

Ed Egilinsky
Managing Director of Alternatives
Direxion Investments
10/17/2019

Disclosures

This material is provided for information only and is not an offer to sell or the solicitation of an offer to buy any financial instrument or asset class

This material does not and is not intended to take into account the particular financial conditions, investment objectives or requirements of individual customers. Before acting on this material, you should consider whether it is suitable for your particular circumstances and, as necessary, seek professional advice.

Direxion Investments is not affiliated with Interactive Brokers LLC, or any other FINRA broker-dealer.

The information provided in this presentation is believed to be accurate, but the accuracy and completeness of the information is not guaranteed.

Past performance is not indicative of future results.

Direxion 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 Direxion Shares 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.*
- *Investing in Leveraged ETFs may be more volatile than investing in broadly diversified funds. The use of leverage by an ETF increases the risk to the ETF. Leveraged ETFs are not suitable for all investors and should be utilized only by sophisticated investors who understand leverage risk, consequences of seeking daily leveraged, or daily inverse leveraged, investment results and intend to actively monitor and manage their investment. The ETFs seek to return a multiple of the benchmark indexes for a single day are not designed to track their respective underlying indices over a period of time longer than one day.*

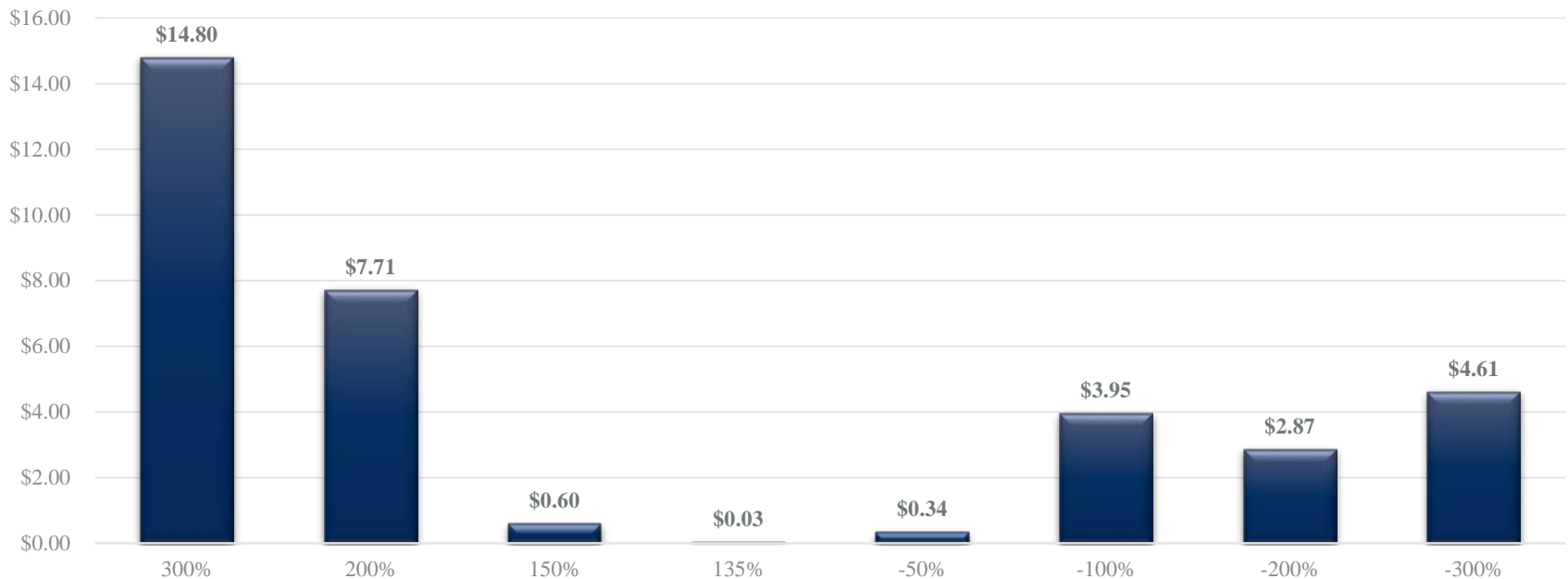
Direxion Disclosures

- **PortfolioPlus Risks** - *With regard to PortfolioPlus ETFs as long term investment tools, 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.*
- **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.
- **Direxion Relative Weight ETFs Risks** - Investing involves risk including possible loss of principal. The ETFs' investments in derivatives may pose risks in addition to, and greater than, those associated with directly investing in or shorting securities or other investments. There is no guarantee that the returns on an ETF's long or short positions will produce high, or even positive returns and the ETF could lose money if either or both of the ETF's long and short positions produce negative returns. Please see the summary and full prospectuses for a more complete description of these and other risks of the ETFs.
- Distributor: Foreside Fund Services, LLC.

