



FRANKLIN
TEMPLETON

Franklin Income VIP Fund

Financial Statements and Other Important Information

Semi-Annual | June 30, 2025

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Financial Highlights

Franklin Income VIP Fund

| | Six Months Ended June 30, 2025 (unaudited) | Year Ended December 31, | | | | |
|---|---|-------------------------|----------------------|----------------------|----------------------|--------------------|
| | | 2024 | 2023 | 2022 | 2021 | 2020 |
| Class 1 | | | | | | |
| Per share operating performance | | | | | | |
| (for a share outstanding throughout the period) | | | | | | |
| Net asset value, beginning of period | \$15.12 | \$14.91 | \$15.39 | \$17.47 | \$15.65 | \$16.52 |
| Income from investment operations ^a : | | | | | | |
| Net investment income ^b | 0.31 | 0.65 | 0.64 | 0.62 | 0.53 | 0.59 |
| Net realized and unrealized gains (losses) | 0.49 | 0.42 | 0.64 | (1.55) | 2.09 | (0.54) |
| Total from investment operations | 0.80 | 1.07 | 1.28 | (0.93) | 2.62 | 0.05 |
| Less distributions from: | | | | | | |
| Net investment income | (0.80) | (0.80) | (0.82) | (0.83) | (0.80) | (0.91) |
| Net realized gains | (0.16) | (0.06) | (0.94) | (0.32) | — | (0.01) |
| Total distributions | (0.96) | (0.86) | (1.76) | (1.15) | (0.80) | (0.92) |
| Net asset value, end of period | \$14.96 | \$15.12 | \$14.91 | \$15.39 | \$17.47 | \$15.65 |
| Total return ^c | 5.41% | 7.46% | 8.87% | (5.24)% | 17.00% | 0.97% |
| Ratios to average net assets^d | | | | | | |
| Expenses before waiver and payments by affiliates | 0.47% | 0.47% | 0.46% | 0.45% | 0.47% | 0.47% |
| Expenses net of waiver and payments by affiliates | 0.46% | 0.46% | 0.46% ^{e,f} | 0.45% ^{e,f} | 0.47% ^{e,f} | 0.46% ^e |
| Net investment income | 4.13% | 4.28% | 4.35% | 3.82% | 3.20% | 3.96% |
| Supplemental data | | | | | | |
| Net assets, end of period (000's) | \$319,854 | \$308,491 | \$291,326 | \$220,272 | \$243,732 | \$306,641 |
| Portfolio turnover rate | 23.59% | 39.80% | 34.98% | 64.51% | 39.27% | 45.93% |

^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 expense reduction rounds to less than 0.01%.

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

Franklin Income VIP Fund (continued)

| | 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 | \$14.36 | \$14.20 | \$14.73 | \$16.76 | \$15.04 | \$15.91 |
| Income from investment operations ^a : | | | | | | |
| Net investment income ^b | 0.28 | 0.58 | 0.58 | 0.55 | 0.47 | 0.53 |
| Net realized and unrealized gains (losses) | 0.46 | 0.41 | 0.61 | (1.48) | 2.02 | (0.53) |
| Total from investment operations | 0.74 | 0.99 | 1.19 | (0.93) | 2.49 | — |
| Less distributions from: | | | | | | |
| Net investment income | (0.77) | (0.77) | (0.78) | (0.78) | (0.77) | (0.86) |
| Net realized gains | (0.16) | (0.06) | (0.94) | (0.32) | — | (0.01) |
| Total distributions | (0.93) | (0.83) | (1.72) | (1.10) | (0.77) | (0.87) |
| Net asset value, end of period | \$14.17 | \$14.36 | \$14.20 | \$14.73 | \$16.76 | \$15.04 |
| Total return ^c | 5.21% | 7.20% | 8.62% | (5.47)% | 16.75% | 0.69% |
| Ratios to average net assets^d | | | | | | |
| Expenses before waiver and payments by affiliates | 0.72% | 0.72% | 0.71% | 0.70% | 0.72% | 0.72% |
| Expenses net of waiver and payments by affiliates | 0.71% | 0.71% | 0.71% ^{e,f} | 0.70% ^{e,f} | 0.72% ^{e,f} | 0.71% ^e |
| Net investment income | 3.88% | 4.03% | 4.09% | 3.56% | 2.95% | 3.73% |
| Supplemental data | | | | | | |
| Net assets, end of period (000's) | \$2,464,698 | \$2,463,454 | \$2,546,077 | \$2,545,382 | \$3,026,228 | \$3,852,709 |
| Portfolio turnover rate | 23.59% | 39.80% | 34.98% | 64.51% | 39.27% | 45.93% |

^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 expense reduction rounds to less than 0.01%.

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

Franklin Income 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 | \$14.86 | \$14.67 | \$15.16 | \$17.23 | \$15.45 | \$16.32 |
| Income from investment operations ^a : | | | | | | |
| Net investment income ^b | 0.28 | 0.58 | 0.58 | 0.55 | 0.46 | 0.53 |
| Net realized and unrealized gains (losses) | 0.48 | 0.42 | 0.64 | (1.53) | 2.07 | (0.54) |
| Total from investment operations | 0.76 | 1.00 | 1.22 | (0.98) | 2.53 | (0.01) |
| Less distributions from: | | | | | | |
| Net investment income | (0.75) | (0.75) | (0.77) | (0.77) | (0.75) | (0.85) |
| Net realized gains | (0.16) | (0.06) | (0.94) | (0.32) | — | (0.01) |
| Total distributions | (0.91) | (0.81) | (1.71) | (1.09) | (0.75) | (0.86) |
| Net asset value, end of period | \$14.71 | \$14.86 | \$14.67 | \$15.16 | \$17.23 | \$15.45 |
| Total return ^c | 5.21% | 7.08% | 8.55% | (5.59)% | 16.59% | 0.58% |
| Ratios to average net assets^d | | | | | | |
| Expenses before waiver and payments by affiliates | 0.82% | 0.82% | 0.81% | 0.80% | 0.82% | 0.82% |
| Expenses net of waiver and payments by affiliates | 0.81% | 0.81% | 0.81% ^{e,f} | 0.80% ^{e,f} | 0.82% ^{e,f} | 0.81% ^e |
| Net investment income | 3.78% | 3.92% | 3.99% | 3.49% | 2.82% | 3.62% |
| Supplemental data | | | | | | |
| Net assets, end of period (000's) | \$376,970 | \$370,279 | \$352,794 | \$325,205 | \$333,522 | \$302,474 |
| Portfolio turnover rate | 23.59% | 39.80% | 34.98% | 64.51% | 39.27% | 45.93% |

^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 expense reduction rounds to less than 0.01%.

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

Schedule of Investments (unaudited), June 30, 2025

Franklin Income VIP Fund

| | Country | Shares | Value |
|--|---------------|---------|--------------|
| Common Stocks 33.1% | | | |
| Aerospace & Defense 1.4% | | | |
| Lockheed Martin Corp. | United States | 65,000 | \$30,104,100 |
| RTX Corp. | United States | 90,000 | 13,141,800 |
| | | | 43,245,900 |
| Air Freight & Logistics 0.4% | | | |
| United Parcel Service, Inc., B | United States | 139,000 | 14,030,660 |
| Banks 1.5% | | | |
| Citigroup, Inc. | United States | 50,000 | 4,256,000 |
| Fifth Third Bancorp. | United States | 200,000 | 8,226,000 |
| JPMorgan Chase & Co. | United States | 100,000 | 28,991,000 |
| Truist Financial Corp. | United States | 150,000 | 6,448,500 |
| | | | 47,921,500 |
| Beverages 2.0% | | | |
| Coca-Cola Co. (The) | United States | 250,000 | 17,687,500 |
| PepsiCo, Inc. | United States | 350,000 | 46,214,000 |
| | | | 63,901,500 |
| Biotechnology 1.1% | | | |
| AbbVie, Inc. | United States | 140,000 | 25,986,800 |
| Amgen, Inc. | United States | 35,000 | 9,772,350 |
| | | | 35,759,150 |
| Building Products 0.3% | | | |
| Johnson Controls International plc. | United States | 100,000 | 10,562,000 |
| Capital Markets 1.2% | | | |
| Charles Schwab Corp. (The) | United States | 100,000 | 9,124,000 |
| Morgan Stanley. | United States | 200,000 | 28,172,000 |
| | | | 37,296,000 |
| Chemicals 1.2% | | | |
| Air Products and Chemicals, Inc. | United States | 80,000 | 22,564,800 |
| Albemarle Corp. | United States | 155,008 | 9,714,351 |
| LyondellBasell Industries NV, A | United States | 110,000 | 6,364,600 |
| | | | 38,643,751 |
| Communications Equipment 1.3% | | | |
| Cisco Systems, Inc. | United States | 600,000 | 41,628,000 |
| Diversified Telecommunication Services 0.3% | | | |
| Verizon Communications, Inc. | United States | 250,000 | 10,817,500 |
| Electric Utilities 3.2% | | | |
| Duke Energy Corp. | United States | 150,000 | 17,700,000 |
| Edison International | United States | 75,000 | 3,870,000 |
| NextEra Energy, Inc. | United States | 537,397 | 37,306,100 |
| Southern Co. (The) | United States | 360,000 | 33,058,800 |
| Xcel Energy, Inc. | United States | 130,000 | 8,853,000 |
| | | | 100,787,900 |
| Energy Equipment & Services 0.3% | | | |
| Schlumberger NV | United States | 275,000 | 9,295,000 |
| Food Products 0.6% | | | |
| Nestle SA, ADR | United States | 190,000 | 18,870,800 |
| Ground Transportation 0.9% | | | |
| Union Pacific Corp. | United States | 129,993 | 29,908,789 |

