

SEMIANNUAL REPORT

# FRANKLIN TEMPLETON VARIABLE INSURANCE PRODUCTS TRUST

June 30, 2020



FRANKLIN  
TEMPLETON

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# Franklin Templeton Variable Insurance Products Trust Semiannual Report

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**Not FDIC Insured | May Lose Value | No Bank Guarantee**

# Important Notes to Performance Information

Performance data is historical and cannot predict or guarantee future results. Principal value and investment return will fluctuate with market conditions, and you may have a gain or loss when you withdraw your money. Inception dates of the funds may have preceded the effective dates of the subaccounts, contracts or their availability in all states.

When reviewing the index comparisons, please keep in mind that indexes have a number of inherent performance differentials over the funds. First, unlike the funds, which must hold a minimum amount of cash to maintain liquidity,

indexes do not have a cash component. Second, the funds are actively managed and, thus, are subject to management fees to cover salaries of securities analysts or portfolio managers in addition to other expenses. Indexes are unmanaged and do not include any commissions or other expenses typically associated with investing in securities. Third, indexes often contain a different mix of securities than the fund to which they are compared. Additionally, please remember that indexes are simply a measure of performance and cannot be invested in directly.

# Franklin Global Real Estate VIP Fund

This semiannual report for Franklin Global Real Estate VIP Fund covers the period ended June 30, 2020.

## Class 2 Performance Summary as of June 30, 2020

**The Fund's Class 2 Shares posted a -17.50% total return\* for the six-month period ended June 30, 2020.**

\*The Fund has an expense reduction contractually guaranteed through 4/30/21. Fund investment results reflect the expense reduction; without this reduction, the results would have been lower.

*Performance reflects the Fund's Class 2 operating expenses, but does **not** include any contract fees, expenses or sales charges. If they had been included, performance would be lower. These charges and deductions, particularly for variable life policies, can have a significant effect on contract values and insurance benefits. See the contract prospectus for a complete description of these expenses, including sales charges.*

*Performance data represent past performance, which does not guarantee future results. Investment return and principal value will fluctuate, and you may have a gain or loss when you sell your shares. Current performance may differ from figures shown.*

## Fund Goal and Main Investments

The Fund seeks high total return. Under normal market conditions, the Fund invests at least 80% of its net assets in investments of companies located anywhere in the world that operate in the real estate sector, including: real estate investment trusts (REITs) and similar REIT-like entities domiciled outside the U.S.; companies qualifying under U.S. federal tax law as REITs; and companies that derive at least half of their assets or revenues from the ownership, management, development or sale of residential or commercial real estate (such as real estate operating or service companies).

## Fund Risks

All investments involve risks, including possible loss of principal. Unexpected events and their aftermaths, such as the spread of deadly diseases; natural, environmental or man-made disasters; financial, political or social disruptions; terrorism and war; and other tragedies or catastrophes, can cause investor fear and panic, which can adversely affect the economies of many companies, sectors, nations, regions and the market in general, in ways that cannot necessarily be foreseen. The Fund concentrates in real estate securities, which involve special risks, such as declines in the value of real estate and increased susceptibility to adverse economic or regulatory developments affecting the sector. The Fund's investments in REITs involve additional risks; since REITs typically are invested in a limited number of projects or in a particular market segment, they are more susceptible to adverse developments affecting a single project or market segment than more broadly diversified investments. Foreign investing, especially in emerging markets, involves additional risks such as currency and market volatility, as well as political and social instability. The Fund is actively managed but there is no guarantee that the manager's investment decisions will produce the desired results. The Fund's prospectus also includes a description of the main investment risks.

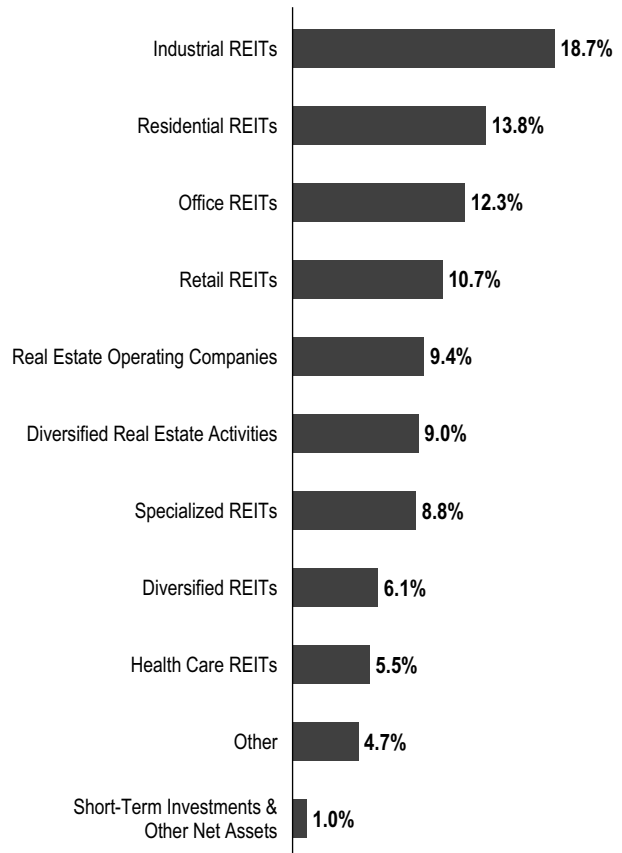
## Performance Overview

You can find the Fund's six-month total return in the Performance Summary. In comparison, the FTSE EPRA/NAREIT Developed Index posted a -20.93% total return for the same period.<sup>1</sup>

1. Source: Morningstar. One cannot invest directly in an index, and an index is not representative of the Fund's portfolio. Please see Index Descriptions following the Fund Summaries.

## Portfolio Composition

Based on Total Net Assets as of 6/30/20



## Economic and Market Overview

Global developed and emerging market equities, as measured by the MSCI All Country World Index (USD), posted a -5.99% total return during the six months under review.<sup>1</sup> Stocks fell sharply in early 2020 as countries around the world implemented lockdown measures in an effort to slow the spread of the novel coronavirus (COVID-19). Global supply chain disruptions, business and personal restrictions, and subdued consumer spending drove many investors to sell equity holdings in favor of perceived safe investments such as government bonds and cash. While global equities, notably in the U.S., rebounded in April and May amid optimism about easing lockdown restrictions, concerns about a second wave of infections hindered equities in June, as investors weighed the possibility of renewed restrictions.

The dollar value, number of shares or principal amount, and names of all portfolio holdings are listed in the Fund's Statement of Investments (SOI).

In the U.S., government mandates to mitigate the COVID-19 pandemic severely impacted the economy beginning in March 2020. As a result, the unemployment rate surged to 14.7% in April, as many businesses, particularly those involved in hospitality, retail and travel, announced mass layoffs.<sup>2</sup> According to the National Bureau of Economic Research, the longest U.S. economic expansion in history ended in February 2020 as the country slipped into a severe recession. Nonetheless, near period-end, there were signs that a recovery was underway, as jobless claims fell considerably from their peak in early April, retail sales rose sharply in May, and the unemployment rate fell to 11.1% in June.<sup>2</sup> Along with optimism about improved treatments and potential vaccines for COVID-19, the positive economic signals contributed to a significant equity rebound in April and May. However, an increase in COVID-19 infections in many states throughout June pressured U.S. stocks.

The U.S. Federal Reserve (Fed) made significant efforts to support the U.S. economy. In March 2020, as the pandemic began to severely impact the economy and financial markets, the Fed implemented two emergency rate cuts, lowering the federal funds target rate to a range of 0.00%–0.25%, and announced sweeping quantitative easing measures aimed at ensuring credit flow to borrowers and supporting credit markets with unlimited amounts of bond purchasing.

In the eurozone, some analysts forecasted a significant contraction in 2020, particularly in southern European countries, as the magnitude of the economic disruption caused by the pandemic became apparent. European developed market equities, as measured by the MSCI Europe Index (USD), posted a -12.43% total return for the period.<sup>1</sup> To stimulate growth, the European Central Bank implemented a broad bond-buying program, and many countries passed fiscal stimulus measures.

Asian developed and emerging market equities, as measured by the MSCI All Country Asia Index (USD), posted a -5.51% total return during the six-month period.<sup>1</sup> The onset of the pandemic brought dramatically slower economic activity in Asia, as businesses halted operations and manufacturing and export activity declined sharply in the region's major economies. Asian markets generally advanced toward period-end, bolstered by fiscal stimulus measures and economies reopening throughout the region.

Emerging market stocks, as measured by the MSCI Emerging Markets Index (USD), posted a -9.67% total return

## Top 10 Countries

6/30/20

	% of Total Net Assets
U.S.	55.5%
Japan	10.8%
Germany	6.3%
U.K.	6.1%
Hong Kong	5.3%
Australia	4.4%
Singapore	3.4%
Canada	2.2%
Spain	1.5%
France	1.5%

due primarily to the COVID-19 pandemic.<sup>1</sup> A sharp decrease in prices for oil and other natural resources also hurt emerging market economies reliant on these exports. In the last quarter of the reporting period, however, investor optimism led to a stock rally, particularly in emerging market countries that had successfully lowered infection rates.

## Investment Strategy

We seek to limit price volatility by investing across markets and property types. When selecting investments for the Fund's portfolio, we apply a "bottom-up" stock selection process that incorporates macro-level views in the evaluation process. Our portfolio construction process combines bottom-up analysis of individual stock and real estate market fundamentals and top-down macro overlays to provide country/regional, property type, and company size perspectives in identifying international/local cyclical and thematic trends that highlight investment opportunities.

## Manager's Discussion

During the six months under review, the Fund had negative absolute returns but outperformed its benchmark, the FTSE EPRA/NAREIT Developed Index. Key contributors to relative performance included an overweighted position in the industrial property sector. Outperformance was led by an off-benchmark investment in Australian REIT Goodman Group, one of the world's largest owners, developers and managers of industrial property. Like all industrial REITs, Goodman has benefited from the ongoing structural tailwinds of e-commerce penetration and increased investment in supply chains. Additionally, Goodman maintains what we view as one of the strongest growth outlooks within its

2. Source: U.S. Bureau of Labor Statistics.

category due to its substantial development pipeline and a strong balance sheet, which enables ongoing reinvestment. Furthermore, the company's third-party management platform has continued to attract capital, benefiting from the immense appetite from institutional investors for industrial real estate. Despite the disruption of COVID-19, Goodman reiterated its 2020 fiscal year earnings per share growth guidance in its most recent update as the prevailing growth drivers remain intact.

An underweighted position and stock selection in the struggling retail property sector also enhanced relative results, as did an off-benchmark position in the towers/infrastructure sector. Notable contributors from the latter sector included U.S.-based SBA Communications. SBA owns and operates a portfolio of over 30,000 communications sites, mostly located in the U.S. American tower REITs like SBA have continued to enjoy a strong outlook owing to strong growth projections for mobile data usage over the next several years. The U.S. tower industry has been further supported by the early stages of deployment of assets for 5G technology. In addition, SBA and other tower REITs continued to outperform following the COVID-19 outbreak, as the essential nature of wireless services effectively shields tower operators from any notable slowdown in leasing activity amid the health crisis and macroeconomic weakness.

From the office space sector, relative contributors included U.S.-based medical and life-science office landlord Alexandria Real Estate. Alexandria continued to benefit from its unique life science focused development platform, which has been a notable differentiator amid the pandemic. Demand for lab space has remained healthy and is unlikely to be impaired by social distancing considerations or the recession the pandemic response has induced. This represents a notable contrast to office peers, where secular concerns on the viability of office demand and cyclical risks around negative net absorption trends predominate.

Conversely, an underweighting to the storage property sector detracted from relative performance as the sector, overall, performed better than the benchmark index during a volatile reporting period. We have maintained an underweighted investment in U.S.-based Public Storage due to concerns about industry-wide oversupply following three years of what we believe to be excessive new construction. The presence of this new supply has weighed on new rental pricing and, in turn, on same store net operating income growth and cash flow growth. However, the storage subsector remains highly defensive and Public Storage has maintained what we view as a particularly strong balance sheet, two attributes that

## Top 10 Holdings

6/30/20

<b>Company Sector/Industry, Country</b>	<b>% of Total Net Assets</b>
Prologis Inc. <i>Industrial REITs, U.S.</i>	6.6%
Vonovia SE <i>Real Estate Operating Companies, Germany</i>	3.9%
Alexandria Real Estate Equities Inc. <i>Office REITs, U.S.</i>	3.3%
AvalonBay Communities Inc. <i>Residential REITs, U.S.</i>	2.7%
Realty Income Corp. <i>Retail REITs, U.S.</i>	2.7%
Healthpeak Properties Inc. <i>Health Care REITs, U.S.</i>	2.6%
Segro PLC <i>Industrial REITs, U.K.</i>	2.5%
Goodman Group <i>Industrial REITs, Australia</i>	2.4%
Extra Space Storage Inc. <i>Specialized REITs, U.S.</i>	2.3%
Equinix Inc. <i>Specialized REITs, U.S.</i>	2.2%

became particularly important once the COVID-19 pandemic became apparent in March.

Elsewhere, hotel operator Ryman Hospitality Properties (not held at period-end) hurt relative performance. Ryman owns group-oriented, destination hotel assets in urban and resort markets which are managed by Marriott International (not a Fund holding) under the Gaylord Hotels brand. Not surprisingly, hotel REITs were the first hit by COVID-19 as investors reacted to a broad-based evaporation of demand followed by the rapid closure of hotels across the country. This led to the extended closure of Ryman's five Gaylord Hotels, and with the timing and magnitude of the current crisis too difficult to predict, company shares underperformed through the end of April. Prior to the crisis, Ryman had been a relative outperformer in the hotel space with its differentiated business model, focus on group demand, long booking window and external growth initiatives.

