

## Leveraged Exchange Traded Funds



### Pursuing Daily Targets in Volatile Markets

#### The Daily Objective

The Direxion Shares Daily 3x Exchange Traded Funds (ETFs) seek to provide daily leveraged investment results that are either 300% or -300% of the returns of the benchmark index (before fees and expenses) from close of market on one day to the close on the next day. There is no guarantee that the funds will achieve their objective.

#### A Moving Target

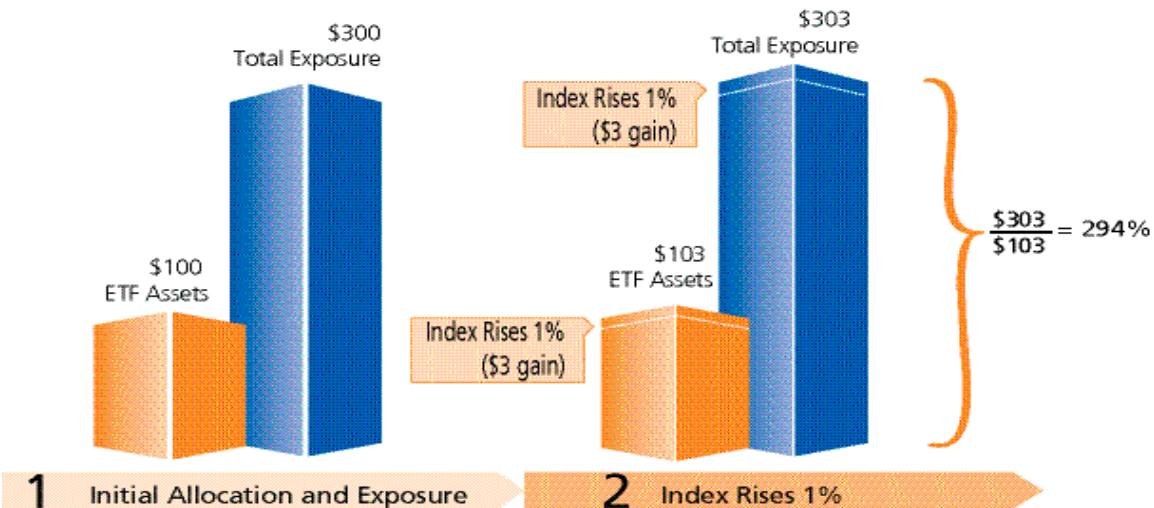
Intra-day, the total exposure of a Fund may be higher or lower than the stated daily objective depending on the movement of the target index away from its value at the end of the prior trading day.

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

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

Figure 1 and 2 on the next page demonstrate these occurrences.

**Figure 1 - Hypothetical Example: Index Rises 1% (Bull Fund)**

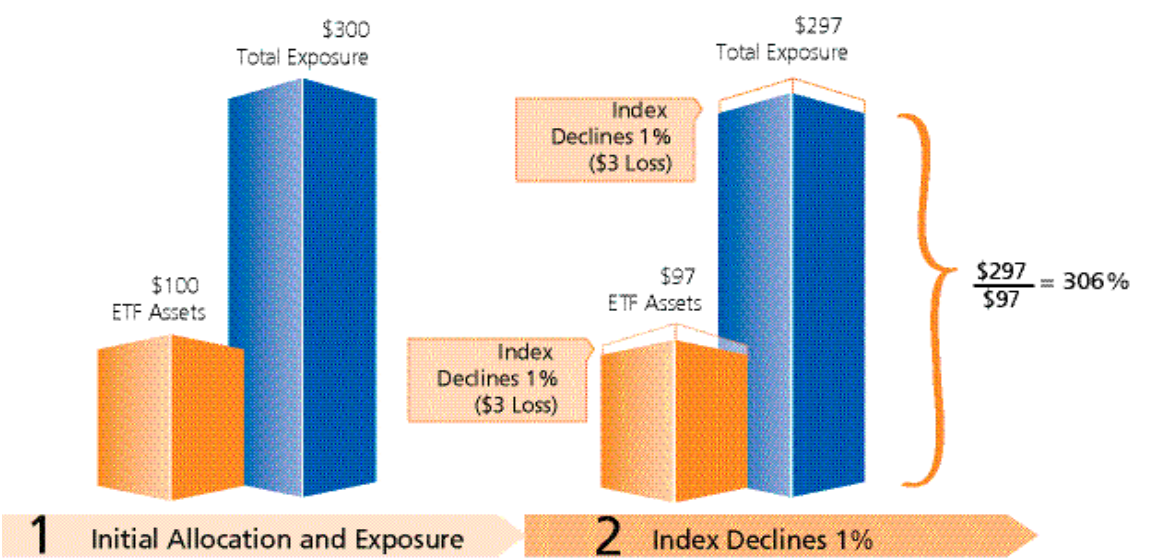


**1. Initial Allocation and Exposure:** A 3x Bull Fund ETF with \$100 in net assets starts the trading day with \$300 of net exposure to the benchmark index.

