

SEMIANNUAL REPORT

FRANKLIN TEMPLETON VARIABLE INSURANCE PRODUCTS TRUST

June 30, 2021



FRANKLIN
TEMPLETON

Franklin Templeton Variable Insurance Products Trust Semiannual Report

Table of Contents

Important Notes to Performance Information	i
Franklin Small Cap Value VIP Fund	FSV-1
*Prospectus Supplement	FSV-6
Index Descriptions	I-1
Shareholder Information	SI-1

*Not part of the semiannual report. Retain for your records.

Not FDIC Insured	May Lose Value	No Bank Guarantee
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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 Small Cap Value VIP Fund

This semiannual report for Franklin Small Cap Value VIP Fund covers the period ended June 30, 2021. The Fund closed to new insurance company subaccounts on June 20, 2021. Existing insurance company subaccounts who had an open and funded account on June 20, 2021, can continue to make additional purchases.

Class 1 Performance Summary as of June 30, 2021

The Fund's Class 1 Shares posted a +20.35% total return for the six-month period ended June 30, 2021.

*Performance reflects the Fund's Class 1 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.

Franklin Small Cap Value VIP Fund

Fund Goal and Main Investments

The Fund seeks long-term total return. Under normal market conditions, the Fund invests at least 80% of its net assets in investments of small capitalization companies. For this Fund, small capitalization companies are those with market capitalizations not exceeding either the highest market capitalization in the Russell 2000® Index or the 12-month average of the highest market capitalization in the Russell 2000® Index, whichever is greater, at the time of purchase. The Fund generally invests in equity securities of companies that the manager believes are undervalued at the time of purchase and have the potential for capital appreciation.

Fund Risks

All investments involve risks, including possible loss of principal. Events such as the spread of deadly diseases, disasters, and financial, political or social disruptions, may heighten risks and adversely affect performance. The Fund's investments in smaller company stocks carry special risks as such stocks have historically exhibited greater price volatility than large-company stocks, particularly over the short term. Additionally, smaller companies often have relatively small revenues, limited product lines and a small market share. Value securities may not increase in price as anticipated, or may decline further in value. In addition, the Fund may invest up to 25% of its total assets in foreign securities, which involve special risks, including currency fluctuations and economic and political uncertainty. The Fund also may invest in equity real estate investment trusts (REITs). 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 Russell 2000® Value Index posted a +26.69% total return for the same period.¹ Please note the Fund employs a bottom-up stock selection process, and the managers invest in securities without regard to benchmark comparisons.

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

6/30/21

	% of Total Net Assets
Machinery	14.1%
Insurance	11.2%
Banks	10.7%
Chemicals	8.8%
Hotels, Restaurants & Leisure	6.7%
Oil, Gas & Consumable Fuels	4.9%
Specialty Retail	4.0%
Building Products	3.8%
Construction & Engineering	3.4%
Software	3.3%
Construction Materials	2.9%
Health Care Equipment & Supplies	2.9%
Electronic Equipment, Instruments & Components	2.8%
Communications Equipment	2.1%
Other*	17.4%
Short-Term Investments & Other Net Assets	1.0%

*Categories within the Other category are listed in full in the Fund's Statement of Investments (SOI), which can be found later in this report.

Economic and Market Overview

U.S. equities, as measured by the Standard & Poor's® 500 Index (S&P 500®), posted a +15.25% total return for the six months ended June 30, 2021.¹ Stocks benefited from the continued economic recovery, accommodative monetary policy, additional fiscal stimulus measures, implementation of novel coronavirus (COVID-19) vaccination programs and easing pandemic restrictions. As many businesses reopened, stimulus payments and generally high household savings contributed to increased consumer spending. The progress toward a bipartisan infrastructure bill further bolstered investor sentiment, aiding equities to reach new all-time price highs toward period-end.

The U.S. economic recovery accelerated in 2021's first quarter, with total economic output nearly reaching pre-pandemic levels, as the lifting of many COVID-19 restrictions and strong consumer spending bolstered growth. The inflation rate surged during the period amid increased demand and supply-chain bottlenecks, with the price pressures coming largely from the areas particularly impacted by the shutdown, such as used vehicles, airfares, semiconductors and building materials. The unemployment rate declined from 6.7% in December 2020 to 5.9% in June

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).

2021 as job openings grew, but a relative lack of available workers fueled wage growth, adding to some investors' inflation concerns.²

In an effort to support the economy, the U.S. Federal Reserve (Fed) kept the federal funds target rate at a record-low range of 0.00%–0.25%. The Fed also maintained quantitative easing measures aimed at ensuring credit flows to borrowers and supporting credit markets with open-ended bond purchasing. In its June 2021 meeting statement, the Fed indicated that rising inflation largely reflected transitory factors and it would monitor incoming information and adjust its monetary policy stance as needed to attain its employment and price stability goals.

Investment Strategy

Our strategy is to invest in small-cap companies that we believe are undervalued at the time of purchase and have the potential for capital appreciation. A stock is undervalued, or is a “value,” when it trades at less than the price at which the investment manager believes it would trade if the market reflected all factors relating to the company's worth. Following this strategy, the Fund invests in companies that the investment manager believes have, for example: stock prices that are low relative to current, or historical or future earnings, book value, cash flow or sales; recent sharp price declines but the potential for good long-term earnings prospects; and valuable intangibles not reflected in the stock price. The Fund also may invest in equity REITs.

Manager's Discussion

For the six-month period ending June 30, 2021, the utilities, real estate and consumer staples sectors contributed to relative returns. An underweighting in the utilities sector was a leading contributor to relative performance. Stock selection within real estate was also accretive, as was an underweighted position in and stock selection within the consumer staples sector. Conversely, the consumer discretionary, communication services and industrials sectors detracted from relative results. Stock selection within the consumer discretionary sector was a major detractor from relative returns. An underweighted exposure to the communication services sector also weighed on performance. Within industrials, our stock selection and an overweighted position in the sector detracted.

Holdings that contributed to absolute Fund performance during the period included Crescent Point Energy, First Horizon and Old Republic International.

Top 10 Holdings

6/30/21

Company Industry	% of Total Net Assets
Crescent Point Energy Corp. <i>Oil, Gas & Consumable Fuels</i>	3.4%
Hanover Insurance Group, Inc. (The) <i>Insurance</i>	3.1%
Summit Materials, Inc. <i>Construction Materials</i>	2.9%
Old Republic International Corp. <i>Insurance</i>	2.6%
Timken Co. (The) <i>Machinery</i>	2.6%
Avient Corp. <i>Chemicals</i>	2.4%
Greenbrier Cos., Inc. (The) <i>Machinery</i>	2.3%
Minerals Technologies, Inc. <i>Chemicals</i>	2.3%
Ashland Global Holdings, Inc. <i>Chemicals</i>	2.2%
ACI Worldwide, Inc. <i>Software</i>	2.2%

Crescent Point Energy, a Canada-based exploration and production company, was a leading contributor to returns during the period. The stock rose along with the price of oil due to an anticipated increase in oil demand as the global economy emerged from novel coronavirus (COVID-19) lockdowns, supply reductions from the Organization of the Petroleum Exporting Countries and the company's ability to generate positive free cash flow. In addition, the market reacted favorably to an announcement in February 2021 that Crescent Point was acquiring certain Canadian assets from Royal Dutch Shell (not a Fund holding) for approximately \$900 million.

