

SEMIANNUAL REPORT

# FRANKLIN TEMPLETON VARIABLE INSURANCE PRODUCTS TRUST

June 30, 2021



FRANKLIN  
TEMPLETON



# Franklin Templeton Variable Insurance Products Trust Semiannual Report

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\*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.

# Templeton Developing Markets VIP Fund

This semiannual report for Templeton Developing Markets VIP Fund covers the period ended June 30, 2021.

## Class 2 Performance Summary as of June 30, 2021

**The Fund's Class 2 Shares posted a +7.69% total return for the six-month period ended June 30, 2021.**

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

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

# Templeton Developing Markets VIP Fund

## Fund Goal and Main Investments

The Fund seeks long-term capital appreciation. Under normal market conditions, the Fund invests at least 80% of its net assets in emerging market investments.

## 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. Special risks are associated with foreign investing, including currency fluctuations, economic instability and political developments. Investments in developing markets, of which frontier markets are a subset, involve heightened risks related to the same factors, in addition to those associated with these markets' smaller size, lesser liquidity and lack of established legal, political, business and social frameworks to support securities markets. Because these frameworks are typically even less developed in frontier markets, as well as various factors including the increased potential for extreme price volatility, illiquidity, trade barriers and exchange controls, the risks associated with developing markets are magnified in frontier markets. 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 Fund's new benchmark, the MSCI Emerging Markets (EM) Index-NR, posted a +7.45% total return for the same period.<sup>1</sup> The Fund's old benchmark, the MSCI EM Index, posted a +7.58% total return.<sup>1</sup> The investment manager believes the MSCI EM Index-NR provides a more consistent basis for comparison relative to the Fund's peers. Please note, index performance numbers are for reference and we do not attempt to track an index but rather undertake investments on the basis of fundamental research.

## Economic and Market Overview

Emerging market economies continued to recover from the worst effects of the novel coronavirus (COVID-19) pandemic during the six months ended June 30, 2021, though renewed

## Geographic Composition

6/30/21

	% of Total Net Assets
Asia	76.5%
Latin America & Caribbean	8.8%
Europe	8.8%
Middle East & Africa	4.5%
North America	0.6%
Short-Term Investments & Other Net Assets	0.8%

outbreaks limited growth in some countries. After adopting more accommodative monetary policies in 2020, many emerging market central banks held or raised their interest rates during the period in response to increased inflation. Emerging market equities rose modestly during the six-month period and lagged behind developed market stocks. Optimism about vaccine rollouts, economic reopenings and additional U.S. fiscal stimulus measures was counterbalanced by concerns over renewed COVID-19 outbreaks, rising inflation and signs the U.S. Federal Reserve could tighten monetary policy sooner than expected.

Regarding individual countries, China's year-on-year growth rate accelerated in 2021's first quarter, driven by increased domestic and global demand and government fiscal support. Growth was less robust in 2021's second quarter as higher commodity prices hindered economic growth. Taiwan's year-on-year growth rate accelerated in 2021's first quarter, as a surge in global demand for electronic and audio-video products boosted its export-dependent economy. A rebound in domestic consumer spending and continued government spending also supported growth. South Korea's year-on-year growth rate turned positive in 2021's first quarter following three straight quarters of contraction. Accelerating private consumption and gross fixed capital formation, as well as continued growth in government spending, contributed to the recovery. India's year-on-year growth rate accelerated in 2021's first quarter, the country's second straight quarter of growth. Private and government spending rebounded and gross fixed capital formation accelerated. Russia's year-on-year growth rate contracted in 2021's first quarter for the fourth straight quarter, albeit at a slower rate due to growth in industrial output and wholesale trade. Brazil's year-on-year growth rate turned positive in 2021's first quarter following four straight quarters of contractions, aided by accelerations in manufacturing, transportation and storage, and finance and insurance.

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.

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).

Turning to specific countries' monetary policies, the People's Bank of China left its benchmark loan prime rate unchanged during the period. Taiwan's and South Korea's central banks held their record low benchmark interest rates steady during the period. India's central bank also left its benchmark rate unchanged. In contrast, the central banks of Russia and Brazil raised their respective benchmark interest rates three times during the period.

In this environment, emerging market stocks, as measured by the MSCI EM Index-NR, posted a +7.45% total return for the six months ended June 30, 2021.<sup>1</sup> Chinese equities rose only slightly during the period, despite the country's continued economic recovery. Gains were limited by concerns over increased regulations of internet-related companies, U.S.-China political tensions and monetary policy concerns. Equities in Taiwan rose significantly during the period, benefiting from strong exports by its technology-related companies. Russian equities rose as well, outpacing most emerging market peers, boosted by higher oil prices and easing geopolitical tensions with the U.S. Brazilian equities also gained during the period. Better-than-expected economic data and improved vaccination trends in 2021's second quarter boosted stocks and helped offset losses early in the period due to concerns about increased COVID-19 infections, the country's debt level and rising inflation.

### Investment Strategy

We employ a fundamental research, value-oriented, long-term investment approach. We focus on the market price of a company's securities relative to our evaluation of its long-term earnings, asset value, cash flow potential and sustainable earnings power at a discount to intrinsic worth. This includes an assessment of the potential impacts of material environmental, social and governance factors on the long-term risk and return profile of a company. We also consider a company's profit and loss outlook, balance sheet strength, cash flow trends and asset value in relation to the current price of the company's securities. Our analysis considers the company's position in its sector, the economic framework and political environment.

### Manager's Discussion

Key contributors to absolute performance during the period were Taiwan Semiconductor Manufacturing Co. (TSMC), NAVER and MediaTek.

### Top 10 Countries 6/30/21

	% of Total Net Assets
China	28.6%
South Korea	22.5%
Taiwan	16.4%
Brazil	6.9%
Russia	6.6%
India	6.5%
South Africa	4.5%
Mexico	1.7%
United Kingdom	1.4%
Thailand	1.1%

TSMC is one of the world's leading semiconductor manufacturers, with major technology companies among its clients. The company's stock price surged as investors lifted their longer-term outlook for the chipmaker in a robust environment for technology exports, driven by increased consumer demand for computers, game consoles, smartphones and tablets during the pandemic. Strong demand for its leading-edge chips coupled with production setbacks for a key competitor underpinned the optimism. TSMC's better-than-expected fourth-quarter 2020 profit, upgraded sales growth forecasts and increased capital spending targets sent the stock soaring in January 2021, before signs of increased industry competition erased some gains. Investors also weighed strong first-quarter 2021 results from the chipmaker against mixed guidance, which projected weaker second-quarter margins while upgrading its full-year revenue growth forecast.

