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About the U.S. Equipment & Software Investment Momentum Monitor

Business leaders require actionable forward-looking intelligence to make strategic decisions. Accordingly, the Equipment Leasing & Finance Foundation commissioned Keybridge LLC to develop a series of custom leading indicators for the equipment sector. Published monthly, the “U.S. Equipment & Software Investment Momentum Monitor” consists of indices for the 12 equipment and software investment verticals listed below. These indices are designed to identify turning points in their respective investment cycles with an approximate 6-month lead time.

The Momentum Monitor is based on Keybridge’s extensive research which shows that not all movements in economic data are reliable signals of future economic trends. Keybridge has operationalized its research by constructing indices, each comprised of 10–20 high-frequency indicators. These indicators undergo rigorous testing to determine the optimal thresholds at which their short-term fluctuations are economically meaningful. In simpler terms, the Momentum Monitor sifts out the “noise” in the data and identifies the dominant trends. As a result, each Momentum Monitor index is statistically optimized to signal turning points in the investment cycle without giving false readings of shifts in momentum.

The Momentum Monitor covers 12 equipment and software verticals as defined by the U.S. Department of Commerce, Bureau of Economic Analysis.

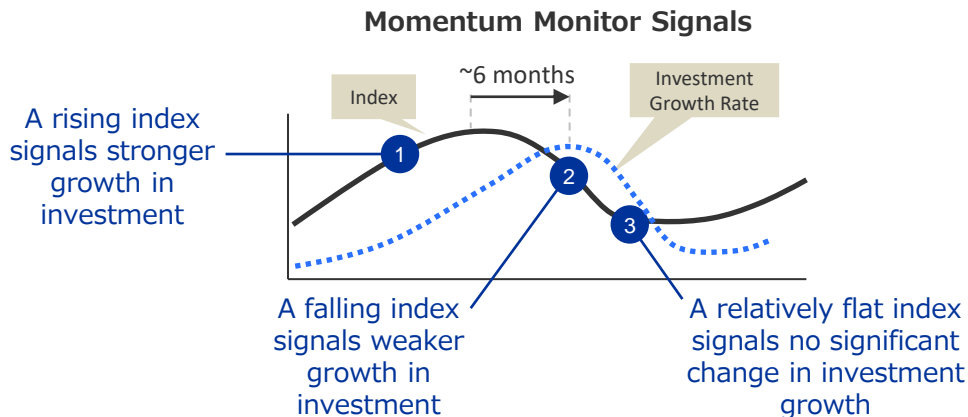
U.S. Equipment & Software Investment Momentum Monitor – 12 Verticals

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|-----------------------------------|-----------------------|
| 1) Agriculture Machinery | 7) Aircraft |
| 2) Construction Machinery | 8) Ships and Boats |
| 3) Materials Handling Equipment | 9) Railroad Equipment |
| 4) All Other industrial Equipment | 10) Trucks |
| 5) Medical Equipment | 11) Computers |
| 6) Mining & Oilfield Machinery | 12) Software |

How to Read the Monitor

Each Momentum Monitor index provides a signal of the direction and magnitude of growth in equipment investment over the next six months. It is important to note that index values do not correspond to particular growth rates. Instead, the Momentum Monitor indices should be interpreted within the context of prior index readings and investment growth rates. For example, there are several simple rules to follow when examining the latest index values:

- 1) A rising index signals that growth in investment will accelerate from the current rate;
- 2) A falling index signals that growth in investment will decelerate from the current rate; and
- 3) No change in the index signals no meaningful change from the current growth rate.



To help the reader interpret the latest Momentum Monitor signals, a summary report for each equipment vertical follows a specific outline:

Materials Handling Equipment:

- 1 Investment in Materials Handling Machinery inched up at a 0.3% annualized rate in Q4 2014 and is up 7.3% year-over-year.
- 2 The Materials Handling Momentum Index slipped from 93.5 in February to 92.5 in March.
- 3 A 23% decline in the MNI-Chicago Business Barometer and a spike in Economic Policy Uncertainty offset gains in Machinery Sales, Manufacturing Sales, and the ISM Manufacturing Suppliers Deliveries Index.
- 4 The Index's recent trend continues to indicate that growth may moderate over the next six months.

