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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.

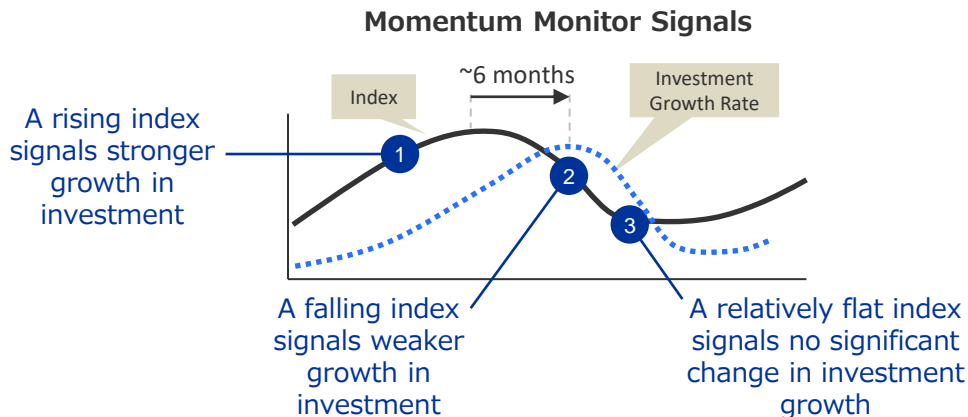
U.S. Equipment & Software Investment Momentum Monitor – 12 Verticals

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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:

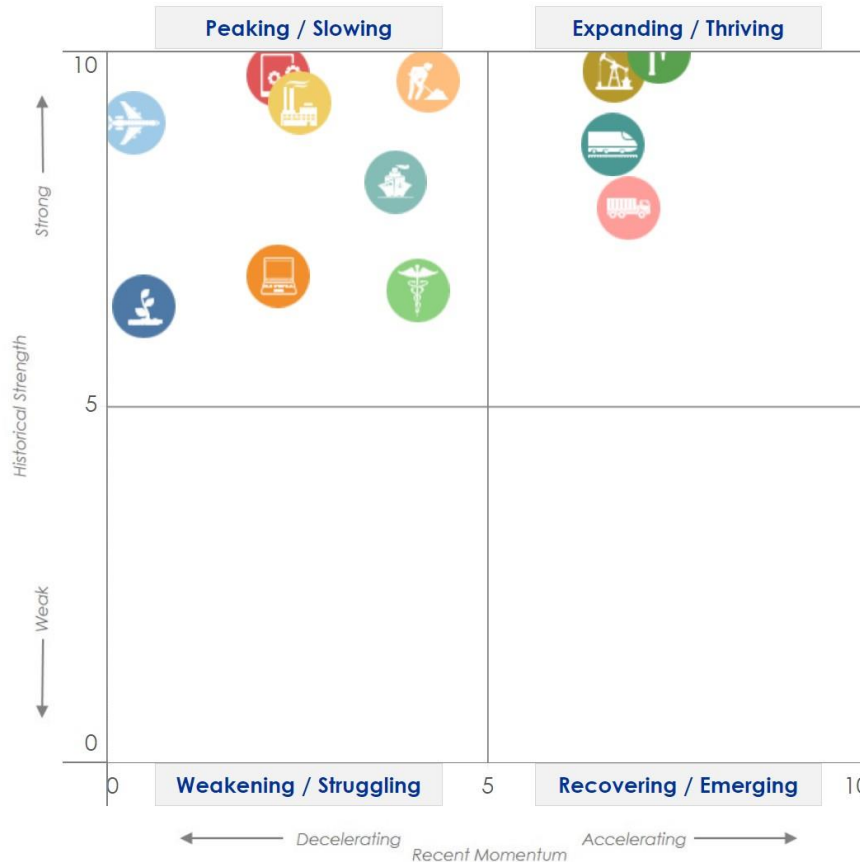
- 1 Investment in Materials Handling Machinery inched up at a 0.3% annualized rate in Q4 2014 and is up 7.3% year-over-year.
- 2 The Materials Handling Momentum Index slipped from 93.5 in February to 92.5 in March.
- 3 A 23% decline in the MNI-Chicago Business Barometer and a spike in Economic Policy 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

November 2021

Momentum Monitor Sector Matrix



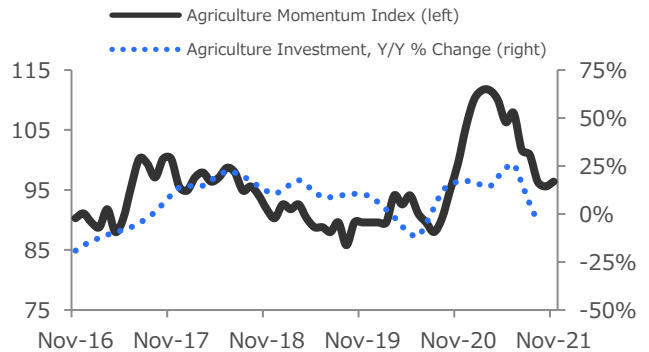
The matrix above summarizes the current values of each of the 12 Equipment & Software Investment Momentum Indices based on two factors: Recent Momentum (x-axis) and Historical Strength (y-axis):

- **"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.

