Managed Funds

THE DIREXION FUNDS

PROSPECTUS DECEMBER 29, 2009

Evolution Managed Bond Fund
Evolution All-Cap Equity Fund
Evolution Market Leaders Fund
Evolution Alternative Investment Fund

33 Whitehall Street, 10th Floor
New York, New York 10004

(800) 851-0511

INVESTOR CLASS

Like shares of all mutual funds, these securities have not been approved or disapproved by the Securities and Exchange Commission nor has the Securities and Exchange Commission passed upon the accuracy or adequacy of this Prospectus. Any representation to the contrary is a criminal offense.

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In deciding whether to invest in the funds described herein, you should rely on information in this Prospectus or the Statement of Additional Information (the “SAI”). The Direxion Funds (the “Trust”) has not authorized others to provide additional information. The Trust does not authorize the use of this Prospectus in any state or jurisdiction in which such offering may not legally be made.

OVERVIEW

This Prospectus describes the Investor Class shares of the **Evolution Managed Bond Fund** (the "Managed Bond Fund"), the **Evolution All-Cap Equity Fund** (the "All-Cap Equity Fund"), the **Evolution Market Leaders Fund** (the "Market Leaders Fund") and the **Evolution Alternative Investment Fund** (the "Alternative Investment Fund"). Together the Managed Bond Fund, the All-Cap Equity Fund, the Market Leaders Fund and the Alternative Investment Fund are referred to herein as the "Funds." The Funds currently are offered exclusively to clients of Flexible Plan Investments, Ltd. ("FPI" or "Subadviser"). Rafferty Asset Management, LLC ("Rafferty" or "Adviser") serves as the Funds' investment adviser and FPI serves as the Funds' Subadviser. (Collectively, Rafferty and FPI are referred to herein as "Advisers" in certain circumstances.)

"Evolution" in the Funds' names refers to the dynamic asset allocation strategy employed by the Subadviser in managing each Fund's assets. The Subadviser selects the investment opportunities it believes will have the best performance and holds them until it believes another opportunity has greater potential.

The Managed Bond Fund, the All-Cap Equity Fund and the Market Leaders Fund seek high appreciation on an annual basis consistent with a high tolerance for risk. The Alternative Investment Fund seeks high total return on an annual basis with the S&P 500® Index consistent with a high tolerance for risk. Each Fund is aggressively managed by the Subadviser. The Subadviser seeks investment opportunities for each Fund that maximizes each Fund's investment returns. The Managed Bond Fund will invest primarily in fixed-income securities indirectly through exchange-traded funds ("ETFs"), unit investment trusts ("UITs"), open and closed-end investment companies and derivative securities. The All-Cap Equity Fund and the Market Leaders Fund will invest primarily in equity securities, both directly and indirectly through other investment vehicles, including American Depositary Receipts ("ADRs"), ETFs, UITs, open and closed-end investment companies and derivative securities. The Alternative Investment Fund will invest primarily in alternative securities, either directly through dividend-paying equities or interest bearing fixed income securities, or indirectly through ETFs, open and closed end investment companies and derivative securities. Generally, when investing the assets of each Fund, the Subadviser begins by creating a universe of securities in which each Fund may invest. Next, the Subadviser monitors as often as daily the total return performance of the securities over a predetermined period and ranks them against each other. The Subadviser then selects the securities it believes have the greatest potential when comprising each Fund's portfolio. Finally, the Adviser positions each Fund's assets in accordance with the Subadviser's recommendations.

Each Fund's investment strategy may result in the investment of a large portion or all of the assets of each Fund in cash or cash equivalents at any given time for temporary defensive purposes to provide security of principal, current income and liquidity.

There is no assurance that the Funds will achieve their objectives.

Recent events in the financial sector have resulted, and may continue to result, in an unusually high degree of volatility in the financial markets. Both domestic and foreign equity markets could experience increased volatility and turmoil, and it is uncertain whether or for how long these conditions could continue. The U.S. Government has already taken a number of unprecedented actions designed to support certain financial institutions and segments of the financial markets that have experienced extreme volatility, and in some cases a lack of liquidity. Reduced liquidity in equity, credit and fixed-income markets may adversely affect many issuers worldwide. These events and possible continued market turbulence may have an adverse effect on the Funds.

Evolution Managed Bond Fund

Fund Objective. The Managed Bond Fund seeks high appreciation on an annual basis consistent with a high tolerance for risk.

The Managed Bond Fund's investment objective is not a fundamental policy and may be changed by the Trust's Board of Trustees without shareholder approval upon a 60-day notice.

Portfolio Investment Strategy. The Managed Bond Fund is aggressively managed by the Subadviser. The Managed Bond Fund will invest at least 80% of its net assets (plus any borrowing for investment purposes) in fixed-income securities indirectly through securities that invest in or are a derivative of fixed-income securities, including ETFs, UITs and closed-end and open-end investment companies (collectively "fixed-income securities"). The Managed Bond Fund also may invest in futures, options and swaps. To a limited extent, the Managed Bond Fund may invest directly in fixed-income securities. The underlying fixed-income securities in which the Managed Bond Fund seeks to gain exposure include:

- U.S. Treasury bonds and notes;
- U.S. government-sponsored enterprises, such as Fannie Mae© and Freddie Mac©;
- U.S. dollar-denominated corporate obligations;
- Mortgage and asset-backed securities;
- Corporate bonds and notes and asset-backed securities;
- Zero coupon bonds;
- Commercial paper and other money market instruments;
- Fixed-income securities issued by foreign governments and companies that are denominated in U.S. dollars or foreign currencies, some of which may be issued by governments in emerging market countries; and
- High-yield ("junk") bonds.

The Managed Bond Fund is a "non-diversified" fund, meaning that a relatively high percentage of its assets may be invested in a limited number of issuers of securities.

The Subadviser analyzes the overall investment opportunities of various fixed-income securities and market sectors to determine how to position the Managed Bond Fund's portfolio. The Subadviser may position the Managed Bond Fund's portfolio to seek exposure to a variety of credit categories, which could range from government securities to junk bonds. The Managed Bond Fund is not limited in its exposure to junk bonds, which may include bonds in the lowest credit rating category. In addition, the Managed Bond Fund invests in fixed-income securities without any restriction on maturity. The Subadviser also may invest up to 50% of the Managed Bond Fund's assets in short positions in fixed-income securities and derivatives.

In conducting its analysis, the Subadviser may create from the universe of fixed-income securities various "baskets" of securities that are defined by differences in creditworthiness and duration to maturity. Examples of baskets of securities in which the Managed Bond Fund may invest include, but are not limited to, deep discount closed-end bond funds, bond ETFs, high-yield closed-end bond funds and international closed-end bond funds. The Subadviser evaluates and ranks the short-term performance of each basket and usually invests the Managed Bond Fund's assets in the top performing baskets as well as baskets deemed "turnaround" candidates. Turnaround candidates are baskets that have fallen to the bottom of the rankings, remained there for a sufficient period of time and rallied with significant upside momentum.

The Subadviser typically assigns each basket in which it invests a minimum holding period, though a basket's actual holding period will depend on its performance ranking and likely will be longer than the assigned holding period. By establishing holding periods, the Subadviser seeks to maintain longer-term core holdings of the Managed Bond Fund.

The Subadviser generally evaluates all baskets daily based on rankings in order to minimize the impact and costs associated with trading.

The Subadviser's investment strategy attempts to respond to the performance of each basket rather than the performance of a market index or technical indicators. This strategy is neither predictive nor based on a group of top-down economic indicators, like market-timing approaches.

Finally, in making the decision to invest in a security, long or short, the Subadviser may utilize proprietary analysis models that evaluate interest rate trends and other macroeconomic data, market momentum, price patterns and other technical data or relate to accounting periods, tax events and other calendar-related events.

The Subadviser also will create and rank a basket representing cash and/or cash equivalents (“cash basket”). As part of its investment strategy and for temporary defensive purposes, the Subadviser may invest the Managed Bond Fund’s assets in such a basket. As a result, up to 100% of the Managed Bond Fund’s assets may be invested in cash or cash equivalents at any given time for temporary defensive purposes. To earn income on available cash, a large portion or all of the assets of the Managed Bond Fund may be invested in high-quality, U.S. dollar-denominated short-term obligations issued or guaranteed by the U.S. government, its agencies or instrumentalities and repurchase agreements that are fully collateralized by such obligations. As a result of investing in cash and cash equivalents, the Managed Bond Fund may not achieve its investment objective.

Risk Factors. An investment in the Managed Bond Fund is subject to the following risks, as set forth in the “Principal Risk Factors” section of this prospectus below: Risks of Aggressive Investment Techniques, Risks of Asset-Backed Securities, Counterparty Risks, Credit Risk and Risks of Lower-Quality Debt Securities, Risks of Investing in Derivatives, High Portfolio Turnover, Interest Rate Risk, Risks of Investing in Investment Companies and ETFs, Prepayment Risk and Risks of Mortgage-Backed Securities, Risks of Non-Diversification, Risks of Shorting Securities, and Risks of the Subadviser’s Investment Strategy.

Evolution All-Cap Equity Fund

Fund Objective. The All-Cap Equity Fund seeks high appreciation on an annual basis consistent with a high tolerance for risk.

The All-Cap Equity Fund’s investment objective is not a fundamental policy and may be changed by the Trust’s Board of Trustees without shareholder approval upon a 60-day notice.

Portfolio Investment Strategy. The All-Cap Equity Fund is aggressively managed by the Subadviser. The All-Cap Equity Fund will invest at least 80% of its net assets (plus any borrowing for investment purposes) in equity securities either directly through individual stocks and ADRs or indirectly through securities that invest in or are a derivative of equity securities. Equity securities include common stocks, ETFs, UITs and open-end and closed-end investment companies. Investments in ETFs, UITs and investment companies may include those investing (passively or actively) in equity, income, sectors, domestic, international, commodity, currency, inverse and/or leveraged positions and alternative investments. The All-Cap Equity Fund also may invest in futures, options and swaps. The All-Cap Equity Fund is a “non-diversified” fund, meaning that a relatively high percentage of its assets may be invested in a limited number of issuers of securities. The All-Cap Equity Fund invests in equity securities of any market capitalization, investment style, market sector or industry. The All-Cap Equity Fund also may seek exposure to international issuers and there is no limit on the amount of assets that may be invested in international securities. The Subadviser also may invest up to 50% of the All-Cap Equity Fund’s assets in short positions in equity securities and derivatives.

