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Yielco targets EUR 290m PE value lower mid-market co-investment fund

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by **Adrian Espallargas**

- Spanish vehicle open, targets 1Q26 close
- Targets EUR 15m tickets, sub-8x EBITDA

Yielco Investments is targeting a EUR 290m hard cap for its second value-focused lower mid-market private equity (PE) co-investment fund, Spain Country Head Julián Álvarez told *Mergermarket*.

Investors can currently only access Yielco Defensive Investments II through its Spanish vehicle, Álvarez said. It is expected to reach a final close in 1Q26 and aims to raise up to EUR 40m, he said, adding that it has secured around EUR 25m so far. Álvarez is a member of the firm's investment committee.

The fund comprises two vehicles - a Spanish vehicle that remains open and a Luxembourg-based vehicle that closed in mid-2025 after raising EUR 250m, reaching its own hard cap, Álvarez explained.

The EUR 290m total hard cap refers to the combined size of both vehicles, assuming the Spanish vehicle reaches its EUR 40m target, Álvarez said.

Investors in the Luxembourg vehicle are around 95% institutional, including insurance companies and pension funds, among others, Álvarez said. By contrast, the Spanish vehicle includes some institutional investors but is primarily backed by large family offices, typically writing tickets of EUR 2m to EUR 3m, he said.

The strategy targets equity commitments around EUR 15m per transaction, in line with the lower mid-market focus, Álvarez said. As a result, the firm opted to keep the overall fund hard cap at EUR 290m, aligning its size with its target investment profile, despite strong investor demand that could have supported a larger fund, he added.

The fund has a ten-year life and is targeting annual returns of more than 15%, he said.

Targets deals below 8x EBITDA

The fund's "Defensive" name reflects its focus on low entry multiples and conservative leverage to help mitigate downside risk in the event of a recession, Álvarez said.

At least 75% of investments must be priced at below 8x EBITDA, the executive said. The investment focus is split roughly 50-50 between Europe and the US, he added.

The vehicle pursues a sector-agnostic strategy, though it typically invests most frequently in consumer, industrial and B2B businesses, he said.

The fund co-invests alongside sponsors to take majority stakes and injects primary capital into portfolio companies to fund growth, with both organic and inorganic initiatives considered on a case-by-case basis, Álvarez said. The strategy also includes carve-outs of business units from larger groups and family-owned businesses seeking an exit as part of succession planning, he said.

The sponsors are PE firms with which Yielco has long-standing relationships across both the US and Europe, he said.

Approaches from potential sponsor partners, as well as investment opportunities from prospective acquisition targets, are welcome, he said.

Deployment begins with first US co-investment

The ten-year fund is expected to deploy around 30% of committed capital per year, with full deployment anticipated over the first three years, Álvarez said.

Yielco Defensive Investments II has already completed one investment in August 2025, co-investing alongside Invision Capital in a US company in the industrial machinery rental sector, where the sponsor is pursuing a consolidation strategy, the executive said.

The vehicle is already evaluating a range of investment opportunities, Álvarez said.

The underwriting case typically assumes a five-year investment period, though most exits occur after around three years, he said. The focus on smaller and mid-sized companies, combined with entry at low multiples, is key to supporting exit activity and contributing to that shorter holding period, he added.

Buyers of the fund's portfolio companies are typically larger PE funds, many of which still have significant dry powder available, he said.

LP demand boosts co-investment momentum

Co-investments are seeing strong demand from LPs, driven in part by solid returns delivered by many strategies in recent years, Álvarez said. He added that co-investments provide more direct exposure by removing a layer of fees, while also enabling broader diversification through smaller ticket sizes and by investing alongside multiple managers across different geographies and profiles.

Another factor is that co-investments typically take place later in the investment process, when there is greater visibility on the target company, helping reduce risk by enabling deeper diligence and insight into the business, he said.

To illustrate this, Álvarez cited an example currently under evaluation in which a lead sponsor invested in a company around 18 months ago and is now seeking additional capital to fund an add-on acquisition. Yielco is assessing a potential co-investment to support those plans, he said.

Entering at this stage would mean investing after the sponsor has already been involved with the company for some time and has built detailed knowledge of the asset, which helps reduce investment risk, he said.

Such situations are common in the co-investment market, Álvarez noted.

Yielco's first co-investment fund enters divestment phase

Yielco Defensive Investments II follows Yielco Defensive Investments I, its EUR 160m inaugural fund in the co-investment strategy launched in 2020, Álvarez said. The earlier vehicle has so far returned around 1.7x invested capital and has a total value of around 3.0x money invested, he said.

That performance and track record have helped make fundraising for the second fund easier, he said. The investment thesis for the second fund mirrors the first, following a sector-agnostic strategy focused on sub-8x EBITDA deals across the US and Europe, he said.

The first fund completed its investment period in July 2025, having made 18 investments, of which four have already been exited, Álvarez said. Further exits are expected this year, with divestment activity anticipated to accelerate in 2027, he said.

Potential exits this year could include two carve-out situations, Álvarez said, including a US-based infrastructure maintenance company acquired at around 4x EBITDA, he added.

Possible buyers of the first fund's portfolio companies are typically PE funds with fund sizes of more than EUR 1bn, he noted.

by Adrián Espallargas

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