

TNA: Direxion Small Cap Bull 3X ETF

By [Sean Ross](#) | Updated December 23, 2015 — 6:54 AM EST

SH

ADD TO WATCHLIST

TNA

53.16 **+4.52%**



Add



Launched in November of 2008, the Direxion Small Cap Bull 3X (**TNA**) exchange-traded fund (ETF) is a leveraged, high expense-ratio fund from Direxion Investments that aims to produce 300% of the daily investment results of the Russell 2000 Index. In the period between 2010 and 2015, TNA performed well, with a rate over return exceeding 35%.

Ad

Its underlying index – the Russell 2000 – is comprised of approximately 2,000 small-cap stocks within the larger Russell 3000, which includes the 3,000 largest stocks in the United States. The Russell 2000 usually represents about 10% of the total market cap of the Russell 3000. This makes TNA a small-cap focused and U.S.-centric ETF.

While TNA's management only binds itself to being 80% invested in the Russell 2000, the performance between the two mirrors very closely.

As a 3X leveraged ETF, TNA carries a **three-to-one exposure** to the performance of the Russell 2000. This means that, before fees and expenses, TNA should grow 3% for every 1% in the Russell 2000. This also works in reverse, however, and losses for TNA are equally exaggerated.

The sector composition of the Russell 2000 changes depending on changing market caps for listed U.S. companies. However, it's usual for nearly 25% to be financial services companies, with other significant exposure to health care, technology and **consumer discretionary** sectors. No single company's stock comprises more than 1% of the index.

Characteristics

ETFs rarely track their underlying indexes perfectly, but tracking errors tend to be exaggerated with leveraged funds. Errors can be caused by fund expenses -- the **expense ratio** for TNA is capped at 0.95% until September, 2016 -- index volatility, bid/ask spreads and differences in security composition between the index and the fund. These differences can also be exacerbated by brokerage fees, which are not included in the expense ratio.

TNA isn't the most expensive ETF in its category, but it isn't going to be mistaken for a Vanguard fund either. It's investment adviser, Rafferty Asset Management LLC, creates long positions by investing in a combination of small-cap index and other, leveraged equity securities.

Trending

[The Trump Economy: News and Analysis](#)

[7 Companies Amazon Is Killing](#)

[Announcing the Top 100 Most Influential Financial Advisors](#)

[Which Income Class Are You?](#)

[Investopedia's Guide to Impact Investing](#)

The fund prospectus for the Direxion Small Cap Bull 3X highlights the risk of leveraged ETFs with the following scenario: if the underlying index drops 15% in one year (unlikely, but possible), and if the bull ETF functions like it should, your investment in will loses 42.62%.

This extreme price volatility is not for all investors. Leveraged ETFs have grown in popularity, but they exaggerate the market risks of traditional equities. Since TNA is focused exclusively on small caps on U.S. exchanges, it doesn't carry the kind of diversification that many other ETFs or mutual funds provide.

Leveraged ETFs make excellent complements to a more balanced portfolio, but they don't make sense as major components due to the added risk. The trailing three-year beta for TNA is 3.06, its alpha is -4.19 and it has a five-year [Sharpe ratio](#) of 0.89, so it isn't a great play for followers of modern portfolio theory (MPT). The investment doesn't offer a yield, so all returns need to be captured through capital gains and depend on volume and liquidity.

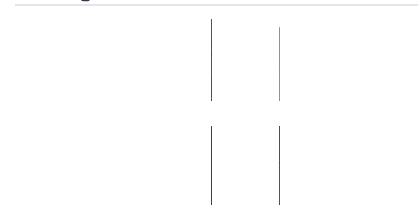
All told, the Direxion Small Cap Bull 3X ETF is a high-risk, high-reward play that is not suitable for everyone and is best utilized only by investors with experience in leveraged risk. This is also an actively managed investment and doesn't fit well into a [buy-and-hold](#) strategy.

Do you have mutual fund exposure?

