Direxionfunds

Portable Alpha

Strategy Series

Want additional diversification without additional capital?

Scenario

Recent volatility in the market has become evident in the performance of Sally's portfolio. She is generally happy with her holdings but would like her portfolio to exhibit less volatility. She believes further diversification would be a benefit, but without additional capital to invest and a desire to maintain her core positions, she is faced with a dilemma.

Solution

Consider a portable alpha strategy.

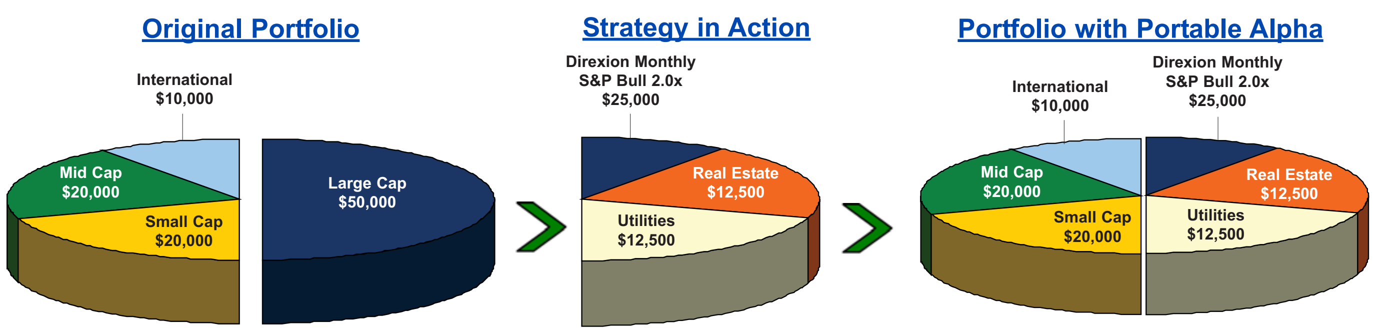
The Portable alpha strategy has traditionally been implemented by institutional investors to add diversification to a portfolio while maintaining equivalent exposure to the original allocation. By employing leverage to free up capital, proceeds are typically invested into alpha generating, non-correlating assets.

We have developed this piece to explore practical applications of this strategy.

By adding investments that have little or no correlation to existing portfolios, returns may be improved and volatility may be decreased. Leveraged index funds can provide an effective solution by bringing the investment leverage needed to execute this strategy when additional capital is not available.

Strategy in Action

In the below example, the original portfolio is representative of a common diversified growth allocation.



Action Steps	Benefit
$50,000 was reallocated from the Large Cap Portion of the portfolio, which has a high correlation to the S&P 500 and $25,000 was reinvested to the Direxion Monthly S&P 500 Bull 2x Fund.	The original portfolio exposure to Large Caps now remains constant, and with an additional $25,000 for reinvestment. Since the Direxion Monthly S&P 500 2x Bull Funds seeks 200% monthly exposure to the S&P 500 Index, a $25,000 investment has the purchasing power of $50,000 ($25,000 x 200% = $50,000).
The remaining $25,000 was invested into Real Estate and Managed Utilities.	Real Estate and Utilities have historically had a low correlation to more traditional investments. By selecting asset classes with low correlation, these investments may increase diversification to the original portfolio.

Strategy Benefits

- Maintain original portfolio exposure
- Added diversification without additional capital
- Allows for more efficient allocations of investment capital: instead of spending 100% of investment dollars to get 100% market exposure, as little as 50% percent can be used to get the same exposure with a 2x leveraged fund. This leaves the remainder to invest in alpha strategies.
- Provides potential for greater return and reduced volatility (dependent on investment selection)
- Returns are less dependent on market performance

Take Aways

- By properly implementing a portable alpha strategy, assets may be potentially invested in a manner that increases diversification, lowers volatility and increases the total return of a portfolio.

- Investing in securities or strategies that have a low correlation to the market (commodities, utilities, real estate, precious metals, etc.) may help provide more consistent returns that are less dependent on the performance of the broader market.

- Investors can maintain existing exposure to their portfolios while freeing up capital to invest in other investments or strategies.

Direxion provides funds and useful tools that may be extremely effective in carrying out a portable alpha strategy.

To learn more about this and other useful strategies that can be implemented using leveraged index funds, please contact the Direxion Funds team at 877-437-9363 or visit www.direxionfunds.com.

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

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

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

A portable alpha strategy does not guarantee results. Employing a portable alpha strategy can potentially limit upside potential in a rising market.

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