

# the Direxion/Wilshire Dynamic Fund

Period Ending 12/30/2011



## Investment Objective

The Direxion/Wilshire Dynamic Fund seeks capital appreciation.

## Principal Investment Strategy

Wilshire assesses the current investment environment and 'tactically tilts' their proprietary strategic asset allocation to various asset classes on a monthly basis. Wilshire's tactical model determines the overall exposure and investment levels for both the equity and fixed income portions of the Fund.

The strategic portion of the fund is based on Wilshire's proprietary moderate strategic asset allocation (SAA) which is:

- invested in an underlying split of approximately 60% Equities and 40% Fixed Income
- invested in 16 distinct asset classes

The tactical tilt is employed to assess the current market conditions to determine whether the fund should be positioned more aggressively or defensively for the month. This positioning is achieved through:

- increasing or decreasing exposure to Equities (the available may range from approximately 42% to 78%)
- increasing or decreasing exposure to Fixed Income (the available may range from approximately 28% to 52%)

## The key benefits of the strategy include:

- Employs a flexible asset allocation strategy which incorporates a tactical component, to potentially capitalize on short-term market inefficiencies, while maintaining a strategic long-term approach.
- Adjusts exposure to a diversified portfolio of sixteen distinct asset classes on a monthly basis, in an attempt to maximize returns, while mitigating risk in varying markets conditions.
- Provides investors with low cost access to an institutional type investment approach, with the potential for improved risk adjusted returns over time.

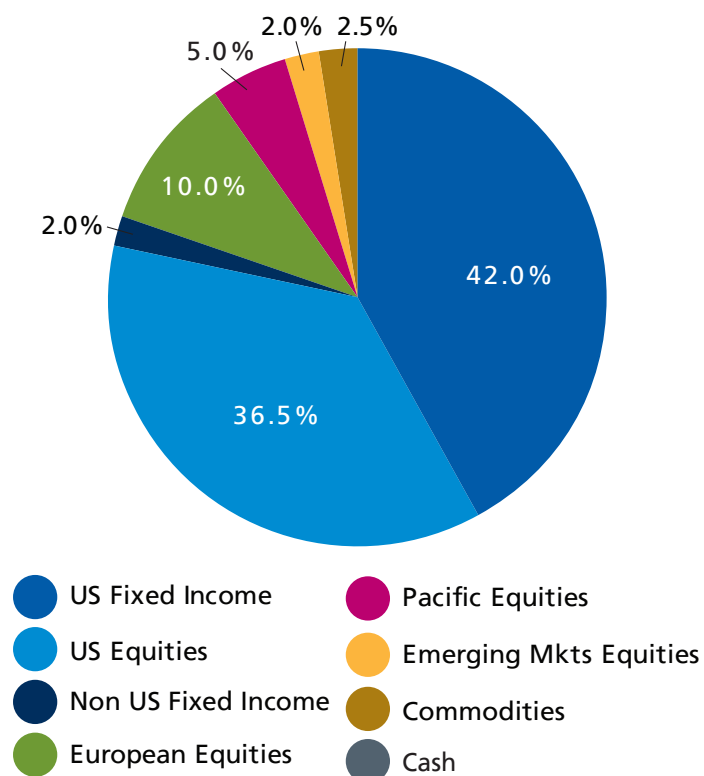
## Fund Statistics

### Fund Risk/Return Metrics (Investor Class)

Correlation	
> S&P 500	0.88
> Barclays Capital Aggregate Bond Index	0.14
Beta to the S&P 500®	0.58
Beta to the Strategic Asset Allocation Portfolio	0.93
Standard Deviation	12.1%

Share Class	A Shares	C Shares
Fees Gross/Net	1.35/1.35%	2.09/2.09%
Symbol	DXDWX	DXWCX
CUSIP	254939416	254939325

## Total Fund Exposure



## Portfolio Allocation Commentary

This January the Direxion/Wilshire Dynamic Fund maintained its neutral weight positions in the high yield and non-U.S. fixed income asset classes. Additionally, the Fund's overweight position in U.S. investment grade fixed income was modestly reduced. The Fund maintained its underweight positions in both U.S. and non-U.S. equity as volatility remains elevated as the European debt crisis continues to unfold, however the underweight position in U.S. equities was modestly reduced. The Fund increased its overweight position in commodities this month. The Fund's beta increased to 0.93 relative to the Strategic Asset Allocation's (SAA) neutral position of 1.0.