Leveraged & Inverse ETF Landscape

The Leveraged and Inverse (“L&I”) ETF Marketplace is comprised of 194 ETFs with \$33.9B in assets under management, covering broad equity market segments, sectors, industries, single countries, and even fixed income and alternatives.

L&I ETF Assets under Management by Leverage Point (in \$B)



Source: Bloomberg. Snapshot as of 09/30/2019

Leveraged & Inverse ETFs by Design

- The L&I ETF Marketplace provides tactical tools to access many market segments with different points of leverage.
- Every L&I ETF largely has two objectives:
 - Sector, Country or Broad index-based access to an underlying market segment.
 - A certain magnitude, on a **daily** basis, of exposure (e.g. 3X, 2X, 1.35X, or -1X).
- By design, **every L&I ETF is managed such that the intended leverage is delivered on a daily basis.**



Leveraged & Inverse ETFs: The Basics

- **Daily Investment Objectives:** To magnify the returns to the benchmark on a daily basis
 - Bull Funds: Seek 135%, 200% or 300% of the daily performance of benchmark
 - Bear Funds: Seek 100%, 200% or 300% of the **inverse** of the daily performance of benchmark
- Allow investors to gain exposure without the need for full dollar-for-dollar investment
 - \$1 invested provides -\$1, \$1.35, \$2 or \$3 of exposure
- **Fund Make Up:** a combination of equity baskets and derivatives – typically swaps or futures contracts

A **swap** is a derivative contract through which two parties exchange financial instruments. These instruments can be almost anything, but most swaps involve cash flows based on a notional principal amount that both parties agree to.

A **futures contract** is a contractual agreement, generally made on the trading floor of a futures exchange, to buy or sell a particular commodity or financial instrument at a pre-determined price in the future.

Impact of Rebalancing and Compounding on Leveraged ETFs

Day 1: Hypothetical Example of Compounding (in Millions)

Initial Investment	Initial Exposure	3X Index Movement	End of Day Assets	End of Day Exposure	Total Fund Return for the Day
\$100	\$300	15%	\$115	\$345	15%

Scenario 1: Bull Fund Index Rises 5% (in Millions)

Assets Day 2	3X Index Move (5%)	Ending Assets Day 2	Cumulative 2 Day Fund Return	Index 2 Day Cumulative Return	Compounded Return
\$115	15%	\$132.25	32.25%	30%	2.25%

