

Franklin DynaTech VIP Fund

Financial Statements and Other Important Information

Semi-Annual | June 30, 2025

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Financial Highlights

Franklin DynaTech VIP Fund

	Six Months Ended June 30, 2025 (unaudited)	Year Ended December 31,				
		2024	2023	2022	2021	2020
Class 2						
Per share operating performance						
(for a share outstanding throughout the period)						
Net asset value, beginning of period	\$5.57	\$4.27	\$2.96	\$11.85	\$10.92	\$8.06
Income from investment operations ^a :						
Net investment (loss) ^b	(0.01)	(0.02)	(0.01)	(0.02)	(0.08)	(0.03)
Net realized and unrealized gains (losses)	0.48	1.32	1.32	(4.52)	1.79	3.47
Total from investment operations	0.47	1.30	1.31	(4.54)	1.71	3.44
Less distributions from:						
Net realized gains	—	—	—	(4.35)	(0.78)	(0.58)
Net asset value, end of period	\$6.04	\$5.57	\$4.27	\$2.96	\$11.85	\$10.92
Total return ^c	8.44%	30.44%	43.77%	(39.96)%	16.14%	44.88%
Ratios to average net assets^d						
Expenses before waiver and payments by affiliates	0.88%	0.87%	0.90%	0.91%	1.03%	1.31%
Expenses net of waiver and payments by affiliates	0.87%	0.87% ^e	0.89% ^f	0.90% ^f	0.96%	0.96% ^f
Net investment (loss)	(0.51)%	(0.48)%	(0.41)%	(0.49)%	(0.71)%	(0.36)%
Supplemental data						
Net assets, end of period (000's)	\$156,964	\$151,113	\$125,878	\$74,486	\$139,784	\$125,731
Portfolio turnover rate	23.81%	21.64%	22.25%	34.99%	74.97%	15.70%

^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.

^cTotal 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.

^dRatios are annualized for periods less than one year.

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

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

Franklin DynaTech VIP Fund (continued)

	Six Months Ended June 30, 2025 (unaudited)	Year Ended December 31,				
		2024	2023	2022	2021	2020
Class 4						
Per share operating performance						
(for a share outstanding throughout the period)						
Net asset value, beginning of period	\$4.86	\$3.73	\$2.59	\$11.23	\$10.40	\$7.71
Income from investment operations ^a :						
Net investment (loss) ^b	(0.01)	(0.03)	(0.02)	(0.03)	(0.09)	(0.04)
Net realized and unrealized gains (losses)	0.42	1.16	1.16	(4.26)	1.70	3.31
Total from investment operations	0.41	1.13	1.14	(4.29)	1.61	3.27
Less distributions from:						
Net realized gains	—	—	—	(4.35)	(0.78)	(0.58)
Net asset value, end of period	\$5.27	\$4.86	\$3.73	\$2.59	\$11.23	\$10.40
Total return ^c	8.44%	30.29%	44.02%	(40.20)%	16.09%	44.71%
Ratios to average net assets^d						
Expenses before waiver and payments by affiliates	0.98%	0.97%	1.00%	1.01%	1.13%	1.41%
Expenses net of waiver and payments by affiliates	0.97%	0.97% ^e	1.00% ^{e,f}	1.00% ^f	1.06%	1.06% ^g
Net investment (loss)	(0.62)%	(0.58)%	(0.50)%	(0.59)%	(0.81)%	(0.47)%
Supplemental data						
Net assets, end of period (000's)	\$27,386	\$27,913	\$25,919	\$20,496	\$36,515	\$38,425
Portfolio turnover rate	23.81%	21.64%	22.25%	34.99%	74.97%	15.70%

^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.

^cTotal 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.

^dRatios are annualized for periods less than one year.

