

the **Direxion/Wilshire Dynamic** fund



An investment option designed for today...
and tomorrow's markets

a core strategy fund

Direxion Funds Today – Power Your Perspective.

For investment professionals and investors who believe in moving beyond buy and hold investing, Direxion offers an alternative. Direxion helps investors seek improved risk-adjusted returns in various market conditions through a diverse suite of tactical investment products.

direxionfunds >>>

The **Direxion/Wilshire Fund** discussed in this brochure is a **Core Strategy Fund**.

Our Core Strategy Fund uses built-in tactical strategies to capitalize on short-term market inefficiencies; it's designed for investors seeking to outperform a traditional strategic (long-term only) asset allocation approach.

Other funds offered by Direxion

Managed Tactical Funds incorporate long/short, tactical strategies with exposure to alternative asset classes into "buy and hold" investment products. These products are ideal for investors who value a tactical approach, yet don't have the time to manage an active strategy on their own.

Tactical Trading Funds are designed for sophisticated investors who understand how to properly manage the risk and volatility inherent in leveraged investments, and have the capacity to monitor and manage their portfolios actively.

the **Direxion/Wilshire Dynamic** fund

An investment option designed for today...
and tomorrow's markets

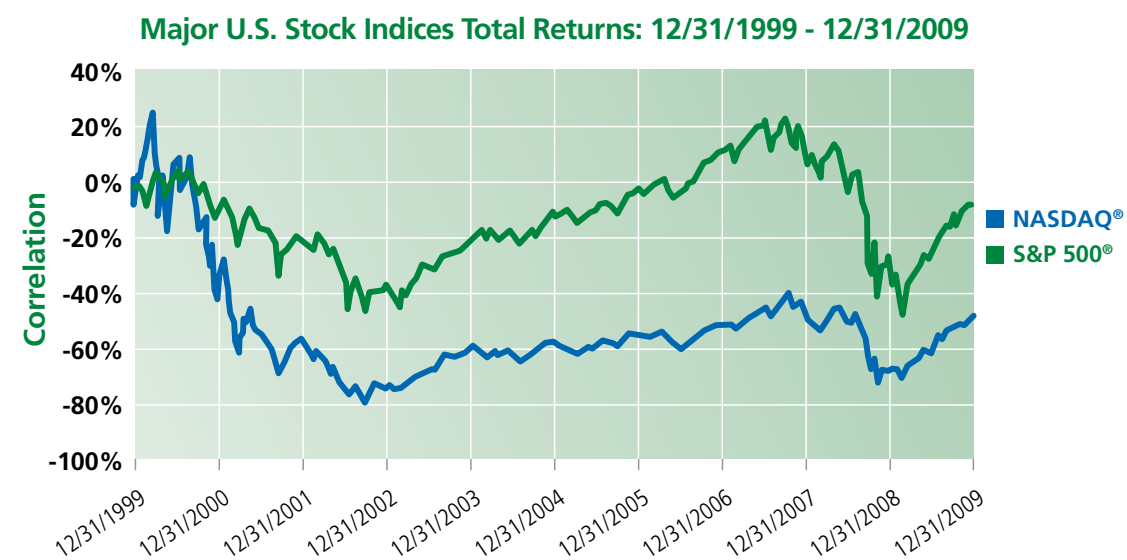
Today's investors are seeking to achieve greater "balance" in their portfolios. Over the last few years, market conditions and statistics have them questioning whether or not widely followed investment strategies, such as traditional buy-and-hold and long-only asset allocation, will help them reach their goals.

Contents

- 2 | Recent Broad-Market Investment Performance
- 3 | The Direxion/Wilshire Dynamic Fund: Overview
- 7 | The Benefits of the Direxion/Wilshire Alliance
- 9 | Adding the Dynamic Fund to your Portfolio
- 10 | Summary
- 11 | Glossary of Terms

Recent Broad-Market Investment Performance

Over the 10-year period from January 1, 1999 through December 31, 2008, the annualized and total returns for three major U.S. stock indexes paint an interesting picture. Of the Dow Jones Industrial AverageSM, the S&P 500[®] Index and the NASDAQ[®] Composite, only the Dow provided positive returns for this time frame, as illustrated in the graph below:



Index	Average Annualized Return 12/31/99-12/31/09	Total Return 12/31/99-12/31/09
S&P 500 [®] Index	-0.95%	-9.10%
NASDAQ Composite Index	-6.35%	-48.15%

How investors can leverage short-term market events

Direxion Funds holds the view that markets are cyclical—and that investors and their financial professionals can and should attempt to profit from short-term market trends, through the use of tactical strategies and more frequent portfolio reallocation. And, because different investors have different needs, Direxion Funds offers a suite of investment products that can help individuals navigate today’s difficult market environment.