The Subadviser analyzes the overall investment opportunities of various equity securities and market sectors to determine how to position the All-Cap Equity Fund’s portfolio. In conducting its analysis, the Subadviser creates baskets of equity securities (long and short) each of which is defined by a common set of criteria. For example, there may be a basket of stocks with low price-to-earnings ratios and another basket containing high-yield stocks, and so on.

The Subadviser evaluates and ranks the short-term total return performance of each basket or equity security and usually invests the All-Cap Equity Fund’s assets in the top-performing baskets or equity security as well as baskets deemed “turnaround” candidates. Turnaround candidates are baskets that have fallen to the bottom of the rankings, remained there for a sufficient period of time and rallied with significant upside momentum.

The Subadviser typically assigns each holding in which it invests a minimum holding period, though the actual holding period will depend on the performance ranking and likely will be longer than the assigned holding period. By establishing holding periods, the Subadviser seeks to maintain longer-term core holdings of the All-Cap Equity Fund.

The Subadviser may evaluate all baskets or individual equity securities as often as daily based on rankings in order to minimize the impact and costs associated with trading.

The Subadviser’s investment strategy attempts to respond to the performance of each basket or equity security rather than the performance of a market index or technical indicators. This strategy is neither predictive nor based on a group of top-down economic indicators, like market-timing approaches.

Finally, in making the decision to invest in a security, long or short, the Subadviser may utilize proprietary analysis models that evaluate interest rate trends and other macroeconomic data, market momentum, price and volatility patterns and other technical data or relate to accounting periods, tax events and other calendar-related events.

As part of its investment strategy and for temporary defensive purposes, the Subadviser may invest the All-Cap Equity Fund's assets in cash and/or cash equivalents. As a result, up to 100% of the All-Cap Equity Fund's assets may be invested in cash or cash equivalents at any given time for temporary defensive purposes. To earn income on available cash, a large portion or all of the assets of the All-Cap Equity Fund may be invested in high-quality, U.S. dollar-denominated short-term obligations issued or guaranteed by the U.S. government, its agencies or instrumentalities and repurchase agreements that are fully collateralized by such obligations. As a result of investing in cash and cash equivalents, the All-Cap Equity Fund may not achieve its investment objective.

Risk Factors. An investment in the All Cap Equity Fund is subject to the following risks, as set forth in the "Principal Risk Factors" section of this prospectus below: Risks of Aggressive Investment Techniques, Commodity Risk, Counterparty Risks, Risks of Investing in Derivatives, Risks of Investing in Equity Securities, Risks of Investing in Foreign Securities, High Portfolio Turnover, Risks of Investing in Investment Companies and ETFs, Risks of Non-Diversification, Risks of Shorting Securities, Risks of Investing in Small Capitalization Companies, and Risks of the Subadviser's Investment Strategy.

Evolution Market Leaders Fund

Fund Objective. The Market Leaders Fund seeks high appreciation on an annual basis consistent with a high tolerance for risk.

The Market Leaders Fund's investment objective is not a fundamental policy and may be changed by the Trust's Board of Trustees without shareholder approval upon a 60-day notice.

Portfolio Investment Strategy. The Market Leaders Fund is aggressively managed by the Subadviser. The Market Leaders Fund will typically invest primarily in equity securities either directly or indirectly through individual stocks and ADRs or indirectly through securities that invest in or are a derivative of equity securities. Equity securities include common stocks, ETFs, UITs and open-end and closed-end investment companies. Investments in ETFs, UITs and investment companies may include those investing (passively or actively) in equity, income, sectors, domestic, international, commodity, currency, inverse and/or leveraged positions and alternative investments regardless of market capitalization. The Market Leaders Fund also may invest in futures, options and swaps. The Market Leaders Fund is a "non-diversified" fund, meaning that a relatively high percentage of its assets may be invested in a limited number of issuers of securities. The Market Leaders Fund invests in equity securities of any investment style, market sector or industry. The Market Leaders Fund also may seek exposure to international issuers and there is no limit on the amount of assets that may be invested in international securities. The Subadviser also may invest up to 50% of the Market Leaders Fund's assets in short positions in equity securities and derivatives.

The Subadviser analyzes the overall investment opportunities of various market indexes to determine how to position the Market Leaders Fund's portfolio. The Subadviser evaluates and ranks the short-term total return performance of each market index and usually invests the Market Leaders Fund's assets in the top-performing equity securities within the top-ranked market indexes.

The Subadviser typically assigns each holding in which it invests a minimum holding period, though the actual holding period will depend on the performance ranking and likely will be longer than the assigned holding period. By establishing holding periods, the Subadviser seeks to maintain longer-term core holdings of the Market Leaders Fund.

The Subadviser may evaluate all indexes and individual equity securities as often as daily based on rankings in order to minimize the impact and costs associated with trading.

The Subadviser's ranking strategy attempts to respond to both the performance of each equity security, as well as the performance of the market indexes. This strategy is neither predictive nor based on a group of top-down economic indicators, like market-timing approaches.

Finally, in making the decision to invest in a security, long or short, the Subadviser may utilize proprietary analysis models that evaluate interest rate trends and other macroeconomic data, market momentum, price and volatility patterns and other technical data or relate to accounting periods, tax events and other calendar-related events.

As part of its investment strategy and for temporary defensive purposes, the Subadviser may invest the Market Leaders Fund's assets in cash and/or cash equivalents. As a result, up to 100% of the Market Leaders Fund's assets may be invested in cash or cash equivalents at any given time for temporary defensive purposes. To earn income on available cash, a large portion or all of the assets of the Market Leaders Fund may be invested in high-quality, U.S. dollar-denominated short-term obligations issued or guaranteed by the U.S. government, its agencies or instrumentalities and repurchase agreements that are fully collateralized by such obligations. As a result of investing in cash and cash equivalents, the Market Leaders Fund may not achieve its investment objective.

Risk Factors. An investment in the Market Leaders Fund is subject to the following risks as set forth in the "Principal Risk Factors" section of this prospectus below: Risks of Aggressive Investment Techniques, Commodity Risk, Counterparty Risks, Risks of Investing in Derivatives, Risks of Investing in Equity Securities, Risks of Investing in Foreign Securities, High Portfolio Turnover, Risks of Investing in Investment Companies and ETFs, Risks of Non-Diversification, Risks of Shorting Securities, Risks of Investing in Small Capitalization Companies, and Risks of the Subadviser's Investment Strategy.

Evolution Alternative Investment Fund

Fund Objective. The Alternative Investment Fund seeks high total return on an annual basis consistent with a high tolerance for risk.

The Alternative Investment Fund's investment objective is not a fundamental policy and may be changed by the Trust's Board of Trustees without shareholder approval upon a 60-day notice.

Portfolio Investment Strategy. The Alternative Investment Fund is aggressively managed by the Subadviser. The Alternative Investment Fund will invest primarily in securities, including dividend-paying equities or interest bearing fixed income securities, having a low or negative correlation with the S&P 500® Index (collectively, "alternative securities") or indirectly through securities that invest in or are a derivative of alternative securities. The Alternative Investment Fund also may invest in futures, options and swaps. The underlying alternative securities in which the Alternative Investment Fund seeks to gain exposure include:

- U.S. Treasury bonds and notes;
- U.S. government-sponsored enterprises, such as Fannie Mae© and Freddie Mac©;
- U.S. dollar-denominated corporate obligations;
- Mortgage and asset-backed securities;
- Corporate bonds and notes and asset-backed securities;
- Zero coupon bonds;
- Commercial paper and other money market instruments;
- Fixed-income securities issued by foreign governments and companies that are denominated in U.S. dollars or foreign currencies, some of which may be issued by governments in emerging market countries;
- Dividend paying stocks; and
- High-yield ("junk") bonds.

In addition, alternative securities include common stocks, ETFs, UITs and open-end and closed-end investment companies. Investments in ETFs, UITs and investment companies may include those investing (passively or actively) in equity, income, sectors, domestic, international, currency, inverse and/or leveraged positions and alternative investments regardless of market capitalization.

The Alternative Investment Fund is a "non-diversified" fund, meaning that a relatively high percentage of its assets may be invested in a limited number of issuers of securities.

The Subadviser analyzes the overall investment opportunities of various alternative securities and market sectors to determine how to position the Alternative Investment Fund's portfolio. The Subadviser may position the Alternative Investment Fund's portfolio to seek exposure to a variety of credit categories, which could range from government securities to junk bonds. The Alternative Investment Fund is not limited in its exposure to junk bonds, which may include bonds in the lowest credit rating category. In addition, the Alternative Investment Fund may invest in alternative securities without any restriction on maturity. The Subadviser also may invest up to 50% of the Alternative Investment Fund's assets in short positions in income generating, equity or alternative securities and their derivatives.

In conducting its analysis, the Subadviser creates from the universe of alternative securities various securities (long and short). Examples of securities in which the Alternative Investment Fund may invest include, but are not limited to, deep discount and alternative investment closed-end bond funds, open-end funds investing in alternative investments, high-yielding corporate stocks of various capitalization ranges, ETFs deemed to present alternative investment opportunities (such as commodities and currencies) and ADRs of various geographical regions. The Subadviser evaluates and ranks the short-term performance of each security and usually invests the Alternative Investment Fund's assets in the top performing securities as well as in securities deemed "turnaround" candidates. Turnaround candidates are securities that have fallen to the bottom of the rankings, remained there for a sufficient period of time and rallied with significant upside momentum. In addition, there is no fixed allocation between equity and fixed income securities. Rather, the allocation is determined by the Subadviser's total return momentum ranking of the various securities in which the Alternative Investment Fund invests.

The Subadviser typically assigns each holding in which it invests a minimum holding period, though the actual holding period will depend on the performance ranking and likely will be longer than the assigned holding period. By establishing holding periods, the Subadviser seeks to maintain longer-term core holdings of the Alternative Investment Fund.