**2. Index Rises 1%:** If the index rises by 1% from the prior close, the gross exposure would rise to \$303 and net assets would rise to \$103 causing the total exposure level to decrease to 294%.

An investor who purchases at this point will get exposure to the target index equal to 294% of the investment.

**Figure 2 - Hypothetical Example: Index Declines 1% (Bull Fund)**



**1. Initial Allocation and Exposure:** A 3x Bull Fund ETF with \$100 in net assets starts the trading day with \$300 of net exposure to the benchmark index.

**2. Index Declines 1%:** If the index decreases by 1% from the prior close, the gross exposure would fall to \$297 and net assets would decrease to \$97 causing the total exposure level to increase to 306%.

An investor who purchases at this point will get exposure to the target index equal to 306% of the investment.



**Bull and Bear Funds: Index Moves and Resulting Exposure Levels**

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

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

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

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

**How to monitor intra-day NAV Values (INAV)**

Investors should monitor the difference between the current market value of a Direxion Daily 3x ETF and its most recently calculated closing NAV in order to determine actual exposure levels at the time of purchase. The best way to understand an ETF's intra-day market value is to monitor a data point known as the 'INAV.'

The INAV is calculated by various data providers and can be accessed in real time throughout the trading day. The INAV is a very good indication of what a fund's actual NAV per share would be if it were calculated at that point in time.

The INAV can be accessed on various data systems and websites by typing "`^[ETF symbol]-IV`" into the quote request field. For example, to find the INAV for the Direxion Daily Technology Bull 3X Shares, type `^TYH-IV`.

Investors can compare the INAV of an ETF to its most recently calculated NAV and calculate their expected exposure level prior to purchasing the fund. This will help set performance expectations properly.



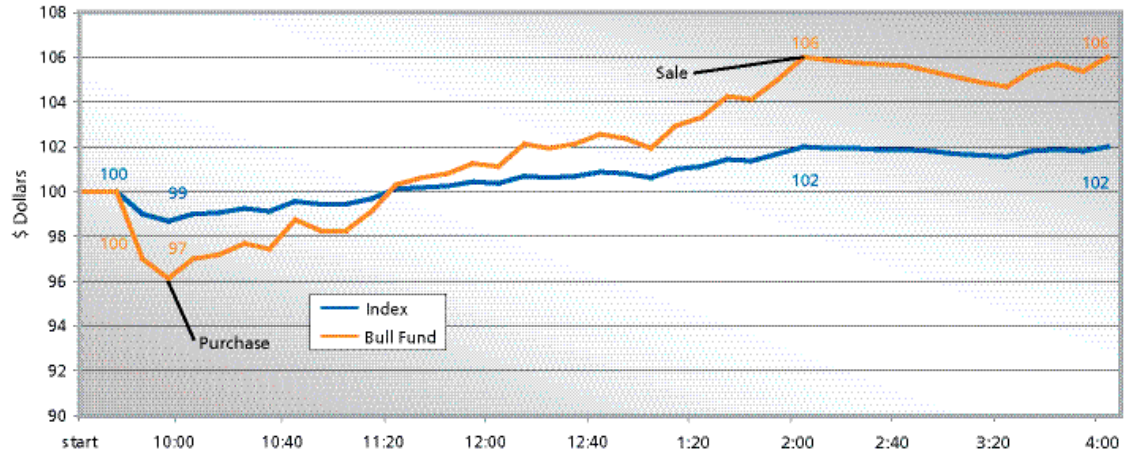
## Daily Hypothetical \$10,000 Investment Scenarios

