

# Direxion S&P 500® RC Volatility Response Shares

March 31, 2012



## Investment Objective

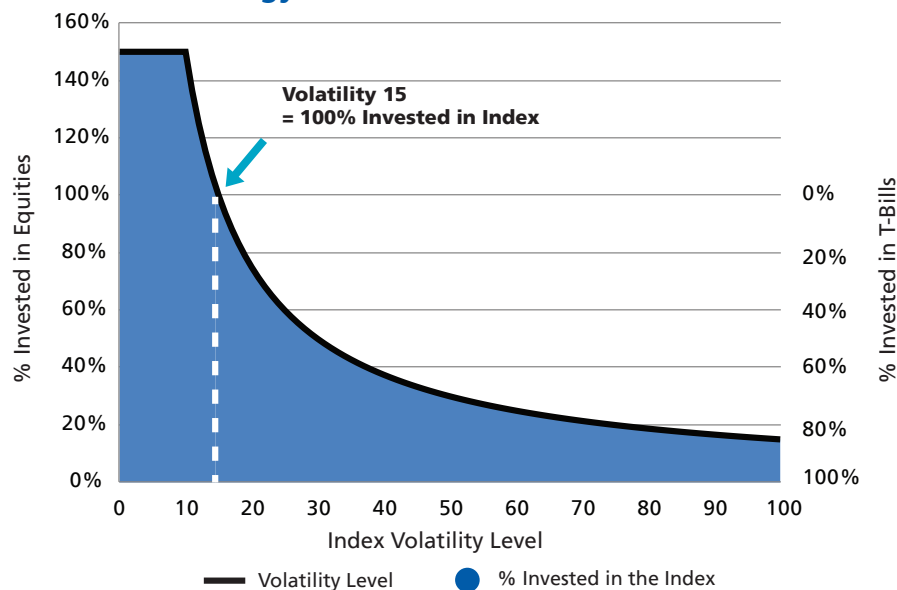
The Direxion S&P 500® RC Volatility Response Shares seeks investment results, before fees and expenses, that track the S&P 500® Dynamic Rebalancing Risk Control Index.

## Principal Investment Strategy

The Investment Strategy of the fund includes:

- Following a quantitative rules-based equity index that seeks to mitigate risk by dynamically<sup>1</sup> changing total equity exposure based on volatility signals.
- Reallocates exposure between equities and U.S. Treasury Bills (T-Bills) contingent on recent volatility levels of the S&P 500® Index. When volatility exceeds the targeted risk level of 15%, the exposure to equities is reduced and the exposure to T-Bills is increased. Conversely when volatility drops below targeted risk levels, equity exposure is increased proportionately.
- Daily review of the volatility levels with rebalancing at least once per month or dynamically<sup>1</sup> when the methodology requires.

## Investment Strategy in Action



*This chart is for illustrative purposes only to generally convey the Fund's investment strategy. Please refer to prospectus for specific details.*

## Index Description

The S&P Composite 500 Dynamic Rebalancing Risk Control Index is designed to respond to the volatility of the S&P 500® Index<sup>2</sup>. The Index methodology is designed to target a specific volatility level by adjusting its allocation between equities and U.S. Treasury Bills.

Through the use of an exponential volatility equation, the Index adjusts based upon realized exponentially-weighted historical volatility of the S&P 500 Index. As volatility increases, exposure to equities will decrease and exposure to the T-Bills will increase. As volatility decreases, exposure to equities will increase and exposure to T-Bills will decrease.

The Index is reviewed daily with a minimum rebalance period of one month. However, if at any time the target volatility level passes the methodology's threshold parameters, the index has the flexibility to readjust as necessary.

## Fund Statistics

Fund Symbol \_\_\_\_\_ **VSPY**  
 Volatility Target Level \_\_\_\_\_ 15%  
 Intra-day Indicative Value \_\_\_\_\_ VSPY.IV  
 Bloomberg Index Symbol \_\_\_\_\_ SP5M15T  
 CUSIP \_\_\_\_\_ 25459Y728  
 ISIN \_\_\_\_\_ US25459Y7287  
 Gross Expense Ratio \_\_\_\_\_ 0.69%  
 Net Expense Ratio \_\_\_\_\_ 0.45%  
 Inception Date \_\_\_\_\_ 1/11/2012

Rafferty Asset Management, LLC, the advisor to the Direxionshares, has contractually agreed to waive all or a portion of its management fee and/or reimburse the Fund for other expenses through April 1, 2013, to the extent that the Fund's Net Annual Operating Expenses exceed 0.45%

## Calculating Equity Exposure Levels

In order to determine how much of the fund should be invested in the equities within the S&P 500® index, the fund takes the fund's targeted volatility level of 15% and divides it by the S&P 500's volatility level.

