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U.S. Equipment & Software Investment Momentum Monitor



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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 a 3 to 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 between 10 to 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.

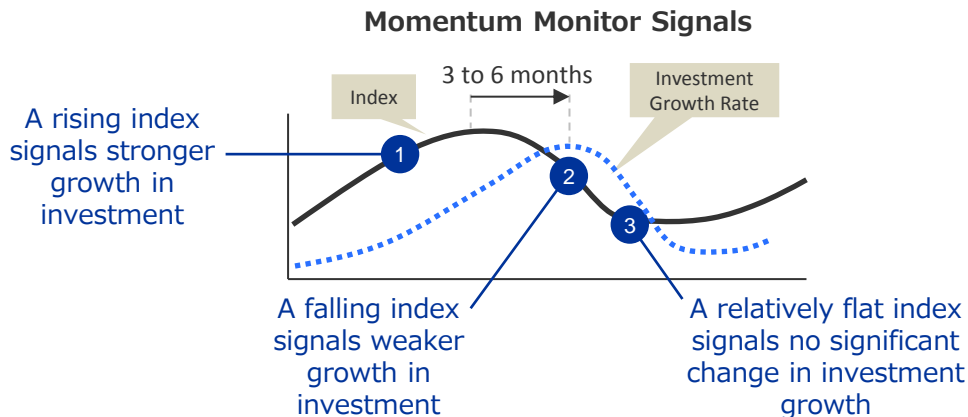
U.S. Equipment & Software Investment Momentum Monitor – 12 Verticals

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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 3 to 6 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:

Construction Machinery:

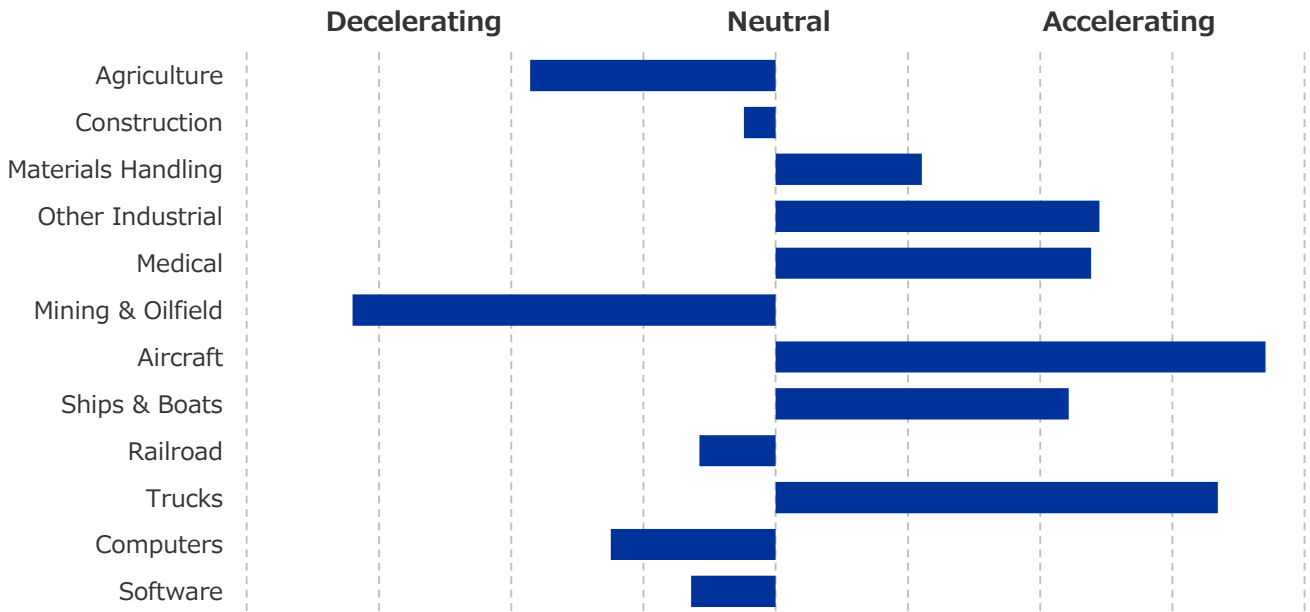
- 1 Investment in Construction Machinery declined 1.8% at an annualized rate in Q4 2013 and is now down 4.9% year-over-year, a second consecutive year-over-year contraction.
- 2 The Construction Momentum Index increased from 98.6 (revised) in January to 100.0 in February.
- 3 Construction Employment continues to post strong monthly gains, while Shipments of Mobile Homes continue to be at a record high.
- 4 Overall, the Index is now at its highest level since January 2013 and is signaling a turnaround in construction equipment investment over the next three to 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 3 to 6 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 specific indicators driving the latest index value. This allows readers to understand the key drivers of the outlook.
- 4) Finally, the report ends with an interpretation of where investment growth is heading over the next 3 to 6 months.