Shares of First Horizon, a regional bank with a southeastern U.S. footprint, rose during the period as economic indicators improved and the yield curve steepened, resulting in an improved profitability forecast for the commercial banking industry. With improving economic activity levels, First Horizon's asset quality results improved, resulting in a lower credit loss outlook. Additionally, First Horizon is positioned to be a net beneficiary of higher interest rates which could drive higher spread-based income.

Shares of Old Republic, a multi-line property and casualty insurer, rose during the period following the publication of an activist letter calling for a strategic review of alternatives for its title segment which was followed by the company reporting higher than expected first quarter 2021 results. Both general insurance and title segment results

2. Source: Bureau of Labor Statistics.

exceeded investor expectations in the first quarter with strong underlying trends contributing to a more favorable profitability outlook.

Detractors from performance included Horace Mann Educators, ACI Worldwide and IDACORP.

Horace Mann Educators, a multi-line insurer focused on the educator market, declined during the period as remote learning remained prevalent in many markets. Although lower claim frequency in supplemental and personal auto lines benefited Horace Mann's 2021 profitability outlook, policy sales have been under pressure as leads are often generated through in-person meetings. Although sales activity is likely to remain at depressed levels in the near-term, retention has remained relatively stable, and management expects a return to more normalized sales levels by the end of 2021.

Shares of ACI Worldwide, a provider of software products and solutions that facilitate electronic payments, detracted from results for the period. The company anticipated the challenging COVID-19 related conditions to endure through the first half of 2021, which led to a softer than expected guidance for the second quarter of 2021. Management expects revenue growth to accelerate to mid-single digits in the second half of 2021 and maintained their guidance for the year.

Shares of IDACORP, an electric utility in Idaho and eastern Oregon, underperformed the benchmark during the period as interest rates rose. With rising interest rates, shares of companies with higher dividend yields are typically viewed as less attractive by investors. We continue to view IDACORP as a well-managed, regulated utility with what we consider an attractive growth footprint.

Thank you for your participation in Franklin Small Cap Value VIP Fund. We look forward to serving your future investment needs.

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.

The foregoing information reflects our analysis, opinions and portfolio holdings as of June 30, 2021, 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

Class 1 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 1/1/21	Actual (actual return after expenses)		Hypothetical (5% annual return before expenses)		Net Annualized Expense Ratio ²
		Ending Account Value 6/30/21	Fund-Level Expenses Paid During Period 1/1/21–6/30/21 ^{1,2}	Ending Account Value 6/30/21	Fund-Level Expenses Paid During Period 1/1/21–6/30/21 ^{1,2}	
1	\$1,000	\$1,203.50	\$3.57	\$1,021.55	\$3.28	0.65%

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 181/365 to reflect the one-half year period.

2. Reflects expenses after fee waivers and expense reimbursements. Does not include acquired fund fees and expenses

**SUPPLEMENT DATED MAY 21, 2021
TO THE PROSPECTUSES DATED MAY 1, 2021
FOR FRANKLIN SMALL CAP VALUE VIP FUND
(a series of Franklin Templeton Variable Insurance Products Trust)**

The prospectuses are amended as follows:

I. The following paragraph is added under the “Fund Summaries – Franklin Small Cap Value VIP Fund” and “Fund Details – Franklin Small Cap Value VIP Fund” sections of the prospectuses:

Effective at the close of market (1:00 p.m. Pacific time or the close of the New York Stock Exchange, whichever is earlier) on June 20, 2021, the Fund will be closed to new insurance company subaccounts. Existing insurance company subaccounts that have open accounts on June 20, 2021 may continue to make additional purchases. The Fund may restrict, reject or cancel any purchase order and reserves the right to modify this policy at any time.

Please keep this supplement with your prospectus for future reference.

Financial Highlights

Franklin Small Cap Value VIP Fund

	Six Months Ended June 30, 2021 (unaudited)	Year Ended December 31,				
		2020	2019	2018	2017	2016
Class 1						
Per share operating performance						
(for a share outstanding throughout the period)						
Net asset value, beginning of period	\$15.20	\$15.73	\$15.14	\$20.43	\$19.93	\$18.12
Income from investment operations ^a :						
Net investment income ^b	0.10	0.20	0.24 ^c	0.21	0.21 ^d	0.15
Net realized and unrealized gains (losses)	3.03	0.31	3.35	(2.29)	1.82	4.79
Total from investment operations	3.13	0.51	3.59	(2.08)	2.03	4.94
Less distributions from:						
Net investment income	(0.21)	(0.23)	(0.22)	(0.23)	(0.15)	(0.21)
Net realized gains	(0.47)	(0.81)	(2.78)	(2.98)	(1.38)	(2.92)
Total distributions	(0.68)	(1.04)	(3.00)	(3.21)	(1.53)	(3.13)
Net asset value, end of period	\$17.65	\$15.20	\$15.73	\$15.14	\$20.43	\$19.93
Total return ^e	20.35%	5.41%	26.72%	(12.69)%	10.92%	30.54%
Ratios to average net assets^f						
Expenses before waiver and payments by affiliates	0.65%	0.68%	0.67%	0.66%	0.66%	0.66%
Expenses net of waiver and payments by affiliates	0.65% ^g	0.68% ^{g,h}	0.67% ^{g,h}	0.65% ^h	0.65% ^h	0.64% ^h
Net investment income	1.12%	1.54%	1.58% ^c	1.13%	1.06% ^d	0.84%
Supplemental data						
Net assets, end of period (000's)	\$72,143	\$50,572	\$46,980	\$40,644	\$51,245	\$47,831
Portfolio turnover rate	29.43%	69.40%	54.36%	47.82%	33.36%	34.60%

^aThe 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.

^bBased on average daily shares outstanding.

^cNet investment income per share includes approximately \$0.05 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 1.23%.

^dNet 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 0.75%.

^eTotal 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.

^fRatios are annualized for periods less than one year.

^gBenefit of waiver and payments by affiliates rounds to less than 0.01%.

^hBenefit of expense reduction rounds to less than 0.01%.

Franklin Small Cap Value VIP Fund (continued)

	Six Months Ended June 30, 2021 (unaudited)	Year Ended December 31,				
		2020	2019	2018	2017	2016
Class 2						
Per share operating performance						
(for a share outstanding throughout the period)						
Net asset value, beginning of period	\$14.50	\$15.05	\$14.60	\$19.80	\$19.36	\$17.68
Income from investment operations ^a :						
Net investment income ^b	0.08	0.16	0.20 ^c	0.16	0.15 ^d	0.10
Net realized and unrealized gains (losses)	2.87	0.30	3.20	(2.20)	1.77	4.66
Total from investment operations	2.95	0.46	3.40	(2.04)	1.92	4.76
Less distributions from:						
Net investment income	(0.17)	(0.19)	(0.17)	(0.18)	(0.10)	(0.16)
Net realized gains	(0.47)	(0.82)	(2.78)	(2.98)	(1.38)	(2.92)
Total distributions	(0.64)	(1.01)	(2.95)	(3.16)	(1.48)	(3.08)
Net asset value, end of period	\$16.81	\$14.50	\$15.05	\$14.60	\$19.80	\$19.36
Total return ^e	20.15%	5.19%	26.35%	(12.88)%	10.65%	30.19%
Ratios to average net assets^f						
Expenses before waiver and payments by affiliates	0.90%	0.93%	0.92%	0.91%	0.91%	0.91%
Expenses net of waiver and payments by affiliates	0.90% ^g	0.93% ^{g,h}	0.92% ^{g,h}	0.90% ^h	0.90% ^h	0.89% ^h
Net investment income	0.90%	1.28%	1.33% ^c	0.88%	0.81% ^d	0.59%
Supplemental data						
Net assets, end of period (000's)	\$1,253,904	\$1,103,373	\$1,123,093	\$978,675	\$1,302,055	\$1,366,807
Portfolio turnover rate	29.43%	69.40%	54.36%	47.82%	33.36%	34.60%

^aThe 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.

