Understanding PortfolioPlus
Exchange Traded Funds
An Exploration of the Risks & Benefits
PortfolioPlus Exchange Traded Funds (ETFs) seek to provide 35% additional daily exposure to a suite of indexes and the potential ability for investors to enhance returns in a cost-effective, transparent, liquid ETF structure.

About PortfolioPlus

PortfolioPlus ETFs are brought to you by Direxion. Since 1997, Direxion has helped democratize the use of leveraged and institutional strategies for everyday investors. Direxion’s unique, institutional trading roots and expertise in index exposure magnification have inspired the latest evolution of ETFs. Direxion offers innovative solutions for building strategies that work harder.

About PortfolioPlus ETFs

PortfolioPlus ETFs share some similarities with traditional ETFs, however, there are two key concepts that impact the way they are managed and the way they perform:

• **Leverage**: Each dollar invested provides $1.35 worth of exposure to the daily performance of the benchmark index, which means 135% of the risk and volatility.

• **Daily Investment Objectives & Compounding**: The funds seek to magnify the returns of their benchmark indexes on a daily basis. Investments held for longer periods are a product of the compounded daily leveraged returns during the period and may be more or less than 1.35X of the benchmark index, before fees and expenses.

This brochure is designed to provide you with detailed information concerning the composition of these funds, as well as the potential risks associated with them.

PORTFOLIOPLUS ETFS LINEUP

- PortfolioPlus S&P 500® ETF (PPLC)
- PortfolioPlus S&P® Mid Cap ETF (PPMC)
- PortfolioPlus S&P® Small Cap ETF (PPSC)
- PortfolioPlus Developed Markets ETF (PPDM)
- PortfolioPlus Emerging Markets ETF (PPEM)

Fund Objectives

Each PortfolioPlus ETF is designed to seek daily investment results, before fees and expenses, of 135% of the daily performance of its benchmark index. There is no guarantee that the funds will achieve their investment objectives.

We recommend that prospective investors seek the advice of an investment professional before making an investment in PortfolioPlus ETFs.

Inside PortfolioPlus ETFs

To obtain the necessary exposure, PortfolioPlus ETFs will invest all or a portion of their net assets in derivatives—typically swaps or futures. These derivatives are agreements that provide the ability to gain exposure to respective indexes and sectors without the need for full dollar-for-dollar investment. PortfolioPlus ETFs will generate between 10% and 100% of their requisite exposure level from the underlying index securities and the remainder from derivatives.

Investing in a PortfolioPlus ETF may be more volatile than investing in broadly diversified funds. The volatility of an index may affect a PortfolioPlus ETF’s return as much as, or more than, the return of the index. As a result, the PortfolioPlus ETFs may not behave as expected. The PortfolioPlus ETFs are intended to be used by investors who intend to monitor their portfolios.
Managing Exposure in Changing Markets

PortfolioPlus ETFs are designed to seek daily investment results, before fees and expenses, of 135% of the performance of the benchmark index.

Daily market fluctuations cause net asset levels to rise or fall. In response, each ETF’s portfolio is repositioned at market close of each trading day to ensure that the ETF’s exposure is consistent with 135% of the benchmark index’s daily performance.

Each ETF buys or sells derivatives, such as swaps or futures, in order to increase or decrease exposure.

**HYPOTHETICAL EXAMPLE (INDEX RISES 1%)**

1. **INITIAL ALLOCATION AND EXPOSURE:**
   If a PortfolioPlus ETF has $1,000 in net assets, $1,350 of net exposure to the fund’s underlying index must be maintained.

2. **INDEX RISES 1%:**
   If the index increases by 1% in a trading day, the gross exposure would rise to $1,363.50 and net assets would rise to $1,013.50, resulting in a $13.50 gain.

3. **ETF EXPOSURE ADJUSTED:**
   Since gross exposure must always equal 135% of net assets ($1,013.50 in net assets x 135% = $1,368.23) at the beginning of each trading day, $4.73 of exposure must be added to the portfolio.

**FOR ILLUSTRATIVE PURPOSES ONLY.**
1. INITIAL ALLOCATION AND EXPOSURE:
If a PortfolioPlus ETF has $1,000 in net assets, $1,350 of net exposure to the fund’s underlying index must be maintained.

2. INDEX DECLINES 1%:
If the index decreases by 1% in a trading day, the gross exposure would decline to $1,336.50 and net assets would decline to $986.50, resulting in a $13.50 loss.

3. ETF EXPOSURE ADJUSTED:
Since 135% of $986.50 equals $1,331.78 in exposure, the current exposure must be reduced by $4.72 from $1,336.50 to $1,331.78.

