction fees on purchases and redemptions of Shares. It also assumes that your investment has a 5% return each year and that the Retail Funds' operating expenses remain the same through each year. Although your actual costs may be higher or lower, based on these assumptions your costs would be:

Direxion Daily Retail Bull 3X Shares

1 Year	3 Years
$97	$331

Direxion Daily Retail Bear 3X Shares

1 Year	3 Years
$97	$333

Direxion Daily Semiconductor Bull 3X Shares
Direxion Daily Semiconductor Bear 3X Shares

Investment Objective

The Direxion Daily Semiconductor Bull 3X Shares seeks daily investment results, before fees and expenses, of 300% of the price performance of the PHLX Semiconductor Sector Index ("Semiconductor Index"). The Direxion Daily Semiconductor Bear 3X Shares seeks daily investment results, before fees and expenses, of 300% of the inverse (or opposite) of the price performance of the Semiconductor Index. (Collectively, the Direxion Daily Semiconductor Bull 3X Shares and the Direxion Daily Semiconductor Bear 3X Shares are referred to as the "Semiconductor Funds.")

Principal Investment Strategy

The Direxion Daily Semiconductor Bull 3X Shares, under normal circumstances, creates long positions by investing at least 80% of its net assets in the equity securities that comprise the Semiconductor Index and/or Financial Instruments. In combination, these equity securities and/or Financial Instruments provide leveraged and unleveraged exposure to the Semiconductor Index. The Direxion Daily Semiconductor Bear 3X Shares does not invest in equity securities. Under normal circumstances, it creates short positions by investing at least 80% of its net assets in Financial Instruments that, in combination, provide leveraged and unleveraged exposure to the Semiconductor Index, and the remainder in Money Market Instruments. On a day-to-day basis, the Direxion Daily Semiconductor Bull 3X Shares also holds Money Market Instruments.

Risks

The principal risks of investing in the Semiconductor Funds are Adverse Market Conditions Risk, Adviser's Investment Strategy Risk, Concentration Risk, Counterparty Risk, Credit Risk, Daily Correlation Risk, Derivatives Risk, Early Close/Trading Halt Risk, Effects of Compounding and Market Volatility Risk, Equity Securities Risk, Gain Limitation Risk, Intra-Day Investment Risk, Leverage Risk, Market Risk,

Market Timing Risk, Negative Implications of Daily Goals in Volatile Markets Risk, Non-Diversification Risk, Regulatory Risk, Risks of Investing in Other Investment Companies and ETFs, Semiconductors Industry Risk, Small and Mid Capitalization Company Risk, Tax and Distribution Risk, Tracking Error Risk and Special Risks of Exchange Traded Funds.

Additional risks of investing in the Direxion Daily Semiconductor Bear 3X Shares are Inverse Correlation Risk and Shorting Risk. For more information on the Semiconductor Funds, including a description of each risk, please refer to the "Principal Risks" section above.

Target Index

The Semiconductor Index measures the performance of the semiconductor subsector of the U.S. equity market. Component companies are engaged in the design, distribution, manufacture and sale of semiconductors. As of February 18, 2010, the Semiconductor Index included companies with capitalizations between $1.7 billion and $114 billion. The average capitalization of the companies comprising the Semiconductor Index was approximately $15 billion.

Performance

The Semiconductor Funds are newly organized and have not yet commenced operations; therefore, performance information is not yet available.

Fees and Expenses

These tables describe the estimated fees and expenses that you may pay if you buy, hold or sell Creation Units of the Semiconductor Funds. Annual fund operating expenses are estimates. Investors purchasing Shares in the secondary market will not directly pay the transaction fees paid by Authorized Participants,[1] but may be subject to costs (including customary brokerage commissions) charged by their broker.

Annual Operating Expenses[2] (as a percentage of daily assets):

Direxion Daily Semiconductor Bull 3X Shares

Management Fees	0.75%
Distribution and/or Service (12b-1) Fees[3]	0.00%
Other Expenses[4][5]	0.33%
Total Annual Operating Expenses	1.08%
Expense Waiver/Reimbursement	0.13%
Net Annual Operating Expenses	0.95%

Direxion Daily Semiconductor Bear 3X Shares

Management Fees	0.75%
Distribution and/or Service (12b-1) Fees[3]	0.00%
Other Expenses[4][5]	0.34%
Total Annual Operating Expenses	1.09%
Expense Waiver/Reimbursement	0.14%
Net Annual Operating Expenses	0.95%

(1) For the Direxion Daily Semiconductor Bull 3X Shares and the Direxion Daily Semiconductor Bear 3X Shares, a fixed transaction fee of $250 will be charged when you create or redeem Creation Units regardless of the number of Shares redeemed on the date of the transaction. For the Semiconductor Funds, a variable transaction fee of up to 0.15% of the value of each Creation Unit will be charged to offset costs associated with processing the order. An additional fee of up to 3 times the fixed per order transaction fee plus up to 0.15% of the value of each Creation Unit may be charged if you do not create or redeem Shares through the Continuous Net Settlement System of the NSCC, or in circumstances in which cash is substituted for certain securities. Such transactions are allowed at the sole discretion of a Fund.

(2) Rafferty has contractually agreed to waive all or a portion of its management fee and/or reimburse the Semiconductor Funds for Other Expenses through March 15, 2011, for the Direxion Daily Semiconductor Bull 3X Shares and the Direxion Daily Semiconductor Bear 3X Shares to the extent that each Semiconductor Fund's Net Annual Operating Expenses exceed 0.95% (excluding, as applicable, among other expenses, taxes, leverage interest, Acquired Fund Fees and Expenses, dividends or interest on short positions, other interest expenses, brokerage commissions, expenses incurred in connection with any merger or reorganization and extraordinary expenses such as litigation). Any expense waiver is subject to reimbursement by each Semiconductor Fund, as applicable, within the following three years if overall expenses fall below these percentage limitations. This agreement may be terminated or revised at any time with the consent of the Board of Trustees.

