



**Direxionfunds**

ANNUAL REPORT APRIL 30, 2010

33 Whitehall Street, 10th Floor

New York, New York 10004

(800) 851-0511

**BULL FUNDS**

**BEAR FUNDS**

**EQUITY INDEX FUNDS**

Direxion Monthly NASDAQ-100<sup>®</sup> Bull 2X Fund  
(formerly NASDAQ-100<sup>®</sup> Bull 2.5X Fund)

Direxion Monthly S&P 500<sup>®</sup> Bull 2X Fund  
(formerly S&P 500<sup>®</sup> Bull 2.5X Fund)

Direxion Monthly Latin America Bull 2X Fund  
(formerly Latin America Bull 2X Fund)

Direxion Monthly NASDAQ-100<sup>®</sup> Bear 2X Fund  
(formerly NASDAQ-100<sup>®</sup> Bear 2.5X Fund)

Direxion Monthly S&P 500<sup>®</sup> Bear 2X Fund  
(formerly S&P 500<sup>®</sup> Bear 2.5X Fund)

**CURRENCY FUNDS**

Direxion Monthly Dollar Bull 2X Fund  
(formerly Dollar Bull 2.5X Fund)

Direxion Monthly Dollar Bear 2X Fund  
(formerly Dollar Bear 2.5X Fund)

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# Direxionfunds

Dear Shareholder,

This Annual Report for the Direxion Funds covers the period from May 1, 2009 to April 30, 2010 (the "Annual Period"). During the Annual Period, the DJ Industrial Average Index returned 38.69%, the S&P 500 Index returned 38.85%, the Barclays Capital Aggregate Bond Index returned 8.30%, and the NASDAQ-100 Index returned 43.48%.

At the beginning of the Annual Period, global markets began to rise as it appeared that the global economy was beginning to recover and the financial crisis was in its later stages. Strong economic growth was apparent in China, the United States, Brazil, Australia, and India. Other markets appeared to be growing more slowly, but most of the world seemed to be emerging from the recession. By the end of the Annual Period, new uncertainties arose as turmoil in Greece raised questions and concerns about the future of that country, the Euro and the fiscal position of a host of sovereigns.

This report will account for two periods with differing investment objectives: May 1, 2009 – September 30, 2009 and October 1, 2009 – April 30, 2010. Effective September 30th, 2009, all Direxion Leveraged Index Funds modified their investment objectives from daily investment objectives to monthly investment objectives. In addition, all funds which previously sought to achieve 250% or -250% of the performance of their index on a daily basis began to seek 200% or -200% of the performance of their index on a monthly basis.

Direxion maintains models which indicate the expected performance of each leveraged index fund in light of the path of the relevant benchmark, the fund's expense ratios and the impact of leveraging the fund's portfolio. The models do not take into account the size of a Fund or any transaction fees associated with creating a Fund's portfolio, but do take into account a Fund's expense ratio and financing implications. A brief comparison of the actual versus expected returns for each of the funds in this Annual Report follows.

The NASDAQ-100 Bull 2.5X Fund and the NASDAQ-100 Bear 2.5X Fund sought to provide 250% and -250% of the daily return of the NASDAQ-100 Index through September 30, 2009. The NASDAQ-100 Bull 2.5X Fund returned 62.91%, 141 basis points higher than its expected return of 61.50%. The NASDAQ-100 Bear 2X Fund returned -46.01%, 62 basis points lower than its expected return of -45.39%. The NASDAQ-100 Index itself returned 23.67% (May 1, 2009 – September 30, 2009).

The Monthly NASDAQ-100 Bull 2X Fund and the Monthly NASDAQ-100 Bear 2X Fund seek to provide 200% and -200% of the monthly return of the NASDAQ-100 Index. The Monthly NASDAQ-100 Bull 2X Fund returned 31.93%, 100 basis points higher than its expected return of 30.93%. The Monthly NASDAQ-100 Bear 2X Fund returned -31.78%, 42 basis points lower than its expected return of -31.36%. The NASDAQ-100 Index itself returned 16.80% (September 30, 2009 – April 30, 2010).

The S&P 500 Bull 2.5X Fund and the S&P 500 Bear 2.5X Fund sought to provide 250% and -250% of the daily return of the S&P 500 Index through September 30, 2009. The S&P 500 Bull 2.5X Fund returned 57.28%, 81 basis points lower than its expected return of 58.09%. The S&P 500 Bear 2.5X Fund returned -45.19%, 67 basis points lower than its expected return of -44.52%. The S&P 500 Index itself returned 22.31% (May 1, 2009 – September 30, 2009).

The Monthly S&P 500 Bull 2X Fund and the Monthly S&P 500 Bear 2X Fund seek to provide 200% and -200% of the monthly return of the S&P 500 Index. The Monthly S&P 500 Bull 2X Fund returned 25.62%, 7 basis points lower than its expected return of 25.69%. The Monthly S&P 500 Bear 2X Fund returned -25.53%, 23 basis points higher than its expected return of -25.76%. The S&P 500 Index itself returned 13.51% (September 30, 2009 – April 30, 2010).

The Latin America Bull 2X Fund sought to provide 200% of the daily return of the S&P Latin America 40 Index through September 30, 2009. The Latin America Bull 2X Fund returned 96.80%, 199 basis points lower than its expected return of 98.79%. The S&P Latin America 40 Index itself returned 46.68% (May 1, 2009 – September 30, 2009).

The Monthly Latin America Bull 2X Fund seeks to provide 200% of the monthly return of the S&P Latin America 40 Index. The Latin America Bull 2X Fund returned 19.66%, 115 basis points lower than its expected return of 20.81%. The S&P Latin America 40 Index itself returned 15.39% (September 30, 2009 – April 30, 2010).

**The performance data quoted represents past performance; past performance does not guarantee future results. The investment return and principal value of an investment will fluctuate and an investor's shares, when redeemed, may be worth more or less than their original cost. Current performance may be higher or lower than the performance data quoted.**

The Dollar Bull 2.5X Fund and the Dollar Bear 2.5X Fund sought to provide 250% and -250% of the daily return of the U.S. Dollar Index through September 30, 2009. The Dollar Bull 2.5X Fund returned -26.28%, 175 basis points lower than its expected return of -24.53%. The Dollar Bear 2X Fund returned 26.47%, 74 basis points lower than its expected return of 27.21%. The U.S. Dollar Index itself returned 10.20% (May 1, 2009 – September 30, 2009).

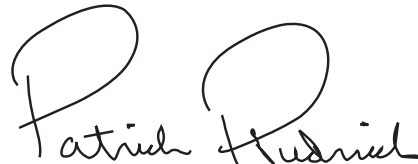
The Monthly Dollar Bull 2X Fund and the Monthly Dollar Bear 2X Fund seek to provide 200% and -200% of the monthly return of the U.S. Dollar Index. The Monthly Dollar Bull 2X Fund returned 10.07%, 10 basis points higher than its expected return of 9.97%. The Monthly Dollar Bear 2X Fund returned -12.35%, 24 basis points lower than its expected return of -12.11%. The U.S. Dollar Index itself returned 6.59% (September 30, 2009 – April 30, 2010).

As always, we thank you for using the Direxion Funds and we look forward to our mutual success.

Best Regards,



Daniel O'Neill  
Chief Investment Officer



Patrick Rudnick  
Principal Financial Officer

**The performance data quoted represents past performance; past performance does not guarantee future results. The investment return and principal value of an investment will fluctuate and an investor's shares, when redeemed, may be worth more or less than their original cost. Current performance may be higher or lower than the performance data quoted.**

**To obtain performance data current to the most recent month-end, please call, toll-free, 1-800-851-0511 or visit [www.direxionfunds.com](http://www.direxionfunds.com).**

**The total annual fund operating expense of the Monthly S&P 500 Bull 2X Fund, Monthly S&P Bear 2X Fund, Monthly NASDAQ-100 Bull 2X Fund, Monthly NASDAQ-100 Bear 2X Fund, Monthly Dollar Bull 2X Fund, Monthly Dollar Bear 2X Fund and Monthly Latin America Bull 2X Fund is 2.00%, 1.96%, 1.97%, 1.97%, 1.99%, 1.99% and 1.99%, respectively, net of any fee, waivers or expense reimbursements.\***

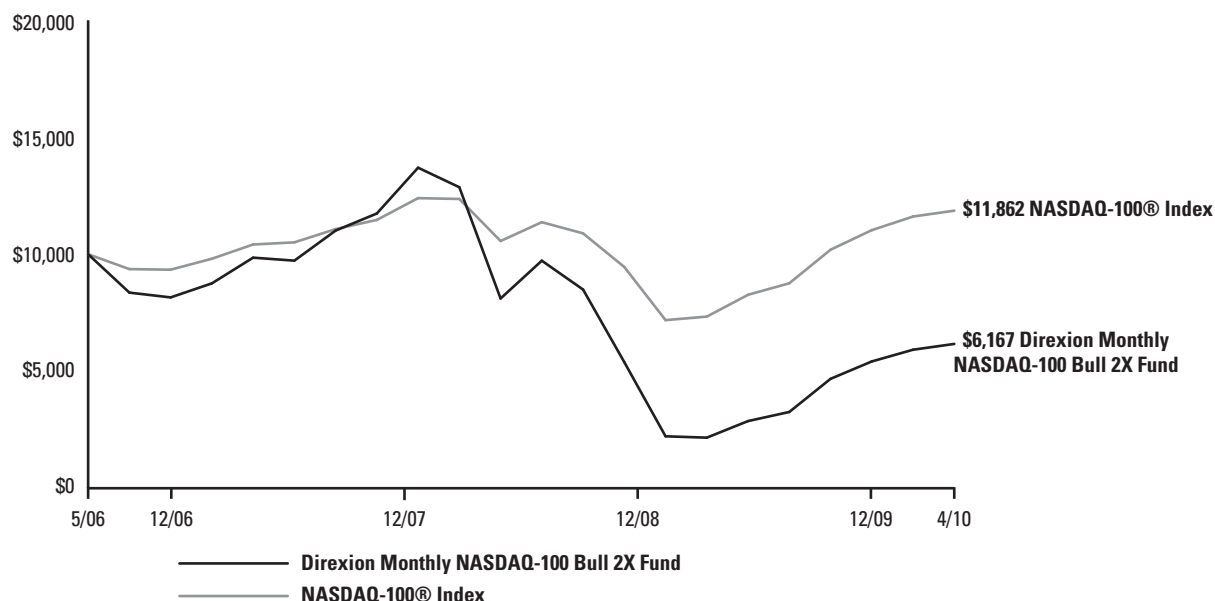
**An investment in any of the Direxion Funds is subject to a number of risks that could affect the value of its shares. It is important that investors closely review and understand these risks before making an investment. An investor should consider the investment objectives, risks, charges and expenses of the Direxion Funds carefully before investing. The prospectus contains this and other information about the Direxion Funds. To obtain a prospectus, please call the Direxion Funds at 1 800-851-0511. The prospectus should be read carefully before investing.**

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Date of First Use: June 24, 2010**

**\* The total annual fund operating expense ratios include Acquired Fund Fees and Expenses, indirect fees and expenses that the Funds incur that are required to be disclosed. Without Acquired Fund Fees and Expenses, total annual fund operating expenses would be 1.90% for each Fund.**

## Direxion Monthly NASDAQ-100 Bull 2X Fund

May 1, 2006<sup>1</sup> - April 30, 2010 (Unaudited)



### Average Annual Total Return<sup>2</sup>

	Average Annual Total Return <sup>2</sup>		
	1 Year	3 Year	Since Inception
<b>Direxion Monthly NASDAQ-100 Bull 2X Fund</b>	114.92%	(17.57)%	(11.38)%
<b>NASDAQ-100® Index</b>	43.48%	2.32%	4.36%

The Fund seeks calendar month leveraged investment results which should not be equated with seeking a leveraged goal for shorter than a calendar month. An investor who purchases shares on a day other than the last business day of a calendar month will generally receive more, or less, than 200% exposure to the target index, depending on the performance of the target index.

This chart illustrates the performance of a hypothetical \$10,000 investment made on the Fund's inception, and is not intended to imply any future performance. The returns shown do not reflect the deduction of taxes that a shareholder would pay on fund distributions or the redemption of fund shares. The performance of the NASDAQ-100® Index does not reflect the deduction of fees associated with a mutual fund, such as investment management fees. Investors cannot invest directly in an index, although they can invest in its underlying securities.

The performance data shown represents past performance and does not guarantee future results.

### Market Exposure

Investment Type	%
Swap Contracts	200.0%
Total Exposure	200.0%

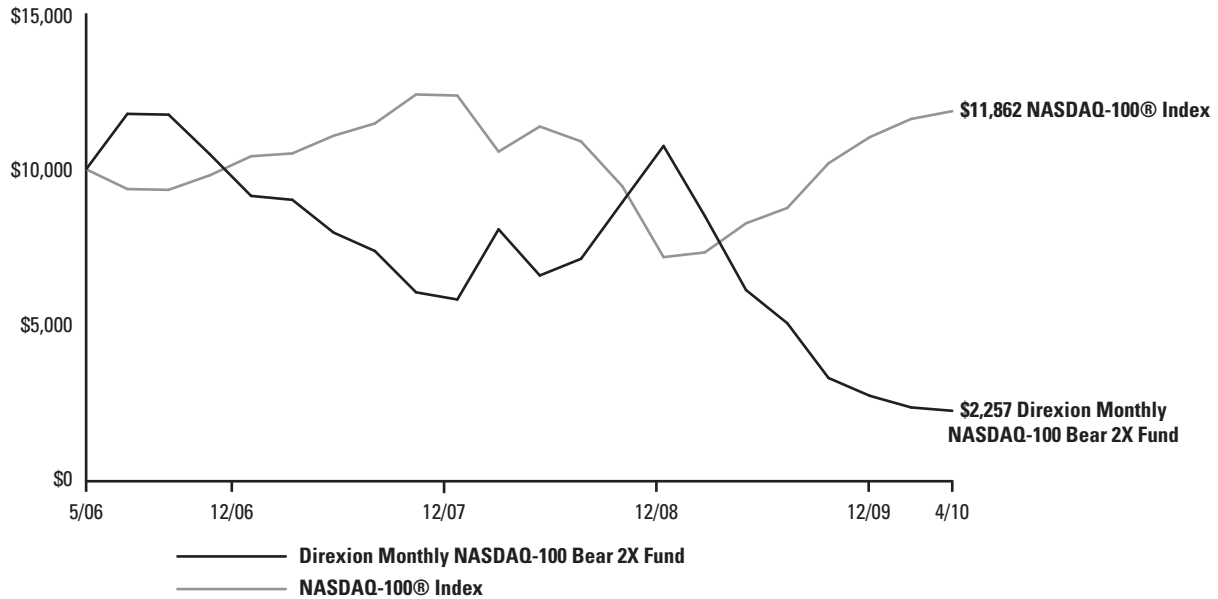
"Market Exposure" includes the value of total investments (including the contract value of any derivatives) and excludes any short-term investments and cash equivalents divided by Net Assets.

<sup>1</sup> Commencement of operations.

<sup>2</sup> As of April 30, 2010.

## Direxion Monthly NASDAQ-100 Bear 2X Fund

May 1, 2006<sup>1</sup> - April 30, 2010 (Unaudited)



### Average Annual Total Return<sup>2</sup>

	Average Annual Total Return <sup>2</sup>		
	1 Year	3 Year	Since Inception
<b>Direxion Monthly NASDAQ-100 Bear 2X Fund</b>	<b>(63.17)%</b>	<b>(34.33)%</b>	<b>(31.09)%</b>
<b>NASDAQ-100® Index</b>	<b>43.48%</b>	<b>2.32%</b>	<b>4.36%</b>

The Fund seeks calendar month leveraged investment results which should not be equated with seeking a leveraged goal for shorter than a calendar month. An investor who purchases shares on a day other than the last business day of a calendar month will generally receive more, or less, than 200% exposure to the target index, depending on the performance of the target index.

This chart illustrates the performance of a hypothetical \$10,000 investment made on the Fund's inception, and is not intended to imply any future performance. The returns shown do not reflect the deduction of taxes that a shareholder would pay on fund distributions or the redemption of fund shares. The performance of the NASDAQ-100® Index does not reflect the deduction of fees associated with a mutual fund, such as investment management fees. Investors cannot invest directly in an index, although they can invest in its underlying securities.

The performance data shown represents past performance and does not guarantee future results.

### Market Exposure

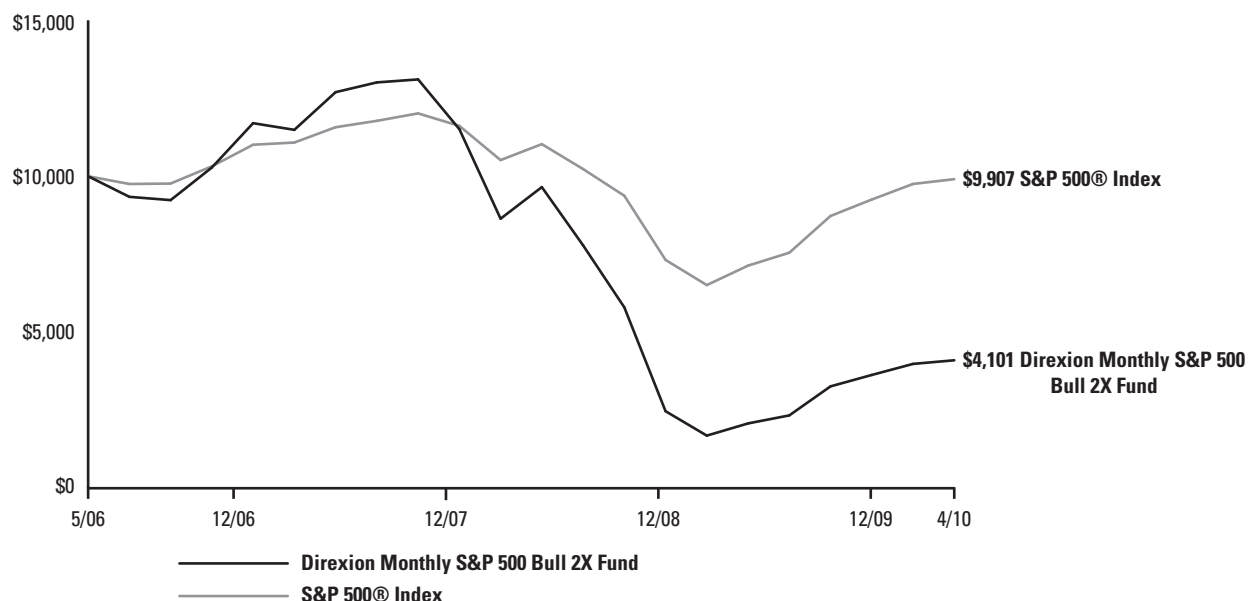
<u>Investment Type</u>	<u>% Net Assets</u>
<b>Swap Contracts</b>	<b>(200.5)%</b>
<b>Total Exposure</b>	<b>(200.5)%</b>

*"Market Exposure" includes the value of total investments (including the contract value of any derivatives) and excludes any short-term investments and cash equivalents divided by Net Assets.*

<sup>1</sup> Commencement of operations.

