PROSPECTUS

PORTFOLIO Strategies
INVESTMENT MANAGERS

Investor Class

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PSI Core Strength Fund

PSI Macro Trends Fund

PSI Total Return Fund

Like shares of all mutual funds, these securities have not been approved or disapproved by the Securities and Exchange Commission nor has the Securities and Exchange Commission passed upon the accuracy or adequacy of this prospectus. Any representation to the contrary is a criminal offense.

December 29, 2009

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In deciding whether to invest in the fund described herein, you should rely on information in this Prospectus or the Statement of Additional Information (the “SAI”). The Direxion Funds (the “Trust”) has not authorized others to provide additional information. The Trust does not authorize the use of this Prospectus in any state or jurisdiction in which such offering may not legally be made.

OVERVIEW

This Prospectus describes the **PSI Core Strength Fund** (the "Core Strength Fund"), the **PSI Macro Trends Fund** (the "Macro Trends Fund") and the **PSI Total Return Fund** (the "Total Return Fund") (each a "Fund" and collectively, the "Funds") of the Direxion Funds (formerly, the Potomac Funds).

Rafferty Asset Management, LLC ("Rafferty" or "Adviser") serves as the Funds' investment adviser and Portfolio Strategies, Inc. serves as the Funds' subadviser ("PSI" or "Subadviser"). (Collectively, Rafferty and PSI are referred to herein as "Advisers" in certain circumstances.)

The Core Strength Fund seeks to achieve returns equal to or better than the return of the broad U.S. stock market as measured by the S&P 500® Index over a full market cycle.

The Macro Trends Fund seeks to implement short or long strategies to achieve capital appreciation.

The Total Return Fund seeks income plus capital appreciation.

There is no assurance that the Funds will achieve their objectives.

Recent events in the financial sector have resulted, and may continue to result, in an unusually high degree of volatility in the financial markets. Both domestic and foreign equity markets could experience increased volatility and turmoil, and it is uncertain whether or for how long these conditions could continue. The U.S. Government has already taken a number of unprecedented actions designed to support certain financial institutions and segments of the financial markets that have experienced extreme volatility, and in some cases a lack of liquidity. Reduced liquidity in equity, credit and fixed-income markets may adversely affect many issuers worldwide. These events and possible continued market turbulence may have an adverse effect on the Funds.

ABOUT THE FUNDS

PSI CORE STRENGTH FUND

Fund Objective

The **PSI Core Strength Fund** seeks to achieve returns equal to or better than the return of the broad U.S. stock market as measured by the S&P 500® Index over a full market cycle.

The term "core" in the Core Strength Fund's name refers to the core categories in which it invests. These core categories are described in the Portfolio Investment Strategy section below and consist of the primary asset classes.

The Core Strength Fund's investment objective is not a fundamental policy and may be changed by the Trust's Board of Trustees without shareholder approval upon a 60-day notice.

Portfolio Investment Strategy

The Subadviser monitors the activity levels of institutional investors using a proprietary "Institutional Participation Index" to determine the percentage, if any, of the Core Strength Fund's assets to invest in a category. The Institutional Participation Index identifies trends by measuring the degree and rate of change of institutional investor activity in the categories defined below. When the Institutional Participation Index indicates an increase in institutional participation in a category, the Subadviser determines the percentage of the Core Strength Fund's assets to be invested in such category by analyzing the potential benefit of the increase on the category.

The Fund uses a model based on calendar effects research which has determined that long-established patterns of institutional investor behavior, driven by and related to accounting periods, tax events and other calendar-related phenomenon, have demonstrable and well-recognized effects on market liquidity and volatility. These seasonal patterns show that different investments may be more promising at various times throughout the year. This calendar effects analysis may be combined with a momentum analysis to establish a higher or lower allocation in these favored market segments.

Separately, the Fund also uses quantitative, trend and relative strength analysis among the five market segments of fixed income, balanced, international, growth and value. This strategy will remain close to 100% invested, and may be slightly leveraged under unusual circumstances.

The Core Strength Fund invests primarily in ETFs selected from a core set of categories consisting of domestic and international equities, including sub-sectors, hard assets (such as energy, real estate, precious metals, etc.) and interest rates (through fixed income instruments and currencies, etc.)

In addition to investing in ETFs to gain exposure to a category, the Core Strength Fund may invest directly in the securities of companies in that category or it may invest in other investment companies, as well as enter into long positions in stock index futures contracts, options on stock index futures contracts, swap agreements and options on securities and on stock indices to produce economically leveraged investment results.

As part of its investment strategy, the Core Strength Fund may invest in money market funds or other short-term interest-bearing instruments. These instruments are typically short-term debt instruments issued or guaranteed by the U.S. government, its agencies or instrumentalities, domestic corporations, financial institutions or other entities that have been determined by one of the Advisers to present minimal credit risk. They include, for example, commercial paper, bank obligations, repurchase agreements, money market funds, other corporate debt obligations and government debt obligations. As a result, up to 100% of the Core Strength Fund's assets may be invested in cash or cash equivalents at any given time. If the Core Strength Fund has significant investments in cash or cash equivalents, it may not achieve its investment objective. In addition, the Core Strength Fund holds U.S. government securities and repurchase agreements to collateralize its investments in futures and options contracts and swap agreements.

The Core Strength Fund is a "non-diversified" fund, meaning that a relatively high percentage of its assets may be invested in a limited number of issuers of securities.

Risk Factors

An investment in the Core Strength Fund is subject to the following risks, as set forth in the "Principal Risk Factors" section of this prospectus below: Risks of the Subadviser's Investment Strategy, High Portfolio Turnover, Risks of Aggressive Investment Techniques, Risks of Investing in Equity Securities, Risks of Investing in Small and Mid-Capitalization Companies, Risks of Investing in ETFs, Risks of Investing in Other Investment Companies, Counterparty Risks, Risks of Non-Diversification, Investment Company Risk, Sector Risk, Risks of Investing in Foreign Securities, Risks of Investing in Emerging Markets, Credit Risk, Interest Rate Change Risk and Currency Exchange Rates Risk.

PSI MACRO TRENDS FUND

Fund Objective

The **PSI Macro Trends Fund** seeks to implement short or long strategies to achieve capital appreciation.

The term “macro” in the Macro Trends Fund’s name refers to its focus on the broad macroeconomic environment. A macro strategy focuses on broad trends and is generally distinguished from a strategy which focuses on the prospects of particular companies or issuers.

Long strategies are designed to profit from a rise in the value of a relevant financial instrument while short strategies are designed to profit from a decline in the value of the particular instrument. The Subadviser will create long or short positions which reflect the Subadviser’s prediction for the market direction of the instrument.

The Macro Trends Fund’s investment objective is not a fundamental policy and may be changed by the Trust’s Board of Trustees without shareholder approval upon a 60-day notice.

Portfolio Investment Strategy

The Subadviser utilizes a multi-faceted approach in managing the Macro Trends Fund.

One strategy involves analysis of the business cycle for each major global market segment (a “Segment”). Historical market data is compared to current market data to determine the phase of the business cycle for each Segment. Examples of Segments include the U.S., Europe, Asia and Latin America. The strength of each Segment’s currency is assessed relative to the U.S. dollar. Generally, when the U.S. dollar is falling relative to a Segment’s currency, investments in that Segment become more attractive or when the U.S. dollar is rising relative to a Segment, investments in that Segment become less attractive.

Technical and quantitative analysis is then used to identify individual sectors and/or securities in attractive Segments. The analysis includes a review of estimated corporate earnings at a macro level (not for an individual company), anticipated inflation and interest rates, consumer risk tolerances and the status of the market. In addition, the analysis attempts to identify whether a particular sector or security has exhibited a cyclical pattern in the past and analyzes price movement and volume.

Based on these analyses, the Segments are ranked in an attempt to predict whether the market is in an “uptrend,” “downtrend” or “trading range.” A “trading range” is one that is neither materially gaining nor declining. The portfolio is positioned more aggressively when the metrics indicate that the macroeconomic environment is highly predictive of a particular market direction and when its various indicators are providing consistent information.

A portion of the Fund’s portfolio may also be positioned to tactically tilt toward the style box (growth vs. value and large vs. small-cap) that is expected to have the most upside potential based on the market’s economic and interest rate cycles. Economic trends are analyzed relative to corporate earnings, attempting to identify market sectors that have above-average earnings relative to valuations. The performance differential between equities in different countries is also important to the analysis.

A portion of the Fund's portfolio will also be positioned in light of then current asset allocation recommendations from institutional managers specializing in aggressive growth investing. The inclusion of particular institutional managers in the consensus is based, in part, on the manager's long-term performance, experience, risk management and quality of research.

The Macro Trends Fund invests significantly in domestic and foreign securities and ETFs, futures contracts on stock indices, swap agreements, options on futures contracts and financial instruments (such as options on securities and stock indices).

Because the Macro Trends Fund uses aggressive investment techniques such as engaging in short positions, futures, swaps and options transactions, it is designed principally for experienced investors. These types of investments produce economically "leveraged" investment results. Leveraging allows the Subadviser to generate a greater positive or negative return than what would be generated on the invested capital without leverage, thus changing small market movements into larger changes in the value of the Macro Trends Fund's investments.