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

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

Schedule of Investments (unaudited), June 30, 2025

Franklin DynaTech VIP Fund

	Country	Shares	Value
Common Stocks 98.3%			
Aerospace & Defense 3.5%			
^a Axon Enterprise, Inc.	United States	6,540	\$5,414,728
^{a,b} Karman Holdings, Inc.	United States	4,981	250,893
^a Kratos Defense & Security Solutions, Inc.	United States	15,183	705,250
^{a,b} Rocket Lab Corp.	United States	3,329	119,078
			<u>6,489,949</u>
Automobiles 2.4%			
BYD Co. Ltd., H	China	3,630	56,519
^a Tesla, Inc.	United States	13,446	4,271,256
			<u>4,327,775</u>
Biotechnology 2.0%			
^a Alnylam Pharmaceuticals, Inc.	United States	582	189,784
^a Argenx SE	Netherlands	1,382	765,052
^a Ascendis Pharma A/S, ADR	Denmark	2,545	439,267
^a Caris Life Sciences, Inc.	United States	1,380	36,874
^a Insmmed, Inc.	United States	2,396	241,133
^a Natera, Inc.	United States	10,548	1,781,979
^a Vertex Pharmaceuticals, Inc.	United States	675	300,510
			<u>3,754,599</u>
Broadline Retail 9.2%			
^a Amazon.com, Inc.	United States	60,564	13,287,136
^a MercadoLibre, Inc.	Brazil	1,409	3,682,605
			<u>16,969,741</u>
Capital Markets 1.6%			
Moody's Corp.	United States	336	168,534
^a Robinhood Markets, Inc., A	United States	8,320	779,002
Tradeweb Markets, Inc., A	United States	14,008	2,050,771
			<u>2,998,307</u>
Communications Equipment 0.5%			
^a Arista Networks, Inc.	United States	9,503	972,252
Construction & Engineering 0.1%			
Quanta Services, Inc.	United States	600	226,848
Diversified Consumer Services 0.2%			
^a Duolingo, Inc., A	United States	1,002	410,840
Electrical Equipment 0.2%			
GE Vernova, Inc.	United States	686	362,997
Electronic Equipment, Instruments & Components 1.6%			
Amphenol Corp., A	United States	10,801	1,066,599
^a Celestica, Inc.	Canada	11,874	1,853,650
			<u>2,920,249</u>
Energy Equipment & Services 0.3%			
Baker Hughes Co., A	United States	6,085	233,299
^a Oceaneering International, Inc.	United States	6,118	126,765
TechnipFMC plc	United Kingdom	5,828	200,716
			<u>560,780</u>
Entertainment 4.1%			
^a Netflix, Inc.	United States	2,815	3,769,651
^a ROBLOX Corp., A	United States	10,287	1,082,192
^a Sea Ltd., ADR	Singapore	10,460	1,672,973

Franklin DynaTech VIP Fund (continued)

	Country	Shares	Value
Common Stocks (continued)			
Entertainment (continued)			
^a Spotify Technology SA	United States	1,354	\$1,038,978
			7,563,794
Financial Services 5.3%			
^a Affirm Holdings, Inc., A	United States	650	44,941
^a Chime Financial, Inc., A	United States	2,200	75,922
Mastercard, Inc., A	United States	12,002	6,744,404
^a Toast, Inc., A	United States	8,214	363,798
Visa, Inc., A	United States	7,383	2,621,334
			9,850,399
Ground Transportation 0.3%			
^a Uber Technologies, Inc.	United States	6,712	626,230
Health Care Equipment & Supplies 2.5%			
^a Boston Scientific Corp.	United States	6,023	646,931
^a IDEXX Laboratories, Inc.	United States	304	163,047
^a Intuitive Surgical, Inc.	United States	6,783	3,685,950
^a Kestra Medical Technologies Ltd.	United States	1,715	28,435
Stryker Corp.	United States	305	120,667
			4,645,030
Health Care Providers & Services 0.4%			
^a Guardant Health, Inc.	United States	8,795	457,692
^a HealthEquity, Inc.	United States	1,261	132,102
^a Hinge Health, Inc., A	United States	3,250	168,188
			757,982
Health Care Technology 1.2%			
^a Doximity, Inc., A	United States	13,351	818,950
Pro Medicus Ltd.	Australia	3,350	626,901
^a Veeva Systems, Inc., A	United States	2,368	681,937
			2,127,788
Hotels, Restaurants & Leisure 2.4%			
Booking Holdings, Inc.	United States	350	2,026,234
^a DoorDash, Inc., A	United States	8,422	2,076,107
^a MakeMyTrip Ltd.	India	3,388	332,092
			4,434,433
Insurance 0.1%			
^a Root, Inc., A	United States	1,302	166,617
Interactive Media & Services 9.4%			
Alphabet, Inc., A	United States	40,467	7,131,499
Meta Platforms, Inc., A	United States	13,631	10,060,905
^a Reddit, Inc., A	United States	925	139,277
^c Scout24 SE, 144A, Reg S	Germany	360	49,698
			17,381,379
IT Services 3.8%			
^a Cloudflare, Inc., A	United States	14,756	2,889,668
^a Shopify, Inc., A	Canada	35,236	4,064,010
^a Snowflake, Inc., A	United States	330	73,844
			7,027,522
Life Sciences Tools & Services 0.2%			
^{a,c} Samsung Biologics Co. Ltd., 144A, Reg S	South Korea	130	95,396

Franklin DynaTech VIP Fund (continued)

