

SEMIANNUAL REPORT

FRANKLIN TEMPLETON VARIABLE INSURANCE PRODUCTS TRUST

June 30, 2021



FRANKLIN
TEMPLETON

Franklin Templeton Variable Insurance Products Trust Semiannual Report

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

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

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

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

Franklin Mutual Global Discovery VIP Fund

This semiannual report for Franklin Mutual Global Discovery VIP Fund covers the period ended June 30, 2021.

Class 2 Performance Summary as of June 30, 2021

The Fund's Class 2 Shares posted a +15.73% total return for the six-month period ended June 30, 2021.

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

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

Franklin Mutual Global Discovery VIP Fund

Fund Goal and Main Investments

The Fund seeks capital appreciation. Under normal market conditions, the Fund invests primarily in U.S. and foreign equity securities that we believe are available at market prices less than their intrinsic value. The equity securities in which the Fund invests are primarily common stock, with a current focus on mid- and large cap 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 substantially and potentially up to 100% 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. Value securities may not increase in price as anticipated, or may decline further in value. The Fund's investments in foreign securities involve more risks than U.S. securities, including political and economic developments, trading practices, availability of information, limited markets, and currency exchange fluctuations and policies. Because the Fund may invest at least a significant portion of its assets in companies in a specific region, including Europe, the Fund is subject to greater risks of adverse developments in that region and/or the surrounding regions than a fund that is more broadly diversified geographically. Securities issued by small and mid-capitalization companies may be more volatile in price than those of larger companies and may involve additional risks. Derivatives 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. The Fund is actively managed but there is no guarantee that the manager's

Geographic Composition

6/30/21

	% of Total Net Assets
United States	49.0%
United Kingdom	8.8%
Germany	7.4%
France	7.3%
Netherlands	5.9%
Switzerland	5.0%
Canada	3.0%
Israel	1.9%
Japan	1.6%
South Korea	1.5%
China	1.2%
Other	0.8%
Short-Term Investments & Other Net Assets	6.6%

investment decisions will produce the desired results. The Fund's prospectus also includes a description of the main investment risks.

Performance Overview

You can find the Fund's six-month total return in the Performance Summary. In comparison, the Fund's new benchmark, the MSCI World Value Index-NR (USD), posted a +14.72% total return for the period under review.¹ Also for comparison, the Fund's former benchmark, the MSCI World Index (USD), posted a +13.33% total return for the same period.¹ The MSCI World Value Index-NR (USD; net of taxes on dividends) is replacing the MSCI World Index (USD; gross of taxes on dividends) as the Fund's benchmark. The investment manager believes the composition of the MSCI World Value Index-NR (USD) more accurately reflects the Fund's current investment strategy and portfolio characteristics, and that the actual withholding rates for the Fund are closer to the assumptions of the MSCI World Value Index-NR (USD) than the MSCI World Index (USD).

Economic and Market Overview

Global developed and emerging market equities, as measured by the MSCI All Country World Index-NR (USD), posted a +12.30% total return for the six months ended June 30, 2021.¹ Global equities benefited from monetary and fiscal stimulus measures, rebounding economic activity and easing novel coronavirus (COVID-19) pandemic restrictions in many

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

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

regions. The implementation of vaccination programs and additional fiscal stimulus measures led many equity markets to reach new all-time price highs.

In the U.S., the economy continued to recover and equities rallied amid an accommodative monetary policy, additional fiscal stimulus measures and ongoing vaccination programs. The lifting of many COVID-19 restrictions and strong consumer spending also supported the economy. Gross domestic product (GDP) growth accelerated in 2021's first quarter, with total economic output nearly reaching pre-pandemic levels. The rebound in corporate earnings and progress toward a bipartisan infrastructure plan further bolstered investor sentiment. The U.S. Federal Reserve kept the federal funds target rate at a record-low range of 0.00%–0.25% and continued its program of open-ended bond purchases to help keep markets functioning.

The economic recovery in the eurozone was relatively weak, as quarter-over-quarter GDP growth contracted during 2021's first quarter. GDP growth rates were mostly negative among the region's largest economies amid renewed lockdowns, delays in COVID-19 vaccine distribution and weak consumer spending. Nevertheless, optimism that successful vaccine programs would lift global growth helped European developed market equities, as measured by the MSCI Europe Index-NR (USD), to post a +11.80% 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 (USD), posted a +4.54% total return for the six-month period.¹ The region's economic recovery was pressured by weak domestic demand, most notably in China, despite improvement in manufacturing and exports. Asian equity markets experienced volatility near period-end due to inflation concerns, rising COVID-19 infection rates in many countries, especially India, and renewed lockdowns.

Global emerging market stocks, as measured by the MSCI Emerging Markets Index-NR (USD), posted a +7.45% total return for the six months under review.¹ The recovery in oil and industrial metals prices supported global emerging market equities. Late in the period, higher COVID-19 cases in some countries, limited vaccine rollouts and concerns about rising interest rates and inflation amid higher commodity prices dampened investor enthusiasm in global emerging market equities.

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. Our portfolio selection process generally includes an assessment of the potential impacts of any material environmental, social and governance (ESG) factors on the long-term risk and return profile of a company.

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

Before the start of the period, a large, multi-year performance gap existed between growth and value stocks. The beginning of 2021 brought a rotation into value stocks that lasted for much of the period, narrowing the gap. For the six-month period ending June 30, 2021, the MSCI World Value Index-NR (USD) posted a +14.72% total return, while the MSCI World Growth Index-NR (USD) posted a +11.14% total return.¹ While "the reopening trade" boosted the stock prices of many companies that stood to benefit from economic reopening and citizens' reentry into a more normalized society, a bigger driver of performance within our portfolios was "the reflation trade," reflecting expectations of rising interest rates and increasing inflationary pressures. Fiscal and monetary stimulus, increased demand for certain products such as automobiles where production was constrained by supply bottlenecks, a steepening yield curve and commodity price increases are drivers of the reflation trade.

Many of Franklin Mutual Series' portfolios had a significant position in banks. The team had invested in these names on account of their discounted pricing compared to our assessment of fair value. When rates started to rise at the beginning of the period, financial companies benefited. Higher rates generally mean high spreads on lending products. Moreover, increased economic activity and overall confidence in future economic growth spurs increased lending activity, which is also good for banks. Investments in companies such as ING Groep, Wells Fargo and Capital One Financial were some of our biggest contributors to absolute performance during the period.

Our traditional value equity investment approach is complemented with two other investment strategies we use to take advantage of special situations, which are merger arbitrage and distressed investing. We were active in special situations investing during the first half of 2021. During the period, our new ideas were driven by merger arbitrage opportunities, while our attention in credit remained focused on opportunistic performing and stressed names, in addition to post-reorganization distressed securities.

Within merger arbitrage, which involves trading the stocks of companies involved in a merger or acquisition, activity has been significant. Strong global markets, cheap and available financing and the administration change in the U.S. have helped to increase and sustain merger activity.

Top 10 Industries

6/30/21

	% of Total Net Assets
Pharmaceuticals	10.1%
Oil, Gas & Consumable Fuels	9.3%
Banks	8.5%
Insurance	7.2%
Health Care Providers & Services	4.6%
Software	4.3%
Technology Hardware, Storage & Peripherals	3.9%
Diversified Telecommunication Services	3.5%
Tobacco	3.4%
IT Services	3.1%

As corporations seek inorganic growth opportunities across products, service offerings and end markets while extracting merger synergies, we expect deal momentum to continue. We are seeking opportunities that either present a straightforward rate of return with relatively low risk, deals with high discounts due to concerns over the antitrust review process, or deals stemming from unsolicited approaches or auctions.

Within our distressed credit strategy, historically low rates and a steepening yield curve drove tight credit spreads. As a result, total risk-adjusted return potential in performing and stressed credit was muted during the period, particularly in fixed-rate, long duration investments. Given the current environment, we are invested in three key areas: top of the capital structure secured debt, event-driven credit and traditional distressed debt.

Fund Performance

Turning to Fund performance, top positive contributors included Wells Fargo, ING Groep and Eli Lilly.

Wells Fargo was among the leading contributors to Fund results during the period. The company announced its first-quarter 2021 results in April. Headline earnings per share beat consensus expectations. The mortgage and investment banking business lines generated strong fee revenues and management expects profitability of the company's other core lines of business to improve as the economy continues to reopen. The stock performed well throughout the remainder of the six-month period.

