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QUARTERLY REPORT AS OF JUNE 30th, 2021

PM's Case Study: TIM BRASIL "TIMPPING" POINT!

Dear Investor,

Anyone who followed the Brazilian corporate news of the 90s must clearly remember the euphoria that existed within the Telecom sector during the end of that decade. Private initiative had just arrived in a newly privatized sector, in which customers had been neglected for decades, at a time of profound technological transformation with the advent of cell phones and the internet. Telecom companies promised to be the bridge to this future of connectivity.

We all know the end of this story. Countless players entered the market, billions were invested in a relentless race for share and penetration of a market with little room for differentiation. In this frantic struggle, the big winner was the consumer, while Telecom companies posted mediocre returns and a few eventually went bankrupt. Consequently, the now mature Telecom sector is a synonym of low growth and meager returns on invested capital, which has driven investors and analysts away.

However, the market's lack of interest in a particular sector often creates generalizations and arbitrary prices. In our view, this is the case of TIM Brasil (hereon referred to as "TIM"), the third largest telephone company in the country. Over the past five years, the company has undergone an intense efficiency shock, which has made it one of the *Telcos* with the highest EBITDA margin in the world and has multiplied its cash generation by $4.3x^1$. On the other hand, TIM shares have been moving in the opposite direction of its operational results, suffering a drop of around 30% since the end of 2019. This mismatch has made the company's valuation increasingly attractive, in our opinion. TIM's EV/EBITDA 21 is at 3.5x, the lowest level in its recent history and one of the lowest multiples on the stock exchange.

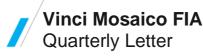
Interestingly, this low interest in TIM's shares is coming on the eve of a moment of great transformations in the sector that will, in our view, be very positive for TIM. Over the next six months, CADE (Brazilian anti-trust authority) should judge the division and purchase of Oi Móvel by the three incumbent companies – TIM, Vivo and Claro. In addition, the 5G auction should also take place within this period.

Due to this combination of attractive valuation with good prospects for the coming years, we have gradually increased our position in TIM and made the company one of our largest positions in the portfolio.

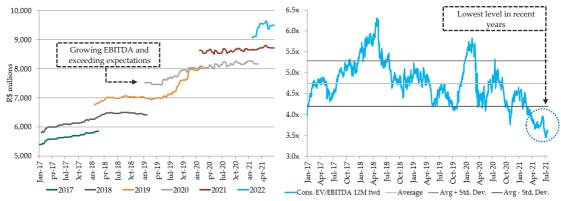
Over the next pages we will explain the massive changes that lie ahead for the sector as well as our detailed views on TIM's valuation.

¹ We have calculated cash generation using the formula: EBITDA - Capex. For comparison purposes, we are calculating EBITDA free of IFRS 16 impacts. Using this formula, cash generation in 2015 was R\$744 million vs. R\$3.2 billion in 2020.





TIM - Revisions of EBITDA and EV/EBITDA Forward estimates



Fonte: Bloomberg/Vinci

Oi Móvel Auction

Oi, the fourth largest Telecom company in Brazil, filed for judicial reorganization (Brazilian equivalent to Chapter 11) in 2016 after suffering for years from poor management and excessive competition in the sector. In an effort to save the company from bankruptcy, the new management started to sell some of its main assets. Within this context, in December 2020, Oi's Móvel's operation was auctioned by a consortium composed by the country's three largest cell phone operators (TIM, Vivo and Claro) with the objective to divide Oi Móvel's assets and incorporate them into their operations. The transaction is currently being analyzed by CADE, which is expected to complete the process by the end of this year.

There are two main assets that make up the company being sold by Oi: the customer base and the telecommunications spectrum². To make the transaction more palatable to regulatory bodies, the division of these assets by the trio has as an underlying principle of matching the three companies in terms of spectrum and market share in different regions.

Since TIM is the smallest company of the three, it will inherit the largest number of customers and spectrum³, eliminating its greatest weakness – the lack of frequencies. Given its spectrum restriction, TIM had to be creative to deal with the growing demand for data from its customers in recent years⁴.

² Telecommunication spectrum are licenses granted by the regulator (in this case Anatel) to use a certain radio frequency to transmit sounds and data. These concessions come together with counterpart investments in the network that will propagate this frequency. Spectrums are, in our view, strategic assets that enable the company to be able to deal with new technologies, such as 4G, and support the growing demand for data.