^bBased on average daily shares outstanding.

^cNet investment income per share includes approximately \$0.05 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 0.98%.

^dNet 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 0.50%.

^eTotal 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.

^fRatios are annualized for periods less than one year.

^gBenefit of waiver and payments by affiliates rounds to less than 0.01%.

^hBenefit of expense reduction rounds to less than 0.01%.

Franklin Small Cap Value VIP Fund (continued)

	Six Months Ended June 30, 2021 (unaudited)	Year Ended December 31,				
		2020	2019	2018	2017	2016
Class 4						
Per share operating performance						
(for a share outstanding throughout the period)						
Net asset value, beginning of period	\$14.99	\$15.51	\$14.96	\$20.22	\$19.74	\$17.96
Income from investment operations ^a :						
Net investment income ^b	0.07	0.15	0.19 ^c	0.15	0.14 ^d	0.09
Net realized and unrealized gains (losses)	2.97	0.32	3.30	(2.28)	1.81	4.75
Total from investment operations	3.04	0.47	3.49	(2.13)	1.95	4.84
Less distributions from:						
Net investment income	(0.16)	(0.18)	(0.16)	(0.15)	(0.09)	(0.14)
Net realized gains	(0.47)	(0.81)	(2.78)	(2.98)	(1.38)	(2.92)
Total distributions	(0.63)	(0.99)	(2.94)	(3.13)	(1.47)	(3.06)
Net asset value, end of period	\$17.40	\$14.99	\$15.51	\$14.96	\$20.22	\$19.74
Total return ^e	20.07%	5.13%	26.23%	(13.01)%	10.56%	30.12%
Ratios to average net assets^f						
Expenses before waiver and payments by affiliates	1.00%	1.03%	1.02%	1.01%	1.01%	1.01%
Expenses net of waiver and payments by affiliates	1.00% ^g	1.03% ^{g,h}	1.02% ^{g,h}	1.00% ^h	1.00% ^h	0.99% ^h
Net investment income	0.79%	1.18%	1.23% ^c	0.78%	0.71% ^d	0.49%
Supplemental data						
Net assets, end of period (000's)	\$34,186	\$29,461	\$29,238	\$24,592	\$32,053	\$32,751
Portfolio turnover rate	29.43%	69.40%	54.36%	47.82%	33.36%	34.60%

^aThe 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.

^bBased on average daily shares outstanding.

^cNet investment income per share includes approximately \$0.05 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 0.88%.

^dNet 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 0.40%.

^eTotal 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.

^fRatios are annualized for periods less than one year.

^gBenefit of waiver and payments by affiliates rounds to less than 0.01%.

^hBenefit of expense reduction rounds to less than 0.01%.

Statement of Investments (unaudited), June 30, 2021

Franklin Small Cap Value VIP Fund

	Country	Shares	Value
Common Stocks 99.0%			
Aerospace & Defense 1.7%			
^a Meggitt plc	United Kingdom	3,711,440	\$23,710,404
Auto Components 0.7%			
LCI Industries	United States	71,671	9,419,003
Automobiles 0.6%			
Thor Industries, Inc.	United States	71,754	8,108,202
Banks 10.7%			
Atlantic Union Bankshares Corp.	United States	335,212	12,141,379
Bryn Mawr Bank Corp.	United States	316,201	13,340,520
Camden National Corp.	United States	65,553	3,130,811
Columbia Banking System, Inc.	United States	455,366	17,558,913
First Horizon Corp.	United States	1,660,169	28,687,720
First of Long Island Corp. (The)	United States	361,411	7,672,756
German American Bancorp, Inc.	United States	197,571	7,349,641
Glacier Bancorp, Inc.	United States	60,096	3,310,088
Lakeland Financial Corp.	United States	130,439	8,040,260
Peoples Bancorp, Inc.	United States	205,028	6,072,929
South State Corp.	United States	228,522	18,683,959
TriCo Bancshares	United States	193,311	8,231,182
Washington Trust Bancorp, Inc.	United States	224,451	11,525,559
			145,745,717
Building Products 3.8%			
Apogee Enterprises, Inc.	United States	407,815	16,610,305
Insteel Industries, Inc.	United States	313,210	10,069,701
^a Masonite International Corp.	United States	20,620	2,305,110
UFP Industries, Inc.	United States	299,520	22,266,317
			51,251,433
Chemicals 8.8%			
Ashland Global Holdings, Inc.	United States	342,017	29,926,487
Avient Corp.	United States	664,629	32,673,162
Cabot Corp.	United States	268,324	15,275,685
^a Elementis plc	United Kingdom	4,817,705	10,043,873
Minerals Technologies, Inc.	United States	400,489	31,506,470
			119,425,677
Communications Equipment 2.1%			
^a NetScout Systems, Inc.	United States	978,746	27,933,411
Construction & Engineering 3.4%			
Argan, Inc.	United States	193,069	9,226,767
^a Great Lakes Dredge & Dock Corp.	United States	885,541	12,937,754
^a WillScot Mobile Mini Holdings Corp.	United States	859,011	23,940,637
			46,105,158
Construction Materials 2.9%			
^a Summit Materials, Inc., A.	United States	1,146,544	39,957,058
Electric Utilities 0.7%			
IDACORP, Inc.	United States	98,964	9,648,990
Electrical Equipment 0.7%			
Regal Beloit Corp.	United States	75,428	10,070,392
Electronic Equipment, Instruments & Components 2.8%			
Benchmark Electronics, Inc.	United States	594,860	16,929,715

Franklin Small Cap Value VIP Fund (continued)

	Country	Shares	Value
Common Stocks (continued)			
Electronic Equipment, Instruments & Components (continued)			
^a Knowles Corp.	United States	1,066,928	\$21,061,159
			37,990,874
Energy Equipment & Services 1.8%			
Hunting plc	United Kingdom	1,395,634	4,269,656
^a Natural Gas Services Group, Inc.	United States	173,987	1,788,586
^a NexTier Oilfield Solutions, Inc.	United States	890,440	4,238,495
^a TechnipFMC plc	United Kingdom	1,483,315	13,424,001
			23,720,738
Equity Real Estate Investment Trusts (REITs) 0.8%			
Alexander & Baldwin, Inc.	United States	7,750	141,980
Healthcare Realty Trust, Inc.	United States	146,090	4,411,918
Highwoods Properties, Inc.	United States	90,459	4,086,033
^a Sunstone Hotel Investors, Inc.	United States	172,690	2,144,810
			10,784,741
Food & Staples Retailing 0.1%			
^a BJ's Wholesale Club Holdings, Inc.	United States	20,543	977,436
Food Products 1.8%			
Glanbia plc	Ireland	1,533,544	24,978,545
Gas Utilities 0.2%			
Spire, Inc.	United States	30,218	2,183,855
Health Care Equipment & Supplies 2.9%			
^a Envista Holdings Corp.	United States	435,276	18,808,276
^a Integer Holdings Corp.	United States	218,344	20,568,005
			39,376,281
Hotels, Restaurants & Leisure 6.7%			
^a Dalata Hotel Group plc	Ireland	2,082,520	9,491,152
^a Denny's Corp.	United States	1,520,103	25,066,498
^a Hilton Grand Vacations, Inc.	United States	660,632	27,343,559
Jack in the Box, Inc.	United States	259,775	28,949,326
			90,850,535
Household Durables 0.2%			
^a M/I Homes, Inc.	United States	54,909	3,221,511
Insurance 11.2%			
CNO Financial Group, Inc.	United States	1,068,442	25,236,600
Hanover Insurance Group, Inc. (The)	United States	310,675	42,139,957
Horace Mann Educators Corp.	United States	693,652	25,956,458
Old Republic International Corp.	United States	1,415,825	35,268,201
Selective Insurance Group, Inc.	United States	297,517	24,143,504
			152,744,720
Leisure Products 1.9%			
BRP, Inc.	United States	61,123	4,782,360
Brunswick Corp.	United States	215,421	21,460,240
			26,242,600
Machinery 14.1%			
Astec Industries, Inc.	United States	186,512	11,739,065
Columbus McKinnon Corp.	United States	260,316	12,557,644
Flowserve Corp.	United States	21,623	871,839
Greenbrier Cos., Inc. (The)	United States	723,275	31,520,324