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

### Bull Fund purchased at increased exposure level

#### Scenario #1:

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



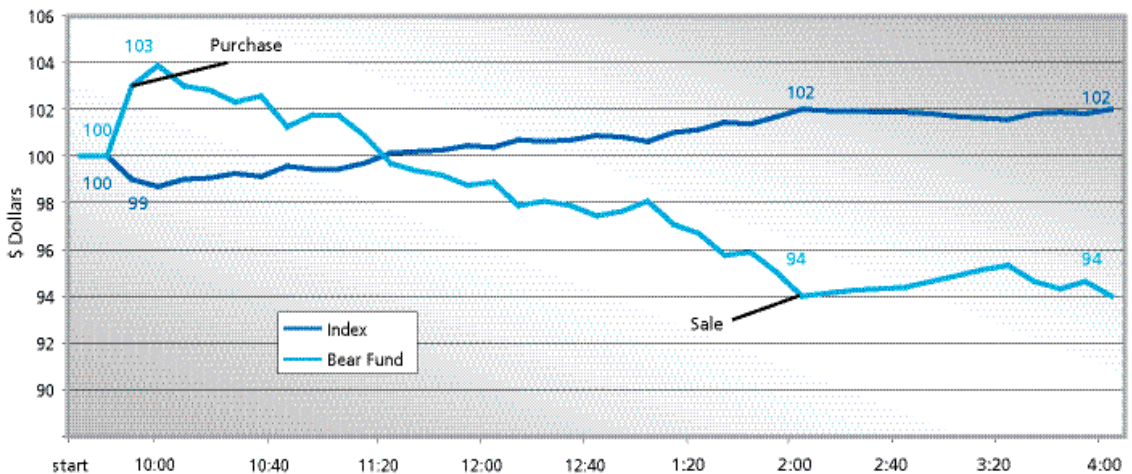
Time of Purchase	10:00 am
Index Value	\$ 99
Bull NAV	\$ 97
Bull Exposure	306%
Initial Investment	\$10,000

Time of Sale	2:00 pm
Index Value	\$ 102
Bull NAV	\$ 106
Fund Return	9.30%
Index Return	3.10%
Fund/Index Return	306%
Investment at Sale	\$10,930

### Bear Fund purchased at decreased exposure level

#### Scenario #2:

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

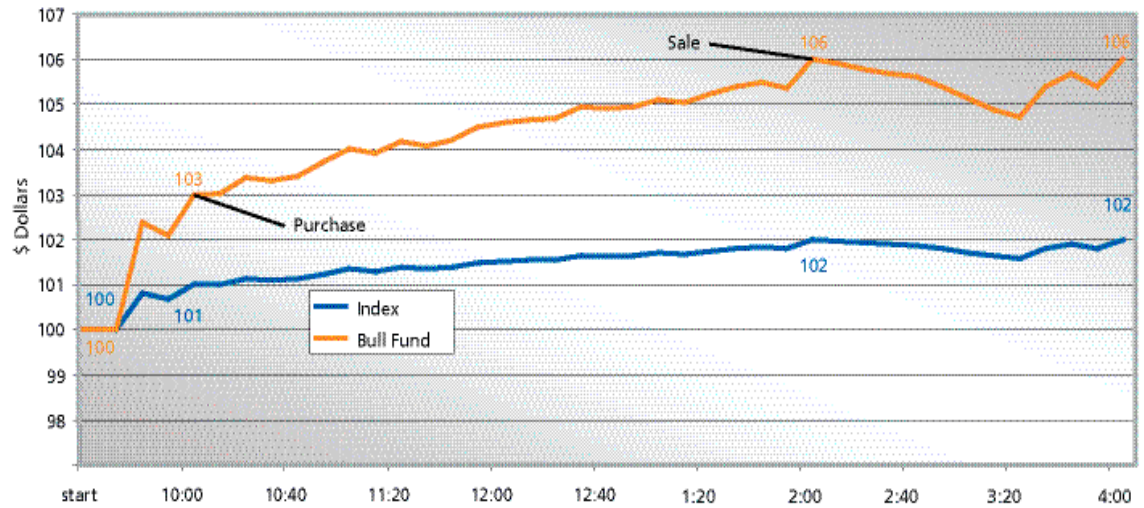


Time of Purchase	10:00 am
Index Value	\$ 99
Bear NAV	\$ 103
Bear Exposure	-288%
Initial Investment	\$10,000

Time of Sale	2:00 pm
Index Value	\$ 102
Bear NAV	\$ 94
Fund Return	-8.70%
Index Return	3.10%
Fund/Index Return	-288%
Investment at Sale	\$9,130