Franklin Income VIP Fund (continued)

| | Country | Shares | Value |
|--|----------------|-----------|----------------------|
| Common Stocks (continued) | | | |
| Health Care Equipment & Supplies 0.3% | | | |
| Medtronic plc | United States | 100,000 | \$8,717,000 |
| Hotels, Restaurants & Leisure 0.3% | | | |
| McDonald's Corp. | United States | 30,000 | 8,765,100 |
| Household Products 1.3% | | | |
| Procter & Gamble Co. (The) | United States | 250,000 | 39,830,000 |
| Industrial Conglomerates 0.3% | | | |
| Honeywell International, Inc. | United States | 45,391 | 10,570,656 |
| Machinery 0.2% | | | |
| Caterpillar, Inc. | United States | 12,500 | 4,852,625 |
| Media 0.5% | | | |
| Comcast Corp., A | United States | 400,000 | 14,276,000 |
| Metals & Mining 0.7% | | | |
| Rio Tinto plc, ADR. | Australia | 365,529 | 21,321,307 |
| Multi-Utilities 1.0% | | | |
| Dominion Energy, Inc. | United States | 300,000 | 16,956,000 |
| Sempra, Inc. | United States | 180,000 | 13,638,600 |
| | | | 30,594,600 |
| Oil, Gas & Consumable Fuels 4.7% | | | |
| Chevron Corp. | United States | 350,000 | 50,116,500 |
| ConocoPhillips | United States | 150,000 | 13,461,000 |
| Exxon Mobil Corp. | United States | 475,000 | 51,205,000 |
| Shell plc, ADR. | United States | 250,000 | 17,602,500 |
| TotalEnergies SE, ADR | France | 250,000 | 15,347,500 |
| | | | 147,732,500 |
| Pharmaceuticals 4.5% | | | |
| AstraZeneca plc, ADR. | United Kingdom | 125,000 | 8,735,000 |
| ^a Bausch Health Cos., Inc. | United States | 39,637 | 263,982 |
| Bristol-Myers Squibb Co. | United States | 229,919 | 10,642,951 |
| ^a Endo, Inc. | United States | 187,928 | 3,944,045 |
| Johnson & Johnson | United States | 350,000 | 53,462,500 |
| Merck & Co., Inc. | United States | 500,000 | 39,580,000 |
| Pfizer, Inc. | United States | 1,059,816 | 25,689,940 |
| | | | 142,318,418 |
| Semiconductors & Semiconductor Equipment 1.9% | | | |
| Microchip Technology, Inc. | United States | 146,059 | 10,278,172 |
| Micron Technology, Inc. | United States | 150,000 | 18,487,500 |
| Texas Instruments, Inc. | United States | 155,000 | 32,181,100 |
| | | | 60,946,772 |
| Specialty Retail 0.9% | | | |
| Home Depot, Inc. (The). | United States | 80,000 | 29,331,200 |
| Tobacco 0.8% | | | |
| Philip Morris International, Inc. | United States | 130,000 | 23,676,900 |
| Total Common Stocks (Cost \$858,933,415) | | | 1,045,601,528 |
| ^bEquity-Linked Securities 15.8% | | | |
| Aerospace & Defense 1.2% | | | |
| ^c Barclays Bank plc into RTX Corp., 144A, 7.5%, 10/16/25. | United States | 98,000 | 12,609,812 |
| ^c Citigroup Global Markets Holdings, Inc. into Boeing Co. (The), 144A, 8.5%, 12/08/25. | United States | 79,900 | 13,932,269 |

Franklin Income VIP Fund (continued)

| | Country | Shares | Value |
|--|---------------|---------|--------------|
| ^bEquity-Linked Securities (continued) | | | |
| Aerospace & Defense (continued) | | | |
| ^c JPMorgan Chase Bank NA into Boeing Co. (The), 144A, 10%, 1/22/26 | United States | 65,000 | \$12,534,463 |
| | | | 39,076,544 |
| Banks 1.3% | | | |
| ^c JPMorgan Chase Bank NA into Truist Financial Corp., 144A, 9.5%, 3/02/26 | United States | 168,000 | 7,262,343 |
| ^c UBS AG into Bank of America Corp., 144A, 8%, 1/28/26 | United States | 500,000 | 23,933,371 |
| ^c Wells Fargo Bank NA into Citigroup, Inc., 144A, 8.5%, 2/25/26 | United States | 130,000 | 11,104,785 |
| | | | 42,300,499 |
| Biotechnology 0.5% | | | |
| ^c Mizuho Markets Cayman LP into Amgen, Inc., 144A, 10%, 6/15/26 | United States | 60,000 | 16,947,619 |
| Broadline Retail 0.3% | | | |
| ^c Barclays Bank plc into Amazon.com, Inc., 144A, 10%, 3/25/26 | United States | 50,000 | 10,592,189 |
| Capital Markets 0.4% | | | |
| ^c Merrill Lynch BV into Morgan Stanley, 144A, 9%, 7/14/25 | United States | 100,000 | 10,955,686 |
| Communications Equipment 0.3% | | | |
| ^c Royal Bank of Canada into Cisco Systems, Inc., 144A, 8%, 9/17/25 | United States | 150,000 | 8,220,931 |
| Consumer Staples Distribution & Retail 0.6% | | | |
| ^c Barclays Bank plc into Target Corp., 144A, 10%, 12/29/25 | United States | 75,000 | 7,700,386 |
| ^c Toronto-Dominion Bank (The) into Target Corp., 144A, 12%, 6/30/26 | United States | 80,000 | 7,847,853 |
| ^c UBS AG into Target Corp., 144A, 10%, 9/15/25 | United States | 28,200 | 2,815,797 |
| | | | 18,364,036 |
| Containers & Packaging 0.2% | | | |
| ^c BNP Paribas SA into International Paper Co., 144A, 9%, 10/20/25 | United States | 125,000 | 5,961,893 |
| Energy Equipment & Services 0.4% | | | |
| ^c Merrill Lynch BV into Halliburton Co., 144A, 8.5%, 11/13/25 | United States | 225,000 | 4,812,021 |
| ^c Wells Fargo Bank NA into Schlumberger NV, 144A, 10%, 11/26/25 | United States | 206,500 | 7,315,318 |
| | | | 12,127,339 |
| Health Care Providers & Services 1.2% | | | |
| ^c Citigroup Global Markets Holdings, Inc. into UnitedHealth Group, Inc., 144A, 9%, 1/27/26 | United States | 15,000 | 5,100,049 |
| ^c JPMorgan Chase Bank NA into CVS Health Corp., 144A, 9%, 11/25/25 | United States | 145,000 | 9,541,173 |
| ^c Merrill Lynch BV into UnitedHealth Group, Inc., 144A, 10%, 7/01/26 | United States | 25,000 | 7,802,695 |
| ^c Wells Fargo Bank NA into CVS Health Corp., 144A, 10%, 4/09/26 | United States | 150,000 | 10,640,811 |
| ^c Wells Fargo Bank NA into UnitedHealth Group, Inc., 144A, 7%, 7/14/25 | United States | 17,000 | 5,445,991 |
| | | | 38,530,719 |
| Hotels, Restaurants & Leisure 0.6% | | | |
| ^c Toronto-Dominion Bank (The) into Starbucks Corp., 144A, 9%, 1/12/26 | United States | 190,000 | 18,040,572 |
| IT Services 0.3% | | | |
| ^c UBS AG into Accenture plc, 144A, 8%, 7/13/26 | Ireland | 31,000 | 9,298,975 |
| Media 0.3% | | | |
| ^c Merrill Lynch BV into Comcast Corp., 144A, 8.5%, 6/22/26 | United States | 255,000 | 8,991,414 |

