

SEMIANNUAL REPORT

FRANKLIN TEMPLETON VARIABLE INSURANCE PRODUCTS TRUST

June 30, 2022



FRANKLIN
TEMPLETON

Franklin Templeton Variable Insurance Products Trust Semiannual Report

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Not FDIC Insured	May Lose Value	No Bank Guarantee
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Important Notes to Performance Information

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

When reviewing the index comparisons, please keep in mind that indexes have a number of inherent performance differentials over the funds. First, unlike the funds, which must hold a minimum amount of cash to maintain liquidity, indexes do not have a cash component. Second, the funds are actively managed and, thus, are subject to management fees to cover salaries of securities analysts or portfolio managers in addition to other expenses. Indexes are unmanaged and do not include any commissions or other expenses typically associated with investing in securities. Third, indexes often contain a different mix of securities than the fund to which they are compared. Additionally, please remember that indexes are simply a measure of performance and cannot be invested in directly.

Franklin Mutual Shares VIP Fund

This semiannual report for Franklin Mutual Shares VIP Fund covers the period ended June 30, 2022.

Class 1 Performance Summary as of June 30, 2022

The Fund's Class 1 Shares posted a -12.64% total return for the six-month period ended June 30, 2022.

*Performance reflects the Fund's Class 1 operating expenses, but does **not** include any contract fees, expenses or sales charges. If they had been included, performance would be lower. These charges and deductions, particularly for variable life policies, can have a significant effect on contract values and insurance benefits. See the contract prospectus for a complete description of these expenses, including sales charges.*

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

Franklin Mutual Shares VIP Fund

Fund Goal and Main Investments

The Fund seeks capital appreciation. Its secondary goal is income. Under normal market conditions, the Fund invests primarily in equity securities of U.S. and foreign companies that we believe are available at market prices less than their fundamental value. The equity securities in which the Fund invests are primarily common stock, and generally companies with market capitalizations greater than \$5 billion, with a portion or significant amount in smaller companies. To a lesser extent, the Fund also invests in merger arbitrage securities and the debt and equity of distressed companies. The Fund may invest up to 35% of its assets in foreign securities, which may include sovereign debt and participations in foreign government debt.

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. A value stock may not increase in price as anticipated by the investment manager if other investors fail to recognize the company's value and bid up the price, the markets favor faster-growing companies, or the factors that the investment manager believes will increase the price of the security do not occur or do not have the anticipated effect. Investing in foreign securities typically involves more risks than investing in U.S. securities, including risks related to currency exchange rates and policies, country or government specific issues, less favorable trading practices or regulation and greater price volatility. Securities issued by small and mid-capitalization companies may be more volatile in price than those of larger companies and may involve additional risks. Derivative investments involve costs and can create economic leverage in the Fund's portfolio which may result in significant volatility and cause the Fund to participate in losses (as well as gains) in an amount that significantly exceeds the Fund's initial investment. A merger or other restructuring, or a tender or exchange offer, proposed or pending at the time the Fund invests in merger arbitrage securities may not be completed on the terms or within the time frame contemplated, which may result in losses to the Fund. Debt obligations of distressed companies typically are unrated, lower-rated, in default or close to default and are generally more likely to become worthless than the securities of more financially stable companies. To the extent that the Fund focuses on particular countries, regions, industries, sectors or types of investment from time

to time, the Fund may be subject to greater risks of adverse developments in such areas of focus than a fund that invests in a wider variety of countries, regions, industries, sectors or investments. 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.

Russia's military invasion of Ukraine in February 2022, the resulting responses by the United States and other countries, and the potential for wider conflict could increase volatility and uncertainty in the financial markets and adversely affect regional and global economies. The United States and other countries have imposed broad-ranging economic sanctions on Russia and certain Russian individuals, banking entities and corporations as a response to its invasion of Ukraine. The United States and other countries have also imposed economic sanctions on Belarus and may impose sanctions on other countries that support Russia's military invasion. These sanctions, as well as any other economic consequences related to the invasion, such as additional sanctions, boycotts or changes in consumer or purchaser preferences or cyberattacks on governments, companies or individuals, may further decrease the value and liquidity of certain Russian securities and securities of issuers in other countries that are subject to economic sanctions related to the invasion.

Geographic Composition

6/30/22

	% of Total Net Assets
United States	88.6%
United Kingdom	4.9%
Switzerland	2.3%
Netherlands	1.7%
Other*	0.0%
Short-Term Investments & Other Net Assets	2.5%

*Rounds to less than 0.1% of net assets.

Performance Overview

You can find the Fund's six-month total return in the Performance Summary. In comparison, the Fund's benchmark, the Russell 1000® Value Index, posted a -12.86% total return for the period under review.¹

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 Schedule of Investments (SOI).

Economic and Market Overview

Global developed and emerging market equities, as measured by the MSCI All Country World Index-NR (net of tax withholding when dividends are paid), posted a -20.18% total return for the six months ended June 30, 2022.¹ The combination of resilient consumer demand and persistent supply-chain disruptions contributed to higher inflation in many countries. This inflationary pressure led many of the world's central banks to adopt less accommodative stances regarding monetary policy. The Chinese government's imposition of new lockdowns to quell the spread of the Omicron variant of COVID-19 pressured Asian and global emerging market stocks. Russia's invasion of Ukraine also increased investor uncertainty, as international sanctions on Russia constrained companies that do business with Russia and disrupted global economic activity and commodity markets.

In the U.S., gross domestic product (GDP) growth turned negative in the first quarter of 2022 as high inflation, supply constraints and record trade deficits weighed on the economy. Rising prices precipitated a notable decline in consumer confidence, despite high spending levels. In an effort to control inflation, the U.S. Federal Reserve (Fed) raised the federal funds target rate in March 2022 for the first time since 2018. The Fed raised the federal funds rate again at its subsequent two meetings, accelerating the rate of increase each time to end the period at a range of 1.50%–1.75%. The Fed noted in its June meeting that inflation remained elevated, as job growth was robust and the unemployment rate remained low. Furthermore, the Fed said it would continue to reduce its bond holdings, and anticipated instituting further interest rate increases at future meetings.

Economic growth in the eurozone maintained a slow rate in the first quarter of 2022 as the war in Ukraine disrupted supply chains, sent commodity prices higher, and weakened the economic outlook. The war in Ukraine contributed to record high inflation across the eurozone as commodity and oil prices soared. The European Central Bank indicated it will raise interest rates in July, the first increase in more than a decade, to fight growing inflation. In this environment, European developed market equities, as measured by the MSCI Europe Index-NR, posted a -20.79% total return for the six months under review.¹

Asian developed and emerging market equities, as measured by the MSCI All Country Asia Index-NR, posted a -17.69% total return for the six-month period.¹ While many Asian countries experienced improving economic conditions, Japan's GDP contracted in the first quarter of

2022 after having returned to growth in the fourth quarter of 2021. Although China's economy continued to grow, it was pressured by coronavirus-related restrictions and government measures to limit real estate speculation. Unexpected regulatory changes by the Chinese government, which negatively impacted education- and technology-related businesses, and investor concerns about the solvency of several large Chinese property developers further pressured Chinese stocks.

Global emerging market stocks, as measured by the MSCI Emerging Markets Index-NR, posted a -17.63% total return for the six months under review.¹ Following Russia's invasion of Ukraine, climbing food and energy prices kindled inflationary pressures and raised concerns over the possibility of government debt defaults in some countries. Meanwhile, some countries, particularly in Latin America, as well as South Africa and Saudi Arabia, have benefited from the rising commodity prices.

Top 10 Industries

6/30/22

	% of Total Net Assets
Pharmaceuticals	8.1%
IT Services	7.1%
Health Care Providers & Services	7.0%
Banks	6.7%
Software	5.5%
Insurance	5.4%
Oil, Gas & Consumable Fuels	5.4%
Media	4.7%
Tobacco	3.3%
Entertainment	3.2%

Investment Strategy

At Franklin Mutual Advisors, we are committed to our distinctive value approach to investing. Our major investment strategy is investing in undervalued stocks. When selecting undervalued equities, we are attracted to what we believe are fundamentally strong companies with healthy balance sheets, high-quality assets, substantial free cash flow and shareholder-oriented management teams and whose stocks are trading at discounts to our assessment of the companies' intrinsic or business value. We also look for asset-rich companies whose shares may be trading at depressed levels due to concerns over short-term earnings disappointments, litigation, management strategy or other perceived negatives. While the vast majority of our undervalued equity and debt investments are made

in publicly traded companies globally, we may invest occasionally in privately held companies as well.

We complement this more traditional investment strategy with two others. One is distressed investing, which is complex and can take many forms. The most common distressed investment the Fund undertakes is the purchase of financially troubled or bankrupt companies' debt at a substantial discount to face value. After the financially distressed company is reorganized, often in bankruptcy court, the old debt is typically replaced with new securities issued by the financially stronger company.

The other piece of our investment strategy is participating in arbitrage situations, another highly specialized field. When companies announce proposed mergers or takeovers, commonly referred to as deals, the target company may trade at a discount to the bid it ultimately accepts. One form of arbitrage involves purchasing the target company's stock when it is trading below the value we believe it would receive in a deal. In keeping with our commitment to a relatively conservative investment approach, we typically focus our arbitrage efforts on announced deals, and eschew rumored deals or other situations we consider relatively risky.

In addition, it is our practice to hedge the Fund's currency exposure when we deem it advantageous for our shareholders.

Manager's Discussion

During the six-month period, the Fund fared better than its benchmark, as stock selection in the financials, consumer staples and health care sectors contributed to relative returns. Stock selection in the consumer discretionary, energy and industrials sectors detracted from relative performance.

Top positive contributors to performance during the six-month period included BP, Williams and British American Tobacco.

U.K.-based global integrated oil company BP contributed to relative returns, as high energy prices continued to support the stock despite uncertainty about the costs of exiting its Russian assets and stake in a Russian government-controlled oil producer Rosneft (not a Fund holding). Nonetheless, the company recently reiterated its financial framework, with some of its significant free cash flow invested in transitioning the company to an integrated energy company, and the rest of its free cash flow being returned to shareholders through stock buybacks and dividends.