Financial services company ING Groep was a main contributor to Fund results during the period. The stock price rose throughout the six months, riding a wave of investor optimism and positive financial results. Early in the period, the company announced fourth-quarter 2020

adjusted earnings per share that beat expectations, which helped provide support for price appreciation in February and March. In May, ING Groep announced strong results for 2021's first quarter, further lifting the price. In addition, the continuing prospect of improving economic conditions and higher interest rates has helped to support financial stocks. Additionally, management has announced a series of restructurings and market exits to reduce cost and streamline the company's operations.

Top 10 Holdings

6/30/21

Company Industry, Country	% of Total Net Assets
GlaxoSmithKline plc <i>Pharmaceuticals, United Kingdom</i>	3.3%
Charter Communications, Inc. <i>Media, United States</i>	2.7%
Deutsche Telekom AG <i>Diversified Telecommunication Services, Germany</i>	2.6%
Merck & Co., Inc. <i>Pharmaceuticals, United States</i>	2.6%
Wells Fargo & Co. <i>Banks, United States</i>	2.6%
BP plc <i>Oil, Gas & Consumable Fuels, United Kingdom</i>	2.5%
CVS Health Corp. <i>Health Care Providers & Services, United States</i>	2.5%
ING Groep NV <i>Banks, Netherlands</i>	2.4%
Williams Cos., Inc. (The) <i>Oil, Gas & Consumable Fuels, United States</i>	2.3%
British American Tobacco plc <i>Tobacco, United Kingdom</i>	2.2%

Shares of drug company Eli Lilly appreciated during the period and contributed positively to portfolio results. The company's stock price appreciated strongly due to positive phase 2 data for its Alzheimer's compound, Donanemab, as well as Lilly announcing that it expected to file Donanemab with the FDA much earlier than originally anticipated due to potentially positive regulatory developments, namely the FDA approval of Aduhelm, an Alzheimer's product from Biogen (not a Fund holding). In addition, Eli Lilly's diabetes drug, Trulicity, continues to grow strongly, and its key diabetes pipeline compound, Tirzepatide, showed positive results in multiple phase 3 clinical trials, which further strengthens the company's position in the growing diabetes end market.

During the period under review, Fund investments that detracted from performance included Cognizant Technology Solutions, Check Point Software Technologies and Credit Suisse Group.

Outsourcing services company Cognizant Technology Solutions detracted from results during the period. The stock fell precipitously in May after the company's first-quarter 2021 earnings call. Despite financial results that were largely in-line with expectations, investors reacted negatively as the company lowered its full-year margin guidance to tackle a high employee attrition rate, which led to lost business opportunities due to the inability to source talent. Long term, the company is investing in its recruiting and employee retention efforts and building out its automation technology to decouple employee headcount growth from revenue growth.

Information technology security software provider Check Point Software Technologies detracted from Fund performance during the period. The stock slid in February after the company announced fourth fiscal quarter results, including 2021 guidance that was below consensus expectations due to higher selling, general and administrative expenses, lower interest income and foreign exchange headwinds. In late April, the company announced first-quarter 2021 financial results that were in-line with estimates, as better subscription revenues offset lower product revenues. The stock was range-bound for the remainder of the six-month period.

The stock of Switzerland-based financial services company Credit Suisse detracted from portfolio results during the six-month period. In March, the price fell due to two large risk management lapses at the firm. First, the collapse of Greensill, which is a provider of supply chain finance to companies around the world. Funds managed by Credit Suisse had approximately \$10 billion of exposure. Since the collapse of Greensill, Credit Suisse continues to work on recovering and returning investors' capital. Second, the firm had outsized exposure to Archegos Capital Management, a prime broker client of the firm. Although multiple global banks suffered losses, Credit Suisse suffered significantly higher losses than others, with a \$5.5 billion write-off booked during the quarter. As a result of this charge, it was forced to raise close to \$2 billion to shore up the bank's capital. In response to the two events, Credit Suisse announced multiple restructuring programs and management changes. The stock was range-bound for the remainder of the period.

During the period, the Fund held currency forwards and futures, seeking to hedge most of the currency risk of the portfolio's non-U.S. dollar investments. 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 Global Discovery 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, 2021, the end of the reporting period. The way we implement our main investment strategies and the resulting portfolio holdings may change depending on factors such as market and economic conditions. These opinions may not be relied upon as investment advice or an offer for a particular security. The information is not a complete analysis of every aspect of any market, country, industry, security or the Fund. Statements of fact are from sources considered reliable, but the investment manager makes no representation or warranty as to their completeness or accuracy. Although historical performance is no guarantee of future results, these insights may help you understand our investment management philosophy.

Class 2 Fund Expenses

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

Actual Fund Expenses

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

Hypothetical Example for Comparison with Other Mutual Funds

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

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

Share Class	Beginning Account Value 1/1/21	Actual (actual return after expenses)		Hypothetical (5% annual return before expenses)		Net Annualized Expense Ratio ²
		Ending Account Value 6/30/21	Fund-Level Expenses Paid During Period 1/1/21–6/30/21 ^{1,2}	Ending Account Value 6/30/21	Fund-Level Expenses Paid During Period 1/1/21–6/30/21 ^{1,2}	
2	\$1,000	\$1,157.30	\$6.54	\$1,018.73	\$6.12	1.22%

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 Global Discovery VIP Fund

	Six Months Ended June 30, 2021 (unaudited)	Year Ended December 31,				
		2020	2019	2018	2017	2016
Class 1						
Per share operating performance						
(for a share outstanding throughout the period)						
Net asset value, beginning of period	\$17.50	\$19.17	\$17.47	\$20.38	\$20.22	\$19.85
Income from investment operations ^a :						
Net investment income ^b	0.19	0.57 ^c	0.43	0.36	0.47	0.41
Net realized and unrealized gains (losses)	2.58	(1.52)	3.64	(2.50)	1.29	1.92
Total from investment operations	2.77	(0.95)	4.07	(2.14)	1.76	2.33
Less distributions from:						
Net investment income	—	(0.42)	(0.37)	(0.52)	(0.42)	(0.39)
Net realized gains	—	(0.30)	(2.00)	(0.25)	(1.18)	(1.57)
Total distributions	—	(0.72)	(2.37)	(0.77)	(1.60)	(1.96)
Net asset value, end of period	\$20.27	\$17.50	\$19.17	\$17.47	\$20.38	\$20.22
Total return ^d	15.83%	(4.22)%	24.71%	(11.01)%	8.99%	12.32%
Ratios to average net assets^e						
Expenses ^{f,g,h}	0.97%	0.97%	0.94%	0.96%	1.01%	1.01%
Expenses - incurred in connection with securities sold short	0.03%	0.01%	0.02%	0.01%	—	0.01%
Net investment income	2.00%	3.57% ^c	2.22%	1.81%	2.29%	2.10%
Supplemental data						
Net assets, end of period (000's)	\$4,069	\$3,788	\$3,878	\$3,282	\$3,189	\$3,084
Portfolio turnover rate	19.28%	34.79%	21.82%	29.84%	17.49%	17.54%

^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 \$0.24 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 2.07%.

^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).

Franklin Mutual Global Discovery VIP Fund (continued)

	Six Months Ended June 30, 2021 (unaudited)	Year Ended December 31,				
		2020	2019	2018	2017	2016
Class 2						
Per share operating performance						
(for a share outstanding throughout the period)						
Net asset value, beginning of period	\$16.91	\$18.54	\$16.96	\$19.80	\$19.69	\$19.37
Income from investment operations ^a :						
Net investment income ^b	0.16	0.51 ^c	0.37	0.30	0.41	0.35
Net realized and unrealized gains (losses)	2.50	(1.47)	3.53	(2.42)	1.25	1.87
Total from investment operations	2.66	(0.96)	3.90	(2.12)	1.66	2.22
Less distributions from:						
Net investment income	—	(0.37)	(0.32)	(0.47)	(0.37)	(0.33)
Net realized gains	—	(0.30)	(2.00)	(0.25)	(1.18)	(1.57)
Total distributions	—	(0.67)	(2.32)	(0.72)	(1.55)	(1.90)
Net asset value, end of period	\$19.57	\$16.91	\$18.54	\$16.96	\$19.80	\$19.69
Total return ^d	15.73%	(4.46)%	24.37%	(11.22)%	8.71%	12.06%
Ratios to average net assets^e						
Expenses ^{f,g,h}	1.22%	1.22%	1.19%	1.21%	1.26%	1.26%
Expenses - incurred in connection with securities sold short	0.03%	0.01%	0.02%	0.01%	—	0.01%
Net investment income	1.75%	3.33% ^c	1.97%	1.56%	2.04%	1.85%
Supplemental data						
Net assets, end of period (000's)	\$491,818	\$467,653	\$539,759	\$500,607	\$631,179	\$630,397
Portfolio turnover rate	19.28%	34.79%	21.82%	29.84%	17.49%	17.54%

^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 \$0.24 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 1.83%.

