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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.

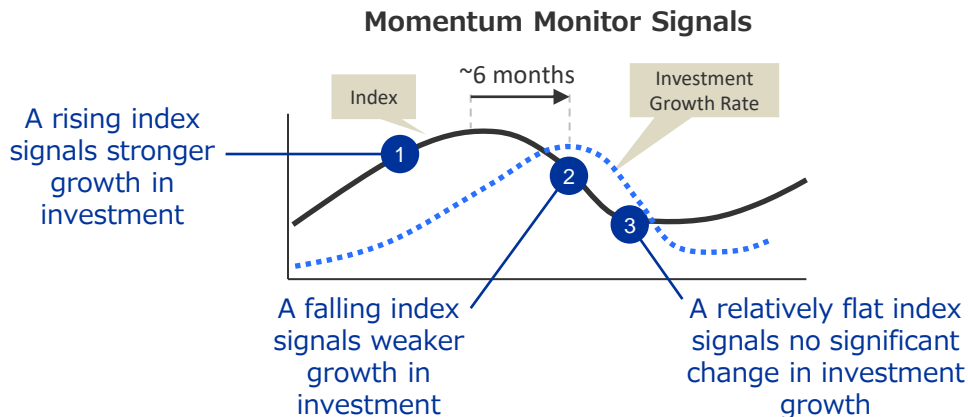
U.S. Equipment & Software Investment Momentum Monitor – 12 Verticals

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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:

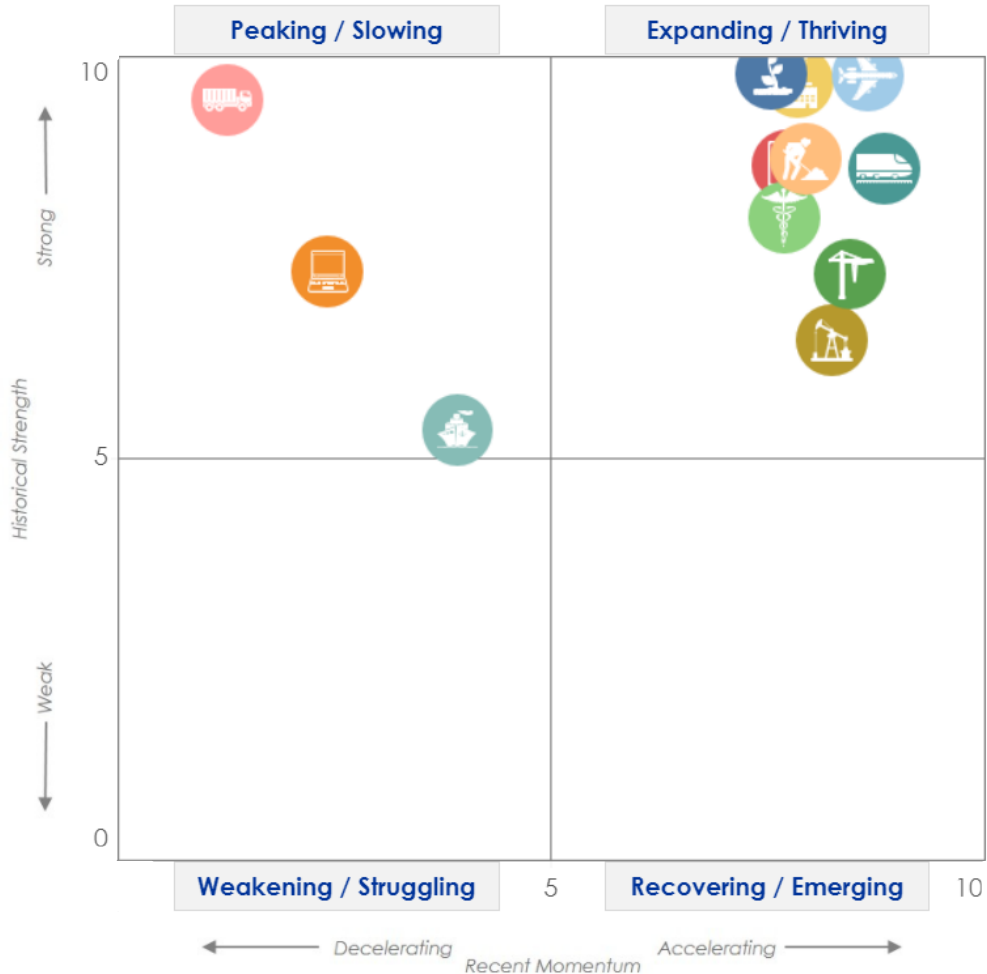
- 1 Investment in Materials Handling Machinery inched up at a 0.3% annualized rate in Q4 2014 and is up 7.3% year-over-year.
- 2 The Materials Handling Momentum Index slipped from 93.5 in February to 92.5 in March.
- 3 A 23% decline in the MNI-Chicago Business Barometer and a spike in Economic Policy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