As a part of its investment strategy and during periods in which the Macro Trends Fund has limited market exposure, the Macro Trends Fund may invest in money market funds or other short-term interest-bearing instruments. These instruments are typically short-term debt instruments issued or guaranteed by the U.S. government, its agencies or instrumentalities, domestic corporations, financial institutions or other entities that have been determined by one of the Advisers to present minimal credit risk. They include, for example, commercial paper, bank obligations, repurchase agreements, money market funds, other corporate debt obligations and government debt obligations. As a result, up to 100% of the Macro Trends Fund's assets may be invested in cash or cash equivalents at any given time. If the Macro Trends Fund has significant investments in cash or cash equivalents, it may not achieve its investment objective. In addition, the Macro Trends Fund holds U.S. government securities and repurchase agreements to collateralize its investments in futures and options contracts and swap agreements.

The Macro Trends Fund is a "non-diversified" fund, meaning that a relatively high percentage of its assets may be invested in a limited number of issuers of securities.

Risk Factors

An investment in the Macro Trends Fund is subject to the following risks, as set forth in the "Principal Risk Factors" section of this prospectus below: Risks of the Subadviser's Investment Strategy, High Portfolio Turnover, Risks of Aggressive Investment Techniques, Risks of Investing in Equity Securities, Risks of Investing in Small and Mid-Capitalization Companies, Risks of Investing in ETFs, Risks of Investing in Other Investment Companies, Counterparty Risks, Risks of Non-Diversification, Investment Company Risk, Sector Risk, Risks of Investing in Foreign

Securities, Risks of Investing in Emerging Markets, Currency Exchange Rates Risk, Risk of Shorting Instruments, and Leverage Risk.

PSI TOTAL RETURN FUND

Fund Objective

The **PSI Total Return Fund** seeks income plus capital appreciation.

The Total Return Fund's investment objective is not a fundamental policy and may be changed by the Trust's Board of Trustees without shareholder approval upon a 60-day notice.

Portfolio Investment Strategy

The Total Return Fund attempts to exceed the total return of the Barclays Capital Aggregate Bond Index (formerly known as the Lehman U.S. Aggregate Bond Index) (the "Aggregate Index") over a complete market cycle. The Total Return Fund considers a "complete market cycle" to be a period of time, typically in years, that encompasses both a bull market (periods of uptrending markets) and a bear market (periods of downtrending markets). For example, the 5-year period during 2000-2004 contained both up markets and down markets and is considered by the Total Return Fund to be a "complete market cycle."

The Aggregate Bond Index is composed of over 2,000 investment-grade debt securities, including mortgage-backed, corporate and government-backed issues. The Total Return Fund is neither sponsored by nor affiliated with Barclays Capital.

The Total Return Fund attempts to mirror the quality and average duration and maturity of the Aggregate Bond Index. As a result, the Total Return Fund generally limits its investments in fixed income securities to securities rated investment-grade at the time of purchase. In addition, the Total Return Fund generally targets an average duration of about four years and an average maturity of approximately seven years. Should the target average duration and maturity of the Aggregate Bond Index change, the Total Return Fund would adjust its targets accordingly.

The Total Return Fund invests less than 10% of its assets in derivatives of the Aggregate Index ("Aggregate Index Derivatives") that closely track its value. The remainder of the Total Return Fund's assets will be invested in equity and fixed income securities and ETFs using strategies that are designed to add income plus capital appreciation to the Total Return Fund in addition to the gains or losses received from holding the Aggregate Index Derivatives. The Subadviser selects investments for the Total Return Fund based on quantitative analysis, and focuses predominantly on credit spreads, volatility and interest rates.

Credit spreads measure the difference in yield between corporate bonds and government securities of the same maturity. As the yields between the two instruments become closer, the credit spread is said to narrow and generally indicates an investment environment that is positive toward risk-taking. In this scenario, the Total Return Fund will likely have more exposure to equity and fixed income securities and ETFs. As the difference in the yields increases, the credit spread is said to widen and generally indicates an investment environment where investors are cautious and may begin to reduce their allocation to more aggressive or "risky" assets. In this scenario, the Total Return Fund will likely have a smaller percentage of its assets in equity and fixed income securities and ETFs.

Market volatility measures the likelihood that the equity market will experience large variations on a given day. The Subadviser monitors equity volatility on a daily basis. Generally, as market volatility drops, the Total Return Fund will have a larger percentage of its assets invested in equity securities and ETFs. During periods when volatility is increasing, the Total Return Fund will have a smaller percentage of its assets in equity securities and ETFs.

The Subadviser monitors interest rates by examining the yield curve. A declining interest rate environment is generally favorable to interest-bearing investments like the Aggregate Index. However, when interest rates rise, the price of such investments typically falls. As a result, during periods of rising interest rates, the Total Return Fund may hedge its interest rate exposure, typically by creating short positions in U.S. Treasury futures. The Total Return Fund may invest up to 30% of its net assets in such futures.

Based on the interaction between these three factors, the Subadviser will adjust the Total Return Fund's exposure to equity and fixed income securities, ETFs and U.S. Treasury futures. The Subadviser determines the individual securities and ETFs to purchase by analyzing relative price momentum. The Subadviser's relative price momentum analysis seeks to use publicly available information including previous prices, returns and/or trading volumes to identify market sectors or individual securities that have exhibited strong performance in prior periods as compared to other investment opportunities. The Subadviser generally holds the sectors or individual securities identified during its relative price momentum analysis until another sector or individual security exhibits stronger performance.

As part of its investment strategy and for temporary defensive purposes, the Subadviser may invest in high quality money market instruments that are short-term debt instruments issued or guaranteed by the U.S. government, its agencies or instrumentalities, domestic corporations, financial institutions or other entities that have been determined by one of the Advisers to present minimal credit risk. They include, for example, commercial paper, bank obligations, repurchase agreements, money market funds, other corporate debt obligations and government debt obligations. As a result, up to 100% of the Total Return Fund's assets may be invested in cash or cash equivalents at any given time for temporary defenses purposes. If the Total Return Fund has significant investments in cash and cash equivalents, it may not achieve its investment objective.

The Total Return Fund is a "non-diversified" fund, meaning that a relatively high percentage of its assets may be invested in a limited number of issuers of securities.

Risk Factors

An investment in the Total Return Fund is subject to the following risks, as set forth in the "Principal Risk Factors" section of this prospectus below: Risks of the Subadviser's Investment Strategy, High Portfolio Turnover, Risks of Aggressive Investment Techniques, Risks of Investing in Equity Securities, Risks of Investing in Small and Mid-Capitalization Companies, Risks of Investing in ETFs, Risks of Investing in Other Investment Companies, Counterparty Risks, Risks of Non-Diversification, Investment Company Risk, Sector Risk, Credit Risk, Interest Rate Changes Risk,

PRINCIPAL RISK FACTORS

An investment in a Fund entails risks. A Fund could lose money, or its performance could trail that of other investment alternatives. Neither PSI nor Rafferty can guarantee that the Funds will achieve their objectives. In addition, the Funds present some risks not traditionally associated with most mutual funds. It is important that investors closely review and understand these risks before making an investment in the Funds. Unprecedented recent turbulence in financial markets and reduced liquidity in equity, credit and fixed income markets may negatively affect many issuers worldwide, which could have an adverse effect on the Funds. These and certain other risks are described below.

Risks of the Subadviser's Investment Strategy

While the Subadviser seeks to take advantage of investment opportunities for a Fund that will maximize its investment returns, there is no guarantee that such opportunities will ultimately benefit a Fund. The Subadviser will change a Fund's portfolio in response to market conditions that are unpredictable and may expose a Fund to greater market risk than other mutual funds. There is no assurance that the Subadviser's investment strategy will enable a Fund to achieve its investment objectives.

High Portfolio Turnover

A Fund's aggressive investment strategy may result in significant portfolio turnover to take advantage of anticipated changes in market conditions. High portfolio turnover involves correspondingly greater expenses to a Fund, including brokerage commissions or dealer mark-ups and other transaction costs on the sale of securities and reinvestments in other securities. Such sales also may result in adverse tax consequences to a Fund's shareholders from distributions to them of net gains realized on the sales. The trading costs and tax effects associated with portfolio turnover may adversely affect a Fund's performance.

Risks of Aggressive Investment Techniques

The Funds use investment techniques which may be considered aggressive, including investments in derivatives. The derivative instruments in which a Fund may invest include: (1) futures contracts; (2) swap agreements; and (3) options on securities, securities indices and futures contracts. Investments in derivatives are subject to market risks that may cause their prices to fluctuate over time. In addition, such instruments may experience potentially dramatic price changes (losses) and imperfect correlations between the price of the contract and the underlying security or index. This will increase the volatility of a Fund and may involve a small investment of cash relative to the magnitude of the risk assumed. The use of derivatives may expose a Fund to additional risks that it would not be subject to if it invested directly in the securities underlying those derivatives. As a result, a Fund may incur larger losses or smaller gains than otherwise would be the case if the Fund invested directly in the underlying securities.

