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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.

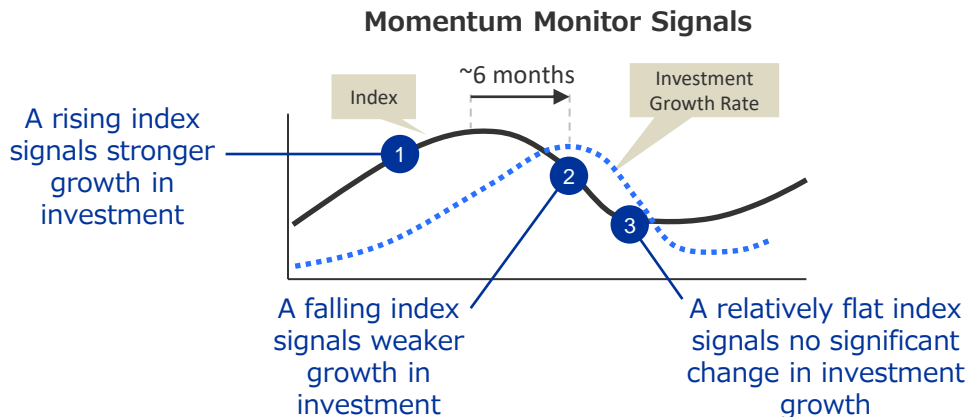
U.S. Equipment & Software Investment Momentum Monitor – 12 Verticals

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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:

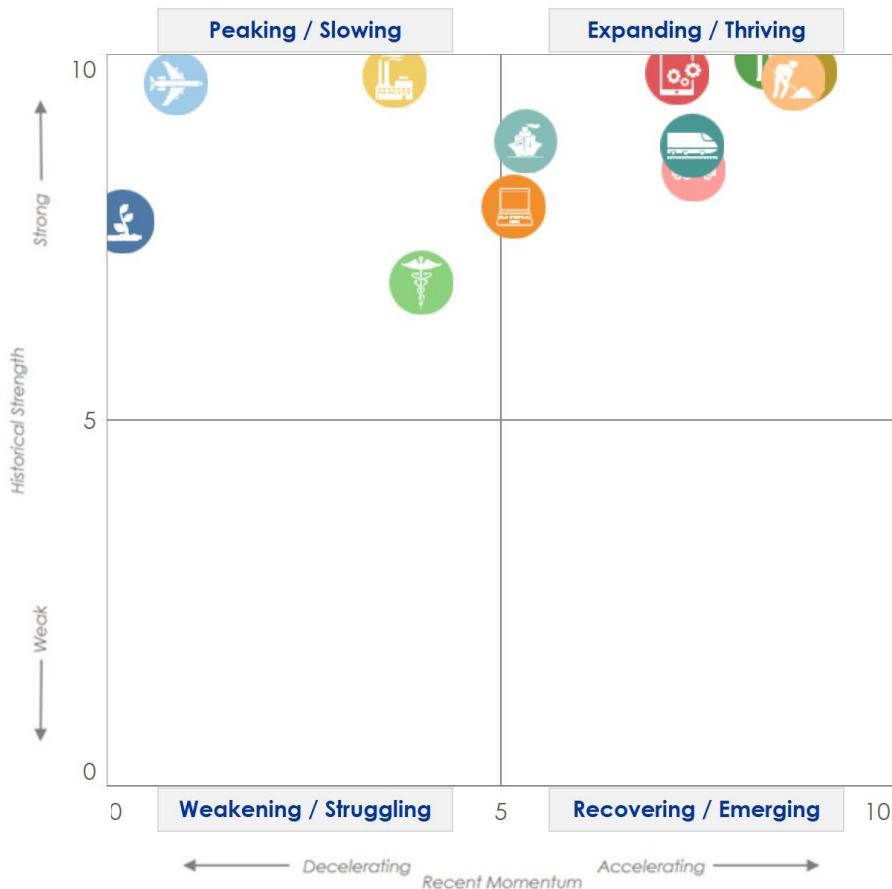
- 1 Investment in Materials Handling Machinery inched up at a 0.3% annualized rate in Q4 2014 and is up 7.3% year-over-year.
- 2 The Materials Handling Momentum Index slipped from 93.5 in February to 92.5 in March.
- 3 A 23% decline in the MNI-Chicago Business Barometer and a spike in Economic Policy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

October 2021

Momentum Monitor Sector Matrix



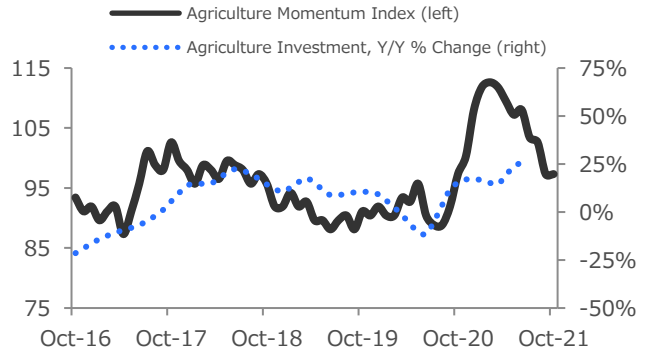
The matrix above summarizes the current values of each of the 12 Equipment & Software Investment Momentum Indices based on two factors: Recent Momentum (x-axis) and Historical Strength (y-axis):

- **"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.

