November 2014

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

1) Agriculture machinery
2) Construction machinery
3) Materials handling equipment
4) All other industrial equipment
5) Medical equipment
6) Mining & oilfield machinery
7) Aircraft
8) Ships and boats
9) Railroad equipment
10) Trucks
11) Computers
12) Software

How to Read the Monitor

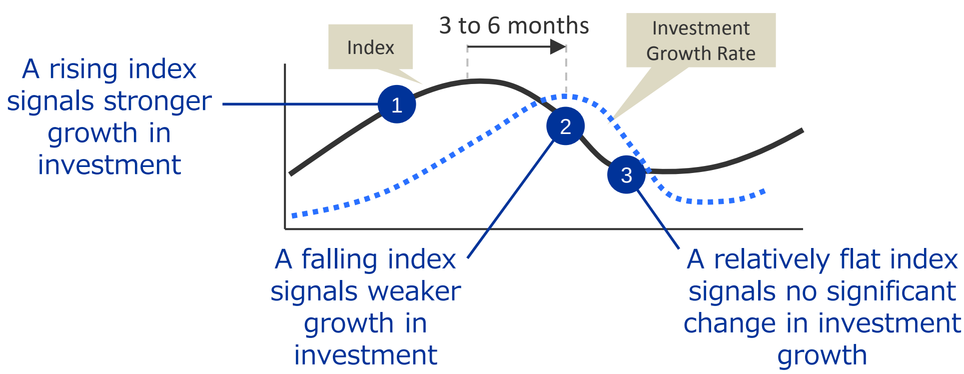
Each Momentum Monitor index provides a signal of the direction and magnitude of growth in equipment investment over the next 3 to 6 months. It is important to note that index values do not correspond to particular growth rates. Instead, the Momentum Monitor indices should be interpreted within the context 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.

Momentum Monitor Signals



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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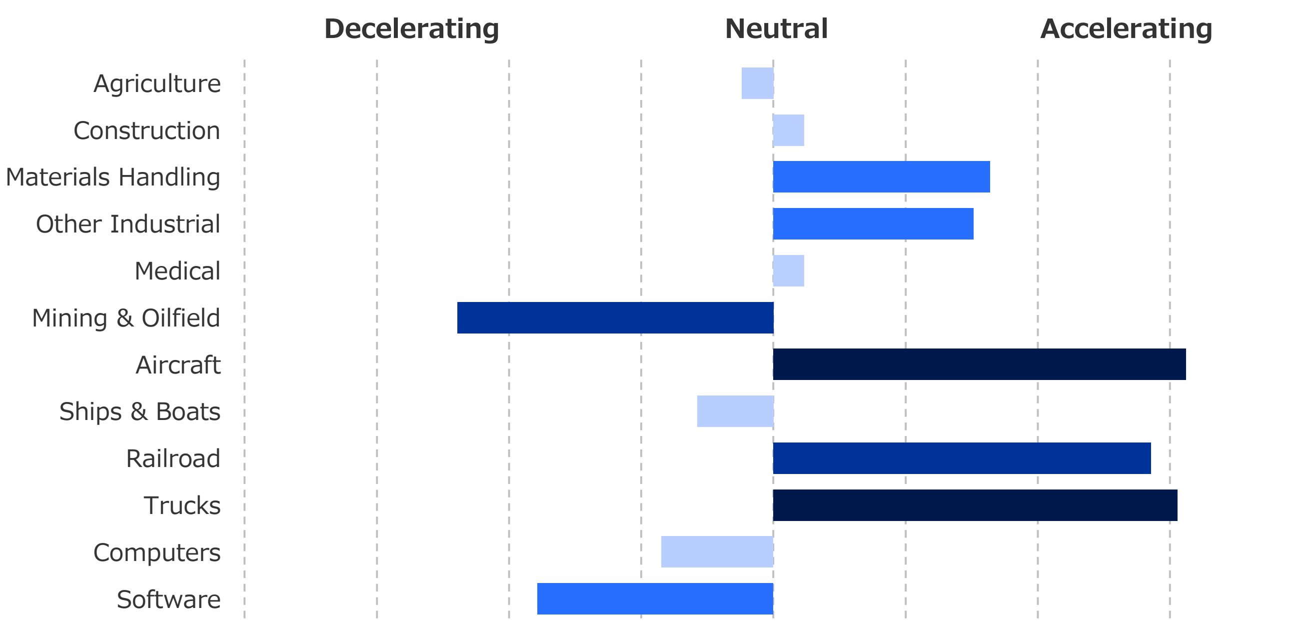
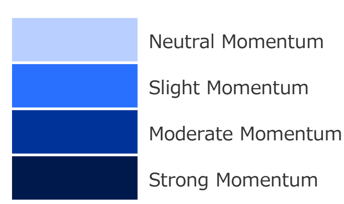
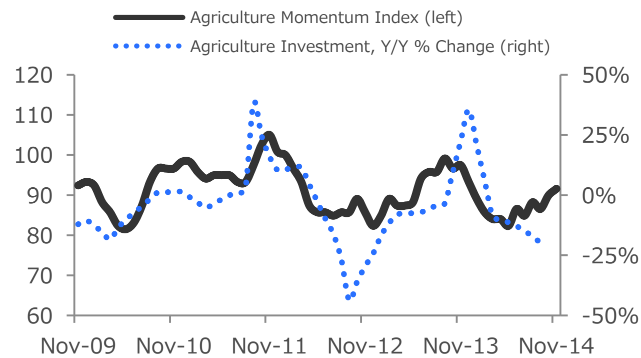
Equipment Vertical Heat Map