Direxion Funds believes that investors should incorporate tactical strategies in their portfolios to:

- take advantage of short-term market inefficiencies; and
- navigate changing markets with the objective of achieving sustainable, long-term positive returns.

One way to implement these tactical strategies is by investing in the Direxion/Wilshire Dynamic Fund (“Dynamic Fund”).

The Direxion/Wilshire Dynamic Fund Overview

Investment objective

The investment objective¹ of the Direxion/Wilshire Dynamic Fund is to seek capital appreciation by combining a strategic asset allocation with a “tactical overlay”^{*} to position the Dynamic Fund defensively or aggressively. (For more information, please see “How tactical overlays work” on page 8.)

Share Class Symbols:

Investor Class: DXDWX
C Share: DXWLX

Meet the Fund’s adviser & subadviser

Rafferty Asset Management, LLC is a Registered Investment Adviser and serves as the investment adviser to Direxion Funds. Based on Wilshire Associates Incorporated’s investment guidance, Rafferty manages the regular operations (including trading) of the Direxion/Wilshire Dynamic Fund. Rafferty has been managing alternative mutual funds since June 1997. As of December 31, 2009, Rafferty manages more than \$6.2 billion in assets.

Wilshire Associates Incorporated, which was founded in 1972, serves as the subadviser to the Direxion/Wilshire Dynamic Fund. Wilshire Funds Management, the global investment management business unit of Wilshire Associates Incorporated, makes investment recommendations for the Fund’s portfolio and applies the tactical overlays. Wilshire Associates Incorporated is a global advisory company that specializes in investment solutions, consulting services and technology solutions. A leader in providing innovative ideas to the investment industry, Wilshire Associates Incorporated works with some of the largest fund sponsors and financial intermediaries, providing comprehensive investment consulting and services to assist them in making informed decisions.

¹The Dynamic Fund’s investment objective is not a fundamental policy and may be changed by the Fund’s Board of Trustees without shareholder approval.

^{*}This term is defined in the “Glossary of terms” section on page 12.

Principal investment strategy

Wilshire Funds Management (“Wilshire®”) assesses the current investment environment and ‘tactically tilts’ their proprietary strategic asset allocation to various asset classes on a monthly basis. Wilshire’s tactical model determines the overall exposure and investment levels for both the equity and fixed income portions of the Fund.

The strategic portion of the fund is based on Wilshire’s proprietary moderate strategic asset allocation (SAA) which is:

- invested in an underlying split of approximately 60% Equities and 40% Fixed Income
- invested in 16 distinct asset classes

The tactical tilt is employed to assess the current market conditions to determine whether the fund should be positioned more aggressively or defensively for the month. This positioning is achieved through:

The Fund’s Equity Component	The Fund’s Fixed Income Component
The equity components could include:	The fixed income components could include:
<ul style="list-style-type: none"> • common stocks 	<ul style="list-style-type: none"> • high-quality fixed income securities
<ul style="list-style-type: none"> • preferred stocks 	<ul style="list-style-type: none"> • investment-grade bonds
<ul style="list-style-type: none"> • convertible securities and warrants of U.S. and foreign issuers 	<ul style="list-style-type: none"> • debt securities of U.S. government and corporate issuers
<ul style="list-style-type: none"> • open and closed investment companies 	<ul style="list-style-type: none"> • financial instruments²
<ul style="list-style-type: none"> • exchange-traded funds 	<ul style="list-style-type: none"> • high-yield corporate debt securities
<ul style="list-style-type: none"> • financial instruments that provide exposure to U.S. and foreign equity indexes 	<ul style="list-style-type: none"> • short-term debt instruments with terms of maturity of less than 397 days that exhibit high-quality credit, including: U.S. government securities, repurchase agreements, and money market funds

This investment approach is intended to provide investors with a long-term investment strategy that incorporates increased or decreased risk exposure, depending on Wilshire’s expectations of short-term market risk or opportunity.

Wilshire uses a tactical overlay to take advantage of short-term market inefficiencies based on its outlook for key asset classes and the market in general. Wilshire’s tactical model evaluates asset class allocations on a monthly basis. As a result of this evaluation and current market conditions, the Dynamic Fund may be rebalanced.