	Country	Shares	Value
Common Stocks (continued)			
Life Sciences Tools & Services (continued)			
^{a,b} Tempus AI, Inc., A	United States	3,449	\$219,150
			314,546
Pharmaceuticals 1.9%			
^a Corcept Therapeutics, Inc.	United States	1,164	85,437
Eli Lilly & Co.	United States	4,228	3,295,853
^a Ligand Pharmaceuticals, Inc.	United States	969	110,156
			3,491,446
Professional Services 0.2%			
Verisk Analytics, Inc., A	United States	1,356	422,394
Semiconductors & Semiconductor Equipment 19.5%			
Analog Devices, Inc.	United States	6,981	1,661,618
^{a,b} ARM Holdings plc, ADR	United States	1,187	191,986
ASM International NV	Netherlands	681	436,846
ASML Holding NV, ADR	Netherlands	1,347	1,079,472
Broadcom, Inc.	United States	31,645	8,722,944
KLA Corp.	United States	1,345	1,204,770
Lam Research Corp.	United States	14,070	1,369,574
Monolithic Power Systems, Inc.	United States	1,677	1,226,524
NVIDIA Corp.	United States	115,332	18,221,303
Taiwan Semiconductor Manufacturing Co. Ltd., ADR	Taiwan	7,672	1,737,631
			35,852,668
Software 23.2%			
^a AppLovin Corp., A	United States	7,767	2,719,071
^a Aurora Innovation, Inc., A	United States	10,225	53,579
^a Cadence Design Systems, Inc.	United States	10,596	3,265,158
^{a,b} Circle Internet Group, Inc., A	United States	800	145,032
Constellation Software, Inc.	Canada	598	2,192,718
^a CrowdStrike Holdings, Inc., A	United States	1,723	877,541
^a Descartes Systems Group, Inc. (The)	Canada	6,009	610,785
^a Fair Isaac Corp.	United States	172	314,409
^a Fortinet, Inc.	United States	7,596	803,049
^a Guidewire Software, Inc.	United States	2,034	478,905
^a HubSpot, Inc.	United States	1,751	974,659
Intuit, Inc.	United States	1,756	1,383,078
^a Klaviyo, Inc., A	United States	6,061	203,528
^a Life360, Inc.	United States	2,262	147,596
^{a,c} Lumine Group, Inc., Reg S	Canada	3,025	106,250
Microsoft Corp.	United States	27,264	13,561,386
^a Monday.com Ltd.	United States	2,336	734,625
^a Palantir Technologies, Inc., A	United States	8,089	1,102,693
^a Palo Alto Networks, Inc.	United States	14,115	2,888,494
Salesforce, Inc.	United States	681	185,702
^a ServiceNow, Inc.	United States	5,646	5,804,540
^a ServiceTitan, Inc., A	United States	5,568	596,778
^a Synopsys, Inc.	United States	5,285	2,709,514
^a Tyler Technologies, Inc.	United States	1,380	818,119
			42,677,209
Specialty Retail 0.3%			
^a Carvana Co., A	United States	1,516	510,831
Technology Hardware, Storage & Peripherals 1.9%			
Apple, Inc.	United States	16,871	3,461,423
Total Common Stocks (Cost \$79,342,673)			181,306,028

Franklin DynaTech VIP Fund (continued)

	Country	Warrants	Value
Warrants 0.0%			
Software 0.0%			
^{a,d} Constellation Software, Inc., 3/31/40	Canada	341	\$—
Total Warrants (Cost \$—)			—
Total Long Term Investments (Cost \$79,342,673)			181,306,028
Short Term Investments 2.3%			
	Country	Shares	Value
Money Market Funds 1.9%			
^{e,f} Institutional Fiduciary Trust - Money Market Portfolio, 4.332% . .	United States	3,474,042	3,474,042
Total Money Market Funds (Cost \$3,474,042)			3,474,042
Investments from Cash Collateral Received for Loaned Securities 0.4%			
Money Market Funds 0.4%			
^{e,f} Institutional Fiduciary Trust - Money Market Portfolio, 4.332% . .	United States	850,630	850,630
Total Investments from Cash Collateral Received for Loaned Securities (Cost \$850,630)			850,630
Total Short Term Investments (Cost \$4,324,672)			4,324,672
Total Investments (Cost \$83,667,345) 100.6%			\$185,630,700
Other Assets, less Liabilities (0.6%)			(1,280,495)
Net Assets 100.0%			\$184,350,205

See Abbreviations on page 18.

^aNon-income producing.

^bA portion or all of the security is on loan at June 30, 2025. See Note 1(c).

^cSecurity 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, 2025, the aggregate value of these securities was \$251,344, representing 0.1% of net assets.

^dFair valued using significant unobservable inputs. See Note 7 regarding fair value measurements.