Franklin Small Cap Value VIP Fund (continued)

	Country	Shares	Value
Common Stocks (continued)			
Machinery (continued)			
Hillenbrand, Inc.	United States	377,408	\$16,636,145
Mueller Industries, Inc.	United States	233,931	10,131,552
Mueller Water Products, Inc., A	United States	1,469,069	21,183,975
Oshkosh Corp.	United States	215,435	26,851,818
REV Group, Inc.	United States	164,897	2,587,234
Rexnord Corp.	United States	444,449	22,240,228
Timken Co. (The)	United States	436,447	35,173,264
			191,493,088
Metals & Mining 0.5%			
Kaiser Aluminum Corp.	United States	52,094	6,433,088
Multi-Utilities 1.7%			
Black Hills Corp.	United States	352,721	23,149,079
Oil, Gas & Consumable Fuels 4.9%			
Crescent Point Energy Corp.	Canada	10,313,887	46,671,431
^a Green Plains, Inc.	United States	607,312	20,417,829
			67,089,260
Professional Services 1.3%			
^{a,b} Intertrust NV, 144A, Reg S	Netherlands	100,535	1,811,675
Kforce, Inc.	United States	150,858	9,493,494
Stantec, Inc.	Canada	145,861	6,507,419
			17,812,588
Software 3.3%			
^a ACI Worldwide, Inc.	United States	801,416	29,764,590
Software AG	Germany	329,486	14,824,067
			44,588,657
Specialty Retail 4.0%			
^a Bed Bath & Beyond, Inc.	United States	364,473	12,133,306
^a Children's Place, Inc. (The)	United States	30,648	2,852,103
^a Dufry AG.	Switzerland	333,158	19,769,025
Group 1 Automotive, Inc.	United States	126,100	19,473,623
			54,228,057
Textiles, Apparel & Luxury Goods 0.5%			
Carter's, Inc.	United States	65,579	6,765,786
Thriffs & Mortgage Finance 0.4%			
TrustCo Bank Corp.	United States	156,540	5,381,845
Trading Companies & Distributors 1.8%			
^a Herc Holdings, Inc.	United States	26,241	2,940,829
McGrath RentCorp	United States	271,297	22,129,696
			25,070,525
Total Common Stocks (Cost \$1,003,335,112)			1,346,459,254

Franklin Small Cap Value VIP Fund (continued)

Short Term Investments 1.2%

	Country	Shares	Value
Money Market Funds 1.2%			
^{c,d} Institutional Fiduciary Trust - Money Market Portfolio, 0.01%	United States	15,840,318	\$15,840,318
Total Money Market Funds (Cost \$15,840,318)			15,840,318
Total Short Term Investments (Cost \$15,840,318)			15,840,318
Total Investments (Cost \$1,019,175,430) 100.2%			\$1,362,299,572
Other Assets, less Liabilities (0.2)%			(2,065,995)
Net Assets 100.0%			\$1,360,233,577

^aNon-income producing.

^bSecurity was purchased pursuant to Rule 144A or Regulation S under the Securities Act of 1933. 144A securities may be sold in transactions exempt from registration only to qualified institutional buyers or in a public offering registered under the Securities Act of 1933. Regulation S securities cannot be sold in the United States without either an effective registration statement filed pursuant to the Securities Act of 1933, or pursuant to an exemption from registration. At June 30, 2021, the value of this security was \$1,811,675, representing 0.1% of net assets.

^cSee Note 3(e) regarding investments in affiliated management investment companies.

^dThe rate shown is the annualized seven-day effective yield at period end.

Statement of Assets and Liabilities

June 30, 2021 (unaudited)

	Franklin Small Cap Value VIP Fund
Assets:	
Investments in securities:	
Cost - Unaffiliated issuers	\$1,003,335,112
Cost - Non-controlled affiliates (Note 3e)	15,840,318
Value - Unaffiliated issuers	\$1,346,459,254
Value - Non-controlled affiliates (Note 3e)	15,840,318
Receivables:	
Investment securities sold	509,012
Capital shares sold	643,584
Dividends	835,749
Total assets	<u>1,364,287,917</u>
Liabilities:	
Payables:	
Investment securities purchased	1,381,637
Capital shares redeemed	1,434,170
Management fees	713,298
Distribution fees	274,522
Reports to shareholders	230,262
Accrued expenses and other liabilities	20,451
Total liabilities	<u>4,054,340</u>
Net assets, at value	<u>\$1,360,233,577</u>
Net assets consist of:	
Paid-in capital	\$917,819,742
Total distributable earnings (losses)	442,413,835
Net assets, at value	<u>\$1,360,233,577</u>
	Franklin Small Cap Value VIP Fund
Class 1:	
Net assets, at value	\$72,143,406
Shares outstanding	4,087,651
Net asset value and maximum offering price per share	<u>\$17.65</u>
Class 2:	
Net assets, at value	\$1,253,903,685
Shares outstanding	74,572,510
Net asset value and maximum offering price per share	<u>\$16.81</u>
Class 4:	
Net assets, at value	\$34,186,486
Shares outstanding	1,964,311
Net asset value and maximum offering price per share	<u>\$17.40</u>

Statement of Operations

for the six months ended June 30, 2021 (unaudited)

**Franklin Small
Cap Value VIP
Fund**

Investment income:	
Dividends: (net of foreign taxes of \$51,855)	
Unaffiliated issuers	\$11,995,969
Non-controlled affiliates (Note 3e)	562
Interest:	
Unaffiliated issuers	2,378
Total investment income	<u>11,998,909</u>
Expenses:	
Management fees (Note 3a)	4,189,270
Distribution fees: (Note 3c)	
Class 2	1,547,230
Class 4	58,611
Custodian fees (Note 4)	3,854
Reports to shareholders	136,545
Professional fees	29,499
Trustees' fees and expenses	3,410
Other	13,450
Total expenses	<u>5,981,869</u>
Expenses waived/paid by affiliates (Note 3e)	<u>(6,926)</u>
Net expenses	<u>5,974,943</u>
Net investment income	<u>6,023,966</u>
Realized and unrealized gains (losses):	
Net realized gain (loss) from:	
Investments:	
Unaffiliated issuers	98,766,940
Foreign currency transactions	32,786
Net realized gain (loss)	<u>98,799,726</u>
Net change in unrealized appreciation (depreciation) on:	
Investments:	
Unaffiliated issuers	129,311,041
Translation of other assets and liabilities denominated in foreign currencies	<u>(8,652)</u>
Net change in unrealized appreciation (depreciation)	<u>129,302,389</u>
Net realized and unrealized gain (loss)	<u>228,102,115</u>
Net increase (decrease) in net assets resulting from operations	<u>\$234,126,081</u>