NAVER is South Korea's largest search engine. The company also provides services including LINE, a messenger app that merged with SoftBank subsidiary Yahoo Japan (not a Fund holding). NAVER benefited from increased online shopping on its platform amid the COVID-19 pandemic. Moreover, investors remained confident of NAVER's penetration into e-commerce, digital content and financial services, and looked positively upon its substantial research and development investment. NAVER continued to report strong quarterly revenues and earnings, supporting its upward share-price trend. Solid e-commerce trends, expectations of a recovery in the advertising market, monetization, increased synergies and potential new investments further supported market confidence in the company.

MediaTek is a major Taiwanese chip designer in the semiconductor industry and develops chips for smartphones and other technology devices. Shares reached a record high in April 2021, following the release of above-consensus first-quarter earnings and profit margins, and management guidance for the company's second-quarter growth outlook. Supply constraints also raised expectations that MediaTek could gain market share in the fifth-generation wireless technology (5G) smartphone business from its competitors. Signaling commitment to enhancing shareholder returns, the company's announcement of a special dividend payment from 2021-2024 was viewed positively by the market.

In contrast, key detractors from absolute performance included Brilliance China Automotive Holdings, Alibaba Group Holding and Ping An Insurance Group.

Brilliance China Automotive is a Chinese carmaker noted for its joint venture with German luxury carmaker BMW (not a Fund holding). The company's stock has been suspended from trading since March 31, 2021, due to a delay in the company's 2020 corporate results, along with the provision of unauthorized bank guarantees and cash balance issues. We have applied a fair valuation discount on the holding, and we continue to monitor the situation closely. Operationally, its joint venture with BMW continues to report strong earnings.

Alibaba is the leading e-commerce company in China. It also provides cloud computing services and is also involved in payment, financing and logistics services. Shares fell as regulators stepped up their scrutiny of the internet industry through a series of actions, including the release of draft online microlending and anti-monopoly rules. Confidence in Alibaba was also impacted following the suspension of plans to list its financial technology arm in December 2020, as well as an antitrust probe into its merchant policy. Although Alibaba reported above-consensus first-quarter 2021 revenues, net income disappointed due to higher expenses and the payment of an anti-monopoly fine levied against the company.

Ping An Insurance is a leading financial conglomerate involved in insurance, banking, brokerage, trust and other financial service businesses. The company is among China's largest life and property and casualty insurers, in terms of premiums. Increased uncertainties surrounding the company's investment in an insolvent state-controlled conglomerate with interests in health care, finance, information technology and education further pressured share-price returns.

### Top 10 Holdings

6/30/21

Company Industry, Country	% of Total Net Assets
Taiwan Semiconductor Manufacturing Co. Ltd. <i>Semiconductors &amp; Semiconductor Equipment, Taiwan</i>	12.3%
Samsung Electronics Co. Ltd. <i>Technology Hardware, Storage &amp; Peripherals, South Korea</i>	10.8%
Alibaba Group Holding Ltd. <i>Internet &amp; Direct Marketing Retail, China</i>	8.4%
Tencent Holdings Ltd. <i>Interactive Media &amp; Services, China</i>	7.6%
NAVER Corp. <i>Interactive Media &amp; Services, South Korea</i>	4.4%
Naspers Ltd. <i>Internet &amp; Direct Marketing Retail, South Africa</i>	3.8%
ICICI Bank Ltd. <i>Banks, India</i>	3.8%
MediaTek, Inc. <i>Semiconductors &amp; Semiconductor Equipment, Taiwan</i>	2.8%
LG Corp. <i>Industrial Conglomerates, South Korea</i>	2.3%
China Merchants Bank Co. Ltd. <i>Banks, China</i>	2.3%

In the last six months, the Fund increased its holdings in China, Brazil and Indonesia as we continued to identify companies with sustainable earnings power trading at a discount to their intrinsic worth. In terms of sectors, additions were undertaken in materials, consumer discretionary and real estate. New additions to the portfolio included Daqo New Energy, a Chinese manufacturer of polysilicon for solar power equipment, Soulbrain, a major South Korean supplier of key chemicals for semiconductor and display manufacturing, and Guangzhou Tinci Materials Technology, a leading Chinese supplier of battery electrolytes. We also added to our existing high-conviction portfolio holdings with purchases in Brazilian stock exchange B3, one of the largest financial exchanges in South America, Tencent Holdings, one of the largest internet services companies in China, and the aforementioned Alibaba.

The Fund reduced its investments in Taiwan, Russia and U.S.- and U.K.-listed companies with exposure to emerging markets in favor of opportunities we found more compelling. Sectors which experienced the largest sales were communication services, information technology and energy. In terms of key sales, we closed positions in Prosus, the international internet assets spinoff of South African internet and media group Naspers (also a Fund holding), China

Mobile, a Chinese wireless telecommunications provider, and CNOOC, a Chinese energy company. We also reduced



positions in several key holdings, including Unilever, a U.K.-based global consumer goods giant that generates more than half of its sales in emerging markets, Cognizant Technology Solutions, a U.S.-listed technology services provider that derives most of its earnings from services produced in India, and the aforementioned NAVER.

Thank you for your participation in Templeton Developing Markets VIP Fund. We look forward to serving your future investment needs.