Top 10 Holdings

6/30/22

Company Industry, Country	% of Total Net Assets
Charter Communications, Inc. <i>Media, United States</i>	3.2%
BP plc <i>Oil, Gas & Consumable Fuels, United Kingdom</i>	3.0%
T-Mobile US, Inc. <i>Wireless Telecommunication Services, United States</i>	2.9%
Kraft Heinz Co. (The) <i>Food Products, United States</i>	2.8%
CVS Health Corp. <i>Health Care Providers & Services, United States</i>	2.7%
Bank of America Corp. <i>Banks, United States</i>	2.4%
Global Payments, Inc. <i>IT Services, United States</i>	2.4%
Fiserv, Inc. <i>IT Services, United States</i>	2.4%
Humana, Inc. <i>Health Care Providers & Services, United States</i>	2.3%
Novartis AG <i>Pharmaceuticals, Switzerland</i>	2.3%

Energy infrastructure company Williams was a significant relative contributor, amid improving investor sentiment toward the energy sector. Greater appreciation of both continued growth prospects and the strong contribution Williams' assets can make to decarbonization also benefited the company's share price performance. Additionally, Williams stands to benefit from an expected increase in liquid natural gas exports from the U.S. as efforts to reduce Europe's reliance on Russian gas take hold. Williams generates good free cash flow, financial results tend to be stable, and it is our opinion the reinvestment opportunities have been underappreciated.

British American Tobacco buoyed relative returns during the period, as stable growth businesses had a strong start to the year. The company's full-year financial results were also positive, and the company confirmed that losses in their new categories would improve in 2022. The company also announced a stock buyback program. We believe the shares remain undervalued, particularly as the losses in its next generation products are expected to continue to decline over time.

During the six-month period, investments that detracted from Fund performance included General Motors, Johnson Controls International and Lennar.

General Motors (GM) curbed relative performance during the period. The company experienced production troubles due to ongoing semiconductor supply chain issues. GM also struggled with management changes at its Cruise autonomous vehicle business, and concerns about

commodity inflation and the economy. Nonetheless, we believe the company's financial results were solid, with profitability remaining strong despite commodity inflation and increased investments in electric vehicles.

Johnson Controls International hindered relative returns following its second-quarter earnings report. The company posted solid top-line execution, weaker margins due to supply chain disruptions and an inline earnings-per-share figure resulting from higher profits and a lower share count. Management continues to see improved underlying trends and is encouraged by the pace of order growth but given the pace of the backlog conversion due to supply chain issues, Johnson Controls was forced to cut full-year guidance.

Lennar, a U.S. homebuilder, curbed relative returns during the period on concerns that higher mortgage rates would hurt its business. The company is experiencing robust demand across its business, and it anticipates a strong selling season in 2022 as supply constraints ease. Lennar is also continuing to buy back shares. The company continues to emphasize an asset light business model, which we believe can drive robust returns on invested capital and strong free cash flow generation. We exited our holding in Lennar during the period.

During the period, the Fund held currency forwards and futures, seeking to hedge a significant portion of the currency risk in the portfolio. The hedges had a positive overall impact on the Fund's performance as the dollar rose against most currencies during the period.

Thank you for your participation in Franklin Mutual Shares VIP Fund. We look forward to serving your future investment needs.

The foregoing information reflects our analysis, opinions and portfolio holdings as of June 30, 2022, 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 1 Fund Expenses

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

Actual Fund Expenses

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

Hypothetical Example for Comparison with Other Mutual Funds

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

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

Share Class	Beginning Account Value 1/1/22	Actual (actual return after expenses)		Hypothetical (5% annual return before expenses)		Net Annualized Expense Ratio ²
		Ending Account Value 6/30/22	Fund-Level Expenses Paid During Period 1/1/22–6/30/22 ^{1,2}	Ending Account Value 6/30/22	Fund-Level Expenses Paid During Period 1/1/22–6/30/22 ^{1,2}	
1	\$1,000	\$873.60	\$3.24	\$1,021.34	\$3.49	0.70%

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

Franklin Mutual Shares VIP Fund

	Six Months Ended June 30, 2022 (unaudited)	Year Ended December 31,				
		2021	2020	2019	2018	2017
Class 1						
Per share operating performance						
(for a share outstanding throughout the period)						
Net asset value, beginning of period	\$19.62	\$16.93	\$19.19	\$17.71	\$20.71	\$20.40
Income from investment operations ^a :						
Net investment income ^b	0.18	0.27	0.55 ^c	0.46	0.36	0.49
Net realized and unrealized gains (losses)	(2.67)	3.02	(1.68)	3.39	(2.04)	1.22
Total from investment operations	(2.49)	3.29	(1.13)	3.85	(1.68)	1.71
Less distributions from:						
Net investment income	—	(0.60)	(0.50)	(0.42)	(0.55)	(0.53)
Net realized gains	—	—	(0.63)	(1.95)	(0.77)	(0.87)
Total distributions	—	(0.60)	(1.13)	(2.37)	(1.32)	(1.40)
Net asset value, end of period	\$17.13	\$19.62	\$16.93	\$19.19	\$17.71	\$20.71
Total return ^d	(12.64)%	19.52%	(4.85)%	22.92%	(8.86)%	8.64%
Ratios to average net assets^e						
Expenses ^{f,g,h}	0.70%	0.73%	0.73%	0.71%	0.71%	0.72%
Expenses - incurred in connection with securities sold short	—% ⁱ	0.02%	0.01%	0.02%	0.01%	—%
Net investment income	1.95%	1.44%	3.48% ^c	2.35%	1.77%	2.34%
Supplemental data						
Net assets, end of period (000's)	\$97,334	\$116,861	\$157,734	\$158,431	\$537,324	\$653,700
Portfolio turnover rate	34.23%	47.31% ^j	36.96%	38.50%	24.67%	18.32%

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

^bBased on average daily shares outstanding.

^cNet investment income per share includes approximately \$0.19 per share related to income received in the form of special dividends and EU reclaims in connection with certain Fund holdings. Excluding this amount, the ratio of net investment income to average net assets would have been 2.27%.

^dTotal 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.

^eRatios are annualized for periods less than one year.

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

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

^hIncludes dividends and/or interest expense on securities sold short and security borrowing fees, if any. See below for the ratios of such expenses to average net assets for the periods presented. See Note 1(d).

ⁱRounds to less than 0.01%.

^jExcludes the value of portfolio securities delivered as a result of redemption in-kind. See Note 13.

Franklin Mutual Shares VIP Fund (continued)

	Six Months Ended June 30, 2022 (unaudited)	Year Ended December 31,				
		2021	2020	2019	2018	2017
Class 2						
Per share operating performance						
(for a share outstanding throughout the period)						
Net asset value, beginning of period	\$19.20	\$16.59	\$18.81	\$17.40	\$20.36	\$20.08
Income from investment operations ^a :						
Net investment income ^b	0.15	0.22	0.51 ^c	0.40	0.31	0.43
Net realized and unrealized gains (losses)	(2.60)	2.95	(1.65)	3.32	(2.00)	1.20
Total from investment operations	(2.45)	3.17	(1.14)	3.72	(1.69)	1.63
Less distributions from:						
Net investment income	—	(0.56)	(0.45)	(0.36)	(0.50)	(0.48)
Net realized gains	—	—	(0.63)	(1.95)	(0.77)	(0.87)
Total distributions	—	(0.56)	(1.08)	(2.31)	(1.27)	(1.35)
Net asset value, end of period	\$16.75	\$19.20	\$16.59	\$18.81	\$17.40	\$20.36
Total return ^d	(12.76)%	19.17%	(5.04)%	22.57%	(9.07)%	8.35%
Ratios to average net assets^e						
Expenses ^{f,g,h}	0.95%	0.98%	0.98%	0.96%	0.96%	0.97%
Expenses - incurred in connection with securities sold short	—% ⁱ	0.02%	0.01%	0.02%	0.01%	—%
Net investment income	1.67%	1.17%	3.25% ^c	2.10%	1.52%	2.09%
Supplemental data						
Net assets, end of period (000's)	\$1,867,876	\$2,517,899	\$2,620,645	\$2,931,753	\$2,516,834	\$3,476,913
Portfolio turnover rate	34.23%	47.31% ^j	36.96%	38.50%	24.67%	18.32%

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

^bBased on average daily shares outstanding.

^cNet investment income per share includes approximately \$0.19 per share related to income received in the form of special dividends and EU reclaims in connection with certain Fund holdings. Excluding this amount, the ratio of net investment income to average net assets would have been 2.04%.

^dTotal 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.

^eRatios are annualized for periods less than one year.

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

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

^hIncludes dividends and/or interest expense on securities sold short and security borrowing fees, if any. See below for the ratios of such expenses to average net assets for the periods presented. See Note 1(d).

ⁱRounds to less than 0.01%.

^jExcludes the value of portfolio securities delivered as a result of redemption in-kind. See Note 13.

Franklin Mutual Shares VIP Fund (continued)

	Six Months Ended June 30, 2022 (unaudited)	Year Ended December 31,				
		2021	2020	2019	2018	2017
Class 4						
Per share operating performance						
(for a share outstanding throughout the period)						
Net asset value, beginning of period	\$19.39	\$16.75	\$18.99	\$17.55	\$20.53	\$20.23
Income from investment operations ^a :						
Net investment income ^b	0.15	0.20	0.49 ^c	0.38	0.29	0.41
Net realized and unrealized gains (losses)	(2.63)	2.98	(1.66)	3.36	(2.02)	1.21
Total from investment operations	(2.48)	3.18	(1.17)	3.74	(1.73)	1.62
Less distributions from:						
Net investment income	—	(0.54)	(0.44)	(0.35)	(0.48)	(0.45)
Net realized gains	—	—	(0.63)	(1.95)	(0.77)	(0.87)
Total distributions	—	(0.54)	(1.07)	(2.30)	(1.25)	(1.32)
Net asset value, end of period	\$16.91	\$19.39	\$16.75	\$18.99	\$17.55	\$20.53
Total return ^d	(12.79)%	19.06%	(5.17)%	22.44%	(9.16)%	8.25%
Ratios to average net assets^e						
Expenses ^{f,g,h}	1.05%	1.08%	1.08%	1.06%	1.06%	1.07%
Expenses - incurred in connection with securities sold short	—% ⁱ	0.02%	0.01%	0.02%	0.01%	—%
Net investment income	1.60%	1.06%	3.13% ^c	2.00%	1.42%	1.99%
Supplemental data						
Net assets, end of period (000's)	\$97,946	\$120,424	\$116,704	\$120,345	\$105,047	\$122,942
Portfolio turnover rate	34.23%	47.31% ^j	36.96%	38.50%	24.67%	18.32%

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

^bBased on average daily shares outstanding.

^cNet investment income per share includes approximately \$0.19 per share related to income received in the form of special dividends and EU reclaims in connection with certain Fund holdings. Excluding this amount, the ratio of net investment income to average net assets would have been 1.92%.