Statements of Changes in Net Assets

	Franklin Small Cap Value VIP Fund	
	Six Months Ended June 30, 2021 (unaudited)	Year Ended December 31, 2020
Increase (decrease) in net assets:		
Operations:		
Net investment income	\$6,023,966	\$12,966,525
Net realized gain (loss)	98,799,726	35,583,469
Net change in unrealized appreciation (depreciation)	129,302,389	9,897,496
Net increase (decrease) in net assets resulting from operations	234,126,081	58,447,490
Distributions to shareholders:		
Class 1	(2,642,045)	(3,163,057)
Class 2	(45,737,885)	(74,826,606)
Class 4	(1,174,804)	(1,993,248)
Total distributions to shareholders	(49,554,734)	(79,982,911)
Capital share transactions: (Note 2)		
Class 1	13,992,954	3,879,512
Class 2	(21,770,743)	1,523,597
Class 4	34,098	226,802
Total capital share transactions	(7,743,691)	5,629,911
Net increase (decrease) in net assets	176,827,656	(15,905,510)
Net assets:		
Beginning of period	1,183,405,921	1,199,311,431
End of period	\$1,360,233,577	\$1,183,405,921

Notes to Financial Statements (unaudited)

Franklin Small Cap Value 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 Small Cap Value 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. The Fund offers three classes of shares: Class 1, Class 2 and Class 4. 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 (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 closing NAV.

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 securities to the latest indications of fair value at 4 p.m. Eastern time. At June 30, 2021, 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 (referred to as "market level fair value"). 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 differences between the value of the Fund's portfolio securities on the last business day and the last calendar day

Franklin Small Cap Value VIP Fund (continued)

1. Organization and Significant Accounting Policies

(continued)

a. Financial Instrument Valuation (continued)

of the reporting period. Any security valuation changes due to an open foreign market are adjusted and reflected by the Funds 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. 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.

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, 2021, 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.

d. 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. Amortization of premium and accretion of discount on debt securities are included in interest income. Dividend income and capital 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.

Franklin Small Cap Value VIP Fund (continued)**1. Organization and Significant Accounting Policies**

(continued)

d. Security Transactions, Investment Income, Expenses and Distributions (continued)

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

e. 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.

f. 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, 2021, 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, 2021		Year Ended December 31, 2020	
	Shares	Amount	Shares	Amount
Class 1 Shares:				
Shares sold	891,179	\$16,288,463	455,233	\$5,805,187
Shares issued in reinvestment of distributions	136,633	2,503,125	275,768	3,163,057
Shares redeemed	(266,271)	(4,798,634)	(392,293)	(5,088,732)
Net increase (decrease)	761,541	\$13,992,954	338,708	\$3,879,512
Class 2 Shares:				
Shares sold	4,998,394	\$86,115,776	9,825,906	\$112,925,732
Shares issued in reinvestment of distributions	2,619,581	45,737,885	6,827,245	74,826,606
Shares redeemed	(9,128,116)	(153,624,404)	(15,190,634)	(186,228,741)
Net increase (decrease)	(1,510,141)	\$(21,770,743)	1,462,517	\$1,523,597
Class 4 Shares:				
Shares sold	302,123	\$5,285,789	422,087	\$4,787,696
Shares issued in reinvestment of distributions	65,014	1,174,804	175,927	1,993,248
Shares redeemed	(368,376)	(6,426,495)	(517,251)	(6,554,142)
Net increase (decrease)	(1,239)	\$34,098	80,763	\$226,802

Franklin Small Cap Value VIP Fund (continued)

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 Mutual Advisers, LLC (Franklin Mutual)	Investment manager
Franklin Templeton Services, LLC (FT Services)	Administrative manager
Franklin Distributors, LLC (Distributors) (formerly Franklin Templeton Distributors, Inc.)	Principal underwriter
Franklin Templeton Investor Services, LLC (Investor Services)	Transfer agent

a. Management Fees

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

Annualized Fee Rate	Net Assets
0.750%	Up to and including \$200 million
0.635%	Over \$200 million, up to and including \$700 million
0.600%	Over \$700 million, up to and including \$1.2 billion
0.575%	Over \$1.2 billion, up to and including \$1.3 billion
0.475%	In excess of \$1.3 billion

For the period ended June 30, 2021, the annualized gross effective investment management fee rate was 0.627% of the Fund's average daily net assets.

b. Administrative Fees

Under an agreement with Franklin Mutual, FT Services provides administrative services to the Fund. The fee is paid by Franklin Mutual 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 distribution plans for Class 2 and Class 4 shares pursuant to Rule 12b-1 under the 1940 Act. Under the Fund's compensation distribution plans, 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 asset of each class. 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.

e. Investments in Affiliated Management Investment Companies

The Fund invests in one or more affiliated management investment companies. As defined in the 1940 Act, an investment is deemed to be a "Controlled Affiliate" of a fund when a fund owns, either directly or indirectly, 25% or more of the affiliated fund's outstanding shares or has the power to exercise control over management or policies of such fund. The Funds do not invest for purposes of exercising a controlling influence over the management or policies. Management fees paid by the Fund

Franklin Small Cap Value VIP Fund (continued)

3. Transactions with Affiliates (continued)

e. Investments in Affiliated Management Investment Companies (continued)

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, 2021, 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	Investment Income
Franklin Small Cap Value VIP Fund								
Non-Controlled Affiliates								
								Dividends
Institutional Fiduciary Trust - Money Market Portfolio, 0.01%	\$21,360,711	\$162,986,662	\$(168,507,055)	\$—	\$—	\$15,840,318	15,840,318	\$562
Total Affiliated Securities	\$21,360,711	\$162,986,662	\$(168,507,055)	\$—	\$—	\$15,840,318		\$562

4. Expense Offset Arrangement

The Fund has entered into an arrangement with its custodian whereby credits realized as a result of uninvested cash balances are used to reduce a portion of the Fund's custodian expenses. During the period ended June 30, 2021, the custodian fees were reduced as noted in the Statement of Operations.

5. Income Taxes

At June 30, 2021, the cost of investments and net unrealized appreciation (depreciation) for income tax purposes were as follows:

Cost of investments	\$1,023,368,448
Unrealized appreciation.	\$353,237,040
Unrealized depreciation.	(14,305,916)
Net unrealized appreciation (depreciation).	\$338,931,124

Differences between income and/or capital gains as determined on a book basis and a tax basis are primarily due to differing treatment of wash sales.

6. Investment Transactions

Purchases and sales of investments (excluding short term securities) for the period ended June 30, 2021, aggregated \$382,221,553 and \$429,970,791, respectively.

7. 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.

Franklin Small Cap Value VIP Fund (continued)

8. 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 \$2.675 billion (Global Credit Facility) which matures on February 4, 2022. 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, 2021, the Fund did not use the Global Credit Facility.

9. 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.