Franklin Income VIP Fund (continued)

| | Country | Shares | Value |
|---|---------------|---------|---------------------------|
| ^bEquity-Linked Securities (continued) | | | |
| Metals & Mining 1.4% | | | |
| ^c BNP Paribas Issuance BV into Freeport-McMoRan, Inc., 144A, 10%, 8/12/25 | United States | 350,000 | \$15,371,284 |
| ^c Citigroup Global Markets Holdings, Inc. into Newmont Corp., 144A, 9.5%, 2/18/26 | United States | 250,000 | 12,160,077 |
| ^c Mizuho Markets Cayman LP into Barrick Gold Corp., 144A, 9%, 7/01/25 | Canada | 303,000 | 6,031,609 |
| ^c Mizuho Markets Cayman LP into Freeport-McMoRan, Inc., 144A, 10%, 12/24/25 | United States | 250,000 | 10,765,455 |
| | | | <u>44,328,425</u> |
| Oil, Gas & Consumable Fuels 0.7% | | | |
| ^c JPMorgan Chase Bank NA into Exxon Mobil Corp., 144A, 8.5%, 11/03/25 | United States | 50,000 | 5,491,220 |
| ^c Mizuho Markets Cayman LP into Exxon Mobil Corp., 144A, 8.5%, 4/07/26 | United States | 159,000 | 17,820,519 |
| | | | <u>23,311,739</u> |
| Semiconductors & Semiconductor Equipment 4.0% | | | |
| ^c Barclays Bank plc into Microchip Technology, Inc., 144A, 10%, 10/14/25 | United States | 135,000 | 9,859,400 |
| ^c BNP Paribas Issuance BV into Advanced Micro Devices, Inc., 144A, 10%, 3/02/26 | United States | 75,000 | 9,596,446 |
| ^c BNP Paribas Issuance BV into Applied Materials, Inc., 144A, 10%, 12/10/25 | United States | 60,000 | 10,885,194 |
| ^c BNP Paribas SA into Texas Instruments, Inc., 144A, 9%, 7/01/26 | United States | 113,500 | 23,215,496 |
| ^c Citigroup Global Markets Holdings, Inc. into Intel Corp., 144A, 10%, 3/03/26 | United States | 541,000 | 12,820,537 |
| ^c Mizuho Markets Cayman LP into Analog Devices, Inc., 144A, 8.5%, 5/18/26 | United States | 80,000 | 17,546,840 |
| ^c Mizuho Markets Cayman LP into Intel Corp., 144A, 10%, 12/08/25 | United States | 615,000 | 14,122,393 |
| ^c UBS AG into Analog Devices, Inc., 144A, 9%, 9/17/25 | United States | 34,000 | 8,011,586 |
| ^c UBS AG into Marvell Technology, Inc., 144A, 12%, 5/14/26 | United States | 110,000 | 7,693,917 |
| ^c Wells Fargo Bank NA into QUALCOMM, Inc., 144A, 10%, 10/22/25 | United States | 68,500 | 11,311,103 |
| | | | <u>125,062,912</u> |
| Software 1.1% | | | |
| ^c Merrill Lynch BV into Microsoft Corp, 144A, 7.5%, 10/06/25 | United States | 25,600 | 11,990,504 |
| ^c Merrill Lynch BV into Microsoft Corp., 144A, 7%, 3/09/26 | United States | 32,655 | 14,361,655 |
| ^c Wells Fargo Bank NA into Salesforce, Inc., 144A, 9%, 6/15/26 . . | United States | 35,000 | 9,461,493 |
| | | | <u>35,813,652</u> |
| Specialty Retail 0.3% | | | |
| ^c J.P. Morgan Structured Products BV into Home Depot, Inc. (The), 144A, 8%, 10/15/25 | United States | 25,000 | 9,354,724 |
| Technology Hardware, Storage & Peripherals 0.5% | | | |
| ^c Barclays Bank plc into Dell Technologies Inc, 144A, 12%, 9/03/25 | United States | 75,000 | 9,317,003 |
| ^c Mizuho Markets Cayman LP into Hewlett Packard Enterprise Co., 144A, 9.5%, 9/30/25 | United States | 400,000 | 7,743,135 |
| | | | <u>17,060,138</u> |
| Textiles, Apparel & Luxury Goods 0.2% | | | |
| ^c Goldman Sachs International Bank into NIKE, Inc., 144A, 9%, 3/31/26 | United States | 100,000 | 7,281,656 |
| Total Equity-Linked Securities (Cost \$494,621,864) | | | <u>501,621,662</u> |

Franklin Income VIP Fund (continued)

| | Country | Shares | Value |
|--|----------------|-------------------------------------|-------------------|
| Convertible Preferred Stocks 1.6% | | | |
| Aerospace & Defense 0.5% | | | |
| Boeing Co. (The), 6% | United States | 240,000 | \$16,320,000 |
| Capital Markets 0.1% | | | |
| Ares Management Corp., B, 6.75% | United States | 50,000 | 2,650,000 |
| Chemicals 0.2% | | | |
| Albemarle Corp., 7.25% | United States | 230,000 | 7,383,000 |
| Electric Utilities 0.1% | | | |
| NextEra Energy, Inc., 7.234% | United States | 50,000 | 2,212,500 |
| Financial Services 0.7% | | | |
| ^a FNMA, 5.375% | United States | 475 | 22,800,000 |
| Total Convertible Preferred Stocks (Cost \$65,806,042) | | | 51,365,500 |
| | | Principal Amount^c | |
| Convertible Bonds 0.1% | | | |
| Electric Utilities 0.1% | | | |
| ^c Southern Co. (The), Senior Note, 144A, 3.25%, 6/15/28 | United States | 3,500,000 | 3,526,250 |
| Total Convertible Bonds (Cost \$3,500,000) | | | 3,526,250 |
| Corporate Bonds 35.1% | | | |
| Aerospace & Defense 1.3% | | | |
| Boeing Co. (The), Senior Note, 5.15%, 5/01/30 | United States | 15,000,000 | 15,278,423 |
| ^c Bombardier, Inc., Senior Note, 144A, 7.25%, 7/01/31 | Canada | 4,250,000 | 4,466,538 |
| ^c TransDigm, Inc., | | | |
| Senior Secured Note, 144A, 6.75%, 8/15/28 | United States | 5,000,000 | 5,111,950 |
| Senior Secured Note, 144A, 6.625%, 3/01/32 | United States | 15,000,000 | 15,549,652 |
| | | | 40,406,563 |
| Automobile Components 0.3% | | | |
| ^c Dornoch Debt Merger Sub, Inc., Senior Note, 144A, 6.625%, 10/15/29 | United States | 11,945,000 | 9,264,972 |
| Automobiles 0.9% | | | |
| Ford Motor Co., | | | |
| Senior Bond, 3.25%, 2/12/32 | United States | 3,000,000 | 2,530,411 |
| Senior Bond, 6.1%, 8/19/32 | United States | 7,000,000 | 6,993,206 |
| General Motors Co., | | | |
| Senior Bond, 5.6%, 10/15/32 | United States | 5,000,000 | 5,082,594 |
| Senior Bond, 5.15%, 4/01/38 | United States | 13,500,000 | 12,571,594 |
| ^c Rivian Holdings LLC / Rivian LLC / Rivian Automotive LLC, Senior Secured Note, 144A, 10%, 1/15/31 | United States | 3,000,000 | 2,949,442 |
| | | | 30,127,247 |
| Banks 3.3% | | | |
| Barclays plc, | | | |
| Senior Bond, 5.746% to 8/08/32, FRN thereafter, 8/09/33 .. | United Kingdom | 15,000,000 | 15,554,126 |
| Senior Bond, 7.437% to 11/01/32, FRN thereafter, 11/02/33 .. | United Kingdom | 10,000,000 | 11,353,185 |
| Citigroup, Inc., Senior Bond, 6.27% to 11/16/32, FRN thereafter, 11/17/33 | United States | 24,500,000 | 26,389,754 |
| JPMorgan Chase & Co., | | | |
| ^d NN, Junior Sub. Bond, 6.875% to 5/31/29, FRN thereafter, Perpetual | United States | 5,000,000 | 5,290,100 |
| ^d OO, Junior Sub. Bond, 6.5% to 3/31/30, FRN thereafter, Perpetual | United States | 3,000,000 | 3,105,822 |
| Senior Bond, 6.254% to 10/22/33, FRN thereafter, 10/23/34 .. | United States | 3,000,000 | 3,261,724 |