(3) The Semiconductor Funds have adopted a Rule 12b-1 Plan pursuant to which the Funds may be subject to an annual Rule 12b-1 fee of up to 0.25%. No Rule 12b-1 fee is currently being charged to the Semiconductor Funds.

(4) Other Expenses include organizational costs, fees paid for legal services and audit fees, printing costs, registration fees, administration, custodial, transfer

agency, fund accounting and other customary fund expenses.

(5) The Direxion Daily Semiconductor Bear 3X Shares may take short positions in securities. Estimated additional expenses associated with these investments are included in the calculation above.

Expense Example

The table below is intended to help you compare the cost of investing in the Semiconductor Funds with the cost of investing in other funds. Investors should note that the following examples are for illustration purposes only and are not meant to suggest actual or expected fees and expenses or returns, all of which may vary. The Direxion Daily Semiconductor Bull 3X Shares issues and redeems Shares in Creation Units for cash and also on an in-kind basis. The Direxion Daily Semiconductor Bear 3X Shares issues and redeems Shares in Creation Units for cash. Shares are issued and redeemed in Creation Unit aggregations only. The example does not include the brokerage commissions that secondary market investors may incur to buy and sell Shares.

The table assumes that you invest $10,000 in Creation Units of the Semiconductor Funds for the periods shown and then redeem all of your Shares at the end of the periods, but does not include transaction fees on purchases and redemptions of Shares. It also assumes that your investment has a 5% return each year and that the Semiconductor Funds' operating expenses remain the same through each year. Although your actual costs may be higher or lower, based on these assumptions your costs would be:

Direxion Daily Semiconductor Bull 3X Shares

1 Year	3 Years
$97	$331

Direxion Daily Semiconductor Bear 3X Shares

1 Year	3 Years
$97	$333

Direxion Daily Utilities Bull 3X Shares
Direxion Daily Utilities Bear 3X Shares

Investment Objective

The Direxion Daily Utilities Bull 3X Shares seeks daily investment results, before fees and expenses, of 300% of the price performance of the Russell 1000® Utilities Index ("Utilities Index"). The Direxion Daily Utilities Bear 3X Shares seeks daily investment results, before fees and expenses, of 300% of the inverse (or opposite) of the price performance of the Utilities Index. (Collectively, the Direxion Daily Utilities Bull 3X Shares and the Direxion Daily Utilities Bear 3X Shares are referred to as the "Utilities Funds.")

Principal Investment Strategy

The Direxion Daily Utilities Bull 3X Shares, under normal circumstances, creates long positions by investing at least 80% of its net assets in the equity securities that comprise the Utilities Index and/or Financial Instruments. In combination, these equity securities and/or Financial Instruments provide leveraged and unleveraged exposure to the Utilities Index. The Direxion Daily Utilities Bear 3X Shares does not invest in equity securities. Under normal circumstances, it creates short positions by investing at least 80% of its net assets in Financial Instruments that, in combination, provide leveraged and unleveraged exposure to the Utilities Index, and the remainder in Money Market Instruments. On a day-to-day basis, the Direxion Daily Utilities Bull 3X Shares also holds Money Market Instruments.

Risks

The principal risks of investing in the Utilities Funds are Adverse Market Conditions Risk, Adviser's Investment Strategy Risk, Concentration Risk, Counterparty Risk, Credit Risk, Currency Exchange Rate Risk, Daily Correlation Risk, Derivatives Risk, Early Close/Trading Halt Risk, Effects of Compounding and Market Volatility Risk, Emerging Markets Risk, Equity Securities Risk, Foreign Securities Risk, Gain Limitation Risk, Intra-Day Investment Risk, Leverage Risk, Market Risk, Market Timing Risk, Negative Implications of Daily Goals in Volatile Markets Risk, Non-Diversification Risk, Regulatory Risk, Risks of Investing in Other Investment Companies and ETFs, Tax and Distribution Risk, Tracking Error Risk, Utilities Sector Risk, Valuation Time Risk and Special Risks of Exchange Traded Funds.

Additional risks of investing in the Direxion Daily Utilities Bear 3X Shares are Inverse Correlation Risk and Shorting Risk. For more information on the Utilities Funds, including a description of each risk, please refer to the "Principal Risks" section above.

Target Index

The Utilities Index contains companies in industries heavily affected by government regulation, such as electric, gas and water utilities. It also includes companies providing telephone services, as well as companies that operate as independent producers or distributors of power.

Performance

The Utilities Funds are newly organized and have not yet commenced operations; therefore, performance information is not yet available.

Fees and Expenses

These tables describe the estimated fees and expenses that you may pay if you buy, hold or sell Creation Units of the Utilities Funds. Annual fund operating expenses are estimates. Investors purchasing Shares in the secondary

market will not directly pay the transaction fees paid by Authorized Participants,[1] but may be subject to costs (including customary brokerage commissions) charged by their broker.

Annual Operating Expenses[2] (as a percentage of daily assets):

Direxion Daily Utilities Bull 3X Shares

Management Fees	0.75%
Distribution and/or Service (12b-1) Fees[3]	0.00%
Other Expenses[4][5]	0.33%
Total Annual Operating Expenses	1.08%
Expense Waiver/Reimbursement	0.13%
Net Annual Operating Expenses	0.95%

Direxion Daily Utilities Bear 3X Shares

Management Fees	0.75%
Distribution and/or Service (12b-1) Fees[3]	0.00%
Other Expenses[4][5]	0.34%
Total Annual Operating Expenses	1.09%
Expense Waiver/Reimbursement	0.14%
Net Annual Operating Expenses	0.95%

(1) For the Direxion Daily Utilities Bull 3X Shares and the Direxion Daily Utilities Bear 3X Shares, a fixed transaction fee of $250 will be charged when you create or redeem Creation Units regardless of the number of Shares redeemed on the date of the transaction. For the Utilities Funds, a variable transaction fee of up to 0.15% of the value of each Creation Unit will be charged to offset costs associated with processing the order. An additional fee of up to 3 times the fixed per order transaction fee plus up to 0.15% of the value of each Creation Unit may be charged if you do not create or redeem Shares through the Continuous Net Settlement System of the NSCC, or in circumstances in which cash is substituted for certain securities. Such transactions are allowed at the sole discretion of a Fund.