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PortfolioPlus ETFs seek to provide returns which are 1.35X the daily return of a particular benchmark index, before fees and expenses. Daily rebalancing impacts the performance of the funds for periods longer than a day. Why? PortfolioPlus ETFs’ exposure is a product of their target magnification and their net assets. Favorable moves in a fund’s benchmark index push net assets higher, which translates into an increase in exposure by a multiple of the gain in its net assets. Conversely, unfavorable moves in a fund’s benchmark index lead to a decline in net assets, which results in a reduction of exposure in an amount by a multiple of the decline in the net assets. Ultimately, because of compounding, PortfolioPlus ETFs may respond to daily gains by becoming more aggressive and may respond to daily losses by becoming more defensive. In markets which are directional, this can be an advantage. In volatile markets which lack direction, this can be a disadvantage.

The following three scenarios illustrate how a PortfolioPlus ETF performs in various market scenarios:

In trending markets with low volatility, the performance of an ETF for periods longer than a day may exceed the return of the index, multiplied by its targeted beta of 1.35X exposure to the portfolio, as demonstrated by the first two scenarios to the below.

1. MARKET RISES STEADILY
If an ETF’s benchmark index moves up in a linear trend for a period greater than one day, the ETF’s gain for the period may be larger than the cumulative index return multiplied by the ETF’s stated multiple (1.35X). This is because as the ETF’s net assets rise with the favorable market fluctuation, the ETF must respond by increasing its exposure to its index, which therefore amplifies the impact of subsequent favorable index movements.

<table>
<thead>
<tr>
<th>Day</th>
<th>Index Level</th>
<th>Fund NAV</th>
<th>Index Daily Return</th>
<th>1.35X Index Daily Return</th>
<th>Index Cumulative Returns</th>
<th>1.35X Expected Cumulative Return</th>
<th>1.35X Index Actual Cumulative Return</th>
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<td>5.10%</td>
<td><strong>6.89%</strong></td>
<td><strong>6.93%</strong></td>
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FOR ILLUSTRATIVE PURPOSES ONLY.
2. MARKET DECLINES STEADILY

If the benchmark index moves down in a linear trend for a period greater than one day, the ETF’s losses for the period may be smaller than the cumulative index return multiplied by the ETF’s stated multiple of 1.35X. This is because, as the ETF’s net assets decline with the downward market fluctuation, the ETF must respond by decreasing its exposure to the index, which therefore reduces the impact of subsequent unfavorable index movements.

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<tr>
<th>Day</th>
<th>Index Level</th>
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<td>-6.57%</td>
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3. MARKET IS FLAT, YET VOLATILE

In volatile markets that exhibit no clear trend or direction, the impact of daily rebalancing can be harmful to the performance of PortfolioPlus ETFs over time. As described above, the ETFs respond to gains by increasing exposure to the benchmark index, and respond to losses by decreasing exposure to the index on a daily basis. Increased exposure in advance of a loss will generate a slightly larger loss, and decreased exposure in advance of a gain will slightly decrease the impact and benefit of future gains for the ETFs. A continued pattern of this sort will typically cause the slight decay of the longer term returns of the ETFs. In the table below, we see an example of a fund that had a negative return after a six day period of volatility yet cumulatively flat index returns. You can follow the math to better understand how this occurs.

These numbers do not reflect the daily operating expenses and financing charges, are hypothetical in nature, and are not representative of actual PortfolioPlus ETFs returns. Users of PortfolioPlus ETFs are encouraged to monitor the changing exposure provided by their investment and modify ETF holdings as they deem necessary.

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<td>1</td>
<td>99.00</td>
<td>$19.73</td>
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<td>-1.35%</td>
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<td>-0.04%</td>
<td>-0.05%</td>
</tr>
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Market Price Variance Risk

PortfolioPlus ETFs are bought and sold in the secondary market on the NYSE ARCA and other exchanges. The market prices of the shares will fluctuate in response to changes in NAV and supply and demand for the shares. It is not possible to accurately predict whether the shares will trade above, below, or at their NAV. On occasion, ETFs may trade at larger-than-expected premiums due to a lack of supply of outstanding shares available in the markets. The result could be that an investor may buy shares at a price that is somewhat inflated above the total market value of the underlying holdings of the fund. However, as more shares are introduced into the secondary market, supply and demand ordinarily return to relative balance. The result typically would be a natural decrease in the size of the premiums.

Counterparty Risk

PortfolioPlus ETFs may invest in financial instruments involving counterparties, such as swaps or futures contracts, to attempt to gain exposure to their benchmark indexes.

Counterparty risk is the risk of monetary loss a firm may be exposed to if the counterparty encounters difficulty meeting its obligations under the terms of the transaction.