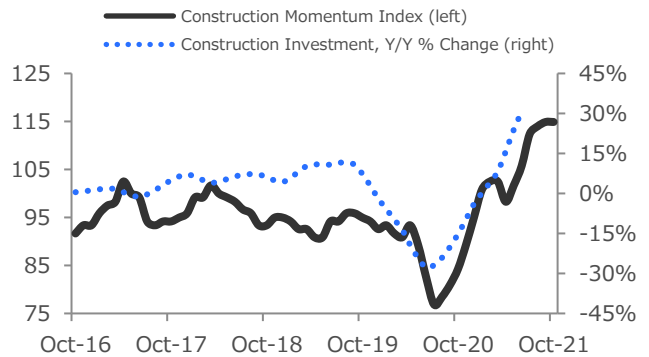
Agriculture Machinery:

Investment in Agricultural Machinery edged down 0.9% (annualized) in Q2 2021 but is up 26% from one year ago. The Agriculture Momentum Index was unchanged at 97.3 (revised) from September to October. In August, Export Prices of Food, Feed, and Beverages increased by 2.7% while Soybeans and Other Oil Seeds Exports declined by 0.5%. Overall, recent movement of the Index suggests that agriculture machinery investment growth may ease in coming months, though Y/Y growth will likely remain in positive territory.



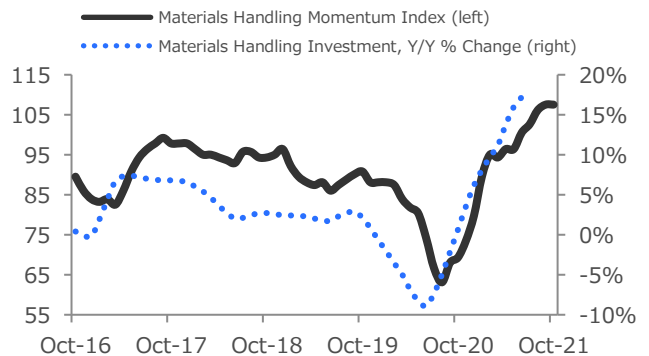
Construction Machinery:

Investment in Construction Machinery rose 17% (annualized) in Q2 2021 and is 31% above its year-ago level. The Construction Momentum Index was unchanged at 114.9 (revised) in October. Housing Permits fell 24% in August and the Commercial Property Price Index rose by 0.6% in September. Overall, the Index's recent movement suggests construction machinery investment growth will stay elevated over the next six months.



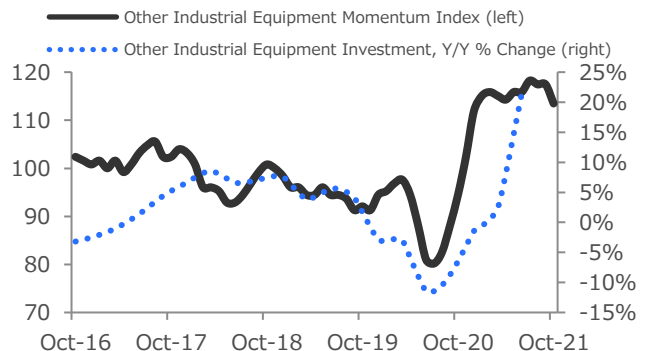
Materials Handling Equipment:

Investment in Materials Handling Equipment grew 7.4% (annualized) in Q2 2021 and is up 17% year-above year-ago levels. The Materials Handling Momentum Index was unchanged from 107.5 (revised) in September to 107.5 in October, the highest level in nearly a decade. In August, Inventories of Materials Handling Equipment rose by 1.0% and Shipments of Materials Handling Equipment declined 1.4%. Overall, the elevated position of the Index indicates that materials handling equipment investment growth should remain robust over the next two quarters.