^dTotal 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.

^eRatios are annualized for periods less than one year.

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

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

^hIncludes dividends and/or interest expense on securities sold short and security borrowing fees, if any. See below for the ratios of such expenses to average net assets for the periods presented. See Note 1(d).

ⁱRounds to less than 0.01%.

^jExcludes the value of portfolio securities delivered as a result of redemption in-kind. See Note 13.

Schedule of Investments (unaudited), June 30, 2022

Franklin Mutual Shares VIP Fund

	Country	Shares	Value
Common Stocks 93.3%			
Auto Components 0.0%[†]			
^{a,b,c} International Automotive Components Group Brazil LLC	Brazil	1,730,515	\$40,688
Automobiles 1.9%			
^b General Motors Co.	United States	1,230,665	39,085,920
Banks 6.7%			
Bank of America Corp.	United States	1,620,701	50,452,422
First Horizon Corp.	United States	544,181	11,895,797
ING Groep NV	Netherlands	3,468,988	34,173,471
Wells Fargo & Co.	United States	1,054,485	41,304,177
			137,825,867
Building Products 1.8%			
Johnson Controls International plc.	United States	786,671	37,665,808
Capital Markets 2.1%			
BlackRock, Inc.	United States	70,761	43,096,279
Chemicals 2.1%			
Ashland Global Holdings, Inc.	United States	421,948	43,481,741
Commercial Services & Supplies 1.1%			
^b Stericycle, Inc.	United States	519,160	22,765,166
Containers & Packaging 1.7%			
International Paper Co.	United States	852,830	35,673,879
Diversified Financial Services 1.9%			
Voya Financial, Inc.	United States	645,309	38,415,245
Diversified Telecommunication Services 0.4%			
^{a,b,c} Windstream Holdings, Inc.	United States	609,467	8,747,699
Electric Utilities 1.2%			
Pinnacle West Capital Corp.	United States	327,873	23,974,074
Electrical Equipment 1.2%			
Sensata Technologies Holding plc.	United States	608,640	25,142,918
Electronic Equipment, Instruments & Components 1.6%			
^b Flex Ltd.	United States	2,241,816	32,439,078
Energy Equipment & Services 1.7%			
Schlumberger NV	United States	990,655	35,425,823
Entertainment 3.2%			
Activision Blizzard, Inc.	United States	502,434	39,119,511
^b Walt Disney Co. (The)	United States	280,587	26,487,413
			65,606,924
Equity Real Estate Investment Trusts (REITs) 1.7%			
Vornado Realty Trust.	United States	1,232,638	35,241,120
Food Products 2.8%			
Kraft Heinz Co. (The)	United States	1,498,201	57,141,386
Health Care Equipment & Supplies 2.1%			
Medtronic plc	United States	476,834	42,795,852
Health Care Providers & Services 7.0%			
CVS Health Corp.	United States	608,005	56,337,743
Elevance Health, Inc.	United States	84,716	40,882,247

Franklin Mutual Shares VIP Fund (continued)

	Country	Shares	Value
Common Stocks (continued)			
Health Care Providers & Services (continued)			
Humana, Inc.	United States	100,707	\$47,137,926
			144,357,916
Household Durables 2.1%			
DR Horton, Inc.	United States	650,428	43,051,829
Insurance 5.4%			
Everest Re Group Ltd.	United States	125,724	35,237,923
Hartford Financial Services Group, Inc. (The)	United States	511,699	33,480,465
Willis Towers Watson plc.	United States	214,351	42,310,744
			111,029,132
Internet & Direct Marketing Retail 1.2%			
eBay, Inc.	United States	602,510	25,106,592
IT Services 7.1%			
Bread Financial Holdings, Inc.	United States	545,923	20,231,907
Cognizant Technology Solutions Corp., A.	United States	415,945	28,072,128
^b Fiserv, Inc.	United States	553,323	49,229,147
Global Payments, Inc.	United States	450,922	49,890,010
			147,423,192
Machinery 1.6%			
Parker-Hannifin Corp.	United States	138,360	34,043,478
Media 4.7%			
^b Charter Communications, Inc., A.	United States	140,842	65,988,702
Comcast Corp., A.	United States	799,640	31,377,874
^b Loyalty Ventures, Inc.	United States	157,255	561,400
			97,927,976
Oil, Gas & Consumable Fuels 4.7%			
BP plc.	United Kingdom	13,241,146	62,163,519
Williams Cos., Inc. (The)	United States	1,134,772	35,416,234
			97,579,753
Pharmaceuticals 7.8%			
^b Elanco Animal Health, Inc.	United States	1,646,930	32,329,236
Eli Lilly & Co.	United States	143,430	46,504,309
Merck & Co., Inc.	United States	379,932	34,638,400
Novartis AG, ADR.	Switzerland	555,453	46,952,442
			160,424,387
Professional Services 1.8%			
KBR, Inc.	United States	775,453	37,524,171
Real Estate Management & Development 1.0%			
^b CBRE Group, Inc., A.	United States	271,524	19,986,882
Software 3.5%			
^b Avaya Holdings Corp.	United States	116	260
NortonLifeLock, Inc.	United States	1,485,981	32,632,143
Oracle Corp.	United States	583,016	40,735,328
			73,367,731
Specialty Retail 0.0%			
^{a,b,c} Wayne Services Legacy, Inc.	United States	2,039	—

Franklin Mutual Shares VIP Fund (continued)

	Country	Shares	Value
Common Stocks (continued)			
Technology Hardware, Storage & Peripherals 1.9%			
^b Western Digital Corp.	United States	861,023	\$38,599,661
Textiles, Apparel & Luxury Goods 2.1%			
Tapestry, Inc.	United States	1,397,628	42,655,607
Tobacco 3.3%			
Altria Group, Inc.	United States	693,627	28,972,800
British American Tobacco plc.	United Kingdom	897,319	38,456,606
			67,429,406
Wireless Telecommunication Services 2.9%			
^b T-Mobile US, Inc.	United States	447,036	60,144,223
Total Common Stocks (Cost \$1,717,133,791)			1,925,217,403
		Warrants	
Warrants 0.0%[†]			
Diversified Telecommunication Services 0.0%[†]			
^{a,b,d} Windstream Holdings, Inc., 9/21/55	United States	34,368	493,285
Software 0.0%[†]			
^b Avaya Holdings Corp., 12/15/22	United States	63,871	3,354
Total Warrants (Cost \$436,130)			496,639
		Principal Amount[*]	
Corporate Bonds 2.6%			
Diversified Telecommunication Services 0.1%			
Frontier Communications Holdings LLC, Secured Note, 5.875%, 11/01/29	United States	2,949,278	2,274,306
Oil, Gas & Consumable Fuels 0.7%			
^d Citgo Holding, Inc., Senior Secured Note, 144A, 9.25%, 8/01/24	United States	13,861,000	13,435,744
Pharmaceuticals 0.3%			
^d Bausch Health Americas, Inc., Senior Note, 144A, 9.25%, 4/01/26	United States	5,309,000	3,810,562
Senior Note, 144A, 8.5%, 1/31/27	United States	3,434,000	2,416,334
^d Bausch Health Cos., Inc., Senior Note, 144A, 9%, 12/15/25	United States	340,000	252,137
			6,479,033
Software 0.5%			
^d Veritas US, Inc. / Veritas Bermuda Ltd., Senior Secured Note, 144A, 7.5%, 9/01/25	United States	15,032,000	11,310,077
Specialty Retail 1.0%			
^d Staples, Inc., Senior Note, 144A, 10.75%, 4/15/27	United States	21,435,000	14,205,296
Senior Secured Note, 144A, 7.5%, 4/15/26	United States	6,845,000	5,694,356
			19,899,652
Total Corporate Bonds (Cost \$66,287,009)			53,398,812

Franklin Mutual Shares VIP Fund (continued)

	Country	Principal Amount*	Value
Senior Floating Rate Interests 1.5%			
Software 1.5%			
Banff Guarantor, Inc., Second Lien, Initial Term Loan, 7.166%, (1-month USD LIBOR + 5.5%), 2/27/26	United States	6,640,700	\$6,263,043
Quest Software US Holdings, Inc., Second Lien, Initial CME Term Loan, 8.724%, (3-month SOFR + 7.5%), 2/01/30	United States	13,032,127	11,753,349
Veritas US, Inc., 2021 Dollar Term Loan, B, 7.25%, (3-month USD LIBOR + 5%), 9/01/25	United States	14,817,938	12,237,098
			30,253,490
Total Senior Floating Rate Interests (Cost \$34,198,852)			30,253,490
Asset-Backed Securities 0.1%			
Airlines 0.1%			
American Airlines Pass-Through Trust, 2013-2, A, 4.95%, 1/15/23..	United States	1,928,839	1,894,014
Total Asset-Backed Securities (Cost \$1,899,907)			1,894,014
		Shares	
Companies in Liquidation 0.0%			
^{a,b,g} Bosgen Liquidating Trust c/o Verdolino and Lowey P.C., Contingent Distribution	Netherlands	347,093	—
^{a,b,g} Walter Energy, Inc., Litigation Trust, Contingent Distribution	United States	6,301,000	—
Total Companies in Liquidation (Cost \$—)			—
Total Long Term Investments (Cost \$1,819,955,689)			2,011,260,358
Short Term Investments 0.7%			
	Country	Principal Amount*	Value
U.S. Government and Agency Securities 0.7%			
^h FHLB, 7/01/22	United States	11,600,000	11,600,000
^h U.S. Treasury Bills, 7/12/22	United States	500,000	499,854
ⁱ 12/15/22	United States	2,000,000	1,979,102
			2,478,956
Total U.S. Government and Agency Securities (Cost \$14,078,590)			14,078,956
Total Short Term Investments (Cost \$14,078,590)			14,078,956
Total Investments (Cost \$1,834,034,279) 98.2%			\$2,025,339,314
Other Assets, less Liabilities 1.8%			37,816,759
Net Assets 100.0%			\$2,063,156,073

*The principal amount is stated in U.S. dollars unless otherwise indicated.

†Rounds to less than 0.1% of net assets.

^aFair valued using significant unobservable inputs. See Note 14 regarding fair value measurements.

^bNon-income producing.

^cSee Note 10 regarding restricted securities.

Franklin Mutual Shares VIP Fund (continued)

^d 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, 2022, the aggregate value of these securities was \$51,124,506, representing 2.5% of net assets.

^e See Note 1(f) regarding senior floating rate interests.

