



CABRERA CAPITAL: GENERATING ALPHA WHILE CREATING OPPORTUNITIES FOR DIVERSE-OWNED FIRMS



Martin Cabrera's introduction to finance came during his senior year in high school. As a first-generation Mexican American growing up in the Little Village neighborhood of Chicago's Southwest Side, Cabrera's exposure to the finance industry was non-existent. But at the urging of the school's basketball coach, who served double-duty as an economics teacher and his mentor, Cabrera took an economics class, learned the ins and outs of the financial markets, and fell in love with the industry.

That love for finance resulted in the launch of Cabrera Capital, one of the largest Latino-owned global investment banks in the U.S. The firm provides a range of investment banking and institutional brokerage services and is also a national real estate developer.

Cabrera Capital has participated in a range of high-profile transactions. On the public markets side, the firm took part in IPOs and equity offerings for Thoma Bravo, KKR Acquisitions Holdings I Corp., Rivian Automotive, and Weber Inc. The firm also has underwritten debt issues for corporate giants, including Allstate, General Electric, AT&T, General Motors, Citigroup, Bank of America and Southern Company.

Corporate debt makes up about two-thirds of Cabrera Capital's business, with the remainder mainly split between municipal debt and corporate equities. On the institutional brokerage side, the firm trades several fixed income instruments and global equities in North America, Europe and Asia for nearly 500 institutional clients. The firm has issued over \$720 billion in municipal bonds and more than \$1.6 trillion in debt and equities for corporations worldwide. On top of this, about ten years ago, Cabrera Capital expanded into real estate. "We saw an opportunity to take our investor lens, track record, and our team's experience in building capital stacks for deals to create great returns and projects that serve as economic engines for their neighborhoods," Cabrera explains.

One real estate project currently underway is the \$450 million development of 33 acres on Chicago's Southwest side in partnership with the Chicago Housing Authority. The project, which includes a 750-unit residential property and commercial space, is expected to create over 1,600 jobs for the community and provide partnership opportunities for Latino and Black architects, engineers, designers, construction companies, and sub-contractors. "It's something that's a transformational project for Chicago's Southwest side community," says Cabrera. "We're getting invitations to meet with some of the other cities to see how they can replicate that model – not just the integration of communities, but also the inclusivity of diverse partners and vendors to the project."

ADVICE FROM A MENTOR

But none of this would have been possible without the urging of a Bogan High School hoops coach and teacher Cabrera fondly refers to as "Mr. Artese." Before his exposure to finance, Cabrera planned to study architecture at the University of Illinois. One day, Mr. Artese approached the young Cabrera and asked him to take his econ class. "I said, 'Mr. Artese, I'm going to be an architect. What do I need to take an Econ class for?'" Cabrera recalls. "Next thing I knew, he kindly put me into a headlock and said, 'Martin, I really want you to take my class,' and I said, 'Okay!'"

In a neighborhood where families worked hard just to have enough money to put food on the table, pay rent, and get through life, investing was simply not part of regular family discussions at the kitchen table. Cabrera and most of his classmates knew nothing of stocks, bonds, or any financial instruments. “We played the Stock Market Game, which gives you \$100,000 in simulation money. You had to put a team together and research companies and pick stocks you thought would perform best in a 10-week period. We had to compete with all the other schools in the state,” recalls Cabrera.

Named the team captain, the young Cabrera convinced his teammates to put all the simulated money in one company. His classmates, who knew nothing about diversification at the time, were dismayed to learn the stock was trading at \$36.25 a week later. The problem was they bought in at \$324 a share. “They called me all kinds of names,” he recalls. Fortunately for the team, Mr. Artese informed Cabrera that the company had a 10-for-1 stock split, so the stock essentially had increased in value.

The finance bug bit the young Cabrera. After purchasing different stocks for the simulated portfolio, the team came in second place in the statewide competition. “I fell in love with the markets. I was like a kid opening a brand-new present on Christmas morning, and I couldn’t put it down. I just loved it, and I still have that passion for investments,” he says. Cabrera went on to major in finance at Northern Illinois University.