Although the shopping center sector was an overall relative contributor (due in part to a beneficial underweighting), Retail Properties of America hurt relative results. The shopping center landlord has a portfolio of lifestyle, grocery-anchored and power center properties across the U.S. Weak fundamental trends have persisted for retail landlords broadly as retailers look to rationalize their store



fleets amid a broad consumer shift to online commerce. Furthermore, retailer bankruptcies accelerated in the second quarter of 2020 due to the COVID-19 induced lockdown of retail assets. The company's portfolio specifically contains exposure to several troubled retailers including Pier 1 and Ascena Group. Additionally, rent collections for April and May were significantly impacted due to the extended closure of a substantial numbers of its properties.

Thank you for your participation in Franklin Global Real Estate VIP Fund. We look forward to serving your future investment needs.

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*The foregoing information reflects our analysis, opinions and portfolio holdings as of June 30, 2020, the end of the reporting period. The way we implement our main investment strategies and the resulting portfolio holdings may change depending on factors such as market and economic conditions. These opinions may not be relied upon as investment advice or an offer for a particular security. The information is not a complete analysis of every aspect of any market, country, industry, security or the Fund. Statements of fact are from sources considered reliable, but the investment manager makes no representation or warranty as to their completeness or accuracy. Although historical performance is no guarantee of future results, these insights may help you understand our investment management philosophy.*

## Class 2 Fund Expenses

As an investor in a variable insurance contract (Contract) that indirectly provides for investment in an underlying mutual fund, you can incur transaction and/or ongoing expenses at both the Fund level and the Contract Level: (1) transaction expenses can include sales charges (loads) on purchases, surrender fees, transfer fees and premium taxes; and (2) ongoing expenses can include management fees, distribution and service (12b-1) fees, contract fees, annual maintenance fees, mortality and expense risk fees and other fees and expenses. All mutual funds and Contracts have some types of ongoing expenses. The table below shows Fund-level ongoing expenses and can help you understand these costs and compare them with those of other mutual funds offered through the Contract. The table assumes a \$1,000 investment held for the six months indicated. Please refer to the Fund prospectus for additional information on operating expenses.

### Actual Fund Expenses

The table below provides information about the actual account values and actual expenses in the columns under the heading "Actual." In these columns the Fund's actual return, which includes the effect of ongoing Fund expenses but does not include the effect of ongoing Contract expenses, is used to calculate the "Ending Account Value." You can estimate the Fund-level expenses you paid during the period by following these steps (*of course, your account value and expenses will differ from those in this illustration*): Divide your account value by \$1,000 (*if your account had an \$8,600 value, then  $\$8,600 \div \$1,000 = 8.6$* ). Then multiply the result by the number under the headings "Actual" and "Fund-Level Expenses Paid During Period" (*if Fund-Level Expenses Paid During Period were \$ 7.50, then  $8.6 \times \$ 7.50 = \$64.50$* ). In this illustration, the estimated expenses paid this period at the Fund level are \$64.50.

### Hypothetical Example for Comparison with Other Mutual Funds

Under the heading "Hypothetical" in the table, information is provided about hypothetical account values and hypothetical expenses based on the Fund's actual expense ratio and an assumed rate of return of 5% per year before expenses, which is not the Fund's actual return. This information may not be used to estimate the actual ending account balance or expenses you paid for the period, but it can help you compare ongoing costs of investing in the Fund with those of other mutual funds offered through the Contract. To do so, compare this 5% hypothetical example with the 5% hypothetical examples that appear in the shareholder reports of other funds offered through the Contract.

*Please note that expenses shown in the table are meant to highlight ongoing costs at the Fund level only and do not reflect any ongoing expenses at the Contract level, or transaction expenses at either the Fund or Contract levels. In addition, while the Fund does not have transaction expenses, if the transaction and ongoing expenses at the Contract level were included, the expenses shown below would be higher. You should consult your Contract prospectus or disclosure document for more information.*

Share Class	Beginning Account Value 1/1/20	Actual (actual return after expenses)		Hypothetical (5% annual return before expenses)		Net Annualized Expense Ratio <sup>2</sup>
		Ending Account Value 6/30/20	Fund-Level Expenses Paid During Period 1/1/20–6/30/20 <sup>1, 2</sup>	Ending Account Value 6/30/20	Fund-Level Expenses Paid During Period 1/1/20–6/30/20 <sup>1, 2</sup>	
Class 2	\$1,000	\$825.00	\$5.67	\$1,018.65	\$6.27	1.25%

1. Expenses are equal to the annualized expense ratio for the six-month period as indicated above—in the far right column—multiplied by the simple average account value over the period indicated, and then multiplied by 182/366 to reflect the one-half year period.

2. Reflects expenses after fee waivers and expense reimbursements. Does not include any ongoing expenses of the Contract for which the Fund is an investment option or acquired fund fees and expenses.

## Financial Highlights

### Franklin Global Real Estate VIP Fund

	Six Months Ended June 30, 2020 (unaudited)	Year Ended December 31,				
		2019	2018	2017	2016	2015
<b>Class 1</b>						
<b>Per share operating performance</b> (for a share outstanding throughout the period)						
Net asset value, beginning of period . . . . .	\$17.99	\$15.41	\$16.96	\$15.83	\$15.93	\$16.36
Income from investment operations <sup>a</sup> :						
Net investment income <sup>b</sup> . . . . .	0.12	0.29	0.33	0.17	0.30 <sup>c</sup>	0.24
Net realized and unrealized gains (losses) . . . . .	(3.21)	3.15	(1.41)	1.52	(0.16)	(0.12)
Total from investment operations . . . . .	(3.09)	3.44	(1.08)	1.69	0.14	0.12
Less distributions from:						
Net investment income . . . . .	(0.54)	(0.50)	(0.47)	(0.56)	(0.24)	(0.55)
Net realized gains . . . . .	(1.59)	(0.36)	—	—	—	—
Total distributions . . . . .	(2.13)	(0.86)	(0.47)	(0.56)	(0.24)	(0.55)
Net asset value, end of period . . . . .	\$12.77	\$17.99	\$15.41	\$16.96	\$15.83	\$15.93
Total return <sup>d</sup> . . . . .	(17.39)%	22.62%	(6.52)%	10.76%	0.81%	0.83%
<b>Ratios to average net assets<sup>e</sup></b>						
Expenses before waiver and payments by affiliates . . . . .	1.16%	1.14%	1.15%	1.14%	1.11%	1.11%
Expenses net of waiver and payments by affiliates . . . . .	1.00%	1.04% <sup>f</sup>	1.15% <sup>f</sup>	1.14% <sup>g</sup>	1.11% <sup>g</sup>	1.11%
Net investment income . . . . .	1.60%	1.66%	1.92%	1.04%	1.99% <sup>c</sup>	1.49%
<b>Supplemental data</b>						
Net assets, end of period (000's) . . . . .	\$856	\$1,057	\$878	\$819	\$821	\$32,161
Portfolio turnover rate . . . . .	17.33%	28.34%	17.78%	22.18%	28.53% <sup>h</sup>	23.35%

<sup>a</sup>The amount shown for a share outstanding throughout the period may not correlate with the Statement of Operations for the period due to the timing of sales and repurchases of the Fund's shares in relation to income earned and/or fluctuating fair value of the investments of the Fund.

<sup>b</sup>Based on average daily shares outstanding.

<sup>c</sup>Net investment income per share includes approximately \$0.06 per share related to income received in the form of special dividends in connection with certain Fund holdings. Excluding this amount, the ratio of net investment income to average net assets would have been 1.59%.

<sup>d</sup>Total return does not include fees, charges or expenses imposed by the variable annuity and life insurance contracts for which Franklin Templeton Variable Insurance Products Trust serves as an underlying investment vehicle. Total return is not annualized for periods less than one year.

<sup>e</sup>Ratios are annualized for periods less than one year.

<sup>f</sup>Benefit of expense reduction rounds to less than 0.01%.

<sup>g</sup>Benefit of waiver and payments by affiliates rounds to less than 0.01%.

<sup>h</sup>Excludes the value of portfolio securities delivered as a result of a redemption in-kind.

**Franklin Global Real Estate VIP Fund** (continued)

	Six Months Ended June 30, 2020 (unaudited)	Year Ended December 31,				
		2019	2018	2017	2016	2015
<b>Class 2</b>						
<b>Per share operating performance</b> (for a share outstanding throughout the period)						
Net asset value, beginning of period . . . . .	\$17.50	\$15.00	\$16.52	\$15.42	\$15.52	\$15.95
Income from investment operations <sup>a</sup> :						
Net investment income <sup>b</sup> . . . . .	0.10	0.24	0.27	0.13	0.28 <sup>c</sup>	0.20
Net realized and unrealized gains (losses) . . . . .	(3.13)	3.08	(1.36)	1.47	(0.19)	(0.12)
Total from investment operations . . . . .	(3.03)	3.32	(1.09)	1.60	0.09	0.08
Less distributions from:						
Net investment income . . . . .	(0.49)	(0.46)	(0.43)	(0.50)	(0.19)	(0.51)
Net realized gains . . . . .	(1.59)	(0.36)	—	—	—	—
Total distributions . . . . .	(2.08)	(0.82)	(0.43)	(0.50)	(0.19)	(0.51)
Net asset value, end of period . . . . .	\$12.39	\$17.50	\$15.00	\$16.52	\$15.42	\$15.52
Total return <sup>d</sup> . . . . .	(17.50)%	22.37%	(6.77)%	10.47%	0.54%	0.57%
<b>Ratios to average net assets<sup>e</sup></b>						
Expenses before waiver and payments by affiliates . . . . .	1.41%	1.39%	1.40%	1.39%	1.36%	1.36%
Expenses net of waiver and payments by affiliates . . . . .	1.25%	1.29% <sup>f</sup>	1.40% <sup>f</sup>	1.39% <sup>g</sup>	1.36% <sup>g</sup>	1.36%
Net investment income . . . . .	1.35%	1.41%	1.67%	0.79%	1.74% <sup>c</sup>	1.24%
<b>Supplemental data</b>						
Net assets, end of period (000's) . . . . .	\$125,216	\$159,153	\$146,408	\$183,532	\$193,707	\$287,473
Portfolio turnover rate . . . . .	17.33%	28.34%	17.78%	22.18%	28.53% <sup>h</sup>	23.35%

<sup>a</sup>The amount shown for a share outstanding throughout the period may not correlate with the Statement of Operations for the period due to the timing of sales and repurchases of the Fund's shares in relation to income earned and/or fluctuating fair value of the investments of the Fund.

<sup>b</sup>Based on average daily shares outstanding.

<sup>c</sup>Net investment income per share includes approximately \$0.06 per share related to income received in the form of special dividends in connection with certain Fund holdings. Excluding this amount, the ratio of net investment income to average net assets would have been 1.34%.

<sup>d</sup>Total return does not include fees, charges or expenses imposed by the variable annuity and life insurance contracts for which Franklin Templeton Variable Insurance Products Trust serves as an underlying investment vehicle. Total return is not annualized for periods less than one year.

<sup>e</sup>Ratios are annualized for periods less than one year.

<sup>f</sup>Benefit of expense reduction rounds to less than 0.01%.

<sup>g</sup>Benefit of waiver and payments by affiliates rounds to less than 0.01%.

<sup>h</sup>Excludes the value of portfolio securities delivered as a result of a redemption in-kind.

## Statement of Investments, June 30, 2020 (unaudited)

## Franklin Global Real Estate VIP Fund

	Country	Shares/ Units	Value
<b>Common Stocks and Other Equity Interests 99.0%</b>			
<b>Diversified Real Estate Activities 9.0%</b>			
CapitaLand Ltd. . . . .	Singapore	718,561	\$ 1,518,118
Mitsubishi Estate Co. Ltd. . . . .	Japan	183,286	2,731,295
Mitsui Fudosan Co. Ltd. . . . .	Japan	149,202	2,650,532
New World Development Co. Ltd. . . . .	Hong Kong	239,322	1,136,313
Nomura Real Estate Holdings Inc. . . . .	Japan	50,228	935,115
Sun Hung Kai Properties Ltd. . . . .	Hong Kong	187,797	2,399,134
			<u>11,370,507</u>
<b>Diversified REITs 6.1%</b>			
Gecina SA . . . . .	France	12,073	1,490,969
GPT Group. . . . .	Australia	307,770	893,977
Hulic REIT Inc. . . . .	Japan	807	1,003,069
Kenedix Office Investment Corp. . . . .	Japan	246	1,374,552
Premier Investment Corp. . . . .	Japan	911	1,012,094
VEREIT Inc. . . . .	United States	299,165	1,923,631
			<u>7,698,292</u>
<b>Health Care REITs 5.5%</b>			
Healthpeak Properties Inc. . . . .	United States	118,711	3,271,675
Physicians Realty Trust . . . . .	United States	70,654	1,237,858
Welltower Inc. . . . .	United States	47,236	2,444,463
			<u>6,953,996</u>
<b>Hotel &amp; Resort REITs 1.9%</b>			
Host Hotels & Resorts Inc. . . . .	United States	77,304	834,110
MGM Growth Properties LLC, A . . . . .	United States	48,664	1,324,147
Summit Hotel Properties Inc. . . . .	United States	34,278	203,269
			<u>2,361,526</u>
<b>Hotels, Resorts &amp; Cruise Lines 0.6%</b>			
Extended Stay America Inc., units consisting of common stock and real estate investment trust . . . . .	United States	66,832	747,850
<b>Industrial REITs 18.7%</b>			
Americold Realty Trust . . . . .	United States	49,935	1,812,640
First Industrial Realty Trust Inc. . . . .	United States	11,531	443,252
GLP J-REIT . . . . .	Japan	1,461	2,111,218
Goodman Group . . . . .	Australia	289,602	2,987,745
Mapletree Logistics Trust . . . . .	Singapore	1,064,970	1,495,171
Prologis Inc. . . . .	United States	89,678	8,369,648
Rexford Industrial Realty Inc. . . . .	United States	56,457	2,339,014
Segro PLC . . . . .	United Kingdom	284,215	3,143,285
Terreno Realty Corp. . . . .	United States	17,206	905,724
			<u>23,607,697</u>
<b>Integrated Telecommunication Services 0.6%</b>			
Cellnex Telecom SA. . . . .	Spain	12,510	764,015