^f The coupon rate shown represents the rate inclusive of any caps or floors, if applicable, in effect at period end.

^g Contingent distributions represent the right to receive additional distributions, if any, during the reorganization of the underlying company. Shares represent total underlying principal of debt securities.

^h The security was issued on a discount basis with no stated coupon rate.

ⁱ A portion or all of the security has been segregated as collateral for open forward exchange contracts. At June 30, 2022, the value of the security pledged amounted to \$374,050, representing less than 0.1% of net assets.

At June 30, 2022, the Fund had the following futures contracts outstanding. See Note 1(c).

Futures Contracts

Description	Type	Number of Contracts	Notional Amount*	Expiration Date	Value/Unrealized Appreciation (Depreciation)
Foreign exchange contracts					
Foreign Exchange EUR/USD	Short	39	\$5,137,275	9/19/22	\$113,139
Foreign Exchange GBP/USD	Short	151	11,512,806	9/19/22	293,133
Total Futures Contracts					\$406,272

*As of period end.

At June 30, 2022, the Fund had the following forward exchange contracts outstanding. See Note 1(c).

Forward Exchange Contracts

Currency	Counter-party ^a	Type	Quantity	Contract Amount*	Settlement Date	Unrealized Appreciation	Unrealized Depreciation
OTC Forward Exchange Contracts							
Euro	BOFA	Buy	10,822,464	11,649,668	7/25/22	\$1,529	\$(294,934)
Euro	BOFA	Sell	456,078	504,095	7/25/22	25,523	—
Euro	HSBK	Buy	3,742,993	4,127,883	7/25/22	1,026	(201,299)
Euro	HSBK	Sell	23,062,516	26,295,403	7/25/22	2,095,368	—
Euro	SSBT	Buy	4,832,939	5,364,197	7/25/22	—	(292,881)
Euro	SSBT	Sell	4,534,895	4,797,115	7/25/22	38,544	—
Euro	UBSW	Buy	16,079,441	17,117,834	7/25/22	—	(245,303)
Euro	UBSW	Sell	23,814,766	27,111,719	7/25/22	2,122,331	—
British Pound	BOFA	Sell	1,183,272	1,536,811	8/15/22	95,531	—
British Pound	HSBK	Sell	1,030,049	1,344,168	8/15/22	89,520	—
British Pound	SSBT	Sell	64,037	77,767	8/15/22	—	(233)
Total Forward Exchange Contracts						\$4,469,372	\$(1,034,650)
Net unrealized appreciation (depreciation)						\$3,434,722	

*In U.S. dollars unless otherwise indicated.

^a May be comprised of multiple contracts with the same counterparty, currency and settlement date.

See Note 11 regarding other derivative information.

See Abbreviations on page MS-30.

Statement of Assets and Liabilities

June 30, 2022 (unaudited)

	Franklin Mutual Shares VIP Fund
Assets:	
Investments in securities:	
Cost - Unaffiliated issuers	\$1,834,034,279
Value - Unaffiliated issuers	\$2,025,339,314
Cash	22,235,078
Receivables:	
Investment securities sold	25,158,741
Capital shares sold	128,449
Dividends and interest	3,739,036
European Union tax reclaims (Note 1g)	1,340,691
Deposits with brokers for:	
Futures contracts	426,405
Unrealized appreciation on OTC forward exchange contracts	4,469,372
Other assets	437,802
Total assets	<u>2,083,274,888</u>
Liabilities:	
Payables:	
Investment securities purchased	15,356,426
Capital shares redeemed	932,123
Management fees	1,194,175
Distribution fees	430,322
Trustees' fees and expenses	508
Variation margin on futures contracts	77,494
Unrealized depreciation on OTC forward exchange contracts	1,034,650
Accrued expenses and other liabilities	1,093,117
Total liabilities	<u>20,118,815</u>
Net assets, at value	<u>\$2,063,156,073</u>
Net assets consist of:	
Paid-in capital	\$1,424,850,795
Total distributable earnings (losses)	638,305,278
Net assets, at value	<u>\$2,063,156,073</u>
	Franklin Mutual Shares VIP Fund
Class 1:	
Net assets, at value	\$97,333,924
Shares outstanding	5,680,799
Net asset value and maximum offering price per share	<u>\$17.13</u>
Class 2:	
Net assets, at value	\$1,867,876,170
Shares outstanding	111,539,619
Net asset value and maximum offering price per share	<u>\$16.75</u>
Class 4:	
Net assets, at value	\$97,945,979
Shares outstanding	5,792,181
Net asset value and maximum offering price per share	<u>\$16.91</u>

Statement of Operations

for the six months ended June 30, 2022 (unaudited)

	Franklin Mutual Shares VIP Fund
Investment income:	
Dividends: (net of foreign taxes of \$863,794)	
Unaffiliated issuers	\$27,316,142
Interest:	
Unaffiliated issuers	3,902,920
Income from securities loaned:	
Unaffiliated entities (net of fees and rebates)	1,937
Non-controlled affiliates (Note 3e)	2,205
Other income (Note 1g)	1,142,709
Total investment income	<u>32,365,913</u>
Expenses:	
Management fees (Note 3a)	8,332,325
Distribution fees: (Note 3c)	
Class 2	2,809,128
Class 4	195,495
Custodian fees (Note 4)	19,723
Reports to shareholders fees	45,865
Professional fees	71,114
Trustees' fees and expenses	12,514
Dividends on securities sold short	36,916
Other	96,717
Total expenses	<u>11,619,797</u>
Expense reductions (Note 4)	(375)
Expenses waived/paid by affiliates (Note 3e)	(6,292)
Net expenses	<u>11,613,130</u>
Net investment income	<u>20,752,783</u>
Realized and unrealized gains (losses):	
Net realized gain (loss) from:	
Investments:	
Unaffiliated issuers	175,673,224
Foreign currency transactions	(244,727)
Forward exchange contracts	2,973,232
Futures contracts	1,012,849
Securities sold short	(14,311,989)
Net realized gain (loss)	<u>165,102,589</u>
Net change in unrealized appreciation (depreciation) on:	
Investments:	
Unaffiliated issuers	(528,398,613)
Translation of other assets and liabilities denominated in foreign currencies	38,801
Forward exchange contracts	1,780,312
Futures contracts	754,386
Securities sold short	24,435,973
Net change in unrealized appreciation (depreciation)	<u>(501,389,141)</u>
Net realized and unrealized gain (loss)	<u>(336,286,552)</u>
Net increase (decrease) in net assets resulting from operations	<u>\$(315,533,769)</u>

Statements of Changes in Net Assets

	Franklin Mutual Shares VIP Fund	
	Six Months Ended	Year Ended
	June 30, 2022	December 31, 2021
	(unaudited)	
Increase (decrease) in net assets:		
Operations:		
Net investment income	\$20,752,783	\$34,124,197
Net realized gain (loss)	165,102,589	421,824,240
Net change in unrealized appreciation (depreciation)	(501,389,141)	64,801,158
Net increase (decrease) in net assets resulting from operations	(315,533,769)	520,749,595
Distributions to shareholders:		
Class 1	—	(3,422,611)
Class 2	—	(73,136,481)
Class 4	—	(3,309,278)
Total distributions to shareholders	—	(79,868,370)
Capital share transactions: (Note 2)		
Class 1	(5,309,562)	(64,966,663)
Class 2	(363,252,111)	(501,789,098)
Class 4	(7,932,269)	(14,024,839)
Total capital share transactions	(376,493,942)	(580,780,600)
Net increase (decrease) in net assets	(692,027,711)	(139,899,375)
Net assets:		
Beginning of period	2,755,183,784	2,895,083,159
End of period	\$2,063,156,073	\$2,755,183,784

Notes to Financial Statements (unaudited)

Franklin Mutual Shares VIP Fund

1. Organization and Significant Accounting Policies

Franklin Templeton Variable Insurance Products Trust (Trust) is registered under the Investment Company Act of 1940 (1940 Act) as an open-end management investment company, consisting of eighteen separate funds and applies the specialized accounting and reporting guidance in U.S. Generally Accepted Accounting Principles (U.S. GAAP). Franklin Mutual Shares 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 and derivative financial instruments 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.

Debt securities generally trade in the OTC market rather than on a securities exchange. The Fund's pricing services use multiple valuation techniques to determine fair value. In instances where sufficient market activity exists, the pricing services may utilize a market-based approach through which quotes from market makers are used to determine fair value. In instances where sufficient market activity may not exist or is limited, the pricing services also utilize proprietary valuation models which may consider market characteristics such as benchmark yield curves, credit spreads, estimated default rates, anticipated market interest rate volatility, coupon rates, anticipated timing of principal repayments, underlying collateral, and other unique security features in order to estimate the relevant cash flows, which are then discounted to calculate the fair value.

Investments in open-end mutual funds are valued at the closing NAV.

Certain derivative financial instruments are centrally cleared or trade in the OTC market. The Fund's pricing services use various techniques including industry standard option pricing models and proprietary discounted cash flow models to determine the fair value of those instruments. The Fund's net benefit or obligation under the derivative contract, as measured by the fair value of the contract, is included in net assets.

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.

Franklin Mutual Shares VIP Fund (continued)

1. Organization and Significant Accounting Policies (continued)

a. Financial Instrument Valuation (continued)

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, 2022, 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 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. Derivative Financial Instruments

The Fund invested in derivative financial instruments in order to manage risk or gain exposure to various other investments or markets. Derivatives are financial contracts based on an underlying or notional amount, require no initial investment or an initial net investment that is smaller than would normally be required to have a similar response to changes in market factors, and require or permit net settlement. Derivatives contain various risks including the potential inability of the counterparty to fulfill their obligations under the terms of the contract, the potential for an illiquid secondary market, and/or the potential for market movements which expose the Fund to gains or losses in excess of the amounts shown in the Statement of Assets and Liabilities. Realized gain and loss and unrealized appreciation and depreciation on these contracts for the period are included in the Statement of Operations.

Derivative counterparty credit risk is managed through a formal evaluation of the creditworthiness of all potential counterparties. The Fund attempts to reduce its exposure to counterparty credit risk on OTC derivatives, whenever possible, by entering into International Swaps and Derivatives Association (ISDA) master agreements with certain counterparties. These agreements contain various provisions, including but not limited to collateral requirements, events of default, or early termination.