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

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

^gSee Note 1(c) regarding securities on loan.

Statement of Assets and Liabilities

June 30, 2025 (unaudited)

	Franklin DynaTech VIP Fund
Assets:	
Investments in securities:	
Cost - Unaffiliated issuers	\$79,342,673
Cost - Non-controlled affiliates (Note 3e)	4,324,672
Value - Unaffiliated issuers (Includes securities loaned of \$820,512)	\$181,306,028
Value - Non-controlled affiliates (Note 3e)	4,324,672
Cash	6,389
Foreign currency, at value (cost \$754)	753
Receivables:	
Investment securities sold	139,270
Capital shares sold	72,782
Dividends	31,807
Total assets	185,881,701
Liabilities:	
Payables:	
Capital shares redeemed	535,299
Management fees	81,881
Distribution fees	38,491
Trustees' fees and expenses	161
Payable upon return of securities loaned (Note 1c)	850,630
Accrued expenses and other liabilities	25,034
Total liabilities	1,531,496
Net assets, at value	\$184,350,205
Net assets consist of:	
Paid-in capital	\$77,984,789
Total distributable earnings (losses)	106,365,416
Net assets, at value	\$184,350,205
	Franklin DynaTech VIP Fund
Class 2:	
Net assets, at value	\$156,963,879
Shares outstanding	25,978,448
Net asset value and maximum offering price per share ^a	\$6.04
Class 4:	
Net assets, at value	\$27,386,326
Shares outstanding	5,197,909
Net asset value and maximum offering price per share ^a	\$5.27

^aNet asset value per share may not recalculate due to rounding.

Statement of Operations

for the six months ended June 30, 2025 (unaudited)

**Franklin
DynaTech VIP
Fund**

Investment income:	
Dividends: (net of foreign taxes of \$3,709)	
Unaffiliated issuers	\$243,644
Non-controlled affiliates (Note 3e)	39,852
Income from securities loaned:	
Unaffiliated entities (net of fees and rebates)	(3,339)
Non-controlled affiliates (Note 3e)	8,690
Total investment income	288,847
Expenses:	
Management fees (Note 3a)	470,586
Distribution fees: (Note 3c)	
Class 2	171,015
Class 4	44,863
Custodian fees	1,046
Reports to shareholders fees	2,702
Professional fees	28,004
Trustees' fees and expenses	1,050
Other	4,315
Total expenses	723,581
Expenses waived/paid by affiliates (Note 3e and 3f)	(3,983)
Net expenses	719,598
Net investment income (loss)	(430,751)
Realized and unrealized gains (losses):	
Net realized gain (loss) from:	
Investments:	
Unaffiliated issuers	9,999,307
Foreign currency transactions	(1,819)
Net realized gain (loss)	9,997,488
Net change in unrealized appreciation (depreciation) on:	
Investments:	
Unaffiliated issuers	2,688,367
Translation of other assets and liabilities denominated in foreign currencies	90
Net change in unrealized appreciation (depreciation)	2,688,457
Net realized and unrealized gain (loss)	12,685,945
Net increase (decrease) in net assets resulting from operations	\$12,255,194

Statements of Changes in Net Assets

	Franklin DynaTech VIP Fund	
	Six Months Ended June 30, 2025 (unaudited)	Year Ended December 31, 2024
Increase (decrease) in net assets:		
Operations:		
Net investment income (loss)	\$(430,751)	\$(847,558)
Net realized gain (loss)	9,997,488	14,620,212
Net change in unrealized appreciation (depreciation)	2,688,457	30,637,724
Net increase (decrease) in net assets resulting from operations	12,255,194	44,410,378
Capital share transactions: (Note 2)		
Class 2	(4,273,074)	(11,898,394)
Class 4	(2,657,855)	(5,283,171)
Total capital share transactions	(6,930,929)	(17,181,565)
Net increase (decrease) in net assets	5,324,265	27,228,813
Net assets:		
Beginning of period	179,025,940	151,797,127
End of period	\$184,350,205	\$179,025,940

Notes to Financial Statements (unaudited)

Franklin DynaTech 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. The Trust follows the accounting and reporting guidance in Financial Accounting Standards Board (FASB) Accounting Standards Codification Topic 946, Financial Services – Investment Companies (ASC 946) and applies the specialized accounting and reporting guidance in U.S. Generally Accepted Accounting Principles (U.S. GAAP), including, but not limited to, ASC 946. Franklin DynaTech VIP Fund (Fund) is included in this report. Shares of the Fund are generally sold only to insurance company separate accounts to fund the benefits of variable life insurance policies or variable annuity contracts. The Fund offers two classes of shares: 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 Board has designated the Fund's investment manager as the valuation designee and has responsibility for oversight of valuation. The investment manager is assisted by the Fund's administrator in performing this responsibility, including leading the cross-functional Valuation Committee (VC). The Fund may utilize independent pricing services, quotations from securities and financial instrument dealers, and other market sources to determine fair value.