The Subadviser may evaluate all positions as often as daily based on rankings in order to minimize the impact and costs associated with trading.

The Subadviser's ranking strategy attempts to respond to the performance of each security rather than the performance of a market index or technical indicators. This strategy is neither predictive nor based on a group of top-down economic indicators, like market-timing approaches.

Finally, in making the decision to invest in a security, long or short, the Subadviser may utilize proprietary analysis models that evaluate interest rate trends and other macroeconomic data, market momentum, price patterns and other technical data or relate to accounting periods, tax events and other calendar-related events.

The Subadviser also will create and rank a basket representing cash and/or cash equivalents ("cash basket"). As part of its investment strategy and for temporary defensive purposes, the Subadviser may invest the Alternative Investment Fund's assets in such a basket. As a result, up to 100% of the Alternative Investment Fund's assets may be invested in cash or cash equivalents at any given time for temporary defensive purposes. To earn income on available cash, a large portion or all of the assets of the Alternative Investment Fund may be invested in high-quality, U.S. dollar-denominated short-term obligations issued or guaranteed by the U.S. government, its agencies or instrumentalities and repurchase agreements that are fully collateralized by such obligations. As a result of investing in cash and cash equivalents, the Alternative Investment Fund may not achieve its investment objective.

Risk Factors. An investment in the Alternative Investment Fund is subject to the following risks as set forth in the "Principal Risk Factors" section of this prospectus below: Risks of Asset-Backed Securities, Risks of Aggressive Investment Techniques, Commodity Risk, Counterparty Risks, Credit Risk and Risks of Lower-Quality Debt Securities, Risks of Investing in Derivatives, Risks of Investing in Equity Securities, Risks of Investing in Foreign Securities, High Portfolio Turnover, Interest Rate Risk, Risks of Investing in Investment Companies and ETFs, Risks of Non-Diversification, Prepayment Risk and Risks of Mortgage-Backed Securities, Risks of Shorting Securities, Risks of Investing in Small Capitalization Companies, and Risks of the Subadviser's Investment Strategy.

PRINCIPAL RISK FACTORS

An investment in a Fund entails risks. A Fund could lose money, or its performance could trail that of other investment alternatives. Neither FPI nor Rafferty can guarantee that the Funds will achieve their objectives. In addition, the Funds present some risks not traditionally associated with most mutual funds. It is important that investors closely review and understand these risks before making an investment in the Funds. Unprecedented recent turbulence in financial markets and reduced liquidity in equity, credit and fixed income markets may negatively affect many issuers worldwide, which could have an adverse effect on the Funds. These and other risks are described below.

Risks of Aggressive Investment Techniques

The Funds use investment techniques that may be considered aggressive. Risks associated with securities indices, swap agreements and futures contracts include potentially dramatic price changes (losses) in the value of the instruments and imperfect correlations between the price of the contract and the underlying security or index. These instruments may increase the volatility of a Fund and may involve a small investment of cash relative to the magnitude of the risk assumed.

Risks of Asset-Backed Securities

Payment of interest and repayment of principal may be impacted by the cash flows generated by the assets backing these securities. The value of a Fund's asset-backed securities also may be affected by changes in interest rates, the availability of information concerning the interests in and structure of the pools of purchase contracts, financing leases or sales agreements that are represented by these securities, the creditworthiness of the servicing agent for the pool, the originator of the loans or receivables, or the entities that provide any supporting letters of credit, surety bonds, or other credit enhancements.

Commodity Risk

A Fund's investments in commodity-linked derivative instruments, such as structured notes, may subject the Fund to greater volatility than investments in traditional securities. The value of commodity-linked derivative instruments may be affected by changes in overall market movements, commodity index volatility, changes in interest rates, or factors affecting a particular industry or commodity, such as drought, floods, weather, livestock disease, embargoes, tariffs, and international economic, political and regulatory developments. A Fund's ability to invest in commodity-related investments also may be limited by tax considerations.

Counterparty Risks

The Funds may invest in financial instruments involving counterparties for the purpose of attempting to gain exposure to a particular group of securities or asset class without actually purchasing those securities or investments, or to hedge a position. Such financial instruments include, but are not limited to, total return, index, interest rate, and credit default swap agreements, and structured notes. The Funds will use short-term counterparty agreements to exchange the returns (or differentials in rates of return) earned or realized in particular predetermined investments or instruments. The Funds will not enter into any agreement involving a counterparty unless the Adviser believes that the other party to the transaction is creditworthy. The use of swap agreements and structured notes involves risks that are different from those associated with ordinary portfolio securities transactions. For example, the Funds bear the risk of loss of the amount expected to be received under a swap agreement in the event of the default or bankruptcy of a swap agreement counterparty. In addition, the Funds may enter into swap agreements with a limited number of counterparties, and certain of the Funds may invest in commodity-linked structured notes issued by a limited number of issuers that will act as counterparties, which may increase the Fund's exposure to counterparty credit risk. Swap agreements also may be considered to be illiquid.

Credit Risk and Risks of Lower-Quality Debt Securities

A Fund could lose money if the issuer of a debt security is unable to meet its financial obligations or goes bankrupt. Credit risk usually applies to most debt securities, but generally is not a factor for U.S. government obligations. A Fund may invest in securities rated below investment grade or "junk bonds." Junk bonds may be sensitive to economic changes, political changes, or adverse developments specific to a company. These securities generally involve greater risk of default or price changes than other types of fixed-income securities and a Fund's performance may vary significantly as a result. Therefore, an investment in a Fund that invests in lower quality debt securities is subject to a higher risk of loss of principal than an investment in a Fund that may not invest in lower-rated securities.

Risks of Investing in Derivatives

The Funds may invest long or short in derivatives, such as futures, options and swaps. Derivatives are instruments that derive their value from an underlying investment or group of investments. Investments in derivatives are subject to market risks that may cause their prices to fluctuate over time. Investments in derivatives may not correlate with the price movements of underlying securities or indices. As a result, the use of derivatives may expose the Funds to risks that they would not be subject to if they invested directly in the securities underlying those derivatives. There may not be a liquid market for a Fund to sell derivative instruments, which could result in difficulty closing the position, and certain derivative instruments can magnify the extent of losses incurred due to changes in market value of the securities to which they relate. Accordingly, the use of derivatives may result in large losses or smaller gains than otherwise would be the case. In addition, some derivative instruments are subject to counterparty risk.

Risks of Investing in Equity Securities

A Fund may invest in publicly issued equity securities, including common stocks. Investments in common stocks are subject to market risks that may cause their prices to fluctuate over time. Fluctuations in the value of common stocks in which a Fund invests will cause the net asset value ("NAV") of a Fund to fluctuate.

Risks of Investing in Foreign Securities

Investments in foreign securities involve greater risks than investing in domestic securities. As a result, a Fund's returns and NAV 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.

High Portfolio Turnover

A Fund's aggressive investment strategy may result in significant portfolio turnover to take advantage of anticipated changes in market conditions. High portfolio turnover involves correspondingly greater expenses to the Fund, including brokerage commissions or dealer mark-ups and other transaction costs on the sale of securities and reinvestments in other securities. Such sales also may result in adverse tax consequences to a Fund's shareholders from distributions to them of net gains realized on the sales. The trading costs and tax effects associated with portfolio turnover may adversely affect the Fund's performance.

Interest Rate Risk

Debt securities have varying levels of sensitivity to changes in interest rates. In general, the price of a debt security will fall when interest rates rise and will rise when interest rates fall. Securities with longer maturities and mortgage securities can be more sensitive to interest rate changes. In other words, the longer the maturity of a security, the greater the impact a change in interest rates could have on the security's price. In addition, short-term and long-term interest rates do not necessarily move in the same amount or the same direction. Short-term securities tend to react to changes in short-term interest rates, and long-term securities tend to react to changes in long-term interest rates.

Risks of Investing in Investment Companies and ETFs

The Funds may invest in investment companies, including open- and closed-end investment companies, UITs and ETFs to gain exposure to a particular portion of the market while awaiting an opportunity to purchase securities directly. When a Fund invests in other investment companies, in addition to directly bearing the expenses associated with its own operations, it will bear a pro rata portion of the other investment company's expenses. In part, because of these additional expenses, a Fund's performance could differ from the performance the Fund would achieve if it invested directly in the underlying investments of another investment company. In addition, while the risks of owning shares of an investment company generally reflect the risks of owning the underlying investments of the investment company, the Fund may be subject to additional or different risks than if it had invested directly in the underlying investments. For example, shares of closed-end investment companies and ETFs are traded at market prices, which may vary from the net asset value of the underlying investments. Lack of liquidity in a closed-end fund or ETF can contribute to the increased volatility of its value in comparison to the value of the underlying portfolio securities. In addition, the Funds may invest in investment companies and other pooled investment vehicles that are not registered pursuant to the Investment Company Act of 1940, as amended (the "Investment Company Act"), and therefore, not subject to the Investment Company Act's regulatory scheme.

Risks of Non-Diversification

Each Fund is non-diversified, which means that it may invest a high percentage of its assets in a limited number of securities. Since the Funds are non-diversified, their NAVs and total returns may fluctuate more or fall greater in times of weaker markets than a diversified mutual fund.

Prepayment Risk and Risks of Mortgage-Backed Securities

Many types of debt securities, including mortgage securities, are subject to prepayment risk. Prepayment occurs when the issuer of a security can repay principal prior to the security's maturity. Securities subject to prepayment can offer less potential for gains during a declining interest rate environment and similar or greater potential for loss in a rising interest rate environment. In addition, the potential impact of prepayment features on the price of a debt security can be difficult to predict and result in greater volatility. As a result, a Fund may have to reinvest its assets in mortgage securities or other debt securities that have lower yields.

