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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.

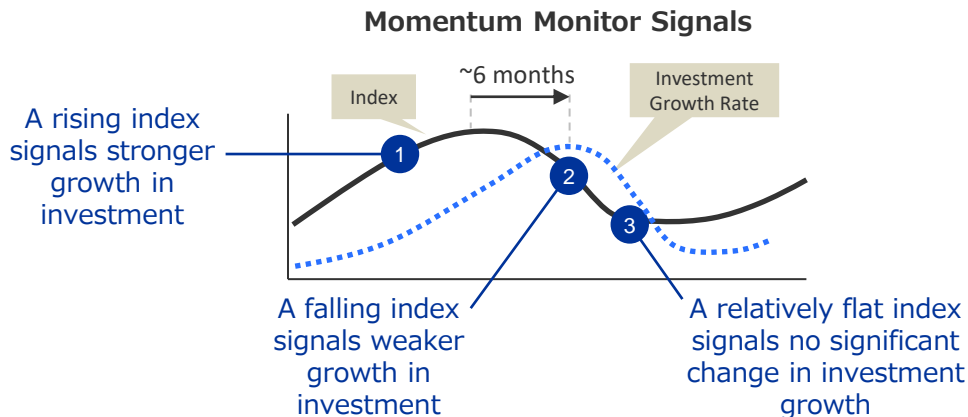
U.S. Equipment & Software Investment Momentum Monitor – 12 Verticals

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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:

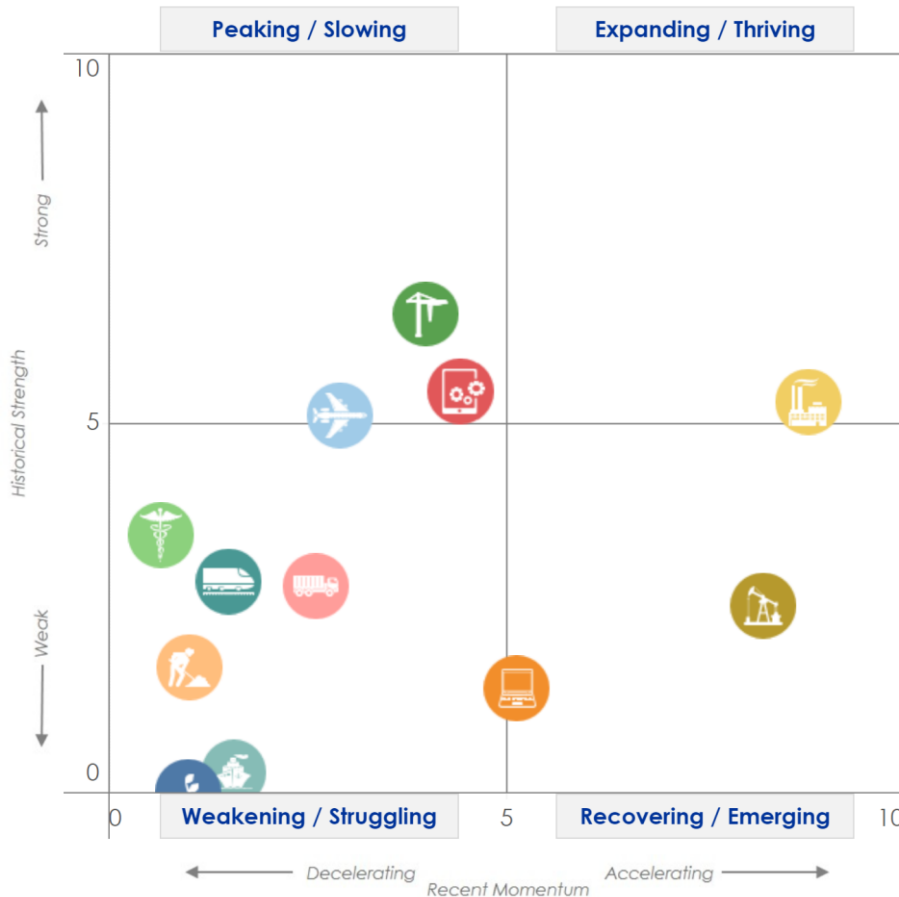
- 1 Investment in Materials Handling Machinery inched up at a 0.3% annualized rate in Q4 2014 and is up 7.3% year-over-year.
- 2 The Materials Handling Momentum Index slipped from 93.5 in May to 92.5 in May. A 23% decline in the MNI-Chicago Business Barometer and a spike in Economic Policy Uncertainty offset gains in Machinery Sales, Manufacturing Sales, and the ISM Manufacturing Suppliers Deliveries Index.
- 3 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