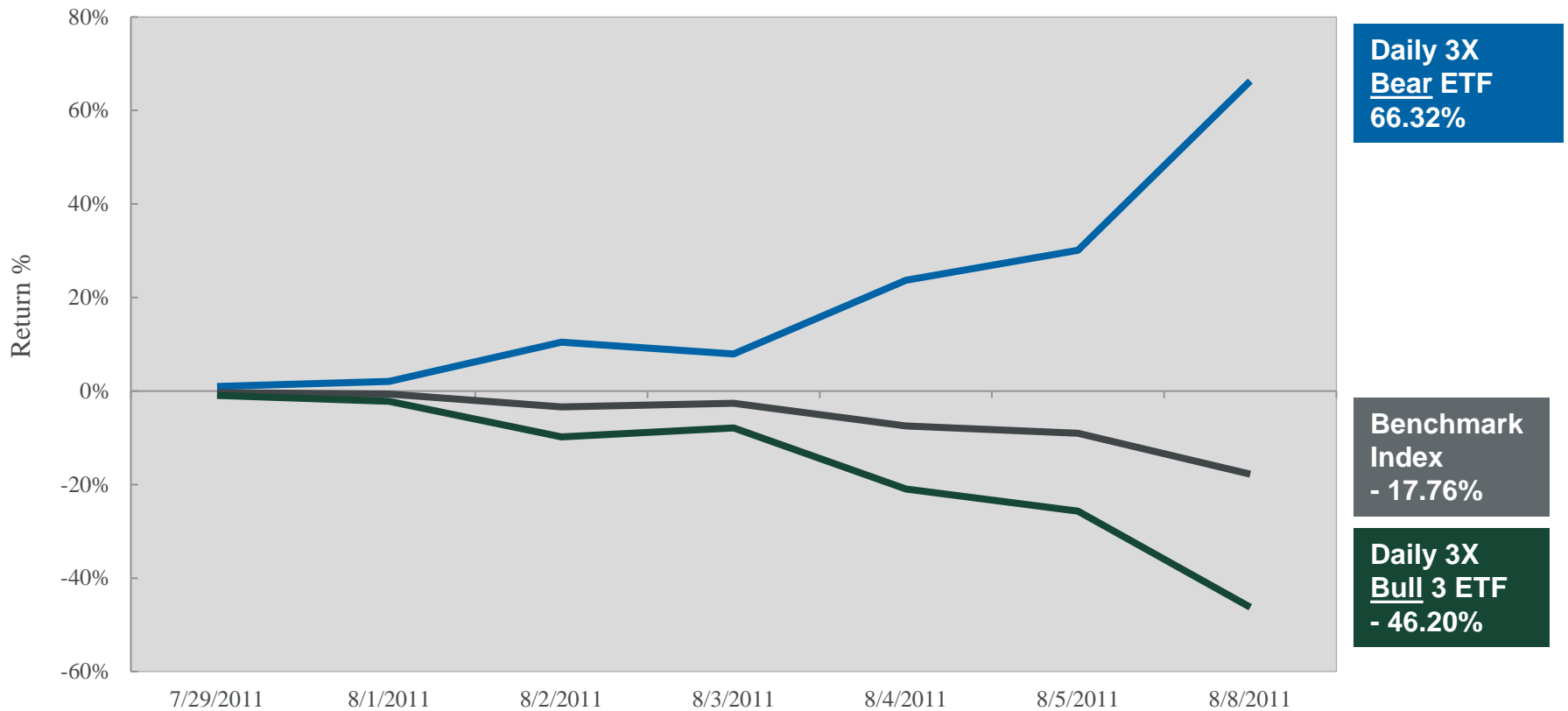
Scenario 2: Bull Fund Index Falls 5% (in Millions)

Assets Day 2	3X Index Move (-5%)	Ending Assets Day 2	Cumulative 2 Day Fund Return	Index 2 Day Cumulative Return	Compounded Return
\$115	-15%	\$97.75	-2.25%	0%	-2.25%

Leverage Point and Behavior Across Time

- The degree of leverage combined with the daily rebalance can widely vary results across different holding period and market regimes.
- Traders must consider the trend, as well as volatility, when utilizing leveraged and inverse ETFs, especially when the holding period is longer than 1 day.
- Ultimately, **these are tools designed to simply deliver the potential for excess returns by utilizing leverage**, but holding periods and a view on trend and volatility are important.
- Not all leverage is created equal... Different leverage magnitudes will behave, in some cases dramatically, differently than others.