Risks of Shorting Securities

A Fund may, from time to time, engage in short sales designed to earn the Fund a profit from the decline in the price of particular securities, baskets of securities or indices. Short sales are transactions in which a Fund borrows securities from a broker and sells the borrowed securities. The Fund is obligated to replace the security borrowed by purchasing the security at the market price at the time of replacement. If the market price of the underlying security goes down between the time the Fund sells the security and buys it back, the Fund will realize a gain on the transaction. Conversely, if the underlying security goes up in price during the period, the Fund will realize a loss on the transaction. Any such loss is increased by the amount of premium or interest the Fund must pay to the lender of the security. Likewise, any gain will be decreased by the amount of premium or interest the Fund must pay to the lender of the security. The Fund's investment performance may also suffer if the Fund is required to close out a short position earlier than it had intended. This would occur if the securities lender required the Fund to deliver the securities the Fund borrowed at the commencement of the short sale and the Fund was unable to borrow the securities from another securities lender or otherwise obtain the security by other means. In addition, a Fund may be subject to expenses related to short sales that are not typically associated with investing in securities directly, such as costs of borrowing and margin account maintenance costs associated with the Fund's open short positions. As the holder of a short position, a Fund also is responsible for paying the dividends and interest accruing on the short position, which is an expense to the Fund that could cause the Fund to lose money on the short sale and may adversely affect its performance.

Risks of Investing in Small Capitalization Companies

Investing in the securities of small capitalization companies involves greater risks and the possibility of greater price volatility than investing in larger capitalization and more-established companies. Smaller companies may have limited operating history, product lines, and financial resources, and the securities of these companies may lack sufficient market liquidity.

Risks of the Subadviser's Investment Strategy

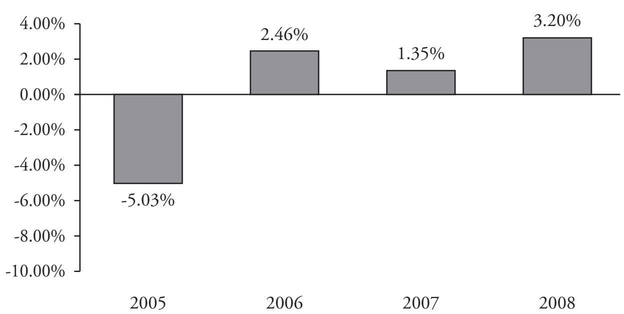
While the Subadviser seeks to take advantage of investment opportunities for a Fund that will maximize its investment returns, there is no guarantee that such opportunities will ultimately benefit a Fund. The Subadviser will aggressively change a Fund's portfolio in response to market conditions that are unpredictable and may expose a Fund to greater market risk than other mutual funds. There is no assurance that the Subadviser's investment strategy will enable a Fund to achieve its investment objectives.

HISTORICAL PERFORMANCE

The bar chart and performance tables below provide some indication of the risks of investing in the Funds by showing how their performance has varied from year to year and comparing their performance with those of a broad measure of market performance. The information below also illustrates the risks of investing in the Funds by showing their highest and lowest quarterly returns. The Funds' past performance (before and after taxes) is not necessarily an indication of how they will perform in the future.

Evolution Managed Bond Fund

Total Return for the Calendar Year Ended December 31*



* Year-to-date total return as of September 30, 2009 for the Managed Bond Fund was 1.92%.

Fund	Highest Quarterly Return	Lowest Quarterly Return
Managed Bond Fund	5.53% (4th quarter 2008)	–4.75% (1st quarter 2005)

Average Annual Total Returns as of December 31, 2008

	1 Year	Since Inception	Inception Date
Managed Bond Fund			
Return Before Taxes	3.20%	–0.03%	4/1/04
Return After Taxes on Distributions[1]	2.20%	–1.33%	
Return After Taxes on Distributions and Sale of Fund Shares[1][2]	2.07%	–0.75%	
Barclays Capital U.S. Aggregate Bond Index[3]	5.24%	4.37%	4/1/04
Lipper High Yield Bond Fund Index[4]	−28.84%	−2.34%	4/1/04
S&P 500® Index[5]	−37.00%	−2.75%	4/1/04

(1) After-tax returns are calculated using the historical highest individual federal marginal income tax rates and do not reflect the impact of state and local taxes. Actual after-tax returns depend on your tax situation and may differ from those shown. Furthermore, the after-tax returns shown are not relevant to those who hold their shares through tax-deferred arrangements such as 401(k) plans or individual retirement accounts ("IRAs").

(2) The "Return After Taxes on Distributions and Sale of Fund Shares" may be higher than other return figures because when a capital loss occurs upon redemption of fund shares, a tax deduction is provided that benefits the investor.

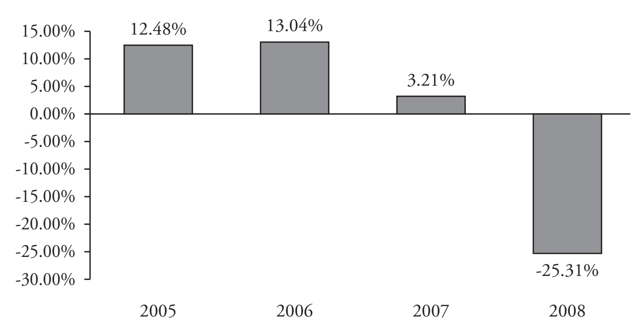
(3) The Barclays Capital U.S. Aggregate Bond Index (formerly known as the Lehman U.S. Aggregate Bond Index) is an unmanaged, market value weighted index of investment grade, fixed-rate debt issues, including government, corporate, asset-backed, and mortgage-backed securities, with maturities of at least one year. The performance of the index does not reflect deductions for fees, expenses or taxes.

(4) The Lipper High Yield Bond Fund Index is the average of the 30 largest mutual funds in the Lipper High Yield Bond Fund category. These funds aim at high (relative) current yield from fixed income securities, have no quality or maturity restrictions, and tend to invest in lower grade debt issues.

(5) The Standard & Poor's 500® ("S&P 500®") Index is an unmanaged index of 500 U.S. stocks and gives a broad look at how 500 of the largest companies in aggregate market value have performed. The performance of the index does not reflect deductions for fees, expenses or taxes.

Evolution All-Cap Equity Fund

Total Return for the Calendar Year Ended December 31*



* Year-to-date total return as of September 30, 2009 for the All-Cap Equity Fund was −3.09%.

Fund	Highest Quarterly Return	Lowest Quarterly Return
All-Cap Equity Fund	11.26% (3rd quarter 2005)	−10.97% (1st quarter 2008)

Average Annual Total Returns as of December 31, 2008

	1 Year	Since Inception	Inception Date
All-Cap Equity Fund			
Return Before Taxes	−25.31%	−0.22%	4/1/04
Return After Taxes on Distributions[1]	−25.31%	−1.81%	
Return After Taxes on Distributions and Sale of Fund Shares[1][2]	−16.45%	−0.88%	
S&P 500® Index[3]	−37.00%	−2.75%	4/1/04

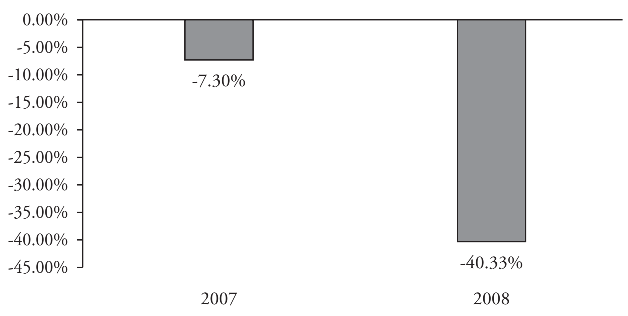
[1] After-tax returns are calculated using the historical highest individual federal marginal income tax rates and do not reflect the impact of state and local taxes. Actual after-tax returns depend on your tax situation and may differ from those shown. Furthermore, the after-tax returns shown are not relevant to those who hold their shares through tax-deferred arrangements such as 401(k) plans or IRAs.

[2] The "Return After Taxes on Distributions and Sale of Fund Shares" may be higher than other return figures because when a capital loss occurs upon redemption of fund shares, a tax deduction is provided that benefits the investor.

[3] The S&P 500® Index is an unmanaged index of 500 U.S. stocks and gives a broad look at how 500 of the largest companies in aggregate market value have performed. The performance of the index does not reflect deductions for fees, expenses or taxes.

Evolution Market Leaders Fund

Total Return for the Calendar Year Ended December 31*



* Year-to-date total return as of September 30, 2009 for the Market Leaders Fund was 11.63%.

Fund	Highest Quarterly Return	Lowest Quarterly Return
Market Leaders Fund	19.00% (3rd quarter 2008)	−29.95% (4th quarter 2008)

Average Annual Total Returns as of December 31, 2008*

	1 Year	Since Inception	Inception Date
Market Leaders Fund			
Return Before Taxes	−40.33%	−18.69%	1/27/06
Return After Taxes on Distributions[1]	−40.33%	−18.74%	
Return After Taxes on Distributions and Sale of Fund Shares[1][2]	−26.21%	−15.35%	
S&P 500® Index[3]	−37.00%	−9.21%	1/27/06
Wilshire 5000 Total Market Index[4]	−37.23%	−9.75%	1/27/06

* Prior to September 8, 2008, the Market Leaders Fund pursued a different investment strategy; therefore, the performance results presented reflect that of the previous investment strategy.

[1] After-tax returns are calculated using the historical highest individual federal marginal income tax rates and do not reflect the impact of state and local taxes. Actual after-tax returns depend on your tax situation and may differ from those shown. Furthermore, the after-tax returns shown are not relevant to those who hold their shares through tax-deferred arrangements such as 401(k) plans or IRAs.

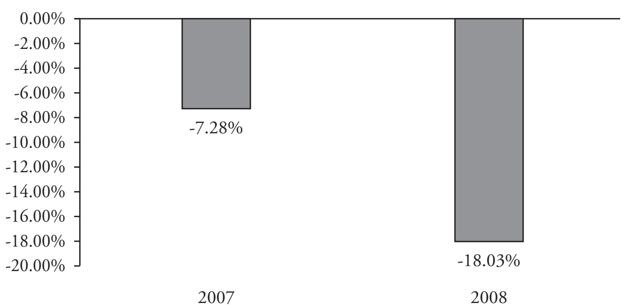
[2] The "Return After Taxes on Distributions and Sale of Fund Shares" may be higher than other return figures because when a capital loss occurs upon redemption of fund shares, a tax deduction is provided that benefits the investor.