³ Anatel monitors the amount of spectrum that each operator has by region and nationally. As Claro reached the national spectrum concentration limit after the acquisition of Nextel, the consortium proposed that the spectrum division should be restricted to TIM and Vivo.

⁴ Among the strategies used by TIM it is worth mentioning network sharing agreements, spectrum "refarming" and massive MIMO. Massive MIMO uses multi-antenna signal emission technology to speed up data exchange between the terminal and the operator's network.



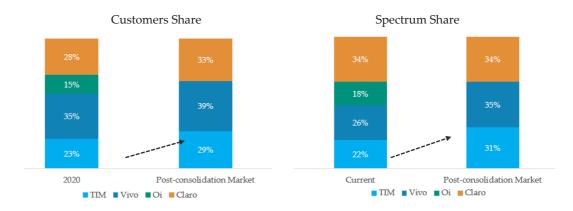


Vinci Mosaico FIA

Quarterly Letter

2Q 2021

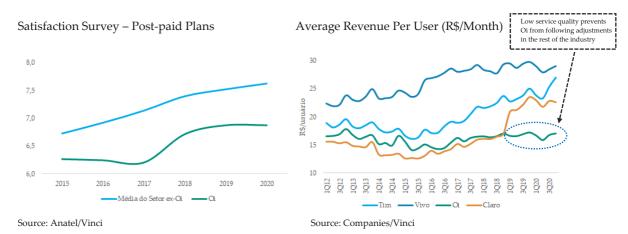
Consequently, TIM should keep 40% of ~39 million Oi Móvel customers and 54% of the company's total radio frequencies. For this purpose, TIM will be responsible for 44% of the payment of R\$16.5 billion that will be made to Oi.



Source: Anatel/Vinci

This size leap should create a strong expansion in the company's profitability as TIM will not buy a company per se, but only infrastructure assets and customer base. In other words, TIM will not incorporate Oi's employees and stores. Thus, the costs to serve this new client base will be marginal, producing an EBITDA margin of around 70% on the revenues inherited from Oi. This efficiency should bring the consolidated margin of TIM to a level above 50%.

Another major benefit that the acquisition of Oi Móvel should bring is a greater discipline in the sector. Oi's financial problems prevented the company from investing in the quality of its network and service, forcing the company to make constant aggressive promotions to gain and retain customers.



Consequently, as soon as Oi's clients are incorporated by its current competitors, it is expected that there will be a decrease in client churn, thus increasing the Lifetime Value (LTV) of the sector's consumers.

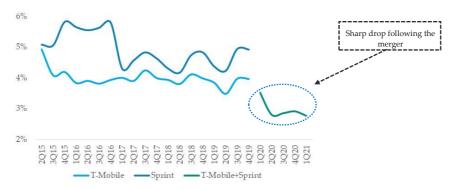


The very process of the sale of Oi Móvel, in which Claro joined the consortium initially formed by TIM and Vivo, crystallizes the rationality between the main remaining players in the sector, which was already being demonstrated by TIM due to its disciplined pricing strategy⁵ and its initiative for network sharing agreements, which reduces the need for investment.

In addition, the global experience of consolidations within the sector goes in the direction of corroborating both the evidence of cost synergies and greater customer loyalty. A recent example was the acquisition of Sprint by T-Mobile in early 2020, taking the US market from 4 to 3 major players. By March 2021, T-Mobile revised upwards the cost-cutting expectations arising from this merger. When the transaction was announced, annual savings were expected to be \$6 billion/year (~20% of combined EBITDA in 2019) from the fourth year of the business combination on. Currently, it is expected that by the third year the synergy will reach US\$ 7.5 billion (25% higher)⁶. It is worth mentioning that ~70% of synergies announced by T-Mobile will come from network/infrastructure optimizations (site deactivations, network integrations and CAPEX savings). This is a situation analogous to the benefits we see in the purchase of Oi Móvel while the possible recommendations from CADE should not harm the savings arising from the rationalization of the use of the structure.

Finally, another positive point that can be analyzed from the merger of T-Mobile and Sprint is a clear reduction in the new company's customer churn compared to pre-merger numbers, as shown in the chart below. Finally, all of these benefits have translated into a strong multiple expansion for T-Mobile (from ~6.5x pre-merger EBITDA to 9.5x today).