**Franklin Global Real Estate VIP Fund** (continued)

	Country	Shares/ Units	Value
<b>Common Stocks and Other Equity Interests</b> (continued)			
<b>Office REITs 12.3%</b>			
Alexandria Real Estate Equities Inc. . . . .	United States	25,428	\$ 4,125,693
Boston Properties Inc. . . . .	United States	13,761	1,243,719
Cousins Properties Inc. . . . .	United States	70,570	2,105,103
Derwent London PLC. . . . .	United Kingdom	52,249	1,797,230
Dexus . . . . .	Australia	259,023	1,662,252
Ichigo Office REIT Investment Corp. . . . .	Japan	1,021	709,435
<sup>a</sup> Inmobiliaria Colonial SA. . . . .	Spain	136,826	1,209,697
Kilroy Realty Corp. . . . .	United States	27,443	1,610,904
ORIX JREIT Inc. . . . .	Japan	797	1,050,551
			15,514,584
<b>Real Estate Development 1.6%</b>			
CK Asset Holdings Ltd. . . . .	Hong Kong	335,805	2,013,739
<b>Real Estate Operating Companies 9.4%</b>			
<sup>a</sup> Aroundtown SA. . . . .	Germany	171,228	981,358
Deutsche Wohnen AG . . . . .	Germany	49,225	2,211,759
Fabege AB . . . . .	Sweden	93,551	1,100,085
<sup>a</sup> Fastighets AB Balder, B . . . . .	Sweden	15,601	596,842
Grainger PLC . . . . .	United Kingdom	397,206	1,409,398
Shurgard Self Storage SA . . . . .	Belgium	19,461	732,596
Vonovia SE. . . . .	Germany	79,309	4,847,177
			11,879,215
<b>Residential REITs 13.8%</b>			
American Homes 4 Rent, A . . . . .	United States	94,106	2,531,452
AvalonBay Communities Inc. . . . .	United States	22,306	3,449,400
Camden Property Trust . . . . .	United States	30,292	2,763,237
Canadian Apartment Properties REIT . . . . .	Canada	50,888	1,821,404
Equity Lifestyle Properties Inc. . . . .	United States	42,719	2,669,083
UDR Inc. . . . .	United States	70,750	2,644,635
Unite Group PLC. . . . .	United Kingdom	122,804	1,429,932
			17,309,143
<b>Retail REITs 10.7%</b>			
CapitaLand Mall Trust . . . . .	Singapore	897,695	1,273,812
Link REIT . . . . .	Hong Kong	141,051	1,158,044
Realty Income Corp. . . . .	United States	56,965	3,389,417
Regency Centers Corp. . . . .	United States	40,800	1,872,312
Retail Properties of America Inc., A. . . . .	United States	107,398	786,153
Simon Property Group Inc. . . . .	United States	23,073	1,577,732
SmartCentres REIT . . . . .	Canada	57,685	888,507
Spirit Realty Capital Inc. . . . .	United States	63,088	2,199,248
<sup>b</sup> Unibail-Rodamco-Westfield . . . . .	France	6,595	371,706
			13,516,931

Franklin Global Real Estate VIP Fund (continued)

	Country	Shares/ Units	Value
<b>Common Stocks and Other Equity Interests (continued)</b>			
<b>Specialized REITs 8.8%</b>			
Equinix Inc. . . . .	United States	4,004	\$ 2,812,009
Extra Space Storage Inc. . . . .	United States	31,987	2,954,639
Life Storage Inc. . . . .	United States	4,720	448,164
Public Storage . . . . .	United States	2,992	574,135
QTS Realty Trust Inc., A. . . . .	United States	33,908	2,173,164
SBA Communications Corp., A . . . . .	United States	7,134	2,125,361
			<u>11,087,472</u>
<b>Total Common Stocks and Other Equity Interests (Cost \$101,733,784) . . . . .</b>			<u>124,824,967</u>
		<b>Principal Amount</b>	
<b>Short Term Investments 1.1%</b>			
<b>Repurchase Agreements (Cost \$946,246) 0.7%</b>			
<sup>c</sup> Joint Repurchase Agreement, 0.065%, 7/01/20 (Maturity Value \$946,248) BNP Paribas Securities Corp. (Maturity Value \$656,497) Deutsche Bank Securities Inc. (Maturity Value \$180,336) HSBC Securities (USA) Inc. (Maturity Value \$109,415) U.S. Government Agency Securities, 4.00%, 3/20/44; U.S. Government Agency Strips, 8/15/39; and U.S. Treasury Notes, 1.75% - 2.25%, 4/15/22 - 7/31/24 (valued at \$966,234) . . . . .	United States	\$ 946,246	<u>946,246</u>
		<b>Shares</b>	
<sup>d</sup> <b>Investments from Cash Collateral Received for Loaned Securities 0.4%</b> <b>Money Market Funds (Cost \$358,000) 0.3%</b>			
<sup>e,f</sup> Institutional Fiduciary Trust Money Market Portfolio, 0.00% . . . . .	United States	358,000	<u>358,000</u>
		<b>Principal Amount</b>	
<b>Repurchase Agreements (Cost \$90,501) 0.1%</b>			
<sup>c</sup> Joint Repurchase Agreement, 0.07%, 7/01/20 (\$90,501) BNP Paribas Securities Corp. Collateralized by U.S. Treasury Bonds, 7.875%, 2/5/21; U.S. Treasury Notes, 0.125% - 2.875%, 12/31/20 - 1/31/24; U.S. Treasury Strips, 8/15/20 - 11/15/22 (valued at \$92,311) . . . . .	United States	\$ 90,501	<u>90,501</u>
<b>Total Investments from Cash Collateral Received for Loaned Securities (Cost \$448,501) . . . . .</b>			<u>448,501</u>
<b>Total Investments (Cost \$103,128,531) 100.1% . . . . .</b>			<u>126,219,714</u>
<b>Other Assets, less Liabilities (0.1%) . . . . .</b>			<u>(147,955)</u>
<b>Net Assets 100.0% . . . . .</b>			<u>\$126,071,759</u>

**Franklin Global Real Estate VIP Fund** (continued)

See Abbreviations on page FGR-23.

<sup>a</sup>Non-income producing.

<sup>b</sup>A portion or all of the security is on loan at June 30, 2020. See Note 1(d).

<sup>c</sup>See Note 1(c) regarding joint repurchase agreement.

<sup>d</sup>See Note 1(d) regarding securities on loan.

<sup>e</sup>See Note 3(e) regarding investments in affiliated management investment companies.

<sup>f</sup>The rate shown is the annualized seven-day effective yield at period end.



## Statement of Assets and Liabilities

June 30, 2020 (unaudited)

	<b>Franklin Global Real Estate VIP Fund</b>
<b>Assets:</b>	
Investments in securities:	
Cost - Unaffiliated issuers . . . . .	\$101,733,784
Cost - Non-controlled affiliates (Note 3e) . . . . .	358,000
Cost - Unaffiliated repurchase agreements . . . . .	1,036,747
Value - Unaffiliated issuers <sup>†</sup> . . . . .	\$124,824,967
Value - Non-controlled affiliates (Note 3e) . . . . .	358,000
Value - Unaffiliated repurchase agreements . . . . .	1,036,747
Cash . . . . .	431
Receivables:	
Capital shares sold . . . . .	5,740
Dividends . . . . .	493,448
European Union tax reclaims . . . . .	101,772
Other assets . . . . .	325
Total assets . . . . .	126,821,430
<b>Liabilities:</b>	
Payables:	
Capital shares redeemed . . . . .	98,057
Management fees . . . . .	93,336
Distribution fees . . . . .	26,094
Trustees' fees and expenses . . . . .	75
Reports to shareholders . . . . .	38,170
Payable upon return of securities loaned . . . . .	448,501
Accrued expenses and other liabilities . . . . .	45,438
Total liabilities . . . . .	749,671
Net assets, at value . . . . .	\$126,071,759
Net assets consist of:	
Paid-in capital . . . . .	\$106,901,482
Total distributable earnings (losses) . . . . .	19,170,277
Net assets, at value . . . . .	\$126,071,759
<b>Class 1:</b>	
Net assets, at value . . . . .	\$ 856,056
Shares outstanding . . . . .	67,040
Net asset value and maximum offering price per share . . . . .	\$12.77
<b>Class 2:</b>	
Net assets, at value . . . . .	\$125,215,703
Shares outstanding . . . . .	10,107,838
Net asset value and maximum offering price per share . . . . .	\$12.39

\*Includes securities loaned . . . . . \$ 336,818

## Statement of Operations

for the six months ended June 30, 2020 (unaudited)

	<b>Franklin Global Real Estate VIP Fund</b>
Investment income:	
Dividends:(net of foreign taxes)*	
Unaffiliated issuers . . . . .	\$ 1,744,187
Interest:	
Unaffiliated issuers . . . . .	3,159
Income from securities loaned:	
Unaffiliated entities (net of fees and rebates) . . . . .	2,205
Non-controlled affiliates (Note 3e) . . . . .	53
Total investment income . . . . .	<u>1,749,604</u>
Expenses:	
Management fees (Note 3a) . . . . .	708,351
Distribution fees: (Note 3c)	
Class 2 . . . . .	167,844
Custodian fees (Note 4) . . . . .	5,872
Reports to shareholders . . . . .	19,153
Professional fees . . . . .	40,605
Trustees' fees and expenses . . . . .	492
Other . . . . .	5,637
Total expenses . . . . .	947,954
Expenses waived/paid by affiliates (Note 3e) . . . . .	(105,261)
Net expenses . . . . .	<u>842,693</u>
Net investment income . . . . .	<u>906,911</u>
Realized and unrealized gains (losses):	
Net realized gain (loss) from:	
Investments:	
Unaffiliated issuers . . . . .	4,333,400
Realized gain distributions from REITs . . . . .	283,127
Foreign currency transactions . . . . .	(43,334)
Net realized gain (loss) . . . . .	<u>4,573,193</u>
Net change in unrealized appreciation (depreciation) on:	
Investments:	
Unaffiliated issuers . . . . .	(33,315,236)
Translation of other assets and liabilities denominated in foreign currencies . . . . .	(2,008)
Net change in unrealized appreciation (depreciation) . . . . .	<u>(33,317,244)</u>
Net realized and unrealized gain (loss) . . . . .	<u>(28,744,051)</u>
Net increase (decrease) in net assets resulting from operations . . . . .	<u>\$ (27,837,140)</u>

\*Foreign taxes withheld on dividends . . . . . \$ 70,994

## Statements of Changes in Net Assets

	<b>Franklin Global Real Estate VIP Fund</b>	
	<b>Six Months Ended June 30, 2020 (unaudited)</b>	<b>Year Ended December 31, 2019</b>
Increase (decrease) in net assets:		
Operations:		
Net investment income . . . . .	\$ 906,911	\$ 2,258,113
Net realized gain (loss) . . . . .	4,573,193	14,467,280
Net change in unrealized appreciation (depreciation) . . . . .	(33,317,244)	15,008,279
Net increase (decrease) in net assets resulting from operations . . . . .	(27,837,140)	31,733,672
Distributions to shareholders:		
Class 1 . . . . .	(122,580)	(48,761)
Class 2 . . . . .	(18,130,602)	(7,479,667)
Total distributions to shareholders . . . . .	(18,253,182)	(7,528,428)
Capital share transactions: (Note 2)		
Class 1 . . . . .	108,102	29,075
Class 2 . . . . .	11,844,266	(11,311,091)
Total capital share transactions . . . . .	11,952,368	(11,282,016)
Net increase (decrease) in net assets . . . . .	(34,137,954)	12,923,228
Net assets:		
Beginning of period . . . . .	160,209,713	147,286,485
End of period . . . . .	\$126,071,759	\$160,209,713

# Notes to Financial Statements (unaudited)

## Franklin Global Real Estate VIP Fund

### 1. Organization and Significant Accounting Policies

Franklin Templeton Variable Insurance Products Trust (Trust) is registered under the Investment Company Act of 1940 (1940 Act) as an open-end management investment company, consisting of eighteen separate funds and applies the specialized accounting and reporting guidance in U.S. Generally Accepted Accounting Principles (U.S. GAAP). Franklin Global Real Estate VIP Fund (Fund) is included in this report. Shares of the Fund are generally sold only to insurance company separate accounts to fund the benefits of variable life insurance policies or variable annuity contracts. At December 31, 2019, 83.6% of the Fund's shares were held through one insurance company. Investment activities of these insurance company separate accounts could have a material impact on the Fund. The Fund offers two classes of shares: Class 1 and Class 2. Each class of shares may differ by its distribution fees, voting rights on matters affecting a single class and its exchange privilege.

The following summarizes the Fund's significant accounting policies.

#### a. Financial Instrument Valuation

The Fund's investments in financial instruments are carried at fair value daily. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants on the measurement date. The Fund calculates the net asset value (NAV) per share each business day as of 4 p.m. Eastern time or the regularly scheduled close of the New York Stock Exchange (NYSE), whichever is earlier. Under compliance policies and procedures approved by the Trust's Board of Trustees (the Board), the Fund's administrator has responsibility for oversight of valuation, including leading the cross-functional Valuation Committee (VC). The Fund may utilize independent pricing services, quotations from securities and financial instrument dealers, and other market sources to determine fair value.

Equity securities listed on an exchange or on the NASDAQ National Market System are valued at the last quoted sale price or the official closing price of the day, respectively. Foreign equity securities are valued as of the close of trading on the foreign stock exchange on which the security is primarily traded, or as of 4 p.m. Eastern time. The value is then converted into its U.S. dollar equivalent at the foreign exchange rate in effect at 4 p.m. Eastern time on the day that the value of the security is determined. Over-the-counter

securities (OTC) securities are valued within the range of the most recent quoted bid and ask prices. Securities that trade in multiple markets or on multiple exchanges are valued according to the broadest and most representative market. Certain equity securities are valued based upon fundamental characteristics or relationships to similar securities.

Investments in open-end mutual funds are valued at the closing NAV. Investments in repurchase agreements are valued at cost, which approximates fair value.