<sup>2</sup> As of April 30, 2010.

**Direxion Monthly S&P 500 Bull 2X Fund**  
**May 1, 2006<sup>1</sup> - April 30, 2010 (Unaudited)**



	Average Annual Total Return <sup>2</sup>		
	1 Year	3 Year	Since Inception
Direxion Monthly S&P 500 Bull 2X Fund	97.47%	(31.38)%	(19.99)%
S&P 500® Index	38.85%	(5.04)%	(0.23)%

The Fund seeks calendar month leveraged investment results which should not be equated with seeking a leveraged goal for shorter than a calendar month. An investor who purchases shares on a day other than the last business day of a calendar month will generally receive more, or less, than 200% exposure to the target index, depending on the performance of the target index.

This chart illustrates the performance of a hypothetical \$10,000 investment made on the Fund's inception, and is not intended to imply any future performance. The returns shown do not reflect the deduction of taxes that a shareholder would pay on fund distributions or the redemption of fund shares. The performance of the S&P 500® Index does not reflect the deduction of fees associated with a mutual fund, such as investment management fees. Investors cannot invest directly in an index, although they can invest in its underlying securities.

The performance data shown represents past performance and does not guarantee future results.

**Market Exposure**

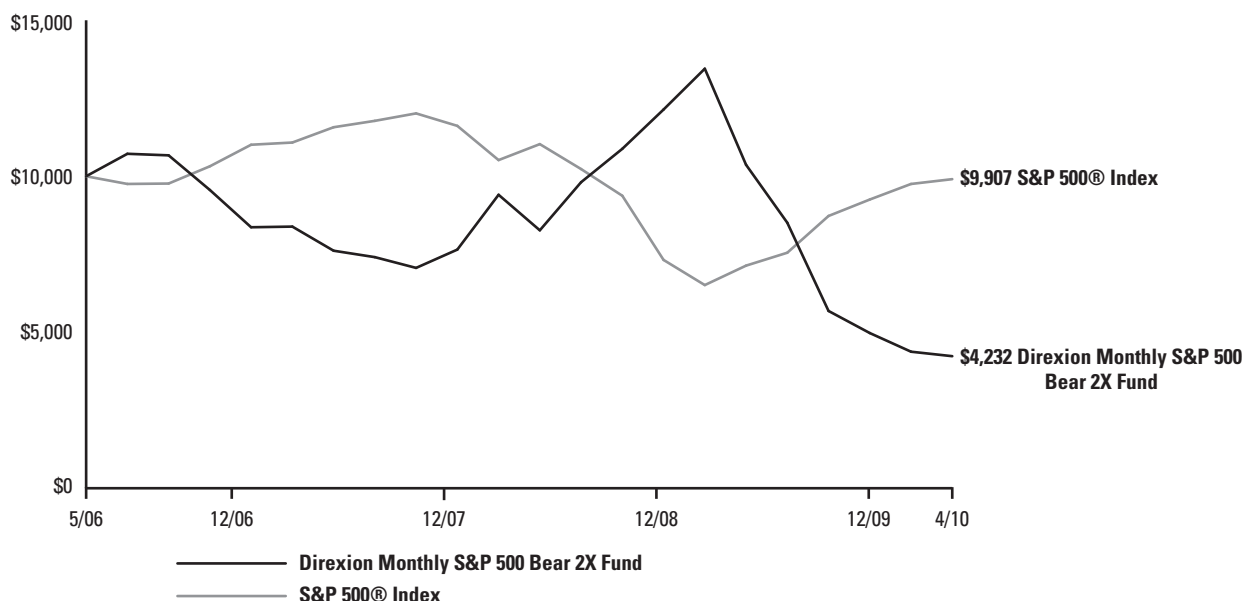
<u>Investment Type</u>	<u>% Net Assets</u>
Swap Contracts	199.6%
<b>Total Exposure</b>	<b>199.6%</b>

*"Market Exposure" includes the value of total investments (including the contract value of any derivatives) and excludes any short-term investments and cash equivalents divided by Net Assets.*

<sup>1</sup> Commencement of operations.

<sup>2</sup> As of April 30, 2010.

**Direxion Monthly S&P 500 Bear 2X Fund**  
**May 1, 2006<sup>1</sup> - April 30, 2010 (Unaudited)**



	<u>Average Annual Total Return<sup>2</sup></u>		
	<u>1 Year</u>	<u>3 Year</u>	<u>Since Inception</u>
<b>Direxion Monthly S&amp;P 500 Bear 2X Fund</b>	<b>(59.18)%</b>	<b>(17.78)%</b>	<b>(19.36)%</b>
<b>S&amp;P 500® Index</b>	<b>38.85%</b>	<b>(5.04)%</b>	<b>(0.23)%</b>

The Fund seeks calendar month leveraged investment results which should not be equated with seeking a leveraged goal for shorter than a calendar month. An investor who purchases shares on a day other than the last business day of a calendar month will generally receive more, or less, than 200% exposure to the target index, depending on the performance of the target index.

This chart illustrates the performance of a hypothetical \$10,000 investment made on the Fund's inception, and is not intended to imply any future performance. The returns shown do not reflect the deduction of taxes that a shareholder would pay on fund distributions or the redemption of fund shares. The performance of the S&P 500® Index does not reflect the deduction of fees associated with a mutual fund, such as investment management fees. Investors cannot invest directly in an index, although they can invest in its underlying securities.

The performance data shown represents past performance and does not guarantee future results.

**Market Exposure**

<u>Investment Type</u>	<u>% Net Assets</u>
<b>Swap Contracts</b>	<b>(201.3)%</b>
<b>Total Exposure</b>	<b>(201.3)%</b>

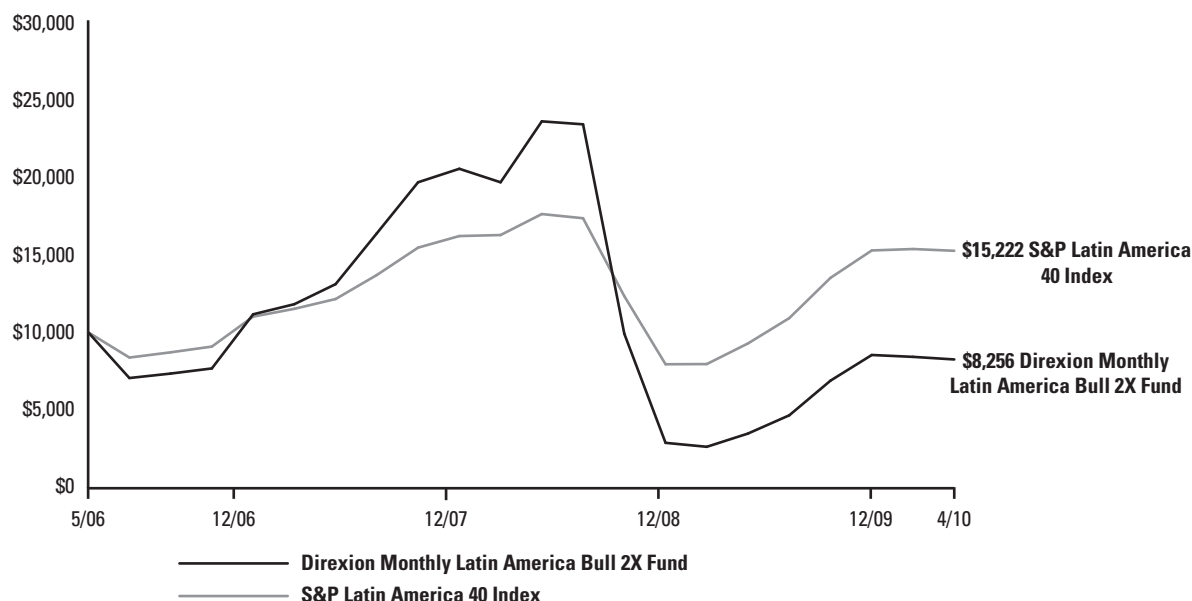
*"Market Exposure" includes the value of total investments (including the contract value of any derivatives) and excludes any short-term investments and cash equivalents divided by Net Assets.*

<sup>1</sup> Commencement of operations.

<sup>2</sup> As of April 30, 2010.

## Direxion Monthly Latin America Bull 2X Fund

May 2, 2006<sup>1</sup> - April 30, 2010 (Unaudited)



### Average Annual Total Return<sup>2</sup>

	1 Year	3 Year	Since Inception
Direxion Monthly Latin America Bull 2X Fund	135.39%	(14.23)%	(4.69)%
S&P Latin America 40 Index	63.94%	7.87%	11.08%

The Fund seeks calendar month leveraged investment results which should not be equated with seeking a leveraged goal for shorter than a calendar month. An investor who purchases shares on a day other than the last business day of a calendar month will generally receive more, or less, than 200% exposure to the target index, depending on the performance of the target index.

This chart illustrates the performance of a hypothetical \$10,000 investment made on the Fund's inception, and is not intended to imply any future performance. The returns shown do not reflect the deduction of taxes that a shareholder would pay on fund distributions or the redemption of fund shares. The performance of the S&P Latin America 40 Index does not reflect the deduction of fees associated with a mutual fund, such as investment management fees. Investors cannot invest directly in an index, although they can invest in its underlying securities.

The performance data shown represents past performance and does not guarantee future results.

### Market Exposure

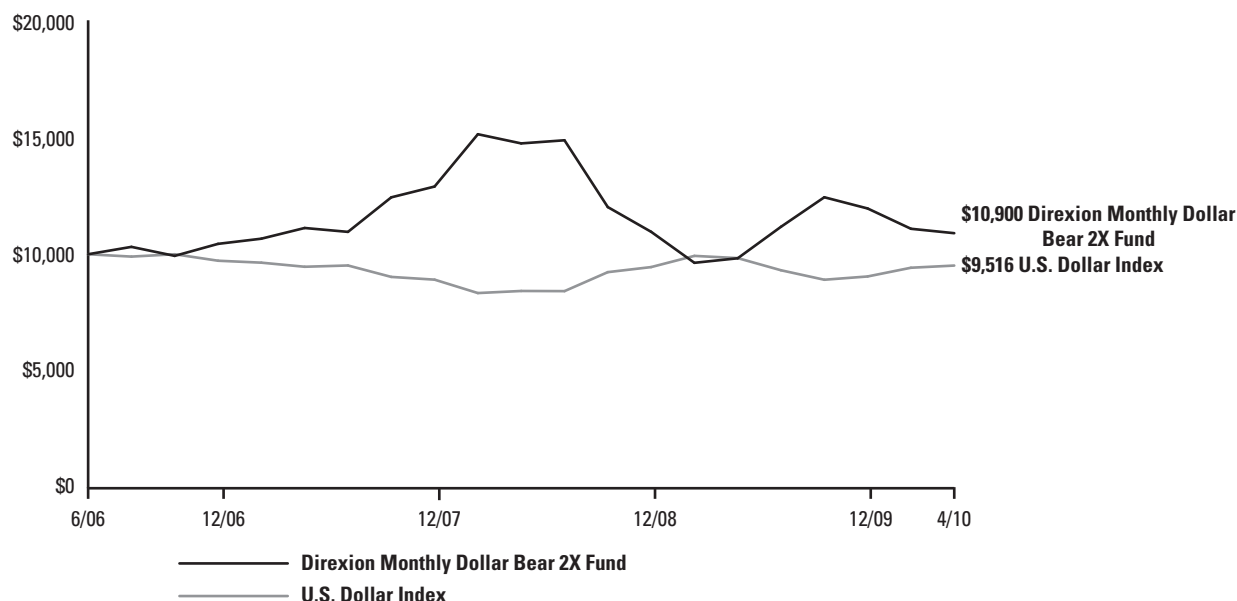
Investment Type	% Net Assets
Swap Contracts	199.9%
Total Exposure	199.9%

"Market Exposure" includes the value of total investments (including the contract value of any derivatives) and excludes any short-term investments and cash equivalents divided by Net Assets.

<sup>1</sup> Commencement of operations.

<sup>2</sup> As of April 30, 2009.

**Direxion Monthly Dollar Bear 2X Fund**  
**June 12, 2006<sup>1</sup> - April 30, 2010 (Unaudited)**



	<u>Average Annual Total Return<sup>2</sup></u>		
	<u>1 Year</u>	<u>3 Year</u>	<u>Since Inception</u>
<b>Direxion Monthly Dollar Bear 2X Fund</b>	<b>10.91%</b>	<b>(0.67)%</b>	<b>2.25%</b>
<b>U.S. Dollar Index</b>	<b>(3.24)%</b>	<b>0.18%</b>	<b>(1.27)%</b>

The Fund seeks calendar month leveraged investment results which should not be equated with seeking a leveraged goal for shorter than a calendar month. An investor who purchases shares on a day other than the last business day of a calendar month will generally receive more, or less, than 200% exposure to the target index, depending on the performance of the target index.

This chart illustrates the performance of a hypothetical \$10,000 investment made on the Fund's inception, and is not intended to imply any future performance. The returns shown do not reflect the deduction of taxes that a shareholder would pay on fund distributions or the redemption of fund shares. The performance of the U.S. Dollar does not reflect the deduction of fees associated with a mutual fund, such as investment management fees. Investors cannot invest directly in an index, although they can invest in its underlying securities.

The performance data shown represents past performance and does not guarantee future results.

**Market Exposure**

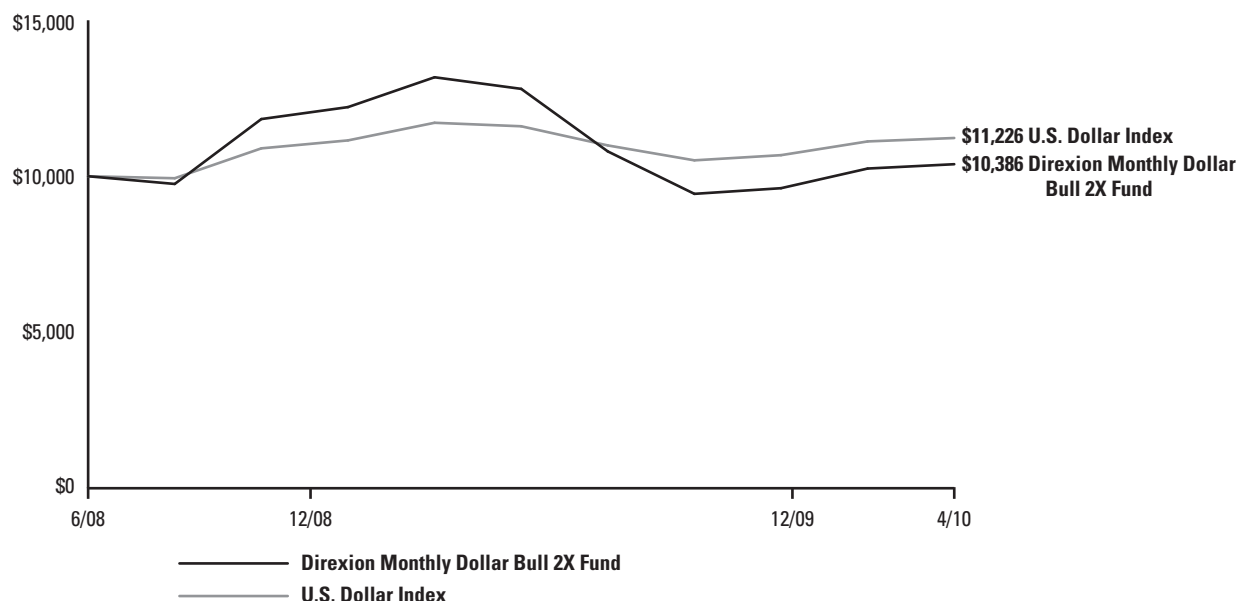
<u>Investment Type</u>	<u>% Net Assets</u>
<b>Futures Contracts</b>	<b>(199.2)%</b>
<b>Total Exposure</b>	<b>(199.2)%</b>

*"Market Exposure" includes the value of total investments (including the contract value of any derivatives) and excludes any short-term investments and cash equivalents divided by Net Assets.*

<sup>1</sup> Commencement of operations.

<sup>2</sup> As of April 30, 2010.

**Direxion Monthly Dollar Bull 2X Fund**  
**June 2, 2008<sup>1</sup> - April 30, 2010 (Unaudited)**



**Average Annual  
Total Return<sup>2</sup>**

	<u>1 Year</u>	<u>Since Inception</u>
<b>Direxion Monthly Dollar Bull 2X Fund</b>	<b>(18.80)%</b>	<b>2.00%</b>
<b>U.S. Dollar Index</b>	<b>(3.24)%</b>	<b>6.23%</b>

The Fund seeks calendar month leveraged investment results which should not be equated with seeking a leveraged goal for shorter than a calendar month. An investor who purchases shares on a day other than the last business day of a calendar month will generally receive more, or less, than 200% exposure to the target index, depending on the performance of the target index.