T-Mobile and Sprint, Prepaid Plans Churn

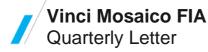


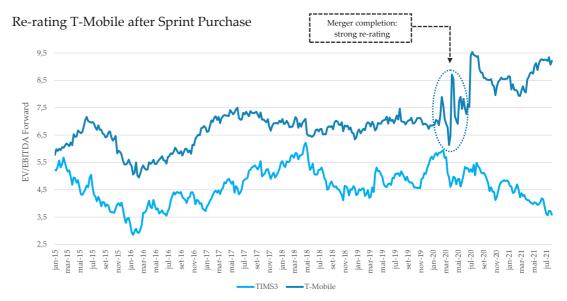
Source: T-Mobile/Vinci

⁵ TIM has been practicing a value over volume strategy in which it prioritizes providing a higher quality service to its customers (eg increasing the availability of its package data) and at the same time avoiding excessive discounts. In the last three years, TIM's average postpaid ARPU grew 11% p.a.

⁶ Source: T-Mobile Sees Faster Growth and Potentially \$60 Billion in Buybacks | Barron's (barrons.com)







Source: Bloomberg/Vinci

Even if we perform a simplistic calculation that disregards the benefits of increasing the amount of radio frequencies, greater discipline in the mobile telephony market and the possible tax gains with the operation, we can see that the purchase of Oi Móvel generates significant value for TIM.

Oi Móvel Fair Value⁷

Fair Value	Oi Mobile
Revenue 23 (Stake TIM - 40%) (R\$ mm)	3,000
EBITDA 23 (stake TIM) (R\$ mm)	2,100
EBITDA Margin	70%
EV/EBITDA Fair 23	5.0
Fair Price (R\$ mm)	10,500
Amount Paid (Stake TIM 44%) (R\$ mm)	7,260
Value Created with Transaction (R\$ mm)	3,240
TIM's Market Value (R\$ mm)	27,718
Upside from Oi	12%

Source: Vinci

However, the crucial question remains: will the regulators (Anatel and CADE) approve this consolidation?

⁷ We arrived at a fair EV/EBITDA 23 for Oi mobile of 5x by applying a 10% premium on our fair multiple for TIM ex-Oi of 2023, which is 4.5x. This 4.5x fair multiple for 2023 is derived from our target price obtained through DFC for December 2021. The 10% premium comes from the fact that the EBITDA margin coming from Oi's operations will be about 50% higher than the current one.



2Q 2021

Anatel's analysis should focus on checking spectrum concentration limits and, as the transaction was designed, we do not see a relevant risk of opposition from the agency. We believe that Anatel should approve the transaction between August and September/21.

The CADE process is where the most intense discussion about the transaction exists. CADE admitted five interested third parties⁸, most of them regional competitors (among them MVNOs and ISPs⁹), complaining directly or via associations. The complaints go in the direction of saying that market concentration will become excessive, increasing the risk of coordination and entry barriers.

In its defense, the consortium argues as main points:

- 1) The trio's purchase of Oi Móvel ensures that operators with proven expertise maintain the service for ~39 million Oi customers. At the same time, the transaction enables Oi to restructure and invest in an open fiber infrastructure network, something that will help lower entry barriers for smaller competitors. They also mention that Oi Móvel was sold in an open auction, but no other interested parties appeared ¹⁰.
- 2) The concentration index of the Brazilian market (measured through the HHI) is one of the lowest in the world and will be marginally changed given that the division of Oi Móvel 's customers will prioritize the least relevant operator in each region. In addition, there is a worldwide trend of market concentration in 3 operators, without this having caused damage to consumers.
- 3) The operation will generate important efficiency gains that should be shared with consumers and that will help companies to invest more effectively in 5G.
- 4) Anatel's regulation imposes strict quality goals and prevents abuses of dominance by companies.