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*The foregoing information reflects our analysis, opinions and portfolio holdings as of June 30, 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 manager makes no representation or warranty as to their completeness or accuracy. Although historical performance is no guarantee of future results, these insights may help you understand our investment management philosophy.*

## Class 2 Fund Expenses

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

### Actual Fund Expenses

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

### Hypothetical Example for Comparison with Other Mutual Funds

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

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

Share Class	Beginning Account Value 1/1/21	Actual (actual return after expenses)		Hypothetical (5% annual return before expenses)		Net Annualized Expense Ratio <sup>2</sup>
		Ending Account Value 6/30/21	Fund-Level Expenses Paid During Period 1/1/21–6/30/21 <sup>1,2</sup>	Ending Account Value 6/30/21	Fund-Level Expenses Paid During Period 1/1/21–6/30/21 <sup>1,2</sup>	
2	\$1,000	\$1,076.90	\$7.18	\$1,017.88	\$6.98	1.39%

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 any ongoing expenses of the Contract for which the Fund is an investment option or acquired fund fees and expenses.

## Financial Highlights

### Templeton Developing Markets VIP Fund

	Six Months Ended June 30, 2021 (unaudited)	Year Ended December 31,				
		2020	2019	2018	2017	2016
<b>Class 1</b>						
<b>Per share operating performance</b>						
(for a share outstanding throughout the period)						
Net asset value, beginning of period . . . . .	\$11.73	\$10.80	\$8.62	\$10.31	\$7.42	\$6.37
Income from investment operations <sup>a</sup> :						
Net investment income <sup>b</sup> . . . . .	0.04	0.07	0.18	0.09	0.08	0.05
Net realized and unrealized gains (losses) . . . . .	0.89	1.57	2.12	(1.67)	2.92	1.08
Total from investment operations . . . . .	0.93	1.64	2.30	(1.58)	3.00	1.13
Less distributions from:						
Net investment income . . . . .	(0.13)	(0.45)	(0.12)	(0.11)	(0.11)	(0.08)
Net realized gains . . . . .	(0.24)	(0.26)	—	—	—	—
Total distributions . . . . .	(0.37)	(0.71)	(0.12)	(0.11)	(0.11)	(0.08)
Net asset value, end of period . . . . .	\$12.29	\$11.73	\$10.80	\$8.62	\$10.31	\$7.42
Total return <sup>c</sup> . . . . .	7.93%	17.39%	26.92%	(15.44)%	40.65%	17.79%
<b>Ratios to average net assets<sup>d</sup></b>						
Expenses before waiver and payments by affiliates . . . . .	1.14%	1.19%	1.15%	1.24%	1.36%	1.38%
Expenses net of waiver and payments by affiliates . . . . .	1.14% <sup>e</sup>	1.19% <sup>e</sup>	1.15% <sup>e</sup>	1.24% <sup>e</sup>	1.35% <sup>f</sup>	1.36%
Net investment income . . . . .	0.67%	0.73%	1.83%	0.99%	0.86%	0.79%
<b>Supplemental data</b>						
Net assets, end of period (000's) . . . . .	\$93,044	\$89,165	\$97,271	\$85,397	\$105,493	\$82,596
Portfolio turnover rate . . . . .	9.27%	11.60%	18.04%	9.22%	10.76%	26.78%

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

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

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

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

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

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

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

	<b>Six Months Ended June 30, 2021 (unaudited)</b>	<b>Year Ended December 31,</b>				
		<b>2020</b>	<b>2019</b>	<b>2018</b>	<b>2017</b>	<b>2016</b>
<b>Class 2</b>						
<b>Per share operating performance</b>						
(for a share outstanding throughout the period)						
Net asset value, beginning of period . . . . .	\$11.64	\$10.71	\$8.54	\$10.23	\$7.36	\$6.32
Income from investment operations <sup>a</sup> :						
Net investment income <sup>b</sup> . . . . .	0.03	0.05	0.15	0.07	0.05	0.04
Net realized and unrealized gains (losses) . . . . .	0.87	1.56	2.11	(1.68)	2.91	1.06
Total from investment operations . . . . .	0.90	1.61	2.26	(1.61)	2.96	1.10
Less distributions from:						
Net investment income . . . . .	(0.11)	(0.42)	(0.09)	(0.08)	(0.09)	(0.06)
Net realized gains . . . . .	(0.24)	(0.26)	—	—	—	—
Total distributions . . . . .	(0.35)	(0.68)	(0.09)	(0.08)	(0.09)	(0.06)
Net asset value, end of period . . . . .	\$12.19	\$11.64	\$10.71	\$8.54	\$10.23	\$7.36
Total return <sup>c</sup> . . . . .	7.69%	17.18%	26.70%	(15.79)%	40.41%	17.44%
<b>Ratios to average net assets<sup>d</sup></b>						
Expenses before waiver and payments by affiliates . . . . .	1.39%	1.45%	1.40%	1.49%	1.61%	1.63%
Expenses net of waiver and payments by affiliates . . . . .	1.39% <sup>e</sup>	1.44%	1.40% <sup>e</sup>	1.49% <sup>e</sup>	1.60% <sup>f</sup>	1.61%
Net investment income . . . . .	0.42%	0.49%	1.58%	0.74%	0.61%	0.54%
<b>Supplemental data</b>						
Net assets, end of period (000's) . . . . .	\$256,691	\$241,104	\$231,645	\$195,305	\$270,433	\$205,151
Portfolio turnover rate . . . . .	9.27%	11.60%	18.04%	9.22%	10.76%	26.78%

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

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

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

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

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

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

Templeton Developing Markets VIP Fund (continued)

