

Partial Leveraging

Looking for increased exposure without deploying additional capital?

Scenario

John has a bullish one year outlook on stocks in the S&P 500 Index. He currently has a diversified portfolio containing a modest allocation to a popular S&P 500 mutual fund. He would like to increase his exposure to the index but does not want to commit additional capital to invest. How may he accomplish this?

Solution

Consider a partial leveraging strategy.

A partial leveraging strategy is used to increase exposure to an underlying investment through the use of a leveraged investment.

Leverage can allow an investor to maintain additional exposure to a position with the same or reduced amount of capital. Investing in leveraged index funds, like Direxion's Monthly 2.0x Bull and Bear funds line up, can provide exposure of 200% or the inverse of 200% (-200%) to each fund's underlying benchmark.

Strategy in Action

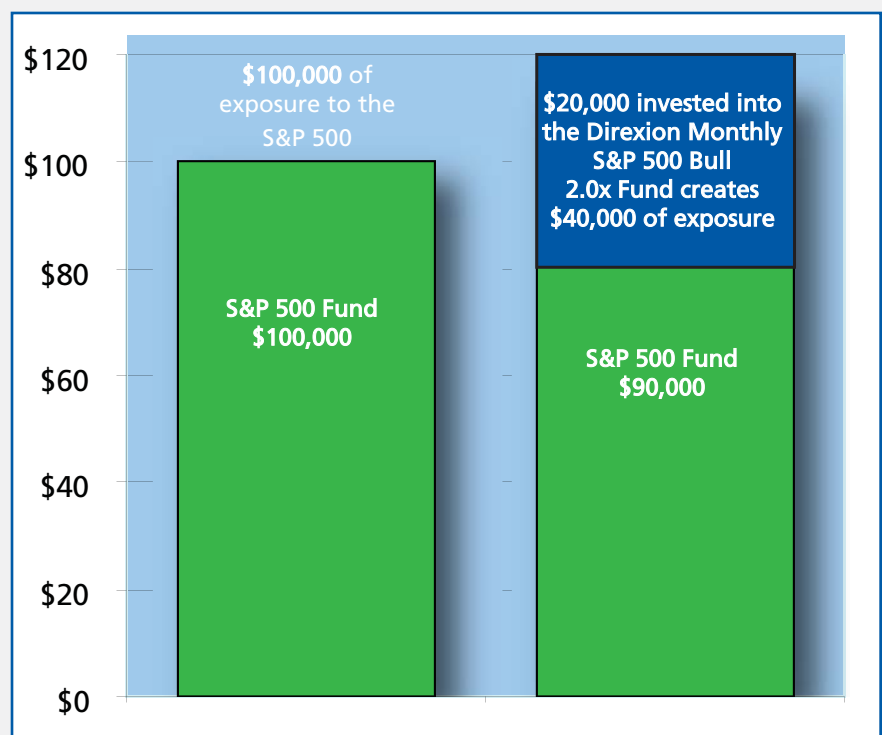
\$100,000 of John's portfolio is invested in a popular S&P 500 mutual fund. By repositioning \$20,000 of the S&P 500 Fund's assets to the Direxion Monthly S&P 500 Bull 2.0x Fund, \$40,000 of additional exposure is created. The total exposure to the S&P 500 has now increased from \$100,000 to \$120,000 without adding additional capital.

Strategy Benefits

Employing a partial leveraging strategy allows an advisor to magnify exposure to an investment or index without investing additional capital.

If John employed the partial leveraging strategy in this example, he could expect to receive 20% greater exposure to the S&P 500 which provides him the opportunity to achieve greater performance without adding additional capital.

Increasing exposure to an investment will increase the potential for greater gains and losses.



Why use leveraged index funds instead of margin?

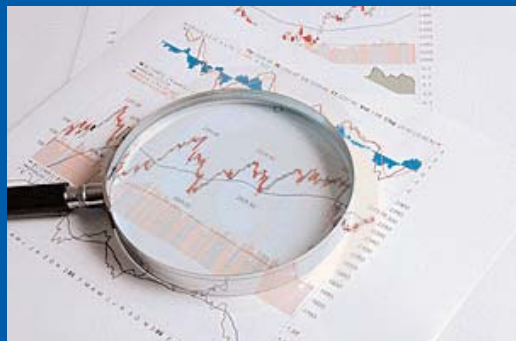
Buying on margin can be used to implement a partial leveraging strategy, however, there are advantages to using leveraged index funds that should be considered.

Expenses: Leveraged index funds may be a cheaper alternative than purchasing on margin.

Margin calls: If the market moves away from a position bought on margin, the investor may have to invest additional capital to cover the loss. This is known as a "margin call." An investor in a leveraged index funds will not receive a margin call.

Limited Loss Potential: When purchasing on margin, an investor can potentially incur losses that exceed their initial investment. Investors can never lose more than their initial capital when investing in leveraged index funds.

Transaction fees: When buying on margin, transaction fees are associated with most underlying investments. Direxion does not impose transaction fees which allows advisors to move freely in and out of positions without incurring transaction costs. Internal expenses will apply as stated in the fund's prospectus.



To further discuss how Direxion's funds may be beneficial to your investment strategy, please call the Direxion Team at 877-437-9363 or visit www.direxionfunds.com

direxion
Direxionfunds

An investor should consider the investment objectives, risks, charges and expenses of the funds carefully before investing. The prospectus contains this and other information about the funds. To obtain a prospectus, please call the Direxionfunds at 1 800-851-0511. 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.

The risks associated with the funds are detailed in the prospectuses which include Adverse Market Conditions Risk, Adviser's Investment Strategy Risk, Aggressive Investment Techniques Risk, Commodities Risk, Concentration Risk, Counterparty Risk, Credit Risk, Currency Exchange Rate Risk, Debt Instrument Risk, Depositary Receipt Risk, Early Close/Trading Halt Risk, Emerging Markets Risk, Equity Securities Risk, Foreign Securities Risk, Gain Limitation Risk, Geographic Concentration Risk, Interest Rate Risk, Intra-Calendar Month Investment Risk, Inverse Correlation Risk, Leverage Risk, Lower-Quality Debt Securities, Market Risk, Market Timing Activity and High Portfolio Turnover, Monthly Correlation Risk, and Negative Implications of Monthly Goals in Volatile Market.

Date of first issue: June 26, 2007 Distributor: Rafferty Capital Markets, LLC.

For Information: Financial Professionals 877-437-9363 • Shareholders 800-851-0511 • www.direxionfunds.com