Volatility Matters
Direxion’s leveraged ETFs seek daily goals, which means that the returns of the ETFs over time should not be expected to be a multiple of the cumulative return off the benchmark for the longer period. This piece illustrates how different volatility levels of a fund’s benchmark index can impact the returns of leveraged ETFs for periods greater than a day.

**More Is Not Always Better**

For the period of mid-December 2008 through mid-April 2009 – The Russell 1000 Technology Index, the benchmark for the Direxion Daily Technology 3X Bull (TECL) and Bear (TECS) funds, experienced higher volatility, which affected the funds’ returns. Volatility in these graphic examples is a statistical measure of the dispersion of returns for the above market index. Generally, the higher the volatility, the riskier the security and the higher risk to investment.

Although the benchmark index gained 11.30% over the holding period, the Bull Fund gained only 16.50%, much less than 3X the benchmark’s return. The Bear Fund lost 49.30%, much more than -3X the benchmark’s return.

The performance data quoted represents past performance; past performance does not guarantee future results; the investment return and principal value of an investment will fluctuate; an investor’s shares, when redeemed, may be worth more or less than their original cost; current performance may be lower or higher than the performance quoted. For the most recent month end performance please visit www.direxioninvestments.com.

The recent growth rate in the stock market has helped to produce short term returns that are not typical and may not continue in the future. Because of ongoing market volatility, fund performance may be subject to substantial short term changes.

### Performance (as of 6/30/2018)

<table>
<thead>
<tr>
<th>TECL</th>
<th>TECS</th>
</tr>
</thead>
<tbody>
<tr>
<td>NAV</td>
<td>Market Close</td>
</tr>
<tr>
<td>YTD %</td>
<td>19.29</td>
</tr>
<tr>
<td>1 Year %</td>
<td>86.31</td>
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<tr>
<td>3 Year %</td>
<td>57.25</td>
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<tr>
<td>5 Year %</td>
<td>56.53</td>
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<tr>
<td>Since Inception %</td>
<td>48.97</td>
</tr>
<tr>
<td>Expense Ratio Gross/Net*</td>
<td>1.09/1.09</td>
</tr>
<tr>
<td>Inception Date</td>
<td>12/17/2008</td>
</tr>
</tbody>
</table>
Less May Be More

During the period from mid-April, 2009 through December 31, 2009, the same index experienced much less volatility than in the previous example.

The benchmark index gained 42.00% over the holding period. The Bull Fund gained 165.00%. That’s 39 percentage points MORE than 3X of the benchmark’s return. The Bear Fund lost 71.00%, which is 55 percentage points better than -3X of the benchmark’s return.

Warning!

As nice as it is to see greater than expected returns, you must understand that these compounded returns will increase (for a bull fund) your exposure levels beyond your original 3X level, making your position more sensitive to future market movements. Consider selling your excess gains and managing to a specific exposure level.

Index Return = 42%
3X Index Return = 126%
Bull Fund Return = 165%
Difference = 39%

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

Past performance is not indicative of future results.

Volatility – Why Does it Matter?

In pursuit of their daily investment objectives, leveraged ETFs must rebalance their assets to exposure ratio on a daily basis. This means that their returns over time are the product of a series of daily returns, and not the fund’s beta multiplied by the cumulative return of the index for periods greater than a day.

This deviation in performance is commonly referred to as compounding. The example above illustrates that high volatility causes decay of long-term returns for the funds, while sustained market trends can result in positive effects on returns.
Monitor and Act When Necessary

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

- During highly volatile periods for a fund’s benchmark index, you will need to adjust your positions frequently to maintain constant exposure levels.
- During periods of lower volatility for the benchmark index, you should continue to monitor, but position adjustments will likely be needed less frequently.
- If you don’t have the resources, time or inclination to constantly monitor and manage your positions, leveraged ETFs are not for you.

The Funds are not suitable for all investors and should be utilized only by sophisticated investors who understand leverage risk, the consequence of seeking daily leveraged investment results and intend to actively monitor and managed their investments.

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 call 866-476-7523 or visit our website at direxioninvestments.com. The prospectus and summary prospectus should be read carefully before investing.

Investing in funds that invest in specific industries or geographic regions may be more volatile than investing in broadly diversified funds. The use of leverage by the funds means the funds are riskier than alternatives which do not use leverage. The ETFs are intended to be used as short-term trading vehicles.

These leveraged ETFs seek a return that is +300% or -300% of the return of their benchmark index for a single day. The funds should not be expected to provide three times or negative three times the return of the benchmark’s cumulative return for periods greater than a day.

An investment in each Fund involves risk, including the possible loss of principal. Each Fund is non-diversified and includes risks associated with the Funds’ concentrating their investments in a particular industry, sector, or geographic region which can result in increased volatility. The use of derivatives such as futures contracts and swaps are subject to market risks that may cause their price to fluctuate over time. Each Fund does not attempt to, and should not be expected to, provide returns which are three times the return of their underlying index for periods other than a single day. Risks of each Fund include Effects of Compounding and Market Volatility Risk, Leverage Risk, Counterparty Risk, Intra-Day Investment Risk, risks specific to the Technology Sector, such as Semiconductors Industry Risk and Technology and Telecommunications Risk, for the Direxion Daily Technology Bull 3X Shares, Daily Index Correlation/Tracking Risk and Other Investment Companies (including ETFs) Risk, and for the Direxion Daily Technology Bear 3X Shares, Daily Inverse Index Correlation/Tracking Risk and risks related to Shorting and Cash Transactions. Please see the summary and full prospectuses for a more complete description of these and other risks of each Fund.

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