This chart illustrates the performance of a hypothetical \$10,000 investment made on the Fund's inception, and is not intended to imply any future performance. The returns shown do not reflect the deduction of taxes that a shareholder would pay on fund distributions or the redemption of fund shares. The performance of the U.S. Dollar does not reflect the deduction of fees associated with a mutual fund, such as investment management fees. Investors cannot invest directly in an index, although they can invest in its underlying securities.

The performance data shown represents past performance and does not guarantee future results.

**Market Exposure**

<u>Investment Type</u>	<u>% Net Assets</u>
<b>Futures Contracts</b>	<b>200.6%</b>
<b>Total Exposure</b>	<b>200.6%</b>

"Market Exposure" includes the value of total investments (including the contract value of any derivatives) and excludes any short-term investments and cash equivalents divided by Net Assets.

<sup>1</sup> Commencement of operations.

<sup>2</sup> As of April 30, 2010.

## Expense Example

### April 30, 2010 (Unaudited)

As a shareholder of a mutual fund, you incur two types of costs: (1) transaction costs, including sales charges (loads) on purchase payments, reinvested dividends, or other distributions; redemption fees; and exchange fees; and (2) ongoing costs, including management fees; distribution and/or service fees; and other fund expenses. This example is intended to help you understand your ongoing costs (in dollars) of investing in a fund and to compare costs with the ongoing costs of investing in other mutual funds.

The example is based on an investment of \$1,000 invested at the beginning of the period and held the entire period November 1, 2009 — April 30, 2010).

#### **Actual Expenses**

The first line of the table below provides information about actual account values and actual expenses. Although the Fund charges no sales load or transactions fees, you will be assessed fees for outgoing wire transfers, returned checks or stop payment orders at prevailing rates charged by U.S. Bancorp Fund Services, LLC, the Funds' transfer agent. If you request a redemption be made by wire transfer, currently a \$15.00 fee is charged by the Funds' transfer agent. To the extent a Fund invests in shares of other investment companies as part of its investment strategy, you will indirectly bear your proportionate share of any fees and expenses charged by the underlying funds in which the Fund invests in addition to the expenses of the Fund. Actual expenses of underlying funds may vary. These expenses are not included in the examples presented on preceding page. The preceding examples include, but are not limited to, investment advisory, shareholder servicing, fund accounting, custody and transfer agent fees. However, the example below does not include portfolio trading commissions and related expenses or other extraordinary expenses as determined under generally accepted accounting principles. You may use the information in this line, together with the amount you invested, to estimate the expenses that you paid over the period. Simply divide your account value by \$1,000 (for example, an \$8,600 account value divided by \$1,000 = 8.6), then multiply the result by the number in the first line under the heading entitled "Expenses Paid During Period" to estimate the expenses you paid on your account during this period.

#### **Hypothetical Example for Comparison Purposes**

The second line of the table below provides information about hypothetical account values and hypothetical expenses based on the Funds' actual expense ratios and an assumed rate of return of 5% per year before expenses, which is not the Funds' actual return. The hypothetical account values and expenses may not be used to estimate the actual ending account balance or expenses you paid for the period. You may use this information to compare the ongoing costs of investing in the Funds and other funds. To do so, compare this 5% hypothetical example with the 5% hypothetical examples that appear in the shareholder reports of the other funds.

Please note that the expenses shown in the table are meant to highlight your ongoing costs only and do not reflect any transactional costs, such as wire transfers, returned checks or stop payment orders. Therefore, the second line of the table is useful in comparing ongoing costs only, and will not help you determine the relative costs of owning different funds. In addition, if these transactional costs were included, your costs would have been higher.

## Expense Example Tables

April 30, 2010

	Expense Ratio <sup>1</sup>	Beginning Account Value November 1, 2010	Ending Account Value April 30, 2010	Expenses Paid During Period <sup>2</sup>
<b>Direxion Monthly NASDAQ-100 Bull 2X Fund</b>				
Based on actual fund return	1.90%	\$1,000.00	\$1,406.50	\$11.34
Based on hypothetical 5% return	1.90%	1,000.00	1,015.37	9.49
<b>Direxion Monthly NASDAQ-100 Bear 2X Fund</b>				
Based on actual fund return	1.90%	1,000.00	644.30	7.75
Based on hypothetical 5% return	1.90%	1,000.00	1,015.37	9.49
<b>Direxion Monthly S&amp;P 500 Bull 2X Fund</b>				
Based on actual fund return	1.90%	1,000.00	1,308.60	10.88
Based on hypothetical 5% return	1.90%	1,000.00	1,015.37	9.49
<b>Direxion Monthly S&amp;P 500 Bear 2X Fund</b>				
Based on actual fund return	1.94%	1,000.00	718.20	8.26
Based on hypothetical 5% return	1.94%	1,000.00	1,015.17	9.69
<b>Direxion Monthly Latin America Bull 2X Fund</b>				
Based on actual fund return	1.90%	1,000.00	1,192.70	10.33
Based on hypothetical 5% return	1.90%	1,000.00	1,015.37	9.49
<b>Direxion Monthly Dollar Bear 2X Fund</b>				
Based on actual fund return	1.90%	1,000.00	868.20	8.80
Based on hypothetical 5% return	1.90%	1,000.00	1,015.37	9.49
<b>Direxion Monthly Dollar Bull 2X Fund</b>				
Based on actual fund return	1.90%	1,000.00	1,113.80	9.96
Based on hypothetical 5% return	1.90%	1,000.00	1,015.37	9.49

<sup>1</sup> Annualized ratio of net expenses incurred in the most recent fiscal half-year.

<sup>2</sup> Expenses are equal to the Fund's annualized expense ratio, multiplied by the average account value over the period, multiplied by the number of days in the most recent fiscal half-year/period, then divided by 365.

## Allocation of Portfolio Holdings

April 30, 2010 (Unaudited)

	Cash*	Futures	Swaps	Total
Direxion Monthly NASDAQ-100 Bull 2X Fund	105%	—	(5%)	100%
Direxion Monthly NASDAQ-100 Bear 2X Fund	107%	—	(7%)	100%
Direxion Monthly S&P 500 Bull 2X Fund	104%	—	(4%)	100%
Direxion Monthly S&P 500 Bear 2X Fund	113%	—	(13%)	100%
Direxion Monthly Latin America Bull 2X Fund	106%	—	(6%)	100%
Direxion Monthly Dollar Bear 2X Fund	103%	(3%)	—	100%
Direxion Monthly Dollar Bull 2X Fund	100%	0%**	—	100%

\* Cash, cash equivalents and other assets less liabilities.

\*\* Percentage is less than 0.5%.

## Direxion Monthly NASDAQ-100 Bull 2X Fund

### Schedule of Investments

April 30, 2010

<u>Shares</u>		<u>Value</u>
<b>SHORT TERM INVESTMENTS - 106.3%</b>		
<b>MONEY MARKET FUNDS - 106.3%</b>		
4,659,241	Fidelity Institutional Government Portfolio, 0.04% <sup>(a)</sup>	\$ 4,659,241
4,659,241	Fidelity Institutional Money Market Portfolio, 0.16% <sup>(a)</sup>	4,659,241
4,659,241	Goldman Sachs Financial Square Federal Fund, 0.03% <sup>(a)</sup>	4,659,241
10,609,240	Goldman Sachs Financial Square Government Fund, 0.03% <sup>(a)(b)</sup>	10,609,240
4,659,240	Morgan Stanley Institutional Liquidity Fund - Treasury Portfolio, 0.03% <sup>(a)</sup>	<u>4,659,240</u>
	<b>TOTAL SHORT TERM INVESTMENTS</b>	
	(Cost \$29,246,203)	<u>\$29,246,203</u>
	<b>TOTAL INVESTMENTS</b>	
	(Cost \$29,246,203) - 106.3%	\$29,246,203
	Liabilities in Excess of Other Assets - (6.3)%	<u>(1,729,693)</u>
	<b>TOTAL NET ASSETS - 100.0%</b>	<u><u>\$27,516,510</u></u>

Percentages are stated as a percent of net assets.

<sup>(a)</sup> Represents annualized seven-day yield at April 30, 2010.

<sup>(b)</sup> \$5,950,000 of this security is held as collateral for swap contracts.

## Direxion Monthly NASDAQ-100 Bull 2X Fund

### Long Equity Swap Contracts

April 30, 2010

<u>Counterparty</u>	<u>Reference Entity</u>	<u>Number of Contracts</u>	<u>Notional Amount</u>	<u>Termination Date</u>	<u>Unrealized Depreciation</u>
Credit Suisse Capital, LLC	NASDAQ-100 Index	27,500	\$56,498,396	10/27/2011	<u><u>\$(1,479,562)</u></u>

The accompanying notes are an integral part of these financial statements.

**Direxion Monthly NASDAQ-100 Bear 2X Fund**

**Schedule of Investments**

**April 30, 2010**

<u>Shares</u>		<u>Value</u>
<b>SHORT TERM INVESTMENTS - 95.5%</b>		
<b>MONEY MARKET FUNDS - 95.5%</b>		
583,799	Fidelity Institutional Government Portfolio, 0.04% <sup>(a)</sup>	\$ 583,799
583,799	Fidelity Institutional Money Market Portfolio, 0.16% <sup>(a)</sup>	583,799
583,799	Goldman Sachs Financial Square Federal Fund, 0.03% <sup>(a)</sup>	583,799
1,873,800	Goldman Sachs Financial Square Government Fund, 0.03% <sup>(a)(b)</sup>	1,873,800
583,799	Morgan Stanley Institutional Liquidity Fund - Treasury Portfolio, 0.03% <sup>(a)</sup>	<u>583,799</u>
	<b>TOTAL SHORT TERM INVESTMENTS</b> (Cost \$4,208,996)	<b><u>\$4,208,996</u></b>
	<b>TOTAL INVESTMENTS</b> (Cost \$4,208,996) - 95.5%	<b>\$4,208,996</b>
	Other Assets in Excess of Liabilities - 4.5%	<u>197,739</u>
	<b>TOTAL NET ASSETS - 100.0%</b>	<b><u><u>\$4,406,735</u></u></b>

Percentages are stated as a percent of net assets.

<sup>(a)</sup> Represents annualized seven-day yield at April 30, 2010.

<sup>(b)</sup> \$1,290,000 of this security is held as collateral for swap contracts.

**Direxion Monthly NASDAQ-100 Bear 2X Fund**

**Short Equity Swap Contracts**

**April 30, 2010**

<u>Counterparty</u>	<u>Reference Entity</u>	<u>Number of Contracts</u>	<u>Notional Amount</u>	<u>Termination Date</u>	<u>Unrealized Depreciation</u>
Credit Suisse Capital, LLC	NASDAQ-100 Index	4,415	\$8,530,439	8/2/2011	<u><u>\$(306,955)</u></u>

The accompanying notes are an integral part of these financial statements.

## Direxion Monthly S&P 500 Bull 2X Fund

### Schedule of Investments

April 30, 2010

Shares		Value
<b>SHORT TERM INVESTMENTS - 106.6%</b>		
<b>MONEY MARKET FUNDS - 106.6%</b>		
2,877,632	Fidelity Institutional Government Portfolio, 0.04% <sup>(a)</sup>	\$ 2,877,632
2,877,633	Fidelity Institutional Money Market Portfolio, 0.16% <sup>(a)</sup>	2,877,633
2,877,633	Goldman Sachs Financial Square Federal Fund, 0.03% <sup>(a)</sup>	2,877,633
6,457,633	Goldman Sachs Financial Square Government Fund, 0.03% <sup>(a)(b)</sup>	6,457,633
2,877,633	Morgan Stanley Institutional Liquidity Fund - Treasury Portfolio, 0.03% <sup>(a)</sup>	<u>2,877,633</u>
	<b>TOTAL SHORT TERM INVESTMENTS</b> (Cost \$17,968,164)	<u>\$17,968,164</u>
	<b>TOTAL INVESTMENTS</b> (Cost \$17,968,164) - 106.6%	\$17,968,164
	Liabilities in Excess of Other Assets - (6.6)%	<u>(1,111,553)</u>
	<b>TOTAL NET ASSETS - 100.0%</b>	<u><u>\$16,856,611</u></u>

Percentages are stated as a percent of net assets.

<sup>(a)</sup> Represents annualized seven-day yield at April 30, 2010.

<sup>(b)</sup> \$3,580,000 of this security is held as collateral for swap contracts.

## Direxion Monthly S&P 500 Bull 2X Fund

### Long Equity Swap Contracts

April 30, 2010

Counterparty	Reference Entity	Number of Contracts	Notional Amount	Termination Date	Unrealized Depreciation
Credit Suisse Capital, LLC	S&P 500 Index	28,350	\$34,301,961	10/17/2011	<u>\$(650,897)</u>

The accompanying notes are an integral part of these financial statements.

## Direxion Monthly S&P 500 Bear 2X Fund

### Schedule of Investments

April 30, 2010

Shares		Value
<b>SHORT TERM INVESTMENTS - 112.9%</b>		
<b>MONEY MARKET FUNDS - 112.9%</b>		
1,531,773	Fidelity Institutional Government Portfolio, 0.04% <sup>(a)</sup>	\$ 1,531,773
1,531,773	Fidelity Institutional Money Market Portfolio, 0.16% <sup>(a)</sup>	1,531,773
1,531,774	Goldman Sachs Financial Square Federal Fund, 0.03% <sup>(a)</sup>	1,531,774
5,351,774	Goldman Sachs Financial Square Government Fund, 0.03% <sup>(a)(b)</sup>	5,351,774
1,531,774	Morgan Stanley Institutional Liquidity Fund - Treasury Portfolio, 0.03% <sup>(a)</sup>	<u>1,531,774</u>
	<b>TOTAL SHORT TERM INVESTMENTS</b> (Cost \$11,478,868)	<u>\$11,478,868</u>
	<b>TOTAL INVESTMENTS</b> (Cost \$11,478,868) - 112.9%	\$11,478,868
	Liabilities in Excess of Other Assets - (12.9)%	<u>(1,310,901)</u>
	<b>TOTAL NET ASSETS - 100.0%</b>	<u><u>\$10,167,967</u></u>

Percentages are stated as a percent of net assets.

<sup>(a)</sup> Represents annualized seven-day yield at April 30, 2010.

<sup>(b)</sup> \$3,820,000 of this security is held as collateral for swap contracts.

## Direxion Monthly S&P 500 Bear 2X Fund

### Short Equity Swap Contracts

April 30, 2010

Counterparty	Reference Entity	Number of Contracts	Notional Amount	Termination Date	Unrealized Depreciation
Credit Suisse Capital, LLC	S&P 500 Index	17,200	\$19,139,779	8/1/2011	<u><u>\$(1,328,243)</u></u>

The accompanying notes are an integral part of these financial statements.

## Direxion Monthly Latin America Bull 2X Fund

### Schedule of Investments

April 30, 2010

Shares	Value
<b>SHORT TERM INVESTMENTS - 94.9%</b>	
<b>MONEY MARKET FUNDS - 94.9%</b>	
8,849,906 Fidelity Institutional Government Portfolio, 0.04% <sup>(a)</sup>	\$ 8,849,906
8,849,906 Fidelity Institutional Money Market Portfolio, 0.16% <sup>(a)</sup>	8,849,906
8,849,906 Goldman Sachs Financial Square Federal Fund, 0.03% <sup>(a)</sup>	8,849,906
8,849,907 Goldman Sachs Financial Square Government Fund, 0.03% <sup>(a)</sup>	8,849,907
62,379,560 Morgan Stanley Institutional Liquidity Fund - Treasury Portfolio, 0.03% <sup>(a)(b)</sup>	<u>62,379,560</u>
<b>TOTAL SHORT TERM INVESTMENTS</b> (Cost \$97,779,185)	<b>\$ 97,779,185</b>
<b>TOTAL INVESTMENTS</b> (Cost \$97,779,185) - 94.9%	<b>\$ 97,779,185</b>
Other Assets in Excess of Liabilities - 5.1%	<u>5,270,453</u>
<b>TOTAL NET ASSETS - 100.0%</b>	<b><u>\$103,049,638</u></b>

Percentages are stated as a percent of net assets.

<sup>(a)</sup> Represents annualized seven-day yield at April 30, 2010.

<sup>(b)</sup> \$53,529,654 of this security is held as collateral for swap contracts.

## Direxion Monthly Latin America Bull 2X Fund

### Long Equity Swap Contracts

April 30, 2010

Counterparty	Reference Entity	Number of Contracts	Notional Amount	Termination Date	Unrealized Appreciation/ (Depreciation)
Merrill Lynch	iShares S&P Latin America 40 Index	4,285,657	\$210,982,894	5/9/2011	\$(5,921,169)
Merrill Lynch	iShares S&P Latin America 40 Index	4,000	199,220	5/10/2011	(7,813)
Merrill Lynch	iShares S&P Latin America 40 Index	9,000	439,335	5/24/2011	(8,459)
Merrill Lynch	iShares S&P Latin America 40 Index	6,000	283,170	5/31/2011	4,110
		<u>4,304,657</u>	<u>\$211,904,619</u>		<u>\$(5,933,331)</u>

The accompanying notes are an integral part of these financial statements.