Some examples are as follows:

Exponential Volatility	Equities	T-Bills
10%	150%	0%
25%	60%	40%
50%	30%	70%
75%	20%	80%
100%	15%	85%

The fund caps its exposure to equities at 150%.

*There is no guarantee that the fund will achieve its stated objectives. Volatility is a statistical measure of the dispersion of returns for a market index.*

# Analysis of the Inverse Relationship Between Volatility and the Performance of the S&P 500 Index - 01/01/97 - 01/01/12



Source: Bloomberg

This chart shows the performance of the S&P 500 Index. Periods of volatility are highlighted for each significant **Bull Market** (i.e. price performance better than 20% for the period) and each significant **Bear Market** (i.e. price performance worse than -20%). Typically, performance has strengthened when volatility has been low; presenting an opportunity to increase index exposure. Conversely, during periods of high volatility, performance weakened; indicating a good time to decrease exposure to the index.

Market Type	Time Period	Historical Volatility	Cumulative Performance
<b>Bull Market</b>	01/01/97 - 3/24/00	19.38%	107.25%
<b>Bear Market</b>	3/24/00 - 9/21/01	21.85%	-36.77%
<b>Bull Market</b>	9/21/01 - 1/4/02	17.88%	21.40%
<b>Bear Market</b>	1/4/02 - 7/23/02	21.32%	-31.97%
<b>Bull Market</b>	7/23/02 - 10/9/07	15.15%	96.21%
<b>Bear Market</b>	10/9/07 - 11/20/08	36.24%	-51.93%
<b>Bull Market</b>	11/20/08 - 1/6/09	50.32%	24.22%
<b>Bear Market</b>	1/6/09 - 3/9/09	38.09%	-27.62%
<b>Bull Market</b>	3/9/09 - 12/31/11	21.76%	85.89%

S&P 500® Index Total Annual Returns as of 12/31/11	1 Mo (%)	3 Mo (%)	YTD (%)	1 Year (%)	5 Year (%)	10 Year (%)	Since Inception (%)	Inception Date
	1.00	11.80	2.10	2.10	-0.25	2.92	9.30	1/04/1988

**Past performance does not guarantee future results.** Index returns are historical and are not representative of any Fund performance. Total returns of the Index include reinvested dividends. One cannot invest directly in an index.

## The key benefits of the strategy include:

- Applies a rules-based methodology to an equity investment strategy seeking to manage risk
- Reacts and adjusts the portfolio equity allocation based on volatility levels
- Employs a downside risk mitigation strategy during periods of higher volatility
- Increases equity exposure when appropriate to exploit positive trends
- Aims to provide improved risk/return profile relative to traditional beta<sup>3</sup> investing

To obtain further information about our funds please visit us at: [www.direxionshares.com](http://www.direxionshares.com) or call us at 1-866-476-7523.

## Disclosures

**An investor should consider the investment objectives, risks, charges, and expenses of Direxion Shares carefully before investing. The prospectus and summary prospectus contain this and other information about Direxion Shares. To obtain a prospectus and summary prospectus visit our website at [www.direxionshares.com](http://www.direxionshares.com). The prospectus and summary prospectus should be read carefully before investing.**

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

### Risks:

An investment in the fund involves risk, including the possible loss of principal. The Risks associated with the Fund include: Adverse Market Conditions Risk, Adviser's Investment Strategy Risk, Counterparty Risk, Derivatives Risk, Futures and Forward Contracts Risk, Hedging Risk, Options Risk, Swap Risk, Early Close/Trading Halt Risk, Equity Securities Risk, High Portfolio Turnover Risk, Liquidity Risk, Market 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. See the prospectus for specific details regarding risk.

Distributor: Foreside Funds Services, LLC.

## Quarterly Performance (as of 03/31/2012)

	NAV	Market Close
1 Month %	3.12	3.19
3 Month %	-	-
YTD %	7.40	7.60
1 Year %	-	-
Since Inception %	7.40	7.60
Inception Date	01/11/2012	01/11/2012

**The performance data quoted represents past performance; past performance does not guarantee future results; the investment return and principal value of an investment will fluctuate; an investor's shares, when redeemed, may be worth more or less than their original cost; current performance may be lower or higher than the performance quoted. Returns for performance under one year are cumulative, not annualized. For the most recent month end performance please visit the funds website at [www.direxionshares.com](http://www.direxionshares.com). Short-term performance, in particular, is not a good indication of the fund's future performance, and an investment should not be made based solely on returns. Because of ongoing market volatility, fund performance may be subject to substantial short-term changes. For additional information, see the fund's prospectus or summary prospectus**

<sup>1</sup>dynamically - characterized by periodic change

<sup>2</sup>The S&P 500® Index measures the large capitalization segment of the domestic equity market, composed of stocks of the 500 domestic companies with the largest capitalization. One cannot invest in an index.

<sup>3</sup>beta - a number describing the relation of returns with those of the financial market as a whole.