	Six Months Ended June 30, 2021 (unaudited)	Year Ended December 31,				
		2020	2019	2018	2017	2016
<b>Class 4</b>						
<b>Per share operating performance</b>						
(for a share outstanding throughout the period)						
Net asset value, beginning of period . . . . .	\$11.71	\$10.77	\$8.59	\$10.28	\$7.39	\$6.34
Income from investment operations <sup>a</sup> :						
Net investment income <sup>b</sup> . . . . .	0.02	0.04	0.15	0.06	0.05	0.03
Net realized and unrealized gains (losses) . . . . .	0.88	1.57	2.11	(1.68)	2.92	1.06
Total from investment operations . . . . .	0.90	1.61	2.26	(1.62)	2.97	1.09
Less distributions from:						
Net investment income . . . . .	(0.09)	(0.41)	(0.08)	(0.07)	(0.08)	(0.04)
Net realized gains . . . . .	(0.24)	(0.26)	—	—	—	—
Total distributions . . . . .	(0.33)	(0.67)	(0.08)	(0.07)	(0.08)	(0.04)
Net asset value, end of period . . . . .	\$12.28	\$11.71	\$10.77	\$8.59	\$10.28	\$7.39
Total return <sup>c</sup> . . . . .	7.69%	17.05%	26.49%	(15.81)%	40.30%	17.32%
<b>Ratios to average net assets<sup>d</sup></b>						
Expenses before waiver and payments by affiliates . . . . .	1.49%	1.54%	1.50%	1.59%	1.71%	1.73%
Expenses net of waiver and payments by affiliates . . . . .	1.49% <sup>e</sup>	1.54% <sup>e</sup>	1.50% <sup>e</sup>	1.59% <sup>e</sup>	1.70% <sup>f</sup>	1.71%
Net investment income . . . . .	0.32%	0.44%	1.48%	0.64%	0.51%	0.44%
<b>Supplemental data</b>						
Net assets, end of period (000's) . . . . .	\$5,420	\$5,518	\$5,590	\$5,203	\$7,199	\$6,377
Portfolio turnover rate . . . . .	9.27%	11.60%	18.04%	9.22%	10.76%	26.78%

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

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

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

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

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

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

## Statement of Investments (unaudited), June 30, 2021

## Templeton Developing Markets VIP Fund

	Industry	Shares	Value
<b>Common Stocks 96.0%</b>			
<b>Brazil 3.7%</b>			
<sup>a</sup> B2W Cia Digital . . . . .	Internet & Direct Marketing Retail	76,800	\$1,022,642
B3 SA - Brasil Bolsa Balcao . . . . .	Capital Markets	907,492	3,067,466
<sup>a</sup> Lojas Americanas SA . . . . .	Multiline Retail	582,936	2,420,260
<sup>a</sup> M Dias Branco SA . . . . .	Food Products	106,200	696,176
Vale SA . . . . .	Metals & Mining	266,919	6,074,753
			13,281,297
<b>Cambodia 0.4%</b>			
NagaCorp Ltd. . . . .	Hotels, Restaurants & Leisure	1,371,750	1,322,916
<b>China 28.6%</b>			
<sup>a</sup> Alibaba Group Holding Ltd. . . . .	Internet & Direct Marketing Retail	1,057,845	29,993,773
<sup>b</sup> BAIC Motor Corp. Ltd., H, 144A, Reg S	Automobiles	1,686,100	627,348
<sup>a</sup> Baidu, Inc., ADR . . . . .	Interactive Media & Services	12,214	2,490,435
<sup>c</sup> Brilliance China Automotive Holdings Ltd. . . . .	Automobiles	7,756,600	4,375,628
China Merchants Bank Co. Ltd., A . . . .	Banks	340,000	2,851,566
China Merchants Bank Co. Ltd., H . . . .	Banks	606,700	5,167,955
China Resources Cement Holdings Ltd.	Construction Materials	3,360,915	3,193,308
China Resources Land Ltd. . . . .	Real Estate Management & Development	248,453	1,003,446
COSCO SHIPPING Ports Ltd. . . . .	Transportation Infrastructure	286,759	223,891
<sup>a</sup> Daqo New Energy Corp., ADR . . . . .	Semiconductors & Semiconductor Equipment	57,815	3,759,131
Guangzhou Tinci Materials Technology Co. Ltd., A . . . . .	Chemicals	186,918	3,080,946
<sup>d</sup> Health & Happiness H&H International Holdings Ltd. . . . .	Food Products	455,300	1,908,726
Longshine Technology Group Co. Ltd., A	Software	384,457	1,000,759
NetEase, Inc., ADR . . . . .	Entertainment	21,265	2,450,791
<sup>a</sup> New Oriental Education & Technology Group, Inc. . . . .	Diversified Consumer Services	127,500	1,047,140
<sup>a</sup> New Oriental Education & Technology Group, Inc., ADR . . . . .	Diversified Consumer Services	145,755	1,193,734
Ping An Bank Co. Ltd., A . . . . .	Banks	802,600	2,810,977
Ping An Insurance Group Co. of China Ltd., A . . . . .	Insurance	222,358	2,211,737
Ping An Insurance Group Co. of China Ltd., H . . . . .	Insurance	41,852	409,117
Tencent Holdings Ltd. . . . .	Interactive Media & Services	358,801	27,014,854
<sup>a</sup> Tencent Music Entertainment Group, ADR . . . . .	Entertainment	154,960	2,398,781
Uni-President China Holdings Ltd. . . . .	Food Products	1,516,351	1,673,043
Weifu High-Technology Group Co. Ltd., B . . . . .	Auto Components	306,139	608,969
			101,496,055
<b>Hungary 0.8%</b>			
Richter Gedeon Nyrt. . . . .	Pharmaceuticals	101,614	2,705,854
<b>India 6.5%</b>			
ACC Ltd. . . . .	Construction Materials	9,600	260,443
<sup>a</sup> Bajaj Holdings & Investment Ltd. . . . .	Diversified Financial Services	63,532	3,090,709
ICICI Bank Ltd. . . . .	Banks	1,579,654	13,441,936
Infosys Ltd. . . . .	IT Services	296,276	6,264,768
			23,057,856
<b>Indonesia 0.6%</b>			
Astra International Tbk. PT . . . . .	Automobiles	5,909,400	2,016,834

Templeton Developing Markets VIP Fund (continued)