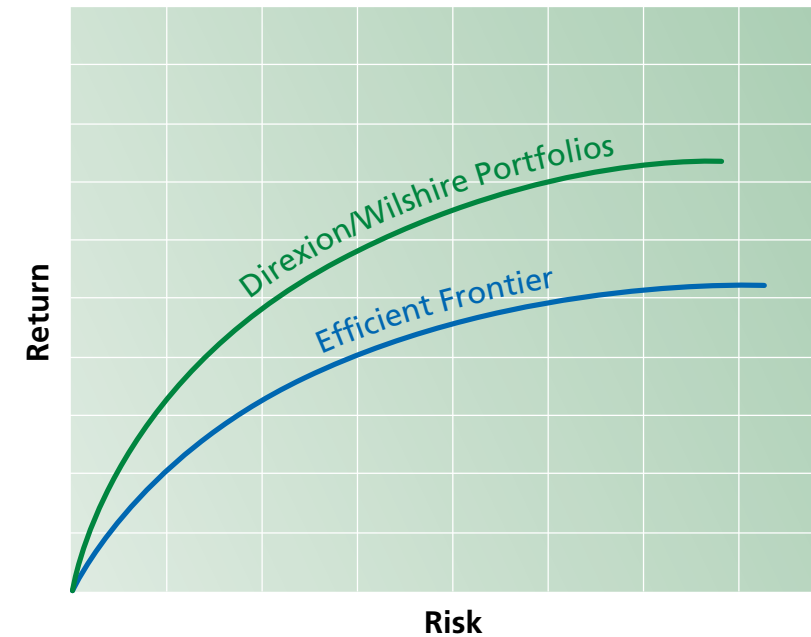
²Financial instruments include futures contracts; options on securities, indexes and futures contracts; equity caps, collars and floors; swap agreements; forward contracts, repurchase agreements and reverse repurchase agreements.

Modern Portfolio Theory & the Efficient Frontier

Research has shown that more than 90% of the volatility in a portfolio’s return is attributable to asset allocation decisions over time. Investing in multiple asset classes may increase an investor’s opportunity for a positive outcome, as different asset classes do not tend to move in unison.

Modern Portfolio Theory* seeks to identify the asset allocation with the highest expected return* per level of risk. This span of allocations can be plotted on what is known as the Efficient Frontier*, which is illustrated in the graph below. **The Direxion/Wilshire Dynamic Model Portfolios are intended to amplify the benefits of the Efficient Frontier.**

Direxion developed the Dynamic Fund to offer investors a tool designed to help them outperform the Efficient Frontier.



*This term is defined in the “Glossary of terms” section on page 12.

Asset allocation does not guarantee protection against market losses or ensure a gain.

The purpose of a tactical overlay

The ultimate goal of a tactical overlay is to smooth out the short-term volatility that a typical investor may experience if not properly positioned to handle short-term market inefficiencies. For more information on tactical overlays, see “How tactical overlays work” on page 8.

It all started with the Direxion/Wilshire Asset Allocation Models

At the beginning of 2008, Direxion and Wilshire launched a unique series of asset allocation models based on the philosophies and methodologies discussed earlier. The Direxion/Wilshire Model Portfolios leverage Wilshire's advanced portfolio construction methods and ability to keenly identify portfolio and market risks.

The resulting portfolios are designed to:

- manage assets efficiently in order to maximize risk-adjusted returns;
- improve diversification; and
- adjust to current market conditions through tactical overlays.

The Direxion/Wilshire 60/40 Dynamic Model Portfolio provides the road map for the Dynamic Fund's underlying investment strategy.

Diversification does not guarantee protection against market losses or ensure a gain.

Why we created the Direxion/Wilshire Dynamic Fund

Direxion Funds was pleased with the performance of the Direxion/Wilshire Dynamic Model Portfolios in 2008, as they consistently outperformed the traditional strategic asset allocation models as a result of the Dynamic Model Portfolios' tactical approach. This success led to investor demand for the development of the Dynamic Fund.

The Benefits of the Direxion/Wilshire Alliance

Direxion began a relationship with Wilshire in late 2007 to create highly diversified and flexible asset allocation models by incorporating certain institutional techniques and a tactical overlay to Wilshire's strategic asset allocation models.

Some investors want to have exposure to tactical investment strategies, but may feel they lack the expertise or the capacity to actively manage their positions within these investments. The Direxion/Wilshire Dynamic Fund is designed to provide these individuals with access to these strategies. The Fund is created with a general long-term investment outlook while utilizing a tactical overlay, which is reviewed at least monthly, and seeks outperformance opportunities in the short or medium term.