The Fund has procedures to determine the fair value of financial instruments for which market prices are not reliable or readily available. Under these procedures, the Fund primarily employs a market-based approach which may use related or comparable assets or liabilities, recent transactions, market multiples, book values, and other relevant information for the investment to determine the fair value of the investment. An income-based valuation approach may also be used in which the anticipated future cash flows of the investment are discounted to calculate fair value. Discounts may also be applied due to the nature or duration of any restrictions on the disposition of the investments. Due to the inherent uncertainty of valuations of such investments, the fair values may differ significantly from the values that would have been used had an active market existed.

Trading in securities on foreign securities stock exchanges and OTC markets may be completed before 4 p.m. Eastern time. In addition, trading in certain foreign markets may not take place on every Fund's business day. Events can occur between the time at which trading in a foreign security is completed and 4 p.m. Eastern time that might call into question the reliability of the value of a portfolio security held by the Fund. As a result, differences may arise between the value of the Fund's portfolio securities as determined at the foreign market close and the latest indications of value at 4 p.m. Eastern time. In order to minimize the potential for these differences, an independent pricing service may be used to adjust the value of the Fund's portfolio securities to the latest indications of fair value at 4 p.m. Eastern time. At June 30, 2020, certain securities may have been fair valued using these procedures, in which case the securities were categorized as Level 2 inputs within the fair value hierarchy. See the Fair Value Measurements note for more information.

When the last day of the reporting period is a non-business day, certain foreign markets may be open on those days that the Fund's NAV is not calculated, which could result in

**Franklin Global Real Estate VIP Fund** (continued)

differences between the value of the Fund's portfolio securities on the last business day and the last calendar day of the reporting period. Any significant security valuation changes due to an open foreign market are adjusted and reflected by the Fund for financial reporting purposes.

**b. Foreign Currency Translation**

Portfolio securities and other assets and liabilities denominated in foreign currencies are translated into U.S. dollars based on the exchange rate of such currencies against U.S. dollars on the date of valuation. The Fund may enter into foreign currency exchange contracts to facilitate transactions denominated in a foreign currency. Purchases and sales of securities, income and expense items denominated in foreign currencies are translated into U.S. dollars at the exchange rate in effect on the transaction date. Portfolio securities and assets and liabilities denominated in foreign currencies contain risks that those currencies will decline in value relative to the U.S. dollar. Occasionally, events may impact the availability or reliability of foreign exchange rates used to convert the U.S. dollar equivalent value. If such an event occurs, the foreign exchange rate will be valued at fair value using procedures established and approved by the Board.

The Fund does not separately report the effect of changes in foreign exchange rates from changes in market prices on securities held. Such changes are included in net realized and unrealized gain or loss from investments in the Statement of Operations.

Realized foreign exchange gains or losses arise from sales of foreign currencies, currency gains or losses realized between the trade and settlement dates on securities transactions and the difference between the recorded amounts of dividends, interest, and foreign withholding taxes and the U.S. dollar equivalent of the amounts actually received or paid. Net unrealized foreign exchange gains and losses arise from changes in foreign exchange rates on foreign denominated assets and liabilities other than investments in securities held at the end of the reporting period.

**c. Joint Repurchase Agreement**

The Fund enters into a joint repurchase agreement whereby its uninvested cash balance is deposited into a joint cash account with other funds managed by the investment manager or an affiliate of the investment manager and is used to invest in one or more repurchase agreements. The

value and face amount of the joint repurchase agreement are allocated to the funds based on their pro-rata interest. A repurchase agreement is accounted for as a loan by the Fund to the seller, collateralized by securities which are delivered to the Fund's custodian. The fair value, including accrued interest, of the initial collateralization is required to be at least 102% of the dollar amount invested by the funds, with the value of the underlying securities marked to market daily to maintain coverage of at least 100%. Repurchase agreements are subject to the terms of Master Repurchase Agreements (MRAs) with approved counterparties (sellers). The MRAs contain various provisions, including but not limited to events of default and maintenance of collateral for repurchase agreements. In the event of default by either the seller or the Fund, certain MRAs may permit the non-defaulting party to net and close-out all transactions, if any, traded under such agreements. The Fund may sell securities it holds as collateral and apply the proceeds towards the repurchase price and any other amounts owed by the seller to the Fund in the event of default by the seller. This could involve costs or delays in addition to a loss on the securities if their value falls below the repurchase price owed by the seller. The joint repurchase agreement held by the Fund at period end, as indicated in the Statement of Investments, had been entered into on June 30, 2020.

**d. Securities Lending**

The Fund participates in an agency based securities lending program to earn additional income. The Fund receives cash collateral against the loaned securities in an amount equal to at least 102% of the fair value of the loaned securities. Collateral is maintained over the life of the loan in an amount not less than 100% of the fair value of loaned securities, as determined at the close of Fund business each day; any additional collateral required due to changes in security values is delivered to the Fund on the next business day. The collateral is deposited into a joint cash account with other funds and is used to invest in a money market fund managed by Franklin Advisers, Inc., an affiliate of the Fund. The Fund may receive income from the investment of cash collateral, in addition to lending fees and rebates paid by the borrower. Income from securities loaned, net of fees paid to the securities lending agent and/or third-party vendor, is reported separately in the Statement of Operations. The Fund bears the market risk with respect to the collateral investment, securities loaned, and the risk that the agent may default on its obligations to the Fund. If the borrower defaults on its obligation to return the securities loaned, the Fund has the

## Franklin Global Real Estate VIP Fund (continued)

### 1. Organization and Significant Accounting

#### Policies (continued)

#### d. Securities Lending (continued)

right to repurchase the securities in the open market using the collateral received. The securities lending agent has agreed to indemnify the Fund in the event of default by a third party borrower.

#### e. Income and Deferred Taxes

It is the Fund's policy to qualify as a regulated investment company under the Internal Revenue Code. The Fund intends to distribute to shareholders substantially all of its taxable income and net realized gains to relieve it from federal income and if applicable, excise taxes. As a result, no provision for U.S. federal income taxes is required.

The Fund may be subject to foreign taxation related to income received, capital gains on the sale of securities and certain foreign currency transactions in the foreign jurisdictions in which it invests. Foreign taxes, if any, are recorded based on the tax regulations and rates that exist in the foreign markets in which the Fund invests. When a capital gain tax is determined to apply, the Fund records an estimated deferred tax liability in an amount that would be payable if the securities were disposed of on the valuation date.

As a result of several court cases, in certain countries across the European Union, the Fund filed additional tax reclaims for previously withheld taxes on dividends earned in those countries (EU reclaims). These additional filings are subject to various administrative proceedings by the local jurisdictions' tax authorities within the European Union, as well as a number of related judicial proceedings. Income recognized, if any, for EU reclaims is reflected as other income in the Statement of Operations and any related receivable, if any, is reflected as European Union tax reclaims in the Statement of Assets and Liabilities. When uncertainty exists as to the ultimate resolution of these proceedings, the likelihood of receipt of these EU reclaims, and the potential timing of payment, no amounts are reflected in the financial statements. For U.S. income tax purposes, when EU reclaims are received by the Fund and the Fund previously passed foreign tax credit on to its shareholders, the Fund must either amend historic tax reporting to shareholders or enter into a

closing agreement with the Internal Revenue Service (IRS) in order to pay the associated tax liability on behalf of the Fund's shareholders.

The Fund may recognize an income tax liability related to its uncertain tax positions under U.S. GAAP when the uncertain tax position has a less than 50% probability that it will be sustained upon examination by the tax authorities based on its technical merits. As of June 30, 2020, the Fund has determined that no tax liability is required in its financial statements related to uncertain tax positions for any open tax years (or expected to be taken in future tax years). Open tax years are those that remain subject to examination and are based on the statute of limitations in each jurisdiction in which the Fund invests.

#### f. Security Transactions, Investment Income, Expenses and Distributions

Security transactions are accounted for on trade date. Realized gains and losses on security transactions are determined on a specific identification basis. Interest income and estimated expenses are accrued daily. Dividend income and realized gain distributions are recorded on the ex-dividend date except for certain dividends from securities where the dividend rate is not available. In such cases, the dividend is recorded as soon as the information is received by the Fund. Distributions to shareholders are recorded on the ex-dividend date. Distributable earnings are determined according to income tax regulations (tax basis) and may differ from earnings recorded in accordance with U.S. GAAP. These differences may be permanent or temporary. Permanent differences are reclassified among capital accounts to reflect their tax character. These reclassifications have no impact on net assets or the results of operations. Temporary differences are not reclassified, as they may reverse in subsequent periods.

Common expenses incurred by the Trust are allocated among the Funds based on the ratio of net assets of each Fund to the combined net assets of the Trust or based on the ratio of number of shareholders of each Fund to the combined number of shareholders of the Trust. Fund specific expenses are charged directly to the Fund that incurred the expense.

Realized and unrealized gains and losses and net investment income, excluding class specific expenses, are allocated daily to each class of shares based upon the relative proportion of

**Franklin Global Real Estate VIP Fund** (continued)

net assets of each class. Differences in per share distributions by class are generally due to differences in class specific expenses.

Distributions received by the Fund from certain securities may be a return of capital (ROC). Such distributions reduce the cost basis of the securities, and any distributions in excess of the cost basis are recognized as capital gains. For U.S. Real Estate Investment Trust (REIT) securities, the Fund records ROC estimates, if any, on the ex-dividend date and are adjusted once actual tax designations are known.

**g. Accounting Estimates**

The preparation of financial statements in accordance with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and

liabilities at the date of the financial statements and the amounts of income and expenses during the reporting period. Actual results could differ from those estimates.

**h. Guarantees and Indemnifications**

Under the Trust's organizational documents, its officers and trustees are indemnified by the Trust against certain liabilities arising out of the performance of their duties to the Trust. Additionally, in the normal course of business, the Trust, on behalf of the Fund, enters into contracts with service providers that contain general indemnification clauses. The Trust's maximum exposure under these arrangements is unknown as this would involve future claims that may be made against the Trust that have not yet occurred. Currently, the Trust expects the risk of loss to be remote.

**2. Shares of Beneficial Interest**

At June 30, 2020, there were an unlimited number of shares authorized (without par value). Transactions in the Fund's shares were as follows:

	Six Months Ended June 30, 2020		Year Ended December 31, 2019	
	Shares	Amount	Shares	Amount
<b>Class 1 Shares:</b>				
Shares sold . . . . .	532	\$ 7,364	1,935	\$ 34,241
Shares issued in reinvestment of distributions. . . . .	9,436	122,580	2,856	48,761
Shares redeemed . . . . .	(1,667)	(21,842)	(3,061)	(53,927)
Net increase (decrease). . . . .	8,301	\$ 108,102	1,730	\$ 29,075
<b>Class 2 Shares:</b>				
Shares sold . . . . .	131,672	\$ 1,955,896	244,773	\$ 4,187,098
Shares issued in reinvestment of distributions. . . . .	1,438,937	18,130,602	449,770	7,479,667
Shares redeemed . . . . .	(556,110)	(8,242,232)	(1,360,628)	(22,977,856)
Net increase (decrease). . . . .	1,014,499	\$11,844,266	(666,085)	\$(11,311,091)

**3. Transactions with Affiliates**

Franklin Resources, Inc. is the holding company for various subsidiaries that together are referred to as Franklin Templeton. Certain officers and trustees of the Fund are also officers and/or directors of the following subsidiaries:

Subsidiary	Affiliation
Franklin Templeton Institutional, LLC (FT Institutional)	Investment manager
Franklin Templeton Services, LLC (FT Services)	Administrative manager
Franklin Templeton Distributors, Inc. (Distributors)	Principal underwriter
Franklin Templeton Investor Services, LLC (Investor Services)	Transfer agent

**Franklin Global Real Estate VIP Fund** (continued)

**3. Transactions with Affiliates** (continued)

**a. Management Fees**

The Fund pays an investment management fee to FT Institutional based on the average daily net assets of the Fund as follows:

<b>Annualized Fee Rate</b>	<b>Net Assets</b>
1.050%	Up to and including \$500 million
0.950%	Over \$500 million, up to and including \$1 billion
0.900%	Over \$1 billion, up to and including \$1.5 billion
0.850%	Over \$1.5 billion, up to and including \$6.5 billion
0.830%	Over \$6.5 billion, up to and including \$11.5 billion
0.810%	Over \$11.5 billion, up to and including \$16.5 billion
0.790%	Over \$16.5 billion, up to and including \$19 billion
0.780%	Over \$19 billion, up to and including \$21.5 billion
0.770%	In excess of \$21.5 billion

**b. Administrative Fees**

Under an agreement with FT Institutional, FT Services provides administrative services to the Fund. The fee is paid by FT Institutional based on the Fund's average daily net assets, and is not an additional expense of the Fund.

**c. Distribution Fees**

The Board has adopted a distribution plan for Class 2 shares pursuant to Rule 12b-1 under the 1940 Act. Under the Fund's compensation distribution plan, the Fund pays Distributors for costs incurred in connection with the servicing, sale and distribution of the Fund's shares up to 0.35% per year of its average daily net assets. The Board has agreed to limit the current rate to 0.25% per year for Class 2. The plan year, for purposes of monitoring compliance with the maximum annual plan rates, is February 1 through January 31.

**d. Transfer Agent Fees**

Investor Services, under terms of an agreement, performs shareholder servicing for the Fund and is not paid by the Fund for the services.



**Franklin Global Real Estate VIP Fund** (continued)

**e. Investments in Affiliated Management Investment Companies**

The Fund invests in one or more affiliated management investment companies for purposes other than exercising a controlling influence over the management or policies. Management fees paid by the Fund are waived on assets invested in the affiliated management investment companies, as noted in the Statement of Operations, in an amount not to exceed the management and administrative fees paid directly or indirectly by each affiliate. During the period ended June 30, 2020, the Fund held investments in affiliated management investment companies as follows:

	Value at Beginning of Period	Purchases	Sales	Realized Gain (Loss)	Net Change in Unrealized Appreciation (Depreciation)	Value at End of Period	Number of Shares Held at End of Period	Income from securities loaned
<b>Non-Controlled Affiliates</b>								
Institutional Fiduciary Trust Money Market Portfolio, 0.00% . . . . .	\$ —	\$2,858,000	\$(2,500,000)	\$ —	\$ —	\$358,000	358,000	\$53

**f. Waiver and Expense Reimbursements**

FT Institutional has contractually agreed in advance to waive or limit its fees and to assume as its own expense certain expenses otherwise payable by the Fund so that the operating expenses (excluding distribution fees and acquired fund fees and expenses and certain non-routine expenses or costs, including those relating to litigation, indemnification, reorganizations, and liquidations) for each class of the Fund do not exceed 1.00% based on the average net assets of each class until April 30, 2021. Total expenses waived or paid are not subject to recapture subsequent to the Fund's fiscal year end.