May 2023

Momentum Monitor Sector Matrix



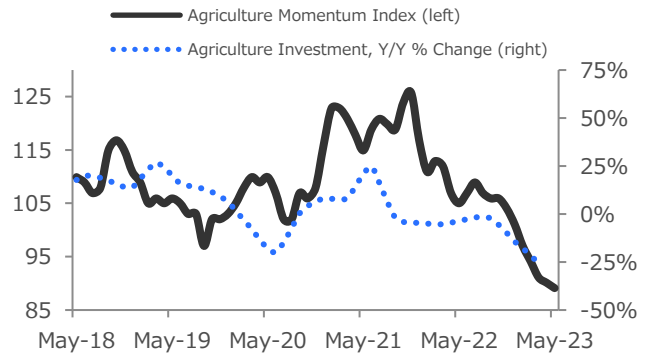
The matrix above summarizes the current values of each of the 12 Equipment & Software Investment Momentum Indices based on two factors: Recent Momentum (x-axis) and Historical Strength (y-axis):

- **"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.

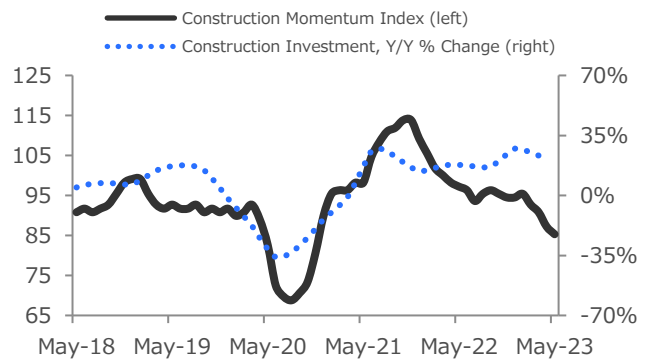
Agriculture Machinery:

Investment in Agricultural Machinery plunged 52% (annualized) in Q1 2023 and was down 26% from one year ago. The Agriculture Momentum Index dropped from 90.1 in April (revised) to 89.1 in May. The Crops Agricultural Price Index fell 1.5% and Agricultural Machinery Industrial Production fell 2.9% in March. Overall, the Index's position and recent movement suggest that agriculture machinery investment growth is likely to weaken further over the coming six months.



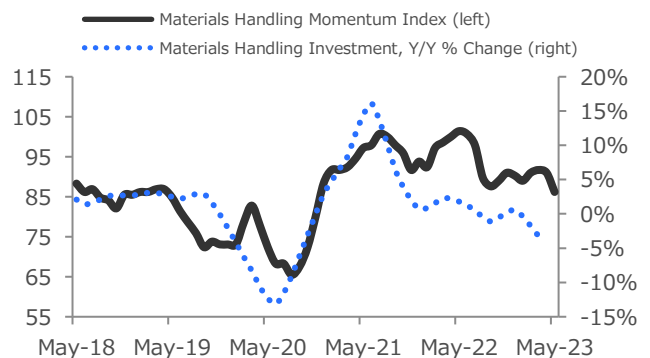
Construction Machinery:

Investment in Construction Machinery rose 15% (annualized) in Q1 2023 and was 23% above its year-ago level. The Construction Momentum Index edged down from 87.2 in April to 85.3 in May. Housing Starts in the Western U.S. fell 28% and Months Inventory of Existing Homes increased 12% in March. Overall, the Index's position suggests that construction machinery investment growth may have peaked and could start to decelerate over the coming two quarters.



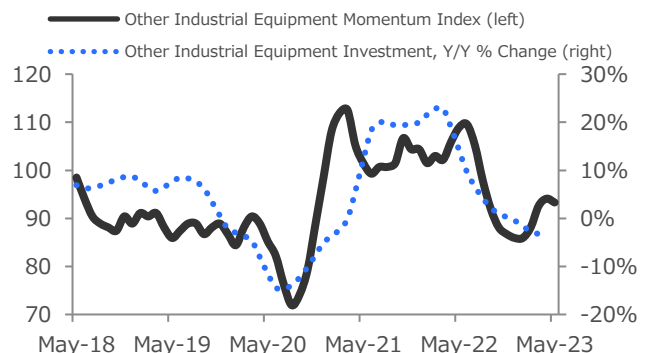
Materials Handling Equipment:

Investment in Materials Handling Equipment fell 10% (annualized) in Q1 2023 and was 3.3% below year-ago levels. The Materials Handling Momentum Index dipped from 91.0 in April to 86.2 in May. In March, Durable Manufacturing Industrial Production declined 0.9% while Inventories of Durable Goods fell 0.2%. Overall, the Index's recent movement and position suggest that materials handling equipment investment growth will likely remain weak over the coming three to six months.