SPONSORED

The [right financial advisor](#) can help you determine the best investment strategy and portfolio for your goals. GuideVine is the better way to find an advisor. [Get started today!](#) *Advisors typically work with a minimum balance of \$100k

Trading Center



Partner Links

Compare Popular Online Brokers



Ally Invest

[Ally Invest](#)

Special pricing available for active traders

[> Learn More](#)

Ads

["Holy Grail" Technology](#)

[fool.com](#)

Bill Gates' Prediction Will Give You Goosebumps

[Buy Bitcoin With Your IRA](#)

[bitcoinira.com](#)

Get a free guide to explain. Trust America's #1 Bitcoin IRA Provider.

RELATED ARTICLES



INVESTING

TNA vs. TZA: Comparing Leveraged U.S. Small-Cap Equity ETFs

Compare the differences and similarities between the Direxion Daily Small Cap Bear 3X ETF and the Direxion Daily Small Cap Bull 3X ETF.



INVESTING

TZA: Direxion Small Cap Bear 3X ETF

Find out more about the Direxion Daily Small Cap Bear 3X ETF, the characteristics of TZA and the suitability of the Direxion Daily Small Cap Bear 3X ETF.



INVESTING

The Risks Of Triple-Leveraged ETFs

New highly levered ETFs grant exposure to triple the return on an index, either short or long, but they aren't for the faint of heart.



INVESTING

FAS: Direxion Daily Financial Bull 3X ETF

Obtain a thorough review and analysis of the Direxion Daily Financial Bull 3X fund, a leveraged ETF that tracks the performance of the financial sector.



INVESTING

3 Popular Leveraged Financial ETFs in 2016 (UWTI, DWTI)

Discover how leveraged ETFs work and the risks that come with investing in them. Learn about the three largest leveraged ETFs in financial services.



INVESTING

Are Triple Leveraged ETFs a Good Idea?

Investors who are over the leverage game should consider ETFs as a way to maximize returns and increase exposure.



INVESTING

Is It A Good Idea To Invest In Triple Leveraged ETF?

Investors who are over the leverage game should consider ETFs as a way to maximize returns and increase exposure.



INVESTING

Are Triple Leveraged ETFs a Good Idea?

Investors who are over the leverage game should consider ETFs as a way to maximize returns and increase exposure.



INVESTING

The Joys And Pains Of 3X Returns

Investors who are over the leverage game should consider ETFs as a way to maximize returns and increase exposure.

Q: What are some of the best small cap index funds?

Learn about the best small-cap index funds, such as the iShares Russell 2000, IWM due to its low costs; liquidity; and diversification. [Read Answer >>](#)

Q: Are there leveraged ETFs that track the banking sector?

Learn about some of the leveraged exchange-traded funds (ETFs) that investors can use to track the banking industry within ... [Read Answer >>](#)

Q: What exactly is an ETF portfolio?

Learn what exchange-traded funds (ETFs) are and their advantages to investors, what a portfolio of ETFs is, and discover ... [Read Answer >>](#)

Q: Which leveraged ETFs can I buy to invest in the real estate sector?

Explore some of the leveraged exchange-traded funds, or ETFs, available for investors interested in leveraged exposure to ... [Read Answer >>](#)

Q: How do leveraged ETFs compound volatility? (SPXL)

Learn about the mechanics behind positive and negative compounding in leveraged ETFs and discover why negative compounding ... [Read Answer >>](#)

STOCKS:

TNA

Search Investopedia

DICTIONARY: # A B C D E F G H I J K L M N O P Q R S T U V W X Y

CONTENT LIBRARY

Articles Terms Videos Guides Slideshows FAQs Calculators Chart Advisor Stock Analysis
Stock Simulator FXtrader Exam Prep Quizzer Net Worth Calculator

CONNECT WITH INVESTC



WORK WITH INVESTOPEDIA

About Us Advertise With Us Write For Us Contact Us Careers

GET FREE NEWSLET

Newslett