How tactical overlays work

As noted earlier, the Dynamic Fund is based on a strategic asset allocation model that allocates approximately 60% of total assets to equity securities, and approximately 40% of assets to fixed income securities. This model, which is listed in the "Traditional Allocation" column in the table below, defines the broad long-term guidelines for the Dynamic Fund's portfolio.

Wilshire's tactical asset allocation, listed in the "Tactical Allocation" column in the table below, defines the short-term, generally minor, variations that Wilshire will employ to enhance returns or manage risk by taking advantage of market pricing anomalies or strong market sectors. **The "Over-/Underweighting" column below illustrates how the tactical overlay manifests itself across the various classes.**

Asset Class	Traditional Allocation	Tactical Allocation	Over-/Underweighting
Cash	0%	11%	+11%
TIPS	5%	5.5%	+0.5%
U.S. Treasuries	0%	-1%	-1%
U.S. Bonds	30%	33%	+3%
High Yield Bonds	3%	6%	+3%
Non-U.S. Bonds	2%	4%	+2%
U.S. Large-Cap Growth Equities	16.5%	9.75%	-6.75%
U.S. Large-Cap Value Equities	16.5%	8.75%	-7.75%
U.S. Small-Cap Growth Equities	2.5%	1.75%	-0.75%
U.S. Small-Cap Value Equities	2%	1.25%	-0.75%
Real Estate Investment Trusts	1%	2%	+1%
Europe ex-UK Equities	7%	5.8%	-1.2%
United Kingdom Equities	2%	1.8%	-0.2%
Pacific ex-Japan Equities	5%	2.7%	-2.3%
Japanese Equities	4%	3.2%	-0.8%
Emerging Markets	2%	2%	-
Commodities	1.5%	1.5%	-



Wilshire's tactical asset allocation methodology begins with its own set of asset class forecasts derived from proprietary analytic tools and universes. Wilshire compares its own forecasts with those of a universe of institutional investors—to identify asset classes that it believes are over- and under-valued. The differences between Wilshire's forecasts and those of the universe of institutional investors represent opportunities that can be exploited through disciplined tactical, or short-term, asset allocation strategies.

The performance of each asset class is analyzed by creating an exponentially smoothed return measure*, with a heavier emphasis placed on most recent periods. Using this data, Wilshire identifies opportunities to over- or underweight certain asset classes. Once the proposed overlays are determined, they are evaluated and approved by Wilshire Funds Management's Investment Committee.

Other tactical tools

Based on Wilshire's investment decisions, Direxion will rebalance the Dynamic Fund's portfolio and may employ certain tactical tools, such as **shorting and leverage**, to obtain the required exposure needed in certain asset classes. The use of leverage provides an efficient way to manage portfolio assets. Exposure to certain asset classes can be maintained, or increased, while freeing up assets to invest in other classes.

Direxion's perspective

The Dynamic Fund is well suited for longer-term, buy-and-hold investing because it does not rely solely on a traditional strategic asset allocation (SAA) approach. In fact, Direxion feels that these investments may be used with a buy-and-hold strategy only because they supplement the SAA with tactical asset allocation (TAA) strategies. The combined use of the SAA and the TAA, in tandem with the Fund's ability to reallocate portfolio assets, as needed, helps to ensure that the Fund is well positioned for both the short term as well as the long.

*This term is defined in the "Glossary of terms" section on page 12.

How investors can benefit from the Dynamic Fund

By investing in the Dynamic Fund, investors can benefit in numerous ways. For example, the Fund enables individuals to:

- capture returns from directional trends;
- take advantage of the features and benefits of both long and short investing;
- benefit from the use of tactical tools, such as leverage and non-traditional asset classes, in an effort to take advantage of short-term market events; and
- leverage the wisdom and oversight of Wilshire Funds Management's Investment Committee.

A word about risk and returns...

While it is very difficult to manage returns in certain market environments, it is possible to manage risk—and that's the overriding objective in the management of the Fund.



Adding the Dynamic Fund to your Portfolio

Because the Direxion/Wilshire Dynamic Fund is based on a moderate strategic asset allocation model, it may be used as a comprehensive investment option for those investors who have a risk tolerance that aligns with the Fund's asset mix. It can also be used to offset more conservative or more aggressive portfolio holdings—for investors who are looking to design a portfolio with a different risk target.