**Direxion Monthly Dollar Bear 2X Fund****Schedule of Investments****April 30, 2010**

<u>Shares</u>		<u>Value</u>
<b>SHORT TERM INVESTMENTS - 98.0%</b>		
<b>MONEY MARKET FUNDS - 98.0%</b>		
1,345,868	Fidelity Institutional Government Portfolio, 0.04% <sup>(a)</sup>	\$1,345,868
1,345,868	Fidelity Institutional Money Market Portfolio, 0.16% <sup>(a)</sup>	1,345,868
1,345,868	Goldman Sachs Financial Square Federal Fund, 0.03% <sup>(a)</sup>	1,345,868
1,345,868	Goldman Sachs Financial Square Government Fund, 0.03% <sup>(a)</sup>	1,345,868
1,345,867	Morgan Stanley Institutional Liquidity Fund - Treasury Portfolio, 0.03% <sup>(a)</sup>	<u>1,345,867</u>
	<b>TOTAL SHORT TERM INVESTMENTS</b> (Cost \$6,729,339)	<u>\$6,729,339</u>
	<b>TOTAL INVESTMENTS</b> (Cost \$6,729,339) - 98.0%	\$6,729,339
	Other Assets in Excess of Liabilities - 2.0%	<u>138,172</u>
	<b>TOTAL NET ASSETS - 100.0%</b>	<u>\$6,867,511</u>

Percentages are stated as a percent of net assets.

<sup>(a)</sup> Represents annualized seven-day yield at April 30, 2010.**Direxion Monthly Dollar Bear 2X Fund****Short Futures Contracts****April 30, 2010**

<u>Contracts</u>		<u>Unrealized Depreciation</u>
167	U.S. Dollar Index Futures Expiring June 2010 (Underlying Notional Amount at Market Value \$13,682,310)	<u>\$(210,590)</u>

The accompanying notes are an integral part of these financial statements.

## Direxion Monthly Dollar Bull 2X Fund

### Schedule of Investments

April 30, 2010

Shares		Value
<b>SHORT TERM INVESTMENTS - 100.0%</b>		
<b>MONEY MARKET FUNDS - 100.0%</b>		
1,192,786	Fidelity Institutional Government Portfolio, 0.04% <sup>(a)</sup>	\$1,192,786
1,192,786	Fidelity Institutional Money Market Portfolio, 0.16% <sup>(a)</sup>	1,192,786
1,192,786	Goldman Sachs Financial Square Federal Fund, 0.03% <sup>(a)</sup>	1,192,786
1,192,787	Goldman Sachs Financial Square Government Fund, 0.03% <sup>(a)</sup>	1,192,787
1,192,787	Morgan Stanley Institutional Liquidity Fund - Treasury Portfolio, 0.03% <sup>(a)</sup>	<u>1,192,787</u>
	<b>TOTAL SHORT TERM INVESTMENTS</b> (Cost \$5,963,932)	<u>\$5,963,932</u>
	<b>TOTAL INVESTMENTS</b> (Cost \$5,963,932) - 100.0%	\$5,963,932
	Liabilities in Excess of Other Assets - (0.0)% <sup>(b)</sup>	<u>(1,691)</u>
	<b>TOTAL NET ASSETS - 100.0%</b>	<u><u>\$5,962,241</u></u>

Percentages are stated as a percent of net assets.

<sup>(a)</sup> Represents annualized seven-day yield at April 30, 2010.

<sup>(b)</sup> Percentage is less than .05%

## Direxion Monthly Dollar Bull 2X Fund

### Futures Contracts

April 30, 2010

Contracts	Unrealized Appreciation
146 U.S. Dollar Index Futures Expiring June 2010 (Underlying Notional Amount at Market Value \$11,961,780)	<u>\$24,363</u>

The accompanying notes are an integral part of these financial statements.

## Statements of Assets and Liabilities

April 30, 2010

	Direxion Monthly NASDAQ-100 Bull 2X Fund	Direxion Monthly NASDAQ-100 Bear 2X Fund
<b>Assets:</b>		
Investments, at market value (Note 2)	\$ 29,246,203	\$ 4,208,996
Receivable for Fund shares sold	555,120	551,414
Dividends and interest receivable	408	175
Total Assets	29,801,731	4,760,585
<b>Liabilities:</b>		
Payable for Fund shares redeemed	762,932	36,528
Unrealized depreciation on swaps	1,479,562	306,955
Accrued distribution expense	5,622	1,364
Accrued advisory expense	16,866	4,092
Accrued operating services fees	14,617	3,547
Accrued shareholder servicing fees	5,622	1,364
Total Liabilities	2,285,221	353,850
<b>Net Assets</b>	<b>\$ 27,516,510</b>	<b>\$ 4,406,735</b>
<b>Net Assets Consist Of:</b>		
Capital stock	\$ 44,275,967	\$ 18,779,644
Accumulated undistributed net investment income (loss)	—	—
Accumulated undistributed net realized gain (loss)	(15,279,895)	(14,065,954)
Net unrealized appreciation (depreciation)		
Swaps	(1,479,562)	(306,955)
Total Net Assets	<b>\$ 27,516,510</b>	<b>\$ 4,406,735</b>
<b>Calculation of Net Asset Value Per Share - Investor Class:</b>		
Net assets	\$ 27,516,510	\$ 4,406,735
Shares outstanding (unlimited shares of beneficial interest authorized, no par value)	405,527	235,290
Net asset value, redemption price and offering price per share	\$ 67.85	\$ 18.73
Cost of Investments	<b>\$ 29,246,203</b>	<b>\$ 4,208,996</b>

The accompanying notes are an integral part of these financial statements.

## Statements of Assets and Liabilities

April 30, 2010

	Direxion Monthly S&P 500 Bull 2X Fund	Direxion Monthly S&P 500 Bear 2X Fund
<b>Assets:</b>		
Investments, at market value (Note 2)	\$17,968,164	\$ 11,478,868
Receivable for Fund shares sold	407,048	346,478
Dividends and interest receivable	332	375
Total Assets	18,375,544	11,825,721
<b>Liabilities:</b>		
Payable for Fund shares redeemed	826,105	195,806
Unrealized depreciation on swaps	650,897	1,328,243
Due to broker for swaps	11,980	111,269
Accrued distribution expense	3,941	2,887
Accrued advisory expense	11,823	8,660
Accrued operating services fees	10,246	8,002
Accrued shareholder servicing fees	3,941	2,887
Total Liabilities	1,518,933	1,657,754
<b>Net Assets</b>	<b>\$16,856,611</b>	<b>\$ 10,167,967</b>
<b>Net Assets Consist Of:</b>		
Capital stock	\$19,482,037	\$ 36,539,611
Accumulated undistributed net investment income (loss)	—	—
Accumulated undistributed net realized gain (loss)	(1,974,529)	(25,043,401)
Net unrealized appreciation (depreciation) Swaps	(650,897)	(1,328,243)
Total Net Assets	<b>\$16,856,611</b>	<b>\$ 10,167,967</b>
<b>Calculation of Net Asset Value Per Share - Investor Class:</b>		
Net assets	\$16,856,611	\$ 10,167,967
Shares outstanding (unlimited shares of beneficial interest authorized, no par value)	440,677	257,861
Net asset value, redemption price and offering price per share	<b>\$ 38.25</b>	<b>\$ 39.43</b>
Cost of Investments	<b>\$17,968,164</b>	<b>\$ 11,478,868</b>

The accompanying notes are an integral part of these financial statements.

## Statements of Assets and Liabilities

April 30, 2010

	Direxion Monthly Latin America Bull 2X Fund	Direxion Monthly Dollar Bear 2X Fund	Direxion Monthly Dollar Bull 2X Fund
<b>Assets:</b>			
Investments, at market value (Note 2)	\$ 97,779,185	\$ 6,729,339	\$ 5,963,932
Receivable for Fund shares sold	225,861	50,500	95,916
Deposit at broker for swaps	11,300,000	—	—
Deposit at broker for futures	—	447,868	—
Due from broker for futures	—	—	219,161
Variation margin receivable	—	40,573	—
Dividends and interest receivable	2,114	78	81
Total Assets	109,307,160	7,268,358	6,279,090
<b>Liabilities:</b>			
Payable for Fund shares redeemed	86,008	117,505	200,000
Unrealized depreciation on swaps	5,933,331	—	—
Deposit to broker for futures	—	—	71,161
Due to broker for swaps	61,725	—	—
Due to broker for futures	—	271,868	—
Variation margin payable	—	—	34,213
Accrued distribution expense	23,218	1,510	1,510
Accrued advisory expense	69,655	4,529	4,530
Accrued operating services fees	60,367	3,925	3,925
Accrued shareholder servicing fees	23,218	1,510	1,510
Total Liabilities	6,257,522	400,847	316,849
<b>Net Assets</b>	<b>\$ 103,049,638</b>	<b>\$ 6,867,511</b>	<b>\$ 5,962,241</b>
<b>Net Assets Consist Of:</b>			
Capital stock	\$ 268,720,438	\$11,505,589	\$ 7,258,809
Accumulated undistributed net investment income (loss)	—	—	—
Accumulated undistributed net realized gain (loss)	(159,737,469)	(4,427,488)	(1,320,931)
Net unrealized appreciation (depreciation)	—	(210,590)	24,363
Futures	—	(210,590)	24,363
Swaps	(5,933,331)	—	—
Total Net Assets	\$ 103,049,638	\$ 6,867,511	\$ 5,962,241
<b>Calculation of Net Asset Value Per Share - Investor Class:</b>			
Net assets	\$ 103,049,638	\$ 6,867,511	\$ 5,962,241
Shares outstanding (unlimited shares of beneficial interest authorized, no par value)	1,866,685	339,554	199,775
Net asset value, redemption price and offering price per share	\$ 55.20	\$ 20.23	\$ 29.84
Cost of Investments	\$ 97,779,185	\$ 6,729,339	\$ 5,963,932

The accompanying notes are an integral part of these financial statements.

**Statements of Operations**  
**For The Year Ended April 30, 2010**

	Direxion Monthly NASDAQ-100 Bull 2X Fund	Direxion Monthly NASDAQ-100 Bear 2X Fund
<b>Investment income:</b>		
Interest income	\$ 37,913	\$ 9,282
Total investment income	37,913	9,282
<b>Expenses:</b>		
Investment advisory fees	209,263	46,337
Operating services fees	158,316	32,639
Distribution expenses	69,754	15,446
Shareholder servicing fees	69,754	15,446
Administration fees	1,596	521
Fund accounting fees	1,906	643
Custody fees	962	577
Transfer agent fees	13,172	4,666
Federal and state registration fees	7,769	3,180
Professional fees	4,209	3,548
Reports to shareholders	4,251	2,089
Trustees' fees and expenses	172	57
Excise taxes	—	21,196
Other	2,539	2,042
Total expenses before reimbursement	543,663	148,387
Less: Reimbursement of expenses by Adviser	(2,999)	(27,525)
Less: Expenses paid indirectly (Note 6)	(8,757)	(2,897)
Total expenses	531,907	117,965
<b>Net investment loss</b>	(493,994)	(108,683)
<b>Realized and unrealized gain (loss) on investments:</b>		
Net realized gain (loss) on:		
Swaps	21,661,006	(9,573,450)
	21,661,006	(9,573,450)
Change in unrealized appreciation (depreciation) on:		
Swaps	(2,511,977)	423,621
Net realized and unrealized gain (loss) on investments	19,149,029	(9,149,829)
<b>Net increase (decrease) in net assets resulting from operations</b>	\$18,655,035	\$(9,258,512)

The accompanying notes are an integral part of these financial statements.

**Statements of Operations**  
**For The Year Ended April 30, 2010**

	Direxion Monthly S&P 500 Bull 2X Fund	Direxion Monthly S&P 500 Bear 2X Fund
<b>Investment income:</b>		
Interest income	\$ 49,144	\$ 22,998
Total investment income	49,144	22,998
<b>Expenses:</b>		
Investment advisory fees	188,557	109,998
Operating services fees	112,738	79,164
Distribution expenses	62,852	36,666
Shareholder servicing fees	62,852	36,666
Administration fees	3,509	1,119
Fund accounting fees	5,440	770
Custody fees	1,921	727
Transfer agent fees	24,860	9,450
Federal and state registration fees	4,551	5,891
Professional fees	4,491	3,996
Reports to shareholders	7,242	2,259
Trustees' fees and expenses	529	92
Other	5,125	3,177
Total expenses before reimbursement	484,667	289,975
Plus: Recoupment of previously waived expenses	519	—
Less: Reimbursement of expenses by Adviser	—	(3,834)
Less: Expenses paid indirectly (Note 6)	(14,926)	(6,236)
Total expenses	470,260	279,905
<b>Net investment loss</b>	(421,116)	(256,907)
<b>Realized and unrealized gain (loss) on investments:</b>		
Net realized gain (loss) on:		
Futures	(159,147)	6,057
Swaps	24,012,668	(20,931,804)
	23,853,521	(20,925,747)
Change in unrealized appreciation (depreciation) on:		
Futures	18,335	—
Swaps	(1,669,916)	1,038,362
	(1,651,581)	1,038,362
Net realized and unrealized gain (loss) on investments	22,201,940	(19,887,385)
<b>Net increase (decrease) in net assets resulting from operations</b>	\$21,780,824	\$(20,144,292)

The accompanying notes are an integral part of these financial statements.

**Statements of Operations**  
**For The Year Ended April 30, 2010**

	Direxion Monthly Latin America Bull 2X Fund	Direxion Monthly Dollar Bear 2X Fund	Direxion Monthly Dollar Bull 2X Fund
<b>Investment income:</b>			
Interest income	\$ 78,225	\$ 15,673	\$ 7,140
Total investment income	78,225	15,673	7,140
<b>Expenses:</b>			
Investment advisory fees	734,209	87,233	47,965
Operating services fees	564,646	60,759	38,523
Distribution expenses	244,736	29,078	15,988
Shareholder servicing fees	244,736	29,078	15,988
Administration fees	4,962	1,028	204
Fund accounting fees	7,010	1,099	—
Custody fees	2,640	681	269
Transfer agent fees	18,714	8,706	2,478
Federal and state registration fees	9,017	4,098	6,089
Professional fees	8,431	3,609	3,049
Reports to shareholders	18,175	1,513	1,559
Trustees' fees and expenses	509	82	—
Excise taxes	—	24	52
Other	4,607	521	178
Total expenses before reimbursement	1,862,392	227,509	132,342
Plus: Recoupment of previously waived expenses	17,908	695	—
Less: Reimbursement of expenses by Adviser	—	—	(8,615)
Less: Expenses paid indirectly (Note 6)	(14,502)	(6,072)	(1,991)
Total expenses	1,865,798	222,132	121,736
<b>Net investment loss</b>	<b>(1,787,573)</b>	<b>(206,459)</b>	<b>(114,596)</b>
<b>Realized and unrealized gain (loss) on investments:</b>			
Net realized gain (loss) on:			
Investments	42,172	—	—
Futures	—	1,014,884	(559,422)
Swaps	67,319,532	—	—
	67,361,704	1,014,884	(559,422)
Change in unrealized appreciation (depreciation) on:			
Investments	(8,391)	—	—
Futures	—	(387,412)	51,467
Swaps	(5,933,331)	—	—
	(5,941,722)	(387,412)	51,467
Net realized and unrealized gain (loss) on investments	61,419,982	627,472	(507,955)
<b>Net increase (decrease) in net assets resulting from operations</b>	<b>\$59,632,409</b>	<b>\$ 421,013</b>	<b>\$(622,551)</b>

The accompanying notes are an integral part of these financial statements.

## Statements of Changes in Net Assets

	<b>Direxion Monthly NASDAQ-100 Bull 2X Fund</b>		<b>Direxion Monthly NASDAQ-100 Bear 2X Fund</b>	
	Year Ended April 30, 2010	Year Ended April 30, 2009	Year Ended April 30, 2010	Year Ended April 30, 2009
<b>Operations:</b>				
Net investment loss	\$ (493,994)	\$ (80,971)	\$ (108,683)	\$ (56,066)
Net realized gain (loss) on investments	21,661,006	(22,853,230)	(9,573,450)	1,953,480
Change in net unrealized appreciation (depreciation) on investments	(2,511,977)	(517,915)	423,621	596,877
Net increase (decrease) in net assets resulting from operations	<u>18,655,035</u>	<u>(23,452,116)</u>	<u>(9,258,512)</u>	<u>2,494,291</u>
<b>Distributions to shareholders</b>				
Net investment income	—	—	—	(526,007)
Net realized gains	—	(867,580)	—	—
Return of capital	—	(15,509)	(601,004)	—
Total distributions	<u>—</u>	<u>(883,089)</u>	<u>(601,004)</u>	<u>(526,007)</u>
<b>Capital share transactions</b>				
Proceeds from shares sold	141,283,235	197,806,750	144,284,992	167,423,170
Proceeds from shares issued to holders in reinvestment of distributions	—	664,702	585,720	486,176
Cost of shares redeemed	<u>(158,577,261)</u>	<u>(169,511,180)</u>	<u>(137,177,047)</u>	<u>(172,391,526)</u>
Net increase (decrease) in net assets resulting from capital share transactions	<u>(17,294,026)</u>	<u>28,960,272</u>	<u>7,693,665</u>	<u>(4,482,180)</u>
<b>Total increase (decrease) in net assets</b>	<u>1,361,009</u>	<u>4,625,067</u>	<u>(2,165,851)</u>	<u>(2,513,896)</u>
<b>Net assets:</b>				
Beginning of year	<u>26,155,501</u>	<u>21,530,434</u>	<u>6,572,586</u>	<u>9,086,482</u>
End of year	<u>\$ 27,516,510</u>	<u>\$ 26,155,501</u>	<u>\$ 4,406,735</u>	<u>\$ 6,572,586</u>
<b>Accumulated undistributed net investment income (loss), end of year</b>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>

The accompanying notes are an integral part of these financial statements.