Risks of Investing in Equity Securities

A Fund may invest in publicly issued equity securities, including common stocks. Investments in common stocks are subject to market risks that may cause their prices to fluctuate over time. Fluctuations in the value of common stocks in which a Fund invests will cause the net asset value of the Fund to fluctuate.

Risks of Investing in Small and Mid-Capitalization Companies

Investing in the securities of small-capitalization and mid-capitalization companies involves greater risks and the possibility of greater price volatility than investing in larger capitalization and more-established companies. Investments in mid-cap companies involve less risk than investing in small-cap companies. Smaller companies may have limited operating history, product lines, and financial resources, and the securities of these companies may lack sufficient market liquidity. Mid-cap companies often have narrower markets and more limited managerial and financial resources than larger, more established companies.

Risks of Investing in ETFs

An ETF is an investment company that seeks to track the performance of an index by holding in its portfolio either the contents of the index or a representative sample of the securities in the index. ETFs are listed on national stock exchanges and are traded like stocks listed on an exchange. ETF shares potentially may trade at a discount or a premium in market price if there is a limited market in such shares. Investments in ETFs are subject to brokerage and other trading costs as the Advisers trade in and out of a fund, which could result in greater expenses to the Fund. They also are subject to investment advisory and other expenses, which a Fund would directly bear. Finally, because the value of ETF shares depends on the demand in the market, the Advisers may not be able to liquidate a Fund's holdings at the most optimal time, adversely affecting the Fund's performance.

Risks of Investing in Other Investment Companies

A Fund may invest in the securities of other investment companies, which may, in turn, invest in equities, bonds, and other financial vehicles. Investments in the securities of other investment companies may involve duplication of advisory fees and certain other expenses. By investing in another investment company, a Fund becomes a shareholder of that investment company. As a result, Fund shareholders indirectly will bear the Fund's proportionate share of the fees and expenses paid by shareholders of the other investment company, in addition to the fees and expenses Fund shareholders directly bear in connection with the Fund's own operations. As a shareholder, a Fund must rely on the investment company to achieve its investment objective. If the investment company fails to achieve its investment objective, the value of a Fund's investment will decline, adversely affecting the Fund's performance.

Counterparty Risks

The Funds may invest in swap agreements, which are two-party contracts whereby the parties agree to exchange the returns (or differentials in rates of return) earned or realized on particular predetermined investments or instruments. Using such agreements exposes a Fund to the risk that the counterparty may default. If the counterparty defaults, a Fund's risk of loss will consist of any payments that the Fund is entitled to receive from the counterparty under the agreement.

Risks of Non-Diversification

Each Fund is non-diversified, which means that it may invest a high percentage of its assets in a limited number of securities. Since the Funds are non-diversified, their net asset values and total returns may fluctuate more or fall greater in times of weaker markets than a diversified mutual fund.

Investment Company Risk

The Funds' Subadviser has limited experience managing the investment portfolio of a registered investment company, or mutual fund, which is highly regulated by federal securities laws. This limited experience may cause a Fund to under-perform or lose money.

Sector Risk

At any given time, a Fund may be subject to sector risk. Sector risk is the possibility that a certain sector may underperform other sectors or the market as a whole. A Fund is not limited with respect to sectors in which it can invest. If the Subadviser allocates more of a Fund's assets to a particular economic sector, its overall performance will be more susceptible to the economic, business, or other developments which generally affect that sector.

Risks of Investing in Foreign Securities

Investments in foreign securities involve greater risks than investing in domestic securities. As a result, a Fund's returns and net asset values may be affected to a large degree by fluctuations in currency exchange rates, political, diplomatic or economic conditions and regulatory requirements in other countries. The laws and accounting, auditing, and financial reporting standards in foreign countries typically are not as strict as they are in the U.S., and there may be less public information available about foreign companies.

Risks of Investing in Emerging Markets

A Fund may invest in issuers located in emerging markets. Investments in emerging markets instruments involve all of the risks of investing in foreign instruments; however these risks are generally heightened because emerging markets are in the initial stages of industrialization and have lower per capita income. Emerging markets are generally more volatile than the markets of developed countries with more mature economies. Emerging markets often provide significantly higher or lower rates of return than developed markets and carry significantly more risks to investors.

Credit Risk

A Fund could lose money if the issuer of a debt security is unable to meet its financial obligations or goes bankrupt. Credit risk usually applies to most debt securities, but generally is not a factor for U.S. government obligations that are issued or guaranteed by the U.S. government. However, certain U.S. government obligations that are not backed by the full faith and credit of the U.S. government entail more risk because there can be no assurance that the U.S. government will provide financial support to the U.S. government-sponsored agencies or instrumentalities that back such securities.

Interest Rate Changes Risk

Debt securities have varying levels of sensitivity to changes in interest rates. In general, the price of a debt security will fall when interest rates rise and will rise when interest rates fall. Securities with longer maturities and mortgage securities can be more sensitive to interest rate changes. In other words, the longer the maturity of a security, the greater the impact a change in interest rates could have on the security's price. In addition, short-term and long-term interest rates do not necessarily move in the same amount or the same direction. Short-term securities tend to react to changes in short-term interest rates, and long-term securities tend to react to changes in long-term interest rates.

Currency Exchange Rates Risk

Changes in foreign currency exchange rates will affect the value of what a Fund owns and its share price. Generally, when the U.S. dollar rises in value against a foreign currency, an investment in that country loses value because that currency is worth fewer U.S. dollars. Devaluation of a currency by a country's government or banking authority also will have a significant impact on the value of any investments denominated in that currency. Currency markets generally are not as regulated as securities markets.

Risks of Shorting Instruments (Macro Trends Fund)

The Macro Trends Fund may use short positions. Short positions are designed to profit from a decline in the price of particular securities, baskets of securities or indices. A short sale involves unlimited risk of loss because the price of an instrument may continue to rise. As a consequence, instruments held short will lose value if and when their prices rise — a result that is the opposite from traditional mutual funds. The holder of a short position is responsible for paying the dividends and interest accruing on the short position. Because dividends and interest accruing on a short position is an expense to the Macro Trends Fund, its performance may be adversely impacted by the cost of maintaining short positions.

Leverage Risk (Macro Trends Fund)

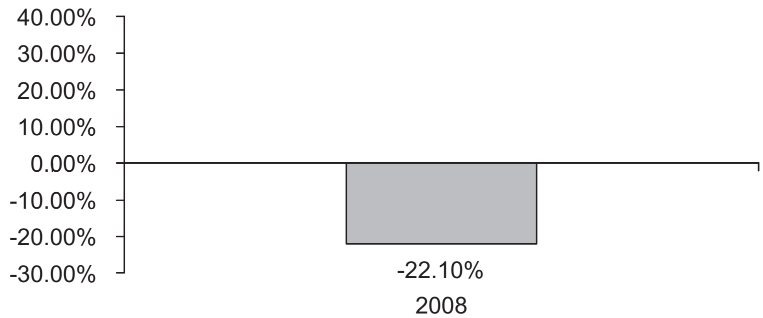
Use of leverage can magnify the effects of changes in the value of the Macro Trends Fund and make it more volatile. The leveraged investment techniques that the Macro Trends Fund employs could cause investors to lose more money in adverse environments. The Macro Trends Fund's use of leverage means that it will incur financing charges which will affect its performances. As interest rates rise, the cost of executing the Macro Trend Fund's investment strategies will rise as well.

HISTORICAL PERFORMANCE

The bar chart and performance tables below provide some indication of the risks of investing in the Funds comparing their performance with those of a broad measure of market performance. The information below also illustrates the risks of investing in the Funds by showing their highest and lowest quarterly returns. The Funds' past performance (before and after taxes) is not necessarily an indication of how they will perform in the future.

PSI Core Strength Fund

Calendar Year Total Returns as of December 31*



* Year-to-date total return as of September 30, 2009 for the Core Strength Fund was 11.48%.

Fund	Highest Quarterly Return	Lowest Quarterly Return
Core Strength Fund	7.77% (3rd quarter 2008)	−10.53% (1st quarter 2008)

Average Annual Total Returns as of December 31, 2008

	1 Year	Since Inception	Inception Date
Core Strength Fund			
Return Before Taxes	−22.10%	−9.86%	1/8/07
Return After Taxes on Distributions[1]	−22.18%	−10.72%	
Return After Taxes on Distributions and Sale of Fund Shares[1],[2]	−14.37%	−8.74%	
S&P 500® Index[3]	−37.00%	−18.52%	1/8/07

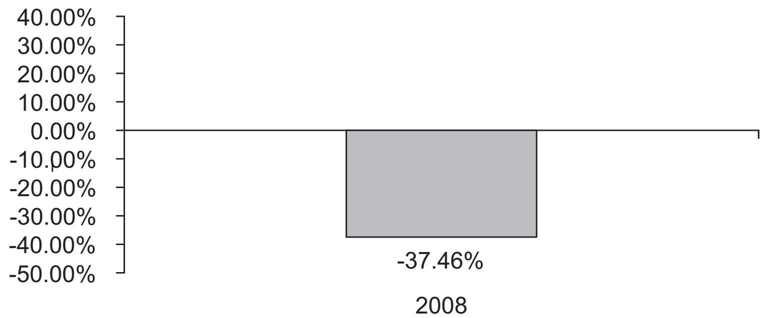
(1) After-tax returns are calculated using the historical highest individual federal marginal income tax rates and do not reflect the impact of state and local taxes. Actual after-tax returns depend on your tax situation and may differ from those shown. Furthermore, the after-tax returns shown are not relevant to those who hold their shares through tax-deferred arrangements such as 401(k) plans or individual retirement accounts ("IRAs").