Equity securities listed on an exchange or on the NASDAQ National Market System are valued at the last quoted sale price or the official closing price of the day, respectively. Foreign equity securities are valued as of the close of trading on the foreign stock exchange on which the security is

primarily traded, or as of 4 p.m. Eastern time. The value is then converted into its U.S. dollar equivalent at the foreign exchange rate in effect at 4 p.m. Eastern time on the day that the value of the security is determined. Over-the-counter (OTC) securities are valued within the range of the most recent quoted bid and ask prices. Securities that trade in multiple markets or on multiple exchanges are valued according to the broadest and most representative market. Certain equity securities are valued based upon fundamental characteristics or relationships to similar securities.

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

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

Trading in securities on foreign securities stock exchanges and OTC markets may be completed before 4 p.m. Eastern time. In addition, trading in certain foreign markets may not take place on every Fund's business day. Events can occur between the time at which trading in a foreign security is completed and 4 p.m. Eastern time that might call into question the reliability of the value of a portfolio security held by the Fund. As a result, differences may arise between the value of the Fund's portfolio securities as determined at the foreign market close and the latest indications of value at 4 p.m. Eastern time. In order to minimize the potential for these differences, an independent pricing service may be used to adjust the value of the Fund's portfolio securities to the latest indications of fair value at 4 p.m. Eastern time. At June 30, 2025, certain securities may have been fair valued using these procedures, in which case the securities were categorized as Level 2 within the fair value hierarchy (referred to as "market level fair value"). See the Fair Value Measurements note for more information.

Franklin DynaTech VIP Fund (continued)

1. Organization and Significant Accounting Policies

(continued)

a. Financial Instrument Valuation (continued)

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. 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. The Fund may receive income from the investment of cash collateral, in addition to lending fees paid by the borrower. Income from securities loaned, net of fees paid to the securities lending agent and/or third-party vendor, is reported separately in the Statement of Operations. The Fund bears the market risk with respect to any cash collateral investment, securities loaned, and the risk that the agent may default on its obligations to the Fund. If the borrower defaults on its obligation to return the securities loaned, the Fund has the right to repurchase the securities in the open market using the collateral received. The securities lending agent has agreed to indemnify the Fund in the event of default by a third party borrower.

d. Income and Deferred Taxes

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

The Fund may be subject to foreign taxation related to income received, capital gains on the sale of securities and certain foreign currency transactions in the foreign jurisdictions in which it invests. Foreign taxes, if any, are recorded based on the tax regulations and rates that exist 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.

Franklin DynaTech VIP Fund (continued)

1. Organization and Significant Accounting Policies (continued)

d. Income and Deferred Taxes (continued)

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, 2025, the Fund has determined that no tax liability is required in its financial statements related to uncertain tax positions for any open tax years (or expected to be taken in future tax years). Open tax years are those that remain subject to examination and are based on the statute of limitations in each jurisdiction in which the Fund invests.

e. Security Transactions, Investment Income, Expenses and Distributions

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

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

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

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

f. Accounting Estimates

The preparation of financial statements in accordance with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the amounts of income and expenses during the reporting period. Actual results could differ from those estimates.

g. Guarantees and Indemnifications

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

Franklin DynaTech VIP Fund (continued)

2. Shares of Beneficial Interest

At June 30, 2025, 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, 2025		Year Ended December 31, 2024	
	Shares	Amount	Shares	Amount
Class 2 Shares:				
Shares sold	4,653,531	\$25,793,780	3,531,381	\$17,710,587
Shares redeemed	(5,810,880)	(30,066,854)	(5,870,267)	(29,608,981)
Net increase (decrease)	(1,157,349)	\$(4,273,074)	(2,338,886)	\$(11,898,394)
Class 4 Shares:				
Shares sold	264,447	\$1,183,088	457,236	\$2,010,540
Shares redeemed	(811,760)	(3,840,943)	(1,661,255)	(7,293,711)
Net increase (decrease)	(547,313)	\$(2,657,855)	(1,204,019)	\$(5,283,171)

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

a. Management Fees

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

Annualized Fee Rate	Net Assets
0.630%	Up to and including \$100 million
0.500%	Over \$100 million, up to and including \$250 million
0.450%	Over \$250 million, up to and including \$7.5 billion
0.440%	Over \$7.5 billion, up to and including \$10 billion
0.430%	Over \$10 billion, up to and including \$12.5 billion
0.420%	Over \$12.5 billion, up to and including \$15 billion
0.400%	In excess of \$15 billion