## Statements of Changes in Net Assets

	Direxion Monthly S&P 500 Bull 2X Fund		Direxion Monthly S&P 500 Bear 2X Fund	
	Year Ended April 30, 2010	Year Ended April 30, 2009	Year Ended April 30, 2010	Year Ended April 30, 2009
<b>Operations:</b>				
Net investment loss	\$ (421,116)	\$ (261,784)	\$ (256,907)	\$ (169,700)
Net realized gain (loss) on investments	23,853,521	(23,415,906)	(20,925,747)	42,296,191
Change in net unrealized appreciation (depreciation) on investments	(1,651,581)	891,142	1,038,362	(2,374,711)
Net increase (decrease) in net assets resulting from operations	21,780,824	(22,786,548)	(20,144,292)	39,751,780
<b>Distributions to shareholders</b>				
Net investment income	—	—	—	(645,243)
Net realized gains	—	—	—	—
Return of capital	—	(16,961)	—	—
Total distributions	—	(16,961)	—	(645,243)
<b>Capital share transactions</b>				
Proceeds from shares sold	245,381,991	345,736,874	311,289,097	614,853,896
Proceeds from shares issued to holders in reinvestment of distributions	—	15,993	—	622,833
Cost of shares redeemed	(292,917,069)	(299,946,093)	(307,861,608)	(636,694,534)
Net increase (decrease) in net assets resulting from capital share transactions	(47,535,078)	45,806,774	3,427,489	(21,217,805)
<b>Total increase (decrease) in net assets</b>	(25,754,254)	23,003,265	(16,716,803)	17,888,732
<b>Net assets:</b>				
Beginning of year	42,610,865	19,607,600	26,884,770	8,996,038
End of year	\$ 16,856,611	\$ 42,610,865	\$ 10,167,967	\$ 26,884,770
<b>Accumulated undistributed net investment income (loss), end of year</b>	\$ —	\$ —	\$ —	\$ —

The accompanying notes are an integral part of these financial statements.

## Statements of Changes in Net Assets

	<b>Direxion Monthly Latin America Bull 2X Fund</b>		<b>Direxion Monthly Dollar Bear 2X Fund</b>	
	Year Ended April 30, 2010	Year Ended April 30, 2009	Year Ended April 30, 2010	Year Ended April 30, 2009
<b>Operations:</b>				
Net investment income (loss)	\$ (1,787,573)	\$ 503,876	\$ (206,459)	\$ (41,830)
Net realized gain (loss) on investments	67,361,704	(213,620,904)	1,014,884	(5,962,646)
Change in net unrealized appreciation (depreciation) on investments	(5,941,722)	(8,977,888)	(387,412)	707,704
Net increase (decrease) in net assets resulting from operations	<u>59,632,409</u>	<u>(222,094,916)</u>	<u>421,013</u>	<u>(5,296,772)</u>
<b>Distributions to shareholders</b>				
Net investment income	—	(503,876)	—	—
Net realized gains	—	—	—	—
Return of capital	—	(3,826,290)	—	—
Total distributions	<u>—</u>	<u>(4,330,166)</u>	<u>—</u>	<u>—</u>
<b>Capital share transactions</b>				
Proceeds from shares sold	197,366,178	252,868,532	107,487,511	299,446,702
Proceeds from shares issued to holders in reinvestment of distributions	—	4,212,558	—	—
Cost of shares redeemed	(198,549,705)	(269,196,685)	(110,189,998)	(307,979,838)
Net decrease in net assets resulting from capital share transactions	<u>(1,183,527)</u>	<u>(12,115,595)</u>	<u>(2,702,487)</u>	<u>(8,533,136)</u>
<b>Total increase (decrease) in net assets</b>	<u>58,448,882</u>	<u>(238,540,677)</u>	<u>(2,281,474)</u>	<u>(13,829,908)</u>
<b>Net assets:</b>				
Beginning of year	<u>44,600,756</u>	<u>283,141,433</u>	<u>9,148,985</u>	<u>22,978,893</u>
End of year	<u>\$ 103,049,638</u>	<u>\$ 44,600,756</u>	<u>\$ 6,867,511</u>	<u>\$ 9,148,985</u>
<b>Accumulated undistributed net investment income (loss), end of year</b>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>

The accompanying notes are an integral part of these financial statements.

## Statements of Changes in Net Assets

	<b>Direxion Monthly Dollar Bull 2X Fund</b>	
	Year Ended April 30, 2010	June 2, 2008 <sup>1</sup> to April 30, 2009
<b>Operations:</b>		
Net investment loss	\$ (114,596)	\$ (19,282)
Net realized gain (loss) on investments	(559,422)	2,356,170
Change in net unrealized appreciation (depreciation) on investments	<u>51,467</u>	<u>(27,104)</u>
Net increase (decrease) in net assets resulting from operations	<u>(622,551)</u>	<u>2,309,784</u>
<b>Distributions to shareholders</b>		
Net investment income	—	—
Net realized gains	—	(393,682)
Return of capital	—	—
Total distributions	<u>—</u>	<u>(393,682)</u>
<b>Capital share transactions</b>		
Proceeds from shares sold	166,670,375	291,011,100
Proceeds from shares issued to holders in reinvestment of distributions	—	247,034
Cost of shares redeemed	<u>(163,293,268)</u>	<u>(289,966,551)</u>
Net increase in net assets resulting from capital share transactions	<u>3,377,107</u>	<u>1,291,583</u>
<b>Total increase in net assets</b>	<u>2,754,556</u>	<u>3,207,685</u>
<b>Net assets:</b>		
Beginning of year/period	<u>3,207,685</u>	<u>—</u>
End of year/period	<u>\$ 5,962,241</u>	<u>\$ 3,207,685</u>
<b>Accumulated undistributed net investment income (loss), end of year/period</b>	<u>\$ —</u>	<u>\$ —</u>

<sup>1</sup> Commencement of operations.

The accompanying notes are an integral part of these financial statements.

## Financial Highlights April 30, 2010

Year/Period	RATIOS TO AVERAGE NET ASSETS														
	Net Asset Value, Beginning of Year/Period	Net Investment Income (Loss) <sup>1</sup>	Net Realized and Unrealized Gain (Loss) on Investments	Net Increase (Decrease) in Net Asset Value Resulting from Operations	Dividends from Net Investment Income	Distributions from Realized Capital Gains	Return of Capital Distribution	Total Distributions	Net Asset Value, End of Year/Period	Total Return	Net Assets, End of Year/Period (\$,000)	Total Expenses <sup>2</sup>	Net Expenses <sup>3</sup>	Net Investment Income (Loss) After Expense Reimbursement <sup>4</sup> and Recoupment <sup>5</sup>	Portfolio Turnover Rate <sup>6</sup>
<b>Direxion Monthly NASDAQ-100 Bull 2X Fund<sup>6</sup></b>															
Year ended April 30, 2010	\$ 31.57	\$(0.88)	\$ 37.16	\$ 36.28	\$ —	\$ —	\$ —	\$ —	\$ 67.85	114.92%	\$ 27,517	1.95%	1.91%	(1.77%)	0%
Year ended April 30, 2009	112.07	(0.15)	(79.02)	(79.17)	(1.31)	(0.02)	(0.02)	(1.33)	31.57	(70.49%)	26,156	1.93%	1.81%	(0.38%)	83%
Year ended April 30, 2008	144.55	3.08	(15.54)	(12.46)	(7.07)	(12.95)	—	(20.02)	112.07	(11.69%)	21,530	2.35%	1.75%	2.22%	28%
May 1, 2006 <sup>1</sup> to April 30, 2007	140.00	1.61	11.55	13.16	—	(8.61)	—	(8.61)	144.55	10.11% <sup>2</sup>	7,071	3.42%	1.75%	1.23%	920% <sup>2</sup>
<b>Direxion Monthly NASDAQ-100 Bear 2X Fund<sup>7</sup></b>															
Year ended April 30, 2010	58.25	(0.53)	(35.50)	(36.03)	—	(3.49)	(3.49)	(3.49)	18.73	(63.17%)	4,407	2.40%	1.91%	(1.76%)	0%
Year ended April 30, 2009	65.95	(0.45)	(1.35)	(1.80)	(5.90)	—	—	(5.90)	58.25	(7.08%)	6,573	2.23%	1.81%	(0.52%)	0%
Year ended April 30, 2008	79.70	1.50	(15.25)	(13.75)	—	—	—	—	65.95	(17.25%)	9,086	2.38%	1.75%	2.03%	0%
May 1, 2006 <sup>1</sup> to April 30, 2007	100.00	3.00	(23.30)	(20.30)	—	—	—	—	79.70	(20.30)% <sup>2</sup>	8,159	3.23%	1.75%	3.03%	0%
<b>Direxion Monthly S&amp;P 500 Bull 2X Fund<sup>8</sup></b>															
Year ended April 30, 2010	19.37	(0.44)	19.32	18.88	—	—	—	—	19.37	97.47%	16,857	1.93%	1.87%	(1.67%)	0%
Year ended April 30, 2009	90.05	(0.21)	(70.46)	(70.67)	—	(0.01)	(0.01)	(0.01)	38.25	(78.48%)	42,611	1.81%	1.85%	(0.95%)	578%
Year ended April 30, 2008	119.40	2.50	(31.00)	(28.50)	—	(0.85)	(0.85)	(0.85)	90.05	(23.97%)	19,608	2.46%	1.75%	2.35%	190%
May 1, 2006 <sup>1</sup> to April 30, 2007	100.00	3.50	22.95	26.45	(3.65)	(3.40)	—	(7.05)	119.40	26.95% <sup>2</sup>	10,382	3.15%	1.75%	3.21%	0%
<b>Direxion Monthly S&amp;P Bear 2X Fund<sup>9</sup></b>															
Year ended April 30, 2010	96.60	(0.95)	(56.22)	(57.17)	—	—	—	—	39.43	(59.18%)	10,168	1.98%	1.91%	(1.75%)	0%
Year ended April 30, 2009	80.25	(0.75)	22.65	21.90	(5.55)	—	—	(5.55)	96.60	25.39%	26,885	1.93%	1.80%	(0.66%)	195%
Year ended April 30, 2008	73.90	1.70	4.65	6.35	—	—	—	—	80.25	8.59%	8,996	2.44%	1.75%	2.10%	168%
May 1, 2006 <sup>1</sup> to April 30, 2007	100.00	2.55	(26.25)	(23.70)	—	(2.40)	—	(2.40)	73.90	(23.87)% <sup>2</sup>	4,391	7.03%	1.75%	3.02%	0%
<b>Direxion Monthly Latin America Bull 2X Fund<sup>10</sup></b>															
Year ended April 30, 2010	23.45	(0.84)	32.59	31.75	—	—	—	—	55.20	135.39%	103,050	1.90%	1.91%	(1.83%)	0%
Year ended April 30, 2009	177.90	0.30	(151.98)	(151.68)	(0.32)	(2.45)	(2.45)	(2.77)	23.45	(85.09%)	44,601	1.82%	1.75%	0.41%	120%
Year ended April 30, 2008	120.80	0.90	86.60	87.50	(20.30)	(10.10)	—	(30.40)	177.90	79.77%	283,141	1.64%	1.67%	0.57%	521%
May 2, 2006 <sup>1</sup> to April 30, 2007	100.00	2.10	27.45	29.55	(7.75)	(1.00)	—	(8.75)	120.80	30.83% <sup>2</sup>	46,167	2.26%	1.75%	2.07%	861% <sup>2</sup>
<b>Direxion Monthly Dollar Bear 2X Fund</b>															
Year ended April 30, 2010	18.24	(0.39)	2.38	1.99	—	—	—	—	20.23	10.91%	6,868	1.96%	1.91%	(1.78%)	0%
Year ended April 30, 2009	27.35	(0.08)	(9.03)	(9.11)	—	—	—	—	18.24	(33.31%)	9,149	2.08%	1.80%	(0.31%)	0%
Year ended April 30, 2008	22.16	0.50	6.39	6.89	(0.26)	(1.44)	—	(1.70)	27.35	32.50%	22,979	1.95%	1.75%	1.99%	0%
June 12, 2006 <sup>1</sup> to April 30, 2007	20.00	0.60	1.64	2.24	(0.05)	(0.03)	—	(0.08)	22.16	11.22% <sup>2</sup>	2,795	6.54%	1.75%	3.24%	0%
<b>Direxion Monthly Dollar Bull 2X Fund</b>															
Year ended April 30, 2010	36.75	(0.51)	(6.40)	(6.91)	—	—	—	—	29.84	(18.80%)	5,962	2.07%	1.90%	(1.79%)	0%
June 2, 2008 <sup>1</sup> to April 30, 2009	30.00	(0.11)	8.62	8.51	—	(1.76)	—	(1.76)	36.75	27.87% <sup>2</sup>	3,208	2.49%	1.71%	(0.30%)	0%

<sup>1</sup> Commencement of operations.

<sup>2</sup> Not annualized.

<sup>3</sup> Annualized.

<sup>4</sup> Net investment income (loss) per share represents net investment income (loss) divided by the daily average shares of beneficial interest outstanding throughout each period.

<sup>5</sup> Portfolio turnover 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.

<sup>6</sup> On December 15, 2008, the Direxion Monthly NASDAQ-100 Bull 2X Fund had a 7:1 reverse stock split. Per share data for all periods prior to December 15, 2008 has been adjusted to give effect to 7:1 reverse stock split.

<sup>7</sup> On February 16, 2010, the Direxion Monthly NASDAQ-100 Bear 2X Fund had a 5:1 reverse stock split. Per share data for all periods prior to February 16, 2010 has been adjusted to give effect to 5:1 reverse stock split.

<sup>8</sup> On December 15, 2008, the Direxion Monthly S&P 500 Bull 2X Fund had a 5:1 reverse stock split. Per share data for all periods prior to December 15, 2008 has been adjusted to give effect to 5:1 reverse stock split.

<sup>9</sup> On February 16, 2010, the Direxion Monthly S&P 500 Bear 2X Fund had a 5:1 reverse stock split. Per share data for all periods prior to February 16, 2010 has been adjusted to give effect to 5:1 reverse stock split.

<sup>10</sup> On December 15, 2008, the Direxion Monthly Latin America Bull 2X Fund had a 5:1 reverse stock split. Per share data for all periods prior to December 15, 2008 has been adjusted to give effect to 5:1 reverse stock split.

**Direxion Funds**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**April 30, 2010**

**1. ORGANIZATION**

Direxion Funds (the “Trust”) was organized as a Massachusetts Business Trust on June 6, 1997 and is registered under the Investment Company Act of 1940, as amended (the “1940 Act”), as an open-end management investment company issuing its shares in series, each series representing a distinct portfolio with its own investment objective and policies. The Trust currently has 35 series of which 7 are included in this report: Direxion Monthly NASDAQ-100® Bull 2X Fund, Direxion Monthly NASDAQ-100® Bear 2X Fund, Direxion Monthly S&P 500® Bull 2X Fund, Direxion Monthly S&P 500® Bear 2X Fund, Direxion Monthly Latin America Bull 2X Fund, Direxion Monthly Dollar Bear 2X Fund, and the Direxion Monthly Dollar Bull 2X Fund (each, a “Fund” and together, the “Funds”). Each Fund is a non-diversified series of the Trust pursuant to the 1940 Act. The 7 Funds included in this report offer only Investor Class of shares.

The Funds’ investment objectives are to seek monthly investment results, before fees and expenses, that correspond to the calendar month performance of a particular index or benchmark. The Funds with the word “Bull” in their name attempt to provide investment results that correlate positively to the return of an index or benchmark. The Funds with the word “Bear” in their name attempt to provide investment results that correlate negatively to the return of an index or benchmark.

Fund	Index or Benchmark	Monthly Target
Direxion Monthly NASDAQ-100 Bull 2X Fund	NASDAQ-100® Index	200%
Direxion Monthly NASDAQ-100 Bear 2X Fund		–200%
Direxion Monthly S&P 500 Bull 2X Fund	S&P 500® Index	200%
Direxion Monthly S&P 500 Bear 2X Fund		–200%
Direxion Monthly Latin America Bull 2X Fund	S&P® Latin America 40 Index	200%
Direxion Monthly Dollar Bull 2X Fund	U.S. Dollar® Index	200%
Direxion Monthly Dollar Bear 2X Fund		–200%

**2. SIGNIFICANT ACCOUNTING POLICIES**

The following is a summary of significant accounting policies consistently followed by the Funds in the preparation of their financial statements. These policies are in conformity with U.S. generally accepted accounting principles (“GAAP”).

**a) Investment Valuation** – The Net Asset Value (“NAV”) of each Fund is determined daily, Monday through Friday, as of the close of regular trading on the New York Stock Exchange (“NYSE”), each day the NYSE is open for business. The value of all portfolio securities and other assets held by a Fund will be determined as of the time a Fund calculates its NAV, 4:00 p.m. Eastern Time (“Valuation Time”). Equity securities and exchange-traded funds are valued at their last sales price, or if not available, at the average of the last bid and ask prices. Investments in open-end mutual funds are valued at their respective quoted net asset values on the valuation dates. Futures are valued at the settlement price established on the exchange on which they are traded, if that settlement price reflects trading prior to the Valuation Time. If the settlement price established by the exchange reflects trading after the Valuation Time, then the last sales price prior to Valuation Time will be used. Options are valued at the composite price, using the National Best Bid and Offer quotes (“NBBO”). NBBO consists of the highest bid price and lowest ask price across any of the exchanges on which an option is quoted. Specifically, composite pricing looks at the last trades on the exchanges where the options are traded. If there are no trades for the option on a given business day, the composite pricing calculates the mean of the highest bid and lowest ask price across the exchanges where the option is traded. Over-the-counter securities are valued at the average of the last bid and ask prices. Securities primarily traded on the NASDAQ National Market are valued using the NASDAQ Official Closing Price. Swaps are valued based upon prices from third party vendor models or quotations from market makers to the extent available. 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 mean prices provided by the Fund’s pricing service or, if such services are unavailable, by a pricing matrix method. Securities for which reliable market quotations are not readily available, the Funds’

pricing service does not provide a valuation for such securities, the Fund's pricing service provides valuation that in the judgment of Rafferty Asset Management, LLC (the "Adviser") does not represent fair value, or the Fund or Adviser believes the market price is stale will be fair valued as determined by the Adviser under the supervision of the Board of Trustees.