The Funds strive to minimize counterparty risk primarily by diversifying their portfolio of relationships for swap and futures contracts across multiple brokers. The balance sheets of all counterparties are regularly monitored and the relationships will be suspended or terminated with any organization that, in the opinion of the Adviser on behalf of the PortfolioPlus ETFs, shows material signs of insolvency.

TERMS PORTFOLIOPRO PLUS ETF INVESTORS SHOULD KNOW:

Beta - A measure of the systematic variability of a security or a portfolio in relation to a target index. A beta of more than 1.00 indicates that the security or portfolio would have higher volatility than the index; a beta of less than 1.00 indicates lower volatility.

Counterparty - In financial service terms, counterparty can refer to brokers, investment banks, and other securities dealers that serve as the contracting party when completing “over-the-counter” securities transactions. The term is generally used in this context in relation to “counterparty risk,” which is the risk of monetary loss a firm may be exposed to if the counterparty to an over-the-counter securities trade encounters difficulty meeting its obligations under the terms of the transaction.

Compounding is the ability of an asset to generate earnings, which are then reinvested in order to generate their own earnings. In other words, compounding refers to generating earnings from previous earnings.

Futures Contract - A contract, traded on a futures exchange, to buy or sell a standardized quantity of a specified commodity of standardized quality (e.g., a “basket” of corporate equities “stock indices”) at a certain date in the future, at a price (the futures price) determined by the market price at the time of the purchase or sale of the contract.

NYSE ARCA - Previously known as ArcaEx, an abbreviation of Archipelago Exchange, NYSE ARCA is a securities exchange on which both stocks and options are traded. It is owned by NYSE, which merged (as NYSE Group) with Archipelago Holdings in a reverse merger on 2/27/2007.

Secondary Market - The financial market for trading of securities that have already been issued in an initial private or public offering. New ETF shares are created in the primary market in large lots called creation units by financial professionals called Authorized Participants. Once these shares are created, they become available for purchase to all investors in the secondary market.

Swap - A derivative in which two counterparties agree to exchange one stream of cash flows for another stream. These streams are called the legs of the swap. The cash flows are calculated over a notional principal amount, which is usually not exchanged between counterparties. Consequently, swaps can be used to create unfunded exposures to an underlying asset, since counterparties can earn the profit or loss from movements in price without having to post the notional amount in cash or collateral. The Funds use swaps to obtain additional exposure to the benchmark indexes.
Your Ideas. Plus.

For long-term investors, portfolio diversification is key. Historically, a portfolio constructed of diversified investments provides for better risk-adjusted returns and less volatility than any single investment found within the portfolio.

PortfolioPlus ETFs provide an additional daily exposure – just 35% – to broad-market indexes through the use of leverage. Funds that employ leverage tend to thrive most consistently in low volatility environments. If you're successful at creating strategies that combat volatility, then PortfolioPlus ETFs may be just the right addition.

Whether you decide to invest in the funds in one or two asset classes or more holistically, the pairing of your best ideas, plus the added strength of PortfolioPlus ETFs, may be a great way to set yourself apart.

DISCLOSURES

An investor should carefully consider a Fund’s investment objective, risks, charges, and expenses before investing. A Fund’s prospectus and summary prospectus contain this and other information about the Direxion Shares. To obtain a Fund’s prospectus and summary prospectus call 866-476-7523 or visit our website at direxioninvestments.com. A Fund’s prospectus and summary prospectus should be read carefully before investing.

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

PortfolioPlus ETFs seek returns that are 135% the return of their benchmark indexes for a single day. The funds should not be expected to provide 1.35 times the return of their benchmarks' cumulative return for periods greater than a day. Investing in PortfolioPlus ETFs may be more volatile than investing in broadly diversified funds. Compounding affects all investments, but has more impact on leveraged funds, particularly during periods of higher index volatility and longer holding periods. Due to periods of negative compounding caused by index volatility, a fund’s return may be negative in the same period that its index's return is flat or positive. PortfolioPlus ETFs are intended to be used by investors who understand leverage risk and the effects of compounding, and intend to monitor their portfolios.

Direxion Shares Risks – An investment in the ETFs involves risk, including the possible loss of principal. The ETFs are non-diversified and include risks associated with concentration that results from an ETF's investments in a particular industry or sector which can increase 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. The ETFs do not attempt to, and should not be expected to, provide returns which are a multiple of the return of their respective index for periods other than a single day. For other risks including leverage, correlation, daily compounding, market volatility and risks specific to an industry or sector, please read the prospectus.

Distributor for PortfolioPlus ETFs: Foreside Fund Services, LLC.

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