**4. Expense Offset Arrangement**

The Funds have entered into an arrangement with their custodian whereby credits realized as a result of uninvested cash balances are used to reduce a portion of the Funds' custodian expenses. During the period ended June 30, 2020, there were no credits earned.

**5. Income Taxes**

At June 30, 2020, the cost of investments, net unrealized appreciation (depreciation) for income tax purposes were as follows:

Cost of investments . . . . .	<u>\$112,628,547</u>
Unrealized appreciation . . . . .	\$ 32,286,290
Unrealized depreciation . . . . .	<u>(18,695,123)</u>
Net unrealized appreciation (depreciation) . . . . .	<u>\$ 13,591,167</u>

Differences between income and/or capital gains as determined on a book basis and a tax basis are primarily due to differing treatment of passive foreign investment company shares.

**6. Investment Transactions**

Purchases and sales of investments (excluding short term securities) for the period ended June 30, 2020, aggregated \$23,487,897 and \$29,062,947, respectively.

## **Franklin Global Real Estate VIP Fund** (continued)

### **6. Investment Transactions** (continued)

At June 30, 2020, in connection with securities lending transactions, the Fund loaned equity investments and received \$448,501 of cash collateral. The gross amount of recognized liability for such transactions is included in payable upon return of securities loaned in the Statement of Assets and Liabilities. The agreements can be terminated at any time.

### **7. Concentration of Risk**

The Fund invests a large percentage of its total assets in REIT securities. Such concentration may subject the Fund to special risks associated with real estate securities. These securities may be more sensitive to economic or regulatory developments due to a variety of factors such as local, regional, national and global economic conditions, interest rates and tax considerations.

### **8. Novel Coronavirus Pandemic**

The global outbreak of the novel coronavirus disease, known as COVID-19, has caused adverse effects on many companies, sectors, nations, regions and the markets in general, and may continue for an unpredictable duration. The effects of this pandemic may materially impact the value and performance of the Fund, its ability to buy and sell fund investments at appropriate valuations and its ability to achieve its investment objectives.

### **9. Credit Facility**

The Fund, together with other U.S. registered and foreign investment funds (collectively, Borrowers), managed by Franklin Templeton, are borrowers in a joint syndicated senior unsecured credit facility totaling \$2 billion (Global Credit Facility) which matures on February 5, 2021. This Global Credit Facility provides a source of funds to the Borrowers for temporary and emergency purposes, including the ability to meet future unanticipated or unusually large redemption requests.

Under the terms of the Global Credit Facility, the Fund shall, in addition to interest charged on any borrowings made by the Fund and other costs incurred by the Fund, pay its share of fees and expenses incurred in connection with the implementation and maintenance of the Global Credit Facility, based upon its relative share of the aggregate net assets of all of the Borrowers, including an annual commitment fee of 0.15% based upon the unused portion of the Global Credit Facility. These fees are reflected in other expenses in the Statement of Operations. During the period ended June 30, 2020, the Fund did not use the Global Credit Facility.

### **10. Fair Value Measurements**

The Fund follows a fair value hierarchy that distinguishes between market data obtained from independent sources (observable inputs) and the Fund's own market assumptions (unobservable inputs). These inputs are used in determining the value of the Fund's financial instruments and are summarized in the following fair value hierarchy:

- Level 1 – quoted prices in active markets for identical financial instruments
- Level 2 – other significant observable inputs (including quoted prices for similar financial instruments, interest rates, prepayment speed, credit risk, etc.)
- Level 3 – significant unobservable inputs (including the Fund's own assumptions in determining the fair value of financial instruments)

The input levels are not necessarily an indication of the risk or liquidity associated with financial instruments at that level.

**Franklin Global Real Estate VIP Fund** (continued)

A summary of inputs used as of June 30, 2020, in valuing the Fund's assets carried at fair value, is as follows:

	Level 1	Level 2	Level 3	Total
<b>Assets:</b>				
Investments in Securities: <sup>a</sup>				
Equity Investments:				
Diversified Real Estate Activities . . . . .	\$ 1,136,313	\$ 10,234,194	\$ —	\$ 11,370,507
Diversified REITs . . . . .	1,923,631	5,774,661	—	7,698,292
Industrial REITs . . . . .	13,870,278	9,737,419	—	23,607,697
Integrated Telecommunication Services . . . . .	—	764,015	—	764,015
Office REITs . . . . .	9,085,419	6,429,165	—	15,514,584
Real Estate Development . . . . .	—	2,013,739	—	2,013,739
Real Estate Operating Companies . . . . .	—	11,879,215	—	11,879,215
Residential REITs . . . . .	15,879,211	1,429,932	—	17,309,143
Retail REITs . . . . .	10,713,369	2,803,562	—	13,516,931
All Other Equity Investments . . . . .	21,150,844	—	—	21,150,844
Short Term Investments . . . . .	358,000	1,036,747	—	1,394,747
Total Investments in Securities . . . . .	\$ 74,117,065	\$ 52,102,649	\$ —	\$ 126,219,714

<sup>a</sup>For detailed categories, see the accompanying Statement of Investments.

**11. New Accounting Pronouncements**

In March 2020, the Financial Accounting Standards Board issued Accounting Standards Update (ASU) No. 2020-04, Reference Rate Reform (Topic 848) – Facilitation of the Effects of Reference Rate Reform on Financial Reporting. The amendments in the ASU provides optional temporary financial reporting relief from the effect of certain types of contract modifications due to the planned discontinuation of LIBOR and other interbank-offered based reference rates as of the end of 2021. The ASU is effective for certain reference rate-related contract modifications that occur during the period March 12, 2020 through December 31, 2022. Management is currently evaluating the impact, if any, of applying this ASU.

**12. Subsequent Events**

The Fund has evaluated subsequent events through the issuance of the financial statements and determined that no events have occurred that require disclosure.

**Abbreviations**

**Selected Portfolio**

REIT Real Estate Investment Trust

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## Index Descriptions

The indexes are unmanaged and include reinvestment of any income or distributions (after the deduction of certain withholding taxes for the NR or Net Return Index). They do not reflect any fees, expenses or sales charges.

For Russell Indexes: Frank Russell Company is the source and owner of the trademarks, service marks and copyrights related to the Russell Indexes. Russell® is a trademark of Frank Russell Company.

See [www.franklintempletondatasources.com](http://www.franklintempletondatasources.com) for additional data provider information.

**Bloomberg Barclays 1-3 Month U.S. Treasury Bill Index** measures the performance of U.S. Treasury bills that have a remaining maturity of greater than or equal to one month and less than three months.

**Bloomberg Barclays U.S. Aggregate Bond Index** is a market capitalization-weighted index representing the U.S. investment-grade, fixed-rate, taxable bond market with index components for government and corporate, mortgage pass-through and asset-backed securities. All issues included are SEC registered, taxable, dollar denominated and nonconvertible, must have at least one year to final maturity and must be rated investment grade (Baa3/BBB-/BBB- or higher) using the middle rating of Moody's, Standard & Poor's and Fitch, respectively.

**Bloomberg Barclays U.S. Corporate Bond Index** measures the investment grade, fixed-rate, taxable corporate bond market. It includes U.S. dollar-denominated securities publicly issued by U.S. and non-U.S. industrial, utility and financial issuers.

**Bloomberg Barclays U.S. Corporate High Yield Bond Index** measures the U.S. dollar-denominated, high yield, fixed-rate corporate bond market. Securities are classified as high yield if the middle rating of Moody's, Fitch and Standard & Poor's is Ba1/BB+/BB+ or below.

**Bloomberg Barclays U.S. Corporate Investment Grade Index** is a broad-based benchmark that measures the investment-grade, fixed-rate, taxable corporate bond market.

**Bloomberg Barclays U.S. Government Index: Intermediate Component** is the intermediate component of the Barclays U.S. Government Index, which includes public obligations of the U.S. Treasury with at least one year to final maturity and publicly issued debt of U.S. government agencies, quasi-federal corporations, and corporate or foreign debt guaranteed by the U.S. government.

**Bloomberg Barclays U.S. High Yield Very Liquid Index** is a component of the U.S. Corporate High Yield Index that is designed to track a more liquid component of the U.S. dollar-denominated, high-yield fixed-rate corporate bond market.

**Bloomberg Barclays U.S. Treasury Index** measures U.S. dollar-denominated, fixed-rate, nominal debt issued by the U.S. Treasury with at least one year until final maturity.

**FTSE® EPRA®/NAREIT® Developed Index** is a free float-adjusted index designed to measure the performance of publicly traded real estate securities in the North American, European and Asian real estate markets.

**FTSE World Government Bond Index** is a market capitalization-weighted index consisting of investment-grade world government bond markets.

**J.P. Morgan (JPM) Global Government Bond Index (GGBI)** tracks total returns for liquid, fixed-rate, domestic government bonds with maturities greater than one year issued by developed countries globally.

**Lipper Multi-Sector Income Funds Classification Average** is calculated by averaging the total returns of all funds within the Lipper Multi-Sector Income Funds Classification in the Lipper Open-End underlying funds universe. Lipper Multi-Sector Income Funds are defined as funds that seek current income by allocation of assets among different fixed income securities sectors (not primarily in one sector except for defensive purposes), including U.S. and foreign governments, with a significant portion rated below investment grade. For the six-month period ended 6/30/20, there were 37 funds in this category. Lipper calculations do not include contract fees, expenses or sales charges, and may have been different if such charges had been considered.

**Lipper VIP General U.S. Government Funds Classification Average** is an equally weighted average calculation of performance figures for all funds within the Lipper General U.S. Government Funds classification in the Lipper VIP underlying funds universe. Lipper General U.S. Government Funds invest primarily in U.S. government and agency issues. For the six-month period ended 6/30/20, there were 26 funds in this category. Lipper calculations do not include contract fees, expenses or sales charges, and may have been different if such charges had been considered.

**MSCI All Country Asia Index** is a free float-adjusted, market capitalization-weighted index designed to measure equity market performance in developed and emerging markets in Asia.

**MSCI All Country World Index (ACWI)** is a free float-adjusted, market capitalization-weighted index designed to measure equity market performance in global developed and emerging markets.

**MSCI All Country World Index (ACWI) ex USA Index** is a free float-adjusted, market capitalization-weighted index designed to measure equity market performance in global developed and emerging markets, excluding the U.S.

**MSCI Europe Index** is a free float-adjusted market capitalization-weighted index designed to measure the equity market performance of developed markets in Europe.

**MSCI Europe, Australasia, Far East (EAFE) Index** is a free float-adjusted market capitalization-weighted index designed to measure the equity market performance of developed markets, excluding the U.S. and Canada.

**MSCI Emerging Markets (EM) Index** is a free float-adjusted, market capitalization-weighted index designed to measure equity market performance in global emerging markets.

**MSCI USA High Dividend Yield Index** is based on the MSCI USA Index, its parent index, and includes large- and mid-capitalization stocks. The index is designed to reflect the performance of equities in the parent index (excluding real estate investment trusts) with higher dividend income and quality characteristics than average dividend yields that are both sustainable and persistent.

**MSCI World ex USA Index-NR** is a free float-adjusted, market capitalization-weighted index designed to measure equity market performance in global developed markets, excluding the U.S. Net Returns (NR) include income net of tax withholding when dividends are paid.

**MSCI World Index** is a free float-adjusted, market capitalization-weighted index designed to measure equity market performance in global developed markets.

**Russell 1000® Growth Index** is market capitalization weighted and measures performance of those Russell 1000® Index companies with relatively higher price-to-book ratios and higher forecasted growth values.

**Russell 1000® Index** is market capitalization weighted and measures performance of the largest companies in the Russell 3000® Index, which represents the majority of the U.S. market's total capitalization.

**Russell 1000® Value Index** is market capitalization weighted and measures performance of those Russell 1000® Index companies with relatively lower price-to-book ratios and lower forecasted growth values.

**Russell 2000® Index** is market capitalization weighted and measures performance of the 2,000 smallest companies in the Russell 3000® Index, which represent a small amount of the total market capitalization of the Russell 3000® Index.

**Russell 2000® Value Index** is market capitalization weighted and measures performance of those Russell 2000® Index companies with relatively lower price-to-book ratios and lower forecasted growth values.

**Russell 3000® Index** is market capitalization weighted and represents the majority of the U.S. market's total capitalization.

**Russell 3000® Growth Index** is market capitalization weighted and measures performance of those Russell 3000® Index companies with relatively higher price-to-book ratios and higher forecasted growth values.

**Russell Midcap® Growth Index** is market capitalization weighted and measures performance of those Russell Midcap® Index companies with relatively higher price-to-book ratios and higher forecasted growth values.

**Russell Midcap® Index** is market capitalization weighted and measures performance of the smallest companies in the Russell 1000® Index, which represents a modest amount of the Russell 1000® Index's total market capitalization.

**Standard & Poor's® 500 Index (S&P 500®)** is a market capitalization-weighted index of 500 stocks designed to measure total U.S. equity market performance.

**Standard & Poor's®/International Finance Corporation Investable (S&P/IFCI) Composite Index** is a free float-adjusted, market capitalization-weighted index designed to measure equity performance in global emerging markets.