How the Fund may be used

Because of its comprehensive exposure to multiple asset classes, financial professionals may incorporate the Fund in various strategies, such as having the Fund serve as:

- a core portfolio holding for advisors who employ “core and explore” or “core and satellite” strategies;
- the baseline allocation in a client's portfolio (while other more narrowly focused investments can be used to seek additional non-correlated returns);
- a satellite fund to supplement advisors' primary portfolios; or
- a tracking portfolio for those advisors who wish to benchmark their own modeling and measure the value of the tactical overlay applied by Wilshire.

Summary

Combining a Tactical Tilt with Strategic Asset Allocation

In these unpredictable markets, advisors are looking for ways to better provide risk adjusted returns to their clients. Including a fund that combines a Tactical Strategy with a Strategic Asset allocation can provide the benefits of a long term approach while being responsive to short term market conditions.

A long term approach

Strategic Asset Allocation (SAA)

Short-term market inefficiency

Monthly tactical tilts allows for flexibility and responsiveness to varying market conditions

Preserving your Portfolio

Attempts to protect core portfolios through alternative investment strategies and allocating to a wider range of asset classes

Diversification does not guarantee protection against market losses or ensure a gain.



Glossary of Terms

Efficient Frontier – A line created from the risk-reward graph, comprised of optimal portfolios. Optimal portfolios should lie on the Efficient Frontier Curve. The optimal portfolios plotted along the curve have the highest expected return possible for the given amount of risk.

Expected return – The weighted average of a probability distribution of possible returns, calculated using the formula:

$$E(R) = \sum_{i=1}^n P_i \times R_i$$

As the formula denotes, each expected outcome is multiplied by the probability of such outcome; and having considered all expected outcomes (i.e., total probability of all outcomes is 1.00), the products of such multiplication are added up to result in the expected return. Although this is what you expect the return to be, there is no guarantee that it will be the actual return.

Exponentially smoothed return measure – A measure of returns calculated based on past outcomes. However, if the belief is that the most recent observation is the most important (least stale indication of possible future outcome), then it gets the most weight; the next most recent observation gets a lower weight, and so on. For example, last year's return may have a weight of 0.5, the previous year, half of that (0.25), the previous year 0.125, etc.

Modern Portfolio Theory – A theory which proposes that rational investors diversify their portfolios to optimize or maximize their risk-adjusted returns, emphasizing that risk is an inherent necessity while seeking higher rewards. These optimal portfolios lie on the "Efficient Frontier."

Tactical overlay – Strategic asset allocation defines the broad guidelines for a portfolio designed to be held for a specified length of time (e.g., five years). A tactical overlay defines short-term, generally relatively minor, variations, in an attempt to enhance returns or hedge risk by taking advantage of market pricing anomalies or strong market sectors. As an analogy, one may decide to drive from Boston to Miami, and plan the highways to take (strategic plan). The tactical overlay includes variations on this routing (detours to avoid congestion [hedging]; detours to stop briefly at a historic village [enhancement] as a reaction to developments along the way).

The risks associated with the Direxion/Wilshire Dynamic Fund are detailed in the prospectus. These include risks of the investment adviser's investment strategy, credit risk and high portfolio turnover, risks of investing in derivatives, adverse market conditions, interest rate changes, risk of non-diversification, and risk of shorting instruments, leverage and counterparty risks, risks of investing in equity securities and small- and mid-capitalization companies, risks of investing in other investment companies and ETFs, risks of investing in foreign instruments and valuation time risk.

direxion
Power Your Perspective.

the **Direxion/Wilshire Dynamic** fund
An investment option designed for today...
and tomorrow's markets

To learn more about the Direxion/Wilshire Dynamic Fund and how it can help you navigate today's challenging market environment, please call Direxion Funds at 877.437.9363. or visit us at direxionfunds.com.

direxionfunds >>>

877.437.9363

www.direxionfunds.com

An investor should consider the investment objectives, risks, charges, and expenses of the Direxion funds carefully before investing. The prospectus contains this and other information about Direxion funds. To obtain a prospectus, please contact Direxion Funds at 800.851.0511. The prospectus should be read carefully before investing. Investing in index funds may be more volatile than investing in broadly diversified funds.

Wilshire Funds Management, a business unit of Wilshire Associates Incorporated, uses mathematical, statistical and qualitative investment processes to allocate assets, select managers and construct portfolios and funds in ways that seek to outperform their specific benchmarks. Past performance does not guarantee future returns, and processes used may not achieve the desired results.

Wilshire is not affiliated with Direxion or any of its affiliates.

Wilshire is a registered service mark of Wilshire Associates Incorporated, Santa Monica, California. All other trade names, trademarks, and/or service marks are the property of their respective holders.

Date of First Use: April 18, 2008. Distributed by: Rafferty Capital Markets, LLC