^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).

Franklin Mutual Global Discovery VIP Fund (continued)

	Six Months Ended June 30, 2021 (unaudited)	Year Ended December 31,				
		2020	2019	2018	2017	2016
Class 4						
Per share operating performance						
(for a share outstanding throughout the period)						
Net asset value, beginning of period	\$17.34	\$18.98	\$17.30	\$20.17	\$20.02	\$19.66
Income from investment operations ^a :						
Net investment income ^b	0.16	0.51 ^c	0.36	0.29	0.40	0.34
Net realized and unrealized gains (losses)	2.55	(1.50)	3.61	(2.47)	1.27	1.89
Total from investment operations	2.71	(0.99)	3.97	(2.18)	1.67	2.23
Less distributions from:						
Net investment income	—	(0.35)	(0.29)	(0.44)	(0.34)	(0.30)
Net realized gains	—	(0.30)	(2.00)	(0.25)	(1.18)	(1.57)
Total distributions	—	(0.65)	(2.29)	(0.69)	(1.52)	(1.87)
Net asset value, end of period	\$20.05	\$17.34	\$18.98	\$17.30	\$20.17	\$20.02
Total return ^d	15.63%	(4.54)%	24.28%	(11.31)%	8.61%	11.91%
Ratios to average net assets^e						
Expenses ^{f,g,h}	1.32%	1.32%	1.29%	1.31%	1.36%	1.36%
Expenses - incurred in connection with securities sold short	0.03%	0.01%	0.02%	0.01%	—	0.01%
Net investment income	1.65%	3.22% ^c	1.87%	1.46%	1.94%	1.75%
Supplemental data						
Net assets, end of period (000's)	\$27,444	\$26,688	\$30,865	\$30,094	\$41,713	\$45,262
Portfolio turnover rate	19.28%	34.79%	21.82%	29.84%	17.49%	17.54%

^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 \$0.24 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 1.72%.

^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).

Statement of Investments (unaudited), June 30, 2021

Franklin Mutual Global Discovery VIP Fund

	Country	Shares	Value
Common Stocks 93.8%			
Aerospace & Defense 2.6%			
^a Airbus SE	France	43,989	\$5,668,586
BAE Systems plc	United Kingdom	1,096,354	7,922,850
			13,591,436
Auto Components 1.6%			
Cie Generale des Etablissements Michelin SCA	France	53,424	8,526,942
^{a,b,c} International Automotive Components Group Brazil LLC	Brazil	424,073	30,585
			8,557,527
Automobiles 1.4%			
^a General Motors Co.	United States	119,200	7,053,064
Banks 8.4%			
BNP Paribas SA	France	155,907	9,785,493
Citigroup, Inc.	United States	116,235	8,223,626
ING Groep NV	Netherlands	960,888	12,756,241
Wells Fargo & Co.	United States	295,666	13,390,713
			44,156,073
Beverages 1.3%			
Heineken NV	Netherlands	55,066	6,685,546
Biotechnology 0.9%			
^a Alexion Pharmaceuticals, Inc.	United States	24,400	4,482,524
Building Products 1.6%			
Johnson Controls International plc.	United States	122,142	8,382,605
Capital Markets 1.7%			
Credit Suisse Group AG, A	Switzerland	699,537	7,322,701
^{a,d} Guotai Junan Securities Co. Ltd., H, 144A, Reg S	China	1,085,512	1,541,697
			8,864,398
Chemicals 2.8%			
BASF SE	Germany	102,530	8,094,377
^d Covestro AG, 144A, Reg S	Germany	102,702	6,641,118
			14,735,495
Construction Materials 1.0%			
HeidelbergCement AG	Germany	60,379	5,184,369
Consumer Finance 1.5%			
Capital One Financial Corp.	United States	52,288	8,088,431
Diversified Financial Services 1.9%			
Voya Financial, Inc.	United States	161,150	9,910,725
Diversified Telecommunication Services 3.5%			
Deutsche Telekom AG.	Germany	648,121	13,708,919
^a Frontier Communications Parent, Inc.	United States	171,776	4,534,887
			18,243,806
Entertainment 1.8%			
^{a,e} Walt Disney Co. (The).	United States	52,291	9,191,189
Food Products 1.5%			
Kraft Heinz Co. (The)	United States	193,600	7,895,008
Health Care Equipment & Supplies 1.7%			
Medtronic plc	United States	73,513	9,125,169

Franklin Mutual Global Discovery VIP Fund (continued)

	Country	Shares	Value
Common Stocks (continued)			
Health Care Providers & Services 4.6%			
Anthem, Inc.	United States	28,932	\$11,046,238
CVS Health Corp.	United States	155,791	12,999,201
			24,045,439
Hotels, Restaurants & Leisure 1.4%			
^a Accor SA	France	200,680	7,506,792
Industrial Conglomerates 1.6%			
General Electric Co.	United States	625,050	8,413,173
Insurance 8.5%			
^a Alleghany Corp.	United States	9,530	6,357,177
China Pacific Insurance Group Co. Ltd., H.	China	1,467,708	4,610,430
Everest Re Group Ltd.	United States	28,278	7,126,339
Hartford Financial Services Group, Inc. (The)	United States	138,961	8,611,413
NN Group NV	Netherlands	237,579	11,224,022
Willis Towers Watson plc.	United States	28,900	6,647,578
			44,576,959
IT Services 3.1%			
Capgemini SE.	France	33,932	6,526,133
Cognizant Technology Solutions Corp., A.	United States	141,960	9,832,150
			16,358,283
Media 2.7%			
^a Charter Communications, Inc., A.	United States	19,786	14,274,610
Oil, Gas & Consumable Fuels 9.3%			
BP plc.	United Kingdom	2,966,046	13,008,224
Canadian Natural Resources Ltd.	Canada	280,400	10,177,858
Inter Pipeline Ltd.	Canada	370,296	6,018,523
Kinder Morgan, Inc.	United States	408,970	7,455,523
^e Williams Cos., Inc. (The)	United States	461,701	12,258,162
			48,918,290
Pharmaceuticals 10.7%			
^a Elanco Animal Health, Inc.	United States	86,487	3,000,234
Eli Lilly & Co.	United States	46,835	10,749,569
GlaxoSmithKline plc	United Kingdom	865,810	17,022,274
^a Merck & Co., Inc.	United States	174,416	13,564,332
Novartis AG, ADR	Switzerland	119,597	10,912,030
^a Organon & Co.	United States	16,341	494,479
			55,742,918
Road & Rail 0.5%			
Kansas City Southern	United States	9,900	2,805,363
Semiconductors & Semiconductor Equipment 2.7%			
^a Renesas Electronics Corp.	Japan	799,001	8,623,884
Xilinx, Inc.	United States	38,600	5,583,104
			14,206,988
Software 4.7%			
^a Avaya Holdings Corp.	United States	4	108
^a Check Point Software Technologies Ltd.	Israel	83,559	9,703,707
Oracle Corp.	United States	124,760	9,711,318
^a Slack Technologies, Inc., A	United States	116,600	5,165,380
			24,580,513

Franklin Mutual Global Discovery VIP Fund (continued)