(2) The "Return After Taxes on Distributions and Sale of Fund Shares" may be higher than other return figures because when a capital loss occurs upon redemption of fund shares, a tax deduction is provided that benefits the investor.

(3) The Standard & Poor's 500® ("S&P 500®") Index is an unmanaged index of 500 U.S. stocks and gives a broad look at how 500 of the largest companies in aggregate market value have performed. The performance of the index does not reflect deductions for fees, expenses or taxes.

PSI Macro Trends Fund

Calendar Year Total Returns as of December 31*



* Year-to-date total return as of September 30, 2009 for the Macro Trends Fund was 21.42%.

Fund	Highest Quarterly Return	Lowest Quarterly Return
Macro Trends Fund	17.44% (3rd quarter 2008)	−19.92% (4th quarter 2008)

Average Annual Total Returns as of December 31, 2008

	1 Year	Since Inception	Inception Date
Macro Trends Fund			
Return Before Taxes	−37.46%	−21.56%	1/8/07
Return After Taxes on Distributions[(1)]	−37.79%	−22.16%	
Return After Taxes on Distributions and Sale of Fund Shares[(1),(2)]	−24.35%	−18.22%	
S&P 500® Index[(3)]	−37.00%	−18.52%	1/8/07

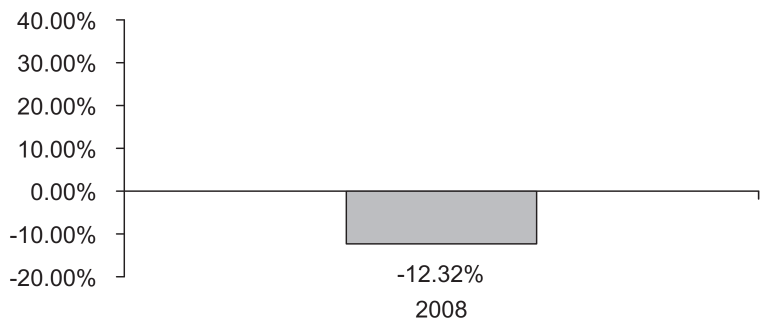
(1) After-tax returns are calculated using the historical highest individual federal marginal income tax rates and do not reflect the impact of state and local taxes. Actual after-tax returns depend on your tax situation and may differ from those shown. Furthermore, the after-tax returns shown are not relevant to those who hold their shares through tax-deferred arrangements such as 401(k) plans or individual retirement accounts ("IRAs").

(2) The "Return After Taxes on Distributions and Sale of Fund Shares" may be higher than other return figures because when a capital loss occurs upon redemption of fund shares, a tax deduction is provided that benefits the investor.

(3) The Standard & Poor's 500® ("S&P 500®") Index is an unmanaged index of 500 U.S. stocks and gives a broad look at how 500 of the largest companies in aggregate market value have performed. The performance of the index does not reflect deductions for fees, expenses or taxes.

PSI Total Return Fund

Calendar Year Total Returns as of December 31*



* Year-to-date total return as of September 30, 2009 for the Total Return Fund was 2.95%.

Fund	Highest Quarterly Return	Lowest Quarterly Return
Total Return Fund	2.32% (3rd quarter 2008)	−7.05% (4th quarter 2008)

Average Annual Total Returns as of December 31, 2008

	1 Year	Since Inception	Inception Date
Total Return Fund			
Return Before Taxes	−12.32%	−3.30%	1/8/07
Return After Taxes on Distributions[1]	−12.99%	−4.09%	
Return After Taxes on Distributions and Sale of Fund Shares[1],[2]	−7.96%	−3.09%	
Barclays Capital U.S. Aggregate Bond Index[3]	5.24%	5.95%	1/8/07

(1) After-tax returns are calculated using the historical highest individual federal marginal income tax rates and do not reflect the impact of state and local taxes. Actual after-tax returns depend on your tax situation and may differ from those shown. Furthermore, the after-tax returns shown are not relevant to those who hold their shares through tax-deferred arrangements such as 401(k) plans or individual retirement accounts ("IRAs").

(2) The "Return After Taxes on Distributions and Sale of Fund Shares" may be higher than other return figures because when a capital loss occurs upon redemption of fund shares, a tax deduction is provided that benefits the investor.

(3) The Barclays Capital U.S. Aggregate Bond Index (formerly known as the Lehman U.S. Aggregate Bond Index) is an unmanaged, market value weighted index of investment grade, fixed-rate debt issues,

including government, corporate, asset-backed, and mortgage-backed securities, with maturities of at least one year. The performance of the index does not reflect deductions for fees, expenses or taxes.

FEES AND EXPENSES OF THE FUNDS

The tables below describe the fees and expenses that you may pay if you buy and hold shares of the Funds. For each Fund, the expenses below are based on actual expenses incurred during the fiscal year ended August 31, 2009.

Shareholder Fees[(1)] (fees paid directly from your investment):

Maximum Sales Charge Imposed on Purchases (as a % of offering price)	None
Maximum Deferred Sales Charge (as a % of original purchase price or sales proceeds, whichever is less).	None

Annual Operating Expenses (expenses that are deducted from Fund assets):

	PSI Core Strength Fund	PSI Macro Trends Fund	PSI Total Return Fund
Management Fees	1.00%	1.00%	1.00%
Distribution and/or Service (12b-1) Fees	0.25%	0.25%	0.25%
Other Expenses[(2)](Includes Shareholder Services Fee of 0.15%)	0.60%	0.60%	0.60%
Acquired Fund Fees and Expenses[(3)]	0.29%	0.29%	0.18%
Total Annual Operating Expenses[(3),(4)]	2.14%	2.14%	2.03%

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(1) You will be assessed a $15 fee for outgoing wire transfers, and $25 for returned checks and stop payment orders by U.S. Bancorp Fund Services, LLC, the Funds' transfer agent. Please note that this fee is subject to change.

(2) The Adviser is contractually obligated to pay all expenses of the Funds other than the following: management fees, distribution and/or service fees, shareholder servicing fees, acquired fund fees and expenses, taxes, leverage interest, dividends or interest on short positions, other interest expenses, brokerage commissions, expenses incurred in connection with any merger or reorganization and extraordinary expenses such as litigation or other expenses outside the typical day-to-day operations of the Funds. This agreement may be terminated at any time by the Board of Trustees.

(3) The Funds are required to disclose Acquired Fund Fees and Expenses in the fee table above. Acquired Fund Fees and Expenses are indirect fees and expenses that a Fund incurs from investing in the shares of other registered and unregistered investment companies ("Acquired Fund(s)"). The indirect fee represents a pro rata portion of the cumulative expenses charged by the Acquired Fund. Acquired Fund Fees and Expenses are reflected in the Acquired Fund's net asset value. Because the Total Annual Fund Operating Expenses in the table above include Acquired Fund Fees and Expenses, they do not correlate to the ratio of Expenses to Average Net Assets found within the "Financial Highlights" section of this prospectus.

Without Acquired Fund Fees and Expenses, the Total Annual Fund Operating Expenses would have been 1.85% for each Fund.

(4) As part of their investment strategy, the Funds may take short positions in securities. During the fiscal year ended August 31, 2009, the Funds did not enter into short positions and, thus, no additional expenses associated with these positions are included in the calculation above.

Expense Example

The table below is intended to help you compare the cost of investing in the Funds with the cost of investing in other mutual funds. The table shows what you would have paid if you invested $10,000 in the Funds over the periods shown and then redeemed all your shares at the end of those periods. It also assumes that your investment has a 5% return each year and the operating expenses remain the same. Although your actual costs may be higher or lower, based on these assumptions your costs would be:

	1 Year	**3 Years**	**5 Years**	**10 Years**
PSI Core Strength Fund	$217	$670	$1,149	$2,472
PSI Macro Trends Fund	$217	$670	$1,149	$2,472
PSI Total Return Fund	$206	$637	$1,093	$2,358

ABOUT YOUR INVESTMENT

SHARE PRICE OF THE FUNDS

Each Fund's share price is known as its net asset value per share ("NAV"). Each Fund's share price is calculated as of the close of regular trading, usually as of 4:00 p.m. Eastern time, each day the New York Stock Exchange ("NYSE") is open for business. All shareholder transaction orders received in good form by the Fund's transfer agent or an authorized financial intermediary by the close of regular trading (generally 4:00 p.m. Eastern time) will be processed at that day's NAV. Transaction orders received after 4:00 p.m. Eastern time will receive the next business day's NAV.