8 The 5 interested third parties approved by CADE were: Algar, Sercomtel, TelComp, Neo Association and Idec. Source: Telesynthesis

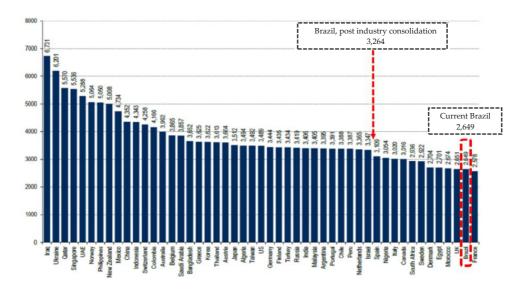
⁹ MVNO stands for Mobilie Virtual Network Operator – mobile companies that do not have their own network infrastructure. These companies use the network of traditional operators paying wholesale prices and are responsible for marketing the plans and relationship with end customers. The main Brazilian MVNO is Surf Telecom, with around 650 thousand customers. Source: Neofeed ISP stands for Internet Service Provider that focus on offering ultra-broadband and ancillary services to fixed internet, such as streaming service. In addition to the incumbent telecom players, there are important regional players among ISPs which have been growing rapidly organically and through acquisitions. The largest regional ISP is Brisanet with around 837 thousand subscribers in 1Q21. Source: Brisanet's IPO prospectus

¹⁰ The consortium previously acquired the right to match the best bid in the auction through the stalking horse process. Some of the criticisms from interested third parties go along the lines of saying that this right has inhibited other offers; then, the consortium counters alleging that this mechanism is common in JR processes and does not interfere in the competitive process.



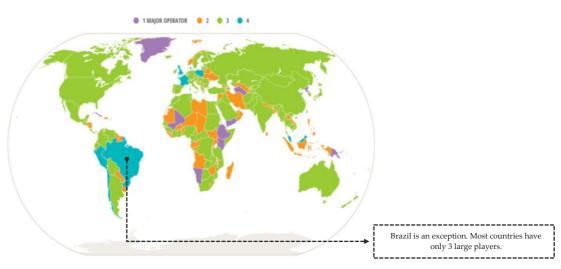


Concentration Index (HHI) in the Mobile Phone Market by Country, in 2019



Source: Bofa Global Research Estimates, Global Wireless Matrix (14 Jul/2020)

Number Mobile Phone Operators by Country



Source: GSMA Inteligente (4Q18)

After conversations with regulators, competition lawyers, competitors of the incumbents and the top management of the consortium, we concluded that approval of the deal is highly probable.

In a recent statement, the future president of CADE, Alexandre Cordeiro corroborated our vision by declaring: "All over the world, the Telecom and Aviation market tends to be markets with



2Q 2021

three players, or even a duopoly, and it is the regulator's duty to encourage competition between these players. This type of infrastructure has this characteristic in general"¹¹.

Many of the competitors' claims can and should be remedied through regulatory adjustments that encourage MVNOs (such as preventing incumbents from imposing exclusivity agreements throughout the national territory) and allowing regional players to have greater access to the incumbent's infrastructure (i.e. open network sharing to these companies and better roaming deals).

None of these adjustments should significantly alter the transaction's efficiency gains and the already fierce competitive environment in the sector.

The 5G Auction

Another important point of doubt in the sector relates to the 5G auction. Some investors look to international experience and fear that the high cost of licenses paid in other countries, coupled with the high capex that will be required to implement this new technology, should add another chapter to the industry's history of low returns on invested capital.

We, however, have a more constructive view of the Brazilian situation due to the fact that the Brazilian 5G auction should be the first in the world not to have a fundraising bias¹². In other words, the radio frequency licenses will only represent 5% of what Anatel estimated in terms of investment for each lot. The remainder of the investment will be directed to attend, over the next 8 years, the coverage obligations imposed by the agency.

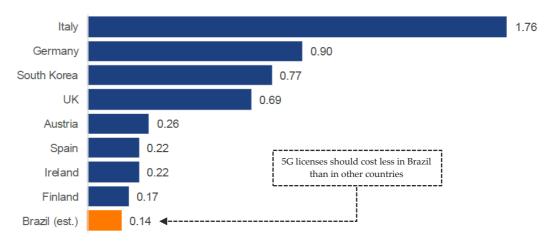
In addition to the fact that the initial capital contribution should be low, another positive point of the 5G project designed by Anatel is the permission for network sharing among participants. We estimate that the incumbents could save around 20% compared to the capex budgeted by Anatel for the development of 5G due to their bargaining power with suppliers, use of pre-existing infrastructure (such as towers) and probable network sharing.