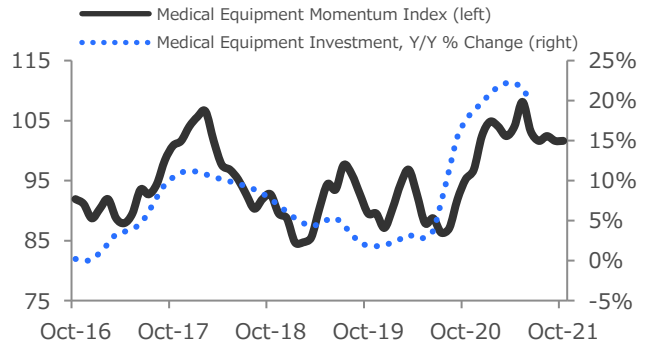
Other Industrial Equipment:

Investment in All Other Industrial Equipment expanded 50% (annualized) in Q2 2021 and rose by 22% Y/Y. The Other Industrial Equipment Momentum Index decreased from 117.5 (revised) in September to 113.5 in October. Domestic Manufacturing & Trade Sales ticked down by 0.1% in July while Manufacturing Employment rose 0.2% in September. Overall, the current position of the Index indicates that other industrial equipment investment growth should remain elevated over the next six months.



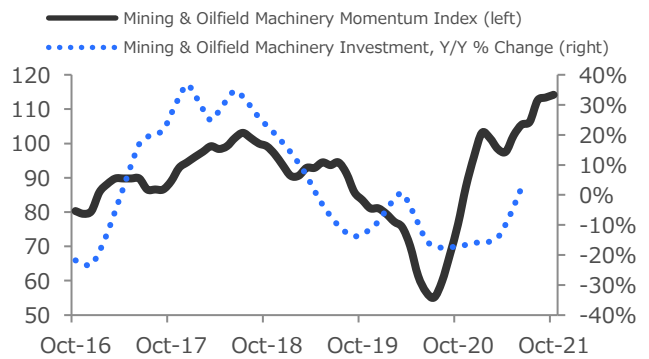
Medical Equipment:

Investment in Medical Equipment rose 3.2% (annualized) in Q2 2021 and is up 20% over-year. The Medical Equipment Momentum Index held steady at 101.6 (revised) in October. In August, the Consumer Price Index for Dental Services increased by 1.3% while Medical Equipment and Supplies Industrial Production fell by 1.7%. Overall, the Index's recent movement and level suggest that medical equipment investment growth should decelerate over the next two quarters, though growth will likely remain in positive territory.



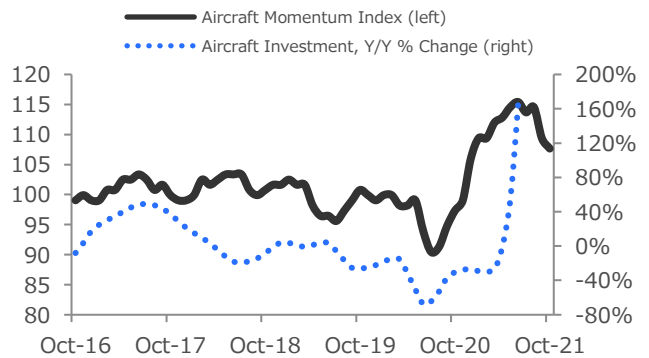
Mining & Oilfield Machinery:

Investment in Mining & Oilfield Machinery rose 10% (annualized) in Q2 2021 and is 2.8% above year-ago levels. The Mining & Oilfield Machinery Momentum Index inched up from 113.4 (revised) in September to 114.2 in October, the highest level in nine years. Crude Oil Production surged by 13.0% and Mining & Logging Employment rose by 0.8% in September. The Index's elevated position points to accelerating mining & oilfield equipment investment growth over the next six months.



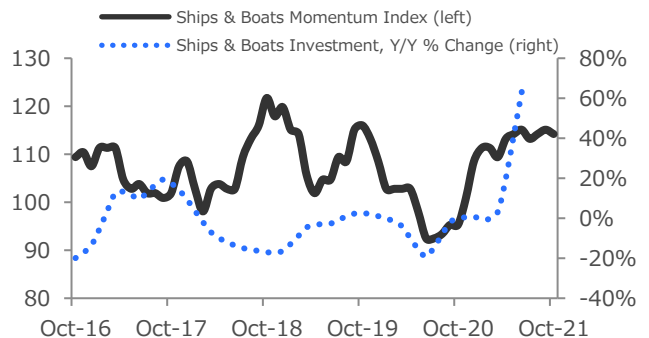
Aircraft:

Investment in Aircraft surged 119% (annualized) in Q2 2021 and is 169% above year-ago levels. The Aircraft Momentum Index edged down from 109.4 (revised) in September to 107.7 in October. Aerospace Exports to Canada increased by 3.0% in July while Shipments of Non-Defense Aircraft & Parts fell by 3.2% in August. Overall, the Index's current position suggests that aircraft investment growth will remain elevated over the next two quarters, though growth may have peaked.