## Shareholder Information

### Board Approval of Investment Management Agreements

#### **FRANKLIN TEMPLETON VARIABLE INSURANCE PRODUCTS TRUST**

**Franklin Allocation VIP Fund**  
**Franklin Flex Cap Growth VIP Fund**  
**Franklin Global Real Estate VIP Fund**  
**Franklin Growth and Income VIP Fund**  
**Franklin Income VIP Fund**  
**Franklin Large Cap Growth VIP Fund**  
**Franklin Mutual Global Discovery VIP Fund**  
**Franklin Mutual Shares VIP Fund**  
**Franklin Rising Dividends VIP Fund**  
**Franklin Small Cap Value VIP Fund**  
**Franklin Small-Mid Cap Growth VIP Fund**  
**Franklin Strategic Income VIP Fund**  
**Franklin U.S. Government Securities VIP Fund**  
**Franklin VolSmart Allocation VIP Fund**  
**Templeton Developing Markets VIP Fund**  
**Templeton Foreign VIP Fund**  
**Templeton Global Bond VIP Fund**  
**Templeton Growth VIP Fund**  
(each a Fund)

At a meeting held on April 7, 2020 (Meeting), the Board of Trustees (Board) of Franklin Templeton Variable Insurance Products Trust (Trust), including a majority of the trustees who are not “interested persons” as defined in the Investment Company Act of 1940 (Independent Trustees), reviewed and approved the continuance of the (i) investment management agreement between Franklin Advisers, Inc. (FAI) and the Trust, on behalf of each of Franklin Allocation VIP Fund, Franklin Flex Cap Growth VIP Fund, Franklin Growth and Income VIP Fund, Franklin Income VIP Fund, Franklin Large Cap Growth VIP Fund, Franklin Rising Dividends VIP Fund, Franklin Small-Mid Cap Growth VIP Fund, Franklin Strategic Income VIP Fund, Franklin U.S. Government Securities VIP Fund, Franklin VolSmart Allocation VIP Fund, and Templeton Global Bond VIP Fund; (ii) the investment sub-advisory agreement between FAI and Franklin Templeton Institutional, LLC (FTIL), an affiliate of FAI, on behalf of Franklin Allocation VIP Fund; (iii) the investment sub-advisory agreement between FAI and Templeton Global Advisors Limited (TGAL), an affiliate of FAI, on behalf of Franklin Allocation VIP Fund; (iv) the investment management agreement between FTIL and the Trust, on behalf of Franklin Global Real Estate VIP Fund; (v) the investment management agreement between Franklin

Mutual Advisers, LLC (FMA) and the Trust, on behalf of each of Franklin Mutual Global Discovery VIP Fund, Franklin Mutual Shares VIP Fund and Franklin Small Cap Value VIP Fund; (vi) the investment management agreement between Templeton Asset Management Ltd. (TAML) and the Trust, on behalf of Templeton Developing Markets VIP Fund; (vii) the investment management agreement between Templeton Investment Counsel, LLC (TICL) and the Trust, on behalf of Templeton Foreign VIP Fund; and (viii) the investment management agreement between TGAL and the Trust, on behalf of Templeton Growth VIP Fund (each a Management Agreement) for an additional one-year period. The Independent Trustees received advice from and met separately with Independent Trustee counsel in considering whether to approve the continuation of each Management Agreement. Although the Management Agreements for the Funds were considered at the same Board meeting, the Board considered the information provided to it about the Funds together and with respect to each Fund separately as the Board deemed appropriate. FAI, FTIL, FMA, TAML, TICL and TGAL are each referred to herein as a Manager.

In considering the continuation of each Management Agreement, the Board reviewed and considered information provided by each Manager at the Meeting and throughout the year at meetings of the Board and its committees. The Board also reviewed and considered information provided in response to a detailed set of requests for information submitted to each Manager by Independent Trustee counsel on behalf of the Independent Trustees in connection with the annual contract renewal process. In addition, prior to the Meeting, the Independent Trustees held a telephonic contract renewal meeting at which the Independent Trustees conferred amongst themselves and Independent Trustee counsel about contract renewal matters and, in some cases, requested additional information from the Managers relating to the contract. The Board reviewed and considered all of the factors it deemed relevant in approving the continuance of each Management Agreement, including, but not limited to: (i) the nature, extent and quality of the services provided by each Manager; (ii) the investment performance of each Fund; (iii) the costs of the services provided and profits realized by each Manager and its affiliates from the relationship with each Fund; (iv) the extent to which economies of scale are realized as each Fund grows; and (v) whether fee levels reflect these economies of scale for the benefit of Fund investors.

In approving the continuance of each Management Agreement, the Board, including a majority of the

Independent Trustees, determined that the terms of each Management Agreement are fair and reasonable and that the continuance of such Management Agreement is in the interests of the applicable Fund and its shareholders. While attention was given to all information furnished, the following discusses some primary factors relevant to the Board's determination.

#### **Nature, Extent and Quality of Services**

The Board reviewed and considered information regarding the nature, extent and quality of investment management services provided by each Manager and its affiliates to the Funds and their shareholders. This information included, among other things, the qualifications, background and experience of the senior management and investment personnel of each Manager; as well as information on succession planning where appropriate; the structure of investment personnel compensation; oversight of third-party service providers; investment performance reports and related financial information for each Fund; reports on expenses and shareholder services; legal and compliance matters; risk controls; pricing and other services provided by each Manager and its affiliates; and management fees charged by each Manager and its affiliates to US funds and other accounts, including management's explanation of differences among accounts where relevant. The Board also reviewed and considered an annual report on payments made by Franklin Templeton (FT) or the Funds to financial intermediaries, as well as a memorandum relating to third-party servicing arrangements, which included discussion of the changing distribution landscape for the Funds. The Board noted management's continuing efforts and expenditures in establishing effective business continuity plans and developing strategies to address areas of heightened concern in the mutual fund industry, such as cybersecurity and liquidity risk management.

The Board also reviewed and considered the benefits provided to Fund shareholders of investing in a fund that is part of the FT family of funds. The Board noted the financial position of Franklin Resources, Inc. (FRI), the Managers' parent, and its commitment to the mutual fund business as evidenced by its continued introduction of new funds, reassessment of the fund offerings in response to the market environment and project initiatives and capital investments relating to the services provided to the Funds by the FT organization. The Board specifically noted FT's commitment to enhancing services and controlling costs, as reflected in its plan to outsource certain administrative functions, and growth opportunities, as evidenced by its

upcoming acquisition of the Legg Mason companies. The Board acknowledged the change in leadership at FRI and the opportunity to hear from Jennifer Johnson, President and Chief Executive Officer of FRI, about goals she has for the company that will benefit the Funds.

Following consideration of such information, the Board was satisfied with the nature, extent and quality of services provided by each Manager and its affiliates to the Funds and their shareholders.

#### **Fund Performance**

The Board reviewed and considered the performance results of each Fund over various time periods ended January 31, 2020. The Board considered the performance returns for each Fund in comparison to the performance returns of mutual funds deemed comparable to the Fund included in a universe (Performance Universe) selected by Broadridge Financial Solutions, Inc. (Broadridge), an independent provider of investment company data. The Board received a description of the methodology used by Broadridge to select the mutual funds included in a Performance Universe. The Board also considered the performance returns for the Franklin Income VIP Fund and Franklin VolSmart Allocation VIP Fund in comparison to the performance returns of a customized peer group (Performance Customized Peer Group) selected by the Manager. The Board also reviewed and considered Fund performance reports provided and discussions that occurred with portfolio managers at Board meetings throughout the year. A summary of each Fund's performance results is below.

*Franklin Allocation VIP Fund* - The Performance Universe for this Fund included the Fund and all mixed-asset target allocation growth funds underlying variable insurance products (VIPs). The Board noted that the Fund's annualized income return for the one-, three-, five- and 10-year periods was above the median and in the first quintile (best) of its Performance Universe. The Board also noted that the Fund's annualized total return for the one-, three-, five- and 10-year periods was below the median of its Performance Universe. The Board discussed this performance with management and management explained that the Performance Universe was not directly comparable to the Fund as the Performance Universe includes funds with equity exposures between 60%-80% and the Fund maintains a strategic asset allocation of 60% equities. Management further explained that the Fund's strategic allocation has served as a headwind for peer-relative returns since the Fund's repositioning on May 1, 2019 to a direct investment fund with



an actively managed dynamic allocation strategy. The Board noted management's explanations and determined that, in light of the recent strategy changes, additional time will be needed to evaluate the effectiveness of management's actions. The Board concluded that the Fund's Management Agreement should be continued for an additional one-year period, and management's efforts should continue to be monitored.

Franklin Flex Cap Growth VIP Fund - The Performance Universe for this Fund included the Fund and all large-cap growth funds underlying VIPs. The Board noted that the Fund's annualized total return for the three-year period was above the median of its Performance Universe, but for the one-, five- and 10-year periods was below the median of its Performance Universe. The Board discussed this performance with management and management explained that during the one-year period, Information Technology and Industrials were the two largest sectors of underperformance for the Fund. Management further explained that the Fund's cash position was also a detractor from the Fund's performance. The Board noted management's steps to address the underperformance of the Fund. The Board concluded that the Fund's Management Agreement should be continued for an additional one-year period, and management's efforts should continue to be monitored. In doing so, the Board noted that, while below median, the Fund's annualized total return for the one-, five- and 10-year periods was 23.48%, 12.99% and 12.87%, respectively.

Franklin Growth and Income VIP Fund - The Performance Universe for the Fund included the Fund and all equity income funds underlying VIPs. The Board noted that the Fund's annualized income return and annualized total return for the one-, three-, five- and 10-year periods were above the medians of its Performance Universe. The Board concluded that the Fund's performance was satisfactory.

Franklin Income VIP Fund - The Performance Universe for the Fund included the Fund and all mixed-asset target allocation moderate funds underlying VIPs. The Performance Customized Peer Group for the Fund consisted of funds sorted by trailing 12-month yield and set to be top quartile (highest yield). The Board noted that the Fund's annualized income return for the one-, three-, five- and 10-year periods was above the medians and in the first quintile (best) of its Performance Universe and Performance Customized Peer Group. The Board also noted that the Fund's annualized total return for the one-, three-, five- and 10-year periods was below the medians of its Performance Universe and

Performance Customized Peer Group. Given the Fund's income-oriented investment objective, the Board concluded that the Fund's performance was satisfactory.

Franklin Strategic Income VIP Fund - The Performance Universe for the Fund included the Fund and all multi-sector income funds underlying VIPs. The Board noted that the Fund's annualized income return for the one-, three-, five- and 10-year periods was above the median and in the first quintile (best) of its Performance Universe. The Board also noted that the Fund's annualized total return for the one-, three-, five- and 10-year periods was below the median of its Performance Universe. The Board discussed this performance with management and management explained that the Fund's relative underperformance was due, in part, to a shorter duration profile of its portfolio holdings and a reduced exposure to credit risk. The Board also noted management's continued enhancements to the Fund's investment process, which includes a greater role for macroeconomics and incorporates more quantitative techniques to assist with portfolio construction. Given the Fund's income-oriented investment objective and the considerations noted above, the Board concluded that the Fund's performance was satisfactory.

Franklin Large Cap Growth VIP Fund - The Performance Universe for the Fund included the Fund and all multi-cap growth funds underlying VIPs. The Board noted that the Fund's annualized total return for the 10-year period was below the median of its Performance Universe, but for the one-, three- and five-year periods was above the median of its Performance Universe. The Board concluded that the Fund's performance was satisfactory.

Franklin Mutual Global Discovery VIP Fund - The Performance Universe for the Fund included the Fund and all global multi-cap value funds underlying VIPs. The Board noted that the Fund's annualized total return for the one- and 10-year periods was above the median and in the first quintile (best) of its Performance Universe, but for the three-year period was slightly below the median of its Performance Universe and for the five-year period was equal to the median of its Performance Universe. The Board concluded that the Fund's performance was satisfactory.

Franklin Mutual Shares VIP Fund - The Performance Universe for the Fund included the Fund and all multi-cap value funds underlying VIPs. The Board noted that the Fund's annualized total return for the one-, three-, five- and 10-year periods was below the median of its Performance Universe. The Board discussed this performance with

management and management explained that the Fund's underperformance in 2017 was material and continues to adversely impact the Fund's ranking over longer-term periods. Management reminded the Board of the primary factors that impacted the 2017 performance, including, among factors, exposure to non-US equities and stock selection. Management then explained that, over the one-year period, the Fund's non-equity investments and stock selection weighed on the Fund's relative performance. Management also explained that approximately 15% of the Fund's portfolio was in non-equity investments which relatively underperformed the robust 2019 equity market performance. Management further explained that the Fund's cash position also weighed on relative performance. Management then discussed with the Board the actions that continue to be taken in an effort to address the sources of the Fund's underperformance, including enhancements to the Fund's investment process, particularly with respect to portfolio and quantitative analytics. The Board concluded that the Fund's Management Agreement should be continued for an additional one-year period, and management's efforts should continue to be monitored.

Franklin Small-Mid Cap Growth VIP Fund - The Performance Universe for the Fund included the Fund and all mid-cap growth funds underlying VIPs. The Board noted that the Fund's annualized total return for the one-, three-, five- and 10-year periods was below the median of its Performance Universe. The Board discussed this performance with management and management explained that the Fund's positioning in the energy, healthcare, consumer, materials, industrial and information technology sectors was a primary detractor from relative performance over the one-, three- and five-year periods. Management further explained that, during the one-, three- and five-year periods, the Fund had more exposure to smaller cap stocks in comparison to its peers, noting that these stocks meaningfully underperformed during the requisite periods. Management then discussed with the Board the actions that are being taken in an effort to address the sources of the Fund's underperformance, including consolidating the Fund into fewer positions which have demonstrated certain attributes and working closely with the Investment Risk Management Group to limit the amount of risk in the Fund's portfolio and minimize permanent loss of capital. The Board concluded that the Fund's Management Agreement should be continued for an additional one-year period, and management's efforts should continue to be monitored. In doing so, the Board noted that, while below median, the Fund's annualized total return for the one-,

three-, five- and 10-year periods was 20.96%, 14.29%, 9.99% and 12.87%, respectively.