¹¹ https://braziljournal.com/no-cade-um-novo-xerife-cauteloso-com-os-remedios-que-aplica

¹² Statement by Pietro Labriola on TIM Day of 03/01/2021



5G auctions around the world (R\$/MHZ/inhabitant) – 3.4 GHz – 3.8 GHz Spectrums



Source: Spectrummattersindeed e Itaú BBA

The auction was issued by Anatel in February/21 and should be considered by the Government's Accounting Court (TCU) in August/21. The auction is expected to take place between September and October/21. The government's interest in going through with the auction in time to show 5G as one of its achievements to voters in 2022 plays in favor of this schedule¹³.

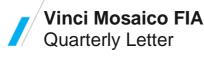
But, after all, what changes with 5G?

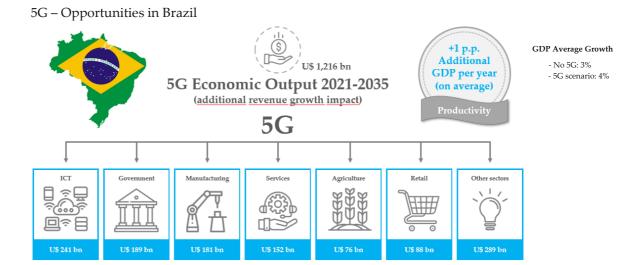
5G will allow for greater data transmission with much lower latency. To get an idea of this evolution, a movie download that takes 2 minutes on 4G can be downloaded in 3.7 seconds on 5G (around 30 times faster). This much more agile connection will allow a host of new applications that depend on great sync and quick responses. Examples are: autonomous cars, remote surgeries, and connected factories in different countries. In other words, 5G will be the foundation of the Internet of Things (IoT), at the same time it will be able to carry forward the exponential growth of data consumption. Another useful application of 5G will be the availability of wireless broadband (Fixed Wireless Access or FWA), which will be a more viable alternative to optical fiber for small towns.

All these applications are expected to have a relevant impact on the economy. It is estimated that the implementation of 5G and its different uses should positively impact the Brazilian GDP by around 1% p.a. by 2035.

¹³ https://www.poder360.com.br/governo/fabio-faria-promete-5g-em-todas-as-capitais-ate-2022/





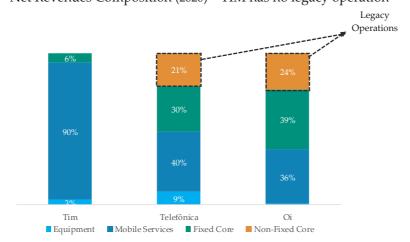


Source: Nokia/Vinci

Moreover, within this context, it seems very likely that the investment in 5G will prove profitable for Telcos. They will be the owners of a unique infrastructure, making a rational investment (less focused on licenses), which will play an important role in the economy's growth and capacity for innovation, while the industry is showing clear signs of greater discipline.

In the case of TIM, our conviction about the evolution of returns is even greater for two reasons: 1) the company does not have exposure to legacy activities, such as fixed voice revenue and broadband (coaxial cable), of which revenue decline will be a downside to other operators and 2) TIM is a pioneer and leader in Brazil in offering IoT services, even before the implementation of 5G. Examples of this are the agreements with Fiat (connected cars) and some of the largest agrobusiness companies in the country (connected field).

Net Revenues Composition (2020) – TIM has no legacy operation



Sources: Companies/Vinci



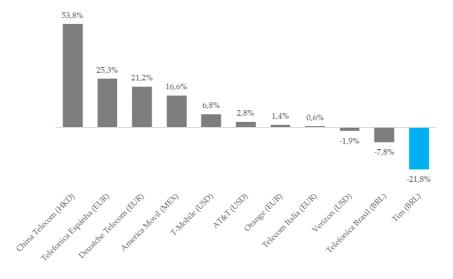
Finally, it is worth debating the chances that ISPs, regional players and candidates for neutral networks have of participating in the 5G auction and the possible impact for the incumbents. There is a large amount of spectrum being offered in this auction, which should ensure that incumbents will take all the spectrum they want with low competition. On the other hand, the economic viability of frequencies for new entrants is less obvious as these players do not have a network structure already in place (towers, fiber, radio frequency and extensive customer base), which makes their investment more costly.

We believe that, in addition to the incumbents, there will be few participants in the auction, and that these other players will be interested in regional blocks to offer broadband (FWA) without altering the competitive environment of the mobile business.