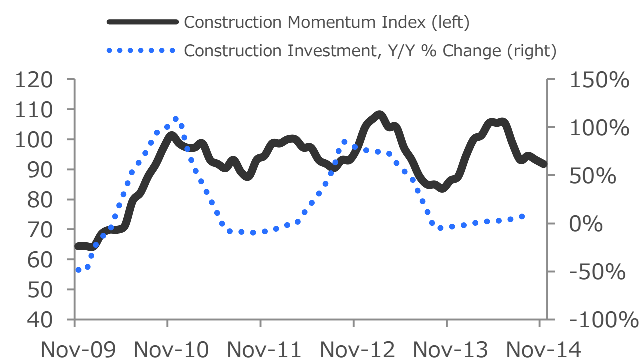
The Equipment Vertical Heat Map summarizes the latest movements in each of the 12 Equipment & Software Investment Momentum Monitors. Verticals exhibiting strong recent momentum are shaded darker, while verticals exhibiting weak recent momentum are shaded lighter. The heat map provides a snapshot of the expected trends in equipment & software investment over the next 3 to 6 months. Note that trends in equipment financing activity may differ from overall investment volumes. The legend to the right provides an interpretation of the heat map color-coding.



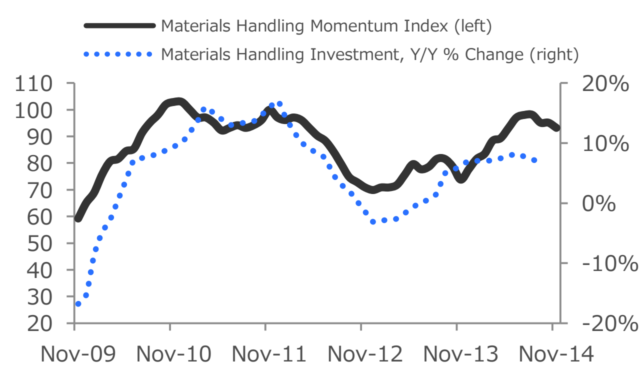
Agriculture Machinery:
Investment in Agriculture Machinery contracted at an annualized rate of 55.4% in Q3 2014 and is down 19.8% from one year ago, the largest year-on-year decline in nearly two years. The Agriculture Momentum Index increased from 89.9 (revised) in October to 91.6 in November – an eleven-month high. National Average Precipitation fell 18% in September, yet Cattle Exports increased nearly 10% in September. Overall, the Index's mild upward trend points to a modest rebound in investment over the next three to six months.