	Country	Shares	Value
Common Stocks (continued)			
Technology Hardware, Storage & Peripherals 3.9%			
Catcher Technology Co. Ltd.	Taiwan	613,167	\$3,997,361
Samsung Electronics Co. Ltd.	South Korea	111,916	7,985,012
^a Western Digital Corp.	United States	115,177	8,197,147
			20,179,520
Textiles, Apparel & Luxury Goods 1.5%			
Cie Financiere Richemont SA	Switzerland	63,468	7,694,138
Tobacco 3.4%			
Altria Group, Inc.	United States	130,784	6,235,781
British American Tobacco plc.	United Kingdom	290,877	11,294,286
			17,530,067
Total Common Stocks (Cost \$353,642,866)			490,980,418
Preferred Stocks 1.0%			
Automobiles 1.0%			
^h Volkswagen AG, 2.3%	Germany	21,093	5,289,125
Total Preferred Stocks (Cost \$2,867,110)			5,289,125
			Warrants
Warrants 0.0%[†]			
Software 0.0%[†]			
^a Avaya Holdings Corp., 12/15/22	United States	3,613	18,535
Textiles, Apparel & Luxury Goods 0.0%[†]			
^a Cie Financiere Richemont SA, 11/22/23	Switzerland	147,346	98,735
Total Warrants (Cost \$—)			117,270
			Principal Amount[†]
Convertible Bonds 0.1%			
Banks 0.1%			
^d Credit Suisse Group Guernsey VII Ltd., BR, Senior Note, 144A, Reg S, 3%, 11/12/21	Switzerland	294,000 CHF	357,821
Total Convertible Bonds (Cost \$323,735)			357,821
Corporate Bonds 2.0%			
Airlines 1.8%			
^d American Airlines Inc/AAdvantage Loyalty IP Ltd., Senior Secured Note, 144A, 5.5%, 4/20/26	United States	2,023,000	2,144,380
Senior Secured Note, 144A, 5.75%, 4/20/29	United States	162,000	175,365
^d American Airlines, Inc., Senior Secured Note, 144A, 11.75%, 7/15/25	United States	3,988,000	5,009,925
^d Mileage Plus Holdings LLC / Mileage Plus Intellectual Property Assets Ltd., Senior Secured Note, 144A, 6.5%, 6/20/27	United States	2,060,000	2,270,635
			9,600,305
Multiline Retail 0.2%			
^d Macy's, Inc., Senior Secured Note, 144A, 8.375%, 6/15/25	United States	829,000	914,971
Total Corporate Bonds (Cost \$9,005,525)			10,515,276

Franklin Mutual Global Discovery VIP Fund (continued)

	Country	Principal Amount [†]	Value
g,h Senior Floating Rate Interests 0.1%			
Airlines 0.1%			
AAAdvantage Loyalty IP Ltd. (American Airlines, Inc.), Initial Term Loan, 5.5%, (3-month USD LIBOR + 4.75%), 4/20/28	United States	423,000	\$441,534
Total Senior Floating Rate Interests (Cost \$418,819)			441,534
		Shares	
Companies in Liquidation 0.0%			
a,b,i Tribune Media, Litigation Trust, Contingent Distribution	United States	57,457	—
a,b,i Vistra Energy Corp., Litigation Trust, Contingent Distribution	United States	5,912,264	—
a,b,i Walter Energy, Inc., Litigation Trust, Contingent Distribution	United States	966,000	—
Total Companies in Liquidation (Cost \$185,800)			—
Total Long Term Investments (Cost \$366,443,855)			507,701,444
Short Term Investments 0.7%			
	Country	Principal Amount [†]	Value
U.S. Government and Agency Securities 0.7%			
i FHLB, 7/01/21	United States	200,000	200,000
i U.S. Treasury Bills,			
7/08/21	United States	1,500,000	1,499,990
8/26/21	United States	1,500,000	1,499,908
11/04/21	United States	400,000	399,932
			3,399,830
Total U.S. Government and Agency Securities (Cost \$3,599,815)			3,599,830
Total Short Term Investments (Cost \$3,599,815)			3,599,830
Total Investments (Cost \$370,043,670) 97.7%			\$511,301,274
Securities Sold Short (3.6%)			(18,899,421)
Other Assets, less Liabilities 5.9%			30,929,739
Net Assets 100.0%			\$523,331,592
		Shares	
Securities Sold Short (3.6%)			
Common Stocks (3.6%)			
Insurance (1.3%)			
k Aon plc, A	United States	28,728	(6,859,097)
Pharmaceuticals (0.6%)			
k AstraZeneca plc, ADR	United Kingdom	51,833	(3,104,797)
Road & Rail (0.1%)			
k Canadian National Railway Co.	Canada	4,516	(476,528)
Semiconductors & Semiconductor Equipment (1.2%)			
k Advanced Micro Devices, Inc.	United States	66,524	(6,248,600)

Franklin Mutual Global Discovery VIP Fund (continued)

	Country	Shares	Value
Securities Sold Short (continued)			
Common Stocks (continued)			
Software (0.4)%			
^k salesforce.com, Inc.	United States	9,049	(2,210,399)
Total Common Stocks (Proceeds \$17,243,885)			(18,899,421)
Total Securities Sold Short (Proceeds \$17,243,885)			\$(18,899,421)

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

[†]Rounds to less than 0.1% of net assets.

^aNon-income producing.

^bFair valued using significant unobservable inputs. See Note 12 regarding fair value measurements.

^cSee Note 9 regarding restricted securities.

^dSecurity was purchased pursuant to Rule 144A or Regulation S under the Securities Act of 1933. 144A securities may be sold in transactions exempt from registration only to qualified institutional buyers or in a public offering registered under the Securities Act of 1933. Regulation S securities cannot be sold in the United States without either an effective registration statement filed pursuant to the Securities Act of 1933, or pursuant to an exemption from registration. At June 30, 2021, the aggregate value of these securities was \$19,055,912, representing 3.6% of net assets.

^eA portion or all of the security has been segregated as collateral for securities sold short and/or open forward exchange contracts. At June 30, 2021, the aggregate value of these securities pledged amounted to \$20,851,362, representing 4.0% of net assets.

^fVariable rate security. The rate shown represents the yield at period end.

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

^hThe coupon rate shown represents the rate at period end.

ⁱContingent 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.

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

^kSee Note 1(d) regarding securities sold short.

Franklin Mutual Global Discovery VIP Fund (continued)

At June 30, 2021, 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	94	\$13,941,375	9/13/21	\$414,527
Foreign Exchange GBP/USD	Short	89	7,679,031	9/13/21	207,089
Total Futures Contracts					\$621,616

*As of period end.

At June 30, 2021, 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							
Canadian Dollar	HSBK	Sell	5,942,573	4,901,558	7/19/21	\$108,335	\$—
Canadian Dollar	UBSW	Sell	840,458	695,908	7/19/21	18,005	—
Swiss Franc	HSBK	Sell	6,916,393	7,620,967	7/19/21	142,552	—
British Pound	HSBK	Buy	318,999	449,792	7/23/21	144	(8,616)
British Pound	HSBK	Sell	4,930,009	6,949,168	7/23/21	128,735	—
British Pound	SSBT	Sell	57,185	80,606	7/23/21	1,493	—
British Pound	UBSW	Buy	1,290,904	1,819,072	7/23/21	—	(33,168)
British Pound	UBSW	Sell	41,000	57,981	7/23/21	1,259	—
Euro	HSBK	Sell	30,705,839	37,337,724	8/23/21	884,160	—
Euro	UBSW	Sell	4,037,044	4,884,583	8/23/21	91,859	—
New Taiwan Dollar	HSBK	Sell	67,093,040	2,415,685	8/27/21	1,732	(122)
New Taiwan Dollar	UBSW	Sell	41,719,482	1,505,510	8/27/21	4,401	—
South Korean Won	HSBK	Sell	2,957,988,745	2,624,657	11/19/21	8,615	—
South Korean Won	UBSW	Sell	269,296,183	239,066	11/19/21	901	—
South Korean Won	HSBK	Sell	3,276,006,847	2,947,825	12/17/21	51,046	—
South Korean Won	UBSW	Sell	178,093,425	160,326	12/17/21	2,849	—
Total Forward Exchange Contracts						\$1,446,086	\$(41,906)
Net unrealized appreciation (depreciation)						\$1,404,180	

¹In U.S. dollars unless otherwise indicated.

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

See Note 10 regarding other derivative information.

See Abbreviations on page MGD-31.

