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FOR IMMEDIATE RELEASE

DIREXION PREDICTS FURTHER EXPANSION OF LEVERAGED INDEX FUNDS

Financial intermediaries will step up participation, deploying a variety of strategies

(Boston, MA. Feb. 19, 2008) – The leveraged index sector of the mutual fund market is likely to grow rapidly in coming years as advisors and their clients seek more effective ways of managing risk and return, according to Direxion Funds, a leading provider of leveraged index products. Advisors are increasingly open to novel, active strategies in managing client portfolios while baby boomers in particular are seeking to protect their assets against market declines, the firm said in a discussion paper just published and entitled: *Education and Innovation in the Leveraged Index Market.* (www.direxionfunds.com/pdfs/Direxion_LI.pdf)

Leveraged index funds currently account for around \$30 billion of the total \$12 trillion mutual fund market (as of 12/31/07) but their industry share is on the rise, Direxion said. Several thousand registered investment advisors (RIAs) are now using leveraged index products but the firm believes the potential audience is much wider, embracing the remainder of the nation's 27,000 RIAs, the 75,000 or so broker/dealers from independent firms, and the approximately 150,000 brokers at regional firms.

Dan O'Neill, Direxion's President and Chief Investment Officer, commented: "We produced this paper as an educational tool for advisors and investors to help translate the theory of leveraged index investing into practice. These products can be used to smooth volatility in both bull and

bear markets and to hedge with maximum efficiency and, as such, they enhance existing investment strategies.”

Specifically the paper outlines some key strategies that draw on leveraged index funds to meet different objectives. These include:

Partial Leveraging. An investor who is bullish on stocks and is seeking increased exposure without deploying additional capital might consider a partial leveraging strategy. Assume he has \$100,000 of his portfolio invested in a popular S&P 500 mutual fund. By selling \$10,000 of the fund and investing in an S&P 500 bull 2.5x leveraged index fund, \$25,000 of exposure is created. Total exposure to the S&P 500 has now increased to \$115,000 with no extra capital.

Hedging. An advisor gets a call from a client who is happy with the recent performance of her portfolio but worried about a correction. She is thinking of selling and moving to cash but that would incur capital gains taxes and she might miss out on future rallies. The advisor recommends a hedge that will enable her to stay long and still profit if the market continues to rally without incurring taxable gains. He reallocates her portfolio to include a 20% allocation to an S&P 500 bear 2.5x index fund, reducing the overall risk level of the portfolio.

Portable Alpha. Another investor wants to maintain his core positions but recent volatility is making him nervous. He would like more diversification but has no further capital to invest. He might consider a portable alpha strategy, typically used by institutional investors to add diversification while maintaining equivalent exposure to the original allocation. Assume his portfolio has \$50,000 in large-cap equities, \$20,000 each in mid- and small-cap, and \$10,000 in international. He reallocates the large-cap portion, which has a high correlation with the S&P 500, investing \$20,000 in an S&P 500 bull 2.5x fund and \$15,000 each in real estate and utilities. By doing this he holds onto his large-cap exposure (2.5 x \$20,000) while the real estate and utility investments, which have a low correlation to more traditional asset classes, should increase diversification and dampen volatility.

To read the complete paper, and for further information, please visit www.direxionfunds.com

About Direxion Funds:

Direxion Funds (formerly Potomac Funds), managed by Rafferty Asset Management, LLC, is a major provider of leveraged index and alternative-class mutual fund products for investment advisors and sophisticated investors who seek to effectively manage risk and return in both bull and bear markets. Founded in 1997, the company has approximately \$1.5 billion in assets under management. The company's business model is built on continuous product innovation, exceptional customer service and a commitment to building strategic relationships with a focused group of distribution partners.

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 Direxion Funds at 1 800-851-0511. The prospectus should be read carefully before investing.

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