Share price is calculated by dividing each Fund's net assets by its shares outstanding. The Funds use the following methods to price securities held in their portfolios:

- Equity securities, over-the-counter ("OTC") securities, closed-end investment companies, ETFs, swap agreements, options, futures and options on futures are valued at their last sales price, or if not available, the average of the last bid and ask prices;
- Securities primarily traded in the NASDAQ Global Market® are valued using the NASDAQ® Official Closing Price ("NOCP");
- Short-term debt securities with a maturity of 60 days or less and money market securities are valued using the "amortized" cost method;
- Other debt securities are valued by using the closing bid and asked prices provided by the Fund's pricing service or, if such services are unavailable, by a pricing matrix method; and
- Securities for which reliable market quotations are not readily available, the Fund's pricing service does not provide a valuation for such securities, the Fund's pricing service provides a valuation that in the judgment of the Adviser does not represent fair value, or the Fund or the Adviser believes the market price is stale will be valued at fair value estimates by the Adviser under the supervision of the Board of Trustees.

Fair Value Pricing

Portfolio securities and other assets are valued chiefly by market prices from the primary market in which they are traded. Securities are priced at a fair value as determined by the Adviser under the supervision of the Board of Trustees, when reliable market quotations are not readily available, the Funds' pricing service does not provide a valuation for such securities, the Funds' pricing service provides a valuation that in the judgment of the Adviser does not represent fair value, the Adviser believes that the market price is stale, or an event that affects the value of an instrument (a "Significant

Event") has occurred since the closing prices were established, but before the time as of which the Funds calculate their NAVs. Examples of Significant Events may include (1) events that relate to a single issuer or to an entire market sector; (2) significant fluctuations in domestic or foreign markets; or (3) occurrences not tied directly to the securities markets, such as natural disasters, armed conflicts, or significant government actions. If such Significant Events occur, the Funds may value the instruments at fair value, taking into account such events when it calculates each Fund's NAV. Fair value determinations are made in good faith in accordance with procedures adopted by the Board of Trustees. In addition, the Funds may also fair value an instrument if trading in a particular instrument is halted and does not resume prior to the closing of the exchange or other market.

Attempts to determine the fair value of securities introduce an element of subjectivity to the pricing of securities. As a result, the price of a security determined through fair valuation techniques may differ from the price quoted or published by other sources and may not accurately reflect the market value of the security when trading resumes. If a reliable market quotation becomes available for a security formerly valued through fair valuation techniques, Rafferty compares the market quotation to the fair value price to evaluate the effectiveness of the Funds' fair valuation procedures.

RULE 12b-1 FEES AND SHAREHOLDER SERVICES FEES

The Funds have adopted an Investor Class distribution plan under Rule 12b-1 which allows each Fund to charge up to 0.25% of that Fund's average Investor Class daily net assets to pay service fees for distribution and services provided to Fund shareholders. The Board of Trustees has also authorized the Funds to charge up to 0.15% of each Fund's average Investor Class daily net assets to pay for shareholder services provided to Fund shareholders. Because the 12b-1 fees and shareholder services fees are paid out of the Funds' Investor Class assets on an on-going basis, over time these fees will increase the cost of your investment and may cost you more than paying other types of sales charges.

HOW TO INVEST IN SHARES OF THE FUNDS

Clients of PSI may invest in the Funds through traditional investment accounts, individual retirement accounts ("IRAs") (including Roth IRAs), self-directed retirement plans or company sponsored retirement plans. Applications and descriptions of any service fees for retirement or other accounts are available directly from the Direxion Funds. You may invest directly with the Funds or through certain financial intermediaries. Any transaction effected through a financial intermediary may be subject to a processing fee. In addition, the Funds may allow for purchases through an Automatic Investment Plan.

Shares of the Funds have not been registered for sale outside of the United States. The Funds generally do not sell shares to investors residing outside of the United States, even if they are United States citizens or lawful permanent residents, except to investors with United States military APO or FPO addresses.

Minimum Investment

The minimum initial and subsequent investments set forth below may be invested in as many of the Direxion Funds as you wish. However, you must invest at least $1,000 in any one of the Direxion Funds. For example, if you decide to invest $10,000 in three of the Direxion Funds, you may allocate your minimum initial investment as $8,000, $1,000 and $1,000.

	Minimum Initial Investment	Subsequent Investment
Regular Accounts	$10,000	$1,000
Retirement Accounts	$10,000	$ 0

Rafferty may waive these minimum requirements at its discretion. Contact Rafferty for further information.

Good Form

Good form means that your purchase (whether direct or through a financial intermediary) is complete and contains all necessary information; has all supporting documentation (such as trust documents, beneficiary designations, proper signature guarantees, IRA rollover forms, etc); and is accompanied by sufficient purchase proceeds. For a purchase request to be in good form, it must include: (1) the name of the Fund; (2) the dollar amount of shares to be purchased; and (3) your purchase application or investment stub. An Account Application that is sent to the Funds' transfer agent does not constitute a purchase order until the transfer agent processes the Account Application and receives correct payment by check or wire transfer.

Purchasing Shares

By Mail:

- Complete and sign your Account Application.
- Indicate the Fund and the amount you wish to invest.

- Mail your check (payable to "Direxion Funds") along with the completed Account Application to:

Regular Mail	**Express/Overnight Mail**
Direxion Funds — Investor Class c/o U.S. Bancorp Fund Services, LLC P.O. Box 701 Milwaukee, Wisconsin 53201-0701	Direxion Funds — Investor Class c/o U.S. Bancorp Fund Services, LLC Mutual Fund Services — 3rd Floor 615 East Michigan Street Milwaukee, Wisconsin 53202

  The Funds do not consider the U.S. Postal Service or other independent delivery services to be their agents.

- The Funds will not accept payment in cash or money orders. The Funds also do not accept cashier's checks in amounts of less than $10,000. In addition, to prevent check fraud, the Funds do not accept third party checks, U.S. Treasury checks, credit card checks, traveler's checks, or starter checks for the purchase of shares. The Funds are unable to accept post-dated checks, post-dated on-line bill pay checks or any conditional order or payment.
- All purchases must be made in U.S. dollars through a U.S. bank.
- If your check does not clear, you will be charged a $25.00 fee. In addition, you may responsible for losses sustained by a Fund for any returned payment.
- You will receive written confirmation by mail, but we do not issue share certificates.
- The Funds' transfer agent will verify certain information from investors as part of the Funds' anti-money laundering program.

The USA PATRIOT Act of 2001 requires financial institutions, including the Funds, to adopt certain policies and programs to prevent money laundering activities, including procedures to verify the identity of customers opening new accounts. When completing a new Account Application, you will be required to supply your full name, date of birth, social security number and permanent street address to assist in verifying your identity. Mailing addresses containing only a P.O. Box will not be accepted. Until such verification is made, the Funds may temporarily limit additional share purchases. In addition, the Funds may limit additional share purchases or close an account if they are unable to verify a shareholder's identity. As required by law, the Funds may employ various procedures, such as comparing the information to fraud databases or requesting additional information or documentation from you, to ensure that the information supplied by you is correct.

If the Funds do not have a reasonable belief of the identity of a shareholder, the account will be rejected or the shareholder will not be allowed to perform a transaction on the account until such information is received. The Funds also reserve the right to close the account within five business days if clarifying information and/or documentation is not received.

By Bank Wire Transfer:

Initial Investment — By Wire

If you are making an initial investment in the Funds, before you wire funds, please contact the Funds' transfer agent by phone to make arrangements with a telephone service representative to submit your completed Account Application via mail, overnight delivery, or facsimile. Upon receipt of your Account Application, your account will be established and a service representative will contact you within 24 hours to provide an account number and wiring instructions. You may then contact your bank to initiate the wire using the instructions you were given.

For Subsequent Investments — By Wire

Before sending your wire, please contact the Funds' transfer agent to advise them of your intent to wire funds. This will ensure prompt and accurate credit upon receipt of your wire.

U.S. Bank, N.A.
777 East Wisconsin Avenue
Milwaukee, Wisconsin 53202
ABA number 075000022
For credit to U.S. Bancorp Fund Services, LLC
Account Number 112-952-137
For further credit to the Direxion Funds
(Your name)
(Your account number)
(Name of Fund(s) to purchase) — Investor Class

- Your bank may charge a fee for such services.
- Wired funds must be received prior to the close of regular trading (generally 4:00 p.m., Eastern time) to be eligible for same day pricing. The Funds and U.S. Bank, N.A. are responsible for the consequences of delays from the banking or Federal Reserve.

By Telephone:

- Investors may purchase additional shares of the Funds by calling the Funds at (800) 851-0511. If you elected this option on your account application and your account has been open for at least 15 days, telephone orders will be accepted via electronic funds transfer from your bank account through the Automated Clearing House ("ACH") network. You must have banking information established on your account prior to making a purchase. Each telephone purchase order must be a minimum of $1,000. Your shares will be purchased at the NAV calculated on the day your order is placed, provided that your order is received prior to the close of regular trading (generally 4 p.m., Eastern time).