(2) Rafferty has contractually agreed to waive all or a portion of its management fee and/or reimburse the Utilities Funds for Other Expenses through March 15, 2011, for the Direxion Daily Utilities Bull 3X Shares and the Direxion Daily Utilities Bear 3X Shares to the extent that each Utilities Fund's Net Annual Operating Expenses exceed 0.95% (excluding, as applicable, among other expenses, taxes, leverage interest, Acquired Fund Fees and Expenses, dividends or interest on short positions, other interest expenses, brokerage commissions, expenses incurred in connection with any merger or reorganization and extraordinary expenses such as litigation). Any expense waiver is subject to reimbursement by each Utilities Fund, as applicable, within the following three years if overall expenses fall below these percentage limitations. This agreement may be terminated or revised at any time with the consent of the Board of Trustees.

(3) The Utilities Funds have adopted a Rule 12b-1 Plan pursuant to which the Funds may be subject to an annual Rule 12b-1 fee of up to 0.25%. No Rule 12b-1 fee is currently being charged to the Utilities Funds.

(4) Other Expenses include organizational costs, fees paid for legal services and audit fees, printing costs, registration fees, administration, custodial, transfer agency, fund accounting and other customary fund expenses.

(5) The Direxion Daily Utilities Bear 3X Shares may take short positions in securities. Estimated additional expenses associated with these investments are included in the calculation above.

Expense Example

The table below is intended to help you compare the cost of investing in the Utilities Funds with the cost of investing in other funds. Investors should note that the following examples are for illustration purposes only and are not meant to suggest actual or expected fees and expenses or returns, all of which may vary. The Direxion Daily Utilities Bull 3X Shares issues and redeems Shares in Creation Units for cash and also on an in-kind basis. The Direxion Daily Utilities Bear 3X Shares issues and redeems Shares in Creation Units for cash. Shares are issued and redeemed in Creation Unit aggregations only. The example does not include the brokerage commissions that secondary market investors may incur to buy and sell Shares.

The table assumes that you invest $10,000 in Creation Units of the Utilities Funds for the periods shown and then redeem all of your Shares at the end of the periods, but does not include transaction fees on purchases and redemptions of Shares. It also assumes that your investment has a 5% return each year and that the Utilities Funds' operating expenses remain the same through each year. Although your actual costs may be higher or lower, based on these assumptions your costs would be:

Direxion Daily Utilities Bull 3X Shares

1 Year	3 Years
$97	$331

Direxion Daily Utilities Bear 3X Shares

1 Year	3 Years
$97	$333

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CONSEQUENTIAL DAMAGES, EVEN IF NOTIFIED OF THE POSSIBILITY OF SUCH DAMAGES.

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HOW TO BUY AND SELL SHARES

Each Fund issues and redeems Shares only in large blocks of Shares called "Creation Units."

Most investors will buy and sell Shares of each Fund in secondary market transactions through brokers. Shares of each Fund that are listed for trading on the secondary market on the Exchange can be bought and sold throughout the trading day like other publicly traded shares. There is no minimum investment. Although Shares are generally purchased and sold in "round lots" of 50,000 Shares, brokerage firms typically permit investors to purchase or sell Shares in smaller "oddlots" at no per-share price differential.

When buying or selling Shares through a broker, you will incur customary brokerage commissions and charges, and you may pay some or all of the spread between the bid and the offer price in the secondary market on each leg of a round trip (purchase and sale) transaction. In addition, because secondary market transactions occur at market prices, you may pay more than NAV when you buy Shares, and receive less than NAV when you sell those Shares.

The Funds' Exchange trading symbols are as follows:

Fund	Symbol
Direxion Daily Basic Materials Bull 3X Shares	BMSL
Direxion Daily Basic Materials Bear 3X Shares	BMSS
Direxion Daily Consumer Discretionary Bull 3X Shares	CDYL
Direxion Daily Consumer Discretionary Bear 3X Shares	CDYS
Direxion Daily Consumer Staples Bull 3X Shares	CSSL
Direxion Daily Consumer Staples Bear 3X Shares	CSSS
Direxion Daily Healthcare Bull 3X Shares	HLCL
Direxion Daily Healthcare Bear 3X Shares	HLCZ
Direxion Daily Retail Bull 3X Shares	RTLB
Direxion Daily Retail Bear 3X Shares	RTLS
Direxion Daily S&P 500® Bull 3X Shares	SFVL
Direxion Daily S&P 500® Bear 3X Shares	SFVS
Direxion Daily Semiconductor Bull 3X Shares	SOXL
Direxion Daily Semiconductor Bear 3X Shares	SOXS
Direxion Daily Utilities Bull 3X Shares	UTLL
Direxion Daily Utilities Bear 3X Shares	UTLS

Share prices are reported in dollars and cents per Share.

Investors may acquire Shares directly from each Fund, and shareholders may tender their Shares for redemption directly to each Fund, only in Creation Units of, as discussed in the "Creations, Redemptions and Transaction Fees" section below. A Creation Unit consists of 50,000 Shares.

For information about acquiring Shares through a secondary market purchase, please contact your broker. If you wish to sell Shares of a Fund on the secondary market, you must do so through your broker.

Book Entry. Shares are held in book-entry form, which means that no stock certificates are issued. The DTC or its nominee is the record owner of all outstanding Shares of the Funds and is recognized as the owner of all Shares for all purposes.