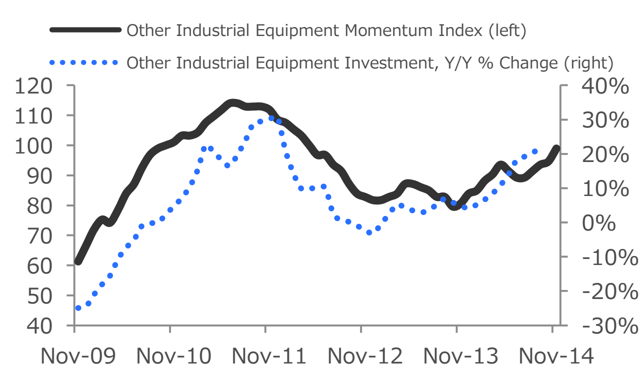
Construction Machinery:
Investment in Construction Machinery increased at a 13.2% annualized rate in Q3 2014 and is up 9.4% year-over-year. The Construction Momentum Index slipped from 93.2 (revised) in October to 91.8 in November. While Consumer Sentiment reached its highest level since July 2007, Median Home Sales and Private Nonresidential Construction both declined. Overall, the Index's recent movement suggests that growth could peak and then moderate over the next six months.



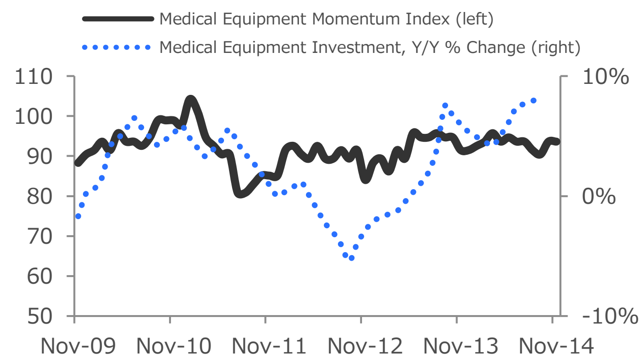
Materials Handling Equipment:
Investment in Materials Handling Machinery increased at a 7.9% annualized rate in Q3 2014 and is now up 6.8% year-over-year. The Materials Handling Momentum Index fell from 95.1 (revised) in October to 93.2 in November. Economic Policy Uncertainty spiked nearly 18%, while Manufacturing Supplier Deliveries and the ZEW Survey both continued to decline. The Index's recent pattern indicates that growth may peak and then moderate over the next three to six months.



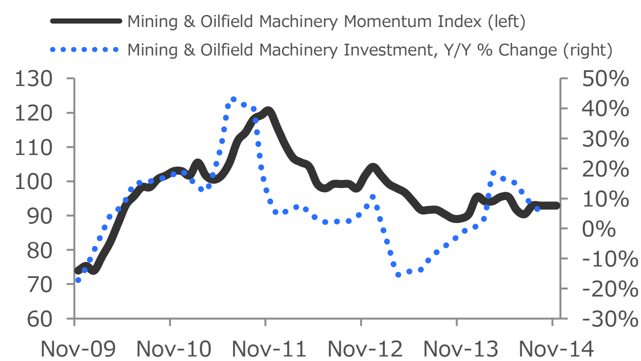
Other Industrial Equipment:
Investment in All Other Industrial Equipment expanded at a 33.9% annualized rate in Q3 2014 and is now up 21.6% year-over-year, an eleven-month high. The Other Industrial Equipment Momentum Index increased from 94.6 in October to 98.9 in November, the highest level since April 2012. Shipments of Industrial Machinery and Durable Equipment Industrial Production both increased, while the ISM Manufacturing Index fell 2.4 points in September. Overall, the Index's recent movement suggests that growth will remain strong over the next three to six months.