Franklin Income VIP Fund (continued)

| | Country | Principal Amount ¹ | Value |
|---|---------------|-------------------------------|--------------------|
| Corporate Bonds (continued) | | | |
| Banks (continued) | | | |
| PNC Financial Services Group, Inc. (The), Senior Bond, 6.037% to 10/27/32, FRN thereafter, 10/28/33 | United States | 8,000,000 | \$8,510,533 |
| Truist Financial Corp., Sub. Bond, 4.916% to 7/27/32, FRN thereafter, 7/28/33 | United States | 4,000,000 | 3,904,840 |
| US Bancorp, Senior Bond, 5.85% to 10/20/32, FRN thereafter, 10/21/33 | United States | 10,000,000 | 10,524,319 |
| Wells Fargo & Co., Senior Bond, 5.557% to 7/24/33, FRN thereafter, 7/25/34 | United States | 15,500,000 | 16,002,278 |
| | | | <u>103,896,681</u> |
| Building Products 0.8% | | | |
| ^c Camelot Return Merger Sub, Inc., Senior Secured Note, 144A, 8.75%, 8/01/28 | United States | 6,900,000 | 6,368,562 |
| ^c EMRLD Borrower LP / Emerald Co-Issuer, Inc., Senior Secured Note, 144A, 6.625%, 12/15/30 | United States | 11,000,000 | 11,257,642 |
| ^c Quikrete Holdings, Inc., Senior Secured Note, 144A, 6.375%, 3/01/32 | United States | 6,500,000 | 6,688,142 |
| | | | <u>24,314,346</u> |
| Capital Markets 1.3% | | | |
| Goldman Sachs Group, Inc. (The), Senior Bond, 6.561% to 10/23/33, FRN thereafter, 10/24/34 | United States | 17,000,000 | 18,803,807 |
| Morgan Stanley, Senior Bond, 6.342% to 10/17/32, FRN thereafter, 10/18/33 | United States | 8,650,000 | 9,394,131 |
| Senior Bond, 5.25% to 4/20/33, FRN thereafter, 4/21/34 | United States | 5,700,000 | 5,800,454 |
| Senior Bond, 6.627% to 10/31/33, FRN thereafter, 11/01/34 | United States | 6,000,000 | 6,616,322 |
| | | | <u>40,614,714</u> |
| Chemicals 1.1% | | | |
| Celanese US Holdings LLC, Senior Note, 6.415%, 7/15/27 | United States | 12,000,000 | 12,434,985 |
| ^c Rain Carbon, Inc., Senior Secured Note, 144A, 12.25%, 9/01/29 | United States | 7,300,000 | 7,838,018 |
| ^c SCIH Salt Holdings, Inc., Senior Note, 144A, 6.625%, 5/01/29 | United States | 5,500,000 | 5,381,962 |
| Senior Secured Note, 144A, 4.875%, 5/01/28 | United States | 8,888,000 | 8,665,036 |
| | | | <u>34,320,001</u> |
| Commercial Services & Supplies 0.1% | | | |
| ^c RR Donnelley & Sons Co., Senior Secured Note, 144A, 9.5%, 8/01/29 | United States | 2,000,000 | 2,001,510 |
| Communications Equipment 1.0% | | | |
| ^c CommScope LLC, Senior Note, 144A, 8.25%, 3/01/27 | United States | 11,000,000 | 10,966,081 |
| Senior Note, 144A, 7.125%, 7/01/28 | United States | 9,846,000 | 9,683,979 |
| Senior Secured Note, 144A, 4.75%, 9/01/29 | United States | 5,500,000 | 5,376,433 |
| ^e Senior Secured Note, 144A, 9.5%, 12/15/31 | United States | 6,000,000 | 6,287,685 |
| | | | <u>32,314,178</u> |
| Consumer Finance 1.3% | | | |
| AerCap Ireland Capital DAC / AerCap Global Aviation Trust, Senior Bond, 5.3%, 1/19/34 | Ireland | 5,000,000 | 5,033,556 |
| Capital One Financial Corp., Senior Note, 3.273% to 2/28/29, FRN thereafter, 3/01/30 | United States | 7,000,000 | 6,696,951 |
| Senior Note, 5.247% to 7/25/29, FRN thereafter, 7/26/30 | United States | 6,070,000 | 6,211,111 |
| Ford Motor Credit Co. LLC, Senior Note, 4.95%, 5/28/27 | United States | 15,000,000 | 14,907,237 |
| Senior Note, 7.35%, 3/06/30 | United States | 1,500,000 | 1,584,088 |

Franklin Income VIP Fund (continued)

| | Country | Principal Amount ¹ | Value |
|---|----------------|-------------------------------|-------------|
| Corporate Bonds (continued) | | | |
| Consumer Finance (continued) | | | |
| General Motors Financial Co., Inc., Senior Bond, 6.4%, 1/09/33. | United States | 5,000,000 | \$5,263,196 |
| | | | 39,696,139 |
| Consumer Staples Distribution & Retail 0.1% | | | |
| ^c 7-Eleven, Inc., Senior Bond, 144A, 1.8%, 2/10/31 | United States | 3,000,000 | 2,541,951 |
| Containers & Packaging 1.3% | | | |
| ^c Ardagh Packaging Finance plc / Ardagh Holdings USA, Inc., Senior Note, 144A, 5.25%, 8/15/27 | United States | 10,500,000 | 4,690,718 |
| Senior Secured Note, 144A, 4.125%, 8/15/26 | United States | 11,000,000 | 10,336,700 |
| ^c Clydesdale Acquisition Holdings, Inc., Senior Secured Note, 144A, 6.75%, 4/15/32. | United States | 4,000,000 | 4,107,575 |
| ^c Mauser Packaging Solutions Holding Co., Secured Note, 144A, 9.25%, 4/15/27 | United States | 15,932,000 | 15,832,003 |
| Senior Secured Note, 144A, 7.875%, 4/15/27 | United States | 7,000,000 | 7,123,494 |
| | | | 42,090,490 |
| Diversified Telecommunication Services 1.2% | | | |
| ^c CCO Holdings LLC / CCO Holdings Capital Corp., Senior Bond, 144A, 5.125%, 5/01/27 | United States | 3,000,000 | 2,992,404 |
| Senior Bond, 144A, 5%, 2/01/28 | United States | 10,000,000 | 9,914,701 |
| Senior Bond, 144A, 4.75%, 3/01/30 | United States | 2,500,000 | 2,423,868 |
| Senior Note, 144A, 6.375%, 9/01/29 | United States | 17,500,000 | 17,863,235 |
| ^c Connect Holding II LLC, Senior Secured Note, 144A, 10.5%, 4/03/31 | United States | 3,500,000 | 3,589,075 |
| | | | 36,783,283 |
| Electric Utilities 1.6% | | | |
| ^c NRG Energy, Inc., Senior Note, 144A, 5.75%, 7/15/29 | United States | 20,000,000 | 20,125,696 |
| Southern Co. (The), 2025, Junior Sub. Bond, 6.375% to 3/14/35, FRN thereafter, 3/15/55 | United States | 1,000,000 | 1,031,473 |
| Senior Bond, 5.7%, 10/15/32 | United States | 10,000,000 | 10,514,017 |
| ^c Vistra Operations Co. LLC, Senior Note, 144A, 4.375%, 5/01/29 | United States | 10,505,000 | 10,245,509 |
| Senior Note, 144A, 7.75%, 10/15/31 | United States | 4,700,000 | 4,998,701 |
| Senior Note, 144A, 6.875%, 4/15/32 | United States | 2,800,000 | 2,929,170 |
| | | | 49,844,566 |
| Electrical Equipment 0.2% | | | |
| Regal Rexnord Corp., Senior Note, 6.4%, 4/15/33 | United States | 5,000,000 | 5,281,895 |
| Energy Equipment & Services 0.5% | | | |
| ^c Weatherford International Ltd., Senior Note, 144A, 8.625%, 4/30/30 | United States | 14,500,000 | 14,955,115 |
| Food Products 0.4% | | | |
| JBS USA Holding Lux SARL / JBS USA Food Co. / JBS Lux Co. SARL, Senior Note, 5.75%, 4/01/33 | United States | 8,000,000 | 8,228,360 |
| Pilgrim's Pride Corp., Senior Bond, 6.25%, 7/01/33 | United States | 4,000,000 | 4,234,120 |
| | | | 12,462,480 |
| Ground Transportation 0.1% | | | |
| ^c Ashtead Capital, Inc., Senior Note, 144A, 4.25%, 11/01/29 | United Kingdom | 4,500,000 | 4,408,697 |
| Health Care Equipment & Supplies 0.6% | | | |
| GE HealthCare Technologies, Inc., Senior Note, 5.905%, 11/22/32 | United States | 4,000,000 | 4,253,976 |
| ^c Medline Borrower LP, Senior Note, 144A, 5.25%, 10/01/29 | United States | 4,000,000 | 3,971,739 |

Franklin Income VIP Fund (continued)