Statement of Assets and Liabilities

June 30, 2021 (unaudited)

**Franklin
Mutual Global
Discovery VIP
Fund**

Assets:

Investments in securities:	
Cost - Unaffiliated issuers	\$370,043,670
Value - Unaffiliated issuers	\$511,301,274
Cash	4,517,110
Foreign currency, at value (cost \$267,397)	267,397
Receivables:	
Investment securities sold	3,538,684
Capital shares sold	36,306
Dividends and interest	1,154,866
European Union tax reclaims (Note 1g)	2,700,078
Deposits with brokers for:	
Securities sold short	18,895,601
Futures contracts	416,830
Variation margin on futures contracts	91,325
Unrealized appreciation on OTC forward exchange contracts	1,446,086
Other assets	188,952
Total assets	\$544,554,509

Liabilities:

Payables:	
Investment securities purchased	978,294
Capital shares redeemed	559,833
Management fees	383,291
Distribution fees	110,978
Securities sold short, at value (proceeds \$17,243,885)	18,899,421
Unrealized depreciation on OTC forward exchange contracts	41,906
Accrued expenses and other liabilities	249,194
Total liabilities	21,222,917
Net assets, at value	\$523,331,592

Net assets consist of:

Paid-in capital	\$367,198,408
Total distributable earnings (losses)	156,133,184
Net assets, at value	\$523,331,592

**Franklin
Mutual Global
Discovery VIP
Fund**

Class 1:

Net assets, at value	\$4,068,893
Shares outstanding	200,745
Net asset value and maximum offering price per share	\$20.27

Class 2:

Net assets, at value	\$491,818,299
Shares outstanding	25,136,282
Net asset value and maximum offering price per share	\$19.57

Class 4:

Net assets, at value	\$27,444,400
Shares outstanding	1,369,088
Net asset value and maximum offering price per share	\$20.05

Statement of Operations

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

	Franklin Mutual Global Discovery VIP Fund
Investment income:	
Dividends: (net of foreign taxes of \$412,391)	
Unaffiliated issuers	\$7,261,805
Interest:	
Unaffiliated issuers	385,176
Income from securities loaned:	
Unaffiliated entities (net of fees and rebates)	2,773
Non-controlled affiliates (Note 3e)	47
Other income (Note 1g)	19,117
Total investment income	<u>7,668,918</u>
Expenses:	
Management fees (Note 3a)	2,257,247
Distribution fees: (Note 3c)	
Class 2	605,732
Class 4	47,948
Custodian fees (Note 4)	7,033
Reports to shareholders	64,374
Professional fees	63,707
Trustees' fees and expenses	1,812
Dividends on securities sold short	78,448
Other	37,567
Total expenses	3,163,868
Expense reductions (Note 4)	(21)
Expenses waived/paid by affiliates (Note 3e)	(114)
Net expenses	<u>3,163,733</u>
Net investment income	<u>4,505,185</u>
Realized and unrealized gains (losses):	
Net realized gain (loss) from:	
Investments:	
Unaffiliated issuers	26,935,796
Foreign currency transactions	(50,235)
Forward exchange contracts	(280,477)
Futures contracts	(507,821)
Securities sold short	(214,684)
Net realized gain (loss)	<u>25,882,579</u>
Net change in unrealized appreciation (depreciation) on:	
Investments:	
Unaffiliated issuers	43,285,820
Translation of other assets and liabilities denominated in foreign currencies	(107,662)
Forward exchange contracts	2,247,515
Futures contracts	852,238
Securities sold short	(1,548,913)
Net change in unrealized appreciation (depreciation)	<u>44,728,998</u>
Net realized and unrealized gain (loss)	70,611,577
Net increase (decrease) in net assets resulting from operations	<u>\$75,116,762</u>

Statements of Changes in Net Assets

	Franklin Mutual Global Discovery VIP Fund	
	Six Months Ended	Year Ended
	June 30, 2021	December 31, 2020
	(unaudited)	
Increase (decrease) in net assets:		
Operations:		
Net investment income	\$4,505,185	\$15,446,502
Net realized gain (loss)	25,882,579	(31,439,546)
Net change in unrealized appreciation (depreciation)	44,728,998	(11,712,372)
Net increase (decrease) in net assets resulting from operations	75,116,762	(27,705,416)
Distributions to shareholders:		
Class 1	—	(151,550)
Class 2	—	(18,507,580)
Class 4	—	(1,028,932)
Total distributions to shareholders	—	(19,688,062)
Capital share transactions: (Note 2)		
Class 1	(299,894)	172,218
Class 2	(46,380,801)	(27,296,236)
Class 4	(3,233,147)	(1,856,627)
Total capital share transactions	(49,913,842)	(28,980,645)
Net increase (decrease) in net assets	25,202,920	(76,374,123)
Net assets:		
Beginning of period	498,128,672	574,502,795
End of period	\$523,331,592	\$498,128,672

Notes to Financial Statements (unaudited)

Franklin Mutual Global Discovery 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 Global Discovery VIP Fund (Fund) is included in this report. Shares of the Fund are generally sold only to insurance company separate accounts to fund the benefits of variable life insurance policies or variable annuity contracts. At June 30, 2021, 43.99% of the Fund's shares were held through one insurance company. Investment activities of these insurance company separate accounts could have a material impact on the Fund. The Fund offers 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, exchange traded funds 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. Investments in repurchase agreements are valued at cost, which approximates fair value.

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

Franklin Mutual Global Discovery VIP Fund (continued)**1. Organization and Significant Accounting Policies**
(continued)**a. Financial Instrument Valuation** (continued)

investments. Due to the inherent uncertainty of valuations of such investments, the fair values may differ significantly from the values that would have been used had an active market existed.

Trading in securities on foreign securities stock exchanges and OTC markets may be completed before 4 p.m. Eastern time. In addition, trading in certain foreign markets may not take place on every Fund's business day. Events can occur between the time at which trading in a foreign security is completed and 4 p.m. Eastern time that might call into question the reliability of the value of a portfolio security held by the Fund. As a result, differences may arise between the value of the Fund's portfolio securities as determined at the foreign market close and the latest indications of value at 4 p.m. Eastern time. In order to minimize the potential for these differences, an independent pricing service may be used to adjust the value of the Fund's securities to the latest indications of fair value at 4 p.m. Eastern time. At June 30, 2021, certain securities may have been fair valued using these procedures, in which case the securities were categorized as Level 2 inputs within the fair value hierarchy (referred to as "market level fair value"). See the Fair Value Measurements note for more information.

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

Franklin Mutual Global Discovery VIP Fund (continued)

1. Organization and Significant Accounting Policies

(continued)

c. Derivative Financial Instruments (continued)

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. 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, 2021 the Fund had no OTC derivatives in a net liability position for such contracts.

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 the 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.

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 10 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.

Franklin Mutual Global Discovery 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, 2021, 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. 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, 2021, the Fund has determined that no tax liability is required in its financial statements related to uncertain tax positions for any open tax years (or expected to be taken in future tax years). Open tax years are those that remain subject to examination and are based on the statute of limitations in each jurisdiction in which the Fund invests.

Franklin Mutual Global Discovery 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, 2021, there were an unlimited number of shares authorized (without par value). Transactions in the Fund's shares were as follows:

	Six Months Ended June 30, 2021		Year Ended December 31, 2020	
	Shares	Amount	Shares	Amount
Class 1 Shares:				
Shares sold	11,079	\$209,139	35,855	\$553,637
Shares issued in reinvestment of distributions	—	—	10,310	151,550
Shares redeemed	(26,777)	(509,033)	(32,073)	(532,969)
Net increase (decrease)	(15,698)	\$(299,894)	14,092	\$172,218

Franklin Mutual Global Discovery VIP Fund (continued)

2. Shares of Beneficial Interest (continued)

	Six Months Ended June 30, 2021		Year Ended December 31, 2020	
	Shares	Amount	Shares	Amount
Class 2 Shares:				
Shares sold	491,751	\$9,091,198	2,017,207	\$28,571,483
Shares issued in reinvestment of distributions	—	—	1,301,518	18,507,580
Shares redeemed	(3,004,451)	(55,471,999)	(4,784,030)	(74,375,299)
Net increase (decrease)	(2,512,700)	\$(46,380,801)	(1,465,305)	\$(27,296,236)
Class 4 Shares:				
Shares sold	10,557	\$203,523	178,276	\$2,524,788
Shares issued in reinvestment of distributions	—	—	70,572	1,028,932
Shares redeemed	(180,803)	(3,436,670)	(336,123)	(5,410,347)
Net increase (decrease)	(170,246)	\$(3,233,147)	(87,275)	\$(1,856,627)

3. Transactions with Affiliates

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

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

a. Management Fees

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

Annualized Fee Rate	Net Assets
0.875%	Up to and including \$4 billion
0.845%	Over \$4 billion, up to and including \$7 billion
0.825%	Over \$7 billion, up to and including \$10 billion
0.805%	Over \$10 billion, up to and including \$13 billion
0.785%	Over \$13 billion, up to and including \$16 billion
0.765%	Over \$16 billion, up to and including \$19 billion
0.745%	Over \$19 billion, up to and including \$22 billion
0.725%	Over \$22 billion, up to and including \$25 billion
0.705%	Over \$25 billion, up to and including \$28 billion
0.685%	In excess of \$28 billion

For the period ended June 30, 2021, the annualized gross effective management fee rate was 0.875% of the Fund's average daily net assets.