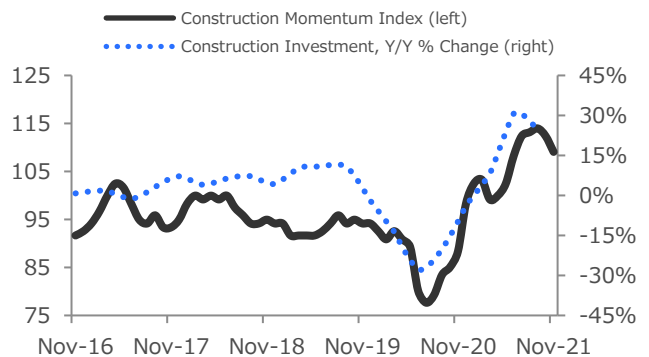
Agriculture Machinery:

Investment in Agricultural Machinery fell 11% (annualized) in Q3 2021 and is down 4.1% from one year ago. The Agriculture Momentum Index edged up from 95.6 in October (revised) to 96.4 in November. Food and Beverage Consumption Spending rose by 0.9% while Precipitation in the Southern U.S. declined by 36.6% in September. Overall, the Index's position suggests that agriculture machinery investment growth is unlikely to accelerate in the coming six months.



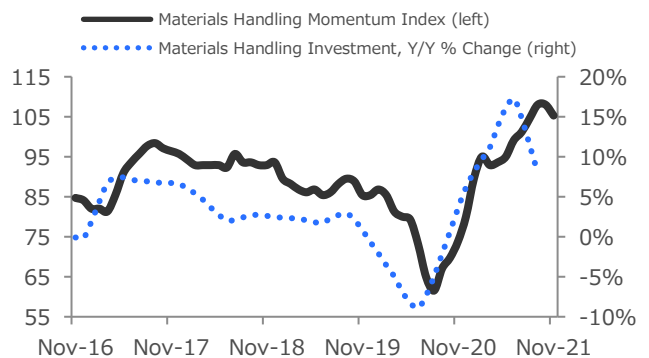
Construction Machinery:

Investment in Construction Machinery rose 22% (annualized) in Q3 2021 and is 25% above its year-ago level. The Construction Momentum Index fell from 112.4 in October (revised) to 109.1 in November. Shipments of Construction Machinery fell 1.5% in September, while the Commercial Property Price Index edged up by 0.4% in October. Overall, the Index's position and recent movement suggest that construction machinery investment growth may have peaked, although Y/Y growth will likely remain in healthy territory over the coming two quarters.



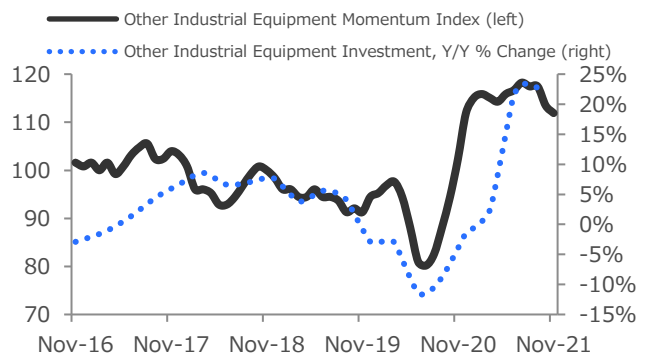
Materials Handling Equipment:

Investment in Materials Handling Equipment edged down 0.1% (annualized) in Q3 2021 but is up 7.9% from year-above year-ago levels. The Materials Handling Momentum Index decreased from 108.0 in October (revised) to 105.3 in November. In September, Unfilled Orders for Materials Handling Equipment rose by 1.3% and Inventories of Materials Handling Equipment increased by 1.6%. Overall, the current position of the Index indicates that materials handling equipment investment growth should remain healthy over the next six months.