It was a modestly positive December for domestic equity markets, with the Wilshire 5000 Total Market Index<sup>SM</sup> returning 0.91 percent. Developed and emerging international equity markets fell more sharply than their domestic peers, with the MSCI EAFE Index returning -0.95 percent and the MSCI Emerging Markets Index returning -1.21 percent. On a style basis, value significantly outpaced growth, with the large and small cap value styles returning 3.0 and 1.25 percent, respectively. The growth style struggled

more, with large and small cap growth returning -1.1 and -0.78 percent, respectively. Real Estate was a top performer this month, with the Wilshire U.S. REIT Index<sup>SM</sup> returning 4.74 percent. On a sector basis the Telecomm, Utilities and Health Care sectors were top performers, while the Energy, Materials and Information Technology sectors all delivered negative performance. Developed international equity markets struggled much more than their domestic peers this December, with the MSCI EAFE Index returning -0.95 percent. Within developed international markets the Europe ex-U.K. region struggled most, falling -2.44 percent. The Pacific ex-Japan region also underperformed, falling by -0.93 percent. Emerging Markets declined even more than their developed market counterparts, falling -1.21 percent.

Bonds delivered solid positive performance this month, with the Barclays U.S. Aggregate Bond Index returning 1.10 percent. As investors switched into a more risk-on mode, high yield and non-U.S. bonds were among the top performing fixed income asset classes, returning 2.48 and 0.84 percent, respectively.

### Disclosures:

*An investor should consider the investment objectives, risks, charges, and expenses of the Direxion Funds carefully before investing. The prospectus and summary prospectus contain this and other information about Direxion Funds. To obtain a prospectus or summary prospectus, please contact the Direxion Funds at 800.851.0511. The prospectus or summary prospectus should be read carefully before investing.*

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The principal risks of investing in the Direxion/Wilshire Dynamic Fund are High Portfolio Turnover, Leverage Risks, Derivatives Risks, Counterparty Risks, Market Risk, Risk of Non-Diversification, Risks of Options and Futures Contracts, Interest Rate Changes, Risks of Investing in Other Investment Companies and ETFs, Risks of Investing in Equity Securities, Risks of Investing in Foreign Instruments, Risks of Shorting Instruments, Security Selection Risk, Credit Risk, Risks of Investing in Small and Mid Capitalization Companies, and Valuation Time Risk. For more information on the risks of the fund, including a description of each risk, please refer to the prospectus.

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To obtain further information about our funds please visit us at: [www.direxionfunds.com](http://www.direxionfunds.com) or call us at 1-877-437-9363.

### Quarterly Performance as of 12/30/2011

Share Class	Investor Class	C Share
1 Month %	0.45	0.38
3 Month %	5.43	5.23
YTD %	0.68	-0.09
1 Year %	0.68	-0.09
S/I %	17.73	3.05
Inception Date	3/2/2009	3/1/2010

The total annual fund operating expense ratio of the Direxion/Wilshire Dynamic Fund investor class shares, gross of any fee waivers or expense reimbursements, as stated in the fee table of the funds prospectus is 1.35%. The total annual fund operating expense ratio of the Direxion/Wilshire Dynamic Fund C shares, gross of any fee waivers or expense reimbursements, as stated in the fee table of the funds prospectus is 2.09%. 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. Returns for performance for one year and under are cumulative, not annualized. Short term performance, in particular, is not a good indication of the fund's future performance, and an investment should not be made based solely on returns.