| | Country | Principal Amount ^a | Value |
|---|---------------|-------------------------------|-------------|
| Corporate Bonds (continued) | | | |
| Health Care Equipment & Supplies (continued) | | | |
| ^a Medline Borrower LP, (continued) | | | |
| Senior Secured Note, 144A, 3.875%, 4/01/29 | United States | 10,000,000 | \$9,599,361 |
| | | | 17,825,076 |
| Health Care Providers & Services 6.2% | | | |
| Centene Corp., Senior Note, 4.625%, 12/15/29 | United States | 10,000,000 | 9,732,974 |
| ^a CHS/Community Health Systems, Inc., | | | |
| 144A, 10.75%, 6/15/33 | United States | 20,000,000 | 20,546,000 |
| Secured Note, 144A, 6.875%, 4/15/29 | United States | 23,820,000 | 19,012,647 |
| Secured Note, 144A, 6.125%, 4/01/30 | United States | 19,430,000 | 14,385,710 |
| Senior Secured Note, 144A, 10.875%, 1/15/32 | United States | 31,000,000 | 32,894,627 |
| CVS Health Corp., Senior Bond, 5.25%, 2/21/33 | United States | 5,000,000 | 5,035,330 |
| ^a DaVita, Inc., Senior Note, 144A, 4.625%, 6/01/30 | United States | 20,000,000 | 19,175,932 |
| HCA, Inc., Senior Bond, 5.5%, 6/01/33 | United States | 10,000,000 | 10,242,412 |
| Tenet Healthcare Corp., | | | |
| Secured Note, 6.25%, 2/01/27 | United States | 24,031,000 | 24,045,093 |
| Senior Note, 6.125%, 10/01/28 | United States | 19,400,000 | 19,439,303 |
| Senior Secured Note, 6.125%, 6/15/30 | United States | 12,500,000 | 12,732,927 |
| Senior Secured Note, 6.75%, 5/15/31 | United States | 10,000,000 | 10,352,290 |
| | | | 197,595,245 |
| Hotels, Restaurants & Leisure 1.5% | | | |
| ^a Caesars Entertainment, Inc., | | | |
| ^e Senior Note, 144A, 6%, 10/15/32 | United States | 12,500,000 | 12,266,711 |
| Senior Secured Note, 144A, 7%, 2/15/30 | United States | 6,250,000 | 6,476,294 |
| ^a Fertitta Entertainment LLC / Fertitta Entertainment Finance Co., Inc., | | | |
| Senior Note, 144A, 6.75%, 1/15/30 | United States | 4,100,000 | 3,786,787 |
| Senior Secured Note, 144A, 4.625%, 1/15/29 | United States | 3,500,000 | 3,354,545 |
| ^a NCL Corp. Ltd., Senior Note, 144A, 6.75%, 2/01/32 | United States | 2,000,000 | 2,044,507 |
| ^a Wynn Las Vegas LLC / Wynn Las Vegas Capital Corp., Senior | | | |
| Bond, 144A, 5.25%, 5/15/27 | United States | 6,000,000 | 6,008,571 |
| ^a Wynn Resorts Finance LLC / Wynn Resorts Capital Corp., Senior | | | |
| Note, 144A, 6.25%, 3/15/33 | United States | 15,000,000 | 15,105,555 |
| | | | 49,042,970 |
| Household Durables 0.1% | | | |
| ^a Newell Brands, Inc., Senior Note, 144A, 8.5%, 6/01/28 | United States | 2,500,000 | 2,631,777 |
| Independent Power and Renewable Electricity Producers 0.7% | | | |
| ^a Calpine Corp., | | | |
| Senior Note, 144A, 5.125%, 3/15/28 | United States | 7,800,000 | 7,796,136 |
| Senior Secured Note, 144A, 4.5%, 2/15/28 | United States | 5,000,000 | 4,962,593 |
| ^{a,d} Vistra Corp., Junior Sub. Bond, 144A, 7% to 12/14/26, FRN | | | |
| thereafter, Perpetual | United States | 7,800,000 | 7,898,889 |
| | | | 20,657,618 |
| Media 0.5% | | | |
| ^a Clear Channel Outdoor Holdings, Inc., | | | |
| Senior Note, 144A, 7.75%, 4/15/28 | United States | 2,800,000 | 2,648,170 |
| Senior Secured Note, 144A, 5.125%, 8/15/27 | United States | 5,582,436 | 5,522,419 |
| ^a Stagwell Global LLC, Senior Note, 144A, 5.625%, 8/15/29 | United States | 5,000,000 | 4,787,824 |
| ^a Univision Communications, Inc., Senior Secured Note, 144A, | | | |
| 6.625%, 6/01/27 | United States | 4,500,000 | 4,491,864 |
| | | | 17,450,277 |
| Metals & Mining 1.4% | | | |
| ^a Alcoa Nederland Holding BV, Senior Note, 144A, 4.125%, 3/31/29 | United States | 8,500,000 | 8,108,299 |

Franklin Income VIP Fund (continued)

| | Country | Principal Amount ¹ | Value |
|--|---------------|-------------------------------|--------------|
| Corporate Bonds (continued) | | | |
| Metals & Mining (continued) | | | |
| ArcelorMittal SA, Senior Bond, 6.8%, 11/29/32 | Luxembourg | 12,000,000 | \$13,197,146 |
| ^c Cleveland-Cliffs, Inc., | | | |
| Senior Note, 144A, 7%, 3/15/32 | United States | 5,000,000 | 4,719,557 |
| Senior Note, 144A, 7.375%, 5/01/33 | United States | 4,000,000 | 3,758,567 |
| ^c FMG Resources August 2006 Pty. Ltd., | | | |
| Senior Bond, 144A, 4.375%, 4/01/31 | Australia | 6,000,000 | 5,610,728 |
| Senior Bond, 144A, 6.125%, 4/15/32 | Australia | 3,442,000 | 3,503,529 |
| Senior Note, 144A, 5.875%, 4/15/30 | Australia | 5,000,000 | 5,066,370 |
| | | | 43,964,196 |
| Oil, Gas & Consumable Fuels 2.8% | | | |
| ^c Calumet Specialty Products Partners LP / Calumet Finance Corp., | | | |
| Senior Note, 144A, 11%, 4/15/26 | United States | 7,598,000 | 7,605,127 |
| Senior Note, 144A, 8.125%, 1/15/27 | United States | 8,820,000 | 8,774,032 |
| Senior Secured Note, 144A, 9.25%, 7/15/29 | United States | 5,500,000 | 5,665,000 |
| ^c Hilcorp Energy I LP / Hilcorp Finance Co., Senior Bond, 144A, | | | |
| 7.25%, 2/15/35 | United States | 4,000,000 | 3,915,125 |
| Kinder Morgan, Inc., Senior Bond, 5.4%, 2/01/34 | United States | 8,000,000 | 8,105,521 |
| ^c Matador Resources Co., Senior Note, 144A, 6.25%, 4/15/33 . . . | United States | 3,500,000 | 3,482,875 |
| Occidental Petroleum Corp., | | | |
| Senior Bond, 6.625%, 9/01/30 | United States | 6,000,000 | 6,348,300 |
| ^e Senior Bond, 5.55%, 10/01/34 | United States | 3,000,000 | 2,945,723 |
| ^c Venture Global LNG, Inc., | | | |
| ^d Junior Sub. Bond, 144A, 9% to 9/29/29, FRN thereafter, | | | |
| Perpetual | United States | 10,250,000 | 9,974,775 |
| Senior Secured Note, 144A, 8.125%, 6/01/28 | United States | 9,000,000 | 9,307,521 |
| Senior Secured Note, 144A, 8.375%, 6/01/31 | United States | 7,500,000 | 7,795,130 |
| ^c Venture Global Plaquemines LNG LLC, Senior Secured Bond, | | | |
| 144A, 7.75%, 5/01/35 | United States | 8,500,000 | 9,207,982 |
| Williams Cos., Inc. (The), Senior Bond, 5.65%, 3/15/33 | United States | 5,000,000 | 5,198,700 |
| | | | 88,325,811 |
| Passenger Airlines 1.3% | | | |
| ^{c,e} American Airlines, Inc., Senior Secured Note, 144A, 8.5%, | | | |
| 5/15/29 | United States | 7,000,000 | 7,344,113 |
| ^c American Airlines, Inc. / AAdvantage Loyalty IP Ltd., | | | |
| Senior Secured Note, 144A, 5.5%, 4/20/26 | United States | 5,000,000 | 4,991,651 |
| Senior Secured Note, 144A, 5.75%, 4/20/29 | United States | 4,460,000 | 4,458,875 |
| ^c Delta Air Lines, Inc. / SkyMiles IP Ltd., Senior Secured Note, | | | |
| 144A, 4.75%, 10/20/28 | United States | 10,000,000 | 10,027,892 |
| ^c JetBlue Airways Corp. / JetBlue Loyalty LP, Senior Secured Note, | | | |
| 144A, 9.875%, 9/20/31 | United States | 7,000,000 | 6,814,544 |
| ^c United Airlines, Inc., Senior Secured Note, 144A, 4.625%, 4/15/29 | United States | 8,750,000 | 8,499,358 |
| | | | 42,136,433 |
| Personal Care Products 0.1% | | | |
| ^c Opal Bidco SAS, Senior Secured Note, 144A, 6.5%, 3/31/32 . . . | France | 2,750,000 | 2,808,473 |
| Pharmaceuticals 0.5% | | | |
| ^c Endo Finance Holdings, Inc., Senior Secured Note, 144A, 8.5%, | | | |
| 4/15/31 | United States | 4,000,000 | 4,239,232 |
| Teva Pharmaceutical Finance Netherlands III BV, Senior Note, | | | |
| 6.75%, 3/01/28 | Israel | 10,000,000 | 10,391,580 |
| | | | 14,630,812 |
| Semiconductors & Semiconductor Equipment 0.7% | | | |
| ^c Broadcom, Inc., Senior Bond, 144A, 4.15%, 4/15/32 | United States | 10,000,000 | 9,641,681 |

