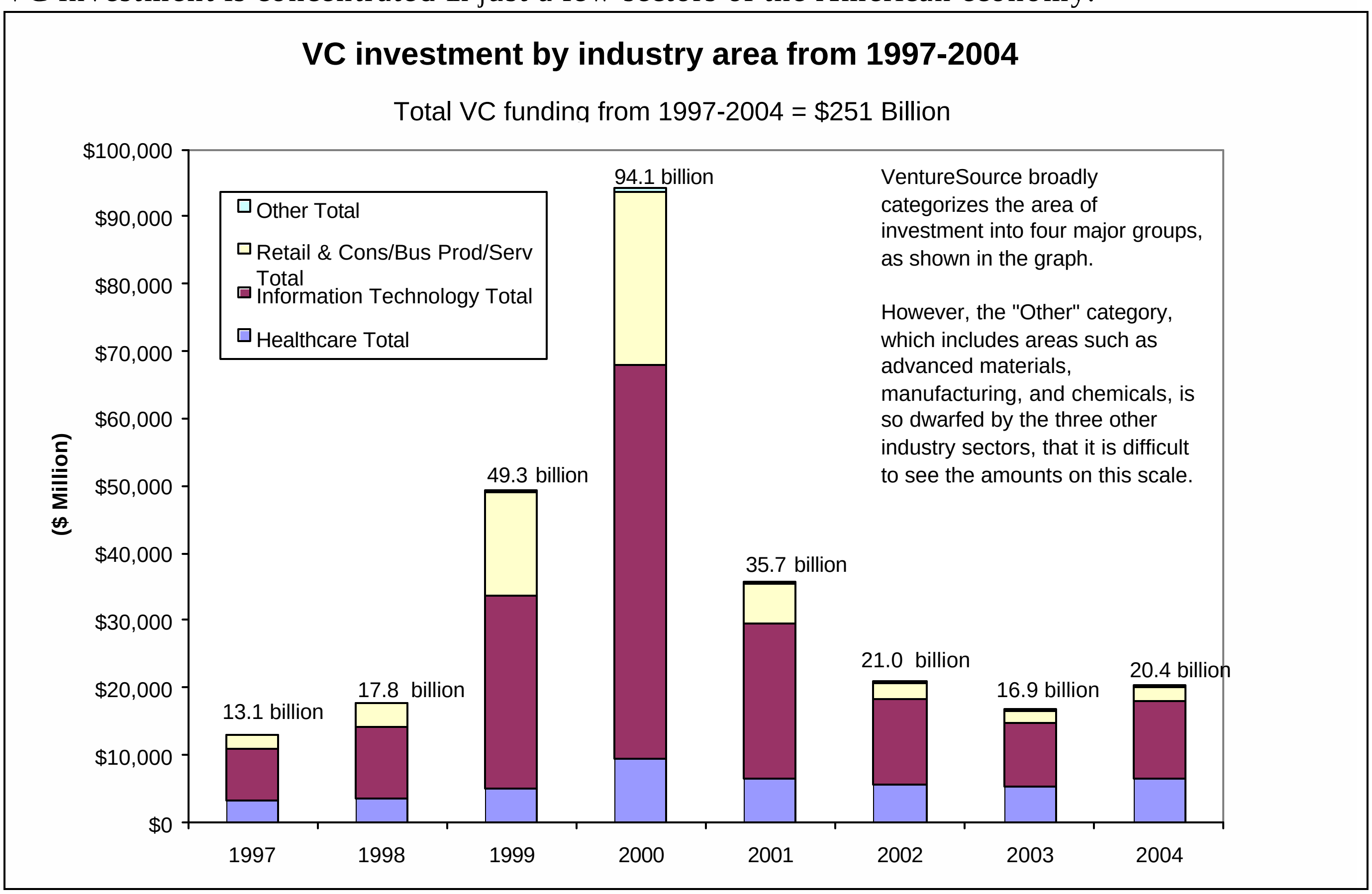
Venture Capital Funding is Heavily Concentrated in a Few Industries; ATP Funds all Sectors

Venture capitalists, as financiers, focus their investment in high-growth areas. A few excerpts from Zider's article illustrates this [1]:

- "Regardless of the talent or charisma of individual entrepreneurs, they rarely receive backing from a VC if their businesses are in low-growth market segments."
- "Picking the wrong industry or betting on a technology risk in an unproven market segment is something VCs avoid."
- "The reality is that they [VCs] invest in good industries – that is, industries, that are more competitively forgiving than the market as a whole"

The following graph taken from data from Ernst&Young and VentureSource shows that VC investment is concentrated in just a few sectors of the American economy.



[1] B. Zider, "How Venture Capital Works" *Harvard Business Review*, Nov 1998 (pg 131-137)

By statute, ATP funds projects that have large potential for national economic benefits, so ATP funds projects in virtually every technical area, not just a few select sectors. ATP has provided a total amount of $2.2 billion in cost share to private industry for selected innovative and technically risky projects from 1990-2004. ATP has grouped its technology areas into five main categories, and the breakdown is well distributed.

ATP technology area	% of total funds	Total ATP funds ($ billion)	Total Industry funds ($ billion)
Electronics and Photonics	25	0.58	0.53
Information Technology	22	0.50	0.47
Advanced Materials and Chemistry	21	0.49	0.45
Biotechnology	20	0.45	0.42
Manufacturing	11	0.25	0.23

Factsheet 1.C10 (March 11, 2005 by Prasad Gupte)