



Atas VC Whitepapers

# American Necessities



# American Necessities, not American Dynamism

As we experience a wave of “American Dynamism” focused investment, let’s explore an alternative approach to a similar problem set.

## What are American Necessities?

One of the common criticisms of my investment strategy is that it is simply an American Dynamism thesis. Why break out such specific industries? Why focus on deep tech?

My thesis is fairly simple. I’m interested in investing in deep technology in core American industries. Outside of the evolution of energy and the future of manufacturing covered in separate papers, I’m interested broadly in American Necessities. But I don’t think that covers too broad of a range: the remaining “American Necessities” I’m planning on investing in are frankly just water and agriculture, which comprises the third pillar of the Atas VC investment strategy. Sure, I think there’s some potential for supply chain or construction, so I don’t limit the nomenclature, but at its core these are the three sectors I intend to deploy capital into until my thesis needs to evolve.

And why is this contrary to American dynamism? Specifically, if you look at A16z’s website on American Dynamism they outline the following:

**“The American Dynamism practice invests in founders and companies that support the national interest: aerospace, defense, public safety, education, housing, supply chain, industrials, and manufacturing.”**

You can certainly criticize that for being extraordinarily broad (it covers frankly every sector – everything is some degree of related to public safety, manufacturing, or something else in the categories) but the best differentiation I can describe between my strategy and Andreessen Horowitz’s is in the first three categories.

The American necessities strategy leaves out aerospace, defense, and public safety, very intentionally. Although it is often great investment strategy to invest in war, that strategy itself requires two things, one of which is a deep knowledge of government processes. The other is an existential belief that global conflict will continue.

## There’s nothing wrong with American Dynamism.

Betting on global conflict is likely fairly smart. I’m cynical broadly: I firmly believe global conflict will continue. But there’s also a nuance that their thesis fails to account for the fact that we are also in an unprecedented era of globalization. Globally, since 1995 global trade has more than quadrupled. Foreign Direct Investment is almost \$2B. International migration continues rapidly, as technology and increased adoption of mobile devices brings the world closer together. There are a lot of defense tech focused investors, and a lot less focused on globalization.



As an investor, you find alpha in betting against the herd. The future of some legendary businesses will lie in cross-border scalability, a new ability to transcend cultural barriers that limit market sizes. The investment thesis of American Necessities exists to invest in companies that have their core business in the US but solve a critical pain point so important that they transcend language barriers, religious differences, cultural differences, and even global tensions.

In several other papers I discuss the importance specifically for manufacturing and energy. Let's shift the focus to the categories of food and water, the core focus of my third investment pillar. Specifically, what technologies work in agriculture? And how do we generate excellent returns in an industry without any large categorical exits to date? Investing early in technologies that solve real problems.

**Agriculture** is not a new investment class. There are many investors currently focused on the space. So how do we win? Investing earlier and understanding the market better. The latter isn't that hard but involves showing up. Lots of investors will invest in agriculture now; but not enough are creating the networks in the middle of the country, with farmers, or at agtech conferences to get the deal flow that they need at the early stages. The problem with agriculture is that distribution is difficult. Which means there are two ways to solve this: underwriting differently, and hacking distribution with strategic partners.

The technologies that I'm interested in with agriculture often overlap with the evolution of energy and the future of manufacturing and align well with corporate goals in the agriculture industry. Specifically, I'm interested in precision agriculture and livestock management leveraging AI and IoT. Biotechnology and healthy applications of CRISPR/GMOs to increase productivity and disease resilience, water management and treatment, and supply chain/energy integrations for agriculture specifically. Real tech has real buyers from a customer side and in terms of M&A. I've seen it firsthand: I previously worked with a startup in the data science for agriculture space that was going through a liquidation. They'd only brought in around \$100K ARR, and their lowest offer for acquisition was \$5MM cash. Even after the waterfall, everyone would have netted around a 2X, for objectively a bad outcome. Underwriting these technologies at conservative valuations early in the startup lifecycle means that with a better probability of exit (even if a lower probability of IPO) generates a similar expected IRR and DPI as a traditional venture model and can be part of a portfolio construction model.

This is not an end all though. Theses and strategies will evolve over time as well. By betting on the oldest industries, the core American Necessities first, we'll create the infrastructure for generations of profitable investments.

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