For the period ended June 30, 2025, the annualized gross effective investment management fee rate was 0.579% of the Fund's average daily net assets.

b. Administrative Fees

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

Franklin DynaTech VIP Fund (continued)

3. Transactions with Affiliates (continued)

c. Distribution Fees

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

d. Transfer Agent Fees

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

e. Investments in Affiliated Management Investment Companies

The Fund invests in one or more affiliated management investment companies. As defined in the 1940 Act, an investment is deemed to be a "Controlled Affiliate" of a fund when a fund owns, either directly or indirectly, 25% or more of the affiliated fund's outstanding shares or has the power to exercise control over management or policies of such fund. The Fund does not invest for purposes of exercising a controlling influence over the management or policies. Management fees paid by the Fund are waived on assets invested in the affiliated management investment companies, as noted in the Statement of Operations, in an amount not to exceed the management and administrative fees, if applicable, paid directly or indirectly by each affiliate. During the period ended June 30, 2025, 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 DynaTech VIP Fund								
Non-Controlled Affiliates								
								Dividends
Institutional Fiduciary Trust - Money Market Portfolio, 4.332%	\$114,911	\$24,070,792	\$(20,711,661)	\$—	\$—	\$3,474,042	3,474,042	\$39,852
Non-Controlled Affiliates								
								Income from securities loaned
Institutional Fiduciary Trust - Money Market Portfolio, 4.332%	\$436,190	\$6,318,735	\$(5,904,295)	\$—	\$—	\$850,630	850,630	\$8,690
Total Affiliated Securities . . .	\$551,101	\$30,389,527	\$(26,615,956)	\$—	\$—	\$4,324,672		\$48,542

f. Waiver and Expense Reimbursements

Advisers has contractually agreed in advance to waive or limit its fees and to assume as its own expense certain expenses otherwise payable by the Fund so that the operating expenses (excluding distribution fees, acquired fund fees and expenses and certain non-routine expenses or costs, including those relating to litigation, indemnification, reorganizations, and liquidations) for each class of the Fund do not exceed 0.71%, based on the average net assets of each class until April 30, 2026. Total expenses waived or paid are not subject to recapture subsequent to the Fund's fiscal year end.

Franklin DynaTech VIP Fund (continued)

4. Income Taxes

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

At December 31, 2024, the capital loss carryforwards were as follows:

Capital loss carryforwards not subject to expiration:

Short term	\$4,172,717
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At June 30, 2025, the cost of investments and net unrealized appreciation (depreciation) for income tax purposes were as follows:

Cost of investments	\$84,659,370
Unrealized appreciation	\$102,035,586
Unrealized depreciation	(1,064,256)
Net unrealized appreciation (depreciation)	\$100,971,330

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

5. Investment Transactions

Purchases and sales of investments (excluding short term securities) for the period ended June 30, 2025, aggregated \$39,383,166 and \$49,773,351, respectively.

At June 30, 2025, in connection with securities lending transactions, the Fund loaned equity investments and received \$850,630 of cash collateral. The gross amount of recognized liability for such transactions is included in payable upon return of securities loaned in the Statement of Assets and Liabilities. The agreements can be terminated at any time.

6. 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 \$2.995 billion (Global Credit Facility) which matures on January 30, 2026. 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 may, 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, 2025, the Fund did not use the Global Credit Facility.

7. Fair Value Measurements

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

- Level 1 – quoted prices in active markets for identical financial instruments

Franklin DynaTech VIP Fund (continued)

7. Fair Value Measurements (continued)

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

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

A summary of inputs used as of June 30, 2025, in valuing the Fund's assets carried at fair value, is as follows:

	Level 1	Level 2	Level 3	Total
Franklin DynaTech VIP Fund				
Assets:				
Investments in Securities:				
Common Stocks:				
Aerospace & Defense	\$6,489,949	\$—	\$—	\$6,489,949
Automobiles	4,271,256	56,519	—	4,327,775
Biotechnology	2,989,547	765,052	—	3,754,599
Broadline Retail	16,969,741	—	—	16,969,741
Capital Markets	2,998,307	—	—	2,998,307
Communications Equipment	972,252	—	—	972,252
Construction & Engineering	226,848	—	—	226,848
Diversified Consumer Services	410,840	—	—	410,840
Electrical Equipment	362,997	—	—	362,997
Electronic Equipment, Instruments & Components	2,920,249	—	—	2,920,249
Energy Equipment & Services	560,780	—	—	560,780
Entertainment	7,563,794	—	—	7,563,794
Financial Services	9,850,399	—	—	9,850,399
Ground Transportation	626,230	—	—	626,230
Health Care Equipment & Supplies	4,645,030	—	—	4,645,030
Health Care Providers & Services	757,982	—	—	757,982
Health Care Technology	1,500,887	626,901	—	2,127,788
Hotels, Restaurants & Leisure	4,434,433	—	—	4,434,433
Insurance	166,617	—	—	166,617
Interactive Media & Services	17,331,681	49,698	—	17,381,379
IT Services	7,027,522	—	—	7,027,522
Life Sciences Tools & Services	219,150	95,396	—	314,546
Pharmaceuticals	3,491,446	—	—	3,491,446
Professional Services	422,394	—	—	422,394
Semiconductors & Semiconductor Equipment	35,415,822	436,846	—	35,852,668
Software	42,677,209	—	—	42,677,209
Specialty Retail	510,831	—	—	510,831
Technology Hardware, Storage & Peripherals	3,461,423	—	—	3,461,423
Warrants	—	—	— ^a	—
Short Term Investments	4,324,672	—	—	4,324,672
Total Investments in Securities	\$183,600,288	\$2,030,412 ^b	\$—	\$185,630,700

^aIncludes financial instruments determined to have no value.

^bIncludes foreign securities valued at \$2,030,412, which were categorized as Level 2 as a result of the application of market level fair value procedures. See the Financial Instrument Valuation note for more information.

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

Franklin DynaTech VIP Fund (continued)

8. Operating Segments

The Fund has adopted the FASB Accounting Standards Update (ASU) 2023-07, *Segment Reporting (Topic 280) - Improvements to Reportable Segment Disclosures*. The update is limited to disclosure requirements and does not impact the Fund's financial position or results of operations.

The Fund operates as a single operating segment, which is an investment portfolio. The Fund's Investment manager serves as the Chief Operating Decision Maker (CODM), evaluating fund-wide results and performance under a unified investment strategy. The CODM uses these measures to assess fund performance and allocate resources effectively. Internal reporting provided to the CODM aligns with the accounting policies and measurement principles used in the financial statements.

For information regarding segment assets, segment profit or loss, and significant expenses, refer to the Statement of Assets and Liabilities and the Statement of Operations, along with the related notes to the financial statements. The Schedule of Investments provides details of the Fund's investments that generate returns such as interest, dividends, and realized and unrealized gains or losses. Performance metrics, including portfolio turnover and expense ratios, are disclosed in the Financial Highlights.

9. New Accounting Pronouncements

In December 2023, the FASB issued ASU No. 2023-09, *Income Taxes (Topic 740) – Improvements to Income Tax Disclosures*. The amendments enhance income tax disclosures by requiring greater disaggregation in the rate reconciliation and income taxes paid by jurisdiction, while removing certain disclosure requirements. The ASU is effective for annual periods beginning after December 15, 2024, with early adoption permitted. Management is currently evaluating the impact and believes that the adoption of the ASU will not have a material impact on the financial statements.

10. Subsequent Events

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

Abbreviations

Selected Portfolio

ADR	American Depositary Receipt
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Changes In and Disagreements with Accountants

For the period covered by this report

Not applicable.

Results of Meeting(s) of Shareholders

For the period covered by this report

Not applicable.

Remuneration Paid to Directors, Officers and Others

For the period covered by this report

Refer to the financial statements included herein. Remuneration to officers is paid by the Fund's investment manager according to the terms of the agreement.

Board Approval of Management and Subadvisory Agreements

For the period covered by this report

FRANKLIN TEMPLETON VARIABLE INSURANCE PRODUCTS TRUST

Franklin DynaTech VIP Fund
(Fund)

At an in-person meeting held on April 15, 2025 (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 investment management agreement between Franklin Advisers, Inc. (Manager) and the Trust, on behalf of the Fund (Management Agreement) for an additional one-year period. The Independent Trustees received advice from and met separately with Independent Trustee counsel to consider the renewal of the Management Agreement.

In considering the continuance of the Management Agreement, the Board reviewed and considered information provided by the 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 the Manager by Independent Trustee counsel on behalf of the Independent Trustees in connection with the annual contract renewal process. In addition, prior to the Meeting, the Independent Trustees held a virtual contract renewal meeting at which the Independent Trustees first conferred amongst themselves and Independent Trustee counsel about contract renewal matters, and then met with management to request additional information that the Independent Trustees also considered prior to and at the Meeting. The Board further considered all of the factors it deemed relevant in approving the continuance of the Management Agreement, including, but not limited to: (i) the nature, extent and quality of the services provided by the Manager; (ii) the investment performance of the Fund; (iii) the costs of the services provided and profits realized by the Manager and its affiliates from the relationship with the Fund; (iv) the extent to which economies of scale are realized as the Fund grows; and (v) whether fee levels reflect these economies of scale for the benefit of Fund investors.