Franklin Mutual Global Discovery 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 Funds do not invest for purposes of exercising a controlling influence over the management or policies. Management fees paid by the Fund are waived on assets invested in the affiliated management investment companies, as noted in the Statement of Operations, in an amount not to exceed the management and administrative fees paid directly or indirectly by each affiliate. During the period ended June 30, 2021, the Fund held investments in affiliated management investment companies as follows:

	Value at Beginning of Period	Purchases	Sales	Realized Gain (Loss)	Net Change in Unrealized Appreciation (Depreciation)	Value at End of Period	Number of Shares Held at End of Period	Investment Income
Franklin Mutual Global Discovery VIP Fund								
Non-Controlled Affiliates								
								Income from securities loaned
Institutional Fiduciary Trust - Money Market Portfolio, 0.01%	\$—	\$17,241,000	\$(17,241,000)	\$—	\$—	\$— ^a	—	\$47
Total Affiliated Securities	\$—	\$17,241,000	\$(17,241,000)	\$—	\$—	\$—		\$47

^a As of June 30, 2021, no longer held by the fund.

4. Expense Offset Arrangement

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

Franklin Mutual Global Discovery VIP Fund (continued)

5. Income Taxes

For tax purposes, capital losses may be carried over to offset future capital gains.

At December 31, 2020, the capital loss carryforwards were as follows:

Capital loss carryforwards not subject to expiration:

Short term	\$3,106,976
Long term	26,241,010
Total capital loss carryforwards	<u>\$29,347,986</u>

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

Cost of investments	<u>\$354,589,416</u>
Unrealized appreciation.	\$150,758,881
Unrealized depreciation.	(10,920,648)
Net unrealized appreciation (depreciation).	<u>\$139,838,233</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 partnerships, bond market discounts and premiums, return of capital distributions, defaulted securities, foreign currency transactions and wash sales, EU reclaims, passive foreign investment company shares and tax straddles.

6. Investment Transactions

Purchases and sales of investments (excluding short term securities and securities sold short) for the period ended June 30, 2021, aggregated \$95,411,900 and \$136,629,931, respectively.

7. Concentration of Risk

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

8. Novel Coronavirus Pandemic

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

Franklin Mutual Global Discovery VIP Fund (continued)

9. 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, 2021, investments in restricted securities, excluding securities exempt from registration under the 1933 Act, were as follows:

Shares	Issuer	Acquisition Date	Cost	Value
Franklin Mutual Global Discovery VIP Fund				
424,073	International Automotive Components Group BVBA . . .	4/13/06 - 12/26/08	\$281,629	\$30,585
Total Restricted Securities (Value is 0.0% [†] of Net Assets)			\$281,629	\$30,585

[†] Rounds to less than 0.1% of net assets.

10. Other Derivative Information

At June 30, 2021, 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 Global Discovery VIP Fund				
Foreign exchange contracts . . .				
	Variation margin on futures contracts	\$621,616 ^a	Variation margin on futures contracts	\$—
	Unrealized appreciation on OTC forward exchange contracts	1,446,086	Unrealized depreciation on OTC forward exchange contracts	41,906
Total		\$2,067,702		\$41,906

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

For the period ended June 30, 2021, the effect of derivative contracts in the Statement of Operations was as follows:

Franklin Mutual Global Discovery VIP Fund (continued)

10. Other Derivative Information (continued)

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 Global Discovery VIP Fund				
	Net realized gain (loss) from:		Net change in unrealized appreciation (depreciation) on:	
Foreign exchange contracts				
	Futures contracts	\$(507,821)	Futures contracts	\$852,238
	Forward exchange contracts	(280,477)	Forward exchange contracts	2,247,515
Total		<u>\$(788,298)</u>		<u>\$3,099,753</u>

For the period ended June 30, 2021, the average month end notional amount of futures contracts represented \$23,530,822. The average month end contract value of forward exchange contracts was \$75,647,556.

See Note 1(c) regarding derivative financial instruments.

11. Credit Facility

The Fund, together with other U.S. registered and foreign investment funds (collectively, Borrowers), managed by Franklin Templeton, are borrowers in a joint syndicated senior unsecured credit facility totaling \$2.675 billion (Global Credit Facility) which matures on February 4, 2022. This Global Credit Facility provides a source of funds to the Borrowers for temporary and emergency purposes, including the ability to meet future unanticipated or unusually large redemption requests.

Under the terms of the Global Credit Facility, the Fund shall, in addition to interest charged on any borrowings made by the Fund and other costs incurred by the Fund, pay its share of fees and expenses incurred in connection with the implementation and maintenance of the Global Credit Facility, based upon its relative share of the aggregate net assets of all of the Borrowers, including an annual commitment fee of 0.15% based upon the unused portion of the Global Credit Facility. These fees are reflected in other expenses in the Statement of Operations. During the period ended June 30, 2021, the Fund did not use the Global Credit Facility.

12. Fair Value Measurements

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

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

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

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

Franklin Mutual Global Discovery VIP Fund (continued)

12. Fair Value Measurements (continued)

	Level 1	Level 2	Level 3	Total
Franklin Mutual Global Discovery VIP Fund				
Assets:				
Investments in Securities:				
Common Stocks:				
Aerospace & Defense	\$—	\$13,591,436	\$—	\$13,591,436
Auto Components	—	8,526,942	30,585	8,557,527
Automobiles	7,053,064	—	—	7,053,064
Banks	21,614,339	22,541,734	—	44,156,073
Beverages	—	6,685,546	—	6,685,546
Biotechnology	4,482,524	—	—	4,482,524
Building Products	8,382,605	—	—	8,382,605
Capital Markets	—	8,864,398	—	8,864,398
Chemicals	—	14,735,495	—	14,735,495
Construction Materials	—	5,184,369	—	5,184,369
Consumer Finance	8,088,431	—	—	8,088,431
Diversified Financial Services	9,910,725	—	—	9,910,725
Diversified Telecommunication Services	4,534,887	13,708,919	—	18,243,806
Entertainment	9,191,189	—	—	9,191,189
Food Products	7,895,008	—	—	7,895,008
Health Care Equipment & Supplies	9,125,169	—	—	9,125,169
Health Care Providers & Services	24,045,439	—	—	24,045,439
Hotels, Restaurants & Leisure	—	7,506,792	—	7,506,792
Industrial Conglomerates	8,413,173	—	—	8,413,173
Insurance	28,742,507	15,834,452	—	44,576,959
IT Services	9,832,150	6,526,133	—	16,358,283
Media	14,274,610	—	—	14,274,610
Oil, Gas & Consumable Fuels	35,910,066	13,008,224	—	48,918,290
Pharmaceuticals	38,720,644	17,022,274	—	55,742,918
Road & Rail	2,805,363	—	—	2,805,363
Semiconductors & Semiconductor Equipment	5,583,104	8,623,884	—	14,206,988
Software	24,580,513	—	—	24,580,513
Technology Hardware, Storage & Peripherals	8,197,147	11,982,373	—	20,179,520
Textiles, Apparel & Luxury Goods	—	7,694,138	—	7,694,138
Tobacco	6,235,781	11,294,286	—	17,530,067
Preferred Stocks	—	5,289,125	—	5,289,125
Warrants	117,270	—	—	117,270
Convertible Bonds	—	357,821	—	357,821
Corporate Bonds	—	10,515,276	—	10,515,276
Senior Floating Rate Interests	—	441,534	—	441,534
Companies in Liquidation	—	—	— ^a	—
Short Term Investments	3,399,830	200,000	—	3,599,830
Total Investments in Securities	\$301,135,538	\$210,135,151 ^b	\$30,585	\$511,301,274
Other Financial Instruments:				
Forward exchange contracts	\$—	\$1,446,086	\$—	\$1,446,086
Futures contracts	621,616	—	—	621,616
Total Other Financial Instruments	\$621,616	\$1,446,086	\$—	\$2,067,702
Liabilities:				
Other Financial Instruments:				
Securities Sold Short	18,899,421	—	—	18,899,421
Forward exchange contracts	\$—	\$41,906	\$—	\$41,906
Total Other Financial Instruments	\$18,899,421	\$41,906	\$—	\$18,941,327

^aIncludes securities determined to have no value at June 30, 2021.

^bIncludes foreign securities valued at \$198,620,520, 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.

Franklin Mutual Global Discovery VIP Fund (continued)

12. Fair Value Measurements (continued)

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 year.