Franklin Global Real Estate VIP Fund - The Performance Universe for the Fund included the Fund and all global real estate funds underlying VIPs. The Board noted that the Fund's annualized total return for the three-, five- and 10-year periods was above the median of its Performance Universe, but for the one-year period was below the median of its Performance Universe. The Board further noted that, while below the median, the Fund's one-year annualized total return was 12.02% and only slightly below the Performance Universe median of 13.11%. The Board concluded that the Fund's performance was acceptable.

Franklin Rising Dividends VIP Fund - The Performance Universe for the Franklin Rising Dividends VIP Fund included the Fund and all large-cap core funds underlying VIPs. The Board noted that the Fund's annualized total return for the three-, five- and 10-year periods was above the median of its Performance Universe, but for the one-year period was below the median of its Performance Universe. The Board further noted that, while below the median, the Fund's one-year annualized total return was 20.55% and only slightly below the Performance Universe median of 20.92%. The Board concluded that the Fund's performance was acceptable.

Franklin Small Cap Value VIP Fund and Templeton Developing Markets VIP Fund - The Performance Universe for the Franklin Small Cap Value VIP Fund included the Fund and all small-cap value funds underlying VIPs. The Performance Universe for the Templeton Developing Markets VIP Fund included the Fund and all emerging markets funds underlying VIPs. The Board noted that each Fund's annualized total return for the one-, three-, five- and 10-year periods was above the median of its Performance Universe. The Board concluded that each Fund's performance was satisfactory.

Franklin U.S. Government Securities VIP Fund - The Performance Universe for the Fund included the Fund and all intermediate US government funds underlying VIPs. The Board noted that the Fund's annualized income return for the one-, three-, five- and 10-year periods was above the median and in the first quintile (best) of its Performance Universe. The Board also noted that the Fund's annualized total return for the one-, three-, five- and 10-year periods was below the median of its Performance Universe. Given the Fund's income-oriented investment objective and conservative policy of investing a significant to substantial amount in

Ginnie Mae obligations, the Board concluded that the Fund's performance was satisfactory.

*Franklin VolSmart Allocation VIP Fund* - The Performance Universe for the Fund included the Fund and all flexible portfolio funds underlying VIPs. The Performance Customized Peer Group for the Fund consisted of the Fund and all retail and institutional mixed-asset target allocation moderate funds. The Fund has been in operation for less than 10 years. The Board noted that the Fund's annualized total return for the three- and five-year periods was below the medians of its Performance Universe and Performance Customized Peer Group, but for the one-year period was above the medians of its Performance Universe and Performance Customized Peer Group. The Board further noted that the Fund's annualized total return for the three-year period was only 0.02% below the median of its Performance Universe and that the Fund's annualized total return for the one-year period was 13.90% and in the second quintile of its Performance Universe. The Board concluded that the Fund's performance was satisfactory.

*Templeton Foreign VIP Fund* - The Performance Universe for the Fund included the Fund and all international multi-cap value funds underlying VIPs. The Board noted that the Fund's annualized total return for the one-, three-, five- and 10-year periods was below the median of its Performance Universe. The Board discussed this performance with management and management explained that, even though the Fund's peer group is comprised of multi-cap value funds, the Fund has a more intense value tilt than the Performance Universe, which has negatively impacted the Fund's relative returns during a period of historic and sustained outperformance of growth over value. Management further explained that over the one-, three- and five-year periods, the Fund's performance was also negatively impacted by stock selection among overweight health care holdings and underweight industrials and consumer discretionary stocks. Management then discussed with the Board the actions that are being taken in an effort to address the sources of the Fund's underperformance, including a focus on constructing a more diversified and high-conviction portfolio. The Board concluded that the Fund's Management Agreement should be continued for an additional one-year period, and management's efforts should continue to be monitored.

*Templeton Global Bond VIP Fund* - The Performance Universe for the Fund included the Fund and all global income funds underlying VIPs. The Board noted that the

Fund's annualized income return for the one-, three-, five- and 10-year periods was above the median of its Performance Universe. The Board also noted that the Fund's annualized total return for the one-, three- and five-year periods was below the median of its Performance Universe, but for the 10-year period was above the median of its Performance Universe. The Board discussed this performance with management and management explained that during the one-, three- and five- year periods, management largely positioned the Fund's strategies for rising rates by maintaining low portfolio duration and aiming at a negative correlation with US Treasury returns. Management further explained that the interest-rate strategies detracted from the Fund's relative return, while currency positions contributed to the return. Management then discussed with the Board the portfolio manager's outlook going forward and expectation that the risk management strategies that had weighted on return would be valuable in a diversifying portfolio going forward. The Board concluded that the Fund's Management Agreement should be continued for an additional one-year period, and management's efforts should continue to be monitored.

*Templeton Growth VIP Fund* - The Performance Universe for this Fund included the Fund and all global multi-cap value funds underlying VIPs. The Board noted that the Fund's annualized total return for the one-, three-, five- and 10-year periods was below the median of its Performance Universe. The Board discussed this performance with management and management explained that the Fund's higher exposure to value stocks, which have experienced a period of historic underperformance, and underweight position in US stocks, as compared to peers contributed to the Fund's relative underperformance. Management also explained that weightings in particular sectors (such as information technology, communications services, cyclical energy and financials) and overall stock selection contributed to the Fund's relative underperformance. Management then discussed with the Board the actions that are being taken in an effort to address the sources of the Fund's underperformance, including a focus on constructing a more diversified and high-conviction portfolio. The Board concluded that the Fund's Management Agreement should be continued for an additional one-year period, and management's efforts should continue to be monitored.

#### **Comparative Fees and Expenses**

The Board reviewed and considered information regarding each Fund's actual total expense ratio and its various components, including, as applicable, management fees;

transfer agent expenses; underlying fund expenses; Rule 12b-1 and non-Rule 12b-1 service fees; and other non-management fees. The Board also noted the quarterly and annual reports it receives on all marketing support payments made by FT to financial intermediaries. The Board considered the actual total expense ratio and, separately, the contractual management fee rate, without the effect of fee waivers, if any (Management Rate) of each Fund in comparison to the median expense ratio and median Management Rate, respectively, of other mutual funds deemed comparable to and with a similar expense structure to the Fund selected by Broadridge (Expense Group). Broadridge fee and expense data is based upon information taken from each fund's most recent annual report, which reflects historical asset levels that may be quite different from those currently existing, particularly in a period of market volatility. While recognizing such inherent limitation and the fact that expense ratios and Management Rates generally increase as assets decline and decrease as assets grow, the Board believed the independent analysis conducted by Broadridge to be an appropriate measure of comparative fees and expenses. The Broadridge Management Rate includes administrative charges. The Board received a description of the methodology used by Broadridge to select the mutual funds included in an Expense Group.

Franklin Flex Cap Growth VIP Fund, Templeton Foreign VIP Fund and Templeton Growth VIP Fund - The Expense Group for the Franklin Flex Cap Growth VIP Fund included the Fund and 11 other large-cap growth funds underlying VIPs. The Expense Group for the Templeton Foreign VIP Fund included the Fund, eight other international multi-cap value funds underlying VIPs and three international large-cap value funds underlying VIPs. The Expense Group for the Templeton Growth VIP Fund included the Fund, two other global multi-cap value funds underlying VIPs, two global multi-cap core funds underlying VIPs and five global multi-cap growth funds underlying VIPs. The Board noted that the Management Rates for these Funds were above the medians of their respective Expense Groups, but their actual total expense ratios were below the medians of their respective Expense Groups. The Board further noted that the Management Rate for the Templeton Foreign VIP Fund was approximately six basis points above the median of its Expense Group and the Management Rate for the Templeton Growth VIP Fund was approximately nine basis points above the median of its Expense Group. The Board concluded that the Management Rates charged to these Funds are reasonable. In doing so, the Board noted that the

Franklin Flex Cap Growth Fund's actual total expense ratio reflected a fee waiver from management.

Franklin Mutual Shares VIP Fund - The Expense Group for the Fund included the Fund and 10 other multi-cap value funds underlying VIPs. The Board noted that the Management Rate for the Fund was approximately 7.5 basis points above the median of its Expense Group, but its actual total expense ratio was equal to the median of its Expense Group. The Board further noted management's explanation that the portfolio management team makes investments in distressed securities and merger arbitrage situations that are specialized in nature and therefore require additional expertise and resources, whereas the Fund's Expense Group generally does not make such investments. The Board concluded that the Management Rate charged to the Fund is reasonable.

Franklin Strategic Income VIP Fund and Templeton Developing Markets VIP Fund - The Expense Group for the Franklin Strategic Income VIP Fund included the Fund and 10 other multi-sector income funds underlying VIPs. The Expense Group for the Templeton Developing Markets VIP Fund included the Fund and 13 other emerging markets funds underlying VIPs. The Board noted that the Management Rates for the Funds were equal to the medians of their respective Expense Groups, and their actual total expense ratios were below the medians of their respective Expense Groups. The Board concluded that the Management Rate charged to each Fund is reasonable.

Franklin Small-Mid Cap Growth VIP Fund - The Expense Group for the Franklin Small-Mid Cap Growth VIP Fund included the Fund and 12 other mid-cap growth funds underlying VIPs. The Board noted that the Management Rate for the Fund was below the median of its Expense Group, and the actual total expense ratio for the Fund was equal to the median of its Expense Group. The Board concluded that the Management Rate charged to the Fund is reasonable.

Franklin Allocation VIP Fund, Franklin Global Real Estate VIP Fund, Franklin Large Cap Growth VIP Fund and Franklin Mutual Global Discovery VIP Fund - The Expense Group for the Franklin Allocation VIP Fund included the Fund and 10 other mixed-asset target allocation growth affiliated funds of funds underlying VIPs. The Expense Group for the Franklin Global Real Estate VIP Fund included the Fund and seven other global real estate funds underlying VIPs. The Expense Group for the Franklin Large Cap Growth VIP Fund included the Fund and 11 other multi-cap growth funds underlying

VIPs. The Expense Group for the Franklin Mutual Global Discovery VIP Fund included the Fund, two other global multi-cap value funds underlying VIPs, two global multi-cap core funds underlying VIPs and five global multi-cap growth funds underlying VIPs. The Board noted that the Management Rates and actual total expense ratios for these Funds were above the medians of their respective Expense Groups. With respect to the Franklin Allocation VIP Fund, the Board discussed with management the reasons for the increase in the contractual management fee over the past year. Management reminded the Board that prior to May 1, 2019, the Fund was a static allocation fund of funds and did not have an investment manager or pay direct investment management fees, and that effective May 1, 2019, the Fund began investing directly in securities, entered into the Management Agreement with FAI and began paying the contractual management fee. Management also explained that Broadridge did not account for the change in the Fund's structure and continued to use a peer group of funds of funds to compare expenses. With respect to the Franklin Mutual Global Discovery VIP Fund, the Board noted management's explanation that the portfolio management team makes investments in distressed securities and merger arbitrage situations that are specialized in nature and therefore require additional expertise and resources, whereas the Fund's Expense Group generally does not make such investments. The Board also noted that the Fund's actual total expense ratio was only slightly above (less than 5 basis points) the median of the Fund's Expense Group. With respect to the Franklin Global Real Estate VIP Fund, the Board noted management's explanation that the portfolio managers' rigorous fundamental analysis and active risk controls elevate management costs. The Board also noted that the Fund's actual total expense ratio reflected a fee waiver from management. With respect to the Franklin Large Cap Growth VIP Fund, the Board noted that the Fund's Management Rate and actual total expense ratio were only slightly above (approximately 2 basis points or less) the medians of the Fund's Expense Group. The Board concluded that the Management Rates charged to these Funds are reasonable. In doing so, the Board noted that the Franklin Allocation VIP Fund's sub-advisers, FTIL and TGAL, are paid by FAI out of the management fee FAI receives from the Fund.

Franklin Growth and Income VIP Fund, Franklin Income VIP Fund, Franklin Rising Dividends VIP Fund, Franklin Small Cap Value VIP Fund, Franklin U.S. Government Securities VIP Fund and Templeton Global Bond VIP Fund – The Expense Group for the Franklin Growth and Income VIP

Fund included the Fund and 10 other equity income funds underlying VIPs. The Expense Group for the Franklin Income VIP Fund included the Fund and nine other mixed-asset target allocation moderate funds underlying VIPs. The Expense Group for Franklin Rising Dividends VIP Fund included the Fund and 11 other large-cap core funds underlying VIPs. The Expense Group for the Franklin Small Cap Value VIP Fund included the Fund and eight other small-cap value funds underlying VIPs. The Expense Group for the Franklin U.S. Government Securities VIP Fund included the Fund, three other intermediate US government funds underlying VIPs and eight inflation-protected bond funds underlying VIPs. The Expense Group for the Templeton Global Bond VIP Fund included the Fund and 10 other global income funds underlying VIPs. The Board noted that the Management Rates and actual total expense ratios for these Funds were below the medians of their respective Expense Groups. The Board concluded that the Management Rates charged to these Funds are reasonable. The Board also noted that the Franklin Growth and Income VIP Fund's actual total expense ratio reflected a fee waiver from management.

Franklin VolSmart Allocation VIP Fund – The Expense Group for this Fund included the Fund, three other flexible portfolio funds underlying VIPs and one mixed-asset target allocation growth fund underlying VIP. The Board noted the small size of the Expense Group. The Board also noted that the Management Rate for the Fund was below the median of its Expense Group and its actual total expense ratio was above the median of its Expense Group. The Board concluded that the Management Rate charged to the Fund is reasonable. In doing so, the Board noted that the Fund's actual total expense ratio reflected a fee waiver from management.

#### **Profitability**

The Board reviewed and considered information regarding the profits realized by each Manager and its affiliates in connection with the operation of each Fund. In this respect, the Board considered the Fund profitability analysis that addresses the overall profitability of FT's US fund business, as well as its profits in providing investment management and other services to each of the individual funds during the 12-month period ended September 30, 2019, being the most recent fiscal year-end for FRI. The Board noted that although management continually makes refinements to its methodologies used in calculating profitability in response to organizational and product-related changes, the overall methodology has remained consistent with that used in the

Funds' profitability report presentations from prior years. Additionally, PricewaterhouseCoopers LLP, auditor to FRI and certain FT funds, was engaged to review and assess the allocation methodologies to be used solely by the Funds' Board with respect to the profitability analysis.