[3] The S&P 500® Index is an unmanaged index of 500 U.S. stocks and gives a broad look at how 500 of the largest companies in aggregate market value have performed. The performance of the index does not reflect deductions for fees, expenses or taxes.

[4] The Wilshire 5000 Total Market Index represents the broadest index for the U.S. equity market, measuring the performance of all U.S. equity securities with readily available price data. Over 5,000 capitalization weighted security returns are used to adjust the index. Prior to September 8, 2008, the Market Leaders Fund pursued a different investment strategy under a different fund name; therefore, the Wilshire 5000 Total Market Index has replaced the S&P 500® Index as a more appropriate comparative benchmark.

Evolution Alternative Investment Fund

Total Return for the Calendar Year Ended December 31*



* Year-to-date total return as of September 30, 2009 for the Alternative Investment Fund was 4.93%.

Fund	Highest Quarterly Return	Lowest Quarterly Return
Alternative Investment Fund	4.31% (3rd quarter 2008)	–5.12% (4th quarter 2008)

Average Annual Total Returns as of December 31, 2008*

	1 Year	Since Inception	Inception Date
Alternative Investment Fund			
Return Before Taxes	–18.03%	–5.73%	1/26/06
Return After Taxes on Distributions[1]	–19.17%	–6.69%	
Return After Taxes on Distributions and Sale of Fund Shares[1][2]	–11.72%	–5.24%	
S&P 500® Index[3]	–37.00%	–9.21%	1/26/06
Barclays Capital U.S. Aggregate Bond Index[4]	5.24%	5.67%	1/26/06
Credit Suisse/Tremont Hedge Fund Index[5]	–19.07%	0.16%	1/26/06

* Prior to September 8, 2008, the Alternative Investment Fund pursued a different investment strategy; therefore, the performance results presented reflect that of the previous investment strategy.

(1) After-tax returns are calculated using the historical highest individual federal marginal income tax rates and do not reflect the impact of state and local taxes. Actual after-tax returns depend on your tax situation and may differ from those shown. Furthermore, the after-tax returns shown are not relevant to those who hold their shares through tax-deferred arrangements such as 401(k) plans or IRAs.

(2) The "Return After Taxes on Distributions and Sale of Fund Shares" may be higher than other return figures because when a capital loss occurs upon redemption of fund shares, a tax deduction is provided that benefits the investor.

(3) The S&P 500® Index is an unmanaged index of 500 U.S. stocks and gives a broad look at how 500 of the largest companies in aggregate market value have performed. The performance of the index does not reflect deductions for fees, expenses or taxes.

(4) The Barclays Capital U.S. Aggregate Bond Index (formerly known as the Lehman U.S. Aggregate Bond Index) is an unmanaged, market value weighted index of investment grade, fixed-rate debt issues, including government, corporate, asset-backed, and mortgage-backed securities, with maturities of at least one year. The performance of the index does not reflect deductions for fees, expenses or taxes.

(5) The Credit Suisse/Tremont Hedge Fund Index is an asset-weighted benchmark that measures hedge fund performance. Prior to September 8, 2008, the Market Leaders Fund pursued a different investment strategy under a different fund name; therefore, the Credit Suisse/Tremont Hedge Fund Index has replaced the S&P 500® Index and the Barclays Capital U.S. Aggregate Bond Index as a more appropriate comparative benchmark.

Fees and Expenses of the Funds The tables below describe the fees and expenses that you may pay if you buy and hold shares of the Funds. The expenses below are based on actual expenses incurred for each Fund for the fiscal year ended August 31, 2009.

Shareholder Fees[1] (fees paid directly from your investment):

Maximum Sales Charge Imposed on Purchases (as a % of offering price)	None
Maximum Deferred Sales Charge (as a % of original purchase price or sales proceeds, whichever is less)	None

Annual Operating Expenses (expenses that are deducted from Fund assets):

	Evolution Managed Bond Fund	Evolution All-Cap Equity Fund	Evolution Market Leaders Fund	Evolution Alternative Investment Fund
Management Fees	1.00%	1.00%	1.00%	1.00%
Distribution and/or Service (12b-1) Fees	0.25%	0.25%	0.25%	0.25%
Other Expenses[2]				
(Includes a Shareholder Services Fee of 0.15%)	0.65%	0.65%	0.65%	0.65%
Acquired Fund Fees and Expenses[3]	0.25%	0.06%	0.35%	0.70%
Total Annual Fund Operating Expenses[3][4]	2.15%	1.96%	2.25%	2.60%

(1) You will be assessed a $15 fee for outgoing wire transfers, and $25 for returned checks and stop payment orders by U.S. Bancorp Fund Services, LLC, the Funds' transfer agent. Please note that this fee is subject to change.

(2) The Adviser is contractually obligated to pay all expenses of the Funds other than the following: management fees, distribution and/or service fees, shareholder servicing fees, acquired fund fees and expenses, taxes, leverage interest, dividends or interest on short positions, other interest expenses, brokerage commissions, expenses incurred in connection with any merger or reorganization and extraordinary expenses such as litigation or other expenses outside the typical day-to-day operations of the Funds. This agreement may be terminated at any time by the Board of Trustees.

(3) The Funds are required to disclose Acquired Fund Fees and Expenses in the fee table above. Acquired Fund Fees and Expenses are indirect fees that a Fund incurs from investing in the shares of other mutual funds ("Acquired Fund(s)"). The indirect fee represents a pro rata portion of the cumulative expenses charged by the Acquired Fund. Acquired Fund Fees and Expenses are reflected in the Acquired Fund's net asset value. Because the Total Annual Fund Operating Expenses in the table above include Acquired Fund Fees and Expenses, they do not correlate to the ratio of Expenses to Average Net Assets found within the "Financial Highlights" section of this prospectus. Without Acquired Fund Fees and Expenses, the Total Annual Fund Operating Expenses would have been 1.90% for each Fund.

(4) As part of the Funds' investment strategy, they may take short positions in securities. During the fiscal year ended August 31, 2009, the Funds did not enter into short positions and, thus, no additional expenses associated with these positions are included in the calculation above.

Expense Example

The table below is intended to help you compare the cost of investing in a class of shares of the Funds with the cost of investing in other mutual funds. The table shows what you would have paid if you invested $10,000 in the Funds over the periods shown and then redeemed all your shares at the end of those periods. It also assumes that your investment has a 5% return each year and the operating expenses remain the same. Although your actual costs may be higher or lower, based on these assumptions your costs would be:

	1 Year	3 Years	5 Years	10 Years
Evolution Managed Bond Fund	$218	$673	$1,154	$2,483
Evolution All-Cap Equity Fund	$199	$615	$1,057	$2,285
Evolution Market Leaders Fund	$228	$703	$1,205	$2,585
Evolution Alternative Investment Fund	$263	$808	$1,380	$2,934

Share Prices of the Funds

A fund's share price is known as its NAV. Each Fund's Investor Class share price is calculated after the close of regular trading, usually as of 4:00 p.m. Eastern time, each day the New York Stock Exchange ("NYSE") is open for business. All shareholder transaction orders received in good form by the Funds' transfer agent or an authorized financial intermediary by the close of regular trading (generally 4:00 p.m. Eastern time) will be processed at that day's NAV. Transaction orders received after 4:00 p.m. Eastern time will receive the next business day's NAV.

Share price is calculated by dividing each Fund's net assets by its shares outstanding. The Funds use the following methods to price securities held in their portfolios:

- Equity securities, over-the-counter ("OTC") securities, ETFs, closed-end investment companies, swap agreements, options, futures and options on futures are valued at their last sales price, or if not available, the average of the last bid and ask prices;
- Securities primarily traded in the NASDAQ Global Market® are valued using the NASDAQ® Official Closing Price ("NOCP");
- 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 closing bid and asked prices provided by the Funds' pricing service or, if such prices are unavailable, by a pricing matrix method; and
- Securities for which reliable market quotations are not readily available, the Funds' pricing service does not provide a valuation for such securities, the Funds' pricing service provides a valuation that in the judgment of the Adviser does not represent fair value, or the Funds or the Adviser believes the market price is stale will be valued at fair value estimates by the Adviser under the supervision of the Board of Trustees.

Fair Value Pricing. Portfolio securities and other assets are valued chiefly by market prices from the primary market in which they are traded. Securities are priced at a fair value as determined by the Adviser, under the supervision of the Board of Trustees, when reliable market quotations are not readily available, the Funds' pricing service does not provide a valuation for such securities, the Funds' pricing service provides a valuation that in the judgment of the Adviser does not represent fair value, the Adviser believes that the market price is stale, or an event that affects the value of an instrument (a "Significant Event") has occurred since the closing prices were established, but before the time as of which the Funds calculate their NAVs. Examples of Significant Events may include: (1) events that relate to a single issuer or to an entire market sector; (2) significant fluctuations in domestic or foreign markets; or (3) occurrences not tied directly to the securities markets, such as natural disasters, armed conflicts, or significant government actions. If such Significant Events occur, the Funds may value the instruments at fair value, taking into account such events when it calculates each Fund's NAV. Fair value determinations are made in good faith in accordance with procedures adopted by the Board of Trustees. In addition, the Funds may also fair value an instrument if trading in a particular instrument is halted and does not resume prior to the closing of the exchange or other market.

Attempts to determine the fair value of securities introduce an element of subjectivity to the pricing of securities. As a result, the price of a security determined through fair valuation techniques may differ from the price quoted or published by other sources and may not accurately reflect the market value of the security when trading resumes. If a reliable market quotation becomes available for a security formerly valued through fair valuation techniques, Rafferty compares the market quotation to the fair value price to evaluate the effectiveness of the Funds' fair valuation procedures.

Rule 12b-1 and Shareholder Service Fees

The Funds have adopted an Investor Class distribution plan under Rule 12b-1 which allows each Fund to charge up to 0.25% of that Fund's average Investor Class daily net assets to pay for distribution and services provided to Fund shareholders. The Board of Trustees has also authorized the Funds to charge up to 0.15% of each Fund's average Investor Class daily net assets to pay for shareholder services provided to Fund shareholders. Because the 12b-1 fees and shareholder services fees are paid out of the Funds' Investor Class assets on an on-going basis, over time these fees will increase the cost of your investment and may cost you more than paying other types of sales charges.