- 1) The first sentence reports the latest growth rate for investment in a given vertical. This provides a context for interpreting the order of magnitude of growth over the next six months.
- 2) The second sentence explains the latest movement in the index, indicating whether momentum is accelerating or decelerating.
- 3) The report then describes the recent movements of one or more indicators to help to explain the index's latest reading.
- 4) Finally, the report ends with an interpretation of where investment growth is heading over the next six months based the index's recent movement and historical strength.

U.S. Equipment & Software Investment Momentum Monitor

February 2021

Momentum Monitor Sector Matrix



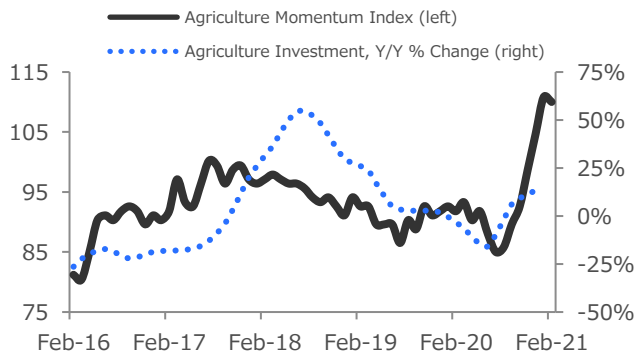
The matrix above summarizes the current values of each of the 12 Equipment & Software Investment Momentum Indices based on two factors: Recent Momentum (x-axis) and Historical Strength (y-axis):

- **"Recent Momentum"** represents the degree of an indicator's recent acceleration or deceleration in the past month relative to its average movement during the previous 3 months. Ratings closer to "0" represent an indicator that is rapidly decelerating, while ratings closer to "10" represent an indicator that is rapidly accelerating.
- **"Historical Strength"** represents the strength or weakness of an indicator in the past month relative to its typical level since 1999. Ratings closer to "0" represent an indicator that is weaker than average, while ratings closer to "10" represent an indicator that is stronger than average.

The matrix is comprised of four quadrants according to each vertical's recent momentum and historical strength readings. If a vertical is located in the top-left quadrant, its momentum reading is higher than average, but positive movement has slowed (and perhaps reversed) in recent months — suggesting that investment levels may fall over the next two quarters. Verticals located in the bottom-right quadrant, however, have momentum readings that are below average, but recent movement shows promise — suggesting that investment levels may rise over the next two quarters. This makes them potentially attractive targets for new short-term leasing and finance opportunities.

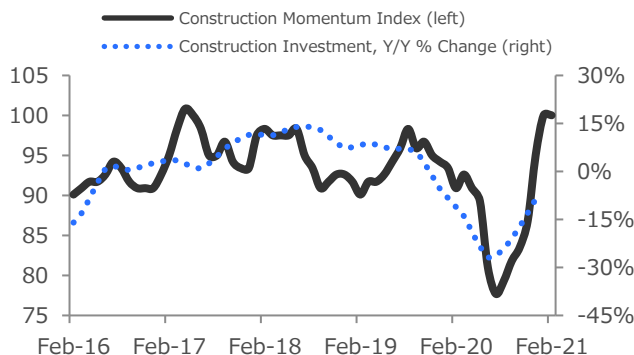
Agriculture Machinery:

Investment in Agricultural Machinery increased 26% (annualized) in Q4 2020 and is up 13% from one year ago. The Agriculture Momentum Index edged down from 110.8 (revised) in January to 110.0 in February. Lamb & Mutton Production rose by 13.2% in December, while Unmanufactured Tobacco Exports fell by 7.0% in November. Overall, the Index's elevated position points to accelerating agriculture machinery investment growth over the next 1-2 quarters.