Franklin Mutual Shares VIP Fund (continued)

1. Organization and Significant Accounting Policies (continued)

c. Derivative Financial Instruments (continued)

Termination events applicable to the counterparty include certain deteriorations in the credit quality of the counterparty. Termination events applicable to the Fund include failure of the Fund to maintain certain net asset levels and/or limit the decline in net assets over various periods of time. In the event of default or early termination, the ISDA master agreement gives the non-defaulting party the right to net and close-out all transactions traded, whether or not arising under the ISDA agreement, to one net amount payable by one counterparty to the other. However, absent an event of default or early termination, OTC derivative assets and liabilities are presented gross and not offset in the Statement of Assets and Liabilities. Early termination by the counterparty may result in an immediate payment by the Fund of any net liability owed to that counterparty under the ISDA agreement. At June 30, 2022 the Fund had OTC derivatives in a net liability position of \$426,921 and the aggregate value of collateral pledged for such contracts was \$374,050.

Collateral requirements differ by type of derivative. Collateral or initial margin requirements are set by the broker or exchange clearing house for exchange traded and centrally cleared derivatives. Initial margin deposited is held at the exchange and can be in the form of cash and/or securities. For OTC derivatives traded under an ISDA master agreement, posting of collateral is required by either the Fund or the applicable counterparty if the total net exposure of all OTC derivatives with the applicable counterparty exceeds the minimum transfer amount, which typically ranges from \$100,000 to \$250,000, and can vary depending on the counterparty and the type of agreement. Generally, collateral is determined at the close of Fund business each day and any additional collateral required due to changes in derivative values may be delivered by the Fund or the counterparty the next business day, or within a few business days. Collateral pledged and/or received by the Fund for OTC derivatives, if any, is held in segregated accounts with the Fund's custodian/counterparty broker and can be in the form of cash and/or securities. Unrestricted cash may be invested according to the Fund's investment objectives. To the extent that the amounts due to the Fund from its counterparties are not subject to collateralization or are not fully collateralized, the Fund bears the risk of loss from counterparty non-performance.

At June 30, 2022, the Fund received \$3,282,416 in United Kingdom Inflation-Linked Gilt and U.S. Treasury Bills as collateral for derivatives.

The Fund entered into exchange traded futures contracts primarily to manage and/or gain exposure to interest rate and equity price risk. A futures contract is an agreement between the Fund and a counterparty to buy or sell an asset at a specified price on a future date. Required initial margins are pledged by the Fund, and the daily change in fair value is accounted for as a variation margin payable or receivable in the Statement of Assets and Liabilities.

The Fund entered into OTC forward exchange contracts primarily to manage and/or gain exposure to certain foreign currencies. A forward exchange contract is an agreement between the Fund and a counterparty to buy or sell a foreign currency at a specific exchange rate on a future date.

See Note 11 regarding other derivative information.

d. Securities Sold Short

The Fund is engaged in selling securities short, which obligates the Fund to replace a borrowed security with the same security at current fair value. The Fund incurs a loss if the price of the security increases between the date of the short sale and the date on which the Fund replaces the borrowed security. The Fund realizes a gain if the price of the security declines between those dates. Gains are limited to the price at which the Fund sold the security short, while losses are potentially unlimited in size.

The Fund is required to establish a margin account with the broker lending the security sold short. While the short sale is outstanding, the broker retains the proceeds of the short sale to the extent necessary to meet margin requirements until the short position is closed out. A deposit must also be maintained with the Fund's custodian/counterparty broker consisting of cash and/or securities having a value equal to a specified percentage of the value of the securities sold short. The Fund is obligated to pay fees for borrowing the securities sold short and is required to pay the counterparty any dividends and/or interest due on securities sold short. Such dividends and/or interest and any security borrowing fees are recorded as an expense to the Fund. At June 30, 2022, the Fund had no securities sold short.

Franklin Mutual Shares VIP Fund (continued)

1. Organization and Significant Accounting Policies (continued)

e. 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, and/or a joint repurchase agreement. 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. At June 30, 2022, the Fund had no securities on loan.

f. Senior Floating Rate Interests

The Fund invests in senior secured corporate loans that pay interest at rates which are periodically reset by reference to a base lending rate plus a spread. These base lending rates are generally the prime rate offered by a designated U.S. bank or the London InterBank Offered Rate (LIBOR). Senior secured corporate loans often require prepayment of principal from excess cash flows or at the discretion of the borrower. As a result, actual maturity may be substantially less than the stated maturity. Senior secured corporate loans in which the Fund invests are generally readily marketable, but may be subject to certain restrictions on resale.

g. Income and Deferred Taxes

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

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

As a result of several court cases, in certain countries across the European Union, the Fund filed additional tax reclaims for previously withheld taxes on dividends earned in those countries (EU reclaims). Income recognized, if any, for EU reclaims is reflected as other income in the Statement of Operations and any related receivable, if any, is reflected as European Union tax reclaims in the Statement of Assets and Liabilities. Any fees associated with these filings are reflected in other expenses in the Statement of Operations. When uncertainty exists as to the ultimate resolution of these proceedings, the likelihood of receipt of these EU reclaims, and the potential timing of payment, no amounts are reflected in the financial statements. For U.S. income tax purposes, when EU reclaims are received by the Fund and the Fund previously passed foreign tax credit on to its shareholders, the Fund will enter into a closing agreement with the Internal Revenue Service (IRS) in order to pay the associated tax liability on behalf of the Fund's shareholders.

The Fund may recognize an income tax liability related to its uncertain tax positions under U.S. GAAP when the uncertain tax position has a less than 50% probability that it will be sustained upon examination by the tax authorities based on its technical merits. As of June 30, 2022, 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.

Franklin Mutual Shares VIP Fund (continued)

1. Organization and Significant Accounting Policies
 (continued)

h. Security Transactions, Investment Income, Expenses and Distributions

Security transactions are accounted for on trade date. Realized gains and losses on security transactions are determined on a specific identification basis. Interest income and estimated expenses are accrued daily. Amortization of premium and accretion of discount on debt securities are included in interest income. Paydown gains and losses are recorded as an adjustment to interest income. Dividend income, capital gain distributions are recorded on the ex-dividend date except for certain dividends from securities where the dividend rate is not available. In such cases, the dividend is recorded as soon as the information is received by the Fund. Distributions to shareholders are recorded on the ex-dividend date. Distributable earnings are determined according to income tax regulations (tax basis) and may differ from earnings recorded in accordance with U.S. GAAP. These differences may be permanent or temporary. 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.

i. 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.

j. Guarantees and Indemnifications

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

2. Shares of Beneficial Interest

At June 30, 2022, 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, 2022		Year Ended December 31, 2021	
	Shares	Amount	Shares	Amount
Class 1 Shares:				
Shares sold	50,566	\$970,675	318,693	\$6,213,133
Shares issued in reinvestment of distributions	—	—	179,100	3,422,611
Shares redeemed in-kind (Note 13)	—	—	(3,060,698)	(59,532,727)
Shares redeemed	(327,263)	(6,280,237)	(794,758)	(15,069,680)
Net increase (decrease)	(276,697)	\$(5,309,562)	(3,357,663)	\$(64,966,663)

Franklin Mutual Shares VIP Fund (continued)

2. Shares of Beneficial Interest (continued)

	Six Months Ended June 30, 2022		Year Ended December 31, 2021	
	Shares	Amount	Shares	Amount
Class 2 Shares:				
Shares sold	2,174,588	\$41,087,050	9,578,231	\$183,303,412
Shares issued in reinvestment of distributions	—	—	3,908,951	73,136,481
Shares redeemed in-kind (Note 13)	—	—	(13,941,656)	(265,295,778)
Shares redeemed	(21,803,535)	(404,339,161)	(26,387,039)	(492,933,213)
Net increase (decrease)	(19,628,947)	\$(363,252,111)	(26,841,513)	\$(501,789,098)
Class 4 Shares:				
Shares sold	132,293	\$2,480,846	337,245	\$6,316,446
Shares issued in reinvestment of distributions	—	—	175,002	3,309,278
Shares redeemed	(549,726)	(10,413,115)	(1,268,725)	(23,650,563)
Net increase (decrease)	(417,433)	\$(7,932,269)	(756,478)	\$(14,024,839)

3. Transactions with Affiliates

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

Subsidiary	Affiliation
Franklin Mutual Advisers, LLC (Franklin Mutual)	Investment manager
Franklin Templeton Services, LLC (FT Services)	Administrative manager
Franklin Distributors, LLC (Distributors)	Principal underwriter
Franklin Templeton Investor Services, LLC (Investor Services)	Transfer agent

a. Management Fees

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

Annualized Fee Rate	Net Assets
0.675%	Up to and including \$5 billion
0.645%	Over \$5 billion, up to and including \$10 billion
0.625%	Over \$10 billion, up to and including \$15 billion
0.595%	Over \$15 billion, up to and including \$20 billion
0.585%	Over \$20 billion, up to and including \$25 billion
0.565%	Over \$25 billion, up to and including \$30 billion
0.555%	Over \$30 billion, up to and including \$35 billion
0.545%	In excess of \$35 billion

For the period ended June 30, 2022, the annualized gross effective investment management fee rate was 0.675% of the Fund's average daily net assets.

Franklin Mutual Shares VIP Fund (continued)

3. Transactions with Affiliates (continued)

b. Administrative Fees

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

c. Distribution Fees

The Board has adopted distribution plans for Class 2 and Class 4 shares pursuant to Rule 12b-1 under the 1940 Act. Under the Fund's compensation distribution plans, the Fund pays Distributors for costs incurred in connection with the servicing, sale and distribution of the Fund's shares up to 0.35% per year of its average daily net assets of each class. The Board has agreed to limit the current rate to 0.25% per year for Class 2. The plan year, for purposes of monitoring compliance with the maximum annual plan rates, is February 1 through January 31.

d. Transfer Agent Fees

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

e. Investments in Affiliated Management Investment Companies

The Fund invests in one or more affiliated management investment companies. As defined in the 1940 Act, an investment is deemed to be a "Controlled Affiliate" of a fund when a fund owns, either directly or indirectly, 25% or more of the affiliated fund's outstanding shares or has the power to exercise control over management or policies of such fund. The Fund does 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, 2022, the Fund held investments in affiliated management investment companies as follows:

	Value at Beginning of Period	Purchases	Sales	Realized Gain (Loss)	Net Change in Unrealized Appreciation (Depreciation)	Value at End of Period	Number of Shares Held at End of Period	Investment Income
Franklin Mutual Shares VIP Fund								
Non-Controlled Affiliates								
								Income from securities loaned
Institutional Fiduciary Trust - Money Market Portfolio, 0.895%	\$—	\$47,640,000	\$(47,640,000)	\$—	\$—	\$—	—	\$2,205
Total Affiliated Securities . . .	\$—	\$47,640,000	\$(47,640,000)	\$—	\$—	\$—		\$2,205

4. Expense Offset Arrangement

The Fund has entered into an arrangement with its custodian whereby credits realized as a result of uninvested cash balances are used to reduce a portion of the Fund's custodian expenses. During the period ended June 30, 2022, the custodian fees were reduced as noted in the Statement of Operations.