How to Invest in Shares of the Funds

You may invest in the Funds through traditional investment accounts, IRAs (including Roth IRAs), self-directed retirement plans or company-sponsored retirement plans. Account Applications and descriptions of any service fees for retirement or other accounts are available directly from the Direxion Funds. You may invest directly with the Funds or through certain financial intermediaries. Any transaction effected through a financial intermediary may be subject to a processing fee. In addition, the Funds may allow for purchases through an Automatic Investment Plan.

Shares of the Funds have not been registered for sale outside of the United States. The Funds generally do not sell shares to investors residing outside of the United States, even if they are United States citizens or lawful permanent residents, except to investors with United States military APO or FPO addresses.

Minimum Investment. The minimum initial and subsequent investments set forth below may be invested in as many of the Direxion Funds as you wish. However, you must invest at least $1,000 in any one of the Funds. For example, if you decide to invest $10,000 in three of the Direxion Funds, you may allocate your minimum initial investment as $8,000, $1,000 and $1,000.

	Minimum Initial Investment	Subsequent Investment
Regular Accounts	$10,000	$1,000
Retirement Accounts	$10,000	$ 0

Rafferty may waive these minimum requirements at its discretion. Contact Rafferty for further information.

Good Form. Good form means that your purchase (whether direct or through a financial intermediary) is complete and contains all necessary information; has all supporting documentation (such as trust documents, beneficiary designations, proper signature guarantees, IRA rollover forms, etc.); and is accompanied by sufficient purchase proceeds. For a purchase request to be in good form, it must include (1) the name of the Fund; (2) the dollar amount of shares to be purchased; and (3) your purchase application or investment stub. An Account Application that is sent to the Funds' transfer agent does not constitute a purchase order until the transfer agent processes the Account Application and receives correct payment by check or wire transfer.

Purchasing Shares

By Mail:

- Complete and sign your Account Application.
- Indicate the Fund and the amount you wish to invest.
- Mail your check (payable to "Direxion Funds") along with the completed Account Application to:

Regular Mail	Express/Overnight Mail
Direxion Funds - Investor Class c/o U.S. Bancorp Fund Services, LLC P.O. Box 701 Milwaukee, Wisconsin 53201-0701	Direxion Funds - Investor Class c/o U.S. Bancorp Fund Services, LLC Mutual Fund Services - 3rd Floor 615 East Michigan Street Milwaukee, Wisconsin 53202

The Funds do not consider the U.S. Postal Service or other independent delivery services to be their agents.

- The Funds will not accept payment in cash or money orders. The Funds also do not accept cashier's checks in amounts of less than $10,000. In addition, to prevent check fraud, the Funds do not accept third party checks, U.S. Treasury checks, credit card checks, traveler's checks, or starter checks for the purchase of shares. The Funds are unable to accept post-dated checks, post-dated on-line bill pay checks or any conditional order or payment.
- All purchases must be made in U.S. dollars through a U.S. bank.
- If your check does not clear, you will be charged a $25.00 fee. In addition, you may be responsible for losses sustained by the Funds for any returned payment.
- You will receive written confirmation by mail, but we do not issue share certificates.
- The Funds' transfer agent will verify certain information from investors as part of the Funds' anti-money laundering program.

The USA PATRIOT Act of 2001 requires financial institutions, including the Funds, to adopt certain policies and programs to prevent money laundering activities, including procedures to verify the identity of customers opening new accounts. When completing a new Account Application, you will be required to supply your full name, date of birth, social security number and permanent street address to assist in verifying your identity. Mailing addresses containing only a P.O. Box will not be accepted. Until such verification is made, the Funds may temporarily limit additional share purchases. In addition, the Funds may limit additional share purchases or close an account if they are unable to verify a shareholder's identity. As required by law, the Funds may employ various procedures, such as comparing the information to fraud databases or requesting additional information or documentation from you, to ensure that the information supplied by you is correct.

If the Funds do not have a reasonable belief in the identity of a shareholder, the account will be rejected or the shareholder will not be allowed to perform a transaction on the account until such information is received. The Funds may also reserve the right to close the account within five business days if clarifying information and/or documentation is not received.

By Bank Wire Transfer:

Initial Investment — By Wire

- If you are making an initial investment in the Funds, before you wire funds, please contact the Funds' transfer agent by phone to make arrangements with a telephone service representative to submit your completed Account Application via mail, overnight delivery, or facsimile. Upon receipt of your Account Application, your account will be established and a service representative will contact you within 24 hours to provide an account number and wiring instructions. You may then contact your bank to initiate the wire using the instructions you were given.

For Subsequent Investments — By Wire

Before sending your wire, please contact the Funds' transfer agent to advise them of your intent to wire funds. This will ensure prompt and accurate credit upon receipt of your wire.

U.S. Bank, N.A.
777 East Wisconsin Avenue
Milwaukee, Wisconsin 53202
ABA number: 075000022
For credit to U.S. Bancorp Fund Services, LLC
Account Number 112-952-137
For further credit to the Direxion Funds
(Your name)
(Your account number)
(Name of Fund(s) to purchase) — Investor Class

- Your bank may charge a fee for such services.
- Wired funds must be received prior to the close of regular trading (generally 4:00 p.m., Eastern time) to be eligible for same day pricing. The Funds and U.S. Bank, N.A. are responsible for the consequences of delays from the banking or Federal Reserve.

By Telephone:

- Investors may purchase additional shares of the Funds by calling the Funds at (800) 851-0511. If you elected this option on your account application and your account has been open for at least 15 days, telephone orders will be accepted via electronic funds transfer from your bank account through the Automated Clearing House ("ACH") network. You must have banking information established on your account prior to making a purchase. Each telephone purchase order must be a minimum of $1,000. Your shares will be purchased at the NAV calculated on the day your order is placed, provided that your order is received prior to the close of regular trading (generally 4 p.m., Eastern time).

Through Financial Intermediaries:

- Select financial intermediaries are authorized to offer shares of the Funds.
- These financial intermediaries can help you complete the necessary paperwork, mail your Account Application to the Direxion Funds and place your order to purchase shares of the Funds.
- Financial intermediaries are responsible for placing orders promptly with the Funds and forwarding payment promptly, as well as ensuring that you receive copies of the Funds' Prospectus. Financial intermediaries may charge fees for the services they provide to you in connection with processing your transaction order or maintaining your account with them. Each intermediary also may have its own rules about share transactions, limits on the number of share transactions you are permitted to make in a given time period, and may have earlier cut-off times for processing your transaction. For more information about your financial intermediary's rules and procedures, you should contact your financial intermediary directly.

Automatic Investment Plan:

- For your convenience, the Funds offer an Automatic Investment Plan ("AIP"). Under the AIP, after you make your initial minimum investment of $10,000, you authorize the Funds to withdraw the amount you wish to invest from your personal bank account on a monthly basis. The AIP requires a minimum monthly investment of $1,000. If you wish to participate in the AIP, please complete the "Automatic Investment Plan" section on the Account Application or call the Funds at (800) 851-0511. In order to participate in the AIP, your bank or financial institution must be a member of the ACH network. The Funds may terminate or modify this privilege at any time. You may change your investment amount or terminate your participation in the AIP at any time by notifying the Funds' transfer agent by telephone or in writing, five days prior to the effective date of the next transaction. A fee, currently $25, will be imposed if your AIP transaction is returned.

How to Exchange Shares of the Funds

You may exchange Investor Class shares of your current Fund(s) for Investor Class shares of any other Direxion Fund (including Direxion Funds not offered in this Prospectus) at the next determined NAV after receipt of your order in good form without any charges. To make an exchange:

- Write or call the Funds' transfer agent or your financial intermediary.
- Provide your name, account number, which Funds are involved, and the number, percentage or dollar value of shares to be exchanged.
- The Funds can only honor exchanges between accounts registered in the same name and having the same address and taxpayer identification number.
- You must exchange at least $1,000 or, if your account value is less than that, your entire account balance will be exchanged.
- You may exchange by telephone unless you declined telephone exchange privileges on your Account Application. If you previously declined telephone exchange privileges and would like to add this option to your account, please contact the Funds at (800) 851-0511 for instructions.
- You may exchange through the Internet by visiting the Direxion Funds' website at *www.direxionfunds.com* and activating your account.

How to Sell Shares of the Funds

Generally

- You may sell all or part of your investment in the Funds at the next determined NAV after we receive your order.
- Redemption proceeds from any sales of shares will normally be sent within seven days from the time a Fund receives your request in good order.
- For investments that have been made by check, payment on sales requests may be delayed until the Funds' transfer agent is reasonably satisfied that the purchase payment has been collected by the Fund, which may require up to 10 calendar days.
- Your proceeds will be sent via check, wire or electronic funds transfer through the ACH network using the address or bank account listed on the transfer agent's records.
- Shareholders who have an IRA or other retirement plan must indicate on their redemption request whether to withhold federal income tax. Redemption requests failing to indicate an election not to have tax withheld will generally be subject to 10% withholding.
- The Funds also offer a Systematic Withdrawal Plan for shareholders who require periodic payments, such as those from IRAs. For more information on this option, please contact the Funds at (800) 851-0511.

By Telephone or By Mail:

- Call or write the Funds (see the address and telephone number above).
- You may sell shares of the Funds by telephone unless you declined telephone redemption privileges on your Account Application. If you previously declined telephone redemption privileges, you may request telephone redemption privileges by sending a written request to the Funds' transfer agent with your signature guaranteed. If you have questions, please contact the Funds at (800) 851-0511.
- IRA accounts are not eligible for telephone redemption privileges.
- Provide your name, account number, which Fund and the number, percentage or dollar value of shares to sell. The maximum amount that may be redeemed by telephone is $100,000.