Attractive Valuation

Interestingly, TIM's stock this year went against its consistent results and the performance of the sector worldwide. While TIM's EBITDA grew 5.5% 1S21 versus 1S20, the stock is falling 20% in the year. This is the worst performance among the main companies in the sector in the world. It is possible that this poor performance is associated with uncertainties related to the outcome of the Oi Móvel operation and the 5G auction, issues that we believe will have positive outcomes in the next six months, as previously mentioned ¹⁴.

Performance of industry stocks in 2021



Source: Bloomberg/Vinci

This recent underperformance made TIM one of the companies with the lowest EV/EBITDA multiple among the main *Telcos* in the world (3.2x in 2023). At the same time, Oi Móvel's integration perspective makes TIM's EBITDA CAGR the highest among its global peers. Using

¹⁴ The deadline for CADE to deliberate on the transaction (already counting the 90-day extension) expires in mid-February.



projections derived from the company's guidance, we expect an average annual growth of 15% between 2021 and 2023. Finally, TIM has the highest EBITDA margin among the major global Telcos.

This attractive combination of price, quality and growth could be questionable if the company's guidance were overly optimistic. However, we are talking about a company with a very solid track record of operational delivery in an industry where the predictability of results is relatively high.

EV/EBITDA, EBITDA Margin and CAGR of 21/23 EBITDA (Ball Size)



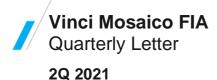
Source: Bloomberg/Vinci

It comes with no surprise that the target prices of analysts covering the company point to an upside potential of around 75%, something that is in line with our forecasts. And even in the very unlikely scenario of the acquisition of Oi Móvel not being consummated, we see a high safety margin¹⁵. In this hypothetical situation, the current spectrum deficiency could also be remedied through the 5G auction¹⁶.

 $^{^{\}rm 15}$ Our upside to the stand-alone scenario is about 50%

¹⁶ The auction of 5G is likely to take place before the conclusion of the CADE court's analysis of the purchase of Oi Móvel. However, in the unlikely event of strong opposition from CADE, this will already become clear in the interactions with the Secretary General that will precede the auction.





TIM - Target price Sell-Side

TIM (R\$ millions)

	Target Price
	R\$/Share
Credit Suisse	20
BTG Pactual	20
BofA	21
Goldman Sachs	20
Bradesco BBI	19
Average (R\$/Share)	20
Current Price TIMS3	12
Upside	74%

Source: Brokers/Vinci

Another way to think about the attractiveness of TIM's valuation is to use an exit multiple assumption in 2023 and see what the average annual return would be. Using an EV/EBITDA of 4.5x for that year (consistent with TIM's historical multiple), we reach at an average annual return of 32% p.a. The sensitivity analysis below shows that the average annual return should be interesting (15% p.a.) even in the unlikely scenario that the stock remains at current multiples, which are the lowest in TIM's recent history.

Return per Exit Multiple - TIMS3 @ R\$11.5/share

EV/EBITDA 2023	3.5x	4.0x	4.5x	5.0x
ЕВІТDA 2023 (R\$ mm)	11,130	11,130	11,130	11,130
EV in Dec/2023 (R\$ mm)	38,955	44,520	50,086	55,651
(-) Net Debt in 2023 (TIM)	7,729	7,729	7,729	7,729
(+) Accumulated Dividends (2021 to 2023) (R\$ mm)	5,185	5,185	5,185	5,185
Fair Value (R\$ mm)	36,412	41,977	47,542	53,107
Target price Jun/23 (R\$/Share)	15.0	17.3	19.6	21.9
Absolute Return	31%	51%	71%	91%
Period (Years)	1.90	1.90	1.90	1.90
Annualized Return	15.2%	24.1%	32.5%	40.4%

Source: Vinci

Finally, another outcome of TIM's current pricing is its attractive FCFE¹⁷ yield for 2023, which is around 16%.

 $^{^{17}}$ FCFE stands for Free Cash Flow to Equity. On page 16 we show how we calculate this number for TIM.



Hidden Assets/Free Options

In addition to the large discount that TIM currently has for the value of its core operation, the company has made a series of efforts to unlock the value of other assets, which we see as free options with relevant potential.

FiberCo: The most tangible of these assets is FiberCo created by TIM to be an ultra-broadband infrastructure service provider. This company's assets consist of a fiber network that currently covers 6.4 million FTTH households and 3.5 million FTTC households¹⁸. In May of this year, IHS (which is an international infrastructure provider for Telecom) partnered with 51% of FiberCo and valued the asset at R\$2.6 billion (almost 10% of TIM's current market value)¹⁹. The arrival of this partner, who will inject R\$ 600 million, and add focus and expertise in the business that should boost the JV's growth, taking advantage of the still low fiber penetration in the home of Brazilians.