A summary of inputs used as of June 30, 2021, in valuing the Fund's assets carried at fair value, is as follows:

	Level 1	Level 2	Level 3	Total
Franklin Small Cap Value VIP Fund				
Assets:				
Investments in Securities:				
Common Stocks:				
Aerospace & Defense	\$—	\$23,710,404	\$—	\$23,710,404
Auto Components	9,419,003	—	—	9,419,003
Automobiles	8,108,202	—	—	8,108,202
Banks	145,745,717	—	—	145,745,717
Building Products	51,251,433	—	—	51,251,433
Chemicals	119,425,677	—	—	119,425,677
Communications Equipment	27,933,411	—	—	27,933,411
Construction & Engineering	46,105,158	—	—	46,105,158
Construction Materials	39,957,058	—	—	39,957,058
Electric Utilities	9,648,990	—	—	9,648,990
Electrical Equipment	10,070,392	—	—	10,070,392
Electronic Equipment, Instruments & Components	37,990,874	—	—	37,990,874
Energy Equipment & Services	19,451,082	4,269,656	—	23,720,738
Equity Real Estate Investment Trusts (REITs)	10,784,741	—	—	10,784,741
Food & Staples Retailing	977,436	—	—	977,436
Food Products	—	24,978,545	—	24,978,545
Gas Utilities	2,183,855	—	—	2,183,855

Franklin Small Cap Value VIP Fund (continued)

9. Fair Value Measurements (continued)

	Level 1	Level 2	Level 3	Total
Franklin Small Cap Value VIP Fund (continued)				
Assets: (continued)				
Investments in Securities:				
Common Stocks:				
Health Care Equipment & Supplies	\$39,376,281	\$—	\$—	\$39,376,281
Hotels, Restaurants & Leisure	81,359,383	9,491,152	—	90,850,535
Household Durables	3,221,511	—	—	3,221,511
Insurance	152,744,720	—	—	152,744,720
Leisure Products	26,242,600	—	—	26,242,600
Machinery	191,493,088	—	—	191,493,088
Metals & Mining	6,433,088	—	—	6,433,088
Multi-Utilities	23,149,079	—	—	23,149,079
Oil, Gas & Consumable Fuels	67,089,260	—	—	67,089,260
Professional Services	16,000,913	1,811,675	—	17,812,588
Software	29,764,590	14,824,067	—	44,588,657
Specialty Retail	34,459,032	19,769,025	—	54,228,057
Textiles, Apparel & Luxury Goods	6,765,786	—	—	6,765,786
Thriffs & Mortgage Finance	5,381,845	—	—	5,381,845
Trading Companies & Distributors	25,070,525	—	—	25,070,525
Short Term Investments	15,840,318	—	—	15,840,318
Total Investments in Securities	<u>\$1,263,445,048</u>	<u>\$98,854,524^a</u>	<u>\$—</u>	<u>\$1,362,299,572</u>

^aIncludes foreign securities valued at \$98,854,524, which were categorized as Level 2 as a result of the application of market level fair value procedures. See the Financial Instrument Valuation note for more information.

10. New Accounting Pronouncements

In March 2020, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2020-04, Reference Rate Reform (Topic 848) – Facilitation of the Effects of Reference Rate Reform on Financial Reporting. In January 2021, the FASB issued ASU No. 2021-01, with further amendments to Topic 848. The amendments in the ASUs provide optional temporary accounting recognition and financial reporting relief from the effect of certain types of contract modifications due to the planned discontinuation of the London Interbank Offered Rate (LIBOR) and other interbank-offered based reference rates as of the end of 2021 and 2023. The ASUs are effective for certain reference rate-related contract modifications that occur during the period March 12, 2020 through December 31, 2022. Management has reviewed the requirements and believes the adoption of these ASUs will not have a material impact on the financial statements.

11. 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.

Index Descriptions

The indexes are unmanaged and include reinvestment of any income or distributions. They do not reflect any fees, expenses or sales charges. One cannot invest directly in an index, and an index is not representative of the Fund's portfolio. Net Returns (NR) include income net of tax withholding when dividends are paid.

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 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 measures the investment-grade, U.S. dollar-denominated, fixed-rate taxable bond market. The index includes Treasuries, government-related and corporate securities, mortgage-backed securities (agency fixed-rate and hybrid adjustable-rate mortgage pass-throughs), asset-backed securities and commercial mortgage-backed securities (agency and nonagency).

Bloomberg Barclays U.S. Corporate Bond Index measures the performance of 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 performance of 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. Bonds from issuers with an emerging markets (EM) country of risk, based on Barclays EM country definition, are excluded.

Bloomberg Barclays U.S. Government - Intermediate Index 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 the performance of 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 measures the performance of fixed-rate, local currency, investment-grade sovereign bonds and is stated in U.S. dollar terms.

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 allocating 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 6/30/21, there were 375 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 6/30/21, there were 24 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-NR 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)-NR 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-NR 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 Emerging Markets (EM) Index-NR is a free float-adjusted, market capitalization-weighted index designed to measure equity market performance in global emerging markets.

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

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.

MSCI World Growth Index-NR measures large and midcap securities exhibiting overall growth style characteristics across 23 developed markets countries.

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

MSCI World Value Index-NR is a free float-adjusted, market capitalization-weighted index designed to measure performance of stocks exhibiting overall value style characteristics 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 rates.

Russell 1000® Index is market capitalization weighted and measures the performance of the approximately 1,000 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 rates.

Russell 2000® Index is market capitalization weighted and measures the performance of the approximately 2,000 smallest companies in the Russell 3000® Index that 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 rates.

Russell 2500™ Index is market capitalization weighted and measures the performance of the approximately 2,500 smallest companies in the Russell 3000 Index® that represent a modest amount of the Russell 3000® Index's total market 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 rates.

Russell 3000® Index is market capitalization weighted and measures the performance of the largest 3,000 U.S. companies representing the majority of the U.S. market's total capitalization.

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 rates.

Russell Midcap® Index is market capitalization weighted and measures the performance of the approximately 800 smallest companies in the Russell 1000® Index that represent 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.

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 20, 2021 (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 sub-advisory agreement between TAML and Franklin Templeton Investment Management Ltd. (FTIML), on behalf of Templeton Developing Markets VIP Fund; (viii) the investment management agreement between Templeton Investment Counsel, LLC (TICL) and the Trust, on behalf of Templeton Foreign VIP Fund; and (ix) 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, FTIML, 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 best 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 in the current work-from-home environment 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 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 outsourcing of certain administrative functions, and growth opportunities,

as evidenced by its recent acquisition of the Legg Mason companies. The Board also noted FT's attention focused on expanding the distribution opportunities for all funds in the FT family of 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, 2021. 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 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, Franklin Income VIP Fund, Franklin Strategic Income VIP Fund, Franklin U.S. Government Securities VIP Fund and Templeton Global Bond VIP Fund - The Performance Universe for the Franklin Allocation VIP Fund included the Fund and all mixed-asset target allocation growth funds underlying variable insurance products (VIPs). The Performance Universe for the Franklin Income VIP Fund included the Fund and all flexible portfolio funds underlying VIPs. The Performance Universe for the Franklin Strategic Income VIP Fund included the Fund and all multi-sector income funds underlying VIPs. The Performance Universe for the Franklin U.S. Government Securities VIP Fund included the Fund and all intermediate US government funds underlying VIPs. The Performance Universe for the Templeton Global Bond VIP Fund included the Fund and all global income funds underlying VIPs. The Board noted that each Fund's annualized income return for the one-, three-, five- and 10-year periods was above the median of its respective Performance Universe. The Board also noted that each Fund's annualized total return for the one-, three-, five- and 10-year periods was below the median of its respective Performance Universe. The Board considered that the income-oriented investment objective of each Fund is the primary focus for the Fund's portfolio management team and that the evaluation of the Fund's

performance relative to the Fund's peers on an annualized income return basis is consistent with investor expectations and the Fund's investment goals. The Board concluded that each Fund's performance was satisfactory.