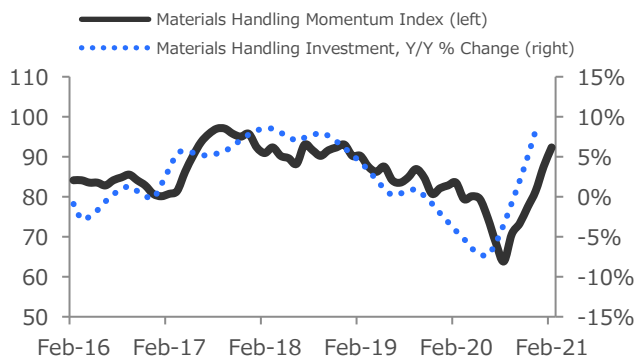
Construction Machinery:

Investment in Construction Machinery expanded 16% (annualized) in Q4 2020 but was down 8.5% year-over-year. The Construction Momentum Index was unchanged at 100.0 (revised) from January to February. Mobile Homes Shipments grew by 1.0% in November, while Construction Machinery Shipments were 1% above their year ago level — the strongest growth since late 2019. Overall, the Index's current position suggests that construction machinery investment growth should improve over the next 3-6 months.



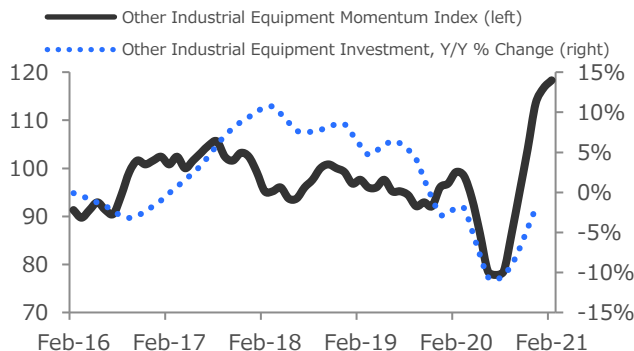
Materials Handling Equipment:

Investment in Materials Handling Equipment grew at a 30% annualized rate in Q4 2020 and was 8.4% above its year-ago level. The Materials Handling Momentum Index rose from 87.5 (revised) in January to 92.3 in February, the highest level in two years. Industrial Sector Energy Consumption rose by 7.3% in October, while Materials Handling Equipment Exports increased by 18.0% in November. Overall, the Index's sharp improvement and elevated position point to accelerating materials handling equipment investment growth over the next one to two quarters.



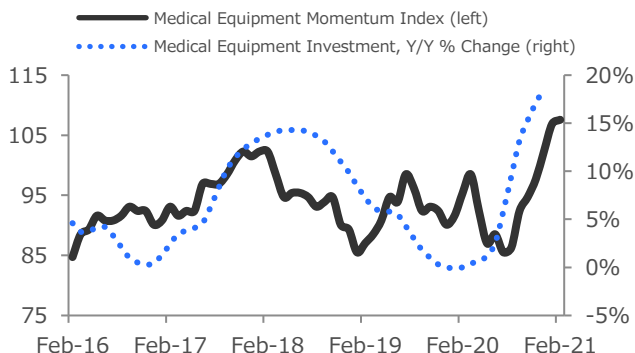
Other Industrial Equipment:

Investment in All Other Industrial Equipment rose 22% (annualized) in Q4 2020 but was 1.9% below year-ago levels. The Other Industrial Equipment Momentum Index rose from 116.7 (revised) in January to 118.3 in February, the highest level since mid-2011. In December, Capacity Utilization for Electrical Equipment Manufacturing grew by 2.0% and Exports Prices of Industrial Supplies & Materials rose by 3.3%. Overall, the Index points to a strong rebound in other industrial equipment investment growth over the next 1-2 quarters.