A GLIMPSE OF OPPORTUNITY

Upon graduating from Northern Illinois University and studying overseas at the London School of Economics, Cabrera worked at multiple firms before landing a leadership role at a brokerage firm in Chicago. There, an error would put him on the road to entrepreneurship. In his late 20s, he started a brokerage franchise. “I had to pay all of our expenses, salaries, overhead, rent, and I would give up a percentage of our commissions to the home office,” Cabrera recalls. “And by mistake, they sent me the whole firm’s production and commission numbers, and I realized that about 85% of those commissions came from my Chicago office. So, I thought I could try this and do it on my own.”

Determined, Cabrera got the financing together, acquired another firm, changed the name, and launched the business. Unfortunately, this came in April 2001 – five months before terrorists took down the World Trade Center towers in New York City’s financial district, and everything changed. With the financial markets frozen, the future of the fledgling firm was in doubt. “I thought to myself, ‘what did I just get into?’ I put all my personal assets into the firm to get the company going.”

Cabrera put himself on a minimal salary to afford to hire the necessary additional personnel. He knew it would take time to market to clients to build their confidence to give the young firm any opportunities. The team also looked to hire high-producing professionals who could bring in their books of business. “That was at a scary time. I was all in, and there was no turning back. I had to make it work,” Cabrera says of those early challenges. “As entrepreneurs, you put in your blood, sweat and tears and everything else on the line to succeed.”

One of the early breakthrough moments came shortly after the events of September 11th, when the City of Chicago was looking for a Latino-owned firm to participate in a municipal bond offering. The problem was the city needed the firm to sell \$17 million worth of bonds in just two hours. “I told my staff, ‘You have to sell like your job depends on it – because it does,’” Cabrera remembers. “We put in for about \$40

million, and the city was so impressed that they invited us into other transactions.” The firm was growing, so its founder decided to bring in experienced individuals from Lehman Brothers, Key Bank, and JP Morgan. That decision resulted in increased traction and allowed the firm to grow and scale its offerings.

Cabrera Capital’s success led to its inclusion in larger and more lucrative transactions. It also triggered a desire in its founder to pay it forward and look at how to identify other diverse firms for inclusion. “I didn’t know what an MBE was when we started, but I started looking and analyzing all of the city, state and union pension funds to see who’s managing those assets and who’s doing the brokerage.” Although there are large demographic populations of minorities in different cities and states, the research concluded that Latino, Black, and Asian participation was less than 1% in the pension funds systems.

Something had to be done. So, in 2003, Cabrera rounded up some of the Latino and Black investment firms, politicians and the city’s decision-makers and held hearings on diversity and access to capital with the public pension funds in the state of Illinois. From that model in Illinois, he started working on inclusionary policy issues with the pension funds in California, Texas, New York, Florida, and D.C.

PROVIDING DIVERSE OPPORTUNITIES AND TRANSFORMING COMMUNITIES

Now celebrating 21 years in business, Cabrera Capital has grown into a global firm with 76 employees that perform a wide range of investment banking services. The firm has weathered the September 11th attacks, the Great Recession and the COVID-19 Pandemic to become well respected within the industry. “Growing a firm is never easy, and you learn your most valuable lessons through the most difficult times. Those tough experiences are embedded in your brain and allow you to make better business decisions and not make the same mistake twice,” says Cabrera.

With a solid team and a long institutional track record, Cabrera now focuses on growing the business and exploring new asset classes while creating opportunities for other diverse-owned asset management firms. “Being in the trenches to kickstart initiatives so that minority firms are getting those opportunities to compete comes with a sense of satisfaction that we’re helping change this entire \$90 trillion industry,” he says, citing his support of organizations like NAIC, NAA, NASP, and AAIM. “The legacy will be that we are opening the doors for the generations that follow us, and sometimes having to kick the door down to get the opportunity to compete for access to capital in the institutional money manager and brokerage industry.”

Championing for a cause is unsurprising when considering Cabrera is the son of a community activist. “We need to create wealth in our minority communities, and as we grow, our businesses and leaders need to be civic-minded and need to do business with other minority firms. The better off we are financially, the more we can do philanthropically,” Cabrera asserts. “And while not all the firms will, most will give back and invest in similar neighborhoods and communities that they grew up in. Anyone can make a buck, but it takes someone special to make a difference.”