Franklin Mutual Shares VIP Fund (continued)

5. Income Taxes

At June 30, 2022, the cost of investments and net unrealized appreciation (depreciation) for income tax purposes were as follows:

Cost of investments	\$1,852,717,734
Unrealized appreciation	\$371,748,301
Unrealized depreciation	(195,285,727)
Net unrealized appreciation (depreciation)	<u>\$176,462,574</u>

Differences between income and/or capital gains as determined on a book basis and a tax basis are primarily due to differing treatments of foreign currency transactions, defaulted bonds, wash sales, EU reclaims, and gains realized on in-kind shareholder redemptions.

6. Investment Transactions

Purchases and sales of investments (excluding short term securities and securities sold short) for the period ended June 30, 2022, aggregated \$832,069,148 and \$1,159,073,421, respectively.

7. Defaulted Securities

The Fund may purchase the pre-default or defaulted debt of distressed companies. Distressed companies are financially troubled and could be or are already involved in financial restructuring or bankruptcy. Risks associated with purchasing these securities include the possibility that the bankruptcy or other restructuring process takes longer than expected, or that distributions in restructuring are less than anticipated, either or both of which may result in unfavorable consequences to the Fund. If it becomes probable that the income on debt securities, including those of distressed companies, will not be collected, the Fund discontinues accruing income and recognizes an adjustment for uncollectible interest.

At June 30, 2022, the Fund did not hold any distressed company securities for which interest recognition has been discontinued.

8. Geopolitical Risk

On February 24, 2022, Russia engaged in military actions in the sovereign territory of Ukraine. The current political and financial uncertainty surrounding Russia and Ukraine may increase market volatility and the economic risk of investing in securities in these countries and may also cause uncertainty for the global economy and broader financial markets. The ultimate fallout and long-term impact from these events are not known. The Fund will continue to assess the impact on valuations and liquidity and will take any potential actions needed in accordance with procedures approved by the Board.

9. Novel Coronavirus Pandemic

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

Franklin Mutual Shares VIP Fund (continued)

10. Restricted Securities

The Fund invests in securities that are restricted under the Securities Act of 1933 (1933 Act). Restricted securities are often purchased in private placement transactions, and cannot be sold without prior registration unless the sale is pursuant to an exemption under the 1933 Act. Disposal of these securities may require greater effort and expense, and prompt sale at an acceptable price may be difficult. The Fund may have registration rights for restricted securities. The issuer generally incurs all registration costs.

At June 30, 2022, investments in restricted securities, excluding securities exempt from registration under the 1933 Act, were as follows:

Shares/ Warrants	Issuer	Acquisition Date	Cost	Value
Franklin Mutual Shares VIP Fund				
1,730,515	International Automotive Components Group Brazil LLC	4/13/06 - 12/26/08	\$1,149,241	\$40,688
2,039	Wayne Services Legacy, Inc.	1/22/20	—	—
609,467	Windstream Holdings, Inc.	9/21/20	4,827,676	8,747,699
34,368	Windstream Holdings, Inc., 9/21/55	9/21/20	436,130	493,285
	Total Restricted Securities (Value is 0.4% of Net Assets).		\$6,413,047	\$9,281,672

11. Other Derivative Information

At June 30, 2022, investments in derivative contracts are reflected in the Statement of Assets and Liabilities as follows:

Derivative Contracts Not Accounted for as Hedging Instruments	Asset Derivatives		Liability Derivatives	
	Statement of Assets and Liabilities Location	Fair Value	Statement of Assets and Liabilities Location	Fair Value
Franklin Mutual Shares VIP Fund				
Foreign exchange contracts . . .				
	Variation margin on futures contracts	\$406,272 ^a	Variation margin on futures contracts	\$—
	Unrealized appreciation on OTC forward exchange contracts	4,469,372	Unrealized depreciation on OTC forward exchange contracts	1,034,650
Total		<u>\$4,875,644</u>		<u>\$1,034,650</u>

^aThis amount reflects the cumulative appreciation (depreciation) of futures contracts as reported in the Schedule of Investments. Only the variation margin receivable/payable at period end is separately reported within the Statement of Assets and Liabilities. Prior variation margin movements were recorded to cash upon receipt or payment.

Franklin Mutual Shares VIP Fund (continued)

11. Other Derivative Information (continued)

For the period ended June 30, 2022, the effect of derivative contracts in the Statement of Operations was as follows:

Derivative Contracts Not Accounted for as Hedging Instruments	Statement of Operations Location	Net Realized Gain (Loss) for the Period	Statement of Operations Location	Net Change in Unrealized Appreciation (Depreciation) for the Period
Franklin Mutual Shares VIP Fund				
	Net realized gain (loss) from:		Net change in unrealized appreciation (depreciation) on:	
Foreign exchange contracts				
	Futures contracts	\$1,012,849	Futures contracts	\$754,386
	Forward exchange contracts	2,973,232	Forward exchange contracts	1,780,312
Total		<u>\$3,986,081</u>		<u>\$2,534,698</u>

For the period ended June 30, 2022, the average month end notional amount of futures contracts represented \$18,513,883. The average month end contract value of forward exchange contracts was \$126,900,552.

See Note 1(c) regarding derivative financial instruments.

12. 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 3, 2023. 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, 2022, the Fund did not use the Global Credit Facility.

13. Redemption In-Kind

During the year ended December 31, 2021, the Fund realized \$91,591,427 of net gains resulting from a redemption in-kind in which a shareholder redeemed fund shares for cash and securities held by the Fund. Because such gains are not taxable to the Fund and are not distributed to remaining shareholders, they are reclassified from accumulated net realized gains to paid-in capital.

14. 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

Franklin Mutual Shares VIP Fund (continued)

14. Fair Value Measurements (continued)

- 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, 2022, in valuing the Fund's assets carried at fair value, is as follows:

	Level 1	Level 2	Level 3	Total
Franklin Mutual Shares VIP Fund				
Assets:				
Investments in Securities:				
Common Stocks:				
Auto Components	\$—	\$—	\$40,688	\$40,688
Automobiles	39,085,920	—	—	39,085,920
Banks	103,652,396	34,173,471	—	137,825,867
Building Products	37,665,808	—	—	37,665,808
Capital Markets	43,096,279	—	—	43,096,279
Chemicals	43,481,741	—	—	43,481,741
Commercial Services & Supplies	22,765,166	—	—	22,765,166
Containers & Packaging	35,673,879	—	—	35,673,879
Diversified Financial Services	38,415,245	—	—	38,415,245
Diversified Telecommunication Services	—	—	8,747,699	8,747,699
Electric Utilities	23,974,074	—	—	23,974,074
Electrical Equipment	25,142,918	—	—	25,142,918
Electronic Equipment, Instruments & Components	32,439,078	—	—	32,439,078
Energy Equipment & Services	35,425,823	—	—	35,425,823
Entertainment	65,606,924	—	—	65,606,924
Equity Real Estate Investment Trusts (REITs)	35,241,120	—	—	35,241,120
Food Products	57,141,386	—	—	57,141,386
Health Care Equipment & Supplies	42,795,852	—	—	42,795,852
Health Care Providers & Services	144,357,916	—	—	144,357,916
Household Durables	43,051,829	—	—	43,051,829
Insurance	111,029,132	—	—	111,029,132
Internet & Direct Marketing Retail	25,106,592	—	—	25,106,592
IT Services	147,423,192	—	—	147,423,192
Machinery	34,043,478	—	—	34,043,478
Media	97,927,976	—	—	97,927,976
Oil, Gas & Consumable Fuels	35,416,234	62,163,519	—	97,579,753
Pharmaceuticals	160,424,387	—	—	160,424,387
Professional Services	37,524,171	—	—	37,524,171
Real Estate Management & Development	19,986,882	—	—	19,986,882
Software	73,367,731	—	—	73,367,731
Specialty Retail	—	—	— ^a	—
Technology Hardware, Storage & Peripherals	38,599,661	—	—	38,599,661
Textiles, Apparel & Luxury Goods	42,655,607	—	—	42,655,607
Tobacco	28,972,800	38,456,606	—	67,429,406
Wireless Telecommunication Services	60,144,223	—	—	60,144,223
Warrants:				
Diversified Telecommunication Services	—	—	493,285	493,285

Franklin Mutual Shares VIP Fund (continued)

14. Fair Value Measurements (continued)

	Level 1	Level 2	Level 3	Total
Franklin Mutual Shares VIP Fund (continued)				
Assets: (continued)				
Investments in Securities:				
Warrants:				
Software	\$3,354	\$—	\$—	\$3,354
Corporate Bonds	—	53,398,812	—	53,398,812
Senior Floating Rate Interests	—	30,253,490	—	30,253,490
Asset-Backed Securities	—	1,894,014	—	1,894,014
Companies in Liquidation	—	—	— ^a	—
Short Term Investments	—	14,078,956	—	14,078,956
Total Investments in Securities	\$1,781,638,774	\$234,418,868 ^b	\$9,281,672	\$2,025,339,314
Other Financial Instruments:				
Forward exchange contracts	\$—	\$4,469,372	\$—	\$4,469,372
Futures contracts	406,272	—	—	406,272
Total Other Financial Instruments	\$406,272	\$4,469,372	\$—	\$4,875,644
Liabilities:				
Other Financial Instruments:				
Forward exchange contracts	\$—	\$1,034,650	\$—	\$1,034,650
Total Other Financial Instruments	\$—	\$1,034,650	\$—	\$1,034,650

^aIncludes securities determined to have no value at June 30, 2022.

^bIncludes foreign securities valued at \$134,793,596, 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.

15. New Accounting Pronouncements

In March 2020, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2020-04, Reference Rate Reform (Topic 848) – Facilitation of the Effects of Reference Rate Reform on Financial Reporting. In January 2021, the FASB issued ASU No. 2021-01, with further amendments to Topic 848. The amendments in the ASUs provide optional temporary accounting recognition and financial reporting relief from the effect of certain types of contract modifications due to the planned discontinuation of the London Interbank Offered Rate (LIBOR) and other interbank-offered based reference rates as of the end of 2021 for certain LIBOR settings and 2023 for the remainder. 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.