Franklin Income VIP Fund (continued)

| | Country | Principal Amount ^a | Value |
|---|----------------|-------------------------------|----------------------|
| Corporate Bonds (continued) | | | |
| Semiconductors & Semiconductor Equipment (continued) | | | |
| Micron Technology, Inc., | | | |
| Senior Bond, 5.875%, 2/09/33 | United States | 4,000,000 | \$4,173,247 |
| Senior Note, 6.75%, 11/01/29 | United States | 8,000,000 | 8,649,147 |
| | | | 22,464,075 |
| Software 0.2% | | | |
| Oracle Corp., Senior Bond, 6.25%, 11/09/32 | United States | 6,750,000 | 7,306,965 |
| Specialized REITs 0.2% | | | |
| American Tower Corp., Senior Bond, 5.65%, 3/15/33 | United States | 5,000,000 | 5,214,616 |
| Technology Hardware, Storage & Peripherals 0.3% | | | |
| HP, Inc., Senior Bond, 5.5%, 1/15/33 | United States | 10,000,000 | 10,211,848 |
| Textiles, Apparel & Luxury Goods 0.3% | | | |
| ^{c,f,g} Beach Acquisition Bidco LLC, Senior Note, 144A, PIK, 10%, 7/15/33 | United States | 10,000,000 | 10,390,150 |
| Tobacco 0.2% | | | |
| BAT Capital Corp., Senior Bond, 6.421%, 8/02/33 | United Kingdom | 6,000,000 | 6,519,273 |
| Trading Companies & Distributors 0.7% | | | |
| ^c Herc Holdings, Inc., Senior Note, 144A, 7%, 6/15/30 | United States | 2,500,000 | 2,612,456 |
| United Rentals North America, Inc., | | | |
| Senior Bond, 4.875%, 1/15/28 | United States | 12,800,000 | 12,757,591 |
| ^c Senior Secured Note, 144A, 6%, 12/15/29 | United States | 8,000,000 | 8,199,480 |
| | | | 23,569,527 |
| Total Corporate Bonds (Cost \$1,074,558,295) | | | 1,108,069,970 |
| ^hSenior Floating Rate Interests 0.6% | | | |
| Containers & Packaging 0.1% | | | |
| ^{g,i} Clydesdale Acquisition Holdings, Inc., First Lien, 2025 Incremental Closing Date CME Term Loan, B, 7.577%, (1-month SOFR + 3.25%), 4/01/32 | United States | 3,931,271 | 3,920,362 |
| Health Care Providers & Services 0.1% | | | |
| ⁱ MPH Acquisition Holdings LLC, First Lien, Exchange First Out CME Term Loan, 8.03%, (3-month SOFR + 3.75%), 12/31/30 | United States | 1,588,517 | 1,567,866 |
| IT Services 0.2% | | | |
| ⁱ X Corp., First Lien, CME Term Loan, B1, 10.949%, (3-month SOFR + 6.5%), 10/26/29 | United States | 7,710,459 | 7,542,410 |
| Personal Care Products 0.2% | | | |
| ⁱ Opal LLC, First Lien, CME Term Loan, B2, 7.435%, (6-month SOFR + 3.25%), 3/31/32 | United States | 5,750,000 | 5,780,561 |
| Total Senior Floating Rate Interests (Cost \$18,700,774) | | | 18,811,199 |
| U.S. Government and Agency Securities 4.8% | | | |
| U.S. Treasury Bonds, | | | |
| 3.625%, 5/15/53 | United States | 42,500,000 | 34,677,344 |
| 4.125%, 8/15/53 | United States | 21,000,000 | 18,764,648 |
| ^j 4.89%, 11/15/54 | United States | 115,000,000 | 28,273,263 |
| 4.5%, 11/15/54 | United States | 10,000,000 | 9,532,812 |
| U.S. Treasury Notes, | | | |
| 4%, 5/31/30 | United States | 16,000,000 | 16,157,500 |
| 2.875%, 5/15/32 | United States | 30,000,000 | 27,997,266 |

Franklin Income VIP Fund (continued)

| | Country | Principal Amount [†] | Value |
|--|---------------|-------------------------------|----------------------|
| U.S. Government and Agency Securities (continued) | | | |
| U.S. Treasury Notes, (continued) | | | |
| 4.125%, 5/31/32 | United States | 16,000,000 | \$16,138,750 |
| Total U.S. Government and Agency Securities (Cost \$156,848,373) | | | 151,541,583 |
| Asset-Backed Securities 0.3% | | | |
| Passenger Airlines 0.3% | | | |
| United Airlines Pass-Through Trust, | | | |
| 2020-1, A, 5.875%, 10/15/27 | United States | 3,974,958 | 4,059,560 |
| 2023-1, A, 5.8%, 1/15/36 | United States | 6,018,478 | 6,160,351 |
| | | | 10,219,911 |
| Total Asset-Backed Securities (Cost \$9,993,436) | | | 10,219,911 |
| Mortgage-Backed Securities 6.2% | | | |
| Federal Home Loan Mortgage Corp. (FHLMC) Fixed Rate 3.2% | | | |
| FHLMC Pool, 30 Year, 5%, 5/01/53 | United States | 15,703,284 | 15,432,031 |
| FHLMC Pool, 30 Year, 5%, 11/01/54 | United States | 26,600,761 | 26,093,869 |
| FHLMC Pool, 30 Year, 5.5%, 7/01/53 - 2/01/55 | United States | 46,069,658 | 46,128,994 |
| FHLMC Pool, 30 Year, 6%, 1/01/55 - 2/01/55 | United States | 13,639,111 | 13,869,607 |
| | | | 101,524,501 |
| Federal National Mortgage Association (FNMA) Fixed Rate 1.1% | | | |
| FNMA, 30 Year, 4%, 8/01/49 | United States | 1,244,878 | 1,178,113 |
| FNMA, 30 Year, 5%, 5/01/53 - 11/01/53 | United States | 28,925,958 | 28,438,539 |
| FNMA, 30 Year, 5.5%, 11/01/54 | United States | 6,613,406 | 6,618,266 |
| | | | 36,234,918 |
| Government National Mortgage Association (GNMA) Fixed Rate 1.9% | | | |
| GNMA II, Single-family, 30 Year, 5.5%, 3/20/55 - 6/20/55 | United States | 18,565,786 | 18,607,279 |
| GNMA II, Single-family, 30 Year, 6%, 1/20/55 - 6/20/55 | United States | 39,372,055 | 39,992,393 |
| | | | 58,599,672 |
| Total Mortgage-Backed Securities (Cost \$194,760,336) | | | 196,359,091 |
| | | Shares | |
| Escrows and Litigation Trusts 0.0% | | | |
| ^{a,k} Endo, Inc., Escrow Account. | United States | 12,929,000 | — |
| Total Escrows and Litigation Trusts (Cost \$—) | | | — |
| Total Long Term Investments (Cost \$2,877,722,535) | | | 3,087,116,694 |
| Short Term Investments 2.2% | | | |
| | Country | Principal Amount [†] | Value |
| U.S. Government and Agency Securities 1.6% | | | |
| ^l U.S. Treasury Bills, 3.63%, 7/08/25 | United States | 50,000,000 | 49,959,750 |
| Total U.S. Government and Agency Securities (Cost \$49,959,152) | | | 49,959,750 |
| | | Shares | |
| Money Market Funds 0.4% | | | |
| ^{l,m} Institutional Fiduciary Trust - Money Market Portfolio, 4.332% .. | United States | 11,474,053 | 11,474,053 |
| Total Money Market Funds (Cost \$11,474,053) | | | 11,474,053 |

Franklin Income VIP Fund (continued)

Short Term Investments (continued)

| | Country | Shares | Value |
|---|---------------|-----------|------------------------|
| ⁿInvestments from Cash Collateral Received for | | | |
| Loaned Securities 0.2% | | | |
| Money Market Funds 0.2% | | | |
| ^{l,m} Institutional Fiduciary Trust - Money Market Portfolio, 4.332% . . . | United States | 6,884,000 | \$6,884,000 |
| Total Investments from Cash Collateral Received for Loaned Securities | | | |
| (Cost \$6,884,000) | | | 6,884,000 |
| Total Short Term Investments (Cost \$68,317,205) | | | 68,317,803 |
| Total Investments (Cost \$2,946,039,740) 99.8% | | | \$3,155,434,497 |
| Other Assets, less Liabilities 0.2% | | | 6,087,406 |
| Net Assets 100.0% | | | \$3,161,521,903 |

See Abbreviations on page 28.

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

^aNon-income producing.

^bSee Note 1(d) regarding equity-linked securities.

^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 \$1,147,975,308, representing 36.3% of net assets.

^dPerpetual security with no stated maturity date.

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

^fIncome may be received in additional securities and/or cash.

^gA portion or all of the security purchased on a delayed delivery basis. See Note 1(b).

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

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

^jThe rate shown represents the yield at period end.

^kFair valued using significant unobservable inputs. See Note 9 regarding fair value measurements.

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

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

ⁿSee Note 1(e) regarding securities on loan.