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 Flex Cap Growth VIP Fund and Franklin Small-Mid Cap Growth VIP Fund - The Performance Universe for the Franklin Flex Cap Growth VIP Fund included the Fund and all large-cap growth funds underlying VIPs. The Performance Universe for the Franklin Small-Mid Cap Growth VIP Fund included the Fund and all mid-cap growth funds underlying VIPs. The Board noted that each Fund's annualized total return for the ten-year period was below the median of its respective Performance Universe, but for the one-, three- and five-year periods was above the median of its respective Performance Universe. The Board further noted that it had approved at its February 2021 Board meeting various changes to the Franklin Flex Cap Growth VIP Fund expected to be effective May 1, 2021, including, among other things, changing the Fund's name, investment strategy, and primary benchmark. The Board concluded that each Fund's performance was satisfactory.

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 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, effective September 3, 2019, a change was made to the Fund's portfolio management. Management represented that since this change in the Fund's portfolio management team relative Fund performance has generally been positive, outperforming the Fund's benchmark by approximately 150 basis points. Management explained that the Fund's relative performance lagged that of peers due to the Fund's focus on sustainable cash flow growth at a time when the market returned to a focus on value post the favorable news regarding vaccine results in mid-November. Management further explained that key detractors that contributed to the Fund's one-year underperformance included the Fund's exposure to technology-adjacent subsectors such as logistics and cellular towers, which outperformed prior to

the favorable vaccine news, but underperformed thereafter. Management reviewed with the Board the enhancements to the Fund's investment processes in an effort to improve performance, which included making specific portfolio holding changes. 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 closely monitored.

Franklin Large Cap Growth VIP Fund and Templeton Developing Markets VIP Fund - The Performance Universe for the Franklin Large Cap Growth VIP Fund included the Fund and all multi-cap growth 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 respective Performance Universe. The Board concluded that each 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 five-year periods was below the median of its Performance Universe, but for the three- and 10-year periods was above 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 further explained that the Fund is one of the few funds in its Performance Universe that hedges exposures to non-US currencies which detracted 81 basis points from the Fund's performance relative to its benchmark index, the MSCI World Value Index - NR, in 2020. Management also explained that key detractors from the Fund's one-year performance included the Fund's stock selection in the financials and industrials sectors and the Fund's underweight position in the industrials sector. Management reviewed with the Board recent leadership changes implemented for the Manager, as well as enhancements made to the Fund's investment processes in an effort to improve performance. 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 closely monitored.

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 also explained that the Fund's underweight position in US securities as compared to its peers detracted from the Fund's relative performance. Management further explained that key detractors from the Fund's one-year performance included the Fund's stock selection in the financials and industrials sectors and the Fund's underweight position in the industrials sector. Management reviewed with the Board recent leadership changes implemented for the Manager, as well as enhancements made to the Fund's investment processes in an effort to improve performance. 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 closely monitored.

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 14.22% and only slightly below the Performance Universe median of 14.79%. The Board concluded that the Fund's performance was acceptable.

Franklin Small Cap Value VIP Fund - The Performance Universe for the Fund included the Fund and all small-cap value 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 11.47%. The Board concluded that the Fund's performance was acceptable.

Franklin VolSmart Allocation VIP Fund - The Performance Universe for the Fund included the Fund and all flexible portfolio funds underlying VIPs. The Board noted that the Fund incepted on April 1, 2013 and has been in operation for less than 10 years. The Board further noted that its annualized total return 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.

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 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 the Fund's shorter-term relative returns were also negatively impacted by the Fund's larger allocation to the energy sector versus peers, which underperformed the broader market. Management also explained that the Fund's one-year relative underperformance was primarily attributable to the Fund's health care holdings. 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 enhancements to the Fund's portfolio management team and 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 closely 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 three-, five- and 10-year periods was below the median of its Performance Universe, but for the one-year period was above 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, which have led market returns in recent years, contributed to the Fund's relative longer-term underperformance versus its Performance Universe. Management also explained that weightings in particular sectors (such as consumer discretionary, energy, financials, information technology and health care) and

overall stock selection contributed to the Fund's relative underperformance. Management then discussed with the Board the actions that are being taken/have been taken in an effort to address the sources of the Fund's underperformance, including enhancements to the Fund's portfolio management team and a focus on constructing a more diversified and high-conviction portfolio. The Board noted that the Fund's one-year annualized total return was 6.84% and in the second quintile of its Performance Universe. The Board concluded that the Fund's performance was satisfactory.

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 Allocation VIP Fund, Franklin Growth and Income VIP Fund, Franklin Income VIP Fund, Franklin Small Cap Value VIP Fund and Templeton Global Bond VIP Fund – The Expense Group for the Franklin Allocation VIP Fund included the Fund and 10 other mixed-asset target allocation growth funds underlying VIPs. The Expense Group for the Franklin Growth and Income VIP Fund included the Fund and 12 other equity income funds underlying VIPs. The Expense Group for the Franklin Income VIP Fund included the Fund and 10 other flexible portfolio funds underlying VIPs. The

Expense Group for the Franklin Small Cap Value VIP Fund included the Fund and 10 other small-cap value funds underlying VIPs. The Expense Group for the Templeton Global Bond VIP Fund included the Fund and 11 other global income funds underlying VIPs. The Board noted that the Management Rate and actual total expense ratio for each Fund were below the medians of its respective Expense Group. The Board also noted that the Franklin Allocation VIP Fund and Franklin Growth and Income VIP Fund's actual total expense ratio reflected a fee waiver from management. The Board concluded that the Management Rate charged to each Fund is 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 Small-Mid Cap Growth VIP Fund and Franklin U.S. Government Securities VIP Fund - The Expense Group for the Franklin Small-Mid Cap Growth VIP Fund included the Fund and 11 other mid-cap growth funds underlying VIPs. The Expense Group for the Franklin U.S. Government Securities VIP Fund included the Fund, two other intermediate US government funds underlying VIPs and 10 inflation-protected bond funds underlying VIPs. The Board noted that the Management Rate for each Fund was below the median of its respective Expense Group, and the actual total expense ratio for each Fund was equal to the median of its respective Expense Group. The Board concluded that the Management Rate charged to each Fund is reasonable.

Franklin Rising Dividends VIP Fund - The Expense Group for the Fund included the Fund and 12 other large-cap core funds underlying VIPs. The Board noted that the Management Rate for the Fund was equal to the median of its Expense Group, and the actual total expense ratio for the Fund was below the median of its Expense Group. The Board concluded that the Management Rate charged to the Fund is reasonable.

Franklin Large Cap Growth VIP Fund and Franklin VolSmart Allocation VIP Fund - The Expense Group for the Franklin Large Cap Growth VIP Fund included the Fund and 10 other multi-cap growth funds underlying VIPs. The Expense Group for the Franklin VolSmart Allocation VIP Fund included the Fund, three other flexible portfolio funds underlying VIPs, and one mixed-asset target allocation growth fund underlying VIPs. The Board noted that the Management Rate for each Fund was equal to the median of its respective Expense Group, and the actual total expense ratio for each Fund was above the median of its respective Expense Group. The

Board also noted that the Franklin VolSmart Allocation VIP Fund's actual total expense ratio reflected a fee waiver from management. The Board concluded that the Management Rate charged to each Fund is reasonable.