April 2021

Momentum Monitor Sector Matrix



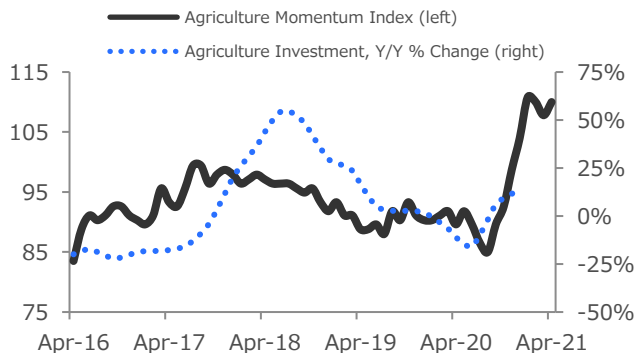
The matrix above summarizes the current values of each of the 12 Equipment & Software Investment Momentum Indices based on two factors: Recent Momentum (x-axis) and Historical Strength (y-axis):

- **"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.

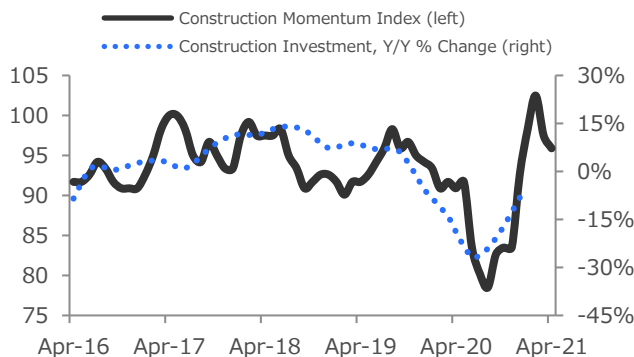
Agriculture Machinery:

Investment in Agricultural Machinery increased 28% (annualized) in Q4 2020 and is up 14% from one year ago. The Agriculture Momentum Index increased from 107.8 (revised) in March to 110.0 in April. In February, the Caterpillar market cap increased by 18.1%, while the MSCI Commodity Producers Sector Index grew 13.9%. Overall, the Index's elevated position suggests that agriculture machinery investment growth should remain robust over the next six months.



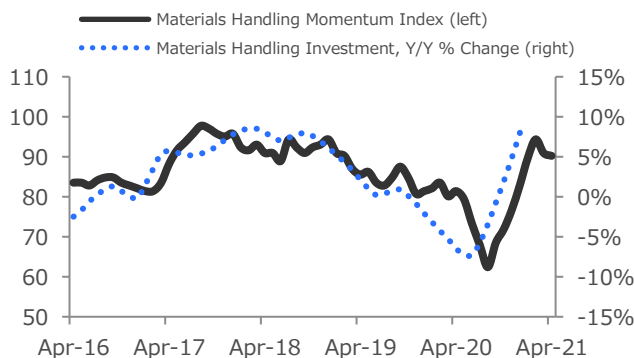
Construction Machinery:

Investment in Construction Machinery expanded 19% (annualized) in Q4 2020 but was 8.1% below its year-ago level. The Construction Momentum Index eased from 97.5 (revised) in March to 95.9 in April. Mobile Homes Shipments increased by 2.9% in January, While Public Construction Spending fell 1.7% in February. Overall, the Index's position suggests that construction machinery investment growth could return to positive territory over the next six months, though recent movement suggests that upside potential is limited.



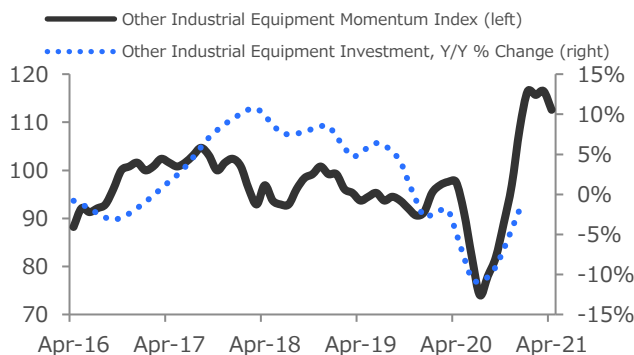
Materials Handling Equipment:

Investment in Materials Handling Equipment grew at a 28% annualized rate in Q4 2020 and was up 8.0% year-over-year. The Materials Handling Momentum Index edged down from 90.9 (revised) in March to 90.2 in April, though this was still the second-highest level in two years. Industrial Sector Energy Consumption increased by 6.6% in December and Equipment Sales rose by 5.9% in January. Overall, the Index's position suggests that materials handling equipment investment growth should remain in positive territory over the next six months.