Moreover, TIM is developing a series of initiatives to monetize its large customer base. TIM has currently 50 million users who will jump to 70 million post-Oi (~30% of the Brazilian population). Twelve million of its customers have already consented to receive advertising on their mobile phones, stimulated by the internet bonus. However, probably the best way to monetize the customer base is through partnerships with startups, in which TIM encourages its consumers to become customers of these companies. Besides receiving referral proceeds (which more than covers the initiative's marginal costs), TIM also receives shares in the capital of these companies. These shares will vary depending on how many customers TIM actually brings to these startups.

C6: The most tangible initiative in this area is the partnership with C6 (A Brazilian digital bank), which started in March 2020. In the meantime, TIM was responsible for opening 3 million accounts at C6, which earned it a 2.9% stake in the company until now. Recently, JP Morgan became a partner at C6, valuing the bank at R\$25 billion according to the press²⁰. In this valuation, TIM's current share would amount to R\$725 million, or 2.5% of its Market Cap²¹.

Cogna/Ampli: Along the same lines, another avenue of monetization of TIM's customer base will come through the association with Cogna (a Brazilian education company) to provide digital education in open courses and graduation through the Ampli platform. Depending on the number of customers that TIM generates for Ampli, TIM may reach a 30% share of this platform.

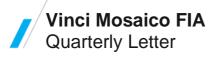
 $^{20}\ https://economia.estadao.com.br/noticias/geral,em-mais-um-capitulo-na-guerra-dos-bancos-digitais-jp-morgan-compra-40-do-c6-bank,\\ 70003762092$

¹⁸ FTTH stands for Fiber-to-the-Home and FTTC stands for Fiber-to-the-City. These are market addressable metrics about a given company's fiber coverage.

¹⁹ Download.aspx (tim.com.br)

²¹ C6 sent TIM, a few weeks ago, a notification asking for the termination of this partnership. In response, TIM resorted to arbitration to ensure the maintenance of the contract. C6 claims that TIM is not mobilizing all the necessary investments to advertise the partnership and drive customer conversion. However, 1/3 of the 9 million C6 customers came through this partnership. Under the agreement, TIM could reach a stake of up to 14.5% in the bank, depending on the number of customers it brings to C6. TIM already holds a 2.9% stake in the bank. For more details see: C6 quer 'divórcio' com a TIM, sua sócia, mas operadora não concede separação - Economia - Estadão (estadao.com.br)





Additionally, TIM is negotiating to make a partnership similar to Cogna's, this time with a healthcare company. And in the near future, the company should partner with a fintech to provide the digital wallet service and may benefit from the fact that a relevant portion of TIM's base is unbanked. In fact, TIM already sells information about its database to cyber-security and credit companies.

Tax Reform Impacts

Much has been said about the impact on companies of the tax reform proposal that is being currently discussed in Congress. Although several aspects are still being negotiated, there are three relevant points that are already relatively clear: (1) dividends should be taxed for individuals, (2) there should be a drop in the corporate income tax rate (IRPJ) and (3) interest on equity, which brings tax benefits to companies, should be eliminated.

The latest version of the reform, sent by Congressman Celso Sabino, points to a 20% rate on dividends and a drop in the IRPJ rate of 10% (from 25% to 15%) in 2022 and 2.5% additional cut (reaching 12.5%) in 2023.

Since Telecom companies are capital intensive businesses, the interest on equity is usually a relevant source of tax benefit for these companies, and its removal will have negative impacts on the sector's profits. However, in the case of TIM, the loss of interest on equity will be, to a large extent, offset by the decrease in the IRPJ rate. In addition, the impact of the removal of the interest on equity on cash generation for TIM's shareholders (which is what really matters) is smaller because TIM generates more cash than profit, given that its depreciation is significantly higher than its capex.

Looking to 2023, when TIM's earnings power will be more normalized, as it will already fully incorporate the purchase of Oi Móvel and the full drop in the income tax rate, we see that the impact of the current tax reform proposal is only 6% of cash flow to the shareholder.