Through Financial Intermediaries:

- Select financial intermediaries are authorized to offer Investor Class shares.
- These financial intermediaries can help you complete the necessary paperwork, mail your Account Application to the Direxion Funds and place your order to purchase Investor Class shares of the Funds.
- Financial intermediaries are responsible for placing orders promptly with the Funds and forwarding payment promptly, as well as ensuring that you receive copies of the Funds' Prospectus. Financial intermediaries may charge fees for the services they provide to you in connection with processing your transaction order or maintaining your account with them. Each intermediary also may have its own rules about share transactions, limits on the number of share transactions you are permitted to make in a given time period, and may have earlier cut-off times for processing your transaction. For more information about your financial intermediary's rules and procedures, you should contact your financial intermediary directly.

Automatic Investment Plan:

For your convenience, the Funds offer an Automatic Investment Plan ("AIP"). Under the AIP, after you make your initial minimum investment of $10,000, you authorize the Funds to withdraw the amount you wish to invest from your personal bank account on a monthly basis. The AIP requires a minimum monthly investment of $1,000. If you wish to participate in the AIP, please complete the "Automatic Investment Plan" section on the Account Application or call the Funds at (800) 851-0511. In order to participate in the AIP, your bank or financial institution must be a member of the Automated Clearing House ("ACH") network. The Funds may terminate or modify this privilege at any time. You may change your investment amount or terminate your participation in the AIP at any time by notifying the Funds' transfer agent by telephone or in writing, five days prior to the effective date of the next transaction. A fee, currently $25, will be imposed if your AIP transaction is returned.

HOW TO EXCHANGE SHARES OF THE FUNDS

You may exchange Investor Class shares of your current Fund(s) for Investor Class shares of any other Direxion Fund (including Direxion Funds not offered in this Prospectus) at the next determined NAV after receipt of your order in good form without any charges. To make an exchange:

- Write or call the Direxion Fund's transfer agent or your financial intermediary.
- Provide your name, account number, which Funds are involved, and the number, percentage or dollar value of shares to be exchanged.

- The Funds can only honor exchanges between accounts registered in the same name and having the same address and taxpayer identification number.
- You must exchange at least $1,000 or, if your account value is less than that, your entire account balance will be exchanged.
- You may exchange by telephone unless you declined telephone exchange privileges on your Account Application. If you previously declined telephone exchange privileges and would like to add this option to your account, please contact the Fund at (800) 851-0511 for instructions.
- You may exchange through the Internet by visiting the Direxion Funds' website at *www.direxionfunds.com* and activating your account.

HOW TO SELL SHARES OF THE FUNDS

Generally

- You may sell all or part of your investment in the Funds at the next determined net asset value after we receive your order.
- Redemption proceeds from any sales of shares will normally be sent within seven days from the time a Fund receives your request in good order.
- For investments that have been made by check, payment on sales requests may be delayed until the Direxion Funds' transfer agent is reasonably satisfied that the purchase payment has been collected by the Funds, which may require up to 10 calendar days.
- Your proceeds will be sent via check, wire or electronic funds transfer through the Automated Clearing House ("ACH") network using the address or bank listed on the transfer agent's records.
- Shareholders who have an IRA or other retirement plan must indicate on their redemption request whether to withhold federal income tax. Redemption requests failing to indicate an election not to have tax withheld will generally be subject to 10% withholding.
- The Funds also offer a Systematic Withdrawal Plan for shareholders who require periodic payments, such as those from IRAs. For more information on this option, please contact the Funds at (800) 851-0511.

By Telephone or By Mail

- Call or write the Funds (see the address and telephone number above).
- You may sell shares of the Funds by telephone unless you declined telephone redemption privileges on your Account Application. If you initially declined this option and wish to add telephone redemption privileges at a later date, please contact the Funds at (800) 851-0511.

- IRA accounts are not eligible for telephone redemption privileges.
- Provide your name, account number, which Fund and the number, percentage or dollar value of shares to sell. The maximum amount that may be redeemed by telephone is $100,000.

By Wire Transfer

- Call the Direxion Funds.
- Provide your name, account number, which Fund and the number, percentage or dollar value of shares to sell.
- You will be charged a wire transfer fee of $15.00, which will be deducted from your account balance on dollar specific redemption requests or from the proceeds on share specific requests. This fee is in addition to any fees that may be imposed by your bank.
- Your proceeds will be wired only to the bank listed on the Funds' transfer agent's records.

Through Financial Intermediaries

- Select financial intermediaries can place your order to sell shares of the Funds.
- Payment can be directed to your account normally within three business days after a broker or dealer places your order.

ACCOUNT AND TRANSACTION POLICIES

Order Policies

Because the Funds are designed to be used exclusively in managed account programs directed by PSI, the Funds reserve the right to reject any purchase from persons or entities who are not clients of PSI.

There are certain times when you may be unable to sell Investor Class shares of the Funds or proceeds may be delayed. This may occur during emergencies, unusual market conditions or when the Funds cannot determine the value of their assets or sell their holdings. The Funds reserve the right to reject any purchase order or suspend offering of their shares. Generally, a Fund may reject a purchase if it is disruptive to the efficient management of the Fund.

Certain transactions through a financial intermediary may not be deemed in good form if such financial intermediary failed to notify the Funds of such trade or trades before the close of regular trading (generally 4:00 p.m. Eastern time). In particular, financial intermediaries that transact in shares of the Funds through Fundserv must, in many cases, notify the Funds of trades before placing them in the Fundserv system. In the event that a financial intermediary transacts in shares of the Funds through the Fundserv system without notifying the Funds of such trades in advance, such transaction may be deemed not to have been received in good form. In practice, this means that a confirmation from a financial intermediary is not binding on the Funds. In the event that a trade is deemed not to have been received in good form, for whatever reason, a purchase, redemption or exchange request may be rejected or canceled and, in the event of a redemption which is cancelled, the Funds shall have the right to a return of proceeds. Cancellation of a trade is processed at the NAV at which the trade was originally received and is ordinarily completed the next business day. Please contact your financial intermediary to determine how it processes transactions in shares of the Funds.

Telephone Transactions

For your protection, the Funds may require some form of personal identification prior to accepting your telephone request such as verification of your social security number, account number or other information. We also may record the conversation for accuracy. During times of unusually high market activity or extreme market changes, you should be aware that it may be difficult to place your request in a timely manner. In addition, once a telephone transaction has been placed, it cannot be canceled or modified.

Signature Guarantees

In certain instances when you sell shares of the Funds, we will need your signature guaranteed. Signature guarantees may be available at your bank, stockbroker or a national securities exchange. A notary public cannot guarantee signatures. Your signature must be guaranteed if:

- You are changing your account ownership;
- Your account registration or address has changed in the last 30 days;
- Redemption proceeds are payable and sent to any person, address or bank account other than the one listed on record with the Funds;
- The sale is greater than $100,000;
- You are establishing or modifying certain services on an account; or
- There are other unusual situations as determined by the Funds' transfer agent.

Low Balance Accounts

If your total account balance falls below $10,000 due to withdrawals, then we may sell your shares of the Funds. We will inform you in writing 30 days prior to selling your shares. If you do not bring your total account balance up to $10,000 within 30 days, we may sell your shares and send you the proceeds. We will not sell your shares if your account value falls due to market fluctuations.

Redemptions In-Kind

The Funds reserve the right to pay redemption proceeds to you in whole or in part by a distribution of securities from a Fund's portfolio. It is not expected that the Funds would do so except in unusual circumstances. If a Fund pays your redemption proceeds by a distribution of securities, you could incur brokerage or other charges in converting the securities to cash and will bear any market risks associated with such securities until they are converted into cash.

Excessive Trading

The Funds are intended for long-term investors. Short-term "market-timers" who engage in frequent purchases and redemptions may disrupt the Funds' investment program and create additional transaction costs that are borne by all shareholders. The Board of Trustees has adopted a policy regarding excessive trading. The Funds are designed primarily for participants in PSI's wrap account or other investment programs, in which the Funds' Subadviser generally initiates transactions in shares of the Funds. As a result, the Funds do not currently impose any trading restrictions or redemption fees on Fund shareholders.

However, the Funds discourage excessive, short-term trading and other abusive trading practices and the Funds may use a variety of techniques to monitor trading activity and detect abusive trading practices. As approved by the Board of Trustees, these techniques may change from time to time as determined by the Funds in their sole discretion.

In an effort to discourage abusive trading practices and minimize harm to the Funds and their shareholders, the Funds reserve the right, in their sole discretion, to identify trading practices as abusive. The Funds further reserve the right to refuse purchase requests from an account that a Fund has identified as having engaged in abusive trading practices or any individuals or groups who, in the Funds' view, are likely to engage in market timing or excessive trading. In making such judgments, the Funds seek to act in a manner that they believe is consistent with the best interests of shareholders.

Due to the complexity and subjectivity involved in identifying abusive trading activity and the volume of shareholder transactions the Funds handle, there can be no assurance that the Funds' efforts will identify all trades or trading practices that may be considered abusive. In particular, since the Funds receive purchase and sale orders through financial intermediaries that use group or omnibus accounts, the Funds cannot always detect frequent trading. As a consequence, the Funds' ability to monitor and discourage abusive trading practices in omnibus accounts may be limited.