	Industry	Shares	Value
<b>Common Stocks</b> (continued)			
<b>Mexico 1.7%</b>			
Banco Santander Mexico SA Institucion de Banca Multiple Grupo Financiero Santand, ADR	Banks	840,830	\$5,280,412
<sup>a,b</sup> Nemak SAB de CV, 144A, Reg S	Auto Components	1,928,900	676,364
			<u>5,956,776</u>
<b>Pakistan 0.2%</b>			
Habib Bank Ltd.	Banks	1,013,500	784,676
<b>Peru 0.2%</b>			
Intercorp Financial Services, Inc.	Banks	31,950	807,377
<b>Philippines 0.2%</b>			
BDO Unibank, Inc.	Banks	327,469	758,688
<b>Russia 6.6%</b>			
Gazprom PJSC, ADR	Oil, Gas & Consumable Fuels	115,071	878,411
LUKOIL PJSC, ADR	Oil, Gas & Consumable Fuels	85,254	7,912,631
<sup>a,b,d</sup> Mail.Ru Group Ltd., GDR, Reg S	Interactive Media & Services	27,833	632,721
Sberbank of Russia PJSC, ADR	Banks	432,289	7,183,345
<sup>a</sup> Yandex NV, A	Interactive Media & Services	98,891	6,996,538
			<u>23,603,646</u>
<b>South Africa 4.5%</b>			
<sup>a</sup> Massmart Holdings Ltd.	Food & Staples Retailing	580,084	2,557,913
Naspers Ltd., N.	Internet & Direct Marketing Retail	64,244	13,538,876
			<u>16,096,789</u>
<b>South Korea 22.5%</b>			
Fila Holdings Corp.	Textiles, Apparel & Luxury Goods	75,091	3,866,910
KT Skylife Co. Ltd.	Media	92,351	880,513
<sup>a</sup> LegoChem Biosciences, Inc.	Life Sciences Tools & Services	20,491	965,109
LG Corp.	Industrial Conglomerates	90,582	8,213,753
NAVER Corp.	Interactive Media & Services	42,037	15,546,777
POSCO	Metals & Mining	13,480	4,152,145
Samsung Electronics Co. Ltd.	Technology Hardware, Storage & Peripherals	536,300	38,264,069
Samsung Life Insurance Co. Ltd.	Insurance	74,406	5,262,058
Soulbrain Co. Ltd.	Chemicals	9,420	2,739,219
			<u>79,890,553</u>
<b>Taiwan 16.4%</b>			
Hon Hai Precision Industry Co. Ltd.	Electronic Equipment, Instruments & Components	1,108,545	4,442,365
Largan Precision Co. Ltd.	Electronic Equipment, Instruments & Components	2,850	316,295
MediaTek, Inc.	Semiconductors & Semiconductor Equipment	290,072	9,984,501
Taiwan Semiconductor Manufacturing Co. Ltd.	Semiconductors & Semiconductor Equipment	2,029,246	43,622,986
			<u>58,366,147</u>
<b>Thailand 1.1%</b>			
Kasikornbank PCL	Banks	629,678	2,324,808
Kiatnakin Phatra Bank PCL	Banks	549,194	956,489
Thai Beverage PCL	Beverages	1,450,900	729,618
			<u>4,010,915</u>
<b>United Kingdom 1.4%</b>			
Unilever plc.	Personal Products	82,875	4,843,034

Templeton Developing Markets VIP Fund (continued)

	Industry	Shares	Value
<b>Common Stocks (continued)</b>			
<b>United States 0.6%</b>			
Cognizant Technology Solutions Corp., A .....	IT Services	30,612	\$2,120,187
<b>Total Common Stocks (Cost \$188,607,912)</b> .....			<b>341,119,600</b>
<b>Preferred Stocks 3.2%</b>			
<b>Brazil 3.2%</b>			
<sup>a</sup> Banco Bradesco SA, ADR. ....	Banks	1,129,552	5,794,602
<sup>e</sup> Itau Unibanco Holding SA, ADR, 0.81%	Banks	897,443	5,393,632
			11,188,234
<b>Total Preferred Stocks (Cost \$7,746,131)</b> .....			<b>11,188,234</b>
<b>Escrows and Litigation Trusts 0.0%</b>			
<sup>a,c</sup> Hemisphere Properties India Ltd., Escrow Account .....		82,304	—
<b>Total Escrows and Litigation Trusts (Cost \$—)</b> .....			<b>—</b>
<b>Total Long Term Investments (Cost \$196,354,043)</b> .....			<b>352,307,834</b>
<b>Short Term Investments 1.3%</b>			
		Shares	Value
<b>Money Market Funds 1.3%</b>			
<b>United States 1.3%</b>			
<sup>f,g</sup> Institutional Fiduciary Trust - Money Market Portfolio, 0.01% .....		4,528,327	4,528,327
<b>Total Money Market Funds (Cost \$4,528,327)</b> .....			<b>4,528,327</b>
<b><sup>h</sup>Investments from Cash Collateral Received for Loaned Securities 0.0%<sup>†</sup></b>			
<b>Money Market Funds 0.0%<sup>†</sup></b>			
<sup>f,g</sup> Institutional Fiduciary Trust - Money Market Portfolio, 0.01% .....		241,825	241,825
<b>Total Investments from Cash Collateral Received for Loaned Securities (Cost \$241,825)</b> .....			<b>241,825</b>
<b>Total Short Term Investments (Cost \$4,770,152)</b> .....			<b>4,770,152</b>
<b>Total Investments (Cost \$201,124,195) 100.5%</b> .....			<b>\$357,077,986</b>
<b>Other Assets, less Liabilities (0.5)%</b> .....			<b>(1,922,651)</b>
<b>Net Assets 100.0%</b> .....			<b>\$355,155,335</b>

See Abbreviations on page TD- 25.

<sup>†</sup>Rounds to less than 0.1% of net assets.

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



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

<sup>b</sup> Security 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 aggregate value of these securities was \$1,936,433, representing 0.5% of net assets.

<sup>c</sup> Fair valued using significant unobservable inputs. See Note 9 regarding fair value measurements.

<sup>d</sup> A portion or all of the security is on loan at June 30, 2021. See Note 1(c).

<sup>e</sup> Variable rate security. The rate shown represents the yield at period end.

