

Direxion Funds

This form provides information on any applicable 2011 distributions and proceeds from redemptions. In addition to the tax information provided on your 1099-DIV statement, below is supplemental information to assist you with the preparation of your 2011 income tax returns. Please consult your tax advisor for the specific application of any items below relating to the preparation of your tax returns.

Income from U.S. Government Obligations

Some states do not tax their residents on income from a mutual fund that is earned from U.S. Government Obligations. The following table shows the percentage of total ordinary income dividends shown in Box 1 of your 2011 Tax Form that were attributable to interest earned from direct U.S. Government Obligations:

<u>Fund Name</u>	<u>% of Ordinary Income Attributable to Direct U.S. Govt. Obligation (see Box 1)</u>
Direxion Dynamic HY Bond Fund	0.00%
Direxion Monthly 10 Year Note Bull 2X Fund	0.00%
Direxion US Government Money Market Fund	0.00%
Direxion Monthly S&P 500 Bull 2X Fund	0.00%
Direxion VP HY Bond Fund	0.00%
Direxion Wilshire Dynamic Fund	0.00%
Direxion Evolution Managed Bond Fund	0.00%
Direxion HCM Freedom Fund	0.00%

Depending on your state's personal income tax laws, you may be entitled to declare the above portion of your 2011 ordinary income dividends (Box 1) as tax-exempt income on your state personal income tax return. However, some states do not allow the "pass through" of this exempt-interest income unless the percentage earned from U.S. Government Obligations exceeds certain thresholds or unless other requirements are met. Please consult your tax adviser or state authorities if you have any questions regarding the percentage of income you can exclude when calculating your state income tax.