**b) Repurchase Agreements** – Each Fund may enter into repurchase agreements with institutions that are members of the Federal Reserve System or securities dealers who are members of a national securities exchange or are primary dealers in U.S. government securities. In connection with transactions in repurchase agreements, it is the Trust's policy that the Fund receives, as collateral, cash and/or securities (primarily U.S. government securities) whose market value, including accrued interest, at all times will be at least equal to 100% of the amount invested by the Fund in each repurchase agreement. If the seller defaults, and the value of the collateral declines, realization of the collateral by the Fund may be delayed or limited. The Funds were not invested in repurchase agreements at April 30, 2010.

**c) Swap Contracts** – Each Fund may enter into equity swap contracts. Standard equity swap contracts are between two parties that agree to exchange the returns (or differentials in rates of return) earned or realized on particular predetermined investments or instruments. The gross amount to be exchanged is calculated with respect to a "notional amount" (i.e. the return on or increase in value of a particular dollar amount invested in a "basket" of securities representing a particular index or industry sector). Most equity swap agreements entered into by the Funds calculate the obligations of the parties on a "net basis". Consequently, a Fund's current obligations under a swap agreement generally will be equal to the net amount to be paid or received under the agreement based on the relative value of the positions held by each party. The Fund's obligations are accrued daily (offset by any amounts owed to the Fund.)

In a "long" equity swap agreement, the counterparty will generally agree to pay the Fund the amount, if any, by which the notional amount of swap contract would have increased in value if the Fund had been invested in the particular securities, plus dividends that would have been received on those securities. The Fund will agree to pay the counterparty a floating rate of interest on the notional amount of the swap contract plus the amount, if any, by which the notional amount would have decreased in value had it been invested in such securities plus, in certain instances, commissions or trading spreads on the notional amounts. Thus, the return on the swap contract should be the gain or loss on the notional amount plus dividends on the securities less the interest paid by the Fund on the notional amount. Payments may be made at the conclusion of the contract or periodically during its term. Swap contracts do not include the delivery of securities. The net amount of the excess, if any, of the Fund's obligations over its entitlement with respect to each swap is accrued on a daily basis and an amount of cash or liquid assets, having an aggregate net asset value at least equal to such accrued excess is maintained in a segregated account. Until a swap contract is settled in cash, the gain or loss on the notional amount plus dividends on the securities less the interest paid by the Fund on the notional amount are recorded as "unrealized gains or losses on swaps" and when cash is exchanged, the gain or loss is recorded as "realized gains or losses on swaps". Swap contracts are collateralized by the securities and cash of each particular Fund.

Each Fund may enter into swap contracts that provide the opposite return of the particular benchmark or security ("short" the index or security). The operations are similar to that of the swaps disclosed above except that the counterparty pays interest to the Fund on the notional amount outstanding and the dividends on the underlying securities reduce the return of the swap. These amounts are netted with any unrealized appreciation or depreciation to determine the value of the swap. The Funds will typically enter into equity swap agreements to obtain leverage in order to meet their objectives.

**d) Short Positions** – Each Fund may engage in short sale transactions. For financial statement purposes, an amount equal to the settlement amount is included in the Statement of Assets and Liabilities as an asset and an equivalent liability. The amount of the liability is subsequently marked-to-market to reflect the current value of the short position. Subsequent fluctuations in the market prices of short securities may require purchasing the securities at prices which may differ from the market value reflected on the Statement of Assets and Liabilities. The Fund is liable to the buyer for any dividends payable on securities while those securities are in a short position. As collateral for its short positions, the Fund is required under the 1940 Act to maintain assets consisting of cash, cash equivalents or liquid securities equal to the market value of the securities sold short. This collateral is required to be adjusted daily. The Funds held no securities sold short at April 30, 2010.

**e) Stock Index Futures Contracts and Options on Futures Contracts** – Each Fund may purchase and sell stock index futures contracts and options on such futures contracts. A Fund may use futures contracts to gain exposure to, or hedge against

changes in the values of equities, interest rates or foreign currencies. Upon entering into a contract, the Fund deposits and maintains as collateral such initial margin as required by the exchange on which the transaction is effected. Pursuant to the contract, the Fund agrees to receive from or pay to the broker an amount of cash equal to the daily fluctuation in value of the contract. Such receipts or payments are known as "variation margin" and are recorded by the Fund as unrealized gains and losses. When the contract is closed, the Fund records a realized gain or loss equal to the difference between the value of the contract at the time it was opened and the value at the time it was closed. As collateral for futures contracts, the Fund is required under the 1940 Act to maintain assets consisting of cash, cash equivalents or liquid securities. This collateral is required to be adjusted daily to reflect the market value of the purchase obligation for long futures contracts or the market value of the instrument underlying the contract, but not less than the market price at which the futures contract was established, for short futures contracts. The Funds were not invested in options on futures contracts at April 30, 2010.

**f) Risks of Options, Futures Contracts, Options on Futures Contracts and Short Positions** – The risks inherent in the use of options, futures contracts, options on futures contracts and short positions include 1) adverse changes in the value of such instruments; 2) imperfect correlation between the price of options and futures contracts and options thereon and movements in the price of the underlying securities, index or futures contracts; 3) the possible absence of a liquid secondary market for any particular instrument at any time; 4) the possible need to defer closing out certain positions to avoid adverse tax consequences; and 5) the possible nonperformance by the counterparty under the terms of the contract. The Funds designate cash, cash equivalents and liquid securities as collateral for written options, futures contracts, options on futures contracts and short positions.

**g) Risks of Investing in Foreign Securities** – Investments in foreign securities involve greater risks than investing in domestic securities. As a result, the 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.

**h) Security Transactions** – Investment transactions are recorded on trade date. The Funds determine the gain or loss realized from investment transactions by comparing the identified cost, which is the same basis used for federal income tax purposes, with the net sales proceeds.

**i) Federal Income Taxes** – Each Fund intends to comply with the requirements of Subchapter M of the Internal Revenue Code necessary to qualify as a regulated investment company and to make the requisite distributions of income and capital gains to its shareholders sufficient to relieve it from all or substantially all federal income taxes and excise taxes.

**j) Income and Expenses** – Dividend income is recorded on the ex-dividend date. Interest income, including amortization of premium and discount, and dividends received from money market funds, is recognized on an accrual basis. The Funds are charged for those expenses that are directly attributable to each series, such as advisory fees and registration costs. Expenses that are not directly attributable to a series are generally allocated among the Trust's series in proportion to their respective net assets.

**k) Distributions to Shareholders** – Each Fund generally pays dividends from net investment income and distributes net realized capital gains, if any, at least annually. Income and capital gain distributions are determined in accordance with income tax regulations which may differ from GAAP. Certain Funds also utilize earnings and profits distributed to shareholders on redemptions of shares as part of the dividends paid deduction. Distributions to shareholders are recorded on the ex-dividend date.

The tax character of distributions during the years ended April 30, 2010 and April 30, 2009, were as follows:

	<b>Direxion Monthly NASDAQ-100 Bull 2X Fund</b>		<b>Direxion Monthly NASDAQ-100 Bear 2X Fund</b>	
	<u>Year Ended April 30, 2010</u>	<u>Year Ended April 30, 2009</u>	<u>Year Ended April 30, 2010</u>	<u>Year Ended April 30, 2009</u>
Distributions paid from:				
Ordinary Income	\$—	\$107,172	—	\$526,007
Long-Term Capital Gains	—	760,408	—	—
Return of Capital	—	15,509	\$601,004	—
Total Distributions paid	<u>\$—</u>	<u>\$883,089</u>	<u>\$601,004</u>	<u>\$526,007</u>

	<b>Direxion Monthly S&amp;P 500 Bull 2X Fund</b>		<b>Direxion Monthly S&amp;P 500 Bear 2X Fund</b>		<b>Direxion Monthly Latin America Bull 2X Fund</b>	
	<u>Year Ended April 30, 2010</u>	<u>Year Ended April 30, 2009</u>	<u>Year Ended April 30, 2010</u>	<u>Year Ended April 30, 2009</u>	<u>Year Ended April 30, 2010</u>	<u>Year Ended April 30, 2009</u>
Distributions paid from:						
Ordinary Income	\$—	\$ —	\$—	\$645,243	\$—	\$ 503,876
Long-Term Capital Gains	—	—	—	—	—	—
Return of Capital	—	16,961	—	—	—	3,826,290
Total Distributions paid	<u>\$—</u>	<u>\$16,961</u>	<u>\$—</u>	<u>\$645,243</u>	<u>\$—</u>	<u>\$4,330,166</u>

	<b>Direxion Monthly Dollar Bear 2X Fund</b>		<b>Direxion Monthly Dollar Bull 2X Fund</b>	
	<u>Year Ended April 30, 2010</u>	<u>Year Ended April 30, 2009</u>	<u>Year Ended April 30, 2010</u>	<u>Period Ended April 30, 2009<sup>1</sup></u>
Distributions paid from:				
Ordinary Income	\$—	\$—	\$—	\$155,172
Long-Term Capital Gains	—	—	—	238,510
Return of Capital	—	—	—	—
Total Distributions paid	<u>\$—</u>	<u>\$—</u>	<u>\$—</u>	<u>\$393,682</u>

<sup>1</sup> Commenced operations on June 2, 2008.

The Funds designated as long-term capital gain dividend, pursuant to Internal Revenue Code 852(b)(3), the amount necessary to reduce the earnings and profits of the Funds related to net capital gain to zero for the tax year ended April 30, 2010.

As of April 30, 2010, the components of distributable earnings of the Funds on a tax basis were as follows:

	<b>Direxion Monthly NASDAQ-100 Bull 2X Fund</b>	<b>Direxion Monthly NASDAQ-100 Bear 2X Fund</b>	<b>Direxion Monthly S&amp;P 500 Bull 2X Fund</b>	<b>Direxion Monthly S&amp;P 500 Bear 2X Fund</b>
Tax cost of investments	\$ 29,246,203	\$ 4,208,996	\$17,968,164	\$ 11,478,868
Gross unrealized appreciation	—	—	—	—
Gross unrealized depreciation	—	—	—	—
Net unrealized appreciation/(depreciation)	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>
Undistributed ordinary income	—	—	—	—
Undistributed long-term capital gain	—	—	—	—
Total distributable earnings	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
Other accumulated gain/(loss)	<u>(16,759,457)</u>	<u>(14,372,909)</u>	<u>(2,625,426)</u>	<u>(26,371,644)</u>
Total accumulated earnings/(loss)	<u><u>\$(16,759,457)</u></u>	<u><u>\$(14,372,909)</u></u>	<u><u>\$(2,625,426)</u></u>	<u><u>\$(26,371,644)</u></u>

	<b>Direxion Monthly Latin America Bull 2X Fund</b>	<b>Direxion Monthly Dollar Bear 2X Fund</b>	<b>Direxion Monthly Dollar Bull 2X Fund</b>
Tax cost of investments	\$ 97,779,185	\$ 6,729,339	\$ 5,963,932
Gross unrealized appreciation	—	—	—
Gross unrealized depreciation	—	—	—
Net unrealized appreciation/(depreciation)	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>
Undistributed ordinary income	—	—	—
Undistributed long-term capital gain	—	—	—
Total distributable earnings	<u>—</u>	<u>—</u>	<u>—</u>
Other accumulated gain/(loss)	<u>(165,670,800)</u>	<u>(4,638,078)</u>	<u>(1,296,568)</u>
Total accumulated earnings/(loss)	<u><u>\$(165,670,800)</u></u>	<u><u>\$(4,638,078)</u></u>	<u><u>\$(1,296,568)</u></u>

Other accumulated gain/ (loss) is generally comprised of capital loss carryforwards, post-October capital loss deferrals and/or unrealized gain/ (loss) on derivative positions.

On the Statement of Assets and Liabilities, the following adjustments were made for permanent tax differences between accounting for net investment income and realized gains and losses under GAAP and tax reporting:

	<b>Net Investment Income (Loss)</b>	<b>Realized Gain (Loss)</b>	<b>Capital Stock</b>
Direxion Monthly NASDAQ-100 Bull 2X Fund	493,994	—	(493,994)
Direxion Monthly NASDAQ-100 Bear 2X Fund	108,683	—	(108,683)
Direxion Monthly S&P 500 Bull 2X Fund	421,116	—	(421,116)
Direxion Monthly S&P 500 Bear 2X Fund	256,907	—	(256,907)
Direxion Monthly Latin America Bull 2X Fund	1,787,573	—	(1,787,573)
Direxion Monthly Dollar Bear 2X Fund	206,459	328	(206,787)
Direxion Monthly Dollar Bull 2X Fund	114,596	365	(114,961)

Net investment income and realized gains and losses for federal income tax purposes may differ from that reported on the financial statement because of permanent book-to-tax differences. GAAP requires that permanent differences in net investment income and realized gains and losses due to differences between financial reporting and tax reporting be reclassified between various components of net assets. The permanent differences primarily relate to net operating losses.

In order to meet certain excise tax distribution requirements, the Funds are required to measure and distribute annually, net capital gains realized during a twelve-month period ending October 31<sup>st</sup>. In connection with this, the Funds are permitted for

tax purposes to defer into their next fiscal year any net capital losses incurred between November 1<sup>st</sup> and the end of their fiscal year, April 30, 2010.

At April 30, 2010, the following funds deferred, on a tax basis, post-October losses of:

	<u>Post October Capital Loss Deferred</u>
Direxion Monthly NASDAQ-100 Bull 2X Fund	\$ —
Direxion Monthly NASDAQ-100 Bear 2X Fund	—
Direxion Monthly S&P 500 Bull 2X Fund	—
Direxion Monthly S&P 500 Bear 2X Fund	—
Direxion Monthly Latin America Bull 2X Fund	—
Direxion Monthly Dollar Bear 2X Fund	1,466,095
Direxion Monthly Dollar Bull 2X Fund	—

At April 30, 2010 the following funds had capital loss carryforwards on a tax basis of:

	<u>Expires 4/30/2017</u>	<u>4/30/2018</u>	<u>Total</u>
Direxion Monthly NASDAQ-100 Bull 2X Fund	15,252,838	—	15,252,838
Direxion Monthly NASDAQ-100 Bear 2X Fund	—	10,340,943	10,340,943
Direxion Monthly S&P 500 Bull 2X Fund	1,891,975	—	1,891,975
Direxion Monthly S&P 500 Bear 2X Fund	—	18,781,801	18,781,801
Direxion Monthly Latin America Bull 2X Fund	157,284,309	—	157,284,309
Direxion Monthly Dollar Bear 2X Fund	3,171,983	—	3,171,983
Direxion Monthly Dollar Bull 2X Fund	—	1,296,568	1,296,568

**Capital Loss Utilized:**

	<u>4/30/2010</u>
Direxion Monthly NASDAQ-100 Bull 2X Fund	17,687,458
Direxion Monthly S&P 500 Bull 2X Fund	10,199,908
Direxion Monthly Latin America Bull 2X Fund	67,643,317
Direxion Monthly Dollar Bear 2X Fund	2,093,895

To the extent that the Funds realize future net capital gains, those gains will be offset by any unused capital loss carryover.

The Funds have adopted financial reporting rules regarding recognition and measurement of tax positions taken or expected to be taken on a tax return. The Funds have reviewed all open tax years and concluded that there is no effect to the Fund's financial positions or results of operations and no tax liability resulting from unrecognized tax benefits relating to uncertain income tax position taken or expected to be taken on a tax return. Open tax years are those years that are open for examination by the relevant income taxing authority. As of April 30, 2010, open Federal and state income tax years include the tax years ended April 30, 2007, April 30, 2008, April 30, 2009 and April 30, 2010. The Funds have no examinations in progress. The Funds are also not aware of any tax positions for which it is reasonably possible that the total amounts of unrecognized tax expense will significantly change in twelve months.

**l) Credit Facility** – U.S. Bank, N.A. ("U.S. Bank") had made available to the Direxion Monthly Latin America Bull 2X Fund a credit facility pursuant to a Line of Credit Agreement for meeting redemption requests. The credit facility expired on February 15, 2010. The Fund did not utilize the credit facility for the year ended April 30, 2010.

**m) Guarantees and Indemnifications** – In the ordinary course of business, the Funds enter into contracts that contain a variety of indemnification provisions pursuant to which the Funds agree to indemnify third parties upon occurrence of specified events. The Fund's maximum exposure relating to these indemnification agreements is unknown. However, the Funds have not had prior claims or losses in connection with these provisions and believe the risk of loss is remote.

n) **Use of Estimates** – The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

### 3. REVERSE STOCK SPLITS

During the year ended April 30, 2010, shares of the Direxion Monthly NASDAQ-100 Bear 2X Fund and the Direxion Monthly S&P 500 Bear 2X Fund were adjusted to reflect a reverse stock split. Additionally, during the year ended April 30, 2009, shares of the Direxion Monthly NASDAQ-100 Bull 2X Fund, Direxion Monthly S&P 500 Bull 2X and the Direxion Monthly Latin America Bull 2X Fund were also adjusted to reflect a reverse stock split. The effect of the reverse stock split was to reduce the number of shares outstanding while maintaining the Fund's and each shareholders aggregate net asset value. A summary of the reverse stock splits is as follows:

	<u>Date</u>	<u>Rate</u>	<u>Net Asset Value Before Split</u>	<u>Net Asset Value After Split</u>	<u>Shares Outstanding Before Split</u>	<u>Shares Outstanding After Split</u>
Direxion Monthly NASDAQ-100 Bull 2X Fund	12/15/2008	7:1	\$3.49	\$24.43	6,058,704	865,529
Direxion Monthly NASDAQ-100 Bear 2X Fund	2/16/2010	5:1	5.05	25.25	1,341,926	268,385
Direxion Monthly S&P 500 Bull 2X Fund	12/15/2008	5:1	4.34	21.70	10,143,247	2,028,649
Direxion Monthly S&P 500 Bear 2X Fund	2/16/2010	5:1	9.85	49.25	2,299,088	459,818
Direxion Monthly Latin America Bull 2X Fund	12/15/2008	5:1	3.83	19.15	8,682,787	1,736,557

The reverse stock splits had no impact on the net assets of the funds.