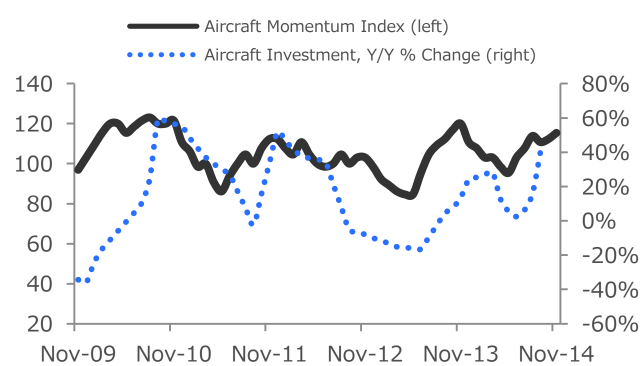
Medical Equipment:
Investment in Medical Equipment increased at a 12.9% annualized rate in Q3 2014 and is now up 8.2% year-over-year. The Medical Equipment Momentum Index was unchanged at 93.6 (revised) from October to November. Nondefense Capital Goods Orders decreased 36% and the Number of Live Births was down nearly 3%; however, Federal Health Outlays increased 13%. Overall, the Index continues to suggest that growth in medical equipment investment will be relatively unchanged over the next three to six months.



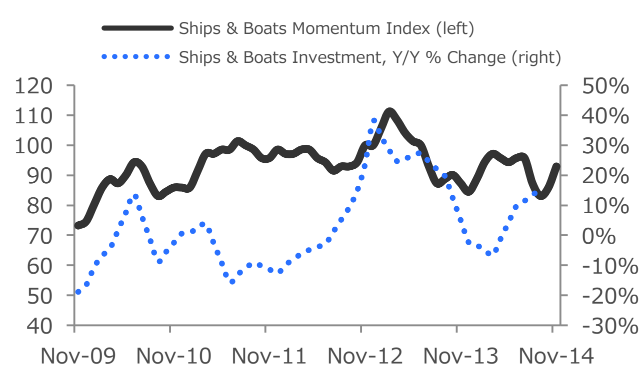
Mining & Oilfield Machinery:
Investment in Mining & Oilfield Machinery ticked up at a 2.5% annualized rate in Q3 2014 and is now up 5.7% year-over-year. The Mining & Oilfield Machinery Momentum Index was unchanged for the third consecutive month at 92.9 in November. Declines in Oil & Gas Field Machinery Inventories and Cooling Degree Days offset increases in Mining Employment and Consumer Sentiment. Overall, the Index suggests that investment will remain steady over the next three to six months.



Aircraft:
Investment in Aircraft surged at a 285.7% annualized rate in Q3 2014 and is now up 40.4% on a year-over-year basis – the largest increase in a year. The Aircraft Momentum Index increased from 112.3 (revised) in October to 115.4 in November. Capacity Utilization hit a six-year high and Industrial Production increased in September, yet U.S. Citizen Overseas Air Traffic fell 3%. Overall, the Index suggests moderately accelerating investment in Aircraft over the next three to six months.

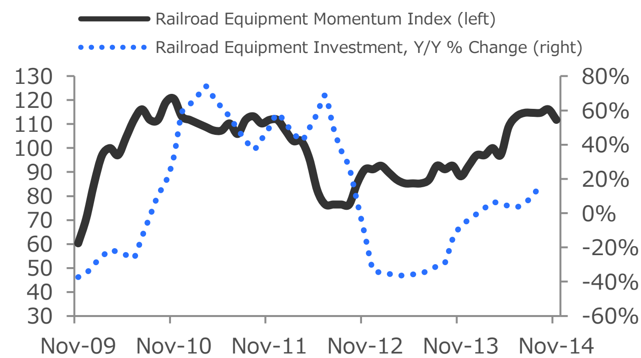


Ships & Boats:
Investment in Ships & Boats expanded at an annualized rate of 55.0% in Q3 2014 and is now up 15.6% year-over-year. The Ships & Boats Momentum Index increased sharply from 85.9 in October to 93.0 in November. Raw Steel Production rose 22% in September, and increases in Energy Products Industrial Production and Nonfarm Employment also boosted the Index this month. Overall, the Index points to stronger growth over the next three to six months.