Investors owning Shares are beneficial owners as shown on the records of the DTC or its participants. DTC serves as the securities depository for all Shares. Participants in the DTC include securities brokers and dealers, banks, trust companies, clearing corporations and other institutions that directly or indirectly maintain a custodial relationship with DTC. As a beneficial owner of Shares, you are not entitled to receive physical delivery of stock certificates or to have Shares registered in your name, and you are not considered a registered owner of Shares. Therefore, to exercise any right as an owner of Shares, you must rely upon the procedures of DTC and its participants. These procedures are the same as those that apply to any other stocks that you hold in book entry or "street name" through your brokerage account.

ABOUT YOUR INVESTMENT

Share Price of the Funds

A Fund's share price is known as its NAV. Each Fund (other than the Fixed Income Funds) calculates its NAV as of the close of regular trading on the NYSE, usually 4:00 p.m. Eastern Time, each day the NYSE is open for business ("Business Day.") The NYSE is open every week, Monday through Friday, except when the following holidays are celebrated: New Year's Day, Martin Luther King, Jr. Day (the third Monday in January), President's Day (the third Monday in February), Good Friday, Memorial Day (the last Monday in May), July 4th, Labor Day (the first Monday in September), Thanksgiving Day (the fourth Thursday in November) and Christmas Day. The NYSE may close early on the Business Day before each of these holidays and on the day after Thanksgiving Day. NYSE holiday schedules are subject to change without notice.

On days that the Securities Industry and Financial Markets Association ("SIFMA") recommends that the bond markets close all day, the Fixed Income Funds do not calculate their NAVs, even if the NYSE is open for business. Similarly, on days that SIFMA recommends that the bond markets close early, each of the Funds calculate its NAV as of the time of the recommended close, usually 2:00 p.m. Eastern Time, rather than the close of regular trading on the NYSE.

If the exchange or market on which a Fund's investments are primarily traded closes early, the NAV may be calculated prior to its normal calculation time. Creation/redemption transaction order time cutoffs would also be accelerated. The value of a Fund's assets that trade in markets outside the United States or in currencies other than the U.S. dollar may fluctuate when foreign markets are open but the Funds are not open for business.

Share price is calculated by dividing a Fund's net assets by its shares outstanding. In calculating its NAV, each Fund generally values its assets on the basis of market quotations, last sale prices, or estimates of value furnished by a pricing service or brokers who make markets in such instruments. If such information is not available for a security held by the Fund, is determined to be unreliable, or (to the Adviser's knowledge) does not reflect a significant event occurring after the close of the market on which the security principally trades (but before the close of trading on the NYSE), the security will be valued at fair value estimates by the Adviser under guidelines established by the Board of Trustees. Foreign securities, currencies and other assets denominated in foreign currencies are translated into U.S. dollars at the exchange rate of such currencies against the U.S. Dollar, as provided by an independent pricing service or reporting agency. The Funds also rely on a pricing service in circumstances where the U.S. securities markets exceed a pre-determined threshold to value foreign securities held in the Fund's portfolio. The pricing service, its methodology or the threshold may change from time to time. Debt obligations with maturities of 60 days or less are valued at amortized cost.

Fair Value Pricing. Securities are priced at a fair value as determined by the Adviser, under the oversight of the Board of Trustees, when reliable market quotations are not readily available, the Funds' pricing service does not provide a valuation for such securities, the Funds' pricing service provides a valuation that in the judgment of the Adviser does not represent fair value, the Adviser believes that the market price is stale, or an event that affects the value of an instrument (a "Significant Event") has occurred since closing prices were established, but before the time as of which the Funds calculate their NAVs. Examples of Significant Events may include:

(1) events that relate to a single issuer or to an entire market sector; (2) significant fluctuations in domestic or foreign markets; or (3) occurrences not tied directly to the securities markets, such as natural disasters, armed conflicts, or significant government actions. If such Significant Events occur, the Funds may value the instruments at fair value, taking into account such events when it calculates each Fund's NAV. Fair value determinations are made in good faith in accordance with procedures adopted by the Board of Trustees. In addition, the Funds may also fair value an instrument if trading in a particular instrument is halted and does not resume prior to the closing of the exchange or other market.

Attempts to determine the fair value of securities introduce an element of subjectivity to the pricing of securities. As a result, the price of a security determined through fair valuation techniques may differ from the price quoted or published by other sources and may not accurately reflect the market value of the security when trading resumes. If a reliable market quotation becomes available for a security formerly valued through fair valuation techniques, Rafferty compares the market quotation to the fair value price to evaluate the effectiveness of the Funds' fair valuation procedures and will use that market value in the next calculation of NAV.

Rule 12b-1 Fees

The Board of Trustees of the Trust has adopted a Distribution and Service Plan (the "Plan") pursuant to Rule 12b-1 under the Investment Company Act of 1940. In accordance with the Plan, each Fund is authorized to pay an amount up to 0.25% of its average daily net assets each year for certain distribution-related activities and shareholder services.

No 12b-1 fees are currently paid by any Fund, and there are no plans to impose these fees. However, in the event 12b-1 fees are charted in the future, because the fees are paid out of each Fund's assets, over time these fees will increase the cost of your investment and may cost you more than certain other types of sales charges.

SHORT-TERM TRADING

Rafferty expects a significant portion of the Funds' assets to come from professional money managers and investors who use the Funds as part of "asset allocation" and "market timing" investment strategies. These strategies often call for frequent trading to take advantage of anticipated changes in market conditions. Frequent trading of Fund shares could increase the rate of creations and redemptions of Fund Shares and the Funds' portfolio turnover, which could involve correspondingly adverse tax consequences to a Fund's shareholders. Although the Funds reserve the right to reject any purchase orders or suspend the offering of Shares, the Funds do not currently impose any trading restrictions on frequent trading nor actively monitor for trading abuses.