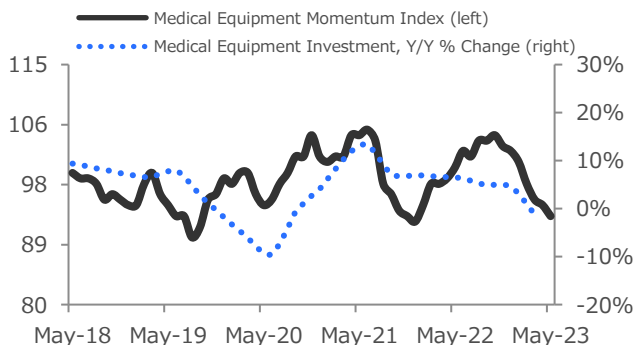
Other Industrial Equipment:

Investment in All Other Industrial Equipment increased at a 3.8% (annualized) rate in Q1 2023 but was down 3.3% Y/Y. The Other Industrial Equipment Momentum Index edged down from 94.1 in May (revised) to 93.3 in May. The Chicago Business Barometer Index rose 11% in April while Manufacturing Industrial Production dipped 0.5% in March. Overall, the Index's position and recent movement suggest that other industrial equipment investment growth may have bottomed out and could see a modest improvement over the coming two quarters.



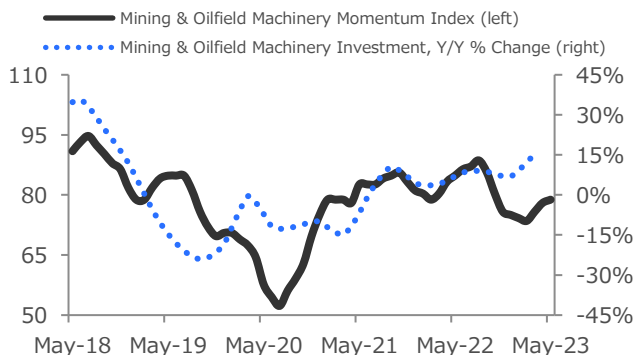
Medical Equipment:

Investment in Medical Equipment collapsed 15% (annualized) in Q1 2023 and was down 1.3% year-over-year. The Medical Equipment Momentum Index fell from 94.5 in April (revised) to 92.9 in May. In March, Urban Consumer Hospital Services Prices fell 0.4% and Capacity Utilization for Electrical Equipment Manufacturing dropped 1.8%. Overall, the Index's position and recent movement suggest that medical equipment investment growth will likely remain weak over the coming six months.



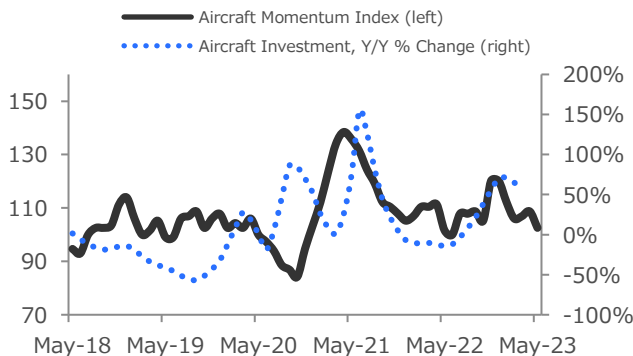
Mining & Oilfield Machinery:

Investment in Mining & Oilfield Machinery jumped 47% (annualized) in Q1 2023 and was 15% above year-ago levels. The Mining & Oilfield Machinery Momentum Index inched up from 78.0 in April to 78.8 in May. In April, the S&P 500 Steel Index fell 5.9% while Mining & Logging Employment Rose 1.1%. The current position and recent movement of the Index suggest that mining & oilfield machinery investment growth is likely to remain steady over the coming two quarters.



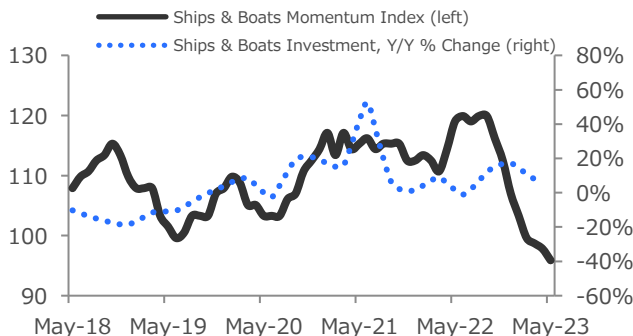
Aircraft:

Investment in Aircraft plunged at a 43% (annualized) rate in Q1 2023 but was 55% above year-ago levels. The Aircraft Momentum Index declined from 108.7 in April (revised) to 102.5 in May. The S&P 500 Volatility Index fell 16% and the Market Cap of Southwest Airlines dipped 6.9% in April. Overall, the Index's position and recent movement suggest that aircraft investment growth may continue to decelerate over the coming two quarters, though growth likely will remain in positive territory.