Franklin Flex Cap Growth VIP Fund and Templeton Foreign VIP Fund - The Expense Group for the Franklin Flex Cap Growth VIP Fund included the Fund and 12 other large-cap growth funds underlying VIPs. The Expense Group for the Templeton Foreign VIP Fund included the Fund, seven other international multi-cap value funds underlying VIPs and five international large-cap value funds underlying VIPs. The Board noted that the Management Rate for each Fund was above the median of its respective Expense Group, but its actual total expense ratio was below the median of its respective Expense Group. 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 that the Franklin Flex Cap Growth VIP Fund's actual total expense ratio reflected a fee waiver from management. The Board also noted that, in connection with the changes discussed above that are expected to be made to the Franklin Flex Cap Growth VIP Fund, the Fund would experience a reduction in its Management Rate. The Board concluded that the Management Rate charged to each Fund is reasonable.

Franklin Global Real Estate VIP Fund, Franklin Mutual Global Discovery VIP Fund, Franklin Mutual Shares VIP Fund, Franklin Strategic Income VIP Fund, Templeton Developing Markets VIP Fund and Templeton Growth VIP Fund - The Expense Group for the Franklin Global Real Estate VIP Fund included the Fund and eight other global real estate funds underlying VIPs. The Expense Group for the Franklin Mutual Global Discovery VIP Fund included the Fund, one other global multi-cap value fund underlying VIPs, three global multi-cap core funds underlying VIPs, and four global multi-cap growth funds underlying VIPs. The Expense Group for the Franklin Mutual Shares VIP Fund included the Fund and 12 other multi-cap value funds underlying VIPs. The Expense Group for the Franklin Strategic Income VIP Fund included the Fund and 11 other multi-sector income funds underlying VIPs. The Expense Group for the Templeton Developing Markets VIP Fund included the Fund and 14 other emerging markets funds underlying VIPs. The Expense Group for the Templeton Growth VIP Fund included the Fund, one other global multi-cap fund underlying VIPs, three global multi-cap core funds underlying VIPs, and four global multi-cap growth funds underlying VIPs. The Board noted that the Management Rate and actual total expense ratio for each Fund was above the median of its respective Expense Group. With

respect to the Franklin Global Real Estate VIP Fund, the Board noted management's explanation that the Fund was the second smallest fund in its Expense Group and had experienced declining assets under management resulting in higher other expenses. The Board then noted that the Fund's actual total expense ratio reflected a fee waiver from management and that management agreed to decrease the current expense cap on the Fund's total annual operating expenses from 1.00% to 0.90%, effective May 1, 2021. With respect to the Franklin Mutual Global Discovery VIP Fund, the Board noted management's explanation that the portfolio management team makes investments in the debt and equity of distressed companies and merger arbitrage securities that are specialized in nature and therefore require additional expertise and resources, whereas the Fund's Expense Group generally does not make such investments. With respect to the Franklin Mutual Shares VIP Fund, the Board noted that the Fund's Management Rate and actual total expense ratio were each less than 3 basis points above the respective median of the Fund's Expenses Group. With respect to the Franklin Strategic Income VIP Fund, the Board noted that the Fund's Management Rate and actual total expense ratio were less than 2 basis points and 5 basis points, respectively, above the applicable median of the Fund's Expenses Group. With respect to the Templeton Developing Markets VIP Fund, the Board noted that the Fund's Management Rate was three basis points and the Fund's actual total expense ratio was less than three basis points above the respective median of the Fund's Expenses Group. With respect to the Templeton Growth VIP Fund, the Board noted management's explanation that the Fund's total expense ratio is above median due to the depth of the Fund's fundamental research process which includes extensive fundamental research to model a company's potential future earnings, cash flow, and asset value relative to its stock price. The Board concluded that the Management Rate charged to each Fund is reasonable. In doing so, the Board noted that the Templeton Developing Markets VIP Fund's sub-adviser is paid by TAML out of the management fee TAML receives from the Fund.

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, 2020, 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. The Board further noted management's representation that the profitability analysis excluded the impact of the recent acquisition of the Legg Mason companies and that management expects to incorporate the legacy Legg Mason companies into the profitability analysis beginning next year. The Board also noted that PricewaterhouseCoopers LLP, auditor to FRI and certain FT funds, has been engaged to periodically 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 management's outsourcing of certain operations, which effort has required 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.

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 Allocation VIP Fund, Franklin Income 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 Strategic Income VIP Fund, Franklin U.S. Government Securities VIP Fund, Templeton Foreign VIP Fund, Templeton Global Bond VIP Fund and Templeton Growth VIP Fund, these Funds are not expected to experience additional economies of scale in the foreseeable future. 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 provided a sharing of benefits with the Fund and its shareholders as the Fund grows.

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.

Liquidity Risk Management Program- Funds no HLIM

Each Fund has 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 "Liquidity Rule"). The LRMP is designed to assess and manage each Fund's liquidity risk, which is defined as the risk that the Fund could not meet requests to redeem shares issued by the Fund without significant dilution of remaining

investors' interests in the Fund. In accordance with the Liquidity Rule, the LRMP includes policies and procedures that provide for: (1) assessment, management, and review (no less frequently than annually) of each Fund's liquidity risk; (2) classification of each Fund's portfolio holdings into one of four liquidity categories (Highly Liquid, Moderately Liquid, Less Liquid, and Illiquid); (3) for Funds that do not primarily hold assets that are Highly Liquid, establishing and maintaining a minimum percentage of the Fund's net assets in Highly Liquid investments (called a "Highly Liquid Investment Minimum" or "HLIM"); and (4) prohibiting the Fund's acquisition of Illiquid investments that would result in the Fund holding more than 15% of its net assets in Illiquid assets. The LRMP also requires reporting to the Securities and Exchange Commission ("SEC") (on a non-public basis) and to the Board if the Fund's holdings of Illiquid assets exceed 15% of the Fund's net assets. Funds with HLIMs must have procedures for addressing HLIM shortfalls, including reporting to the Board and, with respect to HLIM shortfalls lasting more than seven consecutive calendar days, reporting to the SEC (on a non-public basis).

The Director of Liquidity Risk within the Investment Risk Management Group (the "IRMG") is the appointed 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, Product Management and Global Product Strategy.

In assessing and managing each Fund's liquidity risk, the ILC considers, as relevant, a variety of factors, including the Fund's investment strategy and the liquidity of its portfolio investments during both 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. Classification of the Fund's portfolio holdings in the four liquidity categories is based on the number of days it is reasonably expected to take to convert the investment to cash (for Highly Liquid and Moderately Liquid holdings) or sell or dispose of the investment (for Less Liquid and Illiquid investments), in current market conditions without significantly changing the investment's market value.

Each Fund primarily holds liquid assets that are defined under the Liquidity Rule as "Highly Liquid Investments," and therefore is not required to establish an HLIM. Highly Liquid Investments are 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.

At meetings of the Funds' Board of Trustees held in May 2021, the Program Administrator provided a written report to the Board addressing the adequacy and effectiveness of the program for the year ended December 31, 2020. The Program Administrator 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.

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. 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 and posted on the U.S. Securities and Exchange Commission's website at 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. 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 Distributors,
LLC