CREATIONS, REDEMPTIONS AND TRANSACTION FEES

Creation Units. Investors such as market makers, large investors and institutions who wish to deal in Creation Units directly with a Fund must have entered into an authorized participant agreement with the principal underwriter and the transfer agent, or purchase through a dealer that has entered into such an agreement. These investors are known as "Authorized Participants." Set forth below is a brief description of the procedures applicable to the purchase and redemption of Creation Units.

Purchase of Bull Funds. To purchase Creation Units directly from a Bull Fund, you must deposit with the Fund a basket of securities and/or cash. Each Business Day, prior to the opening of trading on the Exchange, an agent of the Fund ("Index Receipt Agent") will make available through the NSCC a list of the names and number of shares of each security, if any, to be included in that day's creation basket ("Deposit Securities"). The identity and number of shares of the Deposit Securities required for a Creation Unit will change from time to time. The Fund reserves the right to permit or require the substitution of an amount of cash — i.e., a "cash in lieu" amount — to be added to the Balancing Amount (defined below) to replace any Deposit Security that may not be available in sufficient quantity for delivery, eligible for transfer through the clearing process (discussed below) or the Federal Reserve System or eligible for trading by an Authorized Participant or the investor for which it is acting. For such custom orders, "cash in lieu" may be added to the Balancing Amount (defined below). The Balancing Amount and any "cash in lieu" must be paid to the Trust on or before the third Business Day following the Transmittal Date. You must also pay a Transaction Fee, described below, in cash.

In addition to the in-kind deposit of securities, Authorized Participants will either pay to, or receive from, a Bull Fund an amount of cash referred to as the "Balancing Amount." The Balancing Amount is the amount equal to the differential, if

any, between the market value of the Deposit Securities and the NAV of a Creation Unit. The Fund will publish, on a daily basis, information about the previous day's Balancing Amount. The Balancing Amount may, at times, represent a significant portion of the aggregate purchase price (or, in the case of redemptions, the redemption proceeds). This is because the mark-to-market value of the financial instruments held by the Funds will be included in the Balancing Amount (not in the Deposit Basket or Redemption Basket). The Balancing Amount may fluctuate significantly due to the leveraged nature of the Bull Funds.

All purchase orders for Creation Units must be placed by or through an Authorized Participant. Purchase orders will be processed either through a manual clearing process run at the DTC ("Manual Clearing Process") or through an enhanced clearing process ("Enhanced Clearing Process") that is available only to those DTC participants that also are participants in the Continuous Net Settlement System of the National Securities Clearing Corporation ("NSCC"). Authorized Participants that do not use the Enhanced Clearing Process will be charged a higher Transaction Fee (discussed below). A purchase order must be received in good order by the transfer agent by 4:00 p.m. Eastern Time, whether transmitted by mail, through the transfer agent's automated system, telephone, facsimile or other means permitted under the Participant Agreement, in order to receive that day's NAV per Share. All other procedures set forth in the Participant Agreement must be followed in order for you to receive the NAV determined on that day.

Shares may be issued in advance of receipt of Deposit Securities subject to various conditions including a requirement to maintain on deposit with the Trust cash in an amount up to 115% of the market value of the missing Deposit Securities. Any such transaction effected with the Trust must be effected using the Manual Clearing Process consistent with the terms of the Authorized Participant Agreement.

Purchase of Bear Funds. The Bear Funds only accept cash to purchase Creation Units. The purchaser must transfer cash in an amount equal to the value of the Creation Unit(s) purchased and the applicable Transaction Fee. All purchase orders will be processed through the Manual Clearing Process. The Trust will deliver Shares of the Bear Funds upon payment of cash to the Trust on or before the third Business Day following the Transmittal Date consistent with the terms of the Authorized Participant Agreement.

Redemption from Bull Funds. Redemption proceeds will be paid either in cash or in-kind with a basket of securities ("Redemption Securities"). In most cases, Redemption Securities will be the same as Deposit Securities on a given day. There will be times, however, when the Deposit and Redemption Securities differ. The composition of the Redemption Securities will be available through the NSCC. Each Fund reserves the right to honor a redemption request with a non-conforming redemption basket.

If the value of a Creation Unit is higher than the value of the Redemption Securities, you will receive from the Fund a Balancing Amount in cash. If the value of a Creation Unit is lower than the value of the Redemption Securities, you will be required to pay to the Fund a Balancing Amount in cash. If you are receiving a Balancing Amount, the amount due will be reduced by the amount of the applicable Transaction Fee.

As with purchases, redemptions may be processed either through the Manual Clearing Process or the Enhanced Clearing Process. A redemption order must be received in good order by the transfer agent by 4:00 p.m. Eastern Time, whether transmitted by mail, through the transfer agent's automated system, telephone, facsimile or other means permitted under the Participant Agreement, in order to receive that day's NAV per Share. All other procedures set forth in the Participant Agreement must be followed in order for you to receive the NAV determined on that day.

An investor may request a redemption in cash, which a Bull Fund may in its sole discretion permit. Investors that elect to receive cash in lieu of one or more of the Redemption Securities are subject to an additional charge. Redemptions of Creation Units for cash (when available) and/or outside of the Enhanced Clearing Process also require the payment of an additional charge.

Redemption from Bear Funds. Redemption proceeds will be paid in cash. As with purchases, redemptions may be processed either through the Manual Clearing Process or the Enhanced Clearing Process. A redemption order must be received in good order by the transfer agent by 4:00 p.m. Eastern Time, whether transmitted by mail, through the transfer agent's automated system, telephone, facsimile or other means permitted under the Participant Agreement in order to receive that day's NAV per Share. All other procedures set forth in the Participant Agreement must be followed in order for you to receive the NAV determined on that day.