Statement of Assets and Liabilities

June 30, 2025 (unaudited)

Franklin Income VIP Fund

Assets:

Investments in securities:

| | |
|--|-----------------|
| Cost - Unaffiliated issuers | \$2,927,681,687 |
| Cost - Non-controlled affiliates (Note 3e) | 18,358,053 |

| | |
|--|-----------------|
| Value - Unaffiliated issuers (Includes securities loaned of \$7,288,775) | \$3,137,076,444 |
| Value - Non-controlled affiliates (Note 3e) | 18,358,053 |

| | |
|----------------|-----------|
| Cash | 1,373,359 |
|----------------|-----------|

Receivables:

| | |
|---|------------|
| Investment securities sold | 53,279 |
| Capital shares sold | 5,352,341 |
| Dividends and interest | 21,606,479 |
| European Union tax reclaims (Note 1g) | 1,663,095 |

| | |
|------------------------|---------------|
| Total assets | 3,185,483,050 |
|------------------------|---------------|

Liabilities:

Payables:

| | |
|---|------------|
| Investment securities purchased | 13,901,787 |
| Capital shares redeemed | 1,334,256 |
| Management fees | 1,162,973 |
| Distribution fees | 605,252 |
| Trustees' fees and expenses | 1,912 |

| | |
|--|-----------|
| Payable upon return of securities loaned (Note 1e) | 6,884,000 |
|--|-----------|

| | |
|---|-----|
| Unrealized depreciation on unfunded loan commitments (Note 7) | 191 |
|---|-----|

| | |
|--|--------|
| Accrued expenses and other liabilities | 70,776 |
|--|--------|

| | |
|-----------------------------|------------|
| Total liabilities | 23,961,147 |
|-----------------------------|------------|

| | |
|--------------------------------|-----------------|
| Net assets, at value | \$3,161,521,903 |
|--------------------------------|-----------------|

Net assets consist of:

| | |
|---------------------------|-----------------|
| Paid-in capital | \$2,882,901,483 |
|---------------------------|-----------------|

| | |
|---|-------------|
| Total distributable earnings (losses) | 278,620,420 |
|---|-------------|

| | |
|--------------------------------|-----------------|
| Net assets, at value | \$3,161,521,903 |
|--------------------------------|-----------------|

Franklin Income VIP Fund

Class 1:

| | |
|--------------------------------|---------------|
| Net assets, at value | \$319,853,757 |
| Shares outstanding | 21,386,887 |

| | |
|---|---------|
| Net asset value and maximum offering price per share ^a | \$14.96 |
|---|---------|

Class 2:

| | |
|--------------------------------|-----------------|
| Net assets, at value | \$2,464,697,971 |
| Shares outstanding | 173,936,812 |

| | |
|---|---------|
| Net asset value and maximum offering price per share ^a | \$14.17 |
|---|---------|

Class 4:

| | |
|--------------------------------|---------------|
| Net assets, at value | \$376,970,175 |
| Shares outstanding | 25,633,403 |

| | |
|---|---------|
| Net asset value and maximum offering price per share ^a | \$14.71 |
|---|---------|

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

Statement of Operations

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

| | Franklin Income VIP Fund |
|---|-----------------------------|
| Investment income: | |
| Dividends: (net of foreign taxes of \$315,432) | |
| Unaffiliated issuers | \$18,603,392 |
| Non-controlled affiliates (Note 3e) | 672,301 |
| Interest: | |
| Unaffiliated issuers | 51,454,274 |
| Income from securities loaned: | |
| Unaffiliated entities (net of fees and rebates) | (92,805) |
| Non-controlled affiliates (Note 3e) | 137,307 |
| Other income (Note 1g) | 2,776 |
| Total investment income | 70,777,245 |
| Expenses: | |
| Management fees (Note 3a) | 7,062,187 |
| Distribution fees: (Note 3c) | |
| Class 2 | 3,011,407 |
| Class 4 | 641,397 |
| Custodian fees | 9,441 |
| Reports to shareholders fees | 12,610 |
| Professional fees | 48,435 |
| Trustees' fees and expenses | 17,814 |
| Other | 55,713 |
| Total expenses | 10,859,004 |
| Expenses waived/paid by affiliates (Note 3e) | (71,560) |
| Net expenses | 10,787,444 |
| Net investment income | 59,989,801 |
| Realized and unrealized gains (losses): | |
| Net realized gain (loss) from: | |
| Investments: | |
| Unaffiliated issuers | 24,251,012 |
| Net change in unrealized appreciation (depreciation) on: | |
| Investments: | |
| Unaffiliated issuers | 73,327,590 |
| Translation of other assets and liabilities denominated in foreign currencies | 218,229 |
| Unfunded loan commitments (Note 7) | (191) |
| Net change in unrealized appreciation (depreciation) | 73,545,628 |
| Net realized and unrealized gain (loss) | 97,796,640 |
| Net increase (decrease) in net assets resulting from operations | \$157,786,441 |

Statements of Changes in Net Assets

| | Franklin Income VIP Fund | |
|---|--|---------------------------------|
| | Six Months Ended June 30, 2025 (unaudited) | Year Ended December 31, 2024 |
| Increase (decrease) in net assets: | | |
| Operations: | | |
| Net investment income | \$59,989,801 | \$128,502,262 |
| Net realized gain (loss) | 24,251,012 | 72,495,556 |
| Net change in unrealized appreciation (depreciation) | 73,545,628 | 20,610,074 |
| Net increase (decrease) in net assets resulting from operations | 157,786,441 | 221,607,892 |
| Distributions to shareholders: | | |
| Class 1 | (19,293,764) | (16,729,510) |
| Class 2 | (151,222,313) | (141,660,042) |
| Class 4 | (22,018,717) | (19,161,630) |
| Total distributions to shareholders | (192,534,794) | (177,551,182) |
| Capital share transactions: (Note 2) | | |
| Class 1 | 14,499,032 | 12,405,411 |
| Class 2 | 29,523,519 | (116,766,420) |
| Class 4 | 10,023,069 | 12,330,730 |
| Total capital share transactions | 54,045,620 | (92,030,279) |
| Net increase (decrease) in net assets | 19,297,267 | (47,973,569) |
| Net assets: | | |
| Beginning of period | 3,142,224,636 | 3,190,198,205 |
| End of period | \$3,161,521,903 | \$3,142,224,636 |

Notes to Financial Statements (unaudited)

Franklin Income 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 Income VIP Fund (Fund) is included in this report. Shares of the Fund are generally sold only to insurance company separate accounts to fund the benefits of variable life insurance policies or variable annuity contracts. The Fund offers three classes of shares: Class 1, Class 2 and Class 4. Each class of shares may differ by its distribution fees, voting rights on matters affecting a single class and its exchange privilege.

The following summarizes the Fund's significant accounting policies.

a. Financial Instrument Valuation

The Fund's investments in financial instruments are carried at fair value daily. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants on the measurement date. The Fund calculates the net asset value (NAV) per share each business day as of 4 p.m. Eastern time or the regularly scheduled close of the New York Stock Exchange (NYSE), whichever is earlier. Under compliance policies and procedures approved by the Trust's Board of Trustees (the Board), the 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.

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. Securities denominated in a foreign currency are converted into their U.S. dollar equivalent at the foreign exchange rate in effect at 4 p.m. Eastern time on the date that the values of the foreign debt securities are determined.

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.

Franklin Income VIP Fund (continued)

1. Organization and Significant Accounting Policies (continued)

a. Financial Instrument Valuation (continued)

Trading in securities on foreign securities stock exchanges and OTC markets may be completed before 4 p.m. Eastern time. In addition, trading in certain foreign markets may not take place on every Fund's business day. Events can occur between the time at which trading in a foreign security is completed and 4 p.m. Eastern time that might call into question the reliability of the value of a portfolio security held by the Fund. As a result, differences may arise between the value of the Fund's portfolio securities as determined at the foreign market close and the latest indications of value at 4 p.m. Eastern time. In order to minimize the potential for these differences, an independent pricing service may be used to adjust the value of the Fund's portfolio securities to the latest indications of fair value at 4 p.m. Eastern time.

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. Securities Purchased on a When-Issued, Forward Commitment or Delayed Delivery Basis

The Fund may purchase securities on a when-issued, forward commitment or delayed delivery basis, with payment and delivery scheduled for a future date. These transactions are subject to market fluctuations and are subject to the risk that the value at delivery may be more or less than the trade date purchase price. Although the Fund will generally purchase these securities with the intention of holding the securities, it may sell the securities before the settlement date.

c. 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.

d. Equity-Linked Securities

The Fund invests in equity-linked securities. Equity-linked securities are hybrid financial instruments that generally combine both debt and equity characteristics into a single note form. Income received from equity-linked securities is recorded as realized gains in the Statement of Operations and may be based on the performance of an underlying equity security, an equity index, or an option position. The risks of investing in equity-linked securities include unfavorable price movements in the underlying security and the credit risk of the issuing financial institution. There may be no guarantee of a return of principal with equity-linked securities and the appreciation potential may be limited. Equity-linked securities may be more volatile and less liquid than other investments held by the Fund.

Franklin Income 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. Additionally, at June 30, 2025, the Fund held \$694,268 in U.S. Government and Agency securities as collateral. These securities are held as collateral in segregated accounts with the Fund's custodian. The Fund cannot repledge or resell these securities held as collateral. As such, the non-cash collateral is excluded from the Statement of Assets and Liabilities. 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.