ADDITIONAL INFORMATION

MANAGEMENT OF THE FUNDS

Rafferty provides investment services to the Funds. Rafferty has been managing mutual funds since June 1997. Rafferty is located at 33 Whitehall Street, 10th Floor, New York, New York 10004. As of September 30, 2009, the Adviser had approximately $5.8 billion in assets under management.

Under an investment advisory agreement ("Advisory Agreement") between the Trust and Rafferty, the Funds pay Rafferty fees at an annualized rate of 1.15% of each Fund's average daily net assets. For the fiscal year ended August 31, 2009, the Adviser received net management fees as a percentage of average daily net assets of 1.12% from the Core Strength Fund and the Total Return Fund, and 1.09% from the Macro Trends Fund. Effective December 15, 2009, the Funds will pay Rafferty fees at an annualized rate of 1.00% of each Fund's average daily net assets.

Rafferty has retained PSI to serve as Subadviser to the Funds under an investment subadvisory agreement ("Subadvisory Agreement"). PSI is located at 1724 West Union, Suite 200, Tacoma, Washington 98402. PSI was founded in 1982 and, as of September 30, 2009, manages in excess of $236 million in client assets. It is expected that the assets in the Funds will come from individuals with whom PSI has a contractual relationship pursuant to which PSI provides investment management services for a fee. In addition to the subadvisory fee, PSI may receive from the Trust Rule 12b-1 and/or Shareholder Service Fees for providing certain shareholder services to clients of PSI who are shareholders in the Funds. PSI reduces any amounts due PSI under contractual relationships with its clients by amounts received from Rafferty and the Funds.

A discussion regarding the basis on which the Board of Trustees approved the Advisory Agreement and Subadvisory Agreement is included in the Funds' Annual Report to shareholders for the period ended August 31, 2009.

PSI will manage the Funds' assets under the supervision of Rafferty. Under the Subadvisory Agreement, PSI will direct the allocation of Fund assets among specific asset categories and/or securities selected by PSI. Rafferty will implement PSI's decisions by placing brokerage orders for the purchase and sale of those securities.

An investment committee of PSI employees has the day-to-day responsibility for managing the Funds. All members share equal responsibility in managing the Funds and an individual committee member may make decisions regarding a Fund's investments. David Jajewski and Bill Whatmough serve on the investment committee for the Macro Trends Fund and Total Return Fund, and

Messrs. Jajewski and Whatmough and Chris Kimble serve on the investment committee for the Core Strength Fund.

Mr. Jajewski joined PSI in 2001 and has been serving as a managing partner and chief operating officer since 2004. He has served as a Portfolio Manager of the Funds since their inception. As managing partner and chief operating officer, Mr. Jajewski is responsible for all aspects of the day-to-day operations of PSI in addition to his portfolio management responsibilities to the Funds. Prior to becoming a managing partner and chief operating officer, Mr. Jajewski was a senior vice president. Mr. Jajewski operated his own business as an independent registered representative (broker) from 1987-2001 where he worked with clients to help them define and achieve their financial goals. He began representing PSI in 1991, and in 1995, he helped to create the Variable Products Division. He holds a degree in economics from Ripon College.

Mr. Whatmough began managing assets in 1992 and has been a money manager with PSI since 1995. Prior to joining PSI, he was a vice president of Underwriting and an Actuarial Consultant at Pierce County Medical Bureau for more than 15 years. Mr. Whatmough holds a Bachelor of Science in Mathematics from Hillsdale College in Hillsdale, Michigan.

Mr. Kimble has served as Portfolio Manager of the Core Strength Fund since 2008. He has also served as Senior Vice President of Strategic Business Development for PSI for the past five years. Prior to joining PSI, Mr. Kimble owned Kimble Investment Strategies, a financial planning firm for individuals and businesses. Mr. Kimble holds a Bachelor of Science in Business and Psychology from Emporia State University in Emporia, Kansas.

The Funds' SAI provides additional information about the investment committee members' compensation, other accounts they manage and their ownership of Fund shares.

PORTFOLIO HOLDINGS INFORMATION

A description of the Fund's policies and procedures with respect to the disclosure of the Fund's portfolio securities is available in the Fund's SAI. Disclosure of the Fund's holdings is required to be made quarterly within 60 days of the end of each fiscal quarter in the Annual Report and Semi-Annual Report to Fund shareholders and in the quarterly holdings report on Form N-Q. The Annual and Semi-Annual Reports are available by contacting the Direxion Funds, c/o U.S. Bancorp Fund Services, LLC, P.O. Box 701, Milwaukee, Wisconsin 53201-0701 or calling (800) 851-0511.

DISTRIBUTIONS AND TAXES

Distributions

Each Fund distributes dividends from its net investment income, and any realized net capital gains, at least annually, though a Fund may make distributions more frequently.

Net investment income generally consists of interest income and dividends received on investments, less expenses. A Fund realizes capital gains when it sells its portfolio assets for a profit. The tax consequences will vary depending on how long a Fund held the assets that were sold, not how long you held your Fund shares. Distributions of net gains on sales of assets held for one year or less are taxed as dividends (that is, ordinary income). Gains on sales of assets held longer than one year (long-term capital gains) are taxed at lower capital gains rates (a maximum of 15% for individual shareholders). Each Fund does not seek to provide distributions of long-term capital gains.

Dividends and capital gain distributions (collectively, "distributions") will be reinvested in additional Fund shares automatically at the NAV unless you request otherwise in writing. Normally, distributions are taxable to shareholders per share received in cash or reinvested. If you elect to receive distributions from a Fund by check and the U.S. Postal Service cannot deliver the check or the check remains uncashed for six months, the Fund reserves the right to reinvest the check in your account at the applicable Funds' then current NAV per share and to reinvest all subsequent distributions in shares of the Fund until an updated address is received.

Taxes

The following table illustrates the potential tax consequences for taxable accounts:

Type of Transaction	Tax Status*
Dividend (other than qualified dividend income ("QDI")) distribution	Ordinary income rate
Distribution of QDI (see below)	Long-term capital gains rate
Distribution of net short-term capital gains	Ordinary income rate
Distribution of net long-term capital gains	Long-term capital gains rate
Sale or exchange of Fund shares owned for more than one year	Long-term capital gains or losses
Sale or exchange of Fund shares owned for one year or less	Gains are taxed at the same rate as ordinary income; losses are subject to special rules

* Tax consequences for tax-deferred retirement accounts (such as IRAs) or non-taxable shareholders may be different. You should consult your tax specialist for more information about your personal situation.

QDI consists of dividends a Fund receives from most U.S. corporations and "qualified foreign corporations," provided that the Fund satisfies certain holding period, debt-financing and other requirements regarding the stock on which the dividends were paid. A Fund's dividends attributable to its "QDI" are subject to the long-term capital gains rate, a maximum federal rate of 15% for shareholders who are individuals and satisfy those restrictions regarding their Fund shares. These special rules generally apply to taxable years beginning before January 1, 2011.

If you are a non-retirement account holder, then each year we will send you a Form 1099 that tells you the amount of Fund distributions you received for the prior calendar year, the tax status of those distributions and a list of reportable sale transactions. Normally, distributions are taxable in the year you receive them. However, any distributions declared in the last three months of a calendar year and paid in January of the following year generally are taxable as if received on December 31 of the year they are declared.

If you are a non-corporate shareholder of a Fund and do not provide the Fund with your correct taxpayer identification number (normally your social security number), the Fund is required to withhold 28% of all distributions and redemption proceeds otherwise payable to you. If you are otherwise subject to backup withholding, we also are required to withhold and pay to the Internal Revenue Service ("IRS") 28% of your distributions. Any tax withheld may be applied against your tax liability when you file your tax return.

MASTER/FEEDER STRUCTURE OPTION

A Fund may in the future operate under a master/feeder structure. This means that a Fund would be a "feeder" fund that attempts to meet its objective by investing all its investable assets in a "master" fund with the same investment objective. The "master" fund would purchase securities for investment. It is expected that any such investment company would be managed by Rafferty in substantially the same manner as the Funds. If permitted by law at that time, the Board of Trustees may approve the implementation of such a structure for one or more Funds without seeking shareholder approval. However, the Trustees' approval will be given only if the investments in the master fund(s) is (are) in the best interests of each Fund and its shareholders. In making that determination, the Trustees will consider, among other things, the benefits to shareholders and/or the opportunity to reduce costs and achieve operational efficiencies. You also will receive a 30-day notice prior to the implementation of the master/feeder structure for your fund.

FINANCIAL HIGHLIGHTS

The financial highlights table is intended to help you understand the financial performance of the Investor Class shares of each Fund outstanding for the periods indicated. The information for the periods shown below was audited by Ernst & Young LLP, whose report, along with each Fund's financial statements, are included in the Annual Report, which is available upon request. Certain information reflects financial results for a single Investor Class share. The total returns in the table represent the rate that an investor would have earned (or lost) on an investment in the Fund (assuming reinvestment of all dividends and distributions).