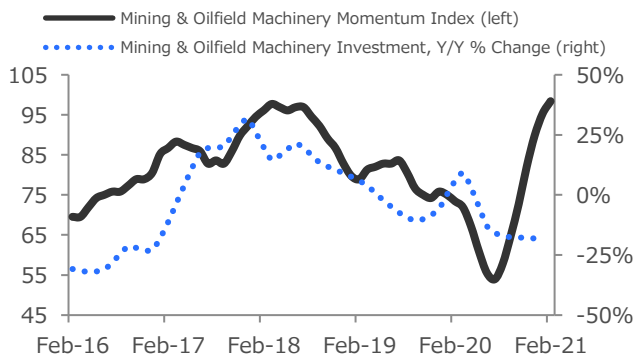
Medical Equipment:

Investment in Medical Equipment rose 19% (annualized) in Q4 2020 and was up 19% year-over-year. The Medical Equipment Momentum Index improved from 106.9 (revised) in January to 107.6 in February, the highest level in over 12 years. Consumer Spending on Professional Medical Services increased 1.4% in December while S&P 500 Health Care Index rose by 1.3% in January. Overall, the Index points to continued, robust medical equipment investment growth over the next six months.



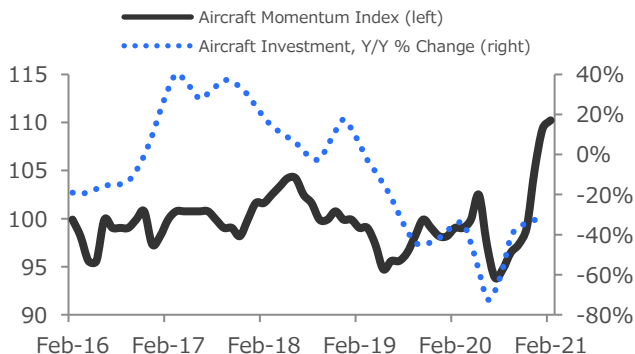
Mining & Oilfield Machinery:

Investment in Mining & Oilfield Machinery increased 11% (annualized) in Q4 2020 but is down 18% compared to a year ago. The Mining & Oilfield Machinery Momentum Index rose from 95.3 (revised) in January to 98.4 in February, the highest reading since mid-2012. The Brent Spot Price rose nearly 8% and Oil & Gas Extraction Employment increased by 0.6% in January. Overall, the Index points to improving mining & oilfield equipment investment growth over the next six months, though year-over-year growth will likely remain negative.



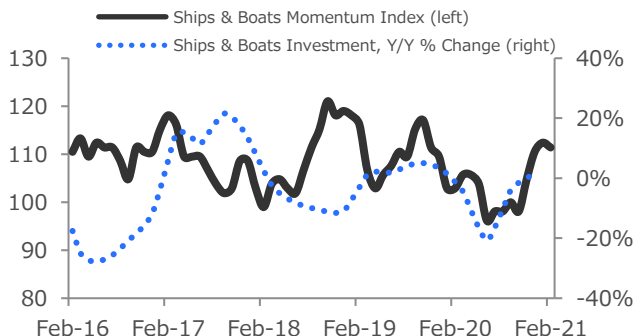
Aircraft:

Investment in Aircraft surged 252% (annualized) in Q4 2020 but was 33% below year-ago levels. The Aircraft Momentum Index increased from 109.4 in January to 110.2 in February, the highest reading in over a decade. While Capacity Utilization increased 1.6 percentage points in December, the S&P 500 Volatility Index rose 47.2% in January. Sharp increases in the Index suggest that aircraft investment growth should improve in the next three to six months, though year/year growth may remain negative given the magnitude of the investment collapse in 2020.



