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Strong 2024 Performance: COMmodity Recap

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The Direxion Auspice Broad Commodity Strategy ETF (Ticker: COM) posted a positive performance for 2024, delivering a return of +5.91%, despite ending the final quarter slightly down with a Q4 performance of -0.80%. To view the Fund's full standardized performance, click here.

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. An investor's shares, when redeemed, may be worth more or less than their original cost. Current performance may be lower or higher than the performance quoted. Returns for performance under one year are cumulative, not annualized. For the most recent month-end performance please visit the funds website at www.direxion.com.

The Auspice Broad Commodity Excess Return Index (ABCERI)* which the COM ETF seeks to track, was long four of twelve potential commodities by year end: gold, silver, corn, and sugar.

By the strategy employing futures to gain exposure, combined with having low margin requirements, the Fund will always have excess Cash on hand, even when fully invested. With interest rates at current levels, the strategy can enhance its overall returns by generating a yield on the Cash portion.

Broad Commodity Market Trends

Commodity benchmarks displayed neutral to slightly positive performance in 2024. For Q4, the S&P GSCI Index (SPGSCI)* rose, led by strength in energy markets, while the Bloomberg Commodity Index (BCOM)* declined, and the Deutsche Banc Liquid Commodity Optimum Yield Index (DBC CI)* remained flat. Outside of the energy complex (excluding natural gas), most of the other commodity sectors experienced negative returns in the 4th quarter.

Performance Highlights by Sector

Agriculture:

ABCERI's long exposure to corn and sugar produced mixed results in Q4. Corn contributed positively, driven by robust demand for ethanol production and exports. The increase in demand for ethanol is related to its usage as a biofuel. Conversely, sugar prices faced downward pressure due to increased supply. The remainder of the agriculture complex remained flat within ABCERI's portfolio.

Metals:

Gold and silver experienced volatility* in Q4. Despite gold achieving its highest yearly return since 2010, metals corrected towards year-end. Gold prices initially rallied in December due to tariff-related optimism but faced downward pressure from a strong U.S. dollar and indications of a pause in Federal Reserve rate cuts. Silver declined sharply, as its industrial applications made it vulnerable to global growth concerns. Additionally, uncertainty around China's economy and the new U.S. administration's potential de-emphasis on alternative energy initiatives, such as solar panels, weighed on silver prices.

Copper, while not part of ABCERI's Q4 positions, serves as a critical indicator of China's economic health. After a strong start in 2024, copper prices declined due to inconsistent messaging on Chinese policies, impacting demand outlook.

Energy:

The energy sector's performance was mixed throughout 2024 but ended the year with a rally. ABCERI maintained a flat position in energy through year-end. In January 2025, COM entered long positions in all four energy components: crude oil, heating oil, natural gas, and gasoline. Natural gas prices have risen, supported by colder weather forecasts, while heating oil remains a seasonal trading opportunity. Crude oil prices are trending higher, driven by declining U.S. crude stockpiles and potential sanctions tightening global supply. As the new administration takes office, uncertainty around energy tariffs and their impact on consumer prices will remain a key focus.

To view the Fund's current positions, click here. Positions are subject to risk and change.

Outlook for 2025

As Donald Trump enters a second presidential term, tariffs and trade policies will likely influence commodity markets. Key considerations include:

- Potential import tariffs, particularly with Canada, a significant trade partner for both manufactured goods and raw commodities.
- Tax cuts and immigration restrictions, which could contribute to inflationary* pressures.
- A strong U.S. dollar, bolstered by trade tensions, may weigh on commodity prices but could reinforce demand for safe-haven assets amid geopolitical uncertainties.
- The January jobs report signaled economic strength, suggesting that inflationary fiscal policies may lead to limited Federal Reserve rate cuts in 2025. These dynamics, alongside geopolitical risks, could provide tailwinds for commodity prices.

The Case for Commodities

Commodities remain an essential asset class for diversification, offering potential returns with low correlation* to stocks and bonds. The COM ETF has demonstrated the ability to capture commodity market upside while mitigating downside risks. Catalysts for higher commodity prices include the new U.S. administration, ongoing geopolitical risks, and heightened global tensions.