Transaction Fees on Creation and Redemption Transactions. Each Fund will impose Transaction Fees to offset transfer and other transaction costs associated with the issuance and redemption of Creation Units. There is a fixed and a variable component to the total Transaction Fee on transactions in Creation Units. A fixed Transaction Fee is applicable to each creation and redemption transaction, regardless of the number of Creation Units transacted. A variable Transaction Fee based upon the value of each Creation Unit also is applicable to each redemption transaction. Purchasers and redeemers of Creation Units of the Funds

effected through the Manual Clearing Process are required to pay an additional charge to compensate for brokerage and other expenses. In addition, purchasers of Creation Units are responsible for payment of the costs of transferring the Deposit Securities to the Trust. Redeemers of Creation Units are responsible for the costs of transferring securities from the Trust. Investors who use the services of a broker or other such intermediary may pay additional fees for such services. In addition, Rafferty may, from time to time, at its own expense, compensate purchasers of Creation Units who have purchased substantial amounts of Creation Units and other financial institutions for administrative or marketing services.

The table on the next page summarizes the components of the Transaction Fees.

	Fixed Transaction Fee			Maximum Additional Charge for Purchases and Redemptions*
	In-Kind		Cash	
Direxion Shares ETF Trust	NSCC	Outside NSCC	Outside NSCC	
Direxion Daily Basic Materials Bull 3X Shares	$250	Up to 300% of NSCC Amount	$250	Up to 0.15%
Direxion Daily Basic Materials Bear 3X Shares	N/A	N/A	$250	Up to 0.15%
Direxion Daily Consumer Discretionary Bull 3X Shares	$250	Up to 300% of NSCC Amount	$250	Up to 0.15%
Direxion Daily Consumer Discretionary Bear 3X Shares	N/A	N/A	$250	Up to 0.15%
Direxion Daily Consumer Staples Bull 3X Shares	$250	Up to 300% of NSCC Amount	$250	Up to 0.15%
Direxion Daily Consumer Staples Bear 3X Shares	N/A	N/A	$250	Up to 0.15%
Direxion Daily Healthcare Bull 3X Shares	$250	Up to 300% of NSCC Amount	$250	Up to 0.15%
Direxion Daily Healthcare Bear 3X Shares	N/A	N/A	$250	Up to 0.15%
Direxion Daily Retail Bull 3X Shares	$250	Up to 300% of NSCC Amount	$250	Up to 0.15%
Direxion Daily Retail Bear 3X Shares	N/A	N/A	$250	Up to 0.15%
Direxion Daily S&P 500® Bull 3X Shares	$1,250	Up to 300% of NSCC Amount	$1,250	Up to 0.15%
Direxion Daily S&P 500® Bear 3X Shares	N/A	N/A	$250	Up to 0.15%
Direxion Daily Semiconductor Bull 3X Shares	$250	Up to 300% of NSCC Amount	$250	Up to 0.15%
Direxion Daily Semiconductor Bear 3X Shares	N/A	N/A	$250	Up to 0.15%
Direxion Daily Utilities Bull 3X Shares	$250	Up to 300% of NSCC Amount	$250	Up to 0.15%
Direxion Daily Utilities Bear 3X Shares	N/A	N/A	$250	Up to 0.15%

*As a percentage of the amount invested.

MANAGEMENT OF THE FUNDS

Rafferty provides investment management services to the Funds. Rafferty has been managing investment companies since 1997. Rafferty is located at 33 Whitehall Street, 10th Floor, New York, New York 10004. As of June 30, 2009, the Adviser had approximately $6.5 billion in assets under management.

Under an investment advisory agreement between the Trust and Rafferty, the Funds pay Rafferty the following fees at an annualized rate based on a percentage of the Funds' daily net assets.

	Advisory Fees Charged
All Funds	0.75%

A discussion regarding the basis on which the Board of Trustees approved the investment advisory agreements for the Funds will be available in the Trust's first annual report to shareholders.

An investment team of Rafferty employees has the day-to-day responsibility for managing the Funds. The investment team generally decides the target allocation of each Fund's investments and on a day-to-day basis, an individual portfolio manager executes transactions for the Funds consistent with the target allocation. The portfolio managers rotate among the Funds periodically so that no single portfolio manager is responsible for a specific Fund for extended periods of time. The members of the investment team that are jointly and primarily responsible for the day-to-day management of the Funds are Paul Brigandi and Adam Gould.

Mr. Brigandi has been a Portfolio Manager at Rafferty since June 2004. Mr. Brigandi was previously involved in the equity trading training program for Fleet Boston Financial Corporation from August 2002 to April 2004. Mr. Brigandi is a 2002 graduate of Fordham University.

Mr. Gould has been a Portfolio Manager at Rafferty Asset Management since January of 2007. Prior to joining Rafferty, Mr. Gould was an Index Fund Portfolio Manager at the Bank of New York, responsible for managing ten domestic index funds, and 20 separately managed accounts. Before joining

the Bank of New York in May of 2005, Mr. Gould received an MBA from Georgetown University. Prior to attending graduate school, Mr. Gould was a Nasdaq Market Maker at Deutsche Bank from 1999 through 2002. He completed his undergraduate studies at the University of Wisconsin in 1999, graduating with a Bachelor of Science.

The Funds' SAI provides additional information about the investment team members' compensation, other accounts they manage and their ownership of securities in the Funds.

PORTFOLIO HOLDINGS

A description of the Funds' policies and procedures with respect to the disclosure of the Funds' portfolio securities is available in the Funds' SAI.

OTHER SERVICE PROVIDERS

Foreside Fund Services, LLC serves as the Funds' distributor. Bank of New York Mellon serves as the Funds' transfer agent, administrator, custodian and index receipt agent.

PAYMENTS BY RAFFERTY

Rafferty may, from time to time, at its own expense, compensate purchasers of Creation Units who have purchased substantial amounts of Creation Units and other financial institutions for administrative or marketing services. These payments may be made from profits received by Rafferty from management fees paid to Rafferty by the Funds. Such activities by Rafferty may provide incentives to financial institutions to purchase or market shares of the Funds. Additionally, these activities may give Rafferty additional access to sales representatives of such financial institutions, which may increase sales of a Fund's shares.