By Wire Transfer:

- Call the Direxion Funds.
- Provide your name, account number, which Fund and the number, percentage or dollar value of shares to sell.
- You will be charged a wire transfer fee of $15.00, which will be deducted from your account balance on dollar specific redemption requests or from the proceeds on share specific requests. This fee is in addition to any fees that may be imposed by your bank.
- Your proceeds will be wired only to the bank listed on the Funds' transfer agent's records.

Through Financial Intermediaries:

- If your shares of the Funds were purchased through your Financial Advisor, initiate your sales order by contacting your Financial Advisor.

• Payment can be directed to your account days after a financial intermediary places your order.

Account and Transaction Policies

Order Policies. There are certain times when you may be unable to sell Investor Class shares of the Funds or proceeds may be delayed. This may occur during emergencies, unusual market conditions or when the Funds cannot determine the value of their assets or sell their holdings. The Funds reserve the right to reject any purchase order or suspend offering of their shares. Generally, a Fund may reject a purchase if it is disruptive to the efficient management of the Fund.

Certain transactions through a financial intermediary may not be deemed in good form if such financial intermediary failed to notify the Funds of such trade or trades by the close of regular trading (generally 4:00 p.m. Eastern time). In particular, financial intermediaries that transact in shares of the Funds through the Fundserv system must, in many cases, notify the Funds of trades before placing them in the Fundserv system. In the event that a financial intermediary transacts in shares of the Funds through the Fundserv system without notifying the Funds of such trades in advance, such transaction may be deemed not to have been received in good order. In practice, this means that a confirmation from a financial intermediary is not binding on the Funds. In the event that a trade is deemed not to have been received in good form, for whatever reason, a purchase, redemption or exchange request may be rejected or canceled and, in the event of a redemption which is canceled, the Funds shall have the right to a return of proceeds. Cancellation of a trade is processed at the NAV at which the trade was originally received and is ordinarily completed the next business day. Please contact your financial intermediary to determine how it processes transactions in shares of the Funds.

Telephone Transactions. For your protection, the Funds may require some form of personal identification prior to accepting your telephone request such as verification of your social security number, account number or other information. We also may record the conversation for accuracy. During times of unusually high market activity or extreme market changes, you should be aware that it may be difficult to place your request in a timely manner. In addition, once a telephone transaction has been placed, it cannot be canceled or modified.

Signature Guarantees. In certain instances when you sell Investor Class shares of the Funds, we will need your signature guaranteed. Signature guarantees may be available at your bank, stockbroker or a national securities exchange. A notary public cannot guarantee signatures. Your signature must be guaranteed if:

- You are changing your account ownership;
- Your account registration or address has changed in the last 30 days;
- Redemption proceeds are payable and sent to any person, address or bank account other than the one listed on record with the Funds;
- The sale is greater than $100,000;
- You are establishing or modifying certain services on an account; or
- There are other unusual situations as determined by the Funds' transfer agent.

Low Balance Accounts. If your total account balance falls below $10,000 due to withdrawals, then we may sell your shares of the Funds. We will inform you in writing 30 days prior to selling your shares. If you do not bring your total account balance up to $10,000 within 30 days, we may sell your shares and send you the proceeds. We will not sell your shares if your account value falls due to market fluctuations.

Redemption In-Kind. The Funds reserve the right to pay redemption proceeds to you in whole or in part by a distribution of securities from a Fund's portfolio. It is not expected that the Funds would do so except in unusual circumstances. If a Fund pays your redemption proceeds by a distribution of securities, you could incur brokerage or other charges in converting the securities to cash and will bear any market risks associated with such securities until they are converted into cash.

Excessive Trading. Each Fund is intended for long-term investors. Short-term "market-timers" who engage in frequent purchases and redemptions may disrupt the Funds' investment program and create additional transaction costs that are borne by all shareholders. The Board of Trustees has adopted a policy regarding excessive trading. Shares of the Funds are offered exclusively to the clients of FPI, in which the Funds' Subadviser generally initiates transactions in shares of the Funds. As a result, the Funds do not currently impose any trading restrictions or redemption fees on Fund shareholders.

However, the Funds discourage excessive, short-term trading and other abusive trading practices and the Funds may use a variety of techniques to monitor trading activity and detect abusive trading practices. As approved by the Board of Trustees, these techniques may change from time to time as determined by the Funds in their sole discretion.

In an effort to discourage abusive trading practices and minimize harm to the Funds and their shareholders, the Funds reserve the right, in its sole discretion, to identify trading practices as abusive. The Funds further reserve the right to refuse purchase requests from an account that a Fund has identified as engaging in abusive trading practices or any individuals or groups who, in each Fund's view, are likely to engage in market timing or excessive trading. In making such judgments, the Funds seek to act in a manner that they believe is consistent with the best interests of shareholders.

Due to the complexity and subjectivity involved in identifying abusive trading activity and the volume of shareholder transactions each Fund handles, there can be no assurance that the Funds' efforts will identify all trades or trading practices that may be considered abusive. In particular, since each Fund receives purchase and sale orders through financial intermediaries that use group or omnibus accounts, the Funds cannot always detect frequent trading. As a consequence, the Funds' ability to monitor and discourage abusive trading practices in omnibus accounts may be limited.

Management of the Funds

Rafferty Asset Management, LLC ("Rafferty") provides investment services to the Funds. Rafferty has been managing mutual funds since June 1997. Rafferty is located at 33 Whitehall Street, 10th Floor, New York 10004. As of September 30, 2009, the Adviser had approximately $5.8 billion in assets under management.

Under an investment advisory agreement ("Advisory Agreement") between the Direxion Funds and Rafferty, each Fund pays Rafferty fees at an annualized rate of 1.00% of a Fund's average daily net assets. For the fiscal year ended August 31, 2009, the Adviser received net management fees as a percentage of average daily net assets of 1.00% from the Managed Bond Fund and the All-Cap Equity Fund, 0.95% from the Market Leaders Fund and 0.93% from the Alternative Investments Fund.

Rafferty has retained FPI to serve as Subadviser to the Funds under an investment subadvisory agreement ("Subadvisory Agreement"). FPI is located at 3883 Telegraph Road, Suite 100, Bloomfield Hills, Michigan, 48302. FPI was founded in Bloomfield Hills, Michigan in 1981 by its President, Jerry C. Wagner. FPI provides investment management services to individuals, pension and profit plans and non-profit organizations. It is expected that the assets in the Funds will come from individuals with whom FPI has a contractual relationship pursuant to which FPI provides investment management and other services for a fee. In addition to the subadvisory fee, FPI may receive from the Trust Rule 12b-1 and/or Shareholder Service Fees for providing certain shareholder services to clients of FPI who are shareholders in the Funds. FPI reduces any amounts due FPI under contractual relationships with its clients by amounts received from Rafferty and the Funds.

A discussion regarding the basis on which the Board of Trustees approved the Advisory Agreement and Subadvisory Agreement is included in the Funds' Annual Report to shareholders for the period ended August 31, 2009.

An investment team from FPI consisting of Mr. Wagner and Dr. George Yang, manages the Funds' assets under the supervision of Rafferty. Under the Subadvisory Agreement, FPI directs the allocation of the Funds' assets among various investment vehicles selected by FPI. Rafferty implements FPI's allocation decisions for each Fund by placing all brokerage orders for the purchase and sale of those securities.

Mr. Wagner has served as portfolio manager to the Funds since their inception. Mr. Wagner has been President, Director and sole shareholder of FPI since its organization in 1981.

Dr. Yang serves as co-portfolio manager of the Funds and joined FPI in July 2008 as of Director of Research, following a 10-year engineering career developing quantitative and analytical methods in the automotive industry. Dr. Yang holds an MBA from the University of Michigan, a Ph.D. from Cornell University and a Bachelor of Science from the University of Science and Technology of China. He has been a member of the Global Association of Risk Professionals (GARP) since 2006. Dr. Yang was a winner of Henry Ford Technology Award from Ford Motor Company in 1999.

The Funds' SAI provides additional information about the compensation of the Funds' portfolio managers, other accounts they manage, and their ownership of securities of the Funds.

PORTFOLIO HOLDINGS INFORMATION

A description of the Funds' policies and procedures with respect to the disclosure of each Fund's portfolio securities is available in the Funds' Statement of Additional Information. Currently, disclosure of each Fund's holdings is required to be made quarterly within 60 days of the end of each fiscal quarter in the Annual Report and Semi-Annual Report to Fund shareholders and in the quarterly holdings report on Form N-Q. The Annual and Semi-Annual Reports will be available by contacting the Direxion Funds, c/o U.S. Bancorp Fund Services, LLC, P.O. Box 701, Milwaukee, Wisconsin 53201-0701 or calling (800) 851-0511.

DISTRIBUTIONS AND TAXES

Distributions. Each Fund distributes dividends from its net investment income, and any realized net capital gains, at least annually, though a Fund may make distributions more frequently.

Net investment income generally consists of interest income and dividends received on investments, less expenses. A Fund realizes capital gains when it sells its portfolio assets for a profit. The tax consequences will vary depending on how long a Fund held the assets that were sold, not how long you held your Fund shares. Distributions of net gains on sales of assets held for one year or less are taxed as dividends (that is, ordinary income). Gains on sales of assets held longer than one year (long-term capital gains) are taxed at lower capital gains rates (a maximum of 15% for individual shareholders). Each Fund does not seek to provide distributions of long-term capital gains.

Dividends and capital gain distributions (collectively, "distributions") will be reinvested in additional Fund shares automatically at the NAV unless you request otherwise in writing. Normally, distributions are taxable to shareholders per share received in cash or reinvested. If you elect to receive distributions from a Fund by check and the U.S. Postal Service cannot deliver the check or the check remains uncashed for six months, the Fund reserves the right to reinvest the check in your account at the applicable Funds' then current NAV per share and to reinvest all subsequent distributions in shares of the Fund until an updated address is received.

Taxes. The following table illustrates the potential tax consequences for taxable accounts:

Type of Transaction	Tax Status*
Dividend (other than "qualified dividend income ("QDI")) distribution	Ordinary income rate
Distribution of QDI (see below)	Long-term capital gains rate
Distribution of net short-term capital gains	Ordinary income rate
Distribution of net long-term capital gains	Long-term capital gains rate
Sale or exchange of Fund shares owned for more than one year	Long-term capital gains or losses
Sale or exchange of Fund shares owned for one year or less	Gains are taxed at the same rate as ordinary income; losses are subject to special rules

* Tax consequences for tax-deferred retirement accounts (such as IRAs) or non-taxable shareholders may be different. You should consult your tax specialist for more information about your personal situation.