13. 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 provides optional temporary accounting recognition and financial reporting relief from the effect of certain types of contract modifications due to the planned discontinuation of the London Interbank Offered Rate (LIBOR) and other interbank-offered based reference rates as of the end of 2021 and 2023. The ASUs are effective for certain reference rate-related contract modifications that occur during the period March 12, 2020 through December 31, 2022. Management has reviewed the requirements and believes the adoption of these ASUs will not have a material impact on the financial statements.

14. Subsequent Events

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

Abbreviations

Counterparty

HSBK	HSBC Bank plc
SSBT	State Street Bank and Trust Co.
UBSW	UBS AG

Currency

CHF	Swiss Franc
EUR	Euro
GBP	British Pound
USD	United States Dollar

Selected Portfolio

ADR	American Depositary Receipt
FHLB	Federal Home Loan Banks

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

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

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

Bloomberg Barclays U.S. Corporate High Yield Bond Index measures the performance of the U.S. dollar-denominated, high-yield, fixed-rate corporate bond market. Securities are classified as high yield if the middle rating of Moody's, Fitch and Standard & Poor's is Ba1/BB+/BB+ or below. Bonds from issuers with an emerging markets (EM) country of risk, based on Barclays EM country definition, are excluded.

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

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

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

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

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

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

Lipper Multi-Sector Income Funds Classification Average is calculated by averaging the total returns of all funds within the Lipper Multi-Sector Income Funds Classification in the Lipper Open-End underlying funds universe. Lipper Multi-Sector Income Funds are defined as funds that seek current income by allocating assets among different fixed income securities sectors (not primarily in one sector except for defensive purposes), including U.S. and foreign governments, with a significant portion rated below investment grade. For the six-month period ended 6/30/21, there were 375 funds in this category. Lipper calculations do not include contract fees, expenses or sales charges, and may have been different if such charges had been considered.

Lipper VIP General U.S. Government Funds Classification Average is an equally weighted average calculation of performance figures for all funds within the Lipper General U.S. Government Funds classification in the Lipper VIP underlying funds universe. Lipper General U.S. Government Funds invest primarily in U.S. government and agency issues. For the six-month period ended 6/30/21, there were 24 funds in this category. Lipper calculations do not include contract fees, expenses or sales charges, and may have been different if such charges had been considered.

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

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

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

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

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

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

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

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

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

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

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

Russell 1000® Index is market capitalization weighted and measures the performance of the approximately 1,000 largest companies in the Russell 3000® Index, which represents the majority of the U.S. market's total capitalization.

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

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

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

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

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

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

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

Russell Midcap® Index is market capitalization weighted and measures the performance of the approximately 800 smallest companies in the Russell 1000® Index that represent a modest amount of the Russell 1000® Index's total market capitalization.

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

Shareholder Information

Board Approval of Investment Management Agreements

FRANKLIN TEMPLETON VARIABLE INSURANCE PRODUCTS TRUST

Franklin Allocation VIP Fund

Franklin Flex Cap Growth VIP Fund

Franklin Global Real Estate VIP Fund

Franklin Growth and Income VIP Fund

Franklin Income VIP Fund

Franklin Large Cap Growth VIP Fund

Franklin Mutual Global Discovery VIP Fund

Franklin Mutual Shares VIP Fund

Franklin Rising Dividends VIP Fund

Franklin Small Cap Value VIP Fund

Franklin Small-Mid Cap Growth VIP Fund

Franklin Strategic Income VIP Fund

Franklin U.S. Government Securities VIP Fund

Franklin VolSmart Allocation VIP Fund

Templeton Developing Markets VIP Fund

Templeton Foreign VIP Fund

Templeton Global Bond VIP Fund

Templeton Growth VIP Fund

(each a Fund)

At a meeting held on April 20, 2021 (Meeting), the Board of Trustees (Board) of Franklin Templeton Variable Insurance Products Trust (Trust), including a majority of the trustees who are not “interested persons” as defined in the Investment Company Act of 1940 (Independent Trustees), reviewed and approved the continuance of the (i) investment management agreement between Franklin Advisers, Inc. (FAI) and the Trust, on behalf of each of Franklin Allocation VIP Fund, Franklin Flex Cap Growth VIP Fund, Franklin Growth and Income VIP Fund, Franklin Income VIP Fund, Franklin Large Cap Growth VIP Fund, Franklin Rising Dividends VIP Fund, Franklin Small-Mid Cap Growth VIP Fund, Franklin Strategic Income VIP Fund, Franklin U.S. Government Securities VIP Fund, Franklin VolSmart Allocation VIP Fund, and Templeton Global Bond VIP Fund; (ii) the investment sub-advisory agreement between FAI and Franklin Templeton Institutional, LLC (FTIL), an affiliate of FAI, on behalf of Franklin Allocation VIP Fund; (iii) the investment sub-advisory agreement between FAI and Templeton Global Advisors Limited (TGAL), an affiliate of FAI, on behalf of Franklin Allocation VIP Fund; (iv) the investment management agreement between FTIL and the Trust, on behalf of Franklin Global Real Estate VIP Fund; (v) the investment management agreement between Franklin Mutual Advisers, LLC (FMA) and the Trust, on behalf of

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

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

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

Nature, Extent and Quality of Services

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

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

as evidenced by its recent acquisition of the Legg Mason companies. The Board also noted FT's attention focused on expanding the distribution opportunities for all funds in the FT family of funds.

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

Fund Performance

The Board reviewed and considered the performance results of each Fund over various time periods ended January 31, 2021. The Board considered the performance returns for each Fund in comparison to the performance returns of mutual funds deemed comparable to the Fund included in a universe (Performance Universe) selected by Broadridge Financial Solutions, Inc. (Broadridge), an independent provider of investment company data. The Board received a description of the methodology used by Broadridge to select the mutual funds included in a Performance Universe. The Board also reviewed and considered Fund performance reports provided and discussions that occurred with portfolio managers at Board meetings throughout the year. A summary of each Fund's performance results is below.

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

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

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

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

Franklin Global Real Estate VIP Fund - The Performance Universe for the Fund included the Fund and all global real estate funds underlying VIPs. The Board noted that the Fund's annualized total return for the one-, three- and five-year periods was below the median of its Performance Universe, but for the 10-year period was above the median of its Performance Universe. The Board discussed this performance with management and management explained that, effective September 3, 2019, a change was made to the Fund's portfolio management. Management represented that since this change in the Fund's portfolio management team relative Fund performance has generally been positive, outperforming the Fund's benchmark by approximately 150 basis points. Management explained that the Fund's relative performance lagged that of peers due to the Fund's focus on sustainable cash flow growth at a time when the market returned to a focus on value post the favorable news regarding vaccine results in mid-November. Management further explained that key detractors that contributed to the Fund's one-year underperformance included the Fund's exposure to technology-adjacent subsectors such as logistics and cellular towers, which outperformed prior to

the favorable vaccine news, but underperformed thereafter. Management reviewed with the Board the enhancements to the Fund's investment processes in an effort to improve performance, which included making specific portfolio holding changes. The Board concluded that the Fund's Management Agreement should be continued for an additional one-year period, and management's efforts should continue to be closely monitored.

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

Franklin Mutual Global Discovery VIP Fund - The Performance Universe for the Fund included the Fund and all global multi-cap value funds underlying VIPs. The Board noted that the Fund's annualized total return for the one- and five-year periods was below the median of its Performance Universe, but for the three- and 10-year periods was above the median of its Performance Universe. The Board discussed this performance with management and management explained that the Fund's underperformance in 2017 was material and continues to adversely impact the Fund's ranking over longer-term periods. Management reminded the Board of the primary factors that impacted the 2017 performance, including, among factors, exposure to non-US equities and stock selection. Management further explained that the Fund is one of the few funds in its Performance Universe that hedges exposures to non-US currencies which detracted 81 basis points from the Fund's performance relative to its benchmark index, the MSCI World Value Index - NR, in 2020. Management also explained that key detractors from the Fund's one-year performance included the Fund's stock selection in the financials and industrials sectors and the Fund's underweight position in the industrials sector. Management reviewed with the Board recent leadership changes implemented for the Manager, as well as enhancements made to the Fund's investment processes in an effort to improve performance. The Board concluded that the Fund's Management Agreement should be continued for an additional one-year period, and management's efforts should continue to be closely monitored.