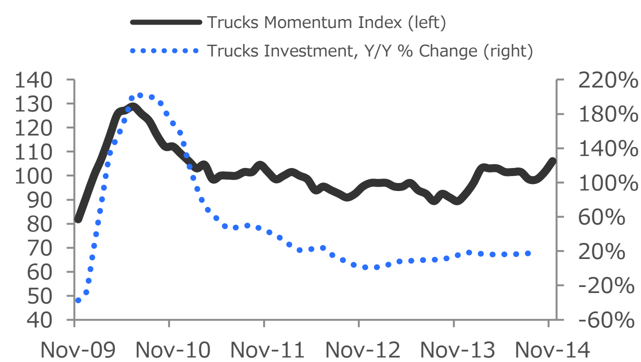
Railroad Equipment:

Investment in Railroad Equipment rebounded at a 53.3% annualized rate in Q3 2014 and is up 16.8% year-over-year. The Railroad Equipment Momentum Index fell from a four-year high of 116.2 (revised) in October to 111.8 in November. Despite a strong gain in Nonfarm Employment, declines in Coal Production, ISM Supplier Deliveries, and Mining Exports pulled down the Index. Overall, the Index suggests that growth in railroad equipment investment may peak and then moderate over the next three to six months.



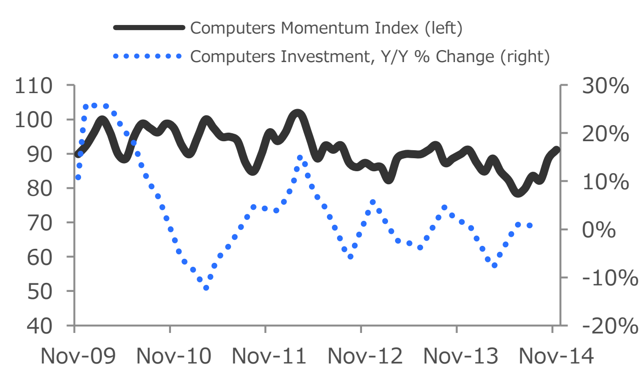
Trucks:

Investment in Trucks increased at a 10.5% annualized rate in Q3 2014 and is now up 18.0% year-over-year. The Trucks Momentum Index increased from 101.5 in October to 106.1 in November – the highest level in nearly four years. Housing Starts increased 6.3% in September, and Manufacturers' Shipments of Primary Metals and Energy Materials Industrial Production also positively contributed to the Index. Overall, the Index's recent movement indicates upward momentum in truck investment over the next three to six months.



Computers:

Investment in Computers increased at an annualized rate of 6.9% in Q3 2014 and is up 0.8% on a year-over-year basis. The Computers Momentum Index increased from 88.6 in October to 91.1 in November, the highest level in nearly a year. Although Electronic Computer Shipments fell 8%, Consumer Expectations increased nearly 6% and Communication Equipment Shipments continued to climb. Overall, the movement of the Index suggests improving growth in computer investment over the next three to six months.



Software:

Investment in Software increased at a 4.4% annualized rate in Q3 2014 and is up 3.5% year-over-year. The Software Momentum Index declined from 94.5 (revised) in October to 91.5 in November. The Dollar strengthened more than 4% against the yen in September and the PPI for Software Publishers declined for the second month. However, the NASDAQ Composite Index increased 3% in October. Overall, the Index points to a slight moderation in investment growth over the next three to six months.