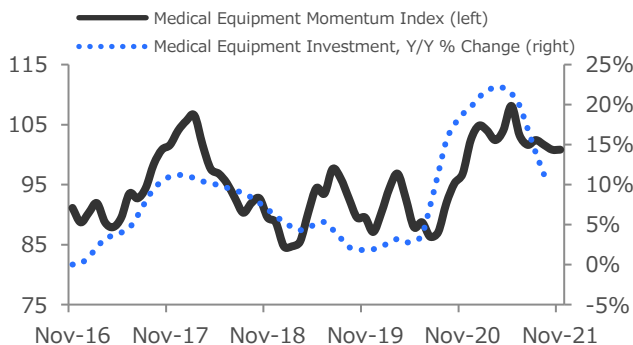
Other Industrial Equipment:

Investment in All Other Industrial Equipment expanded 18% (annualized) in Q3 2021 and rose by 23% Y/Y. The Other Industrial Equipment Momentum Index decreased from 113.5 in October (revised) to 111.9 in November. Domestic Manufacturing & Trade Sales ticked down by 0.4% in August while Manufacturing Employment increased by 0.5% in October. Overall, recent movement of the Index suggests that other industrial equipment investment growth likely has peaked but should remain in positive territory over the next two quarters.



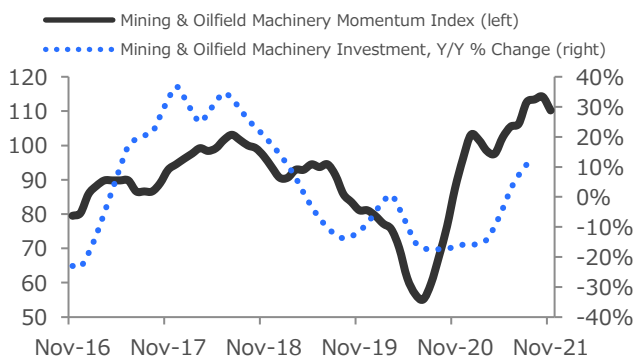
Medical Equipment:

Investment in Medical Equipment rose 9.0% (annualized) in Q3 2021 and is up 11% year-over-year. The Medical Equipment Momentum Index held steady at 100.8 (revised) in November. Medical Equipment and Supplies Industrial Production increased by 1.5% in September and the S&P 500 Health Care Index rose 5.1% in October. Overall, the Index's recent movement and level suggest that medical equipment investment growth might decelerate over the coming two quarters, though growth should remain in positive territory.



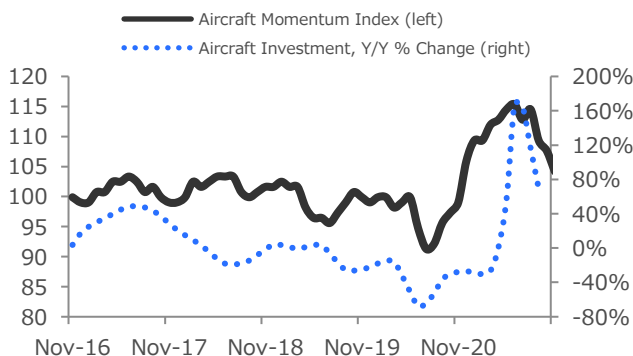
Mining & Oilfield Machinery:

Investment in Mining & Oilfield Machinery increased 5.3% (annualized) in Q3 2021 and is 13% above year-ago levels. The Mining & Oilfield Machinery Momentum Index fell from 114.2 in October (revised) to 110.2 in November. In September, Capacity utilization for Mining, Oil, and Gas Extraction fell 3.7% while Crude Oil Production increased 1.8% in October. The current position of the Index suggests that mining & oilfield investment growth should continue to accelerate over the next six months.



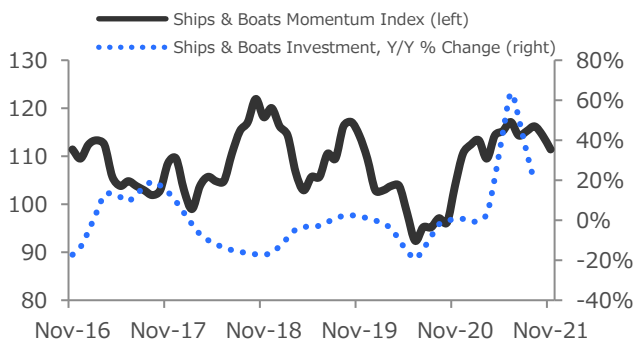
Aircraft:

Investment in Aircraft fell 9.1% (annualized) in Q3 2021 but is 69% above year-ago levels. The Aircraft Momentum Index fell from 107.7 in October (revised) to 104.2 in November. The Passenger Transportation Services Index rose 7.4% in July, while Southwest Airlines Market Cap fell 8.0% in October. Overall, the Index's recent movement and position point to decelerating aircraft investment growth over the next two quarters, though growth will likely remain positive.