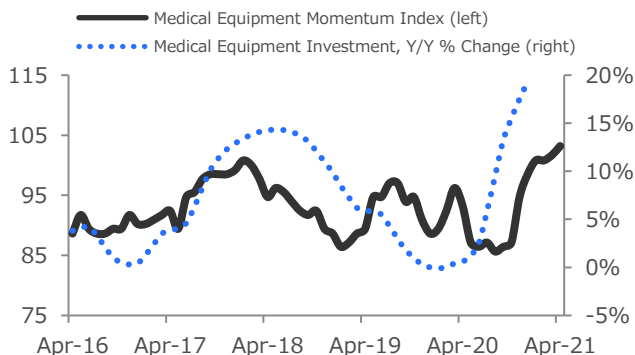
Other Industrial Equipment:

Investment in All Other Industrial Equipment rose 23% (annualized) in Q4 2020 but was 1.8% below year-ago levels. The Other Industrial Equipment Momentum Index eased from 116.5 in March (revised) to 112.6 in April. In February, Terex Market Cap surged by 15.3%, while Exports Prices of Industrial Supplies & Materials increased by 3.6%. Overall, the healthy position of the Index suggests that other industrial equipment investment growth should return to positive territory in the next two quarters.



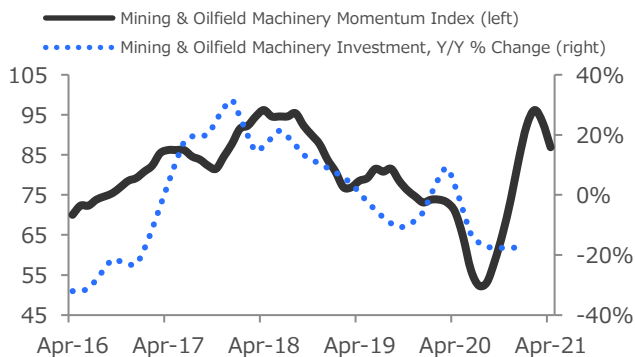
Medical Equipment:

Investment in Medical Equipment rose 22% (annualized) in Q4 2020 and was up 19% year-over-year. The Medical Equipment Momentum Index ticked up from 101.7 (revised) in March to 103.2 in April, the highest level in over 7 years. In February, the Consumer Price Index for Medical Services increased by 1.0% and Spending on Hospital and Nursing Home Services rose 1.0%. Overall, the Index points to strong medical equipment investment growth over the next six months.



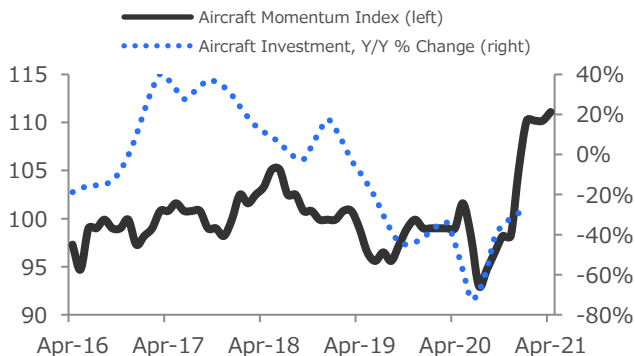
Mining & Oilfield Machinery:

Investment in Mining & Oilfield Machinery increased 15% (annualized) in Q4 2020 but is down 18% compared to a year ago. The Mining & Oilfield Machinery Momentum Index fell from 93.1 (revised) in March to 86.9 in April. In February, Mining, Oil, and Gas Field Machinery Industrial Production decreased by 5.5%, while the Brent Spot Price surged by 19.2%. Overall, the Index continues to suggest that mining & oilfield equipment investment growth has bottomed out and will improve over the next two quarters, despite this month's decline.



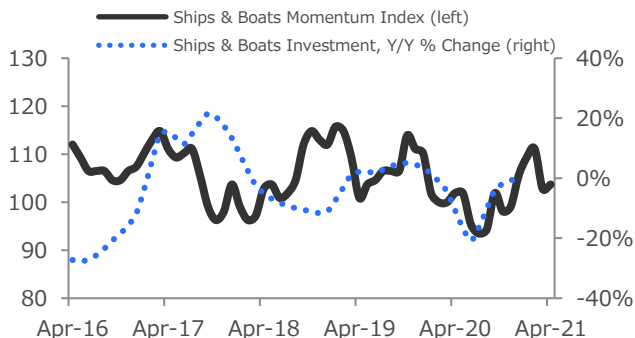
Aircraft:

Investment in Aircraft surged 330% (annualized) in Q4 2020 but was still 29% below year-ago levels. The Aircraft Momentum Index improved from 110.2 (revised) in March to 111.1 in April, marking another 10-year record high. In February, Imports of Civilian Aircraft rose by 76.1%, while Market Cap of Southwest Airlines grew by 32.3%. The Index's position and recent movement suggest that Aircraft investment growth should continue to improve over the next six months.