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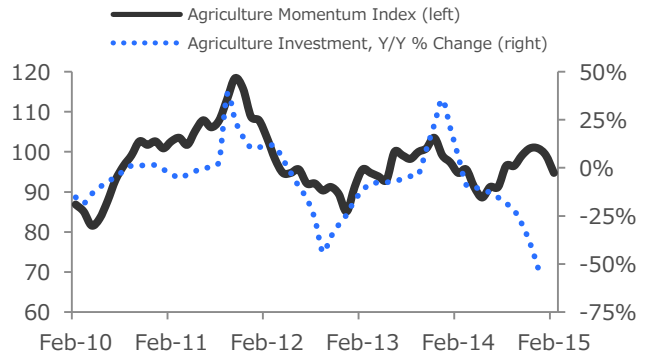
Equipment Vertical Momentum Relative to 10-Year Historical Average



The chart above summarizes the current values of each of the 12 Equipment & Software Investment Momentum Indices relative to the index values for each quarter over the last 10 years. Verticals for which momentum is below the 10-year median are “decelerating,” verticals for which momentum is near the 10-year median are “neutral,” and verticals for which momentum is near the 10-year maximum are “accelerating.” Note that the current momentum trend for each vertical may differ from the current investment volume. For example, a vertical for which the level of investment activity is low — but which is exhibiting signs of a comeback in the near future based on the momentum suggested by its leading indicators — will be labeled “accelerating” (and vice-versa).

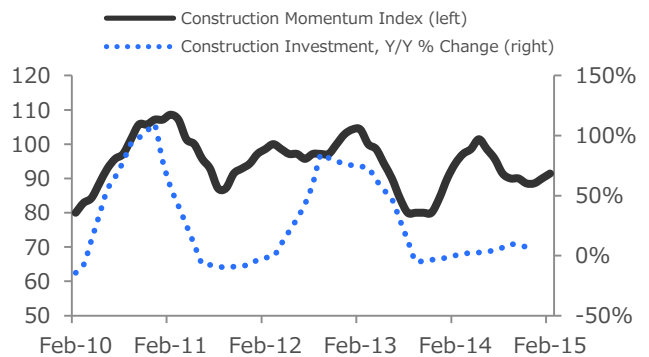
Agriculture Machinery:

Investment in Agricultural Machinery contracted at an annualized rate of 25.5% in Q4 2014 and is now down 52.0% from one year ago — the largest annual drop in nearly 15 years. The Agriculture Momentum Index decreased from 99.1 (revised) in January to 94.7 in February. Red Meat and Poultry Production fell 15%, while both Shipments of Farm Machinery and National Average Precipitation rebounded from decreases last month. Overall, the Index points to continued declines in investment over the next three to six months.