The Board noted management's belief that costs incurred in establishing the infrastructure necessary for the type of mutual fund operations conducted by each Manager and its affiliates may not be fully reflected in the expenses allocated to each Fund in determining its profitability, as well as the fact that the level of profits, to a certain extent, reflected operational cost savings and efficiencies initiated by management. As part of this evaluation, the Board considered the initiative currently underway to outsource certain operations, which effort would require considerable up-front expenditures by the Managers but, over the long run is expected to result in greater efficiencies. The Board also noted management's expenditures in improving shareholder services provided to the Funds, as well as the need to implement systems and meet additional regulatory and compliance requirements resulting from recent US Securities and Exchange Commission and other regulatory requirements, notably in the area of cybersecurity protections.

The Board also considered the extent to which each Manager and its affiliates might derive ancillary benefits from fund operations, including revenues generated from transfer agent services, potential benefits resulting from personnel and systems enhancements necessitated by fund growth, as well as increased leverage with service providers and counterparties. Based upon its consideration of all these factors, the Board concluded that the level of profits realized by each Manager and its affiliates from providing services to each Fund was not excessive in view of the nature, extent and quality of services provided to each Fund.

#### **Economies of Scale**

The Board reviewed and considered the extent to which each Manager may realize economies of scale, if any, as each Fund grows larger and whether each Fund's management fee structure reflects any economies of scale for the benefit of shareholders. With respect to possible economies of scale, the Board noted the existence of management fee breakpoints for each Fund (except for the Franklin Allocation VIP Fund and the Franklin VolSmart Allocation VIP Fund), which operate generally to share any economies of scale with a Fund's shareholders by reducing the Fund's effective management fees as the Fund grows in

size. The Board considered management's view that any analyses of potential economies of scale in managing a particular fund are inherently limited in light of the joint and common costs and investments each Manager incurs across the FT family of funds as a whole. The Board concluded that to the extent economies of scale may be realized by each Manager and its affiliates, each Fund's management fee structure (except for the Franklin Allocation VIP Fund and the Franklin VolSmart Allocation VIP Fund) provided a sharing of benefits with the Fund and its shareholders as the Fund grows. The Board recognized that there would not likely be any economies of scale for the Franklin Flex Cap Growth VIP Fund, Franklin Global Real Estate VIP Fund, Franklin Growth and Income VIP Fund, Franklin Large Cap Growth VIP Fund and Franklin VolSmart Allocation VIP Fund until each Fund's assets grow. The Board also recognized that given the decline in assets over the past three calendar years for each of the Franklin Income VIP Fund, Franklin Rising Dividends VIP Fund, Franklin Small Cap Value VIP Fund, Franklin Strategic Income VIP Fund, Franklin U.S. Government Securities VIP Fund, Templeton Foreign VIP Fund and Templeton Growth VIP Fund, these Funds are not expected to experience additional economies of scale in the foreseeable future.

#### **Conclusion**

Based on its review, consideration and evaluation of all factors it believed relevant, including the above-described factors and conclusions, the Board unanimously approved the continuation of each Management Agreement for an additional one-year period.

## **Board Approval of Investment Management Agreements**

### **FRANKLIN TEMPLETON VARIABLE INSURANCE PRODUCTS TRUST**

#### **Templeton Developing Markets VIP Fund (Fund)**

At a meeting held on May 13, 2020 (Meeting), the Board of Trustees (Board) of Franklin Templeton Variable Insurance Products Trust (Trust), including a majority of the trustees who are not "interested persons" as defined in the Investment Company Act of 1940 (Independent Trustees), reviewed and approved a new investment sub-advisory agreement between Templeton Asset Management Ltd. (Manager), the Fund's investment manager, and Franklin Templeton Investment Management Limited (Sub-Adviser),

on behalf of the Fund (Sub-Advisory Agreement) for an initial two-year period. The Independent Trustees received advice from and met separately with Independent Trustee counsel in considering whether to approve the Sub-Advisory Agreement.

The Board reviewed and considered information provided by the Manager at the Meeting with respect to the Sub-Advisory Agreement. The Board also reviewed and considered the factors it deemed relevant in approving the Sub-Advisory Agreement, including, but not limited to: (i) the nature, extent, and quality of the services to be provided by the Sub-Adviser; and (ii) the costs of the services to be provided by the Sub-Adviser. The Board further reviewed and considered information provided by management showing the expected impact of hiring the Sub-Adviser on the Manager's profitability consistent with the Order (as defined below). The Board also considered that management proposed that the Board approve the Sub-Advisory Agreement in order to facilitate certain portfolio management team enhancements. The Board reviewed and further considered the form of Sub-Advisory Agreement and the terms of the Sub-Advisory Agreement which were discussed at the Meeting, noting that the terms and conditions of the Sub-Advisory Agreement were substantially identical to the terms and conditions of sub-advisory agreements for other Franklin Templeton (FT) mutual funds.

In approving the Sub-Advisory Agreement, the Board, including a majority of the Independent Trustees, determined that the hiring of the Sub-Adviser is in the best interests of the Fund and its shareholders and does not involve a conflict of interest from which the Manager or Sub-Adviser derives an inappropriate advantage. The Board also determined that the terms of the Sub-Advisory Agreement are fair and reasonable and that the approval of such Sub-Advisory Agreement is in the interests of the Fund and its shareholders. While attention was given to all information furnished, the following discusses some primary factors relevant to the Board's determination.

#### **Nature, Extent and Quality of Services**

The Board reviewed and considered information regarding the nature, extent and quality of investment management services to be provided by the Sub-Adviser and currently being provided by the Manager and its affiliates to the Fund and its shareholders. In doing so, the Board noted that the Fund employs a "manager of managers" structure pursuant to an exemptive order (Order) granted to the Manager by the U.S. Securities and Exchange Commission, whereby the

Manager and the Fund may, without shareholder approval, enter into sub-advisory agreements with sub-advisers that are indirect or direct wholly owned subsidiaries of Franklin Resources, Inc. (FRI). In particular, with respect to the Sub-Adviser, the Board took into account that the Sub-Advisory Agreement would not affect how the Fund is managed or the Fund's investment goal, principal investment strategies or principal risks associated with an investment in the Fund. The Board reviewed and considered information regarding the nature, quality and extent of investment subadvisory services to be provided by the Sub-Adviser to the Fund and its shareholders under the Sub-Advisory Agreement; the Sub-Adviser's experience as manager of other funds and accounts, including those within the FT organization; the personnel, operations, financial condition, and investment management capabilities, methodologies and resources of the Sub-Adviser and the Sub-Adviser's capabilities, as demonstrated by, among other things, its policies and procedures designed to prevent violations of the federal securities laws, which had previously been approved by the Board in connection with its oversight of other funds in the FT organization.

The Board also reviewed and considered the benefits provided to Fund shareholders of investing in a fund that is part of the FT family of funds. The Board noted the financial position of FRI, the parent of the Manager and Sub-Adviser, and its commitment to the mutual fund business as evidenced by its continued introduction of new funds, reassessment of the fund offerings in response to the market environment and project initiatives and capital investments relating to the services provided to the Fund by the FT organization. The Board specifically noted FT's commitment to enhancing services and controlling costs, as reflected in its plan to outsource certain administrative functions, and growth opportunities, as evidenced by its upcoming acquisition of the Legg Mason companies. The Board acknowledged the change in leadership at FRI and the opportunity to hear from Jennifer Johnson, President and Chief Executive Officer of FRI, about goals she has for the company that will benefit the Fund.

Following consideration of such information, the Board was satisfied with the nature, extent and quality of services to be provided by the Sub-Adviser and its affiliates to the Fund and its shareholders.

#### **Fund Performance**

The Board noted its review and consideration of the performance results of the Fund in connection with the April

2020 annual contract renewal (Annual Contract Renewal) of the Fund's investment management agreement. The Board recalled its conclusion at that time that the Fund's performance was satisfactory. The Board also noted the proposed portfolio management team enhancements for the Fund, and determined that, in light of these changes, additional time will be needed to evaluate the effectiveness of management's actions.

### **Comparative Fees and Expenses**

The Board reviewed and considered information regarding the investment subadvisory fee to be charged by the Sub-Adviser. The Board noted that the addition of the Sub-Adviser will have no impact on the amount of management fees that are currently paid by the Fund as the Sub-Adviser will be paid by the Manager out of the management fee that the Manager receives from the Fund. The Board further noted that the allocation of the fee between the Manager and the Sub-Adviser reflected the services to be provided by each. The Board concluded that the proposed investment subadvisory fee is reasonable.

### **Management Profitability and Economies of Scale**

The Board noted that it reviewed and considered information showing the expected impact of retaining the Sub-Adviser on the profitability of the Manager consistent with the conditions of the Order. The Board determined that its conclusions regarding profitability and economies of scale reached in connection with the Annual Contract Renewal of the investment management agreement with the Manager had not changed as a result of the proposal to approve the Sub-Advisory Agreement.

### **Conclusion**

Based on its review, consideration and evaluation of all factors it believed relevant, including the above-described factors and conclusions, the Board unanimously approved the Sub-Advisory Agreement for an initial two-year period.

## **Liquidity Risk Management Program**

The Funds have adopted and implemented a written Liquidity Risk Management Program (the "LRMP") as required by Rule 22e-4 under the Investment Company Act of 1940. The program is designed to assess and manage each Fund's liquidity risk, taking into consideration the Fund's investment strategy and the liquidity of its portfolio investments during normal and reasonably foreseeable stressed conditions; its short and long-term cash flow projections; and its cash holdings and access to other

funding sources including the Funds' interfund lending facility and line of credit. The Funds' Board of Trustees approved the appointment of the Director of Liquidity Risk within the Investment Risk Management Group (the "IRMG") as the Administrator of the LRMP. The IRMG maintains the Investment Liquidity Committee (the "ILC") to provide oversight and administration of policies and procedures governing liquidity risk management for FT products and portfolios. The ILC includes representatives from Franklin Templeton's Risk, Trading, Global Compliance, Investment Compliance, Investment Operations, Valuation Committee and Product Management groups.

The LRMP Administrator Annual Report was presented to the Fund(s) Board of Trustees at their meetings in May 2020. The report covered the adequacy and effectiveness of the program during the period December 1, 2018 to December 31, 2019 (the "covered period"). The report concluded that (i.) the LRMP, as adopted and implemented, remains reasonably designed to assess and manage each Fund's liquidity risk; (ii.) the LRMP, including the Highly Liquid Investment Minimum ("HLIM") where applicable, was implemented and operated effectively to achieve the goal of assessing and managing each Fund's liquidity risk; and (iii.) each fund was able to meet requests for redemption without significant dilution of remaining investors' interests in the Fund. In addition, the LRMP Administrator presented the Fund Board of Trustees an update on liquidity during the first quarter of 2020 in relation to the COVID-19 pandemic.

During the reporting period, the Fund maintained a high level of liquid assets that are defined under the Liquidity Rule as "Highly Liquid Investments." As a result, the Fund was designated a "Primarily Highly Liquid Fund" as defined under the Liquidity Rule and has not adopted a "Highly Liquid Investment Minimum." A Highly Liquid Investment is defined as cash and any investment reasonably expected to be convertible to cash in current market conditions in three business days or less without the conversion to cash significantly changing the market value of the investment.

There can be no assurance that the program will achieve its objectives in the future. Please refer to your Fund's prospectus for more information regarding the Fund's exposure to liquidity risk and other principal risks to which an investment in the Fund may be subject.



## Proxy Voting Policies and Procedures

The Trust's investment manager has established Proxy Voting Policies and Procedures (Policies) that the Trust uses to determine how to vote proxies relating to portfolio securities. Shareholders may view the Trust's complete Policies online at [franklintempleton.com](http://franklintempleton.com). Alternatively, shareholders may request copies of the Policies free of charge by calling the Proxy Group collect at (954) 527-7678 or by sending a written request to: Franklin Templeton Companies, LLC, 300 S.E. 2nd Street, Fort Lauderdale, FL 33301, Attention: Proxy Group. Copies of the Trust's proxy voting records are also made available online at [franklintempleton.com](http://franklintempleton.com) and posted on the U.S. Securities and Exchange Commission's website at [sec.gov](http://sec.gov) and reflect the most recent 12-month period ended June 30.

## Quarterly Statement of Investments

The Trust files a complete statement of investments with the U.S. Securities and Exchange Commission for the first and third quarters for each fiscal year as an exhibit to its report on Form N-PORT. Shareholders may view the filed Form N-PORT by visiting the Commission's website at [sec.gov](http://sec.gov). The filed form may also be viewed and copied at the Commission's Public Reference Room in Washington, DC. Information regarding the operations of the Public Reference Room may be obtained by calling (800) SEC-0330.

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Franklin Templeton Variable Insurance Products Trust (FTVIP) shares are not offered to the public; they are offered and sold only to: (1) insurance company separate accounts (Separate Account) to serve as the underlying investment vehicle for variable contracts; (2) certain qualified plans; and (3) other mutual funds (funds of funds).

Authorized for distribution to investors in Separate Accounts only when accompanied or preceded by the current prospectus for the applicable contract, which includes the Separate Account and the FTVIP prospectuses. Investors should carefully consider a fund's investment goals, risks, charges and expenses before investing. The prospectus contains this and other information; please read it carefully before investing.

To help ensure we provide you with quality service, all calls to and from our service areas are monitored and/or recorded.



**Semiannual Report**  
**Franklin Templeton Variable Insurance Products Trust**

**Investment Managers**  
Franklin Advisers, Inc.  
Franklin Mutual Advisers,  
LLC  
Franklin Templeton  
Institutional, LLC  
Templeton Asset  
Management Ltd.  
Templeton Global Advisors  
Limited  
Templeton Investment  
Counsel, LLC

**Fund Administrator**  
Franklin Templeton Services, LLC

**Distributor**  
Franklin Templeton Distributors,  
Inc.