	PSI Core Strength Fund		
	Investor Class		
	Year Ended August 31, 2009	*Year Ended August 31, 2008*	*January 8, 2007[7] to August 31, 2007*
Net asset value, beginning of year/period	$ 17.48	$ 20.11	$ 20.00
Net investment income (loss)[3]	(0.01)	0.08	0.22
Net realized and unrealized gain (loss) on investments[4]	(0.77)	(1.67)	(0.11)
Net increase (decrease) in net asset value resulting from investment operations	(0.78)	(1.59)	0.11
Dividends from net investment income	—	—	—
Distributions from realized capital gains	—	(0.84)	—
Return of capital distributions	(0.04)	(0.20)	—
Total distributions	(0.04)	(1.04)	—
Net asset value, end of year/period	$ 16.66	$ 17.48	$ 20.11
Total return[5]	(4.43)%	(8.44)%	0.55%[2]
Ratio to average net assets:			
Net assets, end of period (,000)	$27,989	$20,222	$24,628
Total expenses	2.05%	2.09%	2.18%[1]
Net expenses	2.00%	2.00%	2.00%[1]
Net investment income (loss) after expense reimbursement/recoupment	(0.10)%	0.43%	1.70%[1]
Portfolio turnover rate[6]	2,328%	2,509%	935%[2]

[1] *Annualized.*
[2] *Not annualized.*
[3] *Net investment income (loss) per share represents net investment income (loss) divided by the daily average shares of beneficial interest outstanding throughout each period.*
[4] *The amounts shown may not correlate with aggregate gains and losses of portfolio securities due to timing of subscriptions and redemptions of Fund shares.*
[5] *All returns reflect reinvested dividends, if any, but do not reflect the impact of taxes.*
[6] *Portfolio turnover ratio is calculated without regard to short-term securities having a maturity of less than one year. Investments in options, swaps, and futures contracts and repurchase agreements are deemed short-term securities. The Fund's aggressive investment strategy may result in significant portfolio turnover to take advantage of anticipated changes in market conditions.*
[7] *Commencement of operations.*

	PSI Macro Trends Fund		
	Investor Class		
	Year Ended August 31, 2009	*Year Ended August 31, 2008*	*January 8, 2007[7] to August 31, 2007*
Net asset value, beginning of year/period	$ 16.33	$ 19.42	$ 20.00
Net investment income (loss)[3]	0.05	0.22	(0.03)
Net realized and unrealized gain (loss) on investments[4]	(2.54)	(2.72)	(0.55)
Net increase (decrease) in net asset value resulting from investment operations	(2.49)	(2.50)	(0.58)
Dividends from net investment income	(0.15)	(0.13)	—
Distributions from realized capital gains	(0.01)	(0.46)	—
Return of capital distributions	(0.02)	—	—
Total distributions	(0.18)	(0.59)	—
Net asset value, end of year/period	$ 13.66	$ 16.33	$ 19.42
Total return[5]	(15.03)%	(13.28)%	(2.90)%[2]
Ratio to average net assets:			
Net assets, end of period (,000)	$29,522	$33,982	$41,070
Total expenses	2.07%	2.03%	2.03%[1]
Net expenses	2.00%	2.00%	2.00%[1]
Net investment income (loss) after expense reimbursement/recoupment	0.39%	1.20%	(0.26)%[1]
Portfolio turnover rate[6]	429%	304%	926%[2]

[1] *Annualized.*
[2] *Not annualized.*
[3] *Net investment income (loss) per share represents net investment income (loss) divided by the daily average shares of beneficial interest outstanding throughout each period.*
[4] *The amounts shown may not correlate with aggregate gains and losses of portfolio securities due to timing of subscriptions and redemptions of Fund shares.*
[5] *All returns reflect reinvested dividends, if any, but do not reflect the impact of taxes.*
[6] *Portfolio turnover ratio is calculated without regard to short-term securities having a maturity of less than one year. Investments in options, swaps, and futures contracts and repurchase agreements are deemed short-term securities. The Fund's aggressive investment strategy may result in significant portfolio turnover to take advantage of anticipated changes in market conditions.*
[7] *Commencement of operations.*

	PSI Total Return Fund		
	Investor Class		
	Year Ended August 31, 2009	*Year Ended August 31, 2008*	*January 8, 2007[7] to August 31, 2007*
Net asset value, beginning of year/period	$ 20.00	$ 20.53	$ 20.00
Net investment income (loss)[3]	0.16	0.38	0.33
Net realized and unrealized gain (loss) on investments[4]	(1.98)	0.17	0.20
Net increase (decrease) in net asset value resulting from investment operations	(1.82)	0.55	0.53
Dividends from net investment income	(0.15)	(0.67)	—
Distributions from realized capital gains	—	(0.41)	—
Return of capital distributions	(0.02)	—	—
Total distributions	(0.17)	(1.08)	—
Net asset value, end of year/period	$ 18.01	$ 20.00	$ 20.53
Total return[5]	(9.13)%	2.66%	2.65%[2]
Ratio to average net assets:			
Net assets, end of period (,000)	$31,527	$33,334	$30,453
Total expenses	2.04%	2.01%	2.11%[1]
Net expenses	2.00%	2.00%	2.00%[1]
Net investment income (loss) after expense reimbursement/recoupment	0.88%	1.84%	2.57%[1]
Portfolio turnover rate[6]	271%	90%	191%[2]

[1] *Annualized.*
[2] *Not annualized.*
[3] *Net investment income (loss) per share represents net investment income (loss) divided by the daily average shares of beneficial interest outstanding throughout each period.*
[4] *The amounts shown may not correlate with aggregate gains and losses of portfolio securities due to timing of subscriptions and redemptions of Fund shares.*
[5] *All returns reflect reinvested dividends, if any, but do not reflect the impact of taxes.*
[6] *Portfolio turnover ratio is calculated without regard to short-term securities having a maturity of less than one year. Investments in options, swaps, and futures contracts and repurchase agreements are deemed short-term securities. The Fund's aggressive investment strategy may result in significant portfolio turnover to take advantage of anticipated changes in market conditions.*
[7] *Commencement of operations.*

PRIVACY NOTICE

At the Direxion Funds, we are committed to protecting your privacy. To open and service your Direxion accounts, we collect and maintain certain nonpublic personal information about you, such as your address, phone number, social security number, purchases, sales, account balances, bank account information and other personal financial information. We collect this information from the following sources:

- Account applications or other forms on which you provide information,
- Mail, e-mail, the telephone and our website, and
- Your transactions and account inquiries with us.

We safeguard the personal information that you have entrusted to us in the following ways:

- As a general policy, only those employees who maintain your account and respond to your requests for additional services have access to your account information.
- We maintain physical, electronic, and procedural safeguards to insure the security of your personal information and to prevent unauthorized access to your information.

We do not disclose any nonpublic personal information about you or our former shareholders to anyone, except as permitted or required by law. In the course of conducting business and maintaining your account we may share shareholder information, as allowed by law, with our affiliated companies and with other service providers, including financial intermediaries, custodians, transfer agents and marketing consultants. Those companies are contractually bound to use that information only for the services for which we hired them. They are not permitted to use or share our shareholders' nonpublic personal information for any other purpose. There also may be times when we provide information to federal, state or local authorities as required by law.

In the event that you hold fund shares of Direxion through a financial intermediary, including, but not limited to, a broker-dealer, bank, or trust company, the privacy policy of your financial intermediary would govern how your nonpublic personal information would be shared with nonaffiliated third parties.

For questions about our policy, please contact us at (800) 851-0511.

This page is not a part of the prospectus.

PORTFOLIO *Strategies*
INVESTMENT MANAGERS

THE DIREXION FUNDS

PROSPECTUS December 29, 2009

33 Whitehall Street, 10th Floor New York, New York 10004 (800) 851-0511

PSI Core Strength Fund
PSI Macro Trends Fund
PSI Total Return Fund

Investor Class

MORE INFORMATION ON THE DIREXION FUNDS

Statement of Additional Information ("SAI"):

The Funds' SAI contains more information on the Funds and their investment policies. The SAI is incorporated in this Prospectus by reference (meaning it is legally part of this Prospectus). A current SAI is on file with the Securities and Exchange Commission ("SEC").

Annual and Semi-Annual Reports to Shareholders:

The Funds' reports provide additional information on their investment holdings, performance data and a letter discussing the market conditions and investment strategies that significantly affected the Funds' performance during that period.

To Obtain the SAI or Fund Reports Free of Charge:

Write to:	Direxion Funds P.O. Box 701 Milwaukee, Wisconsin 53201-0701
Call:	(800) 851-0511
By Internet:	www.direxionfunds.com

These documents and other information about the Funds can be reviewed and copied at the SEC's Public Reference Room in Washington, D.C. Information on the operation of the Public Reference Room may be obtained by calling the SEC at (202) 551-8090. Reports and other information about the Funds may be viewed on-screen or downloaded from the EDGAR Database on the SEC's website at http://www.sec.gov. Copies of these documents may be obtained, after paying a duplicating fee, by electronic request at the following e-mail address: publicinfo@sec.gov, or by writing the SEC's Public Reference Section, Washington, D.C. 20549-1520.

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