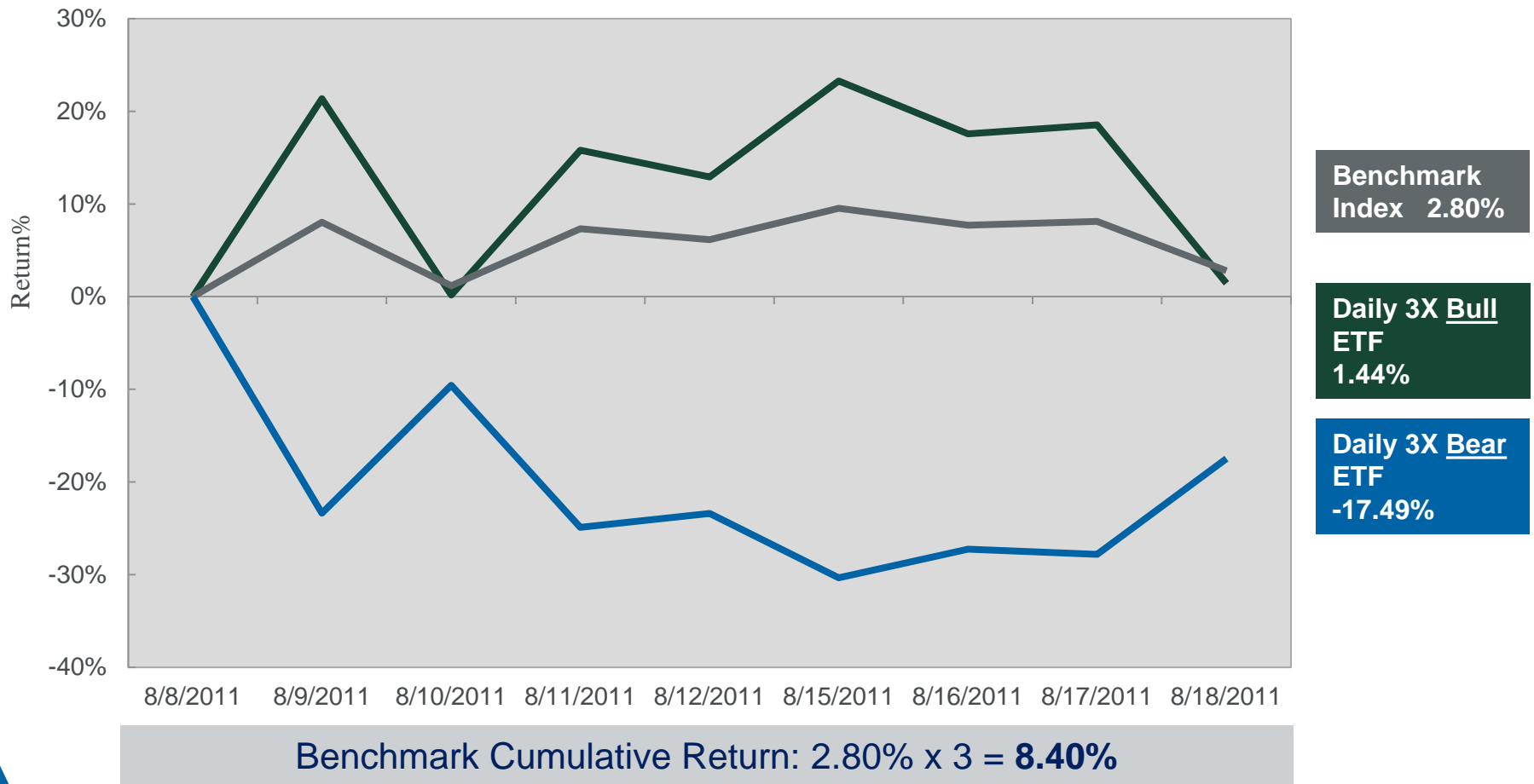
Compounding: In Trending Markets



Benchmark Cumulative Return: $-17.76\% \times 3 = -53.28\%$

FOR ILLUSTRATIVE PURPOSES ONLY. Performance data is hypothetical in nature and is not representative of any actual investment.

Compounding: In Volatile Markets



FOR ILLUSTRATIVE PURPOSES ONLY. Performance data is hypothetical in nature and is not representative of any actual investment.

Inverse ETFs

- Inverse ETFs, whether they are Inverse 3X, 2X or 1X, are designed to return the opposite of the performance of an underlying benchmark on a daily basis.
- There are 92 ETFs within the Inverse 3X, 2x and 1X categories, with a combined \$12.0B in assets. Source Bloomberg 09/30/2019.



Top 10 ETFs by AUM

Fund Name	AUM as of 09/30/19	AUM as of 12/31/18
Daily Financial Bull 3X Shares (FAS)	\$1,330,063,690	\$1,238,670,336
Daily Gold Miners Index Bull 3X Shares (NUGT)	\$1,318,119,053	\$1,285,274,381
Daily S&P 500 Bull 3X Shares (SPXL)	\$936,648,866	\$982,755,558
Daily Technology Bull 3X Shares (TECL)	\$750,788,014	\$458,592,669
Daily Junior Gold Miners Index Bull 3X Shares (JNUG)	\$747,209,752	\$744,021,721
Daily Small Cap Bull 3X Shares (TNA)	\$724,174,409	\$784,799,101
Daily Semiconductor Bull 3X Shares (SOXL)	\$595,816,973	\$487,882,017
Daily S&P 500 Bear 3X Shares (SPXS)	\$482,728,637	\$306,252,582
Daily S&P Biotech Bull 3X Shares (LABU)	\$477,647,029	\$523,923,163
Daily MSCI Brazil Bull 3X Shares (BRZU)	\$419,975,493	\$338,058,273

Source: Direxion as of 09/30/2019.