QDI consists of dividends a Fund receives from most U.S. corporations and "qualified foreign corporations," provided that the Fund satisfies certain holding periods, debt-financing and other requirements regarding the stock on which the dividends were paid. A Fund's dividends attributable to its "QDI" are subject to the long-term capital gains rate, a maximum federal rate of 15% for shareholders who are individuals and satisfy those restrictions regarding their Fund shares. These special rules generally apply to taxable years beginning before January 1, 2011.

If you are a non-retirement account shareholder of a Fund, then each year we will send you a Form 1099 that tells you the amount of Fund distributions you received for the prior calendar year, the tax status of those distributions and a list of reportable sale transactions. Normally, distributions are taxable in the year you receive them. However, any distributions declared in the last three months of a calendar year and paid in January of the following year generally are taxable as if received on December 31 of the year they are declared.

If you are a non-corporate shareholder of a Fund and do not provide the Fund with your correct taxpayer identification number (normally your social security number), the Fund is required to withhold 28% of all distributions and redemption proceeds otherwise payable to you for Funds. If you are otherwise subject to backup withholding, we also are required to withhold and pay to the Internal Revenue Service ("IRS") 28% of your distributions. Any tax withheld may be applied against your tax liability when you file your tax return.

MASTER/FEEDER OPTION

A Fund may in the future operate under a master/feeder structure. This means that a Fund would be a "feeder" fund that attempts to meet its objective by investing all its investable assets in a "master" fund with the same investment objective. The "master" fund would purchase securities for investment. It is expected that any such investment company would be managed by Rafferty in substantially the same manner as the Funds. If permitted by law at that time, the Board of Trustees may approve the implementation of such a structure for one or more Funds without seeking shareholder approval. However, the Trustees' approval will be given only if the investments in the master fund(s) is (are) in the best interests of each Fund and its shareholders. In making that determination, the Trustees will consider, among other things, the benefits to shareholders and/or the opportunity to reduce costs and achieve operational efficiencies. You also will receive a 30-day notice prior to the implementation of the master/feeder structure for your fund.

FINANCIAL HIGHLIGHTS

The financial highlights table is intended to help you understand the financial performance of the Investor Class shares of the Funds for the periods indicated. The information shown below was audited by Ernst & Young LLP, whose report, along with the Funds' financial statements, are included in the Annual Report, which is available upon request. Certain information reflects financial results for a single Investor Class share. The total returns in the table represent the rate that an investor would have earned (or lost) on an investment in the Fund (assuming reinvestment of all dividends and distributions).

												Ratios to Average Net Assets					
												Including Short Dividends		Excluding Short Dividends			
Year/Period	Net Asset Value, Beginning of Year/Period	Net Investment Income (Loss)[3]	Net Realized and Unrealized Gain (Loss) on Investments[4]	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[5]	Net Assets, End of Year/Period (,000)	Total Expenses[1]	Net Expenses[1]	Total Expenses[1]	Net Expenses[1]	Net Investment Income (Loss) After Expense Reimbursement/ Recoupment[1]	Portfolio Turnover Rate[6]
Evolution Managed Bond Fund																	
Year Ended August 31, 2009	$16.41	$ 0.37	$ 0.12	$ 0.49	$(0.33)	$ —	$ —	$(0.33)	$16.57	3.04%	$ 47,765	—	—	1.88%	1.87%	2.32%	425%
Year ended August 31, 2008	16.83	0.59	(0.30)	0.29	(0.71)	—	—	(0.71)	16.41	1.78%	26,242	—	—	1.90%	1.75%	3.51%	439%
Year ended August 31, 2007	17.45	0.64	(0.51)	0.13	(0.75)	—	—	(0.75)	16.83	0.76%	39,736	—	—	1.75%	1.75%	3.70%	914%
Year ended August 31, 2006	18.20	0.46[7]	(0.70)	(0.24)	(0.51)	—	—	(0.51)	17.45	(1.26%)	46,932	1.86%	1.84%	1.81%	1.79%[9]	2.70%[8]	1,156%
Year ended August 31, 2005	18.73	0.86[7]	(0.41)	0.45	(0.98)	—	—	(0.98)	18.20	2.41%	14,642	2.12%	2.03%	2.09%	2.00%	4.63%[8]	941%
Evolution All-Cap Equity Fund																	
Year Ended August 31, 2009	18.55	(0.07)	(3.65)	(3.72)	—	—	—	—	14.83	(20.05%)	43,472	—	—	1.87%	1.85%	(0.48%)	1,977%
Year ended August 31, 2008	24.31	(0.06)	(1.96)	(2.02)	—	(3.74)	—	(3.74)	18.55	(10.07%)	35,137	—	—	1.84%	1.75%	(0.27%)	1,374%
Year ended August 31, 2007	22.75	0.03	2.67	2.70	(0.19)	(0.95)	—	(1.14)	24.31	12.03%	64,247	—	—	1.69%	1.69%	0.10%	885%
Year ended August 31, 2006	21.24	0.20	2.03	2.23	—	(0.72)	—	(0.72)	22.75	10.61%	112,721	—	—	1.67%	1.69%[9]	0.88%	1,119%
Year ended August 31, 2005	17.55	(0.23)	3.92	3.69	—	—	—	—	21.24	21.03%	20,184	—	—	1.97%	2.00%	(1.14%)	1,374%
Evolution Market Leaders Fund																	
Year Ended August 31, 2009	16.68	(0.02)	(5.31)	(5.33)	—	—	—	—	11.35	(31.95%)	45,077	—	—	1.95%	1.90%	(0.16%)	1,697%
Year ended August 31, 2008	18.80	0.07	(2.10)	(2.03)	(0.06)	—	(0.03)	(0.09)	16.68	(10.86%)	17,298	—	—	1.96%	1.75%	0.38%	1,191%
Year ended August 31, 2007	18.12	(0.03)	0.78	0.75	(0.07)	—	—	(0.07)	18.80	4.06%	31,637	—	—	1.85%	1.75%	(0.17%)	886%
January 27, 2006[10] to August 31, 2006	20.00	0.06	(1.94)	(1.88)	—	—	—	—	18.12	(9.40%)[2]	53,795	—	—	1.84%	1.75%	0.50%	864%[2]
Evolution Alternative Investment Fund																	
Year Ended August 31, 2009	17.63	(0.02)	(1.47)	(1.49)	(0.62)	—	—	(0.62)	15.52	(8.35%)	20,102	—	—	1.99%	1.90%	(0.10%)	785%
Year ended August 31, 2008	20.48	0.45	(2.60)	(2.15)	(0.06)	(0.64)	—	(0.70)	17.63	(10.77%)	25,037	—	—	1.89%	1.75%	2.32%	777%
Year ended August 31, 2007	20.65	0.32	(0.03)	0.29	(0.32)	(0.14)	—	(0.46)	20.48	1.35%	46,115	—	—	1.72%	1.75%	1.46%	824%
January 26, 2006[10] to August 31, 2006	20.00	0.22	0.49	0.71	(0.06)	—	—	(0.06)	20.65	3.57%[2]	58,519	—	—	1.82%	1.75%	1.88%	642%[2]

1 Annualized.
2 Not annualized.
3 Net investment income (loss) per share represents net investment income (loss) divided by the daily average shares of beneficial interest outstanding throughout each period.
4 The amounts shown may not correlate with aggregate gains and losses of portfolio securities due to timing of subscriptions and redemptions of Fund shares.
5 All returns reflect reinvested dividends, if any, but do not reflect the impact of taxes.
6 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.
7 Net investment income (loss) before dividends on short positions for the year ended August 31, 2006 and 2005 and the period ended August 31, 2004 was $0.47, $0.86 and $0.23, respectively.
8 Net investment income (loss) ratio included dividends on short positions. The ratio excluding dividends on short positions for the year ended August 31, 2006, 2005 and the period ended August 31, 2004 was 2.75%, 4.66% and 2.95%, respectively.
9 For the period September 1, 2005 to December 29, 2005 the annual cap on expenses excluding short dividends was 2.00%.
10 Commencement of operations.

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 Prospectus.

INVESTOR CLASS

PROSPECTUS December 29, 2009

33 Whitehall Street, 10th Floor New York, New York 10004 (800) 851-0511

Evolution Managed Bond Fund
Evolution All-Cap Equity Fund
Evolution Market Leaders Fund
Evolution Alternative Investment Fund

MORE INFORMATION ON THE DIREXION FUNDS

Statement of Additional Information ("SAI"):

The Funds' SAI contains more information on the Funds and their investment policies. The SAI is incorporated in this Prospectus by reference (meaning it is legally part of this Prospectus). A current SAI is on file with the Securities and Exchange Commission ("SEC").

Annual and Semi-Annual Reports to Shareholders:

The Funds' reports provide additional information on their investment holdings, performance data and a letter discussing the market conditions and investment strategies that significantly affected the Funds' performance during that period.

To Obtain the SAI or Fund Reports Free of Charge:

Write to:	Direxion Funds P.O. Box 701 Milwaukee, Wisconsin 53201-0701
Call:	(800) 851-0511
By Internet:	www.direxionfunds.com

These documents and other information about the Funds can be reviewed and copied at the SEC's Public Reference Room in Washington, D.C. Information on the operation of the Public Reference Room may be obtained by calling the SEC at (202) 551-8090. Reports and other information about the Funds may be viewed on-screen or downloaded from the EDGAR Database on the SEC's website at http://www.sec.gov. Copies of these documents may be obtained, after paying a duplicating fee, by electronic request at the following e-mail address: publicinfo@sec.gov, or by writing the SEC's Public Reference Section, Washington, D.C. 20549-1520.

Rafferty Capital Markets, LLC, Distributor
59 Hilton Avenue
Garden City, New York 11530

SEC File Number: 811-8243