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Triad money managers placing bets on 3-D printing

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Matt Evans

Reporter- *Triad Business Journal*

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The rapid rise of 3-D printing and its potential to change the way products are manufactured and purchased has inspired a group of investors to start placing some big financial bets on the technology.

Trent Capital Management Inc. in Greensboro has raised \$3.1 million from accredited investors for its new “3D Tech Plus”

fund, which will put money into public and private companies involved in what is also known as “additive manufacturing.”

3-D printing uses computer-designed blueprints to lay down multiple layers of plastics or other materials in the form of anything from a tiny machine component to an entire building, though most printers today are still rather limited in the scale and speed at which they can produce.

Trent Capital had been running investment funds focused on the cell phone industry for more than 20 years, said [Jim Folds](#), one of the firm’s partners. Folds’ son was the first to clue him in to the coming rise of 3-D printing a few years ago as an engineering student at N.C. State University, and his team’s study of the industry since then has convinced them it’s time to start writing checks.

“It’s the first thing we’ve seen come along that is going to be as universally disruptive as the cellular telephone industry was,” Folds said. “It’s going to change a lot about how things are done — not tomorrow, but it’s on the way. I wouldn’t pretend to know where in the crook of the hockey stick we are right now, but it’s close.”

Emergent industry

The 3D Tech Plus fund is structured as an LLC open only to accredited investors, not the general public. At least half of the money raised by the fund will be invested in 3-D printing-related businesses, and no more than half will go to privately held firms. The management fee will be 2 percent per year.

There should be a variety of ways to invest in the nascent industry, Folds said. There are companies that make printers and the software that will drive them, of course, but there are bound to be other creative applications as well.

For instance, Folds said he was recently at a conference and met an entrepreneur who has put together a website that allows users to search for or upload models of machinery parts they need to find for sale online. Part of the business plan, he said, is to be able to connect buyers who need parts that aren’t currently available with 3-D printing facilities that will be able to custom manufacture them, and those may one day be as common as traditional copy shops are now.

Triad entrepreneurs could be in the mix, though [David Labiak](#), the senior portfolio manager for the fund, said there won’t be any particular bias for local firms. So far, the fund has put money into 16 publicly held firms and two private ones, with the biggest holding being PTC Inc. (NASDAQ: PMTC), formerly Parametric Technology Corp., which is one of the largest suppliers of the design software 3-D printers use, Labiak said.

The sweet spots for commercial applications of 3-D printing still aren’t clear, and Labiak said that does add to the challenge of stock-picking. Public companies like PTC Inc. have all the usual numbers available to analyze, so making those calls is mostly a function of understanding how such a company stands to benefit from the technology’s rise.

“Private placements are trickier” because they’re usually younger and have less of a track record, he said. “But you do your best as an analyst. Back during the tech bubble we had some firms that didn’t work out, and I imagine we’ll have some this time that won’t. But we’ll do our due diligence, meet the teams and figure out which have a future and which don’t.”

Pitching a better printer

Among the Triad entrepreneurs the investors have met with is [Chris Padgett](#), founder of Fusion3 Design in Greensboro. Padgett is a 2011 mechanical engineering graduate of N.C. State who is basing his startup on his own design for a 3-D printer, dubbed the F306, that he says will allow for larger print volumes at faster speeds than models on the market today.

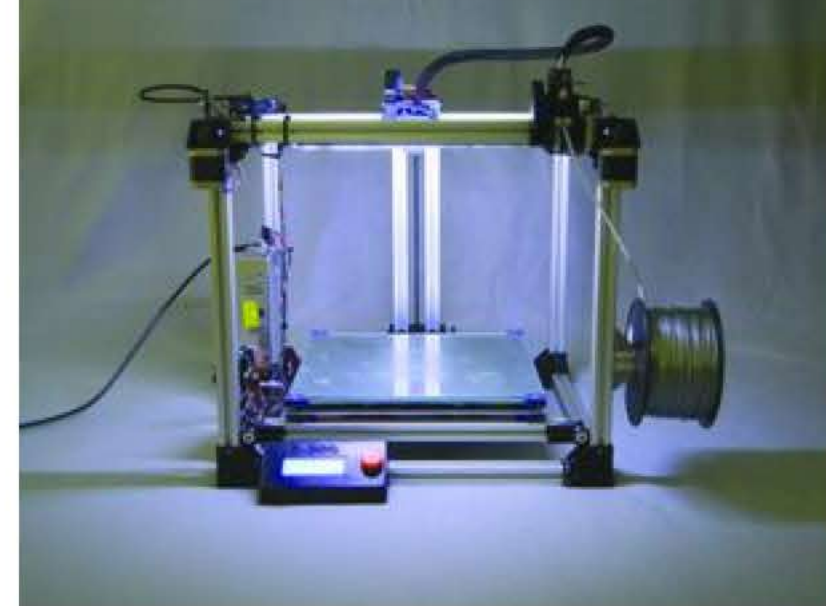
Padgett hasn’t yet hired any other employees, though he expects to when his printer goes into commercial production later this year. He said he’s bootstrapped his company thus far with help from his parents, and he hasn’t yet decided if or when he’ll take outside investment funds.

Padgett said the newness of 3-D printing itself shouldn’t scare investors away from the industry, since all technology starts off new. But investors shouldn’t expect a smooth ride to riches, either.

“My concern about 3-D printing is that we’re near the peak of expectations” — in other words, hype, Padgett said. “We don’t really know yet where the technology is going. So I hesitate to say yes, people should invest in this industry, because I think there’s still some disillusionment to come. That said, there are absolutely applications where this technology makes sense in its current form.”

Folds, at Trent Capital, said investing in 3-D printing isn’t a way to get rich quick, but he doesn’t see the industry as an overly risky bet despite its relative youth.

“I can’t imagine that this industry in five or 10 years won’t be massive, and in that environment there’s a world of investment opportunity,” he said. “Just like in cellular and in other technologies there will be those that fall by the wayside, but hopefully we’ll be adept at staying away from those and finding those that will prosper.”



COURTESY OF TRENT CAPITAL MANAGEMENT INC.

A test model of the 3-D printer designed by Fusion3 Design of Greensboro. Trent Capital Management of Greensboro has established an investment fund to put money into companies involved in the burgeoning industry of “additive manufacturing.”