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 Secured Overnight Financing Rate (SOFR). Senior secured corporate loans often require prepayment of principal from excess cash flows or at the discretion of the borrower. As a result, actual maturity may be substantially

less than the stated maturity. Senior secured corporate loans in which the Fund invests are generally readily marketable, but may be subject to certain restrictions on resale.

g. Income and Deferred Taxes

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

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

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

The Fund may recognize an income tax liability related to its uncertain tax positions under U.S. GAAP when the uncertain tax position has a less than 50% probability that it will be sustained upon examination by the tax authorities based on its technical merits. As of June 30, 2025, the Fund has determined that no tax liability is required in its financial statements related to uncertain tax positions for any open

Franklin Income VIP Fund (continued)

1. Organization and Significant Accounting Policies (continued)

g. Income and Deferred Taxes (continued)

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.

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 (including interest income from payment-in-kind securities, if any) 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. The Fund may receive other income from investments in senior secured corporate loans or unfunded commitments, including amendment fees, consent fees or commitment fees. These fees are recorded as income when received by the Fund. Facility fees are recognized as income over the expected term of the loan. 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.

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.

Franklin Income 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 1 Shares: | | | | |
| Shares sold | 443,390 | \$6,778,908 | 1,183,735 | \$17,865,510 |
| Shares issued in reinvestment of distributions | 1,307,165 | 19,293,764 | 1,152,170 | 16,729,510 |
| Shares redeemed | (764,287) | (11,573,640) | (1,472,487) | (22,189,609) |
| Net increase (decrease) | 986,268 | \$14,499,032 | 863,418 | \$12,405,411 |
| Class 2 Shares: | | | | |
| Shares sold | 7,136,924 | \$103,653,692 | 9,812,811 | \$141,106,886 |
| Shares issued in reinvestment of distributions | 10,809,315 | 151,222,313 | 10,265,220 | 141,660,042 |
| Shares redeemed | (15,600,414) | (225,352,486) | (27,814,220) | (399,533,348) |
| Net increase (decrease) | 2,345,825 | \$29,523,519 | (7,736,189) | \$(116,766,420) |
| Class 4 Shares: | | | | |
| Shares sold | 1,194,724 | \$17,986,317 | 3,067,878 | \$45,695,339 |
| Shares issued in reinvestment of distributions | 1,516,441 | 22,018,717 | 1,339,974 | 19,161,630 |
| Shares redeemed | (1,995,553) | (29,981,965) | (3,540,719) | (52,526,239) |
| Net increase (decrease) | 715,612 | \$10,023,069 | 867,133 | \$12,330,730 |

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 |
|---------------------|---|
| 0.625% | 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 |

Franklin Income VIP Fund (continued)

3. Transactions with Affiliates (continued)

a. Management Fees (continued)

For the period ended June 30, 2025, the annualized gross effective investment management fee rate was 0.458% 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.

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 Income VIP Fund | | | | | | | | |
| Non-Controlled Affiliates | | | | | | | | |
| | | | | | | | | Dividends |
| Institutional Fiduciary Trust - Money Market Portfolio, 4.332% | \$71,500,603 | \$442,952,404 | \$(502,978,954) | \$— | \$— | \$11,474,053 | 11,474,053 | \$672,301 |
| Non-Controlled Affiliates | | | | | | | | |
| | | | | | | | | Income from securities loaned |
| Institutional Fiduciary Trust - Money Market Portfolio, 4.332% | \$2,784,000 | \$67,417,000 | \$(63,317,000) | \$— | \$— | \$6,884,000 | 6,884,000 | \$137,307 |
| Total Affiliated Securities . . . | \$74,284,603 | \$510,369,404 | \$(566,295,954) | \$— | \$— | \$18,358,053 | | \$809,608 |

Franklin Income VIP Fund (continued)

4. Income Taxes

At June 30, 2025, the cost of investments and net unrealized appreciation (depreciation) for income tax purposes were as follows:

| | |
|--|-----------------|
| Cost of investments | \$2,950,519,673 |
| Unrealized appreciation | \$321,015,271 |
| Unrealized depreciation | (116,100,447) |
| Net unrealized appreciation (depreciation) | \$204,914,824 |

Differences between income and/or capital gains as determined on a book basis and a tax basis are primarily due to differing treatments of EU reclaims, bond discounts and premiums and equity-linked securities.

5. Investment Transactions

Purchases and sales of investments (excluding short term securities) for the period ended June 30, 2025, aggregated \$720,725,865 and \$758,880,680, respectively.

At June 30, 2025, in connection with securities lending transactions, the Fund loaned corporate bonds and received \$6,884,000 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 Risk

At June 30, 2025, the Fund had 22.4% of its portfolio invested in high yield securities, senior secured floating rate loans, or other securities rated below investment grade and unrated securities. These securities may be more sensitive to economic conditions causing greater price volatility and are potentially subject to a greater risk of loss due to default than higher rated securities.

7. Unfunded Loan Commitments

The Fund enters into certain credit agreements, all or a portion of which may be unfunded. The Fund is obligated to fund these loan commitments at the borrowers' discretion. Unfunded loan commitments and funded portions of credit agreements are marked to market daily and any unrealized appreciation or depreciation is included in the Statement of Assets and Liabilities and the Statement of Operations. Funded portions of credit agreements are presented in the Schedule of Investments.

At June 30, 2025, unfunded commitments were as follows:

| Borrower | Unfunded Commitment |
|---------------------------------------|---------------------|
| Franklin Income VIP Fund | |
| Clydesdale Acquisition Holdings, Inc. | \$68,729 |
| | <u>\$68,729</u> |

8. Credit Facility

The Fund, together with other U.S. registered and foreign investment funds (collectively, Borrowers), managed by Franklin Templeton, are borrowers in a joint syndicated senior unsecured credit facility totaling \$2.995 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.

Franklin Income VIP Fund (continued)

8. Credit Facility (continued)

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.

9. Fair Value Measurements

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

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

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

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

| | Level 1 | Level 2 | Level 3 | Total |
|---|-----------------|-----------------|----------------|-----------------|
| Franklin Income VIP Fund | | | | |
| Assets: | | | | |
| Investments in Securities: ^a | | | | |
| Common Stocks | \$1,045,601,528 | \$— | \$— | \$1,045,601,528 |
| Equity-Linked Securities | — | 501,621,662 | — | 501,621,662 |
| Convertible Preferred Stocks: | | | | |
| Aerospace & Defense | 16,320,000 | — | — | 16,320,000 |
| Capital Markets | 2,650,000 | — | — | 2,650,000 |
| Chemicals | 7,383,000 | — | — | 7,383,000 |
| Electric Utilities | 2,212,500 | — | — | 2,212,500 |
| Financial Services | — | 22,800,000 | — | 22,800,000 |
| Convertible Bonds | — | 3,526,250 | — | 3,526,250 |
| Corporate Bonds | — | 1,108,069,970 | — | 1,108,069,970 |
| Senior Floating Rate Interests | — | 18,811,199 | — | 18,811,199 |
| U.S. Government and Agency Securities | — | 151,541,583 | — | 151,541,583 |
| Asset-Backed Securities | — | 10,219,911 | — | 10,219,911 |
| Mortgage-Backed Securities | — | 196,359,091 | — | 196,359,091 |
| Escrows and Litigation Trusts | — | — | — ^b | — |
| Short Term Investments | 18,358,053 | 49,959,750 | — | 68,317,803 |
| Total Investments in Securities | \$1,092,525,081 | \$2,062,909,416 | \$— | \$3,155,434,497 |
| Liabilities: | | | | |
| Other Financial Instruments: | | | | |
| Unfunded Loan Commitments | \$— | \$191 | \$— | \$191 |
| Total Other Financial Instruments | \$— | \$191 | \$— | \$191 |

^aFor detailed categories, see the accompanying Schedule of Investments.

^bIncludes financial instruments determined to have no value.

Franklin Income VIP Fund (continued)

9. 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 period.

10. 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.

11. 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.

12. 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 |
| CME | Chicago Mercantile Exchange |
| FHLMC | Federal Home Loan Mortgage Corp. |
| FNMA | Federal National Mortgage Association |
| FRN | Floating Rate Note |
| GNMA | Government National Mortgage Association |
| PIK | Payment-In-Kind |
| REIT | Real Estate Investment Trust |
| SOFR | Secured Overnight Financing Rate |

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 Income 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 evolving changes in domestic policy and 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 flexible portfolio funds underlying variable insurance products (VIPs). The Board noted that the Fund's annualized income return for the one-, three-, five- and 10-year periods was above the median and in the first (best) quintile of its Performance Universe. The Board also 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 management's view regarding the income-related attributes of the Fund (e.g., a fund's investment objective) as set forth in the Fund's registration statement and that the evaluation of the Fund's performance relative to its peers on an income return basis was appropriate given these attributes. The Board also noted that, although below the median, the Fund's annualized total return was 7.46% for the one-year period. The Board concluded that the Fund's performance was satisfactory.

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 eight other flexible portfolio 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 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 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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**FRANKLIN
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