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

Nature, Extent and Quality of Services

The Board reviewed the information it received regarding the nature, extent and quality of investment management services provided by the Manager and its affiliates to the Fund and its shareholders. This information included, among other things, the qualifications, background and experience of the senior management and investment personnel of the 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 the Fund; reports on expenses and shareholder services; legal and compliance matters; risk controls; pricing and other services provided by the Manager and its affiliates; and management fees charged by the 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 Fund to financial intermediaries, as well as a memorandum relating to third-party servicing arrangements. The Board acknowledged the ongoing integration of acquired third-party fund families into the FT family of funds and management's continued development of strategies to address areas evolving changes in domestic policy continuing geopolitical concerns.

The Board also reviewed and considered the benefits provided to Fund shareholders of investing in a fund that is part of the FT family of funds. The Board noted the financial position of Franklin Resources, Inc. (FRI), the Manager's parent, and its commitment to the mutual fund business as evidenced by its continued reassessment of the fund offerings in response to FT acquisitions and the market environment, as well as its evaluation of ways to incorporate private assets into more traditional investment vehicles. The Board specifically noted FT's commitment to technological innovation and advancement, including its continued focus on developing potential use cases for tokenization and the blockchain and the use of artificial intelligence tools to help streamline day-to-day tasks.

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

Fund Performance

The Board reviewed and considered the performance results of the Fund over various time periods ended December 31, 2024. The Board considered the performance returns for the 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 the Fund's performance results is below.

The Performance Universe for the Fund included the Fund and all large-cap growth funds underlying variable insurance products (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 the Fund's performance with management and management explained that, relative to its Performance Universe, the Fund was overweight more growth-oriented sectors such as information technology and health care, which underperformed the Performance Universe's higher allocations to value and blend-style equity securities during the market volatility in the one-, three- and five-year periods. Management further explained that the Fund's three- and five-year underperformance versus its Performance Universe was substantially attributable to the one-year period ended December 31, 2022, during which growth equities experienced significant volatility due to a combination of rising interest rates, elevated inflation and recession fears. Management discussed with the Board the actions that are being taken/have been taken in an effort to improve the overall performance of the Fund, including, among

others, the continued execution of the Fund's sell discipline and a focus on companies that have developed restraint from being overfunded and favoring companies that have demonstrated responsible capital allocation. The Board noted that the annualized total return for the one-year period was 30.44%. The Board concluded that the Fund's Management Agreement should be continued for an additional one-year period, while management's efforts continue to be closely monitored.

Comparative Fees and Expenses

The Board reviewed and considered information regarding the 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 the 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 the fund's most recent annual or semi-annual report, which reflects historical asset levels that may be quite different from those currently existing, particularly in a period of market volatility. While recognizing such inherent limitation and the fact that expense ratios and Management Rates generally increase as assets decline and decrease as assets grow, the Board believed the independent analysis conducted by Broadridge to be an appropriate measure of comparative fees and expenses. The Broadridge Management Rate includes administrative charges. The Board received a description of the methodology used by Broadridge to select the mutual funds included in an Expense Group.

The Expense Group for the Fund included the Fund and seven other large-cap growth funds underlying VIPs. The Board noted that the Management Rate and actual total expense ratio for the Fund were below the medians and in the first (least expensive) quintile of its Expense Group. The Board also noted that the Fund's actual total expense ratio reflected an expense cap on operating expenses. The Board concluded that the Management Rate charged to the Fund is reasonable.

Profitability

The Board reviewed and considered information regarding the profits realized by the Manager and its affiliates in connection with the operation of the Fund. In this respect, the Board considered the Fund profitability analysis provided by the Manager 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, 2024, 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 Fund's profitability report presentations from prior years. The Board also noted that an independent registered public accounting firm has been engaged by the Manager to periodically review and assess the allocation methodologies to be used solely by the Fund's 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 the Manager and its affiliates may not be fully reflected in the expenses allocated to the 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 Manager, 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 Fund, 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 the 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 the Manager and its affiliates from providing services to the Fund was not excessive in view of the nature, extent and quality of services provided to the Fund.

Economies of Scale

The Board reviewed and considered the extent to which the Manager may realize economies of scale, if any, as the Fund grows larger and whether the 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 the Fund, which operate generally to share any economies of scale with the 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 the Manager incurs across the FT family of funds as a whole. The Board noted that the Fund does not currently have an asset size that would likely enable the Fund to achieve economies of scale. The Board concluded that to the extent economies of scale may be realized by the Manager and its affiliates, the 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 continuance of the Management Agreement for an additional one-year period.

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