

Introducing the Exposure Targeting Application



**An innovative tool that helps maximize
the potential of leveraged index funds**





The Exposure Targeting Application

Leveraged index funds seek to provide daily returns which are a multiple of the return of the specific benchmark.

But a common misconception is that leveraged index funds should consistently achieve their stated exposure over extended periods of time. For example, one may believe that if the S&P 500® Index returns 10% over a 10-year period, a 2.5x leveraged S&P 500 fund should return 25%. *The problem?* This would be highly unlikely, due to the effects that compounding (or reverse compounding) can have on leveraged index funds—to say nothing of the cost of leverage and fund expenses.

Dirxion Funds Offers a Solution...

Dirxion Funds has developed an innovative tool that directly addresses the challenges caused by over- or under-exposure to the market: the Exposure Targeting ApplicationSM (ETA). This proprietary, patented investment application is designed to be used with leveraged index funds.

The ETA can help investors to:

- **establish customized leveraged exposure to the index tracked by a leveraged index fund in an amount less than that sought by the fund; and**
- **identify the differences between the market exposure provided by an investment in a leveraged index fund and an investor's hypothetical exposure in a Model Account, in order for the investor to modify the portfolio accordingly.**



How it Works

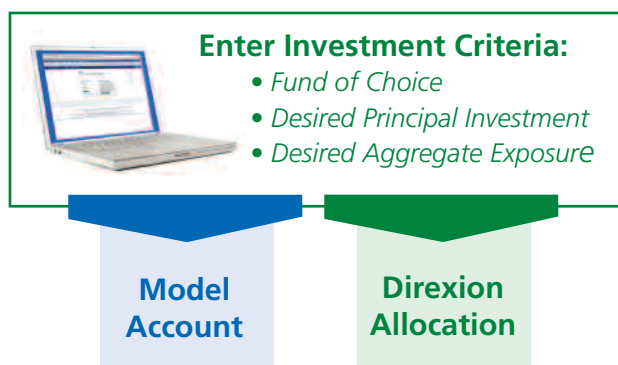
The ETA is designed to allow investors to customize exposure of Dirxion's leveraged funds (both positive and negative) by linking fund allocations with money market fund accounts. It attempts to allow daily beta leveraged index funds to generate return paths that more closely track the cumulative performance of an underlying index over time.

The following three-step process outlines how the application operates:

1

Set Parameters

The financial professional selects the desired Direxion fund—and enters the investment amount and the desired amount of exposure. ETA takes that data and creates a Model Account, recommending the Direxion fund allocation that provides the same benchmark exposure.



2

ETA Monitors for Tracking Variance

The benchmark exposure of the Model Account and the Direxion Allocation do not change in equal amounts as the benchmark value changes. The Model Account provides market exposure equal to the original exposure plus any gains (or minus any losses). The Direxion fund, which leverages net assets on a daily basis, strives to provide market exposure equal to the net assets of the fund multiplied by the beta of the fund. ETA monitors the difference in performance between the Model Account and the Direxion Allocation and alerts the user when performance of the Direxion fund deviates beyond a pre-determined tolerance level.

3

ETA Recommends Action to Maintain Balanced Exposure

The ETA recommends changes between the Direxion positions and a money market fund to attempt to ensure that the exposure provided by the Direxion fund position is closely balanced with that of the Model Account. By executing the trade instructions as they are recommended, the user's pre-determined index exposure can be maintained.

Direxion Allocation Exposure > **Model Account Exposure**

ETA recommends sale of Direxion fund

Direxion Allocation Exposure < **Model Account Exposure**

ETA recommends purchase of Direxion fund

Two ETA Options for Maximum Flexibility

ETA can be accessed as an integrated feature within Direxion's Group Trading Platform or as a standalone tool on Direxion's advisor site.

Integrated ETA

Users of the Direxion Group Trading Platform can add ETA as an integrated feature.

With this version:

- **ETA instructions can be input to automatically execute transactions when the trading variance is significant enough to affect the desired outcome; and**
- **the combination of Direxion's Group Trading and ETA may allow users to achieve desired beta for numerous accounts and investment models with minimal effort.**

Standalone ETA

For those financial professionals who are not users of the Direxion Group Trading Platform—or for those who wish to maintain total control over their trading activity—the standalone version of ETA provides recommendations when it is deemed necessary to perform transactions to maintain the desired beta.

This easy-to-use tool:

- **clearly displays trade instructions and relevant performance in a concise manner; and**
- **allows users to “back test” the outcome of how ETA could have potentially affected the performance of a pre-selected scenario.**

The Bottom Line

ETA is a powerful and useful tool that has the potential to add greatly to advisors' investment strategy development.

Its innovative features are designed to empower financial professionals to seek the more positive aspects of index magnification that leveraged index funds can provide in a more predictable and stable manner.

To learn more about the ETA or to schedule a live demonstration, please contact the Direxion Funds Sales Desk, at 877-437-9363.

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

The prospectus should be read carefully before investing. Investing in index funds may be more volatile than investing in broadly diversified funds. The use of leverage by a mutual fund increases the risk to the fund. The more a fund invests in leveraged instruments, the more the leverage will magnify gains or losses on those investments.

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