DISTRIBUTIONS

Fund Distributions. Each Fund pays out dividends from its net investment income, and distributes any net capital gains, to its shareholders at least annually. Each Fund is authorized to declare and pay capital gain distributions in additional Shares thereof or in cash. The Funds have extremely high portfolio turnover, which will cause the Funds to generate significant amounts of taxable income. The Funds will generally need to distribute this income in order to satisfy certain tax requirement. Because of the Funds' high portfolio turnover, the Funds could make larger and/or more frequent distributions than a traditional unleveraged ETF.

Dividend Reinvestment Service. Brokers may make the DTC book-entry dividend reinvestment service ("Reinvestment Service") available to their customers who are shareholders of a Fund. If the Reinvestment Service is used with respect to a Fund, its distributions of both net income and capital gains will automatically be reinvested in additional and fractional Shares thereof purchased in the secondary market. Without the Reinvestment Service, investors will receive Fund distributions in cash, except as noted above under "Fund Distributions." To determine whether the Reinvestment Service is available and whether there is a commission or other charge for using the service, consult your broker. Fund shareholders should be aware that brokers may require them to adhere to specific procedures and timetables to use the Reinvestment Service.

TAXES

As with any investment, you should consider the tax consequences of buying, holding, and disposing of Shares. The tax information in this Prospectus is only a general summary of some important federal tax considerations generally affecting the Funds and their shareholders. No attempt is made to present a complete explanation of the federal tax treatment of the Funds' activities, and this discussion is not intended as a substitute for careful tax

planning. Accordingly, potential investors are urged to consult their own tax advisers for more detailed information and for information regarding any state, local, or foreign taxes applicable to the Funds and to an investment in Shares.

Fund distributions to you and your sale of your Shares will have tax consequences to you unless you hold your Shares through a tax-exempt entity or tax-deferred retirement arrangement, such as an individual retirement account or 401(k) plan.

Each Fund intends to qualify each year for taxation as a "regulated investment company." If a Fund so qualifies and satisfies certain distribution requirements, the Fund will not be subject to federal income tax on income distributed in a timely manner to its shareholders in the form of dividends or capital gain distributions. Please see the Funds' SAI for more information.

Taxes on Distributions. Dividends from a Fund's investment company taxable income — generally, the sum of net investment income, the excess of net short-term capital gain over net long-term capital loss, and net gains from certain foreign currency transactions, if any, all determined without regard to any deduction for dividends paid — will be taxable to you as ordinary income to the extent of its earnings and profits, whether they are paid in cash or reinvested in additional Shares. However, dividends a Fund pays to you through 2010 that are attributable to its "qualified dividend income" (i.e., dividends it receives on stock of most domestic and certain foreign corporations with respect to which it satisfies certain holding period and other restrictions) generally will be subject to federal income tax at a maximum of 15% if you are an individual, trust, or estate and satisfy those restrictions with respect to your Shares. A portion of a Fund's dividends also may be eligible for the dividends-received deduction allowed to corporations — the eligible portion may not exceed the aggregate dividends the Fund receives from domestic corporations subject to federal income tax (excluding real estate investment trusts) and excludes dividends from foreign corporations — subject to similar restrictions. However, dividends a corporate shareholder deducts pursuant to that deduction are subject indirectly to the federal alternative minimum tax.

Distributions of a Fund's net capital gain (which is the excess of net long-term capital gain over net short-term capital loss) that it recognizes on sales or exchanges of capital assets through its last taxable year beginning before January 1, 2011, will be taxable to you as long-term capital gains, at a maximum rate of 15% if you are an individual, trust, or estate, regardless of your holding period for the Shares on which they are paid and regardless of whether they are paid in cash or reinvested in additional Shares. A Fund's capital gain distributions may vary considerably from one year to the next as a result of its investment activities and cash flows and the performance of the markets in which it invests.

Distributions in excess of a Fund's current and accumulated earnings and profits first will reduce your adjusted tax basis in your Shares and, after that basis is reduced to zero, will constitute capital gain. That capital gain will be long-term capital gain, and thus will be taxed at a maximum rate of 15% (if you are an individual, trust, or estate) through 2010, if the distributions are attributable to Shares you held for more than one year.

In general, distributions are subject to federal income tax for the year when they are paid. However, certain distributions paid in January may be treated as paid on December 31 of the prior year.

Because of high portfolio turnover, the Funds generate significant amounts of taxable income. Accordingly, the Funds may need to make larger and/or more frequent distributions than traditional unleveraged ETFs. A substantial portion of this income is typically short-term capital gain or loss which will generally be treated as ordinary income when distributed to shareholders.

Fund distributions to tax-deferred or qualified plans, such as an IRA, retirement plan or pension plan, generally will not be taxable. However, distributions from such plans will be taxable to the individual participant notwithstanding the character of the income earned by the qualified plan. Please consult a tax advisor for a more complete explanation of the federal, state, local and foreign tax consequences of investing in a Fund through such a plan.

Taxes When Shares are Sold. Generally, you will recognize taxable gain or loss if you sell or otherwise dispose of your Shares. Any gain arising from such a disposition generally will be treated as long-term capital gain if you held the Shares for more than one year, taxable at the maximum 15% rate mentioned above if you are an individual, trust, or estate; otherwise, it will be treated as short-term capital gain. However, any capital loss arising from the disposition of Shares held for six months or less will be treated as long-term capital loss to the extent of capital gain distributions received with respect to those Shares. In addition, all or a portion of any loss recognized on a sale or exchange of Shares will be disallowed to the extent other Shares of the same Fund are purchased (whether through reinvestment of distributions or otherwise) within a period of 61 days beginning 30 days before and ending 30 days after the date of the sale or exchange; in that event, the basis in the newly purchased Shares will be adjusted to reflect the disallowed loss.