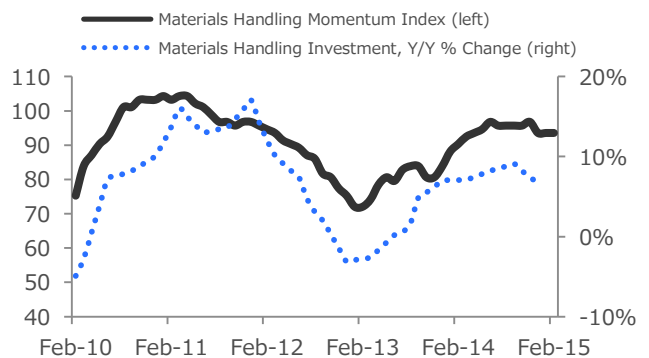
Construction Machinery:

Investment in Construction Machinery slipped at a 4.4% annualized rate in Q4 2014 but is up 6.5% year-over-year. The Construction Momentum Index increased from 90.0 (revised) in January to 91.4 in February. Although Multifamily Housing Permits fell nearly 6% and Shipments of Construction Machinery decreased 3%, Total Housing Starts and Construction Employment positively contributed to the Index. Overall, the Index's recent movement suggests relative stability in investment growth over the next six months.



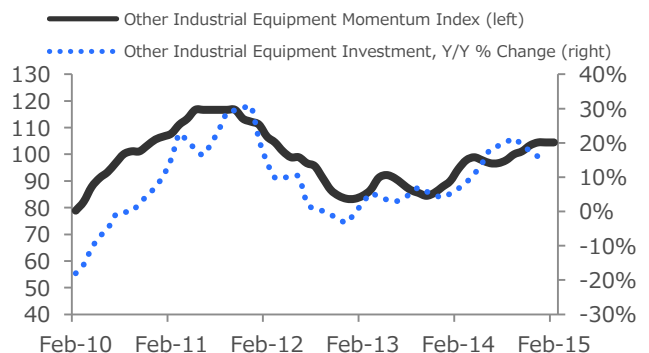
Materials Handling Equipment:

Investment in Materials Handling Machinery decreased at a 2.0% annualized rate in Q4 2014 and is up 6.7% year-over-year. The Materials Handling Momentum Index held steady at 93.5 (revised) from January to February. Declines in the S&P Industrials Index and the ISM Manufacturing Suppliers Deliveries Index were offset by a drop in Economic Policy Uncertainty and an increase in Manufacturing & Trade Sales. The Index's recent trend continues to indicate that growth may moderate over the next three to six months.



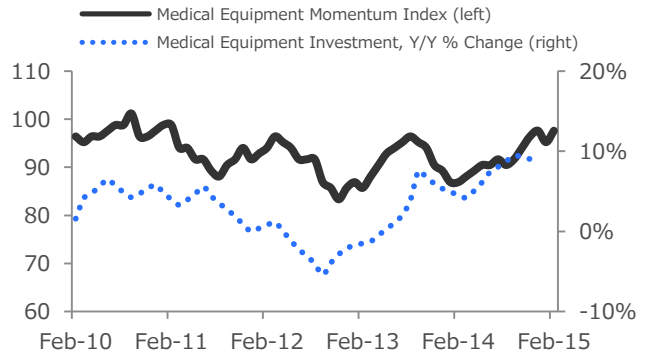
Other Industrial Equipment:

Investment in All Other Industrial Equipment declined at a 17.3% annualized rate in Q4 2014 but is up 16.0% year-over-year. The Other Industrial Equipment Momentum Index was unchanged at 104.4 (revised) from January to February. Copper Stocks surged 40% and the MNI-Chicago Production Index rebounded from last month's drop. However, Shipments of Industry Machinery fell 6%, and the ISM Manufacturing Index declined for the second straight month. Overall, the Index's elevated position suggests that growth will remain strong over the next three to six months.