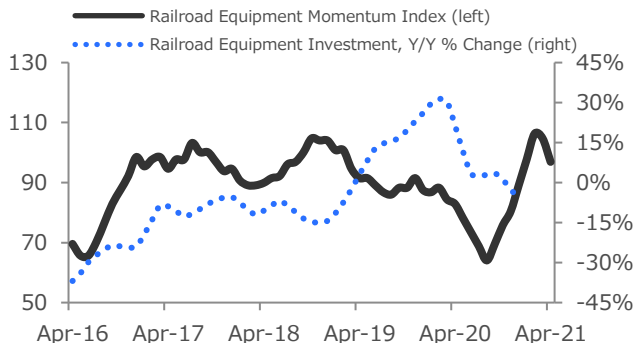
Ships & Boats:

Investment in Ships & Boats rose at an annualized rate of 5.7% in Q4 2020 but was unchanged from a year prior. The Ships & Boats Momentum Index increased from 102.8 (revised) in March to 103.7 in April. In February, Industrial Production of Consumer Products increased by 5.6%, while Houston Shipping Container Traffic fell by 22.1%. Overall, the Index points to modest growth in ships & boats investment over the next six months.



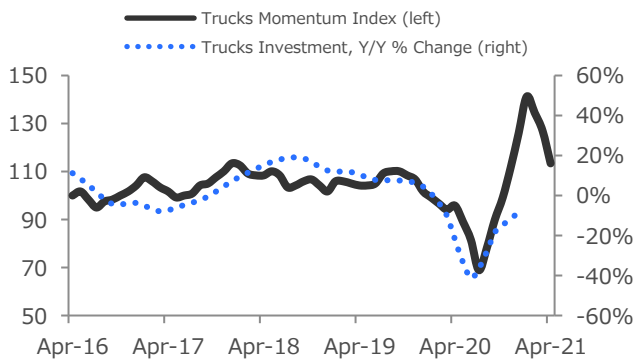
Railroad Equipment:

Investment in Railroad Equipment fell 18% (annualized) in Q4 2020 and was down 6.5% year-over-year. The Railroad Equipment Momentum Index fell from 104.7 (revised) in March to 96.9 in April. In February, Rail Carloads of Coal fell by 8.8%, while Industrial Production of Energy fell by 2.0%. Overall, the Index's position and recent movement suggest that railroad equipment investment growth should return to positive territory over the next six months.



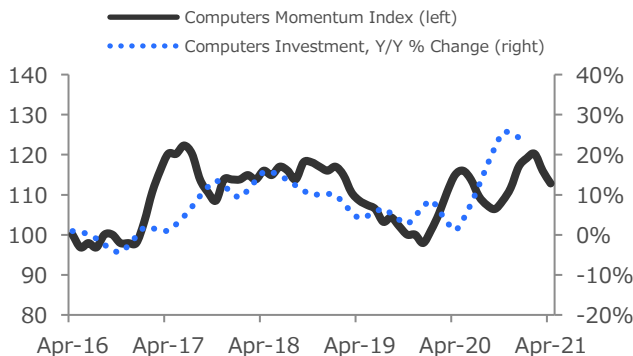
Trucks:

Investment in Trucks surged 58% (annualized) in Q4 2020 but was down 8.1% from year-ago levels. The Trucks Momentum Index fell sharply from 126.9 (revised) in March to 113.4 in April, though it remains above pre-pandemic levels. Manufacturers' Inventories of Light Trucks & Utility Vehicles increased by 5.5%, while Motor Vehicles and Parts Industrial Production fell by 8.3% in February. Despite the latest reading, the current position and recent movement of the Index suggests that trucks investment growth should return to positive territory over the next two quarters.



Computers:

Investment in Computers increased 7.7% (annualized) in Q4 2020 and was up 23% year-over-year. The Computers Momentum Index fell from 118.1 (revised) in March to 110.6 in April. In February, Capacity Utilization for Computer & Electronic Product Manufacturing fell by 1.9%, while the ISM PMI rose 3.6%. Overall, the Index suggests that computers investment growth should remain strong over the next six months.



Software:

Investment in Software rose 9.9% (annualized) in Q4 2020 and grew 5.6% from a year prior. The Software Momentum Index slipped from 103.9 (revised) in March to 102.0 in April. The M1 Money Supply grew by 2.6% in January, while the Producer Price Index for Software Publishers fell by 1.4% in February. Overall, the Index suggests that software investment growth should accelerate over the next six months.