### Bull Fund purchased at decreased exposure level



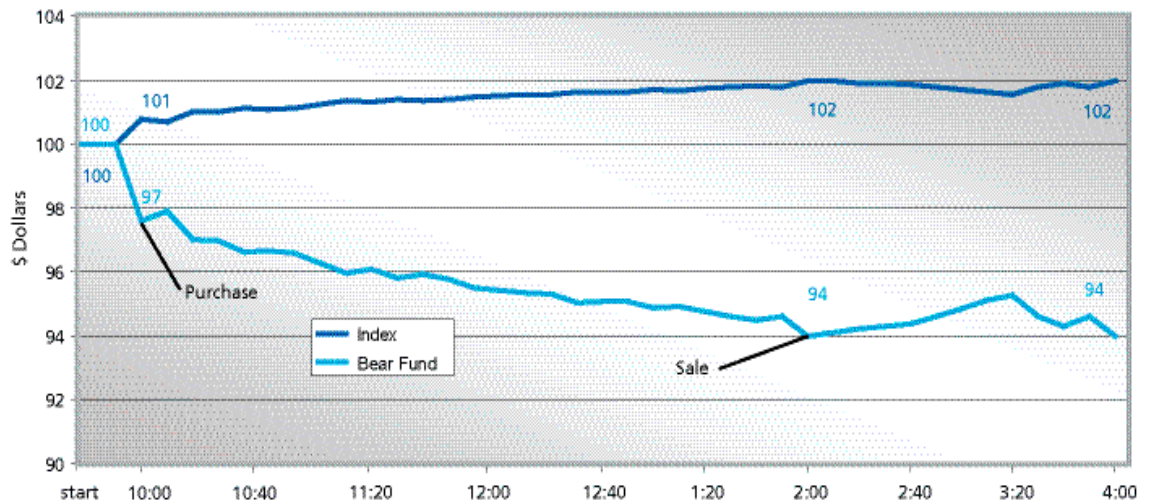
#### Scenario #3:

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

Time of Purchase	10:00 am
Index Value	\$ 101
Bull NAV	\$ 103
Bull Exposure	294%
Initial Investment	\$10,000

Time of Sale	2:00 pm
Index Value	\$ 102
Bull NAV	\$ 106
Fund Return	2.91%
Index Return	0.99%
Fund/Index Return	294%
Investment at Sale	\$10,294

### Bear Fund purchased at increased exposure level



#### Scenario #4:

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

Time of Purchase	10:00 am
Index Value	\$ 101
Bear NAV	\$ 97
Bear Exposure	-312%
Initial Investment	\$10,000

Time of Sale	2:00 pm
Index Value	\$ 102
Bear NAV	\$ 94
Fund Return	-3.09%
Index Return	0.99%
Fund/Index Return	-312%
Investment at Sale	\$9,691



## Summary

### Important take aways:

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

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

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

These funds are **not** suited for conservative investors who:

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

## Regulatory Disclosure

***There is no guarantee the funds will achieve their objective. An investor should consider the investment objectives, risks, charges, and expenses of Direxion Shares carefully before investing. The prospectus contains this and other information about Direxion Shares. To obtain a prospectus please visit [www.direxionshares.com](http://www.direxionshares.com). The prospectus should be read carefully before investing.***

*Investing in index funds may be more volatile than investing in broadly diversified funds. The use of leverage by a fund means the Funds are riskier than alternatives which do not use leverage.*

*The risks associated with the funds are detailed in the prospectus which include: adverse market condition risk, adviser's investment strategy risk, aggressive investment techniques risk, concentration risk, counterparty risk, credit and lower-quality debt securities risk, equity securities risk, currency exchange risk, daily correlation risk, daily rebalancing and market volatility risk, depository receipt risk, foreign and emerging markets securities risk, sector securities risk, interest rate risk, inverse correlation risk, leverage risk, market risk, non-diversification risk, shorting risk, small and mid cap company risk, tracking error risk, and special risks of exchange-traded funds, market timing activity and high portfolio turnover risk, investing in other investment companies and ETFs risk, commodities securities risk, geographic concentration risk, valuation time risk, derivatives risk, commodity-linked derivatives risk, wholly-owned subsidiary risk, tax risk, options and futures contracts risks, security selection risk, Debt Instrument Risk, Gain Limitation Risk, U.S. Government Securities Risk, and Special Risks of Exchange-Traded Funds.*

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