Impact on Shareholder Cash Flow in 2023 (Before and After the Tax Reform)²²

FCFE	<u>TIM</u>			
(R\$ millions)	Before	After		
EBT	3,435	3,435		
(-) Tax	-444	-738		
(=) Net Earnings	2,992	2,697		
(+) Depreciation	6,358	6,358		
(-) Investments	-4,220	-4,220		
(+/-) Change in Working Capital	-108	-108		
FCFE	5,021	4,727		
FCFE Impact		-5.9%		
FCFE Yield	17.3%	16.3%		

Source: Vinci

 $^{^{\}rm 22}$ Our capex estimate already includes the acquisition of Oi Móvel, 5G and carve-out from InfraCo



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On the other hand, many market participants worry about the negative effect the reform will have on their dividend flow. These considerations are particularly relevant for individual investors, who had been exempt from taxation on these proceeds. In this sense, TIM has been studying to channel part of its cash generation to a more aggressive buyback program. This will make it possible to defer this taxation and it is something that we believe makes a lot of sense under current prices.

Conclusion of PM's Case Study

We believe that the Telecom sector in Brazil is on the eve of entering a new phase, which will be marked by efficiency gains from consolidation, capital discipline, alternatives to new lines of business with 5G and opportunities to monetize the customer base.

In this sense, we believe that TIM is extremely well positioned to take advantage of this new cycle and that its discounted valuation creates, in our view, an interesting risk/return combination.



PORTFOLIO UPDATE AS OF JUNE 2021

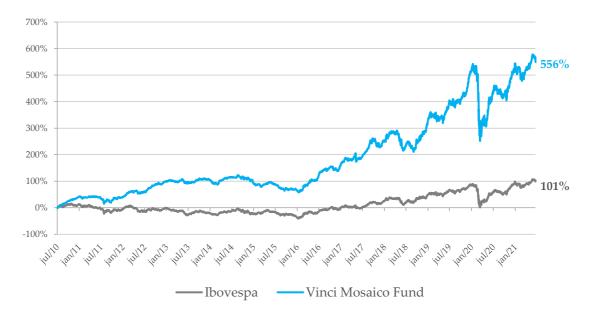
Net Returns Summary Table

Fund Returns	Month	YTD	LTM	% 24m	ITD	Annualized Return ITD	Volatility LTM	Volatility ITD
Vinci Mosaico FIA	-0.4%	5.2%	28.6%	36.9%	555.5%	19.1%	19.2%	18.9%
p.p. over Ibovespa	-0.9%	-1.3%	-4.8%	11.3%	454.1%	12.5%	-1.9%	-6.2%

Fund Returns	2010*	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
VINCI MOSAICO FUND	38.7%	-0.2%	43.2%	5.6%	-1.9%	-16.2%	44.9%	40.6%	14.8%	49.5%	3.5%
IBOV	10.1%	-18.1%	7.4%	-15.5%	-2.9%	-13.3%	38.9%	26.9%	15.0%	31.6%	2.9%
P.P. above IBOV	28.6%	17.9%	35.8%	21.1%	1.0%	-2.9%	5.9%	13.7%	-0.2%	18.0%	0.6%

^{*} Since July 12th 2010

Returns Summary Chart



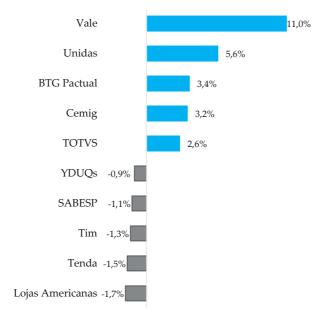


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Fund Sharpe Ratio 12M Rolling Average



Year to Date Performance Attribution



Sector	Attribution
Mining	11.0%
Logistics	5.4%
Banks	5.4%
Utilities	3.2%
Technology	2.9%
Oil & Petrochemical	2.1%
Pulp & Paper	1.9%
Steel	1.3%
Agribusiness	0.6%
Healthcare	0.5%
Telecom	-0.3%
Consumer & Retail	-0.6%
Education	-0.9%
Real Estate	-1.5%
Others	-2.3%



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Finally, on behalf of the entire Vinci Partners team, we would like to express again our appreciation to each of our investors for the confidence implied in your investment. We remain committed to seek long term above-benchmark returns for the Fund and we thank you for your ongoing support.

Respectfully yours,

Vinci Equities Gestora de Recursos Ltda.



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