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

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

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

## Statement of Assets and Liabilities

June 30, 2021 (unaudited)

	<b>Templeton Developing Markets VIP Fund</b>
<b>Assets:</b>	
Investments in securities:	
Cost - Unaffiliated issuers . . . . .	\$196,354,043
Cost - Non-controlled affiliates (Note 3e) . . . . .	4,770,152
Value - Unaffiliated issuers (Includes securities loaned of \$405,622) . . . . .	\$352,307,834
Value - Non-controlled affiliates (Note 3e) . . . . .	4,770,152
Foreign currency, at value (cost \$166,264) . . . . .	166,170
Receivables:	
Investment securities sold . . . . .	288
Capital shares sold . . . . .	345,073
Dividends . . . . .	489,944
Total assets . . . . .	<u>358,079,462</u>
<b>Liabilities:</b>	
Payables:	
Investment securities purchased . . . . .	1,053,059
Capital shares redeemed . . . . .	104,679
Management fees . . . . .	306,938
Distribution fees . . . . .	54,399
Payable upon return of securities loaned (Note 1c) . . . . .	241,825
Deferred tax . . . . .	1,038,787
Accrued expenses and other liabilities . . . . .	124,440
Total liabilities . . . . .	<u>2,924,127</u>
Net assets, at value . . . . .	<u>\$355,155,335</u>
<b>Net assets consist of:</b>	
Paid-in capital . . . . .	\$198,714,078
Total distributable earnings (losses) . . . . .	156,441,257
Net assets, at value . . . . .	<u>\$355,155,335</u>
	<b>Templeton Developing Markets VIP Fund</b>
<b>Class 1:</b>	
Net assets, at value . . . . .	\$93,044,223
Shares outstanding . . . . .	7,573,120
Net asset value and maximum offering price per share . . . . .	<u>\$12.29</u>
<b>Class 2:</b>	
Net assets, at value . . . . .	\$256,690,721
Shares outstanding . . . . .	21,054,734
Net asset value and maximum offering price per share . . . . .	<u>\$12.19</u>
<b>Class 4:</b>	
Net assets, at value . . . . .	\$5,420,391
Shares outstanding . . . . .	441,521
Net asset value and maximum offering price per share . . . . .	<u>\$12.28</u>

## Statement of Operations

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

	<b>Templeton Developing Markets VIP Fund</b>
Investment income:	
Dividends: (net of foreign taxes of \$492,941)	
Unaffiliated issuers . . . . .	\$3,203,544
Non-controlled affiliates (Note 3e) . . . . .	59
Income from securities loaned:	
Unaffiliated entities (net of fees and rebates) . . . . .	9,811
Non-controlled affiliates (Note 3e) . . . . .	6
Total investment income . . . . .	<u>3,213,420</u>
Expenses:	
Management fees (Note 3a) . . . . .	1,856,703
Distribution fees: (Note 3c)	
Class 2 . . . . .	318,162
Class 4 . . . . .	9,802
Custodian fees . . . . .	33,229
Reports to shareholders . . . . .	62,771
Professional fees . . . . .	52,778
Trustees' fees and expenses . . . . .	1,222
Other . . . . .	18,394
Total expenses . . . . .	<u>2,353,061</u>
Expenses waived/paid by affiliates (Note 3e) . . . . .	<u>(695)</u>
Net expenses . . . . .	<u>2,352,366</u>
Net investment income . . . . .	<u>861,054</u>
Realized and unrealized gains (losses):	
Net realized gain (loss) from:	
Investments: (net of foreign taxes of \$33,570)	
Unaffiliated issuers . . . . .	9,183,292
Foreign currency transactions . . . . .	<u>(27,125)</u>
Net realized gain (loss) . . . . .	<u>9,156,167</u>
Net change in unrealized appreciation (depreciation) on:	
Investments:	
Unaffiliated issuers . . . . .	16,486,935
Translation of other assets and liabilities denominated in foreign currencies . . . . .	280
Change in deferred taxes on unrealized appreciation . . . . .	<u>(487,445)</u>
Net change in unrealized appreciation (depreciation) . . . . .	<u>15,999,770</u>
Net realized and unrealized gain (loss) . . . . .	<u>25,155,937</u>
Net increase (decrease) in net assets resulting from operations . . . . .	<u>\$26,016,991</u>

## Statements of Changes in Net Assets

	<b>Templeton Developing Markets VIP Fund</b>	
	<b>Six Months Ended June 30, 2021 (unaudited)</b>	<b>Year Ended December 31, 2020</b>
Increase (decrease) in net assets:		
Operations:		
Net investment income . . . . .	\$861,054	\$1,602,657
Net realized gain (loss) . . . . .	9,156,167	7,417,851
Net change in unrealized appreciation (depreciation) . . . . .	15,999,770	35,703,143
Net increase (decrease) in net assets resulting from operations . . . . .	26,016,991	44,723,651
Distributions to shareholders:		
Class 1 . . . . .	(2,736,269)	(5,313,566)
Class 2 . . . . .	(7,098,412)	(13,445,802)
Class 4 . . . . .	(145,812)	(329,902)
Total distributions to shareholders . . . . .	(9,980,493)	(19,089,270)
Capital share transactions: (Note 2)		
Class 1 . . . . .	(357,922)	(15,688,037)
Class 2 . . . . .	4,058,324	(8,150,495)
Class 4 . . . . .	(368,247)	(515,345)
Total capital share transactions . . . . .	3,332,155	(24,353,877)
Net increase (decrease) in net assets . . . . .	19,368,653	1,280,504
Net assets:		
Beginning of period . . . . .	335,786,682	334,506,178
End of period . . . . .	\$355,155,335	\$335,786,682

# Notes to Financial Statements (unaudited)

## Templeton Developing Markets 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). Templeton Developing Markets 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 the 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 portfolio 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

## Templeton Developing Markets 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 Fund for financial reporting purposes.

#### b. Foreign Currency Translation

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

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

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

#### c. Securities Lending

The Fund participates in an agency based securities lending program to earn additional income. The Fund receives collateral in the form of cash and/or U.S. Government and Agency securities against the loaned securities in an amount equal to at least 102% of the fair value of the loaned securities. Collateral is maintained over the life of the loan in an amount not less than 100% of the fair value of loaned securities, as determined at the close of Fund business each day; any additional collateral required due to changes in security values is delivered to the Fund on the next business day. Any cash collateral received is deposited into a joint cash account with other funds and is used to invest in a money market fund managed by Franklin Advisers, Inc., an affiliate of the Fund. Additionally, the Fund received \$178,960 in U.S. Government and Agency securities as collateral. These securities received as collateral are held in segregated accounts with the Fund's custodian. The Fund cannot repledge or resell these securities received as collateral. As such, the non-cash collateral is excluded from the Statements of Assets and Liabilities. The Fund may receive income from the investment of cash collateral, in addition to lending fees and rebates paid by the borrower. Income from securities loaned, net of fees paid to the securities lending agent and/or third-party vendor, is reported separately in the Statement of Operations. The Fund bears the market risk with respect to any cash collateral investment, securities loaned, and the risk that the agent may default on its obligations to the Fund. If the borrower defaults on its obligation to return the securities loaned, the Fund has the right to repurchase the securities in the open market using the collateral received. The securities lending agent has agreed to indemnify the Fund in the event of default by a third party borrower.