Holders of Creation Units. A person who purchases Shares of a Bull Fund by exchanging securities for a Creation Unit generally will recognize capital gain or loss equal to the difference between the market value of the Creation Unit and the person's aggregate basis in the exchanged securities, adjusted for any Balancing Amount paid or received. A shareholder who redeems a Creation Unit generally will recognize gain or loss to the same extent and in the same manner as described above under "Taxes When Shares are Sold."

Miscellaneous. A Fund must withhold and remit to the U.S. Treasury 28% of dividends and capital gain distributions otherwise payable to any individual or certain other non-corporate shareholder who fails to certify that the social security or other taxpayer identification number furnished to the Fund is correct or who furnishes an incorrect number (together with the withholding described in the next sentence, "backup withholding"). Withholding at that rate also is required from a Fund's dividends and capital gain distributions otherwise payable to such a shareholder who is subject to backup withholding for any other reason. Backup withholding is not an additional tax, and any amounts so withheld may be credited against a shareholder's federal income tax liability or refunded.

You may also be subject to state and local taxes on Fund distributions and dispositions of Shares.

Non-U.S. Shareholders. "A "non-U.S. shareholder" is an investor that, for U.S. federal income tax purposes, is a nonresident alien individual, a foreign corporation or a foreign estate or trust. Except where discussed otherwise, this disclosure assumes that a non-U.S. shareholder's ownership of Shares in a Fund is not effectively connected with a trade or business conducted by such non-U.S. shareholder in the United States. This disclosure does not address non-U.S. shareholders who are present in the United States for 183 days or more during the taxable year. Such shareholders should consult their tax advisors with respect to the particular tax consequences to them of an investment in a Fund. The tax consequences to a non-U.S. shareholder entitled to claim the benefits of an applicable tax treaty may be different from those described herein. Non-U.S. shareholders should consult their tax advisors with respect to the particular tax consequences to them of an investment in a Fund.

Dividends paid by a Fund to non-U.S. shareholders will be subject to withholding tax at a 30% rate or a reduced rate specified by an applicable income tax treaty to the extent derived from investment income (other than "qualified interest income" or "short-term capital gains," as described below). In order to obtain a reduced rate of withholding, a non-U.S. shareholder will be required to provide an Internal Revenue Service ("IRS") Form W-8BEN (or substitute form) certifying its entitlement to benefits under a treaty. The withholding tax does not apply to regular dividends paid to a non-U.S. shareholder who provides an IRS Form W-8ECI, certifying that the dividends are effectively connected with the non-U.S. shareholder's conduct of a trade or business within the United States. Instead, the effectively connected dividends will be subject to regular U.S. income tax as if the non-U.S. shareholder were a U.S. shareholder. A non-U.S. corporation's earnings and profits attributable to such dividends may also be subject to additional "branch profits tax" imposed at a rate of 30% (or lower treaty rate).

In general, U.S. federal income tax will not apply to gain realized on the sale or other disposition of shares of a Fund or to any Fund distributions designated as capital gain dividends, short-term capital gain dividends, or interest-related dividends.

The exemption for short-term capital gain dividends and interest-related dividends applies only with respect to a Fund taxable year ending on or before October 31, 2010, unless legislation is enacted extending this exemption to later taxable years. "Short-term capital gain dividends" are dividends that are attributable to short-term capital gain realized by the Fund (generally, the excess of a Fund's net short-term capital gain over long-term capital loss for such taxable year, computed with certain adjustments). "Interest-related dividends" are dividends that are attributable to certain original discount, interest on obligations in registered form (with certain exceptions), interest on deposits derived from U.S. sources and any interest-related dividend from another regulated investment company, reduced by expenses that are allocable to such income. Depending on its circumstances, a Fund may designate all, some or none of its potentially eligible dividends as short-term capital gain dividends and interest-related dividends and/or treat such dividends, in whole or in part, as ineligible for this exemption from withholding.

In order to qualify for this exemption from withholding, a non-U.S. shareholder will need to comply with applicable certification requirements relating to its non-U.S. status (including, in general, furnishing an IRS Form W-8BEN or substitute form). In the case of shares held through an intermediary, the intermediary may withhold even if a Fund designates the payment as a short-term capital gain dividend or an interest-related dividend. Non-U.S. shareholders should contact their intermediaries with respect to the application of these rules to their accounts.

A non-U.S. shareholder who fails to provide an IRS Form W-8BEN or other applicable form may be subject to backup withholding at the appropriate rate. See the discussion of backup withholding under "Miscellaneous" above.

More information about taxes is in the Funds' SAI.

FINANCIAL HIGHLIGHTS

The Funds are newly organized and therefore have not yet had performance for a complete calendar year.

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PROSPECTUS

33 Whitehall Street, 10th Floor New York, New York 10004 866-476-7523

More Information on the Direxion Shares ETF Trust

Statement of Additional Information ("SAI"):

The Funds' SAI contains more information on the Funds and their investment policies. The SAI is incorporated in this Prospectus by reference (meaning it is legally part of this Prospectus). A current SAI is on file with the Securities and Exchange Commission ("SEC").

Annual and Semi-Annual Reports to Shareholders:

The Funds' reports will provide additional information on the Funds' investment holdings, performance data and a letter discussing the market conditions and investment strategies that significantly affected the Funds' performance during that period.

To Obtain the SAI or Fund Reports Free of Charge:

Write to: Direxion Shares ETF Trust
33 Whitehall Street, 10th Floor
New York, New York 10004

Call: 866-476-7523

By Internet: www.direxionshares.com

These documents and other information about the Funds can be reviewed and copied at the SEC Public Reference Room in Washington, D.C. Information on the operation of the Public Reference Room may be obtained by calling the SEC at (202) 551-8090. Reports and other information about the Funds may be viewed on screen or downloaded from the EDGAR Database on the SEC's Internet web site at http://www.sec.gov. Copies of these documents may be obtained, after paying a duplicating fee, by electronic request at the following e-mail address: publicinfo@sec.gov, or by writing the SEC's Public Reference Section, Washington, D.C. 20549-0102.

SEC File Number: 811-22201