In an environment of historically high U.S. large-cap equity valuations and elevated interest rates, blending commodities into a traditional stock-and-bond portfolio can be a prudent strategy. The COM ETF, with its rules-based tactical approach to broad commodity markets, may be well-positioned to navigate whatever lies ahead.

Competitive Edge

The COM ETF has consistently delivered competitive risk-adjusted returns, while maintaining a lower volatility profile.

Advisors seeking a diversified and tactical approach to commodities will find the COM ETF to be an attractive addition to client portfolios, particularly in today's uncertain economic landscape.

*Definitions and Index Descriptions

*The Auspice Broad Commodity Index (ABCERI) is a rules-based long/flat broad commodity index that seeks to capture the majority of the commodity upside returns, while seeking to mitigate downside risk. The Index is made up of a diversified portfolio of 12 commodities futures contracts (Silver, Gold, Copper, Heating Oil, Natural Gas, Gasoline, Crude Oil, Wheat, Soybeans, Corn, Cotton, and Sugar) that based on price trends can individually be Long or Flat (in Cash). One cannot directly invest in an index.

*The Goldman Sachs Commodity Index (GSCI) is a composite index of commodity sector returns representing an unleveraged, long-only investment in commodity futures that is broadly diversified across the spectrum of commodities.

*The Bloomberg Commodity Excess Return Index (BCOM) is a broadly diversified index that allows investors to track 19 commodity futures through a single, simple measure.

*Deutsche Banc Liquid Commodity Optimum Yield Index (DBC CI), an index composed of futures contracts on 14 of the most heavily-traded and important physical commodities in the world.

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An investor should carefully consider the Fund's investment objective, risks, charges, and expenses before investing. The Fund's prospectus and summary prospectus contain this and other information about the Direxion Shares. To obtain the Fund's prospectus and summary prospectus call 866-476-7523 or visit our website at www.direxion.com. The Fund's prospectus and summary prospectus should be read carefully before investing

Direxion Shares Risks - An investment in the Fund involves risk, including the possible loss of principal. The Fund is non-diversified and includes risks associated with concentration that results from the Fund's investments in a particular industry, sector, or geographic region which can result in increased volatility. The Fund's use of derivatives such as futures contracts and swaps are subject to market risks that may cause their price to fluctuate over time. Risks of the Fund include, but are not limited to, Index Correlation Risk, Derivatives Risk, Commodity-Linked Derivatives Risk, Futures Strategy Risk, Passive Investment and Index Performance Risk, Counterparty Risk, Cash Transaction Risk, Subsidiary Investment Risk, Interest Rate Risk, and Tax Risk. Please see the summary and full prospectuses for a more complete description of these and other risks of the Fund.

Exchange-traded commodity futures contracts generally are volatile and are not suitable for all investors. The value of a commodity-linked derivative investment typically is based upon the price movements of a physical commodity and may be affected by changes in overall market movements, volatility of the index, changes in interest rates, or factors affecting a particular industry or commodity, such as global pandemics, weather and other natural disasters, changes in supply and production, embargoes, tariffs and international economic, political and regulatory developments and changes in speculators' and/or investors' demand. Commodity-linked derivatives also may be subject to credit and interest rate risks that in general affect the value of debt securities. The Fund's investments in derivatives may pose risks in addition to, and greater than, those associated with directly investing in securities or other investments.

Risks associated with the use of futures contracts are (a) the imperfect correlation between the change in market value of the instruments held by the Fund and the price of the futures contract; (b) possible lack of a liquid secondary market for a futures contract and the resulting inability to close a futures contract when desired; (c) losses caused by unanticipated market movements, which are potentially unlimited; (d) the Index's inability to predict correctly the direction of securities prices, interest rates, currency exchange rates and other economic factors; (e) the possibility that the counterparty will default in the performance of its obligations; and (f) if the Fund has insufficient cash, it may have to sell securities or financial instruments from its portfolio to meet daily variation margin requirements, which may lead to the Fund selling securities or financial instruments at a time when it may be disadvantageous to do so.

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