#### d. 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

## Templeton Developing Markets VIP Fund (continued)

### 1. Organization and Significant Accounting Policies (continued)

#### d. Income and Deferred Taxes (continued)

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.

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

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

Realized and unrealized gains and losses and net investment income, excluding class specific expenses, are allocated daily to each class of shares based upon the relative proportion of net assets of each class. Differences in per share distributions by class are generally due to differences in class specific expenses.

#### f. 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.

#### g. 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.

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

**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
<b>Class 1 Shares:</b>				
Shares sold	405,945	\$5,142,787	551,169	\$5,176,244
Shares issued in reinvestment of distributions	221,740	2,736,269	605,880	5,313,565
Shares redeemed	(654,250)	(8,236,978)	(2,564,863)	(26,177,846)
Net increase (decrease)	(26,565)	\$(357,922)	(1,407,814)	\$(15,688,037)
<b>Class 2 Shares:</b>				
Shares sold	1,554,849	\$19,423,789	3,773,009	\$36,677,695
Shares issued in reinvestment of distributions	579,935	7,098,412	1,543,720	13,445,802
Shares redeemed	(1,799,859)	(22,463,877)	(6,223,836)	(58,273,992)
Net increase (decrease)	334,925	\$4,058,324	(907,107)	\$(8,150,495)
<b>Class 4 Shares:</b>				
Shares sold	20,206	\$255,704	25,280	\$230,224
Shares issued in reinvestment of distributions	11,826	145,812	37,660	329,902
Shares redeemed	(61,777)	(769,763)	(110,712)	(1,075,471)
Net increase (decrease)	(29,745)	\$(368,247)	(47,772)	\$(515,345)

**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 trustees of the following subsidiaries:

Subsidiary	Affiliation
Templeton Asset Management Ltd. (Asset Management)	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 Asset Management based on the average daily net assets of the Fund as follows:

Annualized Fee Rate	Net Assets
1.050%	Up to and including \$1 billion
1.000%	Over \$1 billion, up to and including \$5 billion
0.950%	Over \$5 billion, up to and including \$10 billion
0.900%	Over \$10 billion, up to and including \$15 billion
0.850%	Over \$15 billion, up to and including \$20 billion
0.800%	In excess of \$20 billion



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

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

**a. Management Fees** (continued)

For the period ended June 30, 2021, the annualized gross effective administrative fee rate was 1.050% of the Fund's average daily net assets.

**b. Administrative Fees**

Under an agreement with Asset Management, FT Services provides administrative services to the Fund. The fee is paid by Asset Management 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 0.25% and 0.35% per year of its average daily net assets of Class 2 and Class 4 respectively. 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 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
<b>Templeton Developing Markets VIP Fund</b>								
<b>Non-Controlled Affiliates</b>								
								Dividends
Institutional Fiduciary Trust - Money Market Portfolio, 0.01% . . . . .	\$1,250,033	\$25,520,372	\$(22,242,078)	\$—	\$—	\$4,528,327	4,528,327	\$59
<b>Non-Controlled Affiliates</b>								
								Income from securities loaned
Institutional Fiduciary Trust - Money Market Portfolio, 0.01% . . . . .	\$518,425	\$2,664,748	\$(2,941,348)	\$—	\$—	\$241,825	241,825	\$6
<b>Total Affiliated Securities</b> . . . . .	<b>\$1,768,458</b>	<b>\$28,185,120</b>	<b>\$(25,183,426)</b>	<b>\$—</b>	<b>\$—</b>	<b>\$4,770,152</b>		<b>\$65</b>

## Templeton Developing Markets VIP Fund (continued)

### 4. Income Taxes

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

Cost of investments	\$209,232,150
Unrealized appreciation	\$169,614,827
Unrealized depreciation	(21,768,991)
Net unrealized appreciation (depreciation)	\$147,845,836

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

### 5. Investment Transactions

Purchases and sales of investments (excluding short term securities) for the period ended June 30, 2021, aggregated \$32,362,543 and \$39,312,955, respectively.

At June 30, 2021, in connection with securities lending transactions, the Fund loaned equity investments and received \$241,825 of cash collateral. The gross amount of recognized liability for such transactions is included in payable upon return of securities loaned in the Statement of Assets and Liabilities. The agreements can be terminated at any time.

### 6. Concentration of Risk

Investing in foreign securities may include certain risks and considerations not typically associated with investing in U.S. securities, such as fluctuating currency values and changing local, regional and global economic, political and social conditions, which may result in greater market volatility. Current political and financial uncertainty surrounding the European Union may increase market volatility and the economic risk of investing in securities in Europe. In addition, certain foreign securities may not be as liquid as U.S. securities.

The United States and other nations have imposed and could impose additional sanctions on certain issuers in Russia due to regional conflicts. These sanctions could result in the devaluation of Russia's currency, a downgrade in Russian issuers' credit ratings, or a decline in the value and liquidity of Russian stocks or other securities. Such sanctions could also adversely affect Russia's economy. The Fund may be prohibited from investing in securities issued by companies subject to such sanctions. In addition, if the Fund holds the securities of an issuer that is subject to such sanctions, an immediate freeze of that issuer's securities could result, impairing the ability of the Fund to buy, sell, receive or deliver those securities. There is also the risk that countermeasures could be taken by Russia's government, which could involve the seizure of the Fund's assets. These risks could affect the value of the Fund's portfolio. While the Fund holds securities of certain issuers impacted by the sanctions, existing investments do not presently violate the applicable terms and conditions of the sanctions. The sanctions currently do not affect the Fund's ability to sell these securities. At June 30, 2021, the Fund had 6.6% of its net assets invested in Russia.