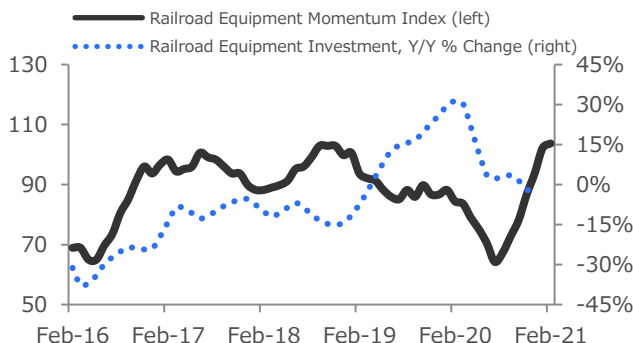
Ships & Boats:

Investment in Ships & Boats rose at an annualized rate of 12% in Q4 2020 and grew 1.4% year-over-year. The Ships & Boats Momentum Index edged down from 112.4 (revised) in January to 111.4 in February. Houston Shipping Container Traffic edged up by 0.6% in December, while the Emerging Market Economies Currency Index increased by 0.6% in January. Overall, the Index points to modest growth in ships & boats investment over the next two quarters.



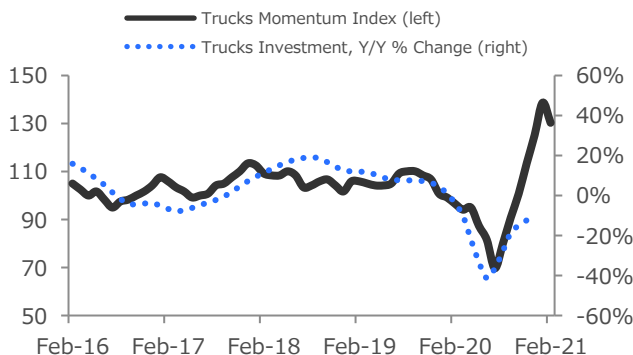
Railroad Equipment:

Investment in Railroad Equipment fell 13% (annualized) in Q4 2020 and was down 5.1% year-over-year. The Railroad Equipment Momentum Index increased from 102.2 (revised) in January to 103.7 in February, the highest level since mid-2012. In January, the Oil Rig Count surged by 10.5% and Rail Carloads of Metallic Ores & Metals jumped by 10.4%. Overall, the Index continues to point to a rebound in railroad equipment investment growth over the next two quarters.



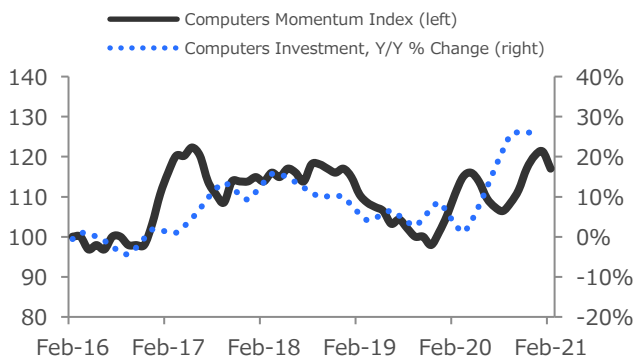
Trucks:

Investment in Trucks surged 50% (annualized) in Q4 2020 but was down 9.3% from year-ago levels. The Trucks Momentum Index fell from 138.7 in January to 130.3 in February. In December, Shipments of Light Trucks & Utility Vehicles rose 5.8% and Capacity Utilization for Furniture Manufacturing increased by 1.6 percentage points. Though the Index eased somewhat this month, its high position still points to a strong rebound in trucks investment growth over the next six months.



Computers:

Investment in Computers jumped 19% (annualized) in Q4 2020 and was up 26% year-over-year. The Computers Momentum Index decreased from 121.3 (revised) in January to 117.0 in February. In December, Exports of Computers jumped 10%, though the ISM PMI dipped by 3.0%. Overall, the Index suggests that computers investment growth should remain robust over the next six months.



Software:

Investment in Software rose 8.2% (annualized) in Q4 2020 and grew 5.2% from a year prior. The Software Momentum Index edged up from 98.7 (revised) in January to 99.6 in February. Prices for Computer Software & Accessories increased by 1.7% in December, while M1 Money Supply rose 5.8 percentage points in January. The Index suggests that software investment growth may accelerate over the next two quarters.