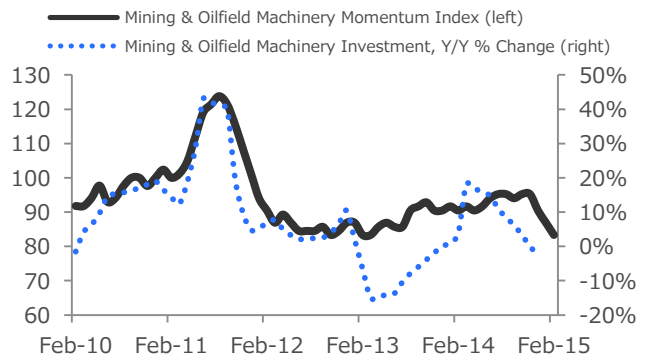
Medical Equipment:

Investment in Medical Equipment slipped at a 1.5% annualized rate in Q4 2014 — the first quarterly decline in over two years — but remains up 8.8% year-over-year. The Medical Equipment Momentum Index ticked up from 95.2 (revised) in January to 97.6 in February. Federal Medicare Outlays surged in December, and New Orders of Electro-medical Instruments increased. The S&P Global Healthcare Index Fund, however, slipped. Overall, the Index suggests that growth in medical equipment investment will remain robust over the next three to six months.



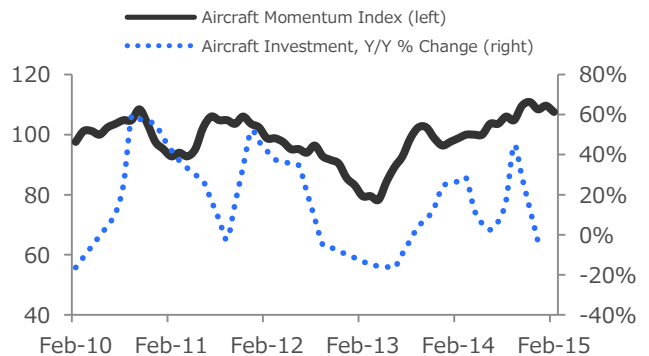
Mining & Oilfield Machinery:

Investment in Mining & Oilfield Machinery decreased at a 35.3% annualized rate in Q4 2014 and is now down 2.9% year-over-year. The Mining & Oilfield Machinery Momentum Index fell from 86.9 (revised) in January to 83.3 in February, a nearly two-year low. The WTI Crude Oil Price decreased further and the Oil Rig Count plummeted 17%, while the ISM Manufacturing Index remained expansionary. The Index suggests continued declines in investment growth over the next three to six months.



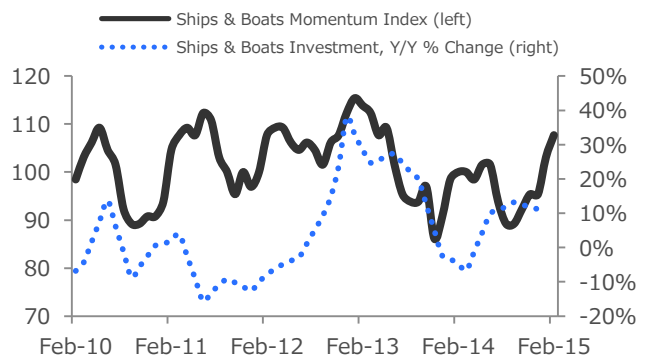
Aircraft:

Following Q3's surge, investment in Aircraft inched up at a 0.6% annualized rate in Q4 2014 and is now down 3.4% on a year-over-year basis. The Aircraft Momentum Index slipped from 109.6 (revised) in January to 107.6 in February. New Orders of Defense Aircraft fell 14% and Vehicle Miles Traveled declined 9%, while Shipments of Nondefense Aircraft increased and the Economic Policy Uncertainty Index continued to decrease. Overall, the Index suggests little change in Aircraft investment growth over the next three to six months.



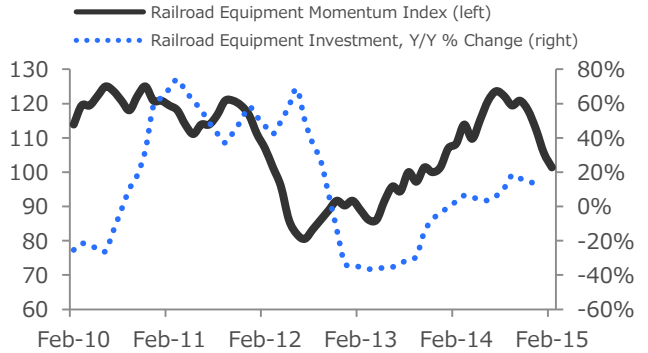
Ships & Boats:

Investment in Ships & Boats contracted at an annualized rate of 12.3% in Q4 2014 and is up 11.2% year-over-year. The Ships & Boats Momentum Index jumped from 103.1 (revised) in January to 107.7 in February. Although Nonfarm Employment Growth slowed in December, New Orders of Ships & Boats increased nearly 20% and Ships & Boats Shipments rose 6%. Overall, the Index continues to suggest an uptick in investment growth the next three to six months.



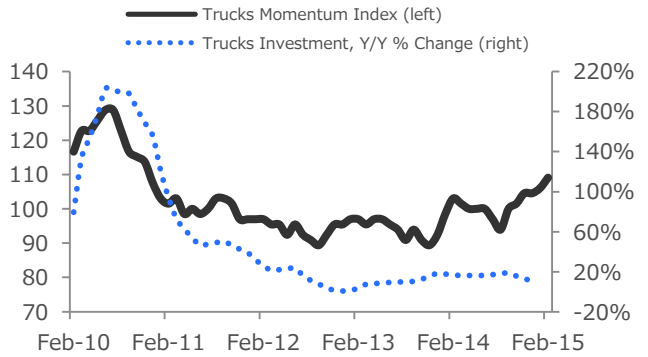
Railroad Equipment:

Investment in Railroad Equipment decreased at a 20.8% annualized rate in Q4 2014 but is up 13.2% year-over-year. The Railroad Equipment Momentum Index dropped from 105.6 (revised) in January to 101.4 in February. Petroleum Carloads increased more than 26%, yet Mining Exports fell 13% and Machine Tool Orders declined for the second consecutive month. Overall, the Index suggests that growth rates in railroad equipment investment may decline further over the next three to six months.



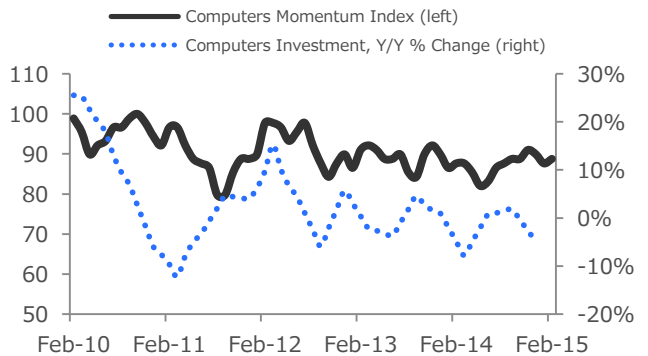
Trucks:

Investment in Trucks declined at a 12.7% annualized rate in Q4 2014, a two-year low and is up 10.8% year-over-year. The Trucks Momentum Index increased from 106.1 (revised) in January to 109.1 in February — the highest level in four years. The Unemployment Rate fell to its lowest level in over six years, and Light Truck Shipments jumped 5%. The ISM Manufacturing Index and Raw Steel Production, however, both declined. Overall, the Index's recent movement indicates modestly stronger growth in truck investment over the next three to six months.



Computers:

Investment in Computers contracted at an annualized rate of 4.5% in Q4 2014 and is now down 4.9% on a year-over-year basis. The Computers Momentum Index inched up from 87.6 (revised) in January to 88.8 in February. Shipments of Communication Equipment increased 8% and Appliance Retail Sales surged 29%, yet the Gross Value of Consumer Goods decreased. Overall, the movement of the Index suggests little change in computer investment growth over the next three to six months.



Software:

Investment in Software increased at an 9.4% annualized rate in Q4 2014 — the largest increase in over three years — and is now up 6.0% year-over-year. The Software Momentum Index held steady at 96.4 (revised) from January to February. The Misery Index dropped 11%, while the U.S. Dollar strengthened further against the Yen and the NASDAQ Composite Index continued to decline. Overall, the Index points to stable investment growth over the next three to six months.