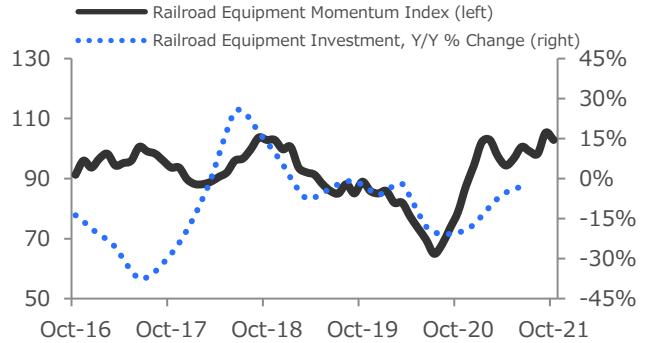
Ships & Boats:

Investment in Ships & Boats surged at an annualized rate of 139% in Q2 2021 and is 64% above its year-ago level. The Ships & Boats Momentum Index eased from 115.1 (revised) in September to 114.2 in October. New Orders of Ships and Boats increased by 6.1% while Real Disposable Personal Income fell by 0.3% in August. Overall, the current position of the Index suggests that ships & boats investment growth should remain healthy over the next two quarters.



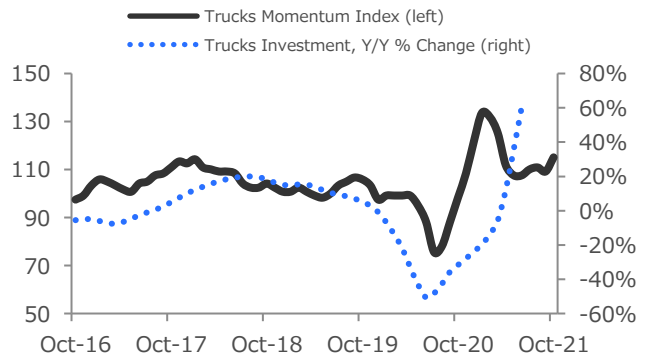
Railroad Equipment:

Investment in Railroad Equipment fell 18% (annualized) in Q2 2021 and is down 3.1% year-over-year. The Railroad Equipment Momentum Index declined from 105.3 in September (revised) to 102.9 in October. In September, Crude Oil and Petroleum Products Exports fell by 14.4% and Rail Carloads of Metallic Ores & Metals fell by 19.2%. Overall, the current position of the Index suggests that railroad equipment investment growth should continue to improve over the next six months, though upside potential may be limited.



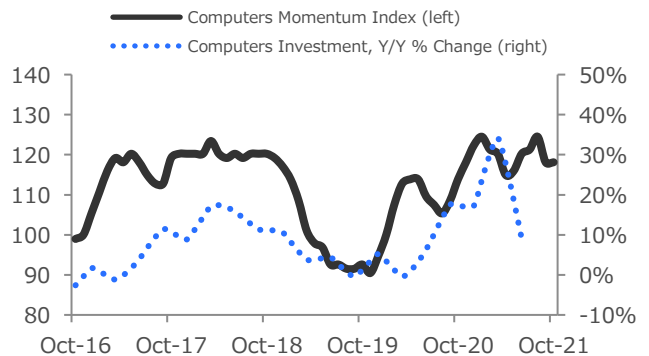
Trucks:

Investment in Trucks grew 35% (annualized) in Q2 2021 and is up 61% from year-ago levels. The Trucks Momentum Index rose from 109.2 (revised) in September (revised) to 115.1 in October. Capacity Utilization for Furniture Manufacturing increased by 2.1% and Manufacturers' Inventories of Light Trucks & Utility Vehicles increased by 2.9% in August. Overall, recent movement of the Index indicates that investment growth should remain robust over the coming two quarters.



Computers:

Investment in Computers fell 36% (annualized) in Q2 2021 but is up 8.7% year-over-year. The Computers Momentum Index was unchanged at 118.1 (revised) in October. Sales of Computers & Computer Peripheral Equipment & Software fell by 4.8% in July while Capacity Utilization for Computer & Electronic Product Manufacturing ticked up by 0.8% in August. Overall, the Index suggests that computers investment growth should remain in positive territory over the next six months and may even accelerate.



Software:

Investment in Software increased 14% (annualized) in Q2 2021 and is up 15% from a year prior. The Software Momentum Index was flat at 106.2 (revised) in October. NFIB Small Business Survey Capital Expenditure Sub-Index rose by 15.4% in August while New Orders of Communication Equipment rose 1.1% in August. Overall, the current position of the Index suggests that software investment growth should remain elevated over the coming two quarters.