### 4. CAPITAL SHARE TRANSACTIONS

Capital share transactions for the Funds during the years ended April 30, 2010 and April 30, 2009 were as follows:

	<u>Direxion Monthly NASDAQ-100 Bull 2X Fund<sup>1</sup></u>		<u>Direxion Monthly NASDAQ-100 Bear 2X Fund<sup>2</sup></u>	
	<u>Year Ended April 30, 2010</u>	<u>Year Ended April 30, 2009</u>	<u>Year Ended April 30, 2010</u>	<u>Year Ended April 30, 2009</u>
Shares sold	3,299,780	18,646,631	3,697,152	2,065,287
Shares issued in reinvestment of distributions	—	165,761	25,205	4,285
Shares redeemed	(3,722,639)	(19,328,806)	(3,599,868)	(2,094,523)
Total net increase (decrease) from capital share transactions	<u>(422,859)</u>	<u>(516,414)</u>	<u>122,489</u>	<u>(24,951)</u>

	<u>Direxion Monthly S&amp;P 500 Bull 2X Fund<sup>3</sup></u>		<u>Direxion Monthly S&amp;P 500 Bear 2X Fund<sup>4</sup></u>	
	<u>Year Ended April 30, 2010</u>	<u>Year Ended April 30, 2009</u>	<u>Year Ended April 30, 2010</u>	<u>Year Ended April 30, 2009</u>
Shares sold	9,156,605	37,393,557	4,980,030	5,639,359
Shares issued in reinvestment of distributions	—	4,480	—	4,667
Shares redeemed	(10,915,226)	(36,287,404)	(5,000,498)	(5,477,819)
Total net increase (decrease) from capital share transactions	<u>(1,758,621)</u>	<u>1,110,633</u>	<u>(20,468)</u>	<u>166,207</u>

	Direxion Monthly Latin American Bull 2X Fund <sup>5</sup>		Direxion Monthly Dollar Bear 2X Fund	
	Year Ended April 30, 2010	Year Ended April 30, 2009	Year Ended April 30, 2010	Year Ended April 30, 2009
Shares sold	4,351,793	13,658,016	5,051,644	15,142,762
Shares issued in reinvestment of distributions	—	971,447	—	—
Shares redeemed	(4,387,393)	(20,684,594)	(5,213,722)	(15,481,362)
Total net increase (decrease) from capital share transactions	<u>(35,600)</u>	<u>(6,055,131)</u>	<u>(162,078)</u>	<u>(338,600)</u>

	Direxion Monthly Dollar Bull 2X Fund	
	Year Ended April 30, 2010	Period Ended April 30, 2009 <sup>6</sup>
Shares sold	5,630,953	7,887,615
Shares issued in reinvestment of distributions	—	6,138
Shares redeemed	(5,518,459)	(7,806,472)
Total net increase (decrease) from capital share transactions	<u>112,494</u>	<u>87,281</u>

<sup>1</sup> Capital share transactions prior to December 15, 2008 have been adjusted to reflect the effect of the 7:1 reverse stock split.

<sup>2</sup> Capital share transactions prior to February 16, 2010 have been adjusted to reflect the effect of the 5:1 reverse stock split.

<sup>3</sup> Capital share transactions prior to December 15, 2008 have been adjusted to reflect the effect of the 5:1 reverse stock split.

<sup>4</sup> Capital share transactions prior to February 16, 2010 have been adjusted to reflect the effect of the 5:1 reverse stock split.

<sup>5</sup> Capital share transactions prior to December 15, 2008 have been adjusted to reflect the effect of the 5:1 reverse stock split.

<sup>6</sup> Commenced operations on June 2, 2008.

## 5. INVESTMENT TRANSACTIONS

During the year ended April 30, 2010, the aggregate purchases and sales of investments (excluding short-term investments and swaps and futures contracts) were:

	Purchases	Sales
Direxion Monthly NASDAQ-100 Bull 2X Fund	\$—	\$—
Direxion Monthly NASDAQ-100 Bear 2X Fund	—	—
Direxion Monthly S&P 500 Bull 2X Fund	—	—
Direxion Monthly S&P 500 Bear 2X Fund	—	—
Direxion Monthly Latin America Bull 2X Fund	—	79,861
Direxion Monthly Dollar Bear 2X Fund	—	—
Direxion Monthly Dollar Bull 2X Fund	—	—

There were no purchases or sales of long-term U.S. government securities during the year ended April 30, 2010.

## 6. INVESTMENT ADVISORY AND OTHER AGREEMENTS

**Investment Advisory Fees:** The Funds have entered into an investment advisory agreement with the Adviser. The Adviser receives a fee, computed daily and payable monthly, at the annual rates presented below as applied to each Fund's average daily net assets. For the period May 1, 2009 through June 30, 2009, the Adviser had contractually agreed to pay all operating expenses (excluding dividends on short positions), in excess of the annual cap on expenses presented below as applied to each Fund's average daily net assets. Under this contract, the Adviser could recover from the Funds the expenses paid in excess of the annual cap on expenses for the three previous years. For the year ended April 30, 2010, the Adviser paid or recouped the following expenses:

	<u>Direxion Monthly NASDAQ-100 Bull 2X Fund</u>	<u>Direxion Monthly NASDAQ-100 Bear 2X Fund</u>	<u>Direxion Monthly S&amp;P 500 Bull 2X Fund</u>	<u>Direxion Monthly S&amp;P 500 Bear 2X Fund</u>
Annual Advisory rate	0.75%	0.75%	0.75%	0.75%
Annual cap on expenses — May 1, 2009 – June 30, 2009	1.95%	1.95%	1.95%	1.95%
Expenses paid in excess of annual cap on expenses — May 1, 2009 through June 30, 2009	\$2,999	\$ 6,329	\$ —	\$3,834
Expenses voluntarily waived by Adviser — July 1, 2009 through April 30, 2010	\$ —	\$21,196	\$ —	\$ —
Advisory expense waiver recovery — May 1, 2009 through June 30, 2009	\$ —	\$ —	\$ 519	\$ —

	<u>Direxion Monthly Latin America Bull 2X Fund</u>	<u>Direxion Monthly Dollar Bear 2X Fund</u>	<u>Direxion Monthly Dollar Bull 2X Fund</u>
Annual Advisory rate	0.75%	0.75%	0.75%
Annual cap on expenses — May 1, 2009 – June 30, 2009	1.95%	1.95%	1.95%
Expenses paid in excess of annual cap on expenses — May 1, 2009 through June 30, 2009	\$ —	\$ —	\$8,563
Expenses voluntarily waived by Adviser — July 1, 2009 through April 30, 2010	\$ —	\$ 24	\$ 52
Advisory expense waiver recovery — May 1, 2009 through June 30, 2009	\$17,908	\$ 719	\$ —

On May 20, 2009, the Board of Trustees, based upon on management's recommendation, approved a new Operating Services Agreement (the "Agreement"). Under the Agreement, the Adviser is responsible for all expenses of the Trust except the following: management fees, distribution and/or service fees, acquired fund fees, taxes, leverage interest, dividends or interest on short positions, other interest expenses, brokerage commission and other extraordinary expenses outside the typical day-to-day operations of the Funds. Effective July 1, 2009, the annual expense caps were no longer applicable. The Adviser relinquished all recovery of expenses waived by the Funds for the previous three years through June 30, 2009.

In consideration for the services rendered pursuant to the Agreement, the Funds will pay to the Adviser, as compensation for the services provided by the Adviser under the Agreement, a monthly fee. The monthly fee is calculated on an annualized basis on the average net assets of each Fund and the below amount:

Direxion Monthly NASDAQ-100 Bull 2X Fund	0.65%
Direxion Monthly NASDAQ-100 Bear 2X Fund	0.65%
Direxion Monthly S&P 500 Bull 2X Fund	0.65%
Direxion Monthly S&P 500 Bear 2X Fund	0.65%
Direxion Monthly Latin America Bull 2X Fund	0.65%
Direxion Monthly Dollar Bear 2X Fund	0.65%
Direxion Monthly Dollar Bull 2X Fund	0.65%

Expenses subject to potential recovery relinquished by Adviser:

Direxion Monthly NASDAQ-100 Bull 2X Fund	\$248,561
Direxion Monthly NASDAQ-100 Bear 2X Fund	192,598
Direxion Monthly S&P 500 Bull 2X Fund	147,645
Direxion Monthly S&P 500 Bear 2X Fund	222,673
Direxion Monthly Latin America Bull 2X Fund	60,903
Direxion Monthly Dollar Bear 2X Fund	158,595
Direxion Monthly Dollar Bull 2X Fund	59,333

Distribution Expenses:

Shares of the Funds are subject to an annual 12b-1 fee of up to 1.00% of a Fund's average daily net assets. The Funds currently pay a 12b-1 fee of 0.25% of the Fund's average daily net assets.

Shareholder Servicing Fees:

The Board of Trustees has also authorized each Fund's shares to pay a shareholder servicing fee of 0.25% of each Fund's average daily net assets. The Trust, on behalf of each Fund, pays the fee to financial institutions and other persons who provide services and maintain shareholder accounts.

Other Agreements:

Rafferty Capital Markets, LLC (the "Distributor") serves as principal underwriter of the Funds and acts as the Funds' distributor in a continuous public offering of the Funds' shares. The Distributor is an affiliate of the Adviser.

U.S. Bank N.A. and/or its affiliates receive revenue from certain broker-dealers that may receive Rule 12b-1 fees or other payments from mutual funds in which certain Direxion Funds may invest. The Board of Trustees agreed to have 70% of the fees received by U.S. Bank N.A. applied against transfer agent invoices. These expense reductions are reflected on the Statement of Operations as "expenses paid indirectly". For the year ended April, 30, 2010, the amount of transfer agent expenses reduced by this revenue was as follows:

Direxion Monthly NASDAQ-100 Bull 2X Fund	\$ 8,757
Direxion Monthly NASDAQ-100 Bear 2X Fund	2,897
Direxion Monthly S&P 500 Bull 2X Fund	14,926
Direxion Monthly S&P 500 Bear 2X Fund	6,236
Direxion Monthly Latin America Bull 2X Fund	14,502
Direxion Monthly Dollar Bear 2X Fund	6,072
Direxion Monthly Dollar Bull 2X Fund	1,991

## **7. VALUATION MEASUREMENTS**

The Funds have adopted authoritative fair valuation accounting standards which establish an authoritative definition of fair value and set out a hierarchy for measuring fair value. These standards require additional disclosures about the various inputs and valuation techniques used to develop the measurements of fair value and a discussion in changes in valuation techniques and related inputs during the period. These inputs are summarized in the three broad levels below:

Level 1 – Quoted prices in active markets for identical securities,

Level 2 – Evaluated price based on other significant observable inputs (including quoted prices for similar securities, interest rates, prepayment speeds, credit risk, etc.)

Level 3 – Significant unobservable inputs (including the Fund's own assumptions in determining fair value of investments)

The inputs or methodology used for valuing securities are not an indication of the credit risk associated with investing in those securities.

The follow is a summary of the inputs used to value the Fund's net assets as of April 30, 2010:

		<b>Direxion Monthly NASDAQ-100 Bull 2X Fund</b>			
		<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
<b>Short-Term Investments</b>		\$29,246,203	\$ —	\$—	\$29,246,203
<b>Other Financial Instruments*</b>		\$ —	\$(1,479,562)	\$—	\$(1,479,562)
		<b>Direxion Monthly NASDAQ-100 Bear 2X Fund</b>			
		<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
<b>Short-Term Investments</b>		\$4,208,996	\$ —	\$—	\$4,208,996
<b>Other Financial Instruments*</b>		\$ —	\$(306,955)	\$—	\$(306,955)
		<b>Direxion Monthly S&amp;P 500 Bull 2X Fund</b>			
		<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
<b>Short-Term Investments</b>		\$17,968,164	\$ —	\$—	\$17,968,164
<b>Other Financial Instruments*</b>		\$ —	\$(650,897)	\$—	\$(650,897)
		<b>Direxion Monthly S&amp;P 500 Bear 2X Fund</b>			
		<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
<b>Short-Term Investments</b>		\$11,478,868	\$ —	\$—	\$11,478,868
<b>Other Financial Instruments*</b>		\$ —	\$(1,328,243)	\$—	\$(1,328,243)
		<b>Direxion Monthly Latin America Bull 2X Fund</b>			
		<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
<b>Short-Term Investments</b>		\$97,779,185	\$ —	\$—	\$97,779,185
<b>Other Financial Instruments*</b>		\$ —	\$(5,933,331)	\$—	\$(5,933,331)
		<b>Direxion Monthly Dollar Bear 2X Fund</b>			
		<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
<b>Short-Term Investments</b>		\$6,729,339	\$—	\$—	\$6,729,339
<b>Other Financial Instruments*</b>		\$(210,590)	\$—	\$—	\$(210,590)
		<b>Direxion Monthly Dollar Bull 2X Fund</b>			
		<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
<b>Short-Term Investments</b>		\$5,963,932	\$—	\$—	\$5,963,932
<b>Other Financial Instruments*</b>		\$ 24,363	\$—	\$—	\$ 24,363

\* Other financial instruments are derivative instruments not reflected in the Schedule of Investments, such as futures and swap contracts. Futures and swap contracts are valued at the unrealized appreciation (depreciation) on the instrument.

## 8. ADDITIONAL DISCLOSURES ABOUT DERIVATIVE INSTRUMENTS

The Funds have adopted authoritative standards of accounting for derivative instruments which establish disclosure requirements for derivative instruments. These standards improve financial reporting for derivative instruments by requiring enhanced disclosures that enable investors to understand how and why a fund uses derivatives instruments, how derivatives instruments are accounted for and how derivative instruments affect a fund's financial position and results of operations.

The Funds use derivative instruments as part of their principal investment strategy to achieve their investment objectives. For additional discussion on the risks associated with derivative instruments refer to Note 2. As of April 30, 2010 the Funds were invested in futures and equity swap contracts.

At April 30, 2010, the fair value of derivatives instruments were as follows:

### Asset Derivatives<sup>1</sup>

		Foreign exchange risk	Equity risk	Total
Direxion Monthly Dollar Bull 2X Fund	Futures contracts*	\$24,363	\$—	\$24,363
	<b>Total</b>	<b>\$24,363</b>	<b>\$—</b>	<b>\$24,363</b>

<sup>1</sup> Statement of Assets and Liabilities location: Variation margin receivable.

\* Cumulative appreciation (depreciation) of futures contracts as reported in the Schedule of Investments. Only current day's variation margin, if any, is reported within the Statement of Assets and Liabilities.

### Liability Derivatives<sup>1</sup>

		Foreign exchange risk	Equity risk	Total
Direxion Monthly NASDAQ-100 Bull 2X Fund	Swap contracts	\$ —	\$1,479,562	\$1,479,562
	<b>Total</b>	<b>\$ —</b>	<b>\$1,479,562</b>	<b>\$1,479,562</b>
Direxion Monthly NASDAQ-100 Bear 2X Fund	Swap contracts	\$ —	\$ 306,955	\$ 306,955
	<b>Total</b>	<b>\$ —</b>	<b>\$ 306,955</b>	<b>\$ 306,955</b>
Direxion Monthly S&P 500 Bull 2X Fund	Swap contracts	\$ —	\$ 650,897	\$ 650,897
	<b>Total</b>	<b>\$ —</b>	<b>\$ 650,897</b>	<b>\$ 650,897</b>
Direxion Monthly S&P 500 Bear 2X Fund	Swap contracts	\$ —	\$1,328,243	\$1,328,243
	<b>Total</b>	<b>\$ —</b>	<b>\$1,328,243</b>	<b>\$1,328,243</b>
Direxion Monthly Latin America Bull 2X Fund	Swap contracts	\$ —	\$5,933,331	\$5,933,331
	<b>Total</b>	<b>\$ —</b>	<b>\$5,933,331</b>	<b>\$5,933,331</b>
Direxion Monthly Dollar Bear 2X Fund	Futures contracts*	\$210,590	\$ —	\$ 210,590
	<b>Total</b>	<b>\$210,590</b>	<b>\$ —</b>	<b>\$ 210,590</b>

<sup>1</sup> Statement of Assets and Liabilities location: Unrealized depreciation on swaps and variation margin payable.

\* Cumulative appreciation (depreciation) of futures contracts as reported in the Schedule of Investments. Only current day's variation margin, if any, is reported within the Statement of Assets and Liabilities.