Franklin Mutual Shares VIP Fund - The Performance Universe for the Fund included the Fund and all multi-cap value funds underlying VIPs. The Board noted that the Fund's annualized total return for the one-, three-, five- and 10-year periods was below the median of its Performance Universe. The Board discussed this performance with management and management explained that the Fund's underperformance in 2017 was material and continues to adversely impact the Fund's ranking over longer-term periods. Management reminded the Board of the primary factors that impacted the 2017 performance, including, among factors, exposure to non-US equities and stock selection. Management also explained that the Fund's underweight position in US securities as compared to its peers detracted from the Fund's relative performance. Management further explained that key detractors from the Fund's one-year performance included the Fund's stock selection in the financials and industrials sectors and the Fund's underweight position in the industrials sector. Management reviewed with the Board recent leadership changes implemented for the Manager, as well as enhancements made to the Fund's investment processes in an effort to improve performance. The Board concluded that the Fund's Management Agreement should be continued for an additional one-year period, and management's efforts should continue to be closely monitored.

Franklin Rising Dividends VIP Fund - The Performance Universe for the Franklin Rising Dividends VIP Fund included the Fund and all large-cap core funds underlying VIPs. The Board noted that the Fund's annualized total return for the three-, five- and 10-year periods was above the median of its Performance Universe, but for the one-year period was below the median of its Performance Universe. The Board further noted that, while below the median, the Fund's one-year annualized total return was 14.22% and only slightly below the Performance Universe median of 14.79%. The Board concluded that the Fund's performance was acceptable.

Franklin Small Cap Value VIP Fund - The Performance Universe for the Fund included the Fund and all small-cap value funds underlying VIPs. The Board noted that the Fund's annualized total return for the three-, five- and 10-year periods was above the median of its Performance Universe, but for the one-year period was below the median of its Performance Universe. The Board further noted that, while below the median, the Fund's one-year annualized total return was 11.47%. The Board concluded that the Fund's performance was acceptable.

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

Templeton Foreign VIP Fund - The Performance Universe for the Fund included the Fund and all international multi-cap value funds underlying VIPs. The Board noted that the Fund's annualized total return for the one-, three-, five- and 10-year periods was below the median of its Performance Universe. The Board discussed this performance with management and management explained that the Fund has a more intense value tilt than the Performance Universe, which has negatively impacted the Fund's relative returns during a period of historic and sustained outperformance of growth over value. Management further explained that the Fund's shorter-term relative returns were also negatively impacted by the Fund's larger allocation to the energy sector versus peers, which underperformed the broader market. Management also explained that the Fund's one-year relative underperformance was primarily attributable to the Fund's health care holdings. Management then discussed with the Board the actions that are being taken in an effort to address the sources of the Fund's underperformance, including enhancements to the Fund's portfolio management team and a focus on constructing a more diversified and high-conviction portfolio. The Board concluded that the Fund's Management Agreement should be continued for an additional one-year period, and management's efforts should continue to be closely monitored.

Templeton Growth VIP Fund - The Performance Universe for this Fund included the Fund and all global multi-cap value funds underlying VIPs. The Board noted that the Fund's annualized total return for the three-, five- and 10-year periods was below the median of its Performance Universe, but for the one-year period was above the median of its Performance Universe. The Board discussed this performance with management and management explained that the Fund's higher exposure to value stocks, which have experienced a period of historic underperformance, and underweight position in US stocks, which have led market returns in recent years, contributed to the Fund's relative longer-term underperformance versus its Performance Universe. Management also explained that weightings in particular sectors (such as consumer discretionary, energy, financials, information technology and health care) and

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

Comparative Fees and Expenses

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

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

Expense Group for the Franklin Small Cap Value VIP Fund included the Fund and 10 other small-cap value funds underlying VIPs. The Expense Group for the Templeton Global Bond VIP Fund included the Fund and 11 other global income funds underlying VIPs. The Board noted that the Management Rate and actual total expense ratio for each Fund were below the medians of its respective Expense Group. The Board also noted that the Franklin Allocation VIP Fund and Franklin Growth and Income VIP Fund's actual total expense ratio reflected a fee waiver from management. The Board concluded that the Management Rate charged to each Fund is reasonable. In doing so, the Board noted that the Franklin Allocation VIP Fund's sub-advisers, FTIL and TGAL, are paid by FAI out of the management fee FAI receives from the Fund.

Franklin Small-Mid Cap Growth VIP Fund and Franklin U.S. Government Securities VIP Fund - The Expense Group for the Franklin Small-Mid Cap Growth VIP Fund included the Fund and 11 other mid-cap growth funds underlying VIPs. The Expense Group for the Franklin U.S. Government Securities VIP Fund included the Fund, two other intermediate US government funds underlying VIPs and 10 inflation-protected bond funds underlying VIPs. The Board noted that the Management Rate for each Fund was below the median of its respective Expense Group, and the actual total expense ratio for each Fund was equal to the median of its respective Expense Group. The Board concluded that the Management Rate charged to each Fund is reasonable.

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

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

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

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

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

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

Profitability

The Board reviewed and considered information regarding the profits realized by each Manager and its affiliates in connection with the operation of each Fund. In this respect, the Board considered the Fund profitability analysis that addresses the overall profitability of FT's US fund business, as well as its profits in providing investment management and other services to each of the individual funds during the 12-month period ended September 30, 2020, being the most recent fiscal year-end for FRI. The Board noted that although management continually makes refinements to its

methodologies used in calculating profitability in response to organizational and product-related changes, the overall methodology has remained consistent with that used in the Funds' profitability report presentations from prior years. The Board further noted management's representation that the profitability analysis excluded the impact of the recent acquisition of the Legg Mason companies and that management expects to incorporate the legacy Legg Mason companies into the profitability analysis beginning next year. The Board also noted that PricewaterhouseCoopers LLP, auditor to FRI and certain FT funds, has been engaged to periodically review and assess the allocation methodologies to be used solely by the Funds' Board with respect to the profitability analysis.

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

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

Economies of Scale

The Board reviewed and considered the extent to which each Manager may realize economies of scale, if any, as each Fund grows larger and whether each Fund's management fee structure reflects any economies of scale for the benefit of shareholders. With respect to possible economies of scale, the Board noted the existence of management fee breakpoints for each Fund (except for

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

Conclusion

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

Liquidity Risk Management Program-Funds no HLIM

Each Fund has adopted and implemented a written Liquidity Risk Management Program (the "LRMP") as required by Rule 22e-4 under the Investment Company Act of 1940 (the "Liquidity Rule"). The LRMP is designed to assess and manage each Fund's liquidity risk, which is defined as the risk that the Fund could not meet requests to redeem shares issued by the Fund without significant dilution of remaining

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

The Director of Liquidity Risk within the Investment Risk Management Group (the "IRMG") is the appointed Administrator of the LRMP. The IRMG maintains the Investment Liquidity Committee (the "ILC") to provide oversight and administration of policies and procedures governing liquidity risk management for FT products and portfolios. The ILC includes representatives from Franklin Templeton's Risk, Trading, Global Compliance, Investment Compliance, Investment Operations, Valuation Committee, Product Management and Global Product Strategy.

In assessing and managing each Fund's liquidity risk, the ILC considers, as relevant, a variety of factors, including the Fund's investment strategy and the liquidity of its portfolio investments during both normal and reasonably foreseeable stressed conditions; its short and long-term cash flow projections; and its cash holdings and access to other funding sources including the Funds' interfund lending facility and line of credit. Classification of the Fund's portfolio holdings in the four liquidity categories is based on the number of days it is reasonably expected to take to convert the investment to cash (for Highly Liquid and Moderately Liquid holdings) or sell or dispose of the investment (for Less Liquid and Illiquid investments), in current market conditions without significantly changing the investment's market value.

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

reasonably expected to be convertible to cash in current market conditions in three business days or less without the conversion to cash significantly changing the market value of the investment.

At meetings of the Funds' Board of Trustees held in May 2021, the Program Administrator provided a written report to the Board addressing the adequacy and effectiveness of the program for the year ended December 31, 2020. The Program Administrator report concluded that (i.) the LRMP, as adopted and implemented, remains reasonably designed to assess and manage each Fund's liquidity risk; (ii.) the LRMP, including the Highly Liquid Investment Minimum ("HLIM") where applicable, was implemented and operated effectively to achieve the goal of assessing and managing each Fund's liquidity risk; and (iii.) each Fund was able to meet requests for redemption without significant dilution of remaining investors' interests in the Fund.

Proxy Voting Policies and Procedures

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

Quarterly Statement of Investments

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

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

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

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



**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