In June 2022, FASB issued ASU No. 2022-03, Fair Value Measurement (Topic 820) – Fair Value Measurement of Equity Securities Subject to Contractual Sale Restrictions. The amendments in the ASU clarify that a contractual restriction on the sale of an equity security is not considered part of the unit of account of the equity security and, therefore, should not be considered in measuring fair value. The ASU is effective for interim and annual reporting periods beginning after December 15, 2023, with the option of early adoption. Management is currently evaluating the impact, if any, of applying this ASU.

16. 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.

Franklin Mutual Shares VIP Fund (continued)

Abbreviations

Counterparty

BOFA	Bank of America Corp.
HSBK	HSBC Bank plc
SSBT	State Street Bank and Trust Co.
UBSW	UBS AG

Currency

EUR	Euro
GBP	British Pound
USD	United States Dollar

Selected Portfolio

ADR	American Depositary Receipt
CME	Chicago Mercantile Exchange
FHLB	Federal Home Loan Banks
LIBOR	London Inter-Bank Offered Rate
SOFR	Secured Overnight Financing Rate

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 for additional data provider information.

Bloomberg 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. Treasuries, if held to maturity, offer a fixed rate of return and a fixed principal value; their interest payments and principal are guaranteed.

Bloomberg U.S. Aggregate Bond Index measures the performance of 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 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 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 Bloomberg EM country definition, are excluded.

Bloomberg U.S. Government - Intermediate Index is the intermediate component of the Bloomberg U.S. Government Index, which includes U.S. dollar-denominated, fixed-rate, nominal U.S. Treasuries and U.S. agency debentures (securities issued by U.S. government-owned or government-sponsored entities, and debt explicitly guaranteed by the U.S. government).

Bloomberg 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 U.S. Mortgage-Backed Securities (MBS) Index tracks the performance of fixed-rate agency mortgage-backed pass-through securities guaranteed by Ginnie Mae (GNMA), Fannie Mae (FNMA) and Freddie Mac (FHLMC). Effective June 1, 2017, hybrid adjustable-rate mortgages were removed from the index.

Bloomberg 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. Treasuries, if held to maturity, offer a fixed rate of return and a fixed principal value; their interest payments and principal are guaranteed.

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.

MSCI All Country Asia Index-NR is a free float-adjusted, market capitalization-weighted index designed to measure the equity market performance of 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 the equity market performance of 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 the equity market performance of 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 the equity market performance of 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 USA Index is designed to measure the performance of the large- and mid-capitalization segments of the U.S. market. With 627 constituents, the index covers approximately 85% of the free float adjusted market capitalization in the U.S.

MSCI World ex USA Index-NR is a free float-adjusted, market capitalization-weighted index designed to measure the equity market performance of global developed markets, excluding the U.S.

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

Russell 1000® Growth Index is market capitalization weighted and measures the 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 the 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 the 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® 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 the 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 DynaTech 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 an in-person meeting held on April 12, 2022 (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. (FAV) and the Trust, on behalf of each of Franklin Allocation VIP Fund, Franklin DynaTech 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 FAV and Franklin Templeton Institutional, LLC (FTIL), an affiliate of FAV, on behalf of Franklin Allocation VIP Fund; (iii) the investment sub-advisory agreement between FAV and Templeton Global Advisors Limited (TGAL), an affiliate of FAV, on behalf of Franklin Allocation VIP Fund; (iv) the investment sub-advisory agreement between FAV and Brandywine Global Investment Management, LLC (BGIM), an affiliate of FAV, on behalf of Franklin Allocation VIP Fund; (v) the investment sub-advisory agreement between FAV

and ClearBridge Investments, LLC (CIL), an affiliate of FAV, on behalf of Franklin Allocation VIP Fund; (vi) the investment sub-advisory agreement between FAV and Western Asset Management Company, LLC (WAMC), an affiliate of FAV, on behalf of Franklin Allocation VIP Fund; (vii) the investment sub-advisory agreement between FAV and Western Asset Management Company Limited (WAMCL), an affiliate of FAV, on behalf of Franklin Allocation VIP Fund; (viii) the investment management agreement between FTIL and the Trust, on behalf of Franklin Global Real Estate VIP Fund; (ix) 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; (x) the investment management agreement between Templeton Asset Management Ltd. (TAML) and the Trust, on behalf of Templeton Developing Markets VIP Fund; (xi) the investment sub-advisory agreement between TAML and Franklin Templeton Investment Management Ltd. (FTIML), on behalf of Templeton Developing Markets VIP Fund; (xii) the investment management agreement between Templeton Investment Counsel, LLC (TICL) and the Trust, on behalf of Templeton Foreign VIP Fund; and (xiii) 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. BGIM, CIL, FAV, FTIL, FTIML, FMA, TAML, TICL, TGAL, WAMC and WAMCL 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 virtual contract renewal meeting at which the Independent Trustees first conferred amongst themselves and Independent Trustee counsel about contract renewal matters; and then met

with management to request additional information that the Independent Trustees reviewed and considered at the Meeting. 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 acknowledged the ongoing integration of the Legg Mason family of funds into the FT family of funds and developing strategies to address areas of heightened concern in the mutual fund industry, including various regulatory initiatives and recent geopolitical concerns.

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 being a global leader in stewardship and sustainability and the recent addition of a senior executive focused on environmental, social and governance and climate control initiatives.

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, 2022. 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 - The Performance Universe for the Fund included the Fund and all mixed-asset target allocation growth funds underlying variable insurance products (VIPs). The Board noted that the Fund's annualized income return for the one-, three-, five- and 10-year periods was above the median of its Performance Universe. The Board also noted that the Fund's annualized total return for the one-, three-, five- and 10-year periods was below the median of its Performance Universe. The Board discussed the Fund's performance with management and management explained that the Fund maintains a strategic equity asset allocation that is on the lower end of its peers that comprise the Performance Universe, which has negatively impacted the Fund's relative returns in a risk-on market environment in recent years. Management reminded the Board that, effective May 1, 2019, the Fund was repositioned to a direct investment fund with an actively managed allocation strategy which is not reflected in the Fund's longer-term performance.

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 made to the Fund's investment strategies. 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 Income VIP Fund - The Performance Universe for the Fund included the Fund and all flexible portfolio funds underlying VIPs. The Board noted that the Fund's annualized income return for the one-, three-, five- and 10-year periods was above the median of its Performance Universe. The Board also noted that the Fund's annualized total return for the one- and 10-year periods was above the median of its Performance Universe, but for the three- and five-year periods was below the median of its Performance Universe. The Board considered the income-related attributes of the Fund (such as a fund's investment objective and/or investment strategy) and that the evaluation of the Fund's performance relative to its peers on an income return basis was appropriate given the Fund's income-related attributes and investor expectations. The Board concluded that the Fund's performance was satisfactory.

Franklin Strategic Income VIP Fund and Franklin U.S. Government Securities VIP Fund - 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 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 three-, five- and 10-year periods was below the median of its respective Performance Universe, but for the one-year period was above the median of the Fund's respective Performance Universe. The Board further noted the Franklin U.S. Government Securities VIP Fund's conservative policy of investing substantially all of its assets in Ginnie Mae obligations. The Board considered the income-related attributes of each Fund (such as a fund's investment objective and/or investment strategy) and that the evaluation of the Fund's performance relative to its peers on an income return basis was appropriate given the Fund's income-related attributes and investor expectations. The Board concluded that each Fund's performance was satisfactory.

Templeton Global Bond VIP Fund - The Performance Universe for the Fund included the Fund and all global income funds underlying VIPs. The Board noted that the Fund's annualized income return for the 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 also 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 equal to the median of its Performance Universe. The Board discussed this performance with management and management explained that the Fund's relative underperformance in comparison to its Performance Universe over the three- and five-year reporting periods was largely due to the Fund's performance in 2019 and 2020. Management further explained that the underperformance was driven by the Fund's defensive positioning amid the pandemic, which restrained the Fund's participation in the risk asset rallies in the second half of 2020. Management also explained that the Fund's long exposure to emerging market local currency assets and short exposure to US Treasury duration during the three- and five-year reporting periods detracted from the Fund's relative performance versus the Performance Universe. Management further explained that after vaccines were approved toward the end of 2020 management significantly repositioned the Fund's strategies back towards risk allocations and expanded on that risk positioning throughout 2021, emphasizing specific currencies against the US dollar and the euro, as well as local currency bonds in a select set of emerging markets. Management further explained the steps the portfolio management team is taking in an effort to improve the Fund's peer rankings across all reporting periods and reduce the impact of the Fund's relative underperformance in 2019 and 2020. The Board noted management's continued confidence in the Fund's portfolio management team, commitment to an enhanced investment process for the benefit of Fund shareholders and commitment to have ongoing conversations with the Board regarding management's strategies for addressing the performance of the global macro funds as a whole. Based on the foregoing, the Board concluded that the Fund's Management Agreement should be continued for an additional one-year period, and that management's efforts and the recent improved performance of the Fund should continue to be closely monitored.

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 DynaTech VIP Fund, Franklin Mutual Shares VIP Fund, Templeton Foreign VIP Fund and Templeton Growth VIP Fund - The Performance Universe for the Franklin DynaTech VIP Fund included the Fund and all large-cap growth funds underlying VIPs. The Performance Universe for the Franklin Mutual Shares VIP Fund included the Fund and all multi-cap value funds underlying VIPs. The Performance Universe for the Templeton Foreign VIP Fund included the Fund and all international multi-cap value funds underlying VIPs. The Performance Universe for the Templeton Growth VIP Fund included the Fund and all global multi-cap value funds underlying VIPs. The Board 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 further noted that, effective May 1, 2021, the Franklin DynaTech VIP Fund changed its name, investment strategy, and primary benchmark to align with the Franklin DynaTech Fund and that it would need more time to assess the implication of these changes on Fund performance.

The Board also noted management's explanation that the Franklin Mutual Shares VIP 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 explained that the Fund has a more value oriented tilt and underweight position in US securities as compared to its Performance Universe, both of which detracted from the Fund's relative performance during a period of historic and sustained outperformance of growth over value. Management further explained that key detractors from the Fund's three-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 ongoing enhancements to the Fund's investment team and processes in an effort to improve performance.