### 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.

**Templeton Developing Markets 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
<b>Templeton Developing Markets VIP Fund</b>				
<b>Assets:</b>				
Investments in Securities:				
Common Stocks:				
Brazil	\$13,281,297	\$—	\$—	\$13,281,297
Cambodia	—	1,322,916	—	1,322,916
China	14,201,598	82,918,829	4,375,628	101,496,055
Hungary	—	2,705,854	—	2,705,854
India	—	23,057,856	—	23,057,856
Indonesia	—	2,016,834	—	2,016,834
Mexico	5,956,776	—	—	5,956,776
Pakistan	784,676	—	—	784,676
Peru	807,377	—	—	807,377
Philippines	758,688	—	—	758,688
Russia	6,996,538	16,607,108	—	23,603,646
South Africa	2,557,913	13,538,876	—	16,096,789
South Korea	—	79,890,553	—	79,890,553
Taiwan	—	58,366,147	—	58,366,147
Thailand	—	4,010,915	—	4,010,915
United Kingdom	—	4,843,034	—	4,843,034
United States	2,120,187	—	—	2,120,187

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

**9. Fair Value Measurements** (continued)

	Level 1	Level 2	Level 3	Total
<b>Templeton Developing Markets VIP Fund</b> (continued)				
<b>Assets:</b>				
Investments in Securities:				
Preferred Stocks	\$11,188,234	\$—	\$—	\$11,188,234
Escrows and Litigation Trusts	—	—	— <sup>a</sup>	—
Short Term Investments	4,770,152	—	—	4,770,152
Total Investments in Securities	\$63,423,436	\$289,278,922 <sup>b</sup>	\$4,375,628	\$357,077,986

<sup>a</sup>Includes securities determined to have no value at June 30, 2021.

<sup>b</sup>Includes foreign securities valued at \$289,278,922, 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.

A reconciliation in which Level 3 inputs are used in determining fair value is presented when there are significant Level 3 assets and/or liabilities at the beginning and/or end of the period.

	Balance at Beginning of Period	Purchases	Sales	Transfer Into Level 3 <sup>a</sup>	Transfer Out of Level 3	Net accretion (amortization)	Net Realized Gain (Loss)	Net Unrealized Appreciation (Depreciation)	Balance at End of Period	Net Change in Unrealized Appreciation (Depreciation) on Assets Held at Period End
<b>Templeton Developing Markets VIP Fund</b>										
<b>Assets:</b>										
Investments in Securities:										
Common Stocks:										
China	\$—	\$—	\$—	\$7,080,740	\$—	\$—	\$—	\$(2,705,112)	\$4,375,628	\$(2,705,112)
Escrows and Litigation Trusts	— <sup>b</sup>	—	—	—	—	—	—	—	— <sup>b</sup>	—
Total Investments in Securities	\$—	\$—	\$—	\$7,080,740	\$—	—	—	\$(2,705,112)	\$4,375,628	\$(2,705,112)

<sup>a</sup>Transferred into level 3 as a result of the unavailability of a quoted market price in an active market for identical securities or as a result of the unreliability of the foreign exchange rate and other significant observable valuation inputs. May include amounts related to a corporate action.

<sup>b</sup>Includes securities determined to have no value.

Significant unobservable valuation inputs for material Level 3 assets and/or liabilities and impact to fair value as a result of changes in unobservable valuation inputs as of June 30, 2021, are as follows:

Description	Fair Value at End of Period	Valuation Technique	Unobservable Inputs	Amount	Impact to Fair Value if Input Increases <sup>a</sup>
<b>Assets:</b>					
Investments in Securities:					
Common Stock:					
China	\$4,375,628	Discount to last traded price	Discount	40.0%	Decrease <sup>b</sup>
All other investments	— <sup>c</sup>				
Total	\$4,375,628				

<sup>a</sup>Represents the directional change in the fair value that would result from a significant and reasonable increase in the corresponding input. A significant and reasonable decrease in the input would have the opposite effect. Significant impacts, if any, to fair value and/or net assets have been indicated.

<sup>b</sup>Represents a significant impact to fair value and net assets.

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

**9. Fair Value Measurements** (continued)

<sup>o</sup> Includes securities determined to have no value at June 30, 2021.

**10. New Accounting Pronouncements**

In March 2020, the Financial Accounting Standards Board issued Accounting Standards Update (ASU) No. 2020-04, Reference Rate Reform (Topic 848) – Facilitation of the Effects of Reference Rate Reform on Financial Reporting. 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.

**Abbreviations**

**Selected Portfolio**

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<b>ADR</b>	American Depositary Receipt
<b>GDR</b>	Global Depositary Receipt

## Tax Information (unaudited)

### **Templeton Developing Markets VIP Fund**

Under Section 853 of the Internal Revenue Code, the Fund intends to elect to pass through to its shareholders \$1,096,318 of foreign taxes paid and \$6,344,338 of foreign source income earned by the fund, or amounts as finally determined, during the fiscal year ended December 31, 2020.

## 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.

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

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

**Bloomberg Barclays U.S. Aggregate Bond Index** 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 inception 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](http://franklintempleton.com). Alternatively, shareholders may request copies of the Policies free of charge by calling the Proxy Group collect at (954) 527-7678 or by sending a written request to: Franklin Templeton Companies, LLC, 300 S.E. 2nd Street, Fort Lauderdale, FL 33301, Attention: Proxy Group. Copies of the Trust's proxy voting records are also made available online at [franklintempleton.com](http://franklintempleton.com) and posted on the U.S. Securities and Exchange Commission's website at [sec.gov](http://sec.gov) and reflect the most recent 12-month period ended June 30.

## Quarterly Statement of Investments

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



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

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

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



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

**Investment Managers**

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

**Fund Administrator**

Franklin Templeton Services, LLC

**Distributor**

Franklin Distributors,  
LLC

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**VARIABLE PORTFOLIO FUNDS**

70100 Ameriprise Financial Center  
Minneapolis, MN 55474