Transactions in derivative instruments during the year ended April 30, 2010, were as follows:

		Foreign exchange risk	Equity risk	Total
Direxion Monthly NASDAQ-100 Bull 2X Fund	<b>Realized gain (loss)<sup>1</sup></b>			
	Swap contracts	\$ —	\$ 21,661,006	\$ 21,661,006
	<b>Total realized gain (loss)</b>	<b>\$ —</b>	<b>\$ 21,661,006</b>	<b>\$ 21,661,006</b>
	<b>Change in unrealized appreciation (depreciation)<sup>2</sup></b>			
	Swap contracts	\$ —	\$ (2,511,977)	\$ (2,511,977)
	<b>Total change in unrealized appreciation (depreciation)</b>	<b>\$ —</b>	<b>\$ (2,511,977)</b>	<b>\$ (2,511,977)</b>
Direxion Monthly NASDAQ-100 Bear 2X Fund	<b>Realized gain (loss)<sup>1</sup></b>			
	Swap contracts	\$ —	\$ (9,573,450)	\$ (9,573,450)
	<b>Total realized gain (loss)</b>	<b>\$ —</b>	<b>\$ (9,573,450)</b>	<b>\$ (9,573,450)</b>
	<b>Change in unrealized appreciation (depreciation)<sup>2</sup></b>			
	Swap contracts	\$ —	\$ 423,621	\$ 423,621
	<b>Total change in unrealized appreciation (depreciation)</b>	<b>\$ —</b>	<b>\$ 423,621</b>	<b>\$ 423,621</b>
Direxion Monthly S&P 500 Bull 2X Fund	<b>Realized gain (loss)<sup>1</sup></b>			
	Futures contracts	\$ —	\$ (159,147)	\$ (159,147)
	Swap contracts	—	24,012,668	24,012,668
	<b>Total realized gain (loss)</b>	<b>\$ —</b>	<b>\$ 23,853,521</b>	<b>\$ 23,853,521</b>
	<b>Change in unrealized appreciation (depreciation)<sup>2</sup></b>			
	Futures contracts	\$ —	\$ 18,335	\$ 18,335
	Swap contracts	—	(1,669,916)	(1,669,916)
	<b>Total change in unrealized appreciation (depreciation)</b>	<b>\$ —</b>	<b>\$ (1,651,581)</b>	<b>\$ (1,651,581)</b>

		Foreign exchange risk	Equity risk	Total
Direxion Monthly S&P 500 Bear 2X Fund	<b>Realized gain (loss)<sup>1</sup></b>			
	Futures contracts	\$ —	\$ 6,057	\$ 6,057
	Swap contracts	—	(20,931,804)	(20,931,804)
	<b>Total realized gain (loss)</b>	<b>\$ —</b>	<b>\$(20,925,747)</b>	<b>\$(20,925,747)</b>
	<b>Change in unrealized appreciation (depreciation)<sup>2</sup></b>			
	Swap contracts	\$ —	\$ 1,038,362	\$ 1,038,362
	<b>Total change in unrealized appreciation (depreciation)</b>	<b>\$ —</b>	<b>\$ 1,038,362</b>	<b>\$ 1,038,362</b>
Direxion Monthly Latin America Bull 2X Fund	<b>Realized gain (loss)<sup>1</sup></b>			
	Swap contracts	\$ —	\$ 67,319,532	\$ 67,319,532
	<b>Total realized gain (loss)</b>	<b>\$ —</b>	<b>\$ 67,319,532</b>	<b>\$ 67,319,532</b>
	<b>Change in unrealized appreciation (depreciation)<sup>2</sup></b>			
	Swap contracts	\$ —	\$ (5,933,331)	\$ (5,933,331)
	<b>Total change in unrealized appreciation (depreciation)</b>	<b>\$ —</b>	<b>\$ (5,933,331)</b>	<b>\$ (5,933,331)</b>
Direxion Monthly Dollar Bear 2X Fund	<b>Realized gain (loss)<sup>1</sup></b>			
	Futures contracts	\$1,014,884	\$ —	\$ 1,014,884
	<b>Total realized gain (loss)</b>	<b>\$1,014,884</b>	<b>\$ —</b>	<b>\$ 1,014,884</b>
	<b>Change in unrealized appreciation (depreciation)<sup>2</sup></b>			
	Futures contracts	\$ (387,412)	\$ —	\$ (387,412)
	<b>Total change in unrealized appreciation (depreciation)</b>	<b>\$ (387,412)</b>	<b>\$ —</b>	<b>\$ (387,412)</b>
Direxion Monthly Dollar Bull 2X Fund	<b>Realized gain (loss)<sup>1</sup></b>			
	Futures contracts	\$ (559,422)	\$ —	\$ (559,422)
	<b>Total realized gain (loss)</b>	<b>\$ (559,422)</b>	<b>\$ —</b>	<b>\$ (559,422)</b>
	<b>Change in unrealized appreciation (depreciation)<sup>2</sup></b>			
	Futures contracts	\$ 51,467	\$ —	\$ 51,467
	<b>Total change in unrealized appreciation (depreciation)</b>	<b>\$ 51,467</b>	<b>\$ —</b>	<b>\$ 51,467</b>

<sup>1</sup> Statement of Operations location: Net realized gain (loss) on futures and swaps.

<sup>2</sup> Statement of Operations location: Change in unrealized appreciation (depreciation) on futures and swaps.

For the year ended April 30, 2010, the volume of the derivatives held by the Funds was as follows:

	Quarterly Average Gross Notional Amounts			
	Long Futures Contracts	Short Futures Contracts	Long Equity Swaps Contracts	Short Equity Swaps Contracts
Direxion Monthly NASDAQ-100 Bull 2X Fund	\$ —	\$ —	\$ 60,697,265	\$ —
Direxion Monthly NASDAQ-100 Bear 2X Fund	—	—	—	12,084,530
Direxion Monthly S&P 500 Bull 2X Fund	—	560,899	67,206,998	—
Direxion Monthly S&P 500 Bear 2X Fund	—	—	—	37,725,973
Direxion Monthly Latin America Bull 2X Fund	—	—	173,021,636	—
Direxion Monthly Dollar Bear 2X Fund	—	20,278,809	—	—
Direxion Monthly Dollar Bull 2X Fund	12,288,173	—	—	—

## 9. NEW ACCOUNTING PRONOUNCEMENT

In January 2010, the Financial Accounting Standards Board issued an update to improve disclosure about fair value measurements. This update requires entities to disclose a) the amounts of significant transfers between Level 1 and Level 2 of the fair value hierarchy and the reasons for these transfers, b) the reasons for any transfers in or out of Level 3 and c) information in the reconciliation of recurring Level 3 measurements about purchases, sales, issuances and settlements on a gross basis. In addition, this update clarifies the requirement for entities to disclose information about both the valuation techniques and inputs used in estimating Level 2 and Level 3 fair value measurements. Except for the requirement to disclose

information about purchases, sales, issuances and settlements in the reconciliation of recurring Level 3 measurements on a gross basis, all updated requirements are effective for financial statements issued for interim and annual reporting periods beginning after December 15, 2009. The requirement to disclose information about purchases, sales, issuances and settlements in the reconciliation of recurring Level 3 measurements is effective for financial statements issued for interim and annual reporting periods beginning after December 15, 2010. Management is currently evaluating the impact it will have on its financial statement disclosures.

## **10. SUBSEQUENT EVENTS**

The Funds have adopted authoritative standards for accounting for and disclosure of events that occur after the balance sheet date but before financial statements are issued or are available to be issued. These standards require the Funds to recognize in the financial statements the effects of all recognized subsequent events that provide additional evidence about conditions that existed at the date of the balance sheet. For nonrecognized subsequent events that must be disclosed to keep the financial statements from being misleading, the Funds are required to disclose the nature of the event as well as an estimate of its financial effect, or a statement that such an estimate cannot be made. The Funds have evaluated subsequent events through the issuance of the Funds' financial statements and have determined there is no impact to the Funds' financial statements.

## DIREXION FUNDS

### REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Trustees and  
Shareholders of Direxion Funds:

We have audited the accompanying statements of assets and liabilities of Direxion Monthly NASDAQ-100 Bull 2X Fund (formerly NASDAQ-100 Bull 2.5X Fund), Direxion Monthly NASDAQ-100 Bear 2X Fund (formerly NASDAQ-100 Bear 2.5X Fund), Direxion Monthly S&P 500 Bull 2X Fund (formerly S&P 500 Bull 2.5X Fund), Direxion Monthly S&P 500 Bear 2X Fund (formerly S&P 500 Bear 2.5X Fund), Direxion Monthly Latin America Bull 2X Fund (formerly Latin America Bull 2X Fund), Direxion Monthly Dollar Bull 2X Fund (formerly Dollar Bull 2.5X Fund), and Direxion Monthly Dollar Bear 2X Fund (formerly Dollar Bear 2.5X Fund) (seven of the series of the Direxion Funds) (the "Funds"), including the schedules of investments, as of April 30, 2010, and the related statements of operations, the statements of changes in net assets, and the financial highlights for each of the periods indicated therein. These financial statements and financial highlights are the responsibility of the Funds' management. Our responsibility is to express an opinion on these financial statements and financial highlights based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements and financial highlights are free of material misstatement. We were not engaged to perform an audit of the Funds' internal control over financial reporting. Our audits included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Funds' internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements and financial highlights, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. Our procedures included confirmation of securities owned as of April 30, 2010, by correspondence with the custodian and brokers. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements and financial highlights referred to above present fairly, in all material respects, the financial position of the above-mentioned seven of the series of Direxion Funds at April 30, 2010, the results of their operations, the changes in their net assets, and the financial highlights for each of the periods indicated therein, in conformity with U.S. generally accepted accounting principles.

*Ernst + Young LLP*

June 24, 2010  
New York, New York

## ADDITIONAL INFORMATION

(UNAUDITED)

### QUALIFIED DIVIDEND INCOME/DIVIDENDS RECEIVED DEDUCTION

For the period ended April 30, 2010, certain dividends paid by the Funds may be subject to a maximum tax rate of 15%, as provided for by the Jobs and Growth Tax Relief Reconciliation Act of 2003. The percentage of dividends declared from ordinary income designated a qualified dividend income was as follows:

Direxion Monthly NASDAQ-100 Bull 2X Fund .....	0.0%
Direxion Monthly NASDAQ-100 Bear 2X Fund .....	0.0%
Direxion Monthly S&P 500 Bull 2X Fund .....	0.0%
Direxion Monthly S&P 500 Bear 2X Fund .....	0.0%
Direxion Monthly Latin America Bull 2X Fund .....	0.0%
Direxion Monthly Dollar Bear 2X Fund .....	0.0%
Direxion Monthly Dollar Bull 2X Fund .....	0.0%

For corporate shareholders, the percent of ordinary income distributions qualifying for the corporate dividends received deduction for the period ended April 30, 2010, was as follows:

Direxion Monthly NASDAQ-100 Bull 2X Fund .....	0.0%
Direxion Monthly NASDAQ-100 Bear 2X Fund .....	0.0%
Direxion Monthly S&P 500 Bull 2X Fund .....	0.0%
Direxion Monthly S&P 500 Bear 2X Fund .....	0.0%
Direxion Monthly Latin America Bull 2X Fund .....	0.0%
Direxion Monthly Dollar Bear 2X Fund .....	0.0%
Direxion Monthly Dollar Bull 2X Fund .....	0.0%

### HOUSEHOLDING

In an effort to decrease costs, the Funds intend to reduce the number of duplicate prospectuses, Annual and Semi-Annual reports, proxy statements and other similar documents you receive by sending only one copy of each to those addresses shared by two or more accounts and to shareholders we reasonably believe are from the same family or household. Householding begins once you have signed your account application. After such time, if you would like to discontinue householding for your accounts, please call toll-free at (800) 851-0511 to request individual copies of these documents. Once the Funds receive notice to stop householding, we will begin sending individual copies thirty days after receiving your requests. This policy does not apply to account statements.

**Direxion Funds**  
**TRUSTEES AND OFFICERS**

The business affairs of each Fund are managed by or under the direction of the Board of Trustees. Information pertaining to the Trustees and Officers of the Funds is set forth below. The SAI includes additional information about the Funds' Trustee and Officers and is available without charge, upon request by calling 1-800-851-0511.

**Interested Trustees**

<u>Name, Address and Age</u>	<u>Position(s) Held with Fund</u>	<u>Term of Office and Length of Time Served</u>	<u>Principal Occupation(s) During Past Five Years</u>	<u># of Portfolios in Direxion Complex Overseen by Trustee<sup>(2)</sup></u>	<u>Other Trusteeships/ Directorships Held by Trustee</u>
Lawrence C. Rafferty <sup>(1)</sup> Age: 67 . . . . .	Chairman of the Board of Trustees	Lifetime of Trust until removal or resignation; Since 1997	Chairman and Chief Executive Officer of Rafferty, 1997-present; Chief Executive Officer of Rafferty Companies, LLC, 1996-present; Chief Executive Officer of Rafferty Capital Markets, Inc., 1995-present.	36	Board of Trustees, Fairfield University; Board of Directors, St. Vincent's Services; Executive Committee, Metropolitan Golf Association

**Non-Interested Trustees**

<u>Name, Address and Age</u>	<u>Position(s) Held with Fund</u>	<u>Term of Office and Length of Time Served</u>	<u>Principal Occupation(s) During Past Five Years</u>	<u># of Portfolios in Direxion Complex Overseen by Trustee<sup>(2)</sup></u>	<u>Other Trusteeships/ Directorships Held by Trustee</u>
Daniel J. Byrne Age: 66 . . . . .	Trustee	Lifetime of Trust until removal or resignation; Since 1997	President and Chief Executive Officer of Byrne Securities Inc., 1992-present.	138	Trustee, The Opening Word Program, Wyandanch, New York
Gerald E. Shanley III Age: 66 . . . . .	Trustee	Lifetime of Trust until removal or resignation; Since 1997	Business Consultant, 1985-present; C.P.A. 1979-present.	138	Trustee of Trust Under Will of Charles S. Payson
John Weisser Age: 68 . . . . .	Trustee	Lifetime of Trust until removal or resignation; Since 2007	Retired, Since 1995; Salomon Brothers, Inc, 1971-1995, most recently as Managing Director.	138	Director, MainStay VP Fund Series; Director ICAP Funds, Inc; Director, The MainStay Funds; Director, Eclipse Funds, Inc.

**Direxion Funds**  
**TRUSTEES AND OFFICERS**

**Officers**

Name, Address and Age	Position(s) Held with Fund	Term of Office and Length of Time Served	Principal Occupation(s) During Past Five Years	# of Portfolios in Direxion Complex Overseen by Trustee <sup>(2)</sup>	Other Trusteeships/ Directorships Held by Trustee
Daniel D. O'Neill Age: 42 . . . . .	President; Chief Operating Officer and Chief Investment Officer	One Year; Since 1999 One Year; Since 2006	Managing Director of Rafferty, 1999-present.	N/A	N/A
William Franca Age: 53 . . . . .	Executive Vice President – Head of Distribution	One Year; Since 2006	Senior Vice President – National Sales, Massachusetts Financial Services/SunLife Financial Distributors, 2002-2004; Executive Vice President, Distribution, SunLife, 2001-2002.	N/A	N/A
Christopher Lewis Age: 39 . . . . .	Chief Compliance Officer	One Year; Since 2009	Director, Alaric Compliance Services, LLC, 2009-present; Partner, Thacher Proffitt & Wood LLP, 2004- 2008; Partner, Simmons & Simmons, 2002-2004.	N/A	N/A
Patrick J. Rudnick 615 East Michigan Street Milwaukee, WI 53202 Age: 36 . . . . .	Principal Financial Officer and Treasurer <sup>(3)</sup>	Once Year; Since 2010	Vice President, U.S. Bancorp Fund Services LLC, since 2006; Manager, PricewaterhouseCoopers LLP, 1999-2006.	N/A	N/A
Eric W. Falkeis 615 East Michigan Street Milwaukee, WI 53202 Age: 36 . . . . .	Secretary	One Year; Since 2004	Senior Vice President, U.S. Bancorp Fund Services, LLC, since September 2007; Chief Financial Officer, U.S. Bancorp Fund Services, LLC, since April 2006; Vice President, U.S. Bancorp Fund Services LLC, 1997-present; formerly, Chief Financial Officer, Quasar Distributors, LLC, 2000-2003.	N/A	N/A

<sup>(1)</sup> Mr. Rafferty is affiliated with Rafferty. Mr. Rafferty is the Chairman and Chief Executive Officer of Rafferty and owns a beneficial interest in Rafferty.

<sup>(2)</sup> The Direxion Complex consists of the Direxion Funds which currently offers for sale to the public 35 portfolios, the Direxion Insurance Trust which currently offers for sale 1 portfolio and the Direxion ETF Trust which currently offers for sale to the public 34 of the 102 funds currently registered with the SEC.

The address for all trustees and officers except Patrick J. Rudnick and Eric W. Falkeis is 33 Whitehall St., New York, NY 10004.

<sup>(3)</sup> Mr. Rudnick replaced Guy F. Talarico as Principal Financial Officer and Treasurer effective June 1, 2010.

## 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 annual report.***



Direxionfunds

ANNUAL REPORT APRIL 30, 2010

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New York, New York 10004

(800) 851-0511

**Investment Advisor**

Rafferty Asset Management, LLC  
33 Whitehall Street, 10th Floor  
New York, NY 10004

**Administrator, Transfer Agent, Dividend  
Paying Agent & Shareholding Servicing  
Agent**

U.S. Bancorp Fund Services, LLC  
P.O. Box 1993  
Milwaukee, WI 53201-1993

**Custodian**

U.S. Bank, N.A.  
1555 RiverCenter Dr. Suite 302  
Milwaukee, WI 53212

**Independent Registered Public Accounting Firm**

Ernst & Young LLP  
5 Times Square  
New York, NY 10036

**Distributor**

Rafferty Capital Markets, LLC  
59 Hilton Avenue  
Garden City, NY 11530

The Fund's Proxy Voting Policies are available without charge by calling 1-800-851-0511, or by accessing the SEC's website, at [www.sec.gov](http://www.sec.gov).

The actual voting records relating to portfolio securities during the most recent twelve month period ended June 30 (starting with the year ending June 30, 2005) will be available without charge by calling 1-800-851-0511 or by accessing the SEC's website at [www.sec.gov](http://www.sec.gov).

The Funds file complete schedules of portfolio holdings with the SEC on Form N-Q. The Form N-Q will be available without charge, upon request, by calling 1-800-851-0511, or by accessing the SEC's website, at [www.sec.gov](http://www.sec.gov). The Fund's Forms N-Q may be reviewed and copied at the Commission's Public Reference Room in Washington, D.C. Information on the operation of the Public Reference Room may be obtained by calling 1-800-SEC-0330.

This report has been prepared for shareholders and may be distributed to others only if preceded or accompanied by a current prospectus.