The Board discussed Templeton Foreign VIP Fund's performance with management and management explained the Fund's relative performance over the reporting periods was negatively impacted by the Fund's overweight positions in cash and the information technology and energy sectors,

and underweight positions in the financials, consumer staples and communication services sectors as compared to the Performance Universe. Management then noted that the Fund outperformed its benchmark, the MSCI All Country World ex-US Index-NR, for the one-year period, more than doubling the gains of the index. Management discussed with the Board the actions that are being taken in an effort to improve the performance of the Fund and the global equity funds as a whole. Management specifically highlighted the strategic initiatives being undertaken in the Templeton Global Equity Group, including enhancements to the leadership of the group and the commitment of additional resources important to delivering sustainable returns.

The Board discussed Templeton Growth VIP Fund's performance with management and management explained that the Fund's relative performance over the reporting periods was negatively impacted by the Fund's overweight positions in cash and the consumer discretionary sector and underweight position in the financials sector as compared to the Performance Universe. Management also explained that the Fund's one-year relative underperformance was primarily attributable to stock-specific weakness and underweight allocations in the US market and the information technology sector. Management then discussed with the Board the actions that are being taken in an effort to improve the performance of the Fund and the global equity funds as a whole. Management specifically highlighted the strategic initiatives being undertaken in the Templeton Global Equity Group, including enhancements to the leadership of the group and the commitment of additional resources important to delivering sustainable returns.

The Board concluded that the Funds' Management Agreements should be continued for an additional one-year period, and management's efforts should continue to be closely monitored.

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- and 10-year periods was above the median of its Performance Universe, but for the three- and five-year periods was below the median of its Performance Universe. The Board further noted that, while below the median, the Fund's three- and five-year annualized total returns were 7.98% and 7.55%, respectively. The Board concluded that the Fund's performance was satisfactory.

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

Templeton Developing Markets VIP Fund and Franklin Small Cap Value VIP Fund - The Performance Universe for the Templeton Developing Markets VIP Fund included the Fund and all emerging markets funds underlying VIPs. The Performance Universe for the Franklin Small Cap Value VIP Fund included the Fund and all small-cap value funds underlying VIPs. The Board noted that each Fund's annualized total return for the three-, five and 10-year periods was above the median of its respective Performance Universe, but for the one-year period was below the median of its respective Performance Universe (noting the one-year annualized total return for the Franklin Small Cap Value VIP Fund exceeded 20%). 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-, three- and 10-year periods was above the median of its Performance Universe, but for the five-year period was below the median of its Performance Universe. The Board concluded that the Fund's performance was satisfactory.

Franklin Rising Dividends VIP Fund - The Performance Universe for the Fund included the Fund and all large-cap core funds underlying VIPs. The Board noted that the Fund's annualized total return for the one- and three-year periods was above the median of its Performance Universe, but for the five- and 10-year periods was below the median of its Performance Universe. The Board further noted that, while below the median, the Fund's five- and 10-year annualized total returns were 15.42% and 13.68%, respectively. The Board concluded that the Fund's performance was satisfactory.

Franklin VolSmart Allocation VIP Fund - The Performance Universe for the Fund included the Fund and all flexible portfolio funds underlying VIPs. The Board noted that the Fund incepted on April 1, 2013 and has been in operation for less than 10 years. The Board further noted that its annualized total return for the one-, three- and five-year periods was above the median and in the first quintile (best)

of its Performance Universe. The Board also noted that its annualized income return for the one- and three-year periods was above the median of its Performance Universe, but for the five-year period was below the median of its Performance Universe. The Board concluded that the Fund's performance was satisfactory.

Franklin Small-Mid Cap Growth VIP Fund - The Performance Universe for the Fund included the Fund and all mid-cap growth funds underlying VIPs. The Board noted that the Fund's annualized total return for the one- and 10-year periods was below the median of its Performance Universe, but for the three- and five-year periods was above the median of its Performance Universe and exceeded 16.35%. The Board concluded that the Fund's performance was acceptable.

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 or semi-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, Templeton Global Bond VIP Fund, Franklin DynaTech VIP Fund, Franklin Rising Dividends VIP Fund and Franklin Small-Mid Cap Growth 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 11 other equity income funds underlying VIPs. The Expense Group for the Franklin Income VIP Fund included the Fund and 11 other flexible portfolio funds underlying VIPs. The Expense Group for the Franklin Small Cap Value VIP Fund included the Fund and eight other small-cap value funds underlying VIPs. The Expense Group for the Templeton Global Bond VIP Fund included the Fund and 10 other global income funds underlying VIPs. The Expense Group for the Franklin DynaTech VIP Fund included the Fund and 12 other large-cap growth funds underlying VIPs. The Expense Group for the Franklin Rising Dividends VIP Fund included the Fund and 11 other large-cap core funds underlying VIPs. 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 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, Franklin DynaTech VIP Fund and Franklin Growth and Income VIP Fund's actual total expense ratio reflected a fee waiver from management. The Board further noted that the Franklin Allocation VIP Fund's sub-advisers are paid by FAV out of the management fee FAV receives from the Fund and that the allocation of the fee between FAV and each sub-adviser reflected the services provided by each to the Fund. After consideration of the above, the Board concluded that the Management Rate charged to each Fund and the sub-advisory fee paid to each sub-adviser of the Franklin Allocation VIP Fund are reasonable.

Franklin U.S. Government Securities VIP Fund - The Expense Group for the Fund included the Fund, three other intermediate US government funds underlying VIPs and 11 inflation-protected bond funds underlying VIPs. The Board noted that the Management Rate for the Fund was below the median of its Expense Group, and the actual total expense ratio for the Fund was slightly above the median of its Expense Group. The Board concluded that the Management Rate charged to the Fund is reasonable.

Franklin Global Real Estate VIP Fund, Franklin Mutual Global Discovery VIP Fund, Franklin Mutual Shares VIP Fund, Templeton Developing Markets VIP Fund, Templeton Growth VIP Fund, Templeton Foreign VIP Fund, Franklin Large Cap Growth VIP Fund, Franklin VolSmart Allocation VIP Fund and Franklin Strategic Income VIP Fund - The Expense Group for the Franklin Global Real Estate VIP Fund included the Fund and seven other global real estate

funds underlying VIPs. The Expense Group for the Franklin Mutual Global Discovery VIP Fund included the Fund, one other global multi-cap value fund underlying VIPs, two global multi-cap core funds underlying VIPs, and two 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 Templeton Developing Markets VIP Fund included the Fund and 13 other emerging markets funds underlying VIPs. The Expense Group for the Templeton Growth VIP Fund included the Fund, one other global multi-cap value fund underlying VIPs, two global multi-cap core funds underlying VIPs, and two global multi-cap growth funds underlying VIPs. The Expense Group for the Templeton Foreign VIP Fund included the Fund, nine other international multi-cap value funds underlying VIPs and four international large-cap value funds underlying VIPs. The Expense Group for the Franklin Large Cap Growth VIP Fund included the Fund and 11 other multi-cap growth funds underlying VIPs. The Expense Group for the Franklin VolSmart Allocation VIP Fund included the Fund, three other flexible portfolio funds underlying VIPs, and three mixed-asset target allocation growth fund underlying VIPs. The Expense Group for the Franklin Strategic Income VIP Fund included the Fund and nine other multi-sector income funds underlying VIPs. The Board noted that the Management Rate and actual total expense ratio for each Fund were above the median of its respective Expense Group.

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 Large Cap Growth VIP Fund, Franklin Mutual Shares VIP Fund, Franklin Strategic Income VIP Fund and Templeton Developing Markets VIP Fund, the Board noted that each Fund's Management Rate and actual total expense ratio were less than 5 basis points above the respective median of the Fund's Expense Group. With respect to each of the Templeton Foreign VIP Fund and the Templeton Growth VIP Fund, the Board noted management's explanation that the Expense Group for each Fund is not directly comparable to the Fund because funds that comprise the Expense Group have a higher allocation to domestic equity than the Fund. Management further explained that when each Fund is compared to a subset of its Expense Group that has a smaller allocation to domestic equity similar to the Fund, the Fund's actual total expense ratio is more aligned with peers. The Board

discussed with management the expenses of both of these Funds and management agreed to implement a reduction in the Management Rate for the Templeton Foreign VIP Fund and implement an expense cap on the Templeton Growth VIP Fund's actual total expense ratio of 0.87%, effective May 1, 2022. The Board also noted that the Franklin VolSmart Allocation VIP Fund's actual total expense ratio reflected a fee waiver from management. The Board further 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 and that the allocation of the fee between TAML and the sub-adviser reflected the services provided by each to the Fund. After consideration of the above, the Board concluded that the Management Rate charged to each Fund and the sub-advisory fee paid to the Templeton Developing Markets VIP Fund's sub-adviser are reasonable.

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, 2021, 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 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 DynaTech VIP Fund, Franklin Global Real Estate VIP Fund, Franklin Growth and Income VIP Fund, Franklin Large Cap Growth VIP Fund and Franklin VolSmart Allocation VIP Fund until each Fund's assets grow. The Board also recognized that given the decline in assets over the past three calendar years for each of the Franklin Income VIP Fund, Franklin Mutual Shares VIP Fund, Franklin Strategic Income VIP Fund, Franklin U.S. Government Securities 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

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 Franklin Templeton and Legg Mason products and portfolios. The ILC includes representatives from Franklin Templeton's Risk, Trading, Global Compliance, Legal, 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 2022, the Program Administrator provided a written report to the Board addressing the adequacy and effectiveness of the program for the year ended December 31, 2021. The Program Administrator report concluded that (i.) the LRMP, as adopted and implemented, remains reasonably designed to assess and manage each Fund's liquidity risk; (ii.) the LRMP, including the Highly Liquid Investment Minimum ("HLIM") where applicable, was implemented and operated effectively to achieve the goal of assessing and managing each Fund's liquidity risk; and (iii.) each Fund was able to meet requests for redemption without significant dilution of remaining investors' interests in the Fund.

Proxy Voting Policies and Procedures

The Trust's investment manager has established Proxy Voting Policies and Procedures (Policies) that the Trust uses to determine how to vote proxies relating to portfolio securities. Shareholders may view the Trust's complete Policies online at franklintempleton.com. Alternatively, shareholders may request copies of the Policies free of charge by calling the Proxy Group collect at (954) 527-7678 or by sending a written request to: Franklin Templeton Companies, LLC, 300 S.E. 2nd Street, Fort Lauderdale, FL 33301, Attention: Proxy Group. Copies of the Trust's

proxy voting records are also made available online at franklintempleton.com and posted on the U.S. Securities and Exchange Commission's website at sec.gov and reflect the most recent 12-month period ended June 30.

Quarterly Schedule of Investments

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

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

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

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



**FRANKLIN
TEMPLETON**

**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