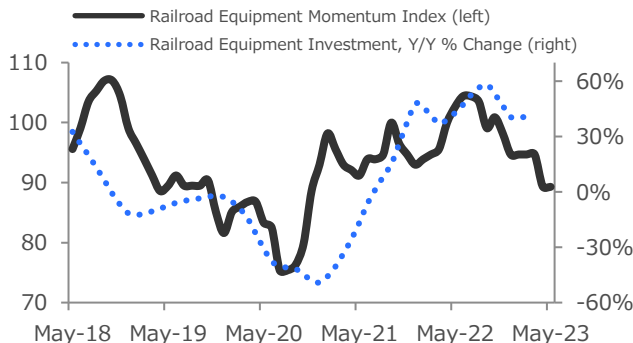
Ships & Boats:

Investment in Ships & Boats fell at an annualized rate of 1.4% in Q1 2023 but was 7.7% above its year-ago level. The Ships & Boats Momentum Index fell from 97.8 in April (revised) to 95.9 in May. In April, the Conference Board Consumer Confidence Index fell 2.6% and Grain & Oilseed Milling Shipments dropped 0.5% in March. Overall, the Index's position and recent movement suggest that ships & boats investment growth could decelerate sharply over the coming six months.



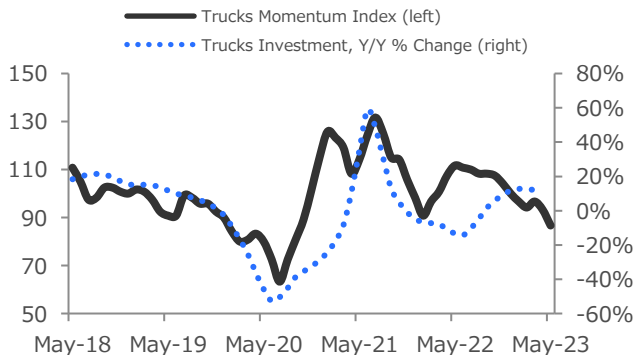
Railroad Equipment:

Investment in Railroad Equipment increased 29% (annualized) in Q1 2023 and was up 41% year-over-year. The Railroad Equipment Momentum Index inched down from 89.4 in April (revised) to 89.3 in May. In March, Capacity Utilization of Transportation Equipment edged down 0.8% and Capacity Utilization for Mining, Oil, & Gas Extraction fell 0.6%. Overall, the current position of the Index suggests that railroad equipment investment growth may decelerate but will likely remain in positive territory over the coming six months.



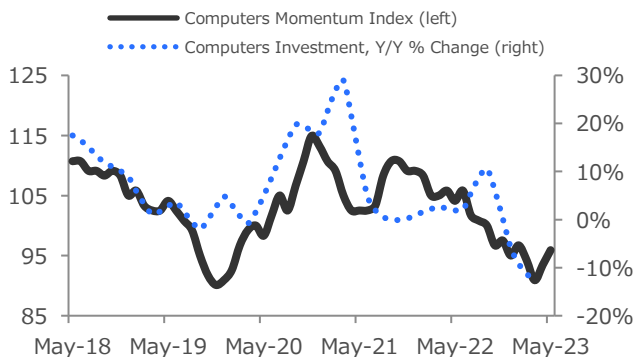
Trucks:

Investment in Trucks dipped 5.0% (annualized) in Q1 2023 but was 12% above year-ago levels. The Trucks Momentum Index dropped from 93.3 in April to 86.7 in May. In March, Industrial Production of Light Trucks decreased 3.3% and Industrial Production of Heavy-Duty Trucks dropped 4.5%. Overall, the position and recent movement of the Index indicate that trucks investment growth may begin to cool over the coming two quarters.



Computers:

Investment in Computers fell 7.9% (annualized) in Q1 2023 and was down 12% year-over-year. The Computers Momentum Index increased from 93.4 in April to 95.9 in May. Total Revolving Debt increased 0.4% in February and the Nasdaq Computer Index increased 1.0% in April. Overall, the Index's position and recent movement suggest that computers investment growth may have bottomed out and could start to recover over the coming six months.



Software:

Investment in Software rose 2.8% (annualized) in Q1 2023 and was up 10% from a year prior. The Software Momentum Index dropped from 97.4 in April (revised) to 94.2 in May. In April, IBM's Share Price fell 3.6% and the ISM Non-Manufacturing Prices Index ticked up 0.2%. Overall, the Index's position and recent movement suggest that software investment growth is unlikely to accelerate much over the coming two quarters.