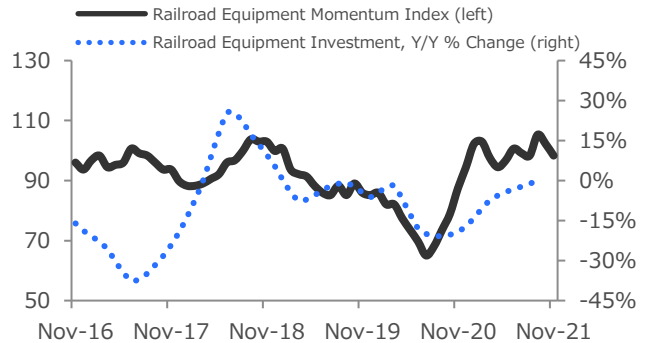
Ships & Boats:

Investment in Ships & Boats decreased at an annualized rate of 16% in Q3 2021 but is 19% above its year-ago level. The Ships & Boats Momentum Index eased from 114.3 in October (revised) to 111.4 in November. In September, New Orders of Ships and Boats increased 4.4% while Houston Shipping Container Traffic fell by 12.1%. Overall, the Index suggests that ships & boats investment growth has likely peaked, though growth will likely remain in positive territory for the next six months.



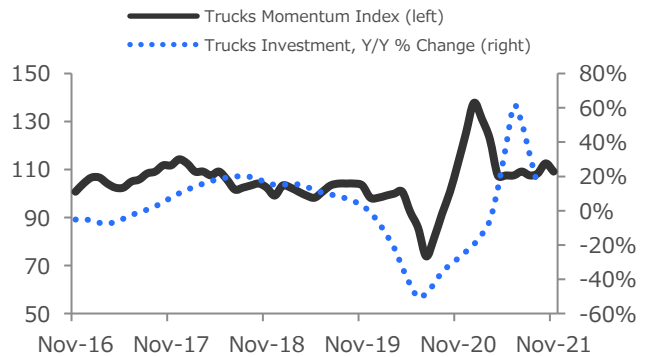
Railroad Equipment:

Investment in Railroad Equipment grew 9.1% (annualized) in Q3 2021 and inched up 0.2% year-over-year. The Railroad Equipment Momentum Index declined from 102.2 in October (revised) to 98.3 in November. Crude Oil and Petroleum Products Exports rose by 18.8% and the Unemployment Rate fell to 4.6% in October. Overall, the current position of the Index suggests that railroad equipment investment growth should continue to improve over the next six months.



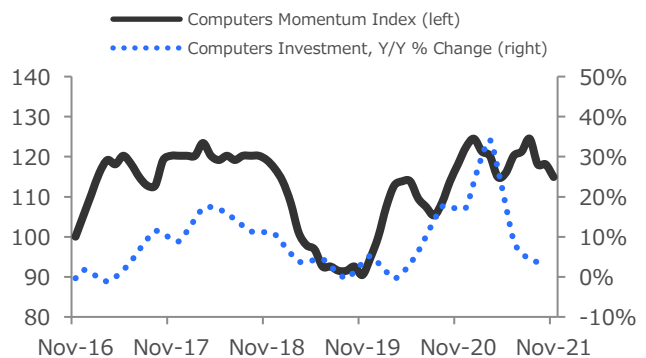
Trucks:

Investment in Trucks fell 28% (annualized) in Q3 2021 but is up 14% from year-ago levels. The Trucks Momentum Index eased from 112.6 in October (revised) to 109.2 in November. Capacity Utilization for Furniture Manufacturing increased by 1.2% and Manufacturers' Inventories of Light Trucks & Utility Vehicles increased by 2.6% in September. Overall, the position and recent movement of the Index indicate that trucks investment growth should remain healthy over the coming two quarters.



Computers:

Investment in Computers increased 4.5% (annualized) in Q3 2021 and is up 3.6% year-over-year. The Computers Momentum Index fell from 118.1 in October (revised) to 114.9 in November. In September, Computers & Electronic Products Exports fell by 2.4% while Manufacturers' Inventories in Information Technology Industries rose by 1.0%. Overall, the Index suggests that computers investment growth is likely to continue decelerating over the next six months.



Software:

Investment in Software increased 16% (annualized) in Q3 2021 and is up 17% from a year prior. The Software Momentum Index edged down from 105.8 in October (revised) to 104.8 in November. The NFIB Interest Rate Paid on Short-Term Loans increased by 21.7% while Prices for Computer Software & Accessories fell by 3.5% in September. Overall, recent movement of the Index suggests that software investment growth may have peaked, though growth will likely remain in positive territory over the coming two quarters.

